

Fisher Communications, Inc.

> Fisher Annual Report 02

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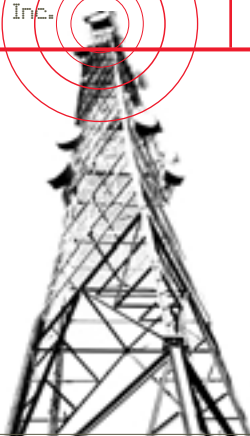
Fisher
Communications,
Inc.

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Annual Report / 10-K

YEAR:

2002



Dear Shareholders

> **Hopes for a profitable 2002 did not materialize. Consolidated net loss was \$.23 a share in 2002. This includes gains on sale of real estate and net gain on derivative instruments. If, for purposes of comparison with 2001 results, the real estate and derivative gains, as well as a charge for expensing deferred loan costs in connection with refinancing of debt, were excluded from 2002 results, the net loss per share would have been \$1.35, compared with a \$.96 per share loss reported in 2001.**

The broad context for Fisher's performance and that of many other Northwest companies is a faltering national economy and an even weaker regional economy. Nationally, consumer confidence continued to wane, and in late February 2003 hit a nine-year low due to lack of job creation, a wary stock market, fear of terrorism, and a possible war with Iraq. These pressures are reflected in significantly reduced advertising and one of the worst downturns in the history of the broadcasting industry. Here in the Puget Sound region, employment is predicted to move sideways for the rest of the year, and regional employment is not expected to reach its pre-recession level until 2005. State unemployment levels at the end of January 2003 showed Oregon and Washington ranking second and third in the nation. Given that Fisher Communications' financial performance is largely dependent on advertising spending driven by the national and Pacific Northwest economies, our recovery will take time.

With these external conditions as a backdrop, I am convinced the best course of action is to continue implementing our restructuring plan with speed and determination. Following is an overview of the company's changing focus over the last four years, the progress to date on managing the business drivers that we believe we can influence, and a look forward to what we will attempt to accomplish in 2003. In particular, we will address

the cornerstones of our restructuring program: concentrating on our core businesses; increasing the revenue base; streamlining operations and controlling expenses; and selling selected assets to pay down debt.

Concentrating on Core Businesses In Fisher's 1999 annual report I stated that "Fisher is focusing its efforts and resources on becoming a fully integrated communications and media company." So began a series of actions involving the acquisition of 11 television stations in 1999, sale of Fisher's legacy flour milling businesses in 2001, construction of Fisher Plaza, and the sale of commercial real estate and other selected assets in 2002 and 2003.

During this same period, we began restructuring the corporation to increase efficiency and effectiveness. The name change from Fisher Companies Inc. to Fisher Communications, Inc. signaled the move from a holding company structure to a single corporate entity with operating subsidiaries. Eliminated in this process were the boards of directors of the three operating companies: Fisher Properties, Fisher Mills, and Fisher Broadcasting. At the same time, as we look to eliminate unnecessary processes and reduce overhead, we also must focus on our business operations where sustained profitability can be created.

Increasing the Revenue Base Revenue is the lifeblood of all commercial enterprises, but especially critical to those with high fixed costs. Unlike businesses that are able to reduce production when confronted with declining sales, our broadcasting services must be maintained continuously, without curtailment, regardless of the level of our advertising revenue. It takes a lot of people, capital, and equipment to run broadcasting stations effectively. Station management is working hard to recruit and train salespeople who understand that commitment, and who can thrive in our

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competitive markets. In addition, for stations to be financially successful, they must be seen as valued members of their local communities. Fisher is committed to producing quality local programming that includes talent and features not available on competing stations, as well as developing formats that help create strong and enduring market positions.

So, in April 2002, Fisher Communications decided to enter into a six-year agreement with the Baseball Club of Seattle for play-by-play broadcasts of Seattle Mariners baseball on KOMO AM. An important aspect of this decision was that Fisher's local and regional radio and television interests parallel the fan base of Seattle Mariners baseball. To gain the most from broadcasting Mariners baseball, we simultaneously conducted research to determine the optimal format for creating additional value in terms of rating, share, and came from this exclusive programming. An all-news radio format emerged as the clear winner, which we believe is capable of producing substantial additional revenue over the coming years through audience "recycling" into adjacent time periods on KOMO AM and to complementary assets such as our other Seattle stations, KOMO TV, KVI AM, and KPLZ FM. The goal of these program and format changes is to propel KOMO AM from a ranking of 18th among all radio stations in the Seattle market to a leadership position among the market's top ten, where it would join the company of its sister AM station, KVI.

Fisher Plaza represents another major investment in our broadcasting operations and an important source of additional revenue for the company. Several years ago, Fisher was faced with the need for updated broadcasting facilities in Seattle to accommodate digital broadcasting requirements. The options were to spend approximately \$60 million on a new studio building that would upgrade

and support our broadcasting businesses, or spend roughly twice that amount and create expanded digital facilities and a flexible digital hub, plus seek to produce a return on the total investment by offering office and technology space to companies with similar technological requirements.

With the second phase complete except for tenant improvements, we believe that both these objectives can be met. KOMO TV and our three Seattle radio stations now reside in the East Building and work closely together. The 200,000-square-foot East Building is now near full occupancy by Fisher operations and third-party tenants. We are currently in discussion with numerous prospects to occupy much of the 100,000 square feet of available space in the recently completed West Building.

Streamlining Operations and Controlling Expenses Making operations more efficient and controlling costs are two sides of the same coin. Rest assured that the company is constantly seeking to reduce all expenses. But it is in the modification of structure that we expect to see the most immediate and long-term benefits to the company.

Since broadcasting is our central business, it's vitally important that the supporting processes and management are as efficient as possible. Accordingly, we are in the process of initiating an upstream merger of Fisher Broadcasting Company into Fisher Communications. This consolidation will entail the transfer of some personnel and functions to corporate, and others into the various operating units. In addition, Fisher's corporate functions will move from downtown Seattle to Fisher Plaza.

We expect to discontinue operations of Fisher's other two subsidiaries – Fisher Properties and Fisher Media Services – and to sell the remaining two commercial properties, West Lake Union

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Letter to Shareholders
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Center and Fisher Business Center, during 2003. The property management operation will be sold or shut down by the end of the year. The remaining media services businesses, including Fisher Entertainment, Fisher Pathways, and Civia, will be sold, absorbed, or shut down. Ownership and day-to-day management of Fisher Plaza will be moved from Media Services to Fisher Communications.

Selling Selected Assets In November of 2001, we announced the intended sale of Fisher's commercial real estate properties. When, early in 2002, it became evident that offers for the portfolio of assets were below the value we believed appropriate, we began considering offers for individual properties. To date, we have sold the Marina Mart group of properties on Lake Union in Seattle, the Fisher Industrial Park and the Fisher Commerce Center in Kent, Washington, and Fisher's Industrial Technology Center in Auburn, Washington. All these sales have been at prices commensurate with our original expectations. Two properties remain: Fisher Business Center in Lynnwood, Washington, and West Lake Union Center in Seattle.

In January 2003, we announced the signing of an agreement to sell Fisher's two Fox-affiliated Georgia television stations: WFXG in Augusta and WTX in Columbus. Upon closing of the sale, all of Fisher's broadcasting stations will be located in Washington, Oregon, Idaho, and Montana. In

February 2003, we sold our common stock holdings of the Weyerhaeuser Company and Terabeam Corporation.

With these transactions and additional sales of selected assets, our goal is to reduce Fisher's long-term debt by approximately one half during 2003. As of this writing, we have reduced borrowings by more than \$20 million since year-end 2002.

I trust that this discussion of the challenges undergone and the outline of changes implemented in 2002 and early 2003 have provided some detail and insight into the restructuring plan announced earlier, on February 12, 2003. I am determined to continue making the adjustments necessary to ensure Fisher's ongoing success.

Fisher's annual meeting of shareholders will be held on April 24 at Fisher Plaza. Please join us at 10 a.m. for a review and discussion of 2002 and your company's future.

Sincerely,



William W. Krippaehne Jr.
President and Chief Executive Officer
March 14, 2003

Some of the statements in this Annual Report are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include all passages containing verbs such as "aims, anticipates, believes, estimates, expects, hopes, intends, plans, predicts, projects, or targets" or nouns corresponding to such verbs. Forward-looking statements also include any other passages that are primarily relevant to expected future events or that can only be fully evaluated by events that will occur in the future. Forward-looking statements in this Annual Report include, without limitation, the statement that a goal of Fisher Communications, Inc. (the "Company") is to reduce its long-term debt by approximately one half during 2003, the belief that the all-news format of KOMO AM is capable of producing substantial additional revenue over the coming years through audience "recycling" into adjacent time periods and to complementary assets such as other company-owned radio and television stations, the goal of propelling KOMO AM to a leadership position among the Seattle market's top five radio stations, the statement that we are in the process of initiating an upstream merger of Fisher Broadcasting Company into Fisher Communications, the statement that we believe we can meet our objectives to create a flexible digital hub and produce a return on total investment in Fisher Plaza, the statement that we expect to sell West Lake Union Center and Fisher Business Center plus the property management operation by the end of 2003, the statement that Fisher Entertainment, Fisher Pathways, and Civia will be sold or absorbed into broadcasting operations, and the statement that upon the closing of the sale of the Georgia stations all of Fisher's broadcasting stations will be located in Washington, Oregon, Idaho, and Montana. There are many risks and uncertainties that could cause actual results to differ materially from those predicted in our forward-looking statements. Without limitation, these factors include the following: the Company may be unable to generate sufficient cash flow or sell assets to significantly decrease its debt load due to the weak economy in the Northwest and the possible continued weak performance of the ABC television network, the all-news format of KOMO AM may not attract a sufficient audience to attract the advertising needed to produce substantial additional revenue, KOMO AM's all-news format may fail to attract the audience necessary to propel it into a leadership position, we may determine there are regulatory or contractual restrictions which may cause us to choose not to consummate an upstream merger of Fisher Broadcasting Company into Fisher Communications, the Company may be unable to realize its objectives with respect to Fisher Plaza due to the recession in telecom and high-tech segments of the economy and the poor market for commercial rental property in Seattle, the Company may be unable to find buyers for its commercial properties and property management operations due to the weak commercial property market in the Puget Sound area, we may be unable to sell Fisher Entertainment, Fisher Pathways, and Civia if we are unable to identify suitable, willing buyers, we may be unable to close the sale of the Georgia stations if we do not obtain FCC approval, necessary consents are not received, or other conditions to closing are not satisfied, and the risk that if the Georgia stations are not sold not all of our broadcasting stations will be located in Washington, Oregon, Idaho, and Montana. Other factors that could cause actual results to differ materially from those predicted in our forward-looking statements are set out in the Company's reports filed with the SEC, including its Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.

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Fisher Communications, Inc.

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OFFICERS

William W. Krippaehne Jr.
President & CEO

Warren J. Spector
Executive Vice President &
COO

David D. Hillard
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Chief Financial Officer
Assistant Secretary

Sharon J. Johnston
Senior Vice President
Corporate Secretary

Mel L. Martin
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Chief Research Officer

Mark A. Weed
Senior Vice President
Chief Property Officer

Christopher G. Wheeler
Senior Vice President
Chief Communications Officer

Laura J. Boyd
Vice President
Human Resources

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Benjamin W. Tucker
President
Fisher Broadcasting Company

Mark A. Weed
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Fisher Properties Inc.

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and Retired President of its
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Insurance Companies

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Retired Executive Vice
President – Marketing
Fisher Broadcasting Company

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Landscape design
and community affairs

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Chairman of the Board
Retired Chairman & CEO
of the Corporation

Donald G. Graham, III
Commercial photography

W. W. Krippaehne Jr.
President & CEO of the
Corporation

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Community affairs

Jacklyn F. Meurk
Community and business
affairs, including Virginia Mason
Medical Center Board of
Governors & Virginia Mason
Foundation

Jerry A. St. Dennis
Cascade Investment, L.L.C.

George F. Warren, Jr.
Business affairs and land
development

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Professor of Physics
Director, W. M. Keck Nuclear
Magnetic Resonance
Laboratory, Oregon State
University

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Jacklyn F. Meurk
William W. Warren, Jr.

Nominating Committee
Phelps K. Fisher
Chairman

Donald G. Graham, Jr.
Jean F. McTavish
Jacklyn F. Meurk
William W. Warren, Jr.

SHAREHOLDER INFORMATION

Investor Relations
For further information on the
company, additional copies of
this report, Form 10-K, or other
financial information, contact:
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You may also contact us
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or by visiting the company's
Web site at www.fsci.com.

Online Annual Report
We invite you to visit our online
annual report at www.fsci.com.

Transfer Agent and Registrar
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New York, a division of
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Jersey City, NJ 07303
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impaired)

Independent Accountants
PricewaterhouseCoopers LLP
Seattle, WA

General Counsel
Graham & Dunn PC

SEC Counsel
Perkins Coie LLP

Notice of Annual Meeting
Fisher Plaza
Seattle, WA
April 24, 2003
10 a.m. Pacific Time



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SECTION:

Corporate Information

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98101