THE WASHINGTON POST COMPANY

1992 ANNUAL REPORT

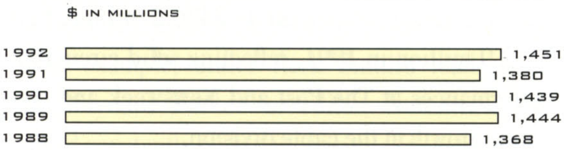
CONTENTS

FINANCIAL HIGHLIGHTS

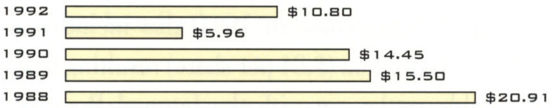
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	1992	1991	% CHANGE
Operating revenues	$1,450,867	$1,380,261	+5%
Income from operations	$ 232,112	$ 192,866	+20%
Net income			
Before cumulative effect of change in accounting principle in 1991*	$ 127,796	$ 118,721	+8%
After cumulative effect of change in accounting principle in 1991*	$ 127,796	$ 70,824	+80%
Earnings per share			
Before cumulative effect of change in accounting principle in 1991*	$ 10.80	$ 10.00	+8%
After cumulative effect of change in accounting principle in 1991*	$ 10.80	$ 5.96	+81%
Dividends per share	$ 4.20	$ 4.20	–
Shareholders' equity per share	$ 84.17	$ 78.12	+8%
Average number of shares outstanding	11,830	11,876	–

* *The cumulative effect of a change in the method of accounting for postretirement benefits other than pensions was recognized at the beginning of 1991.*

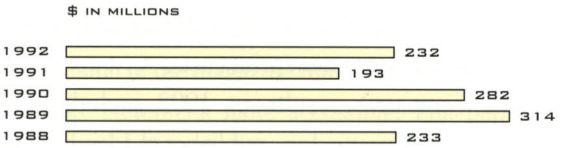
OPERATING REVENUES



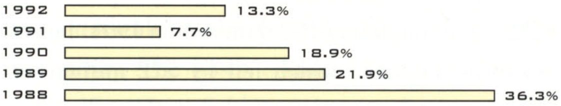
EARNINGS PER SHARE



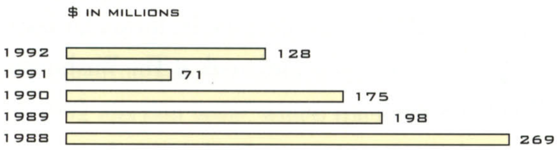
OPERATING INCOME



RETURN ON AVERAGE SHAREHOLDERS' EQUITY



NET INCOME



TO OUR SHAREHOLDERS

The Washington Post Company had a better year in 1992 than in 1991. All of the company's major operating units reported improved results. Newsweek turned in an especially strong performance, achieving a 163 percent gain in operating income.

For the company as a whole, net income rose to $127.8 million ($10.80 per share), up 80.4 percent from net income of $70.8 million ($5.96 per share) in 1991. However, a number of one-time charges and credits are included in the 1991 figures and should be taken into account when measuring the company's performance in 1992.

Specifically, 1991 earnings included a one-time, after-tax charge of $47.9 million ($4.04 per share) relating to a change in accounting for certain employee postretirement benefits, and a one-time, after-tax charge of $3.5 million ($.30 per share) for severance and related costs resulting from a voluntary reduction in staff at The Washington Post newspaper. Net income in 1991 also included a credit of $10 million ($.84 per share) resulting from a favorable settlement with the Internal Revenue Service. Excluding these one-time charges and credits in 1991, net income for 1992 increased 13.9 percent.

Operating income for 1992 rose 20.3 percent to $232.1 million, from $192.9 million in 1991. Lower newsprint expense, which fell by $22 million, or 18.8 percent, was a major factor in the gain. This benefit is ephemeral and will erode in 1993.

Revenue for 1992 totaled $1.451 billion, an increase of 5.1 percent from $1.380 billion the previous year. Advertising remained anemic. Although advertising revenue rose 5.1 percent to $895.6 million, from $852.4 million the previous year, volume in most divisions was flat or down.

Softness in the Washington market persisted in 1992. Total Washington Post advertising inches (not including preprints) declined 3.8 percent, with retail advertising especially weak. Despite the downturn in volume, The Post registered a 3.7 percent gain in advertising revenue.

Post-Newsweek television stations also battled recessionary local economies in all four markets. In addition, Hurricane Andrew caused a loss of ad dollars at WPLG in Miami, as national advertisers temporarily withdrew from the market in the wake of the storm. WDIV in Detroit had lower revenue from sports programming. These losses were partially offset by $6.8 million in political advertising, and the division's revenue was down slightly for the year.

Newsweek posted a significant increase in advertising volume and revenue. Cable advertising revenue rose 17 percent to $7 million.

The company's circulation and subscriber revenue increased 5.6 percent to $436.2 million, from $412.9 million in 1991, reflecting solid circulation performances at The Post and Newsweek and continued growth at the cable division.

Expense control continues to receive the full, acute attention of every Washington Post Company manager — and, indeed, every employee. Total expenses rose only 2.6 percent in 1992, again reflecting in part the lower newsprint costs.

The company's results in 1992 include The Gaithersburg Gazette, Inc., publisher of 14 suburban weekly newspapers; and Pro Am Sports System (PASS), a Detroit-area cable sports network acquired in November, as well as other smaller acquisitions. Results in 1992 also reflect the inclusion for bookkeeping purposes of a 53rd week at The Washington Post newspaper.

The company's equity in earnings of affiliates for 1992 was a loss of $11.7 million, compared with a loss of $1.9 million in 1991. Continued weakness at the company's newsprint manufacturing affiliates was the major contributor to the loss.

LOOKING AHEAD, we believe the company's future will depend primarily upon three factors: how well we manage our existing businesses, how well we invest the cash they generate and, more generally, how well we navigate through the currents of change that are transforming the media industry. We would like to explore these subjects in the remainder of this letter.

THE QUALITY OF LEADERSHIP provided by division managers is key to the performance of existing businesses. The role of division heads is critical. Bill Ryan at Post-Newsweek Stations, Rick Smith at Newsweek and Howard Wall at Post-Newsweek Cable are intensely focused leaders who live and breathe their operations. Each is passionately committed both to high quality and low costs, two core values of the company. Each has shown a willingness constantly to probe traditional businesses and move aggressively to renew and advance them.

For example, under Rick Smith's leadership, with Maynard Parker as editor, Newsweek has evolved constantly — but incrementally — to anticipate the needs of readers. New editorial departments, such as "The Family" and "Newsweek Just for Kids!?!," have been introduced in recent years. Changes in layout and organization — including the division of the magazine into six general sections — make Newsweek more accessible. The popular and much-imitated "Perspectives" section and "Conventional Wisdom Watch" reflect Newsweek's conviction that readers can be entertained while being informed.

Newsweek also is determined to move quickly to seize opportunities. For instance, Newsweek's special 1992 election issue, which tracked behind the scenes each candidate's campaign from the primaries through the election, was published just 36 hours after the polls closed.

The result is a dynamic magazine with an exceptionally loyal subscriber base. Newsweek's renewals are at the highest level in years, and Newsweek sells more longer-term subscriptions than its competitors.

Advertisers have recognized — and responded to — Newsweek's quality and vitality. In a marketplace characterized by frenzied rate negotiations, Newsweek was able to increase both advertising volume and rates in 1992.

Newsweek International has strengthened its position in the slippery global marketplace, thanks in large part to hard work by its president, Peter Luffman. Ad revenue increased last year, and all three international editions — Atlantic, Asia and Latin America — gained circulation.

Cost-control efforts have been especially productive at this business. For example, Newsweek International rethought and rearranged its production system around the world to reduce costs and improve delivery and printing quality. In Europe, Newsweek has built the most cost-effective, English-language news publication by focusing on readers with desirable demographic characteristics — a gutsy call in the face of costly efforts by others to inflate broadly their circulation numbers.

THE WASHINGTON POST newspaper also worked hard to meet the needs of its readers and advertisers. With executive editor Len Downie at the helm, The Post provided first-class coverage of the 1992 election, crises in Somalia and Bosnia, and a difficult year in the local Washington, D.C., community. The Post's editorial and op-ed pages, under Meg Greenfield, continue to be one of the country's most authoritative and provocative forums for discussion of national, international and local issues.

At a time when many newspapers are reporting circulation declines, The Post's daily circulation grew by more than 10,000 copies in the six-month period ending September 30, 1992. This marked the second year in a row that daily circulation increased by more than 10,000 — and the ninth consecutive year of daily circulation gains. Sunday circulation rose for the 12-month period ending September 30, 1992, but declined by 2,056 copies in the six-month period, reflecting a price increase among other factors. The Post's primary-market penetration remains high — 68 percent on Sunday and 51 percent daily.

Expense control becomes even more vital in difficult economic times. In addition to benefiting from lower newsprint costs, The Post has reduced the number of full-time employees by 7 percent in the past three years through voluntary buyouts and early retirement programs. Productivity gains, particularly in The Post's production department, also are contributing to improved results.

HIGH-QUALITY NEWS AND PUBLIC AFFAIRS programming is critical in the fiercely competitive world of television, where leadership commands a disproportionate share of advertising dollars. The singular achievement of Bill Ryan and Post-Newsweek's station managers is that they have enhanced their leadership in news, expanded news programming and lowered costs at the same time.

In the latest ratings period, all four Post-Newsweek stations again ranked number one in both early and late news, with the single exception of early news in Detroit, in the number two spot. All four stations also ranked number one sign-on to sign-off in their markets, again excepting Detroit, a strong number two.

To capitalize on its news franchises, Post-Newsweek has increased news programming more than 25 percent since 1986. Our stations each now average more than 20 hours of news per week. In the same 1986-1992 period, full-time station staff decreased 16 percent. In fact, the division's operating costs in 1992 were less than in 1989.

Two events in 1992 highlighted Post-Newsweek's strength in news. During the election, both Bill Clinton and George Bush accepted invitations from our Detroit and Florida television stations to hold televised town meetings. President Clinton also chose WPLG in Miami to be part of his first televised town meeting as president.

The second major event of the year was Hurricane Andrew, which struck south Florida in August. The storm's 140-mile-per-hour wind surge toppled WPLG's concrete microwave tower and knocked the station off the air. Thinking fast, the staff rigged an inventive temporary connection, and the station was back in business within four hours. WPLG then provided eight days of around-the-clock coverage of this devastating event, which continues to take a severe toll on the area.

POST-NEWSWEEK CABLE delivers dependable growth year after year — the kind of monotony that obscures the immense effort and meticulous attention to detail that distinguish the management of Howard Wall and his team.

Howard became president of Post-Newsweek Cable when we acquired the division in January 1986. Since then, the number of U.S. basic subscribers has increased by almost 30 percent to 463,000. Revenue has more than doubled to $174 million. Operating income has grown almost eight-fold, rising from $5 million at the time of the acquisition to $39 million in 1992.

Nineteen-ninety-two continued the trend. The number of domestic basic subscribers grew by almost 12,000, not including 10,000 subscribers gained through the acquisition at year-end of a cable system in Long Beach, Mississippi. Domestic capital expenditures, which averaged $24 million annually in the 1987-1991 period, declined to $18 million in 1992.

Of course, reregulation of the cable industry will present new challenges in the years ahead and place additional demands on cable management. Fortunately, two of the company's best managers are now leading the division during this critical period. At the beginning of 1993, Howard became chairman and chief executive officer of Post-Newsweek Cable. He will be overseeing the expansion of the company's cable operations in the United Kingdom, described below. Tom Might became president and chief operating officer of Post-Newsweek Cable, with responsibility for domestic operations. Tom previously had been vice president-advertising/marketing of The Washington Post newspaper. He also served as The Post's vice president-production. Tom's experience and track record equip him well for managing the investment, technological and marketing issues facing the cable division.

With Tom's and Howard's leadership, we believe Post-Newsweek Cable will be less adversely affected by reregulation than some others in the business. Post-Newsweek has been conservative in pricing and conscientious in providing high-quality customer service.

STANLEY H. KAPLAN EDUCATIONAL CENTER has embarked upon a major effort to meet the demands of an increasingly competitive marketplace. Although Kaplan remains the leader of the test-preparation industry, its success has spawned a number of aggressive imitators. In addition, higher-priced Kaplan courses have been hurt by the recession, and the number of 14-to-18 year olds is the lowest since the early 1970's.

To lead the rebuilding, we brought in Greg Rorke, who became Kaplan's president and chief executive officer in September. Greg is an outstanding marketer with experience in reinvigorating businesses under competitive pressure. Most recently, he engineered a dramatic turnaround as president of Danskin. Greg will be very important to Kaplan's growth in the future. His appointment marks the transition in leadership from Stanley H. Kaplan, who founded the company — and the industry — 50 years ago. Stanley remains active as chairman.

A major element of Kaplan's restructuring is a change in its distribution system to gain more control over field operations. This restructuring resulted in a charge against Kaplan earnings in 1992.

INVESTING THE CASH generated by current businesses is the second critical variable in the company's future. Doing this job well is essential to building value, achieving continued earnings growth and delivering high returns to shareholders. The principles with which we approach and evaluate new investment opportunities remain unchanged:

- We're interested in businesses with competitive barriers.
- We're interested in businesses in which capital expenditures are not overwhelming and are not dictated to us by the market.
- We're interested in businesses in which we have reasonable pricing power.
- We're interested in businesses in which distinctive quality is highly rewarded in the market equation.
- We have a strong preference for businesses we know.
- Rather than spread our investment dollars around thinly, we're more likely to invest in a handful of big bets with the characteristics listed above.

Our goal is to develop substantial and robust income streams at favorable investment costs. Knowing when to say "no" is just as important as knowing when to say "yes" — if not more so.

While no investment can satisfy completely all of our criteria, in 1992 the company pursued two major opportunities that we believe meet most of our admittedly high standards.

CABLE OPERATIONS IN THE U.K. have the potential for providing attractive investment returns. The case for multi-channel television consumption in the U.K. is now established and strong. The licensing and regulatory environment is hospitable. The industry is now building with confidence. Moreover, our experience to date in Scotland has encouraged us to expand our commitment to this business.

Post-Newsweek Cable has pioneered an innovative and unique construction approach in which we build our systems in privately owned soft ground, rather than digging up city streets. This has significantly lowered our construction costs.

Our entry-level pricing strategy, featuring below-market rates, has enabled us to achieve exceptional penetration — with substantial pricing reserves to draw on in the future. We are now achieving penetration rates in excess of 35 percent, among the highest in the U.K.

Over the past three years, the company has invested $29 million in U.K. cable operations. We currently have licenses to pass almost 300,000 homes in three areas of Scotland, and we now have about 20,000 subscribers, compared to 8,000 at the end of 1991. We are actively pursuing additional cable opportunities in both Scotland and England.

The company also is evaluating the possibility of providing telephony, in addition to cable service, in its franchise areas.

PERSONAL COMMUNICATIONS SERVICES, or PCS, is an exciting new technology with the ability to make portable telephone communications available to everyone. PCS has low price points, high digital quality and full portability — with the size and convenience needed by busy people. It offers many options for a range of functionality.

PCS has large potential consumer and business demand and reasonable capital requirements. Of particular interest, PCS will have many value-added applications for data transmission.

In 1990 the company launched a partnership with our former cellular partners to exploit this new opportunity. Our partnership, called American Personal Communications (APC), has been operating test PCS systems in the Washington/Baltimore area since November 1991.

In October 1992, APC received a major boost when the Federal Communications Commission awarded the partnership a tentative pioneer's preference for personal communications services. APC was one of only three companies among 90-plus applicants to be awarded a pioneer's preference. If finalized, the pioneer's preference will likely give APC a PCS license for a market area in the Washington/Baltimore region.

Nonetheless, a number of key decisions must still be made by the FCC before the prospects for this business can be evaluated. The number of licensees, size of markets and bandwidth of spectrum per license all are crucial to the economics of PCS. Under the right circumstances, we will be aggressive in this industry.

STOCK REPURCHASES will continue to be an important part of the company's investment strategy. In 1992 we repurchased 33,949 shares of Class B common stock at a cost of $7.5 million.

NEW AND CONVERGING TECHNOLOGIES, in both communications and information-processing, are revolutionizing our world and our industry. Technology is speeding the flow of information and permitting data to be manipulated more creatively and productively. Technology is linking databases, networks and people. Perhaps most significant, technology is engendering a new level of interactivity between individuals and the media, a phenomenon that will increase dramatically in the future.

As a result of technological advances, previously distinct businesses are drawing much closer together, and previously separate industries have turned into rivals in some cases — and strange bedfellows in others.

We view today's technological revolution with optimism. We believe it will provide significant new opportunities for the company to increase productivity and expand current businesses, as well as develop new ones.

In March 1993, for example, Newsweek became the first general-interest magazine to be made available in a dynamic, new, interactive format on CD-ROM. The "Newsweek Interactive" disks are issued quarterly and focus on major news topics. Newsweek Interactive enables users to see and hear — at their direction — original text, still photography, video, sound, graphics and animation. The disks also include three months of Newsweek, selected Washington Post articles, and interviews from Newsweek on Air, the weekly radio show. Our aim is to exploit ways to position Newsweek as a leader in this new field, which suggests an interesting future for traditional print media.

The New Media Center at The Washington Post newspaper also is exploring a number of technologies that could generate new services and increase the interactivity of the newspaper. For instance, exploratory work is under way with The Post's newsroom to determine how The Post can be transferred to other environments, such as personal computers. We are examining how screen telephones could combine voice and data to add value to Washington Post information. New technologies also are being investigated for advertising applications.

Meanwhile, the Center's Post-Haste telephone service, which provides stock quotes, sports scores and other information, rang up over 8.5 million calls in 1992. Post-Haste also is expanding its interactive services. One recent example: the night President Clinton presented his economic plan to Congress, Post-Haste opened a "tax-calculation" line. Users could call Post-Haste, enter code number 1040, provide their tax-filing status and gross income and find out how much their personal income taxes would be affected by the Clinton plan.

Some of the company's smaller businesses are making the most creative use of advanced technology. Legi-Slate, for example, provides online information about federal legislation and regulatory activity. It uses two large, current-generation mainframe computers that store enough information to fill a 65,000-volume library. Advanced search technology developed by Legi-Slate allows customers to find a single word or phrase anywhere in that library within seconds.

ACTV, Inc., creates and markets interactive-television programming and technology for entertainment and education applications. The Washington Post Company acquired an interest in this evolving, new-venture business in 1992. With ACTV's educational technology, each student sees and hears a program that responds to his or her individual answers. In some applications, teachers and administrators have worked hand-in-hand with ACTV to create unique interactive programs designed especially for their students.

These are just a few examples of the development work that is taking place throughout the company — and that builds on our skills and knowledge. Every division is engaged in this enterprise. To assist in this effort at the corporate level, Ralph Terkowitz was named the company's vice president-technology last September. Ralph had been vice president-data processing of The Washington Post newspaper since 1986.

It goes without saying, of course, that not every new technology will find commercially successful applications. There will be much trial and error along the way, and the road to profitability can be long. Nonetheless, we intend to pursue opportunities aggressively, take intelligent risks and extend our gaze farther afield than in the past.

ABOVE ALL, we remain convinced that regardless of the medium — the pages, pipes or particle fields through which data are transmitted — information content ultimately will govern business success. Journalistic skill and insight will be essential. Quality and integrity will be recognized and rewarded.

Although the challenges ahead are great, we believe the company has the people, resources and commitment to enhance editorial quality and exploit new technologies. We believe we can continue to deliver above-average returns to shareholders over the long term.

Sincerely,

Katharine Graham
Chairman of the Board

Donald E. Graham
President and Chief Executive Officer

Alan G. Spoon
Executive Vice President and Chief Operating Officer

March 5, 1993

Newspaper division operating income rose to $120.8 million in 1992, a gain of 35 percent from $89.5 million in 1991. Division revenue totaled $677.6 million, an increase of 5.4 percent over revenue of $642.7 million the previous year. Advertising linage at The Washington Post fell for the third consecutive year. After two years of decline, Post profits rose because of cost controls and more because of a declining price of newsprint.

THE THREE-YEAR RECESSION in the Washington market continued to have its effect on Post advertisers. More major stores went bankrupt or closed their doors. Retail ad inches fell almost 8 percent, although some of the lost inches were diverted to preprints, which rose 14 percent. Classified ad inches rose 0.4 percent, as both recruitment and real estate strengthened somewhat. General ad inches declined 7 percent. Total ad revenue rose for the first time in three years, though only by 3.7 percent.

While The Post's daily and Sunday circulation were up in the 12-month period ending September 30, 1992, Sunday circulation in the six-month period ending September 30 fell by 2,056, after a price increase from $1.25 to $1.50. Over ten years, Post circulation has risen by 80,000 daily and 179,000 Sunday. Circulation service continued to improve, partly because the production department printed the paper on time or early 99 percent of the time.

READERS BENEFITED from continued improvements in The Post's reporting. Several changes in election coverage served readers well and charted new directions for the media. In particular, The Post focused more on the voters themselves, with major national polling and reporting from across the country, where Post reporters traveled to find out directly what people were thinking. Post reporters came back knowing how dissatisfied voters were with politics as usual, gridlock in Congress and a sense that the national economy was slipping away from the people. The Post reported early on a surge of voter interest in this election — and a change in people's attitudes toward politics, the election and traditional candidates.

The Post also focused imaginatively on the issues. National staff reporters went to various parts of the country to write about problems voters had identified in their communities, such as health care and job retraining. The Post then examined the campaign promises made by the three major candidates about these issues and asked experts to evaluate the effectiveness of the candidates' proposals.

The Post's financial staff did a multi-part series on the national debt that explained its origins and impact and what could be done about it.

In addition, The Post tried to stand outside the political process and explain to readers what was taking place beneath the surface impression candidates were attempting to create through advertising, staged events and spin control.

Post photographers had an especially good year. Carol Guzy won Photographer of the Year awards from the National Press Photographers Association and the White House News Photographers Association. Dayna Smith won first-place awards in both competitions.

Keith Richburg brought breadth, depth and readability to his coverage of Africa, especially of the calamity in Somalia, the dimension of which he was one of the first to report. His front-page reporting and analysis were on the breakfast tables of U.S. decision makers, who intervened to end the starvation in Somalia.

Home delivery circulation complaints fell for the fifth straight year. In five years, daily complaints are down by more than 30 percent, Sunday by 34 percent. Home delivery managers Steve Reed, David Dadisman, Lou Fabian, Phil Hottle, Lee McAdory and Paul Poff lead the team that did it.

Peggy Hackman, editor of the Style Plus page, and staff writer Don Oldenburg held a "Dear Mr. President" essay contest asking children to express their ideas for President Clinton. Unexpectedly, the Clinton transition team invited the winners to bus to Monticello, meet the President-elect and tell him their ideas. Circulation's Kathy Soulia orchestrated the trip to rave reviews.

Under Angela Green, Kris Jirgl and Tom Konisiewicz, the Business Development Unit increased revenue from The Post's smallest retail customers by 20 percent and signed up 800 new accounts.

Circulation's Tony Mineart and Candace Medd worked with the Metro transit system to develop a newspaper recycling bin. Subway riders can deposit newspapers for easy collection. Capitol Fiber, a Post subsidiary, buys and sells to recyclers all the newspapers collected by the D.C. government and several Maryland counties.

Blaine Harden and Mary Battiata covered the war in Bosnia for The Post. They covered the whole story of what was happening: Sarajevo, the prison camps, ethnic cleansing, daily life. Harden's six extended trips to Sarajevo and Battiata's continued courageous war reporting brought the reality of the war to Washington readers.

Sherry Gryder, who began her Post career as a mailroom helper, became the composing room superintendent.

Steve Hills, who began his Post career as an ad sales representative, became the ad director. Bill Tompkins, who began as a circulation intern, became marketing director. Lee Horton, hired as a sales representative, became display advertising director. Rick Tippett, whose first job was merchandising clerk, became national advertising manager.

Carol Guzy won the Photographer of the Year award from the White House News Photographers Association. Dayna Smith and John McDonnell won first-place awards in the competition. Carol also won the Photographer of the Year award from the National Press Photographers Association in the annual Pictures of the Year contest, and Dayna won a first-place award in news photography for her photographs of the Los Angeles riots.

Under Springfield plant manager Gary Lucke and packaging and distribution manager Kelly Benson, the mailers and helpers of The Post's newly expanded Springfield mailroom handled large increases in daily and Sunday preprint volumes.

In its sixth year, The Post's "500 Club" scholarship program at Eastern High School has given college scholarships to 376 students. Eastern students, by getting all "A's" or "B's" on their report cards, can win a $500 college scholarship each semester. The program was conceived by vice president-public relations Vince Reed, and personnel director Jacqui Marshall carries out its administration.

Under editor Steve Luxenberg, reporter Charles Shepard wrote an important series of stories about waste at United Way of America national headquarters and, with freelancer Florence Graves, revealed the complaints by women of unwanted sexual advances by Senator Robert Packwood.

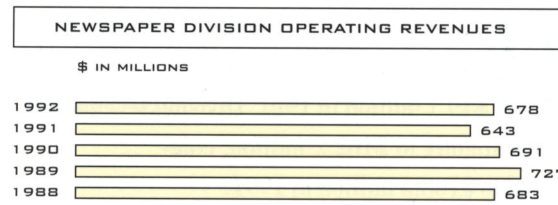
The Herald's publisher, Larry Hanson, celebrated his 35th anniversary with the Snohomish County (Washington) newspaper. The Everett High School graduate started his career at the paper as an advertising messenger.

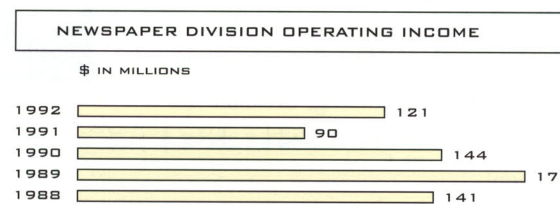
THE NATIONAL WEEKLY EDITION of The Post averaged 113,000 circulation for the year, up from 45,000 in its first full year, 1984. Advertising has increased by more than 10 percent a year since the launch.

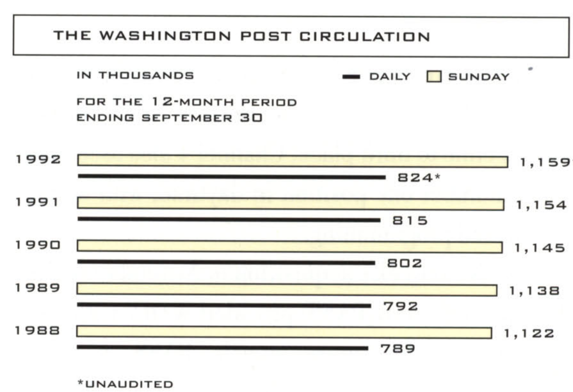
THE HERALD, the company-owned paper in Everett, Washington, had a good year. Operating income increased. Circulation also grew as a result of The Herald's conversion in 1991 from afternoon to morning publication. The circulation department has begun establishing regional distribution centers that will provide additional revenue opportunities while significantly reducing distribution costs.

THE WASHINGTON POST WRITERS GROUP had a strong year, thanks in part to the political season. Columnists George Will, Ellen Goodman, David Broder and William Raspberry are among the most respected commentators in the country. Although the Writers Group specializes in op-ed material, the Group's comic strips — Non Sequitur, Outland and Pickles — showed dramatic growth.

ACQUISITION of an 84 percent interest in The Gaithersburg Gazette, Inc., was completed during 1992. The company publishes 13 free-distribution community newspapers in suburban Maryland. Total circulation of the group is in excess of 180,000. The Gazette also publishes a paid legal newspaper serving Montgomery County, Maryland.







Broadcast division operating income rose to $54.6 million, an 11.2 percent increase from $49.1 million in 1991. Division revenue was down slightly to $162.2 million, compared to $163.5 million in 1991.

Post-Newsweek Stations battled against soft advertising environments in all four markets — and against the fury of Hurricane Andrew. Without Miami's lost revenue in the wake of Andrew and, in Detroit, less revenue from sports advertising, division revenue would have increased by about 4 percent.

Post-Newsweek managers intensified their efforts to control costs in 1992. Budgeted expenses for the four stations in 1993 are actually $3 million lower than the PNS budget of five years ago.

WDIV/TV4-DETROIT continued as ratings leader in the key 11:00 p.m. news slot, despite NBC's primetime decline to third place. Channel 4 also ascended to the number one position in daytime, with strong syndicated programming.

Post-Newsweek's acquisition in November of Pro Am Sports System (PASS) provided WDIV with new opportunities for future growth. PASS, a cable sports network with 775,000 subscribers in Michigan and northwest Ohio, offers Tigers baseball, Red Wings hockey and Pistons basketball, as well as major college sports and a variety of other sports programming. PASS will build on WDIV's strengths: sports programming and production skills, substantial and deep relationships with teams in the market and ad sales capabilities.

As part of the company's effort to tap syndicated programming opportunities that derive from our unique news resources, WDIV produced "Hoffa: The True Story," a one-hour special on the life and disappearance of the teamster leader. The program attracted national attention and was syndicated to more than 120 stations in the United States.

The Washington Post newspaper and Post-Newsweek Stations also joined forces to produce a two-hour special on Watergate that was broadcast in June on CBS and ranked number one in its time period.

WPLG/TV10-MIAMI enjoyed its eighth straight year as the number one station in South Florida.

In August Hurricane Andrew hit south Miami with devastating force, leaving a trail of destruction in its wake. Channel 10's Eyewitness News provided eight days of around-the-clock live coverage of the storm and its aftermath. Many employees worked 12-hour shifts.

The station used its annual primetime "Time to Care Volunteerathon" to aid hurricane victims, collecting over 6.75 million volunteer hours donated by local citizens.

WFSB/TV3-HARTFORD met the challenge of a recessionary local economy that continues to suffer from a downturn in defense spending. WFSB again achieved first-place ratings with news leadership, the Super Bowl and the Winter Olympics, and

AT WDIV... *Weathercaster Mal Sillars, a scuba diver, thought of broadcasting live from the bottom of the Detroit River to document the recovery of an anchor lost by the ship Edmund Fitzgerald. Obstacles included developing underwater audio communications and transmitting the live signal from the river bottom. Engineering supervisor Tim Redmond and maintenance engineer Kim Culhane developed the video and communications link. Mal hosted the live anchor raising with reporter Mike Wendland. The primetime program, "Live Dive," won its time period and raised $100,000 for the Dossin Museum of the Great Lakes.*

Marcus Williams, WDIV's chief engineer, coordinated and supervised the move of Pro Am Sports System (PASS) from Ann Arbor, Michigan, to the WDIV building under an eight-week time constraint. After extensive reworking of WDIV's technical areas, PASS went on the air from WDIV without a problem.

Under the supervision of vice president for programming and promotion Henry Maldonado, with production manager Don Graham (no relation) directing, promotion manager Terri Turpin-Amato producing and staff videographer Kevin Hewitt filming, WDIV brought all of its on-air promotions in-house. WDIV turned out a series of promotional commercials that exceeded agency quality at one-fourth of the cost.

Weathercaster Chuck Gaidica developed an idea for a dramatic change in the visual presentation of the weather. He introduced a new computer map system that animates the weather forecast in 3-D. With the creative help of weather producer Paul Gross and the technical expertise of chief engineer Marcus Williams and engineer Bill Mullin, WDIV tailored the computer graphics and an innovative chromakey display into a distinctive weather presentation unlike any other in the country.

AT WPLG... *Weatherman Todd Tongen left his weather maps and filed reports on Hurricane Andrew from the Sky 10 helicopter. Todd flew over rooftop signs that identified a group of migrant workers who had been stranded for several days without food and water. Todd reported their location, and they received supplies within hours.*

Steve Flanagan, WPLG's chief engineer and Post-Newsweek Stations' vice president of engineering, masterminded WPLG's return to air after the tower that links the studio with the transmitter came crashing down during the hurricane. WPLG was broadcasting again within three hours and 20 minutes.

Community services director Mindy Welch mobilized Southern Bell and the Red Cross to create the Time to Care Hurricane Helpline. It logged over 500 calls daily for eight weeks. Over 30,000 hurricane victims were helped by the service.

Because there was no power to run air conditioning, Paul Kaniewski and Jim Knutt, promotion producers, edited the first Hurricane Andrew Time to Care public service announcement in a 110-degree edit room. Between edits they had to turn off all equipment to allow for cooling. The announcement took ten hours to complete and was on the air within 24 hours after the storm.

A SPECIAL THANK YOU TO: *Beth Horowitz, Frank Discenza and Dave Wyzykowski at WFSB; Jim Biggers, Terry Farrar, Tammie McMillan, Jennifer Jaronski and Tina Schultz at WJXT; and Barry Schlegel from the Washington Bureau for coming to WPLG to help weather the storm.*

AT WFSB... *General sales manager Kathleen Keefe instituted a job-share plan that enabled two valued employees to share an account executive position and successfully balance careers and responsibilities at home. Kathleen's leadership was largely responsible for WFSB's gain in advertising share in 1992.*

After he underwent heart transplant surgery, urban affairs director Elijah Young worked a good part of 1992 from Hartford Hospital and from home. Co-workers gave 65 pints of blood. Elijah returned to the station at year-end.

AT WJXT... *In addition to her normal duties as manager of community services, Tracy Gaffney spent countless hours coordinating and staffing the WJXT Voter Van, a mobile voter registration unit that traveled all over Jacksonville. Tracy and her volunteers signed up 7,190 new voters. The project was inspired by a similar effort at WFSB.*

Under the direction of general sales manager Tom Bornhauser, local sales manager Jack Potter and national sales manager Steve Danowski, WJXT's sales department dramatically exceeded its revenue budget and posted strong gains over the previous year. The local and regional staff significantly outperformed the marketplace. J. J. Currie led the effort to garner new business and won the station's new business contest.

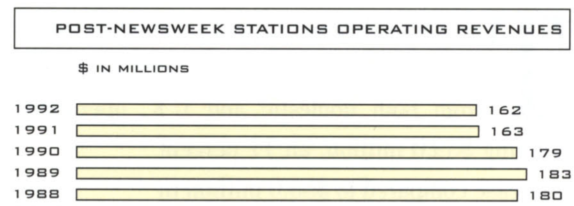
George Winterling, chief meteorologist, celebrated his 30th anniversary with WJXT. On an anniversary road tour through Jacksonville and outlying viewing areas in July, George broadcast live weather reports and showcased the various communities. In turn, the communities saluted George for his depth of knowledge about weather, innovations in weather graphics and dedication to his profession.

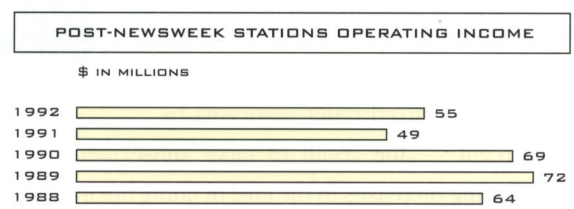
improved CBS programming. Despite tough economic times, the station realized spot revenue growth of 4.1 percent and is the market revenue leader.

WFSB also continued its leadership role in addressing community concerns with daily editorials and award-winning documentaries on economic and social problems. A news series on protecting children and adults from abuse and molestation met with tremendous viewer response. The series was complemented by a public awareness campaign, including the distribution of 100,000 brochures on how to protect children from abusers.

WJXT/TV4-JACKSONVILLE maintained its perennial market dominance for another year, closing out 1992 with some of the highest ratings in the station's history. November Nielsen ratings revealed that WJXT had achieved a 45 percent viewer share for its 6:00 p.m. newscast — compared to a 30 percent share for the other two local news stations *combined.*

The station also enjoyed a revenue resurgence in 1992, increasing its overall revenue share thanks to successful new marketing strategies, increased automobile advertising and election-year revenue.





The cable division turned in another strong performance in 1992, with operating income from both domestic and U.K. operations totaling $39.0 million, an 11 percent increase compared to $35.0 million in 1991. Revenue for 1992 was $174.1 million, an increase of 9 percent over revenue of $159.5 million in 1991. Post-Newsweek Cable's domestic cable cash flow rose 9 percent to $82.0 million, from $75.3 million the previous year.

Domestic fixed costs increased by 5 percent — the result of more subscribers and continuing increases in the cost of doing business.

DOMESTIC BASIC SUBSCRIBERS rose to 463,015 at the end of the year, a gain of 11,836 from the beginning of 1992. This number represents 68.7 percent of homes passed, up slightly from last year's 68.4 percent. In the two previous years, subscriber gains were approximately 15,000 and 20,000, respectively. The Highland Park, Illinois, and Sioux City, Iowa, systems were the biggest gainers, with subscriber increases of more than 1,000 each.

California, victim of earthquakes, floods and riots, continued to experience tremors from the national recession in 1992. Post-Newsweek Cable's two largest systems, Modesto and Santa Rosa, also felt the impact. Modesto lost almost 1,000 subscribers, after gaining almost 5,000 during the three previous years.

In December PNC acquired more than 10,000 subscribers in Long Beach, Mississippi, expanding the Gulfport area operations to over 31,000 subscribers. The Kirksville, Missouri, system grew by 500 subscribers, with an expansion of service to the student dormitories at Northeast Missouri State University.

ADVERTISING SALES rose 17.1 percent to $7.1 million. Twenty-one Post-Newsweek Cable systems now sell both spot and classified advertising, while 13 sell spot only, and three sell classified only. Advertising in 17 systems is sold by PNC employees, while advertising in 20 systems is contracted out to third parties.

Pay-per-view revenue declined by 6.2 percent in 1992 to $2.9 million, down from 1991's $3.1 million. Compared to the previous year, there were relatively few pay-per-view events offered in 1992. NBC's "Triplecast" of the Summer Olympics from Barcelona was an important milestone for the pay-per-view business, providing a high name recognition event. However, successful as the event was in terms of programming, the Triplecast fell far short of expectations. Although the programming was available to almost 90 percent of Post-Newsweek Cable subscribers, fewer than 1 percent purchased any part of the Triplecast coverage.

Post-Newsweek Cable of Ardmore, Oklahoma, made available its production equipment to Summer Intervention Program, an initiative designed to identify, work with and encourage students at risk of dropping out of school. David Wall, Susan Brown and Lanola Borin coordinated Post-Newsweek's involvement with the students, who wrote, produced and filmed a video on the history of Ardmore.

Jim Perry, Greg Sare, Bob Richard, Don Muths, Gail Engle and other Post-Newsweek Cable employees in Concordia and Abilene, Kansas, worked for 26 consecutive days to construct new cable program reception towers to restore distant over-the-air television channels from Wichita and Kansas City. The two 400-foot towers were toppled by tornadoes and devastating high winds in July.

Bob Foster, director of public access for Post-Newsweek Cable of Modesto, California, in cooperation with Modesto Junior College, produced a 12-minute video describing employment success stories about people with disabilities. In April 1992 President Bush's Committee on Employment of People with Disabilities honored the program with the 1992 media award for best information/education television programming.

Sooland Cable in Sioux City, Iowa, participated in a working partnership with a new magnet school for students with above-average ability. The new school's need for promotion was met by Sam Attolico, manager of Sooland Cable, and other system employees. They devoted their efforts and time explaining the school to the public via their Community Bulletin Board Channel, which carried the school's weekly activities. Their efforts also included special encouragement to teachers and administrators to use the resources of Cable in the Classroom programs. Employees visited the school and demonstrated equipment and technology necessary to obtain the programming.

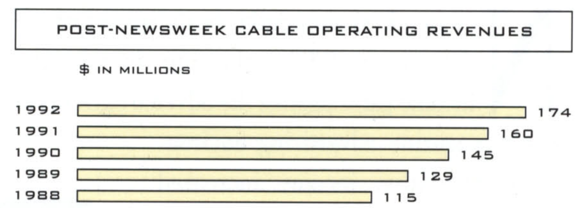
Every year many Post-Newsweek systems and employees play key roles in the activities of the communities they serve, such as telethons, United Way campaigns and charity events. To highlight a few in 1992:

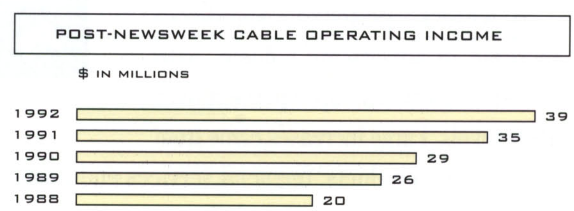
Pacific Cable Television, managed by Susan Adams and located in Burlingame and Union, California, received the Award of Achievement from the San Mateo County United Way in recognition of management's support of, and employee participation in, an outstanding United Way campaign.

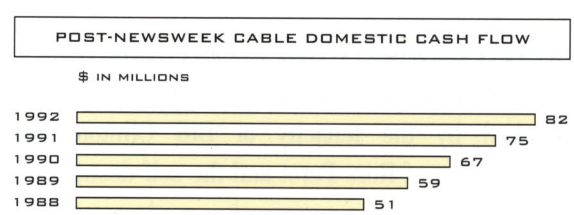
Post-Newsweek Cable of Highland Park, Illinois, hosted a one-day telethon that raised over $35,000 for 28 social service providers in the Chicago area; donated and installed a security camera in a low-income housing complex for the elderly to permit the residents to screen visitors; and donated equipment and provided staff to decorate Highwood's streets for the holidays.

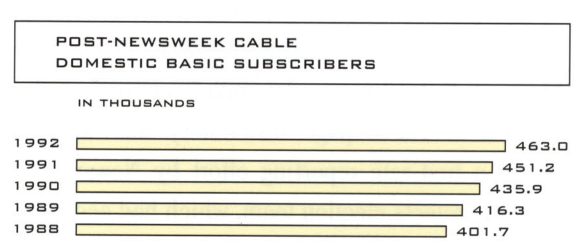
Post-Newsweek Cable of Sherman, Texas, donated use of office space in Denison to Helping Hands, a non-profit organization that annually provides food and clothing to hundreds of needy families in Grayson County, Texas.

CABLE REREGULATION drew closer in October when Congress passed the Cable Act of 1992, overriding President Bush's veto. The new law will increase cable regulation in many areas, but its full impact cannot be assessed until FCC rulemakings are further defined. Post-Newsweek Cable systems have long anticipated reregulation and are well positioned for the new law.









Newsweek successfully swam upstream all the way in 1992, achieving revenue and income gains against the adverse currents of a soft magazine advertising environment. Operating income increased 162.9 percent to $23.9 million, from $9.1 million in 1991. Revenue totaled $347.1 million, up 6.3 percent from $326.5 million in the previous year.

Newsweek posted a significant increase in advertising volume, with advertising revenue up 9 percent over 1991 levels. Large increases came from the business products, financial services and packaged goods categories. Circulation revenue rose 3 percent.

Total expenses increased less than 2 percent in 1992. Cost control remains a top priority.

NINETEEN NINETY-TWO was an exciting year for Newsweek and its readers. It was an election year marked by the tenacity of Bill Clinton, the resurrection of Ross Perot and the self-destruction of George Bush. It was a year when readers struggled to make sense of the terror in Bosnia, the agony in Somalia and the explosion of racial strife in Los Angeles.

Thirty-six hours after the polls closed, Newsweek's special election issue, "How We Won: The Untold Story of Bill Clinton's Triumph," arrived at the newsstands. The 59-page "inside story" was the product of a first-rate reporting effort by Newsweek's special projects election team, which had access to confidential memos and strategy sessions. Correspondent Mark Miller shadowed Clinton so closely that campaign manager James Carville joked Miller knew more about what was happening in the Clinton camp than Carville did. Senior White House correspondent Tom DeFrank showed how Bush lost the election because he lost the confidence of his inner circle. Correspondent Andrew Murr infiltrated the Perot campaign and emerged with a first-hand account of a secretive, autocratic and politically naive contender who ultimately unraveled his own candidacy. Newsweek's team of crack political reporters — Eleanor Clift, Howard Fineman, Jonathan Alter, Ann McDaniel and Joe Klein — provided superior coverage on a weekly basis. The net result was the most complete and insightful account of the entire 1992 campaign, earning Newsweek its sixth Best in the Business award from journalism colleagues surveyed by the American Journalism Review.

Last spring, when Los Angeles exploded in rioting, Newsweek devoted almost an entire issue to the crisis and followed up the next week with the comprehensive "Beyond Black & White" cover story to further explore the roots of the riots and fallout from the turmoil. Newsweek medical editor Geoffrey Cowley kept health issues at the forefront ("Tuberculosis: A Deadly Return" and "Is A New AIDS Virus Emerging?"). Five Newsweek correspondents and four photographers traveled to ten countries on four continents to produce "Slavery," a tragic story about how this practice continues in Europe, Latin America, Southeast Asia, the Persian Gulf and Africa, as told by the victims themselves.

Assistant managing editor Alexis Gelber and senior editor George Hackett developed "Newsweek Just for Kids!?!," a special pull-out section geared to children. The first edition, produced in 1992, was an election special profiling the candidates and explaining their positions. A "Where's Waldo?" section encouraged kids to find well-known political figures. "Kids" editions on the environment and technology will be published in 1993.

Taking the lead from U.S. director of finishing/distribution Jack Widener, who identified cost reduction opportunities, Mark Heeman and Sean Fenlon of U.S. manufacturing/distribution renegotiated the method their printers use to determine the cost of printing Newsweek's numerous domestic editions. Mark Heeman and Bill Anderson also implemented a new transportation program for subscriber copies. These two changes resulted in a savings of almost $200,000.

Mike Anslow, Atlantic circulation newsstand representative, successfully developed sales and distribution in some of the most troubled countries in Eastern Europe, including the recently independent Baltic states. He established Newsweek distribution throughout his territory, while avoiding non-convertible currencies.

Newsweek decided to develop the CD-ROM version of the magazine for Sony's new MMCD player through a marketing partnership nurtured by regional marketing director Randy Siegel and executive vice president and general manager Harold Shain.

Newsweek was able to sell its "election extra" to two major advertisers, thanks to a successful sales effort led by regional marketing director Nick Friese. Major investments were made by Chrysler, sold by Detroit advertising manager Terry Brady and sales representative Ron Frederick, and Hewlett Packard, handled by San Francisco advertising manager Bill Murray.

Janet Roose, Atlantic subscription promotion controller, undertook the task of introducing a new and personalized series of renewal mailings. This required careful monitoring of subscriber names across over 100 countries to ensure they were addressed correctly. The result was a significant increase in responses, which contributed to renewals exceeding 100,000 for the first time.

In a year of extraordinary news events, including the election and the Olympics, director of photography Jimmy Colton kept photo costs on budget. Colton also launched Photo Journal, a regular department that showcases photo journalism.

London bureau chief Dan Pedersen displayed extraordinary initiative, persistence and tact in lining up a piece by former British Prime Minister Margaret Thatcher. In the article Thatcher sharply criticized her successor, John Major, whom Dan also persuaded to write a piece.

When the art department switched its layout procedure from boards to desk-top computers, production manager Rose Unes helped devise a new system that made the difficult transition work efficiently.

Haruhiko Suzuki sold Citizen, a major watch manufacturer, a truly timely series of five spreads on the America's Cup. Citizen wanted the ads to cover qualifying events that took place after normal ad closings — sometimes hours before the magazine was printed. Tokyo and New York special sections used the latest high-speed transmission equipment, on-the-spot photography and writers, and minute-by-minute coordination to publish the spreads.

A team from U.S. sales proved that Newsweek is the best environment for travel advertising, winning one of the most coveted accounts among magazines. Cruise Lines International Association (CLIA) ran its second advertising supplement exclusively in Newsweek, generating 60 pages of business in 1991-1992. Newsweek's advertising/marketing team included New York ad manager Lee Jones, director of travel advertising Patricia Slattery, and managers of special sections Bill Grafton and Beth Polazzo.

Rather than mailing Newsweek International from printing sites, Atlantic traffic manager Brian Bamford negotiated successfully with several foreign postal authorities to mail the magazines within countries of destination. The results have been great in terms of money saved and improved delivery, often 24 hours faster. Brian found his way through bureaucratic red tape, secured new mailing houses, handled the logistics of changing address formatting demands and coordinated transportation.

Maggie Buehler, associate director of personnel, juggled multiple projects at once, including conversion of the personnel information computer system, a change of savings plan administrators and creation of personnel communication materials to support several project teams.

Newsweek saved almost $1.2 million on subscription sales taxes in 1992. Led by tax director Joe Sampson, a team of staffers from accounting, circulation, customer service and information systems developed a computer software system that calculates sales tax and bills it to subscribers.

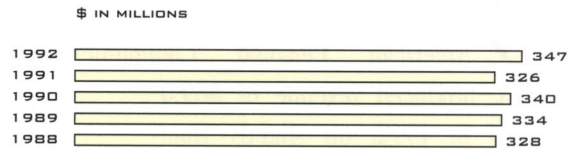
NEW TECHNOLOGIES enabled Newsweek to expand its reach and appeal to readers. Newsweek Interactive — an interactive CD-ROM version of the magazine with original text, sound, photos and moving images — was conceived and developed for introduction in 1993. Peter McGrath, managing editor of Newsweek International, and technology editor Michael Rogers led development of editorial content. Newsweek will offer annual subscriptions to the quarterly disks, which also contain three months of Newsweek and selected Washington Post articles, as well as interviews from "Newsweek On Air," the weekly radio show.

Newsweek Focus also reinforced Newsweek's reputation as an innovator. Newsweek was the first major magazine to use selective binding to enable subscribers to customize their magazines. Subscribers can choose among four topics — Books in the News, On Your Money, International Scene and Science and Technology. Each eight-page section appears once a month.

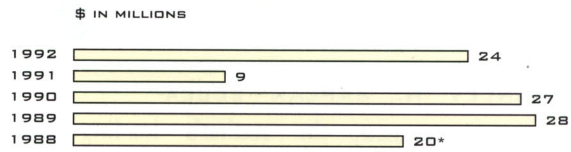
NEWSWEEK INTERNATIONAL posted record circulation and advertising revenue in 1992. Steady circulation growth enabled Newsweek International to increase rate bases in all three of its principal editions for 1993. The Atlantic edition increased its base by 1.5 percent to 340,000; Asia increased by 2.3 percent to 225,000; and Latin America increased by 7.7 percent to 70,000.

Newsweek's two foreign-language editions enjoyed a successful year. The Japanese-language edition, Nihon Ban, maintained its 1993 rate base at 160,000, while Hankuk Pan, Newsweek's Korean-language edition, maintained its 1993 rate base at 70,000. Newsweek remains the only newsweekly with foreign-language editions.

NEWSWEEK OPERATING REVENUES



NEWSWEEK PRO FORMA OPERATING INCOME



*EXCLUDING ONE-TIME RESTRUCTURING CHARGES

Other businesses, including Stanley H. Kaplan Educational Center, Legi-Slate and American Personal Communications (APC), produced revenue of $89.9 million in 1992, up slightly from 1991's total of $88.1 million. Continuing investment in APC accounted for a large part of the $6.1 million operating loss of this segment in 1992. Also included in the loss is the effect of the restructuring at Kaplan.

STANLEY H. KAPLAN EDUCATIONAL CENTER, the nation's leading test preparation company, continued to head the class with enrollments higher than last year. However, revenue decreased, and Kaplan results were affected by a one-time restructuring charge.

The restructuring charge related to the conversion of 82 independent contractors and their 3,500 employees to Kaplan employee status. This move, scheduled for completion in early 1993, will create greater operating efficiencies and should enhance marketing opportunities. The company expanded its marketing and field operations management teams in 1992 to optimize these new opportunities.

KAPLAN'S INTERNATIONAL prospects appear bright. In today's global economy, U.S. educational institutions are attracting more students from around the world. Kaplan is capitalizing on this phenomenon with aggressive development of its international operations. In the past year Kaplan signed licensing agreements with partners in Hong Kong, China, Taiwan and the Philippines, and began offering advanced medical programs in Western Europe. Additional courses and licensees are anticipated for 1993.

AT KAPLAN... *The New Technology Group, including Paul Sciabica, Bill Caplis, Bob Edelman and Rob Garrelick, developed an exciting new selling tool — a 20-minute SAT diagnostic test with an immediate two-page personalized analysis. The computer-based system is up and running at all 151 Kaplan centers.*

Bob Stanton, associate director of the product development and research department, oversaw the complete modernization of the SAT Challenge course.

In her information seminars, Dr. Rochelle Rothstein, MCAT and advanced medical product manager, has helped thousands of physicians understand the complex licensing process. Her work in product development and marketing was a key factor in increased enrollment in 1992.

Despite tough competition and a soft economy, Westchester County (New York) marketing coordinator Dawn Fagenson increased the number of Kaplan SAT enrollments by 26 percent.

National director of nursing programs Judy Berkhardt and product manager/nursing Cathy Mansell are in the forefront of dealing with the nation's nursing shortage as frequent speakers at state and national nursing conventions. Kaplan nursing enrollment was up 40 percent in 1992, and Kaplan students had a much higher pass rate than the national average.

David Cleland, vice president/international, hit the ground running when he joined Kaplan in July. Since then he has signed up licensing partners in Hong Kong, Taiwan, China and the Philippines. David also has selected sites for Kaplan-owned centers in London, Paris and Rome, set to open in early 1993.

As 82 independent contractors and their 3,500 employees prepared to become Kaplan employees, the team of director of human resources Faith Wittner, benefits manager Willie Margalis and payroll supervisor Angela Palumbo successfully developed and implemented policies and systems for this important undertaking.

AT LEGI-SLATE... *Legi-Slate unveiled its new "Hot Bills" service. The service provides an instant summary of information on the "hottest" pieces of legislation coursing through Congress, as measured by committee activity, floor speeches and debates, news stories and constituent inquiries. Judi Merriman, Legi-Slate's supervisor of congressional information, culled 144 "hot bills" from the 12,000 bills that were not so hot and kept them all up-to-date for Legi-Slate subscribers.*

Karen Caldwell Eldridge, a Legi-Slate account representative, enlisted the assistance of three District of Columbia high school students to help her computerize client information. Names, addresses, renewal dates and subscription levels have been put into easy-to-use graphic form. The computer model is available to other Legi-Slate marketing reps. The three students received academic credit for the practical, hands-on training they received.

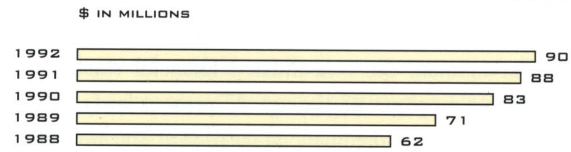
LEGI-SLATE, INC., the nation's leading online information service for Congress and federal regulations, celebrated its fifteenth anniversary year by posting record revenues and operating income. The White House, Congress, Cabinet departments, law firms and a who's who of domestic and foreign corporations are among the thousands of subscribers who depend on Legi-Slate for immediate access to the most up-to-date versions of U.S. laws, federal regulations and the current U.S. Code.

To accommodate growing subscriber demand, Legi-Slate upgraded its computer system. Other technical improvements made Legi-Slate's research service still easier to use.

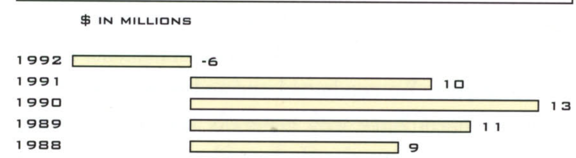
The company reached an agreement with The Bureau of National Affairs, Inc., to market, in early 1993, BNA online information services as enhancements to Legi-Slate subscriptions. BNA is a highly respected publisher of government-related news and information, and Legi-Slate is the only online subscription service of its kind to have such a marketing arrangement with BNA.

Legi-Slate also joined the Internet system in 1992, making its legislative, regulatory and statutory information more widely available to universities and other academic and research institutions. Internet, established by the National Science Foundation, is the computer "network of networks," linking dozens of database services with thousands of students and computer users.

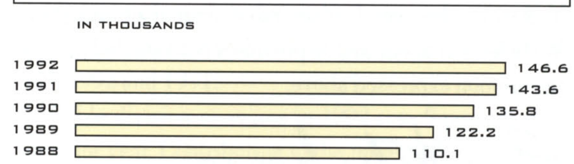
OTHER BUSINESSES OPERATING REVENUES



OTHER BUSINESSES OPERATING INCOME (LOSS)



STANLEY H. KAPLAN EDUCATIONAL CENTER ENROLLMENTS



REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
The Washington Post Company

In our opinion, the consolidated financial statements appearing on pages 23 through 37 present fairly, in all material respects, the financial position of The Washington Post Company and its subsidiaries at January 3, 1993 and December 29, 1991, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 3, 1993, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Washington, D.C.
February 2, 1993

This analysis should be read in conjunction with the consolidated financial statements, notes thereto and the comparative data relating to the company's operating divisions included in the Letter to Shareholders on pages 2 through 7.

RESULTS OF OPERATIONS — 1992 COMPARED TO 1991

In 1992 net income increased 80 percent to $127.8 million, from net income of $70.8 million in 1991. Earnings per share increased 81 percent to $10.80, from $5.96 last year. The company's 1991 earnings included a one-time, after-tax charge of $47.9 million ($4.04 per share) relating to a change in accounting for certain employee postretirement benefits. Net income in 1991 also included a credit of $10.0 million ($.84 per share) resulting from a favorable settlement with the Internal Revenue Service (IRS) and an after-tax charge of $3.5 million ($.30 per share) for severance and related costs resulting from a voluntary reduction in staff at The Washington Post newspaper. Excluding these nonrecurring charges and credits from 1991 results, both net income and earnings per share for 1992 increased 14 percent.

Results for 1992 include 53 weeks at The Washington Post and The Herald newspapers; 1991 included 52 weeks. Also included in 1992 are the acquisitions of The Gaithersburg Gazette, Inc., and Pro Am Sports System, Inc. (PASS), as well as several other smaller businesses.

Total operating revenues in 1992 were $1,451 million, an increase of 5 percent from $1,380 million in 1991. The improvement was due to a 5 percent rise in advertising revenues, an increase of 6 percent in circulation and subscriber revenues and a 4 percent increase in other revenues.

Revenues at the newspaper division rose 5 percent from 1991 levels, mostly due to a 5 percent increase in advertising revenues. Results at The Gaithersburg Gazette also contributed to the increase. Rate increases more than offset the 4 percent decrease in advertising linage at The Washington Post, reflecting the slow economic recovery of the Washington, D.C., market. Retail volume decreased 8 percent, and general volume was down 7 percent, while classified volume was flat. Preprint volume, on the other hand, rose 14 percent as a result of increased daily demand for inserts by advertisers, some of which were formerly users of ROP. Circulation revenues increased 5 percent in 1992, due to an increase in Sunday rates.

Broadcast division revenues decreased 1 percent. Local advertising revenues rebounded from 1991 levels, increasing 6 percent. However, national and network revenues fell 6 percent and 9 percent, respectively, more than offsetting the increase in local advertising. Results also reflect the impact of Hurricane Andrew on WPLG in Miami and lower advertising revenue related to sports programming at WDIV in Detroit.

At Newsweek total revenues increased 6 percent in 1992. Advertising revenues increased 9 percent, bolstered by a combination of volume and rate increases at both the domestic and international editions. Newsweek circulation revenues rose 3 percent over 1991 levels. Higher subscription rates at the domestic edition were principally responsible for the increase. During the year the domestic edition produced the same number of weekly issues as in 1991 (52); 1992 also included the publication of one special issue, compared to four in 1991. The international edition published 51 issues in both 1992 and 1991.

Cable division revenues in 1992 rose 9 percent over the prior year. Contributing to the increase were a 3 percent rise in the number of basic subscribers, higher rates and increased advertising at the domestic systems. On December 31, 1992, the company acquired the assets of Coast TV Cable, Inc., which added approximately 10,000 subscribers. The number of subscribers in the company's cable systems in the United Kingdom rose to 20,000 at the end of 1992, from 8,000 at the end of 1991.

In 1992 revenues from other businesses increased 2 percent, primarily as a result of the newly acquired businesses in 1992. At Stanley H. Kaplan Educational Center, enrollments increased 2 percent; however, the improvement resulted from increased registrations for lower priced courses, while enrollments in higher priced courses decreased.

Total operating costs and expenses were $1,219 million, an increase of 3 percent over $1,187 million in 1991. Included in 1991 operating expenses was a pretax charge of $6 million for severance and related costs resulting from a voluntary reduction in staff at The Washington Post newspaper. Also included in 1991 expenses was a write down of the company's programming rights to "The Cosby Show." Excluding these charges in 1991, total operating costs and expenses increased approximately 4 percent in 1992. This increase reflects normal increases in payroll and related fringe benefit costs and other expenses, partially offset by lower newsprint and magazine paper costs. Higher costs related to the expansion of cable operations in the United Kingdom and continued investment in personal communications services (PCS) also contributed to the increase. Several nonrecurring charges are included in 1992, including charges related to a restructuring at Kaplan and net expenses related to the termination of one of the health care plans at The Washington Post newspaper.

Income from operations increased 20 percent in 1992. The newspaper division's operating margin increased to 18 percent, from 14 percent in 1991. Included in 1991 were the costs related to the voluntary reduction of staff mentioned previously. The operating margin at the broadcast division increased to 34 percent, from 30 percent in 1991, which included the write down of programming rights to "The Cosby Show." Newsweek's operating margin increased to 7 percent, from 3 percent in the prior year. The cable division's operating margin was 22 percent in 1992, unchanged from the prior year. Operating income at the company's other businesses decreased from $10.2 million in 1991 to an operating loss of $6.1 million in 1992, due to the continuing investment in PCS and lower operating results at Kaplan.

The company's equity in earnings of affiliates for 1992 was a loss of $11.7 million, compared with a loss of $1.9 million in 1991. Further weakness at the company's newsprint manufacturing affiliates contributed to the loss.

Net interest income totaled $5.5 million in 1992, compared with net interest expense of $.4 million in 1991. Included in 1991 were a fee of $2.1 million related to the $50 million prepayment on the company's 10.68 percent unsecured promissory notes and interest of $1.6 million related to the tax settlement with the IRS, mentioned previously.

Other expense in 1992 and 1991 included the costs related to the disposition of certain plant, property and equipment. In 1992 other expense also included the recognition of unrealized losses on the company's forward foreign currency contracts.

The effective tax rate increased to 43 percent in 1992, from 37.6 percent in 1991, exclusive of the cumulative effect of the change in accounting principle. The favorable settlement with the IRS significantly lowered the effective tax rate in 1991.

RESULTS OF OPERATIONS — 1991 COMPARED TO 1990

In 1991 net income decreased 59 percent to $70.8 million, from net income of $174.6 million in 1990. Earnings per share also declined 59 percent to $5.96, from $14.45 in 1990. Included in 1991 results was an after-tax charge of $47.9 million ($4.04 per share) relating to a change in accounting for certain postretirement benefits. Excluding this one-time charge, the company's net income decreased 32 percent to $118.7 million ($10.00 per share).

Also included in 1991 was a credit of $10 million ($.84 per share) resulting from a favorable settlement with the IRS and an after-tax charge of $3.5 million ($.30 per share) for severance and related costs associated with a voluntary reduction of staff at The Washington Post newspaper.

During 1991 the national recession had an adverse impact on the advertising-related businesses of the company. Total operating revenues in 1991 were $1,380 million, a decrease of 4 percent from $1,439 million in 1990, principally due to a 10 percent decline in advertising revenues. This decrease was partially offset by a 7 percent increase in circulation and subscriber revenues and a 6 percent rise in other revenues.

Revenues at the newspaper division fell 7 percent from 1990 levels, primarily due to a 9 percent decrease in advertising revenues. Advertising linage at The Washington Post fell 13 percent, with the largest decline of 19 percent occurring in classified volume, while retail and general volume each decreased 11 percent. Circulation revenues increased 3 percent in 1991 as a result of a price increase and the continued public demand for news after the Persian Gulf War.

Broadcast division revenues decreased 9 percent, reflecting the effect of the recession on advertisers, who reduced spending in both the local and national markets. Local advertising revenues declined 7 percent, while national revenues fell 10 percent.

At Newsweek total revenues declined 4 percent in 1991. Advertising revenues decreased 11 percent, primarily due to reduced volume at the domestic edition and partially offset by the effect of rate increases. Newsweek circulation revenues rose 7 percent over 1990 levels. The number of subscribers at both the domestic and international editions grew 3 percent in 1991, while the average number of copies sold at the newsstand increased 8 percent for both editions. During the year the domestic edition published 56 issues, one more than in 1990; the international edition published 51 issues, one less than in 1990.

Cable division revenues in 1991 rose 10 percent over the prior year. Contributing to the increase were a 4 percent rise in the number of basic subscribers, higher rates and increased advertising and pay-per-view revenues at the domestic systems. The number of subscribers in the company's cable systems in the United Kingdom rose to over 8,000.

In 1991 revenues from other businesses – Stanley H. Kaplan Educational Center, Legi-Slate and American Personal Communications – rose 7 percent compared to 1990, primarily due to a 6 percent increase in enrollments at Kaplan.

Total operating costs and expenses were $1,187 million, an increase of 3 percent over $1,157 million in 1990. Included in 1991 operating expenses were the following pre-tax charges: $7 million related to the adoption of the accounting for certain employee postretirement benefits and $6 million for severance and related costs associated with a voluntary reduction of staff at The Washington Post newspaper. Also included in 1991 expenses was a write down of the company's programming rights to "The Cosby Show." Excluding these charges in 1991, total operating costs and expenses increased approximately 1 percent over 1990. This increase reflects normal increases in payroll and related fringe benefit costs, distribution costs and depreciation expenses, partially offset by a significant decrease in the cost of newsprint and magazine paper.

Income from operations declined 32 percent in 1991 as the recession continued to take its toll on the media industry. Operating margins at most of the divisions also were adversely affected by the adoption of the accounting for certain employee postretirement benefits. The newspaper division's operating margin fell to 14 percent, from 21 percent in 1990. Included in 1991 were the costs related to the voluntary reduction of staff mentioned previously. The operating margin at the broadcast division decreased from 38 percent to 30 percent in 1991, which included the write down of programming rights to "The Cosby Show." Newsweek's operating margin declined to 3 percent, from 8 percent in the prior year. In 1991 operating income included an additional $5 million in postal costs and accelerated amortization of leasehold improvements related to the expiration of an operating lease. The cable division's operating margin rose from 20 percent to 22 percent in 1991, while the margin for the company's other businesses decreased from 16 percent in 1990 to 12 percent in 1991.

The company's equity in earnings of affiliates for 1991 was a loss of $1.9 million, compared with earnings of $6.2 million in 1990. Continued weakness at the company's newsprint manufacturing affiliates contributed to the loss in 1991. In 1990 affiliate results reflected higher earnings from Cowles Media Company, which reported nonrecurring gains on the sales of two small newspapers..

Net interest expense totaled $.4 million in 1991, compared with net interest income of $4.7 million in 1990. Included in 1991 were a fee of $2.1 million related to the $50 million prepayment on the company's 10.68 percent unsecured promissory notes and interest of $1.6 million related to the tax settlement with the IRS.

In 1991 and 1990 other expense included the costs related to the disposition of certain plant, property and equipment.

The effective tax rate, before the cumulative effect of the change in accounting principle, decreased from 40.1 percent in 1990 to 37.6 percent in 1991, as the favorable settlement with the IRS significantly lowered the effective tax rate.

FINANCIAL CONDITION: CAPITAL RESOURCES AND LIQUIDITY

During the period 1990 through 1992 the company spent approximately $450 million on purchases of additional property, plant and equipment, investments in new businesses, various other capital programs, and the repurchase of Class B common stock. At the end of 1991 the company made a $50 million prepayment on its 10.68 percent unsecured promissory notes. In January 1992 the company made the final debt payment of $25 million on the 10.68 percent notes. Despite this, since the end of 1991 working capital has increased by approximately $59 million. At January 3, 1993, the company had $87 million in cash and cash equivalents, $241 million in marketable securities and $52 million in debt.

In 1993 the company estimates that it will spend approximately $100 million to $120 million for plant and equipment, principally for the expansion of cable operations in the United Kingdom and the completion of various projects at the newspaper division. It expects to fund these expenditures from cash flow from operations.

Based upon existing tax legislation, the company's effective tax rate in 1993 is expected to be approximately 42 percent, reflecting the adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109), which significantly changes the approach and methodology of accounting for income taxes. The implementation of SFAS No. 109 will occur in the first quarter of 1993. The company estimates that its deferred tax liability would be reduced by approximately $10 million, based on current tax rates.

During 1992 and 1991 the company repurchased 33,949 and 42,900 shares, respectively, of its Class B common stock at a cost of $7.5 million and $7.4 million, respectively. The annual dividend rate in 1993 remains at $4.20 per share.

In management's opinion the changes in financial position mentioned above or anticipated in the near future are not expected to impair the company's liquidity position.

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)	FISCAL YEAR ENDED JANUARY 3, 1993	DECEMBER 29, 1991	DECEMBER 30, 1990
OPERATING REVENUES			
Advertising	$ 895,645	$ 852,438	$ 943,676
Circulation and subscriber	436,193	412,937	386,756
Other	119,029	114,886	108,208
	1,450,867	1,380,261	1,438,640
OPERATING COSTS AND EXPENSES			
Operating	787,256	775,936	778,574
Selling, general and administrative	356,799	337,492	309,807
Depreciation and amortization of property, plant and equipment	59,222	58,695	53,509
Amortization of goodwill and other intangibles	15,478	15,272	14,982
	1,218,755	1,187,395	1,156,872
INCOME FROM OPERATIONS	232,112	192,866	281,768
Equity in (losses) earnings of affiliates	(11,730)	(1,856)	6,235
Interest income	11,854	17,382	21,342
Interest expense	(6,385)	(17,759)	(16,653)
Other expense, net	(1,655)	(412)	(1,266)
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	224,196	190,221	291,426
PROVISION FOR INCOME TAXES	96,400	71,500	116,850
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	127,796	118,721	174,576
CUMULATIVE EFFECT OF CHANGE IN METHOD OF ACCOUNTING FOR OTHER POSTRETIREMENT BENEFITS (NET OF TAXES OF $30,311)	—	(47,897)	—
NET INCOME	$ 127,796	$ 70,824	$ 174,576
EARNINGS PER SHARE:			
BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	$ 10.80	$ 10.00	$ 14.45
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	—	(4.04)	—
NET INCOME	$ 10.80	$ 5.96	$ 14.45

The information on pages 28 through 37 is an integral part of the financial statements.

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)	JANUARY 3, 1993	DECEMBER 29, 1991
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 86,840	$ 106,122
Marketable securities	241,429	174,238
Accounts receivable, net	128,368	138,604
Inventories	20,258	19,563
Program rights	17,842	17,314
Other current assets	30,238	16,378
	524,975	472,219
INVESTMENTS IN AFFILIATES	162,410	181,764
PROPERTY, PLANT AND EQUIPMENT		
Buildings	161,048	156,197
Machinery, equipment and fixtures	571,312	537,206
Leasehold improvements	29,644	28,761
	762,004	722,164
Less accumulated depreciation and amortization	(422,236)	(374,447)
	339,768	347,717
Land	28,176	26,904
Construction in progress	22,860	15,692
	390,804	390,313
GOODWILL AND OTHER INTANGIBLES, less accumulated amortization of $113,552 and $98,074	325,420	320,641
DEFERRED CHARGES AND OTHER ASSETS	164,512	122,724
	$ 1,568,121	$ 1,487,661

The information on pages 28 through 37 is an integral part of the financial statements.

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)	JANUARY 3, 1993	DECEMBER 29, 1991
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 188,525	$ 160,967
Federal and state income taxes	12,867	26,053
Deferred subscription revenue	80,956	76,240
Current portion of long-term debt	—	25,000
	282,348	288,260
OTHER LIABILITIES	194,114	175,186
LONG-TERM DEBT	51,842	51,915
DEFERRED INCOME TAXES	46,812	48,015
	575,116	563,376
SHAREHOLDERS' EQUITY		
Preferred stock, $1 par value, 1,000,000 shares authorized	—	—
Common stock		
Class A common stock, $1 par value, 7,000,000 shares authorized; 1,843,250 shares issued and outstanding	1,843	1,843
Class B common stock, $1 par value, 40,000,000 shares authorized; 18,156,750 shares issued; 9,954,885 and 9,988,530 shares outstanding	18,157	18,157
Capital in excess of par value	18,747	18,725
Retained earnings	1,454,505	1,376,408
Cumulative foreign currency translation adjustment	4,939	6,870
Cost of 8,201,865 and 8,168,220 shares of Class B common stock held in Treasury	(505,186)	(497,718)
	993,005	924,285
	$ 1,568,121	$ 1,487,661

The information on pages 28 through 37 is an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)	FISCAL YEAR ENDED JANUARY 3, 1993	DECEMBER 29, 1991*	DECEMBER 30, 1990*
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 127,796	$ 70,824	$ 174,576
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	—	78,208	—
Depreciation and amortization of property, plant and equipment	59,222	58,695	53,509
Amortization of goodwill and other intangibles	15,478	15,272	14,982
Amortization of program rights	20,308	28,939	26,215
Provision for doubtful accounts and returns	57,629	52,920	52,900
(Decrease) increase in accrued interest and income taxes payable	(14,162)	391	3,141
Provision for deferred income taxes	(1,577)	(34,336)	11,289
Change in assets and liabilities:			
(Increase) in accounts receivable	(47,393)	(59,685)	(50,742)
(Increase) decrease in inventories	(695)	5,639	(6,404)
Increase (decrease) in accounts payable and accrued liabilities	16,102	(978)	(5,053)
(Increase) in other assets and other liabilities, net	(14,347)	(2,388)	(25,247)
Other	23,886	16,400	11,767
Net cash provided by operating activities	242,247	229,901	260,933
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(58,889)	(55,657)	(73,249)
Purchases of marketable securities	(533,082)	(249,057)	(157,344)
Proceeds from sales of marketable securities	465,891	180,203	91,207
Investments in certain businesses	(32,353)	(19,301)	(31,121)
Payments for program rights	(22,013)	(19,917)	(20,779)
Other	978	969	336
Net cash (used) by investing activities	(179,468)	(162,760)	(190,950)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on debt	(25,000)	(75,000)	(2,742)
Dividends paid	(49,699)	(49,872)	(48,541)
Common shares repurchased	(7,484)	(7,430)	(163,267)
Other	122	150	99
Net cash (used) by financing activities	(82,061)	(132,152)	(214,451)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,282)	(65,011)	(144,468)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	106,122	171,133	315,601
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 86,840	$ 106,122	$ 171,133
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the year for:			
Income taxes	$ 110,700	$ 72,300	$ 102,300
Interest	$ 7,200	$ 19,500	$ 15,900
NONCASH INVESTING ACTIVITIES:			
Program rights acquired	$ 25,200	$ 19,800	$ 11,000

** Certain amounts have been reclassified in 1991 and 1990 to conform with 1992 presentation.*

The information on pages 28 through 37 is an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)	CLASS A COMMON STOCK	CLASS B COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	CUMULATIVE FOREIGN CURRENCY TRANSLATION ADJUSTMENT	TREASURY STOCK
BALANCE DECEMBER 31, 1989	$ 1,852	$18,148	$16,946	$1,229,421	$ 3,931	$(328,776)
Net income for the year				174,576		
Dividends – $4.00 per share				(48,541)		
Repurchase of 641,500 shares of Class B common stock						(163,267)
Issuance of 15,547 shares of Class B common stock, net of restricted stock award forfeitures			(514)			888
Change in foreign currency translation adjustment					239	
Other			209			
BALANCE DECEMBER 30, 1990	1,852	18,148	16,641	1,355,456	4,170	(491,155)
Net income for the year				70,824		
Dividends – $4.20 per share				(49,872)		
Repurchase of 42,900 shares of Class B common stock						(7,430)
Issuance of 13,611 shares of Class B common stock, net of restricted stock award forfeitures			1,833			867
Conversion of 9,128 shares of Class A common stock to Class B common stock	(9)	9				
Change in foreign currency translation adjustment					2,700	
Other			251			
BALANCE DECEMBER 29, 1991	1,843	18,157	18,725	1,376,408	6,870	(497,718)
Net income for the year				127,796		
Dividends – $4.20 per share				(49,699)		
Repurchase of 33,949 shares of Class B common stock						(7,484)
Issuance of 304 shares of Class B common stock, net of restricted stock award forfeitures			(52)			16
Change in foreign currency translation adjustment					(1,931)	
Other			74			
BALANCE JANUARY 3, 1993	$ 1,843	$18,157	$18,747	$1,454,505	$ 4,939	$(505,186)

The information on pages 28 through 37 is an integral part of the financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Washington Post Company ("the company") operates principally in four areas of the media business: newspaper publishing, magazine publishing, television broadcasting and cable television. Segment data is set forth in Note M.

FISCAL YEAR. The company reports on a 52-53 week fiscal year ending on the Sunday nearest December 31. The fiscal year 1992, which ended on January 3, 1993, included 53 weeks, while 1991 and 1990 each included 52 weeks. With the exception of the newspaper publishing operations, subsidiaries of the company report on a calendar-year basis.

PRINCIPLES OF CONSOLIDATION. The accompanying financial statements include the accounts of the company and its subsidiaries; significant intercompany transactions have been eliminated.

CASH EQUIVALENTS. Short-term investments with maturities of 90 days or less are considered cash equivalents. The carrying amount reported approximates fair value.

MARKETABLE SECURITIES. Marketable securities consist of debt instruments that mature over 90 days from the purchase date and are stated at cost plus accrued interest, which approximates fair value.

INVENTORIES. Inventories are valued at the lower of cost or market. Cost of newsprint is determined by the first-in, first-out method, and cost of magazine paper is determined by the specific-cost method.

INVESTMENTS IN AFFILIATES. The company uses the equity method of accounting for its investments in and earnings of affiliates.

PROPERTY, PLANT AND EQUIPMENT. Property, plant and equipment is recorded at cost and includes interest capitalized in connection with major long-term construction projects. Replacements and major improvements are capitalized; maintenance and repairs are charged to operations as incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the property, plant and equipment: 3 to 12 years for machinery and equipment, 20 to 50 years for buildings and 5 to 20 years for land improvements. The costs of leasehold improvements are amortized over the lesser of the useful lives or the terms of the respective leases.

GOODWILL AND OTHER INTANGIBLES. Goodwill and other intangibles represent the unamortized excess of the cost of acquiring subsidiary companies over the fair values of such companies' net tangible assets at the dates of acquisition. Goodwill and other intangibles acquired prior to October 30, 1970, the effective date of Accounting Principles Board Opinion No. 17, are not being amortized because in the opinion of the company there has been no diminution of the value of such assets. Goodwill and other intangibles acquired subsequently are being amortized by use of the straight-line method over various periods up to 40 years.

DEFERRED PROGRAM RIGHTS. The broadcast subsidiaries are parties to agreements that entitle them to show motion pictures and syndicated programs on television. The unamortized cost of these rights and the liability for future payments under these agreements are included in the Consolidated Balance Sheets. The unamortized cost is charged to operations using accelerated amortization rates for motion pictures and accelerated or straight-line rates for syndicated programs.

DEFERRED SUBSCRIPTION REVENUE AND MAGAZINE SUBSCRIPTION PROCUREMENT COSTS. Deferred subscription revenue, which primarily represents amounts received from customers in advance of magazine and newspaper deliveries, is included in revenues over the subscription term. Deferred subscription revenue to be earned after one year is included in "Other Liabilities" in the Consolidated Balance Sheets. Subscription procurement costs are charged to operations as incurred.

INCOME TAXES. Deferred income taxes result from timing differences in the recognition of certain revenue and expense items, including pensions, postretirement benefits other than pensions, and depreciation expenses, for tax and financial reporting purposes, and from timing differences in the recognition of investment tax credits that for financial reporting purposes are being applied as a reduction of income taxes over the depreciable lives of the related assets.

FOREIGN CURRENCY TRANSLATION. Gains and losses on foreign currency transactions and the translation of the accounts of the company's foreign operations where the U.S. dollar is the functional currency are recognized currently in the Consolidated Statements of Income. Gains and losses on translation of the accounts of the company's foreign operations where the local currency is the functional currency and the company's equity investments in its foreign affiliates are accumulated and reported separately in the "Cumulative foreign currency translation adjustment" in the Consolidated Balance Sheets.

POSTRETIREMENT BENEFITS. The company provides certain health care and life insurance benefits for retired employees. Effective in 1991, the expected cost of providing these postretirement benefits is accrued over the years that employees render the necessary service. Previously these costs were expensed as claims were paid. The cumulative effect of adopting this method of accounting for previously unrecognized years of service has been recognized in net income in 1991 as a change in accounting principle. This change in method is defined within the Statement of Financial Accounting Standards No. 106.

B. MARKETABLE SECURITIES

The company's marketable securities at January 3, 1993, and December 29, 1991, include the following (in thousands):

	1992	1991
U.S. Government and Government agency obligations	$221,398	$ 87,397
State obligations	—	20,673
Commercial paper	20,031	66,168
	$241,429	$174,238

C. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable at January 3, 1993, and December 29, 1991, consist of the following (in thousands):

	1992	1991
Accounts receivable, less estimated returns, doubtful accounts and allowances of $35,300 and $35,642	$120,531	$131,294
Other	7,837	7,310
	$128,368	$138,604

Accounts payable and accrued liabilities at January 3, 1993, and December 29, 1991, consist of the following (in thousands):

	1992	1991
Accounts payable and accrued expenses	$125,241	$ 98,827
Accrued payroll and related benefits	28,459	27,038
Accrued interest expense	5,693	7,118
Film contracts payable	19,824	19,955
Due to affiliates (newsprint)	9,308	8,029
	$188,525	$160,967

D. INVESTMENTS IN AFFILIATES

The company's investments in affiliates at January 3, 1993, and December 29, 1991, include the following (in thousands):

	1992	1991
Cowles Media Company	$ 80,415	$ 79,952
Newsprint mills	55,829	73,616
Other	26,166	28,196
	$162,410	$181,764

The company's investments in affiliates includes a 28 percent interest in the stock of Cowles Media Company, which owns and operates The Minneapolis Star Tribune and several other smaller properties.

The company's interest in newsprint mills includes a 49 percent interest in the common stock of Bowater Mersey Paper Company Limited, which owns and operates a newsprint mill in Nova Scotia; a one-third limited partnership interest in Bear Island Paper Company, which owns and operates a newsprint mill near Richmond, Virginia; and a one-third limited partnership interest in Bear Island Timberlands Company, which owns timberland and supplies Bear Island Paper Company with a major portion of its wood requirements. Operating costs and expenses of the company include newsprint supplied by Bowater Mersey Paper Company and Bear Island Paper Company and used in operations, the cost of which was $51,000,000 in 1992, $59,200,000 in 1991 and $60,400,000 in 1990.

The company's other investments represent a 50 percent common stock interest in the International Herald Tribune newspaper, published near Paris, and a 50 percent common stock interest in the Los Angeles Times-Washington Post News Service, Inc. In 1991 investments also included a 30 percent common stock interest in The Gaithersburg Gazette, Inc. This investment increased in 1992 to an 84 percent interest and, accordingly, it is included as a fully consolidated subsidiary (see Note K on acquisitions). In 1990 the company's ownership of the International Herald Tribune was a one-third common stock interest.

Summarized financial data for the affiliates' operations are as follows (in thousands):

	1992	1991	1990
FINANCIAL POSITION			
Working capital	$(119,505)	$ (93,737)	$ (76,521)
Property, plant and equipment	436,620	478,502	495,932
Total assets	718,352	759,850	770,071
Long-term debt	197,203	212,923	225,938
Net equity	175,618	203,997	212,938
RESULTS OF OPERATIONS			
Operating revenues	$ 650,194	$ 644,814	$ 670,345
Operating income	20,500	30,509	34,712
Net (loss) income	(13,175)	6,543	34,162

The following table summarizes the status and results of the company's investments in affiliates (in thousands):

	1992	1991
Beginning investment	$ 181,764	$ 168,512
Equity in losses	(11,730)	(1,856)
Dividends and distributions received	(2,575)	(5,217)
Additional investments	—	17,841
Foreign currency translation	(1,611)	2,484
Other	(3,438)	—
Ending investment	$ 162,410	$ 181,764

At January 3, 1993, the unamortized excess of the company's investments over its equity in the underlying net assets of its affiliates at the date of acquisition was approximately $92,500,000. Amortization included in equity in earnings of affiliates for the years ended January 3, 1993, December 29, 1991, and December 30, 1990, was $2,600,000, $2,550,000 and $2,250,000, respectively.

E. INCOME TAXES

The provision for income taxes consists of the following (in thousands):

	CURRENT	DEFERRED
1992		
U.S. Federal	$ 79,380	$ (295)
Foreign	488	(1,219)
State and local	18,109	(63)
	$ 97,977	$ (1,577)
1991		
U.S. Federal	$ 60,732	$ (3,195)
Foreign	567	(528)
State and local	14,226	(302)
	$ 75,525	$ (4,025)
1990		
U.S. Federal	$ 85,385	$ 9,489
Foreign	412	(454)
State and local	19,764	2,254
	$ 105,561	$ 11,289

Deferred tax is attributable to the following (in thousands):

	1992	1991	1990
Net pension credits in excess of contributions	$ 7,469	$ 5,335	$ 7,098
Accrued postretirement benefit expenses (current year)	(4,138)	(3,163)	—
Difference between tax depreciation and depreciation for financial reporting purposes	(1,783)	(2,437)	3,338
Deferral of investment tax credits for financial reporting purposes	(1,146)	(1,350)	(539)
Other	(1,979)	(2,410)	1,392
	$ (1,577)	$ (4,025)	$ 11,289

The provision for income taxes exceeds the amount of taxes determined by applying the U.S. Federal statutory rate of 34 percent to income before taxes as a result of the following (in thousands):

	1992	1991	1990
U.S. Federal income taxes	$ 76,226	$ 64,675	$ 99,085
State and local taxes net of Federal income tax benefit	11,911	9,190	14,532
Amortization of goodwill not deductible for income tax purposes	2,922	2,805	2,887
Prior period tax adjustments	—	(10,013)	—
Other	5,341	4,843	346
Provision for income taxes	$ 96,400	$ 71,500	$116,850

Contributing to the lower effective tax rate in 1991 was a credit of $10 million resulting from a favorable settlement with the Internal Revenue Service, which related to adjustments to prior year's income taxes.

In February 1992 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109), which significantly changes the approach and methodology of accounting for income taxes. The company plans to adopt SFAS No. 109 in the first quarter of 1993. The adoption of SFAS No. 109 will require the implementation of the liability method of accounting for income taxes and the adjustment of deferred taxes to reflect changes in tax rates at the time they are enacted. The company estimates that its deferred tax liability would be reduced by approximately $10 million, based on current tax rates. This resulting benefit will be recorded in the 1993 Consolidated Statements of Income as the cumulative effect of a change in accounting principle.

F. DEBT

Long-term debt of the company as of January 3, 1993, and December 29, 1991, is summarized as follows (in thousands):

	1992	1991
10.1 percent unsecured European Currency Unit notes due 1996	$ 50,442	$ 50,515
10.68 percent unsecured promissory notes due 1991-1994	—	25,000
10.875 percent unsecured Eurodollar notes due 1995	1,400	1,400
Less amounts included in current liabilities	—	(25,000)
	$ 51,842	$ 51,915

In December 1991 the company prepaid $50,000,000 of the 10.68 percent unsecured promissory notes. A related $2,100,000 prepayment fee was included in interest expense for the year.

Annual maturities of long-term debt based on existing loan repayment schedules are $1,400,000 in 1995 and $50,000,000 in 1996.

G. CAPITAL STOCK, STOCK OPTIONS AND STOCK AWARDS

CAPITAL STOCK. Each share of Class A common stock and Class B common stock participates equally in dividends. The Class B stock has limited voting rights and as a class has the right to elect 30 percent of the board of directors; the Class A stock has unlimited voting rights including the right to elect a majority of the board of directors. In 1991, 9,128 shares of the company's Class A common stock were converted into an equal number of shares of the company's Class B common stock.

During 1992 and 1991 the company purchased 33,949 and 42,900 shares, respectively, of its Class B common stock at a cost of $7,484,000 and $7,430,000.

STOCK OPTIONS. In 1971 the company adopted a Stock Option Plan and reserved 1,400,000 shares of Class B common stock for options to be granted under the plan. The purchase price of the shares covered by an option cannot be less than the fair value on the granting date. At January 3, 1993, there were 163,450 shares reserved for issuance under the Stock Option Plan, of which 143,000 shares were subject to options outstanding and 20,450 shares were available for future grants. Changes in options outstanding for the years ended January 3, 1993, and December 29, 1991, were as follows:

	1992		1991	
	NUMBER OF SHARES	AVERAGE OPTION PRICE	NUMBER OF SHARES	AVERAGE OPTION PRICE
Beginning of year	125,000	$260.49	53,000	$ 227.39
Granted	19,000	226.00	73,500	283.11
Exercised	(1,000)	121.50	(750)	199.38
Canceled	—	—	(750)	199.38
End of year	143,000	256.88	125,000	260.49

Of the shares covered by options outstanding at the end of 1992, 48,250 are now exercisable; 17,625 will become exercisable in 1993; 11,750 will become exercisable in 1994; 10,625 will become exercisable in 1995; 4,750 will become exercisable in 1996; and 50,000 will become exercisable in 1999.

STOCK AWARDS. In 1982 the company adopted a Long-Term Incentive Compensation Plan that, among other provisions, authorizes the awarding of stock to key employees. Stock awards made under the Incentive Compensation Plan are subject to the general restriction that stock awarded to a participant will be forfeited and revert to company ownership if the participant's employment terminates before the end of a specified period of service to the company. At January 3, 1993, there were 152,411 shares reserved for issuance under the Incentive Compensation Plan. Of this number, 24,765 shares were subject to awards outstanding, and 127,646 shares were available for future awards. Activity related to stock awards for the years ended January 3, 1993, and December 29, 1991, was as follows:

	1992		1991	
	NUMBER OF SHARES	AVERAGE AWARD PRICE	NUMBER OF SHARES	AVERAGE AWARD PRICE
AWARDS OUTSTANDING				
Beginning of year	25,461	$202.62	30,812	$182.80
Awarded	192	228.58	16,031	197.18
Vested	—	—	(18,212)	164.64
Forfeited	(888)	197.83	(3,170)	200.71
End of year	24,765	202.99	25,461	202.62

For the share awards outstanding at January 3, 1993, the aforementioned restriction will lapse in January 1993 for 11,340 shares, and in January 1995 for 13,425 shares.

AVERAGE NUMBER OF SHARES OUTSTANDING. Earnings per share are based on the weighted average number of shares of common stock outstanding during each year, adjusted for the dilutive effect of shares issuable under outstanding stock options, and awards made under the Incentive Compensation Plan. The average number of shares outstanding was 11,830,000 for 1992, 11,876,000 for 1991 and 12,081,000 for 1990.

H. RETIREMENT PLANS

The company and its subsidiaries have various funded and unfunded pension and incentive savings plans and in addition contribute to several multi-employer plans on behalf of certain union-represented employee groups. Substantially all of the company's employees, including some located in foreign countries, are covered by these plans. Pension cost (benefit) for all retirement plans combined was $5,200,000 in 1992, $3,000,000 in 1991 and $(4,000,000) in 1990. Included in 1992 are costs of $8,300,000 related to a new deferred compensation arrangement at The Washington Post newspaper. Included in 1991 are costs of $4,900,000 associated with the voluntary reduction of staff at The Washington Post newspaper.

The costs for the company's defined benefit pension plans are actuarially determined and include amortization of prior service costs over various periods, generally not exceeding 20 years. The company's policy is to fund the costs accrued for its defined benefit plans.

The following table sets forth the funded status of the defined benefit plans and amounts recognized in the Consolidated Balance Sheets at January 3, 1993, and December 29, 1991 (in thousands):

	1992	1991
Actuarial present value of accumulated plan benefits, including vested benefits of $129,144 and $122,058	$ 139,980	$ 127,366
Plan assets at fair value, primarily listed securities	$ 425,422	$ 402,052
Projected benefit obligation for service rendered to date	(173,133)	(156,369)
Plan assets in excess of projected benefit obligation	252,289	245,683
Prior service cost not yet recognized in periodic pension cost	16,855	16,219
Less unrecognized net gain from past experience different from that assumed	(112,653)	(115,455)
Less unrecognized net asset (transition amount) being recognized over approximately 17 years	(76,599)	(84,266)
Prepaid pension cost	$ 79,892	$ 62,181

The net pension credits for the years ended January 3, 1993, December 29, 1991, and December 30, 1990, include the following components (in thousands):

	1992	1991	1990
Service cost for benefits earned during the period	$ 8,312	$ 7,200	$ 6,383
Interest cost on projected benefit obligation	11,700	10,327	8,672
Actual return on plan assets	(29,388)	(84,880)	(6,312)
Net amortization and deferral	(8,185)	50,471	(26,056)
Cost of voluntary reduction in staff	—	4,916	—
Net pension credit	$(17,561)	$(11,966)	$(17,313)

The weighted average discount rate and rate of increase in future compensation levels used for 1992, 1991 and 1990 in determining the actuarial present value of the projected benefit obligation were 7.5 percent and 4 percent, respectively. The expected long-term rate of return on assets was 9 percent in 1992, 1991 and 1990.

Contributions to multi-employer pension plans, which are generally based on hours worked, amounted to $1,500,000 in 1992, $1,300,000 in 1991 and $1,500,000 in 1990.

The costs of unfunded retirement plans are charged to expense when accrued. The company's liability for such plans, which is included in "Other Liabilities" in the Consolidated Balance Sheets, was $41,500,000 at January 3, 1993, and $31,500,000 at December 29, 1991.

I. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The company and its subsidiaries provide health care and life insurance benefits to certain retired employees. These employees become eligible for benefits after meeting minimum age and service requirements.

In 1991 the company adopted the provisions of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." As permitted by SFAS No. 106, the company elected to recognize in 1991 the accumulated benefit obligation related to prior service costs. This obligation of $78,208,000, after income taxes of $30,311,000, is shown on the Consolidated Statements of Income as the cumulative effect of a change in accounting principle. In addition, the effect of adopting SFAS No. 106 was to increase operating expense by $1,298,000 in 1992 and $7,130,000 in 1991.

The following table sets forth the amounts included in "Other Liabilities" in the Consolidated Balance Sheets at January 3, 1993, and December 29, 1991 (in thousands):

	1992	1991
Accumulated postretirement benefit obligation:		
Retirees	$ 46,329	$ 45,197
Fully eligible active plan participants	5,880	7,971
Other active plan participants	35,184	36,237
	87,393	89,405
Unrecognized prior service costs arising from plan amendments	2,571	—
Unrecognized net gain from past experience different from that assumed	739	—
Accrued postretirement benefit cost	$ 90,703	$ 89,405

Net periodic postretirement benefit cost for the years ended January 3, 1993, and December 29, 1991, includes the following components (in thousands):

	1992	1991
Service cost for benefits earned during the period	$3,029	$2,948
Interest cost on accumulated postretirement benefit obligation	6,853	6,404
Amortization of prior service costs	(61)	—
Curtailment gain	(5,963)	—
Net periodic postretirement benefit cost	$3,858	$9,352

The curtailment gain of $6,000,000 relates to the termination in December 1992 of one of the company's health care plans at The Washington Post newspaper. The terminated plan has been replaced by a deferred compensation arrangement and a related expense of $8,300,000 was recognized as a result of this change (see Note H).

For both 1992 and 1991 the accumulated postretirement benefit obligation was determined using a discount rate of 8 percent and a health care cost trend rate of approximately 14 percent for pre-age-65 benefits, decreasing to 6.5 percent in the year 2022 and thereafter; and rates of approximately 11 to 14 percent for post-age-65 benefits, decreasing to 6.5 percent in the year 2022 and thereafter.

The company's policy is to fund the above-mentioned benefits as claims and premiums are paid.

The effect on the accumulated postretirement benefit obligation at January 1, 1992, of a 1 percent increase each year in the health care cost trend rate used would result in increases of approximately $15,000,000 in the obligation and $2,000,000 in the aggregate service and interest components of the 1992 expense.

In 1990 the cost of providing health care and life insurance benefits for retirees was not separable from the cost of providing these benefits for active employees. The total cost recognized for both active and retired employees for health care and life insurance benefits was approximately $26,500,000 in 1990. Retiree participation in these plans as a percentage of total participation approximated 9 percent in 1990 for the life insurance plan, and 16 percent for the medical plan.

J. LEASE COMMITMENTS

Total rental expense under operating leases included in operating costs and expenses was approximately $21,500,000 for 1992, $20,000,000 for 1991 and $16,800,000 for 1990. The company's commitments under operating lease agreements are primarily for real estate. As of January 3, 1993, minimum future rentals under non-cancelable leases (exclusive of minimum sublease rentals totaling $4,700,000) were as follows (in thousands):

1993	$ 16,659
1994	13,917
1995	11,496
1996	8,040
1997	5,724
Thereafter	8,570
	$ 64,406

K. ACQUISITIONS AND DISPOSITIONS

During 1992 the company expended approximately $32,000,000, including related expenses, for investments in new businesses. These included a cable system in Mississippi; Pro Am Sports Systems, Inc. (PASS), a company that provides sports programming in the Detroit area; an additional investment in The Gaithersburg Gazette, Inc. (which increased the company's ownership to 84 percent); and continued investment in personal communications systems (PCS) technology development. The company also purchased shares in ACTV, Inc., a company that is involved in interactive television.

The acquisitions, except for the investment in ACTV, Inc., were accounted for using the purchase method and, accordingly, the assets and liabilities of the companies acquired have been recorded at their estimated fair values at the date of acquisition. The excess of the cost over the fair value of net assets acquired is being amortized over periods up to 40 years. The investment in ACTV, Inc., is accounted for under the cost method of accounting.

During 1991 the company expended approximately $21,000,000, including related expenses, for investments in new businesses. These included an additional investment in the International Herald Tribune, which increased the company's ownership to 50 percent, a cable franchise in the United Kingdom, and The Gaithersburg Gazette, Inc.

The International Herald Tribune and Gaithersburg Gazette purchases are accounted for under the equity method of accounting, and amortization of the excess of the cost over the company's share of the fair value of the assets acquired is included in equity in earnings of affiliates. The cable purchase included costs of obtaining the franchise and are being amortized over the franchise life.

L. CONTINGENCIES

The company is a party to various civil lawsuits, including libel actions, arising in the ordinary course of business. In the opinion of management, the company carries adequate liability insurance against such libel actions, and the company is not presently a party to any other material litigation.

M. BUSINESS SEGMENTS

The company operates principally in four areas of the communications industry: newspaper publishing, magazine publishing, television broadcasting and cable television.

Newspaper operations involve the publication of newspapers in the Washington, D.C., area and Everett, Washington, and newsprint warehousing and recycling facilities.

Broadcast operations are conducted primarily through four VHF television stations. All stations are network-affiliated, with revenues derived primarily from sales of advertising time.

Magazine operations consist of the publication of a weekly news magazine, Newsweek, which has one domestic and three international editions. Revenues from both newspaper and magazine publishing operations are derived from advertising and, to a lesser extent, from circulation.

Cable television operations consist of over 50 cable systems offering basic cable and pay television services to more than 463,000 subscribers in 15 midwestern, western and southern states and 20,000 subscribers in the United Kingdom. The principal source of revenues is monthly subscription fees charged for services.

Other Businesses include the operations of a database publishing company, a regional sports cable system, an experimental wireless telephone system and educational centers engaged in preparing students for admissions tests and licensing examinations (including the preparation and publishing of training materials).

Income from operations is the excess of operating revenues over operating expenses including corporate expenses, which are allocated to operations of the segments. In computing income from operations by segment, the effects of equity in earnings of affiliates, interest income, interest expense, other income and expense items and income taxes are not included.

Identifiable assets by segment are those assets used in the company's operations in each business segment. Investments in affiliates are discussed in Note D. Corporate assets are principally cash and cash equivalents and marketable securities.

(IN THOUSANDS)	NEWSPAPER PUBLISHING	BROADCASTING	MAGAZINE PUBLISHING	CABLE TELEVISION	OTHER BUSINESSES	CONSOLIDATED
1992						
Operating revenues	$ 677,645	$ 162,154	$ 347,067	$ 174,098	$ 89,903	$ 1,450,867
Income (loss) from operations	$ 120,794	$ 54,568	$ 23,882	$ 38,967	$ (6,099)	$ 232,112
Equity in losses of affiliates						(11,730)
Interest expense						(6,385)
Other income, net						10,199
Income before income taxes						$ 224,196
Identifiable assets	$ 315,522	$ 143,357	$ 141,008	$ 397,504	$ 77,365	$ 1,074,756
Investments in affiliates						162,410
Corporate assets						330,955
Total assets						$ 1,568,121
Depreciation and amortization of property, plant and equipment	$ 16,724	$ 6,289	$ 6,252	$ 26,994	$ 2,963	$ 59,222
Amortization of goodwill and other intangibles	$ 745	$ 664		$ 11,574	$ 2,495	$ 15,478
Capital expenditures	$ 13,653	$ 2,844	$ 2,732	$ 36,900	$ 2,760	$ 58,889
1991						
Operating revenues	$ 642,694	$ 163,471	$ 326,475	$ 159,503	$ 88,118	$ 1,380,261
Income from operations	$ 89,488	$ 49,074	$ 9,085	$ 35,011	$ 10,208	$ 192,866
Equity in losses of affiliates						(1,856)
Interest expense						(17,759)
Other income, net						16,970
Income before income taxes						$ 190,221
Identifiable assets	$ 307,897	$ 144,232	$ 131,510	$ 386,527	$ 52,779	$ 1,022,945
Investments in affiliates						181,764
Corporate assets						282,952
Total assets						$ 1,487,661
Depreciation and amortization of property, plant and equipment	$ 18,119	$ 7,174	$ 6,548	$ 24,651	$ 2,203	$ 58,695
Amortization of goodwill and other intangibles	$ 533	$ 664		$ 11,553	$ 2,522	$ 15,272
Capital expenditures	$ 19,215	$ 3,158	$ 2,762	$ 25,363	$ 5,159	$ 55,657
1990						
Operating revenues	$ 690,997	$ 179,385	$ 340,177	$ 145,473	$ 82,608	$ 1,438,640
Income from operations	$ 143,758	$ 68,923	$ 26,865	$ 29,157	$ 13,065	$ 281,768
Equity in earnings of affiliates						6,235
Interest expense						(16,653)
Other income, net						20,076
Income before income taxes						$ 291,426
Identifiable assets	$ 309,769	$ 162,393	$ 125,520	$ 395,286	$ 51,717	$ 1,044,685
Investments in affiliates						168,512
Corporate assets						283,312
Total assets						$ 1,496,509
Depreciation and amortization of property, plant and equipment	$ 16,890	$ 7,311	$ 4,639	$ 22,809	$ 1,860	$ 53,509
Amortization of goodwill and other intangibles	$ 533	$ 664		$ 11,289	$ 2,496	$ 14,982
Capital expenditures	$ 38,189	$ 6,991	$ 2,651	$ 28,660	$ 1,705	$ 78,196

N. SUMMARY OF QUARTERLY OPERATING RESULTS (UNAUDITED)

Quarterly results of operations for the years ended January 3, 1993, and December 29, 1991, are as follows. Quarterly results for the first three quarters of 1991 have been restated to reflect the adoption in the fourth quarter of SFAS No. 106 (in thousands, except per share amounts):

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
1992				
Operating revenues				
Advertising	$ 195,668	$ 242,929	$ 203,348	$ 253,700
Circulation and subscriber	105,480	107,989	109,045	113,679
Other	27,923	26,015	38,628	26,463
	329,071	376,933	351,021	393,842
Costs and expenses				
Operating	187,115	186,461	197,675	216,005
Selling, general and administrative	85,655	90,726	84,293	96,125
Depreciation	14,709	14,850	14,711	14,952
Amortization of goodwill	3,798	3,842	3,941	3,897
	291,277	295,879	300,620	330,979
Income from operations	37,794	81,054	50,401	62,863
Other income (expense)				
Equity in (losses) earnings of affiliates	(4,848)	(1,709)	(2,411)	(2,762)
Interest income	3,030	2,820	2,944	3,060
Interest expense	(1,535)	(1,780)	(1,671)	(1,399)
Other	89	(108)	(66)	(1,570)
Income before income taxes	34,530	80,277	49,197	60,192
Provision for income taxes	14,850	34,525	21,650	25,375
Net income	$ 19,680	$ 45,752	$ 27,547	$ 34,817
Earnings per share	$ 1.66	$ 3.87	$ 2.33	$ 2.94
Average number of shares outstanding	11,835	11,835	11,835	11,816

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
1991				
Operating revenues				
Advertising	$ 186,574	$ 229,511	$ 197,933	$ 238,420
Circulation and subscriber	102,206	102,565	102,987	105,179
Other	28,352	24,541	39,039	22,954
	317,132	356,617	339,959	366,553
Costs and expenses				
Operating	195,929	192,837	187,320	199,850
Selling, general and administrative	83,269	88,410	85,923	79,890
Depreciation	14,233	14,368	14,234	15,860
Amortization of goodwill	3,785	3,851	3,814	3,822
	297,216	299,466	291,291	299,422
Income from operations	19,916	57,151	48,668	67,131
Other income (expense)				
Equity in (losses) earnings of affiliates	(576)	851	(1,674)	(457)
Interest income	4,742	4,039	4,191	4,410
Interest expense	(3,583)	(3,548)	(3,374)	(7,254)
Other	597	(380)	(23)	(606)
Income before income taxes and cumulative effect of change in accounting principle	21,096	58,113	47,788	63,224
Provision for income taxes	8,552	24,086	22,607	16,255
Income before cumulative effect of change in accounting principle	12,544	34,027	25,181	46,969
Cumulative effect of change in method of accounting for postretirement health care benefits (net of tax)	(47,897)	—	—	—
Net income	$ (35,353)	$ 34,027	$ 25,181	$ 46,969
Earnings per share:				
Before cumulative effect of change in accounting principle	$ 1.06	$ 2.86	$ 2.12	$ 3.96
Net income	$ (2.98)	$ 2.86	$ 2.12	$ 3.96
Average number of shares outstanding	11,878	11,879	11,877	11,869

TEN-YEAR SUMMARY OF SELECTED HISTORICAL FINANCIAL DATA

See Notes to Consolidated Financial Statements for the summary of significant accounting policies and additional information relative to the years 1990-1992.

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	1992	1991	1990
RESULTS OF OPERATIONS			
Operating revenues	$ 1,450,867	$ 1,380,261	$ 1,438,640
Income from operations	$ 232,112	$ 192,866	$ 281,768
Income before cumulative effect of change in accounting principle	$ 127,796	$ 118,721	$ 174,576
Cumulative effect in 1991 of change in method of accounting for postretirement benefits other than pensions	—	(47,897)	—
Net income	$ 127,796	$ 70,824	$ 174,576
PER SHARE AMOUNTS			
Earnings per share			
Income before cumulative effect of change in accounting principle	$10.80	$10.00	$14.45
Cumulative effect in 1991 of change in method of accounting for postretirement benefits other than pensions	—	(4.04)	—
Net income	$10.80	$ 5.96	$14.45
Cash dividends	$ 4.20	$ 4.20	$ 4.00
Shareholders' equity	$84.17	$78.12	$76.31
AVERAGE NUMBER OF SHARES OUTSTANDING	11,830	11,876	12,081
FINANCIAL POSITION			
Current assets	$ 524,975	$ 472,219	$ 471,669
Working capital	242,627	183,959	175,807
Property, plant and equipment	390,804	390,313	394,979
Total assets	1,568,121	1,487,661	1,496,509
Long-term debt	51,842	51,915	126,988
Shareholders' equity	993,005	924,285	905,112

1989	1988	1987	1986	1985	1984	1983
$ 1,444,094	$ 1,367,613	$ 1,315,422	$ 1,215,064	$ 1,078,650	$ 984,303	$ 877,714
$ 313,691	$ 233,290	$ 257,073	$ 228,986	$ 204,186	$ 166,295	$ 132,415
$ 197,893	$ 269,117	$ 186,743	$ 100,173	$ 114,261	$ 85,886	$ 68,394
—	—	—	—	—	—	—
$ 197,893	$ 269,117	$ 186,743	$ 100,173	$ 114,261	$ 85,886	$ 68,394
$15.50	$20.91	$14.52	$ 7.80	$ 8.66	$ 6.11	$ 4.82
—	—	—	—	—	—	—
$15.50	$20.91	$14.52	$ 7.80	$ 8.66	$ 6.11	$ 4.82
$ 1.84	$ 1.56	$ 1.28	$ 1.12	$ .96	$ .80	$ .66
$75.40	$67.50	$47.80	$34.04	$27.26	$27.17	$22.50
12,768	12,873	12,861	12,842	13,194	14,050	14,195
$ 553,188	$ 493,736	$ 226,523	$ 219,422	$ 359,174	$ 218,559	$ 190,616
283,118	235,698	(50,290)	(22,647)	150,397	56,850	31,104
370,597	352,113	371,080	343,702	219,310	191,072	181,333
1,532,211	1,422,267	1,194,196	1,145,227	885,079	645,800	570,676
152,061	154,751	155,791	336,140	222,392	6,250	8,500
941,522	868,240	614,009	436,590	349,548	380,127	318,890

NEWSPAPER DIVISION

THE WASHINGTON POST— a morning daily and Sunday newspaper published in Washington, D.C. For the 12 months ending September 30, 1992, The Post's unaudited estimated average circulation was 824,000 daily and 1,159,000 Sunday. The Post maintains 18 foreign, 5 national and 11 metropolitan news bureaus. It is printed at sites in Northwest and Southeast Washington and nearby Springfield, Virginia.

THE WASHINGTON POST NATIONAL WEEKLY EDITION— a tabloid publication of selected Post articles on politics and government, edited for a national audience, with a circulation of 113,000.

THE HERALD— a morning daily and Sunday newspaper published in Everett, Washington, 30 miles north of Seattle. The Herald's unaudited average circulation for the 12-month period ending September 30, 1992, was 52,219 daily and 64,048 Sunday.

THE WASHINGTON POST WRITERS GROUP— a syndicator of 32 features to newspapers throughout the country.

ROBINSON TERMINAL WAREHOUSE CORPORATION— a newsprint handling and storage facility with operations in Alexandria and Springfield, Virginia.

CAPITOL FIBER INC.— a handler and seller to recycling industries of old newspaper and other waste paper collected in the Washington-Baltimore area.

THE GAITHERSBURG GAZETTE, INC.— a publisher of one paid circulation and 13 controlled circulation weekly newspapers in Montgomery, Frederick and Carroll Counties, Maryland. During 1992 The Gazette Newspapers had an aggregate average weekly circulation of more than 180,000 copies.

POST-NEWSWEEK STATIONS

POST-NEWSWEEK STATIONS— the owner and operator of four network-affiliated VHF television stations and the PNS Washington News Bureau.

WDIV-4— an NBC affiliate in Detroit, Michigan, the 9th largest broadcasting market in the United States, with 1,723,460 television households.

WPLG-10— an ABC affiliate in Miami, Florida, the 15th largest broadcasting market in the United States, with 1,291,940 television households.

WFSB-3— a CBS affiliate in Hartford, Connecticut, the 24th largest broadcasting market in the United States, with 930,870 television households.

WJXT-4— a CBS affiliate in Jacksonville, Florida, the 54th largest broadcasting market in the United States, with 473,030 television households.

POST-NEWSWEEK CABLE

POST-NEWSWEEK CABLE— Headquartered in Phoenix, Arizona, Post-Newsweek Cable systems currently serve 463,000 subscribers in 15 midwestern, western and southern states. Post-Newsweek Cable has acquired franchises in several areas in Scotland. States served and the number of basic subscribers in each as of December 31, 1992, were:

Arizona	31,154	New Mexico	20,259
California	115,026	North Dakota	18,783
Illinois	18,361	Ohio	13,911
Indiana	10,690	Oklahoma	53,231
Iowa	21,822	Tennessee	8,925
Kansas	8,762	Texas	76,761
Mississippi	28,386		
Missouri	25,474	TOTAL	463,015
Nebraska	11,470		

NEWSWEEK

NEWSWEEK— a weekly news magazine published in New York City, with a 1993 rate base of 3.1 million and a 12-month average circulation for 1992 of 3.2 million. Newsweek maintains 10 U.S. offices and 16 foreign news bureaus and has 9 domestic advertising sales offices. The magazine is printed at 5 U.S. sites.

NEWSWEEK INTERNATIONAL— a weekly English-language news magazine published in New York City and circulated throughout the world. For 1993 Newsweek International's combined circulation rate base for its three editions is 745,000: Atlantic, 340,000; Pacific, 335,000 (including 110,000 for The Bulletin with Newsweek, Australia's largest news magazine); and Latin America, 70,000. Newsweek International maintains 11 sales offices, one in the U.S. and 10 overseas. The magazine is printed in Australia, England, Hong Kong, Japan, Korea, Singapore, Switzerland and the United States.

NEWSWEEK JAPAN (NEWSWEEK NIHON BAN) — a Japanese-language newsweekly with a circulation rate base of 160,000. It is produced with TBS-Britannica, which translates and publishes the magazine.

NEWSWEEK KOREA (NEWSWEEK HANKUK PAN)— a Korean-language newsweekly with a circulation rate base of 70,000. It is produced with Joong-ang Ilbo of Korea, a division of the Samsung Group, which translates and publishes the magazine. Newsweek Hankuk Pan is the first international Korean-language newsweekly.

OTHER BUSINESSES

STANLEY H. KAPLAN EDUCATIONAL CENTER — Headquartered in New York City, Kaplan offers courses at 151 permanent centers throughout the United States and in Canada and Puerto Rico, and at another 600 satellite classrooms on a seasonal basis. The company has prepared more than 2 million students for over 30 standardized high school, college and graduate school admissions tests as well as professional licensing examinations. Kaplan also offers an intensive English program, a speed-reading course and continuing professional education courses for CPA's. Enrollments in 1992 exceeded 146,000.

LEGI-SLATE, INC.— Headquartered in Washington, D.C., Legi-Slate is the original and leading online service covering congressional legislation and voting records, federal regulatory activity and other government-related matters.

AMERICAN PERSONAL COMMUNICATIONS— A limited partnership in which The Washington Post Company has a majority interest, APC has been operating personal communications services systems in Washington, D.C., northern Virginia and the Baltimore, Maryland, region since November 1991 under an experimental license from the Federal Communications Commission. APC received a tentative pioneer's preference from the FCC in October 1992.

MOFFET, LARSON & JOHNSON, INC.— Headquartered in Falls Church, Virginia, MLJ specializes in the design, development and operation of advanced mobile broadcast and common carrier radio facilities.

PRO AM SPORTS SYSTEM— Headquartered in Detroit, Michigan, PASS is a regional sports cable network that supplies sports programming to 775,000 homes in Michigan and northwest Ohio.

AFFILIATES

INTERNATIONAL HERALD TRIBUNE (50 percent of common stock) — a daily newspaper published in Paris, France. In 1992 the International Herald Tribune had an average daily paid circulation of almost 200,000 in 164 countries, served from printing sites in Paris, Zurich, London, Marseilles, The Hague, Singapore, Hong Kong, Tokyo, Rome, Frankfurt and New York.

LOS ANGELES TIMES-WASHINGTON POST NEWS SERVICE, INC. (50 percent of common stock) — a supplier of spot news and features to more than 600 newspapers, broadcast stations and magazines in 40 countries.

BOWATER MERSEY PAPER COMPANY LTD. (49 percent of common stock) — a newsprint manufacturer in Liverpool, Nova Scotia.

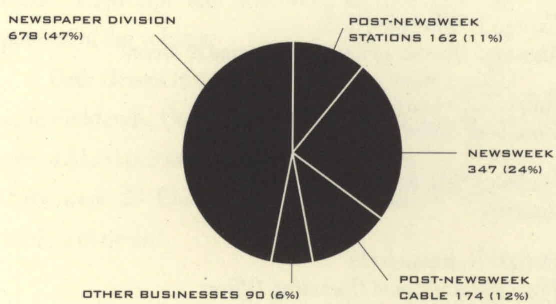
BEAR ISLAND PAPER COMPANY (one-third limited partnership interest)— a newsprint manufacturer in Doswell, Virginia.

BEAR ISLAND TIMBERLANDS COMPANY (one-third limited partnership interest)— an owner/manager of timberland.

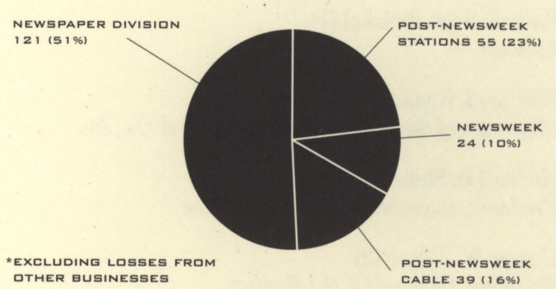
COWLES MEDIA COMPANY (28 percent of common stock)— owner of The Minneapolis Star Tribune and other smaller properties.

ACTV, INC. (15 percent of common stock) — an interactive-television company serving the entertainment and education markets. The Washington Post Company also has a 51 percent interest in ACTV Interactive Company, which markets ACTV's interactive-television programming and technology for educational applications worldwide.

1992 OPERATING REVENUES ($ IN MILLIONS)



1992 OPERATING INCOME ($ IN MILLIONS)*



*EXCLUDING LOSSES FROM OTHER BUSINESSES

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Katharine Graham (3)
Chairman of the Board

Donald E. Graham (3)
President
Chief Executive Officer
Publisher, The Washington Post

Alan G. Spoon (3)
Executive Vice President
Chief Operating Officer

Benjamin C. Bradlee
Vice President at Large
The Washington Post

James E. Burke (3)
Former Chairman and Chief Executive Officer
Johnson & Johnson

Martin Cohen (3)
Vice President

George J. Gillespie III (3)
Attorney, Member of Cravath, Swaine & Moore

Ralph E. Gomory (1)
President, Alfred P. Sloan Foundation

Nicholas deB. Katzenbach (2)
Attorney

Donald R. Keough (1)
President and Chief Operating Officer
The Coca-Cola Company

Anthony J. F. O'Reilly (2)
Chairman, President and Chief Executive Officer
H.J. Heinz Company

Barbara Scott Preiskel (1)
Attorney

William J. Ruane (1,3)
Chairman of the Board, Ruane, Cunniff & Co., Inc.

Richard D. Simmons (2)
President, International Herald Tribune

George W. Wilson (2)
President, Concord (N.H.) Monitor

Committees of the Board of Directors:
(1) Audit Committee
(2) Compensation Committee
(3) Finance Committee

OTHER COMPANY OFFICERS

Diana M. Daniels
Vice President, General Counsel and Secretary

Ross F. Hamachek
Vice President-Planning and Development

Leonade D. Jones
Treasurer

Beverly R. Keil
Vice President-Human Resources

Guyon Knight
Vice President-Corporate Communications

John B. Morse, Jr.
Vice President-Finance

G. William Ryan
Vice President
President and Chief Executive Officer,
Post-Newsweek Stations

Richard M. Smith
Vice President
Editor-in-Chief and President,
Newsweek

Ralph S. Terkowitz
Vice President-Technology

Howard E. Wall
Vice President
Chairman and Chief Executive Officer,
Post-Newsweek Cable

STOCK TRADING

The Washington Post Company Class B common stock is traded on the New York Stock Exchange with the symbol WPO.

STOCK TRANSFER AGENTS AND REGISTRAR

First Chicago Trust Company of New York
Post Office Box 3981
Church Street Station
New York, New York 10008-3981

The Riggs National Bank of Washington, D.C.
Corporate Trust Division
Post Office Box 96206
Washington, D.C. 20090-6206

SHAREHOLDER INQUIRIES

Communications concerning transfer requirements, lost certificates, dividends and changes of address should be directed to either transfer agent. Inquiries may be made to First Chicago Trust Company of New York Shareholder Relations Group by telephone (212) 791-6422 or fax (212) 385-9796. Those who are hearing impaired may call the Telecommunications Device for the Deaf (TDD) at (212) 571-0022.

FORM 10-K

The company's Form 10-K annual report to the Securities and Exchange Commission will be provided to shareholders upon written request to: Treasurer, The Washington Post Company, 1150 15th Street, N.W., Washington, D.C. 20071.

ANNUAL MEETING

The annual meeting of stockholders will be held on Thursday, May 13, 1993, at 9:00 a.m., at The Washington Post Company, 9th floor, 1150 15th Street, N.W., Washington, D.C.

COMMON STOCK PRICES AND DIVIDENDS

The Class A common stock of the company is not traded publicly. The Class B common stock of the company is listed on the New York Stock Exchange. High and low sales prices during the last two years were:

	1992		1991	
QUARTER	HIGH	LOW	HIGH	LOW
January-March	$ 242	$ 193	$ 251	$ 193
April-June	246	214	229	210
July-September	244	214	236	209
October-December	241	215	212	169

During 1992 the company repurchased 33,949 outstanding shares of Class B common stock in unsolicited transactions at prices no higher than the last sale price on the New York Stock Exchange. Of the total shares repurchased in 1992, 28,300 shares were included in trading volume reported on that year's consolidated tape and accounted for less than one percent of the volume.

Both classes of common stock participate equally as to dividends. Quarterly dividends were paid at the rate of $1.05 per share in 1992. At February 18, 1993, there were 23 Class A and 1,667 Class B shareholders of record.

DESIGN: THE INVISIONS GROUP, LTD.
ILLUSTRATION: RANDY LYHUS
PRINTING: S&S GRAPHICS INC.

NINETY PERCENT OF THIS REPORT IS PRINTED ON RECYCLED PAPER STOCKS CONTAINING AN AVERAGE OF MORE THAN 50 PERCENT POST-CONSUMER WASTE FIBERS.

THE WASHINGTON POST COMPANY
1150 15TH STREET, N.W.
WASHINGTON, D.C. 20071
(202) 334-6000