1980
Jim Keller

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 28, 1980. **Commission file number 1-6714**

The Washington Post Company

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**53-0182885** **(I.R.S. Employer Identification No.)**
1150 15th St., N.W., Washington, D. C. **(Address of principal executive offices)**	**20071** **(Zip Code)**

Registrant's telephone number, including area code: (202) 334-6000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class B Common Stock, par value $1.00 per share	American Stock Exchange

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 ✓. No ___.

Aggregate market value of the Company's voting stock held by non-affiliates on February 27, 1981, based on the closing price for the Company's Class B Common Stock on the American Stock Exchange on such date: approximately $130,000,000.

Shares outstanding at February 27, 1981:

Class A Common Stock— 2,748,382 shares
Class B Common Stock—11,244,022 shares

Documents partially incorporated by reference:

The Company's 1980 Annual Report to Stockholders (incorporated in Parts I and II to the extent provided in Items 5, 6, 7 and 8 hereof).

Definitive Proxy Statement for the Company's May 13, 1981 Annual Meeting of Stockholders (incorporated in Parts I and III to the extent provided in Items 4, 9 and 10 hereof).

PART I

Item 1. *Business.*

The principal business activities of The Washington Post Company (the "Company") consist of newspaper publishing (*The Washington Post,* the Trenton (N.J.) *Times* and the Everett (Washington) *Herald*), magazine and book publishing (principally *Newsweek* and *Inside Sports* magazines) and television broadcasting (through ownership and operation of four network-affiliated stations).

Set forth below for each of the Company's last three fiscal years are the amount and percentage of the Company's consolidated operating revenues and consolidated income from operations attributable to the three principal segments of its business, and the identifiable assets attributable to each such segment. (Revenues shown for each segment are net of intersegment sales, which did not exceed 1/10 of 1% of consolidated operating revenues. Operating revenues are shown before other income (principally interest and equity in earnings of affiliates and, in 1978, a nonrecurring gain on the sale of a radio station). Income from operations is shown after allocation of all corporate operating expenses but before adding or deducting other income, other expense items and taxes on income. In 1979 the Company's subsidiary Newsweek, Inc., changed its method of accounting for magazine subscription procurement costs from the "deferred" method to the "expensed-as-incurred" method (see Note B to the Consolidated Financial Statements incorporated in Item 8 hereof by reference to the Company's 1980 Annual Report to Stockholders). In the table below, income from operations of magazine and book publishing activities for 1978 has been restated to show what such operating income would have been if the accounting method adopted in 1979 had been in effect during that year; for that reason, the total income from operations shown below for 1978 differs from the unrestated consolidated income from operations shown in the Consolidated Statement of Income incorporated in Item 8 hereof by reference to the Company's 1980 Annual Report to Stockholders.

	Fiscal Year Ended					
	December 28, 1980		December 30, 1979		December 31, 1978	
Operating Revenues	Amount	%	Amount	%	Amount	%
			(dollars in thousands)			
Newspaper publishing and related operations	$311,260	47	$272,616	46	$242,070	47
Magazine and book publishing and related operations	267,809	41	248,011	42	214,829	41
Broadcasting	80,466	12	72,635	12	63,499	12
	$659,535	100	$593,262	100	$520,398	100
Income from Operations						
Newspaper publishing and related operations	$ 31,936	49	$ 35,426	44	$ 37,867	43
Magazine and book publishing and related operations	11,486	17	22,563	28	29,135	33
Broadcasting	22,091	34	22,432	28	20,668	24
	$ 65,513	100	$ 80,421	100	$ 87,670	100
Identifiable Assets						
Newspaper publishing and related operations	$211,333		$152,959		$119,870	
Magazine and book publishing and related operations	73,472		65,063		54,824	
Broadcasting	101,495		95,849		82,164	
	$386,300		$313,871		$256,858	

During each of the last three years the Company's operations in geographic areas outside the United States, consisting primarily of the publication of the international editions of *Newsweek,* accounted for less than 8% of the Company's consolidated revenues and less than 6% of its consolidated income from operations, and the identifiable assets attributable to such operations represented less than 4% of the Company's consolidated assets.

Newspaper Publishing

The Washington Post

The Washington Post is a morning and Sunday newspaper primarily distributed by home delivery in the Washington, D. C. metropolitan area, including large portions of Virginia and Maryland. The following table shows the average paid circulation of the *Post* for the twelve-month periods ended September 30 in each of the last five years, as reported by the Audit Bureau of Circulations ("ABC") for the years 1976-1979 and as reported to ABC by the *Post* for the twelve months ended September 30, 1980 (for which period ABC had not completed its audit as of the date of this report), together with the newspaper's circulation revenues for each of the last five fiscal years:

	Average Paid Circulation		Circulation
	Daily	Sunday	Revenue
1976	523,563*	731,389	$30,514,000
1977	547,649	764,500	36,183,000
1978	554,239	793,608	46,591,000
1979	572,027	809,403	51,897,000
1980	588,220	828,486	60,500,000

* Average daily circulation during the twelve-month period ended September 30, 1976, represented a decline of approximately 12,000 from the prior year's daily average attributable to a 4½-month strike at the newspaper that commenced on October 1, 1975 and ended in February 1976.

During 1978 the Company substantially completed a change in the method of distributing *The Washington Post* from a wholesale to an essentially retail system. The substitution of retail for wholesale prices accounted for approximately $5,900,000 of the *Post's* increase in circulation revenue in 1978 (and increased operating expenses by the same amount). The conversion of the few remaining distributors to the new distribution system during 1979 did not account for a significant part of the *Post's* increased circulation revenue in that year.

To alleviate the increasing strain on *The Washington Post's* production facilities that resulted from the newspaper's expanding circulation, and to anticipate future circulation increases, in 1979 the Company began the construction of a new satellite printing plant in Fairfax County, Virginia. The new plant was completed on schedule in September 1980 at a cost of approximately $68 million (including the cost of three new printing presses and other equipment) and commenced production in October 1980.

In 1980, in addition to completing the satellite plant, the Company installed a $7 million news editing system at the *Post* which uses computerized "cold type" technology for writing, editing and typesetting copy.

The Washington Post's principal newspaper competition in the Washington area consists of *The Washington Star*, a daily newspaper which publishes a home-delivered edition on weekday evenings and on Saturday and Sunday mornings and, since July 1979, a newsstand edition on weekday mornings. As of the date of this report ABC had not completed its audit of the *Star's* average paid circulation for the twelve-month period ended September 30, 1980. However according to the ABC Newspaper Publisher Statements issued by the *Star*, its average paid circulation for that period was 335,394 daily (down 1.8% from the preceding twelve-month period) and 315,334 on Sunday (up 0.1% from the preceding twelve-month period). Since March 15, 1978, the *Star*, which had reportedly been in financial difficulties for several years, has been owned by Time Incorporated, a major publishing, communications and forest products company with substantial financial resources, which then stated that it would invest $60 million in the *Star* over a five-year period.

On February 25, 1980, the rate for home-delivered copies of the *Post* (daily plus Sunday) was increased from $6.20 to $7.00 per four-week period. The price of the Sunday *Post* (for newsstand and street sales and for Sunday-only home delivery) was increased from 75¢ to 90¢ per copy on September 14, 1980, and to $1.00 per copy on March 1, 1981.

General advertising rates were increased by approximately 13% on January 1, 1980, and by 12% on October 1, 1980. Classified advertising rates were increased by approximately 13% on February 1, 1980; another increase of approximately 13% took effect on January 1, 1981. During 1980 a retail advertising rate increase of 13% took effect on April 1 for new advertisers and on May 1 for current advertisers. On March 1, 1981, retail advertising rates were increased again by about 13%.

The following table sets forth the *Post's* total advertising linage for the past five years as measured by Media Records Incorporated, together with the *Post's* advertising revenues and average revenue per line for such years:

	1976	1977	1978	1979	1980
Linage (in thousands)	82,523*	91,129	96,844	100,392	100,427
Advertising revenue (in thousands)	$122,039	$145,416	$166,682	$188,592	$216,387
Average revenue per line	$1.48	$1.60	$1.72	$1.88	$2.15

* An undeterminable number of lines of advertising were lost in the first quarter of 1976 as a result of the strike which began in October 1975 and ended in February 1976. Advertising linage in 1976 was 1.3 million lines below the level attained in 1974, the last preceding year unaffected by the strike.

The Washington Post has about 400 editors, correspondents, reporters and photographers on its staff, draws upon the news reporting facilities of the major wire services and maintains correspondents in 14 news capitals abroad and in New York City, Los Angeles, California, Austin, Texas and Atlanta, Georgia.

The Trenton Times

The Company has owned the Trenton Times Corporation, publisher of the Trenton, N.J., *Times,* since October 1974. The *Times* is published Monday through Friday afternoons and on Saturday and Sunday mornings, primarily for distribution by home delivery in Trenton, the state capital, and in Mercer County, New Jersey. Since June 1979 the *Times* has also published a Monday-through-Friday morning edition for distribution through street vendors and single-copy sales outlets. On February 1, 1980, the *Times* purchased the *Princeton Spectrum,* a free-distribution weekly circulated principally in northern Mercer County. Special combination advertising rates are available to those wishing to advertise in both the *Times* and the *Princeton Spectrum.*

The *Times'* average paid circulation for the twelve-month period ended March 31, 1980, as reaudited by ABC, was 69,303 daily (down 3.6% from the prior year) and 81,439 on Sunday (down 6.7%). Average paid circulation for the six months ended September 30, 1980, was 67,480 daily (down 7.5% from the six months ended September 30, 1979) and 77,793 on Sunday (down 9%). Total advertising linage in 1980 declined 0.1% to 36,370,000 (including 1,527,000 lines in the *Princeton Spectrum,* without which the decline would have been 4.3%).

The *Times'* principal newspaper competition in the Trenton area is the *Trentonian,* a morning tabloid published daily (including Saturday) and Sunday. That newspaper's average paid circulation as reported by ABC for the twelve-month period ended March 31, 1980, was 65,838 daily (up 2.8% from the twelve-month period ended March 31, 1979) and 56,191 on Sunday (up 4.9%); its unaudited average paid circulation reported to ABC for the six months ended September 30, 1980, was 66,141 daily (down 0.3% from the six months ended September 30, 1979) and 57,212 on Sunday (up 1.8%).

The *Times* employs approximately 90 editors, reporters and photographers on its staff.

The Everett Herald

Since February 1978 the Company has owned The Daily Herald Company, publisher of the *Herald* in Everett, Washington, about 30 miles north of Seattle. The *Herald* is published Monday through Saturday evenings and plans to inaugurate a Sunday edition in April 1981. The *Herald* is primarily distributed by home delivery in Snohomish County.

The *Herald* is the only daily newspaper published in Everett, the county seat of Snohomish County which lies directly north and east of Seattle. The *Herald* publishes three editions, one of which is a zoned edition that circulates in Southwest Snohomish County where the *Herald's* principal competitors have been the evening *Seattle Times* and the morning *Seattle Post-Intelligencer.*

In May 1979 the *Herald* commenced publication of the *Advertiser,* a free-distribution weekly that enables retail and service establishments to obtain high advertising penetration at relatively low cost. The *Advertiser* is distributed in areas of Southwest Snohomish County to homes that do not subscribe to the *Herald.* Special combination rates are available to those who wish to advertise in both papers.

The *Herald's* average daily paid circulation for the twelve-month period ended March 31, 1980, as audited by ABC, was 60,404 (up 4.9% from the preceding year). The unaudited average daily paid circulation reported by the *Herald* to ABC for the six months ended September 30, 1980, was 60,818 (up 1.8% from the six months ended September 30, 1979). Total advertising linage in 1980 (as adjusted to reflect a change in the *Herald's* page format in March 1980) increased 2.7% to 26,036,000 (including 1,603,000 lines in the *Advertiser*).

The *Herald* employs approximately 55 editors, reporters and photographers on its staff.

Magazine and Book Publishing

Newsweek is a weekly news magazine published both domestically and internationally. In gathering, reporting and writing news and other material for publication, *Newsweek* maintains ten domestic and 16 foreign news bureaus. Worldwide there are approximately 410 full-time editorial staff members, 330 of whom are in New York.

The domestic edition of *Newsweek* is comprised of 63 different geographic and demographic editions which carry substantially identical news and feature material but enable advertisers to direct messages to specific market areas and demographic groups. Domestically, *Newsweek* ranks second in circulation among the three leading weekly news magazines (*Newsweek, Time* and *U.S. News & World Report*). Its average weekly domestic circulation rate base, its percentage of the total weekly domestic circulation rate base of the three leading weekly news magazines and its circulation revenues for the past five years are set forth in the following table:

	Newsweek Average Weekly Circulation Rate Base	Percentage of Three Leading News Magazines	*Newsweek* Circulation Revenues
1976	2,900,000	31.7%	$49,544,000
1977	2,900,000	31.7%	60,033,000
1978	2,900,000	31.7%	66,421,000
1979	2,900,000	31.7%	74,390,000
1980	2,950,000	32.1%	76,721,000

Newsweek is sold on newsstands and through subscription mail order sales derived from a number of sources, principally direct mail promotion. Approximately 90% of its circulation is from subscription sales delivered by mail. The basic one-year subscription price was increased from $29.95 to $32.50 on January 1, 1980. The newsstand price was last increased in November 1978, when the price went from $1.00 to $1.25 per copy. *Newsweek* subscriptions are sold at the basic price except for gift subscriptions, those sold to students and clergy, and those sold through periodic introductory offers to new subscribers; during 1980 almost half of the subscriptions sold were at a discount from the basic price.

The total number of *Newsweek's* domestic advertising pages and gross domestic advertising revenues as reported by Publishers' Information Bureau, Inc., together with *Newsweek's* percentages of the total number of advertising pages and total advertising revenues of the three leading weekly news magazines, for the past five years have been as follows:

	Newsweek Advertising Pages	Percentage of Three Leading News Magazines	*Newsweek* Gross Advertising Revenues*	Percentage of Three Leading News Magazines
1976	2,887	40.9%	$106,661,000	38.4%
1977	3,087	39.7%	124,116,000	37.3%
1978	3,283	39.6%	147,832,000	37.1%
1979	3,410	40.1%	169,892,000	37.9%
1980	3,098	40.0%	175,049,000	37.9%

* Gross advertising revenues are computed by Publishers' Information Bureau, Inc. from basic one-time rates and the number of advertising pages carried. PIB figures therefore exceed actual gross advertising revenues, which reflect lower rates for multiple insertions. Net revenues as reported in the Company's Consolidated Statements of Income also exclude agency fees and cash discounts, which are included in the gross advertising revenues shown above. Page and revenue figures exclude affiliated advertising.

Newsweek's advertising rates are based on its average weekly circulation rate base and are competitive with the other weekly news magazines. National advertising rates have been increased each year since 1974. Effective with the issue dated January 7, 1980, national advertising rates were increased 13.3%, which when combined with the 50,000-copy increase in the 1980 circulation rate base represented an effective advertising rate increase of 11.4%. Beginning with the January 5, 1981 issue, national advertising rates were increased by an additional 11.7% with the rate base unchanged.

Since September 1974 Newsweek has published Executive *Newsweek*, a bi-weekly demographic edition distributed to subscribers with high personal incomes. The circulation rate base for this edition of *Newsweek* was increased from 525,000 to 550,000 effective with the first issue published in 1980, and was increased again to 575,000 effective with the first issue published in 1981. The increase in the circulation rate base in 1980 was accompanied by a 19.8% increase in advertising rates, and the increase in the circulation rate base in 1981 was accompanied by a 15.5% advertising rate increase; when combined with the simultaneous increases in the circulation rate base, these changes represented effective advertising rate increases of 14.3% and 10.5%, respectively.

In February 1980 Newsweek launched a new monthly advertising edition, *Newsweek Woman*, distributed to selected female subscribers; the new edition commenced publication with an initial circulation rate base of 500,000. Advertising rates for this edition were increased by 11.7% effective with the first issue of 1981.

Internationally, *Newsweek* is published in an Atlantic edition covering the British Isles, Europe, the Middle East and Africa, a Pacific edition covering Japan, Korea, Southeast Asia, Australia and New Zealand, and a Latin American edition introduced during the last half of 1978; all editions are in the English language. Editorial copy of purely domestic interest is eliminated in the international editions and is replaced by other international, business or national coverage primarily of interest abroad.

The average weekly circulation rate base, circulation revenue, advertising pages and gross advertising revenue of *Newsweek's* international editions for the past five years have been as follows:

	Average Weekly Circulation Rate Base	Circulation Revenue	Advertising Pages	Gross Advertising Revenue*
1976	410,000	$ 8,307,000	1,563	$14,797,000
1977	420,000	9,672,000	1,873	18,943,000
1978	430,000	12,620,000	2,136	25,436,000
1979	490,000	15,301,000	2,630	31,840,000
1980	517,000	18,695,000	2,555	34,226,000

* Gross advertising revenues are computed by Rome Reports, Inc. from basic one-time rates and the number of advertising pages carried and therefore exceed actual gross advertising revenues, which reflect lower rates for multiple insertions. Net revenues as reported in the Company's Consolidated Statements of Income also exclude agency fees and cash discounts, which are included in the gross advertising revenues shown above. Page and revenue figures exclude affiliated advertising.

For 1981 the average weekly circulation rate base for *Newsweek's* international editions has been increased to 544,000 copies.

Inside Sports

In September 1979 Newsweek tested the premier issue of a new monthly magazine, *Inside Sports,* and began regular publication in March 1980. *Inside Sports* focuses on the four major professional sports—baseball, football, basketball and hockey—and depending on the mix of stories may feature several "regional" covers per issue, although editorial content does not vary from region to region and one cover each month is "national" in scope. (A "regional" cover is one that highlights a story of special interest to a particular city, metropolitan area or major geographic region.)

Inside Sports, which had an initial circulation rate base of 500,000, has increased its rate base to 550,000 effective April 1981. The magazine is sold on newsstands and through subscription sales derived principally from direct mail promotion. The single-copy price is $2.00 and the cost of a basic one-year subscription is $18.00. In 1980 approximately one-quarter of *Inside Sports'* circulation was derived from subscriptions.

The magazine has a separate editorial and business staff of about 70, although many of its articles are commissioned from freelance writers and *Newsweek* personnel assist with its promotion and circulation activities.

The launching of *Inside Sports* reduced the Company's pre-tax earnings by about $12 million in 1980. The Company anticipates that the losses of *Inside Sports* will be reduced in 1981.

Postal Rate Increases

Approximately 90% of the aggregate domestic circulation of *Newsweek* and *Inside Sports* is delivered to subscribers by second class mail, and substantially all subscriptions are solicited by either first or third class mail. Thus substantial increases in postal rates for these classes of mail have had, and further such increases could have, a material adverse impact on Newsweek's operating income.

Increases in postal rates which took effect on March 22, 1981, will increase Newsweek's postage costs by approximately $1.1 million in 1981 and by an additional $300,000 in 1982, when the increases will be in effect for the full year. The U.S. Postal Service believes that further increases in first-class and third-class postal rates are warranted, so that those rates may rise again in the near future.

In addition to the rate increases that took effect on March 22, the Postal Rate Commission has recommended that publications with second-class mailing privileges be required to pay a surcharge of 3.4

cents per item if they utilize expedited "Red Tag" service. The Governors of the U.S. Postal Service have as yet taken no action on that surcharge because the rate subclass to which the surcharge would apply is not scheduled to come into existence until June 1, 1981. Newsweek and other publications are opposing the creation of a Red Tag subclass and the imposition of any surcharge based thereon in an appeal currently pending before the United States Court of Appeals for the District of Columbia, and as of the date of this report it is unclear whether a Red Tag surcharge will be imposed on June 1, 1981, or thereafter. Newsweek has not determined whether it will utilize expedited service for *Newsweek* if a Red Tag surcharge eventually does take effect; however, if a 3.4-cent surcharge is imposed and if expedited service is used for *Newsweek*, it is estimated that Newsweek's postage costs would be further increased by approximately $4.5 million annually.

Other Newsweek Activities

The Book Division of Newsweek, Inc., publishes two subscription series of books, "Great Museums of the World" and "Wonders of Man". In addition, in 1980 the Book Division published eleven non-fiction titles for the bookstore market. Sales of the Newsweek Book Division accounted for less than 1% of the Company's 1980 operating revenues.

The Newsweek Broadcasting Service (which in early 1981 was renamed Newsweek Video) produces three series of videotaped inserts that are distributed to commercial television stations across the United States: the *Newsweek Feature Service, Today's Woman* and *Cartoon-A-Torial. Feature Service* and *Today's Woman* are produced under contracts with a major television advertiser which pays Newsweek on a fee basis for producing both series. The series are then distributed to participating stations which, in turn, make other time available to the advertiser for spot television advertisements. *Cartoon-A-Torial* is produced for an independent distributor which pays Newsweek for producing the series and which distributes the series to TV stations in exchange for spot television advertising time which the distributor "banks" and makes available to its clients. In 1980 Newsweek Broadcasting, together with Pittsburgh public television station WQED, produced *Cover Story*, a series of three full-length documentary specials for the Public Broadcasting System. The revenues of the Newsweek Broadcasting Service accounted for about 0.5% of the Company's 1980 consolidated operating revenues.

Since 1978 Newsweek and *U.S. News & World Report* have each owned a 24% interest in Publishers Phototype, Inc., of Carlstadt, New Jersey, which offers photocomposition services to a number of magazine and book publishers and which has a contract to provide such services for *Newsweek* magazine through the end of 1985.

Broadcasting

Television

Through wholly owned subsidiaries the Company owns, and with a separate staff operates, four VHF television stations located in Detroit, Michigan (the Company having acquired the Detroit station in June 1978 in exchange for its television station in Washington, D.C.), Miami, Florida, Hartford, Connecticut, and Jacksonville, Florida, which are the 7th, 17th, 26th and 66th largest broadcasting markets in the United States. Each of the Company's stations is affiliated with a national network. Although regulations of the Federal Communications Commission (the "FCC") limit the term of network contracts to two years, such regulations permit successive renewals and each of the Company's television stations has maintained its network affiliation continuously for at least ten years.

The Company's 1980 net operating revenues from television, by category of advertising, were as follows:

National	$42,439,000
Local	31,142,000
Network	6,121,000
Other	478,000
Total	$80,180,000

The following table sets forth certain information with respect to each of the Company's television stations:

Station Location and Year Commercial Operation Commenced	National Market Ranking (a)	Network Affiliation	Expiration Date of FCC License	Expiration Date of Network Contract	Total Commercial Stations in ADI (b) Allocated	Operating
WDIV Detroit, Mich. 1947	7th	NBC	Oct. 1, 1982	Jan. 1, 1982	VHF-4 UHF-6	UHF-4 UHF-3
WPLG Miami, Fla. 1961	17th	ABC	Feb. 1, 1982	April 2, 1983	VHF-4 UHF-8	VHF-4 UHF-3
WFSB Hartford, Conn. 1957	26th	CBS	April 1, 1981	Sept. 10, 1982	VHF-2 UHF-5	VHF-2 UHF-3
WJXT Jacksonville, Fla. 1947	66th	CBS	Feb. 1, 1982	Sept. 29, 1982	VHF-2 UHF-5	VHF-2 UHF-2

(a) Source: 1980/81 ADI Market Rankings, The Arbitron Company, Fall 1980, based on television homes in ADI (see note (b) below).

(b) Area of Dominant Influence ("ADI") is a market designation of Arbitron which defines each television market exclusive of another, based on measured viewing patterns.

In 1980 the broadcasting division formed a wholly owned subsidiary, Post-Newsweek Productions, Inc., to develop, produce and syndicate video properties for conventional television and other video markets such as cablecasting, subscription television and videocassettes. Post-Newsweek Productions, which is headquartered in Los Angeles, has several projects in development and has already commenced the production and syndication of "The Charlie Rose Show," a topical discussion program videotaped daily before a studio audience in Washington, D. C.

Disposition of Washington Stations

For many years prior to 1978 the Company owned and operated two broadcasting stations in Washington, D.C.: television station WTOP-TV, a CBS affiliate, and radio station WTOP. In 1975 the FCC adopted a "cross-ownership" policy and rules (which were upheld by the U.S. Supreme Court in 1978) prohibiting future transfers of broadcast licenses that would result in the common ownership of both a newspaper and a broadcasting station serving the same market. Although those "cross-ownership" rules permitted the Company to continue to own WTOP-TV and WTOP notwithstanding its ownership of *The Washington Post,* the Company nevertheless decided to dispose of its Washington stations in conformity with the Commission's underlying policy.

Accordingly, with the approval of the FCC the Company in June 1978 (a) exchanged WTOP-TV plus \$2 million for an NBC-affiliated television station in Detroit (formerly known as WWJ-TV and now known as WDIV) owned by The Evening News Association and (b) sold radio station WTOP to a subsidiary of The Outlet Company for \$6,675,000, of which \$2 million was received at the time of the sale with the balance payable over the five succeeding years.

Federal Regulation of Broadcasting and Related Matters

The Company's television broadcasting operations are subject to the jurisdiction of the FCC under the Communications Act of 1934, as amended (the "Act"). Under authority of the Act the FCC, among other things, assigns frequency bands for broadcast and other uses; issues, revokes and modifies broadcasting licenses for particular frequencies; determines the location and power of stations and establishes areas to be served; regulates equipment used by stations; and adopts and implements regulations and policies which directly or indirectly affect the ownership, operations and profitability of broadcast stations.

Broadcasting licenses are granted for a maximum period of three years and, upon application, may be renewed for additional three-year terms. All the Company's stations hold regular broadcast licenses from the FCC and each is affiliated with one of the three national television networks.

The FCC is conducting proceedings or considering the adoption of proceedings and new policies dealing with such matters as the legitimate renewal expectancy of an incumbent licensee, the standards to be applied to both contested and non-contested renewal applications and the adverse weight, if any, to be given to multi-station or multi-media or other communications ownership interests; various programming and advertising questions; licensee employment practices; the economic position and practices of the three major networks vis-a-vis program producers and distributors and affiliated stations; satellite-to-home broadcasting; technical and allocations policy questions, such as permitting the allocation of channels for additional regular stations or low power or television translator stations under conditions that could cause electrical interference to and loss of audience and revenues by existing television stations and making available more channels for multi-point distribution services which often provide subscription television programming to various customers; further technical development of UHF television to make the operations of UHF stations technically more comparable to those of VHF television stations; and relaxation or elimination of rules requiring CATV systems to carry the signals of certain local and nearby television stations. In 1980 the FCC voted to repeal the rules which had previously limited the ability of CATV systems to import out-of-market signals, but the effectiveness of that action has been stayed pending judicial review as described below under "Competition". The Company cannot predict the resolution of these various matters although, depending upon their outcome, they could over a period of time affect the Company's revenues from broadcasting either adversely or favorably.

Congressional committees are considering various of the foregoing questions as well as other important substantive and policy changes in the Act. Some of such questions are also the subject of court litigation to which television networks or individual television stations are party.

Production and Raw Materials

The Washington Post is produced at the newspaper's principal place of business and plant in Washington, D.C., and at its satellite printing plant in Fairfax County, Virginia; the Trenton *Times* and all editions of the Everett *Herald* are produced at their plants in Trenton, New Jersey, and Everett, Washington. *Newsweek's* domestic edition is produced in six independent printing plants in the United States; advertising inserts and photo-offset films for the domestic edition are also produced by independent contractors. The international editions of *Newsweek* are printed in England, Switzerland, Australia, Hong Kong, Japan and Daytona Beach, Florida.

In 1980 *The Washington Post* consumed about 177,500 tons* of newsprint purchased from a number of suppliers including Bowater Mersey Paper Company Limited, which supplied approximately 40% of the *Post's* newsprint requirements in 1980 under a contract which extends to 1988. The Company owns 49% of the common shares of Bowater Mersey (the majority interest being held by Bowater Canadian Limited), which has a normal annual production capacity of about 175,000 tons of newsprint and which owns extensive woodlands that provide much of the mill's wood requirements. The contract price of newsprint has risen sharply in recent years, reaching a range of $420-$430 per ton in February 1981. The steeply rising cost of newsprint was further aggravated during 1979 and 1980, when strikes at a number of major Canadian newsprint companies produced severe shortages; several large suppliers of *The Washington Post* were unable to meet their contractual commitments and the newspaper's inventory was

* All references in this report to newsprint tonnage and prices refer to short tons (2,000 pounds) and not to metric tons (2,204.6 pounds) which are often used in newsprint price quotations.

substantially depleted, forcing the *Post* to purchase additional newsprint on the worldwide spot market at prices substantially higher than those paid for newsprint covered by long-term contracts. As of the end of 1980 *The Washington Post* had negotiated increased supply commitments calling for the delivery of approximately 193,000 tons of newsprint during 1981, although the *Post* anticipates that purchases of newsprint on the spot market may still be required from time to time.

The Company has a 30% limited partnership interest in Bear Island Paper Company, which late in 1979 completed construction of a newsprint mill in Doswell, Virginia, about 85 miles south of Washington, D. C. The general partner, which has a 40% interest and manages the mill, is Brant-Allen Industries, Inc., a firm experienced in the construction and operation of similar mills; the other limited partner, also with a 30% interest, is a wholly owned subsidiary of Dow Jones & Company, Inc. Of the approximately $130 million required to construct the mill and provide initial working capital (which amount does not include the cost of acquiring woodlands), the partners have supplied $70 million and the remainder has been borrowed from banks and a Canadian government corporation. The mill produced its first newsprint in December 1979, produced about 114,000 tons in 1980 and is expected to increase its rate of production in 1981. The mill is designed to have an annual newsprint capacity of 175,000 tons when it reaches full production in 1983, of which *The Washington Post* expects to take about 50,000 tons which will represent approximately 25% of the newspaper's projected newsprint requirements in 1983.

In 1980 the Trenton *Times* consumed about 12,500 tons of newsprint supplied by six different suppliers, the largest of which furnished approximately 27% of the newspaper's total requirements, while the Everett *Herald* consumed about 6,700 tons of newsprint supplied by four different suppliers, the largest of which furnished about 35% of the newspaper's total requirements.

The domestic edition of *Newsweek* consumed 40,905 tons of paper in 1980, the bulk of which was purchased from four major suppliers under long-term contracts at negotiated prices. The current cost of body paper (the principal paper component of the magazine) ranges from $724-$773 per ton.

Competition

The Washington Post is the only home-delivered morning paper published daily and on Sunday in Washington, D.C. The *Post* currently competes with one other daily newspaper in Washington which publishes a home-delivered edition on weekday evenings and on Saturday and Sunday mornings and which introduced a weekday morning newsstand edition in July 1979. The *Post* also encounters competition in varying degrees from nationally circulated newspapers and less frequently published local newspapers, as well as from television, radio, magazines and other advertising media. The *Post* is distributed in suburban and outlying areas where it competes with certain newspapers published in nearby counties, cities and towns.

The Trenton *Times* circulates principally in Mercer County, New Jersey, where its chief competitor is a morning tabloid published in Trenton seven days a week. The *Times* is also distributed in nearby counties in New Jersey and Pennsylvania, where its circulation is less than that of newspapers published in those counties. Morning, evening and Sunday newspapers published in New York and Philadelphia are also distributed in the *Times'* principal circulation area but are not significant competitive factors.

The Everett *Herald* circulates principally in Snohomish County, Washington; its chief competitors are the *Seattle Times* and the *Seattle Post-Intelligencer*, which are daily and Sunday newspapers published in Seattle and whose Snohomish County circulation is principally in the southwest portion of the county. In January 1981 those newspapers announced that, subject to the approval of the U.S. Department of Justice, they intend to enter into a joint operating agreement under which they will consolidate their business operations, continue both daily newspapers but combine their Sunday editions. This combined Sunday edition could provide enhanced competition for the Sunday edition which the *Herald* proposes to initiate in 1981. Although its principal circulation is in Snohomish County, the *Herald* is also distributed in three other nearby counties (including King County, where Seattle is located) in which its circulation is less than that of newspapers published in those counties. Numerous weekly and semi-weekly newspapers and shoppers are distributed in the *Herald's* principal circulation area.

According to figures compiled by Publishers' Information Bureau, Inc., of the 105 magazines reported on by the Bureau *Newsweek* ranked third in total advertising revenues in 1980, when it received approximately 5.6% of all advertising revenues of the magazines included in the report. The magazine industry is highly competitive both within itself and with other advertising media which compete for audience and advertising revenue.

The Company's television stations compete for revenues with television and radio stations serving the same or nearby areas and to a lesser degree with other advertising media such as newspapers and magazines. UHF stations are becoming increasingly competitive and additional regular or subscription (pay) UHF stations are being proposed in various of the Company's markets. The FCC has also proposed rules which would allow the licensing of additional VHF television stations, referred to as "short-spaced VHF drop-ins", which would not comply with the Commission's present requirements as to mileage separations between co-channel and adjacent channel stations. If adopted, the proposals would permit the addition of new VHF television stations in the Company's markets, although such stations would have smaller service areas than regular stations. Moreover, licenses to operate low power television stations have been applied for in various of the Company's markets pursuant to interim procedures adopted by the Commission for the granting of such applications, under certain circumstances, pending final adoption of proposed rules authorizing such operations. (These interim procedures are being challenged in court by various parties.) The Company's television stations may also be subject to competition in the future from multi-point distribution services which offer subscription television programming in individual markets and from satellite-to-home broadcast operations which may offer subscription or commercially sponsored programming on a regional or national basis.

In addition, cable television systems ("CATV"), which operate generally on a subscriber payment basis, are expanding their operations in the Company's broadcast markets and compete for television viewing in varying degrees by importing out-of-market television signals and by distributing programming that is originated exclusively for CATV systems. In 1978 the FCC substantially enlarged the exceptions to its rules providing exclusivity with respect to duplicating network broadcast programs imported by CATV systems and that action became effective in April 1980, following judicial review. In July 1980 the FCC voted to repeal in their entirety rules that had previously limited the number and types of out-of-market broadcast signals cable systems could carry and that had required CATV systems under certain circumstances to delete from such signals non-network syndicated programs under exclusive license to local stations. The effectiveness of that action has been stayed by court order pending judicial review in a proceeding in which the Company and other broadcast licensees are participating. Cable distribution of programming originated exclusively for CATV systems, both "pay cable" and to a lesser extent advertiser-supported originations, is expanding rapidly. CATV operations could, over a period of time, adversely affect the Company's revenues from broadcasting. Further, the Company's newspaper interests might be adversely affected in various ways should telephone companies be permitted to distribute news or advertising to home television sets through telephone-system connections, or should CATV systems develop a commercially feasible means for the distribution of locally-originated news and advertising through CATV systems.

The Company's publications and broadcasting stations also compete for readers' and viewers' time with various other leisure-time activities.

The future of publishing and broadcasting depends on a number of factors, including the general strength of the economy, population growth, technological innovations and new entertainment, news and information dissemination systems, overall advertising revenues, their relative efficiency compared to other advertising media and, particularly in the case of broadcasting, the extent and nature of government regulations.

Executive Officers

The executive officers of the Company, each of whom is elected for a one-year term at the meeting of the Board of Directors immediately following the Annual Meeting of Stockholders held in May of each year, are as follows:

Katharine Graham, age 63, has been Chairman of the Board and Chief Executive Officer since 1973. She also served as President of the Company from 1963 to 1973 and from March to November 1977, and as Publisher of *The Washington Post* from 1969 through 1978.

Joel Chaseman, age 55, has been a Vice President of the Company and President of Post-Newsweek Stations, Inc., since 1973.

Martin Cohen, age 49, has been Vice President—Finance and Treasurer of the Company since 1975, prior to which he served for several years as a financial executive of the Company.

Peter A. Derow, age 40, has been President of Newsweek since 1976 except during the period September 1977 to March 1978 when he was Senior Vice President of CBS, Inc. Mr. Derow also has served as Chairman of the Board of Newsweek since January 1980 and as a Vice President of the Company since May 1980.

Alan R. Finberg, age 53, has been Vice President, General Counsel and Secretary of both the Company and Newsweek, Inc., since 1971.

Donald E. Graham, age 35, is a Vice President of the Company and Publisher of *The Washington Post,* having been named to the latter position in January 1979. Prior to that he had been General Manager of *The Washington Post.*

Employees

The Company and its subsidiaries employ approximately 5,400 persons on a full-time basis.

The Washington Post has approximately 2,500 full-time employees, of whom about 1,900 are represented by one or another of nine unions. On September 30, 1975, the *Post's* collective bargaining agreements with eight craft unions representing approximately 1,300 of the *Post's* full-time production employees expired; on October the craft union representing pressmen and stereotypers went on strike and established a picket line which was honored by other production employees. The *Post* missed only one day of publication during the work stoppage, which extended until mid-February 1976, and by the end of February 1976 new contracts had been signed with seven of the eight unions whose agreements had expired in 1975. Contract negotiations had broken off with the union representing the pressmen and stereotypers, and as a result of an election held in March 1977 that union was decertified and the *Post's* pressmen and stereotypers have not since then been union-represented.

In July 1979 the *Post* and a local union of the American Newspaper Guild entered into a new three-year collective bargaining agreement covering the *Post's* 1,200 full-time and part-time Guild-represented employees. Other collective bargaining agreements are currently in effect with locals of the following craft unions covering the following full-time and part-time employees and expiring on the dates indicated: 90 building service employees represented by the Service Employees International Union (December 14, 1981); 30 machinists represented by the International Association of Machinists (January 13, 1982); 230 mailers and 150 mailroom helpers represented by the Mailers Union (February 16, 1982); 54 photoengravers represented by the Graphic Arts International Union (February 20, 1982); 32 engineers, carpenters and painters represented by the International Union of Operating Engineers (February 28, 1982); 34 electricians represented by the International Brotherhood of Electrical Workers (August 14, 1982); and 150 paperhandlers represented by the Printing Specialty and Paper Products Union (September 30, 1982). A collective bargaining agreement covering approximately 560 printers represented by the Columbia Typographical Union expired on September 30, 1979, and a new contract is being negotiated.

It is expected that in 1981 the *Post's* direct wage costs for both union-represented and non-represented employees will exceed its 1980 direct wage costs by approximately $11.4 million.

Of the approximately 320 full-time and 220 part-time employees at the Trenton *Times,* about 70 full-time and 110 part-time employees are represented by unions; the newspaper's collective bargaining agreement with the pressmen's union covering 41 full-time and 51 part-time employees will expire on November 30, 1981, and its agreement with the International Brotherhood of Teamsters covering 22 full-time and 21 part-time truck drivers will expire on December 1, 1982. In November 1980 nine full-time and 37 part-time mailroom employees represented by the International Brotherhood of Teamsters struck during the course of contract negotiations and established a picket line which the drivers, who belong to the same union, refused to cross. The picket line was removed in early February 1981 but was subsequently reestablished on an intermittent basis. The *Times'* drivers are working on those days when the mailroom employees choose not to picket and negotiations over a contract with the mailroom employees are continuing. The *Times* has continued to publish without interruption during this period.

The Everett *Herald* has approximately 220 full-time and 110 part-time employees, of which 80 are represented by unions; the newspaper's collective bargaining agreement with the pressmen's union will expire on April 15, 1982, its agreement with the typographers' union will expire on January 31, 1982, and its agreement with the International Brotherhood of Teamsters, which represents part-time bundle haulers, will expire on May 31, 1981.

Newsweek has approximately 1,500 full-time employees (including 330 full-time editorial staff members in New York), some of whom are represented by the New York Newspaper Guild under a collective bargaining agreement which will expire at the end of 1982. Newsweek has never experienced a strike, although there have been occasional work stoppages by employees of some of its former independent printers which did not materially interfere with the publication of *Newsweek.*

The Company's broadcasting operations have approximately 750 full-time employees, of whom approximately 250 are union-represented. At WDIV in Detroit a new three-year collective bargaining agreement was reached in 1980 covering 15 producers, directors, stage managers and artists. Other contracts at WDIV, which expire in 1981 and 1982, cover 11 stagehands, 65 technicians and 24 performers and reporters. In April 1980 five WDIV projectionists elected to decertify IATSE as their bargaining representative and have not elected a replacement. At WPLG in Miami contracts covering production crew members and technicians expire in 1981 and 1982, respectively, while contracts covering 14 news photographers and 41 announcers, reporters and performers extend into 1983. At WFSB in Hartford an agreement was reached in 1980 covering 50 technicians and engineers, but execution of the contract has been delayed due to a post-negotiation disagreement. No interruption of operations is anticipated as a result of this disagreement. Another contract covering 15 on-air performers at WFSB will expire in 1981. At present there is no union representation at WJXT in Jacksonville.

Item 2. *Properties.*

The Company owns the publishing plant and principal offices of *The Washington Post* in Washington, D. C., including both a seven-story building in use since 1950 and expanded plant facilities and a connected nine-story office building on contiguous property completed in 1972 in which are located the Company's principal executive offices. To accommodate the long-term requirements of *The Washington Post,* in 1980 the Company completed construction of a satellite printing plant on 13 acres of undeveloped land owned by the Company in Fairfax County, Virginia. The Company owns an additional 10 acres of undeveloped land in Montgomery County, Maryland, which is also suitable for the construction of facilities for the assembly and distribution of copies of the *Post* to suburban locations and for the construction of an additional satellite plant for printing all or parts of the newspaper.

The Trenton *Times* owns its plant and office building in Trenton, New Jersey. This two-story building was completed in 1962.

The Everett *Herald* owns its plant and office building in Everett, Washington; completed in 1959, the building was expanded in 1968 and again in 1980. The *Herald* also owns a warehouse adjacent to its plant, and a small office building located in Lynnwood, Washington, from which it manages its southwestern edition.

The principal offices of *Newsweek* are located in the Newsweek Building at 444 Madison Avenue in New York City, where Newsweek rents space on 21 floors. The leases on the space in the Newsweek Building call for aggregate annual rentals of about $3,100,000 and will expire in 1994 but are renewable for a 15-year period at *Newsweek's* option at rentals to be negotiated or arbitrated. *Newsweek's* book, broadcast and circulation divisions occupy space at 477 Madison Avenue in New York City at an annual rental of $560,000 under a lease that will expire in 1989. Subscription fulfillment and computer operations are located in leased facilities in Livingston, N. J.

The principal offices of the Company's broadcasting operations are located in leased space at 1232 Thirty-first Street, N. W., in Washington, D. C. Each of the Company's television stations operates in facilities owned by the Company. A new two-story studio and office building is being constructed for WDIV in downtown Detroit; this building is expected to be completed during 1982 at a total cost (including furnishings and broadcasting equipment) of approximately $13 million. Post-Newsweek Productions maintains leased offices in both Los Angeles and New York City.

Robinson Terminal Warehouse Corporation's facilities at Alexandria, Virginia, are adjacent to the business district and include two wharves and several warehouses, all of which are owned by Robinson. The warehouses occupy approximately seven acres of land. Robinson also owns a partially developed 18-acre tract in Fairfax County, Virginia, adjacent to *The Washington Post's* satellite printing plant, on which are located several warehouses. An additional warehouse, expected to cost about $1.5 million, is being constructed on this property and is scheduled for completion by the end of 1981.

In addition to the foregoing facilities, the Company owns land on the corner of 15th and L Streets, N. W., in Washington, D. C., adjacent to *The Washington Post* plant and office building, which until December 31, 1979, was occupied by a hotel that has since been demolished. The Company has leased this property under a long-term ground lease to The Prudential Insurance Company of America, which has begun construction of a new multi-story office building on the site. The Company plans to rent two floors in this building, which is scheduled for completion in 1982.

Item 3. *Legal Proceedings.*

The Company is a party to various civil lawsuits that have arisen in the ordinary course of its business, including actions for libel and invasion of privacy. In management's opinion the Company carries adequate insurance against liability in such actions and is not a party to any other material litigation.

Item 4. *Security Ownership of Certain Beneficial Owners and Management.*

The information contained under the heading "Stock Holdings of Certain Beneficial Owners and Management" in the definitive Proxy Statement for the Company's May 13, 1981 Annual Meeting of Stockholders is hereby incorporated by reference thereto.

PART II

Item 5. *Market for the Registrant's Common Stock and Related Security Holder Matters.*

The information contained under the heading "Common Stock Prices and Dividends—1980" in the Company's 1980 Annual Report to Stockholders is hereby incorporated by reference thereto.

Item 6. *Selected Financial Data.*

The information contained under the heading "Five-Year Summary of Selected Financial Data" in the Company's 1980 Annual Report to Stockholders is hereby incorporated by reference thereto.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

The information contained under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition" in the Company's 1980 Annual Report to Stockholders is hereby incorporated by reference thereto.

Item 8. ***Financial Statements and Supplementary Data.***

The Company's Consolidated Financial Statements together with the report of Price Waterhouse & Co. thereon appearing on pages 24 through 39 of the Company's 1980 Annual Report to Stockholders, including the information contained in Note M to said Consolidated Financial Statements titled "Summary of Quarterly Operating Results (Unaudited)", are hereby incorporated by reference thereto.

PART III

Item 9. ***Directors and Executive Officers of the Registrant.***

The information contained under the heading "Executive Officers" in Item 1 hereof, and the information contained under the headings "Nominees for Election by Class A Stockholders" and "Nominees for Election by Class B Stockholders" in the definitive Proxy Statement for the Company's May 13, 1981 Annual Meeting of Stockholders, is hereby incorporated by reference thereto.

Item 10. ***Management Remuneration and Transactions.***

The information contained in the first paragraph after the list of nominees under the heading "Nominees for Election by Class B Stockholders" and under the headings "Remuneration of Directors and Executive Officers", "Incentive Compensation Plan" and "Stock Options" in the definitive Proxy Statement for the Company's May 13, 1981 Annual Meeting of Stockholders is hereby incorporated by reference thereto.

PART IV

Item 11. ***Exhibits, Financial Statement Schedules, and Reports on Form 8-K.***

(a) The following documents are filed as part of this report:

(i) Financial Statements

As listed in the index to financial statements on page 18 hereof.

(ii) Exhibits

As listed in the index to exhibits beginning on page 38 hereof.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the last quarter of the period covered by this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on March 27, 1981.

THE WASHINGTON POST COMPANY
(Registrant)

By ALAN R. FINBERG
Alan R. Finberg
Vice President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 27, 1981.

KATHARINE GRAHAM	Chairman of the Board and Director (Principal Executive Officer)	
MARTIN COHEN	Vice President-Finance and Treasurer (Principal Financial and Accounting Officer)	
WARREN E. BUFFETT	Director	
JOEL CHASEMAN	Director	By ALAN R. FINBERG
PETER A. DEROW	Director	Alan R. Finberg
GEORGE J. GILLESPIE, III	Director	Attorney-in-Fact
DONALD E. GRAHAM	Director	
NICHOLAS DEB. KATZENBACH	Director	
MARK J. MEAGHER	Director	
EUGENE MEYER, III	Director	
ARJAY MILLER	Director	
RICHARD M. PAGET	Director	
JOHN W. SWEETERMAN	Director	

Original powers of attorney authorizing Katharine Graham, Alan R. Finberg and Martin Cohen, and each of them, to sign all reports required to be filed by the Registrant pursuant to the Securities Exchange Act of 1934 on behalf of the above-named directors and officers have been filed with the Securities and Exchange Commission.

CONSENTS OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this report on Form 10-K of our report dated February 3, 1981 on the consolidated financial statements of the Washington Post Company (the "Company"), which report is contained in the Company's 1980 Annual Report to Stockholders, and to the application of our report to the financial statement schedules of the Company contained in this report on Form 10-K when such schedules are read in conjunction with the consolidated financial statements contained in the Company's 1980 Annual Report to Stockholders. The examinations referred to in our report included an examination of such financial statement schedules.

We hereby also consent to the incorporation by reference in the Company's Registration Statement on Form S-8 (Registration No. 2-42170) and the Prospectus constituting a part thereof of our report referred to in the preceding paragraph and to the reference to us under the heading "Experts" in such Prospectus.

PRICE WATERHOUSE & CO.

Washington, D. C.
March 27, 1981.

We hereby consent to the incorporation by reference in the Registration Statement of The Washington Post Company on Form S-8 (Registration No. 2-42170) and the Prospectus constituting a part thereof of our report dated January 23, 1981 on the consolidated financial statements of Bowater Mersey Paper Company Limited, which report is contained in this report on Form 10-K.

PEAT, MARWICK, MITCHELL & CO.

Halifax, Nova Scotia
March 27, 1981.

We hereby consent to the incorporation by reference in the Registration Statement of The Washington Post Company on Form S-8 (Registration No. 2-42170) and the Prospectus constituting a part thereof of our report dated January 16, 1981 on the financial statements of Bear Island Paper Company, which report is contained in this report on Form 10-K.

COOPERS & LYBRAND

New York, New York
March 27, 1981.

INDEX TO FINANCIAL STATEMENTS

THE WASHINGTON POST COMPANY

BOWATER MERSEY PAPER COMPANY LIMITED

* Incorporated by reference to the Company's 1980 Annual Report to Stockholders. See Item 8 of this report on Form 10-K.

All other schedules have been omitted either because they are not applicable or because the required information is included in the consolidated financial statements or the notes thereto referred to above.

Financial statements and schedules of The Washington Post Company (unconsolidated) are omitted for the following reasons:

(a) The Company is primarily an operating company and consolidated financial statements of the Company and its subsidiaries are included herein by reference,

(b) The aggregate of the minority interest in a subsidiary and indebtedness of that subsidiary which is held by outside parties is less than 5% of consolidated assets, and

(c) All other subsidiaries included in the consolidated financial statements are wholly owned, with no significant debt that is not guaranteed by the parent.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Partners of
BEAR ISLAND PAPER COMPANY:

We have examined the balance sheets of Bear Island Paper Company (a Virginia limited partnership) as of December 31, 1980 and 1979, and the related statements of operations, partners' equity and loan capital and changes in financial position for the years then ended and for the period May 18, 1978 (date of formation) to December 31, 1978. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above (not shown separately herein) present fairly the financial position of Bear Island Paper Company at December 31, 1980 and 1979, and the results of its operations and the changes in its financial position for the years then ended and for the period May 18, 1978 (date of formation) to December 31, 1978, in conformity with generally accepted accounting principles applied on a consistent basis.

COOPERS & LYBRAND

New York, New York
January 16, 1981.

SCHEDULE III

THE WASHINGTON POST COMPANY

SCHEDULE III—INVESTMENTS IN, EQUITY IN EARNINGS OF, AND DIVIDENDS RECEIVED FROM AFFILIATES

Column A	Column B		Column C		Column D	Column E	
	Balance at beginning of period		Additions		Deductions	Balance at end of period	
Name of issuer and description of investment	Number of shares	Amount	Equity taken up in earnings (losses) of affiliates for the period	Other	Distribution of earnings by affiliates in which earnings (losses) were taken up	Number of shares	Amount
Year ended December 31, 1978							
Bowater Mersey Paper Company Limited							
Common Shares	1,470,000	$13,793,000	$3,511,000	$ 40,000(A)	$1,843,000	1,470,000	$15,501,000
Bear Island Paper Company			140,000	11,017,000(B)			11,157,000
Other investments		1,737,000	965,000	180,000(C)	723,000		2,159,000
		$15,530,000	$4,616,000	$11,237,000	$2,566,000		$28,817,000
Year ended December 30, 1979							
Bowater Mersey Paper Company Limited							
Common Shares	1,470,000	$15,501,000	$4,619,000	$ 16,000(A)	$2,091,000	1,470,000	$18,045,000
Bear Island Paper Company		11,157,000	(2,197,000)	2,700,000(B)			11,660,000
Other investments		2,159,000	558,000	1,000	228,000		2,490,000
		$28,817,000	$2,980,000	$ 2,717,000	$2,319,000		$32,195,000
Year ended December 28, 1980							
Bowater Mersey Paper Company Limited							
Common Shares	1,470,000	$18,045,000	$5,356,000	$ 8,000(A)	$8,248,000	1,470,000	$15,161,000
Bear Island Paper Company		11,660,000	(4,658,000)	7,740,000(B)			14,742,000
Other investments		2,490,000	29,000		245,000		2,274,000
		$32,195,000	$ 727,000	$ 7,748,000	$8,493,000		$32,177,000

(A) Increase in capital surplus.
(B) Investment in newsprint mill joint venture.
(C) Purchase of 24% of common stock of Publishers Phototype, Inc.

THE WASHINGTON POST COMPANY

SCHEDULE V—PROPERTY, PLANT AND EQUIPMENT

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at beginning of period	Additions at cost	Retirements	Other changes add (deduct)	Balance at end of period
Year Ended December 31, 1978					
Plant Assets					
Machinery, equipment and fixtures	$ 54,814,000	$ 4,709,000	$ 971,000	$ 3,927,000 (B)	$ 62,479,000
Leasehold improvements	3,433,000	603,000	53,000		3,983,000
Buildings	41,205,000	226,000	187,000	1,973,000 (C)	43,217,000
Construction in progress	2,403,000	4,643,000		(3,515,000)(A)	3,531,000
Land	9,175,000		216,000	338,000 (D)	9,297,000
	111,030,000	10,181,000	1,427,000	2,723,000	122,507,000
Other Assets					
Building	1,169,000		349,000		820,000
Land	2,955,000		245,000		2,710,000
	4,124,000		594,000		3,530,000
	$115,154,000	$10,181,000	$2,021,000	$ 2,723,000	$126,037,000
Year Ended December 30, 1979					
Plant Assets					
Machinery, equipment and fixtures	$ 62,479,000	$ 4,110,000	$1,859,000	$ 4,743,000 (E)	$ 69,473,000
Leasehold improvements	3,983,000	693,000	12,000		4,664,000
Buildings	43,217,000	230,000	114,000	443,000 (F)	43,776,000
Construction in progress	3,531,000	29,460,000		(6,399,000)(A)	26,592,000
Land	9,297,000	239,000	202,000	793,000 (G)	10,127,000
	122,507,000	34,732,000	2,187,000	(420,000)	154,632,000
Other Assets					
Building	820,000	336,000	820,000		336,000
Land	2,710,000	416,000			3,126,000
	3,530,000	752,000	820,000		3,462,000
	$126,037,000	$35,484,000	$3,007,000	$ (420,000)	$158,094,000
Year Ended December 28, 1980					
Plant Assets					
Machinery, equipment and fixtures	$ 69,473,000	$10,343,000	$1,096,000	$43,490,000 (E)	$122,210,000
Leasehold improvements	4,664,000	955,000	121,000	433,000 (E)	5,931,000
Buildings	43,776,000	2,909,000	3,345,000	29,059,000 (E)	72,399,000
Construction in progress	26,592,000	53,808,000		(72,984,000)(A)	7,416,000
Land	10,127,000	1,021,000	91,000	2,000 (E)	11,059,000
	154,632,000	69,036,000	4,653,000		219,015,000
Other Assets					
Building	336,000				336,000
Land	3,126,000				3,126,000
	3,462,000				3,462,000
	$158,094,000	$69,036,000	$4,653,000		$222,477,000

(A) Completed construction transferred to related accounts.

(B) Includes $2,430,000 applicable to completed construction transferred from related accounts, $1,928,000 of assets acquired in purchase of newspaper and $225,000 transferred from a joint venture, less $656,000 applicable to assets of radio station sold.

(C) Includes $808,000 applicable to completed construction transferred from related accounts and $1,334,000 of assets acquired in purchase of newspaper, less $169,000 applicable to assets of radio station sold.

(D) Includes $244,000 applicable to purchase of a newspaper and $114,000 transferred from a joint venture, less $20,000 applicable to the sale of a radio station.

(E) Consists of completed construction transferred from related accounts.

(F) Includes $1,056,000 applicable to completed construction transferred from related accounts and a reclassification of $613,000 to land.

(G) Includes $180,000 applicable to completed construction transferred from related accounts and a reclassification of $613,000 from buildings.

THE WASHINGTON POST COMPANY

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

Column A	Column B	Column C	Column D	Column E	Column F
		Additions			
Description	Balance at beginning of period	Charged to costs and expenses	Retirements	Other changes	Balance at end of period
Year Ended December 31, 1978					
Plant Assets					
Machinery, equipment and fixtures	$32,037,000	$5,086,000	$ 964,000	$1,078,000(A)	$37,237,000
Leasehold improvements	2,330,000	397,000	41,000		2,686,000
Buildings	13,187,000	1,119,000	5,000	609,000(B)	14,910,000
	47,554,000	6,602,000	1,010,000	1,687,000	54,833,000
Other Assets					
Building	625,000	200,000	52,000		773,000
	$48,179,000	$6,802,000	$1,062,000	$1,687,000	$55,606,000
Year Ended December 30, 1979					
Plant Assets					
Machinery, equipment and fixtures	$37,237,000	$6,099,000	$1,590,000		$41,746,000
Leasehold improvements	2,686,000	437,000	—		3,123,000
Buildings	14,910,000	1,145,000	26,000		16,029,000
	54,833,000	7,681,000	1,616,000		60,898,000
Other Assets					
Building	773,000	59,000	821,000		11,000
	$55,606,000	$7,740,000	$2,437,000		$60,909,000
Year Ended December 28, 1980					
Plant Assets					
Machinery, equipment and fixtures	$41,746,000	$8,189,000	$ 918,000		$49,017,000
Leasehold improvements	3,123,000	222,000	110,000		3,235,000
Buildings	16,029,000	1,369,000	2,744,000		14,654,000
	60,898,000	9,780,000	3,772,000		66,906,000
Other Assets					
Building	11,000	34,000			45,000
	$60,909,000	$9,814,000	$3,772,000		$66,951,000

(A) Includes $1,403,000 related to assets of newspaper acquired net of $324,000 related to assets of radio station sold.

(B) Includes $762,000 related to assets of newspaper acquired net of $153,000 related to assets of radio station sold.

THE WASHINGTON POST COMPANY

SCHEDULE VIII—VALUATION ACCOUNTS AND RESERVES

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at beginning of period	Charged to costs and expenses	Other	Deductions	Balance at end of period
Year ended December 31, 1978					
Allowance for doubtful accounts and returns	$4,450,000	$15,789,000	$ 75,000	$15,475,000	$4,839,000
Allowance for advertising rate adjustments and discounts	1,928,000	3,513,000	3,000	3,375,000	2,069,000
	6,378,000	19,302,000	78,000	18,850,000	6,908,000
Other	50,000				50,000
	$6,428,000	$19,302,000	$ 78,000	$18,850,000	$6,958,000
Year ended December 30, 1979					
Allowance for doubtful accounts and returns	$4,839,000	$18,293,000	$(60,000)	$18,005,000	$5,067,000
Allowance for advertising rate adjustments and discounts	2,069,000	3,901,000	(2,000)	3,170,000	2,798,000
	6,908,000	22,194,000	(62,000)	21,175,000	7,865,000
Other	50,000				50,000
	$6,958,000	$22,194,000	$(62,000)	$21,175,000	$7,915,000
Year ended December 28, 1980					
Allowance for doubtful accounts and returns	$5,067,000	$24,081,000		$22,155,000	$6,993,000
Allowance for advertising rate adjustments and discounts	2,798,000	5,916,000		6,026,000	2,688,000
	7,865,000	29,997,000		28,181,000	9,681,000
Other	50,000				50,000
	$7,915,000	$29,997,000		$28,181,000	$9,731,000

THE WASHINGTON POST COMPANY

SCHEDULE X—SUPPLEMENTARY INCOME STATEMENT INFORMATION

Column A	Column B		
	Charged to costs and expenses year ended		
Description	December 31, 1978	December 30, 1979	December 28, 1980
Maintenance and repairs	$2,789,000	$3,207,000	$ 3,698,000
Amortization of goodwill and other intangibles	1,450,000	1,531,000	1,552,000
Taxes other than payroll and income taxes	2,252,000	2,704,000	2,847,000
Royalties, primarily amortization of film costs	4,011,000	5,509,000	9,253,000
Advertising	4,868,000	9,253,000	12,286,000

REPORT OF INDEPENDENT CHARTERED ACCOUNTANTS

To the Washington Post Company

We have examined the consolidated balance sheets of Bowater Mersey Paper Company Limited and Subsidiary Companies as at December 31, 1980 and 1979 and the consolidated statements of income and retained earnings, changes in financial position and changes in contributed surplus and capital redemption reserve for each of the years in the three year period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Bowater Mersey Paper Company Limited and Subsidiary Companies as at December 31, 1980 and 1979 and the results of their operations and the changes in their financial position for each of the years in the three year period ended December 31, 1980, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for investment tax credits as explained in the notes to the consolidated financial statements, on a consistent basis. The supporting schedules, which we examined, in our opinion, present fairly the information set forth therein.

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Halifax, Nova Scotia
January 23, 1981

BOWATER MERSEY PAPER COMPANY LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Stated in thousands of Canadian Dollars)

ASSETS

	December 31 1980	December 31 1979 (Restated)
Current assets:		
Accounts receivable:		
Affiliates, principally trade	$16,947	$17,934
Other	2,342	2,597
	19,289	20,531
Inventories, at the lower of cost or net realizable value (note 3)	7,987	7,029
Other current assets (note 5)	1,629	78
Total current assets	28,905	27,638
Fixed assets (note 4):		
Properties, timberlands, plant and equipment, at cost	90,256	85,280
Less accumulated depreciation and depletion	54,270	53,069
	35,986	32,211
Deferred charges (note 6)	89	100
	$64,980	$59,949

LIABILTIES AND SHAREHOLDERS' EQUITY

	December 31 1980	December 31 1979 (Restated)
Current liabilities:		
Bank loans and overdrafts (note 12)	$ 3,201	$ 1,716
Accounts payable and accrued liabilities (note 7)	7,022	6,308
Income taxes payable	4,192	348
Payables to affiliates	8,261	69
Dividends payable	—	21
Total current liabilities	22,676	8,462
Reserves for equalization of future taxation and special depreciation	7,110	7,974
Shareholders' equity (notes 9 and 10):		
Capital stock:		
5½% cumulative redeemable preferred shares, par value $50 per share	—	1,434
Common shares of no par value. Authorized and issued 3,000,000 shares	15,000	15,000
	15,000	16,434
Contributed surplus	1,028	1,008
Capital redemption reserve	—	51
Retained earnings	19,166	26,020
Total shareholders' equity	35,194	43,513
	$64,980	$59,949

See accompanying notes to consolidated financial statements.

BOWATER MERSEY PAPER COMPANY LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(Stated in thousands of Canadian Dollars)

	Year ended December 31		
	1980	1979 (Restated)	1978 (Restated)
Sales (including export sales to affiliates, 1980—$71,498; 1979—$62,938; 1978—$61,014)	$83,688	$73,532	$68,318
Cost of goods sold, excluding depreciation and amortization	48,148	41,972	39,146
Gross profit before depreciation and amortization	35,540	31,560	29,172
Shipping, selling and administrative expenses	12,385	11,107	10,002
Depreciation	2,800	3,529	3,459
	15,185	14,636	13,461
Operating income	20,355	16,924	15,711
Other income	492	92	62
	20,847	17,016	15,773
Other charges:			
Interest on loans and advances	1,587	1,076	374
Amortization of other assets	(57)	(22)	(23)
	1,530	1,054	351
Income before provision for income taxes	22,377	18,070	16,124
Provision for income taxes:			
Current	10,093	5,688	6,572
Deferred	(864)	1,094	(6)
	9,229	6,782	6,566
Net income	13,148	11,288	9,558
Retained earnings, at beginning of year:			
As previously reported	24,818	18,624	14,435
Adjustment for change in accounting for investment tax credit (note 2)	1,202	490	286
As restated	26,020	19,114	14,721
Dividends paid or declared:			
Preferred shares	53	90	114
Common shares	20,000	5,000	4,500
	20,053	5,090	4,614
	5,967	14,024	10,107
Transfer (to) from capital redemption reserve on cancellation of preferred shares, net	51	708	(551)
	6,018	14,732	9,556
Retained earnings, at end of year	$19,166	$26,020	$19,114

See accompanying notes to consolidated financial statements.

BOWATER MERSEY PAPER COMPANY LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(Stated in thousands of Canadian Dollars)

	Year ended December 31		
	1980	1979 (Restated)	1978 (Restated)
Funds provided:			
From operations:			
Net income	$13,148	$11,288	$9,558
Add (deduct) amounts included which have no effect on funds:			
Depreciation	2,800	3,529	3,459
Depletion of timberlands	255	303	332
Amortization of other assets	57	22	23
Deferred taxes	(864)	1,094	(6)
Funds provided from operations	15,396	16,236	13,366
Proceeds from disposal of assets	362	51	98
Total funds provided	$15,758	$16,287	$13,464
Funds used:			
Dividends	$20,053	$ 5,090	$ 4,614
Additions to fixed assets and growing timber	7,238	7,872	3,660
Redemption of preferred shares	1,414	222	458
Total funds used	28,705	13,184	8,732
Increase (decrease) in working capital	$(12,947)	$ 3,103	$ 4,732
Changes in composition of working capital:			
Increase (decrease) in current assets:			
Accounts receivable	$ (1,241)	$(1,923)	$ 8,591
Inventories	958	922	(22)
Other current assets	1,551	(146)	(22)
	1,268	(1,147)	8,547
(Increase) decrease in current liabilities:			
Bank loans and overdrafts	(1,486)	2,989	(3,787)
Accounts payable and accrued liabilities	(714)	(1,166)	(508)
Payables to affiliates	(8,191)	(13)	1
Income taxes payable	(3,845)	2,430	477
Dividends payable	21	10	2
	(14,215)	4,250	(3,815)
Increase (decrease) in working capital	$(12,947)	$ 3,103	$ 4,732

See accompanying notes to consolidated financial statements.

BOWATER MERSEY PAPER COMPANY LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CHANGES IN CONTRIBUTED SURPLUS AND CAPITAL REDEMPTION RESERVE

(Stated in thousands of Canadian Dollars)

	Year ended December 31		
	1980	**1979**	**1978**
Contributed surplus:			
Balance at beginning of year	$1,008	$ 970	$877
Gain on redemption of preferred shares	20	38	93
Balance at end of year	$1,028	$1,008	$970
Capital redemption reserve:			
Balance at beginning of year	$ 51	$ 759	$208
Transfer from retained earnings on cancellation of preferred shares	—	260	551
	51	1,019	759
Transfer to retained earnings on reduction of preferred capital	51	968	—
Balance at end of year	$ —	$ 51	$759

See accompanying notes to consolidated financial statements.

BOWATER MERSEY PAPER COMPANY LIMITED AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts Stated in Canadian Dollars)

1. **Significant accounting policies**

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Bowater Mersey Paper Company Limited and its subsidiaries (the Company). All material inter-company items have been eliminated in consolidation.

Transactions with Affiliates

The accounts include sales of finished goods to a United States affiliate. A significant portion of that tonnage was resold to The Washington Post Company. In addition, Bowater Canadian Limited and its United States affiliate charge the Company for administrative expenses incurred on the Company's behalf. Allocations are made on a basis varying with the nature of the expense. Further, interest is paid to or credit is received from an affiliate on certain outstanding inter-company balances.

Foreign Currency

Assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the rates of exchange prevailing at the end of the respective fiscal years. The resultant gains or losses are reflected in the income.

Inventories

Inventories are stated at the lower of cost or net realizable value.

Growing Timber

The acquisition costs of timberlands and cutting rights are capitalized. Such costs are charged against revenue as the timber is harvested.

Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation and amortization. The Company utilizes the group method of depreciation. On normal disposals of assets the cost of the asset is removed from the accounts and the difference between this amount and the related amount of sales proceeds is charged to accumulated depreciation. Mill site structures and equipment are depreciated on a straight-line basis at 5% per annum. Other fixed assets are depreciated or amortized on a reducing balance basis at rates varying from 5% to 50%.

Income Taxes

The statutory tax rate applicable to the company is 44.5%.

Deferred income taxes are provided for all significant timing differences in reporting income and expenses for financial statements and tax purposes. The timing differences arise from differences in accounting and tax depreciation, and investment tax credits.

The company utilizes a variation of the flow-through method in accounting for investment tax credits. A portion of the investment tax credits that becomes available is deferred and is reflected in income over the estimated useful lives of the applicable assets to offset the taxes caused by the non-deductibility for tax purposes of the depreciation of part of the cost of those assets. The balance of the investment tax credits that become available reduce the taxation expense of the current year.

(Amounts Stated in Canadian Dollars)

2. **Change in method of accounting for investment tax credit**

In 1980, the Company changed its method of accounting for investment tax credits to the method described in note 1. Previously, the benefit arising from the reduction of income taxes relating to the investment tax credit on eligible fixed asset additions was deferred and reflected in operations over the estimated useful lives of the applicable assets. The cumulative amount of the deferred investment tax credit was carried on the balance sheet under the caption "Deferred income taxes". The effect of this change in accounting principle is to increase net income for the years ended December 31, 1980, 1979 and 1978 by $569,000, $712,000, and $204,000 respectively. Retained earnings at January 1, 1978 have been adjusted to reflect the cumulative effect ($286,000) of the change for the years prior to 1978.

Under U.S. generally accepted accounting principles, the cumulative effect of this change, $1,202,000, would have been included in net income for 1980; thus net income for 1980 would have been reported as $14,350,000. Net income reported on a pro forma basis under U.S. generally accepted accounting principles would have been equal to the net income reported in the Statement of Income.

3. **Inventories (in thousands)**

	December 31,		
	1980	1979	1978
Raw materials and supplies	$6,278	$5,608	$3,216
Woods operations	1,500	1,204	2,601
Newsprint rolls	209	217	290
	$7,987	$7,029	$6,107

4. **Fixed assets, at cost (in thousands)**

	December 31,	
	1980	1979
Freehold land, buildings, docks and dams	$17,335	$16,909
Plant and equipment	59,610	56,856
Timberlands and woods equipment	13,311	11,515
	$90,256	$85,280

5. **Other current assets (in thousands)**

	December 31,	
	1980	1979
Accrued investment tax credit	$1,178	$ —
Insurance claim receivable	300	$ —
Prepaid expenses	151	78
	$1,629	$ 78

6. **Deferred charges (in thousands)**

	December 31,	
	1980	1979
Prepayment of power substation rental	$ 89	$ 100

The prepayment of power substation rental is being amortized in equal annual amounts to 1988.

BOWATER MERSEY PAPER COMPANY LIMITED AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Amounts Stated in Canadian Dollars)

7. **Accounts payable and accrued liabilities (in thousands)**

	December 31, 1980	December 31, 1979
Trade payables	$ 4,885	$ 4,535
Accrued salaries and wages	403	289
Accrued vacation benefits	1,734	1,484
	$ 7,022	$ 6,308

8. **Income taxes and tax timing differences (in thousands)**

The deferred tax expense was as follows:

	Year ended December 31, 1980	1979	1978
Excess of tax over financial depreciation	$(1,246)	$ 465	$(184)
Investment tax credit	382	629	178
	$ (864)	$1,094	$ (6)

The reconciliation of the tax provision as computed at the statutory rate and as presented in the Statement of Income is as follows:

	Year ended December 31, 1980	1979	1978
Statutory Tax Rate	44.5%	42.0%	42.0%
Effect of Investment Tax Credit	(3.3)	(4.5)	(1.3)
Effective Tax Rate	41.2%	37.5%	40.7%

9. **Capital**

Preferred Shares

The Company received confirmation from the Supreme Court of Nova Scotia during 1980 of its reduction in capital by cancellation of all of the remaining 29,718 shares of the authorized 5½% cumulative redeemable preferred shares of a par value of $50.00 each.

Common Shares

The common shares of no par value are owned by Bowater Canadian Limited (51%) and The Washington Post Company (49%).

10. **Contributed surplus**

At December 31, 1980 contributed surplus was comprised of $767,000 in credits from the redemption of preferred shares purchased by the Company at less than par value ($747,000 at December 31, 1979), and $261,000 contributed by a shareholder to improve the capital position ($261,000 at December 31, 1979).

11. **Pension plan**

The Company has a contributory trusteed pension plan covering substantially all its employees. Based on the most recent independent actuarial report, the single sum liability for unfunded pension benefits is estimated at $5,177,000.

This liability is being funded over a period of up to 15 years. Total pension expenses amounted to $1,425,000, $1,553,000 and $1,260,000 for the three years ended December 31, 1980, 1979 and 1978, respectively.

The plan is integrated with the Canada Pension Plan of the Government of Canada whose annual cost to the Company is approximately $188,000.

BOWATER MERSEY PAPER COMPANY LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Concluded)
(Amounts Stated in Canadian Dollars)

12. **Supplementary information in respect of short-term borrowing**

	December 31, 1980	1979	1978
Highest amount (as of a month end) outstanding	$1,300,000	$1,200,000	$1,600,000
The average aggregate outstanding	131,420	305,205	234,658
Average annual interest rate	14.90%	12.96%	9.82%
Approximate aggregate weighted average interest rate	13.91%	12.91%	9.55%

At December 31, 1980, the outstanding balance was nil and the approved line of credit was $9,450,000.

13. **Commitments**

At December 31, 1980, commitments in respect of orders placed on capital accounts were estimated to amount to $619,000.

The Company has sold forward United States dollars in the aggregate of $85,000,000, maturing in approximately equal monthly amounts through June 30, 1982.

SCHEDULE V

BOWATER MERSEY PAPER COMPANY LIMITED AND SUBSIDIARY COMPANIES

SCHEDULE V—PROPERTIES, TIMBERLANDS, PLANT AND EQUIPMENT

Year ended December 31, 1980

(Stated in thousands of Canadian Dollars)

	Balance at Beginning of Period	Additions at cost	Disposals at cost	Balance at End of Period
Freehold land	$ 219	$ —	$ —	$ 219
Buildings, docks and dams	16,690	426	—	17,116
Plant and equipment	56,800	4,553	1,864	59,489
Timberlands	8,737	395		9,132
Woods equipment	2,834	1,798	332	4,300
	$85,280	$7,172	$2,196	$90,256

Year ended December 31, 1979

(Stated in thousands of Canadian Dollars)

	Balance at Beginning of Period	Additions at cost	Disposals at cost	Balance at End of Period
Freehold land	$ 203	$ 16	$ —	$ 219
Buildings, docks and dams	16,087	607	4	16,690
Plant and equipment	51,060	6,083	343	56,800
Timberlands	8,162	577	2	8,737
Woods equipment	2,291	665	122	2,834
	$77,803	$7,948	$ 471	$85,280

Year ended December 31, 1978

(Stated in thousands of Canadian Dollars)

	Balance at Beginning of Period	Additions at cost	Disposals at cost	Balance at End of Period
Freehold land	$ 182	$ 21	$ —	$ 203
Buildings, docks and dams	15,766	378	57	16,087
Plant and equipment	48,582	2,675	197	51,060
Timberlands	7,811	391	40	8,162
Woods equipment	1,956	392	57	2,291
	$74,297	$3,857	$ 351	$77,803

BOWATER MERSEY PAPER COMPANY LIMITED AND SUBSIDIARY COMPANIES

SCHEDULE VI—ACCUMULATED DEPRECIATION AND DEPLETION OF BUILDINGS, DOCKS, DAMS, PLANT, EQUIPMENT, TIMBERLANDS AND WOODS EQUIPMENT

Year ended December 31, 1980

(Stated in thousands of Canadian Dollars)

	Balance at Beginning of Period	Depreciation and Depletion	Deductions for Sales	Balance at End of Period
Buildings, docks and dams and plant and equipment	$45,800	$2,229	$1,763	$46,266
Timberlands	5,602	255	—	5,857
Woods Equipment	1,667	571	91	2,147
	$53,069	$3,055	$1,854	$54,270

Year ended December 31, 1979

(Stated in thousands of Canadian Dollars)

	Balance at Beginning of Period	Depreciation and Depletion	Deductions for Sales	Balance at End of Period
Buildings, docks and dams and plant and equipment	$42,939	$3,248	$ 387	$45,800
Timberlands	5,302	300	—	5,602
Woods equipment	1,329	338	—	1,667
	$49,570	$3,886	$ 387	$53,069

Year ended December 31, 1978

(Stated in thousands of Canadian Dollars)

	Balance at Beginning of Period	Depreciation and Depletion	Deductions for Sales	Balance at End of Period
Buildings, docks and dams and plant and equipment	$39,675	$3,269	$ 5	$42,939
Timberlands	4,985	317	—	5,302
Woods equipment	1,162	190	23	1,329
	$45,822	$3,776	$ 28	$49,570

SCHEDULE VIII

BOWATER MERSEY PAPER COMPANY LIMITED AND SUBSIDIARY COMPANIES

SCHEDULE VIII—VALUATION ACCOUNTS AND RESERVES

	Balance at beginning of Period	Additions (1) Charged to costs and expenses	Additions (2) Charged to other accounts	Deductions	Balance at end of period
1980:					
Provision for inactive stores	$190	$ (6)	$ —	$ —	$184
Allowance for doubtful accounts	4	—	—	—	4
	$194	$ (6)	$ —	$ —	$188
1979:					
Provision for inactive stores	$152	$ 38	$ —	$ —	$190
Allowance for doubtful accounts	4	—	—	—	4
	$156	$ 38	$ —	$ —	$194
1978:					
Provision for inactive stores	$152	$ —	$ —	$ —	$152
Allowance for doubtful accounts	24	(20)	—	—	4
	$176	$(20)	$ —	$ —	$156

SCHEDULE XVI

BOWATER MERSEY PAPER COMPANY LIMITED AND SUBSIDIARY COMPANIES

SCHEDULE XVI—SUPPLEMENTARY INCOME STATEMENT INFORMATION

(Stated in thousands of Canadian Dollars)

	Year ended December 31		
	1980	1979	1978
Maintenance and repairs:			
Cost of goods sold	$5,177	$4,609	$4,264
Taxes, other than payroll and income taxes:			
Real estate:			
Cost of goods sold	$ 286	$ 263	$ 289
Other	934	776	670
	$1,220	$1,039	$ 959
Rents:			
Cost of goods sold	$ 398	$ 522	$ 658

Charges for royalties, advertising costs and research and development costs were less than one per cent of sales during the periods.

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	—Restated Certificate of Incorporation of the Company as filed on June 22, 1971 (incorporated by reference to Exhibit 3.2 to Registration Statement No. 2-40389).
3.2	—Certificate of Amendment to the Company's Restated Certificate of Incorporation as filed on December 15, 1976 (incorporated by reference to Exhibit 1 to the Company's Report on Form 8-K for December 1976).
3.3	—Certificate of Amendment to the Company's Restated Certificate of Incorporation as filed on December 29, 1978 (incorporated by reference to Exhibit 1 to the Company's Report on Form 8-K for December 1978).
3.4	—By-Laws of the Company as amended to June 8, 1971 (incorporated by reference to Exhibit 3.4 to Registration Statement No. 2-40389).
4.	—Specimens of common stock certificates (incorporated by reference to Exhibit 4.1 to Registration Statement No. 2-40389).
10.1	—Memorandum of Agreement dated February 21, 1963, between the Company and The Bowater Corporation of North America Limited, relating to the sale of shares in Bowaters Mersey Paper Company Limited (incorporated by reference to Exhibit 13.32 to Registration Statement No. 2-40389).
10.2	—Note Agreement dated May 1, 1968, between the Company and The Prudential Insurance Company of America, as amended October 16, 1969, November 14, 1969, January 6, 1970, December 4, 1970, December 8, 1970 and March 8, 1971 (regarding 6.95% Promissory Notes) (incorporated by reference to Exhibit 4.2 to Registration Statement No. 2-40389).
10.3	—Amendment dated May 25, 1971, to Note Agreement with The Prudential Insurance Company of America (Exhibit 10.2) (incorporated by reference to Exhibit 4.3 to Registration Statement No. 2-40389).
10.4	—Amendments dated July 14, 1971 and January 6, 1972, to Note Agreement with The Prudential Insurance Company of America (Exhibit 10.2) (incorporated by reference to Exhibits 2.1 and 2.2 to the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 1972).
10.5	—Letter dated July 22, 1974, to the Company from The Prudential Insurance Company of America waiving the provisions of the Loan Agreement dated May 1, 1968 (Exhibit 10.2), as amended, to the extent necessary to permit the Company to issue its promissory note in part payment of the purchase price for the outstanding capital stock of the Trenton Times Corporation (incorporated by reference to Exhibit 19 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1974).
10.6	—Letter dated December 15, 1978, to the Company from The Prudential Insurance Company of America waiving the provisions of the Note Agreement dated May 1, 1968 (Exhibit 10.2), as amended, to the extent necessary to permit the Company to borrow under the revolving credit agreement dated January 2, 1979 (Exhibit 10.10) (incorporated by reference to Exhibit 2(b) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1978).
10.7	—Letters to the Company from The Prudential Insurance Company of America dated March 30, 1973, October 3, 1975, July 26, 1978, February 21, 1980, May 13, 1980, May 28, 1980, and November 21, 1980, amending or waiving certain provisions of the Loan Agreement dated May 1, 1968 (Exhibit 10.2).
10.8	—Limited Partnership Agreement dated May 18, 1978, among Brant-Allen Industries, Inc., Dow Jones Virginia Company, Inc., and Newsprint, Inc., creating a limited partnership known as Bear Island Paper Company for the purpose of constructing and operating a newsprint mill in Hanover County, Virginia (incorporated by reference to Exhibit 3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1978).
10.9	—Exchange Agreement dated January 17, 1978, between The Evening News Association and Post-Newsweek Stations, Capital Area, Inc., relating to exchange of station WTOP-TV (Washington, D. C.) for station WWJ-TV (Detroit, Michigan) (incorporated by reference to Exhibit 7 to the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 1978).

Exhibit Number	Description
10.10	—Revolving Credit Agreement dated as of January 2, 1979, between the Company and the banks named in Section 1.01(a) thereof (incorporated by reference to Exhibit 2(a) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1978).
10.11	—Agreement of Amendment dated as of March 12, 1980, Waivers dated as of May 28, 1980, and Second Agreement of Amendment dated as of November 30, 1980, each relating to the Revolving Credit Agreement dated as of January 2, 1979 (Exhibit 10.10).
10.12	—Indenture of Lease between Oestreicher Madison Corporation and Newsweek, Inc. dated December 17, 1958, and certain leases and other documents related thereto dated, respectively, July 1, 1960, August 3, 1964, April 12, 1965, August 2, 1966, August 3, 1966, August 4, 1966, November 4, 1966, March 28, 1968 (four documents), August 1, 1969 (two documents), October 15, 1969, and December 30, 1969, each relating to premises at 444 Madison Avenue, New York, New York (incorporated by reference to Exhibit 13.21 to Registration Statement No. 2-40389).
10.13	—Certain leases and other documents dated, respectively, May 25, 1959, July 1, 1960, January 9, 1961, October 29, 1962 (two documents), July 1, 1965, October 30, 1966, October 31, 1966, March 28, 1968, March 29, 1971, August 30, 1976, December 1, 1976, October 27, 1977, April 4, 1978, April 19, 1978, July 19, 1979, January 24, 1980, April 3, 1980 (two documents), and July 18, 1980, each relating to premises at 444 Madison Avenue, New York, New York, and the Indenture of Lease dated December 17, 1958 (Exhibit 10.12).
10.14	—Agreement dated December 14, 1978, between the Company and The Prudential Insurance Company of America with respect to the lease by the Company to Prudential of certain real property owned by the Company in Washington, D.C., and the development of such property by Prudential (incorporated by reference to Exhibit 4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1978).
10.15	—Directors and officers liability insurance policy effective November 3, 1978.
10.16	—The Washington Post Company Incentive Compensation Plan (adopted January 9, 1974) (incorporated by reference to Exhibit 3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1974).
10.17	—The Washington Post Company Stock Option Plan as amended through December 16, 1980, and revised form of non-qualified stock option.
10.18	—Employment Agreement dated December 31, 1979, among Joel Chaseman, the Company, and Post-Newsweek Stations, Inc.
10.19	—Agreement dated September 16, 1980, between Mark J. Meagher and the Company with respect to the termination of Mr. Meagher's employment.
11.	—Calculation of earnings per share of common stock.
13.	—The Company's 1980 Annual Report to Stockholders (furnished for the information of the Securities and Exchange Commission only and not to be deemed filed as part of this Annual Report on Form 10-K except for the portions thereof which are specifically incorporated herein by reference).
22.	—List of Subsidiaries of the Company.