

The Washington Post Company
Annual Report 1984



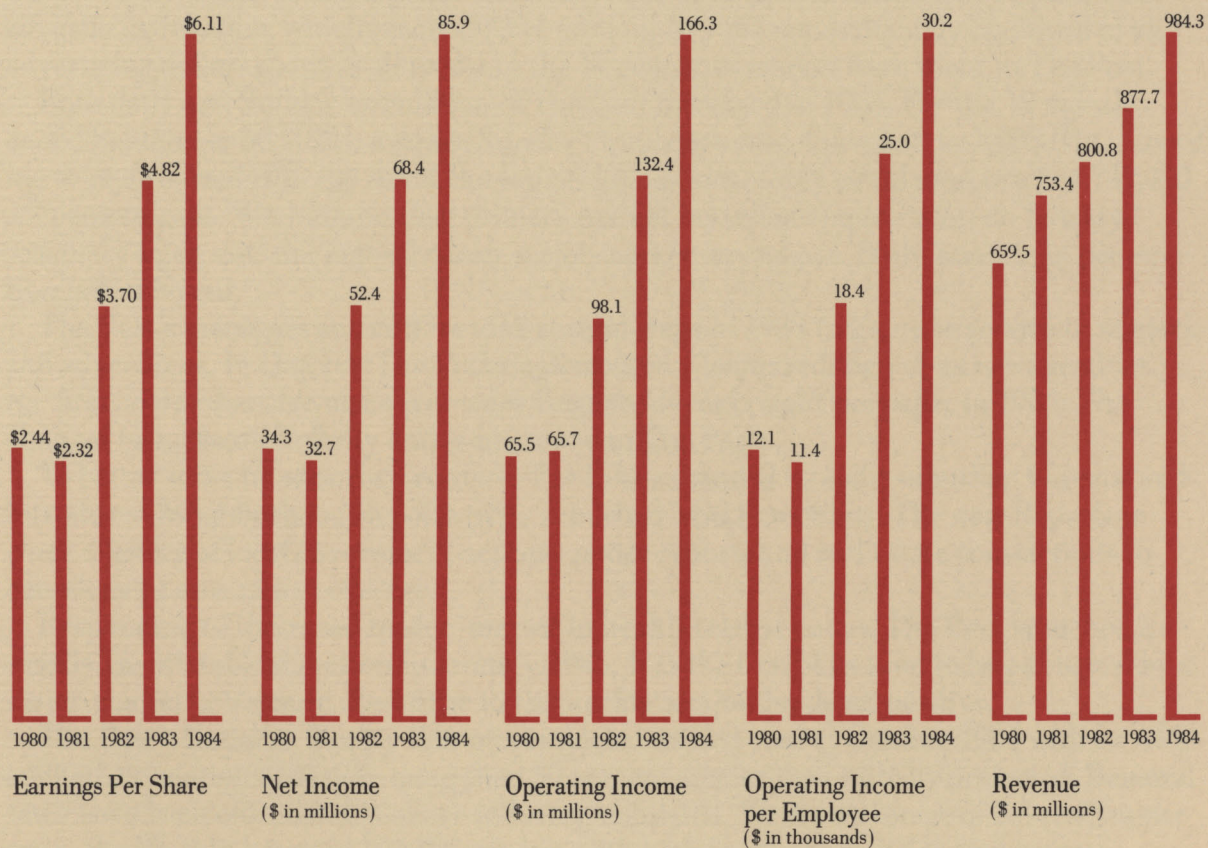
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A special section of the annual report, beginning on page 10, describes how The Washington Post Company capitalized on its diverse and unique capabilities to cover the 1984 presidential election campaign. On the cover: Newsweek White House correspondent Thomas M. DeFrank at a Reagan rally in Sacramento.

FINANCIAL HIGHLIGHTS

(In thousands, except per share amounts)	1984	1983	% Change
Operating revenues	\$984,303	\$877,714	+12%
Income from operations	\$166,295	\$132,415	+26%
Net income	\$ 85,886	\$ 68,394	+26%
Earnings per share	\$ 6.11	\$ 4.82	+27%
Dividends per share	\$.80	\$.66	+21%
Shareholders' equity per share	\$ 27.17	\$ 22.50	+21%
Average number of shares outstanding	14,050	14,195	-1%



TO OUR SHAREHOLDERS

The Washington Post Company continued to make progress in 1984 towards achieving its primary financial objective: sustained earnings growth that ranks with the leaders of our industry.

- Net income rose 26 percent, to \$86 million, from \$68 million last year. Earnings per share advanced 27 percent, to \$6.11, from \$4.82 in 1983.
- Revenue for 1984 totaled \$984 million, a 12 percent increase over \$878 million last year.
- Return on average shareholders' equity, an important measure of business performance, reached 24.6 percent, up from 23.7 percent in 1983 and 19.5 percent five years ago.
- The annual dividend rate was raised from 80 cents to 96 cents per share on January 11, 1985. This marks the ninth consecutive year of dividend increases.

Strong performances by all three divisions contributed to the year's results. We were especially encouraged by Newsweek's improvement.

Newspaper Division operating income in 1984 rose 20 percent, to \$95 million, from \$79 million in 1983. Revenue totaled \$517 million, a 13 percent gain over 1983's \$456 million.

The Washington Post newspaper reported a year of accelerated revenue and income growth. Attention to costs enabled The Post again to increase operating margins.

Advertising inches at The Post rose 8 percent, to 5.2 million inches, from 4.8 million last year. Classified advertising was particularly strong, up 16 percent. Unit growth, coupled with price increases averaging between 6 and 7 percent, produced a gain of 14 percent in advertising revenue, which reached \$391 million. In 1984 approximately one-third of all advertising dollars spent in all media in the Washington market were spent in The Post.

Both daily and Sunday circulation of The Post increased in 1984. For the 12 months ended September 30, 1984, average Sunday circulation rose 4 percent, to 1,038,014, according to reports filed with the Audit Bureau of Circulations. Daily circulation reached 742,110, a 2 percent gain. Washington Post primary-market household penetration on Sunday reached 74 percent, the highest of any major-market newspaper. Daily household penetration is 55 percent.

The Post's managers and editors took several steps in 1984 to improve service to readers and advertisers. In October The Post implemented a major redesign of its news sections, the first comprehensive makeover since Eugene Meyer bought the paper in 1933. The changes bring greater clarity and consistency to The Post.

To better serve its suburban readers, The Post expanded its eight suburban bureaus and introduced Neighborhood Reports in its suburban weekly sections. The new Reports include a listing of local government actions, police reports and real estate transactions to complement area news coverage.

Responding to increased reader interest in health-related issues, The Post launched a weekly Health tabloid section in January 1985. It is the first of its kind to be published by a major-market newspaper. Response to the weekly section has been positive.

The Post's National Weekly Edition completed its first year in October 1984 with an ABC-audited circulation of 47,406, more than 50 percent greater than initially projected. Renewal rates have been considerably above industry standards. With an average of 2.3 readers per copy, the Weekly has over 100,000 readers with high levels of education and income.

The Herald, the company's daily and Sunday newspaper in Everett, Washington, continued to make progress in the face of adverse local economic conditions. Sunday circulation increased 2 percent, to 55,956, for the 12 months ending March 31, 1984, according to ABC

reports. Seven-day circulation rose 1 percent, to 55,705. Total advertising inches rose 7 percent, to 1.7 million.

Several developments have brightened the outlook for The Herald's marketplace. Chief among them was selection of Everett as the preferred site for a 15-ship Naval Task Force to be based at the city's waterfront by 1990. A \$350 million construction project could begin as early as 1986.

The Washington Post Writers Group expanded its list of syndicated features to 24 and again reported record revenue and operating income. Pulitzer Prize-winning columnists David S. Broder, George F. Will and Ellen Goodman are part of the Writers Group, as is the popular comic strip, Bloom County.

Legi-Slate, the company's database publisher that provides information on federal legislative and regulatory activity, increased its subscriber base by more than 60 percent.

Newsweek operating income in 1984 jumped 44 percent, to \$22 million, from \$15 million last year. Revenue advanced 10 percent, to \$332 million, from \$302 million in 1983. More professional management, with special attention to cost control in all phases of operations, contributed to the gains. This also enabled Newsweek to increase its operating margins.

Newsweek's domestic rate base rose to 3,000,000 in 1984, an increase of 50,000 over 1983. Circulation revenue rose 7 percent, to \$95 million.

For the 17th consecutive year, Newsweek was again the leader in advertising pages among newsmagazines. The domestic edition carried 3,009 pages, versus 2,937 pages in 1983. Newsweek gross advertising revenues rose 13 percent, to \$247 million, from \$218 million in 1983, according to Publishers' Information Bureau reports.

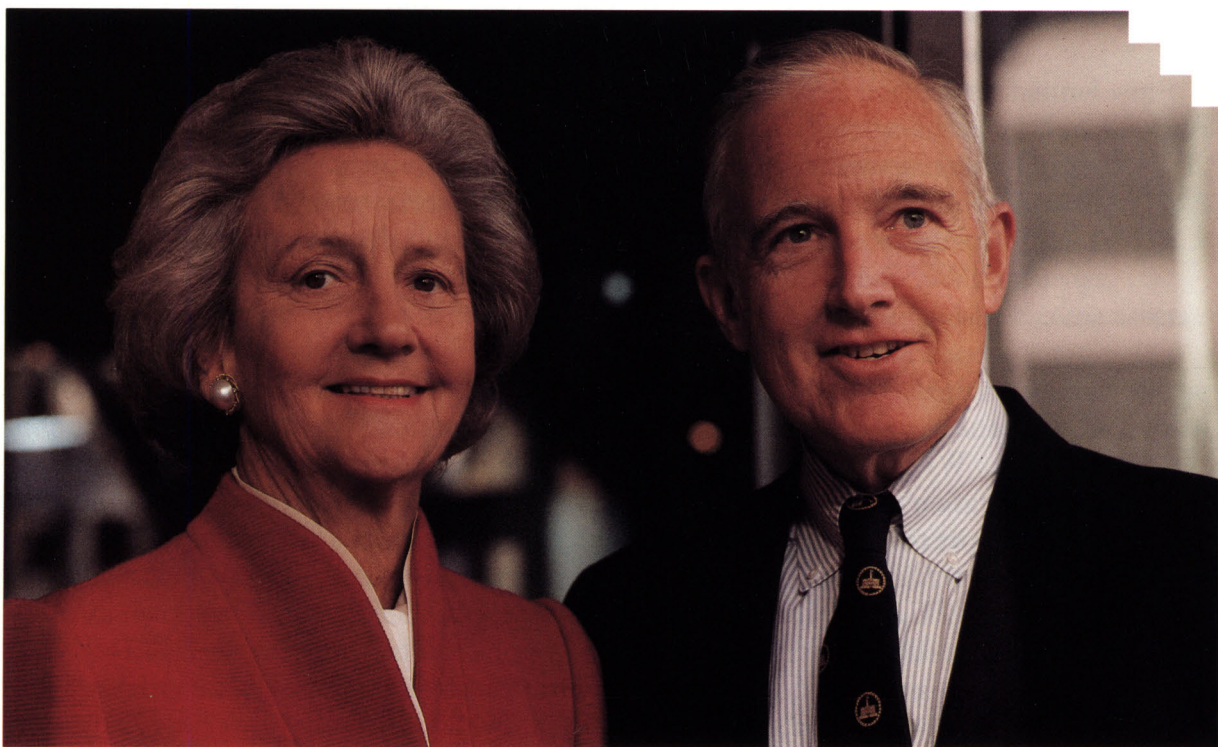
New products recently introduced by Newsweek contributed to the advertising gains. Newsweek Woman, launched in 1980, continued to generate revenue increases, as did Newsweek on Campus, begun in 1982. The number of schools receiving Newsweek on Campus expanded from 55 to 104. In addition, a separate sales staff was added at the end of 1984 to help increase the publication's advertising revenue.

Newsweek Access, a one-time special publication on new technology, was published in the fall. The magazine, which was written by Newsweek's technology staff, exceeded projections for advertising revenue and generated good newsstand sales.

In November Newsweek launched a weekly Canadian advertising edition of the magazine. Initial response has been excellent. Newsweek Canada capitalizes on increased circulation in that country, stimulated by adding a Canadian printing location in January 1984. This step improved subscriber delivery. Copies available for newsstand sale on Mondays increased 130 percent. As a result, circulation in Canada has risen to over 85,000, compared with 55,000 some 18 months before. The Canadian expansion helped Newsweek reduce the number of its domestic printing/binding sites from five to four. This will produce cost savings of approximately \$1.5 million a year.

Newsweek International reported a successful year. Cost control produced a substantial gain in operating income, despite the adverse impact of a strong U.S. dollar on the sale of advertising pages. Gross advertising pages were 2,400, compared with 2,544 in 1983. Gross advertising revenue rose to \$43 million from \$42 million in 1983. Sixteen special International advertising supplements contributed to the year's results.

A major initiative for future progress was taken in July when Newsweek International joined with The Bulletin, Australia's largest newsweekly, to create a new magazine, "The



Bulletin with Newsweek.” A specially edited 24-page section of Newsweek International is bound into every issue of The Bulletin, with Newsweek’s name featured distinctively on the cover. The combination of Newsweek’s international coverage and The Bulletin’s Australian coverage makes the new publication the most powerful newsweekly on the sub-continent. Its circulation is 125,000.

Primarily as a result of this move, the 1985 rate base for Newsweek’s Pacific edition has increased to 305,000 from 230,000 in 1984. The combined rate base in 1985 for all three Newsweek International editions now is 655,000.

Post-Newsweek Stations enjoyed a most successful 1984. Operating income rose 29 percent, to \$51 million, from \$39 million in 1983. Revenue advanced 14 percent, to \$136 million, from \$120 million last year. Operating margins increased to 39 percent from 36 percent in 1983, before allocation of corporate office expense and goodwill amortization.

WPLG, the company’s ABC affiliate in Miami, achieved significant revenue and income gains despite disappointing Olympics revenue and a more fractionated market, which also is experiencing some slowdown in growth. The station solidified its leadership in news. November Nielsen ratings showed WPLG in the number one position for the 5:00, 5:30 and 11:00 p.m. news—and number one at 6:00 p.m. for the first time.

WDIV, the company’s NBC affiliate in Detroit, posted substantial revenue and income growth. The station benefited from NBC’s advancing fortunes and the success of its Detroit Tigers baseball coverage. For the past three seasons, WDIV’s Tigers coverage has been the highest-rated baseball franchise in the country. This year’s Nielsen ratings, stimulated by the Tigers’ World Series-winning season, were up 40 percent.

To capitalize on its sports production capabilities, WDIV established a separate sports production unit. This new operation won contracts for producing telecasts of all major

sporting events to come out of the region—130 events in its first 260 days. The unit also has won long-term production commitments from a regional pay-television sports network, the Detroit Red Wings hockey team and the Detroit Pistons basketball team.

From sign-on to sign-off, WDIV was number one in the market with a 9.5 rating and 24 share, according to February 1985 Arbitron ratings. A year ago WDIV was six share points behind the traditional market leader, a network-owned-and-operated station. When The Post Company acquired WDIV in 1978, it was in a distant third place.

WFSB, Post-Newsweek's CBS affiliate in Hartford, achieved superior financial results and consolidated its leadership position in the Southern New England market. Even the appearance of a new independent station failed to make an adverse impact on the station's ratings. The addition of the area's only local half-hour early morning newscast, at 6:30 a.m., enhanced WFSB's reputation for news coverage.

WFSB also carried out several technical changes during the year that improved the station's coverage. New transmitters with stereo capability enabled the station to be the first in its market to broadcast a full-length video-taped program in stereo.

WJXT, our CBS affiliate in Jacksonville, also enjoyed excellent growth. Together with WPLG, WJXT was a major force in creating the first state-wide satellite news network. The Florida News Network, announced in December, will enable WPLG, WJXT and stations in Tampa and Orlando to cover news anywhere in the state more quickly and thoroughly than the competition. WJXT's documentary about Jacksonville's odor and air pollution problems, "The Smell of Money," won an Alfred I. duPont/Columbia University award for excellence.

Our affiliate operations made progress in 1984. Earnings from the company's share of ownership in two newsprint mills increased by approximately \$3 million.

The Los Angeles Times-Washington Post News Service successfully launched a 1200-word-per-minute all-sports service, the first in its field. The News Service also expanded its worldwide client base. In July a new computer system extended the News Service's exclusive high-speed dialup delivery system to 19 countries, doubling the network.

The vigor of the traditional Washington Post Company businesses will provide substantial earnings growth in both the near and longer term. To augment that base, we took several steps in the past year to build the foundation for additional growth in the latter part of this decade and beyond.

The company accelerated its activity in cellular telephone operations. Partnerships in which we are a member have received licenses from the Federal Communications Commission to build cellular systems in three of the country's 30 largest markets. Our partnership also has been approved in a fourth large market, Miami, although other applicants are appealing the decision.

We believe our cellular systems will become profitable by the fourth year of operation in each major market. In Washington and Baltimore, where our cellular systems are in operation and already have signed up more than 7,500 customers, we anticipate achieving profitability sooner. We expect that the Detroit cellular system will begin operation in mid-1985.

The company also took a major initiative to add further resources to its SportsChannel regional cable sports programming operations. In January 1985 we and our partner, Charles Dolan's Rainbow Program Enterprises, sold a portion of our interests in four SportsChannel networks to CBS Inc. Proceeds to The Washington Post Company from the transaction

totaled approximately \$25 million. This will produce a gain of about 60 cents per share, or \$8.5 million, that will be included in our 1985 earnings.

As a result of the transaction, each partner owns one-third of the SportsChannel ventures in New York, Philadelphia and Chicago and one-sixth of SportsChannel New England. Together, these systems present the events of more than a dozen professional teams to approximately one million cable and subscription television subscribers. Our partnership is the largest producer of regional cable sports programming in the country.

We are pleased that CBS shares our enthusiasm for this business. The knowledge, expertise and programming resources CBS brings to this venture are most welcome assets to exploit SportsChannel's considerable growth potential.

At the end of the year we were successful in making an important acquisition that meets our criteria for return on investment and earnings potential. We acquired Stanley H. Kaplan Educational Centers.

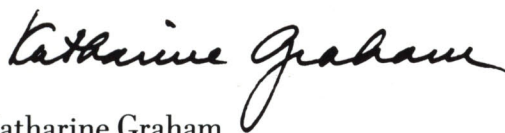
The company was founded in 1938 by Stanley Kaplan, who will remain president. It operates more than 120 permanent and many temporary educational centers across the country. They prepare students for a broad range of admissions tests and licensing examinations, including SAT's, LSAT's and medical boards. The centers also offer programs in such areas as speed reading and English as a second language. With 95,000 students last year, the company is the largest in its field. Revenue in 1984 was approximately \$35 million.

A number of divisional management changes occurred in the past year that strengthened our team. They are described in the "Company in Brief" section that follows. At The Washington Post Company, Gordon C. King, Jr., was elected vice president. He had been executive vice president of Post-Newsweek Stations.

We believe the particular mix of Washington Post Company properties, resources and investments for the future makes our prospects better than ever. In our view the company is well positioned to enhance the quality of its publications and programming, while achieving significant earnings growth in the future.

A special section that follows describes how the company capitalized on its diverse and unique capabilities to cover the 1984 presidential campaign. We believe the section provides evidence that our underlying strength remains the dedication of our people—their commitment to editorial quality and ever better service to readers, viewers and advertisers.

Sincerely,



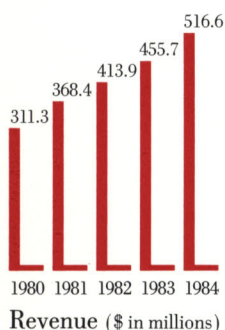
Katharine Graham
Chairman of the Board



Richard D. Simmons
President

March 4, 1985

THE WASHINGTON POST COMPANY IN BRIEF



Newspaper Division

The Washington Post—a morning daily and Sunday newspaper published in Washington, D.C. For the 12 months ending September 30, 1984, *The Post's* average circulation was 742,110 daily and 1,038,014 Sunday. *The Post* maintains 16 foreign, 6 national and 8 metropolitan news bureaus. It is printed at sites in Northwest and Southeast Washington and nearby Springfield, Virginia.

Leonard Downie, Jr., became managing editor in 1984. He had been national editor since 1982 and previously was assistant managing editor for metropolitan news, the *Post's* London correspondent and an investigative reporter. Theodore C. Lutz became vice president-personnel. He had been *The Post's* vice president-controller. Alan G. Spoon, formerly vice president of The Washington Post Company, was named vice president-controller of *The Post*.

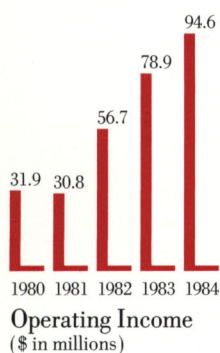
The Washington Post National Weekly Edition—a weekly tabloid publication of selected *Post* articles and features edited for a national audience. At the end of its first year of operation in October, the *National Weekly Edition* had an audited national circulation of 47,406, exceeding initial projections by more than 50 percent.

The Herald—a daily newspaper, published weekday afternoons and Saturday and Sunday mornings in Everett, Washington, 30 miles north of Seattle. *The Herald's* audited average 7-day circulation for the 12-month period ending March 31, 1984, was 55,705.

The Washington Post Writers Group—a syndicator of 24 columns and features to newspapers throughout the United States. Pulitzer Prize-winning columnists David Broder, Ellen Goodman and George Will are part of the Writers Group, as is the best-selling comic strip, Bloom County.

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

Legi-Slate—a database publisher that provides online computerized information on Federal legislative and regulatory activity. Legi-Slate currently serves about 400 customers.



Newsweek

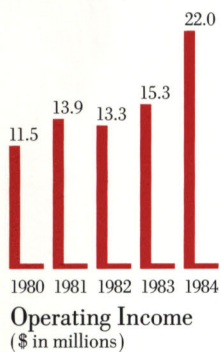
Newsweek—a weekly newsmagazine published in New York City. *Newsweek* has a rate base of 3,000,000. It ranks first among the nation's leading newsmagazines in terms of advertising pages and second in audience and circulation. *Newsweek* publishes 58 demographic and geographic editions. It maintains news bureaus in 12 U.S. and 18 foreign cities and has 17 regional and overseas advertising sales offices. The magazine is printed at four U.S. sites and in Ontario, Canada.

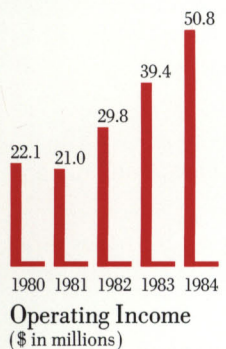
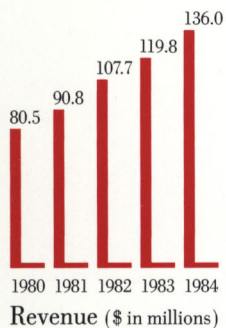
Rosalie Bruno was appointed senior vice president and director of development at *Newsweek*. She had been a senior vice president at Knapp Communications. Morton Kondracke was named bureau chief of *Newsweek's* Washington Bureau. He had been executive editor of *The New Republic*.

Newsweek International—an English-language weekly newsmagazine published in New York City and circulated throughout the world. For 1985, *Newsweek International* has rate bases of 300,000 for its Atlantic edition, 305,000 for its Pacific edition and 50,000 for its Latin America edition. The combined rate base of 655,000 represents an increase of 13 percent over 1984's 578,000.

Newsweek International maintains sales offices in three U.S. and eight foreign cities. It is printed in Hong Kong, Miami, Sydney, Tokyo and Zurich. In 1984, *Newsweek International* joined with *The Bulletin*, Australia's largest newsweekly, to create a new magazine, *The Bulletin with Newsweek*.

Eugene J. Gillespie, Jr., was named senior vice president-marketing of *Newsweek International*. He had been senior vice president-marketing, Dun & Bradstreet Credit Services.





Broadcast Division

Post-Newsweek Stations, Inc. — the owner and operator of four network-affiliated VHF television stations and the PNS Washington News Bureau.

Leonade Jones, formerly director of financial services, was appointed vice president-business affairs of Post-Newsweek Stations, Inc.

WDIV-4—an NBC affiliate in Detroit, Michigan, the seventh largest U.S. broadcasting market, with 1,650,800 television households.

Amy McCombs became president and general manager of WDIV. She had been vice president and general manager.

WPLG-10—an ABC affiliate in Miami, Florida, the 13th largest U.S. broadcasting market, with 1,145,000 television households.

G. William Ryan was named president and general manager. He had been president and general manager of WFSB in Hartford.

WFSB-3—a CBS affiliate in Hartford, Connecticut, the 23rd largest U.S. broadcasting market, with 837,990 television households.

Bernard C. Barth became vice president and general manager. He had been vice president and station manager of WFSB.

WJXT-4—a CBS affiliate in Jacksonville, Florida, the 66th largest U.S. broadcasting market, with 384,400 television households.

Affiliate Operations

Los Angeles Times-Washington Post News Service, Inc. (50 percent of common stock)—a supplier of articles and features to over 550 newspapers, broadcast stations and magazines worldwide.

Bowater Mersey Paper Company Limited (49 percent of common stock)—a newsprint manufacturer in Liverpool, Nova Scotia, supplying approximately one-third of *The Post's* newsprint requirement.

Bear Island Paper Company (one-third limited partnership interest)—a newsprint manufacturer in Doswell, Virginia, supplying approximately one-fifth of *The Post's* newsprint requirement.

International Herald Tribune, S.A. (33-1/3 percent of common stock)—a daily newspaper published in Paris, France. Printed in Paris, London, Zurich, The Hague, Singapore and Hong Kong, it circulates more than 165,000 copies in 164 countries.

National Journal, Inc. (20 percent of common stock)—the publisher of a weekly magazine devoted to national affairs, with a circulation of approximately 5,200 nationwide.



Cable Sports Programming—the company has partnership interests in four regional pay cable sports programming networks serving approximately 960,000 subscribers: SportsChannel Associates (New York), SportsChannel New England, SportsChannel Prism Associates (Philadelphia) and SportsChannel Chicago Associates.

Cellular Radiotelephone Systems—in partnerships with others, the company has received approval to operate cellular systems in four of the country's 30 largest markets. The partnership serving the Washington and Baltimore markets, in which the company has a 20 percent interest, began operations in December 1983. The Detroit partnership, in which the company has an 18 percent interest, is expected to begin commercial operations in mid-1985.

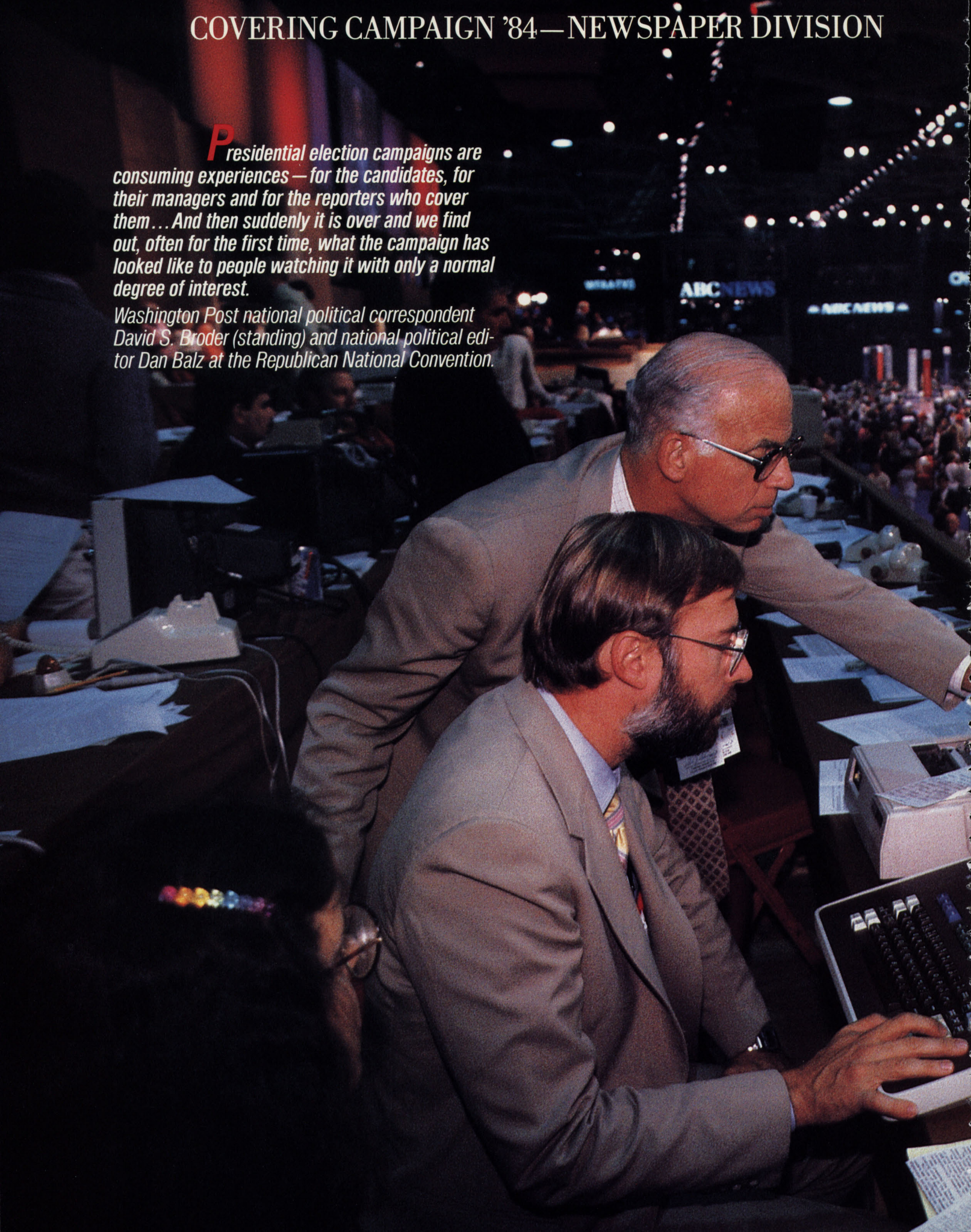
Stanley H. Kaplan Educational Centers—acquired at the end of 1984. The Kaplan Centers prepare students for a broad range of admissions tests and licensing examinations, including SAT's, LSAT's and medical boards. They also offer self-improvement programs in such areas as speed reading and English as a second language. The Kaplan Centers serve approximately 95,000 students at more than 120 centers located throughout the country.

The Washington Post Company's SportsChannel interests were acquired between July 1983 and January 1984.

COVERING CAMPAIGN '84—NEWSPAPER DIVISION

*P*residential election campaigns are consuming experiences — for the candidates, for their managers and for the reporters who cover them... And then suddenly it is over and we find out, often for the first time, what the campaign has looked like to people watching it with only a normal degree of interest.

Washington Post national political correspondent David S. Broder (standing) and national political editor Dan Balz at the Republican National Convention.





BCIS NEWS

1984
Republican
National
Convention

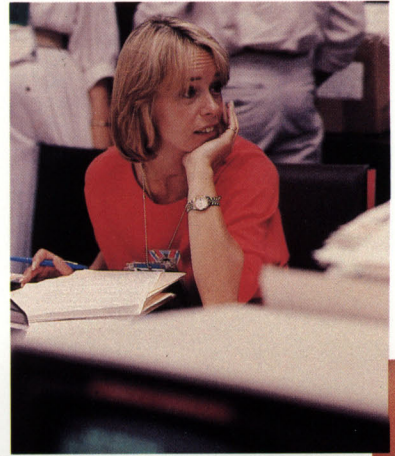
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It is a healthy instinct that keeps reporters somewhat skeptical, not just about what others tell them, but about their own judgments as well.

Washington Post news aide Kathy MacDonald (right); White House reporter David Hoffman (center); photographer Frank Johnston (bottom).



CAMPAIGN '84: DID THE PRESS DELIVER? *By David S. Broder*

National political correspondent,
The Washington Post

Campaigns are consuming experiences—for the candidates, for their managers and for the reporters who cover them. For more than a year, we operate in an insulated atmosphere of suffocating single-mindedness. All we care about is the campaign. We live it, we breathe it, we talk and speculate about it endlessly, and we write and broadcast as much about it as our editors will tolerate.

And then suddenly it is over, and we are led blinking from the darkness of our closed world into the sunshine and open sky. We find out, often for the first time, what the campaign has looked like to people watching it with only a normal degree of interest.

If I were to summarize and oversimplify a great many points made about the coverage of the last campaign, I would say that these campaign followers want four things from those of us who will be back out again reporting the next campaign.

First and foremost, they want to know how the contest is going. They all seem to be gamblers at heart, or at least sports fans. They want to know, as best we can judge, which party and which individuals are doing well. Even though some of them complain of a surfeit of polls, they are all curious who we think will emerge on Election Day wearing the smiles of winners.

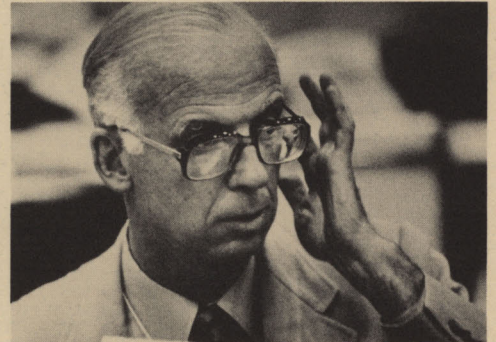
Second, they want to know as much as possible about the men and women who are competing. They are interested in the trivial—how they get along with their spouses and their children, which the voters do not consider trivial—and in how they make and spend their money, how they occupy their time, and, incidentally, what ideas and attributes they may bring to the offices they are seeking.

Third, some of them want to know about the issues. I say “some” advisedly. Most people know about the issues without being told, because they arise out of their daily lives; they are realities, not abstractions. Inflation, unemployment, crime, drugs, war—when these scourges are present or threatened, the people living in the real world do not have to be told about them in messages from the campaign front. They might like to know what the people in the campaign think about these questions, but they have an understandable skepticism that policies concocted by the candidates under the pressures and for the purposes of the campaign will survive for long in the post-Election Day sunshine, no matter what they are.

Fourth, almost all of them want to know these things without being reminded who is bringing them the information. For reasons that some of them can articulate and many more cannot, they object rather strenuously to anything that suggests that they (the voters) are dependent on us (the journalists) and complain vehemently when they believe that they are being manipulated by us.

If you are willing to accept that these are four of the main things voters want from us, then let me attempt to say how well or badly we fulfilled their wishes in the last campaign.

On the first assignment, calling the contest accurately, 1984 was not a bad year. We may have missed by a few days the start of Gary Hart's rush, but we saw him coming—and going. We saw Jesse L. Jackson for the phenomenon he was, but we distinguished between a remarkable phenomenon and a plausible nominee. We described both the organizational strengths and the inherent weaknesses of Walter F. Mondale's candidacy. And, thanks to the candor of President Ronald Reagan's managers, we were able to lay out the strategy and



tactics of his brilliantly conceived campaign, even though the candidate himself remained tantalizingly out of reach to any reporter without a voice loud enough to overcome the racket of the ubiquitous presidential helicopters.

Last year the polls were right, so we did not have to go through the quadrennial exercise of explaining why they were wrong and promising never to give them so much weight again. I would like to think this was because we have developed better tools and have become more professional in their use. But it may just have been that we were lucky.

On the second assignment—the depiction of the character and personalities of the contestants—the scorecard is much more mixed. On fundamental questions, I think, the pictures we sent back from the campaign were blurred, out of focus, overexposed or underexposed—almost defying intelligent analysis by those attempting to interpret them.

At various times, and in various places, for example, we said that Ronald Reagan was The Great Communicator, perhaps the most complete master of the public presidency since Franklin D. Roosevelt, and/or a man who was lost without his three-by-five cards, his hovering aides, his protective wife or a script for every 10 minutes of his brief working day.

We said that John Glenn was an American hero, potentially another Dwight D. Eisenhower, and/or a bumbling bore who put audiences to sleep. We said that Gary Hart was the harbinger of a New Generation in American politics, the face of the nation's future. We also said he was a man who kept changing his age, his name, his religion, his marital status and his signature. The examples of these overlapping, unreconciled reports could be multiplied. But what are the reasons for this confusion?

First of all, there are, thank goodness, many journalists on the campaign, each with his or her own vision of it. The size of the political press corps is growing. That has its costs; it makes meaningful access to candidates for individual reporters more difficult. It increases the tendency of press secretaries to deal with the press “pack” at mass feedings of low-calorie information. For campaign “junkies,” who consume all the information available, it inevitably produces a sensation of glut, of wretched excess and of being hammered insistently by polls, pundits and pontificators saying too many of the same things. But it would be unjustifiable elitism, I think, to do anything but rejoice that additional newspapers and broadcast channels are recognizing their professional obligations by assigning their own people to campaign duty.

Second, individual reporters do change their minds. We find out things about candidates we did not know before, or see aspects of their character illuminated by incidents in the campaign. We send out reports that conflict with our own earlier reports. So be it. The campaign is a learning experience for everyone, not least the journalists covering it.

Third, some of the ambivalence results from deliberate reticence. I think it is a healthy instinct that keeps a reporter somewhat skeptical, not just about what others tell him, but about his own judgments as well.

The role of the reporters on the campaign is not as well defined as we would like to pretend. Obviously, we do come to know these contenders better than most of the voters can possibly know them. Clearly, we have some kind of obligation to share whatever insights we have gained. But what kind of obligation? I happened to think that two of the men eliminated early from the Democratic field—former Gov. Reubin Askew of Florida and Sen. Ernest F. Hollings of South Carolina—were entitled, on the basis of their records and abilities, to serious consideration for the presidency. As a columnist, I felt free to make that point—but not with such frequency or insistence that I would sound like Willy Loman's

wife, standing on stage, shouting "Attention must be paid" to this worthy man or that. And as a reporter, I felt an absolute obligation to report what I saw, which was that their campaigns were falling flat, even though the reporting of that fact became itself an additional burden to their candidacies.

Such ambivalence is part of the baggage any journalist takes into the campaign and it is better to acknowledge the ambivalence than to try to conceal it. Cover-ups don't work any better for journalists than for presidents.

What about the issues? After every campaign I have covered, one of the most insistent complaints has been that we in the press neglected the issues. This year was no different. In one sense, it is easy to prove the charge. Ask yourself if the campaign gave the voters a clear forecast of the policy choices the government found itself addressing in the weeks and months immediately after the election. The answer has to be that it did not.

After the election, President Reagan and his senior advisers found themselves wrestling with a frightful set of budget choices. The deficit itself, instead of shrinking as described in the President's campaign speeches, suddenly began to spurt. None of this was seriously debated during the campaign.

A tax simplification plan, which was deliberately withheld from public view until after the election, posed a whole other set of major policy choices for Congress and the country.

A third major area of post-election debate centered on the right strategy for the United States to take into a new round of arms-control talks with the Soviet Union. This potentially life-or-death issue also did not get seriously debated during the campaign.

Why not? Was it the fault of the press? My own view, which may be prejudiced, is that it was not. The "agenda-setting" capacity of the press is, I think, substantially exaggerated by students and critics of the media, at least in the context of a presidential campaign. By and large, we cover the campaign that the candidates choose to conduct, whatever its issue content—or lack of content.

In 1976, both Gerald R. Ford and Jimmy Carter chose to go to the people with one simple proposition: "I am the sort of person you can trust with the power of the presidency." Two years after Watergate, and the enormous breach of trust it represented, it was not surprising that all other policy issues faded in comparison to that simple question.

In 1980, Jimmy Carter had a record he had to defend. And he had in Ronald Reagan an opponent who had been, throughout his career, an issue advocate, almost an ideologue in the context of American politics. Reagan talked issues and forced Carter to defend his record, so the coverage of the 1980 campaign had much more "content" than that of 1976—not because the press had "reformed," but because the campaign had changed.

In 1984, Walter F. Mondale tried to raise many of the issues implicit in Reagan's policies. But he failed. He failed for several reasons. At a time of peace and general prosperity, with inflation low, the job supply increasing and public optimism high, a direct assault on either Reagan's leadership or his record was doomed to failure. Mondale was forced to try something more subtle and chancy—the argument that policies that had "worked" so far would turn into failures in the future. He could not do it.

He failed for a second reason, which was that he never passed the test of credibility as a plausible president himself. The long primary campaign was costly to Mondale's reputation and standing with the voters. The Democratic coalition was weakened by the divisions revealed during that struggle. Mondale was always fighting uphill.

The third reason there was little “issue content” in the 1984 election was that Reagan and his managers decided, as a matter of strategy, to avoid those questions. They chose to exploit Reagan’s record and his personal popularity, rather than debate the policy choices for the second term. That may be regarded as a cynical decision, but it is certainly not an unprecedented one.

The question is, what could the press have done to change all this? Not much, I think. I wish we had been able to persuade the President to have regular press conferences during the campaign; his avoidance of them created a significant imbalance in coverage.

But I do not delude myself that the pattern of the campaign or the outcome of the election would have been significantly changed had Reagan allowed regular questioning by reporters—or had the pattern of coverage changed in any other respect. The election was determined by far more powerful forces—of which I would put the abatement of inflation at the head of the list. The press did not dictate Mondale’s choice of Geraldine Ferraro or Reagan’s decision to withdraw the Marines from Lebanon. The press did not adjust the money targets for the Federal Reserve Board or weaken the cohesion of OPEC. All of those developments influenced the election outcome far more than we did.

Why then did so many of the voices I heard in post-election audiences seem so resentful of the role of the press in the campaign? I think it is their recognition that we are inevitably part of the process in a way they are not—and cannot be. I think it is the normal reaction of anyone who is dependent on someone else for something of importance.

If a power surge wipes out the text of this article on the screen of the computer on which I am writing—as happened about an hour ago—I curse the power company. If the phone rings bringing me an unwanted salesman’s pitch, I curse what used to be Ma Bell. I am dependent on these tools for something I want, and I hate the dependency.

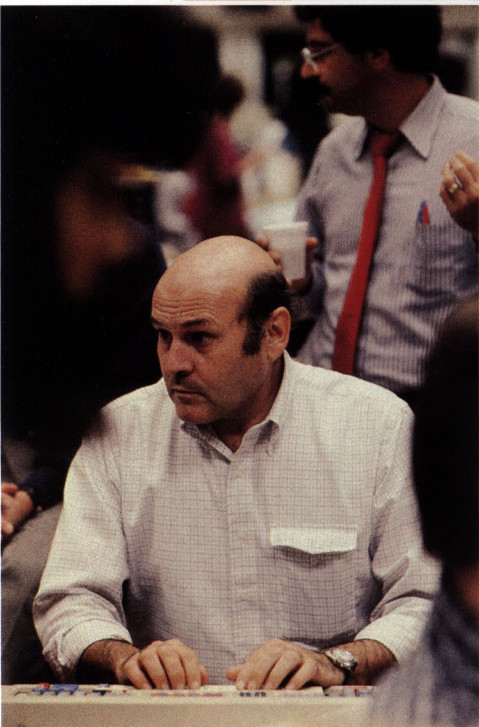
The press, as retired Justice Potter Stewart pointed out in a speech several years ago, can be regarded as another kind of public utility. We provide a vital information service to a community, under varying conditions of monopoly or competition. But, happily for us, the Founders decided not to treat us as just another public utility, but to grant us privileged constitutional status, exempt from the regulatory controls that, even in this age of deregulation, still surround the power company and the phone company.

That is both our blessing and our curse. We have the freedom to do our jobs as best we can, but the very fact of our privileged position—let alone our inevitable failings—stirs the resentment and envy of those dependent on us.

Some voters may see a presidential candidate for a maximum of half-an-hour if they are able to attend his rally in their home town. Most will not see the candidates at all during the whole election year. Everything they know about those candidates they know indirectly, by the intervention and through the good graces of the media. Small wonder that they are suspicious—and resentful—of our power.

When we flaunt that power—as the television networks do by flexing their computers to name the winner before the western one-third of the country has finished voting—people understandably are enraged. But even when we exercise that power as modestly and conscientiously as we are capable of doing, the resentment of our role is inevitable.

We had best come to accept the resentment as inevitable, and concentrate on doing our jobs in a way that justifies as little as possible of it.

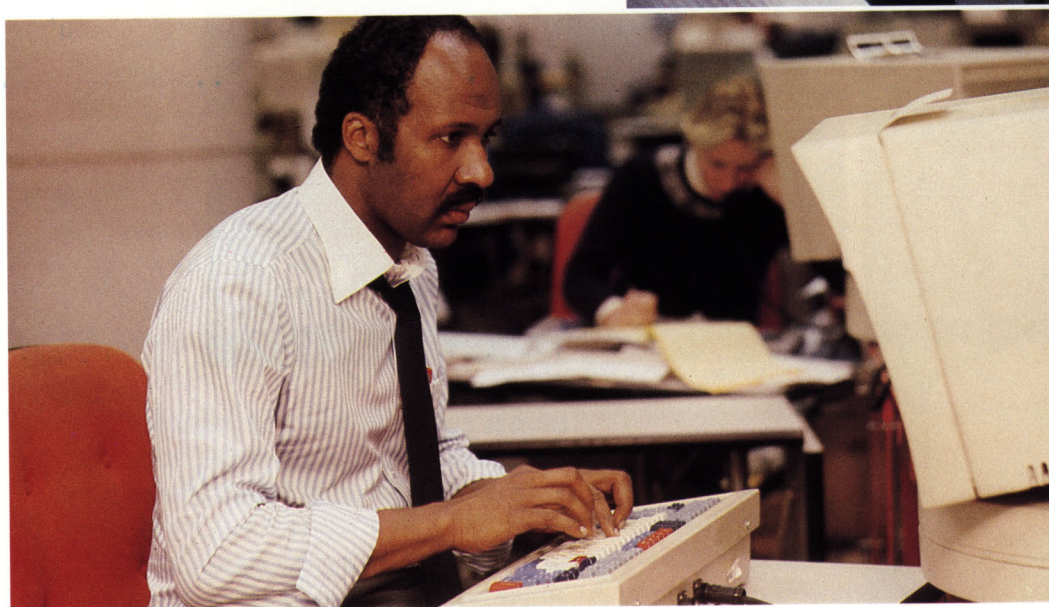
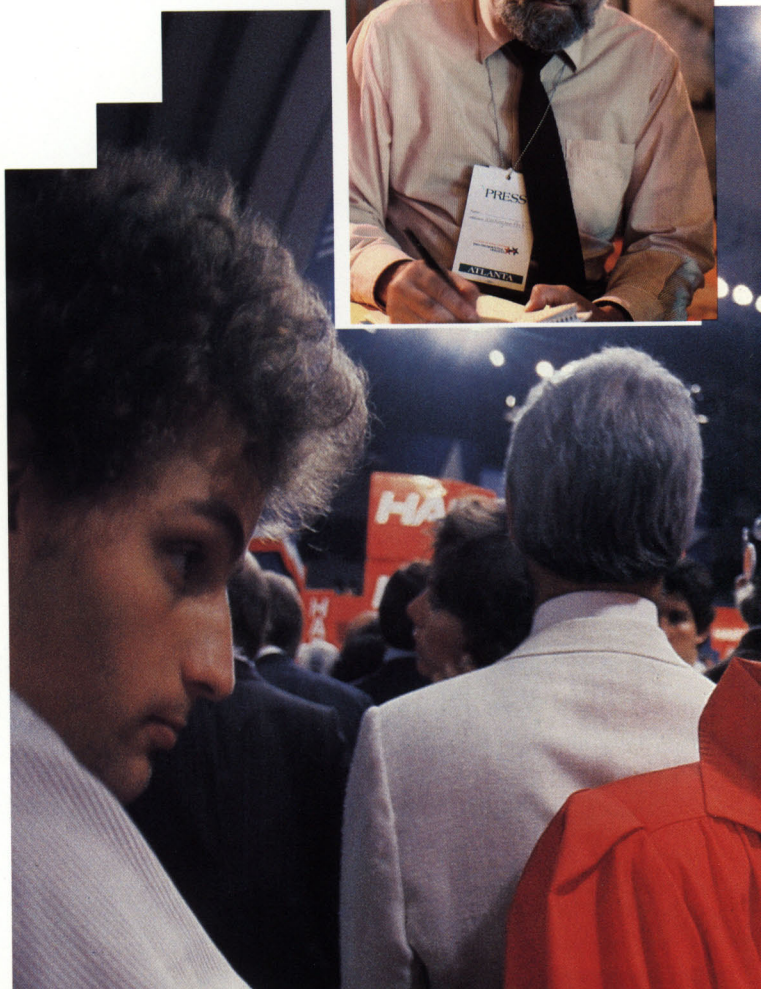
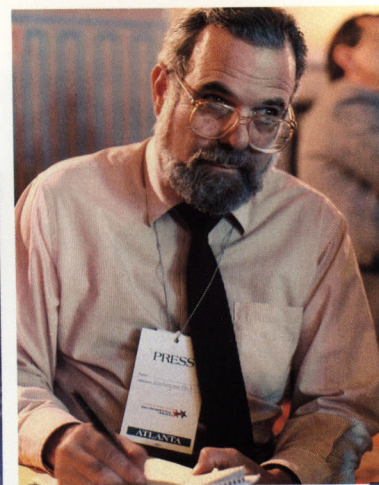


Televized debates have become a fixture of American presidential election campaigns, followed by a second debate in the nation's media over who won and why.

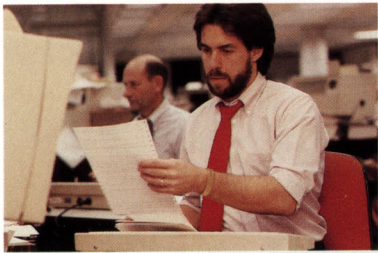
Washington Post TV critic Tom Shales (top); Post reporters and editors at the debate in Kansas City; national political editor Jim Dickenson (left).

The 'agenda-setting' capacity of the press is substantially exaggerated. By and large, the press covers the campaign that the candidates choose to conduct.

(Clockwise from top) Washington Post national reporter George Lardner; columnist Mary McGrory; national reporter Juan Williams (left) and deputy editorial page editor Stephen S. Rosenfeld; executive editor Benjamin C. Bradlee with reporters and editors in the Post newsroom; national political reporter Milton Coleman.







We have the freedom to do our jobs as best we can, but the very fact of our privileged position — let alone our inevitable failings — stirs the resentment and envy of those dependent on us.

Washington Post national reporter Rick Atkinson (top left); managing editor Leonard Downie, Jr. (top right); Herald reporter Bruce Orwall at a Ferraro rally (left); Senior White House reporter Lou Cannon (bottom) on the Reagan campaign press bus.



WHEN THE PRESS BECOMES A PARTICIPANT

By Meg Greenfield
Editorial page editor,
The Washington Post

What happens when “the press becomes a participant” in the political process? To the extent that it is working at all, the press is always a participant. Our decisions on where (and where not) to be and what (and what not) to report have enormous impact on the political and governmental life we cover. We are obliged to be selective. We cannot publish the Daily Everything. And so long as this is true—so long as we are making choices that 1) affect what people see concerning their leaders and 2) inevitably therefore cause those leaders to behave in particular ways—we cannot pretend we are not participants.

But of course we do, or at least some of us do. The “Shucks, I’m just a simple country stenographer, writing it all down as it happens” affectation is still with us, even though most people would agree that reporters (not just editorial writers and political columnists) must make subjective judgments every step of the way and are not merely walking tape recorders. The question, of course, is how honest, fair and professional those judgments are—and that is what the argument over journalistic participation in our national political life has been about.

I can remember when that argument started, at least in its present incarnation, almost to the exact hour and minute. It was at the Republican National Convention in San Francisco in 1964 as, in the course of his Cow Palace speech, Dwight Eisenhower made his crack about “sensation-seeking columnists.” The place went wild with exultation; delegates shook their fists at the glassed-in aerial boxes that held Walter Cronkite and Huntley and Brinkley. The purported depravity of the press became a theme of that convention and has been a theme of national politics ever since. It is our “participation”—i.e., our alleged efforts to manipulate American politics and government by the manner in which we choose and present our material to the public—that has become the issue.

The 1984 election provides a case study in such “participation.” In the first place, by our sheer size we come to dominate and even alter certain events, to give them not just an importance they may not merit, but also a magnitude they may not have had—literally. Last spring I stood among throngs of people in Alabama, where Gary Hart was campaigning, that were mostly made up of the candidate’s huge press entourage. On the evening news, however, this maelstrom of reporters, swirling around to try to hear what, if anything, the handful of genuine locals had to say to the candidate, created the impression that Hart had drawn a huge and turbulent crowd.

Similarly our presence in almost unimaginable numbers at the Democratic National Convention in San Francisco lent that gathering an air of suspense and cataclysmic importance it really did not have. In a situation of this kind, moreover, where you have a superabundance of journalists assembled to cover a relatively fixed and unsurprising story, you are likely to get a series of “substories” whose significance and drama are blown way out of proportion. Floor fights over trivial or phony issues will garner attention they don’t deserve. So will doomed and marginal opposition to the frontrunner. We all made a very big thing of Pennsylvania Governor William Scranton’s convention run at Barry Goldwater back in ’64, even though Goldwater had the thing locked up like Fort Knox, and we have been pretty much doing the same thing at conventions ever since.



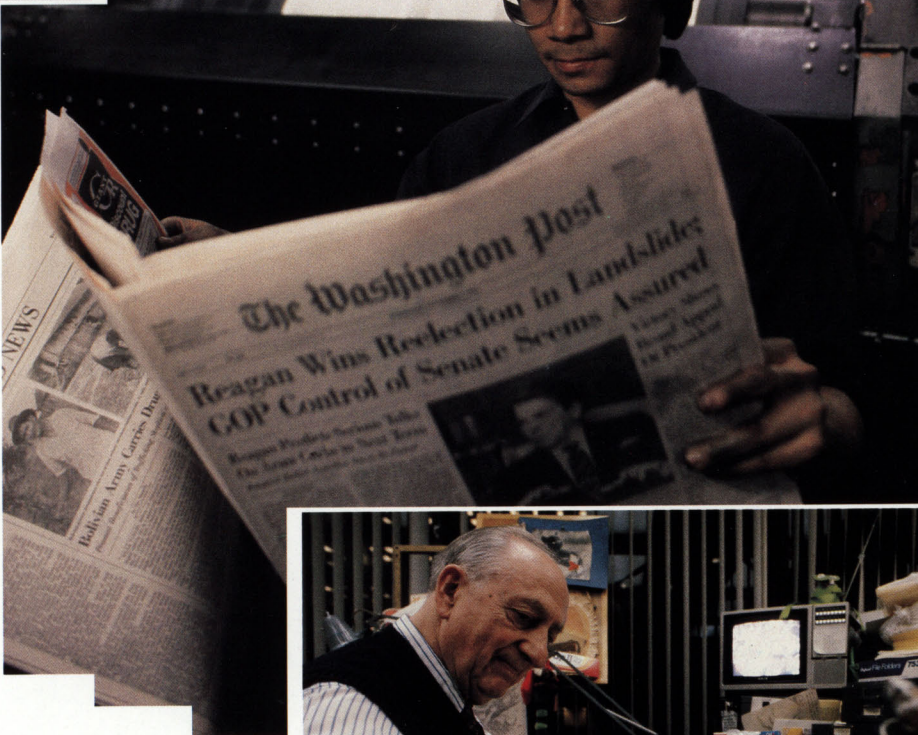
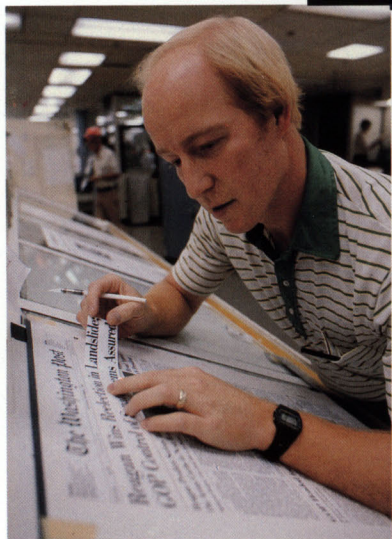
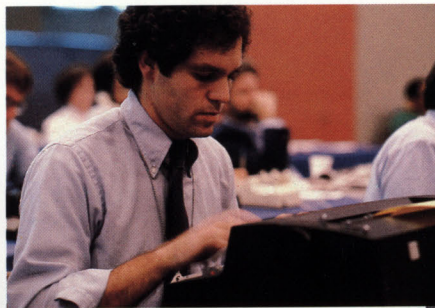
These, you will have observed, are all matters of journalistic choice: what we choose to find worthy of our own and our readers' or viewers' attention. As I suggest, if there are too many of us in a room where too little is going on, then you are likely to get a truly distorted picture of the inside of that room, since we are almost incapable by instinct and professional requirement of saying, "Nothing happening here; over to you, Fred." But mostly I would say our choices have been reasonable and honorable and easily defensible ones, even though the objects of our attention—the politicians, especially—very often don't think so.

Consider Senator Hart's campaign. You could say that in several ways the press participated in it, beginning with an early judgment that he was not a serious contender (so he was largely ignored) and moving on to a subsequent judgment that he was almost certain to topple Walter Mondale (whereupon he was deluged in press companionship and attention). But far more important than even these decisions as to how to cover him was the decision to report and dwell on those discrepancies found in the record concerning his statements about himself—age, name, etc. They had, I expect, a rather important effect on public perception of Hart. They hurt him. We decided to run these stories knowing that they would. Is that improper influence? I don't think so. I think it's square-dealing reporting.

I suppose it is true that in this instance, as was also true regarding Geraldine Ferraro's family finances and Jesse Jackson's anti-Semitic statements, that some press overwrote and overdid the story in an obsessive, raging, unprofessional way. But that all three stories were valid and essential to get on the record seems beyond question to me.

Milton Coleman, the Washington Post national staff reporter who disclosed Jackson's remarks about "Hymies" and "Hymietown," could be viewed as having "participated" in the campaign by his correct decision to see the quotes in print, since their publication had such great consequence. But, in my view he would really have been "participating" in the campaign in a much more direct and journalistically questionable way had he decided for some extraneous reason to withhold them. When we in the editorial section of the paper decided to make those remarks of Jackson's the subject of an angry lead editorial and thus to give them a prominence they had lacked in their placement at the end of a news story, we were also, I guess, "participating," since we were now all but guaranteeing that the "Hymie" issue would become the subject of a very hot debate. But I think we also would have been "participating" in a more questionable way had we decided that it would be imprudent or troublesome or something to make a big deal over this.

Some twenty years ago, when I came to Washington, there were so many things reporters and double-dome editorialists weren't supposed to write about (and didn't) that politicians got a free ride. They could be bombed out of their heads in the Senate chamber or be carrying on madly in public with folks known not to be their wives or be up to their ears in dubious not-quite-criminal financial arrangements and except for a few sore-head journalists they could expect to be left alone. That has changed. Call it "participation" in the process if you like. As I say, I think our real "participation" was when we let ourselves be part of it, part of a system that tacitly agreed to hold back mountains of material from our readers. Yes, we have our excesses and our downright stupidities now and also our way of being plain wrong. But I think we have got our proper role more nearly right this time than we did the last time around.

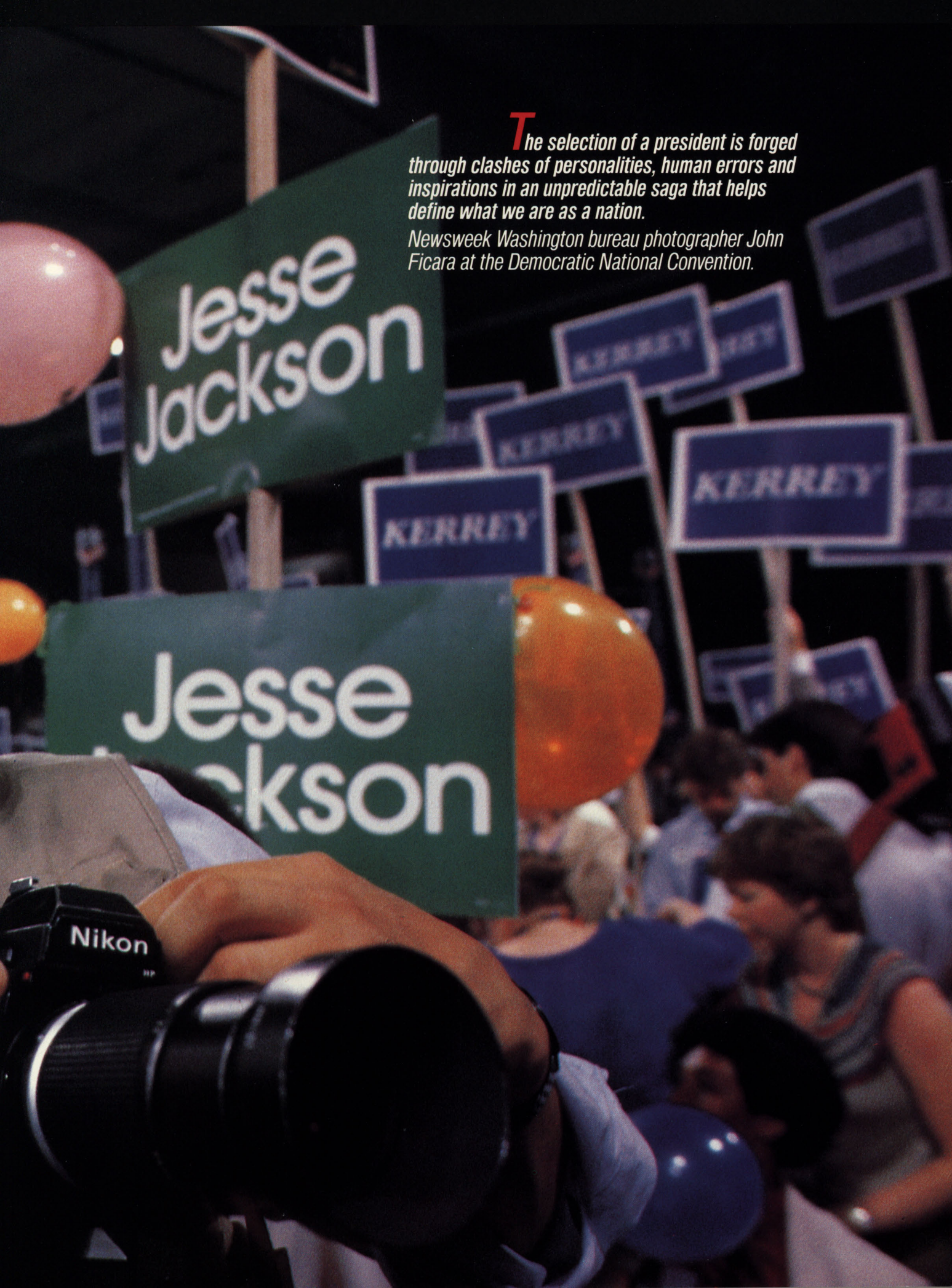


The press is always a participant. Our decisions on where and where not to be and what and what not to report have enormous impact on the political and governmental life we cover.

(Clockwise from top) The Post's Austin bureau chief Paul Taylor; press room crew chief K.C. Chin; cartoonist Herblock; printer Michael Webb.

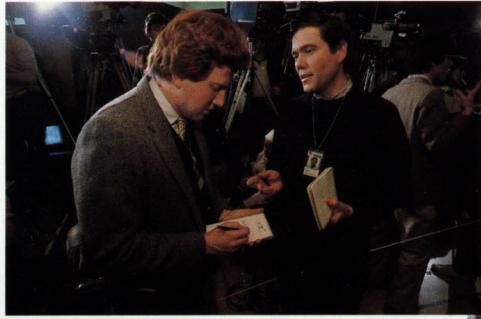
COVERING CAMPAIGN '84—NEWSWEEK





The selection of a president is forged through clashes of personalities, human errors and inspirations in an unpredictable saga that helps define what we are as a nation.

Newsweek Washington bureau photographer John Ficara at the Democratic National Convention.



The public events of a presidential election campaign are only the exclamation points of the story.

(Top) Newsweek Boston bureau correspondent Jerry Buckley (left) and national correspondent Tony Fuller; (center) Detroit bureau chief Richard Manning at the New Hampshire Democratic primary; Washington bureau photographer Wally McNamee.

THE UNTOLD STORY

By Richard M. Smith

Editor-in-chief,
Newsweek

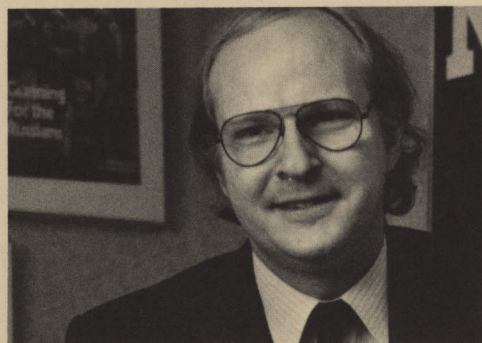
American presidential campaigns have become exhausting marathons, complex endurance contests in which the roar of scattered daily coverage and the assault of 30-second sound bites can all too often leave the public more dazed than informed. With this thought in mind, Newsweek sought to give its coverage of the 1984 campaign an extra dimension that would provide—in addition to the magazine's comprehensive and aggressive week-to-week coverage—a rare glimpse behind the din and glare of modern campaigns and illuminate the American political drama in a manner never before attempted by a major publication. The result, available less than 36 hours after the polls closed, was "Avalanche," Newsweek's Election Extra, which contained the returns and an analysis of them but had as its centerpiece a 60,000-word, book-length supplement, "The Untold Story of Campaign '84."

The idea was to go deep behind the scenes and discover whether, as some critics have complained, modern politics is a soulless ritual of polls, computers and money or whether other, more human elements still play a prominent role. We wanted to witness the candidates' campaigns at the rawest levels—the strategy sessions, the internal debates, the private memoranda—and see the thinking behind the campaigns as they unfolded. We wanted to know what factors reshaped the contours of the political landscape and be with the winners and the losers as that ground moved under their feet.

The task of producing the effort was assigned to the magazine's award-winning special projects team. Under the direction of senior editor Peter Goldman and national correspondent Tony Fuller, the unit has been responsible in recent years for some memorable contributions to the magazine. The team's 1981 "What Vietnam Did to Us" won a National Magazine Award among other honors. It produced Newsweek's 50th anniversary issue, "The American Dream," which encompassed 50 years of American history as seen through the eyes of five families in a small Ohio city. Most recently, the team dealt with the issue of capital punishment through a penetrating examination of a single case in Texas.

For the Election Extra the unit was expanded to include reporters Lucille Beachy and Joyce Barnathan, who worked full time on the project. In addition, the piece drew on all the magazine's political reporters, including Howard Fineman, Thomas DeFrank, Eleanor Clift, Margaret Garrard Warner and Vern Smith. The effort was overseen by managing editor Kenneth Auchincloss.

This extraordinary reporting effort required some extraordinary procedures. To gain the sort of confidential information needed to make the project work, Newsweek guaranteed its sources that nothing would be published until the election was over. Initially, some of the sources were nervous about this arrangement and doubted it would work. But as time went by and what amounted to an informal testing period showed that the material gathered for the piece was secure, the special reporting team was granted remarkable access and was dealt with in a highly candid way. Staff meetings and debate preparations were opened to members of the team. Our reporters sat in campaign situation rooms on crucial nights, such as that of the New Hampshire primary. Confidential memoranda and other campaign documents were given to us, and we had access to top campaign officials at some of the most



intimate and moving moments of the campaign—from a senior adviser weeping at a devastating loss to a campaign manager pounding a wall in jubilation over a victory. Long after the heat of particular campaign battles had subsided—and other reporters had moved on to other stories—our special projects correspondents were able to go back to key sources to get unmatched perspective and detail.

What we found was that despite the complexity and cost of high-tech politics, America's selection of its president is not nearly so bloodless a process as some believe. It is still forged through clashes of personalities, human errors and inspirations in an unpredictable saga that in the end helps define what we are as a nation and where we may be going. It is a process in which history turns on moments—Walter Mondale asking Gary Hart “Where’s the beef?”; Ronald Reagan stumbling badly in the first debate—and one in which vast resources and years of calculation can be, as Mondale discovered in New Hampshire, overturned in a night.

The more than a year of reporting that went into the project formed a rich tapestry of previously undisclosed information that made this campaign and our politics in general come alive in a dramatic, human way. The information ranged from the telling, small details, such as Mondale in frustration calling Gary Hart a “punk,” to much larger matters, such as the behind-the-scenes roles played by Richard Nixon and Nancy Reagan, the inside story of the selection of Geraldine Ferraro as a vice presidential candidate and the panic in the Reagan camp after the first debate. There was documentation of a sort rare in political pieces. We published passages from the most tightly held strategy memos of the campaigns and the tactical advice used to prepare Reagan and Mondale for the debates. The focus was close and intense, never more so than in its detailing of the growing realization during the fall in the Mondale camp that President Reagan was an invincible campaigner. There was a senior Mondale adviser railing in frustration that Reagan was “a political brick wall,” and there was Fritz Mondale himself hurling a cigar across a hotel room because of his inability to dent the presidential armor.

The narrative constructed by Peter Goldman brought our readers a kind of political reportage not seen before in a newsmagazine. The writing was novelistic in its narrative force and presentation of character and compelling enough that this spring it will be published in expanded form as a hardbound book by Bantam Books.

“The Untold Story of Campaign ’84” is an example of one of the things Newsweek does best: Without undermining or competing with our strong week-to-week political coverage, our special projects team managed to take the fundamentals of print journalism, solid reporting and superb writing, and fashion them in such a way as to push the form to new and surprising limits.



It is the task of the press to make the election process comprehensible to those whose lives will be affected by its outcome.

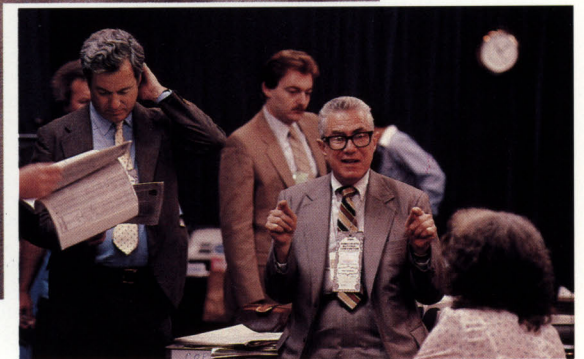
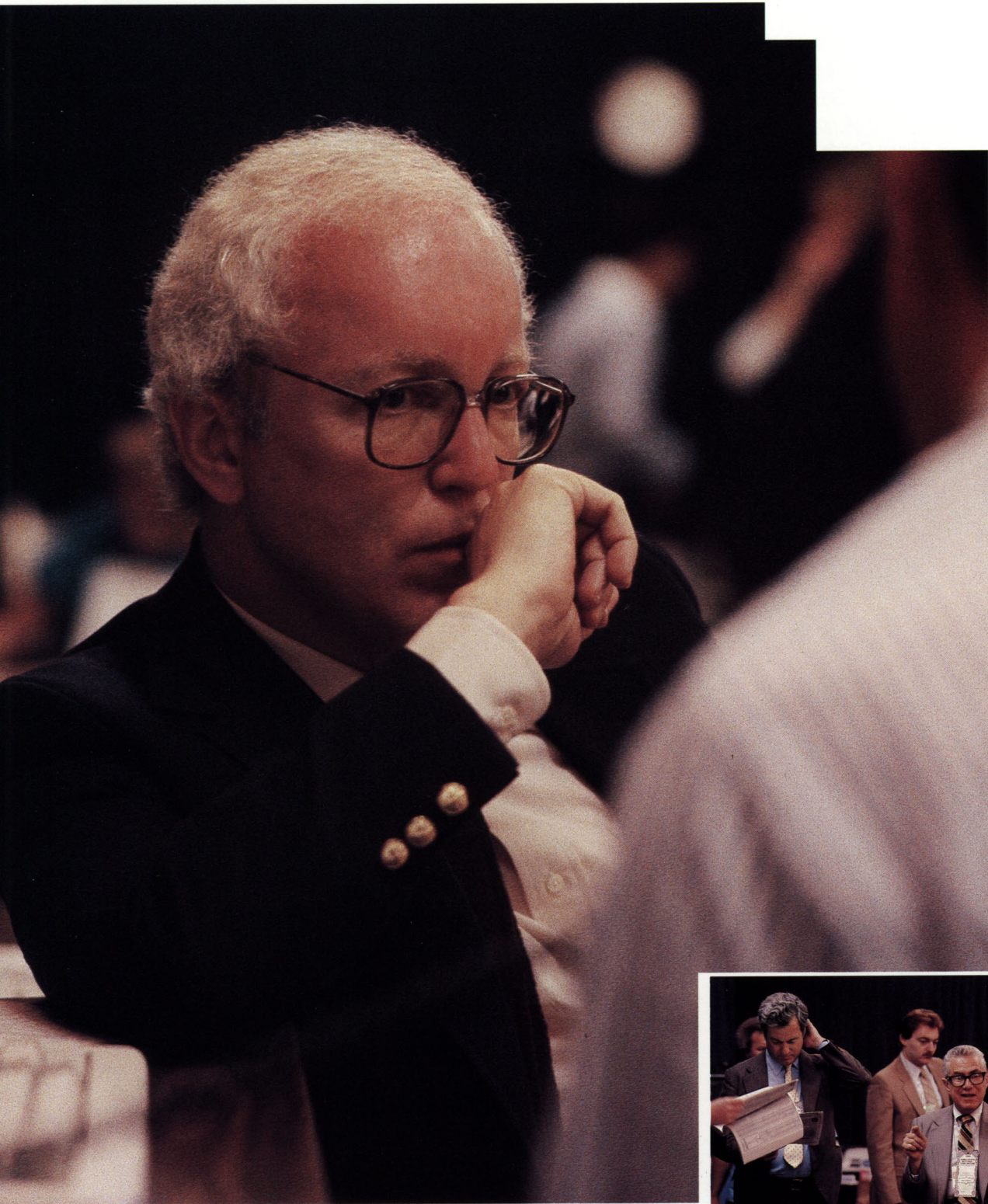
Washington Post/Newsweek convention reception at Levi's Plaza in San Francisco (top); Newsweek senior photo editor Guy Cooper (center); (at right) San Francisco bureau chief Jerry Lubenow (right) at the Democratic Convention.



The din and glare of the campaign often obscure the factors that shape and reshape the contours of the political landscape.

(Below) Newsweek White House correspondents Eleanor Clift and Thomas M. DeFrank with President Reagan; (right) senior editor Peter Goldman; (far right) managing editor Kenneth Auchincloss (left), manager of editorial publicity Neil Hershberg and senior editor Mel Elfin.





In a presidential election campaign, vast resources and years of calculation can be overturned in a single night.

Newsweek general editor Walter Shapiro (right); senior editor Mel Elfin (below, left) with operations director Stuart A. Seidel; (bottom) Boston bureau chief Sylvester Monroe (right) with Philadelphia Mayor Wilson Goode at the Democratic National Convention.



AVALANCHE: REINVENTING THE RULES

By Mark M. Edmiston
President,
Newsweek

The idea of publishing special issues—even “extra issues”—of magazines is not new. However, Newsweek’s Election Extra reinvented the genre. What distinguished this Newsweek effort most clearly from other “specials” is that it combined the depth, perspective and comprehensiveness necessary to understand the “story behind the story” with the immediacy for which newsweeklies are known. Within hours after the polls closed, the election issue was on its way to subscribers and news dealers around the world. Production schedules had to be revised and distribution arrangements revamped. This was breaking news and we treated it that way.

A few years ago it would have been impossible to perform this feat. Investments in state of the art text processing and data transmission changed the impossible to the merely incredible. These new technologies provide the speed and flexibility necessary to report effectively to our readers on a world that seems to move faster every day.

Writers and editors are linked with each other and with our news bureaus through computer-based text processing and typesetting equipment installed in 1984. Printing plants around the country and the world also are linked to New York by land and satellite connections. Finished editorial material literally moves at the speed of light. Presses, which used to “stand by” waiting for air shipments of film to arrive, now roll minutes after editorial sign off. Instant transmission capability has shortened to hours the time between the magazine’s 2:00 a.m. Sunday close and the delivery of copies to readers. In our overseas operations we’re nearly a day faster. In fact, thanks to the international dateline, the first copies of a Newsweek issue to appear each week are in Hong Kong—9,000 miles away from our headquarters.

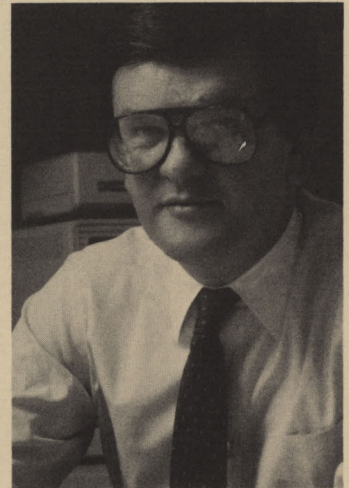
Last year we took delivery of a new generation of graphics design equipment and now are working with our printers to improve printing and binding operations. The Election Extra put all of these new resources to the test with spectacular results.

From the beginning, the enthusiasm of the journalists assembled to work on this project was contagious and the business side of the magazine was soon caught up in it. We were determined to be as innovative in marketing it as the editors had been in conceiving it.

The subject of the presidential campaign was of interest to readers around the globe. While only Americans could vote, the world was watching. This issue could illuminate the people and the purpose of our election process in a way that would make it comprehensible to everyone whose life would be affected—if only in a small way—by the outcome.

We decided to market this special to the whole world. For the first time in our history, our international editions would carry a special extra issue to the over 190 countries in which we circulate. This decision increased significantly the complexity of our planning. Time zones and language barriers had to be accommodated and coordination of editorial, manufacturing and distribution became critical.

Some rules were bent and new ones invented. Our experience in Canada is a good example. A years-long project to begin publishing north of the border was bearing fruit in 1984. Stringent foreign investment regulations heretofore had circumscribed our efforts to expand circulation in this, the U.S.’s largest trading partner. By late 1983, we had received



permission to print in Canada and had planned to introduce the Newsweek Canada advertising edition in November.

The Election Extra was an opportunity to showcase Newsweek's editorial product, but our base circulation was still relatively small. The goal was to put this issue in the hands of as many potential readers as possible. The solution was to go to one of Canada's most prestigious newspapers, *The Globe and Mail*, and arrange for them to distribute extra copies of the special to their readers in Toronto, the commercial center of the country. This unique approach engendered extensive press coverage and attracted attention across the country, as well as giving 200,000 readers of *The Globe and Mail* an opportunity to see firsthand the quality of Newsweek's coverage of important events.

With the decision to go worldwide, circulation and production planners developed their strategy and began to put it into place. The last remaining element to be fitted into the overall effort was advertising. Here there were two hurdles to overcome.

In a more usual issue of Newsweek, the editorial segmentation permits advertising to be spread throughout the magazine. This creates an integrated package that allows for maximum communication of both the advertisers' messages and the editorial content. With the Election Extra, the entire issue would be a single story told in chapters. Simply filling the issue with ads would be disruptive to the story or would require "banking" (placing several different product ads together), which would limit their effectiveness. The Election Extra editorial concept required a similar approach for the advertising.

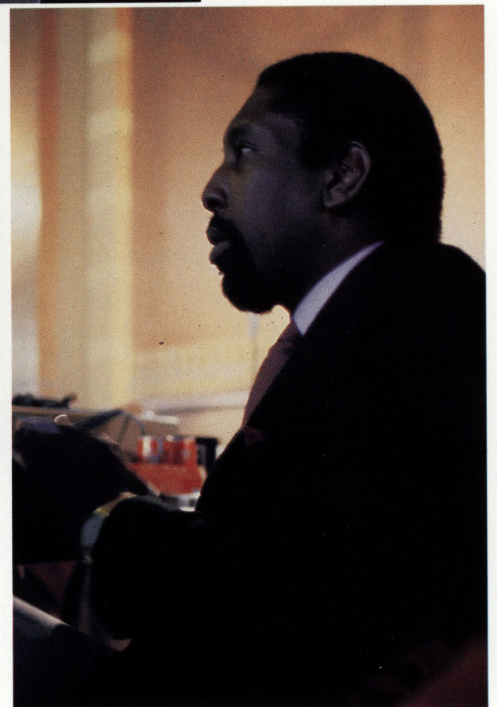
As this issue would reach our full international readership, we could consider only advertisers who had a global perspective and the need to communicate a single message around the world. The thought began to develop that a sole advertiser might provide the solution to this dual problem.

During a conversation in March with Apple Computer Company, we discussed our Election Extra. Apple had earned a reputation as an "event" marketer—one interested in high-impact advertising that often made news beyond the advertising community. An example is their now-famous "1984" commercial that stunned viewers of Super Bowl XVIII. Apple recognized the importance of our editorial concept, realized its value to their marketing needs and agreed to be the sole advertiser in the Election Extra.

Working closely with Apple and Chiat-Day Advertising, Apple's agency, we coordinated the design of Apple's ads with the evolving design of the magazine. The result was an integrated package that met our graphic requirements, effectively communicated Apple's message and fit comfortably within the editorial format.

To accomplish this integrated design, however, Newsweek had to develop several new production techniques and invent advertising units never before attempted. These units are now available to other advertisers exclusively from Newsweek.

The massive effort that was the Election Extra came together little more than 12 hours after the concession and acceptance speeches by the major candidates. Last-minute reports from across the country, projections of Reagan's next four years, profiles of leading Congressional winners and thoughts on what the Democratic party might do next led off the issue, followed by our exclusive report—"The Untold Story of Campaign '84."



Investments in state of the art text processing and data transmission have changed the impossible to the merely incredible.

Newsweek cover alternatives for the Election Extra (top, left); copies of "Avalanche" coming off press at Strasburg, Virginia, within hours after the polls closed (center); Newsweek Atlanta bureau chief Vern E. Smith (right).

COVERING CAMPAIGN '84—POST-NEWSWEEK STATIONS

Within the space of one presidential election cycle, an entirely new technical system became available to the local broadcaster, enabling stations to provide local viewers with live coverage from the campaign trail, instantly and economically. WDIV reporter Robert Pisor and photographer Mack Combs III at a Mondale rally.







There once was what could be called a quality gap between local and network campaign and election-night reporting, but the gap disappeared in 1984.

WFSB reporter Marla Romash (top); (center) PNS Washington News Bureau photographer Barry Schlegel (left) and bureau chief John Dimsdale; (bottom) sound technician Arthur Hoiland (left), PNS Washington News Bureau reporter Shawn Briggs and photographer Thomas Budai.

LOCAL TELEVISION NEWS GOES NATIONAL

By James L. Snyder
Vice president-news,
Post-Newsweek Stations

In October 1983, when the American medical students were rescued in Grenada by U.S. troops, they were flown to Charleston, South Carolina. One of them, Grace Brooke, was a native of Jacksonville, Florida. Shortly after she touched down in Charleston, she was interviewed live via satellite by a reporter from Post-Newsweek station WJXT, Jacksonville. As she stood beside reporter Michael Dillon in Charleston, WJXT's 11:00 p.m. viewers saw her on a split screen. On the other side of the screen were her jubilant parents as they sat in their living room in Jacksonville. Grace, her parents, reporter Dillon and anchorwoman Deborah Gianoulis at the studio all participated in a flawless audio and video hookup made possible by satellite technology.

In July 1984, President Reagan decided to grant a series of individual interviews with local TV political reporters. He was able to sit in the White House one afternoon and do one interview after another via satellite with TV anchormen from Miami, Detroit, Atlanta, Chicago and Minneapolis. The President fielded unrehearsed questions from each anchorman and it was all done in about an hour, thanks again to satellite technology. Two of the interviews were with Post-Newsweek stations, and both interviews made news. Mort Crim of WDIV, Detroit, got a Presidential answer that was the first Reagan effort to influence the then-stalemated auto contract negotiations. Mike Schneider of WPLG, Miami, got news-worthy Reagan comments on immigration legislation and social security benefits.

Such coverage is part of the reason those most-measured Americans, the television viewers, continue to tell pollsters and researchers they like local TV news, trust its fairness and accuracy and applaud its enterprise.

During the long 1984 campaign year, viewers of the Post-Newsweek stations expected their local reporters to crisscross the country following the political story. It was almost routine to see reporters from the Florida stations interviewing Iowa and New Hampshire farmers about the potential of Reubin Askew, or a reporter from WDIV discussing Walter Mondale with unemployed auto workers in Davenport, Iowa.

At the political conventions, anchormen and anchorwomen from the Post-Newsweek stations were there providing live reports and interviews with the delegates and political powers from their home areas. The biggest traffic jams that developed in San Francisco and Dallas were in the convention halls where the local stations had their broadcast booths. As 6 and 11 o'clock news times approached, squads of would-be interviewees clogged the area in impressive acknowledgement of the growing influence of local television station political coverage.

All four Post-Newsweek stations had computers and polls and commentators and debates and live microwaves and satellite technology. As Mel Martin, news director of WJXT, put it, "our new tools allow us to cover the political process as we never have covered it before. By extending our journalistic and technical reach, we are informing our viewers in ways not possible before."

When the Florida primary became a major part of Super Tuesday in March, WJXT and WPLG led the state in the speed of their returns and analysis of the voting. When the



Michigan caucus became crucial to the candidacy of Walter Mondale, WDIV's coverage was the fastest and most thorough in the state.

WDIV, in collaboration with the Gallup organization and the Detroit Free Press, conducted special polls throughout the year to measure Michigan's voters on the key issues and the major races. WPLG and WJXT, in collaboration with the Stephen Teichner organization, also polled throughout the campaign with emphasis on the demographic trends among voters in fast-growing Florida.

Bob Warfield, news director of WDIV, points to the accuracy of the station's polling and the analysis of correspondent Bob Pisor and special election night analyst, Jack Casey. "There once was what you could call a quality gap between local and network campaign and election-night reporting," says Warfield, "but the gap disappeared in 1984."

Steve Wasserman, news director of WPLG, found exit polling a valuable tool, rather than the source of contention it was between the networks and some members of Congress. "Our exit polling gave us accurate indications of how the local vote would go and important information on community attitudes that will be affecting us for years to come."

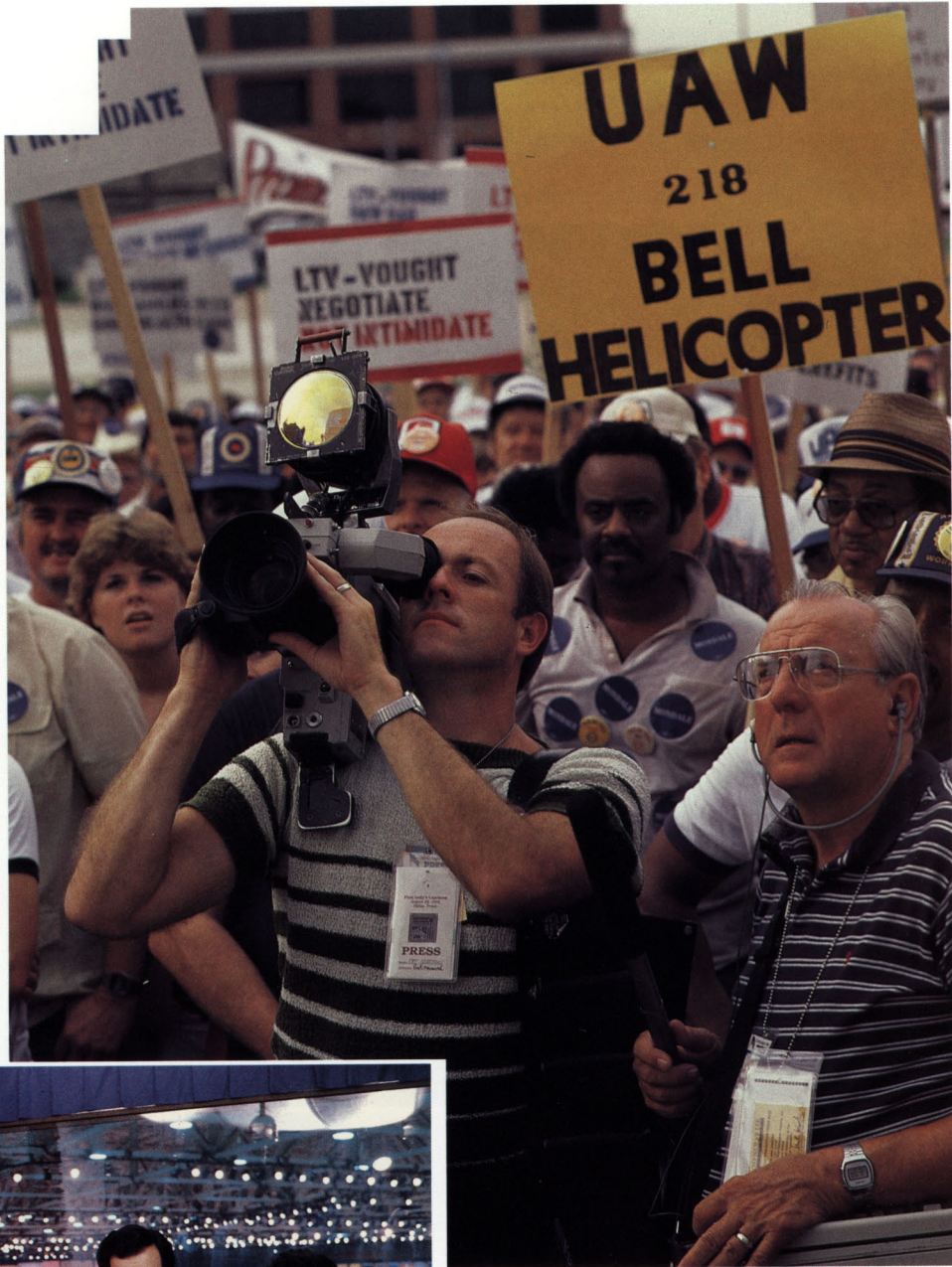
Dick Ahles, news director of WFSB, Hartford, had a few experiences that reminded him that even in this age of an abundance of messengers, sometimes you are the only one. When President Reagan made two separate afternoon campaign appearances in Waterbury and Fairfield, WFSB was the only television station in the state that interrupted regular programs and broadcast the President's appearances live. On election night, WFSB broadcast live from 10 locations throughout the state, including Democratic party headquarters. As a result, WFSB was the only television station reporting live when Governor O'Neill, a Democrat, learned that Republican candidates had won majorities in both houses of the State legislature. It would be the first time in 10 years that a Democratic governor would face a Republican legislature in Connecticut.

Much has been made in recent years of the media management skills of political candidates and their staffs. In 1984, some of the brain power ordinarily devoted to manipulating the content of network news programs was diverted to ways and means of dominating local TV news programs. The Gary Hart airport campaign, wherein Hart would appear only at a city's airport in front of a row of local station cameras before vaulting on to the next city and airport, was a product of this thought. So, too, was the 6 o'clock arrival, wherein a candidate arrived in town exactly at 6:00 p.m. so he could appear live on the local TV news. The media manipulators cannot claim complete success, however. As many local TV viewers can attest, a candidate who arrives live at 6:00 may be on schedule, but live cameras do not automatically make for an organized, compelling and erudite appearance.

The four Post-Newsweek news directors maintain that the media manipulators are still behind in their struggle. However, they recommend in future campaigns news directors and political correspondents get up early each day, refreshed and alert, to fend off whatever media manipulation awaits.

In 1984 some of the brain power ordinarily devoted to manipulating the content of network news programs was diverted to ways and means of dominating local television news programs.

(Right) WDIV photographer Patrick Stratton and sound technician Leslie Ziler; (below) WPLG photographer Jeff King (left), reporter/anchor Michael Schneider and reporter Michele Gillen at the Republican National Convention.



Before the 1984 campaign, most local broadcasters had been shut out of national political coverage by lack of systems to relay the story to the television station.

(Below) WPLG camera assistant Eduardo Perez (left), photographer Helen Moore-Harbeson and feature reporter Mark Schaefer at the Democratic National Convention; (bottom) WDIV reporter/anchor Margie Reedy (left) with editor Vida Gaizutis.



BRINGING THE NATIONAL STORY BACK HOME

By Stephen Flanagan
Director of engineering,
Post-Newsweek Stations

The 1984 political year could be characterized as the year local television stations became major players in the national election process. Local TV reporters swarmed to the state primaries, the conventions and the campaign trail as never before. And as never before the technical systems were in place to bring the stories back to the local viewer, instantly and economically.

The advent of geostationary communications satellites—satellites whose position relative to a location on earth remains constant—for the first time enabled stations to provide local viewers with live coverage from the campaign trail. Satellite “uplink” vans joined the familiar cameras and lights and made it possible to provide video signals across the country as easily as across town.

Before the 1984 campaign, most local broadcasters had been essentially shut out of national political coverage, not by lack of desire, but by lack of systems to relay the story to the television station. It was virtually impossible technically and prohibitively costly for a single local station to cover a story live from another city. Telephone company cable connections were few and expensive, while microwave transmitters were limited to a practical range of only about 50 miles without repeaters. But that all changed within a four-year time frame.

Numerous geostationary satellites—each capable of transmitting 12 to 24 video signals simultaneously—were launched by companies such as RCA, Western Union and GTE. The vastly expanded capacity and technological capabilities opened many opportunities, and broadcasters responded in hordes. Hundreds purchased the receiving equipment (the so-called “downlink”).

Other entrepreneurs ventured into the transmitting equipment (the uplink). Since their investment was so large, these brave souls wanted to get the most possible use out of their equipment. So they placed the uplinks on vans and trailers to be where the action was, and a new system—the portable uplink—was born.

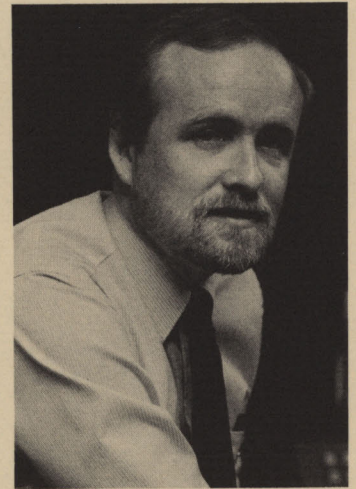
Thus in a relatively short period of time—one national election cycle—an entirely new system was available to the local broadcaster.

Portable uplink companies formed ad hoc consortiums of local stations and followed the major candidates throughout the entire campaign, providing the viewer back home a look at the candidate from the local angle. At the conventions, there were more than 20 portable uplink units serving hundreds of broadcasters.

Post-Newsweek Stations formed a consortium of its own with two other broadcasting groups. We shared technical facilities, a skybox anchor booth, videotape feed and other support equipment—and, of course, the uplink. This consortium involved seven TV stations in three time zones. Scheduling, especially during convention-time overruns, was the most difficult assignment. But the quality of our convention coverage was worth it.

Technical advances in other areas are also having a profound impact on television equipment and will further advance television coverage of important events.

Electronic video cameras have benefited from improvements in pick-up device performance, including a change to solid state technology. This reduces camera weight and size



dramatically thereby affording improved portability. Fiber optic cable networks and optical transmission systems still loom on the horizon as future methods of transmitting pictures and sound from important events.

In the more immediate future, a new, higher band of frequencies—the “KU” band (14GHz)—is now available for satellite use. This new spectrum of frequencies is not shared with terrestrial microwave services, such as those used by the telephone company, thereby permitting nearly unlimited locational access without fear of interference. This also translates into greater portability.

Capitalizing on this new technology, a network of four Florida television stations, including the Post-Newsweek stations in Miami and Jacksonville, was recently formed to exchange regional news and other material. This new Florida News Network will greatly expand our ability to provide a local perspective on events taking place anywhere in the region.

As technology continues to evolve, look for even more participation by local television stations in the national political scene.

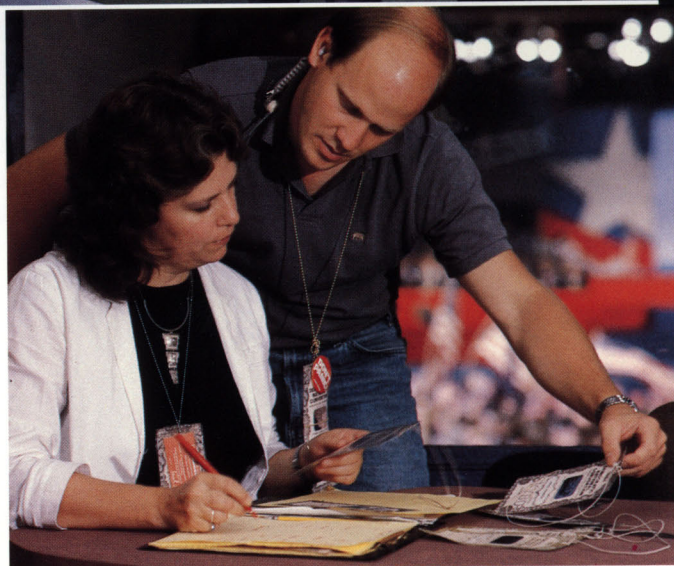
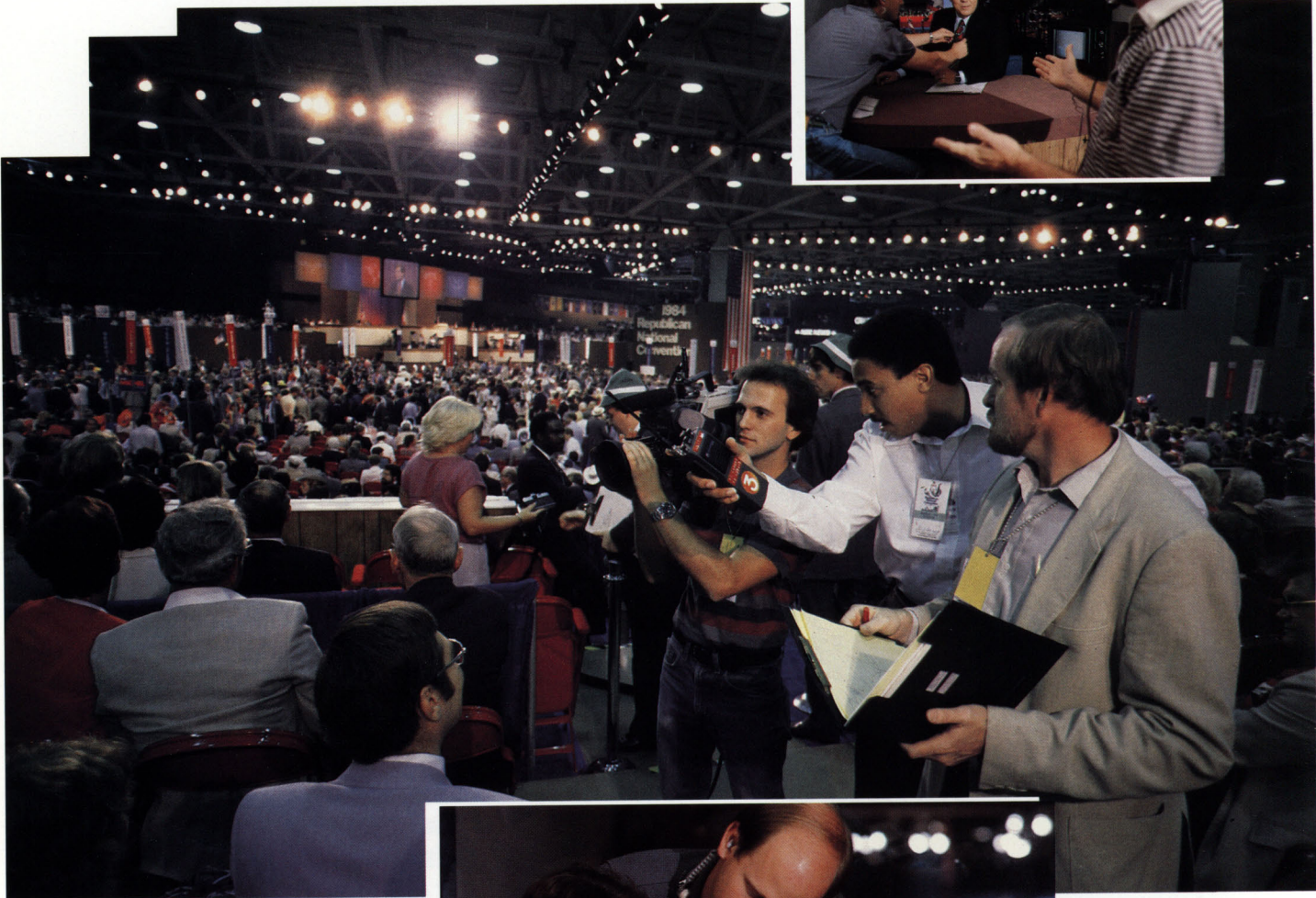


Those most-measured Americans, the television viewers, continue to tell pollsters and researchers that they like local television news, trust its fairness and accuracy and applaud its enterprise.

WDIV sound technician Susan Dise and photographer Christopher Dyer in San Francisco; (bottom) WPLG reporter/anchor Ann Bishop.

As technology continues to evolve, there will be even greater participation by local television stations in the national political scene.

WDIV reporter/anchor Mort Crim (right); (below) PNS director of engineering Stephen Flanagan (right), WDIV director of engineering Marcus Williams and WJXT photographer Glen Mazzone at the Republican National Convention; (bottom) PNS Washington News Bureau administrator Joann Malone and photographer Thomas Budai.



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

Results of Operations

In each of the last three years, sales of newspaper, magazine and television advertising have accounted for a slightly increasing percentage of the company's operating revenues. In 1984 advertising revenue accounted for approximately 76 percent of the company's operating revenues, with approximately 22 percent derived from newspaper and magazine circulation.

Total operating revenues increased by \$77 million (10 percent) in 1983 and by another \$107 million (12 percent) in 1984. Advertising revenues increased in 1983 by \$70 million (12 percent) as a result of higher rates in each of the company's operating divisions and a recovery from 1982 in the volume of advertising. Total advertising inches at The Washington Post increased 3 percent and total advertising pages in Newsweek's domestic edition increased 4 percent. In 1984 advertising revenue increased by \$90 million (14 percent) as a result of rates being further increased in each of the company's divisions and volume of advertising increasing. Total advertising inches at The Washington Post increased 8 percent with particularly strong gains in classified advertising; total advertising pages in Newsweek's domestic edition increased 2 percent. Circulation revenues increased \$6 million (3 percent) in 1983 and \$14 million (7 percent) in 1984. In both 1983 and 1984 the increases were due primarily to higher rates.

Total operating costs and expenses increased \$43 million (6 percent) in 1983 due largely to higher costs of wages and related benefits. Newsprint and magazine paper prices declined or showed little increase throughout most of 1983. Total operating costs and expenses increased \$73 million (10 percent) in 1984 due to higher costs of wages and related benefits and higher newsprint and magazine paper costs which rose due to increased volume and prices. Newsprint prices were increased 7 percent during 1984 after almost two years of stable or decreasing prices.

Income from operations increased \$34 million (35 percent) in 1983 and \$34 million (26 percent) in 1984. The newspaper division's operating margin increased from 14 percent in 1982 to 17 percent in 1983, and to 18 percent in 1984 reflecting higher revenues at The Washington Post and lesser increases in costs and expenses during those years. The magazine division's operating margin, after remaining constant at 5 percent

in 1982 and 1983, rose to 7 percent in 1984 as a result of a 10 percent increase in revenues and only an 8 percent increase in operating costs and expenses. The broadcast division's operating margin increased from 28 percent in 1982 to 33 percent in 1983, and to 37 percent in 1984 as revenues, mostly from advertising, increased.

The company's share in the earnings and losses of its affiliated companies decreased from earnings of \$4.7 million in 1982 to earnings of \$.4 million in 1983, and to a loss of \$5.7 million in 1984. The decline was due largely to the losses incurred by the company's sports programming affiliates which were acquired during the second half of 1983 and early 1984. The company's share of these losses was \$2.3 million in 1983 and \$9.9 million in 1984. A combination of a decline in newsprint prices in late 1982 and a cutback in operations due to major renovations at one mill caused the company's share of earnings of its newsprint mill affiliates to decrease \$1.9 million in 1983; these factors reversed themselves in 1984 so that the company's share of earnings of these affiliates increased by \$3.1 million in 1984. The company recognized in 1984 a loss of \$1.5 million as its share of operations of the cellular radio-telephone affiliates which became operational in 1984. In 1985 the company's share of earnings and losses of its affiliated companies will be affected favorably by the sale in January 1985 of a portion of the company's interests in its sports programming affiliates; had the company owned in 1984 the same percentage interests as it does now as a result of this sale, the share of losses for 1984 would have been reduced by approximately 50 percent. Depending on the commencement date of cellular operations in the Miami area, the company's losses from its cellular affiliates in 1985 could exceed 1984 losses by as much as \$5 million.

During most of 1982 the company was active in the short-term borrowing market in order to finance a series of significant corporate expenditures noted under "Financial Condition" below. These borrowings were repaid in the fourth quarter of 1982; thereafter, the company's cash flow produced a \$4.2 million increase in interest income in 1983 and a \$2.6 million increase in 1984. Interest expense, before consideration of \$.8 million of interest costs capitalized in 1982, decreased

\$4 million in 1983 and \$.9 million in 1984. The company's interest expense includes the cost of borrowing associated with long-term debt as discussed in Note E, interest paid on deposits and in both 1983 and 1984 amounts related to prior years' Federal and state income tax returns.

Other income and expenses included in 1982 a nonrecurring gain of \$2 million related to the sale of the company's minority interest in an electronic photocomposition company. In 1983 and 1984, other expense consists principally of losses on the sale or abandonment of operating property.

The company's effective tax rate declined in both 1983 and 1984 but is expected to increase in 1985. Net income increased \$16 million (30 percent) in 1983 and \$17 million (26 percent) in 1984. The company during 1984 repurchased 199,000 shares of its Class B common stock. These repurchases had no significant effect on the calculation of earnings per share.

Financial Condition: Capital Resources and Liquidity

During the period 1982 through 1984 the company expended approximately \$185 million on various capital programs, principally investment in new businesses, purchases of additional plant and equipment and repurchases of Class B common stock. Expenditures for similar though more extensive programs in the years immediately prior to 1982 had made it necessary at that time to supplement internally generated funds with short-term borrowings. During 1982 the company repaid the outstanding balance of such short-term borrowings.

During 1985 and 1986 the company estimates that it will expend approximately \$100 million for plant and equipment and it expects to fund such expenditures with cash flow from operations. The company also expects during the next few years to invest additional amounts in its new businesses. The company's sports programming affiliates are forecasted to operate at a loss through 1986 during which period the company expects to invest additional amounts in these as well as additional sports programming operations. Also, three of the company's cellular radiotelephone affiliates are presently or will shortly be actively constructing systems. The company expects to invest approximately \$30 million in 1985 and 1986 in these businesses. The company's participation level in its other cellular radiotelephone affiliates is uncertain at this time but the company's financial commitment with respect to these licenses is not expected to be significant.

The company's present financial commitments with respect to these new businesses will have no significant effect on its financial position and are expected to be financed through the use of internally available funds. Any further financial commitments that may result from entry into additional new businesses will be financed to the extent possible through the use of cash flow from operations and, if necessary, through borrowings.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except share amounts)	Fiscal Year Ended		
	December 30, 1984	January 1, 1984	January 2, 1983
Operating Revenues			
Advertising	\$749,673	\$659,896	\$590,173
Circulation	215,294	201,706	195,996
Other	19,336	16,112	14,655
	<u>984,303</u>	<u>877,714</u>	<u>800,824</u>
Operating Costs and Expenses			
Operating	594,552	542,555	521,069
Selling, general and administrative	199,465	180,451	161,615
Depreciation and amortization of property, plant and equipment	21,740	20,080	18,837
Amortization of goodwill and other intangibles	2,251	2,213	1,197
	<u>818,008</u>	<u>745,299</u>	<u>702,718</u>
Income from Operations	166,295	132,415	98,106
Equity in (losses) earnings of affiliates	(5,731)	399	4,651
Interest income	8,667	6,101	1,865
Interest expense, net of capitalized interest of \$883 in 1982	(1,792)	(2,725)	(2,223)
Other income (expense), net	(1,296)	(1,571)	1,160
Income before Income Taxes	166,143	134,619	103,559
Provision for Income Taxes	80,257	66,225	51,146
Net Income	<u>\$ 85,886</u>	<u>\$ 68,394</u>	<u>\$ 52,413</u>
Earnings per Share	<u>\$6.11</u>	<u>\$4.82</u>	<u>\$3.70</u>

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)	December 30, 1984	January 1, 1984
ASSETS		
<i>Current Assets</i>		
Cash and temporary cash investments	\$ 73,713	\$ 68,767
Accounts receivable, less estimated returns, doubtful accounts and allowances of \$17,210 and \$16,746	108,415	92,744
Inventories at lower of cost or market	14,544	11,694
Prepaid film rights	9,731	9,333
Other current assets	12,156	8,078
	<u>218,559</u>	<u>190,616</u>
 <i>Investments in Affiliates</i>	 80,936	 83,025
 <i>Property, Plant and Equipment</i>		
Buildings	92,490	90,880
Machinery, equipment and fixtures	172,577	158,442
Leasehold improvements	18,877	13,856
	<u>283,944</u>	<u>263,178</u>
Less accumulated depreciation and amortization	(120,922)	(103,244)
	163,022	159,934
Land	14,938	14,175
Construction in progress	13,112	7,224
	<u>191,072</u>	<u>181,333</u>
 <i>Goodwill and Other Intangibles</i> , less accumulated amortization of \$12,800 and \$10,549	 76,838	 79,089
 <i>Deferred Charges and Other Assets</i>	 78,395	 36,613
	<u>\$645,800</u>	<u>\$570,676</u>

The information on pages 54 through 63 is an integral part of the financial statements.

(In thousands, except share amounts)	December 30, 1984	January 1, 1984
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 97,676	\$ 86,729
Federal and state income taxes	13,617	16,791
Current portion of long-term debt and note payable	2,250	5,250
	<u>113,543</u>	<u>108,770</u>
Other Liabilities	55,063	39,166
Long-Term Debt	6,250	8,500
Deferred Subscription Revenue	64,465	65,988
Deferred Income Taxes	26,352	29,362
	<u>265,673</u>	<u>251,786</u>
Shareholders' Equity		
Preferred stock, \$1 par value, authorized 1,000,000 shares	—	—
Common stock		
Class A common stock, \$1 par value, authorized 7,000,000 shares; 2,748,382 shares issued and outstanding	2,748	2,748
Class B common stock, \$1 par value, authorized 40,000,000 shares; 17,251,618 shares issued; 11,240,505 and 11,423,117 shares outstanding	17,252	17,252
Capital in excess of par value	5,212	4,437
Retained earnings	448,529	373,871
Cumulative foreign currency translation adjustment	(4,349)	(2,858)
Cost of 6,011,113 and 5,828,501 shares of Class B common stock held in Treasury	(89,265)	(76,560)
	<u>380,127</u>	<u>318,890</u>
	<u>\$645,800</u>	<u>\$570,676</u>

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(In thousands)	Fiscal Year Ended		
	December 30, 1984	January 1, 1984	January 2, 1983
Sources of Working Capital			
Net income	\$ 85,886	\$ 68,394	\$ 52,413
Charges (credits) to income not requiring working capital			
Depreciation and amortization of property, plant and equipment	21,740	20,080	18,837
Amortization of television film rights	8,454	11,410	10,268
Income tax timing differences	(3,311)	1,217	(118)
Equity in losses (earnings) of affiliates	5,731	(399)	(4,651)
Amortization of goodwill and other intangibles	2,251	2,213	1,197
Other	9,143	8,388	3,356
Total provided by operations	129,894	111,303	81,302
Increase in contracted television film rights payable	8,385	484	1,337
Dividends received from affiliates	200	332	4,955
Increase (decrease) in deferred subscription revenue	(1,523)	1,110	(1,803)
Other	18,388	12,686	14,564
Total sources	155,344	125,915	100,355
Uses of Working Capital			
Investment in new businesses	37,232	48,063	—
Purchases of property, plant and equipment	33,593	21,576	30,555
Repurchases of common stock	12,935	—	—
Purchases of television film rights	21,947	13,234	13,141
Decrease in long-term debt	2,250	2,250	12,250
Dividends on common stock	11,228	9,352	7,908
Other	12,989	11,936	8,189
Total uses	132,174	106,411	72,043
Net Increase in Working Capital	\$ 23,170	\$ 19,504	\$ 28,312
Changes in Composition of Working Capital			
Cash and temporary cash investments	\$ 4,946	\$ 28,485	\$ 29,153
Accounts receivable	15,671	1,994	5,469
Inventories	2,850	(10,357)	(449)
Prepaid film rights	398	613	743
Other current assets	4,078	(777)	740
Increase in current assets	27,943	19,958	35,656
Accounts payable and accrued liabilities	(10,947)	255	(8,537)
Federal and state income taxes	3,174	2,291	(12,882)
Current portion of long-term debt and note payable	3,000	(3,000)	14,075
(Increase) in current liabilities	(4,773)	(454)	(7,344)
Net increase in working capital	\$ 23,170	\$ 19,504	\$ 28,312

The information on pages 54 through 63 is an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands, except share amounts)	Class A Common Stock	Class B Common Stock	Capital in Excess of Par Value	Retained Earnings	Cumulative Foreign Currency Translation Adjustment	Treasury Stock
Balance January 4, 1982	\$2,748	\$17,252	\$1,998	\$270,324	\$(1,001)	\$(77,928)
Net income for the year				52,413		
Dividends—\$.56 per share				(7,908)		
Issuance of 66,940 shares of Class B common stock			834			852
Change in foreign currency translation adjustment					(1,028)	
Other			287			
Balance January 2, 1983	2,748	17,252	3,119	314,829	(2,029)	(77,076)
Net income for the year				68,394		
Dividends—\$.66 per share				(9,352)		
Issuance of 39,282 shares of Class B common stock, net of restricted stock award forfeitures			1,212			516
Change in foreign currency translation adjustment					(829)	
Other			106			
Balance January 1, 1984	2,748	17,252	4,437	373,871	(2,858)	(76,560)
Net income for the year				85,886		
Dividends—\$.80 per share				(11,228)		
Repurchases of 199,000 shares of Class B common stock						(12,935)
Issuance of 16,388 shares of Class B common stock, net of restricted stock award forfeitures			(226)			230
Change in foreign currency translation adjustment					(1,491)	
Other			1,001			
Balance December 30, 1984	<u>\$2,748</u>	<u>\$17,252</u>	<u>\$5,212</u>	<u>\$448,529</u>	<u>\$(4,349)</u>	<u>\$(89,265)</u>

The information on pages 54 through 63 is an integral part of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year. The company reports on a 52-53 week fiscal year ending on the Sunday nearest December 31. The fiscal years 1982 through 1984 each included 52 weeks.

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

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

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

Property, Plant and Equipment. Property, plant and equipment is recorded at cost which since 1980, in accordance with Statement of Financial Accounting Standards No. 34, includes interest capitalized in connection with major long-term construction projects. Replacements and major improvements are capitalized; maintenance and repairs are charged to expense as incurred. Upon sale or retirement of property, plant and equipment, the costs and related accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are included in the determination of net income.

Depreciation is calculated using the straight-line method over the estimated useful lives of the property, plant and equipment: 3 to 11 years for machinery and equipment, 20 to 50 years for buildings and 5 to 20 years for land improvements. The costs of leasehold improvements are amortized over the lesser of the useful lives or the terms of the respective leases.

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

the straight-line method over various periods up to 40 years in accordance with Opinion No. 17.

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

Deferred Subscription Revenue and Magazine Subscription Procurement Costs. Deferred subscription revenue, which represents amounts received from subscribers in advance of magazine and newspaper deliveries, is reflected in operating revenues over the subscription term. Subscription procurement costs are charged to expense as incurred.

Income Taxes. Deferred income taxes result from timing differences in the recognition of certain revenue and expense items, principally depreciation, for tax and financial reporting purposes, in the recognition of income tax to be withheld at the source of distribution of earnings of foreign affiliates, and in the recognition of investment tax credits which for financial reporting purposes are applied as a reduction of income taxes over the depreciable lives of the related assets.

Foreign Currency Translation. Gains and losses on foreign currency transactions and translation of accounts of the company's foreign operations are recognized currently in the Consolidated Statements of Income. Gains and losses on translation of the company's equity interests in its foreign affiliates are not included in the Consolidated Statements of Income but are reported separately and accumulated in the "Cumulative Foreign Currency Translation Adjustment" in the Consolidated Balance Sheets.

B. INVESTMENTS IN AFFILIATES

The company's investments in affiliates include the following (in thousands):

	1984	1983
Newsprint mills	\$42,530	\$38,641
Sports programming operations	34,186	41,667
Other	4,220	2,717
	<u>\$80,936</u>	<u>\$83,025</u>

The company's interest in newsprint mills includes a 49 percent interest in the common stock of Bowater

Mersey Paper Company Limited which owns and operates a newsprint mill in Nova Scotia, and a one-third limited partnership interest in Bear Island Paper Company which owns and operates a newsprint mill near Richmond, Virginia. Operating costs and expenses of the company include cost of newsprint supplied by Bowater Mersey Paper Company and Bear Island Paper Company of \$60,200,000 in 1984, \$52,900,000 in 1983 and \$56,800,000 in 1982.

During 1983 the company acquired interests in several businesses which distribute programming, principally sports events, to pay cable and subscription television subscribers. At year end the company's interests included a 50 percent partnership interest in SportsChannel Associates which operates in the metropolitan New York City area, a 90 percent partnership interest in SportsChannel Prism Associates which operates in the metropolitan Philadelphia area, an 85 percent partnership interest in SportsChannel Chicago

Associates which operates in the metropolitan Chicago area and a 25 percent limited partnership interest in SportsChannel New England which operates in the New England and upstate New York areas. In January 1985 the company sold a part of its interest in each of the sports programming businesses reducing its respective interests in SportsChannel Associates, SportsChannel Prism Associates, and SportsChannel Chicago Associates to 33 1/3 percent and its interest in SportsChannel New England to 16 2/3 percent. As a result of this sale, the company's investments in sports programming operations were reduced by approximately \$15,000,000. The net effect of this transaction was a gain of approximately \$8,500,000 which has been included in 1985 earnings.

Summarized financial data for the newsprint mills and sports programming operations are as follows (in thousands):

	Newsprint Mills			Sports Programming Operations	
	1984	1983	1982	1984	1983
Financial Position					
Working capital	\$ 9,734	\$ 6,893	\$ 6,508	\$ 7,318	\$12,898
Property, plant and equipment	178,020	175,955	159,725	1,757	1,987
Total assets	215,623	218,290	203,692	49,108	55,425
Long-term debt	57,968	63,664	57,822	11,403	14,793
Net equity	111,571	102,865	97,824	12,524	22,112
Results of Operations					
Operating revenues	\$162,405	\$145,871	\$148,991	\$49,848	\$13,067
Operating income (loss)	25,081	11,865	21,500	(11,750)	(3,567)
Net income (loss)	11,368	5,374	7,400	(13,347)	(3,994)

The company's other investments include a one-third common stock interest in a French corporation based in Paris which publishes the International Herald Tribune, a 50 percent common stock interest in the Los Angeles Times-Washington Post News Service, Inc. and a 20 percent common stock interest acquired in 1983 in the National Journal, Inc., publisher of a weekly magazine specializing in national affairs. The company's investments also include various interests in several partnerships which are presently or will shortly be actively constructing cellular radiotelephone systems, a 60 percent partnership interest in Florida Cellular Telephone Company, an 18 percent partnership interest in Detroit Cellular Telephone Company, a 20 percent partnership interest in Washington/Baltimore Cellular Telephone Company and at year end a 16 2/3 percent partnership interest in Interstate Mobilephone Company. The company's interest in Interstate Mobilephone Company was subsequently sold.

The following tables summarize the status and results of the company's investments (in thousands):

	1984	1983	1982
Beginning investment	\$83,025	\$39,365	\$39,695
Equity in earnings (losses)	(5,731)	399	4,651
Dividends received	(200)	(332)	(4,955)
Additional investment	5,925	44,674	1,338
Sale of investment	—	—	(336)
Other	(2,083)	(1,081)	(1,028)
Ending investment	\$80,936	\$83,025	\$39,365
Equity in earnings (losses)			
Newsprint mills	\$ 5,101	\$ 2,004	\$ 3,879
Sports programming operations	(9,956)	(2,330)	—
Other	(876)	725	772
	\$ (5,731)	\$ 399	\$ 4,651

At December 30, 1984 the unamortized excess of the company's investments over its equity in the underlying net assets of its affiliates at date of acquisition was \$21,500,000 which is being amortized over periods of up to 30 years. Amortization included in equity in earnings of affiliates for the years ended December 30, 1984 and January 1, 1984 was \$1,800,000 and \$900,000. The unamortized balance and future years' amortization have been substantially reduced by the previously mentioned sale in 1985 of part of the company's interests in the sports programming businesses.

C. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at December 30, 1984 and January 1, 1984 consist of the following (in thousands):

	1984	1983
Accounts payable and accrued expenses	\$56,898	\$51,096
Accrued payroll and related benefits	22,007	17,614
Film contracts payable	8,789	9,526
Contributions due employee benefit trust funds	4,174	3,393
Due to affiliates (newsprint)	5,808	5,100
	<u>\$97,676</u>	<u>\$86,729</u>

D. INCOME TAXES

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

	Current	Deferred
1984		
U.S. Federal	\$71,170	\$(2,870)
Foreign	990	311
State and local	11,408	(752)
	<u>\$83,568</u>	<u>\$(3,311)</u>
1983		
U.S. Federal	\$53,886	\$ 1,122
Foreign	716	348
State and local	10,406	(253)
	<u>\$65,008</u>	<u>\$ 1,217</u>
1982		
U.S. Federal	\$41,271	\$ 245
Foreign	1,506	(9)
State and local	8,487	(354)
	<u>\$51,264</u>	<u>\$ (118)</u>

Deferred taxes are attributable to the following (in thousands):

	1984	1983	1982
Tax depreciation in excess of depreciation for financial reporting purposes	\$ 3,095	\$ 4,590	\$ 3,141
Deferral of investment tax credits for financial reporting purposes	(554)	(1,103)	559
Other	(5,852)	(2,270)	(3,818)
	<u>\$(3,311)</u>	<u>\$ 1,217</u>	<u>\$ (118)</u>

The provision for income taxes exceeds the amount of taxes determined by applying the U.S. Federal statutory rate of 46 percent to income before income taxes as a result of the following (in thousands):

	1984	1983	1982
U.S. Federal income taxes at 46 percent of income before income taxes	\$76,426	\$61,925	\$47,637
State and local taxes net of Federal income tax benefit	5,755	5,483	4,392
Amortization of goodwill not deductible for tax purposes	852	683	551
Foreign income taxes netted in equity in earnings of affiliates	(1,199)	(892)	(1,630)
Other	(1,577)	(974)	196
Provision for income taxes	<u>\$80,257</u>	<u>\$66,225</u>	<u>\$51,146</u>

E. DEBT

Long-term debt of the company as of December 30, 1984 and January 1, 1984 is summarized as follows (in thousands):

	1984	1983
6.95 percent unsecured promissory notes due 1984-1987	\$ 8,500	\$10,750
10.93 percent unsecured note due January 1984	—	3,000
Less amount included in current liabilities	(2,250)	(5,250)
	<u>\$ 6,250</u>	<u>\$ 8,500</u>

The company has a revolving credit agreement with a group of banks which permits borrowings of up to \$75,000,000 until January 1, 1986, at which time any outstanding borrowings may be converted into four-year notes, payable in equal semi-annual installments. Interest on borrowings under the revolving credit agreement is at the floating prime rate or, at the option of the company, at one-half percent over the London Interbank Offered Rate. Additionally, during the revolving credit period of the agreement a commitment fee of .25 percent is payable on the unused portion of the line.

The agreement relating to the 6.95 percent promissory notes and the revolving credit agreement include restrictive provisions which pertain principally to the payment of dividends and the redemption or purchase of the company's capital stock. At the end of 1984 retained earnings unrestricted by these provisions were approximately \$183,000,000.

During 1982 the company issued commercial paper in the form of unsecured notes supported by the company's revolving credit agreement and, from time to time, issued to various banks unsecured notes also supported by the revolving credit agreement. The daily average borrowings under these instruments were \$12,800,000 at a weighted average cost of 15.9 percent. There were no such borrowings during 1983 and 1984.

Annual maturities of long-term debt based on existing loan repayment schedules are \$2,250,000 in 1986 and \$4,000,000 in 1987.

F. CAPITAL STOCK, STOCK OPTIONS AND STOCK AWARDS

Capital Stock. Each share of Class A common stock and Class B common stock participates equally in dividends. The Class B stock has limited voting rights and as a class has the right to elect 30 percent of the board of directors; the Class A stock has unlimited voting rights including the right to elect a majority of the board of directors.

Stock Options. In 1971 the company adopted a Stock Option Plan and reserved 1,400,000 shares of Class B common stock for options to be granted under the plan. The purchase price of the shares covered by an option must be equal to their fair market value on the granting date. At December 30, 1984 there were 196,200 shares reserved for issuance under the Stock Option Plan. Of this number 30,500 shares were subject to

options outstanding and 165,700 shares were available for future grants. Changes in the options outstanding for the years ended December 30, 1984 and January 1, 1984 were as follows:

	1984		1983	
	Number of Shares	Average Option Price	Number of Shares	Average Option Price
Beginning of year	52,500	\$17.37	60,300	\$15.80
Granted	—	—	—	—
Exercised	(22,000)	6.65	(7,800)	5.25
Cancelled	—	—	—	—
End of year	<u>30,500</u>	25.10	<u>52,500</u>	17.37

Of the shares covered by options outstanding at the end of 1984, 25,875 were then exercisable; the remaining 4,625 will become exercisable in 1985.

Stock Awards. Effective with the year 1982 the company adopted a Long-Term Incentive Compensation Plan which, among other provisions, provides for the awarding of stock to key employees. Stock awards made under the Incentive Compensation Plan are subject to the general restriction that stock awarded to a participant will be forfeited and revert to company ownership if the participant's employment terminates before the end of a specified period of service to the company. 275,000 shares of Class B common stock were reserved for stock awards to be made under the Incentive Compensation Plan. Activity related to stock awards for the years ended December 30, 1984 and January 1, 1984 was as follows:

	1984		1983	
	Number of Shares	Average Award Price	Number of Shares	Average Award Price
Beginning of year	82,482	\$40.06	51,000	\$31.70
Awarded	3,524	71.54	34,498	52.38
Forfeited	(9,136)	43.26	(3,016)	39.63
End of year	<u>76,870</u>	41.12	<u>82,482</u>	40.06

For the shares outstanding at December 30, 1984, the aforementioned restriction will lapse in January 1985 for 44,639 shares and in January 1987 for 32,231 shares.

Average Number of Shares Outstanding. Earnings per share are based on the weighted average number of shares of common stock outstanding during each year, adjusted for the dilutive effect of shares issuable under outstanding stock options. The average number of shares considered outstanding was 14,050,000 for 1984, 14,195,000 for 1983, and 14,153,000 for 1982.

G. RETIREMENT PLANS

The company and its subsidiaries have various pension and incentive savings plans and in addition contribute to several multi-employer plans on behalf of certain union-represented employee groups. Substantially all of the company's employees including those located in foreign countries are covered by these plans. Total expense for these plans was \$13,900,000 for 1984, \$12,300,000 for 1983 and \$11,500,000 for 1982.

The costs for the company's defined benefit pension plans are actuarially determined and include amortization of prior service costs over various periods, generally not exceeding 20 years. The company's policy is to fund the costs accrued for its defined benefit plans. In 1984 and 1983, however, the company funded amounts less than the cost accrued for certain plans. The accumulated plan benefits, assuming an 8 percent rate of return, and plan net assets for the company's domestic defined benefit plans as of January 1, 1984 and 1983, the most recent valuation dates, were as follows (in thousands):

	1984	1983
Actuarial present value of accumulated plan benefits		
Vested	\$ 34,591	\$ 28,997
Nonvested	7,373	6,558
	<u>\$ 41,964</u>	<u>\$ 35,555</u>
Net assets available for benefits	<u>\$128,681</u>	<u>\$102,129</u>

The costs of unfunded pension plans are charged to expense when accrued. The company's liability for such plans, which is included in "Other Liabilities" in the Consolidated Balance Sheets, was \$14,400,000 at December 30, 1984 and \$13,100,000 at January 1, 1984.

In addition to providing pension benefits, the company and its subsidiaries have certain health care and life insurance plans which include retired employees who have reached retirement age while employed by the company. Retiree participation in these plans as a percentage of total participation ranges from 8 percent for the life insurance plan to 11 percent for the medical plan. The cost of these plans, which is charged to expense as premiums are paid or trust contributions are made, was approximately \$11,700,000 for 1984.

H. LEASES

Total rental expense included in operating costs and expenses was approximately \$11,900,000 for 1984, \$11,600,000 for 1983, and \$9,300,000 for 1982. As of December 30, 1984 minimum future rentals under noncancelable leases, principally all for real estate, were as follows (in thousands):

1985	\$ 6,742
1986	6,260
1987	5,517
1988	5,311
1989	5,150
Thereafter	22,481
	<u>\$51,461</u>

Included in the rentals above is \$3,100,000 per year related to a real estate lease which expires in 1994, but may be renewed for an additional fifteen-year period at the option of the company at an amount to be negotiated.

I. ACQUISITIONS AND DISPOSITIONS

Subsequent to year end the company acquired the assets of Stanley H. Kaplan Educational Centers which operate educational centers throughout the United States. The transaction, which was not significant to the company's financial position at December 30, 1984, was financed with existing working capital.

During 1982 the company sold its 24 percent interest in Publishers Phototype, Inc., an electronic photo-composition company. The net effect of this transaction on 1982 earnings was an increase of eight cents per share.

J. COMMITMENTS AND CONTINGENCIES

The company is a member of several partnerships which are licensed, or are expected to be licensed, to operate cellular radiotelephone systems in the Baltimore/Washington, Detroit and Miami areas. The company's interests in these partnerships range from 18 to 60 percent. The company's financial commitment with respect to these licenses will be satisfied with existing working capital.

In connection with its investment in new businesses, the company has guaranteed the repayment of certain borrowings and, in addition, may be required to pay additional amounts if the businesses achieve specified

levels of performance. These amounts are not significant to the company's financial position at December 30, 1984.

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

K. BUSINESS SEGMENTS

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

Newspaper operations primarily involve the publication of newspapers in Washington, D.C. and Everett, Washington; they also include a database publishing company acquired in February 1983 and a newsprint warehousing facility. Magazine publishing operations consist of the publication of a weekly news-magazine, Newsweek, which has one domestic and

three international editions. Revenues from both newspaper and magazine publishing operations are derived from advertising and, to a lesser extent, from circulation.

Broadcast operations are conducted primarily through four VHF television stations. All stations are network affiliated with revenues derived primarily from sales of advertising time. Broadcast operations in 1983 and 1982 also included video production.

Income from operations is the excess of operating revenues over operating expenses including corporate expenses which are allocated to operations of the segments. In computing income from operations by segment, the effects of equity in earnings of affiliates, interest income, interest expense, other income and expense items and income taxes are not included. Development costs relate to the company's applications for licenses to operate cellular radiotelephone systems.

Identifiable assets by segment are those assets used in the company's operations in each business segment. Investments in affiliates are discussed in Note B. Corporate assets are principally cash and temporary cash investments.

	Newspaper Publishing	Magazine Publishing	Broadcast	Consolidated
1984				
Operating revenues	\$516,648	\$331,614	\$136,041	\$984,303
Income from operations	\$ 94,604	\$ 22,048	\$ 50,813	\$167,465
Development costs				(1,170)
Total income from operations				166,295
Equity in earnings of affiliates				(5,731)
Interest expense				(1,792)
Other income, net				7,371
Income before income taxes				\$166,143
Identifiable assets	\$225,064	\$ 80,737	\$140,205	\$446,006
Investments in affiliates				80,936
Corporate assets				118,858
Total assets				\$645,800
Depreciation and amortization of property, plant and equipment	\$ 12,323	\$ 4,250	\$ 5,167	\$ 21,740
Amortization of goodwill and other intangibles	\$ 1,587		\$ 664	\$ 2,251
Capital expenditures	\$ 11,785	\$ 13,448	\$ 8,360	\$ 33,593

	Newspaper Publishing	Magazine Publishing	Broadcast	Consolidated
1983				
Operating revenues	\$455,666	\$302,241	\$119,807	\$877,714
Income from operations	\$ 78,872	\$ 15,327	\$ 39,446	\$133,645
Development costs				(1,230)
Total income from operations				132,415
Equity in earnings of affiliates				399
Interest expense				(2,725)
Other income, net				4,530
Income before income taxes				\$134,619
Identifiable assets	\$218,958	\$ 63,563	\$123,489	\$406,010
Investments in affiliates				83,025
Corporate assets				81,641
Total assets				\$570,676
Depreciation and amortization of property, plant and equipment	\$ 11,912	\$ 2,921	\$ 5,247	\$ 20,080
Amortization of goodwill and other intangibles	\$ 1,549		\$ 664	\$ 2,213
Capital expenditures	\$ 4,695	\$ 11,243	\$ 5,638	\$ 21,576
	Newspaper Publishing	Magazine Publishing	Broadcast	Consolidated
1982				
Operating revenues	\$413,929	\$279,171	\$107,724	\$800,824
Income from operations	\$ 56,744	\$ 13,287	\$ 29,753	\$ 99,784
Development costs				(1,678)
Total income from operations				98,106
Equity in earnings of affiliates				4,651
Interest expense				(2,223)
Other income, net				3,025
Income before income taxes				\$103,559
Identifiable assets	\$224,236	\$ 68,311	\$122,868	\$415,415
Investments in affiliates				39,365
Corporate assets				46,443
Total assets				\$501,223
Depreciation and amortization of property, plant and equipment	\$ 11,773	\$ 2,753	\$ 4,311	\$ 18,837
Amortization of goodwill and other intangibles	\$ 533		\$ 664	\$ 1,197
Capital expenditures	\$ 11,979	\$ 5,495	\$ 13,081	\$ 30,555

L. SUMMARY OF QUARTERLY OPERATING RESULTS (Unaudited)

Quarterly results of operations for the years ended December 30, 1984 and January 1, 1984 are as follows (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1984				
Operating revenues	\$219,539	\$256,109	\$225,046	\$283,609
Income from operations	21,093	52,658	28,254	64,290
Net income	9,051	27,154	15,061	34,620
Earnings per share	\$.64	\$1.94	\$1.08	\$2.47
Average number of shares outstanding	14,181	14,008	14,006	14,004
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1983				
Operating revenues	\$196,545	\$223,981	\$202,928	\$254,260
Income from operations	11,517	41,183	24,103	55,612
Net income	6,155	21,335	12,260	28,644
Earnings per share	\$.43	\$1.50	\$.86	\$2.02
Average number of shares outstanding	14,194	14,195	14,196	14,196

The sum of the earnings per share for the four quarters may differ from the annual earnings per share as a result of computing the quarterly and

annual amounts on the weighted number of shares outstanding in the respective periods in accordance with Accounting Principles Board Opinion No. 15.

M. INFORMATION ON INFLATION AND CHANGING PRICES (Unaudited)

In accordance with the requirements of Statement of Financial Accounting Standards No. 33, "Financial Reporting and Changing Prices," the company has prepared supplementary information which provides calculations illustrating the effects of inflation and changing prices on certain phases of the company's operations. The information presented is necessarily based on numerous assumptions and estimates which required subjective judgments, and therefore should not be viewed as precise data. The difference between

these data and historical data do not represent increases or decreases in the company's book value.

The information in the tables which follow attempts to estimate what the cost of the company's existing inventories and property, plant and equipment, and related costs and expenses would be at end of year prices. Indexation using specific industry indices and specific pricing using current prices and appraisals were used in estimating these amounts. These amounts do not consider technological improvements and efficiencies associated with the normal replacement of productive capacity.

Consolidated Statement of Income Adjusted for Changing Prices for the Year Ended December 30, 1984

(In thousands, except per share amounts)

	As Reported In Financial Statements (Historical Cost)	Adjusted for Changes in Specific Prices (Current Cost)
Operating revenues	\$984,303	\$984,303
Costs and expenses		
Operating	594,552	595,264
Selling, general and administrative	199,465	199,465
Depreciation and amortization of property, plant and equipment	21,740	24,500
Amortization of goodwill and other intangibles	2,251	2,251
	<u>818,008</u>	<u>821,480</u>
Income from operations	166,295	162,823
Other income (expense), net	(152)	(152)
Income before taxes	166,143	162,671
Provision for income taxes	80,257	80,257
Net income	<u>\$ 85,886</u>	<u>\$ 82,414</u>
Earnings per share	<u>\$ 6.11</u>	<u>\$ 5.87</u>
Increase in general price level of inventories and property, plant and equipment		\$ 16,826
Plus effect of decrease in specific prices		2,603
Excess of increase in general price level over change in specific prices		<u>\$ 19,429</u>

Five-Year Comparison of Selected Financial Data Adjusted for Changing Prices

(In thousands, except per share amounts)

	1984	1983	1982	1981	1980
Net income					
As reported	\$85,886	\$68,394	\$52,413	\$32,710	\$34,335
In current cost 1984 dollars	82,414	66,596	52,724	29,631	35,107
Earnings per share					
As reported	\$ 6.11	\$ 4.82	\$ 3.70	\$ 2.32	\$ 2.44
In current cost 1984 dollars	5.87	4.69	3.72	2.11	2.50
Gain (loss) from change in purchasing power of net monetary position	\$(1,784)	\$ (957)	\$ 606	\$ 2,924	\$ 2,044
Excess of increase in general price level over change in specific prices of inventories and property, plant and equipment	\$19,429	\$ 4,951	\$(6,634)	\$ 3,014	\$12,722
Cash dividends per share					
As reported	\$.80	\$.66	\$.56	\$.50	\$.44
In constant 1984 dollars	.80	.69	.60	.57	.55
Market price per common share at year end					
Historical amount	\$80.25	\$73.25	\$55.25	\$31.38	\$22.75
In constant 1984 dollars	79.11	75.08	58.78	34.68	27.39
Average consumer price index	311.1	298.4	289.1	272.4	246.8

The cost of newsprint and magazine paper included in operating costs and expenses was calculated using the same methods used in the historical financial statements. Depreciation and amortization of property,

plant and equipment were calculated generally using the same methods and rates of depreciation used in the financial statements. In accordance with the requirements of Statement No. 33, income taxes were not

adjusted for the effects of the resulting changes in operating costs and expenses and depreciation and amortization of property, plant and equipment. Operating revenues, all other operating costs and expenses and other income (expense), net, were assumed to reflect the average price levels for the year as allowed under Statement No. 33, and accordingly have not been adjusted.

The increase in general price level of inventories and property, plant and equipment over the change in specific prices of those items is determined by calculating the change in the balance of inventories and property, plant and equipment, stated at current cost, between years and removing that aspect of the change which is related to general inflation as measured by the Consumer Price Index for all Urban Consumers. In 1984 the decrease in specific prices of inventories and property, plant and equipment is the result of de-

creases in the current cost of data processing equipment and in one instance, property.

The gain or loss from change in purchasing power of the net monetary position was determined by calculating the difference between the company's net monetary positions at the beginning and end of the year, both amounts stated in average 1984 dollars. The calculation attempts to represent the effect of holding net monetary assets which lose purchasing power or net monetary liabilities which gain purchasing power during an inflationary period.

The current cost amounts of net monetary items, inventories and property, plant and equipment net of accumulated depreciation, stated in average 1984 dollars, and other net items, and corresponding historical cost amounts were as follows (in thousands):

	December 30, 1984*		January 1, 1984	
	Historical Cost	Current Cost	Historical Cost	Current Cost
Net monetary items	\$ 52,839	\$ 52,086	\$ 41,156	\$ 42,104
Inventories	14,544	16,636	11,694	12,159
Property, plant and equipment, net	191,072	280,953	181,333	291,315
Other net items	121,672	121,672	84,707	84,707
Net assets	<u>\$380,127</u>	<u>\$471,347</u>	<u>\$318,890</u>	<u>\$430,285</u>

*At December 30, 1984 the current cost of inventories was \$16,877,000 and the current cost of property, plant and equipment net of accumulated depreciation was \$285,017,000.

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, based upon our examinations and the reports of other independent accountants referred to below, the consolidated financial statements appearing on pages 49 through 53 present fairly the financial position of The Washington Post Company and its subsidiaries at December 30, 1984 and January 1, 1984 and the results of their operations and the changes in their financial position for each of the three fiscal years in the period ended December 30, 1984, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting

records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the company's two newsprint manufacturing affiliates which are summarized in Note B. These statements were examined by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these affiliates, is based solely upon the reports of the other independent accountants.

Price Waterhouse

Washington, D.C.
January 30, 1985

TEN-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(In thousands, except per share amounts)	1984	1983	1982
Results of Operations			
Operating revenues _____	\$984,303	\$877,714	\$800,824
Income from operations _____	\$166,295	\$132,415	\$ 98,106
Income before cumulative effect of change in method of accounting _____	\$ 85,886	\$ 68,394	\$ 52,413
Cumulative effect on years prior to 1979 of change in method of accounting for magazine subscription procurement costs _____	—	—	—
Net income _____	<u>\$ 85,886</u>	<u>\$ 68,394</u>	<u>\$ 52,413</u>
Per Share Amounts			
Earnings per share			
Income before cumulative effect of change in method of accounting _____	\$ 6.11	\$ 4.82	\$ 3.70
Cumulative effect on years prior to 1979 of change in method of accounting for magazine subscription procurement costs _____	—	—	—
Net income _____	<u>\$ 6.11</u>	<u>\$ 4.82</u>	<u>\$ 3.70</u>
Cash dividends _____	\$.80	\$.66	\$.56
Shareholders' equity _____	\$27.17	\$22.50	\$18.32
Average Number of Shares Outstanding _____	14,050	14,195	14,153
Financial Position			
Current assets _____	\$218,559	\$190,616	\$170,658
Working capital _____	105,016	81,846	62,342
Property, plant and equipment _____	191,072	181,333	181,982
Total assets _____	645,800	570,676	501,223
Long-term debt _____	6,250	8,500	10,750
Shareholders' equity _____	380,127	318,890	258,843
Pro Forma Amounts			
Net income _____	\$ 85,886	\$ 68,394	\$ 52,413
Earnings per share _____	\$ 6.11	\$ 4.82	\$ 3.70

Notes:

See Notes to Consolidated Financial Statements for the summary of significant accounting policies and additional information relative to the years 1982-1984.

In 1978 and 1976 the company realized nonrecurring gains, mostly from the sales of two radio stations. The effect of these gains was to increase net income and earnings per share by \$4,300,000 and \$.27 for 1978 and by \$1,800,000 and \$.10 for 1976. In 1981 the company realized nonrecurring losses from the sale of its newspaper subsidiary in Trenton, New Jersey, its national television sales subsidiary and the company's magazine, Inside Sports. The effect of these losses was to decrease net income and earnings per share by \$2,100,000 and \$.15.

Share and per share data have been restated to give effect to two-for-one stock splits on December 29, 1978 and December 15, 1976.

In 1979 the company changed its method of accounting for magazine subscription procurement costs. Pro forma amounts shown for the years 1975-1978 show what net income and earnings per share would have been if the current method for magazine subscription procurement costs had been in effect during those years.

1981	1980	1979	1978	1977	1976	1975
\$753,447	\$659,535	\$593,262	\$520,398	\$436,102	\$375,729	\$309,335
\$ 65,714	\$ 65,513	\$ 80,421	\$ 89,190	\$ 71,074	\$ 49,045	\$ 26,824
\$ 32,710	\$ 34,335	\$ 42,999	\$ 49,720	\$ 35,469	\$ 24,490	\$ 12,042
—	—	13,531	—	—	—	—
<u>\$ 32,710</u>	<u>\$ 34,335</u>	<u>\$ 29,468</u>	<u>\$ 49,720</u>	<u>\$ 35,469</u>	<u>\$ 24,490</u>	<u>\$ 12,042</u>
\$ 2.32	\$ 2.44	\$ 2.75	\$ 3.06	\$ 2.09	\$ 1.36	\$.64
—	—	.86	—	—	—	—
<u>\$ 2.32</u>	<u>\$ 2.44</u>	<u>\$ 1.89</u>	<u>\$ 3.06</u>	<u>\$ 2.09</u>	<u>\$ 1.36</u>	<u>\$.64</u>
\$.50	\$.44	\$.36	\$.30	\$.18	\$.125	\$.125
\$15.17	\$13.40	\$11.56	\$11.15	\$ 8.59	\$ 7.02	\$ 5.91
14,077	14,068	15,609	16,232	16,952	18,038	18,900
\$135,002	\$126,070	\$112,168	\$119,468	\$114,489	\$100,919	\$ 72,819
34,030	41,615	36,615	53,813	58,114	44,828	35,129
171,301	152,109	93,734	67,674	63,476	58,753	58,594
458,197	429,103	357,949	328,517	278,574	259,000	230,599
23,000	43,586	17,550	19,930	22,300	29,550	39,934
213,393	187,270	164,782	177,414	140,377	123,392	110,154
\$ 32,710	\$ 34,335	\$ 42,999	\$ 49,013	\$ 33,394	\$ 22,533	\$ 9,042
\$ 2.32	\$ 2.44	\$ 2.75	\$ 3.02	\$ 1.97	\$ 1.25	\$.48

CORPORATE DIRECTORY

BOARD OF DIRECTORS

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Chief Executive Officer (3, 4)

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Richard M. Paget

President, Cresap, McCormick and Paget, Inc.
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Committees of the Board of Directors

- (1) Audit Committee
- (2) Compensation Committee
- (3) Finance Committee
- (4) Stock Option Committee

OTHER COMPANY OFFICERS

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Vice President

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Mark M. Edmiston

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Alan R. Finberg

Vice President, General Counsel and Secretary

Gordon C. King, Jr.

Vice President

Guyon Knight

Vice President—Corporate Communications

Edward N. Van Gombos

Vice President—Information Systems

Howard E. Wall

Vice President and Chief Accounting Officer

Stock Trading

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

Stock Transfer Agents and Registrars

Morgan Guaranty Trust Company of New York
Stock Transfer Department
30 West Broadway
New York, New York 10015

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

Shareholder Inquiries

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

Form 10-K

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

Annual Meeting

The annual meeting of stockholders will be held on Friday, May 10, 1985, at 9:00 a.m. at The Washington Post Company, 1150 15th Street, N.W., Washington, D.C. 20071.

Common Stock Prices and Dividends

The Class A common stock of the company is not publicly traded. The Class B common stock is listed on the American Stock Exchange, where the high and low sales prices during the last two years were as follows:

Quarter	1984		1983	
	High	Low	High	Low
January-March	\$75¼	\$60¾	\$64¾	\$54½
April-June	78¼	66¼	71¾	60¾
July-September	84½	73¾	69½	60¾
October-December	85	76	73¼	66

Both classes of common stock participate equally as to dividends. Quarterly dividends were paid at the rate of 20 cents per share in 1984 and 16.5 cents per share in 1983.

At February 22, 1985, there were 10 Class A and 1,975 Class B shareholders of record.

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