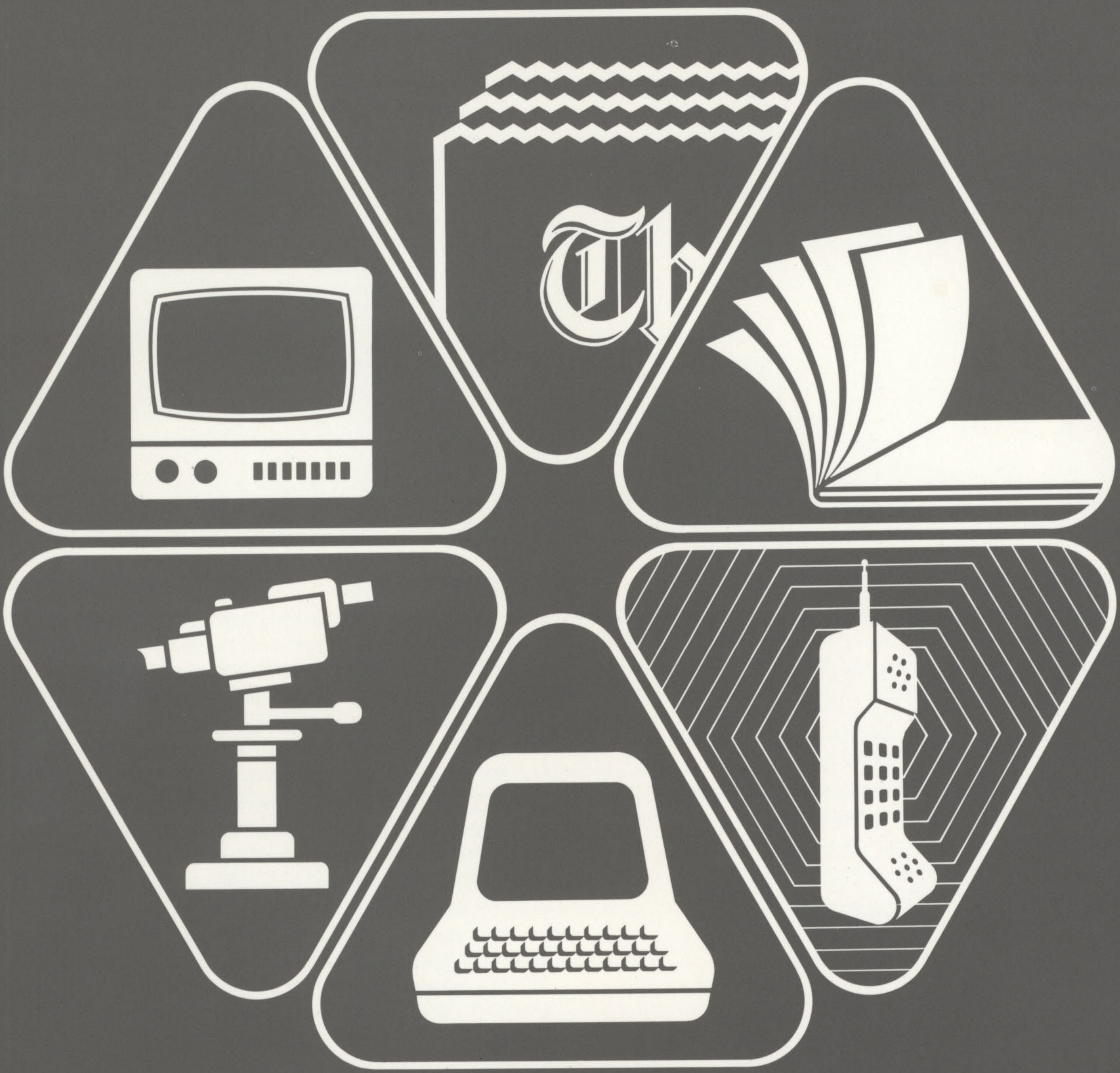
The Washington Post Company

Annual Report 1982



Information Choices in the Eighties

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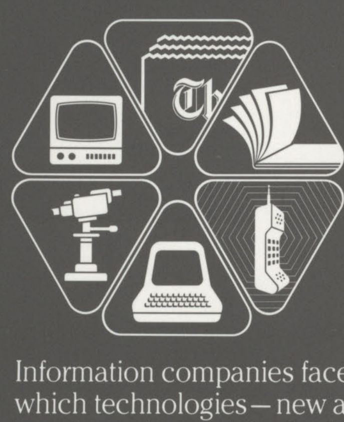
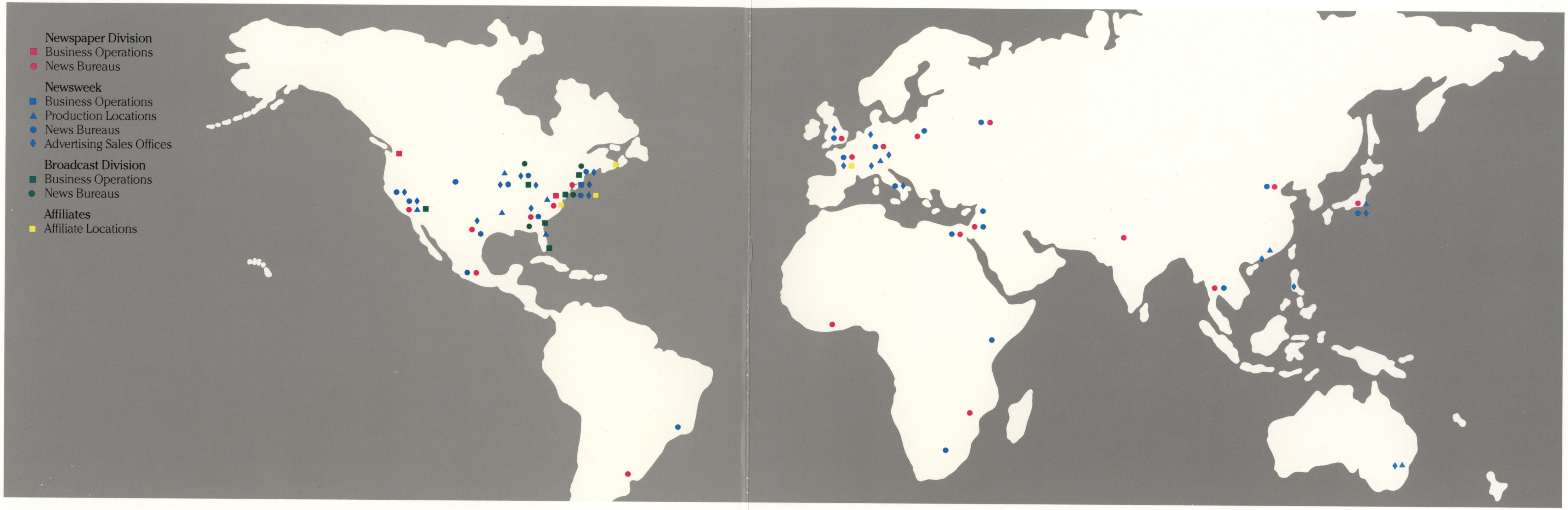


Information companies face a real challenge in deciding which technologies—new and old—will produce accelerated growth in the Age of Information. A special report on The Washington Post Company's strategy begins on page 5.

The Company in Brief



NEWSPAPER DIVISION

The Washington Post—a morning daily and Sunday newspaper published in Washington, D.C. For the six months ending Sept. 30, 1982, The Post's average circulation was 726,000 daily and 972,000 Sunday. The Post is printed at three locations in or near Washington, D.C., and maintains news bureaus in five U.S. and 15 foreign cities.

The Herald—a daily newspaper, published weekday afternoons and Saturday and Sunday mornings in Everett, Washington, 30 miles north of Seattle. The Herald's 1982 year-end circulation was 56,000.

The Washington Post Writers Group—a syndicator of columns and features to newspapers throughout the United States.

Robinson Terminal Warehouse Corporation (97 percent ownership)—a newsprint handling and storage facility in Alexandria and Springfield, Virginia.

Legi-Slate—a data base publisher that provides computerized information on federal legislative and regulatory activity.

81 82

Revenue

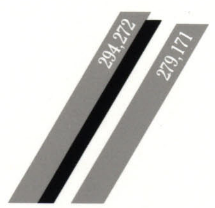
81 82

Operating Income

NEWSWEEK

Newsweek—a weekly newsmagazine published in New York City. Newsweek, with circulation of 3,013,000, ranks second among the nation's three leading newsmagazines. Its 64 geographic and demographic editions enable advertisers to direct messages to city, state and regional markets and selected demographic groups. The magazine is printed at five U.S. locations. Newsweek maintains news bureaus in ten U.S. and 16 foreign cities and has advertising sales offices in ten U.S. cities and in Tokyo and Paris.

Newsweek International—an English-language weekly newsmagazine published in New York City, printed in five countries and circulated around the world. In 1982, the Atlantic edition had a rate base of 288,000, the Pacific edition 230,000 and the Latin American edition 48,000. Newsweek International maintains sales offices in ten foreign and three U.S. cities.



81 82

Revenue

81 82

Operating Income

BROADCAST DIVISION

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

WDIV-4—an NBC affiliate in Detroit, Michigan, the seventh largest U.S. broadcasting market, with 1,674,800 households.

WPLG-10—an ABC affiliate in Miami, Florida, the 13th largest U.S. broadcasting market, with 1,156,700 households.

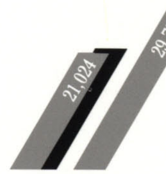
WFSB-3—a CBS affiliate in Hartford, Connecticut, the 24th largest U.S. broadcasting market, with 797,700 households.

WJXT-4—a CBS affiliate in Jacksonville, Florida, the 62nd largest U.S. broadcasting market, with 383,100 households.

Post-Newsweek Video—a producer and syndicator of video programming.

81 82

Revenue



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Operating Income

AFFILIATE OPERATIONS

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

Bowater Mersey Paper Company Limited (49 percent of common stock)—a newsprint manufacturer located in Liverpool, Nova Scotia. Bowater supplies approximately 35 percent of the newsprint used by The Washington Post. Production in 1982 totaled 175,000 tons.

Bear Island Paper Company (one-third limited partnership interest)—a newsprint manufacturer located in Doswell, Virginia. Bear Island supplies approximately 20 percent of the newsprint used by The Washington Post. Production in 1982 was 173,000 tons, up 11 percent from the previous year.

International Herald Tribune, S.A. (33⅓ percent of common stock)—a daily newspaper published in Paris, France. It circulates more than 150,000 copies in 143 countries around the world. The newspaper is printed in Paris, London, Zurich, Singapore and Hong Kong.

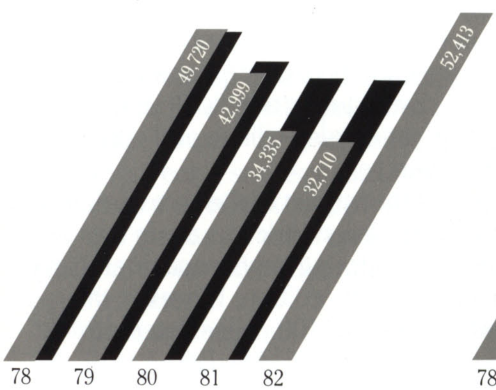
All figures are in thousands of dollars except earnings per share.

As reported.

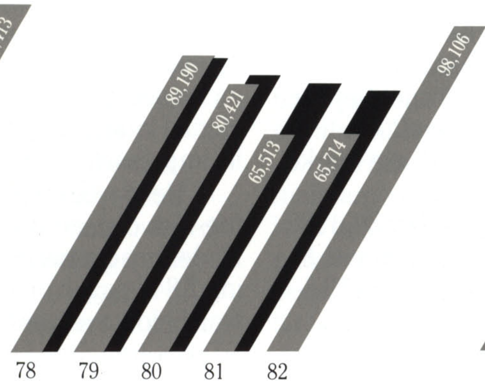
Restated to exclude the operations of the Trenton Times, Inside Sports and TMT, which were divested in 1981.

Financial Highlights

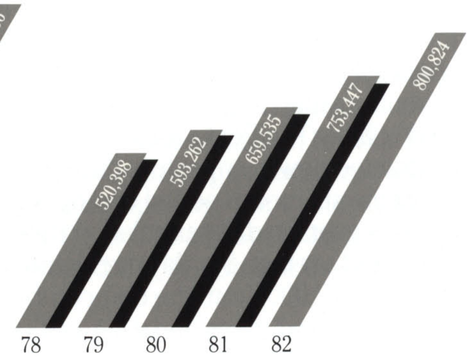
(In thousands, except per share amounts)	1982	1981	% Change
Operating revenues	$800,824	$753,447	+ 6%
Income from operations	$ 98,106	$ 65,714	+49%
Net income	$ 52,413	$ 32,710	+60%
Earnings per share	$ 3.70	$ 2.32	+59%
Dividends per share	$ .56	$ .50	+12%
Shareholders' equity per share	$ 18.32	$ 15.17	+21%
Average number of shares outstanding	14,153	14,077	—



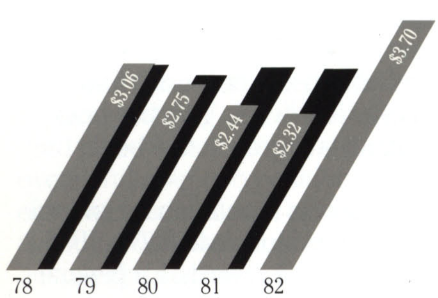
Net Income



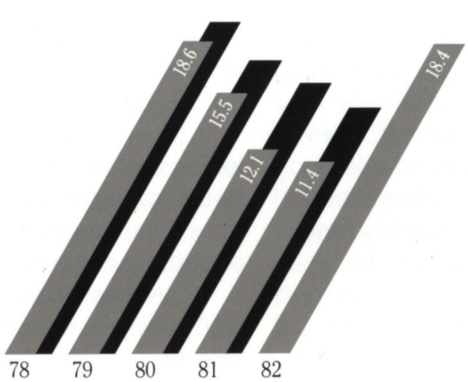
Operating Income



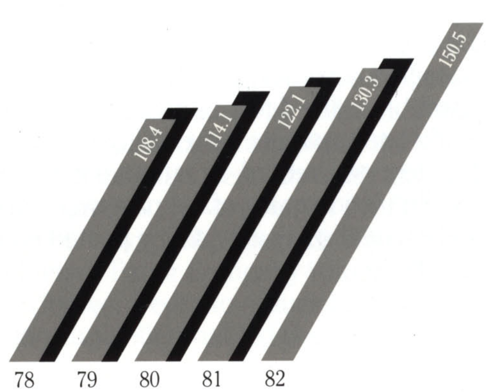
Revenue



Earnings per Share



Operating Income per Employee



Revenue per Employee

The Washington Post Company had a strong year in 1982.

☐ Net income increased 60 percent, to $52.4 million ($3.70 per share), from $32.7 million ($2.32 per share) in 1981. Net income for 1982 would have increased 22 percent over the 1981 figure if the comparison excluded net losses from properties divested in 1981 and a gain from a property divested in 1982.

☐ Operating income rose 49 percent, to $98.1 million, from $65.7 million in 1981. Operating revenue increased 6 percent, to $800.8 million, from $753.4 million the previous year. There were significant gains in operating margins and in both revenue and operating income per employee.

☐ The annual dividend rate was raised from 56¢ to 66¢ per share on January 14, 1983, the seventh consecutive year of dividend increases.

The Washington Post met its increased responsibilities as the area's primary newspaper with increased emphasis on local reporting. It expanded its city and suburban staffs and added more news space to the Metro section. Editorial innovations—including a new Thursday "Washington Home," improved travel and real estate sections and a new editorial thrust for the Sunday Magazine—proved popular with both readers and advertisers. At the same time, The Post upheld its national and international role by reporting extensively and insightfully on key events around the world. Together, these efforts helped solidify The Post's leadership position in a market that attracted new competitors during the year.

For the six-month period ending September 30, 1982, The Post's average daily circulation rose 15.8 percent, to 726,000, and average Sunday circulation increased 13.6 percent, to 972,000, from the comparable 1981 period. The Post achieved exceptional circulation gains following the closing of the Washington Star in August 1981.

The Post's unique position as the primary advertising medium in the most affluent of the country's top ten metropolitan areas enabled it to significantly outperform the industry in the recession of 1982. While total advertising linage declined 1.5 percent, to 103.2 million lines, and classified advertising dropped 6 percent, both compared favorably to the declines experienced by most major-market newspapers. Advertising revenues rose 15.6 percent to a new record, as rates were increased to reflect the circulation gains of the past two years. National and real estate display advertising posted particularly strong results.

The Post also made considerable advances in productivity. New computer systems were installed both in its classified advertising and circulation service departments. A reconfiguration of printing operations improved deliveries and reproduction quality and reduced costs. The Post also benefited from weakness in newsprint prices.

The Post's performance was the major factor in Newspaper Division gains. Revenue for the division rose 12 percent, to $414 million, from $368 million in 1981. Operating income increased 84 percent, to $57 million, from $31 million in 1981; however, 1981 operating income would have been greater (and the year-to-year gain smaller) if the operating loss from the Trenton Times, divested in late 1981, and the exceptional expenses resulting from the circulation gains achieved following the closing of the Star were excluded. Operating margins for the Newspaper Division increased as well.

At The Herald, the Company's newspaper published in Everett, Washington, professional management was particularly important. The recession has taken a toll on the Everett/Seattle market, resulting in a major decline in advertising pages and revenue. However, an intensive cost-cutting program mitigated the effect on financial results, and further applications of computer technology increased productivity. Even during a difficult year, The Herald launched a new street sales edition and continued its impressive news coverage.

Newsweek, too, felt the impact of the recession. For the 15th consecutive year, Newsweek was again the leader in advertising pages among newsmagazines, carrying 2,846 pages in the domestic edition; however, this was below the previous year's 3,106 pages. International ad pages declined to 2,546 from 2,614 in 1981.

In response, Newsweek instituted a program of cost control that reduced the impact on earnings. Newsweek operating income in 1982 was $13.3 million, a 4 percent decrease from operating income of $13.9 million the previous year, when earnings were adversely affected by losses from Inside Sports, divested in late 1981. Operating revenue in 1982 declined 5 percent, to $279 million, from $294 million the year before.

Most important, Newsweek introduced a new marketing approach that gives advertisers new ways and heightened incentives to use Newsweek. This has positioned the magazine for significant growth in a better economic climate.

Newsweek also maintained its reputation for journalistic excellence, innovation and editorial vitality. In 1982 it won two coveted National Magazine Awards, for general excellence and for a single-topic issue, "What Vietnam Did to Us." These awards attest to Newsweek's success in fulfilling the increasingly important role of newsmagazines: giving depth and perspective to the complex issues of our time.

Reflecting these achievements, Newsweek's circulation in 1982 rose to a record 3,013,000, an increase of nearly 2 percent over 1981. Average weekly adult readership was up 5.8 percent over the previous year, according to Simmons Market Research Bureau.

Anticipating the demands of the future, Newsweek appointed a new editor-in-chief, William Broyles, Jr., in September. He had been editor of Texas Monthly and California Magazine. Mr. Broyles is bringing fresh approaches in graphics and editorial direction to Newsweek's established strengths in news reporting.

Newsweek International made notable advances in serving the complex needs of its worldwide audience. Important readership gains resulted in two editions, Atlantic and Pacific, and total circulation now is nearly 570,000. More than a dozen special advertising supplements were published in 1982. These helped offset the decline in advertising pages resulting from the international recession.

Like newspapers and magazines, over-the-air broadcast stations also feel the pressure of expanding competition for viewers' time and advertising dollars. Post-Newsweek's strategy has been to strengthen its position as the reference point for local news in each of its four markets. To this end, the division has invested heavily in news and public affairs programming in the past few years.

These investments produced impressive results in 1982. Post-Newsweek stations won a record number of major awards for outstanding programming. All four stations improved their ratings. Operating income for the four stations rose 30 percent, to a record $32.1 million, from $24.6 million in 1981. Revenue for the stations was up 16 percent, to $104 million, from $90 million the previous year. Further applications of computer technology and careful control of costs, particularly by managers at the department head level, contributed to a significant increase in operating margins.

WDIV, the Company's NBC affiliate in Detroit, had an especially strong year. The station rose from a distant third place in ratings and share three years ago, to an overall number two position with greatly improved demographic audiences in certain key local day parts. As a result, WDIV was able to increase revenues significantly despite the decline in Detroit's economy and the lagging fortunes of NBC.

WPLG, the Company's ABC affiliate in Miami, also achieved excellent results. It strengthened its ratings from sign-on to sign-off and for news programs, won six Emmys in the Florida awards competition, and posted significant revenue, income and margin gains.

WFSB, the Company's CBS affiliate in Hartford, maintained its number one ranking in Southern New England despite increased competition from a newly independent station. WJXT, our CBS affiliate in Jacksonville, became the highest-rated U.S. station in a five-station or larger market.

Post-Newsweek Video was established in 1982. It combines Post-Newsweek Productions and Newsweek Video and will continue their activities. One of Post-Newsweek Video's first new productions is The Larry King Show, an audience-participation interview show that premieres in March 1983.

The Company's affiliate operations had varying degrees of success, as our share of their collective income increased from $4.4 million in 1981 to $4.7 million in 1982.

The two newsprint manufacturers in which the Company holds minority interests were adversely affected by oversupply in the market. In November, for the first time in at least 40 years, newsprint prices actually declined. Bowater Mersey Paper Company voluntarily stopped production for two weeks to reduce inventory. Improved production capability enabled Bear Island

Paper Company to increase output approximately 11 percent, to 173,000 short tons, which reduced the mill's operating loss for 1982. We expect continued weakness for newsprint producers in 1983.

The International Herald Tribune completed its best year ever. Worldwide circulation increased, and a fifth printing location was opened, in Singapore, in October.

The Los Angeles Times-Washington Post News Service celebrated its 20th anniversary in 1982 with a successful year. It now serves 550 clients.

The Washington Post Writers Group, which sells 21 features to newspapers nationwide, also had a successful 1982.

Several executives joined the Company in 1982 and strengthened our management resources. At The Washington Post Company, Alan G. Spoon, formerly a partner of the Boston Consulting Group, became vice president; Edward N. Van Gombos, formerly a senior vice president of Dun & Bradstreet, Inc., was named vice president-information systems; Howard E. Wall, formerly executive vice president and chief financial officer of Field Enterprises, Inc., became vice president and chief accounting officer.

At The Washington Post, Nicholas Cannistraro, Jr., formerly a vice president of Bristol-Myers Company, became vice president-marketing; Joseph J. Haraburda, formerly vice president-circulation, was named vice president-advertising; Vincent E. Reed, formerly U.S. assistant secretary for elementary and secondary education and superintendent of District of Columbia public schools, became vice president-communications. Kevin J. McEnery was named senior vice president and chief financial officer of Newsweek, Inc. He had been senior vice president of Newsweek International. At WJXT in Jacksonville, A. L. Bailey, Jr., formerly vice president/general manager of WCSC-TV, Charleston, S.C., became vice president/general manager. Alan Perris, formerly president of Post-Newsweek Productions, was named president, Post-Newsweek Video.

Following the 1982 annual meeting, John W. Sweeterman became a director emeritus after 30 years of service to the Company. His contributions have been many and lasting, and we are grateful to have the benefit of his counsel in a new capacity.

Over the long term, businesses are able to succeed only if they control costs, increase productivity and, most important, respond creatively to the needs of the marketplace. For The Washington Post Company, this means providing readers and viewers with superior newspaper, magazine and broadcast products. Our goal is to give people sufficient information to make intelligent decisions about today's complex issues—and to deliver an audience attractive to advertisers.

However, anticipating changing customer needs and preparing to meet them are key to future success. The Company addressed this challenge in two ways over the past 12 months. First, we continued our detailed analysis of the rapidly changing information industry and appropriate avenues of growth for our Company. Second, we launched several initiatives to fulfill our objectives.

We applied to the Federal Communications Commission, alone or in partnership with others, for licenses to build and operate cellular radiotelephone systems in 11 markets. We increased our data base publishing activity with the acquistion in February 1983 of Legi-Slate, Inc., a provider of computerized information on federal legislative and regulatory activity. We took steps to become a major factor in cable sports programming with an agreement in principle, signed in February 1983, to acquire approximately 50 percent of SportsChannel Associates, a network that telecasts leading professional baseball, basketball, hockey and racing events to New York-area cable and subscription television subscribers. We similarly agreed in principle to acquire approximately 25 percent of New England SportsChannel, a partnership that is being formed to conduct related activities in New England. A more detailed discussion of our future plans follows in a special section.

As we look ahead to 1983, we believe The Washington Post Company has the resources and the commitment to maintain its growth momentum. We have found that superior growth and superior editorial and broadcast products are not mutually exclusive. Indeed, they are mutually dependent. With the continued support of our readers, viewers, advertisers and employees, we believe we can continue to produce both in the years to come.

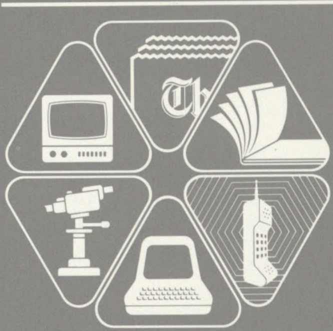
Katharine Graham

Katharine Graham
Chairman of the Board and Chief Executive Officer

Richard D. Simmons
President and Chief Operating Officer

March 4, 1983

Information Choices in the Eighties



Like gourmands at a smorgasbord, information companies are greedily eyeing an abundant array of options for collecting, processing and disseminating data. Some media, like newspapers, magazines and television stations, have been used for years. Others represent the latest in electronic wizardry. Deciding which technology to exploit is a difficult but necessary choice. New technologies are essential to accelerated growth in the Age of Information. But the wrong decision can produce a severe case of corporate indigestion.

Given the risks and the uncertainties, some industry giants are hedging their bets—enhancing flexibility by investing in *every* new technology, believing it's impossible to tell which one will be successful in years to come. Unfortunately, few companies have the resources to support such a strategy.

Other companies have elected to do more of what they do best: adding more newspapers, magazines, TV stations or cable systems to their corporate menus. But this strategy has some troubling aspects as well. More and more bidders are showing up at the auctions for these fungible properties. As a result, price tags increasingly reflect the size of the purchaser's ego and the company's competitive spirit, rather than the potential return on investment and contribution to earnings growth that should govern such decisions.

Faced with these challenges, The Washington Post Company has identified three strategic considerations that it believes are key to making the right choices among technologies new and old. These criteria, in turn, have suggested several fields in which the Company expects to build growth in the years to come.

First, successful technologies (and the businesses they support) must satisfy the marketplace. They must derive from research and development that answers some basic but vital questions: What information needs do our customers have now? In what manner do they want those needs satisfied? In what form? At what price? Most important, how are our customers' needs changing? And how will they change in the future?

These questions may sound obvious to managers in industries from fast food to electronics. However, in the information industry, the ongoing success of many products has too frequently resulted in an "order-taker" attitude toward the marketplace. Asking these questions can be a difficult adjustment, but the answers are essential to deciding which technology is right for our customers.

The second strategic criterion The Washington Post Company examines is this: what exclusive resources— what value—can we supply to our potential business or product that will distinguish it from the competition and secure a leadership position?

These resources can be proprietary data or a unique distribution system. The Company's reputation, commitment to quality and service, and the attitude and expertise of our people are vital resources as well. In the right combination, they can add up to the most elusive but valuable commodity of all: a market franchise that can be leveraged to produce accelerated growth.

The final strategic criterion is the ability of a new technology, product or business to be financially successful. Despite the show-business glamour of many new enterprises now being launched by the information industry, only meaningful financial results will carry weight with shareholders and with employees. Moreover, the standards for success in the information industry are high: new products must be capable of earning an average return on investment of 20 percent to be considered successful, 30 percent to be considered outstanding.

Matched against these criteria—customer need, competitive position, financial return—what additional businesses might The Washington Post Company pursue in the years to come? Some are discussed below.

Major-market newspapers will continue to be an exceptionally good business opportunity for The Washington Post Company. The print medium—and newspapers in particular—is here to stay. The more news that people see on television, the more they will turn to quality newspapers for depth and perspective on breaking events. Newspapers offer cost advantages and convenience that other media simply can't match. Newspapers are the primary medium for local advertisers seeking to reach local markets. We believe the revenue growth of major-market newspapers should match or exceed the rate of inflation and the growth of the GNP. Productivity improvements should continue to reduce costs and increase profitability, although the pace of such gains will slacken in the years to come.

However, competition for readers and advertisers is increasing—not only from electronic media, but from other print media as well. In fact, marriage mail, shoppers and weeklies will offer the strongest competition to daily newspapers through 1990.

For this reason, newspaper opportunities must be evaluated most carefully. Like The Washington Post itself, successful candidates must have high market penetration to be an effective vehicle for advertisers and thus fund the editorial resources necessary to serve readers well. Most important, the newspaper must offer the caliber of reporting—the scope and the depth—that meets the highest standards.

Candidates are few. The competition for them is fierce. Prices are high. We will evaluate each opportunity and move when the opportunity is right.

Magazines, too, offer an attractive investment opportunity. Successful magazines have excellent business characteristics: a loyal and defensible franchise, excellent cash flow and superior growth potential. But there are dangers as well. While overall advertising page growth is up, magazine circulation per U.S. household is declining slightly each year. Changing reader interests can erode even the most successful franchise. In any event, the costs of launching a new mass-market magazine today are extremely high.

Given these circumstances, The Washington Post Company is particularly interested in acquiring large, high-quality magazines. Opportunities are scarce, but we are prepared to seize one should it arise.

The future prospects of over-the-air television stations have received intense scrutiny. Under the onslaught of competitive delivery systems, the network affiliate share of television audience is declining. At the same time, costs of programming have increased and prices for advertising spots may be squeezed by the increased availability of openings on independent and cable stations.

Nonetheless, we believe that over-the-air television will continue to be the primary mass-market advertising medium for the foreseeable future. Although margins at the most profitable stations may decline from their current levels, few businesses can deliver the kind of returns television is capable of achieving. As a result, The Washington Post Company remains committed to television. However, recent prices commanded by television stations in major markets appear excessive to us.

Data base publishing—the compilation and dissemination of information by electronic means—is a rapidly growing field of great interest to The Washington Post Company. Through this activity, data compiled and expensed for one purpose can be reformatted and delivered in many different ways to meet the needs of different markets. As a result, operating margins tend to be high. Once customers turn to a data base publisher for one service, loyalty grows and the pipeline is open for additional services that can be added at relatively low incremental cost.

The Company began developing its skills in data base publishing with the "Electronic Washington Post" and "The Washington Post Electronic Newsletter." These provide selected information from the daily Washington Post through various delivery networks.

Acquisition of Legi-Slate, Inc. expanded our data base capabilities. Legi-Slate extends our Washington information resources to a new market and enhances our Washington franchise. In time, we believe Legi-Slate's customers will be interested in Washington Post and Newsweek information, in special formats and delivered electronically, and we intend to respond to that demand.

Has the cable bubble burst? Cable's hundreds of channels, offering unlimited information options, clearly do not guarantee business success. Moreover, today's cable systems are besieged by a host of new competitors which may offer technological or price advantages. The commitments some cable operators made to secure cable franchises now seem to be onerous. No longer does high inflation provide a convenient umbrella for the automatic price increases that funded development and growth in the past. The record of various cable programming efforts has been mixed, as suppliers continue to explore what programs audiences want to receive.

Does this mean cable and cable programming are no longer good business opportunities? We believe the answer is no. Cable penetration will continue to grow. Cable is a ready-made pipeline that can and will deliver information services of the future. If secured at realistic prices, cable systems deliver good and growing returns.

Thus carefully selected cable properties do offer interesting potential. Of particular interest are existing, well-managed cable operations in large metropolitan areas. Cable programming of sports and related areas is an attractive niche for the Company as well. It offers an opportunity for exceptional profit growth.

The Washington Post Company believes cellular radiotelephones will revolutionize the way people communicate—and be an excellent business opportunity. Through low-power transmitters and sophisticated switching technology, cellular telephones will vastly expand mobile/portable calling capacity. Like computers, cellular hardware will become smaller and costs will decrease. The cellular phone seems destined to become calculator-sized by 1990, and the cost should be less than $500 instead of the current $2,000. As a result, the market won't be characterized by tycoons, but by thousands of business people.

Moreover, data communications via cellular telephones are just a step away. The needed technology already exists. We should have an exceptional opportunity to tap our current resources to develop new proprietary information products delivered via cellular systems.

Success in cellular will depend not only on financial and technological resources, but on marketing and management expertise as well. Knowledge of the local marketplace also will be key. Thus the Company (alone or in partnership with others) has applied for licenses only in areas where it has a history of successful operations: Washington, Baltimore, Detroit, south Florida, Connecticut, Jacksonville, Orlando, Seattle, Portland. FCC decisions for these markets are not expected before 1984.


The Washington Post

The Washington Post began 1982 faced with a dual challenge. First, how could The Post meet its increased responsibilities as a local newspaper and, at the same time, continue to strengthen its national and international coverage?

Second, how could The Post improve its performance as a business? Specifically, how could The Post

☐ build further circulation growth after the massive gains achieved following the closing of the Washington Star in August 1981?

☐ capitalize more effectively on its unique role as the primary advertising medium in the country's most affluent major market?

☐ exploit new technologies to improve efficiency, service and productivity?

Local Coverage Expands

Recognizing that superior local reporting is the essence of a successful newspaper, The Post carried out an important expansion of its area coverage during the year. The Post's five bureaus in areas surrounding the District of Columbia expanded. Reporting staffs assigned to some suburban counties doubled, and the District of Columbia staff increased as well.

Metro's staff of reporters and editors now exceeds 100, and additional space has been committed to this section of the paper. These steps enabled The Post to expand aggressive daily coverage in the area, without sacrificing the features and the depth for which the paper has earned its reputation.

Several series illustrated The Post's commitment to local reporting. "Street Cops," a seven-part series by Athelia Knight, Benjamin Weiser and photographer Linda Wheeler, was a report on the agonies and rewards experienced by police officers in Washington's toughest district.

"Rape in the County Jail" examined a difficult problem with sensitivity and insight. As a result of Loretta Tofani's three-part series, corrective measures have been taken to improve prison conditions and inmate safety.

"A Season of Light," by Neil Henry, told of a softball league for the blind in suburban Montgomery County, Maryland. More than a report on special equipment and modifications in the game, it was a tale of human triumph and zest for life.

Post Coverage Addresses Key Issues

The same commitment to go beyond surface events and address fundamental issues characterized The Post's coverage of national and international events as well.

The Washington market is the best educated and has the highest average household income among the nation's top ten metropolitan areas. Washingtonians buy the most daily newspapers per household and prefer newspapers to television as a source of news.

The Post's commitment to local reporting is reflected in detailed, probing coverage of area institutions and issues. "Blair High School—a Changing Universe," by Alison Muscatine, examined the demographic revolution in Montgomery County, Md. that brought increased ethnic and socio-economic diversity to the school.

Daily access to high-level government figures helps The Washington Post meet the high expectations of its news-oriented audience. Secretary of State George Shultz is shown here at a meeting of senior Post reporters and editors, including executive editor Benjamin C. Bradlee and editorial page editor Meg Greenfield.

In reporting the 1982 elections, for example, The Post identified the key issues facing the American public, instead of focusing only on the number of seats gained and lost, or a few prominent races. For each such issue, an in-depth analysis was written by a staff specialist, and profiles appeared of selected campaigns, particularly in the House of Representatives, in which the issue figured prominently.

This analytical focus gave Post readers a better perspective on the two fundamental themes of the elections: first, whether President Reagan's 1980 election reflected a broad-based, enduring mandate on a number of issues, from a defense buildup to outlawing abortion; and second, whether Mr. Reagan had forged a Congressional coalition that transcended party lines, making head-counts of Republicans and Democrats a less meaningful way of spotting trends in political power.

New Features Benefit Readers and Advertisers

Several new features introduced in 1982 enhanced The Post's appeal to readers and advertisers.

People's interest in their homes is growing, and in today's economic climate how-to information is of particular value. The Post responded to this need with a weekly color tabloid section, Washington Home, introduced in May. Washington Home features successful examples of do-it-yourself decorating and ideas of design professionals, advice on home remodeling and repairs and suggestions from readers. It has proved most attractive to advertisers, especially those running smaller ads that have more visual impact on tabloid-sized pages. Three classified advertising directories appear in the new section as well.

The Post also improved its Sunday Travel section. It covers international, national and regional travel themes and includes more color photographs and graphics than had previously appeared. The new section spurred record increases in travel and resort advertising despite the recession.

Another innovation that has pleased readers and advertisers is the focus on a single topic each week in The Post's Sunday Magazine. Readers receive more comprehensive information; advertisers benefit from the special showcase the magazine provides.

The Post improved its Saturday real estate section as well, dividing it into Virginia and Maryland/D.C. editions.

Advertisers recognized the increased effectiveness of The Post as an advertising medium. A new multi-market Simmons study showed that The Post's adult readership is the highest of any major metropolitan newspaper: 67 percent daily and 80 percent on Sunday. At the same time, The Post serves the country's best-educated and most affluent top ten market, thus delivering a high-demographic audience.

As a result, The Post weathered the recession well. Although linage was below the previous year, the decline at The Post was less than experienced by most major-market newspapers.

Advanced Technology Improves Efficiency

The Post also benefited from advances in technology and productivity. Under way for two years, computerization of The Post's classified advertising department was completed during 1982. The new system replaces typewriters and paper forms with 164 video display terminals and eight high-speed printers. Sales people can record each ad on their terminals, just as it will appear in the newspaper. The cost of the ad is automatically tabulated, according to copy length and running time, thus permitting sales people to quote comparative prices and offer customers the best value for their dollar.

Classified ads go directly from the computer into type, thereby reducing errors and saving time in the composing room. By keeping track of total classified linage that will appear in The Post each day, the computerized system also facilitates makeup of the newspaper.

A major reconfiguration of The Washington Post's printing operations completed in 1982 will save $1.3 million annually while it increases production efficiency and improves quality and delivery service.

The Post's exceptionally high household penetration (56 percent daily and 71 percent Sunday) makes it an ideal advertising medium for food retailers.

A new computer system enables The Post's 160-person classified advertising sales force to process 2.5 million ads from 23,000 accounts each year with speed, accuracy and efficiency.

In short, the classified department's 160-person sales force can now process 2.5 million ads from 23,000 accounts each year with much greater speed, accuracy and efficiency than ever before.

The Washington Post's circulation service department faces a mammoth challenge in handling new orders, permanent and temporary cancellations and other subscriber requests and inquiries.

A new online computer system introduced in 1982 has significantly increased the efficiency and productivity of this effort. Instead of pencils, paper, card files and street maps of Washington, service representatives use video display terminals which can immediately access a customer record and automatically forward instructions to dispatchers and distributors.

New Production Schedules Increase Productivity

In 1982 The Post reconfigured its printing operations to improve delivery service, enhance quality and increase efficiency. The new structure will save the company $1.3 million a year by distributing nighttime production more equally among The Post's three plants, and by relocating most day press runs and all insertions of preprinted material to the Springfield, Virginia, plant.

A key component in carrying out the reconfiguration was installation of a new microwave transmission system for receipt of page negatives at The Post's Southeast plant, acquired from the Star in 1981. This allows press runs there to begin one-half hour earlier.

In the future, the new production structure can permit increased zoning of news and advertising, an increase in color pages and offset production and an eventual boost in the maximum size of the paper, from 112 to 128 pages.

Efficiency also improved at all three plants in 1982. Press runs were completed ahead of schedule over 95 percent of the time, a 10 percent gain over 1981. Newsprint waste for the plants was held to a record low.

The Herald

The Herald, the Company's afternoon daily and Saturday and Sunday morning newspaper in Everett, Washington, launched new marketing initiatives, increased productivity and strengthened its editorial product in 1982. However, these efforts were unable to offset the impact of a depressed local economy. Unemployment in Snohomish County, The Herald's primary market, exceeded 12 percent during most of 1982, primarily because of cutbacks in aircraft manufacturing and forest products, the region's two major industries.

A New Street Sales Edition

In a move designed to introduce potential subscribers to The Herald and increase newsstand sales, The Herald in April introduced a new street sales edition. The front page and other pages are edited with single copy sales in mind. The new edition comes off the press at 11 a.m. Pacific Coast Time, thus enabling the paper to include complete midday New York stock quotes and still reach key newsstand locations before the lunch hour. The new edition has produced a 10 percent growth in street sales.

Computerization Yields Productivity Improvements

Capitalizing on earlier investments in newsroom computer equipment, The Herald extended the use of computers beyond traditional applications. Computers have reduced the time needed to prepare television logs and related material for the Sunday edition from 24 hours to 15 minutes. A program has been devised to select and edit game scores and statistics that make up the Sports Scoreboard pages, reducing preparation time from more than three hours to less than one hour per day. Significant savings also have been achieved in such areas as stock-table preparation.

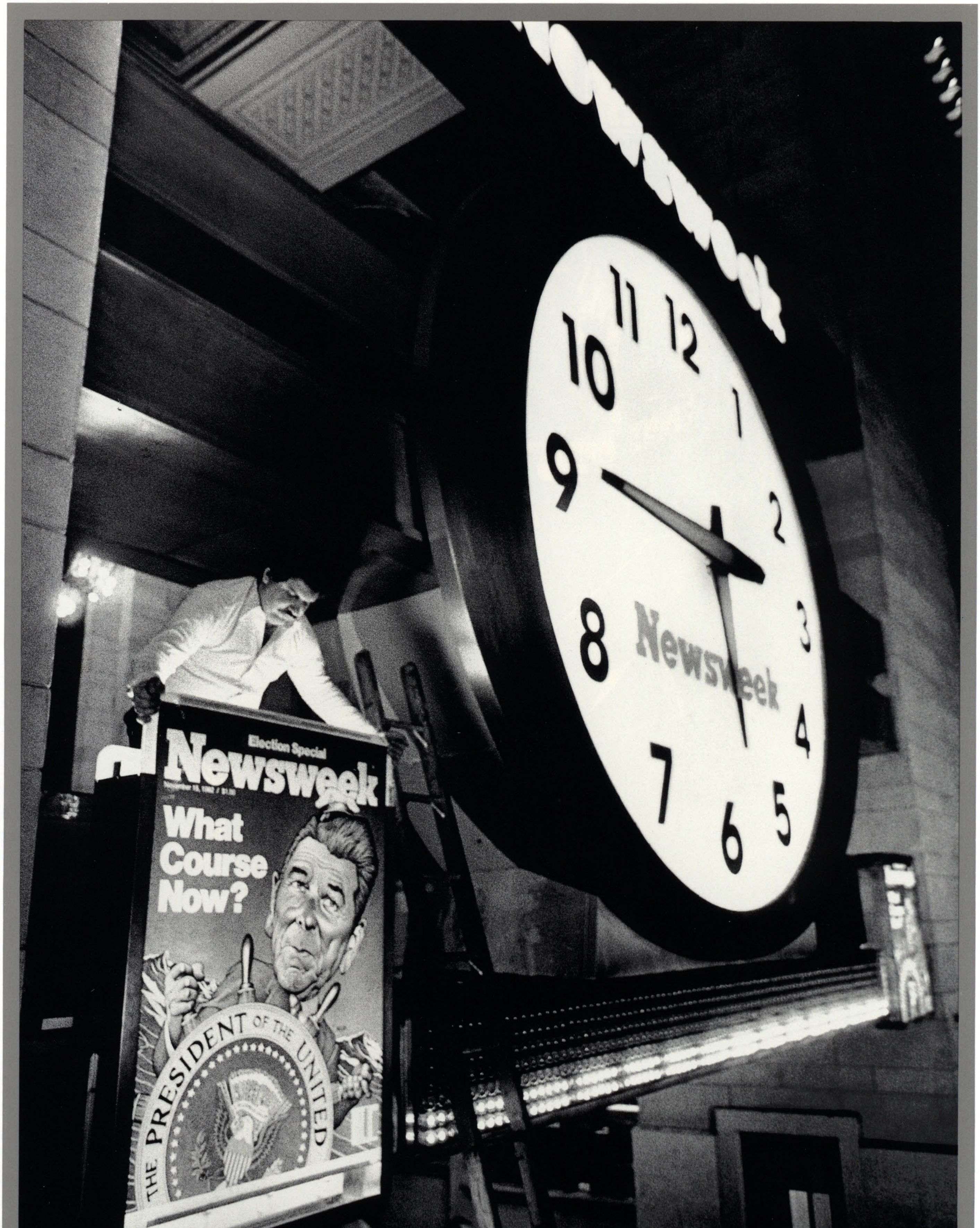
Recognition for Excellence

For the second consecutive year, The Herald in 1982 ranked among the nation's top newspapers in design competition, earning a Silver Medal and three Awards of Excellence from the National Society of Newspaper Designers.

The national first-place award from the Penney-Missouri features competition at the University of Missouri School of Journalism was awarded to Herald reporter Jo Imlay for the best single story in the country. The article, on the months-long struggle of a woman dying of cancer in a hospice setting, ranked first among 684 entries.

A new street sales edition extended The Herald's reach in 1982. Zoning of advertising and news in home-delivered editions provides coverage tailored to the special interests of readers and advertisers in different parts of The Herald's market.


The
Herald


Newsweek
Election Special
Newsweek
What Course Now?
THE PRESIDENT OF THE UNITED

Nineteen eighty-two was a pivotal year for Newsweek. A successful three-year period of transition under the leadership of editor Lester Bernstein culminated in two National Magazine Awards. At the same time, Newsweek undertook major editorial and marketing initiatives to position the magazine for a highly competitive decade ahead.

Given by the American Society of Magazine Editors under the direction of the Columbia University School of Journalism, the National Magazine Awards won by Newsweek included these citations:

General Excellence: "To Newsweek for its consistency of high-quality reporting and editing, especially of events that require thoroughness and perspective beyond the often meager, surface coverage generally provided to the public."

Single-topic Issue: "To Newsweek for 'What Vietnam Did To Us,' by Peter Goldman (December 14, 1981) for revealing and explaining a problem we've chosen to ignore: what's happened to the survivors of a war we lost and came to hate."

These awards reflect Newsweek's tradition of excellence. However, fresh approaches and continued innovation are essential to respond to the changing needs of the marketplace. Newsweek has responded vigorously to increase its value to readers and advertisers.

A New Editor-in-Chief Enhances Newsweek's Strengths

On September 7, 1982, William Broyles, Jr., became editor-in-chief of Newsweek. He had been editor-in-chief of California Magazine and Texas Monthly, which he cofounded in 1973. As anticipated, Mr. Broyles's understanding of today's critical issues and his creativity in editorial direction and graphics have strengthened Newsweek's resources in newsmagazine journalism.

While preserving Newsweek's approach to the news, Mr. Broyles is making important changes in the magazine's look and editorial structure. Key among them was the promotion in November of Maynard Parker from executive editor to editor of Newsweek, with responsibility for the week-to-week editing of the magazine. This will enable Mr. Broyles to focus on the long-range direction of Newsweek, cover stories and selected articles.

Newsweek's cover goes up in New York City's Grand Central Station early each Monday morning. Advanced manufacturing and distribution technologies ensure that Newsweek can close late Saturday night and reach many newsstand locations within 36 hours.

Newsweek coverage of important international stories like the crisis in Lebanon goes beyond the surface of the news to bring readers an understanding of critical global issues.

Newsweek celebrates its 50th anniversary in 1983. Editor-in-chief William Broyles, Jr., (left) discusses a commemorative issue of the magazine with editor Maynard Parker. The special issue chronicles 50 years of history as lived by five families in Springfield, Ohio.

Newsweek Delivers In-Depth Coverage

Capitalizing on the newsmagazine's special ability to assemble comprehensive information about an important development and put it in perspective, Newsweek published a special report on unemployment in its October 18 issue. In so doing, the magazine took an editorial stand on an important national topic for only the fourth time in its history.

In 1967 Newsweek issued a bold call to action on civil rights. In 1968 the editors urged a gradual withdrawal of U.S. troops from Vietnam. In 1979 the magazine put forward an energy program for the nation. In 1982 Newsweek's reporting showed that joblessness, now at new, post-Depression highs, resulted not just from the recession, but from fundamental social and economic changes in the workplace. The magazine offered a seven-point agenda to help put America back to work.

Technology, a new section launched by Newsweek in July, responded to readers' needs for information—and understanding—about a fundamental cause of change in today's world. The new section will explore the ongoing technological revolution in a variety of disciplines, from science and medicine to life style, the media, business—and even film. Newsweek's first technology cover story, "Japan's High-Tech Challenge," reported on an issue of immediate concern.

Newsweek on Campus, a new editorial supplement launched in September, addressed the unique information needs of college students, a key segment of the magazine's audience. It is the first student-oriented magazine written, designed and edited by the staff of a general circulation magazine. Published six times each academic year, Newsweek on Campus appears as an insert in 400,000 copies of the magazine for student subscribers; an additional 425,000 copies are distributed through student newspapers on more than 55 major college campuses across the country. Newsweek on Campus attracted 35 pages of advertising in its first two issues, including ads from several major advertisers new to the magazine.

Readership Increases Result

These innovations and others that respond to changing information needs have produced significant increases in readership. Newsweek's share of the newsweekly audience rose nearly two points, to 35.3 percent, in 1982, according to Simmons Market Research Bureau. Circulation topped 3 million for the first time.

An agreement was reached in September with The New York Times Syndication Sales Corporation to syndicate selected stories from both Newsweek and Newsweek International worldwide.

In April 1982 Newsweek and RKO Radio began to produce a one-hour weekly review of the upcoming Newsweek issue. By the end of the year, 70 RKO affiliates were carrying the program.

More than 120 college radio stations are now broadcasting "Newsweek FM," a new independently produced, non-commercial "radio magazine" designed to complement Newsweek on Campus.

Advertisers Benefit from New Marketing Approach

Advertisers, too, are benefiting from a renewed commitment on the part of Newsweek to understand their needs and devise creative ways to meet them. This effort is being spearheaded by S. H. Price, who joined Newsweek in January 1982 as executive vice president and general manager of the domestic edition, after 20 years with General Foods.

A host of advertising innovations have been created to give advertisers new ways to tap Newsweek's high-demographic audience. "Policy Forum," for example, enables business, association, labor and political leaders to express a viewpoint or address an important issue in a specially designed page that appears opposite Newsweek's Periscope news section. "Test Market" permits a company to use local editions of Newsweek at national cost-per-thousand rates in order to test new products. "Heavy Up" provides a cost structure that encourages companies running a national ad to purchase additional space in local editions.

Newsweek created Newsweek Executive Plus, a new demographic edition with a rate base of 900,000 that qualifies subscribers on the basis of title or position.

Newsweek on Campus reaches an important—and growing—segment of the *Newsweek* audience. With news of special appeal to its student readership, the supplement adds value to the magazine and builds reader loyalty.

Also as part of the new market-oriented effort, special marketing teams have been established for key industry groups: automotive, business products, mass marketers, tobacco/alcohol and upscale consumer products. Illustrative of the teams' enterprise, the business products group inaugurated The Gardner Report, a newsletter that keeps nearly 700 top executives up to date on developments in the computer, information processing and office automation fields.

In a most difficult year for advertising, Newsweek's approach scored some impressive gains. Waldenbooks, for example, chose to run its four-color 1982 Christmas catalogue in two issues of Newsweek last fall. The resulting 74 pages of advertising, the largest ad in the magazine's history, came about when Newsweek showed the nation's largest book retailer this would be the most effective way of reaching both mail-order buyers and bookstore purchasers.

Several technological innovations also helped Newsweek respond better to customer needs. Chief among them was a new online computer system that handles the 3,000 subscriber and circulation inquiries received each week.

Newsweek approached its 50th anniversary in 1983 with powerful resources and a strong commitment to be the "must-read" of the 1980s. It is well positioned to capitalize on any improvement in the advertising environment that an upturn in the economy produces.

Newsweek International

Newsweek International faces an even more complex challenge in anticipating multiple demands from its diverse marketplaces. Published in Atlantic,Pacific and Latin American editions—and distributed in 191 countries—the magazine must meet regional audience requirements with specialized information. As a result, 50 percent of the editorial content of each issue is different from the U.S. edition, and 35 cover stories differ from the U.S. edition each year.

Impressive readership gains have resulted. A study undertaken by the Financial Times of London showed that readership of Newsweek International's Atlantic edition has risen 39 percent in the past two years, with a strong gain in market share. Newsweek studies indicate that the audience of the Asian edition has risen 13 percent over the past three years. Circulation of the Latin American edition rose 7 percent in 1982.

To meet the increasingly sophisticated and specialized demands of international advertisers, Newsweek International published more than a dozen special advertising supplements during 1982. They covered fields from photography to business products and generated a substantial amount of advertising.

Technological Advances Continue

Technology is key to fulfilling Newsweek International's ambitious charter. As a result of advances made during the year, transmission of four-color material by satellite to Europe and the Far East has expanded. A new arrangement with the magazine's printers in Switzerland has moved up the closing time by two hours, thus improving on-sale time in key European and African cities. Finally, a new computerized writer/editor system is being tested that greatly improves the speed and efficiency with which stories can be written and edited. When tests are completed, this system will be installed at Newsweek domestic operations as well.

Newsweek International publishes more than a dozen special advertising supplements annually to meet the specialized demands of international advertisers.


MARKETING
SERVICE


FOOD STAMPS
FOOD STAMPS
OPEN
TODAY
INSTANT
NONFAT
DRY MILK

Dramatic ratings gains at WDIV-Detroit resulted from improved programming, with emphasis on a local perspective. In 1982, WDIV focused on economic issues and their impact on Detroit, where the recession hit harder than in most cities.

Over-the-air broadcast stations, like other communications media, are vulnerable to the impact of new, competing technologies. In fact, beginning in 1978, the network share of total television audience began to decline as viewers turned increasingly to cable, public television and even video games.

As a result, television stations must address three critical issues: how to maintain or, where possible, increase audience size, expand quality programming and, at the same time, improve business performance.

Post-Newsweek Stations has responded with a successful strategy designed to make each station the reference point for local and regional news and information in its market. Increased investments have enabled each station to attract respected reporters and anchor people, upgrade technical facilities and produce better, more extensive news and public-affairs programming.

Post-Newsweek's Washington News Bureau has enabled all four stations to give a local perspective to Washington news. To the people of Florida, for example, a federal ruling on Haitian refugees was of enormous interest, and WPLG in Miami and WJXT in Jacksonville were able to present the release of the ruling live on the evening news using the PNS Washington bureau.

The overall result has been increased ratings and share. These, in turn, have generated increased operating revenue and income, and a significant gain in margins.

WDIV Posts Dramatic Gains

The most dramatic improvement has occurred at WDIV, the Company's NBC-affiliated station in Detroit. A distant number three in ratings only three years ago, WDIV in 1982 became a strong number two from sign-on to sign-off, the leader in early fringe (4-5:30 p.m.) and tied for first in the 4-8 p.m. period. News programs in particular have shown steady ratings gains. In November, for example, WDIV's early news program gained two share points over year-earlier ratings, the only station in the market to post an increase.

Significantly improved programming, with an emphasis on a local perspective, is the foundation on which the gains have been built. Because the recession hit Detroit harder than most cities, WDIV has focused on economic issues and their impact on the city. One major project examined "The New Poor" — recently unemployed workers and how they are coping with adverse economic conditions. Another, "The Only Game in Town," was a ten-part series that provided some useful lessons on how other cities are combatting the recession. It let Detroit citizens know they are not alone. "Target 4 Action: Employment" brought together all WDIV's resources to

WFSB-Hartford's strategy of expanded news programming makes it the reference point for local news in Southern New England. The re-election campaign of Connecticut U.S. Senator Lowell Weicker was an important story in 1982.

Reporters in WPLG-Miami's new newsroom review the day's top stories. Award-winning public affairs and news programming in 1982 produced dividends in ratings and revenues for WPLG and earned the station six Florida Emmys — more than any other station in the state.

address unemployment in Michigan: regularly scheduled programs, special series within newscasts, editorials and public service messages as well as a one-hour documentary and a special seminar.

Indicative of the success of these efforts, WDIV swept the Detroit Emmys, winning 15 awards including Best Early and Late Daily News Programs, and was named Station of the Year in the 1982 UPI Michigan Broadcast Awards competition.

Improved technical facilities, including a new studio building occupied near the end of 1982, will help WDIV continue to produce more quality programming and operate more efficiently in 1983 and beyond.

WPLG Continues to Grow

WPLG, the Company's ABC affiliate in Miami, posted sound growth in 1982—growth in stature as a primary source for news in its region, in ratings and income.

WPLG reporter Mark Potter received the Alfred I. duPont-Columbia University Award for Broadcast Journalism for "Human Cargo," a documentary about Haitian refugees. This is the fourth time WPLG has won this award. WPLG also received the Investigative Reporters and Editors Award, six Florida Emmys and the Robert F. Kennedy Award for Journalism.

Representative of its imaginative approach to regional coverage, WPLG introduced in 1982 a news forum called "Live-Line" that features community leaders discussing current issues. The public joins in directly by telephoning their questions and opinions. Response to "Live-Line" was so great that WPLG began a weekly version in 1983.

This kind of high-quality programming enabled WPLG to improve its position in ratings and share. According to November Arbitron research, its 5:30 p.m. Eyewitness News gained four share points and doubled its audience of women aged 18 to 49. WPLG's 11 o'clock news strengthened its leadership position and now delivers as many adults 18 to 49 as the two competing news programs combined.

WPLG benefited from being in Miami, a dynamic market with strong appeal to advertisers. Creative marketing initiatives also produced good results. In particular, WPLG's vendor programs, which encourage national advertisers to create local promotions with Miami-area merchants, again were most successful.

WJXT Addresses Local Issues

By focusing on issues of local concern, WJXT, our CBS affiliate in Jacksonville, also enhanced its value to the community. Improvements in ratings, share and business performance resulted.

From sign-on to sign-off, WJXT's audience share in this five-station market rose from 32 to 37 percent, according to November 1982 Nielsen figures. Audience share for the station's late news increased from 38 to 46 percent. WJXT is now the country's highest-rated station in markets with five or more stations.

Provocative public-affairs programming was one key to WJXT's success. "Nuclear Survival: What are the Odds?" was a major documentary that probed the readiness of the Jacksonville area to endure a nuclear attack. "Hurricane: It Can't Happen Here" examined the community's preparedness to withstand natural disaster and won a Florida Emmy. Ratings for both programs were exceptional; public response led local government to establish a new Mayor's Commission on Preparedness in Jacksonsville.

WJXT's commercial production unit, which produces commercials for local advertisers, also enjoyed a successful year and introduced several new clients to the medium.

WFSB Meets A Difficult Challenge

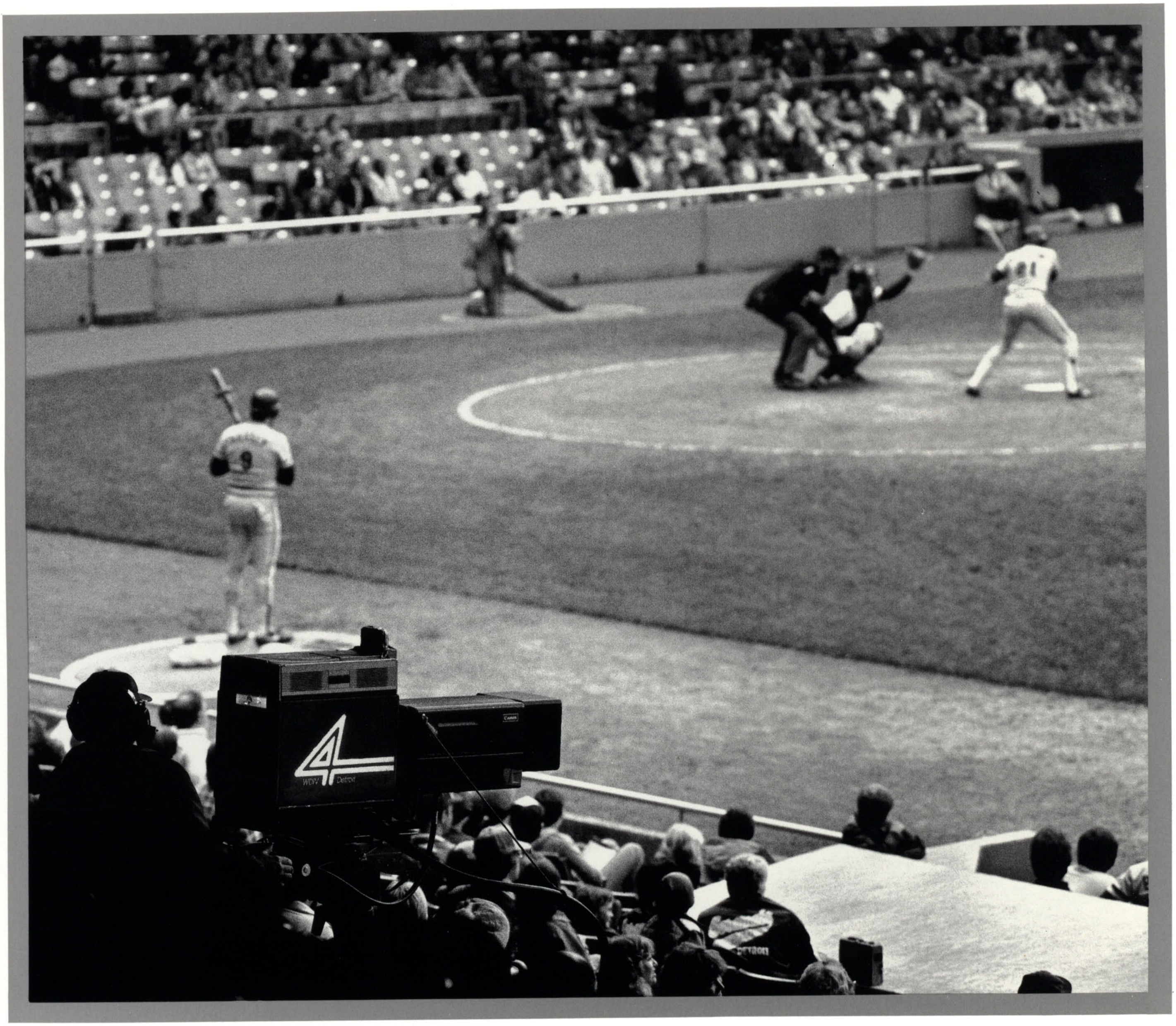
WFSB, Post-Newsweek's CBS affiliate in Hartford, faced a particularly difficult assignment in 1982. A newly independent station in the market increased the competition for viewers and advertisers. At the same time, WFSB contended with its traditional regional challenge: serving the diverse needs of an audience that extends well beyond Hartford north to Springfield, Massachusetts, and south to New Haven.

To respond effectively, WFSB had already expanded its early-evening news show to 90 minutes. In 1982 it established a news bureau in Waterbury, Connecticut, increasing to four its permanent microwave hookups that permit live broadcasts from remote locations.

Like the other Post-Newsweek stations, WFSB also expanded its use of computer-generated graphics and increased its capabilities for producing promotional announcements and advertisements in-house as well as in the field.

As a result of these efforts, WFSB remains number one in Southern New England. The station also received five New England Emmys, including one for Best Investigative Reporting. This was particularly gratifying because the competition included the large Boston stations with significantly greater resources.

High-quality public affairs programming is a hallmark of Post-Newsweek stations. WJXT's examination of Jacksonville's preparedness to withstand natural disaster won the station a Florida Emmy and led to the establishment of a special mayoral commission on preparedness.



WDIV and Detroit Tiger baseball are a winning combination. Tiger baseball games and WDIV's pre-game show were the top-rated nationally in these categories in 1982.

Results of Operations

In each of the last three years sales of newspaper, magazine and television advertising have accounted for about 73 percent of the company's operating revenues, with another 25 percent derived from newspaper and magazine circulation. During those three years, however, several events took place which affect comparisons of each of those year's operating results with the preceding and succeeding years. Inside Sports commenced publication in March 1980, adversely affecting operating income in 1980 and 1981; the closing of the Washington Star in early August 1981 resulted in substantially greater Washington Post circulation, increasing revenues and expenses in 1981 as compared to 1980 and in 1982 as compared to 1981; the loss from the sale of several businesses in 1981 which had been operating at a net loss adversely affected income for that year compared to both 1980 and 1982; and the gain from the sale in 1982 of a minority interest in an electronic photocomposition company increased that year's net income as compared to both 1980 and 1981. These and other factors noted below should be borne in mind when comparing revenues, expenses, income from operations and net income for the last three years.

Total operating revenues increased by $94 million (14 percent) in 1981 and, notwithstanding the loss of $23 million in revenues due to the sales in late 1981 of the Trenton Times newspaper and Inside Sports magazine, increased by $47 million (6 percent) in 1982. Advertising revenue increased in 1981 by $77 million (16 percent) as a result of higher rates, a 4 percent increase in advertising linage at The Washington Post and a small increase in advertising pages in Newsweek's domestic edition. In 1982 advertising revenue increased $38 million (7 percent); the increase reflects higher rates, offset to a large degree by the absence of the advertising revenues of the Trenton Times and Inside Sports and by a 1.5 percent decline in total advertising linage at The Washington Post and an 8 percent decline in the number of advertising pages carried in Newsweek's domestic edition. The declines in advertising volume reflect the recessionary economic conditions which characterized 1982. Circulation revenue increased $16 milion (9 percent) in 1981 and $9 million (5 percent) in 1982. In each year the increase is due to higher rates and circulation at The Washington Post, offset in 1982 by the absence of $10 million of circulation revenues of the Trenton Times and Inside Sports. Circulation at The Washington Post has increased substantially since August 1981 when the Washington Star ceased publication.

Operating costs and expenses increased $94 million (16 percent) in 1981 due to higher costs of materials, wages and services, higher production and delivery costs attributable to increased volume (particularly Washington Post circulation), an additional $7 million of depreciation and other operating expenses associated with the first full year of operation of a new Washington Post satellite printing plant placed in service in the fourth quarter of 1980 and an additional $2 million of expenses for the first full year of operations of a television production unit established in 1980. Operating costs and expenses increased just $15 million in 1982, although the increase would have been $51 million (8 percent) if the $36 million of costs and expenses related to the Trenton Times and Inside Sports were eliminated from the 1981 base. This increase reflects the added cost associated with the increased circulation resulting from the closing of the Washington Star and higher costs of wages and services. Material costs, principally newsprint and magazine paper, remained relatively stable in 1982.

Income from operations increased only slightly in 1981 but by $32 million (49 percent) in 1982. The performance in 1981 reflects an increase in operating costs and expenses which approximated the increase in revenues. Part of the improvement in 1982 reflects the sales in 1981 of the Trenton Times and Inside Sports, which had incurred a combined operating loss of $13 million in that year. The newspaper division's operating margin, after adjusting for the sale of the Trenton Times, decreased from 12 percent in 1980 to 9 percent in 1981 but increased to 14 percent in 1982. The magazine division's operating margin, after similarly adjusting for the sale of Inside Sports, remained at 9 percent in 1980 and 1981 but declined to 5 percent in 1982 because of the decrease in advertising pages and associated loss of revenues. The broadcast division's operating margin was 27 percent in 1980, decreased to 23 percent in 1981 principally due to the losses from the first full year of operations of a television production unit, and then because of improved performance by the television stations increased to 28 percent in 1982.

The company's share in the earnings of its affiliates increased by $3.7 million in 1981 and $.3 million in 1982. In each year the increase is due to the improvement in the results of operations of Bear Island Paper Company, the company's one-third owned affiliate which constructed and operates a newsprint mill which began production in late 1979. Because newsprint is in oversupply, prices were lowered in November 1982; as a result earnings of the company's two newsprint producing affiliates are expected to decline in 1983.

During most of the last three years the company was active in the short-term borrowing market, principally commercial paper, in order to finance a series of significant corporate expenditures (noted under "Financial Condition" below). Interest income earned on the short-term investment of working capital funds remained at a constant level during 1980 and 1981, and then increased slightly in 1982 when in the fourth quarter of the year the company repaid the balance of its short-term borrowings and began accumulating cash. Interest costs, before capitalization of interest on borrowings associated with construction projects, were $3.8 million in 1980, $5.7 million in 1981 and $3.1 million in 1982, reflecting the borrowings made during the periods.

Other income and expense includes in 1981 a nonrecurring loss of $3.4 million related to the sales of the Trenton Times, Inside Sports and a television sales company, and in 1982 a nonrecurring gain of $2 million related to the sale of the company's interest in an electronic photocomposition company.

In 1981 net income declined $1.6 million (5 percent) as a result of a $2.1 million after-tax loss from the sale of the several businesses noted previously. In 1982 net income increased $19.7 million (60 percent) due in part to the absence of the operating losses of the businesses sold in 1981 and a $1.1 million after-tax gain on the sale of the company's interest in an affiliate, as previously discussed. Earnings for 1982 would have increased 22 percent over the comparable 1981 amount if the operating and capital losses from businesses sold in 1981 and the gain from the property sold in 1982 were eliminated.

Financial Condition: Capital Resources and Liquidity
During the period 1980 through 1982 the company expended about $160 million on various capital programs, principally the construction or purchase of additional plant and equipment and investment in the Bear Island newsprint mill. Due to the timing of certain of these expenditures it was necessary to supplement internally generated funds with short-term borrowings, principally from the sale of commercial paper supported by the company's $75 million revolving credit agreement with a group of banks. At the end of 1980 and 1981 the company had outstanding short-term borrowings of $28 million and $24 million, respectively. During 1982 the company repaid the balance of its outstanding short-term borrowings, and in the fourth quarter began to accumulate cash. At the end of 1982 the company had $36 million of temporary cash investments.

During 1983 and 1984 the company expects to expend a total of about $70 million for capital plant and equipment, and to fund such expenditures with cash flow from operations. The company has joined with others in applying for licenses to construct and operate cellular radiotelephone systems in several markets as discussed in Note I of the Notes to the Consolidated Financial Statements. Because the outcome of the application process is not predictable, the company's precise financial commitment with respect to such systems cannot be estimated. To the extent possible, such commitments will be financed through the use of accumulated cash and cash flow from operations. Any additional requirements will be financed through borrowings.

Consolidated Statements of Income

(In thousands, except share amounts)	January 2, 1983	January 3, 1982	December 28, 1980
	Fiscal Year Ended		
Operating Revenues			
Advertising	$590,173	$551,985	$475,391
Circulation	195,996	187,465	171,301
Other	14,655	13,997	12,843
	800,824	753,447	659,535
Operating Costs and Expenses			
Operating	521,069	509,005	445,718
Selling, general and administrative	161,615	160,509	136,972
Depreciation and amortization of property, plant and equipment	18,837	16,704	9,780
Amortization of goodwill and other intangibles	1,197	1,515	1,552
	702,718	687,733	594,022
Income from Operations	98,106	65,714	65,513
Equity in earnings of affiliates	4,651	4,406	727
Interest income	1,865	1,067	1,063
Interest expense, net of capitalized interest of $883 in 1982, $349 in 1981 and $2,252 in 1980	(2,223)	(5,360)	(1,581)
Other income (expense), net	1,160	(3,359)	(847)
Income before Income Taxes	103,559	62,468	64,875
Provision for Income Taxes			
Current	51,264	25,733	20,229
Deferred	(118)	4,025	10,311
	51,146	29,758	30,540
Net Income	$ 52,413	$ 32,710	$ 34,335
Earnings per Share	$3.70	$2.32	$2.44

The information on pages 40 through 49 is an integral part of the financial statements.

Consolidated Balance Sheets

(In thousands, except share amounts)	January 2, 1983	January 3, 1982
ASSETS		
Current Assets		
Cash and temporary investments	$ 40,282	$ 11,129
Accounts receivable, less estimated returns, doubtful accounts and allowances of $11,515 and $11,693	90,750	85,281
Inventories at lower of cost or market	22,051	22,500
Prepaid film expense	8,720	7,977
Other current assets	8,855	8,115
	170,658	135,002
Investments in Affiliates	39,365	39,695
Property, Plant and Equipment		
Buildings	88,493	78,097
Machinery, equipment and fixtures	147,259	131,483
Leasehold improvements	11,256	7,709
	247,008	217,289
Less accumulated depreciation and amortization	(86,033)	(71,314)
	160,975	145,975
Land	14,172	14,172
Construction in progress	6,835	11,154
	181,982	171,301
Goodwill and Other Intangibles, less accumulated amortization of $8,336 and $7,138	77,607	78,804
Deferred Charges and Other Assets	31,611	33,395
	$501,223	$458,197

The information on pages 40 through 49 is an integral part of the financial statements.

(In thousands, except share amounts)	January 2, 1983	January 3, 1982
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 79,398	$ 70,616
Federal and state income taxes	19,082	6,200
Contributions due to employee benefit trust funds	7,586	7,831
Current portion of long-term debt	2,250	16,325
	108,316	100,972
Other Liabilities	29,969	25,605
Long-Term Debt	10,750	23,000
Deferred Subscription Revenue	64,551	66,355
Deferred Income Taxes	28,353	28,272
Minority Interest in Subsidiary Company	441	600
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; 11,383,835 and 11,316,895 shares outstanding	17,252	17,252
Capital in excess of par value	3,119	1,998
Retained earnings	314,829	270,324
Cumulative foreign currency translation adjustment	(2,029)	(1,001)
Cost of 5,867,783 and 5,934,723 shares of Class B common stock held in Treasury	(77,076)	(77,928)
	258,843	213,393
	$501,223	$458,197

The information on pages 40 through 49 is an integral part of the financial statements.

Consolidated Statements of Changes in Financial Position

(In thousands)	January 2, 1983	January 3, 1982	December 28, 1980
	Fiscal Year Ended		
Sources of Working Capital			
Net income	$ 52,413	$ 32,710	$ 34,335
Charges (credits) to income not requiring working capital			
Depreciation and amortization of property, plant and equipment	18,837	16,704	9,780
Income tax timing differences	(118)	4,025	10,311
Amortization of television film costs	10,268	10,067	9,245
Equity in earnings of affiliates	(4,651)	(4,406)	(727)
Amortization of goodwill and other intangibles	1,197	1,515	1,552
Other	3,356	2,339	2,039
Total provided by operations	81,302	62,954	66,535
Increase from sale of businesses	—	7,731	—
Increase (decrease) in contracted television film rights payable	1,337	1,426	(1,212)
Dividends received from affiliates	4,955	87	8,493
Increase (decrease) in deferred subscription revenue	(1,803)	1,080	941
Other	14,564	11,165	7,620
Total sources	100,355	84,443	82,377
Uses of Working Capital			
Purchases of property, plant and equipment	30,555	41,229	69,036
Decrease (increase) in long-term debt	12,250	20,505	(26,036)
Purchases of television film rights	13,141	12,162	9,283
Investment in newsprint mill	945	4,200	7,740
Repurchase of Class B common stock	—	—	6,454
Dividends on common stock	7,908	7,015	6,164
Other	7,244	6,917	4,736
Total uses	72,043	92,028	77,377
Net Increase (Decrease) in Working Capital	$ 28,312	$ (7,585)	$ 5,000
Changes in Composition of Working Capital			
Cash and temporary investments	$ 29,153	$ 1,171	$ (3,869)
Accounts receivable	5,469	3,535	8,006
Inventories	(449)	1,828	6,382
Prepaid film expense	743	581	665
Other current assets	740	1,817	2,718
Increase in current assets	35,656	8,932	13,902
Accounts payable and accrued expenses	(8,782)	2,238	(8,058)
Federal and state income taxes	(12,882)	(4,772)	495
Contributions due to employee benefit trust funds	245	(55)	(1,322)
Current portion of long-term debt	14,075	(13,928)	(17)
(Increase) in current liabilities	(7,344)	(16,517)	(8,902)
Net increase (decrease) in working capital	$ 28,312	$ (7,585)	$ 5,000

The information on pages 40 through 49 is an integral part of the financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(In thousands, except share amounts)	Class A Common Stock	Class B Common Stock	Capital in Excess of Par Value	Retained Earnings	Cumulative Foreign Currency Translation Adjustment	Treasury Stock
Balance December 30, 1979	$3,054	$16,946	$1,702	$216,458	$ —	$(73,378)
Net income for the year				34,335		
Dividends—$.44 per share				(6,164)		
Conversion of 305,378 shares of Class A common stock to Class B common stock	(306)	306				
Issuance of 60,550 shares of Class B common stock			(375)			794
Repurchase of 333,720 shares of Class B common stock						(6,454)
Other			352			
Balance December 28, 1980	2,748	17,252	1,679	244,629	—	(79,038)
Cumulative effect on years prior to 1981 of adoption of Statement of Financial Accounting Standards No. 52					(844)	
Net income for the year				32,710		
Dividends—$.50 per share				(7,015)		
Issuance of 86,973 shares of Class B common stock			(527)			1,110
Change in foreign currency translation adjustment					(157)	
Other			846			
Balance January 3, 1982	2,748	17,252	1,998	270,324	(1,001)	(77,928)
Net income for the year				52,413		
Dividends—$.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)

The information on pages 40 through 49 is an integral part of the 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 year 1982, which ended on January 2, 1983, included 52 weeks; 1981 included 53 weeks and 1980 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 (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 generally over 40 years in accordance with Opinion No. 17, although in the opinion of the company there has been no diminution of the value of such assets.

Deferred Film Costs. The broadcasting subsidiaries are parties to agreements which entitle them to show motion pictures and syndicated programs on television. The costs of these rights and the liabilities for future payments under these agreements are reflected in the Consolidated Balance Sheets. The costs are 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 expenses, 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. In 1981 the company adopted the provisions of Statement of Financial Accounting Standards No. 52, "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 for 1982 and 1981 but are reported separately and accumulated in the "Cumulative Foreign Currency Translation Adjustment" in the Consolidated Balance Sheets at January 2, 1983 and January 3, 1982. Had Statement No. 52 been in effect during 1980, earnings for that year would have been $280,000 higher.

B. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at January 2, 1983 and January 3, 1982 consist of the following (in thousands):

	1982	1981
Accounts payable and accrued expenses	$44,243	$46,312
Accrued payroll and related benefits	18,055	12,294
Film contracts payable	8,189	8,287
Due to affiliates (newsprint)	8,911	3,723
	$79,398	$70,616

C. INVESTMENTS IN AFFILIATES

The company's investments in affiliates consist principally of 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 constructed a newsprint mill near Richmond, Virginia, which started production in December 1979. Summarized combined financial data for these companies at December 31, 1982, 1981 and 1980 are as follows (in thousands):

	1982	1981	1980
Balance Sheet Data			
Current assets	$ 43,354	$ 41,560	$ 36,199
Property, plant and equipment, net of accumulated depreciation	159,725	157,062	153,052
Other assets	613	685	244
	203,692	199,307	189,495
Current liabilities	(36,846)	(25,139)	(41,988)
Long-term debt	(57,822)	(66,067)	(60,614)
Other liabilities	(11,200)	(9,479)	(5,962)
Net equity	$ 97,824	$ 98,622	$ 80,931
Income Statement Data			
Sales	$148,991	$144,924	$112,798
Operating income	19,149	17,422	12,997
Net income (loss)	7,400	7,374	(3,376)

Operating costs and expenses of the company include cost of newsprint supplied by Bowater Mersey Paper Company and Bear Island Paper Company of $56,800,000 in 1982, $47,400,000 in 1981 and $36,400,000 in 1980.

Other investments include a one-third interest in a French corporation which publishes the International Herald Tribune in Paris and a 50 percent interest in the Los Angeles Times-Washington Post News Service, Inc.; the company's 24 percent interest in Publishers Phototype, Inc., an electronic photocomposition company, was sold in March 1982.

The investments described above are reflected in the Consolidated Balance Sheets at January 2, 1983 and January 3, 1982 as follows (in thousands):

	1982	1981
Cost of investment	$37,796	$36,637
Less amount included in consolidated goodwill	(2,373)	(2,373)
Equity in net assets at date of investment	35,423	34,264
Net increase in equity since date of investment	3,942	5,431
	$39,365	$39,695

The increase in equity since date of investment represents the company's share of undistributed earnings of its affiliates which is included in retained earnings at year end. At January 2, 1983 there were no significant restrictions on the payment of dividends by the company's affiliates.

The following table summarizes the status and results of the company's investments for the years ended January 2, 1983, January 3, 1982 and December 28, 1980 (in thousands):

	1982	1981	1980
Beginning investment	$39,695	$32,177	$32,195
Equity in earnings	4,651	4,406	727
Dividends received	(4,955)	(87)	(8,493)
Additional investment	1,338	4,200	7,740
Sale of investment	(336)	–	–
Other	(1,028)	(1,001)	8
Ending Investment	$39,365	$39,695	$32,177

D. INCOME TAXES

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

	Current	Deferred
1982		
U.S. Federal	$41,271	$ 245
Foreign	1,506	(9)
State and local	8,487	(354)
	$51,264	$ (118)
1981		
U.S. Federal	$19,800	$ 3,045
Foreign	673	770
State and local	5,260	210
	$25,733	$ 4,025
1980		
U.S. Federal	$12,890	$10,267
Foreign	2,287	(452)
State and local	5,052	496
	$20,229	$10,311

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

	1982	1981	1980
Tax depreciation in excess of depreciation for financial reporting purposes	$ 3,141	$ 4,724	$ 5,059
Deferral of investment tax credits for financial reporting purposes	559	(294)	6,146
Other	(3,818)	(405)	(894)
	$ (118)	$ 4,025	$10,311

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 taxes as a result of the following (in thousands):

	1982	1981	1980
U.S. Federal income taxes at 46 percent of income before taxes	$47,637	$28,735	$29,843
State and local taxes net of Federal income tax benefit	4,392	2,953	2,996
Amortization of goodwill not deductible for tax purposes	551	697	712
Foreign income taxes netted in equity in earnings of affiliates	(1,630)	(1,654)	(1,611)
Other	196	(973)	(1,400)
Provision for income taxes	$51,146	$29,758	$30,540

E. LONG-TERM DEBT

Long-term debt of the company as of January 2, 1983 and January 3, 1982 is summarized as follows (in thousands):

	1982	1981
6.95 percent unsecured promissory notes due 1982-1987	$13,000	$15,250
Commercial paper supported by revolving credit agreement with banks	—	24,075
Less amount included in current liabilities	(2,250)	(16,325)
	$10,750	$23,000

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 1982 and 1981, retained earnings unrestricted by these provisions were $108,600,000 and $79,600,000.

The company has a revolving credit agreement with a group of banks which permits borrowings of up to $75,000,000 until January 1, 1985 at which time any outstanding borrowing 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.

In addition to borrowings under the revolving credit agreement, the company has issued commercial paper in the form of unsecured notes supported by the company's revolving credit agreement and, from time to time, has 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 during 1982, $24,600,000 at a weighted average cost of 17.8 percent during 1981 and $17,900,000 at a weighted average cost of 14.7 percent during 1980. The maximum borrowings outstanding at the end of any period during 1982 were $27,000,000. There were no such borrowings at January 2, 1983.

Annual maturities of long-term debt, based on existing loan repayment schedules are $2,250,000 in each of the years 1983 through 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% 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 January 2, 1983 there were 226,000 shares reserved for issuance under the Stock Option Plan. Of this number 60,300 shares were subject to options outstanding and 165,700 shares were available for future grants. Changes in the options outstanding for the years ended January 2, 1983 and January 3, 1982 were as follows:

	1982		1981	
	Number of Shares	Average Option Price	Number of Shares	Average Option Price
Beginning of year	77,500	$13.76	195,574	$10.05
Options				
Granted	—	—	18,500	28.25
Exercised	(17,200)	6.59	(89,574)	7.24
Cancelled	—	—	(47,000)	16.44
End of year	60,300	15.80	77,500	13.76

Of the shares covered by options outstanding at the end of 1982, 38,925 were then exercisable, 8,375 will become exercisable in each of the years 1983 and 1984 and 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 year ended January 2, 1983 was as follows:

	Number of Shares	Average Award Price
Awarded	55,429	$31.69
Forfeited	(4,429)	33.50
End of year	51,000	31.70

The restriction on the 51,000 shares outstanding at January 2, 1983 will lapse on January 5, 1985.

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 14,153,000 for 1982, 14,077,000 for 1981 and 14,068,000 for 1980.

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 $11,500,000 for 1982, $10,900,000 for 1981 and $10,100,000 for 1980.

The costs for the company's defined benefit plans are actuarially determined and include amortization of prior service costs over various periods, generally not exceeding 20 years. The accumulated plan benefits and plan net assets for the company's domestic defined benefit plans as of January 1, 1982 and 1981, the most recent valuation dates, were as follows (in thousands):

	1982	1981
Actuarial present value of accumulated plan benefits		
Vested	$25,369	$22,129
Nonvested	5,953	5,099
	$31,322	$27,228
Net assets available for benefits	$75,826	$60,474

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits is 8 percent.

The costs of unfunded retirement plans are charged to expense when accrued. The company's liability for such plans, which is included in "Other Liabilities" in the Consolidated Balance Sheets, was $11,100,000 at January 2, 1983 and $9,500,000 at January 3, 1982.

H. LEASES

Total rental expense included in operating costs and expenses was approximately $9,300,000 for 1982, $7,900,000 for 1981 and $7,100,000 for 1980. As of January 2, 1983 future minimum rental commitments under noncancelable operating leases, substantially all for real estate, were $7,000,000 for 1983, $6,800,000 for 1984, $6,500,000 for 1985, $5,700,000 for 1986, $5,500,000 for 1987, $22,400,000 for the five-year period 1988 through 1992 and $4,300,000 for the five-year period 1993 through 1997. Included in the commitments 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. CONTINGENCIES

The company on its own account, and partnerships of which the company is a member, have filed applications with the Federal Communications Commission for licenses to operate cellular radiotelephone systems in 11 markets. Neither the outcome nor the timing of the awards is predictable. If any such licenses are awarded, the company will satisfy its financial commitments to the extent possible with funds provided from operations; any additional funds required will be borrowed.

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.

J. DISPOSITIONS

During 1982 the company sold its 24 percent interest in Publishers Phototype, Inc., an electronic photocomposition company. The effect of this transaction before giving effect to taxes of $850,000 was a gain of $1,970,000, which amount is included in "Other Income (Expense), Net" in the Consolidated Statement of Income for 1982; the net effect on 1982 earnings was an increase of eight cents per share.

On October 30, 1981 the company sold all of the outstanding stock of its newspaper subsidiary in Trenton, New Jersey. During 1981 the company also sold its national television sales subsidiary and entered into an agreement which resulted in the sale of the company's magazine, Inside Sports, on January 29, 1982. The effect of these transactions before giving effect to a tax benefit of $1,300,000 was a loss of $3,400,000, which amount is included in "Other Income (Expense), Net" in the Consolidated Statement of Income for 1981; the net effect on 1981 earnings was a decrease of fifteen cents per share.

K. BUSINESS SEGMENTS

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

Newspaper operations primarily involve the publication of newspapers in Washington, D.C. and Everett, Washington and, until October 30, 1981, Trenton, New Jersey; they also include a newsprint warehousing facility. Magazine publishing operations consist primarily of the publication of a weekly newsmagazine, Newsweek, which has one domestic and three international editions. Inside Sports, a magazine which began publication in March 1980, is included in operations of the magazine publishing segment through 1981; the magazine has since been sold. Sales of books are also included in the magazine publishing segment. Revenues from both newspaper and magazine publishing operations are derived from advertising and, to a lesser extent, from circulation.

Broadcasting operations are conducted primarily through four VHF television stations. All stations are network affiliated with revenues derived primarily from sales of advertising time. Broadcasting operations also include video production.

Income from operations is the excess of operating revenues over operating expenses including corporate operating 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 for 1982 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 C. Corporate assets are principally cash and temporary investments.

(In thousands)	Newspaper Publishing	Magazine Publishing	Broadcasting	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
1981				
Operating revenues	$368,413	$294,272	$ 90,762	$753,447
Income from operations	$ 30,809	$ 13,881	$ 21,024	$ 65,714
Equity in earnings of affiliates				4,406
Interest expense				(5,360)
Other expense, net				(2,292)
Income before income taxes				$ 62,468
Identifiable assets	$217,034	$ 69,821	$111,634	$398,489
Investments in affiliates				39,695
Corporate assets				20,013
Total assets				$458,197
Depreciation and amortization of property, plant and equipment	$ 10,652	$ 2,316	$ 3,736	$ 16,704
Amortization of goodwill and other intangibles	$ 851		$ 664	$ 1,515
Capital expenditures	$ 25,515	$ 5,755	$ 9,959	$ 41,229

Business Segments

(In thousands)	Newspaper Publishing	Magazine Publishing	Broadcasting	Consolidated
1980				
Operating revenues	$311,260	$267,809	$ 80,466	$659,535
Income from operations	$ 31,936	$ 11,486	$ 22,091	$ 65,513
Equity in earnings of affiliates				727
Interest expense				(1,581)
Other income, net				216
Income before income taxes				$ 64,875
Identifiable assets	$211,333	$ 73,472	$101,495	$386,300
Investments in affiliates				32,177
Corporate assets				10,626
Total assets				$429,103
Depreciation and amortization of property, plant and equipment	$ 5,574	$ 1,397	$ 2,809	$ 9,780
Amortization of goodwill and other intangibles	$ 888	$	$ 664	$ 1,552
Capital expenditures	$ 56,651	$ 3,481	$ 8,904	$ 69,036

L. SUMMARY OF QUARTERLY OPERATING RESULTS (Unaudited)

Quarterly results of operations for the years ended January 2, 1983 and January 3, 1982 are as follows (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1982				
Operating revenues	$183,135	$207,215	$185,684	$224,790
Income from operations	7,806	31,228	14,756	44,316
Net income	5,106	16,590	8,511	22,206
Earnings per share	$.36	$1.17	$ .60	$1.57
Average number of shares outstanding	14,145	14,151	14,158	14,157
1981				
Operating revenues	$165,802	$194,280	$175,289	$218,076
Income from operations	4,717	25,855	5,412	29,730
Net income (loss)	1,816	13,247	(405)	18,052
Earnings per share	$.13	$ .94	$(.03)	$1.28
Average number of shares outstanding	14,047	14,073	14,094	14,093

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. Although changing price calculations and related disclosures are in the experimental stage, it is the company's opinion that the information has been reasonably prepared within the guidelines set forth in Standard No. 33. The information presented is necessarily based on numerous assumptions and estimates which required subjective judgments, and therefore should not be viewed as precise data. The difference between these data and historical data do not represent increases or decreases in the company's book value.

Consolidated Statement of Income Adjusted for the Effects of Inflation and Changing Prices for the Year Ended January 2, 1983
(In thousands, except per share amounts)

	As Reported In Financial Statements (Historical Cost)	Adjusted for General Inflation (Constant Dollars)	Adjusted for Changes in Specific Prices (Current Cost Dollars)
Operating revenues	$800,824	$800,824	$800,824
Costs and expenses			
Operating	521,069	522,001	519,487
Selling, general and administrative	161,615	161,615	161,615
Depreciation and amortization of property, plant and equipment	18,837	23,641	23,836
Amortization of goodwill and other intangibles	1,197	1,197	1,197
	702,718	708,454	706,135
Income from operations	98,106	92,370	94,689
Other income, net	5,453	5,453	5,453
Income before taxes	103,559	97,823	100,142
Provision for income taxes	51,146	51,146	51,146
Net income	$ 52,413	$ 46,677	$ 48,996
Earnings per share	$3.70	$3.30	$3.46
Increase in specific prices of inventories and property, plant and equipment			$ 17,201
Less effect of increase in general price level			11,036
Excess of increase in specific prices over increase in general price level			$ 6,165

Five-Year Comparison of Selected Financial Data Adjusted for Effects of Inflation (Constant Dollars) and Changing Prices (Current Cost)

(In thousands, except per share amounts)

	1982	1981	1980	1979	1978
Operating revenues					
As reported	$800,824	$753,447	$659,535	$593,262	$520,398
In constant 1982 dollars	800,824	799,639	772,575	788,924	769,944
Net income					
As reported	$ 52,413	$ 32,710	$ 34,335	$ 29,468	
In constant 1982 dollars	46,677	27,700	31,076	31,779	
In current cost 1982 dollars	48,996	27,536	32,624	32,919	
Earnings per share					
As reported	$3.70	$2.32	$2.44	$1.89	
In constant 1982 dollars	3.30	1.97	2.21	2.04	
In current cost 1982 dollars	3.46	1.96	2.32	2.11	
Gain (loss) from change in purchasing power of net monetary position	$ 563	$ 2,717	$ 1,899	$ (2,118)	
Excess of increase in specific prices of inventories and property, plant and equipment over increase in general price level	$ 6,165	$ (2,801)	$(11,823)	$ (7,207)	
Cash dividends per share					
As reported	$.56	$.50	$.44	$.36	$.30
In constant 1982 dollars	.56	.53	.52	.48	.44
Market price per common share at year end					
Historical amount	$55.25	$31.38	$22.75	$21.00	$23.25
In constant 1982 dollars	54.63	32.22	25.45	26.41	33.13
Average consumer price index	289.1	272.4	246.8	217.4	195.4

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

The cost of newsprint and magazine paper included in operating costs and expenses was calculated using the same methods used in the historical financial statements. Depreciation and amortization of 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, 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 information adjusted for general inflation is expressed in constant 1982 average dollars which represent historical costs stated in terms of dollars of equal purchasing power as measured by the Consumer Price Index for all Urban Consumers. The constant dollar amounts do not purport to represent appraised values or any other measure of current value.

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

The 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 1982 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 increase in specific prices of inventories and property, plant and equipment over the increase in general price level 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.

The constant dollar and current cost amounts of net monetary items, inventories and property, plant and equipment net of accumulated depreciation, stated in average 1982 dollars, and other net items, and corresponding historical cost amounts were as follows (in thousands):

	January 2, 1983*			January 3, 1982		
	Historical Cost	Constant Dollars	Current Cost	Historical Cost	Constant Dollars	Current Cost
Net monetary items	$ 7,667	$ 7,581	$ 7,581	$(24,054)	$(24,651)	$(24,651)
Inventories	22,051	21,683	22,231	22,500	22,872	24,016
Property, plant and equipment, net	181,982	251,060	279,383	171,301	247,909	264,840
Other net items	47,143	47,143	47,143	43,646	43,646	43,646
Net assets	$258,843	$327,467	$356,338	$213,393	$289,776	$307,851

*At January 2, 1983 the current cost of inventories was $22,485,000 and the current cost of property, plant and equipment net of accumulated depreciation was $282,572,000.

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 mentioned below of other independent accountants, the consolidated financial statements appearing on pages 35 through 39 present fairly the financial position of The Washington Post Company and its subsidiaries at January 2, 1983 and January 3, 1982, and the results of their operations and the changes in their financial position for each of the three fiscal years in the period ended January 2, 1983, 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 C. 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.
February 2, 1983

Ten-Year Summary of Selected Financial Data

(In thousands, except per share amounts)	1982	1981	1980
Results of Operations			
Operating revenues	$800,824	$753,447	$659,535
Income from operations	$ 98,106	$ 65,714	$ 65,513
Income before cumulative effect of change in method of accounting	$ 52,413	$ 32,710	$ 34,335
Cumulative effect on years prior to 1979 of change in method of accounting for magazine subscription procurement costs	—	—	—
Net income	$ 52,413	$ 32,710	$ 34,335
Per Share Amounts			
Earnings per share			
Income before cumulative effect of change in method of accounting	$ 3.70	$ 2.32	$ 2.44
Cumulative effect on years prior to 1979 of change in method of accounting for magazine subscription procurement costs	—	—	—
Net income	$ 3.70	$ 2.32	$ 2.44
Cash dividends	$ .56	$ .50	$ .44
Shareholders' equity	$18.32	$15.17	$13.40
Average Number of Shares Outstanding	14,153	14,077	14,068
Financial Position			
Current assets	$170,658	$135,002	$126,070
Working capital	62,342	34,030	41,615
Property, plant and equipment	181,982	171,301	152,109
Total assets	501,223	458,197	429,103
Long-term debt	10,750	23,000	43,586
Shareholders' equity	258,843	213,393	187,270
Pro Forma Amounts			
Net income	$ 52,413	$ 32,710	$ 34,335
Earnings per share	$ 3.70	$ 2.32	$ 2.44

Notes:

See Notes to Consolidated Financial Statements for the summary of significant accounting policies and additional information relative to the years 1980-1982.

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.

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 1973-1978 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.

1979	1978	1977	1976	1975	1974	1973
$593,262	$520,398	$436,102	$375,729	$309,335	$287,579	$246,949
$ 80,421	$ 89,190	$ 71,074	$ 49,045	$ 26,824	$ 28,140	$ 25,692
$ 42,999	$ 49,720	$ 35,469	$ 24,490	$ 12,042	$ 14,441	$ 13,334
13,531	—	—	—	—	—	—
$ 29,468	$ 49,720	$ 35,469	$ 24,490	$ 12,042	$ 14,441	$ 13,334
$ 2.75	$ 3.06	$ 2.09	$ 1.36	$ .64	$ .76	$ .70
.86	—	—	—	—	—	—
$ 1.89	$ 3.06	$ 2.09	$ 1.36	$ .64	$ .76	$ .70
$ .36	$ .30	$ .18	$ .125	$ .125	$ .125	$ .10
$11.56	$11.15	$ 8.59	$ 7.02	$ 5.91	$ 5.41	$ 4.77
15,609	16,232	16,952	18,038	18,900	19,002	19,018
$112,168	$119,468	$114,489	$100,919	$ 72,819	$ 70,009	$ 78,283
36,615	53,813	58,114	44,828	35,129	31,108	47,740
93,734	67,674	63,476	58,753	58,594	57,125	48,898
357,949	328,517	278,574	259,000	230,599	266,397	184,704
17,550	19,930	22,300	29,550	39,934	47,318	33,702
164,782	177,414	140,377	123,392	110,154	102,745	90,605
$ 42,999	$ 49,013	$ 33,394	$ 22,533	$ 9,042	$ 14,894	$ 12,821
$ 2.75	$ 3.02	$ 1.97	$ 1.25	$ .48	$ .78	$ .67

Corporate Directory

BOARD OF DIRECTORS

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Director and Chairman of the Board
Chief Executive Officer (3, 4)

Richard D. Simmons
Director and President
Chief Operating Officer (3)

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Director
Chairman, Berkshire Hathaway, Inc.
(textiles, insurance) (3, 4)

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Director
Attorney, Member of Cravath, Swaine & Moore

Donald E. Graham
Director and Vice President
Publisher of The Washington Post (3)

Nicholas deB. Katzenbach
Director
Senior Vice President, IBM Corporation
(information-handling systems) (2, 4)

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Director
Retired; Former President of The World Bank (1)

Arjay Miller
Director
Dean, Emeritus, Stanford University
Graduate School of Business (1, 2)

Richard M. Paget
Director
President of Cresap, McCormick and Paget, Inc.
(management consultants) (1, 2)

John W. Sweeterman
Director Emeritus
Retired; Former Vice Chairman of the Board
and Publisher of The Washington Post

Committees of the Board of Directors
(1) Member of Audit Committee
(2) Member of Compensation Committee
(3) Member of Finance Committee
(4) Member of Stock Option Committee

OTHER COMPANY OFFICERS

Joel Chaseman
Vice President

Martin Cohen
Vice President-Finance and Treasurer

Mark M. Edmiston
Vice President

Alan R. Finberg
Vice President, General Counsel and Secretary

Alan G. Spoon
Vice President

Edward N. Van Gombos
Vice President-Information Systems

Howard E. Wall
Vice President and Chief Accounting Officer

Earl Chism
Controller

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 13, 1983 at 9 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:

	1982		1981	
Quarter	High	Low	High	Low
January-March	\$31¾	\$27⅜	\$26½	\$19⅜
April-June	35⅜	30	28½	24½
July-September	44½	32½	30⅝	24
October-December	60⅞	39¾	33	27¾

Both classes of common stock participate equally as to dividends. Quarterly dividends were paid at the rate of 14 cents per share in 1982 and 12.5 cents per share in 1981.

At February 28, 1983 there were 10 Class A and 1,928 Class B shareholders of record.

The Washington Post Company
1150 15th Street, N.W.
Washington, D.C. 20071

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