THE WASHINGTON POST COMPANY

ANNUAL REPORT 1979

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Newspaper Division
The Washington Post
Washington, D.C.
The Trenton Times
Trenton, New Jersey
The Everett Herald
Everett, Washington
Robinson Terminal Warehouse Corporation
Alexandria, Virginia
(85 percent ownership)
Newsprint warehousing
The Washington Post Writers Group
Washington, D.C.
Newspaper feature syndication and other publications.

Magazine and Book Division
Newsweek
Newsweek International Editions
Newsweek Books
Inside Sports

Broadcasting Division
Television Stations
WDIV
Detroit, Michigan (NBC affiliate)
WJXT
Jacksonville, Florida (CBS affiliate)
WPLG
Miami, Florida (ABC affiliate)
WFSB-TV
Hartford, Connecticut (CBS affiliate
Top Market Television
National TV sales representative

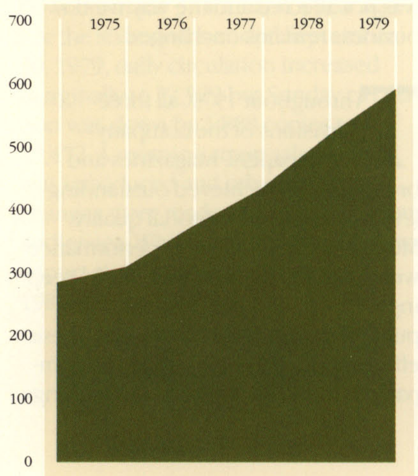
Affiliates
Bowater Mersey Paper Company Limited
Liverpool, Nova Scotia
(49 percent of common stock)
Newsprint manufacturing
International Herald Tribune, S.A.
Paris, France
(30 percent of common stock)
Newspaper publishing
Los Angeles Times-Washington Post News Service, Inc.
(50 percent interest of common stock
Bear Island Paper Company
Doswell, Virginia
(30 percent interest in joint venture
Newsprint manufacturing

Contents

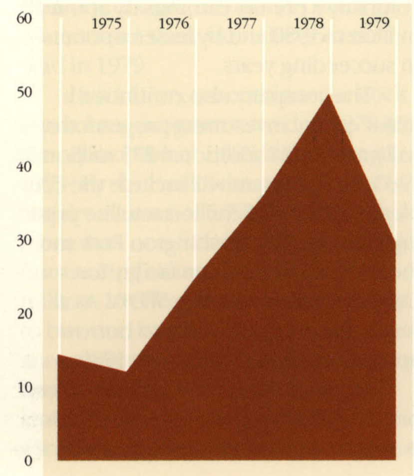
(In thousands, except per share amounts)	1979	1978	% Change
Operating revenues	$593,262	$520,398	+14%
Income			
Before special charge for 1979*	$ 42,999	$ 49,720	−14%
Net income after special charge for 1979*	$ 29,468	$ 49,720	−41%
Earnings per share			
Before special charge for 1979*	$ 2.75	$ 3.06	−10%
After special charge for 1979*	$ 1.89	$ 3.06	−38%
Dividends per share	$ .36	$ .30	+20%
Shareholders' equity per share	$11.56	$11.15	+ 4%
Average number of common and common equivalent shares outstanding	15,609	16,232	− 4%

*The special charge represents the cumulative effect on years prior to 1979 of the change in method of accounting for magazine subscription procurement costs adopted in 1979.

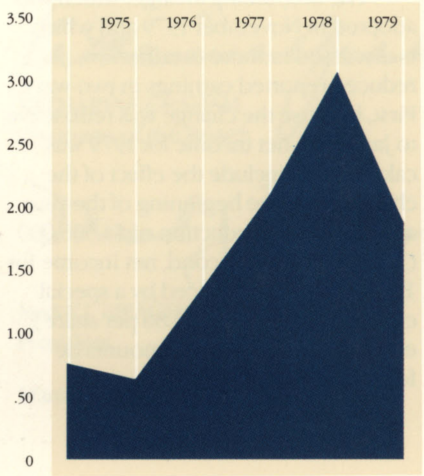
Operating Revenues
(In millions of dollars)



Net Income
(In millions of dollars)



Earnings Per Share
(In dollars)



The Washington Post Company turned in a strong performance in 1979 despite several nonrecurring events which had a significant adverse financial impact.

Net income for 1979 was $29,468,-000 ($1.89 per share) compared to 1978 income of $49,720,000 ($3.06 per share). The difference of $20,252,000 was principally the result of two factors. One was a change in 1979 in the method of accounting for magazine subscription procurement costs that reduced 1979 net income by $18,037,000 ($1.15 per share). The other was the fact that net income for the previous year included one-time gains of about $4,338,000 ($.27 per share) from sales of property.

The accounting change, which was adopted in November 1979 and which is discussed in more detail below, reduced reported earnings in two ways. First, because the change was retroactive to January 1, net income for 1979 was calculated to include the effect of the change since the beginning of the year, amounting to a reduction of $4,506,000 ($.29 per share). Second, net income for 1979 was further reduced by a special charge of $13,531,000 ($.86 per share), equal to the cumulative amounts deferred at the end of 1978.

Revenues for 1979 were $593,262,000, an increase of 14 per cent over 1978 revenues of $520,398,000.

We understand the need for a solid foundation as a building base for the future. The company has that foundation in an enviable record of consistent growth and healthy earnings, one that will allow us to meet the challenges and opportunities ahead. Since 1970, revenues have increased at a compound annual rate of 14 per cent, net income at a rate of 25 per cent, and earnings per share at a rate of 25 per cent, the last two figures before the effect of any extraordinary items.

This performance has been the result of investing resources at worthwhile costs to expand and solidify our existing businesses.

Such a policy of developmental spending frequently has a negative effect on short-term net income, but it enhances the long-term value of our shareholders' investment.

The company last year worked actively to broaden and stabilize its base for future development. These activities had an impact on our earnings in 1979 and will affect the following years' results as well.

During 1979, for example, costs connected with a new magazine, Inside Sports, reduced pre-tax earnings by almost $2 million. This new magazine will appear nationally on a regular monthly schedule starting with an April 1980 issue (on the newsstands in late March). The unusually high degree of enthusiasm in response to the test issue of Inside Sports has convinced us we have an exciting new product with great income potential for the future. But we also expect the start-up and operations of Inside Sports to reduce the company's pre-tax earnings by about $8 million in 1980 and by lesser amounts in succeeding years.

The company also continued a major capital investment program that will grow by an additional $75 million in 1980. The program will include the completion of the $65 million satellite printing plant for The Washington Post and the start of a $14 million facility for Detroit television station WDIV. As a result, the company plans to borrow approximately $35 million in 1980.

Work on the new Washington Post printing plant in Fairfax County, Virginia, is ahead of schedule. It is expected to be operational by the fall of 1980 to accommodate the newspaper's extremely gratifying circulation growth. Depreciation and other costs associated with this project will add to the company's expenses by about $5 million in 1980 and $10 million in 1981, both amounts compared with 1979.

On the other hand, the Bear Island newsprint mill in Doswell, Virginia, in which the company is a 30 per cent limited partner, began producing paper late in December. Expenses connected with the mill reduced pre-tax profits by $2.2 million in 1979.

The change in our method of accounting for magazine subscription procurement costs at Newsweek also affected 1979 earnings. Under the deferred method used since 1971, costs of acquiring subscriptions were recorded as deferred expenses and then amortized over the lives of the related subscriptions. The new method is to charge expenses immediately with the costs of subscription procurement. (Revenues related to prepaid subscription will continue to be deferred and recognized as income when the subscriptions are filled.)

The change was made because recent economic conditions have increased the costs of procuring magazine subscriptions, and as a result those costs have increased in proportion to prepaid subscription revenues. This ratio of costs to revenues is particularly acute in the case of new magazine publishing ventures such as Inside Sports.

The change to expensing subscription procurement costs as they are incurred is in keeping with our conservative accounting policy. Cash flow was not affected and the way we do business remains unchanged.

Throughout 1979, all three divisions of the company—newspapers, magazines and broadcasting—achieved outstanding levels of news and editorial quality. Measures to enhance this performance were pursued in a spirit wholly in keeping with our obligation to serve the public interest. At the same time, these efforts have greatly benefited the company in terms of revenues and earnings.

Net income for the fourth quarter of 1979 was $14,691,000 ($.98 per share) on revenues of $173,235,000. For the fourth quarter of 1978 net income was $15,969,000 ($.99 per share) and revenues were $149,344,000. For the fourth quarter of 1979 the accounting change reduced net income by $823,000 ($.05 per share). If the new method had been in effect during 1978, net income for the fourth quarter of that year would have been slightly higher with no change in earnings per share.

For the year 1979, revenues of the newspaper division rose to $272.7 million from $242.1 million in 1978. Costs also rose substantially. Newsprint was both scarce and expensive. At times it was purchased from suppliers in Europe at premium prices.

The Washington Post had a record year in advertising and circulation, with the gains in readership unprecedented for the newspaper and for large metropolitan markets. Total advertising linage was 99.3 million, a gain of 5 per cent over 1978. For the six months ended September 30, 1979, Post circulation rose to 578,831 daily from 559,371 a year ago and Sunday circulation rose to 809,403 from 786,753.

At the Everett Herald, advertising linage was up 14 per cent. Circulation also is expanding. For the six months ended September 30, 1979, circulation was 59,765 compared with 56,538 a year earlier. Because of higher operating expenses, profit margins were down slightly.

The Trenton advertising market softened somewhat during 1979, particularly in the retail sector where a number of advertisers closed their businesses. However, the Trenton Times classified advertising was up. Total advertising linage for the year was 36.4 million, down from the 37.4 million a year ago. For the six months ended September 30, 1979, daily circulation increased marginally to 72,929 but Sunday circulation was down by 1,888 copies to 85,472. A morning street sales edition was introduced and other extensive changes were made to appeal to various audiences. While profits were down, we expect significant improvements in 1980 and beyond.

Magazine Division revenues increased by $33.2 million in 1979, a gain of 15 per cent. It was a year of record performance by Newsweek, which published 3,410 domestic advertising pages compared to 3,283 pages in 1978. It was a banner year, too, for Newsweek International. The Atlantic and Pacific editions carried a record 2,210 advertising pages and the one-year-old Latin American edition exceeded its goals with more than 350 advertising pages.

The domestic edition of Newsweek increased its circulation rate base by 50,000 to 2.95 million at the beginning of 1980.

Revenues of the Broadcasting Division were $72.6 million in 1979, an increase of $9.1 million over 1978 revenues of $63.5 million. Both revenues and profits were records.

WPLG made significant gains in overall audience in the growing Miami market, achieving a No. 1 ranking in October—the first time in 30 years that position was not held by the station's chief competitor. After a period of transition at WDIV in Detroit, which the company acquired in June 1978, the TV station has begun to show improvements in audience figures.

The company's television stations in Hartford and Jacksonville continued their award-winning performances and maintained their No. 1 rankings.

Post-Newsweek Stations announced plans to inaugurate a test of satellite distribution of syndicated programs planned for the coming year and opened a Los Angeles office to develop new television programs for PNS use and for syndication.

In January of this year, the company increased the annual dividend on its Class A and Class B common stock to 44 cents per share from the 36 cents paid in 1979.

In addition, we continued a stock repurchase program started in 1975 with the repurchase of 1,688,280 shares in 1979. By the end of the year we had acquired a total of 5,720,735 shares—more than one-fourth of the previously outstanding shares—for about $80 million. In effect, we spent that money to buy one-fourth of the company's annual earnings. We have been able to buy these shares at prices averaging less than $14 per share over the past 4½ years, and believe that this has been in the best interest of the stockholders. The reduced number of shares outstanding increased per share earnings by about $.06 for 1979. At the beginning of 1980, the Board's authorization permitted the acquisition of 330,000 more shares and, in fact, the company repurchased 137,000 in January.

As the 1980's begin, there is uncertainty about the nation's ability to halt an ever-increasing inflationary spiral. We expect a strong year in 1980 although results will to a great extent depend on economic developments.

We are especially grateful to the individuals who work for The Washington Post Company, who build the record of excellence about which we report.

Katharine Graham

KATHARINE GRAHAM
Chairman of the Board

Mark J. Meagher

MARK J. MEAGHER
President

March 3, 1980

United States and District of Columbia flags fly above entrance to The Washington Post Building. It houses primary downtown newspaper operations and serves as headquarters for The Washington Post Company, which has about 5,000 employees in the U.S. and more than 20 other countries.

The newspaper division had a good year. The Washington Post and Everett Herald increased circulation and advertising to record levels. At the Trenton Times, however, circulation results were mixed in a softened advertising market.

The division reported record revenues of $272.7 million and operating income of $35.4 million, compared to revenues of $242.1 million and operating income of $37.9 million in 1978.

The Washington Post, building on its tradition of editorial excellence, attracted readers and advertisers in record numbers.

The Post maintained its dominant position in the Washington metropolitan market during 1979 despite increases in advertising rates and both newsstand and home-delivered circulation rates and an acute newsprint shortage.

Circulation rose to 578,831 daily and 809,403 Sunday for the six months ending September 30, 1979, compared with 559,371 daily and 786,753 Sunday for the same period a year ago. These all-time high average circulation figures represent gains of more than 19,000 and 22,000 respectively. The visit of Pope John Paul II brought the largest single newspaper sales day in 1979—on Sunday, October 7—when sales were up 25,500 over the comparable Sunday a year ago.

Household coverage in the Washington metropolitan area—the District of Columbia plus three counties in Virginia and three counties in Maryland—was 48 per cent daily and 63 per cent Sunday, the highest penetration of any newspaper in a major competitive market in the United States.

The circulation gains in 1979 were unprecedented in the newspaper's history except for the periods immediately following the purchase of the old Times-Herald in 1955 and the effective end of the pressmen's strike in 1976. The 1979 gains were even more significant because they were won in the face of increased marketing efforts by the city's other daily newspaper.

In addition, 1979 was a record year for advertising at the Post. The total was more than 99 million lines. The newspaper published more than 2 million classified advertisements for the sixth time in its history. The Post's share of Washington newspaper advertising linage was 71.4 per cent.

A major factor in the acceptance of The Washington Post for readers and advertisers alike is the quality of journalism produced in the newspaper's pages every day.

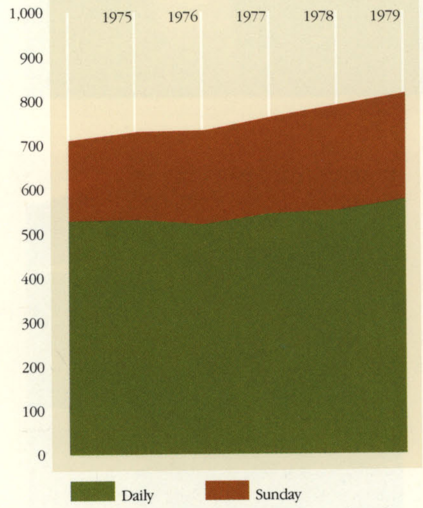
During the year, The Washington Post news staff captured 16 major awards for its work. Among them were Herblock's third Pulitzer Prize for editorial cartoons and the Sigma Delta Chi award to correspondent Charles Krause for his eyewitness account of the tragedy at Jonestown, Guyana.

Other notable work included the first-ever detailed look inside the United States Supreme Court. Entitled *The Brethren,* it was written by Assistant Managing Editor Bob Woodward and reporter Scott Armstrong, who were on leave. It was published as a book by Simon and Schuster, excerpted in Newsweek magazine, and serialized in the Post and 38 other newspapers by The Washington Post Writers Group syndicate.

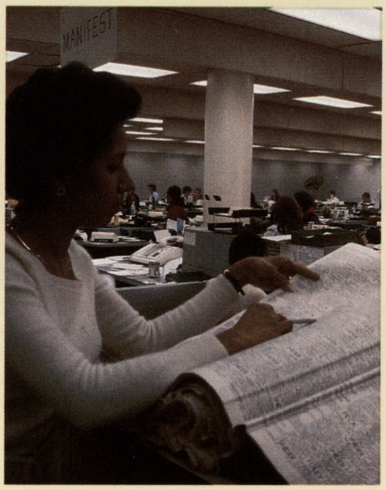
Government investigations into the operations of Pride, Inc., a District of Columbia self-help organization, followed publication of an investigative series by reporters Ronald Shaffer and Lewis Simons about financial and operating abuses at certain housing units controlled by the Pride organization.

During the year several new features were added to The Washington Post. In February, a new Sunday sports feature called "Page Four" was introduced. It was designed as a sports "opposite editorial" page. In April, a new Sunday food section had its debut. In May, "Style Plus" was added, providing a new daily page of features on fashions, families, careers and money. The Washington Post's Sunday literary supplement, Book World, was converted to a tabloid format in August. The Sunday television guide was redesigned and renamed "TV Magazine." The newspaper also started a new comic strip, "Dupont Circle," and distributed it to 31 newspapers through The Washington Post Writers Group.

The Washington Post Average Circulation*
(In thousands)



*1975-78 as reported by the Audit Bureau of Circulations 1979 submitted for audit.



Right: Final changes are made on the front page of The Washington Post. Top: Herbert Block, "Herblock," won his third Pulitzer in 1979. Above: Classified advertising department staff set new sales records.

New foreign bureaus were opened in Peking and West Africa and the bureau in New Delhi was reopened. Staffing of the newspaper's bureaus in the Middle East was expanded and several reporters were dispatched to Tehran as the Iranian revolution led to the seizure of U.S. Embassy personnel and grew into a confrontation between the American and Iranian governments. As troops from the Soviet Union entered Afghanistan late in the year, reporters from the national and foreign staffs concentrated on those events, developments at the United Nations and the growing dispute between Moscow and Washington.

To keep pace with The Washington Post's increasing circulation and to provide the latest news to its readers, the newspaper began construction of a $65 million satellite printing plant in Springfield, Virginia. This cornerstone in the company's capital investment program will house three high-speed offset presses, two manufactured in the United States by the Goss Company and the other in Japan by TKS, with installation beginning in March 1980.

Production at this plant is scheduled to start in September 1980, relieving a severe capacity problem in the downtown plant. The Post also will double its capacity to handle preprinted materials, increasingly used for distribution of advertising to specific demographic groups.

Special laser equipment, the most advanced of its kind, will be used to scan completed newspaper pages in downtown Washington, transmit them electronically and reproduce them at the printing site in Springfield.

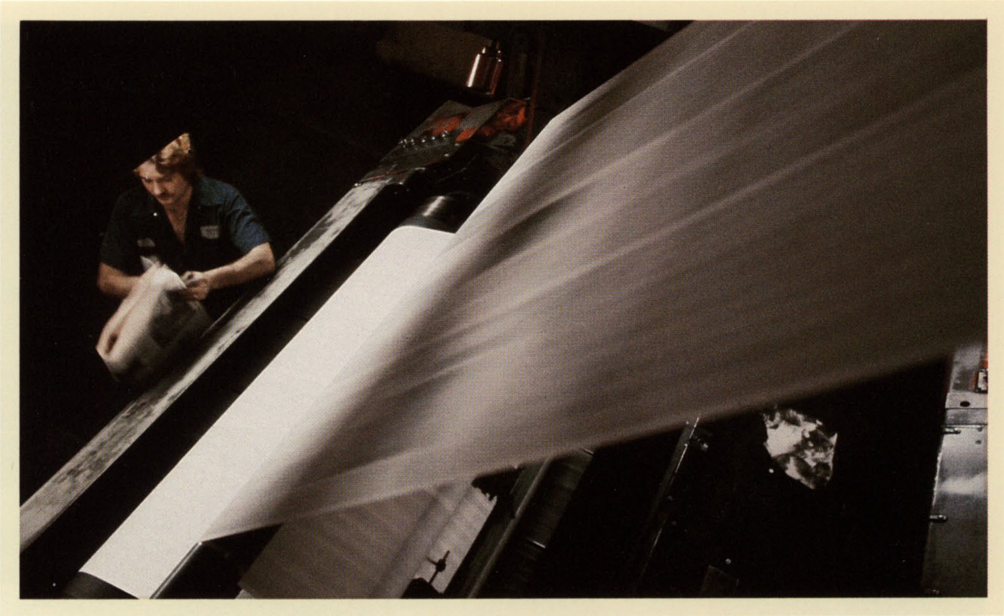
The production of display advertising was modernized by additions and improvements to the Raycomp makeup equipment during 1979. At the same time, work continued on the Raytheon electronic news editing system which is scheduled to be operational this year. A major impact will be in the newsroom, where 300 electronic terminals with writing and editing capabilities will replace the traditional typewriter. It is among the largest projects of its kind in the newspaper industry.

Thomas H. Ferguson was appointed president and general manager of the newspaper on December 1. Ferguson, a marketing expert, is in charge of all business and manufacturing functions. He was formerly president of Parade Magazine, the largest circulation newspaper magazine supplement in the United States.

The winner of the 1978 Pulitzer Prize for editorial writing, Meg Greenfield, was named Editor of the Editorial Page.

In Washington State, the Everett Herald completed its first full year under the company's ownership with a record performance. For the six months ending September 30, 1979, circulation was 59,765 and climbing. A year earlier, circulation had been 56,538.

Everett and southern Snohomish County near Seattle are experiencing significant economic growth. The Boeing Company, the most important local employer, has substantially expanded its Everett plant, where 747 jets are built and where the new 767's will be built. Employment in the county increased 11 per cent in 1979. The market's first major regional shopping mall, with more than one million square feet of shopping space, also opened last year. The Everett Herald and its south county Western Sun edition captured the bulk of newspaper retail advertising there. Over-all, advertising linage rose 14 per cent during the year. On selected days, total market coverage is achieved with distribution of a special advertising publication.



Nine high-speed presses produce The Washington Post in downtown plant. More than 171,000 tons of newsprint were used in 1979.


News
Desk
News
Desk

Among technological advances during 1979, the Everett Herald added direct plastic plates for printing and installed inserting machines manned by special education students from the local area.

The Herald's "Today's Living" section won second place in the nation in the J.C. Penney-University of Missouri Awards contest. Rich Frishman was named Northwest Region Photographer of the Year, reflecting the Herald's growing reputation as a newspaper featuring photographic excellence.

In December, Christopher M. Little was named president and publisher of the newspaper. He was a vice president and counsel of The Washington Post.

Preparations will be made during 1980 for launching a new Sunday edition. An electronic news and advertising production system will also be installed.

Top: Washington Post newsroom occupies more than an acre of space on one floor. Left: Electronic display advertising makeup equipment was installed in 1979.

The Trenton Times, in New Jersey's capital, undertook several major projects during a year aimed at improving the newspaper's competitive position. In June, a new morning edition was launched. It accounted for modest gains in daily circulation, which rose to 72,929 for the six months ending September 30, 1979, from 72,150 for the same period a year earlier. Sunday circulation for the same period was down about 2,000 copies to 85,472.

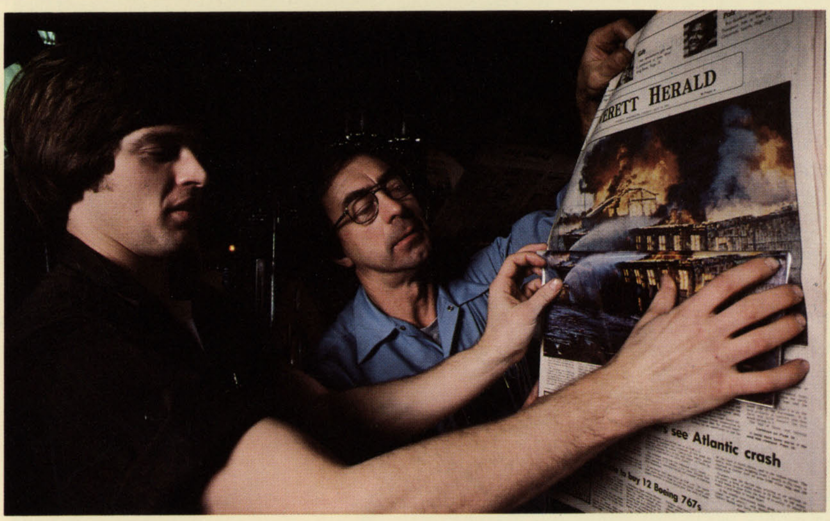
Special wraparound tabloid sports sections were inaugurated on Monday and Friday mornings. Other editorial improvements and emphasis on full-color news photography were also instituted.

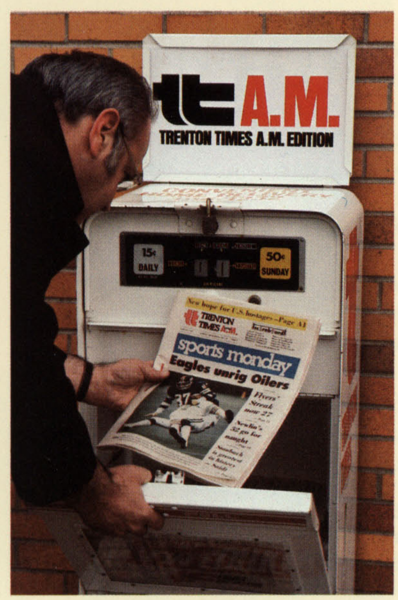
Diana Henriques, a reporter for the Trenton Times, continued her award-winning reports on scandals in the New Jersey Housing Finance Agency. In 1979, the probe led to the resignations of the HFA director and a White House official who had been involved as a private citizen.

Major attention also was devoted to circulation distribution and sales procedures, including reorganization and new training programs.

The Trenton metropolitan area suffered from a mild recessionary environment and several Trenton Times advertisers closed their businesses. Retail linage declined by about 10 per cent but classified advertising was very strong, with linage growing by more than a million lines to a record total of nine million.

In December, Edward Padilla was named president and publisher of the Trenton Times. In addition, he will continue in his position as vice president of the company's newspaper division.





Top: Satellite plant, adjacent to the Capital Beltway in suburban Springfield, Virginia, will house three presses and related equipment to accommodate growing circulation. Right: The Trenton Times, in New Jersey's capital, developed new editions as part of a marketing program. Above: The Everett Herald in the Pacific Northwest is becoming noted for its photographic excellence and frequent use of color.

The Washington Post Company has a 30 per cent interest in the International Herald Tribune, which reported excellent results in 1979. Average daily paid circulation was 118,000, up from 115,000 a year earlier. From its headquarters in the Paris suburb of Neuilly, the Herald Tribune transmits its pages nightly for printing in Paris, London and Zurich.

The Los Angeles Times-Washington Post News Service, which the company owns jointly with the Times Mirror Company, added 21 new clients in 1979. The news service now has 358 newspaper subscribers on six continents.

Another news operation, The Washington Post Writers Group, added three features to its list of contributions from its regular syndicated writers. It also began national distribution to subscribers of its first comic strip, "Dupont Circle." This syndicate now offers 17 regular features and serves more than 400 subscribing publications.

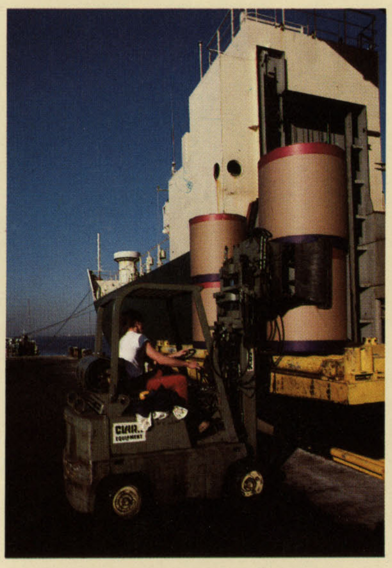
Bowater Mersey Paper Company Limited, a newsprint manufacturer in Nova Scotia, celebrated its 50th anniversary in business during 1979. The Washington Post Company has a 49 per cent interest in Bowater Mersey, which has an annual capacity of 175,000 tons, almost half of which is sold to The Washington Post. Mersey revenues increased by 8 per cent during the year.

Bear Island Paper Company, in which the company is a 30 percent limited partner, neared completion of its newsprint mill in Doswell, Virginia. The mill's first newsprint was manufactured late in December. Capacity eventually will reach about 175,000 tons a year with 50,000 tons for use by The Washington Post.

Robinson Terminal Warehouse Corporation, the company's 85 per cent-owned newsprint handling and storage subsidiary in Alexandria, Virginia, increased the tonnage of newsprint handled to 255,000 in 1979 from 234,000 in 1978.

Robinson serves about 40 customers in the Washington and Baltimore metropolitan area. It had another excellent year, setting new productivity records. It is ranked by many as the most efficient newsprint handling facility of its kind.

Richard L. (Dick) Cheeseman, Chairman and President, helped begin the terminal more than 40 years ago. He owns a minority share of the business and is credited, along with Vice President and General Manager Lloyd Gerber, for Robinson's continued high performance.



Top: First newsprint was produced at the new Bear Island mill in Doswell, Virginia. Above: Robinson Terminal, with two piers on the Potomac River in Alexandria, Virginia, handled record newsprint tonnage in 1979.

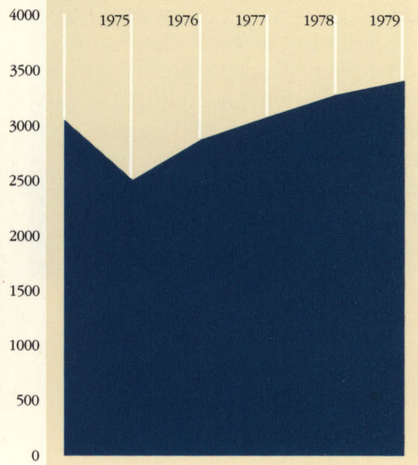
By nearly all measurements of editorial and business performance 1979 was an excellent year for Newsweek. It was a year of records, each achievement contributing to the expanding prestige and success of Newsweek.

Operating income of the division was $22,563,000 for 1979, calculated under the new method of accounting for magazine subscription procurement costs. If the new method of accounting had been in effect for 1978, operating income in that year would have been $29,135,000. Correspondingly, if the old method had continued to be used in 1979, operating income would have been $31,821,000. The total number of Newsweek's domestic advertising pages and gross domestic advertising revenues as published by Publishers' Information Bureau were 3,410 pages and $169,892,000 in 1979; 1978 domestic advertising pages and gross domestic advertising revenues were 3,283 pages and $147,832,000. (Gross advertising revenues are computed by Publishers' Information Bureau from basic one-time rates and the number of pages carried and therefore exceed actual gross advertising revenues which reflect lower rates for multiple insertions.) Revenues from magazine circulation increased to $89,692,000 in 1979 from $79,041,000 in 1978.

Effective in January, Newsweek increased its 1980 circulation rate base by 50,000 copies, from 2,900,000 to

Left: Lights burn into the night as Newsweek staff handles late-breaking news developments.

Newsweek Domestic Advertising Pages



2,950,000. On January 1, 1980, the basic one-year subscription price was increased to $32.50 from $29.95. The newsstand price remained $1.25. Of the three newsweeklies' combined rate basis, Newsweek had a 31.7 per cent share of market in 1979. Its share had grown to 32.1 per cent at the beginning of 1980.

Editorial excellence was recognized by 44 journalism awards, the highest number received in a single year in the magazine's history. Newsweek has won a total of 300 such awards since 1962, when it first began keeping record of honors received for outstanding editorial achievement. Of the 300, more than half were earned in the past five years.

Among the organizations citing Newsweek and Newsweek International for journalistic, photographic and design excellence during 1979 were the National Magazine Awards, the Overseas Press Club, The American Bar Association, Women in Communications, ASCAP, Sigma Delta Chi, the National Society of Medical Research, The Deadline Club, The National Press Photographers Association, The White House News Photographers Association and the World Press Photo Competition.

Recognition for excellence is an important measurement of success. Another is the ability to expand and grow in a changing world, an ability demonstrated by the development and testing of a new monthly magazine, Inside Sports, which will be published on a regular basis starting this spring.

Inside Sports—with a $2 cover price, a $24 annual subscription cost, a rate base of 500,000 and national distribution—will focus on major professional spectator sports, and will feature up to six regional covers each month. The test issue in September was essentially a sellout, with 100,000 of the 128,000 test copies sold and with reader response overwhelmingly enthusiastic.

Plans were completed in 1979 for Newsweek Woman, a new—and unique—advertising demographic edition aimed at the growing women's market. Starting in February 1980 with a rate base of 500,000, Newsweek Woman is expected in the years ahead to join the very successful Executive Edition as a significant contributor to profit.

Top: Key editors discuss Newsweek story lineup. Above: Cover specialists consider design as well as content.

The year 1979 was an exceptional year, too, for Newsweek International. The total number of advertising pages for the Atlantic and Pacific editions was 2,210, the highest since 1966. The one-year-old Latin American edition, with more than 350 advertising pages, exceeded its first-year goals.

The Pacific edition went on sale in China with an initial distribution of 1,500 copies each week to hotels, airport newsstands and bookstores in Peking, Canton and Shanghai.

The November 19, 1979, "decade-ending" issue of Newsweek—"Ten Years That Shook America…Now the '80s"—represented the most ambitious single effort undertaken by the staff in the magazine's 47-year history. The issue exceeded all previous records for total pages, 186; total editorial columns, 204½; total editorial color pages, 26; and total national equivalent advertising pages, 118; and it was the best selling issue of the year.

Another outstanding issue was the July 16, 1979, "Special Report—The Energy Crisis, A Program for the '80s." It was only the third time in Newsweek's history that the magazine took an advocacy position on an issue of significant national concern. (Advocacy positions had been taken on civil rights and on Vietnam.)

Other highly successful 1979 issues were March 12, "The Mysteries of the Universe;" April 19, the magazine's report on the Three Mile Island nuclear accident in central Pennsylvania; and October 15, Pope John Paul II's visit to the United States.

Newsweek contributed the equivalent of more than 25 national advertising pages to public service during 1979. At paid rates, this space had a value of approximately $1.3 million.

Top: Newsweek page negatives are stripped into position prior to the plate-making process Above: Magazines are printed in eight regional U.S. plants plus five more abroad.

As revenues rose to record levels in 1979, so did postal and paper costs. Moreover, it is expected that these costs will continue to rise significantly in the years ahead. Although an increase in second class postage rates is not anticipated in 1980, a new general rate proceeding before the U.S. Postal Rate Commission is likely to be initiated in 1980 and could result in postal rate increases in 1981. In addition, the Postal Rate Commission was conducting a hearing on the allocation of costs for time-sensitive second class mail, the so-called "red tag" issue. Together with other publishers, Newsweek has been an active intervenor in this case. The red tag classification proceedings are coming to a close in the first quarter of 1980 and a ruling is anticipated sometime thereafter.

Rapidly inflating postal rates have resulted in an increased commitment to alternative methods of delivery. In 1979, approximately 30,000 subscriber copies were delivered by private carriers each week through six delivery services in markets around the United States. By the close of 1980, Newsweek plans a threefold increase in the volume of copies in alternative delivery.

There was reason for cautious optimism about paper supplies. Although the availability of Number Five coated lightweight paper was limited in 1979, Newsweek was able to rely on its long-term contracts with suppliers to keep pace with growing needs. Unlike its competitors, Newsweek did not have to substitute lower quality paper for standard grades. It is difficult to forecast the impact of an economic recession on advertising volume and the consequent demand for lightweight paper in 1980. On the positive side, it is certain that new production of paper will increase supplies in 1982.

Newsweek's earlier investment in a satellite system to transmit photocomposed pages and its new network of smaller, more innovative printers in various regions of the United States began to pay handsome dividends in 1979. First, significant operating cost efficiencies were achieved. Second, in certain test areas copies moved out of the plants, onto the newsstands and into the hands of subscribers earlier than previously had been possible.

In keeping with its commitment to advanced photocomposition systems, in 1978 Newsweek had joined with U.S. News & World Report to purchase a minority interest in Publishers Phototype, Inc., a New Jersey-based supplier of computer typesetting services. With new equipment installed at Publishers Phototype, the up-to-date systems used by Newsweek were offered to other publishers through the New Jersey firm. Hearst Corporation and Conde Nast were among the major publishers which became customers of Publishers Phototype in 1979.

Newsweek Broadcasting's "Cartoon-a-Torial" series won a George Foster Peabody Award, its fourth major award since its inception in May 1978. And the "What's Cookin' " series is now syndicated in 45 top metro markets. The series—five 90-second shows each week—offers local retailers the opportunity to be identified with their own mini-program each day for a 26-week contract period.

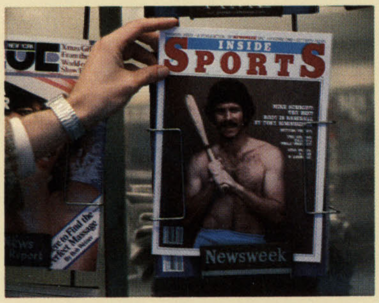
Newsweek Books' most successful title of the year was *Shooter,* by former White House photographer and Pulitzer Prize winner David Hume Kennerly. Among other trade titles published in 1979 were *Deep Cover* by Crillon Payne, a former FBI undercover agent who describes how he infiltrated the radical Weathermen (scheduled for newspaper syndication in 1980) and *Madam Prime Minister; Margaret Thatcher and Her Rise to Power,* by Newsweek's Allan J. Mayer.

The year 1979 was one of transition and strengthening for management. Peter Derow, president, also became Newsweek's chairman following the December retirement of Robert Campbell.

Campbell had been with Newsweek since 1949 in a broad range of executive positions, becoming president in 1975 and chairman in 1976.

Derow worked closely with Campbell since joining Newsweek in 1965. He held key positions in both the International and domestic operations and in October 1976 became president of Newsweek, Inc.

Lester Bernstein assumed the post of editor in August 1979. Bernstein had left the magazine late in 1972 to become vice president for corporate communications at RCA. He first came to Newsweek in 1963 and had served as senior editor, executive editor, and managing editor. In July, Mark Edmiston, president of Newsweek International and a vice president of Newsweek, Inc., was appointed executive vice president. Succeeding him in his former post was Howard W. Smith, who had served as vice president of Newsweek International. In addition, Charles J. Kennedy, who had been vice president and advertising director, was named publisher of the domestic edition of Newsweek.



Top: Improved production techniques have resulted in earlier delivery of magazines with no sacrifice of quality. Above: Test issue of "Inside Sports" was an overwhelming success, a virtual sellout on newsstands.

In 1979, Post-Newsweek Stations achieved impressive levels of performance in news, entertainment, financial growth, and service to their communities. As a result, the Broadcasting Division had revenues in 1979 of $72,635,000, up 14.4 per cent from the previous record of $63,499,000 in 1978. While it was a year of investment and building for the future, operating profits also set a record, rising to $22,432,000 from $20,688,000 in 1978, a gain of 8.5 per cent.

Top: Control room at WPLG, Miami, reflects Post-Newsweek Stations' state-of-the-art technology.

The principal business of the Broadcasting Division is the operation of four VHF television stations: WPLG, Miami; WJXT, Jacksonville; WFSB-TV, Hartford; and WDIV, Detroit.

It was a good year for all of the stations, but particularly for WPLG in booming Miami. The South Florida television market is likely to remain highly competitive, with continuing changes in station rankings. However, in October WPLG dislodged the station which had held Miami's No. 1 position without interruption for the previous 30 years. When Post-Newsweek acquired the station in 1969, the station was far behind its competitors in audience and prestige. This recent achievement was the culmination of long and continuing efforts on the part of WPLG's management and employees.

Recognizing the growing demand for non network television programs, Post-Newsweek opened a production office in Los Angeles.

Post-Newsweek Stations joined with RCA Corporation and Viacom to test satellite distribution of syndicated programs. By the close of 1980, all of the stations will have receive-only satellite capabilities.

Top Market Television, the Post-Newsweek Stations sales representation organization, opened new offices in San Francisco, Cleveland and Dallas.

New transmitters were installed at Hartford and Detroit. Both the Jacksonville and Detroit stations are now equipped with state-of-the-art mobile broadcast vehicles.

By the end of the year, all four stations had helicopters for expanded news coverage. This capability allowed news teams to scoop their competition in covering fast-breaking stories.

One reason for WPLG's success in Miami was programming excellence, particularly in local news. WPLG received nine UPI Florida and 11 Emmy awards in 1979 — more than any other station in Florida.

A series by reporter Clarence Jones, called "Scandal at CETA," received regional and national recognition with Edward R. Murrow and Dupont-Columbia awards.

Program highlights of 1979 included production of a major musical special, "Lissette and Some Very Special Friends," with Melissa Manchester. WPLG cooperated with its Jacksonville sister station, WJXT, and two other Florida stations to produce "Florida!," a weekly magazine program about the state and its people.

In the spring of 1979, WPLG offered a news series, "The Hurricane of '79," describing the actions viewers should take if a hurricane struck the area. In conjunction with the series, the station distributed printed materials covering emergency procedures. In September, Hurricane David hit Florida. WPLG, which had prepared its viewers and itself for the possibility, provided the most complete coverage of the disaster. The station was cited by the Miami Herald for its exemplary news coverage of the hurricane.

Beginning its 30th year of service to the community in the fall of 1979, WJXT, Jacksonville, was the nation's top CBS affiliate in share of audience for local news in the top 100 ADI markets. In addition, although its market size is 66th in the country, the station has a local news audience in total homes equivalent to that of a leading station in a market ranked 16th.

During 1979, WJXT produced "That Special Spirit" on the Special Olympics, a production honored by the State Special Olympics Board of Governors. An hour-long special town meeting, "Black Americans, a Jacksonville Perspective," was produced as a follow-up to a CBS report by Ed Bradley. "River Run 15,000," a half-hour program, covered Jacksonville's annual running event and won a statewide Florida Emmy for the coverage. WJXT produced a new weekly series in 1979, "It's Elementary," a non-competitive game and learning program for elementary school children, recently endorsed by the Florida Teaching Profession-National Education Association.

"The Ebasco Fiasco," explaining complex energy issues, was one of several news specials produced during the year.

WJXT devoted extensive coverage to Hurricanes David and Frederic, including reports on flooding of the local beaches.

UPI's documentary award for outstanding achievement went to WJXT for a multi-part series on offshore drilling along the Georgia/Florida coast.

The station instituted a community access program, "If You Asked Me," which allows viewers to express their views on issues concerning them. The station also introduced Good Works Awards, recognizing deserving individuals and organizations in the community.

WFSB-TV, Hartford, serves more households than any other station in its Southern New England Market. It is by far the most watched station for news and leads other stations in attracting the 18-49-year old viewer, the most significant demographic group for advertisers.

In 1979, the New London community was added to the Hartford-New Haven-Springfield television service area, which increased the number of television households by 78,000 and established it as the nation's 20th market.

WFSB created the Southern New England Round Table which brought together nearly 100 national, state and local leaders and consumers to deal with the number one problem facing the area, inflation. An "Agenda for Action" was developed and included a poll of the Southern New England region by WFSB to determine how people saw inflation affecting them and what could be done to stop it.

When the poll was completed and the "Agenda for Action" developed, another Round Table was sponsored by the station to discuss its content. Both Round Tables were developed into prime time television programs by WFSB.

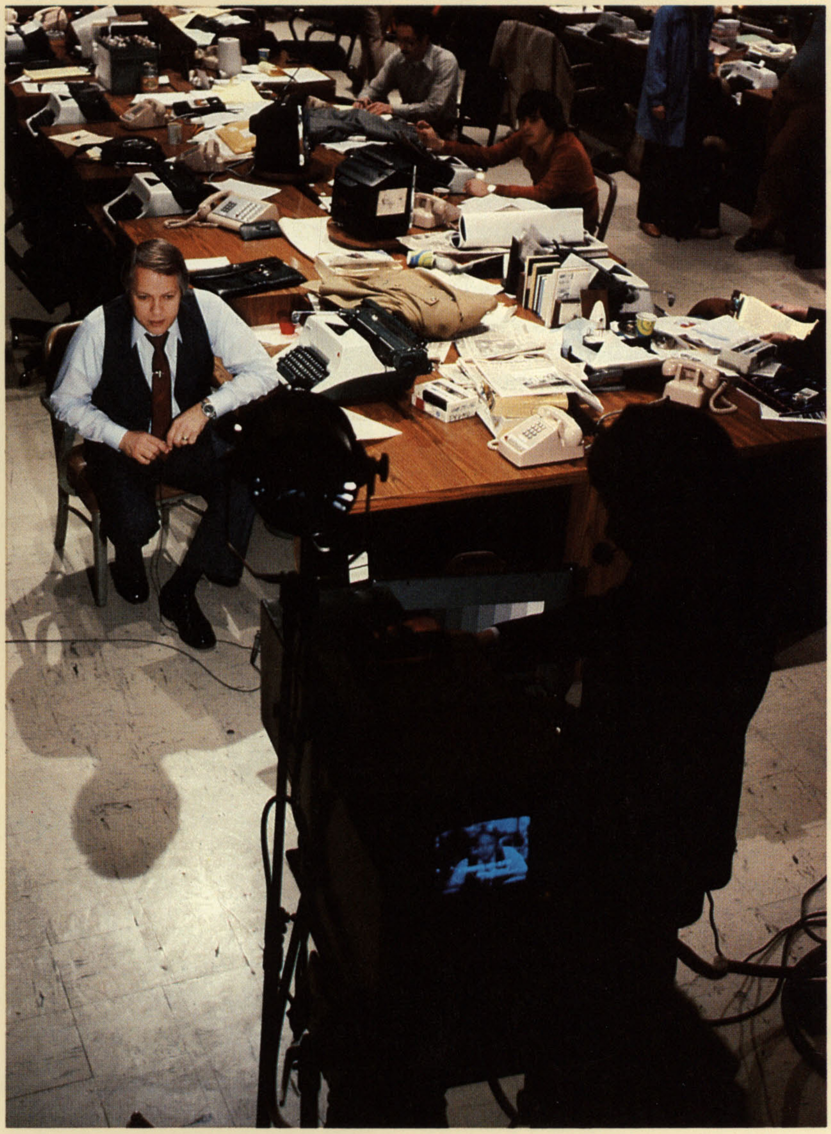
Another major community event was sponsored by WFSB during the holiday season. The station revived an old Hartford tradition and held a Christmas Carol Sing on December 15 which attracted 8,000 people who joined in "The Songs of Christmas" on the Old State House lawn in downtown Hartford. The station televised the event which turned out to be the most watched program of the year in the Hartford metropolitan region garnering a 63 per cent share of the audience.

When a devastating tornado struck Connecticut in October, WFSB's Eyewitness News Sky 3 helicopter was first on the scene, providing dramatic reports and video coverage which was supplied to all three national networks. Sky 3 also was used to get emergency personnel to the scene of the devastation and evacuate injured from the area when the tornado wiped out the military's helicopter fleet.

In keeping with WFSB's goal of extensive community involvement, the station also was a major participant in the "Big E," a 10-day regional fair in Western Massachusetts which attracts one million people each year. The station broadcast a 90-minute prime time "P.M. Magazine" special from the fair grounds.

P.M. Magazine's Ann Butler won a New England Emmy award for her role as the program's co-host. "Marlo and the Magic Movie Machine," the nationally

Top: WFSB-TV helicopter handled evacuation missions and provided exclusive news coverage following a severe tornado which struck the Hartford area.
Above: WJXT, Jacksonville, put its new mobile remote unit, the most advanced of its kind, into service.



Top: Improved videotape editing facilities at WJXT, Jacksonville, permit faster, later news coverage. Right: Mort Crim, news anchor at WDIV in Detroit, reports live from station newsroom.

syndicated children's series produced at WFSB was cited by Rep. Robert Giaimo in the Congressional Record as an innovative product of Connecticut created by talented and imaginative producers.

Station WDIV, Detroit, completed its first year of operation in 1979 as part of the Post-Newsweek family. The year was one in which new programming succeeded in building audiences, particularly younger viewers. It was also a period of major effort to overcome downward trends in a strong, competitive market.

Responding to an active local interest in sports, WDIV presented a number of sports specials in 1979 as well as regular baseball coverage of the Detroit Tigers. Specials included a program celebrating 100 years of football at the University of Michigan, "Blue Magic."

In addition to local programming, WDIV produced the six-part Ben Hooks series, "Go Tell It," for syndication to stations covering more than 70 per cent of the nation's TV households.

Local Emmy awards were won by anchorman Mort Crim for his commentaries, and by reporter Jennifer Moore for her series on policewomen, "They Just See Blue." The Michigan Associated Press cited editorial director Beth Konrad for her editorial on Jefferson-Chalmers, an east-side neighborhood in Detroit.

The 1979 season saw good returns on earlier investments in major network series such as "Happy Days" and "All in the Family," newly released to syndication as local programs. However, the future availability of this kind of off-network programming does not look favorable. Diminishing supply and rising costs indicate the need for independent production of new programs for late afternoon and early evening viewing. An important mission of the new Los Angeles office will be to address this challenge.

Tay Voye was named vice president of program production and distribution and will direct West Coast operations. Len Giarraputo, executive vice president/sales, became responsible for syndication sales and distribution while Tony Kiernan rejoined PNS as director of sales working with the four stations and Top Market Television. Also joining the division was Leonade Jones, who assumed the post of director of financial services. Gordon King was promoted to executive vice president, business affairs, and Beverly Keil became the division's director of personnel services.

Lines of Business

The Washington Post Company and its subsidiaries are principally engaged in publishing newspapers, magazines and books, and operation of television broadcasting stations.

Revenues and income from operations of each of the three business segments of the company are shown below. Income from operations of magazine and book publishing activities for years prior to 1979 has been restated to show what such operating income would have been had the change in method of accounting for magazine subscription procurement costs adopted in 1979 (as further discussed in Note B on page 27) been in effect during those years. As of December 30, 1979, identifiable assets by segment were: newspaper publishing $153 million; magazine and book publishing $65 million; broadcasting $96 million. For further information relating to 1979 operations, see Note M on page 34.

(In thousands)	1979	1978	1977	1976	1975
Revenues					
Newspaper publishing	$272,731	$242,120	$199,123	$168,739	$137,886
Magazines and books	248,011	214,829	181,797	154,052	128,594
Broadcasting	72,635	63,499	55,389	53,286	43,005
Intersegment sales	(115)	(50)	(207)	(348)	(150)
Total	$593,262	$520,398	$436,102	$375,729	$309,335
Income from operations					
Newspaper publishing	$ 35,426	$ 37,867	$ 26,869	$ 11,836	$ 6,596
Magazines and books	22,563	29,135	22,059	17,167	5,371
Broadcasting	22,432	20,668	17,632	15,765	8,282
Total	$ 80,421	$ 87,670	$ 66,560	$ 44,768	$ 20,249

Common Stock Prices and Dividends—1979

The Class A common stock of the company is not publicly traded. The Class B common stock is listed on the American Stock Exchange, where the high and low sales prices during the last two years were as follows (all information in the table and the succeeding paragraphs has been adjusted to reflect the two-for-one stock split on December 29, 1978):

	1979		1978	
Quarter	High	Low	High	Low
January-March	$26¾	$22	$17¾	$15½
April-June	25	21⅜	22¼	19³⁄₁₆
July-September	25⅝	22¾	24⅜	19¹¹⁄₁₆
October-December	24¾	18¾	23⁷⁄₁₆	19³⁄₁₆

During 1979 and 1978 the company repurchased outstanding shares of Class B common stock in unsolicited transactions at prices no higher than the last sale price on the American Stock Exchange. In 1979, 1,688,280 shares were repurchased, of which 1,570,200 were included in trading volume reported in that year's Consolidated Tape and accounted for 60% of such volume; 504,694 shares were repurchased in 1978, of which 27,800 shares were included in trading volume reported in that year's Consolidated Tape and accounted for 4% of such volume.

Both classes of common stock participate equally as to dividends. Quarterly dividends were paid at the rate of 9 cents per share in 1979 and 7.5 cents per share in 1978.

At the end of 1979 there were approximately 2,000 shareholders of record.

1979 compared to 1978

The substantial decrease in net income from $49,720,000 in 1978 to $29,468,000 in 1979 was due principally to a change made in 1979 in the method of accounting for magazine subscription procurement costs which the company adopted on November 7, 1979. These costs previously were deferred but under the new method, which was retroactively applied to all of 1979 operations, these costs are now expensed as incurred. The effect of the change on 1979 operations was to increase subscription selling expenses by $9,258,000 and to decrease net income by $4,506,000. In addition net income for 1979 was charged with the costs less related taxes which related to prior years and which had been deferred at the end of 1978; this special charge totaled $13,531,000.

The 1978 financial statements have not been restated to give effect to the change in method of accounting; if the new method had been in effect for that year subscription selling expenses would have increased in 1978 by $1,520,000 and net income would have decreased by $707,000. Net income for 1978 included $4,338,000 in nonrecurring gains, mostly from the sale of a radio station.

Total revenues for 1979 increased by $72,864,000 or 14%. Although income from operations would have been slightly ahead of 1978 had the change in method of accounting not been made, operating profit margins would have been reduced due to higher costs.

Advertising revenues increased by $55,501,000 or 15% over 1978. The increase reflects increased volume and higher rates in the newspaper and magazine divisions and increased sales of television advertising.

Circulation revenues increased by $16,286,000 or 12% over 1978. Magazine circulation revenues increased by $10,903,000, principally due to increased rates. Increases in volume and rates produced an increase of $5,306,000 in circulation revenues at *The Washington Post.*

Other revenues increased $1,077,000 or 10%, approximately half of which increase reflected increased sales of Newsweek television productions.

Operating expenses increased by $63,656,000 or 19% over 1978 due to increased volume and higher prices for materials and services, particularly newsprint and magazine paper and printing. Selling, general and administrative expenses increased by $16,814,000 or 18% due to the change in method of accounting for magazine subscription procurement costs, which increased magazine circulation selling expenses by $9,258,000 in 1979, and to greater volume and the increased cost of materials and services, particularly postage and freight and magazine subscription selling expenses.

Depreciation and amortization of plant facilities increased by $1,082,000 reflecting additions to plant. Amortization of goodwill and other intangibles increased by $81,000, reflecting a full year's amortization of goodwill related to the *Everett Herald* which was purchased in February 1978.

The decrease in income from operations from $89,190,000 in 1978 to $80,421,000 in 1979 reflects the effect of the change in method of accounting and decreased operating margins throughout the company.

Other income decreased from $8,897,000 in 1978 to $3,807,000 in 1979 due to the inclusion in 1978 of nonrecurring pre-tax gains of approximately $6,100,000 from sales of property.

Other deductions, principally interest, increased from $2,090,000 in 1978 to $2,300,000 in 1979, principally reflecting payment of the commitment fee under a revolving credit agreement which became effective near the end of 1978.

Equity in earnings of affiliates decreased from $4,616,000 in 1978 to $2,980,000 in 1979. The primary reason for the decrease was the loss, principally from interest and start-up costs, incurred by Bear Island Paper Company which started construction of a newsprint mill in 1978 and began production in late 1979; the company's share of Bear Island Paper Company's loss for 1979 was $2,197,000, although this loss was to some extent offset by increased earnings at Bowater Mersey Paper Company. In addition, equity in earnings of affiliates in the preceeding year included approximately $600,000 related to a gain on the sale of real estate by the International Herald Tribune.

Income taxes as a percentage of pre-tax income decreased from 50.6% in 1978 to 49.4% in 1979 reflecting the reduction in the Federal statutory tax rate from 48% in 1978 to 46% in 1979, offset to a degree by the capital gains rates used to calculate the taxes on the nonrecurring gains in 1978.

The average number of common shares and common share equivalents decreased 4%, from 16,232,000 in 1978 to 15,609,000 in 1979, reflecting the company's repurchase of 1,688,000 shares in 1979. After allowing for opportunity cost, the decrease in shares outstanding increased the company's earnings for 1979 by approximately 2%.

*Consolidated Statements of Income appear on page 24.

1978 compared to 1977

The substantial increase in net income, from $35,469,000 for 1977 to $49,720,000 for 1978, was attributable to increased advertising and circulation revenues and nonrecurring gains, mostly from the sale of a radio station. Without the nonrecurring gains net income would have been $45,382,000, an increase of 28% over 1977.

Advertising revenues increased by $59,279,000, or 19% over 1977. This reflected increased volume and higher rates in the newspaper and magazine divisions, increased sales of television advertising and the inclusion of the *Everett Herald,* which was purchased in February 1978 and contributed $7,000,000 of advertising revenue during the year. In June 1978 the company sold its Washington, D.C. radio station WTOP-AM and exchanged WTOP-TV for WDIV in Detroit, a larger station; the realignment had no significant effect on company operations in 1978.

Circulation revenues increased by $21,729,000, or 19%, over 1977. Magazine circulation revenues increased by $9,300,000 due to higher prices. Increases in volume and prices at *The Washington Post* added $4,500,000 to revenue, and the *Everett Herald's* circulation revenues since the date of purchase were $1,350,000. A change made in late 1977 from a wholesale to retail pricing structure for a part of the circulation of *The Washington Post* increased circulation revenues (and also costs and expenses) by approximately $5,900,000.

Other revenues were up $3,288,000, or 46%, for the year mainly due to an increased volume of contract printing.

Operating expenses increased by $52,485,000, or 19% due to increased volume, higher prices for materials and services, the inclusion of the *Everett Herald* since February 1978 and because of the change in the circulation structure at *The Washington Post* referred to above. Selling, general and administrative expenses increased by $12,122,000, or 15%, due to higher volume, the increased cost of materials and services and the inclusion of the *Everett Herald.*

Depreciation and amortization of plant facilities increased by $1,076,000 reflecting additions to plant. Amortization of goodwill and other intangibles increased by $497,000, basically due to the purchase of the *Everett Herald.*

The increase in operating income, from $71,074,000 for 1977 to $89,190,000 for 1978, reflected the increased profitability within each of the company's three operating divisions.

Other income increased significantly, from $2,576,000 in 1977 to $8,897,000 in 1978, due to pre-tax gains totaling about $6,100,000, mostly from the sale of WTOP-AM and also from the sale of real estate.

Other deductions, which consist mainly of interest, decreased from $2,628,000 to $2,090,000 because of repayment of indebtedness.

Equity in earnings of affiliates increased from $2,537,000 in 1977 to $4,616,000 in 1978. The major factor was increased earnings at Bowater Mersey Paper Company Limited. In addition to a gain from the sale of its former plant in Paris which contributed about $600,000 to company earnings in 1978, the *International Herald Tribune* also had improved operating results.

Income taxes as a percentage of pre-tax income decreased from 51.8% to 50.6% for 1978. The principal cause was the capital gains rate used to calculate tax on the gain from the sale of the radio station.

The average number of common shares and common share equivalents decreased by 4% in 1978 (720,000 shares), reflecting the company's repurchase of 505,000 shares in 1978. After allowing for opportunity cost, the decrease in shares outstanding increased the company's earnings for 1978 by approximately 4%.

(In thousands, except share amounts)	December 30, 1979	December 31, 1978
ASSETS		
Current Assets		
Cash and time deposits	$ 7,081	$ 18,083
Commercial promissory notes and other marketable securities at cost which approximates market value	6,746	29,570
Accounts receivable, less estimated returns, doubtful accounts and allowances of $7,865 and $6,908	73,740	55,347
Inventories at lower of cost or market	14,290	9,876
Prepaid expenses and other	10,311	6,592
	112,168	119,468
Investments in Affiliates	32,195	28,817
Plant Assets, at Cost		
Buildings	43,776	43,217
Machinery, equipment and fixtures	69,473	62,479
Leasehold improvements	4,664	3,983
	117,913	109,679
Less accumulated depreciation and amortization	(60,898)	(54,833)
	57,015	54,846
Land	10,127	9,297
Construction in progress	26,592	3,531
	93,734	67,674
Goodwill and Other Intangibles, Less accumulated amortization of $6,440 and $4,909	92,512	94,385
Deferred Charges and Other Assets	27,340	18,173
	$357,949	$328,517

The information on pages 27 through 35 is an integral part of the financial statements.

(In thousands, except share amounts)	December 30, 1979	December 31, 1978
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 64,796	$ 43,899
Federal and state income taxes	1,923	14,289
Contributions due to employee benefit trust funds	6,454	4,967
Current portion of long-term debt	2,380	2,500
	75,553	65,655
Other Liabilities	20,636	13,461
Long-Term Debt	17,550	19,930
Deferred Subscription Income, Less related magazine subscription procurement costs of $29,005 in 1978	64,334	27,490
Deferred Income Taxes	14,264	23,840
Minority Interest in Subsidiary Company	830	727
Shareholders' Equity		
Preferred stock, $1 par value, authorized 1,000,000 shares	—	—
Common stock		
Class A common stock, $1 par value, authorized 7,000,000 shares; 3,053,760 shares issued and outstanding	3,054	3,054
Class B common stock, $1 par value, authorized 40,000,000 shares; 16,946,240 shares issued; 11,197,714 and 12,854,694 shares outstanding	16,946	16,946
Capital in excess of par value	1,702	1,542
Retained earnings	216,458	192,582
Less cost of 5,748,526 and 4,091,546 shares of Class B common stock held in Treasury	(73,378)	(36,710)
Total shareholders' equity	164,782	177,414
Commitments and Contingencies		
	$357,949	$328,517

The information on pages 27 through 35 is an integral part of the financial statements.

(In thousands, except share amounts)	Fiscal Year Ended December 30, 1979	Fiscal Year Ended December 31, 1978
Operating Revenues		
Advertising	$430,909	$375,408
Circulation	150,887	134,601
Other	11,466	10,389
	593,262	520,398
Costs and Expenses		
Operating	391,503	327,847
Selling, general and administrative	112,123	95,309
Depreciation and amortization of plant facilities	7,684	6,602
Amortization of goodwill and other intangibles	1,531	1,450
	512,841	431,208
Income from Operations	80,421	89,190
Other Income (Deductions)		
Other income (including interest of $3,609 and $2,546)	3,807	8,897
Other deductions (including interest of $1,796 and $1,788)	(2,300)	(2,090)
Equity in earnings of affiliates	2,980	4,616
Income before Income Taxes and Cumulative Effect of Change in Method of Accounting	84,908	100,613
Provision for Income Taxes		
Current	35,863	46,948
Deferred	6,046	3,945
	41,909	50,893
Income before Cumulative Effect of Change in Method of Accounting	42,999	49,720
Cumulative Effect on Years Prior to 1979 of Change in Method of Accounting for Magazine Subscription Procurement Costs	13,531	—
Net Income	$ 29,468	$ 49,720
Earnings per Common and Common Equivalent Share		
Income before cumulative effect of change in method of accounting	$2.75	$3.06
Cumulative effect on years prior to 1979 of change in method of accounting for magazine subscription procurement costs	.86	—
Net income	$1.89	$3.06
Pro Forma Earnings to Show Effect of Change in Method of Accounting Assuming Change is Applied Retroactively		
Net income	$ 42,999	$ 49,013
Earnings per common and common equivalent share	$2.75	$3.02

The information on pages 27 through 35 is an integral part of the financial statements.

(In thousands)	Fiscal Year Ended December 30, 1979	December 31, 1978
Sources of Working Capital		
Net income	$ 29,468	$ 49,720
Add cumulative effect on years prior to 1979 of change in method of accounting for magazine subscription procurement costs not requiring working capital	13,531	–
Income before cumulative effect of change in method of accounting	42,999	49,720
Add charges to income not requiring working capital		
Depreciation and amortization of plant facilities	7,684	6,602
Amortization of television film costs	5,484	3,883
Amortization of goodwill and other intangibles	1,531	1,450
Income tax timing differences	6,046	3,846
Undistributed earnings of affiliates	(661)	(2,050)
Other	2,028	1,283
Total provided by operations	65,111	64,734
Increase in deferred subscription income	7,839	3,090
Increase (decrease) in contracted television film rights payable	6,635	(423)
Transfer to prepaid television film rights	3,665	312
Proceeds from exercise of Class B common stock options	199	528
Other	5,991	3,912
Total provided	89,440	72,153
Uses of Working Capital		
Purchases of plant assets	35,484	10,181
Repurchases of Class B common stock	36,996	8,965
Purchases of television film rights	16,484	4,861
Dividends on common stock	5,592	4,812
Net investment in leases receivable	3,481	–
Reduction of long-term debt	2,380	2,450
Increase in deferred magazine subscription procurement costs	–	1,520
Purchase of newspaper, net of working capital adjustments, investment in newsprint mill and cash consideration paid on exchange of television station		
Plant assets	–	1,275
Goodwill and other intangibles	–	23,332
Investment in affiliates	2,700	11,017
Notes receivable on sales of radio stations	(350)	4,399
Other	3,871	3,642
Total used	106,638	76,454
Net (decrease) in working capital	$(17,198)	$ (4,301)
Changes in Composition of Working Capital		
Cash and time deposits	$(11,002)	$ 6,424
Commercial promissory notes and other marketable securities	(22,824)	(11,685)
Accounts receivable	18,393	7,721
Inventories	4,414	1,466
Prepaid expenses and other	3,719	1,053
Increase (decrease) in current assets	(7,300)	4,979
Accounts payable and accrued expenses	(20,897)	(5,518)
Federal and state income taxes	12,366	(3,103)
Contributions due to employee benefit trust funds	(1,487)	(609)
Current portion of long-term debt	120	(50)
(Increase) in current liabilities	(9,898)	(9,280)
Net (decrease) in working capital	$(17,198)	$ (4,301)

The information on pages 27 through 35 is an integral part of the financial statements.

(In thousands, except share amounts)	Class A Common Stock	Class B Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock
Balance January 1, 1978	$1,527	$ 8,473	$4,991	$154,303	$(28,917)
Net income for the year				49,720	
Dividends — $.30 per share				(4,812)	
Issuance of 80,300 shares of Class B common stock upon exercise of options			(644)		1,172
Repurchase of 504,694 shares of Class B common stock					(8,965)
Accounting for two-for-one stock split	1,527	8,473	(3,371)	(6,629)	
Other			566		
Balance December 31, 1978	3,054	16,946	1,542	192,582	(36,710)
Net income for the year				29,468	
Dividends — $.36 per share				(5,592)	
Issuance of 31,300 shares of Class B common stock upon exercise of options			(129)		328
Repurchase of 1,688,280 shares of Class B common stock					(36,996)
Other			289		
Balance December 30, 1979	$3,054	$16,946	$1,702	$216,458	$(73,378)

The information on pages 27 through 35 is an integral part of the financial statements.

Report of Independent Accountants

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

We have examined the consolidated financial statements (pages 22 through 26) of The Washington Post Company and its subsidiaries as of December 30, 1979 and December 31, 1978 and for the years then ended. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the company's two newsprint manufacturing affiliates, which for 1979 and 1978 represent 8% of consolidated assets and 7% and 6%, respectively, of consolidated income before the cumulative effect of a change in accounting method. These statements were examined by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these affiliates, is based solely upon the reports of the other independent accountants.

As described in Note B to the financial statements, in 1979 the company changed the method of accounting for magazine subscription procurement costs.

In our opinion, based upon our examinations and the reports mentioned above of other independent accountants, the consolidated financial statements present fairly the financial position of The Washington Post Company and its subsidiaries at December 30, 1979 and December 31, 1978 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period except for the change, with which we concur, referred to in the preceding paragraph.

Price Waterhouse & Co.

Washington, D.C.
February 6, 1980

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation. The accompanying financial statements include the accounts of all subsidiaries; significant intercompany transactions have been eliminated. The company reports on a 52-53 week fiscal year ending on the Sunday nearest December 31.

Investments in Affiliates. The company uses the equity method of accounting for its investments in, and the earnings (losses) of, affiliates.

Plant Assets and Depreciation. Plant assets are depreciated at annual rates based upon the estimated service lives of assets, using both accelerated and straight-line methods for calculating depreciation for assets acquired prior to 1971. For all plant assets acquired in 1971 and subsequent years the company uses the straight-line method of calculating depreciation for financial reporting purposes. Useful lives of 3 to 11 years are used for machinery and equipment, 20 to 50 years for buildings and 5 to 20 years for land improvements. Leasehold improvements are amortized over the lesser of their useful lives or the terms of the leases.

Expenditures for maintenance and repairs are charged against income. Betterments are capitalized. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts in the year of disposal, and any losses or gains that result are reflected in the income statement.

Deferred Film Costs. The broadcasting subsidiaries are parties to agreements which entitle them to show motion pictures and syndicated programs on television. The costs of these rights and the liabilities for future payments under these agreements are reflected in the consolidated balance sheets and are charged to expense using accelerated amortization rates for motion pictures and accelerated or straight-line amortization rates for syndicated programs.

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

Deferred Income and Magazine Subscription Procurement Costs. Amounts received from subscribers in advance of deliveries are deferred and recorded as income when deliveries are made. For the years 1971 through 1978 the company amortized magazine subscription procurement costs over the lives of the related subscriptions. In 1979 the company changed its method of accounting for magazine subscription procurement costs to charge such costs against income as incurred, as further explained in Note B to the financial statements.

Goodwill and Other Intangibles. These amounts represent the unamortized excess of the cost of acquiring subsidiary and affiliated companies over the fair values of such companies' tangible assets at the dates of acquisition. Goodwill and other intangibles acquired prior to October 31, 1970, the effective date of Opinion 17 of the Accounting Principles Board of the American Institute of Certified Public Accountants, are not being amortized because in the opinion of the company there has been no diminution in the value of such assets. Goodwill and other intangibles acquired subsequently are being amortized by use of the straight-line method generally over 40 years in accordance with the aforementioned Opinion 17, although in the opinion of the company there has been no diminution in the value of such assets.

Translation of Foreign Currencies. For balance sheet purposes foreign currency assets and liabilities have been translated into U.S. dollars at market rates of exchange in effect at year-end, except for plant assets which are translated at exchange rates in effect at dates acquired.

Income statement amounts, other than depreciation, are translated at annual average market rates of exchange. Gains and losses from currency adjustments, which are not material in amount, are included in the determination of net income.

Retirement Plans. The company and its subsidiaries contribute to various pension and incentive savings plans which cover substantially all employees. It is the company's policy to fund costs accrued under its qualified plans. Such costs are actuarially determined and include amortization of prior service costs over various periods, generally not exceeding 20 years. The costs of nonqualified plans which are not funded are charged to expense when accrued.

B. CHANGE IN ACCOUNTING METHOD

On November 7, 1979, the company adopted a change in its method of accounting for the costs of procuring magazine subscriptions. Under the deferred method previously used, such costs were amortized over the lives of the related subscriptions; under the newly adopted method, such costs are charged to expense as incurred.

The change was made principally because inflationary economic conditions have caused the costs of procuring magazine subscriptions to increase in proportion to prepaid subscription revenues. This proportional increase would be further accentuated by a new magazine venture then being considered which now is scheduled to begin publication in 1980. The company therefore concluded that a change to the "expensed-as-incurred" method of accounting for magazine subscription procurement costs is preferable.

The cumulative effect of the accounting change on years prior to 1979, net of related taxes, was $13,531,000 ($.86 per share) which has been included as a special charge to 1979 earnings. The effect of the change on operations for 1979 was to decrease earnings by $4,506,000 ($.29 per share). Had the change been in effect during 1978, earnings for that year would have been $707,000 ($.04 per share) less.

For purposes of quarterly financial reporting, the change in method is considered as having been made on the first day of the 1979 fiscal year. Accordingly, quarterly data for 1979 have been restated as if the new method had been in effect for the entire year and the special charge is included in the first quarter of the year as further discussed in Note K.

C. INVENTORIES

The inventories used in determining operating costs and expenses for the periods presented were as follows:

	December 30, 1979	December 31, 1978	January 1, 1978
Newsprint	$ 3,073,000	$1,104,000	$1,078,000
Magazine paper	8,469,000	6,921,000	5,889,000
Books	1,412,000	728,000	335,000
Other materials	1,336,000	1,123,000	1,108,000
	$14,290,000	$9,876,000	$8,410,000

Operating costs and expenses include $30,228,000 in 1979 and $26,600,000 in 1978 of cost of newsprint supplied by Bowater Mersey Paper Company Limited.

D. INVESTMENTS IN AFFILIATES

The company's investments in affiliates consist principally of a 49% interest in the common stock of Bowater Mersey Paper Company Limited which owns and operates a newsprint mill in Nova Scotia, and a 30% limited partnership interest in Bear Island Paper Company which owns a newly constructed newsprint mill near Richmond, Virginia which started production in late December 1979. Condensed financial statements of these companies for 1979 and 1978, stated in Canadian dollars for Bowater Mersey Paper Company, are set forth below (at December 31, 1979 and 1978 the quoted rates of exchange for $1 Canadian were $.85 U.S. and $.84 U.S. and the average rates of exchange during the calendar years 1979 and 1978 were $.85 U.S. and $.88 U.S.):

Bowater Mersey Paper Company Limited

Condensed Statements of Financial Position ($ Canadian)	December 31	
	1979	1978
Current assets	$27,638,000	$28,784,000
Less current liabilities	(8,462,000)	(12,711,000)
Working capital	19,176,000	16,073,000
Property, plant and equipment, net	32,211,000	28,233,000
Other assets	100,000	111,000
Other liabilities	(9,176,000)	(7,370,000)
Shareholders' equity		
Preferred	1,434,000	1,694,000
Common	40,877,000	35,353,000
Total	$42,311,000	$37,047,000

Condensed Statements of Income ($ Canadian)	Year Ended December 31	
	1979	1978
Sales	$73,532,000	$68,318,000
Costs and expenses	56,689,000	52,479,000
Income before income taxes	16,843,000	15,839,000
Income taxes	6,267,000	6,485,000
Net income	10,576,000	9,354,000
Preferred dividend requirements	90,000	114,000
Net income applicable to common shares	$10,486,000	$ 9,240,000

Bear Island Paper Company

Condensed Statements of Financial Position	December 31	
	1979	1978
Current assets	$ 8,563,000	$16,442,000
Less current liabilities	(19,992,000)	(3,257,000)
Working capital	(11,429,000)	13,185,000
Property, plant and equipment	111,653,000	22,344,000
Other assets	188,000	–
Long-term debt	(63,269,000)	(61,000)
Partners' capital	$ 37,143,000	$35,468,000

Bear Island Paper Company had a loss of $7,325,000 in 1979; sales were minor in amount and interest income was $508,000, while expenses, principally interest and start-up operating expenses, were $7,833,000. Net income in 1978 was $468,000, principally interest from temporary investments of cash.

Other investments include a 30% interest in a French corporation which publishes the International Herald Tribune in Paris, a 50% interest in the Los Angeles Times-Washington Post News Service, Inc., and a 24% interest in Publishers Phototype, Inc., an electronic photocomposition company.

The investments described above are reflected in the consolidated balance sheets as follows:

	December 30, 1979	December 31, 1978
Cost of investment	$24,697,000	$21,996,000
Less amount included in consolidated goodwill	(2,373,000)	(2,373,000)
Equity in net assets at date of acquisition	22,324,000	19,623,000
Increase in equity since date of acquisition	9,871,000	9,194,000
	$32,195,000	$28,817,000

The following table summarizes the status and results of the company's investments for 1979 and 1978:

	Bowater Mersey	Bear Island	Other	Total
Investment January 1, 1978	$13,793,000	$ —	$1,737,000	$15,530,000
Equity in earnings	3,511,000	140,000	965,000	4,616,000
Dividends received	(1,843,000)	—	(723,000)	(2,566,000)
Additional investment	—	11,017,000	180,000	11,197,000
Other	40,000	—	—	40,000
Investment December 31, 1978	15,501,000	11,157,000	2,159,000	28,817,000
Equity in earnings (loss)	4,619,000	(2,197,000)	558,000	2,980,000
Dividends received	(2,091,000)	—	(228,000)	(2,319,000)
Additional investment	—	2,700,000	—	2,700,000
Other	16,000	—	1,000	17,000
Investment December 30, 1979	$18,045,000	$11,660,000	$2,490,000	$32,195,000

E. INCOME TAXES AND TAX TIMING DIFFERENCES

Income tax expense consisted of the following components:

1979	Current	Deferred
U.S. Federal	$28,682,000	$5,569,000
Foreign	325,000	390,000
State and Local	6,856,000	87,000
	$35,863,000	$6,046,000

1978	Current	Deferred
U.S. Federal	$39,463,000	$3,223,000
Foreign	276,000	269,000
State and Local	7,209,000	453,000
	$46,948,000	$3,945,000

"Deferred" or "prepaid" tax expense results from timing differences (1) in the recognition of revenue and expense for tax and financial reporting purposes, (2) in the recognition of income tax to be withheld at source on distribution of earnings of foreign affiliates and (3) in the recognition of investment tax credits which for financial reporting purposes are applied as a reduction of income tax expense over the depreciable lives of the related assets. The sources and effect of these differences were as follows:

	1979	1978
Investment tax credit, net	$3,438,000	$ 224,000
Other	2,608,000	3,721,000
	$6,046,000	$3,945,000

During 1979 the company changed its method of accounting for magazine subscription procurement costs to charge such costs against income as incurred for financial reporting as further explained in Note B to the financial statements. The effect of the change on deferred taxes was to eliminate in 1979 the timing difference which had previously existed, resulting in the reversal of $15,474,000 of deferred taxes provided in prior years. This amount was deducted from the cumulative effect on years prior to 1979 of the change in accounting method included as a special charge to 1979 operations.

Total income tax expense exceeded 46% of income before taxes by $2,852,000 in 1979 and 48% of income before taxes by $2,599,000 in 1978. The reasons for the differences were as follows:

	1979	1978
State and local taxes on income, net of federal income tax benefit	$3,750,000	$3,984,000
Amortization of goodwill, expensed for financial reporting and not deductible for tax reporting	703,000	695,000
Foreign income taxes netted in equity in earnings of affiliates	(1,610,000)	(1,588,000)
Other	9,000	(492,000)
	$2,852,000	$2,599,000

F. LONG-TERM DEBT AND RESTRICTIONS ON DIVIDENDS

Long-term debt consists of unsecured promissory notes which require payments each year to maturity.

The composition of long-term debt, including the amounts due within one year, $2,380,000 at December 30, 1979 and $2,500,000 at December 31, 1978, is:

		Outstanding at	
Interest Rate	Final Maturity	December 30, 1979	December 31, 1978
6.95%	1987	$19,750,000	$22,000,000
5-8.75%	1981	180,000	430,000
		$19,930,000	$22,430,000

The agreement relating to the 6.95% promissory notes contains restrictive provisions which pertain principally to the payment of dividends and the redemption or purchase of the company's capital stock. At the end of 1979 and 1978 retained earnings unrestricted by these provisions were $47,159,000 and $70,512,000. Principal repayments on the 6.95% promissory notes are due as follows: $2,250,000 in each of the years 1980 to 1986 and $4,000,000 in 1987.

The company has a revolving credit agreement with a group of banks that permits borrowings of up to $50,000,000 until January 1, 1982. At the end of this period any outstanding borrowings may be converted into four-year notes payable in equal semi-annual installments. During the three-year revolving credit period the agreement provides for a 0.45% average annual fee on any unused amount of the commitment. Interest on loans under the agreement is to be calculated at a maximum average of 103.2% of the floating prime rate until January 1, 1982, and 106.2% of the floating prime rate thereafter. As of December 30, 1979, there have been no borrowings under the agreement.

G. CAPITAL STOCK, STOCK SPLIT AND STOCK OPTIONS

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% 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.

On December 29, 1978, the company amended its Certificate of Incorporation to increase the authorized Class A common stock from 2,000,000 to 7,000,000 shares and the Class B common stock from 10,000,000 to 40,000,000 shares, and to effect a two-for-one stock split by reclassifying each share of Class A and Class B common stock outstanding or held in Treasury into two such shares. Share and per share data have been restated to reflect the stock split.

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 must be equal to their fair market value on the granting date. Options may be granted for a term of up to ten years. At December 30, 1979, there were 393,324 shares reserved for issuance under the Stock Option Plan. Of this number, 298,124 shares were subject to options outstanding and 95,200 shares were available for future grants. Changes in the options outstanding for the two fiscal years ended December 30, 1979 and December 31, 1978 were as follows:

	1979		1978	
	Number of Shares	Average Option Price	Number of Shares	Average Option Price
Beginning of year	329,424	$9.25	367,724	$ 7.72
Options				
Granted	–	–	47,000	$16.44
Exercised	(31,300)	$6.36	(80,300)	$ 6.58
Cancelled	–	–	(5,000)	$ 7.12
End of year	298,124	$9.55	329,424	$ 9.25

The following table presents certain additional information with respect to options that became exercisable and options that were exercised during 1979 and 1978:

		Option Price		Market Value When Options Became Exercisable	
	Shares	Total	Average Per Share	Total	Average Per Share
Options that became exercisable					
1979	24,750	$330,000	$13.32	$ 559,000	$22.57
1978	24,500	$201,000	$ 8.20	$ 509,000	$20.77

		Option Price		Market Value When Options Became Exercisable	
	Shares	Total	Average Per Share	Total	Average Per Share
Options exercised					
1979	31,300	$199,000	$ 6.36	$ 744,000	$23.76
1978	80,300	$528,000	$ 6.58	$1,535,000	$19.12

Of the shares covered by options outstanding at the end of 1979, 222,374 were then exercisable; 34,750 will become exercisable in 1980; 29,250 in 1981; and 11,750 in 1982.

Per share data are based upon the weighted average number of shares of common stock and common stock equivalents outstanding during the periods, 15,609,000 in 1979 and 16,232,000 in 1978. Shares issuable under stock options are considered common stock equivalents if the market value of the shares was more than the option price during the period. The number of such equivalents is then reduced by the number of shares which could have been purchased with the proceeds from the sale of the optioned shares had the options been exercised.

H. RETIREMENT PLANS

Total expense for retirement plans was $9,256,000 for 1979 and $8,349,000 for 1978, including actuarially computed costs related to qualified plans and costs accrued under nonqualified plans. As of January 1, 1979, the latest valuation date, the market value of assets for the qualified plans exceeded the actuarially computed value of accrued benefits, vested and nonvested, for those plans. The unfunded liability related to the unfunded plans, principally The Washington Post Circulation Distributors Profit Incentive Plan, was $6,975,000 at December 30, 1979 and $6,330,000 at December 31, 1978, which amounts are included in "Other Liabilities" in the consolidated balance sheets.

I. COMMITMENTS AND CONTINGENCIES

The company is contingently liable for payments under materials and services contracts and for claims and lawsuits arising in the ordinary course of business. The company is a party to various civil lawsuits arising in the ordinary course of business, including libel actions. In the opinion of management the company carries adequate insurance against liability in such libel actions, and the company is not a party to any other material litigation. In addition to normal commitments to purchase plant equipment, the company is undertaking a program to expand the production facilities of The Washington Post newspaper that is estimated to cost in the area of $65 million. The program includes the construction of a satellite printing plant in a suburb of Washington, D.C. and installation therein of three printing presses with operations scheduled to commence in late 1980. As of December 30, 1979, the company had expended approximately $23 million on the program and had firm commitments for the additional costs. The company has financed the program thus far from internal resources and expects to finance the remainder of the program from both internal resources and, to the extent necessary, from borrowings under its $50,000,000 revolving credit agreement.

Leases. Total rental expense included in operations was $6,021,000 for fiscal year 1979 and $4,513,000 for fiscal year 1978. As of December 30, 1979, future minimum annual rental commitments under noncancelable operating leases, substantially all for real estate, were $4,298,000 in 1980; $3,693,000 in 1981; $3,525,000 in 1982; $3,426,000 in 1983; $3,354,000 in 1984; $14,671,000 for the five-year period 1985-1989; and $10,038,000 for the five-year period 1990-1994. Included in the commitments above is $2,317,000 per year related to a real estate lease which expires in 1994 but may be renewed for an additional 15-year period at the option of the company at an amount to be negotiated.

During 1979, the company as lessor entered into agreements to lease equipment under terms which require that the leases be capitalized for accounting purposes. As of December 30, 1979, the net investment in these leases consisted of future minimum lease payments to be received of $5,152,000 less unearned income related thereto of $1,562,000, the noncurrent portion of which is included in "Deferred Charges and Other Assets" in the balance sheet at December 30, 1979. As of December 30, 1979 lease payments to be received during the next five years were $376,000 in 1980 and $589,000 in each of the following years 1981-1984.

J. DISPOSITIONS AND ACQUISITIONS

On June 26, 1978, the company sold its Washington, D.C. radio station and exchanged its Washington, D.C. television station and $2,000,000 in cash for Detroit television station WDIV. The gain on the radio station sale of $5,350,000 before giving effect to taxes of $1,925,000 is included in "Other Income" for fiscal year 1978.

On February 14, 1978, the company acquired all the outstanding stock of The Daily Herald Company, publisher of the *Everett Herald.* The purchase price was less than 10% of the total of the company's assets as at January 1, 1978. The purchase did not have a significant effect on company operations.

K. SUMMARY OF QUARTERLY FINANCIAL RESULTS (Unaudited)

Quarterly operating results, which are unaudited, for the fiscal years ended December 30, 1979 and December 31, 1978 were as follows:

1979	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$130,317,000	$152,253,000	$137,457,000	$173,235,000
Income from operations	$ 13,575,000	$ 27,474,000	$ 10,777,000	$ 28,595,000
Income before cumulative effect of change in method of accounting	$ 7,657,000	$ 14,472,000	$ 6,179,000	$ 14,691,000
Cumulative effect on years prior to 1979 of change in method of accounting	(13,531,000)	—	—	—
Net income (loss)	$ (5,874,000)	$ 14,472,000	$ 6,179,000	$ 14,691,000
Earnings (loss) per share:				
Before cumulative effect of change in method of accounting	$ .48	$ .92	$ .40	$ .98
Cumulative effect on years prior to 1979 of change in method of accounting	(.84)	—	—	—
Net income (loss)	$(.36)	$ .92	$ .40	$ .98
Average number of common and common equivalent shares outstanding	16,056,000	15,747,000	15,591,000	15,048,000

1978	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$112,806,000	$135,103,000	$123,145,000	$149,344,000
Income from operations	$ 14,091,000	$ 27,985,000	$ 17,354,000	$ 29,760,000
Net income	$ 7,063,000	$ 17,208,000	$ 9,480,000	$ 15,969,000
Earnings per share	$ .43	$1.06	$ .59	$ .99
Pro forma earnings:				
Net income	$ 5,655,000	$ 17,295,000	$ 10,056,000	$ 16,007,000
Earnings per share	$ .34	$1.06	$ .62	$ .99
Average number of common and common equivalent shares outstanding	16,400,000	16,278,000	16,128,000	16,120,000

Reported net income for each of the first three quarters of 1979 has been restated to reflect the change in method of accounting for magazine subscription procurement costs adopted in November 1979 as explained in Note B to the financial statements. The change resulted in a decrease in net income per share of $.06, $.06 and $.11 in the first, second and third quarters, respectively. In addition, reported net income (loss) for the first quarter has been restated to reflect the cumulative effect of the accounting change on years prior to 1979, which amounted to $13,531,000 ($.84 per share). Pro forma earnings for 1978 are presented to show what such earnings would have been if the change in method of accounting had been in effect during that year.

The sum of the earnings per share for the four quarters may differ from the annual earnings per share as a result of computing the quarterly and annual amounts on the weighted average number of shares in the respective periods in accordance with Accounting Principles Board Opinion No. 15.

L. INFORMATION ON INFLATION AND CHANGING PRICES (UNAUDITED)

In accordance with the requirements of Statement of Financial Accounting Standards No. 33, "Financial Reporting and Changing Prices," the company has prepared supplementary information which provides calculations illustrating the effects of inflation and changing prices on certain phases of the company's operations. Although changing price calculations and related disclosures are in the experimental stage, it is the company's opinion that the information has been reasonably prepared within the guidelines set forth in Standard No. 33. The information presented is necessarily based on numerous assumptions and estimates which required subjective judgments and therefore, should not be viewed as precise data. The difference between these data and historical data do not represent increases or decreases in the company's book value.

Condolidated Statement of Income Adjusted for the Effects of Inflation and Changing Prices for the Year Ended December 30, 1979

(In thousands, except share amounts)

	As Reported in Financial Statements (Historical Cost)	Adjusted for General Inflation (Constant Dollars)	Adjusted for Changes in Specific Prices (Current Cost Dollars)
Operating revenues	$593,262	$593,262	$593,262
Costs and expenses			
Operating	391,503	393,741	393,164
Selling, general and administrative	112,123	112,123	112,123
Depreciation and amortization of plant facilities	7,684	11,017	10,737
Amortization of goodwill and other intangibles	1,531	1,531	1,531
	512,841	518,412	517,555
Income from operations	80,421	74,850	75,707
Other income, net	4,487	4,487	4,487
Income before income taxes and cumulative effect of change in method of accounting	84,908	79,337	80,194
Income taxes	41,909	41,909	41,909
Income before cumulative effect of change in method of accounting	42,999	37,428	38,285
Cumulative effect of change on years prior to 1979 of change in method of accounting for magazine subscription procurement costs	13,531	13,531	13,531
Net income	$ 29,468	$ 23,897	$ 24,754
Loss from decline in purchasing power of net monetary position		$ 1,593	$ 1,593
Increase in general price level of inventories and plant assets			$ 19,424
Less effect of increases in specific prices			14,004
Excess of increase in general price level over increase in specific prices			$ 5,420
Net income per common and common equivalent share	$1.89	$1.53	$1.59

Five-Year Comparison of Selected Financial Data Adjusted for the Effects of Inflation and Changing Prices

(In thousands, except share amounts)

	1979	1978	1977	1976	1975
Operating revenues					
As reported	$593,262	$520,398	$436,102	$375,729	$309,335
Adjusted for general inflation(1)	593,262	578,989	522,361	479,082	417,180
Cash dividends per common share					
As reported	$.36	$.30	$.18	$.125	$.125
Adjusted for general inflation(1)	.36	.33	.22	.16	.17
Market price per common share at year end					
Historical amount	$ 21.00	$ 23.25	$ 17.88	$ 12.50	$ 5.38
Adjusted for general inflation(1)	19.86	24.91	20.89	15.59	7.03
Average consumer price index	217.4	195.4	181.5	170.5	161.2

(1) Average 1979 dollars.

The information on inflation and changing prices is based upon the historical financial statements adjusted for general inflation relating to inventories and plant assets and for the changes in specific prices relating to these items.

The cost of newsprint and magazine paper included in operating costs and expenses was calculated using the same methods used in the historical financial statements. Depreciation and amortization of plant facilities were calculated generally using the same methods and rates of depreciation as used in the financial statements. In accordance with the requirements of Standard No. 33, income taxes were not adjusted for the effects of the resultant changes in operating costs and expenses and depreciation and amortization of plant facilities. Operating revenues, all other operating costs and expenses and other income, net were assumed to reflect the average price levels for the year as allowed under Standard No. 33 and accordingly, have not been adjusted.

The information adjusted for general inflation is expressed in constant 1979 average dollars which represent historical costs stated in terms of dollars of equal purchasing power as measured by the Consumer Price Index for all Urban Consumers. The constant dollar amounts do not purport to represent appraised values or any other measure of current value.

The information adjusted for changes in specific prices attempts to estimate what the cost of the company's existing inventories and net plant assets, and related costs and expenses, would be at December 30, 1979. Indexation using specific industry indices and specific pricing using current prices and appraisals were used in estimating these amounts. The current cost amounts do not consider technological improvements and efficiencies associated with the normal replacement of productive capacity.

The loss from decline in purchasing power of net monetary assets was determined by calculating the difference between the company's net monetary assets at the beginning of the year, and the net monetary liabilities at the end of the year, both amounts stated in average 1979 dollars. The calculation attempts to represent the effect of holding net monetary assets which lose purchasing power during an inflationary period.

The increase in general price level of inventories and plant assets over the increase in specific prices of those items is determined by calculating the change in the balance of inventories and plant assets, stated at current cost between years and removing that aspect of the change which is related to general inflation as measured by the Consumer Price Index for all Urban Consumers.

The constant dollar and current cost amounts of net monetary items, inventories and plant assets net of accumulated depreciation, stated in average 1979 dollars, and other net items at December 30, 1979 and corresponding historical cost amounts were as follows:

	1979		
	Historical Cost	Constant Dollar	Current Cost
Net monetary items	$ (2,517,000)	$ (2,380,000)	$ (2,380,000)
Inventories	14,290,000	13,634,000	14,179,000
Plant assets, net	93,735,000	138,270,000	153,214,000
Other net items	59,274,000	59,274,000	59,274,000
Net assets	$164,782,000	$208,798,000	$224,287,000

M. BUSINESS SEGMENTS

The company operates in three areas of the communications industry: newspaper publishing, magazine and book publishing and broadcasting. Newspaper operations primarily involve the publication of newspapers in Washington, D.C., Trenton, N.J. and, as of February 14, 1978, Everett, Washington; they also include a newsprint warehousing facility which accounts for less than 1% of consolidated revenues. Magazine and book publishing consists primarily of the publication of a weekly news magazine, *Newsweek,* which has one domestic and three international editions. A new magazine, *Inside Sports,* is scheduled to start publication in March 1980. Sales of books, which are less than 1% of consolidated revenues, are included within the magazine publishing segment. The broadcasting operations are conducted through four VHF television stations. All stations are network affiliated with revenues derived primarily from sales of advertising time. The broadcasting segment also includes until June 26, 1978, the operations of a radio station that was sold at that time. Revenues from newspaper and magazine publishing are derived primarily from advertising, and to a lesser extent from circulation. Revenues from international operations and export sales are less than 10% of consolidated revenues.

Income from operations is the excess of total operating revenues over operating expenses. In computing income from operations by segment, the effects of interest expense, equity in earnings of affiliates, other income, other deductions, and income taxes have been neither added nor deducted, but all corporate operating expenses are allocated to segment operations.

Identifiable assets by segment are those assets used in the company's operations in each business segment. Corporate assets are principally cash and marketable securities.

Equity in earnings of affiliates and assets invested in unconsolidated enterprises include a 49% interest in a newsprint manufacturer located in Nova Scotia, Canada, a 30% interest in a newspaper headquartered in Paris, France which is distributed mainly in Europe and, since 1978, a 30% limited partnership interest in a newsprint mill in Virginia. In 1979, approximately half of the Canadian affiliate's newsprint production was used by the company in its newspapers. The newsprint mill in Virginia started production in late 1979.

The company also has a 50% interest in a supplemental news service which is headquartered in the United States and a 24% interest in an electronic photocomposition company located in the United States; the income and assets of these affiliates constitute only a minor portion of the company's income from and investment in affiliates.

Income from operations of the magazine and book publishing segment and consolidated income for 1978 have been restated to show what such income from operations would have been had the change in accounting method for magazine subscription procurement costs as explained in Note B to the financial statements been in effect during 1978. The effect of the restatement was to decrease income from operations for the magazine and book publishing segment and for the consolidated total and to decrease income before taxes by $1,520,000.

	Newspaper Publishing	Magazine and Book Publishing	Broadcasting	Adjustments and Eliminations	Consolidated
Business Segments Data—1979					
Sales to unaffiliated customers	$272,616,000	$248,011,000	$72,635,000	$	$593,262,000
Intersegment sales	115,000			(115,000)	
Total operating revenues	$272,731,000	$248,011,000	$72,635,000	$ (115,000)	$593,262,000
Income from operations	$ 35,426,000	$ 22,563,000	$22,432,000		$ 80,421,000
Equity in earnings of affiliates					2,980,000
Interest expense					(1,796,000)
Other income, net					3,303,000
Income before income taxes					$ 84,908,000
Identifiable assets	$152,959,000	$ 65,063,000	$95,849,000	$(1,255,000)	$312,616,000
Investments in affiliates					32,195,000
Corporate assets					13,138,000
Total assets					$357,949,000
Depreciation and amortization of plant facilities	$ 3,865,000	$ 1,334,000	$ 2,485,000		$ 7,684,000
Amortization of goodwill and other intangibles	$ 864,000		$ 667,000		$ 1,531,000
Capital expenditures	$ 29,100,000	$ 2,166,000	$ 4,218,000		$ 35,484,000
Business Segments Data—1978					
Sales to unaffiliated customers	$242,076,000	$214,829,000	$63,493,000	$	$520,398,000
Intersegment sales	44,000		6,000	(50,000)	
Total operating revenues	$242,120,000	$214,829,000	$63,499,000	$ (50,000)	$520,398,000
Income from operations	$ 37,867,000	$ 29,135,000	$20,668,000		$ 87,670,000
Equity in earnings of affiliates					4,616,000
Interest expense					(1,788,000)
Other income, net					8,595,000
Income before income taxes					$ 99,093,000
Identifiable assets	$119,870,000	$ 54,824,000	$82,164,000	$ (947,000)	$255,911,000
Investments in affiliates					28,817,000
Corporate assets					43,789,000
Total assets					$328,517,000
Depreciation and amortization of plant facilities	$ 3,525,000	$ 1,034,000	$ 2,043,000		$ 6,602,000
Amortization of goodwill and other intangibles	$ 802,000		$ 648,000		$ 1,450,000
Capital expenditures	$ 3,868,000	$ 3,555,000	$ 2,758,000		$ 10,181,000

(In thousands except per share amounts) Fiscal Year	1979	1978	1977	1976	1975
Revenues and Income					
Operating revenues	$593,262	$520,398	$436,102	$375,729	$309,335
Costs and expenses	512,841	431,208	365,028	326,684	282,511
Income from operations	80,421	89,190	71,074	49,045	26,824
Other income	3,807	8,897	2,576	4,592	1,010
Other deductions, primarily interest	(2,300)	(2,090)	(2,628)	(3,644)	(4,126)
Equity in earnings of affiliates	2,980	4,616	2,537	1,393	1,884
Income before income taxes and cumulative effect of change in method of accounting	84,908	100,613	73,559	51,386	25,592
Provision for income taxes					
Current	35,863	46,948	34,473	24,732	9,189
Deferred	6,046	3,945	3,617	2,164	4,361
	41,909	50,893	38,090	26,896	13,550
Income before cumulative effect of change in method of accounting	42,999	49,720	35,469	24,490	12,042
Cumulative effect on years prior to 1979 of change in method of accounting for magazine subscription procurement costs	13,531	—	—	—	—
Net income	$ 29,468	$ 49,720	$ 35,469	$ 24,490	$ 12,042
Per Share Amounts					
Earnings per common and common equivalent share					
Income before cumulative effect of change in method of accounting	$ 2.75	$ 3.06	$2.09	$1.36	$ .64
Cumulative effect on years prior to 1979 of change in method of accounting for magazine subscription procurement costs	.86	—	—	—	—
Net income	$ 1.89	$ 3.06	$2.09	$1.36	$ .64
Cash dividends	$ .36	$ .30	$ .18	$ .125	$ .125
Shareholders' equity	$11.56	$11.15	$8.59	$7.02	$5.91
Pro Forma Amounts					
Net income	$ 42,999	$ 49,013	$ 33,394	$ 22,533	$ 9,042
Earnings per common and common equivalent share	$ 2.75	$ 3.02	$1.97	$1.25	$ .48
Average Number of Common and Common Equivalent Shares Outstanding	15,609	16,232	16,952	18,038	18,900
Financial Position					
Current assets	$112,168	$119,468	$114,489	$100,919	$ 72,819
Working capital	36,615	53,813	58,114	44,828	35,129
Plant assets, net	93,734	67,674	63,476	58,753	58,594
Long-term debt	17,550	19,930	22,300	29,550	39,934
Shareholders' equity	164,782	177,414	140,377	123,392	110,154

In 1979 the company changed its method of accounting for magazine subscription procurement costs so as to charge such costs against income as incurred. The effect of the change on operations for 1979 was to decrease earnings by $4,506,000 ($.29 per share). The cumulative effect of the accounting change on years prior to 1979 was $13,531,000 ($.86 per share), which amount has been included as a special charge against 1979 earnings. Pro forma amounts shown for the fiscal years 1975-1978 show what net income and earnings per share would have been if the newly adopted accounting method for magazine subscription procurement costs had been in effect during those years.

In 1978 and 1976 the company realized nonrecurring gains, mostly from the sales of two radio stations. For 1978 this increased "Other income" by approximately $6,100,000, "Equity in earnings of affiliates" by $600,000, the "Provision for income taxes" by $2,400,000, "Net income" by $4,300,000 and "Earnings per share" by $.27. For 1976 the nonrecurring gain increased "Other income" by approximately $2,900,000, the "Provision for income taxes" by $1,100,000, "Net income" by $1,800,000 and "Earnings per share" by $.10.

The company uses the equity method of accounting for its investments in Bowater Mersey Paper Company Limited and in International Herald Tribune, S.A. Dividends received from these corporations for the five years ending December 30, 1979, were $2,319,000 in 1979; $2,391,000 in 1978; $1,362,000 in 1977; $880,000 in 1976; and $874,000 in 1975.

Per share amounts are based upon the weighted average number of shares of common stock and common stock equivalents outstanding during the periods. Shares issuable under stock options are considered common stock equivalents when the market value of the shares exceeds the option price during the period. The number of such equivalents is then reduced by the number of shares which could have been purchased with the proceeds from the sale of the optioned shares had the options been exercised. Share and per share data have been restated to give effect to 2-for-1 stock splits on December 29, 1978 and December 15, 1976.

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*Retired December 31, 1979.

Committees of the Board of Directors

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(2) Member of Compensation Committee
(3) Member of Finance Committee
(4) Member of Stock Option Committee

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Vice President-Finance and Treasurer

Alan R. Finberg
Vice President, General Counsel and Secretary

Edward R. Padilla
Divisional Vice President-Newspapers

Robert R. Schuldt
Vice President-Human Resources

Stock Trading
The Washington Post Company Class B common shares are traded on the American Stock Exchange with the symbol WPOB.

Stock Transfer Agents and Registrars
Morgan Guaranty Trust Company
Stock Transfer Department
30 West Broadway
New York, New York 10015

The Riggs National Bank of
Washington, D.C.
Corporate Trust Department
Post Office Box 2651
Washington, D.C. 20013

Shareholder Inquiries
Communications concerning transfer requirements, lost certificates, dividends and change of address should be directed to either transfer agent.

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 the 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 Wednesday, May 7, 1980, at 10 a.m. at The Washington Post Company, 1150 15th Street, N.W., Washington, D.C. 20071.

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The Washington Post Company
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