This report (including all exhibits)
consists of a total of 17 pages, of which this
page is number 1. The exhibit index is on page 14.

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarterly
Period Ended October 2, 1994 Commission File Number 1-6714

THE WASHINGTON POST COMPANY

(Exact name of registrant as specified in its charter)

| Delaware | 53-0182885 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| 1150 15th Street, N.W. Washington, D.C. | 20071 |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

(202) 334-6000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X . No .

Shares outstanding at November 1, 1994:

| | |
|---|---|
| Class A Common Stock | 1,843,250 Shares |
| Class B Common Stock | 9,628,284 Shares |

THE WASHINGTON POST COMPANY

INDEX TO FORM 10-Q

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

THE WASHINGTON POST COMPANY
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

| (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) | THIRTEEN WEEKS ENDED OCT. 2, 1994 | THIRTEEN WEEKS ENDED OCT. 3, 1993 | THIRTY-NINE WEEKS ENDED OCT. 2, 1994 | THIRTY-NINE WEEKS ENDED OCT. 3, 1993 |
|---|---|---|---|---|
| OPERATING REVENUES | | | | |
| ADVERTISING | $245,042 | $208,972 | $ 718,920 | $ 656,652 |
| CIRCULATION AND SUBSCRIBER | 107,522 | 110,091 | 326,784 | 336,298 |
| OTHER | 47,262 | 45,059 | 117,390 | 109,583 |
| | 399,826 | 364,122 | 1,163,094 | 1,102,533 |
| OPERATING COSTS AND EXPENSES | | | | |
| OPERATING | 215,295 | 199,287 | 631,078 | 587,967 |
| SELLING, GENERAL AND ADMINISTRATIVE | 95,045 | 90,990 | 281,162 | 288,722 |
| DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT | 15,663 | 14,773 | 45,733 | 44,855 |
| AMORTIZATION OF GOODWILL AND OTHER INTANGIBLES | 7,570 | 4,058 | 18,103 | 12,183 |
| | 333,573 | 309,108 | 976,076 | 933,727 |
| INCOME FROM OPERATIONS | 66,253 | 55,014 | 187,018 | 168,806 |
| OTHER INCOME (EXPENSE) | | | | |
| EQUITY IN EARNINGS (LOSSES) OF AFFILIATES | 11,091 | (11) | 7,917 | (2,397) |
| INTEREST INCOME | 1,427 | 2,653 | 7,022 | 7,747 |
| INTEREST EXPENSE | (1,332) | (1,029) | (4,180) | (3,460) |
| OTHER | 508 | 19,266 | 3,114 | 19,853 |
| INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | 77,947 | 75,893 | 200,891 | 190,549 |
| PROVISION FOR INCOME TAXES | | | | |
| CURRENT | 31,165 | 32,259 | 85,891 | 81,487 |
| DEFERRED | (670) | (1,209) | (2,521) | (2,277) |
| | 30,495 | 31,050 | 83,370 | 79,210 |
| INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | 47,452 | 44,843 | 117,521 | 111,339 |
| CUMULATIVE EFFECT OF CHANGE IN METHOD OF ACCOUNTING FOR INCOME TAXES | - | - | - | 11,600 |
| NET INCOME | $ 47,452 | $ 44,843 | $ 117,521 | $ 122,939 |
| EARNINGS PER SHARE: | | | | |
| BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | $ 4.13 | $ 3.82 | $ 10.11 | $ 9.47 |
| CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | - | - | - | .98 |
| NET INCOME | $ 4.13 | $ 3.82 | $ 10.11 | $ 10.45 |
| DIVIDENDS DECLARED PER SHARE | $ 2.10 | $ 2.10 | $ 4.20 | $ 4.20 |
| AVERAGE NUMBER OF SHARES OUTSTANDING | 11,492 | 11,731 | 11,627 | 11,760 |

THE WASHINGTON POST COMPANY
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| (IN THOUSANDS) | OCTOBER 2, 1994 | JANUARY 2, 1994 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| CASH AND CASH EQUIVALENTS | $ 132,982 | $ 171,512 |
| MARKETABLE SECURITIES | 15,029 | 258,412 |
| ACCOUNTS RECEIVABLE, LESS ESTIMATED RETURNS, DOUBTFUL ACCOUNTS AND ALLOWANCES | 166,506 | 140,518 |
| INVENTORIES | 18,573 | 16,419 |
| PROGRAM RIGHTS | 22,129 | 15,460 |
| OTHER CURRENT ASSETS | 18,170 | 23,253 |
| | 373,389 | 625,574 |
| INVESTMENTS IN AFFILIATES | 173,126 | 155,251 |
| PROPERTY, PLANT AND EQUIPMENT | | |
| BUILDINGS | 181,499 | 166,433 |
| MACHINERY, EQUIPMENT AND FIXTURES | 613,014 | 579,423 |
| LEASEHOLD IMPROVEMENTS | 13,587 | 29,287 |
| | 808,100 | 775,143 |
| LESS ACCUMULATED DEPRECIATION AND AMORTIZATION | (491,129) | (469,359) |
| | 316,971 | 305,784 |
| LAND | 32,287 | 28,799 |
| CONSTRUCTION IN PROGRESS | 73,250 | 29,135 |
| | 422,508 | 363,718 |
| GOODWILL AND OTHER INTANGIBLES, LESS ACCUMULATED AMORTIZATION | 520,414 | 309,157 |
| DEFERRED CHARGES AND OTHER ASSETS | 210,942 | 168,804 |
| | $1,700,379 | $1,622,504 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| ACCOUNTS PAYABLE AND ACCRUED LIABILITIES | $ 183,859 | $ 163,553 |
| FEDERAL AND STATE INCOME TAXES | 18,012 | 15,726 |
| DEFERRED SUBSCRIPTION REVENUE | 76,111 | 79,254 |
| DIVIDENDS DECLARED | 12,061 | -- |
| | 290,043 | 258,533 |
| OTHER LIABILITIES | 212,554 | 191,088 |
| LONG-TERM DEBT | 50,318 | 51,768 |
| DEFERRED INCOME TAXES | 35,162 | 33,696 |
| | 588,077 | 535,085 |
| SHAREHOLDERS' EQUITY | | |
| CAPITAL STOCK | 20,000 | 20,000 |
| CAPITAL IN EXCESS OF PAR VALUE | 21,227 | 21,354 |
| RETAINED EARNINGS | 1,639,346 | 1,570,546 |
| UNREALIZED GAIN ON AVAILABLE-FOR-SALE SECURITIES | 5,284 | -- |
| CUMULATIVE FOREIGN CURRENCY TRANSLATION ADJUSTMENT | 6,562 | 2,908 |
| COST OF CLASS B COMMON STOCK HELD IN TREASURY | (580,117) | (527,389) |
| | 1,112,302 | 1,087,419 |
| | $1,700,379 | $1,622,504 |

THE WASHINGTON POST COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| (IN THOUSANDS) | THIRTY-NINE WEEKS ENDED OCTOBER 2, 1994 | THIRTY-NINE WEEKS ENDED OCTOBER 3, 1993 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| NET INCOME | $ 117,521 | $ 122,939 |
| ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | -- | (11,600) |
| DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT | 45,733 | 44,855 |
| AMORTIZATION OF GOODWILL AND OTHER INTANGIBLES | 18,103 | 12,183 |
| AMORTIZATION OF PROGRAM RIGHTS | 15,923 | 14,218 |
| PROVISION FOR DOUBTFUL ACCOUNTS | 43,563 | 42,011 |
| GAIN ON SALE OF BUSINESS | -- | (13,371) |
| INCREASE (DECREASE) IN INTEREST AND INCOME TAXES PAYABLE | 982 | (5,125) |
| PROVISION FOR DEFERRED INCOME TAXES | (2,521) | (2,277) |
| CHANGE IN ASSETS AND LIABILITIES: | | |
| (INCREASE) IN ACCOUNTS RECEIVABLE | (69,171) | (65,829) |
| (INCREASE) DECREASE IN INVENTORIES | (2,154) | 315 |
| INCREASE IN ACCOUNTS PAYABLE AND ACCRUED LIABILITIES | 18,428 | 7,287 |
| OTHER | (12,637) | (1,722) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 173,770 | 143,884 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| NET PROCEEDS FROM SALE OF BUSINESS | -- | 64,947 |
| PURCHASES OF PROPERTY, PLANT AND EQUIPMENT | (64,862) | (63,978) |
| PURCHASES OF MARKETABLE SECURITIES | (14,657) | (367,983) |
| PROCEEDS FROM SALES OF MARKETABLE SECURITIES | 256,617 | 407,837 |
| INVESTMENTS IN CERTAIN BUSINESSES | (284,089) | (1,591) |
| PAYMENTS FOR PROGRAM RIGHTS | (14,819) | (15,708) |
| OTHER | 249 | 121 |
| NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES | (121,561) | 23,645 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| PRINCIPAL PAYMENTS ON DEBT | (1,400) | -- |
| DIVIDENDS PAID | (36,660) | (37,079) |
| COMMON SHARES REPURCHASED | (52,679) | (23,133) |
| OTHER | -- | 61 |
| NET CASH (USED) BY FINANCING ACTIVITIES | (90,739) | (60,151) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (38,530) | 107,378 |
| BEGINNING CASH AND CASH EQUIVALENTS | 171,512 | 86,840 |
| ENDING CASH AND CASH EQUIVALENTS | $ 132,982 | $ 194,218 |

THE WASHINGTON POST COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1: RESULTS OF OPERATIONS, WHEN EXAMINED ON A QUARTERLY BASIS, REFLECT THE SEASONALITY OF ADVERTISING THAT AFFECTS THE NEWSPAPER, MAGAZINE AND BROADCASTING OPERATIONS. ADVERTISING REVENUES IN THE SECOND AND FOURTH QUARTERS ARE TYPICALLY HIGHER THAN FIRST AND THIRD QUARTER REVENUES. ALL ADJUSTMENTS REFLECTED IN THE INTERIM FINANCIAL STATEMENTS ARE OF A NORMAL RECURRING NATURE.

NOTE 2: SUMMARIZED COMBINED (UNAUDITED) RESULTS OF OPERATIONS FOR THE THIRD QUARTER AND YEAR-TO-DATE OF 1994 AND 1993 FOR THE COMPANY'S AFFILIATES ARE AS FOLLOWS (IN THOUSANDS):

| | THIRD QUARTER | | YEAR-TO-DATE | |
|---|---|---|---|---|
| | 1994 | 1993 | 1994 | 1993 |
| OPERATING REVENUES | $195,459 | $164,103 | $556,120 | $492,425 |
| OPERATING INCOME | 14,396 | 9,460 | 31,066 | 18,088 |
| NET INCOME (LOSS) | 22,480 | 3,614 | 22,240 | 4,472 |

NOTE 3: IN APRIL 1994 THE COMPANY ACQUIRED SUBSTANTIALLY ALL OF THE ASSETS COMPRISING THE BUSINESSES OF TELEVISION STATIONS KPRC-TV, AN NBC AFFILIATE IN HOUSTON, TEXAS, AND KSAT-TV, AN ABC AFFILIATE IN SAN ANTONIO, TEXAS, FOR $253 MILLION IN CASH. THE TRANSACTION WAS ACCOUNTED FOR AS A PURCHASE AND THE RESULTS OF OPERATIONS OF THE TELEVISION STATIONS WERE INCLUDED WITH THOSE OF THE COMPANY FOR THE PERIOD SUBSEQUENT TO THE DATE OF ACQUISITION.

THE FOLLOWING STATEMENTS PRESENT THE COMPANY'S UNAUDITED PRO FORMA CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE NINE MONTHS ENDED OCTOBER 2, 1994, AND OCTOBER 3, 1993, AS IF THE ACQUISITION OF THE TELEVISION STATIONS HAD OCCURRED AT THE BEGINNING OF EACH NINE MONTH PERIOD. AMOUNTS REFLECT AN ALLOCATION OF THE PURCHASE PRICE TO THE ACQUIRED NET TANGIBLE ASSETS, WITH THE EXCESS BEING AMORTIZED OVER PERIODS OF BETWEEN 15 AND 20 YEARS. THE REVENUES AND RESULTS OF OPERATIONS PRESENTED IN THE PRO FORMA INCOME STATEMENTS DO NOT NECESSARILY REFLECT THE RESULTS OF OPERATIONS THAT WOULD ACTUALLY HAVE BEEN OBTAINED IF THE ACQUISITION HAD OCCURRED AT THE BEGINNING OF EACH NINE MONTH PERIOD.

| | PRO FORMA INCOME STATEMENTS FOR THE NINE-MONTHS ENDED | |
|---|---|---|
| (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) | OCT. 2, 1994 | OCT. 3, 1993 |
| OPERATING REVENUES | $1,182,461 | $1,150,975 |
| NET INCOME | | |
| BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | 117,711 | 114,131 |
| AFTER CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | 117,711 | 125,731 |
| EARNINGS PER SHARE | | |
| BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | $10.12 | $9.71 |
| AFTER CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | $10.12 | $10.69 |

IN MAY 1994 THE COMPANY ACQUIRED AN 80 PERCENT INTEREST IN MAMMOTH MICRO PRODUCTIONS, A PRODUCER AND PUBLISHER OF MULTIMEDIA CD-ROM TITLES, FOR $23 MILLION IN CASH. THIS TRANSACTION WAS ACCOUNTED FOR AS A PURCHASE AND, ACCORDINGLY THE ASSETS AND LIABILITIES 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 VARIOUS PERIODS UP TO 15 YEARS. RESULTS OF OPERATIONS OF THE ACQUIRED BUSINESS WERE INCLUDED WITH THOSE OF THE COMPANY FOR THE PERIOD SUBSEQUENT TO THE DATE OF ACQUISITION.

NOTE 4: DURING THE FIRST NINE MONTHS OF 1994 THE COMPANY REPURCHASED 226,200 SHARES OF ITS CLASS B COMMON STOCK AT A COST OF $52.7 MILLION.

ITEM 2. 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.

Revenues and expenses in the first and third quarters are customarily lower than those in the second and fourth quarters because of significant fluctuations in advertising volume. For that reason, the results of operations for each quarter are compared with those of the corresponding quarter in the preceding year.

THIRD QUARTER COMPARISONS

Net income for the third quarter of 1994 was $47.5 million, an increase of 6 percent from net income of $44.8 million in the third quarter last year. Earnings per share increased 8 percent to $4.13 per share, from $3.82 per share in the third quarter of 1993, with a smaller number of shares outstanding.

The 1994 third-quarter results include an after-tax gain of $8.4 million ($.73 per share) on the sale of land at one of the company's newsprint affiliates. The 1993 third-quarter results included an after-tax gain of $13.4 million ($1.14 per share) on the sale of the company's cable franchises in the United Kingdom. Excluding these one-time gains, earnings rose 24 percent in the third quarter this year.

Revenues for the third quarter of 1994 rose 10 percent to $399.8 million, from $364.1 million in the same period last year. Advertising revenues rose 17 percent and other revenues increased 5 percent, while circulation and subscriber revenues fell 2 percent. The newspaper division, Newsweek and other businesses all posted higher revenue in the third quarter this year. The broadcast division had exceptionally strong revenue gains, reflecting the results of the two television stations acquired on April 22 as well as improved revenues at existing company owned stations.

Costs and expenses for the third quarter of 1994 increased 8 percent to $333.6 million, from $309.1 million in the third quarter of 1993. Operating expenses increased 8 percent, while selling, general and administrative expenses increased 4.5 percent compared with the third quarter last year. Depreciation expense increased 6 percent over the third quarter of 1993. Approximately, 70 percent of the total increase in costs and expenses relates to additional expenses associated with new businesses, while the remainder reflects normal increases in the costs of operations. In the third quarter of 1994 operating income rose to $66.3 million, a 20 percent increase over $55.0 million in 1993.

NEWSPAPER DIVISION. At the newspaper division revenues increased 6 percent in the third quarter of 1994. Advertising revenues for the division rose 7.7 percent, with a 3.4 percent increase in advertising linage at The Washington Post from 795,400 inches in the third quarter of 1993 to 822,200 inches in the same period this year. Classified volume grew 6 percent in the quarter with recruitment advertising remaining strong. Retail linage was down 3 percent, while general rose 15 percent compared with the same period last year. Preprint volume increased 15.5 percent over the third quarter of 1993; lower rates initiated at the beginning of the fourth quarter of 1993, have attracted advertisers to preprints from other forms of outside advertising. Circulation revenues remained essentially unchanged compared with the third quarter of 1993 as average paid Daily circulation decreased slightly and average paid Sunday circulation increased slightly at The Washington Post.

BROADCAST DIVISION. Revenues at the broadcast division, which include the results of the two Texas television stations purchased at the end of April, increased 59.5 percent over the third quarter of 1993. Local advertising revenues increased 56 percent and national advertising revenues rose 52 percent in the third quarter of 1994. Approximately 70 percent of the total increase in revenue is attributable to the newly acquired television stations. Political advertising in this election year contributed $4.0 million to the improved revenues. Costs and expenses at the broadcast division increased 52 percent in the third quarter of 1994 over the same period last year. The increase was due almost entirely to the newly acquired television stations.

MAGAZINE DIVISION. Newsweek revenues in the third quarter of 1994 increased 1 percent. Advertising revenues rose 1.5 percent, primarily due to an increase in volume at the domestic edition and higher rates at the international editions. Circulation revenues were up 1 percent at Newsweek. In the third quarter Newsweek published the same number of weekly issues (13) as in 1993.

CABLE DIVISION. At the cable division third quarter 1994 revenues were 4 percent lower than 1993, primarily as a result of a 7 percent decline in subscriber revenues. This decrease in subscriber revenues is primarily a result of the decreases in subscriber rates attributable to reregulation of the cable industry in 1993 and 1994. Rate reductions, effective under reregulation, went into effect on September 1,1993 and again on July 14, 1994. Also contributing to the decrease in revenues was the September 1993 sale of the company's cable operations in the United Kingdom. Excluding these foreign operations, cable division revenues decreased 1 percent in the third quarter of 1994.

OTHER BUSINESSES. In the third quarter of 1994, revenues from other businesses, principally Stanley H. Kaplan Educational Center, Pro Am Sports System (PASS), and Legi-Slate, increased 2 percent. Revenues at Kaplan rose 1 percent over the third quarter of 1993 while enrollments decreased 9 percent.

EQUITY IN EARNINGS AND LOSSES OF AFFILIATES. The company's equity in earnings of affiliates in the third quarter of 1994 was income of $11.1 million, compared with break-even results in the third quarter of 1993. The one-time after-tax gain of $8.4 million on the sale of land at one of the company's newsprint affiliates was the major contributor to the improvement.

NON-OPERATING ITEMS. Interest income, net of interest expense, was $.1 million, compared with $1.6 million in the same period last year. The decrease was attributable to lower invested cash balances offset partially by higher interest rates.

INCOME TAXES. The effective income tax rate for the third quarter of 1994 was lower than the effective rate for 1993, primarily due to the effect and accounting treatment of foreign taxes on the gain on the sale of land at one of the company's newsprint affiliates. Income from affiliates is recorded by the company at the company's share of after-tax net income of the affiliate. The third quarter also includes the impact of the revised estimated effective income tax rate for the first half of 1994.

NINE MONTH COMPARISONS

Net income in the first nine months of 1994 was $117.5 million ($10.11 per share) down from net income of $122.9 million ($10.45 per share) in the same period last year with fewer shares outstanding.

Net income in the first nine months of 1994 included an after-tax gain of $8.4 million ($.73 per share) on the sale of land at one of the company's newsprint affiliates. Net income in the same period of 1993 included both an after-tax gain of $13.4 million ($1.14 per share) on the sale of the company's cable franchises in the United Kingdom and a one-time credit of $11.6 million ($.98 per share) resulting from the adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109). Excluding these one-time gains and credits in 1994 and 1993, earnings rose 11 percent in the first three quarters this year over the same period last year.

Total revenues for the first nine months of 1994 increased 5.5 percent to $1,163.1 million, from $1,102.5 million in the comparable period last year. Advertising revenues, which include the results of the two new television stations in 1994, increased 9.5 percent, while circulation and subscriber revenues fell 3 percent. Other revenues increased 7 percent over the first three quarters of 1993.

Total costs and expenses increased 4.5 percent during the first nine months of 1994 to $976.1 million, from $933.7 million in the corresponding period of 1993. Operating expenses increased 7 percent, while selling, general and administrative expenses decreased 2.6 percent compared with the first three quarters of 1993. Normal increases in fixed costs, such as payroll and fringe benefits, and circulation related expenses, were partially offset by lower newsprint and magazine paper expense. Approximately 70 percent of the total increase in costs and expenses relates to additional expenses associated with new businesses. In the first three quarters of 1994 operating income rose to $187.0 million, an 11 percent increase over $168.8 million in the same period last year.

NEWSPAPER DIVISION. Newspaper division revenues were up 3 percent in the first three quarters of 1994, over the comparable period of 1993. Although advertising volume at The Washington Post remained essentially unchanged at 2,491,300 inches in the first nine months of 1994, advertising revenues for the division rose 4 percent in the period due to strong performances in general and classified advertising volume and rates at The Post. Circulation revenues for the division were also essentially unchanged when compared with the first three quarters of 1993. Average paid Daily circulation decreased slightly and average paid Sunday circulation increased slightly at The Washington Post compared to the prior year.

BROADCAST DIVISION. Revenues at the broadcast division, which include the results of the two Texas television stations purchased at the end of April, increased 38 percent over the first nine months of 1993. In the first three quarters of 1994 local advertising revenues rose 41 percent and national advertising revenues increased 34 percent. Approximately two-thirds of the total increase in revenues is attributable to the newly acquired stations. Political advertising in this election year contributed $ 5.1 million to the improved revenues through September and are expected to contribute approximately $14 million to revenues for the year. Costs and expenses at the broadcast division increased 33 percent in the first nine months of 1994 compared with the same period last year. The increase was due almost entirely to the newly acquired television stations.

MAGAZINE DIVISION. At Newsweek revenues decreased 2 percent in the first three quarters of 1994. The major contributor to the decline was a 3.5 percent decrease in advertising revenues, which resulted primarily from lower rates and volume at the domestic edition. In the first nine months of 1994, circulation revenues remained essentially unchanged, primarily due to lower volume and less favorable currency rates at the international editions offset by higher domestic rates. In the first three quarters of 1994 thirty-nine weekly issues and two newsstand-only special issues were published versus the same number of weekly issues but only one newsstand-only special issue in the same period last year.

CABLE DIVISION. Cable division revenues were down 3 percent in the first three quarters of 1994. Subscriber revenues fell almost 8 percent in the first nine months of 1994, principally due to a decrease in subscriber rates attributable to industry reregulation discussed above. This decline was partially offset by a 2 percent increase in basic subscribers. In 1993 results also included operations in the United Kingdom, which were subsequently sold. Excluding these foreign operations, cable division revenues decreased 1 percent compared to the first nine months of 1993. At the end of September 1994, domestic cable operations had 492,000 basic subscribers as compared to 481,000 basic subscribers at the same time last year.

OTHER BUSINESSES. At the company's other businesses, revenues rose 6 percent in the first three quarters of 1994. Improved results at Stanley H. Kaplan Educational Centers and Moffet, Larson & Johnson were the major contributors to the increase over 1993.

EQUITY IN EARNINGS AND LOSSES OF AFFILIATES. The company's equity in earnings of affiliates during the first nine months of 1994 was income of $7.9 million, compared with a loss of $2.4 million in the first nine months of 1993. The one-time after-tax gain of $8.4 million on the sale of land at one of the company's newsprint affiliates was the major contributor to the improvement.

NON-OPERATING ITEMS. Interest income, net of interest expense, was $2.8 million for the first three quarters of 1994 compared to $4.3 million in the same period of last year. The decline was primarily due to lower invested cash balances offset slightly by higher interest rates. In 1993 net interest income included the capitalization of interest as well as higher invested cash balances and lower interest rates.

Other income in the first three quarters of 1994 was $3.1 million, compared with $19.9 million in the comparable period of 1993. In 1994 other income included a gain of $2.5 million resulting from a change in the company's ownership interest in one of its affiliates. In 1993, the company recorded a $13.4 million after-tax gain on the sale of its cable franchises in the United Kingdom.

INCOME TAXES. The effective income tax rate for the first nine months of 1994 was essentially unchanged from the same period last year. The effective rate for the first three quarters of 1994 reflected the impact and accounting treatment of foreign taxes on the gain on the sale of land at one of the company's newsprint affiliates. Income from affiliates is recorded by the company at the company's share of after-tax net income of the affiliate. The effective tax rate for the first nine months of 1993 included the effect of foreign taxes on the sale of the company's cable franchises in the United Kingdom.

FINANCIAL CONDITION

In December 1993 the Federal Communications Commission (FCC) finalized its award of a pioneer's preference for personal communications services (PCS) to American PCS, L.P. (known as American Personal Communications or APC), a limited partnership in which the company has a 70 percent limited partnership interest. Under the terms of that preference, the initial award, the license was to be awarded at no cost to the pioneer. Pursuant to the award, in January 1994, APC filed an application for a PCS license with the FCC. APC has begun some preparatory activity, and immediately following receipt of license from the FCC, the company expects to substantially increase the level of capital investment in the business.

On August 9, 1994, the FCC reversed its position with respect to awarding licenses to pioneers at no cost. Under the terms of that decision pioneers would have to pay the lesser of either 90 percent of the winning bid for a similar license in the same market or 90 percent of the weighted average price of the winning bids in the 10 top markets.

APC has filed suit in the U.S. Court of Appeals for the District of Columbia Circuit challenging the authority of the FCC to require pioneers to pay auction based fees. The U.S Court of Appeals has stayed the proceeding pending the outcome of a proposed replacement formula contained in the General Agreement on Trade and Tariffs ("GATT") implementing legislation currently under consideration by the U.S. Congress. Under the GATT formula, pioneers would have to pay 85 percent of the average price contained in winning bids for licenses in the top 20 markets, excluding licenses for the three markets awarded to pioneers.

The cost for the licenses and the impact on APC will not be determinable until the completion of the judicial and legislative processes as well as the conclusion of the FCC auction process itself. The cost for the licenses, if any, will be in addition to the company's initial estimate of construction costs, which could approximate $200 million.

In February 1994, the FCC issued additional new rules related to pricing and the reregulation of the cable industry. These rules took effect on July 14, 1994, and had the effect of reducing cable revenues. The company has evaluated the rules and expects them to continue to impact cable revenues for the next nine months although it does not believe their impact will have a material effect on consolidated financial results.

Post-Newsweek Stations now has six television stations, two each affiliated with ABC, CBS and NBC. Several of these stations have negotiated long-term affiliation agreements during the past 15 months. As a result of these agreements, Post-Newsweek Stations will receive significantly improved network compensation over the life of the contracts, which together with the acquisition of the Texas stations, is projected to increase materially broadcast division operating income. The full effect of the increases began in the third quarter of 1994 and will continue to impact revenues in subsequent periods.

During the first nine months of 1994 the company repurchased 226,200 shares of its Class B common stock at a cost of approximately $52.7 million.

The company has experienced no other significant changes in its financial condition since the end of 1993.

# PART II - OTHER INFORMATION

## ITEM 5. OTHER INFORMATION.

Effective in October 1994, Katherine Graham, chairman of the executive committee, resigned as a trustee of certain trusts holding Class A shares and relinquished her right to vote certain other Class A shares held in trust. These changes reduced the percentage of Class A shares voted by Mrs. Graham from 52.4 percent to 29.1 percent and the combined percentage of Class A shares voted by Mrs. Graham and Donald E. Graham, chairman and chief executive officer, from 66.6 percent to 56.8 percent. For Federal securities law purposes Mrs. Graham and Donald Graham might be deemed to be "control persons" of the company.

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) The following documents are filed as exhibits to this report:

| EXHIBIT NUMBER | DESCRIPTION | FILING PAGE NUMBER |
|---|---|---|
| 11 | Calculation of average number of shares outstanding............................... | 16 |
| 27 | Financial Data Schedule (Electronic Filing Only). | 17 |

(b) No reports on Form 8-K were filed during the period covered by this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE WASHINGTON POST COMPANY
(Registrant)

Date: November 15, 1994 /s/ Donald E. Graham

Donald E. Graham, Chairman &
Chief Executive Officer
(Principal Executive Officer)

Date: November 15, 1994 /s/ John B. Morse, Jr.

John B. Morse, Jr., Vice President-Finance
(Principal Financial Officer)

EXHIBIT INDEX

| EXHIBIT NUMBER | DESCRIPTION |
|---|---|
| 11 | Calculation of average number of shares outstanding |
| 27 | Financial Data Schedule |

Exhibit 11

CALCULATION OF AVERAGE
NUMBER OF SHARES OUTSTANDING
(In thousands of shares)

| | Thirteen Weeks Ended | | Thirty-nine Weeks Ended | |
|---|---|---|---|---|
| | Oct. 2, 1994 | Oct. 3, 1993 | Oct. 2, 1994 | Oct. 3, 1993 |
| Number of shares of Class A and Class B stock outstanding at beginning of period | 11,713 | 11,750 | 11,713 | 11,798 |
| Issuance of shares of Class B common stock (weighted), net of forfeiture of restricted stock awards | -- | -- | -- | 15 |
| Repurchase of Class B common stock (weighted) | (225) | (22) | (91) | (57) |
| Unexercised stock option equivalent shares computed under the "treasury stock method" | 4 | 3 | 5 | 4 |
| Average number of shares outstanding during the period | 11,492 | 11,731 | 11,627 | 11,760 |

THE WASHINGTON POST COMPANY AND SUBSIDIARIES
FINANCIAL DATA SCHEDULE
IN ACCORDANCE WITH ITEM 601(C)
OF REGULATIONS S-K AND S-B

1,000

9-MOS
JAN-01-1995
JAN-03-1994
OCT-02-1994
132,982
15,029
206,237
39,731
18,573
373,390
913,637
491,129
1,700,379
290,043
50,319
20,000
0
0
1,092,301
1,700,379
0
1,163,094
0
957,973
3,114
43,563
2,842
200,891
83,370
117,521
0
0
0
117,521
$10.11
$10.11