THE WASHINGTON POST COMPANY

1993 ANNUAL REPORT

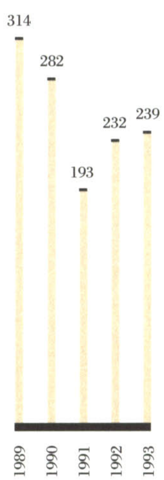
Contents

FINANCIAL HIGHLIGHTS

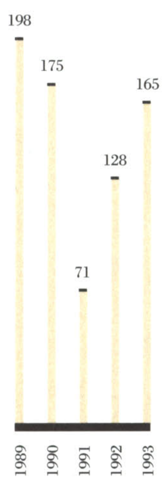
(in thousands, except per share amounts)	1993	1992	% Change
Operating revenues	$1,498,191	$1,450,867	+3%
Income from operations	$ 238,980	$ 232,112	+3%
Net income			
After cumulative effect of change in accounting principle in 1993*	$ 165,417	$ 127,796	+29%
Before cumulative effect of change in accounting principle in 1993*	$ 153,817	$ 127,796	+20%
Pro forma net income (before the cumulative effect of a change in accounting principle in 1993* and excluding the gain on the sale of cable franchises in the United Kingdom in 1993)	$ 140,446	$ 127,796	+10%
Earnings per share			
After cumulative effect of change in accounting principle in 1993*	$ 14.08	$ 10.80	+30%
Before cumulative effect of change in accounting principle in 1993*	$ 13.10	$ 10.80	+21%
Pro forma earnings per share (before the cumulative effect of a change in accounting principle in 1993* and excluding the gain on the sale of cable franchises in the United Kingdom in 1993)	$ 11.96	$ 10.80	+11%
Dividends per share	$ 4.20	$ 4.20	—
Shareholders' equity per share	$ 92.84	$ 84.17	+10%
Average number of shares outstanding	11,750	11,830	-1%

* *The cumulative effect of a change in the method of accounting for income taxes was recognized at the beginning of 1993.*

Operating Revenues
($ in millions)

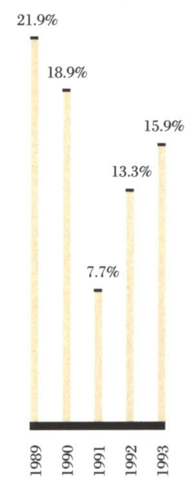


Operating Income
($ in millions)



Net Income
($ in millions)

Earnings per Share



Return on Average Shareholders' Equity

TO OUR SHAREHOLDERS

1993 was an important year for The Washington Post Company.

Our commitment to quality journalism received an unusually high degree of recognition. Newsweek won two National Magazine Awards, for general excellence and for best single-topic issue (Newsweek's special election edition). Post reporters won three Pulitzer Prizes: David Maraniss (for national reporting), George Lardner Jr. (feature writing) and Michael Dirda (criticism). At the beginning of 1994, WPLG, our ABC affiliate in Miami, won its fourth Alfred I. duPont Award for excellence in news and public affairs broadcasting. Day in and day out, we think our publications, television stations and cable systems served their audiences well.

The company reported improved financial results. Net income in 1993 rose 10 percent, before a one-time credit related to a change in accounting for income taxes and an after-tax gain from the sale of our cable franchises in the United Kingdom. When these two items are included, the company's net income for 1993 reached $165.4 million ($14.08 per share), compared with net income of $127.8 million ($10.80 per share) in 1992.

Unfortunately, an erratic economy in Washington and a soft market for national magazine advertising hindered revenue growth — as does cable reregulation, which we believe is excessive and, in the case of Post-Newsweek Cable, undeserved. Washington Post Company managers were successful in controlling costs; however, operating income rose only 3 percent in 1993. One particularly bright spot: the broadcast division had an outstanding year, with operating income up 20 percent over 1992. Additional information about division results, including a more detailed discussion of cable reregulation, can be found on pages 8-17.

The company's equity in earnings of affiliates was a loss of $2.0 million in 1993, compared with a loss of $11.7 million in 1992. Losses at the newsprint mills declined because of better newsprint pricing throughout most of the year and gains from sales of land.

We agreed to make a major acquisition, and we made a divestiture in our current lines of business. In December we agreed to purchase two Texas television stations from H&C Communications, Inc., for approximately $250 million in cash. This acquisition, which should be completed shortly, is the company's largest since the purchase of the cable division in 1986. It reflects our confidence in the management of Post-Newsweek Stations and our belief that well-managed television stations in strong markets remain a good business.

The new stations are KPRC-TV, the NBC affiliate in Houston, the country's 10th-largest television market, and KSAT, the ABC affiliate in San Antonio, the nation's 40th-largest television market. These cities are expected to enjoy above-average population and economic growth, especially as trade with Mexico increases on the heels of the Nafta agreement. We hope our traditional emphasis on high-quality local news programming will serve these communities well and provide a solid foundation for financial growth.

In September we sold our cable franchises in the United Kingdom, recording an after-tax gain of $13.4 million. This decision resulted from a major change that had taken place in U.K. cable operations. When we entered the U.K. cable industry, cable companies were effectively excluded from the telephone business. However, in 1991 regulations changed, and cable companies were free to switch their own telephone traffic. The lure and attractiveness of telephony caused U.K. cable operators, most of which are large telephone companies, to change gears. Telephony took top priority, with engineering and capital focused on retrofitting for telephone services. Cable building slowed, and we were concerned about very expensive programming — and resulting low margins. The cable economics on which we had based our investment changed to joint cable/telephone economics, with a significantly lower rate of return. It didn't meet our standards, given the range of risks presented by a large, undeveloped business and by an expected competitive response from British Telecom. We concluded that selling was the right course for our company and its shareholders.

The much-discussed information highway of the future inevitably received management attention during the year.

All media companies now have the job of trying as best they can to figure out their place in the world of electronic communications. This is a complex task for traditional companies accustomed to owning their own printing presses, having one or more of the limited FCC licenses for broadcasting, or possessing cable franchises. In the electronic world of the future — whatever that turns out to look like — the definition of markets and market niches won't be as clear, and our position necessarily will be different.

The industry giants — telephone companies, major computer companies, large cable companies, media conglomerates and equipment manufacturers — probably will define the devices that will receive electronically delivered news and information. However, we believe there can be a significant role for deliverers of better-quality information products and services — in effect, helping define the successful content on the new consumer information highway.

In the past we've found ways to deliver quality information through newspapers, magazines, broadcast and cable programming, while turning these ventures into profitable businesses.

Now we have to figure out how to do the same thing in a very different and evolving media marketplace. Because we don't know what our ultimate position in this marketplace will be, the following steps seem to us a reasonable way to approach the future.

First, we will continue to operate our existing businesses as profitably and responsibly as we can. Our aim is to maintain their strengths and make them better as communications media and as businesses. The company we will be in the future will evolve from the company we are now.

Second, we will encourage each of our media (and non-media) businesses to experiment with new products and services delivered by non-traditional means. We already have enjoyed some success in this area. For example, Newsweek's new CD-ROM product, Newsweek InterActive, has set standards for quality and editorial innovation in this new medium. The Post already is delivering information via computer, audiotext and fax. Kaplan, too, is experimenting with computer-delivered test preparation materials.

Our efforts to develop new information services will be guided by some basic assumptions: We believe new services should take full advantage of the capabilities of the devices and media through which they will be delivered. It isn't enough simply to glue a newspaper or magazine to a screen; we need to understand the attributes of the machines *and* the needs and characteristics of their users.

We also believe that selling information "by the bit" — or providing generalized services over someone else's network — won't bring the greatest rewards. Our goal is to act as an electronic publisher — an entity that teams with, and exploits, the infrastructure built by others to deliver information, entertainment and communications services. As an electronic publisher, we should be able to determine the contents of our "publications," have immediate and direct contact with users, and build relationships with subscribers through customer service and by ensuring that quality — the look and feel of the services — meets our standards.

Finally, we hope traditional Washington Post Company subject matter presented in materially new ways will be appealing to a wide audience. We believe our "brand name" will be useful to future success as users, ever pressed for time, seek proven sources of news and editing judgment from among the plethora of new electronic offerings.

We will rely on these principles as we take our place on the information highway and refine them as needed. Flexibility and learning will be required as the highway's configuration evolves, whether by wired, wireless or broadband fiber/coax networks. Recent industry events suggest the need to understand and explore all forms of communications technology as they develop. In this environment, it seems to us that a comprehensive, precisely defined strategy for our future is not now appropriate. Instead, we will evaluate opportunities one at a time and subject them to a high standard for return to shareholders.

It is important to note, however, that the period of start-up losses from new ventures will be lengthy. Therefore, those following and analyzing Washington Post Company results should expect earnings in the near term to reflect these investments for long-term growth.

Two initiatives undertaken in 1993 suggest ways the company will participate in the electronic world.

First, the Federal Communications Commission in December awarded a pioneer's preference for personal communications services (PCS) to American PCS (known as APC), a limited partnership in which The Washington Post Company has a 70 percent interest. In accordance with that preference, APC has filed an application at the FCC for a PCS system with 30 megahertz of radio spectrum in an area extending from northern Maryland through Baltimore, Washington, D.C., into northern Virginia and including portions of Pennsylvania and West Virginia. The population of this area is about 8 million people.

Under present FCC rules there would be two 30-megahertz licenses awarded for the Washington/Baltimore market and one hundred such 30-megahertz licenses awarded in the United States. The preference grant and the FCC's spectrum allocation rules are subject to court review and FCC reconsideration.

APC already has begun to acquire cell sites and specify PCS equipment. Upon authorization from the FCC, we will begin constructing the system itself. We hope the system will be operational early in 1995.

Through its fully digital transmission and systems design, PCS will make high-quality, low-cost portable voice and data communications available to everyone. We believe it will be an essential component of advanced communications devices of the future, such as personal digital assistants, and a necessity for communicating with, and delivering on-demand information to, people on the go.

PCS will be a major U.S. industry and an important new undertaking for The Washington Post Company. During 1994 and 1995 we plan to spend up to $200 million to develop this business.

A second initiative with potential for the future was the creation in November of Digital Ink, a new subsidiary that will produce news and information products for distribution by computer, fax and telephone.

One of Digital Ink's first products will be an online version of The Washington Post newspaper, which is scheduled to go into service in the second half of this year.

Digital Ink also will be developing a variety of other electronic products for distribution nationally and locally, usually in partnership with other leading companies. Many of these products will exploit the resources of Newsweek, the company's broadcast and cable divisions, and the Legi-Slate government information database service, as well as The Washington Post newspaper.

Digital Ink plans to distribute products that combine text, graphics, photos, moving pictures and animation in interactive formats. They will be usable on computers, cable television, portable computers, telephones and new wireless communications devices, such as PCS.

Digital Ink also will manage The Post's existing Post-Haste audiotext service, which provides sports scores, stock quotes, lottery numbers, soundbites and other information via telephone, and Post articles via fax. Post-Haste currently receives 16 million information requests a year.

A number of changes in the company's leadership took place during the past year. In September, Katharine Graham was elected Chairman of the Executive Committee. She had served as Chairman of the Board since May 1973. Donald Graham was elected Chairman of the Board. He continues as Chief Executive Officer, a position he has held since May 1991, and as Publisher of The Washington Post, a position he assumed in January 1979. Alan Spoon was elected President of the company. He continues as Chief Operating Officer, a position he has held since May 1991.

In January 1994 Patrick Butler was elected Vice President with responsibility for public policy, and new-business and special-corporate projects. He had been a Vice President of Newsweek and of Legi-Slate.

With great regret, we report that two Directors who will have reached mandatory retirement age will not stand for reelection at the annual meeting in May.

Nicholas deB. Katzenbach is our longest-serving outside Director, having joined the Board when The Washington Post Company went public in 1971. In every major company-related issue of the past 23 years, Nick's advice has been sought and invariably followed. Every top manager at The Post Company learned that in a complex situation, Nick's judgment could always be relied on. His contributions have been enormous, and he will be greatly missed.

Benjamin C. Bradlee has served as a Director since 1991, when he retired as Executive Editor of The Washington Post. Volumes have been written about Ben's tremendous contributions to the company as The Post's Executive Editor. He also has been a thoughtful and wise voice on the Board. Ben will continue as Vice President At-Large of The Washington Post newspaper.

After Independent Newspapers Ltd., a company of which he is Chairman, bought interests in two more large newspaper organizations, Anthony J. F. O'Reilly informed us he would not be a candidate for reelection as a Director. Tony's insight into our businesses, his extraordinary mind, and his understanding of the world made him an invaluable source of help to all three of us, and no Board meeting will be nearly as much fun without him.

Looking ahead, we hope economic conditions continue to improve and that a better economy will strengthen the market for both local and national advertising. However, the experience of the past year, which began on such an optimistic and short-lived positive note, makes us extremely cautious in this regard. Whatever the economic cards we are dealt, we believe Washington Post Company people are both prepared and motivated to maximize the company's long-term market value.

We are excited by the opportunities that new information-processing and communications technologies will offer our company. We have no certainty about the nature of the media world in the 21st century. If investors are looking for companies that think they understand everything about this coming world, they should avoid us. But we're confident we will be able to find opportunities that meet our investment criteria and that The Washington Post Company will continue to deliver above-average returns to shareholders over the long term.

Sincerely,

Donald E. Graham
Chairman and Chief Executive Officer

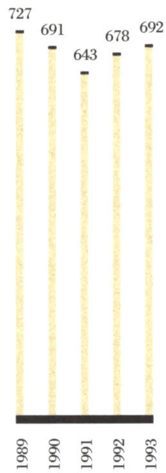
Alan G. Spoon
President and Chief Operating Officer

Katharine Graham
Chairman of the Executive Committee

March 4, 1994

NEWSPAPER DIVISION

Newspaper division operating income in 1993 increased 2 percent to $123.2 million, from $120.8 million in 1992. Division revenue rose 2 percent, from $677.6 million in 1992, to $692.3 million in 1993.

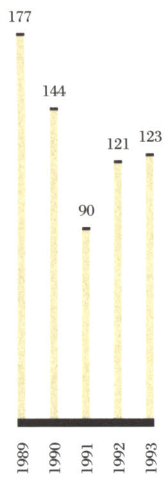


Newspaper Division Operating Revenues
($ in millions)

The Washington Post's executive editor, Len Downie, often refers to The Post as an information supermarket, one that provides a wide array of news, analysis and features for a large, diversified audience. The shelves were unusually well stocked in 1993. Among the highlights:

A remarkable four-part series, "Murder on Trial," tracked all 1,286 homicides committed in the District of Columbia from 1988 through 1990 as they moved through the criminal justice system — an unprecedented computer-assisted project of research, analysis and journalism. The series, written by special projects reporter Athelia Knight with computer analysis by William Casey, director of computer-assisted reporting, and remarkable graphics by Jackson Dykman, senior graphics editor in the newsroom art department — showed that no one was found guilty in three of every four homicides. The detailed explanation of how this happened was a revelation, even to those who run the criminal justice system, which had never made such a study.

The accidental discovery by reporter Benjamin Weiser that all the papers of the late Supreme Court Justice Thurgood Marshall were open for study at the Library of Congress led to a revealing series, "The Marshall Files," that showed how the court reached its most difficult decisions during Marshall's tenure. The series also created controversy over whether Marshall intended for his papers to be open to public view so soon. This led to a firm decision by the Library of Congress to keep them open, marking an important advance in freedom of information in Washington.



Newspaper Division Operating Income
($ in millions)

Foreign correspondent Keith Richburg, who leaves Nairobi this year, has done outstanding work in Somalia throughout his tour in Africa. His reporting, plus the first television coverage of events in that country, prompted the United Nations to intervene in Somalia. During the past year, as chaos and great danger returned to Mogadishu's streets, Keith often has been the only American correspondent still in Somalia to cover the breakdown of the U.N. mission, the ill-fated manhunt for Somali warlord Mohamed Farah Aideed and the beginning of the American withdrawal. His courageous reporting, insightful analysis and vivid writing have won the 1994 George Polk Award for foreign reporting.

At a time when circulation declines are being recorded by most metropolitan dailies, The Washington Post's circulation continues to be strong. For the 12-month period ending September 30, 1993, The Post's average daily circulation rose 11,000 copies, or 1 percent, to 834,000. Since 1989 The Post's daily circulation has increased by more than 40,000.

Average Sunday circulation decreased by 4,000, or 0.5 percent, to 1,154,000, for the 12-month period ending September 30, 1993. The decline reflects the start-up of several competing Sunday papers in the market. To help combat the new entrants, The Post has been launching completely redesigned Sunday TV books zoned by cable system, with TV listings

- Charlene Stewart and Susan O'Leary of marketing joined Joyce Richardson in classified advertising to reshape the staff, goals and aims of classified. The department approached 1994 with a team that's well suited to the task at hand: more part-timers to deal with peak classified ad days on Thursdays and Fridays, and more specialists to listen to customers' needs and respond to them. After a restructuring, there are 25 fewer full-time people in the department than last year.

- Deneen Brown pictured life in the city so touchingly, particularly in an article describing how some children now daydream about planning their own funerals, that President Clinton quoted that piece several times when he talked about violence in the inner city and how it affects people.

- The home delivery customer satisfaction index was at 89 percent three years ago. In 1993 satisfied customers rose to 92 percent, thanks to Steve Reed, Lou Fabian, Lee McAdory, Phil Hottle, Paul Poff and David Dadisman, who supervise the home delivery department. The production department also earned credit for getting the papers out on time.

- John Pomfret and David Ottaway continued running in and out of Sarajevo. They have done a truly exceptional job of reporting from there, where reporting is so hard. Well over three dozen reporters and photographers have been killed trying to cover the war in the former Yugoslavia.

SMALL VICTORIES SMALL VICTORIES SMALL VICTORIES

- Diane Prather, who runs county and suburban circulation, and Tony Mineart, who runs newsstand and street sales, worked hard to get The Post sold in locations where newspapers around the country never get a rack inside or outside. The Post now is sold inside Wal-Mart, thanks to Tony Mineart. Diane and her staff — Bill Benner and others — get credit for successfully negotiating with McDonald's.

- Mike Hill, Mike Cusato, a cast of dozens led by Kunie Devorkin in systems, and the entire production department zoned the Sunday TV book for Fairfax, Montgomery and Prince William counties and soon will do so for every other major county and city where The Post has major circulation. The Post's Sunday TV book will be the best place for people throughout the circulation area to learn what's on TV tonight.

- Last year a series by Joël Glenn Brenner and Liz Spayd on discrimination by local banks documented that local banks largely ignored minority neighborhoods, while private mortgage companies aggressively pursued those customers and charged them higher fees and interest. Assisted by Bill Casey, the new director of computer-assisted reporting, the series broke new ground in local coverage.

- In the short time Kelly Benson has been Southeast plant manager, she's been able to reduce staffing by about 17 positions and operating expenses by almost $500,000, while handling larger volume than in 1992. Kelly is the first woman to manage a Post plant.

- A press crew in the Northwest plant did remarkable work in production productivity. Led by acting crew chief James Perry and acting assistant crew chief Cathy Redmond, the crew hit the all-time high average press speed for letterpress printing.

- Metro columnist Donna Britt won the American Society of Newspaper Editors Distinguished Writing Award for commentary/column writing. Her work was chosen for columns that "move from observations to broader issues."

- In 1978 The Post told pressroom employees that if they were willing to make the commitment, The Post would pay their way through the Rochester Institute of Technology, the toughest printing management school on the East Coast. Later the offer was expanded to include everyone at The Post. This year Keith Jones, a press operator in Northwest, Philip Goodwin, a machinist in Springfield, and Ed Washington, Jr., maintenance planner in Springfield, received their degrees. They were the 16th, 17th and 18th Post employees to go through the program.

- Digital Ink was founded to develop interactive electronic publications and staffed with excellent people — Don Brazeal, Mark Potts, Linton Weeks, Sara Fitzgerald, Raleigh Schein, Ted Duggan and others under Ralph Terkowitz's direction, with a big boost from Bob Kaiser in the newsroom.

SMALL VICTORIES SMALL VICTORIES SMALL VICTORIES

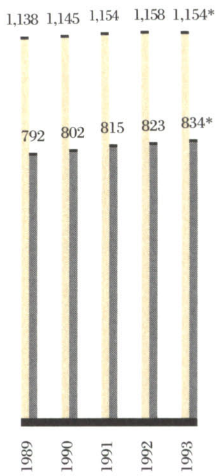
- Toni Taylor came to the Business Development Unit in July and found that ad sales among small businesses in Fairfax County were down 15 percent from the prior year. By year-end her territory finished up 12 percent over 1992.

- Carol Guzy won the Photographer of the Year Award from the White House News Photographers Association for the second straight year. In the Pictures of the Year competition sponsored by the National Press Photographers Association and the University of Missouri School of Journalism, Lucian Perkins was named Photographer of the Year and Michael S. Williamson won the Kodak Crystal Award for impact in journalism.

- A massive blizzard in mid-March 1993 resulted in extraordinary efforts by the home delivery team. Although U.S. mail did not reach residential areas, almost all Post subscribers received their newspapers. The metro single copy sales department also did an outstanding job of getting The Post to newsstands.

- Mike Towle sold Staples, a chain of office supply stores, a 48-time schedule to run in the Sunday paper, which contributed $250,000 in additional ad revenue.

that are specific to the cable system of the reader. The Post already has introduced three of these books, with others planned for 1994. The response from readers and advertisers has been enthusiastic.



The Washington Post Circulation
(in thousands, for the 12-month period ending September 30)

Sunday Daily

* unaudited

Advertising at The Post followed a decidedly bumpy course during 1993. The year began on a very positive note; advertising revenue was up 10 percent in the first quarter. However, immediately following President Clinton's State of the Union address in February1993, which raised concerns about higher taxes and changes in government programs and spending, advertising plunged and did not begin to recover until September.

For the year as a whole, advertising volume fell 1.2 percent to 3,393,600 inches, from 3,434,700 inches in 1992, which included one additional week. Post advertising revenue increased 2 percent to $513.5 million, from $501.8 million in 1992.

Retail advertising volume fell 0.7 percent during the year, although the fourth quarter was strong as two new major retailers arrived in the market. Classified inches declined 2.7 percent in 1993, reflecting continued weakness in the Washington real estate market. General ad inches were off 1.9 percent for the year. Preprints, on the other hand, rose 0.7 percent. To meet competitive threats, The Post lowered its preprint rates during the year and signed long-term contracts with major preprint advertisers.

The Post held expense growth to 1 percent. Newsprint costs were 3 percent higher than in 1992. The Post has put together a reengineering task force that is charged with identifying significant, large-scale ways to improve efficiency and reduce costs at The Post. Four parts of the business have been singled out: pre-publishing (the way news and ads are prepared for publication); editioning (the schedule of Post editions every night); targeting (the ability to deliver customized editions of the paper, including special advertising, to specific places in The Post's circulation area); and front office (the way support activities of many kinds are handled).

The National Weekly Edition of The Post increased circulation again in 1993 and averaged 114,000 circulation for the year. Advertising was soft.

The Herald, the company-owned paper in Everett, Washington, completed installation of a state-of-the-art Goss MetroColor press line. The new press has improved significantly delivery times, quality, color capacity and productivity.

The Washington Post Writers Group introduced two highly successful new features in 1993: "Cheap Thrills Cuisine," a unique food-page recipe comic strip, and a twice-weekly column by The Washington Post's Donna Britt. The Group's two-year-old comic strip "Non Sequitur" was named Comic Strip of the Year 1992 by the National Cartoonists Society.

The Gazette Newspapers, Inc., acquired weekly newspapers in Silver Spring and Burtonsville at the end of 1992 and now publishes 14 suburban newspapers serving 238,000 homes in Maryland. Charles A. Lyons, a veteran publisher of suburban newspapers and former president of Suburban Newspapers of America, was named president. For the second consecutive year, The Gazette won the Maryland-Delaware-D.C. Press Association public service award, this time for reporting on problems with an incinerator at the National Institutes of Health.

POST-NEWSWEEK STATIONS

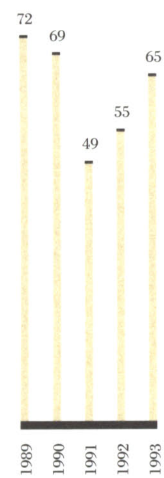
The broadcast division had an excellent year, substantially outperforming the industry. Operating income rose 20 percent to $65.3 million, from $54.6 million in 1992. Revenue increased 9 percent to $177.4 million, from $162.2 million in 1992. National advertising revenues increased 10 percent during the year, while local ad revenues rose 8 percent. Automobile advertising was especially strong at all four stations.

Broadcast Division Operating Revenues
($ in millions)

WDIV-Detroit tied for the top-rated station in the market, sign-on to sign-off, for both May and November 1993. Growing viewership in daytime and afternoon helped propel the station to the number one spot. WDIV also was the only station in Detroit to show growth in all of its locally produced news programs. WDIV continued to win the key 11:00 p.m. newscast, even though NBC's lead-in programming fell to third place.

The Detroit area suffered through the Malice Green trial for seven weeks during the summer. Two white policemen were convicted of second-degree murder for the beating death of an African American motorist. WDIV went to exceptional lengths to provide its viewers with as much information about this case as possible, including broadcasting the trial in its entirety on the non-programmed daytime portion of PASS Sports, Post-Newsweek's regional cable sports network. WDIV believed that if viewers saw the process of the trials for themselves, they would conclude that — no matter what the verdicts — justice had been served. Although the trial proved to be a very emotional ordeal for the community, Detroit remained calm.

PASS Sports, the Michigan regional sports network acquired at the end of 1992, was smoothly integrated into WDIV operations. The total system was moved into WDIV's facilities, and the network now has a new, livelier on-air look, as well as new local programs. PASS Sports carries the Detroit Pistons, Red Wings and Tigers, and other sports programming.



Broadcast Division Operating Income
($ in millions)

Retransmission consent negotiations between cable operators and WDIV provided an opportunity for PASS to expand to a 24-hour-per-day operation. PASS Primetime remains a pay service, now operating from 7:00 p.m. to 2:00 a.m. The other 17 hours of the day are now programmed as PASS Daytime, a basic service for which PASS receives a per-subscriber fee from cable systems.

WPLG-Miami/Fort Lauderdale celebrated its ninth consecutive year as the number one station in South Florida. The station maintains its strong audience for its Eyewitness News programming with aggressive news coverage and a strong promotion and graphic presence. This strategy continues to stimulate excitement among viewers with its fresh, vital on-air style.

Intense retransmission consent negotiations between WPLG and cable operators netted an exclusive interconnect agreement with local cable systems delivering over one million subscribers. This access will enable WPLG to broadcast and sell advertising for local news inserts on CNN programming throughout the day.

AT WDIV – In the middle of what was called "the storm of the century," reporter Paula Tutman and photographers Bernie Zettner and David Klein made their way to Cherokee, North Carolina, to the top of a mountain where a rescue effort for almost 100 Detroit-area students was underway. The students had been lost for several days while on a field trip to the Smoky Mountains. Photographer Fred Mullin succeeded in driving the WDIV satellite truck through the storm to link up with Tutman, Zettner and Klein. As a result of their efforts, WDIV was the only station in its market to provide live information and pictures from the scene, including live reports of the rescue.

– Joe Martelle, WDIV's manager of sports operations, took on the additional responsibilities of negotiating retransmission consent agreements with over 50 cable companies in the Detroit area. Martelle enabled PASS Sports to expand to 24 hours per day and receive additional revenue from cable operators.

– Engineering operations manager Walt Rodman and technical supervisor Chuck Chave designed and built a new 48-foot remote production truck to enhance WDIV's sports production business. The design and construction were completed in-house with the assistance of Bob Arnell, Jim Welch and Doug Brock.

– WDIV received the National Gabriel Award for "Cheers to Children," a holiday special featuring the Detroit Symphony Orchestra, "Cheers" series star Kelsey Grammar and Olympic ice skaters, to benefit Children's Hospital of Detroit.

SMALL VICTORIES SMALL VICTORIES SMALL VICTORIES

AT WPLG – Health and medicine reporter Kristi Krueger, who transferred last year from WDIV, developed a nine-part series on breast cancer screening. As a result of the series, the American Cancer Society, working with WPLG community services director Mindy Welch and community services coordinator Jacquie O'Malley, logged over 5,000 phone calls seeking information about inexpensive breast cancer screening facilities.

– WPLG received a duPont Award for a 25-report series called "Armed Enemies of Castro." Rad Berky was the principal reporter, and Emilio Rangel and Mario Hernandez were the photographers for the series, which revealed that a para-military camp set up in the Everglades to train Cuban exiles to overthrow Castro was funded by drug running and arms dealing.

– In August news director Tom Doerr convened a multi-department task force to strengthen Eyewitness News in the critical November ratings sweeps. Assistant news director Dennis Herzig and news promotion specialist Paul Kaniewski developed a plan that produced solid audience leads in all early and late newscasts in November.

– Channel 10's Care Force, a continuing community service program, reached thousands of Hurricane Andrew victims with issue-oriented specials, news stories, public service announcements, hero salutes, volunteer projects and thousands of dollars raised.

AT WFSB – Videotape editor Pete Shaw and cameraman Bruce Murray combined their technical skills to create more than 100 commercials for clients. They handle an increasing in-house production schedule under deadline pressure and continue to produce high-quality work.

– Investigative reporter Jeff Cole received a New England Emmy Award and an Associated Press Award for his series of reports on a Massachusetts company that operates physical rehabilitation facilities. Cole's investigation raised questions about the quality of care and cost to patients. Cole won a second Emmy for a story on poorly made flanges being used in U.S. nuclear power plants and manufacturing plants.

– WFSB took a major step forward in weather reporting and forecasting when it contracted for the services of the New England Weather Service. The Service relocated its state-of-the-art equipment and 11 meteorologists to WFSB's Broadcast House with no interruption in its forecasts for WFSB and other weather clients. The weather equipment and broadcast equipment were installed in less than two weeks thanks to the skills of chief engineer Dale Werner, production supervisor Jeff Jeandheur, and technicians Larch Purinton and Harry Baldus.

– Program manager Matt Mixon quarterbacked the station's retransmission consent negotiations, delivering agreements with 39 different cable systems.

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– Consumer reporter Deborah Kent created a hotline to respond to calls from viewers with consumer problems or questions. In six months the hotline, staffed two hours daily by senior citizen volunteers, fielded 3,000 calls and succeeded in getting thousands of dollars refunded to viewers. Kent also received dozens of leads that resulted in several consumer fraud stories.

AT WJXT – Ken Kaminski, director of broadcast operations, led the station through the maze of new regulations and negotiations with cable systems during the retransmission consent process.

– The sales department pre-sold a special on Jacksonville's efforts to win an NFL franchise that was broadcast when the city was awarded the team. Six major sponsors committed to the program without knowing if Jacksonville would be given the franchise.

– News reporter and producer Ted Brown crafted a one-hour special that aired a week after the NFL announcement and allowed viewers to "Relive the Moment." The program was repackaged on home video cassette and sold through a local supermarket chain.

– Jan Haswell, promotion manager, organized a community open house for local citizens to view the station's new broadcast facility and meet on-air personalities and managers. Over 1,300 people visited the studios in seven hours.

WPLG wrapped up the year with another strong November ratings period. One South Florida TV critic wrote: "In a remarkable show of strength and consistency, WPLG won every significant locally programmed time period from sunrise to the wee hours of the morning."

WFSB-Hartford surmounted Connecticut's economic doldrums to post a small gain in operating revenue — despite the absence of $2 million in political advertising the station had obtained in election year '92. Although competition remained intense, WFSB capped 1993 with a solid victory in the key November Nielsen ratings.

WFSB took several significant steps during the year to enhance its position in news. One of the market's best-known and most highly regarded news anchors, Al Terzi, was signed to a long-term contract. In September the station acquired the services of the New England Weather Service, one of the premier weather operations in the United States.

Retransmission consent negotiations involved cable systems in six states and yielded agreements for WFSB to program local inserts for CNN Headline News on several major systems.

In March WFSB inaugurated "CT '93," a Sunday morning interview program hosted by political reporter Duby McDowell. "CT '93" quickly became *the* program to watch for the state's political community and other opinion leaders. "CT '93" also is a ratings success, usually reaching larger audiences than the networks' Sunday morning interview shows.

WJXT-Jacksonville remained the dominant station in its market, sign-on to sign-off, and its news programming continued to rank first as well.

After almost 15 years of chasing the elusive world of pro football, Jacksonville was awarded the thirtieth National Football League franchise in November. The expansion team, the Jacksonville Jaguars, will take the field in the fall of 1995.

WJXT provided extensive coverage of the events leading to the selection of the city — and even helped name the team through an on-air contest. WJXT was the first station to report that Jacksonville was getting the nod. When the announcement was broadcast live from Chicago, WJXT had nearly twice as many viewers as the other two network affiliates combined. Although WJXT, a CBS affiliate, will not be broadcasting Jaguar games, the station plans aggressive sports coverage and ancillary programming.

Retransmission consent negotiations proved time consuming and politically challenging for WJXT, because the station is carried on more than 50 cable systems in north Florida and south Georgia. WJXT emerged from the process with an agreement to program local news cut-ins and advertising on the CNN Headline News channel for four major cable systems, representing more than 250,000 subscribers.

POST-NEWSWEEK CABLE

Post-Newsweek Cable was enjoying another strong year in 1993 until Congress and the Cable Act of 1992 got in the way. Through March 1993, revenue was almost 10 percent higher than in 1992. By year-end 1993 — after a subscriber rate freeze that began in April, then a rate rollback — revenue had increased by less than 7 percent to $182 million, from $170 million in 1992.

Post-Newsweek Cable lost $3 million in potential revenue in 1993 as a result of the Cable Act. Worse, Post-Newsweek estimates it will lose over $10 million in revenue in 1994, because cable systems will be unable to take rate increases on regulated services until sometime in the fall. This estimate does not include additional rate reductions announced by the FCC on February 22, 1994.

Post-Newsweek Cable did not deserve reregulation. Post-Newsweek's price increases for the two years prior to reregulation averaged only 5 percent per year. Average basic and tier rates were about $22 in 1992.

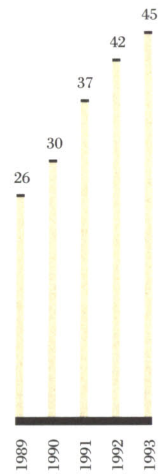
For 1993 as a whole, cable division domestic operating income totaled $44.8 million, a 6 percent increase over $42.3 million in 1992. Cable cash flow rose 5 percent to $85.9 million, from $82.0 million the previous year. Revenue, cash flow and operating income all grew at lower rates than in previous years, reflecting both the Cable Act and the increasing maturation of the cable television business.

Because the Cable Act provides for regulation of rates for basic service, tier services and equipment, Post-Newsweek Cable increasingly will look to unregulated revenue — such as premium, a la carte and pay-per-view services, and advertising — for future revenue growth. Costs, as always, will receive intense scrutiny.

Negotiation of retransmission consent/must carry as required by the Cable Act also made 1993 a difficult year. Post-Newsweek Cable successfully negotiated over 750 cases of broadcast station carriage without making any cash payments and also maintained its subscriber base despite very confusing communications mandated by Washington.

The cost of programming continued to rise in 1993. Basic and tier programming costs increased more than 13 percent, following double-digit increases in prior years. Premium programming costs increased 8 percent. Programming expense now accounts for 35 percent of Post-Newsweek Cable's operating expenses, up from 25 percent in 1986, when we acquired the division.

Post-Newsweek Cable Domestic Operating Revenues
($ in millions)



Post-Newsweek Cable Domestic Operating Income
($ in millions)

- Recognition goes to all the employees of Post-Newsweek Cable for surviving the implementation of the 1992 Cable Act. Under provisions of the Act, rates were changed, services reconfigured, new charges were added and old charges dropped.

Small Victory awards go to Post-Newsweek Cable's:

- Customer service representatives, who fielded calls and explained the new rules to subscribers;

- Technical service people, who provided high-quality pictures at reasonable prices;

- System managers, who spent countless hours explaining the new rules to employees, subscribers and city franchising authorities;

- Phoenix staff, who ran, reran, then ran again endless iterations of regulation worksheets, negotiated with broadcasters, and read thousands of pages of rules and interpretations.

It was a challenging year.

- Early in 1993 Ted Hartson, vice president of engineering, was elected to the Arizona Cable Television Association Pioneer Hall of Fame. Hartson has been an active participant in the cable industry for 20 years and was recognized for his leadership in the Arizona cable industry.

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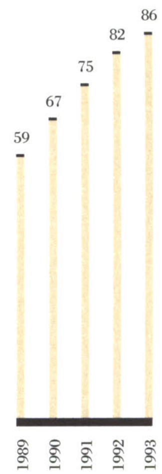
- Advertising revenue continues to grow at a double-digit pace at Post-Newsweek Cable. In 1993 ad revenue was almost $8.5 million, 20 percent ahead of 1992. Susan Zeff, at the Modesto system, again led advertising sales people in annual sales volume. Zeff has been with Post-Newsweek for several years and each year sells between $400,000 and $500,000 in volume. At the Norfolk, Nebraska, system, Myrna Botsford did a great job of selling more than double her goal. She joined the advertising team early in 1993 and took over a list of accounts that in the past had been reluctant to spend on cable advertising.

- Scott Geston, general manager of Cablecom in Fargo, North Dakota, served as president of the North Dakota Cable Association during 1993 and was selected to serve on the Governor's task force to draft a state strategy on telecommunications development.

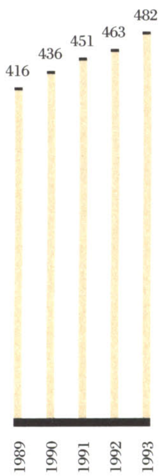
- The Globe, Arizona, system worked closely with the American Red Cross in January 1993 during a state of emergency declared by President Clinton. Floods disrupted the lives of hundreds of people and left many homeless. General manager Ingo Radicke, with other members of the community, helped secure a building to be used as headquarters for disaster relief. The cable system made its Cable Ad Channel available to help keep the community informed of relief services.

- System manager Mark Boyer and production manager Glenn Leech and his staff at Marks Cablevision, a Post-Newsweek system in Ohio, won four first-place Ohio Cable Television Association Cablecasting Awards for best commercial message, best sports program, best sports series and best program. The awards recognize excellence in local cable programming.

- Post-Newsweek Cable of Ada, Oklahoma, received a Corporate Sponsor Award from the Oklahoma State Parks and Recreation Department for contributions to the "Spirit of Christmas" program, which provides holiday gifts to needy children. Through creative marketing, the system's participation in the program benefits the company by increasing installations during the promotion period, cementing good relations with the city and building company morale.



Post-Newsweek Cable Domestic Cash Flow
($ in millions)



Post-Newsweek Cable Domestic Basic Subscribers
(in thousands)

Basic subscribers rose to 482,106 at the end of the year, 19,000 subscribers more than at the end of 1992. Over 10,000 of the gain came from the late-1992 acquisition of the cable system serving Long Beach, Mississippi, directly adjacent to the Post-Newsweek system in Gulfport.

Advertising revenue rose 20 percent to almost $8.5 million. Prior to 1993, advertising sales had been the responsibility of Post-Newsweek Cable system managers. In late 1993, as it became clear the industry would have to emphasize unregulated revenue for future growth, Post-Newsweek restructured its advertising sales, establishing a series of advertising regions, each reporting to a regional advertising director, who reports to Post-Newsweek's vice president of advertising sales.

Pay-per-view revenue rose 4 percent in 1993, following a decline of 6 percent in 1992. Pay-per-view revenue is still highly dependent on the number and quality of major events such as boxing and wrestling.

The cable landscape clearly will be changing rapidly in the years ahead as telephone and cable companies, or combinations thereof, compete to offer video, telephone and data services to the American public. Direct broadcast television from a satellite to a small, relatively inexpensive dish also took a long step toward reality, with the launch of a new DBS satellite in December.

The information highway will not arrive everywhere at once. Some of its builders will concentrate on urban areas; others, like Post-Newsweek Cable, will continue to concentrate on serving America's small towns and rural areas. The division has an average system size of fewer than 10,000 subscribers who have, on average, access to 52 channels. As the information highway takes shape, Post-Newsweek Cable will be devising a strategy designed to bring the information future most efficiently to its small-town and rural customers.

NEWSWEEK

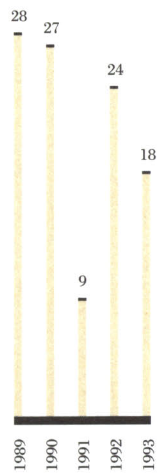
Newsweek had an outstanding year journalistically in 1993, but financial results were plagued by a soft advertising market in the United States and recessions in Europe and Japan. Operating income decreased 25 percent to $18.0 million, from $23.9 million in 1992. Revenue totaled $332.5 million, a decline of 4 percent from $347.1 million the prior year.

Newsweek Operating Revenues
($ in millions)

Nineteen ninety-three — Newsweek's 60th anniversary — opened with the drama of the Clinton Inauguration, and it has been a roller coaster ride ever since. It was a year when readers struggled to make sense of the devastation in Somalia, the terror in Bosnia, the tragedy in Waco. It was an unsettled year in which it became abundantly clear that Americans wanted to come to grips with important issues facing the country — including an out-of-control health care system and our culture of violence. For Newsweek, the challenge each week was to be out-front in reporting and dead-on in analysis, to move beyond the obvious, to be gutsy and smart. The challenge, most of all, was to give readers what they could not find anywhere else.

Newsweek made a commitment to comprehensive coverage of the major issues facing the administration. At the top of the list was health care. Newsweek ran dozens of articles and several covers on the health care debate, but its special issue in October, "Clinton's Trillion Dollar Cure (And What He Didn't Tell You)," was the culmination of a year-long effort. It offered 31 pages of analysis to help readers parse this complex and vital issue.

Aggressive coverage of breaking news is Newsweek's hallmark, but equally important is the magazine's tradition of zeroing in and decoding shifting social trends. In 1993 Newsweek continued its commitment to covering racial issues, the culture of violence and the sometimes precarious relationship between men and women. "Sexual Correctness: Has It Gone Too Far?" (October 25) took a look at the combustion created by our culture's changing sexual mores. Assistant managing editor Sarah Crichton's tart, penetrating cover essay brought the issues into sharp focus, noting that with the latest feminist orthodoxy, "just as opportunities keep expanding for women, the list of what hurts them seems to grow, too."



Newsweek Operating Income
($ in millions)

Newsweek also pursued long-term reporting projects. "The JFK Cover-Up: It's Not What You Think" (November 22) documented the frenzied week following the Kennedy assassination and provided the truth behind 30 years of conspiracy theories. In a masterfully written report, assistant managing editor Evan Thomas revealed there was indeed a cover-up — but not of a plot to kill the president. Rather, top officials scrambled to conceal their own mistakes and intrigues. The comprehensive package was the culmination of a six-month collaboration with CBS News and The Washington Post, which also resulted in a successful two-hour primetime special on CBS.

- Greg Osberg, vice president of advertising sales and associate publisher, structured an alliance with P.C. World magazine to capitalize on the exploding small office/home office (SOHO) market. Eighteen pages of advertising were sold into a report by P.C. World editors that was carried by both publications in November. The sales coordinator was Nick Friese, assisted by West Coast sales director Bill Ganon and San Francisco manager Bill Murray. Four SOHO sections are planned for 1994.

- Jackie Paxman, subscription promotion manager for Newsweek International's Atlantic edition, supervised a subscription advertising campaign that received two of Italy's most prestigious direct mail advertising awards.

- Moscow bureau chief Dorinda Elliott moved so quickly to cover the unsuccessful coup against Boris Yeltsin in October that Newsweek was able to stop the presses to include her report. Later in the year, Elliott, working with other European bureau chiefs, conceived Newsweek's global Mafia investigation. It resulted in a report (December 13) on a more dangerous generation of mostly stateless crime lords who take advantage of high technology to move $1 trillion worth of drugs, arms and raw materials each year.

- Due to manufacturing difficulties at the Hong Kong printing operation, Angelo Rivello, senior vice president of worldwide manufacturing and distribution, dispatched manufacturing development manager Ton Vu to the Hong Kong facility to

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assist Asia edition's production director Lam Tang. During Vu's three-week stay, he and Tang worked day and night shifts. As a result, specific manufacturing problems were isolated and corrected. Later in the year, Lam Tang, based in Hong Kong, and Asia edition production manager Nobuo Uwabe, based in Tokyo, oversaw the start-up of a second printing plant in Singapore. Their efforts helped improve Newsweek's on-sale time in many markets by 12 to 24 hours, giving Newsweek an opportunity to boost newsstand sales and serve readers more quickly.

- Anthony Kleva, photo traffic manager, oversees a staff of four who log in, forward and return the hundreds of thousands of photos Newsweek receives each year. Kleva instituted a computer-based software program to track the photo submissions. He mastered the digital-photography technology used to receive, transmit, enhance and print the digital images Newsweek receives every day. Kleva also has become an expert on Adobe Photoshop computer software for color correction. He gives the manufacturing department ready-to-engrave prints, saving many hours formerly required to prepare photos for printing.

- A major achievement was installation for two international editions of the new fulfillment accounting circulation system (FACS), which processes magazine subscriptions. Headed by Frank Callea, vice president of customer services, the FACS development group — Cindy Baker, Jule Girman, Barbara McGee, Donna Sorvino, Bill Egan, Mary Green, Donal

McLoughlin, David Norris, Carmen DeJesus, Rich Hauptner, Mauricio Pardo, Alejandro Pascual, Naohiro Harisawa, Katsuhiko Nagase, Willy Fachtmann — customized the domestic FACS to handle international currencies, global postal and distribution requirements, and numerous international business needs. The change will realize significant savings and improve service to subscribers.

- When Michael Jordan announced he was quitting basketball at the height of his career, editor Maynard Parker quickly decided Newsweek would publish two issues simultaneously for the first time in its history. On Wednesday morning Parker handed the Jordan project to assistant managing editor Mark Whitaker, who developed the game plan for the Michael Jordan special issue. Quick work followed by designers Patricia Bradbury and Lisa Michurski, with assistance from Rose Unes; Jim McManus on graphics and action layout; Debbie Bondulic editing photos; Jack Kroll, John McCormick and Mark Starr writing pieces on the Jordan mystique; and Josh Ramo and Paul O'Donnell researching "greatest moments" and "greatest athletes of all time." Newsweek beat Sports Illustrated to newsstands by two days.

- The advertising sales department produced ads from eight separate advertisers in 48 hours for the Michael Jordan special issue. Director of sales operations Bob Burnell worked closely with Bill Youngberg, Chicago sales manager.

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Youngberg and his staff knew whom to call to get speedy commitments from many of Jordan's corporate sponsors. Associate director of advertising production Jim Marcum and his staff made sure all copy and creative were received and properly positioned before the presses started to roll.

- Circulation's newsstand sales director Tom Smith and his staff successfully marketed two special newsstand-only issues: "The Age of Clinton" Inaugural Special and "The Greatest Ever" Michael Jordan issue. The newsstand staff and the manufacturing and distribution department arranged with more than 350 wholesalers to get copies on newsstands in record time. Special promotional displays were secured in large retail outlets and major airports. The Inaugural Special sold over 283,000 copies, and the Jordan issue has sold about 470,000 copies.

- Atlantic edition agency development manager Derek Baker has increased agency orders in Poland from 32 in 1990, to over 10,000 in 1993 by expanding the number of agents and using carefully crafted local campaigns.

- Atlantic circulation representative Daniel Pardiac dramatically increased sales at Roissy Airport in Paris. Pardiac offered to replace the normal free-standing racks in 12 retail shops with specially designed racks that guaranteed Newsweek extra display slots and excellent name awareness. The shops' owner accepted the offer and sales increased 70 percent.

Moving on a much faster track, when Michael Jordan announced his retirement from basketball, Newsweek conceived, wrote and published a special newsstand-only issue in just five days. It turned out to be one of the best-selling issues on the newsstand in Newsweek's history, with about 470,000 copies sold.

Strong circulation results reflect Newsweek's editorial quality. Average paid circulation for the year was 3,221,000, providing a substantial bonus over Newsweek's rate base of 3,100,000. New subscription sales were especially strong in the first half of the year, and renewals were robust throughout 1993. In the past five years, Newsweek has gained more readers than its two principal competitors combined, with particular strength among high-demographic readers of greatest interest to advertisers. Circulation's contribution to Newsweek operating income reached a record high in 1993.

Advertising was erratic. An outstanding first quarter gave way to a steep decline in the second quarter. Fortunately, a stronger fourth quarter improved overall results significantly. Liquor and tobacco advertising continued to slide during the year, but Newsweek was successful in attracting new advertisers to the magazine. Most important, Newsweek demonstrated its grasp of the marketplace by helping advertisers, old and new, find creative solutions to their business problems.

Newsweek scored major advertising successes with the Michael Jordan issue and with a year-end "Perspectives" collection of the year's best cartoons and quotes. It promises to become a Newsweek tradition.

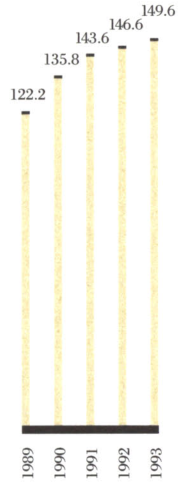
Newsweek's pioneering position in CD-ROM attracted several new high-tech advertisers to the magazine as well.

Newsweek International posted record circulation revenue in 1993, while advertising revenues declined as a direct result of the recession affecting Europe and Japan. Newsweek International saw its share of both the advertising and circulation markets improve vis-à-vis its primary competitor. Steady circulation growth enabled Newsweek International to increase rate bases in all three of its principal editions in 1993. For 1994, the Atlantic edition rate base is maintained at 340,000; the Asia edition continues at 225,000; and the Latin America edition is increased 4.3 percent, to 73,000.

Newsweek's two foreign-language editions enjoyed a successful year. The Japanese-language edition, Nihon Ban, maintains its rate base of 160,000 for 1994, while Hankuk Pan, Newsweek's Korean-language edition, increases its rate base 43 percent, to 100,000. Newsweek remains the only newsweekly with foreign-language editions.

OTHER BUSINESSES

Other businesses, including Stanley H. Kaplan Educational Center, PASS Sports, Legi-Slate and American PCS, L.P., recorded an operating loss of $9.1 million in 1993. This compares with an operating loss of $6.1 million in 1992. The greater loss reflects spending to strengthen Kaplan's competitive position and increased investment in PCS. Revenue from other businesses increased 23 percent to $110.3 million, from $89.9 million in 1992. Revenue from PASS Sports, acquired at the end of 1992, was the major contributor to the gain.



Stanley H. Kaplan Educational Center Enrollments *(in thousands)*

Kaplan Educational Center, the nation's leading test preparation company, recorded higher enrollments and higher revenues in 1993. More than 149,000 students relied on Kaplan last year for admissions and licensing preparation. GMAT, SAT and nursing courses all saw double-digit gains.

A decline in enrollments in higher margin courses, however, had an adverse impact on operating income. To strengthen its position in the marketplace, Kaplan has restructured field operations and launched aggressive marketing and advertising programs.

For the first time in its 54-year history, Kaplan is offering more than classes. The first four Kaplan test prep titles for the SAT/ACT tests hit bookstores in late 1993. Through a publishing arrangement with Bantam Doubleday Dell, the company will issue two more books in 1994.

Kaplan International continues its rapid growth. In the past year Kaplan signed licensing agreements with partners in Japan, Russia and Saudi Arabia. When these new centers are set up in early 1994, Kaplan will have 15 centers in 11 countries outside the United States.

AT KAPLAN – In her first year as director of the Orlando center, Natalie Doliner and her team recorded a 52 percent increase in revenues and a 72 percent jump in net income. Through a combination of creative selling and a commitment to teacher training and customer service, Doliner demonstrated the diverse skills required to manage a successful Kaplan center.

– When the metro New York region introduced Project K, the test prep industry's first money-back guarantee and an unlimited one-on-one tutoring program, operations manager Paul Labay took the lead in coordinating and communicating the flood of policy changes the new program required. Labay became the glue that held the project together, training employees, drafting explanatory memos and anticipating problems.

– Christine Halem, metro New York's teacher coordinator, put together an extensive live teacher training program that became the model for training efforts companywide. Halem and her team trained more than 300 experienced teachers, 200 new teachers and 100 tutors during the year.

– In addition to its regular product development duties, Team SAT, led by John Polstein and Kate Foster, authored four SAT books for a new Kaplan series published by Bantam Doubleday Dell.

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– Jose Ferreira, Graduate Record Exam (GRE) product director, uncovered a foolproof way to outwit a new question format for the GRE's. When he shared the information with the testmakers at the Educational Testing Service, they acknowledged his method and eliminated that section of the exam.

– Dahn Tamir started teaching part time at Kaplan in 1991. He was promoted to academic coordinator for northern California and became director of Washington, Idaho and Montana early in 1993. Total enrollments in the Northwest climbed 22 percent over 1992. In the competitive LSAT market, Tamir and his team signed up 46 percent more students in 1993.

– Karen Hart, CPA marketing director for northern California, took the Dauberman-Kaplan program from third to first place in the market in 1993. Kaplan's market share for the course is now over 50 percent.

– Vice president of real estate and facilities Don Setty renegotiated almost 30 percent of Kaplan's leases, bringing leasehold commitments back to 1989 levels.

AT LEGI-SLATE - Legi-Slate hired three students as part of the District of Columbia's Youth Employment Services "Summerworks '93" summer jobs program. The program provides young people with an opportunity to gain meaningful work experience. Two of the students, Kayode Henry and Sundiata A. Street, have remained with Legi-Slate.

- Esther Streusand, vice president of accounting and administration, completed a two-year term as president of Soroptimist International of Upper Montgomery County, Maryland. Under Streusand's guidance, the service club funded scholarships for single parents and other causes.

- Six-month-old "ADA Regulations for the Private Sector," edited by Dorothy Dee, received the Award of Excellence in Print and Design from the Printing and Graphics Communications Association. The ADA (Americans with Disabilities Act) product is the first in Legi-Slate's new annual subscription series of loose-leaf publications. Vice president and general manager George Beckerman heads the publishing venture, which leverages Legi-Slate's expertise in providing timely, high-quality regulatory information.

SMALL VICTORIES SMALL VICTORIES SMALL VICTORIES

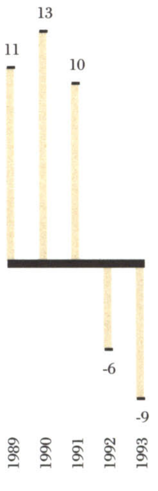
- Gary Adkins, director of online production, received an award from the District of Columbia chapter of Concerned Black Men, Inc., whose motto is "Caring for Our Youth." Adkins was recognized for his participation in ticket sales efforts for the scholarship gala and awards banquet.

Other Businesses Operating Revenues
($ in millions)

Legi-Slate, Inc., the nation's leading online information service for Congress and federal regulations, once again posted increased revenues and operating income for its ongoing, core business. The White House, Congress, Cabinet departments, law firms and a who's who of domestic and foreign corporations are among the many subscribers who depend on Legi-Slate for immediate access to the most up-to-date versions of U.S. laws, federal regulations and the United States Code.

In 1993 Legi-Slate made a sizable investment in its new Publishing Group and in the middle of the year launched *ADA Regulations for the Private Sector,* the first in a series of loose-leaf services, each a compilation of up-to-date federal regulations focused on a specific topic. This was followed by *EPA Hazardous Waste Regulations, DOT Hazardous Materials Regulations* and *FDA Food Labeling Regulations.* These products make use of very new database publishing technology that permits more timely updates of changing regulations than are available from any other source.

Legi-Slate accelerated its entry into the information highway by developing special, low-cost access to Legi-Slate's archives for many thousands of university students and faculty who increasingly seek such access via the Internet "network of networks." Legi-Slate also is preparing for the next generation of computer devices and networks.



Other Businesses Operating Income (Loss)
($ in millions)

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the consolidated financial statements appearing on pages 23 through 37 present fairly, in all material respects, the financial position of The Washington Post Company and its subsidiaries at January 2, 1994 and January 3, 1993, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 2, 1994, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note E to the financial statements, the Company adopted, effective at the beginning of 1993, Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

Price Waterhouse

Washington, D.C.
February 1, 1994

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This analysis should be read in conjunction with the consolidated financial statements and the notes thereto.

Results of Operations – 1993 Compared to 1992

Net income in 1993 was $165.4 million, an increase of 29 percent over net income of $127.8 million last year. Earnings per share rose 30 percent to $14.08, from $10.80 in 1992. Earnings in 1993 included a one-time credit of $11.6 million ($.98 per share) related to the adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" and an after-tax gain of $13.4 million ($1.14 per share) from the sale of the company's cable franchises in the United Kingdom. Excluding these two items, 1993 net income and earnings per share increased 10 percent and 11 percent, respectively.

Revenues for 1993 totaled $1,498 million, an increase of 3 percent from $1,451 million in 1992. Both advertising revenues and circulation and subscriber revenues rose 2 percent, while other revenues increased 18 percent. Full year revenues from businesses acquired at the end of 1992, principally Pro Am Sports System (PASS), a regional sports cable network, contributed to the improvement in other revenues in 1993. Results for 1993 included 52 weeks at The Washington Post and The Herald newspapers; 1992 included 53 weeks.

Costs and expenses for the year increased 3 percent to $1,259 million, from $1,219 million in 1992. Approximately 40 percent of the total increase relates to additional expenses associated with businesses that were acquired at the end of 1992, while the remainder reflects normal increases in the costs of operations and the continued investment in personal communications services (PCS). Nonrecurring charges included in 1992 costs were expenses related to a restructuring at Kaplan and net costs associated with the termination of one of the health care plans at The Washington Post newspaper. In 1993 operating income rose to $239.0 million, a 3 percent increase over $232.1 million in 1992.

Newspaper Division. Results at the newspaper division included 52 weeks in 1993, compared with 53 weeks in 1992 and also included full year results at The Gazette Newspapers (formerly known as The Gaithersburg Gazette) in 1993, compared with ten months in 1992.

At the newspaper division revenues increased 2 percent in 1993. Advertising revenue for the division rose 3 percent. At The Washington Post, advertising revenues increased 2 percent, as rate increases more than offset a 1 percent decline in advertising linage. Retail linage at The Post decreased by less than 1 percent, and general volume was down 2 percent. Classified linage was 3 percent below last year, primarily due to the continued softness in the Washington, D.C., real estate market. Preprint volume remained strong in 1993. Circulation revenues for the newspaper division decreased 1 percent, principally due to the inclusion of the 53rd week in 1992. For the twelve-month period ended September 30, 1993, daily circulation at The Washington Post rose 1 percent, while Sunday circulation decreased almost 1 percent from 1992 levels, reflecting the introduction of several competing Sunday newspapers in the Washington, D.C., market. The Post maintained its share of the market with 51 percent penetration daily, while Sunday penetration declined to 66 percent.

Newspaper division operating margin was 18 percent, unchanged from the prior year. The previously mentioned increases in advertising revenues were offset by normal increases in payroll and fringe benefit costs. A slight increase in average newsprint prices accounted for the 3 percent rise in newsprint expense.

Broadcast Division. Revenues at the broadcast division increased 9 percent over last year. National advertising revenues increased 10 percent during the year, while local advertising revenues rose 8 percent. These increases were primarily due to a surge in automobile advertising in 1993.

Viewership remained strong in all four markets in 1993. In the latest ratings period, all four television stations were ranked number one, sign-on to sign-off, in their markets.

Operating margin at the broadcast division increased to 37 percent, from 34 percent in 1992. Results in 1992 included the impact of Hurricane Andrew on WPLG in Miami and lower revenues from sports programming at WDIV in Detroit, which were partially offset by higher political advertising revenues.

Magazine Division. Newsweek revenues in 1993 decreased 4 percent, principally due to an 8 percent decline in advertising revenues at both the domestic and international editions. Lower rates and fewer pages were responsible for the decrease. Circulation revenues increased 1 percent at Newsweek, with higher volume and rates at the international editions being the major contributors to the increase. In 1993 Newsweek Domestic published the same number of weekly issues as in 1992 (52), with two special newsstand issues in 1993, compared with one special issue in 1992. At Newsweek International 51 weekly issues were published in 1993, the same as in the prior year.

At Newsweek, the operating margin decreased to 5 percent, from 7 percent in 1992, principally as a result of the decrease in advertising revenues and certain costs related to the relocation of the New York City operations scheduled for 1994.

Cable Division. Revenues at the cable division in 1993 increased 7 percent over last year (excluding the operations in the United Kingdom, which were sold in September 1993, revenues also increased 7 percent). The number of basic subscribers rose 4 percent, primarily due to the 10,000 subscribers acquired from Coast TV Cable, Inc., in Long Beach, Mississippi. Also affecting the change in division revenues were higher advertising revenues at the domestic systems, an approximately $3 million negative impact of rate reregulation and the sale of the company's cable operations in the United Kingdom.

Operating margin in 1993 remained flat at 22 percent, compared to the prior year. Excluding the operations in the United Kingdom, 1993 operating margin was 25 percent, the same as in 1992. Domestic cable cash flow rose 5 percent to $85.9 million, from $82.0 million last year. Total costs at the domestic systems increased 9 percent, reflecting the continued rise in programming costs and the larger number of subscribers.

Other Businesses. In 1993 revenues from other businesses increased 23 percent. Revenues from PASS, acquired at the end of 1992, were the major contributor to the increase. Revenues at Stanley H. Kaplan Educational Center rose 3 percent over last year, and enrollments increased 2 percent, principally in the lower priced courses.

The company's other businesses recorded an operating loss of $9.1 million in 1993, compared with an operating loss of $6.1 million in 1992, principally due to the expansion of established businesses, the continuing investment in PCS and lower operating results at Kaplan. This decline at Kaplan was a result of additional costs related to a change in its operating structure, implemented at the end of 1992.

Equity in Earnings and Losses of Affiliates. The company's equity in earnings of affiliates for 1993 was a loss of $2.0 million, compared with a loss of $11.7 million in 1992. Better results at the company's newsprint affiliates, which included gains on the sale of land in 1993, contributed to the improvement.

Non-Operating Items. Interest income, net of interest expense, was $6.1 million in 1993, compared with $5.5 million in 1992. This increase was a result of higher invested cash balances, which were partially offset by lower interest rates.

Other income in 1993 was $20.4 million, compared with other expense of $1.7 million in 1992. In 1993 other income included a $20.2 million gain on the sale of the company's cable franchises in the United Kingdom. In 1992 other expense included the recognition of unrealized losses on the company's forward foreign currency contracts, in addition to the costs associated with the disposition of certain plant, property and equipment.

Income Taxes. The effective tax rate decreased to 41.6 percent in 1993, from 43 percent in 1992, exclusive of the cumulative effect of the change in accounting principle. During 1993 the company adjusted the provision for income taxes to reflect the increase in the federal income tax rate, which was retroactive to the beginning of the year. Offsetting the rate increase was the lower effective rate for foreign taxes recorded on the sale of the company's cable operations in the United Kingdom.

Results of Operations – 1992 Compared to 1991

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

Results for 1992 included 53 weeks at The Washington Post and The Herald newspapers; 1991 included 52 weeks. Also included in 1992 are the acquisitions of The Gazette Newspapers and other small businesses.

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

Total operating costs and expenses were $1,219 million, an increase of 3 percent over $1,187 million in 1991. Included in 1991 operating expenses was a pretax charge of $6 million for severance and related costs resulting from a voluntary reduction in staff at The Washington Post newspaper. Also included in 1991 expenses was a write down of the company's programming rights to "The Cosby Show." Excluding these charges in 1991, total operating costs and expenses increased approximately 4 percent in 1992. This increase reflects normal increases in payroll and related fringe benefit costs and other expenses, partially offset by lower newsprint and magazine paper costs, which decreased 16 percent. Higher costs related to the expansion of cable operations in the United Kingdom and continued investment in PCS also contributed to the increase. Several nonrecurring charges are included in 1992, including charges related to a restructuring at Kaplan and net expenses related to the termination of one of the health care plans at The Washington Post newspaper. Income from operations in 1992 increased 20 percent to $232.1 million, from $192.9 million in 1991.

Newspaper Division. Revenues at the newspaper division rose 5 percent from 1991 levels, mostly due to a 5 percent increase in advertising revenues. Results at The Gazette Newspapers also contributed to the increase. Rate increases more than offset the 4 percent decrease in advertising linage at The Washington Post, reflecting the slow economic recovery of the Washington, D.C., market. Retail volume decreased 8 percent, and general volume was down 7 percent, while classified volume was flat. Preprint volume, on the other hand, rose 14 percent as a result of increased daily demand for inserts by advertisers, some of which were formerly users of ROP. Circulation revenues increased 5 percent in 1992, due to an increase in Sunday rates at The Post, from $1.25 to $1.50. For the twelve-month period ended September 30, 1992, daily circulation at The Post was even with the prior year, while Sunday circulation increased slightly, with primary market penetration remaining high at 68 percent on Sunday and 51 percent for daily.

At the newspaper division, operating margin increased to 18 percent, from 14 percent in 1991. Contributing to this increase was the decline in newsprint prices and effective cost controls; over the past three years The Post has reduced the number of full-time employees by 7 percent through voluntary buyouts and early retirement programs.

Broadcast Division. Broadcast division revenues decreased 1 percent. Local advertising revenues rebounded from 1991 levels, increasing 6 percent. However, national and network revenues fell 6 percent and 9 percent, respectively, more than offsetting the increase in local advertising. Results included the impact of Hurricane Andrew on WPLG in Miami and lower advertising revenue from sports programming at WDIV in Detroit. These losses were partially offset by $6.8 million in political advertising.

Operating margin at the broadcast division increased to 34 percent, from 30 percent in 1991, which included the write down of programming rights to "The Cosby Show."

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

Newsweek's operating margin increased to 7 percent, from 3 percent the prior year. Contributing to this improvement were lower manufacturing and distribution costs compared with last year, which included the expenses associated with the four special issues and the special inserts related to the Persian Gulf War.

Cable Division. Cable division revenues in 1992 rose 9 percent over the prior year (7.5 percent excluding the operations in the United Kingdom). Contributing to the increase were a 3 percent rise in the number of basic subscribers, higher rates and increased advertising at the domestic systems. On December 31, 1992, the company acquired the assets of Coast TV Cable, Inc., which have not been included in the 1992 results.

Operating margin in 1992 remained flat at 22 percent, unchanged from the prior year. Excluding the operations in the United Kingdom, 1992 operating margin would have been 25 percent, compared to 23 percent in 1991. Total operating costs at the domestic systems rose by 6 percent, due to the larger number of subscribers and higher programming costs, while cash flow increased 9 percent to $82.0 million, from $75.3 million last year.

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

Operating income at the company's other businesses decreased from $10.2 million in 1991, to an operating loss of $6.1 million in 1992, due to continuing investment in PCS and lower operating results at Kaplan. This decline at Kaplan included a restructuring charge related to the change in its distribution system to gain more control over its field operations.

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

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

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

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

Financial Condition: Capital Resources and Liquidity

During the period 1991 through 1993 the company spent approximately $285 million on purchases of additional plant, property and equipment, investments in new businesses, various other capital programs, and the repurchase of Class B common stock. In September 1993 the company sold its cable franchises in the United Kingdom for approximately $65 million. Including this transaction, since the end of 1992 working capital has increased by approximately $124 million. At January 2, 1994, the company had $172 million in cash and cash equivalents, $258 million in marketable securities and $52 million in debt.

During 1993 and 1992 the company repurchased 99,800 and 33,949 shares, respectively, of its Class B common stock at a cost of $23.1 million and $7.5 million, respectively. Sixty-three thousand of these shares were purchased from The Washington Post Company Profit Sharing Plan. The annual dividend rate in 1994 remains at $4.20 per share.

In December 1993 the Federal Communications Commission (FCC) awarded a pioneer's preference for personal communications services to American PCS, L.P. (known as American Personal Communications or APC), a limited partnership in which The Washington Post Company has a 70 percent interest. In accordance with that preference, APC has applied at the FCC for a license to operate a PCS system in most of Maryland, Washington, D.C., northern Virginia and portions of West Virginia and Pennsylvania. APC has begun to acquire cell sites and specify PCS equipment, and upon authorization from the FCC, will begin construction of the system itself. The company estimates that its cost of construction could approximate $200 million, most of which will be incurred in 1994 and 1995.

The company has an agreement to purchase the assets of two television stations in Houston and San Antonio, Texas, for approximately $250 million. The completion of the transaction is contingent upon approval by the FCC, which the company received in February 1994.

Excluding the expansion of PCS and the purchase of the television stations, the company estimates that in 1994 it will spend approximately $80 million to $100 million for plant and equipment, principally for the completion of various projects at the newspaper and magazine divisions and the development of new media products. It expects to fund all of these expenditures from cash flow from operations.

In February 1994 the FCC issued new rules related to pricing and reregulation of the cable industry. The company is in the process of evaluating the rules, but does not expect them to have a material effect on consolidated financial results.

In management's opinion, the company will have ample liquidity to meet the various cash needs in 1994 as outlined above.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share amounts)	Fiscal year ended January 2, 1994	January 3, 1993	December 29, 1991
Operating revenues			
Advertising	$ 913,529	$ 895,645	$ 852,438
Circulation and subscriber	444,385	436,193	412,937
Other	140,277	119,029	114,886
	1,498,191	1,450,867	1,380,261
Operating costs and expenses			
Operating	790,256	787,256	775,936
Selling, general and administrative	393,196	356,799	337,492
Depreciation and amortization of property, plant and equipment	59,543	59,222	58,695
Amortization of goodwill and other intangibles	16,216	15,478	15,272
	1,259,211	1,218,755	1,187,395
Income from operations	238,980	232,112	192,866
Equity in losses of affiliates	(1,994)	(11,730)	(1,856)
Interest income	11,085	11,854	17,382
Interest expense	(4,983)	(6,385)	(17,759)
Other income (expense), net	20,379	(1,655)	(412)
Income before income taxes and cumulative effect of changes in accounting principle	263,467	224,196	190,221
Provision for income taxes	109,650	96,400	71,500
Income before cumulative effect of changes in accounting principle	153,817	127,796	118,721
Cumulative effect of change in method of accounting for:			
Income taxes	11,600	—	—
Other postretirement benefits (net of taxes of $30,311)	—	—	(47,897)
Net income	$ 165,417	$ 127,796	$ 70,824
Earnings per share:			
Before cumulative effect of changes in accounting principle	$ 13.10	$ 10.80	$ 10.00
Cumulative effect of changes in accounting principle	.98	—	(4.04)
Net income	$ 14.08	$ 10.80	$ 5.96

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

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)	January 2, 1994	January 3, 1993
Assets		
Current assets		
Cash and cash equivalents	$ 171,512	$ 86,840
Marketable securities	258,412	241,429
Accounts receivable, net	140,518	128,368
Inventories	16,419	20,258
Program rights	15,460	17,842
Other current assets	23,253	30,238
	625,574	524,975
Investments in affiliates	155,251	162,410
Property, plant and equipment		
Buildings	166,433	161,048
Machinery, equipment and fixtures	579,423	571,312
Leasehold improvements	29,287	29,644
	775,143	762,004
Less accumulated depreciation and amortization	(469,359)	(422,236)
	305,784	339,768
Land	28,799	28,176
Construction in progress	29,135	22,860
	363,718	390,804
Goodwill and other intangibles, less accumulated amortization of $129,768 and $113,552	309,157	325,420
Deferred charges and other assets	168,804	164,512
	$1,622,504	$1,568,121

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

(in thousands, except share amounts)	January 2, 1994	January 3, 1993
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 163,553	$ 188,525
Federal and state income taxes	15,726	12,867
Deferred subscription revenue	79,254	80,956
	258,533	282,348
Other liabilities	191,088	194,114
Long-term debt	51,768	51,842
Deferred income taxes	33,696	46,812
	535,085	575,116
Shareholders' equity		
Preferred stock, $1 par value, 1,000,000 shares authorized	—	—
Common stock		
Class A common stock, $1 par value, 7,000,000 shares authorized; 1,843,250 shares issued and outstanding	1,843	1,843
Class B common stock, $1 par value, 40,000,000 shares authorized; 18,156,750 shares issued; 9,870,115 and 9,954,885 shares outstanding	18,157	18,157
Capital in excess of par value	21,354	18,747
Retained earnings	1,570,546	1,454,505
Cumulative foreign currency translation adjustment	2,908	4,939
Cost of 8,286,635 and 8,201,865 shares of Class B common stock held in Treasury	(527,389)	(505,186)
	1,087,419	993,005
	$1,622,504	$1,568,121

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Fiscal year ended January 2, 1994	January 3, 1993	December 29, 1991
Cash flows from operating activities:			
Net income	$ 165,417	$ 127,796	$ 70,824
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	(11,600)	—	78,208
Depreciation and amortization of property, plant and equipment	59,543	59,222	58,695
Amortization of goodwill and other intangibles	16,216	15,478	15,272
Amortization of program rights	18,927	20,308	28,939
Provision for doubtful accounts and returns	56,631	57,629	52,920
Gain from sale of business	(13,371)	—	—
(Decrease) increase in accrued interest and income taxes payable	(5,141)	(14,162)	391
Provision for deferred income taxes	(1,669)	(1,577)	(34,336)
Change in assets and liabilities:			
(Increase) in accounts receivable	(68,901)	(47,393)	(59,685)
Decrease (increase) in inventories	3,839	(695)	5,639
(Decrease) increase in accounts payable and accrued liabilities	(17,054)	16,102	(978)
(Increase) in other assets and other liabilities, net	(9,628)	(14,347)	(2,388)
Other	9,440	23,886	16,400
Net cash provided by operating activities	202,649	242,247	229,901
Cash flows from investing activities:			
Net proceeds from sale of business	64,947	—	—
Purchases of property, plant and equipment	(79,139)	(58,889)	(55,657)
Purchases of marketable securities	(520,114)	(533,082)	(249,057)
Proceeds from sales of marketable securities	509,937	465,891	180,203
Investments in certain businesses	(1,591)	(32,353)	(19,301)
Payments for program rights	(20,232)	(22,013)	(19,917)
Other	663	978	969
Net cash (used) by investing activities	(45,529)	(179,468)	(162,760)
Cash flows from financing activities:			
Principal payments on debt	—	(25,000)	(75,000)
Dividends paid	(49,376)	(49,699)	(49,872)
Common shares repurchased	(23,133)	(7,484)	(7,430)
Other	61	122	150
Net cash (used) by financing activities	(72,448)	(82,061)	(132,152)
Net increase (decrease) in cash and cash equivalents	84,672	(19,282)	(65,011)
Cash and cash equivalents at beginning of year	86,840	106,122	171,133
Cash and cash equivalents at end of year	$ 171,512	$ 86,840	$ 106,122
Supplemental cash flow information:			
Cash paid during the year for:			
Income taxes	$ 110,300	$ 110,700	$ 72,300
Interest	$ 5,600	$ 7,200	$ 19,500
Noncash investing activities:			
Program rights acquired	$ 5,800	$ 25,200	$ 19,800

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands, except share amounts)	Class A Common Stock	Class B Common Stock	Capital in Excess of Par Value	Retained Earnings	Cumulative Foreign Currency Translation Adjustment	Treasury Stock
Balance December 30, 1990	$1,852	$18,148	$16,641	$1,355,456	$4,170	$(491,155)
Net income for the year				70,824		
Dividends — $4.20 per share				(49,872)		
Repurchase of 42,900 shares of Class B common stock						(7,430)
Issuance of 13,611 shares of Class B common stock, net of restricted stock award forfeitures			1,833			867
Conversion of 9,128 shares of Class A common stock to Class B common stock	(9)	9				
Change in foreign currency translation adjustment					2,700	
Other			251			
Balance December 29, 1991	1,843	18,157	18,725	1,376,408	6,870	(497,718)
Net income for the year				127,796		
Dividends — $4.20 per share				(49,699)		
Repurchase of 33,949 shares of Class B common stock						(7,484)
Issuance of 304 shares of Class B common stock, net of restricted stock award forfeitures			(52)			16
Change in foreign currency translation adjustment					(1,931)	
Other			74			
Balance January 3, 1993	1,843	18,157	18,747	1,454,505	4,939	(505,186)
Net income for the year				165,417		
Dividends — $4.20 per share				(49,376)		
Repurchase of 99,800 shares of Class B common stock						(23,133)
Issuance of 15,030 shares of Class B common stock, net of restricted stock award forfeitures			2,480			930
Change in foreign currency translation adjustment					(2,031)	
Other			127			
Balance January 2, 1994	$1,843	$18,157	$21,354	$1,570,546	$2,908	$(527,389)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies

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

Fiscal Year. The company reports on a 52-53 week fiscal year ending on the Sunday nearest December 31. The fiscal year 1993, which ended on January 2, 1994, included 52 weeks, while 1992 included 53 weeks and 1991 included 52 weeks. With the exception of the newspaper publishing operations, subsidiaries of the company report on a calendar-year basis.

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

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

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

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

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

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

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

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

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

Deferred Subscription Revenue and Magazine Subscription Procurement Costs. Deferred subscription revenue, which primarily represents amounts received from customers in advance of magazine and newspaper deliveries, is included in revenues over the subscription term. Deferred subscription revenue to be earned after one year is included in "Other liabilities" in the Consolidated Balance Sheets. Subscription procurement costs are charged to operations as incurred.

Income Taxes. The 1993 provision for income taxes has been determined under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109), which requires the use of the asset and liability approach. Under this approach, deferred taxes represent the expected future tax consequences of temporary differences between the carrying amount and tax basis of assets and liabilities.

Prior to 1993, the provision for income taxes was determined under Accounting Principles Board (APB) Opinion No. 11, which required use of the deferred method. Under that method, the provision for income taxes was based on pretax financial income, which differed from taxable income because certain elements of income and expense were reflected in different periods for financial accounting and tax purposes. Deferred taxes were provided on these timing differences using the tax rate in effect when the timing differences originated, and the effects of reversing timing differences were reflected at those historical tax rates.

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

Postretirement Benefits Other Than Pensions. The company provides certain health care and life insurance benefits for retired employees. The expected cost of providing these postretirement benefits is accrued over the years that employees render the necessary service.

B. Marketable Securities

The company's marketable securities at January 2, 1994, and January 3, 1993, include the following (in thousands):

	1993	1992
U.S. Government and Government agency obligations	$237,655	$221,398
Commercial paper	20,757	20,031
	$258,412	$241,429

C. Accounts Receivable and Accounts Payable and Accrued Liabilities

Accounts receivable at January 2, 1994, and January 3, 1993, consist of the following (in thousands):

	1993	1992
Accounts receivable, less estimated returns, doubtful accounts and allowances of $38,602 and $35,300	$129,976	$120,531
Other	10,542	7,837
	$140,518	$128,368

Accounts payable and accrued liabilities at January 2, 1994, and January 3, 1993, consist of the following (in thousands):

	1993	1992
Accounts payable and accrued expenses	$ 91,831	$113,841
Accrued payroll and related benefits	31,747	28,459
Accrued interest expense	4,437	5,693
Deferred tuition revenue	12,564	11,400
Film contracts payable	14,978	19,824
Due to affiliates (newsprint)	7,996	9,308
	$163,553	$188,525

D. Investments in Affiliates

The company's investments in affiliates at January 2, 1994, and January 3, 1993, include the following (in thousands):

	1993	1992
Cowles Media Company	$ 80,786	$ 80,415
Newsprint mills	50,172	55,829
Other	24,293	26,166
	$155,251	$162,410

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

The company's interest in newsprint mills includes a 49 percent interest in the common stock of Bowater Mersey Paper Company Limited, which owns and operates a newsprint mill in Nova Scotia; a one-third limited partnership interest in Bear Island Paper Company, which owns and operates a newsprint mill near Richmond, Virginia; and a one-third limited partnership interest in Bear Island Timberlands Company, which owns timberland and supplies Bear Island Paper Company with a major portion of its wood requirements. In early 1994 the company increased its investments in both Bear Island Paper Company and Bear Island Timberlands Company to 35 percent. Operating costs and expenses of the company include newsprint supplied by Bowater, Inc. (parent of Bowater Mersey Paper Company), and Bear Island Paper Company and used in operations, the cost of which was $52,500,000 in 1993, $51,000,000 in 1992 and $59,200,000 in 1991.

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

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

	1993	1992	1991
Financial Position			
Working capital	$ (67,923)	$(119,505)	$ (93,737)
Property, plant and equipment	422,606	436,620	478,502
Total assets	732,940	718,352	759,850
Long-term debt	200,105	197,203	212,923
Net equity	172,332	175,618	203,997
Results of Operations			
Operating revenues	$610,617	$ 650,194	$644,814
Operating income	43,569	20,500	30,509
Net income (loss)	7,218	(13,175)	6,543

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

	1993	1992
Beginning investment	$ 162,410	$181,764
Equity in losses	(1,994)	(11,730)
Dividends and distributions received	(2,743)	(2,575)
Foreign currency translation	(2,422)	(1,611)
Other	—	(3,438)
Ending investment	$ 155,251	$162,410

At January 2, 1994, the unamortized excess of the company's investments over its equity in the underlying net assets of its affiliates at the date of acquisition was approximately $89,700,000. Amortization included in "Equity in losses of affiliates" was $2,600,000 for the years ended January 2, 1994, and January 3, 1993, and $2,550,000 for the year ended December 29, 1991.

E. Income Taxes

In 1993 the company adopted the provisions of SFAS No. 109, "Accounting for Income Taxes," which requires the use of the asset and liability method of accounting for deferred income taxes. The cumulative effect of this adoption was an increase in 1993 net income of $11,600,000 and is shown on the Consolidated Statements of Income as the cumulative effect of a change in accounting principle. Financial statements for years prior to 1993 were not restated. Information shown below for those prior years was determined under the provisions of APB Opinion No. 11.

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

	Current	Deferred
1993		
U.S. Federal	$ 85,082	$ (535)
Foreign	6,913	(657)
State and local	19,324	(477)
	$111,319	$ (1,669)
1992		
U.S. Federal	$ 79,380	$ (295)
Foreign	488	(1,219)
State and local	18,109	(63)
	$ 97,977	$ (1,577)
1991		
U.S. Federal	$ 60,732	$ (3,195)
Foreign	567	(528)
State and local	14,226	(302)
	$ 75,525	$ (4,025)

During 1993 the company sold its cable franchises in the United Kingdom. This transaction increased foreign taxes by approximately $6,800,000.

In 1992 and 1991 deferred tax benefit resulted principally from the excess of financial statement depreciation over tax depreciation, the tax effect of which amounted to $1,783,000 in 1992 and $2,437,000 in 1991, and accrued postretirement benefit expense, the effect of which amounted to $4,138,000 in 1992 and $3,163,000 in 1991. These amounts were offset by the tax effect of $7,469,000 in 1992 and $5,335,000 in 1991 of net pension credits in excess of contributions.

The provision for income taxes exceeds the amount of income tax determined by applying the U.S. Federal statutory rate of 35 percent in 1993 and 34 percent in 1992 and 1991 to income before taxes as a result of the following (in thousands):

	1993	1992	1991
U.S. Federal statutory taxes	$ 92,213	$76,226	$ 64,675
State and local taxes net of U.S. Federal income tax benefit	12,251	11,911	9,190
Amortization of goodwill not deductible for income tax purposes	2,433	2,922	2,805
Prior period tax adjustments	—	—	(10,013)
Other	2,753	5,341	4,843
Provision for income taxes	$109,650	$96,400	$ 71,500

Deferred income taxes at January 2, 1994, consist of the following (in thousands):

	1993
Accrued postretirement benefits	$ 42,336
Other benefit obligations	17,760
Accounts receivable	6,368
Other	3,855
Deferred tax asset	$ 70,319
Property, plant and equipment	$ 48,275
Prepaid pension cost	39,769
Affiliate operations	12,211
Investment tax credit	3,760
Deferred tax liability	104,015
Deferred income taxes	$ 33,696

F. Debt

Long-term debt of the company as of January 2, 1994, and January 3, 1993, is summarized as follows (in thousands):

	1993	1992
10.1 percent unsecured European Currency Unit notes, $50,000,000 face amount due in 1996	$50,368	$ 50,442
10.875 percent unsecured Eurodollar notes, $1,400,000 face amount due in 1995	1,400	1,400
	$51,768	$ 51,842

G. Capital Stock, Stock Options and Stock Awards

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

During 1993 and 1992 the company purchased a total of 99,800 and 33,949 shares, respectively, of its Class B common stock at a cost of approximately $23,133,000 and $7,484,000.

Stock Options. In May 1993 the Stock Option Plan was amended to increase to 1,900,000 the number of shares of the company's Class B common stock to be reserved for options to be granted under the Plan. The purchase price of the shares covered by an option cannot be less than the fair value on the granting date. At January 2, 1994, there were 662,950 shares reserved for issuance under the Stock Option Plan, of which 155,000 shares were subject to options outstanding and 507,950 shares were available for future grants. Changes in options outstanding for the years ended January 2, 1994, and January 3, 1993, were as follows:

	1993		1992	
	Number Of Shares	Average Option Price	Number Of Shares	Average Option Price
Beginning of year	143,000	$256.88	125,000	$260.49
Granted	12,500	239.88	19,000	226.00
Exercised	(500)	121.50	(1,000)	121.50
End of year	155,000	255.95	143,000	256.88

Of the shares covered by options outstanding at the end of 1993, 65,375 are now exercisable, 14,875 will become exercisable in 1994, 13,750 will become exercisable in 1995, 7,875 will become exercisable in 1996, 3,125 will become exercisable in 1997, and 50,000 will become exercisable in 1999.

Stock Awards. In 1982 the company adopted a Long-Term Incentive Compensation Plan that, among other provisions, authorizes the awarding of stock to key employees. Stock awards made under the Incentive Compensation Plan are subject to the general restriction that stock awarded to a participant will be forfeited and revert to company ownership if the participant's employment terminates before the end of a specified period of service to the company. At January 2, 1994, there were 140,164 shares reserved for issuance under the Incentive Compensation Plan. Of this number, 27,955 shares were subject to awards outstanding, and 112,209 shares were available for future awards. Activity related to stock awards for the years ended January 2, 1994, and January 3, 1993, was as follows:

	1993		1992	
	Number Of Shares	Average Award Price	Number Of Shares	Average Award Price
Awards Outstanding				
Beginning of year	24,765	$202.99	25,461	$202.62
Awarded	15,437	228.67	192	228.58
Vested	(11,340)	209.05	—	—
Forfeited	(907)	206.35	(888)	197.83
End of year	27,955	214.61	24,765	202.99

For the share awards outstanding at January 2, 1994, the aforementioned restriction will lapse in January 1995 for 12,809 shares and in January 1997 for 15,146 shares.

Average Number of Shares Outstanding. Earnings per share are based on the weighted average number of shares of common stock outstanding during each year, adjusted for the dilutive effect of shares issuable under outstanding stock options and awards made under the Incentive Compensation Plan. The average number of shares outstanding was 11,750,000 for 1993, 11,830,000 for 1992 and 11,876,000 for 1991.

H. Retirement Plans

The company and its subsidiaries have various funded and unfunded pension and incentive savings plans and in addition contribute to several multi-employer plans on behalf of certain union-represented employee groups. Substantially all of the company's employees, including some located in foreign countries, are covered by these plans. Pension (benefit) cost for all retirement plans combined was $(2,300,000) in 1993, $5,200,000 in 1992 and $3,000,000 in 1991. Included in 1992 are costs of $8,300,000 related to a new deferred compensation arrangement at The Washington Post newspaper. Included in 1991 are costs of $4,900,000 associated with the voluntary reduction of staff at The Washington Post newspaper.

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

The following table sets forth the funded status of the defined benefit plans and amounts recognized in the Consolidated Balance Sheets at January 2, 1994, and January 3, 1993 (in thousands):

	1993	1992
Actuarial present value of accumulated plan benefits, including vested benefits of $142,706 and $129,144	$151,200	$139,980
Plan assets at fair value, primarily listed securities	$454,741	$425,422
Projected benefit obligation for service rendered to date	(187,490)	(173,133)
Plan assets in excess of projected benefit obligation	267,251	252,289
Prior service cost not yet recognized in periodic pension cost	15,697	16,855
Less unrecognized net gain from past experience different from that assumed	(114,212)	(112,653)
Less unrecognized net asset (transition amount) being recognized over approximately 17 years	(68,933)	(76,599)
Prepaid pension cost	$ 99,803	$ 79,892

The net pension credit for the years ended January 2, 1994, January 3, 1993, and December 29, 1991, includes the following components (in thousands):

	1993	1992	1991
Service cost for benefits earned during the period	$ 8,805	$ 8,312	$ 7,200
Interest cost on projected benefit obligation	12,683	11,700	10,327
Actual return on plan assets	(35,086)	(29,388)	(84,880)
Net amortization and deferral	(5,839)	(8,185)	50,471
Cost of voluntary reduction in staff	—	—	4,916
Net pension credit	$(19,437)	$(17,561)	$(11,966)

The weighted average discount rate and rate of increase in future compensation levels used for 1993, 1992 and 1991 in determining the actuarial present value of the projected benefit obligation were 7.5 percent and 4 percent, respectively. The expected long-term rate of return on assets was 9 percent in 1993, 1992 and 1991.

Contributions to multi-employer pension plans, which are generally based on hours worked, amounted to $1,900,000 in 1993, $1,500,000 in 1992 and $1,300,000 in 1991.

The costs of unfunded retirement plans are charged to expense when accrued. The company's liability for such plans, which is included in "Other Liabilities" in the Consolidated Balance Sheets, was $45,000,000 at January 2, 1994, and $41,500,000 at January 3, 1993.

I. Postretirement Benefits Other Than Pensions

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

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

The following table sets forth the amounts included in "Other liabilities" in the Consolidated Balance Sheets at January 2, 1994, and January 3, 1993 (in thousands):

	1993	1992
Accumulated postretirement benefit obligation:		
Retirees	$ 46,988	$ 46,329
Fully eligible active plan participants	6,423	5,880
Other active plan participants	40,926	35,184
	94,337	87,393
Unrecognized prior service costs arising from plan amendments	2,357	2,571
Unrecognized net gain from past experience different from that assumed.	739	739
Accrued postretirement benefit cost	$ 97,433	$ 90,703

Net periodic postretirement benefit cost for the years ended January 2, 1994, January 3, 1993, and December 29, 1991, includes the following components (in thousands):

	1993	1992	1991
Service cost for benefits earned during the period	$ 2,894	$ 3,029	$ 2,948
Interest cost on accumulated post-retirement benefit obligation	6,880	6,853	6,404
Amortization of prior service costs	(214)	(61)	
Curtailment gain	—	(5,963)	—
Net periodic postretirement benefit cost	$ 9,560	$ 3,858	$ 9,352

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

For 1993, 1992 and 1991 the accumulated postretirement benefit obligation was determined using a discount rate of 8 percent and a health care cost trend rate of approximately 14 percent for pre-age-65 benefits, decreasing to 6.5 percent in the year 2022 and thereafter; and rates of approximately 11 to 14 percent for post-age-65 benefits, decreasing to 6.5 percent in the year 2022 and thereafter.

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

The effect on the accumulated postretirement benefit obligation at January 4, 1993, of a 1 percent increase each year in the health care cost trend rate used would result in increases of approximately $16,500,000 in the obligation and $2,000,000 in the aggregate service and interest components of the 1993 expense.

The cash expenditures for postretirement benefits were $2,830,000 in 1993, $2,560,000 in 1992 and $2,222,000 in 1991.

J. Lease Commitments

The company leases primarily real property under operating agreements. Many of the leases contain renewal options and escalation clauses that require payments of additional rent to the extent of increases in the related operating costs. At January 2, 1994, future minimum rental payments under noncancelable operating leases are as follows (in thousands):

1994	$ 18,058
1995	17,500
1996	14,332
1997	11,739
1998	8,998
Thereafter	42,844
	$113,471

Minimum payments have not been reduced by minimum sublease rentals of $3,000,000 due in the future under noncancelable subleases.

Rent expense under operating leases included in operating costs and expenses was approximately $22,200,000 in 1993, $21,500,000 in 1992 and $20,000,000 in 1991. Sublease income was approximately $1,300,000 in 1993, 1992 and 1991.

In 1993 the company entered into a lease agreement under which certain costs are paid for through a restricted funding mechanism. At January 2, 1994, $6,900,000 included in "Cash and cash equivalents" is restricted under the provisions of this funding arrangement.

K. Acquisitions and Dispositions

In September 1993 the company sold its cable franchises in the United Kingdom. The related gain of $20,175,000 before giving effect to taxes of $6,804,000 is included in "Other income (expense), net" in the Consolidated Statements of Income. This transaction increased earnings by $1.14 per share in 1993.

During 1992 the company expended approximately $32,000,000, including related expenses, for investments in new businesses. These included a cable system in Mississippi; Pro Am Sports System, a company that provides sports programming in the Detroit area; and continued investment in personal communications services (PCS) technology development. The company also purchased shares in ACTV, Inc., a company that is involved in interactive television, and made additional investments in The Gazette Newspapers, Inc., which increased the company's ownership to 84 percent in 1992 and 100 percent in 1993.

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

In 1994 the company entered into an agreement to purchase the assets of two television stations from H & C Communications, Inc., for approximately $250,000,000. The completion of the transaction is contingent upon approval by the Federal Communications Commission.

L. Contingencies

The company and its subsidiaries are parties to various civil lawsuits that have arisen in the ordinary course of their businesses, including actions for libel and invasion of privacy. Management does not believe that any litigation pending against the company will have a material adverse effect on its business or financial condition.

M. Business Segments

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

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

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

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

Cable television operations consist of over 50 cable systems offering basic cable and pay television services to more than 480,000 subscribers in 15 midwestern, western and southern states. Prior to September 1993 cable television operations also included services provided in the United Kingdom. The principal source of revenues is monthly subscription fees charged for services.

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

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

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

(in thousands)	Newspaper Publishing	Television Broadcasting	Magazine Publishing	Cable Television	Other Businesses	Consolidated
1993						
Operating revenues	$692,287	$177,415	$332,506	$185,721	$110,262	$1,498,191
Income (loss) from operations	$123,151	$ 65,306	$ 18,011	$ 41,618	$ (9,106)	$ 238,980
Equity in losses of affiliates						(1,994)
Interest expense						(4,983)
Other income, net						31,464
Income before income taxes						$ 263,467
Identifiable assets	$329,799	$144,622	$152,462	$416,589	$ 71,059	$1,114,531
Investments in affiliates						155,251
Corporate assets						352,722
Total assets						$1,622,504
Depreciation and amortization of property, plant and equipment	$ 16,768	$ 5,276	$ 6,266	$ 28,052	$ 3,181	$ 59,543
Amortization of goodwill and other intangibles	$ 800	$ 670		$ 12,247	$ 2,499	$ 16,216
Capital expenditures	$ 24,422	$ 6,599	$ 4,472	$ 38,802	$ 4,844	$ 79,139
1992						
Operating revenues	$677,645	$162,154	$347,067	$174,098	$ 89,903	$1,450,867
Income (loss) from operations	$120,794	$ 54,568	$ 23,882	$ 38,967	$ (6,099)	$ 232,112
Equity in losses of affiliates						(11,730)
Interest expense						(6,385)
Other income, net						10,199
Income before income taxes						$ 224,196
Identifiable assets	$315,522	$143,357	$141,008	$397,504	$ 77,365	$1,074,756
Investments in affiliates						162,410
Corporate assets						330,955
Total assets						$1,568,121
Depreciation and amortization of property, plant and equipment	$ 16,724	$ 6,289	$ 6,252	$ 26,994	$ 2,963	$ 59,222
Amortization of goodwill and other intangibles	$ 745	$ 664		$ 11,574	$ 2,495	$ 15,478
Capital expenditures	$ 13,653	$ 2,844	$ 2,732	$ 36,900	$ 2,760	$ 58,889
1991						
Operating revenues	$642,694	$163,471	$326,475	$159,503	$ 88,118	$1,380,261
Income from operations	$ 89,488	$ 49,074	$ 9,085	$ 35,011	$ 10,208	$ 192,866
Equity in losses of affiliates						(1,856)
Interest expense						(17,759)
Other income, net						16,970
Income before income taxes						$ 190,221
Identifiable assets	$307,897	$144,232	$131,510	$386,527	$ 52,779	$1,022,945
Investments in affiliates						181,764
Corporate assets						282,952
Total assets						$1,487,661
Depreciation and amortization of property, plant and equipment	$ 18,119	$ 7,174	$ 6,548	$ 24,651	$ 2,203	$ 58,695
Amortization of goodwill and other intangibles	$ 533	$ 664		$ 11,553	$ 2,522	$ 15,272
Capital expenditures	$ 19,215	$ 3,158	$ 2,762	$ 25,363	$ 5,159	$ 55,657

N. Summary of Quarterly Operating Results (Unaudited)

Quarterly results of operations for the years ended January 2, 1994, and January 3, 1993, are as follows (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1993				
Operating revenues				
Advertising	$214,602	$233,078	$208,972	$256,877
Circulation and subscriber	113,428	112,779	110,091	108,087
Other	33,676	30,848	45,059	30,694
	361,706	376,705	364,122	395,658
Operating costs and expenses				
Operating	195,083	193,597	199,287	202,289
Selling, general and administrative	97,783	99,949	92,224	103,240
Depreciation and amortization of property, plant and equipment	14,982	15,100	14,773	14,688
Amortization of goodwill and other intangibles	4,067	4,058	4,058	4,033
	311,915	312,704	310,342	324,250
Income from operations	49,791	64,001	53,780	71,408
Other income (expense)				
Equity in (losses) earnings of affiliates	(1,795)	(591)	(11)	403
Interest income	2,606	2,488	2,653	3,338
Interest expense	(1,446)	(985)	(1,029)	(1,523)
Other	(51)	638	20,500	(708)
Income before income taxes and cumulative effect of change in accounting principle	49,105	65,551	75,893	72,918
Provision for income taxes	20,600	27,560	31,050	30,440
Income before cumulative effect of change in accounting principle	28,505	37,991	44,843	42,478
Cumulative effect of change in method of accounting for income taxes	11,600	—	—	—
Net income	$ 40,105	$ 37,991	$ 44,843	$ 42,478
Earnings per share:				
Before cumulative effect of change in accounting principle	$ 2.42	$ 3.23	$ 3.82	$ 3.63
Cumulative effect of change in accounting principle	.98	—	—	—
Net income	$ 3.40	$ 3.23	$ 3.82	$ 3.63
Average number of shares outstanding	11,796	11,755	11,731	11,718

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

TEN-YEAR SUMMARY OF SELECTED HISTORICAL FINANCIAL DATA

See Notes to Consolidated Financial Statements for the summary of significant accounting policies and additional information relative to the years 1991-1993.

(In thousands, except per share amounts)	1993	1992	1991
Results of Operations			
Operating revenues	$ 1,498,191	$ 1,450,867	$ 1,380,261
Income from operations	$ 238,980	$ 232,112	$ 192,866
Income before cumulative effect of changes in accounting principle	$ 153,817	$ 127,796	$ 118,721
Cumulative effect of change in method of accounting for income taxes	11,600	—	—
Cumulative effect of change in method of accounting for postretirement benefits other than pensions	—	—	(47,897)
Net income	$ 165,417	$ 127,796	$ 70,824
Per Share Amounts			
Earnings per share			
Income before cumulative effect of changes in accounting principle	$13.10	$10.80	$10.00
Cumulative effect of change in method of accounting for income taxes	.98	—	—
Cumulative effect of change in method of accounting for postretirement benefits other than pensions	—	—	(4.04)
Net income	$14.08	$10.80	$ 5.96
Cash dividends	$ 4.20	$ 4.20	$ 4.20
Shareholders' equity	$92.84	$84.17	$78.12
Average Number of Shares Outstanding	11,750	11,830	11,876
Financial Position			
Current assets	$ 625,574	$ 524,975	$ 472,219
Working capital	367,041	242,627	183,959
Property, plant and equipment	363,718	390,804	390,313
Total assets	1,622,504	1,568,121	1,487,661
Long-term debt	51,768	51,842	51,915
Shareholders' equity	1,087,419	993,005	924,285

1990	1989	1988	1987	1986	1985	1984
$ 1,438,640	$ 1,444,094	$ 1,367,613	$ 1,315,422	$ 1,215,064	$ 1,078,650	$ 984,303
$ 281,768	$ 313,691	$ 233,290	$ 257,073	$ 228,986	$ 204,186	$ 166,295
$ 174,576	$ 197,893	$ 269,117	$ 186,743	$ 100,173	$ 114,261	$ 85,886
—	—	—	—	—	—	—
—	—	—	—	—	—	—
$ 174,576	$ 197,893	$ 269,117	$ 186,743	$ 100,173	$ 114,261	$ 85,886
$14.45	$15.50	$20.91	$14.52	$ 7.80	$ 8.66	$ 6.11
—	—	—	—	—	—	—
—	—	—	—	—	—	—
$14.45	$15.50	$20.91	$14.52	$ 7.80	$ 8.66	$ 6.11
$ 4.00	$ 1.84	$ 1.56	$ 1.28	$ 1.12	$ .96	$ .80
$76.31	$75.40	$67.50	$47.80	$34.04	$27.26	$27.17
12,081	12,768	12,873	12,861	12,842	13,194	14,050
$ 471,669	$ 553,188	$ 493,736	$ 226,523	$ 219,422	$ 359,174	$ 218,559
175,807	283,118	235,698	(50,290)	(22,647)	150,397	56,850
394,979	370,597	352,113	371,080	343,702	219,310	191,072
1,496,509	1,532,211	1,422,267	1,194,196	1,145,227	885,079	645,800
126,988	152,061	154,751	155,791	336,140	222,392	6,250
905,112	941,522	868,240	614,009	436,590	349,548	380,127

CORPORATE DIRECTORY

Board of Directors

Donald E. Graham *(3, 4)*
Chairman of the Board
Chief Executive Officer
Publisher, The Washington Post

Alan G. Spoon *(3, 4)*
President
Chief Operating Officer

Katharine Graham *(3, 4)*
Chairman of the Executive Committee

Benjamin C. Bradlee
Vice President At-Large
The Washington Post

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

Martin Cohen *(3)*
Vice President

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

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

Nicholas deB. Katzenbach *(2)*
Attorney

Donald R. Keough *(1)*
Chairman
Allen & Company Incorporated

Anthony J. F. O'Reilly *(2)*
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H.J. Heinz Company

Barbara Scott Preiskel *(1)*
Attorney

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

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

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

Other Company Officers

Patrick Butler
Vice President

Diana M. Daniels
Vice President, General Counsel and Secretary

Ross F. Hamachek
Vice President-Planning and Development

Leonade D. Jones
Treasurer

Beverly R. Keil
Vice President-Human Resources

Guyon Knight
Vice President-Corporate Communications

John B. Morse, Jr.
Vice President-Finance

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

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

Ralph S. Terkowitz
Vice President-Technology

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

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

THE WASHINGTON POST COMPANY IN BRIEF

Newspaper Division

The Washington Post — a morning daily and Sunday newspaper published in Washington, D.C. For the 12 months ending September 30, 1993, The Post's unaudited estimated average circulation was 834,000 daily and 1,154,000 Sunday. The Post maintains 19 foreign, 5 national and 11 metropolitan news bureaus. It is printed at sites in Northwest and Southeast Washington and nearby Springfield, Virginia.

The Washington Post National Weekly Edition — a tabloid publication of selected Post articles on politics and government, edited for a national audience, with a circulation of approximately 114,000.

The Herald — a morning daily and Sunday newspaper published in Everett, Washington, 30 miles north of Seattle. The Herald's unaudited estimated average circulation for the 12-month period ending September 30, 1993, was 52,000 daily and 64,000 Sunday.

The Washington Post Writers Group — a syndicator of 30 writers and cartoonists to newspapers throughout the country.

Robinson Terminal Warehouse Corporation — a newsprint handling and storage facility with operations in Alexandria and Springfield, Virginia.

Capitol Fiber Inc. — a handler and seller to recycling industries of old newspaper and other waste paper collected in the Washington/Baltimore area.

The Gazette Newspapers, Inc. — a publisher of one paid circulation and 13 controlled circulation weekly newspapers in Montgomery, Prince George's, Frederick and Carroll Counties, Maryland. During 1993 The Gazette Newspapers had an aggregate average weekly circulation of more than 230,000 copies.

Post-Newsweek Stations

Post-Newsweek Stations — the owner and operator of four network-affiliated VHF television stations.

WDIV — an NBC affiliate in Detroit, Michigan, the 9th-largest broadcasting market in the United States, with 1,735,340 television households.

WPLG — an ABC affiliate in Miami, Florida, the 16th-largest broadcasting market in the United States, with 1,296,800 television households.

WFSB — a CBS affiliate in Hartford, Connecticut, the 25th-largest broadcasting market in the United States, with 915,110 television households.

WJXT — a CBS affiliate in Jacksonville, Florida, the 54th-largest broadcasting market in the United States, with 484,220 television households.

Post-Newsweek Cable

Post-Newsweek Cable — Headquartered in Phoenix, Arizona, Post-Newsweek Cable systems currently serve over 482,000 subscribers in 15 midwestern, western and southern states. States served and the number of basic subscribers in each as of December 31, 1993, were:

Arizona	32,029	New Mexico	21,157
California	116,199	North Dakota	19,382
Illinois	18,760	Ohio	14,250
Indiana	11,451	Oklahoma	53,699
Iowa	22,136	Tennessee	9,279
Kansas	8,800	Texas	77,095
Mississippi	39,877	Total	482,106
Missouri	26,253		
Nebraska	11,739		

Newsweek

Newsweek — a weekly news magazine published in New York City, with a 1994 rate base of 3.1 million and a 12-month average circulation for 1993 of 3.2 million. Newsweek maintains 10 U.S. offices and 16 foreign news bureaus and has 9 domestic advertising sales offices. The magazine is printed at 5 U.S. sites.

Newsweek International — a weekly English-language news magazine published in New York City and circulated throughout the world. For 1994 Newsweek International's combined circulation for its three editions is 748,000: Atlantic, 340,000; Pacific, 335,000 (including 110,000 for The Bulletin with Newsweek, Australia's largest news magazine); and Latin America, 73,000. Newsweek International maintains 11 sales offices, one in the U.S. and 10 overseas. The magazine is printed in Australia, England, Hong Kong, Singapore, Switzerland and the United States.

Newsweek Japan (Newsweek Nihon Ban) — a Japanese-language newsweekly with a circulation rate base of 160,000. It is produced with TBS-Britannica, which translates and publishes the magazine.

Newsweek Korea (Newsweek Hankuk Pan) — a Korean-language newsweekly with a circulation rate base of 100,000. It is produced with Joong-ang Ilbo of Korea, a division of the Samsung Group, which translates and publishes the magazine. Newsweek Hankuk Pan is the first international Korean-language newsweekly.

Other Businesses

Stanley H. Kaplan Educational Center — Headquartered in New York City, Kaplan offers courses at 151 permanent centers throughout the United States and in Canada, Puerto Rico and London, and at another 600 satellite classrooms on a seasonal basis. The company has prepared more than 2 million students for over 30 standardized high school, college and graduate school admissions tests as well as professional licensing examinations. Kaplan also offers an intensive English program and continuing professional education courses for CPA's. Enrollments in 1993 exceeded 149,000.

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

American PCS, L.P. (APC) — A limited partnership in which The Washington Post Company has a 70 percent interest, APC has been operating personal communications services systems in Washington, D.C., northern Virginia, and the Baltimore, Maryland, region since November 1991 under an experimental license from the FCC. APC received a pioneer's preference from the FCC in December 1993.

Moffet, Larson & Johnson, Inc. (70 percent of common stock) — Headquartered in Falls Church, Virginia, MLJ specializes in the design, development and operation of advanced mobile broadcast and common-carrier radio facilities.

PASS Sports — Headquartered in Detroit, Michigan, PASS is a regional sports cable system that supplies sports programming to 788,000 subscribers in Michigan and northwest Ohio.

Digital Ink Co. — A new subsidiary formed in 1993 to create and manage electronic information services for The Washington Post Company. As an addition to existing audiotext services, Digital Ink plans to offer a computer online service for the Washington market in 1994. Additional news and advertising products are being explored for national and international delivery.

Affiliates

International Herald Tribune (50 percent of common stock) — a daily newspaper published in Paris, France. In 1993 the International Herald Tribune had an average daily paid circulation of almost 200,000 in over 160 countries, served from printing sites in Frankfurt, The Hague, Hong Kong, London, Marseilles, New York, Paris, Rome, Singapore, Tokyo and Zurich.

Los Angeles Times-Washington Post News Service, Inc. (50 percent of common stock) — a supplier of spot news, features and commentary to more than 500 newspapers and magazines in 45 countries.

Bowater Mersey Paper Company Limited (49 percent of common stock) — a newsprint manufacturer in Liverpool, Nova Scotia.

Bear Island Paper Company (35 percent limited partnership interest) — a newsprint manufacturer in Doswell, Virginia.

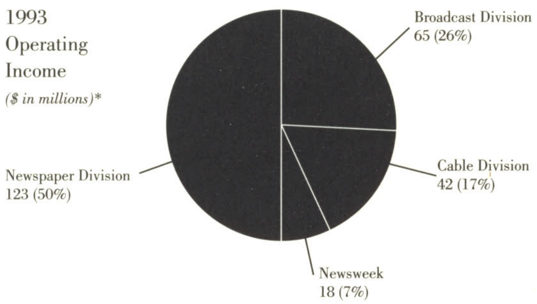
Bear Island Timberlands Company (35 percent limited partnership interest) — an owner/manager of timberland.

Cowles Media Company (28 percent of common stock) — owner of the Minneapolis Star Tribune and other smaller properties.

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

The Washington Post Company

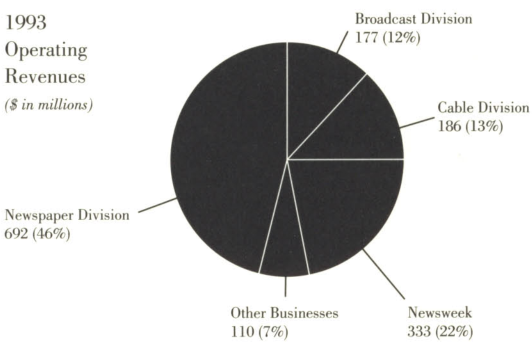
1993 Operating Income
*($ in millions)**



**Excluding losses from Other Businesses*

The Washington Post Company

1993 Operating Revenues
($ in millions)



Stock Trading

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

Stock Transfer Agent and Registrar

(General Shareholder Correspondence)
First Chicago Trust Company of New York
Post Office Box 2500
Jersey City, New Jersey 07303-2500

(Transfers by Overnight Courier)
First Chicago Trust Company of New York
14 Wall Street
Mail Suite 4680
New York, New York 10005

(Transfers by Certified Mail)
First Chicago Trust Company of New York
Post Office Box 2506
Jersey City, New Jersey 07303-2506

Shareholder Inquiries

Communications concerning transfer requirements, lost certificates, dividends and changes of address should be directed to First Chicago Trust Company of New York Shareholder Relations Group. Inquiries may be made by telephone (201) 324-0498, or by fax (201) 222-4892 or 222-4872. Those who are hearing impaired may call the Telecommunications Device for the Deaf (TDD) at (201) 222-4955.

Form 10-K

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

Annual Meeting

The annual meeting of stockholders will be held on Thursday, May 12, 1994, at 9:00 a.m., at The Washington Post Company, 9th floor, 1150 15th Street, N.W., Washington, D.C.

Common Stock Prices and Dividends

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

	1993		1992	
Quarter	High	Low	High	Low
January-March	$242	$228	$242	$193
April-June	244	227	246	214
July-September	230	212	244	214
October-December	257	219	241	215

During 1993 the company repurchased 99,800 outstanding shares of Class B common stock in unsolicited transactions at prices no higher than the last sale price on the New York Stock Exchange. Of the total shares repurchased in 1993, 36,800 shares were included in trading volume reported on that year's consolidated tape and accounted for less than one percent of such volume.

Both classes of common stock participate equally as to dividends. Quarterly dividends were paid at the rate of $1.05 per share in 1993. At February 17, 1994, there were 23 Class A and 1,549 Class B shareholders of record.

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