THE WASHINGTON POST COMPANY 1990 ANNUAL REPORT

A Year of Global Change – and Challenge

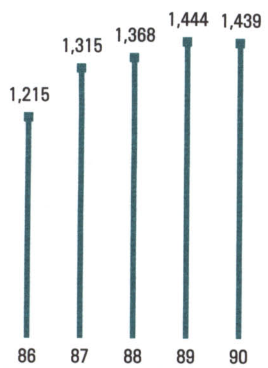
Contents

Cover:

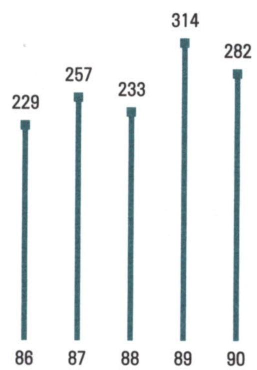
U.S. crew returns to an air base near Dhahran, Saudi Arabia, after completing a mission in the EA-6B Prowler, specialized in electronic warfare. Photo by Mark Peters for Newsweek.

FINANCIAL HIGHLIGHTS

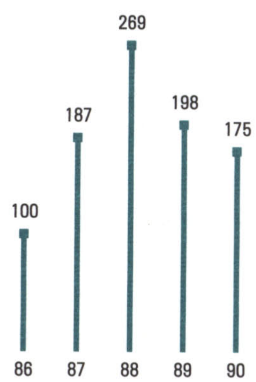
(In thousands, except per share amounts)	1990	1989	% Change
Operating revenues	$1,438,640	$1,444,094	—
Income from operations	$ 281,768	$ 313,691	−10%
Net income	$ 174,576	$ 197,893	−12%
Earnings per share	$ 14.45	$ 15.50	−7%
Dividends per share	$ 4.00	$ 1.84	+117%
Shareholders' equity per share	$ 76.31	$ 75.40	+1%
Average number of shares outstanding	12,081	12,768	−5%



Operating Revenues
($ in millions)

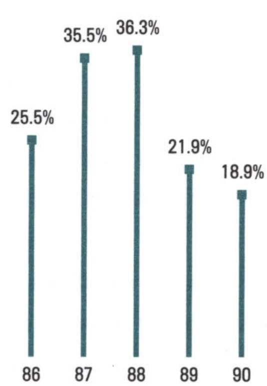


Operating Income
($ in millions)



Net Income
($ in millions)

Earnings per Share



Return on Average Shareholders' Equity

TO OUR SHAREHOLDERS

NINETEEN-NINETY was a most difficult year for The Washington Post Company. It was the first year in ten that we failed to meet our financial objectives.

Nineteen-ninety also was a year of profound and momentous change around the world. War clouds quickly gathered over the Persian Gulf following Iraq's brutal invasion of Kuwait on August 2. Disintegrating economic conditions weakened the Soviet Union's social fabric and fueled increasingly bloody demands for independence in dissident republics. East and West Germany were reunified, creating a potential industrial colossus that provoked both admiration and unease among its neighbors. Nelson Mandela's release after 27 years in prison sparked bitter disputes among South Africa's black leaders, but signaled quickening governmental reform. And in the United States, a faltering economy sank into recession as the nation struggled to put its economic house in order, address social problems and gird for war.

These events and others brought into sharp relief The Washington Post Company's journalistic resources and commitment to high-quality publications and programming. Thanks to the talent and dedication of reporters, editors and business professionals worldwide, the company helped provide the information needed to make democracy work.

FINANCIAL RESULTS, on the other hand, were very disappointing. The weakening U.S. economy and a soft market for advertising depressed results at The Washington Post newspaper, Post-Newsweek Stations and Newsweek. As a result, operating income was off 10 percent to $281.8 million, from $313.7 million the year before. Net income for the year declined 12 percent to $174.6 million, from $197.9 million in 1989. Earnings per share fell 7 percent to $14.45, from $15.50 the previous year, with a smaller number of shares outstanding in 1990. The company invested $163 million during the year to repurchase 641,500 shares of its Class B common stock.

NEWSPAPER DIVISION operating income decreased 19 percent to $143.8 million, from $176.6 million in 1989. Revenue declined 5 percent to $691 million, from $726.7 million the previous year.

The Washington Post was hard hit, particularly in the second half of the year, by a combination of adverse developments. The recession that had been making its way down the eastern seaboard for the past two years finally slammed into the Washington market. Defense spending in the Washington area, which had funded dramatic gains in jobs and economic growth for most of the past decade, slowed precipitously. We estimate this slowdown cost The Post about 15 percent of its recruitment classified advertising volume in the past year alone.

In addition, the bottom fell out of the local real estate market. And when the national budget crisis raised the specter of sequestration, furlough notices went out to many of the area's 350,000 federal employees, bringing retail sales and advertising to a grinding halt.

As a result of these factors, total advertising volume at The Post fell 12 percent to 4.1 million inches, from 4.7 million inches the previous year. Post advertising revenue declined 7 percent to $535.9 million, from $574.4 million in 1989. All major advertising categories, except preprints, were down.

Post managers responded vigorously to the new realities. Total expenses actually declined from the previous year. And there were important areas of strength.

Post circulation continued to grow. For the 12 months ending September 30, 1990, average daily circulation rose to 802,432, a 10,000-copy increase over the previous year. Average Sunday circulation rose 7,000 to 1,145,727. Primary-market penetration, 53 percent daily and 72 percent on Sunday, remains the highest of any major-market newspaper.

The Post's "Post-Haste" information hotline, which provides news updates, stock prices, sports scores and other information as a service to readers, made an impressive debut. In its first year of operation, the service received over 3.3 million calls.

The Herald, the company's daily and Sunday newspaper in Everett, Washington, had a very good year, with significant gains in operating income. To take advantage of reader preference for morning newspapers, The Herald will change its weekday publication from afternoons to mornings beginning in May.

POST-NEWSWEEK STATIONS struggled against depressed economic conditions in local markets, as well as the soft national advertising environment. Broadcast division operating income fell 4 percent to $68.9 million, from $72.1 million in 1989. Revenue was off 2 percent to $179.4 million, from $182.5 million the year before. The

decline would have been even greater but for $8 million in political advertising revenue derived from the fall election campaigns.

Confronted with a dismal revenue picture, Post-Newsweek managers held expenses below 1989 levels and worked to strengthen the stations' marketplace positions. Three of our stations rank number one in their markets, sign-on to sign-off; the fourth, WDIV in Detroit, missed first place by a fraction. Additional investments enhanced our leadership in news and public affairs programming, the cornerstone of future progress.

Newsweek, too, battled the difficult national advertising climate. Nonetheless, exceptional journalistic vitality and cost-conscious management enabled Newsweek to achieve one of the most profitable years in its history. Revenue increased 2 percent to $340.2 million, from $334.4 million the previous year. Operating income was $26.9 million, down but 5 percent from Newsweek's record of $28.2 million in 1989.

Circulation continued to be robust. Newsweek again delivered to its advertisers a bonus circulation of more than 100,000 over the magazine's rate base of 3.1 million. Newsstand sales jumped 5 percent. Readership increased to 19.9 million, a gain of 5 percent over the previous year's figures, according to Mediamark Research Inc.

Newsweek introduced several initiatives to help advertisers reach their target audiences more efficiently. These included multi-media buy programs offered jointly with other communications companies, as well as new demographic editions of Newsweek made possible through selective binding technology.

Newsweek International had its best year since 1981. Circulation, advertising revenue and market share increased at all three international editions, as did operating income. Newsweek's Japanese-language edition marked its fifth anniversary with an 8 percent increase in its 1991 rate base, to 135,000. Newsweek also signed a letter of intent to launch a Korean-language edition with a publishing unit of the Samsung Group.

Post-Newsweek Cable had an excellent year. Operating income rose 12 percent to $29.2 million, from $26.1 million the year before. Cash flow increased 14 percent to $67.4 million, from $58.9 million in 1989. Revenue climbed 12.5 percent to $145.5 million, from $129.3 million.

The number of basic subscribers continued to grow, reaching nearly 436,000. This is 5 percent over 1989—and a 25 percent increase since the cable division was acquired in 1986. Last year's gain of almost 20,000 subscribers included 6,600 from the acquistion of a cable system in Ada, Oklahoma, as well as gains from line extensions, more effective marketing and the buildout of new franchises awarded in the past two years.

Pay-per-view revenue, although still relatively small, again achieved strong growth, rising 19 percent to $1.5 million. Advertising revenue surged 38 percent to $5.5 million. However, revenue from premium pay units continued its long-term slide, falling 4 percent to $28.5 million.

Post-Newsweek Cable is pursuing expansion opportunities abroad, an area of growth with encouraging potential. In 1990 the company acquired franchises in Dundee, Perth, Leven and Glenrothes, Scotland. These communities have a total of 150,000 homes. We expect the buildout of these systems, now underway, to be completed within three to four years. Our initial experience suggests that penetration rates may average at least 30 percent over time.

Stanley H. Kaplan Educational Center turned in a record performance. This business is well positioned to benefit from the country's growing concern about academic standards and performance. Kaplan's revenue has doubled since the company was acquired six years ago.

Enrollments increased again in 1990, with especially strong gains from courses preparing students for the Graduate Record Examination, nursing boards and SAT, and from newly acquired CPA review courses.

Kaplan added nine new centers in five markets last year, bringing the total number of centers to 146. Kaplan also established an international office to market its programs in foreign countries, another important source of future growth.

Equity in earnings of affiliates declined sharply in 1990, falling to $6.2 million, from $10 million in 1989. The company's newsprint affiliates had lower earnings, only partially offset by higher results from Cowles Media Company, which benefited from the sales of two small newspapers.

A new partnership was formed by The Washington Post Company and American Personal Communications, Inc., to test a family of new wireless telephone technologies, known as personal communications services, or PCS. These will make lightweight, hand-held pocket telephones available to the general public at low cost.

The partnership has received FCC permission to build and operate experimental PCS systems in the Washington-Baltimore market. Should the test results meet our expectations, we plan to apply for commercial licenses to operate the service in the Washington-Baltimore area, and we would consider applying for other markets as well.

This venture capitalizes on The Washington Post Company's past success in the cellular telephone business. This included an interest in the Washington-Baltimore system, in which the principals of American Personal Communications were our partners.

Looking ahead, we believe that 1991 will be another difficult year. Economic conditions have depressed advertising sales. Even the Persian Gulf War's swift and successful conclusion does not alter the country's troubling economic fundamentals.

Nevertheless, we believe the company's long-term outlook remains very bright. Our franchises are strong. Robust circulation at The Washington Post and Newsweek, continued high ratings at Post-Newsweek television stations, solid growth at the cable division and Kaplan—all provide a sound foundation for future progress. When the economic and advertising climate improves, as we believe it eventually will, growth will resume.

The company also is in excellent financial condition. Unlike many companies in the 1980s, The Washington Post Company did not significantly increase its debt, or make costly acquisitions that must now be made to pay off. At year end, the company had $276 million in cash and securities.

We believe the troubled economy will provide expanded acquisition opportunities for The Washington Post Company. Although we will continue to be very selective, we expect to find attractive investment choices in the 1990s.

Reflecting the company's financial strength and future potential, the Board of Directors approved in January 1991 an increase in the annual dividend rate on the company's common stock from $4.00 to $4.20 per share. The increase marks the fifteenth consecutive year in which the company has raised its dividend.

We thank our shareholders for their continued support.

Sincerely,

Katharine Graham

Katharine Graham
Chairman of the Board

Richard D. Simmons
President

March 4, 1991

"As alternative media proliferate in the 1990s, enabling Americans to experience news as it happens, the newspaper will continue to evolve into a one-stop supermarket of information that helps readers understand and cope with a complex world presented in fragments elsewhere.

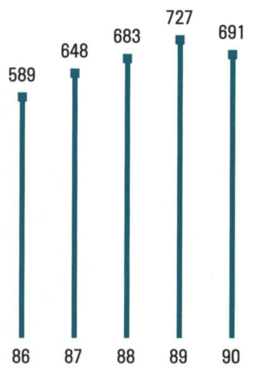
"We will dig more deeply, inform more fully, explain more expertly and remain more authoritative. We will continue to find and publish important information that would never reach citizens without us. We will protect the unique relationship of trust we have with our readers.

"We will emphasize vivid writing, appealing design, dramatic photography, informative graphics and helpful packaging. We will focus more on such special interests as health, recreation, money management, technology, lifestyles, the arts, popular culture, science and education.

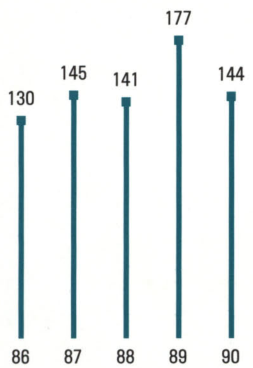
"With a far larger audience every day than any single competitor in our market, we are invigorated rather than daunted by the challenge of remaining a necessity for our readers this decade and beyond."

LEONARD DOWNIE, JR.
Managing Editor
The Washington Post

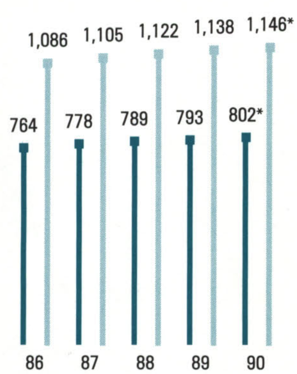
Women console each other after a troop ship departs for Saudi Arabia. Photo by Larry Morris, The Washington Post.



Newspaper Division Operating Revenues
($ in millions)



Newspaper Division Operating Income
($ in millions)



The Washington Post Circulation *(in thousands)*
Daily *Sunday*
**As reported to ABC*

ALTHOUGH THE WASHINGTON POST'S FINANCIAL RESULTS were substantially lower than in 1989, The Post continued to serve its readers and advertisers well.

During 1990 The Post chronicled remarkable changes in the political, economic and social landscape of our world, fundamental changes that will shape our lives through the current decade and into the next century. The post-Cold War era has given way to an uncertain "new world order" that will derive much of its ultimate form from the aftermath of the Persian Gulf crisis. The Post's coverage of Saddam Hussein's invasion of Kuwait began with the courageous reporting of foreign correspondent Caryle Murphy, the only western journalist in Kuwait for the 26 days immediately following Iraq's occupation on August 2. Remarkably, Murphy continued to file stories while eluding Iraqi forces during this period, demonstrating a courage and professionalism that won her admiration and gratitude from readers and colleagues around the world.

The Gulf crisis gave rise to several other notable reporting achievements. Nora Boustany was the first journalist to cover the desperate plight of thousands of Asian and Arab refugees who fled Iraq and Kuwait after Hussein's invasion. Pentagon correspondent Molly Moore followed the U.S. and allied forces' buildup in Saudi Arabia, discussing their readiness and the implications of their deployment, critical issues in the debate concerning the U.S. presence in the Gulf. Dana Priest told the stories of U.S. hostage families traveling to Iraq to gain the release of their relatives.

Locally 1990 was a politically significant, socially turbulent and economically painful year.

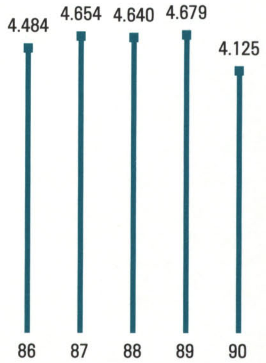
In January District of Columbia Mayor Marion Barry was arrested on drug and perjury charges. Barton Gellman's account of the Barry trial's jury deliberations offered a portrait of the jurors' sentiments and examined how representative these feelings were of the city itself. Reverberations from the arrest and trial were complex. The Post's reporting focused on the political impact created by having the dominant political figure in the city for the last decade out of the mayoral race. A spirited Democratic primary contest emerged in Barry's absence, and The Post provided extensive coverage. The paper eventually endorsed businesswoman Sharon Pratt Dixon, who was running fourth in a field of five Democratic candidates at the time. Dixon's primary victory and landslide triumph in the general election clearly demonstrated the city's call for a change.

At the beginning of what was to become the third consecutive year of record-setting homicides in the District and surrounding region, The Post ran a series entitled "Fighting Back." In an effort to go beyond the perfunctory reporting of violence and its effect on people, this series described how area residents and institutions were implementing solutions to combat the incessant scourge of drugs and violence. The series, which ran in February, featured Keith Harriston's compelling story about a heroin addict that gave readers a glimpse of how enslaving drug addiction can be, as well as how it can be overcome. Chris Spolar wrote about the efforts of Jewish, Christian and Muslim religious organizations coming together to provide counseling to drug addicts. Lynda Richardson offered a riveting portrait of a 20-year-old drug addict's plight that highlighted both the socio-economic spectrum affected by drugs and the hereditary aspects of addiction.

The Post's news staff received several awards for exceptional work in a variety of areas. David Vise and Steve Coll won the Pulitzer Prize for Explanatory Journalism with their series on the Securities and Exchange Commission. The same work also garnered the prestigious John Hancock and Gerald Loeb awards. Michele Norris was the recipient of the Livingston Award, which recognizes outstanding writing of reporters age 35 and under. Exceptional efforts by the photography department were highlighted when Carol Guzy became the first female recipient of the University of Missouri-Columbia School of Journalism Photographer of the Year Award and also was named White House Press Photographer of the Year.

ADVERTISING REVENUE fell from $574 million in 1989 to $536 million in 1990. The 6.7 percent drop represents the first decline in advertising revenue in recent years. The economic downturn that has gripped the country, particularly in the mid-Atlantic/northeast regions, had a negative impact on key advertising segments. The accompanying real estate slump and drop in classified recruitment advertising together accounted for most of the revenue decline.

The reduction of advertising revenue was accompanied by an even more precipitous drop in the volume of advertising placed in 1990. Advertising was off by 554,000 inches, an 11.8 percent decrease from the previous year. Conversely, preprint advertising volume grew during the same period to 987.4 million pieces, from 920.5 million pieces in 1989. The 7.3 percent increase represents a solid base for continued growth in the future.

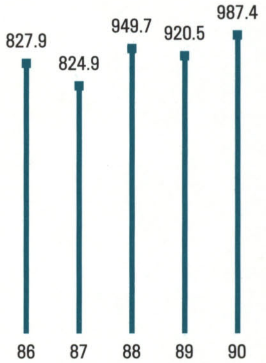


The Washington Post ROP Advertising Inches** *(in millions)*

THE CIRCULATION DEPARTMENT, another strong segment of the business, performed well in a challenging year. The Post reported a daily circulation average for the 12-month period ending September 30, 1990, of 802,432, a 10,000-copy increase over 1989. Sunday circulation for the same period averaged 1,145,727, growing more than 7,000 copies over the previous year. During the last five years, daily circulation has shown a solid 5 percent increase, while Sunday circulation has grown 5.5 percent.

MAJOR INITIATIVES were begun in 1990 at The Post to improve service to both advertisers and readers and to increase productivity. The Springfield plant's mailroom expansion, scheduled for completion in the spring of 1991, will include a state-of-the-art materials handling and warehouse storage system critical for accommodating The Post's rapidly growing preprint volume.

Michael Clurman was promoted to vice president/production from production director.



The Washington Post Preprint Pieces** *(in millions)*

THE NEW MEDIA CENTER completed its first year, having firmly established the "Post-Haste" information phone lines as an important service for Post readers. Features such as the Stockquote and Lottery Lines contributed to a total of over 3.3 million calls in 1990.

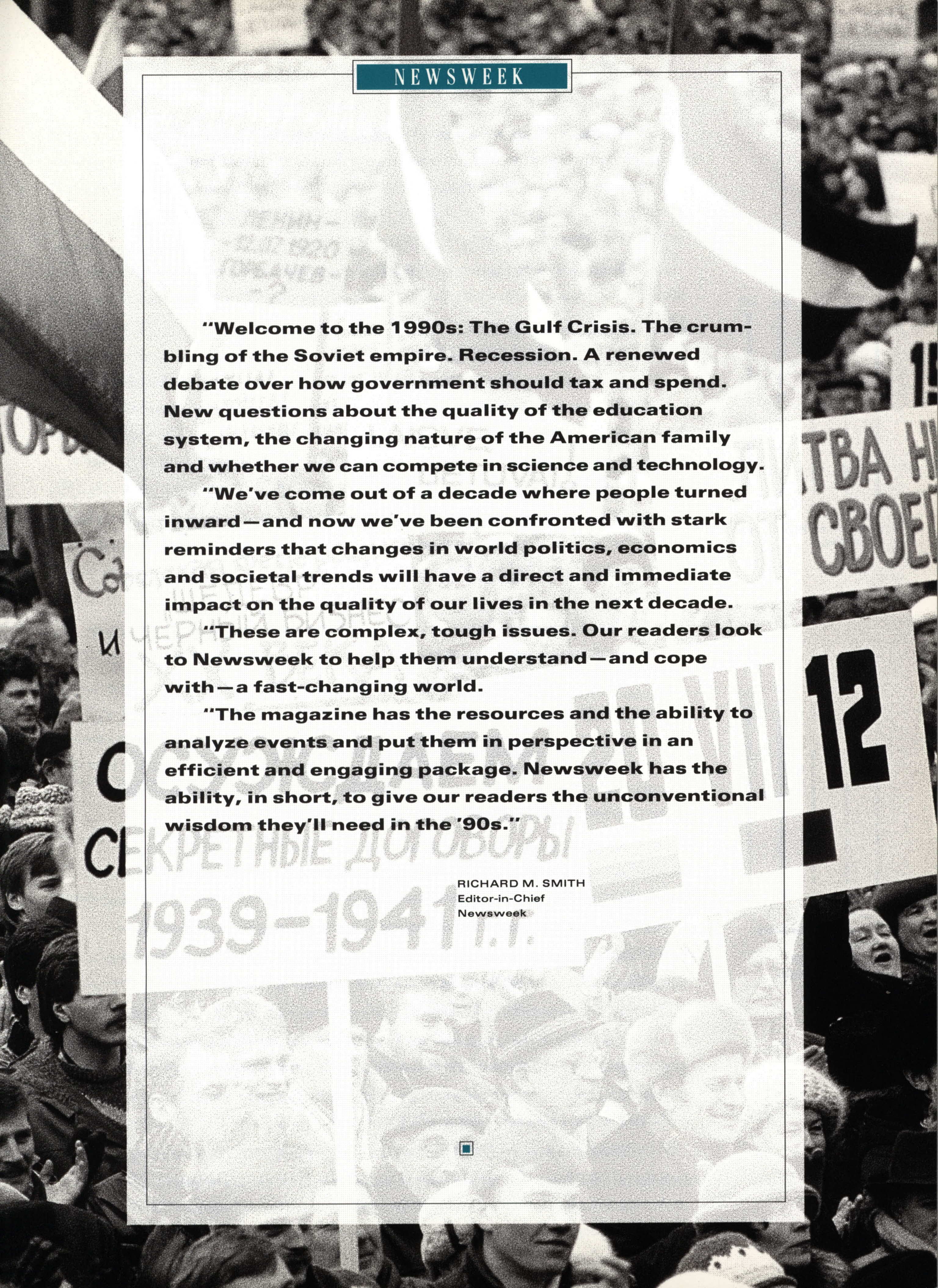
THE WASHINGTON POST NATIONAL WEEKLY EDITION recorded impressive circulation gains in 1990, averaging 85,500 copies per week, a 20 percent increase over 1989.

THE WASHINGTON POST WRITERS GROUP added three new features during this past year. In April the comic strip "Pickles" by Crane continued a tradition of successful comics introductions. Beginning in August, an environmental column entitled "Tips for Planet Earth" by Diane MacEachern gave the syndicate a voice on this increasingly important topic. The group also added Joel Achenbach's "Why Things Are" column, a humorous look at curious scientific information and historical facts.

THE HERALD, The Washington Post-owned paper in Everett, Washington, will change its weekday publication from afternoons to mornings beginning May 6. This change will allow The Herald to take advantage of reader preference for a morning paper.

***1986-1990 ROP advertising inches have been restated to exclude preprint inches, which now are being reported separately in pieces.*

Protestors demand freedom in Vilnius, Lithuania.
Photo by Victor Sumovsky—Gama-Liaison in Newsweek.



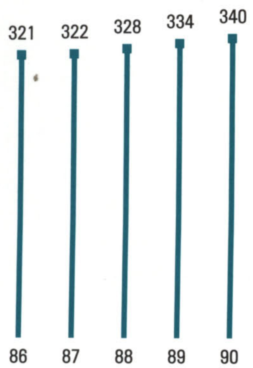
"Welcome to the 1990s: The Gulf Crisis. The crumbling of the Soviet empire. Recession. A renewed debate over how government should tax and spend. New questions about the quality of the education system, the changing nature of the American family and whether we can compete in science and technology.

"We've come out of a decade where people turned inward—and now we've been confronted with stark reminders that changes in world politics, economics and societal trends will have a direct and immediate impact on the quality of our lives in the next decade.

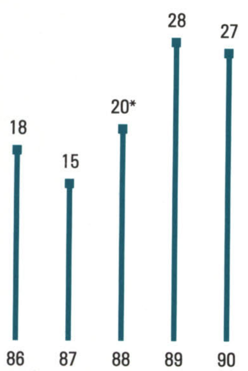
"These are complex, tough issues. Our readers look to Newsweek to help them understand—and cope with—a fast-changing world.

"The magazine has the resources and the ability to analyze events and put them in perspective in an efficient and engaging package. Newsweek has the ability, in short, to give our readers the unconventional wisdom they'll need in the '90s."

RICHARD M. SMITH
Editor-in-Chief
Newsweek



Operating Revenues
($ in millions)



Pro Forma Operating Income
($ in millions)
**Excluding one-time restructuring charges*

OPERATING IN A DIFFICULT U.S. ADVERTISING ENVIRONMENT, Newsweek recorded one of the best financial performances in its history in 1990. The restructuring efforts of past years enabled Newsweek to strengthen its position, despite the industry-wide falloff in advertising volume. Newsweek's consistently excellent editorial product has resulted in a circulation increase of 10 percent over the past ten years.

FOR THE BIG STORIES OF 1990, Newsweek provided insight and perspective, identified important issues and anticipated future developments. With clear writing, vivid photography and informative graphics, Newsweek made the most challenging and historically significant stories clear and understandable.

"The Gulf Crisis: The Case Against War, The Case For War—How Will Bush Decide?" (October 29) provided a concise and illuminating summary of the arguments on each side of the year's most crucial debate. Congressional and political correspondent Eleanor Clift's concluding report accurately predicted the President's strategy: to marshal international support through a series of United Nations resolutions. The cover story was one of ten on the Gulf crisis during 1990.

"The New Superpower" (February 26) by senior editor Russell Watson, with Bonn-Berlin bureau chief Michael Meyer and a team of correspondents across the globe, was the first major magazine piece to describe how a united Germany would dominate Europe's political, economic and cultural life.

"Why Gorbachev Is Failing" (June 4) documented the Soviet president's precipitous decline in popularity in his own country months before internal chaos spread to crisis proportions.

In March 1990 Newsweek became the first newsweekly to create an editorial department on aging to cover this growing segment of the American population. In "The Daughter Track" (July 16), one of three 1990 cover stories on aging, senior editor Melinda Beck reported that the average American woman spends 17 years raising children and 18 years helping aging parents. A team of reporters and editors presented stories of women juggling jobs, children and care for elderly parents, and examined why the burden falls disproportionately on women.

Newsweek produced two special issues on family-related topics, which subscribers received as bonus issues in addition to their regular weekly copies. Following on the success of 1989's "The 21st Century Family," Newsweek published "The New Teens" (April 1990) and "How To Teach Our Kids" (September 1990). Newsstand sales for these specials were strong.

READERS RESPONDED to Newsweek's exceptional editorial product; newsstand sales jumped 5 percent. Newsweek provided its advertisers a bonus circulation of 119,740, 3.9 percent over the magazine's rate base of 3.1 million.

A new state-of-the-art software system supported Newsweek's circulation efforts by improving subscription efficiency. The new system has proved to be a powerful circulation management tool, cutting processing time for orders, providing instant subscriber records, facilitating bulk ordering and updating billing procedures.

Readership grew. In 1990 Newsweek had approximately 20 million readers, up 5 percent over the fall 1989 figure of 19 million readers, according to Mediamark Research Inc. Newsweek's readers are well educated and influential in their professional lives, according to MRI. Fifty-nine percent are college educated; 31 percent are professionals or managers.

As competition intensified within the magazine industry, Newsweek implemented a strategy to build on the magazine's strengths through innovation, client service and increased productivity. As part of this effort, Newsweek introduced several new cross-media opportunities.

Newsweek and Times Mirror Magazines joined forces to create the AD-VANTAGE program, offering advertisers substantial reach and penetration through multi-title buys, custom advertising supplements, extension programs including special events, and cross-media opportunities involving newspapers, radio, cable and television.

Through an arrangement with Metro Traffic Control, the largest traffic-reporting service in the country, Newsweek is using radio to promote clients' messages in the magazine. Newsweek and ABC Radio Networks formed ValueLink, a program that offers advertisers a coordinated package of advertising and promotional activities. The Newsweek/Washington Post Combination Buy enables advertisers to reach influential target audiences nationally and in Washington, D.C.

In addition, three new demographic editions are being produced using selective binding technology: affluent seniors, recent movers and homeowners. More Newsweek advertisers also took advantage of the new ink-jet printing technology to target their messages to specific groups of potential customers.

Newsweek strengthened its management team in 1990.

Peter W. Eldredge was named U.S. publisher. Previously he was vice president of group sales at Murdoch Magazines.

Walter Buchleitner joined Newsweek as associate publisher and advertising sales director and vice president. He had been with U.S. News & World Report as vice president and director of advertising sales.

David Swanson was named a Newsweek International vice president. He had been publisher of Newsweek International's Latin America edition.

Patrick Butler became a vice president of Newsweek in February 1991. He had been a vice president of The Times Mirror Company.

In 1990 Newsweek International had its best year since 1981. All three editions—Atlantic, Asia and Latin America—posted gains in advertising pages, revenue and share.

Strong circulation growth enabled Newsweek International to increase rate bases in all three of its principal editions for 1991. The Atlantic edition increased its base by 6.6 percent to 320,000; Asia increased by 7.5 percent to 215,000; and Latin America increased by 9 percent to 60,000.

Seizing on new opportunities for advertising and circulation in Eastern bloc countries, Newsweek International created an Eastern Europe edition with a rate base of 10,000. It will be distributed in Bulgaria, Czechoslovakia, Hungary, Poland, Romania, the U.S.S.R. and Yugoslavia.

Newsweek's Japanese-language edition, Nihon Ban, increased its 1991 rate base by 8 percent, from 125,000 to 135,000. As a result, in 1991 Newsweek International's total rate base, including that of its joint venture with the Bulletin in Australia, will reach a record level of 840,000.

Newsweek and Joong-ang Ilbo, a publishing company owned by the Samsung Group, signed a letter of intent to launch a Korean-language edition of Newsweek.

An important story for WPLG-Miami was Eastern
Airlines' financial difficulties and ultimate bankruptcy in early 1991.

POST-NEWSWEEK STATIONS

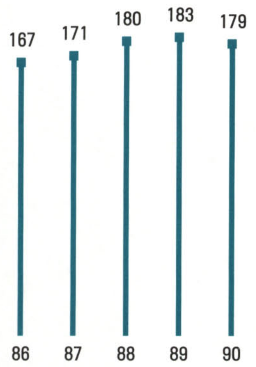
"One of the constants of American television is the viewers' need and appreciation of first-rate local news coverage.

"It happens daily at the Post-Newsweek stations. In Detroit, WDIV's top-rated 11:00 p.m. news reaches a cumulative audience of almost one million homes each week. In Miami, WPLG's 30-minute special report on the closing of Eastern Airlines drew an audience of 475,000. In Hartford, WFSB's 6:00 p.m. news attracts a larger audience than its two primary competitors combined. In Jacksonville, WJXT, like WFSB, faced with extraordinary competition from cable systems, independent stations and network affiliates, remains dominant in its market because of the strength of its local news broadcasts.

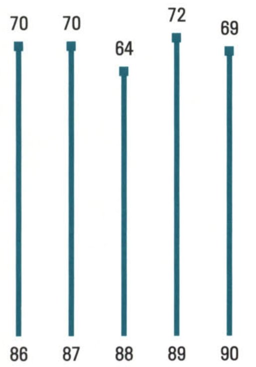
"Post-Newsweek stations are expanding their news services in response to an increased appetite for local news. In Detroit and Jacksonville, WDIV and WJXT now offer around-the-clock news reports. WJXT recently extended its early evening news from a half hour to 90 minutes. A major change in our local television news audiences is the substantially increased number of viewers in the early-morning time period. In response, all four stations have expanded their news programming in the 6:00-7:00 a.m. time slot to meet viewers' changing needs.

"Modern technology enables our stations to achieve greater and greater production values. However, the key to viewer loyalty remains the same—distinctive news programs produced by talented, dedicated reporters, photographers and news managers."

JAMES L. SNYDER
Vice President/News
Post-Newsweek Stations



Operating Revenues
($ in millions)



Operating Income
($ in millions)

In a tough year for network-affiliated television stations, Post-Newsweek Stations worked hard to overcome the negative effects of a slowing national economy and adverse conditions in local markets.

In Detroit WDIV felt the impact of the area's high unemployment, falling automobile production and decline in housing starts. In Miami, home of WPLG, Eastern Airlines has gone bankrupt and several banks have failed. In Jacksonville, where WJXT dominates the market, real estate sales are quite soft and there is a growing glut of vacant office space. And Hartford, home of WFSB, experienced the highest bankruptcy filing rate in 20 years, and unemployment doubled.

As a result, the stations' local advertising revenue declined 6 percent and national (excluding political ad revenue) declined 4 percent. Only WFSB in Hartford posted gains in operating income over 1989. On the bright side, division margins before corporate charges were 40 percent, and all four stations achieved a ranking of one or two in their respective markets, sign-on to sign-off.

WDIV/TV4-Detroit continues to be the highest-rated NBC affiliate in the country's top ten markets.

In 1990 WDIV expanded its ongoing commitment to first-rate journalism through wider coverage and additional news beats. WDIV became the third local station in the U.S. to establish a live, 24-hour, seven-day-per-week news service. The "24 Hour Newsbeat" provides headline service on the hour and weather on the half hour. This commitment has positioned WDIV as the only consistent source of breaking news in Detroit. WDIV also extended its early morning news program to one hour, a first in the market. These additions make WDIV the leader in total hours of news broadcast in the Detroit market.

WDIV has the only education reporter, health reporter and consumer reporter in its market. Adding further diversity to WDIV's news programming is "In Our Opinion," a show featuring local citizens' commentaries on a wide range of interests and concerns.

The station strengthened its reputation as the leader in community programming. Among the highlights in 1990 was WDIV's reporting of Nelson Mandela's visit to Detroit, which included nine hours of continuous live coverage. In addition, Detroit's major fall event, the Michigan Thanksgiving Day Parade, moved to WDIV. With the acquisition of this annual tradition, WDIV now showcases all major civic events in the Detroit market.

WPLG/TV10-Miami completed its sixth consecutive year as the top-rated South Florida television station. Ratings and research confirm that Channel 10 is the electronic news outlet South Florida viewers turn to for day-to-day information and when big news breaks.

"Time to Care," WPLG's community service campaign, continued to set revenue and service records in its second year. A particular success was the first prime time "Volunteerathon," during which viewers pledged 2.5 million volunteer hours in two on-air hours.

"Fragile: Handle With Care," a "Time to Care" documentary about child abuse, won the gold award for community service in the International Film and TV Festival. "Kids Under the Influence," a documentary on teenage alcohol abuse, won the National Broadcast Association for Community Affairs' top award.

WPLG continued its commitment to quality community affairs programming in 1990, spotlighting those issues most on viewers' minds. During the year's gubernatorial primary, Channel

10 was the only station in South Florida to bring viewers a debate between candidates Bill Nelson and Lawton Chiles. "This Week in South Florida," with political correspondent Michael Putney, kept viewers informed on the issues that shape the community. Putney's "People's Report," a live, prime time program responding to major topical events, was introduced in 1990.

WFSB/TV3-Hartford enjoyed a very successful year despite a dramatic decline in the New England economy. The station once again led the competition in virtually every time period and was especially successful in attracting large audiences for its local newscasts, which captured several journalism awards, including an Emmy and the Associated Press Award for best newscast in Connecticut.

Operating in a highly fragmented television market with one of the nation's highest cable penetration rates, WFSB nonetheless ranked third in audience share among CBS affiliates in the top 25 markets. The local ABC station ranked seventeenth and the local NBC station ranked twenty-fifth among the top 25 market network affiliates.

Significant improvements in the station's efforts to market itself to both advertisers and viewers resulted in increased revenue and audience shares.

WFSB has a rich tradition of community service and involvement. In 1990 the station sponsored a second year of its "Time to Care" campaign, fostering volunteerism through special programs, news series, editorials and public service announcements. WFSB also created and launched "Get Down to Earth," a comprehensive project dealing with environmental issues.

Mark Effron was promoted to vice president of news and station manager.

WJXT/TV4-Jacksonville remained one of only two CBS affiliates in major markets to maintain an average daily audience share of 30 percent, despite a continued decline in CBS network performance. In response to a sluggish automotive and retail advertising market and increased competition from cable and independent networks, WJXT pioneered innovative forms of marketing for advertisers, notably home shopping programs for a new regional mall.

Construction of WJXT's 52,000-square-foot broadcast facility was completed in January 1991. The decision to keep WJXT's facilities in Jacksonville's Southbank area underscored the station's commitment to the area's revitalization program.

WJXT dramatically expanded its news programming with excellent results. "Eyewitness News at Daybreak" increased from 30 minutes to one hour. "Eyewitness News First at 5:00" and "Eyewitness News Live at 5:30" were launched in September as companion programming to the perennial market leader, "Eyewitness News at 6:00." Market reception was enthusiastic—WJXT maintained its number one rank in the afternoon and continued to increase morning viewership.

Illustrating its commitment to Jacksonville's large U.S. Navy community, WJXT presented a rare glimpse of life at sea and crew members' reflections on the possibility of war in "Deborah Gianoulis' Saratoga Diary," a prime time program and series of reports by Gianoulis aboard the Jacksonville-based USS Saratoga as it sailed from Turkey to Israel.

"Take the Time," a year-long community service campaign fully sponsored by local companies, focused on the needs of local youth.

Ann Pace, who had been vice president of programming and promotion, was named vice president and station manager.

Cable covers the World Cup '90 soccer finals in Rome.

"Following a decade of dramatic, rapid growth and change in the cable television industry, changes in the 1990s will be evolutionary and qualitative.

"There will be more local programming, such as sports events, religious services and educational courses. Ethnic programming will increase. As programming costs continue to rise, operators will strive to make services available in whatever package configuration individual subscribers want.

"Technology in the 1990s will emphasize improved capacity and picture quality in existing systems. Use of fiber rather than coaxial cable will become more widespread. The continuing development of high definition TV and digital delivery will improve picture quality.

"Cable advertising will continue to grow. As cable's share of the viewing audience increases, system operators will join forces to serve broad regional areas, realizing growing revenue from local and regional advertisers. In the late 1990s, local systems will begin serving more national advertisers as well.

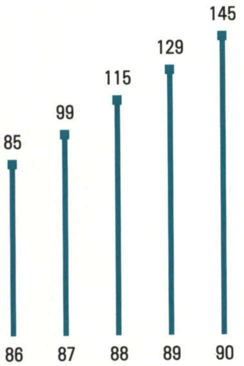
"There will be more regulation and competition for cable in the 1990s. Both Congress and the Federal Communications Commission have regulatory plans in development. Direct satellite to home transmission, multi-channel microwave and the potential for second operators all loom on the competitive horizon.

"In the year 2000, the cable industry will be different from today's business. Our challenge is to rise with the changes rather than be consumed by them."

HOWARD E. WALL
President
Post-Newsweek Cable

Post-Newsweek Cable's business fundamentals were good in 1990. Revenue for the year grew by 12.5 percent over 1989, to $145.5 million. Basic subscribers grew to 435,896 at year-end, representing 67.4 percent of homes passed and an increase of 19,564 subscribers from year-end 1989. The mid-year acquisition of the Ada, Oklahoma, system accounted for approximately 6,600 of 1990's increase.

Apart from the Ada purchase, increases came from serving more homes within existing systems and extending service to adjacent areas previously unserved. Modesto and Santa Rosa, California, Highland Park, Illinois, and Joplin, Missouri, each added more than 1,000 subscribers during the year as these systems continued to expand.



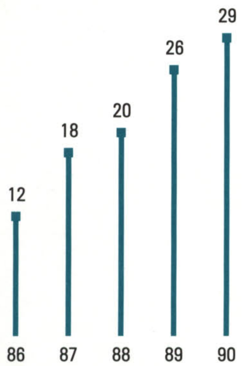
Operating Revenues
($ in millions)

The number of systems selling advertising increased from 27 to 31. Seventeen of the systems produce and sell their own ads, and 14 use third-party contractors. Twenty-four also sell classified advertising.

Pay-per-view revenue from current movies and special sporting and entertainment events grew 19 percent. Approximately 80 percent of Post-Newsweek subscribers have access to the addressable converters that make it possible to receive pay-per-view programming.

Pay units (individual premium services) fell by almost 5,000 during the year to 257,555 at year end. Improvements in basic programming and inclusion of made-for-cable movies and special events, in addition to increased cost for basic and tier programming, continued to erode premium pay units. Gross pay revenue in 1990 fell by $1.1 million to $28.5 million.

Cable subscriber rates, deregulated effective January 1, 1987, continued to draw criticism from various legislators. However, customer surveys reflect increased satisfaction with cable programming, which has improved in quality, variety and service at Post-Newsweek systems.

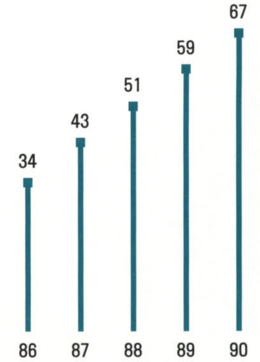


Operating Income
($ in millions)

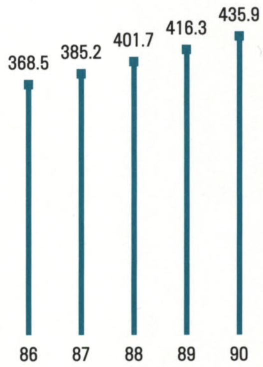
Post-Newsweek Cable continued its investment in extending the reach of its cable systems and upgrading them to better serve the communities in which they operate. Capital expenditures of $25 million reflected construction of new franchises in Kenilworth and Cook County, Illinois; and Briarwood and Prairie Rose, North Dakota. Buildouts of franchises obtained last year were completed in Lincolnshire and Bannockburn, Illinois; Redding Mill, Oakland Park and Cliff Village, Missouri; and Frontier, North Dakota. Rebuilds were completed in Page and Show Low, Arizona; and Vinita, Oklahoma; rebuild expenditures continued in Lufkin, Texas; and reconstruction started in Safford, Arizona.

In 1990 Post-Newsweek Cable acquired franchises in Dundee, Perth, Leven and Glenrothes, Scotland. These communities have a combined total of 150,000 homes and living unit densities of 300 or more per mile, compared with densities of 50-75 in the United States. The Perth franchise includes a partially constructed broadband cable system on which there were 2,250 subscribers at year end, representing 24 percent penetration. This system has not yet been upgraded or remarketed; when this is accomplished, penetration is expected to approximate the 50 percent level achieved on the 1,775 homes passed and marketed in Dundee. The construction crew, including experienced Post-Newsweek Cable personnel, is concentrating on wiring multiple-dwelling units and adjacent single-family units. The pace of construction and the successful marketing in Dundee, in addition to cooperation from the Department of Trade and Industry and the District Council, give us early confidence that this venture will meet our long-term financial expectations.

Mary Manning was promoted to vice president, regulatory affairs, from director of regulatory affairs.



Cable Cash Flow
($ in millions)



Basic Subscribers
(in thousands)

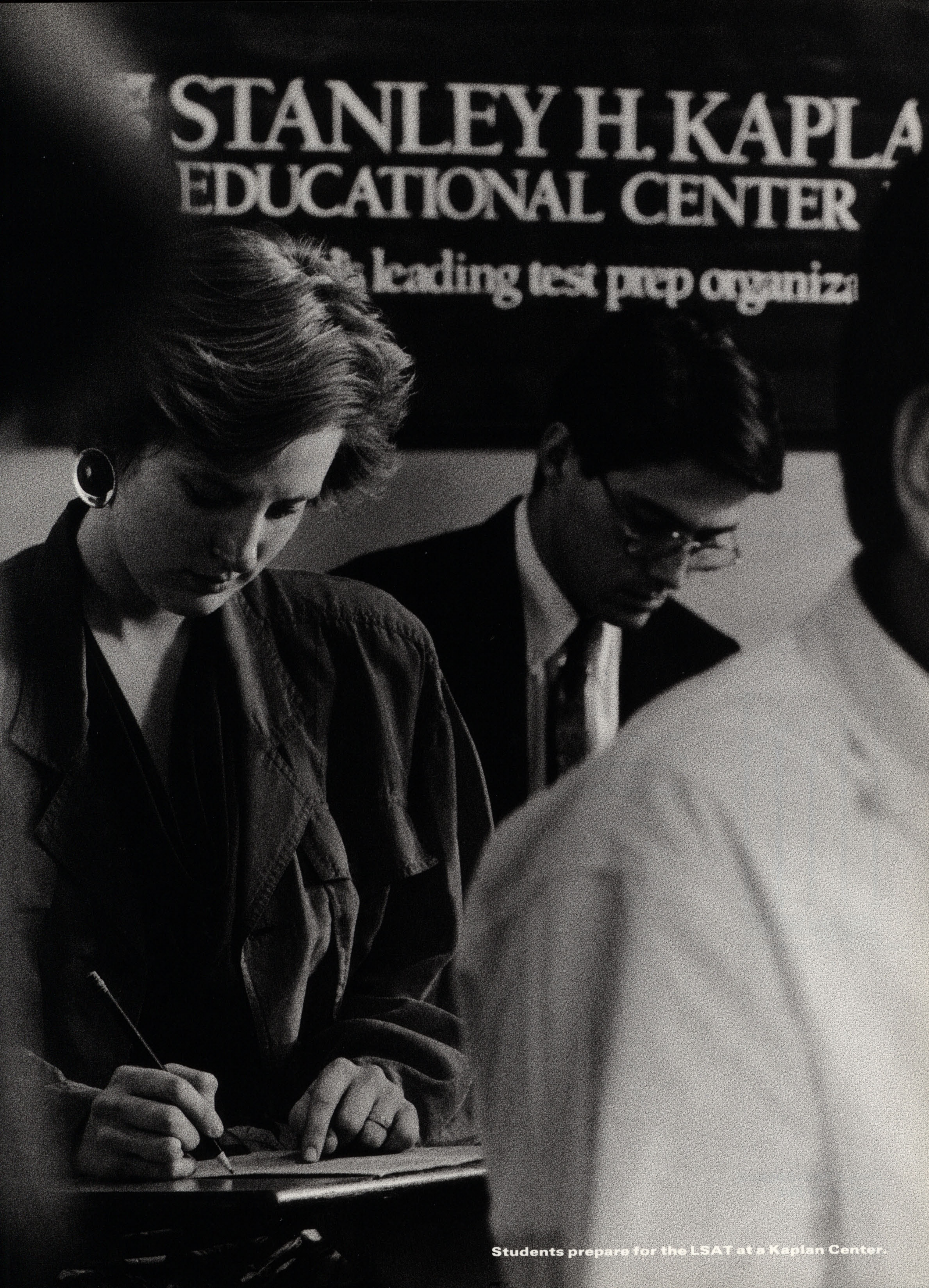
"The 1990s will be a decade of extraordinary growth in the amount and variety of testing and performance assessment—from preschool to professional. Competition for entry into the best colleges and graduate programs will intensify. Continuing education in professional fields, such as medicine and law, will increasingly be required to retain licenses. Other fields, from financial planning to interior design, will move toward certification requirements.

"The test preparation industry will respond with a proliferation of new companies vying to fill the growing demand in the U.S. and abroad. In an environment of intense competition, Kaplan will reinforce its dominance by expanding its course offerings, developing new student markets—including in the international arena—and diversifying its methods of product delivery.

"Technological advances will make computerization an integral part of both courses and their delivery. The decade will see a movement away from paper and pencil tests toward sophisticated computer-adaptive tests that provide more precise measurement techniques and data assessment.

"Kaplan Educational Center, the pioneer of test preparation, enters the 1990s as the industry leader. Kaplan's financial, human and technological resources provide the company with exceptional opportunities to respond successfully to the revolutionary changes ahead for the industry."

MICHAELITA QUINN
President
Stanley H. Kaplan Educational Center



Students prepare for the LSAT at a Kaplan Center.

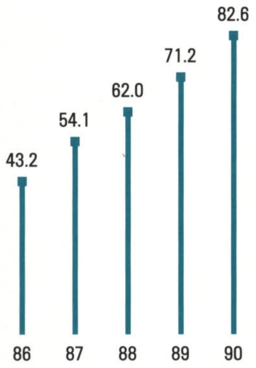
Stanley H. Kaplan Educational Center had another record year. Kaplan reinforced its position as the world's largest test preparation company as it again substantially increased enrollments. Growth was particularly strong in courses preparing students for the graduate record exam (GRE), the nursing boards and the SAT. Total revenue for all courses has doubled since The Washington Post Company acquired Kaplan six years ago.

Maintaining its position as the industry leader, Kaplan added new centers in five markets—Los Angeles and Brentwood, California; Naperville, Illinois; Jackson, Mississippi; and London, Ontario (Canada)—bringing the total number of permanent locations to 146.

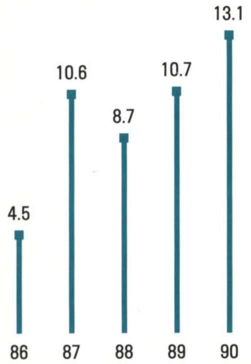
Through its newly established international office, Kaplan is mounting an aggressive expansion program in international markets. Representatives in nine countries in Asia, Western Europe, the Middle East and Latin America are marketing Kaplan's course offerings for foreign students who enroll in U.S. and Canadian centers. Programs also will be established in foreign countries. Kaplan is the only test preparation center in the U.S. authorized under federal law to enroll non-immigrant alien students.

Test changes to be implemented in 1991 required extensive course revisions affecting more than 50 percent of all Kaplan students. Among these were changes in the standardized test for admission to medical school and the licensing exam given by national medical boards for domestic and foreign physicians. A new course for foreign-trained nurses practicing in the U.S. and an expanded ESL (English as a Second Language) course supported Kaplan's foreign initiative. A revised SAT course was expanded to accommodate a greater variety of ability levels of high school students.

Kaplan entered the CPA review market as one of the top three CPA review providers nationally by acquiring two well-established courses: the Mark Dauberman CPA Review based in California and the Chaykin CPA Review based in New York City. Plans are in process to offer these courses at Kaplan centers nationwide.



Operating Revenues*
($ in millions)



Operating Income*
($ in millions)

**Stanley H. Kaplan Educational Center and Legi-Slate*

Legi-Slate, Inc., the original and leading online information service covering Congress and the *Federal Register*, achieved record sales during a year of aggressive competitive activity.

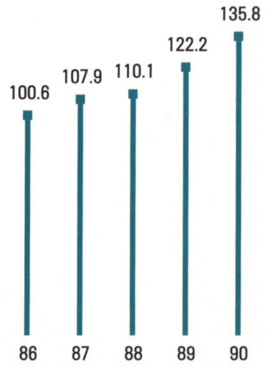
Subscribers are those who are most serious about Washington—the White House, the cabinet departments and Congress—plus a who's who of domestic and foreign corporations, trade and professional associations, state and federal agencies, law firms, foreign governments, labor unions, political parties and universities. In Japan, Legi-Slate is distributed exclusively by Maruzen Co., Ltd.

Development of the new Daily CFR™ service, which offers the full text of the *Code of Federal Regulations*, online and updated each day rather than once per year as available elsewhere, was completed at year end. This unique service joins the Current USC™ service, introduced in early 1990, which updates the *United States Code* after each new law is signed by the President.

Ready for release in 1991 is the Legi-Slate News Service. It will begin with the Japan Edition of Fax from Washington™, a daily fax newsletter focused on congressional and regulatory matters of interest to Japanese business and government officials, as well as Japan's trading partners and competitors. Each day, editors use the power of the Legi-Slate online system to locate congressional and regulatory matters of timely importance to those interested in Japanese affairs. As a collateral service, subscribers can order the full text of congressional bills and other documents referenced each day in the fax newsletter. The Japan Edition will be marketed both in Japan and the U.S. Other editions are now in the planning stage.

Patrick Butler became a vice president of Legi-Slate in February 1991. He had been a vice president of The Times Mirror Company. Esther Streusand joined the company as vice president-administration and accounting.

During the year, Legi-Slate relocated to expanded, more functional quarters and began capacity studies in preparation for the planned upgrade to its mainframe computer facility.



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

Contents

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

This analysis should be read in conjunction with the financial statements, notes thereto and the comparative information relating to the company's operating divisions included in the Letter to Shareholders on pages 3 through 5.

Results of Operations — 1990 Compared to 1989

Net income was $174.6 million in 1990, a decrease of 12 percent from net income of $197.9 million in 1989. Earnings per share decreased only 7 percent to $14.45, from $15.50 in 1989, as a result of a lower number of shares outstanding throughout the year.

In 1990 total revenues were down less than one percent to $1,439 million, from $1,444 million in 1989. Advertising revenues fell 4 percent, reflecting a soft advertising climate and a weakening in the national economy. Offsetting this decline were a 5 percent increase in circulation revenues and a 12 percent rise in other revenues.

At the newspaper division revenues decreased 5 percent in 1990. Although advertising volume at The Washington Post declined 12 percent, advertising revenues fell only 6 percent, as price increases mitigated part of the volume decrease. Both retail and classified linage showed declines of almost 13 percent, reflecting general economic weakness in the Washington, D.C., market. Preprint volume, on the other hand, rose 7 percent as a result of increased daily demand for inserts by advertisers, some of which were formerly users of ROP. Circulation revenues rose 1 percent, consistent with the growth in subscribers.

Revenues at the broadcast division fell 2 percent despite an additional $8 million in political advertising, most of which occurred in the third and fourth quarters of 1990. Local and network revenues fell 5.5 percent and 10 percent, respectively, while national revenues benefited from the rise in political advertising and increased 3.5 percent in 1990.

Newsweek revenues increased 2 percent on the strength of an 8 percent gain in circulation revenue, which was partially offset by a 2 percent decline in advertising revenues. Advertising volume was down at the domestic division despite the publication of two additional issues in 1990 (55 issues versus 53 issues in 1989). The rise in circulation revenues was attributable to higher rates and increased newsstand sales. At the international division, the publication of one additional issue in 1990 (52 issues versus 51 issues in 1989) contributed to increases in both advertising and circulation revenues. Advertising volume rose 2 percent, while average circulation grew 4 percent in 1990.

Operating revenues at the cable division increased 12.5 percent over 1989 levels. Contributing to the increase were a 5 percent rise in the number of basic subscribers, higher rates and increased advertising volume.

Revenues from other businesses, Stanley H. Kaplan Educational Center and Legi-Slate, rose 16 percent in 1990. Increased enrollments in the core and newly acquired CPA courses at Kaplan were the major contributors to the gain.

Operating costs and expenses in 1990 increased 2 percent to $1,157 million, from $1,130 million in 1989. This rise in costs over 1989 levels is primarily due to normal increases in payroll and related benefits costs, depreciation expense related to additional capital expenditures at the newspaper and cable divisions and amortization expense related to acquisition activity at the cable division. Cost increases were offset in part by newsprint expense, which declined 10 percent in 1990. In 1991 costs are expected to continue to rise, due in part to price increases for both newsprint and postage that are scheduled to take effect early in the year.

Income from operations was down 10 percent in 1990, basically due to the downturn in advertising that continued throughout most of the year. The newspaper division's operating margin in 1990 was 21 percent, down from 24 percent in 1989. In 1990 operating margin at the broadcast division fell to 38.5 percent, from 39.5 percent in 1989. At Newsweek and the cable division, operating margins were maintained at 1989 levels, which were 8 percent and 20 percent, respectively. Operating margin at the company's other businesses increased to almost 16 percent in 1990, up from 15 percent in 1989.

The company's equity in earnings of its affiliated companies was $6.2 million, compared to earnings of $10.0 million in 1989. Substantially lower earnings at the company's newsprint affiliates, partially offset by higher earnings at Cowles Media Company (which included gains on the sales of two small newspapers), were the major contributors to the decline in 1990. During 1990 the company's ownership in Cowles Media Company changed from 26 percent to 28 percent.

Interest income, net of interest expense, decreased during 1990, principally due to smaller balances of investable cash (that resulted from the repurchase of treasury shares) and lower interest rates. In 1990 and 1989 other expense primarily included costs associated with the sale and abandonment of certain plant, property and equipment. The effective tax rate in 1990 was 40.1 percent, compared with 40.7 percent in 1989.

Results of Operations— 1989 Compared to 1988

In 1989 net income decreased 26.5 percent to $197.9 million, from net income of $269.1 million in 1988. The decrease in 1989 was primarily due to certain nonrecurring items recorded in 1988: nonrecurring after-tax gains of $115.7 million from the sale of the company's Miami-Ft. Lauderdale (Florida) cellular telephone operations and one-time after-tax charges of $12.6 million related to restructuring activities at Newsweek. Excluding these nonrecurring items in 1988, net income increased 19 percent in 1989. Earnings per share in 1989 decreased 26 percent to $15.50, from $20.91 in 1988, with $8.01 attributable to nonrecurring items in 1988.

Total operating revenues in 1989 were $1,444 million, an increase of 6 percent, compared to $1,368 million in 1988, with advertising, circulation and other revenues increasing 5 percent, 2 percent and 12 percent, respectively.

Revenues at the newspaper division rose 6 percent, primarily due to increases in advertising revenues during the first three quarters of 1989 at The Washington Post. Advertising inches at The Washington Post rose 1 percent in 1989, with retail and general volume increasing 6 and 2 percent respectively, offset by a decrease of 4 percent in classified volume. Circulation revenues were up 2 percent in 1989, primarily reflecting volume increases in Sunday circulation at The Washington Post.

Broadcast division revenues increased only 1 percent compared to 1988 levels, which included $8 million of advertising related to the Olympic games and political campaigns, primarily in the third and fourth quarters. Excluding the Olympic and political advertising revenues in 1988, broadcast revenues would have increased 6 percent in 1989.

Newsweek revenues increased 2 percent in 1989. Advertising and circulation revenues increased 2 percent and 1 percent, respectively, in both the domestic and international editions, primarily as a result of price increases. Advertising pages at the domestic edition remained unchanged (with 53 issues in 1989 versus 52 issues in 1988), while international pages fell 4 percent.

The cable division experienced a 12 percent increase in operating revenues on the strength of increases in both subscribers and rates.

In 1989 revenues from other businesses, Stanley H. Kaplan Educational Center and Legi-Slate, rose 15 percent compared to 1988, primarily due to increased enrollments at Kaplan.

In 1989 operating costs and expenses totaled $1,130 million, a decrease of less than 1 percent from $1,134 million in 1988. Total operating costs and expenses in 1988 included nonrecurring pre-tax charges of $21.1 million related to restructuring activities at Newsweek and a pre-tax charge at the broadcast division of $7.2 million to write down certain programming rights to their net realizable values. Excluding these one-time charges in 1988, total operating costs and expenses in 1989 were up only 2 percent. This increase reflected normal increases in costs combined with increased volume growth at all divisions, offset by a 3 percent decline in the cost of newsprint.

Income from operations increased 34 percent in 1989 and operating margins were up at all divisions. The newspaper division's operating margin rose from 21 percent to 24 percent in 1989. The combined results of strong revenue growth, decreases in the price of newsprint and reduced mailroom labor costs at The Washington Post led to the increase. The operating margin at the broadcast division rose from 35.8 to 39.5 percent in 1989, primarily because 1988 results included a significant write-down of purchased programming rights. Newsweek's operating margin increased to 8 percent, compared to 6 percent in 1988 (before restructuring charges). Contributing to this improvement were payroll and related fringe benefit savings achieved as a result of the 1988 restructuring. The cable division's operating margin rose from 18 percent to 20 percent in 1989, while the margin for the company's other businesses increased to 15 percent in 1989, from 14 percent in 1988.

In 1989 the company's equity in earnings of its affiliated companies was $10.0 million, compared to earnings of $19.1 million in 1988. Most of the decrease was attributable to lower earnings at the affiliated newsprint mills, where an industry-wide decline in price had a significant negative impact on operating results.

Interest income, net of interest expense, increased substantially in 1989, due to a rise in interest rates and an increase in the level of internally generated funds from the businesses, which enabled the company to increase short-term investments. In 1988 other income and expense principally included pre-tax gains of $179.8 million from the sales of the company's interests in the previously mentioned cellular telephone operations. The effective income tax rate increased in 1989 to 40.7 percent, from 38.2 percent in 1988, when the tax benefits related to the sale of Florida cellular telephone operations significantly lowered the effective tax rate.

Financial Condition: Capital Resources and Liquidity

During 1990 the company repurchased 641,500 shares of its Class B common stock at a cost of $163 million. This completed the repurchase of shares under a 700,000 share buyback program begun in 1987 and commenced a new program approved in May 1990 by the company's Board of Directors, which authorized the repurchase of up to 1,000,000 shares, of which 669,020 remain at the end of 1990. The company expects that further repurchases will be made in 1991. The annual dividend rate has been raised to $4.20 in 1991, from $4.00 per share in 1990. In January 1991 the company made the first of its scheduled debt repayments of $25 million on its 10.68 percent unsecured promissory notes. The company funds such payouts with cash flow from operations.

Since the end of 1987 the company has spent approximately $256 million on various capital programs, principally purchases of additional property, plant and equipment and investments in new businesses. The company currently estimates that it will spend approximately $115 million for plant and equipment projects, primarily in the newspaper and cable division, and investments in new businesses in 1991. It expects to fund such expenditures with cash flow from operations.

Proceeds from the sales of the company's interests in the cellular telephone operations, in addition to internally generated funds from operations, have enabled the company to reduce debt, repurchase its shares, and increase its investments in plant, property and equipment and new businesses during the period from 1988 through 1990. As a result, since the end of 1989 working capital has decreased by approximately $107 million, and at December 30, 1990, the company had $171 million of cash and cash equivalents, $105 million in marketable securities and $152 million of debt.

In 1991 the company's effective tax rate is expected to be approximately 40.5 percent, based upon the existing rules for accounting for income taxes. The company does not plan to adopt Statement of Financial Accounting Standards No. 96, "Accounting for Incomes Taxes," (SFAS No. 96) until all proposed revisions to the pronouncement have been issued. The Financial Accounting Standards Board (FASB) has been reconsidering the statement and recently approved a "package of tentative decisions" which will result in a proposed amendment to SFAS No. 96. The FASB plans to issue a final statement by the end of 1991, with a probable effective date of 1993.

In December 1990 the FASB issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS No. 106), which significantly changes the approach and methodology for accounting for postretirement health care and life insurance costs. The company currently accounts for postretirement benefits on a "pay as you go" basis, while SFAS No. 106 states that these future payments should be recognized over the service period of an employee. The company is in the process of reviewing the statement and has not yet determined its impact on the consolidated financial statements. In accordance with SFAS No. 106, the new rules must be adopted in 1993.

In light of the state of the nation's economy, the company expects that the downward trend in advertising will continue to have a negative impact on revenues and earnings in 1991. In management's opinion the changes in financial position mentioned above or anticipated in the future will not impair the company's liquidity position.

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the consolidated financial statements appearing on pages 31 through 43 present fairly, in all material respects, the financial position of The Washington Post Company and its subsidiaries at December 30, 1990, and December 31, 1989, and the results of their operations and their cash flows for each of the three fiscal years in the period ended December 30, 1990, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Washington, D.C.
February 5, 1991

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except share amounts)	Fiscal Year Ended December 30, 1990	December 31, 1989	January 1, 1989
Operating Revenues			
Advertising	$ 943,676	$ 986,335	$ 937,230
Circulation	252,913	241,249	237,218
Other	242,051	216,510	193,165
	1,438,640	1,444,094	1,367,613
Operating Costs and Expenses			
Operating	778,574	762,157	764,182
Selling, general and administrative	309,807	305,795	290,078
Depreciation and amortization of property, plant and equipment	53,509	48,756	45,317
Amortization of goodwill and other intangibles	14,982	13,695	13,602
Restructuring	—	—	21,144
	1,156,872	1,130,403	1,134,323
Income from Operations	281,768	313,691	233,290
Equity in earnings of affiliates	6,235	10,042	19,114
Interest income	21,342	28,599	19,841
Interest expense	(16,653)	(17,027)	(16,889)
Other (expense) income, net	(1,266)	(1,312)	179,914
Income before Income Taxes	291,426	333,993	435,270
Provision for Income Taxes	116,850	136,100	166,153
Net Income	$ 174,576	$ 197,893	$ 269,117
Earnings per Share	$14.45	$15.50	$20.91

The information on pages 36 through 43 is an integral part of the financial statements.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)	December 30, 1990	December 31, 1989
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 171,133	$ 315,601
Marketable securities	105,384	49,638
Accounts receivable, net	131,839	133,997
Inventories at lower of cost or market	25,202	18,798
Program rights	22,723	23,360
Other current assets	15,388	11,794
	471,669	553,188
INVESTMENTS IN AFFILIATES	168,512	167,060
PROPERTY, PLANT AND EQUIPMENT		
Buildings	139,875	128,535
Machinery, equipment and fixtures	495,511	438,912
Leasehold improvements	29,047	27,785
	664,433	595,232
Less accumulated depreciation and amortization	(331,691)	(284,196)
	332,742	311,036
Land	26,143	23,294
Construction in progress	36,094	36,267
	394,979	370,597
GOODWILL AND OTHER INTANGIBLES, less accumulated amortization of $82,802 and $67,820	333,844	327,893
DEFERRED CHARGES AND OTHER ASSETS	127,505	113,473
	$1,496,509	$1,532,211

The information on pages 36 through 43 is an integral part of the financial statements.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)	December 30, 1990	December 31, 1989
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 175,387	$ 178,709
Federal and state income taxes	23,741	20,694
Deferred subscription revenue	71,734	67,925
Current portion of long-term debt and notes payable	25,000	2,742
	295,862	270,070
OTHER LIABILITIES	86,269	96,513
LONG-TERM DEBT AND NOTES PAYABLE	126,988	152,061
DEFERRED INCOME TAXES	82,278	72,045
	591,397	590,689
SHAREHOLDERS' EQUITY		
Preferred stock, $1 par value, 1,000,000 shares authorized	—	—
Common stock		
Class A common stock, $1 par value, 7,000,000 shares authorized; 1,852,378 shares issued and outstanding	1,852	1,852
Class B common stock, $1 par value, 40,000,000 shares authorized; 18,147,622 shares issued; 10,008,691 and 10,634,644 shares outstanding	18,148	18,148
Capital in excess of par value	16,641	16,946
Retained earnings	1,355,456	1,229,421
Cumulative foreign currency translation adjustment	4,170	3,931
Cost of 8,138,931 and 7,512,978 shares of Class B common stock held in Treasury	(491,155)	(328,776)
	905,112	941,522
	$1,496,509	$1,532,211

The information on pages 36 through 43 is an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	December 30, 1990	December 31, 1989	January 1, 1989
	Fiscal Year Ended		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$174,576	$197,893	$269,117
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property, plant and equipment	53,509	48,756	45,317
Amortization of goodwill and other intangibles	14,982	13,695	13,602
Amortization of program rights	26,215	23,673	29,116
Provision for doubtful accounts	52,900	37,582	40,102
Net gains from sales of businesses	—	—	(115,671)
Increase (decrease) in accrued interest and income taxes payable	3,141	11,247	(10,407)
Provision for deferred income taxes	11,289	8,737	(1,009)
Change in assets and liabilities:			
(Increase) in accounts receivable	(50,742)	(41,679)	(37,413)
(Increase) decrease in inventories	(6,404)	9,008	(8,134)
(Decrease) increase in accounts payable and accrued liabilities	(5,053)	(2,733)	19,443
Other	(13,480)	(5,182)	(12,658)
Net cash provided by operating activities	260,933	300,997	231,405
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net proceeds from sales of businesses	—	—	173,315
Purchases of property, plant and equipment	(73,249)	(80,712)	(55,400)
Purchases of marketable securities	(157,344)	(106,685)	—
Proceeds from sales of marketable securities	91,207	57,169	—
Investments in certain businesses	(31,121)	—	(15,096)
Payments for program rights	(20,779)	(28,005)	(23,902)
Other	336	578	20,613
Net cash (used) provided by investing activities	(190,950)	(157,655)	99,530
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on debt	(2,742)	(966)	(29,396)
Dividends paid	(48,541)	(23,542)	(20,068)
Common shares repurchased	(163,267)	(107,156)	—
Other	99	1,285	507
Net cash (used) by financing activities	(214,451)	(130,379)	(48,957)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(144,468)	12,963	281,978
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	315,601	302,638	20,660
CASH AND CASH EQUIVALENTS AT END OF YEAR	$171,133	$315,601	$302,638
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the year for:			
Income taxes	$102,300	$115,300	$176,400
Interest	$ 15,900	$ 16,700	$ 16,600
NONCASH INVESTING ACTIVITIES:			
Program rights acquired	$ 11,000	$ 41,900	$ 26,200

The information on pages 36 through 43 is an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands, except share amounts)	Class A Common Stock	Class B Common Stock	Capital in Excess of Par Value	Retained Earnings	Cumulative Foreign Currency Translation Adjustment	Treasury Stock
BALANCE JANUARY 3, 1988	$2,059	$17,941	$12,113	$ 806,021	$(1,491)	$(222,634)
Net income for the year				269,117		
Dividends—$1.56 per share				(20,068)		
Issuance of 18,265 shares of Class B common stock, net of restricted stock award forfeitures			1,080			591
Change in foreign currency translation adjustment					3,470	
Other			41			
BALANCE JANUARY 1, 1989	2,059	17,941	13,234	1,055,070	1,979	(222,043)
Net income for the year				197,893		
Dividends—$1.84 per share				(23,542)		
Repurchase of 389,427 shares of Class B common stock						(107,156)
Issuance of 13,404 shares of Class B common stock, net of restricted stock award forfeitures			2,457			423
Conversion of 206,324 shares of Class A common stock to Class B common stock	(207)	207				
Change in foreign currency translation adjustment					1,952	
Other			1,255			
BALANCE DECEMBER 31, 1989	1,852	18,148	16,946	1,229,421	3,931	(328,776)
Net income for the year				174,576		
Dividends—$4.00 per share				(48,541)		
Repurchase of 641,500 shares of Class B common stock						(163,267)
Issuance of 15,547 shares of Class B common stock, net of restricted stock award forfeitures			(514)			888
Change in foreign currency translation adjustment					239	
Other			209			
BALANCE DECEMBER 30, 1990	$1,852	$18,148	$16,641	$1,355,456	$ 4,170	$(491,155)

The information on pages 36 through 43 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 1990, which ended on December 30, 1990, included 52 weeks; 1989 and 1988 also included 52 weeks. With the exception of the newspaper publishing operations, subsidiaries of the company report on a calendar year basis.

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

Cash Equivalents. Short-term investments with maturities of ninety days or less are considered cash equivalents.

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

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

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

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

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

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

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

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

Income Taxes. Deferred income taxes result from timing differences in the recognition of certain revenue and expense items, principally pension and depreciation expenses, for tax and financial reporting purposes, and from timing differences in the recognition of investment tax credits that for financial reporting purposes are being applied as a reduction of income taxes over the depreciable lives of the related assets.

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

B. Marketable Securities

The company's marketable securities at December 30, 1990, and December 31, 1989, include the following (in thousands):

	1990	1989
U.S. Government and Government agency obligations	$ 95,368	$29,823
State obligations	10,016	10,025
Commercial paper	—	9,790
	$105,384	$49,638

C. Accounts Receivable and Accounts Payable and Accrued Liabilities

Accounts receivable at December 30, 1990, and December 31, 1989, consist of the following (in thousands):

	1990	1989
Accounts receivable, less estimated returns, doubtful accounts and allowances of $33,228 and $27,934	$121,992	$125,770
Other	9,847	8,227
	$131,839	$133,997

Accounts payable and accrued liabilities at December 30, 1990, and December 31, 1989, consist of the following (in thousands):

	1990	1989
Accounts payable and accrued expenses	$112,839	$110,500
Accrued payroll and related benefits	24,779	32,944
Accrued interest expense	9,362	9,488
Film contracts payable	19,066	19,657
Due to affiliates (newsprint)	9,341	6,120
	$175,387	$178,709

D. Investments in Affiliates

The company's investments in affiliates at December 30, 1990, and December 31, 1989, include the following (in thousands):

	1990	1989
Cowles Media Company	$ 81,638	$ 77,245
Newsprint mills	80,213	84,697
Other	6,661	5,118
	$168,512	$167,060

The company's investments in affiliates in 1990 include a 28 percent interest in the stock of Cowles Media Company, which owns and operates the Minneapolis Star and Tribune and several other smaller properties. In 1989 and 1988 the company owned a 26 percent interest.

The company's interest in newsprint mills includes a 49 percent interest in the common stock of Bowater Mersey Paper Company Limited, which owns and operates a newsprint mill in Nova Scotia; a one-third limited partnership interest in Bear Island Paper Company, which owns and operates a newsprint mill near Richmond, Virginia; and a one-third limited partnership interest in Bear Island Timberlands Company, which owns timberland and supplies Bear Island Paper Company with a major portion of its wood requirements. Operating costs and expenses of the company include newsprint supplied by Bowater Mersey Paper Company and Bear Island Paper Company and used in operations, the cost of which was $60,400,000 in 1990, $65,500,000 in 1989, and $71,400,000 in 1988.

The company's other investments include a one-third common stock interest in a French corporation based near Paris that publishes the International Herald Tribune and a 50 percent common stock interest in the Los Angeles Times-Washington Post News Service, Inc.

In 1988 the company sold its minority interest in a partnership that was constructing and operating cellular telephone systems in Florida.

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

	1990	1989	1988
Financial Position			
Working Capital	$(76,521)	$(56,090)	$ 17,185
Property, plant and equipment	495,932	518,577	456,160
Total assets	770,071	770,525	694,751
Long-term debt	225,938	245,468	263,773
Net equity	212,938	243,920	226,160
Results of Operations			
Operating revenues	$670,345	$674,899	$662,691
Operating income	34,712	76,109	91,957
Net income	34,162	38,129	54,914

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

	1990	1989
Beginning investment	$167,060	$163,250
Equity in earnings	6,235	10,042
Dividends and distributions received	(5,989)	(8,184)
Additional investments	680	—
Foreign currency translation	526	1,952
Ending investment	$168,512	$167,060

At December 30, 1990, the unamortized excess of the company's investments over its equity in the underlying net assets of its affiliates at the date of acquisition was approximately $83,500,000. Amortization included in equity in earnings of affiliates for the years ended December 30, 1990, December 31, 1989, and January 1, 1989, was $2,250,000, $2,650,000 and $1,150,000, respectively.

E. Income Taxes

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

	Current	Deferred
1990		
U.S. Federal	$ 85,385	$ 9,489
Foreign	412	(454)
State and local	19,764	2,254
	$105,561	$11,289
1989		
U.S. Federal	$104,240	$ 6,891
Foreign	277	255
State and local	22,846	1,591
	$127,363	$ 8,737
1988		
U.S. Federal	$138,746	$(2,186)
Foreign	308	837
State and local	28,108	340
	$167,162	$(1,009)

Deferred tax is attributable to the following (in thousands):

	1990	1989	1988
Net pension credits in excess of contributions	$ 7,098	$ 5,206	$ 2,151
Tax depreciation in excess of depreciation for financial reporting purposes	3,338	3,159	3,989
Deferral of restructuring charges for income tax purposes	871	1,216	(8,375)
Deferral of investment tax credits for financial reporting purposes	(539)	(1,094)	(958)
Other	521	250	2,184
	$11,289	$ 8,737	$(1,009)

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

	1990	1989	1988
U.S. Federal income taxes	$ 99,085	$113,558	$147,992
State and local taxes net of Federal income tax benefit	14,532	16,128	18,776
Amortization of goodwill not deductible for income tax purposes	2,887	2,640	2,640
Other	346	3,774	(3,255)
Provision for income taxes	$116,850	$136,100	$166,153

In December 1987, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" (SFAS No. 96), which significantly changes the approach and methodology of accounting for income taxes. SFAS No. 96, which has not been adopted by the company, requires the implementation of the liability method of accounting for income taxes and the adjustment of deferred taxes to reflect changes in tax rates at the time they are enacted. The FASB has been reconsidering SFAS No. 96 and recently approved a "package of tentative decisions" which will result in a proposed amendment to the statement. The FASB presently plans to issue a final statement by the end of 1991, with a probable effective date in 1993. The company continues to evaluate all developments with respect to the adoption of the proposed statement, which as currently understood, is not expected to significantly affect the company's financial position.

F. Debt

Long-term debt of the company as of December 30, 1990, and December 31, 1989, is summarized as follows (in thousands):

	1990	1989
10.68 percent unsecured promissory notes due 1991-1994	$100,000	$100,000
10.1 percent unsecured European Currency Unit notes due 1996	50,588	50,661
10.875 percent unsecured Eurodollar notes due 1995	1,400	1,400
Other	—	2,742
Less amounts included in current liabilities	(25,000)	(2,742)
	$126,988	$152,061

The agreements relating to the promissory notes include restrictive provisions which principally pertain to limits on indebtedness, minimum working capital requirements, the payment of dividends and the redemption or purchase of the company's capital stock. At December 30, 1990, retained earnings unrestricted by these provisions were $272,600,000.

Annual maturities of long-term debt based on existing loan repayment schedules are $25,000,000 in each of the years 1992-1994, $1,400,000 in 1995, and $50,000,000 in 1996.

G. Capital Stock, Stock Options and Stock Awards

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

In 1989, 206,324 shares of the company's Class A common stock were converted into an equal number of shares of the company's Class B common stock. Since all the Class A stockholders converted the same percentage of their shares, the conversion did not change their proportionate holdings of Class A common stock.

During 1990 and 1989 the company purchased a total of 641,500 and 389,427 shares, respectively, of its Class B common stock at a cost of approximately $163,267,000 and $107,156,000.

Stock Options. In 1971 the company adopted a Stock Option Plan and reserved 1,400,000 shares of Class B common stock for options to be granted under the plan. The purchase price of the shares covered by an option must be equal to their fair market value on the granting date. At December 30, 1990, there were 165,200 shares reserved for issuance under the Stock Option Plan. Of this number, 53,000 shares were subject to options outstanding and 112,200 shares were available for future grants. Changes in options outstanding for the years ended December 30, 1990, and December 31, 1989, were as follows:

	1990		1989	
	Number of Shares	Average Option Price	Number of Shares	Average Option Price
Beginning of year	52,000	$215.88	31,500	$174.79
Granted	4,500	205.50	23,500	268.50
Exercised	(3,500)	28.25	(500)	199.38
Canceled	—	—	(2,500)	196.03
End of year	53,000	227.39	52,000	215.88

Of the shares covered by options outstanding at the end of 1990, 19,375 are now exercisable, 12,750 will become exercisable in 1991, 12,750 will become exercisable in 1992, 7,000 will become exercisable in 1993 and 1,125 will become exercisable in 1994.

Stock Awards. In 1982 the company adopted a Long-Term Incentive Compensation Plan that, among other provisions, authorizes the awarding of stock to key employees. Stock awards made under the Incentive Compensation Plan are subject to the general restriction that stock awarded to a participant will be forfeited and revert to company ownership if the participant's employment terminates before the end of a specified period of service to the company. At December 30, 1990, there were 171,771 shares reserved for issuance under the Incentive Compensation Plan. Of this number, 30,812 shares were subject to awards outstanding and 140,959 shares were available for future awards. Activity related to stock awards for the years ended December 30, 1990, and December 31, 1989, was as follows:

	1990		1989	
	Number of Shares	Average Award Price	Number of Shares	Average Award Price
Awards Outstanding				
Beginning of year	30,930	$182.01	45,885	$114.47
Awarded	221	282.50	15,767	207.75
Vested	(159)	156.00	(27,859)	86.26
Forfeited	(180)	192.51	(2,863)	172.95
End of year	30,812	182.80	30,930	182.01

For the stock awards outstanding at December 30, 1990, the aforementioned restriction will lapse in January 1991 for 17,717 shares and in January 1993 for 13,095 shares.

Average Number of Shares Outstanding. Earnings per share are based on the weighted average number of shares of common stock outstanding during each year, adjusted for the dilutive effect of shares issuable under outstanding stock options, as well as stock awards made under the Incentive Compensation Plan. The average number of shares outstanding was 12,081,000 for 1990, 12,768,000 for 1989 and 12,873,000 for 1988.

H. 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 some located in foreign countries, are covered by these plans. Pension (benefit) cost for all retirement plans combined was $(4,000,000) in 1990, $(900,000) in 1989 and $5,300,000 in 1988. Included in 1988 are costs of $6,200,000 associated with early retirement benefits offered to certain employees in connection with restructuring activities at Newsweek.

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

The following table sets forth the funded status of the defined benefit plans and amounts recognized in the Consolidated Balance Sheets at December 30, 1990, and December 31, 1989 (in thousands):

	1990	1989
Actuarial present value of accumulated plan benefits, including vested benefits of $97,052 and $90,905	$100,621	$ 94,462
Plan assets at fair value, primarily listed securities	$324,479	$324,892
Projected benefit obligation for service rendered to date	(126,958)	(118,178)
Plan assets in excess of projected benefit obligation	197,521	206,714
Prior service cost not yet recognized in periodic pension cost	3,332	3,429
Less unrecognized net gain from past experience different from that assumed	(59,876)	(78,732)
Less unrecognized net asset (transition amount) being recognized over approximately 17 years	(91,931)	(99,603)
Prepaid pension cost	$ 49,046	$ 31,808

The net pension credits for the years ended December 30, 1990, December 31, 1989, and January 1, 1989, include the following components (in thousands):

	1990	1989	1988
Service cost for benefits earned during the period	$ 6,383	$ 5,967	$ 6,209
Interest cost on projected benefit obligation	8,672	8,069	6,982
Cost of special retirement benefits related to restructuring	—	—	6,221
Actual return on plan assets	(6,312)	(56,009)	(25,621)
Net amortization and deferral	(26,056)	29,198	930
Net pension credit	$(17,313)	$(12,775)	$ (5,279)

The weighted average discount rate and rate of increase in future compensation levels used for 1990, 1989 and 1988 in determining the actuarial present value of the projected benefit obligation were 7.5 percent and 4 percent, respectively. The expected long-term rate of return on assets was 9 percent in 1990 and 8 percent in 1989 and 1988.

Contributions to multi-employer pension plans, which are generally based on hours worked, amounted to $1,500,000 in 1990 and 1989, and $1,200,000 in 1988.

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 $28,100,000 at December 30, 1990, and $24,900,000 at December 31, 1989.

In addition to providing pension benefits, the company and its subsidiaries have certain health care and life insurance plans that include retired employees who have reached retirement age while employed by the company. The cost of these plans, which is charged to expense as premiums are paid or trust contributions are made, was approximately $26,500,000 for 1990, $22,400,000 for 1989 and $18,700,000 for 1988. Retiree participation in these plans as a percentage of total participation approximated 9 percent in 1990, 1989 and 1988 for the life insurance plan, and 16 percent in 1990 and 15 percent in 1989 and 1988 for the medical plan.

In December 1990 the FASB issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS No. 106), which significantly changes the approach and methodology for accounting for postretirement health care and life insurance costs. The company currently accounts for postretirement benefits using the accounting methods mentioned above, while SFAS No. 106 states that these future payments should be recognized over the service period of an employee. The company is in the process of reviewing the statement and has not yet determined its impact on the consolidated financial statements. In accordance with SFAS No. 106, the new rules must be adopted in 1993.

I. Lease Commitments

Total rental expense under operating leases included in operating costs and expenses was approximately $16,800,000 for 1990, $15,900,000 for 1989 and $16,500,000 for 1988. The company's commitments under operating lease agreements are primarily for real estate. As of December 30, 1990, minimum future rentals under non-cancelable leases (exclusive of minimum sublease rentals totaling $7,400,000) were as follows (in thousands):

1991	$15,531
1992	14,425
1993	11,846
1994	8,758
1995	6,937
Thereafter	11,459
	$68,956

J. Acquisitions and Dispositions

During 1990 the company invested approximately $31,000,000, including related expenses, in new businesses. These included the remaining 50 percent interest in a cable system in Fargo, North Dakota, cable systems in Oklahoma and the United Kingdom, and several preparation courses for the CPA licensing examination. These acquisitions were accounted for using the purchase method and, accordingly, the assets and liabilities of the companies acquired have been recorded at their estimated fair values at the date of acquisition. The excess of the cost over the fair value of net assets acquired was $5,000,000, which is being amortized over 40 years.

On January 4, 1988, the company sold its 100 percent interest in the Miami-Ft. Lauderdale cellular telephone system and its minority interest in the Palm Beach County cellular system. The related gain of $179,754,000, before giving effect to taxes of $64,083,000, is included in "Other (expense) income, net" in the Consolidated Statements of Income. This transaction increased earnings by $8.99 per share in 1988. In conjunction with this sale, liabilities assumed by the purchaser were as follows (in thousands):

Fair value of assets sold	$177,265
Net proceeds from sale	173,315
Liabilities assumed by purchaser	$ 3,950

K. Contingencies

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.

L. Restructuring Activities

In 1988 the company provided for pre-tax charges of approximately $21,100,000 related to restructuring activities at Newsweek. These charges primarily include costs associated with an employee voluntary early retirement program and estimates of costs related to the relocation of certain facilities.

M. Business Segments

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

Newspaper operations involve the publication of newspapers in Washington, D.C., and Everett, Washington, and a newsprint warehousing facility.

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

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

Cable television operations consist of more than 50 cable systems offering basic cable and pay television services to over 435,000 subscribers in 15 midwestern, western and southern states and 4,000 subscribers in the United Kingdom. The principal source of revenues is monthly subscription fees charged for services.

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

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

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

(in thousands)	Newspaper Publishing	Broadcasting	Magazine Publishing	Cable Television	Other Businesses	Consolidated
1990						
Operating revenues	$690,997	$179,385	$340,177	$145,473	$82,608	$1,438,640
Income from operations	$143,758	$ 68,923	$ 26,865	$ 29,157	$13,065	$ 281,768
Equity in earnings of affiliates						6,235
Interest expense						(16,653)
Other income, net						20,076
Income before income taxes						$ 291,426
Identifiable assets	$309,769	$162,393	$125,520	$395,286	$51,717	$1,044,685
Investments in affiliates						168,512
Corporate assets						283,312
Total assets						$1,496,509
Depreciation and amortization of property, plant and equipment	$ 16,890	$ 7,311	$ 4,639	$ 22,809	$ 1,860	$ 53,509
Amortization of goodwill and other intangibles	$ 533	$ 664		$ 11,289	$ 2,496	$ 14,982
Capital expenditures	$ 38,189	$ 6,991	$ 2,651	$ 28,660	$ 1,705	$ 78,196

(in thousands)	Newspaper Publishing	Broadcasting	Magazine Publishing	Cable Television	Other Businesses	Consolidated
1989						
Operating revenues	$726,713	$182,545	$334,352	$129,319	$71,165	$1,444,094
Income from operations	$176,625	$ 72,128	$ 28,161	$ 26,084	$10,693	$ 313,691
Equity in earnings of affiliates						10,042
Interest expense						(17,027)
Other income, net						27,287
Income before income taxes						$ 333,993
Identifiable assets	$290,812	$179,170	$111,602	$376,770	$49,461	$1,007,815
Investments in affiliates						167,060
Corporate assets						357,336
Total assets						$1,532,211
Depreciation and amortization of property, plant and equipment	$ 14,942	$ 7,543	$ 4,896	$ 19,849	$ 1,526	$ 48,756
Amortization of goodwill and other intangibles	$ 533	$ 664		$ 10,131	$ 2,367	$ 13,695
Capital expenditures	$ 42,085	$ 8,260	$ 3,479	$ 24,987	$ 1,901	$ 80,712

	Newspaper Publishing	Broadcasting	Magazine Publishing	Cable Television	Other Businesses	Consolidated
1988						
Operating revenues	$682,708	$180,195	$327,540	$115,210	$61,960	$1,367,613
Income from operating segments	$140,697	$ 64,456	$ 20,131	$ 20,434	$ 8,716	$ 254,434
Restructuring costs			(21,144)			(21,144)
Income from operations						233,290
Equity in earnings of affiliates						19,114
Interest expense						(16,889)
Other income, net						199,755
Income before income taxes						$ 435,270
Identifiable assets	$267,173	$158,973	$106,951	$382,802	$48,483	$ 964,382
Investments in affiliates						163,250
Corporate assets						294,635
Total assets						$1,422,267
Depreciation and amortization of property, plant and equipment	$ 13,908	$ 7,289	$ 5,645	$ 17,213	$ 1,262	$ 45,317
Amortization of goodwill and other intangibles	$ 533	$ 664		$ 10,225	$ 2,180	$ 13,602
Capital expenditures	$ 17,982	$ 7,381	$ 2,445	$ 25,835	$ 2,841	$ 56,484

N. Summary of Quarterly Operating Results (Unaudited)

Quarterly results of operations for the years ended December 30, 1990, and December 31, 1989, are as follows (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1990				
Operating revenues	$340,966	$379,551	$348,724	$369,399
Income from operations	58,586	91,461	62,632	69,089
Net income	39,020	55,947	37,522	42,087
Earnings per share	$3.16	$4.60	$3.14	$3.55
Average number of shares outstanding	12,344	12,147	11,960	11,871
1989				
Operating revenues	$341,877	$374,457	$346,341	$381,419
Income from operations	66,896	94,664	71,669	80,462
Net income	41,500	60,486	44,778	51,129
Earnings per share	$3.22	$4.72	$3.50	$4.06
Average number of shares outstanding	12,875	12,815	12,780	12,600

TEN-YEAR SUMMARY OF SELECTED HISTORIC FINANCIAL DATA

See Notes to Consolidated Financial Statements for the summary of significant accounting policies and additional information relative to the years 1988-1990.

(In thousands, except per share amounts)	1990	1989	1988
RESULTS OF OPERATIONS			
Operating revenues	$1,438,640	$1,444,094	$1,367,613
Income from operations	281,768	313,691	233,290
Net income	174,576	197,893	269,117
PER SHARE AMOUNTS			
Earnings per share	$14.45	$15.50	$20.91
Cash dividends	$ 4.00	$ 1.84	$ 1.56
Shareholders' equity	$76.31	$75.40	$67.50
AVERAGE NUMBER OF SHARES OUTSTANDING	12,081	12,768	12,873
FINANCIAL POSITION			
Current assets	$ 471,669	$ 553,188	$ 493,736
Working capital	175,807	283,118	235,698
Property, plant and equipment	394,979	370,597	352,113
Total assets	1,496,509	1,532,211	1,422,267
Long-term debt	126,988	152,061	154,751
Shareholders' equity	905,112	941,522	868,240

1987	1986	1985	1984	1983	1982	1981
$1,315,422	$1,215,064	$1,078,650	$984,303	$877,714	$800,824	$753,447
257,073	228,986	204,186	166,295	132,415	98,106	65,714
186,743	100,173	114,261	85,886	68,394	52,413	32,710
$14.52	$ 7.80	$ 8.66	$ 6.11	$ 4.82	$ 3.70	$ 2.32
$ 1.28	$ 1.12	$ .96	$ .80	$ .66	$ .56	$ .50
$47.80	$34.04	$27.26	$27.17	$22.50	$18.32	$15.17
12,861	12,842	13,194	14,050	14,195	14,153	14,077
$ 226,523	$ 219,422	$ 359,174	$218,559	$190,616	$170,658	$135,002
(50,290)	(22,647)	150,397	56,850	31,104	13,933	(13,187)
371,080	343,702	219,310	191,072	181,333	181,982	171,301
1,194,196	1,145,227	885,079	645,800	570,676	501,223	458,197
155,791	336,140	222,392	6,250	8,500	10,750	23,000
614,009	436,590	349,548	380,127	318,890	258,843	213,393

Newspaper Division

***The Washington Post*—**a morning daily and Sunday newspaper published in Washington, D.C. For the 12 months ending September 30, 1990, The Post's unaudited average circulation was 802,432 daily and 1,145,727 Sunday. The Post maintains 17 foreign, 5 national and 11 metropolitan news bureaus. It is printed at sites in Northwest and Southeast Washington and nearby Springfield, Virginia.

***The Washington Post National Weekly Edition*—**a tabloid publication of selected Post articles on politics and government, edited for a national audience, with a circulation of approximately 85,500.

***The Herald*—**a daily newspaper published weekday afternoons and Saturday and Sunday mornings in Everett, Washington, 30 miles north of Seattle. The Herald's unaudited average circulation for the 12-month period ending September 30, 1990, was 54,377 daily and 63,938 Sunday.

***The Washington Post Writers Group*—**a syndicator of 32 features to newspapers throughout the country.

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

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

Post-Newsweek Stations

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

***WDIV-4*—**an NBC affiliate in Detroit, Michigan, the 8th largest broadcasting market in the United States, with 1,726,700 television households.

***WPLG-10*—**an ABC affiliate in Miami, Florida, the 15th largest broadcasting market in the United States, with 1,326,100 television households.

***WFSB-3*—**a CBS affiliate in Hartford, Connecticut, the 23rd largest broadcasting market in the United States, with 911,400 television households.

***WJXT-4*—**a CBS affiliate in Jacksonville, Florida, the 55th largest broadcasting market in the United States, with 474,300 television households.

Post-Newsweek Cable

***Post-Newsweek Cable*—**Headquartered in Phoenix, Arizona, Post-Newsweek Cable systems currently serve over 435,000 subscribers in 15 midwestern, western and southern states. In 1990 Post-Newsweek Cable acquired franchises in Dundee, Perth, Leven and Glenrothes, Scotland. Principal U.S. communities served and the number of basic subscribers in each as of December 31, 1990, were:

Arizona	
Bisbee	2,959
Clifton	1,559
Cottonwood	1,834
Globe	4,832
Holbrook	1,478
Page	1,661
Safford	5,178
Show Low	6,169
Winslow	2,563
California	
Burlingame	7,186
Modesto	51,333
Santa Rosa	44,473
Union City	8,537
Illinois	
Highland Park	15,599
Indiana	
Greenwood	9,368
Iowa	
Sioux City	20,232
Kansas	
Abilene	2,562
Beloit	1,693
Clay Center	1,943
Concordia	2,351
Mississippi	
Clarksdale	6,947
Gulfport	19,976
Missouri	
Brookfield	2,228
Joplin	12,618
Kirksville	5,301
Trenton	2,750
Nebraska	
Norfolk	10,611
New Mexico	
Rio Rancho	5,777
Roswell	12,653
North Dakota	
Fargo	17,180
Ohio	
Akron	12,805
Oklahoma	
Ada	6,618
Altus	8,223
Ardmore	9,322
Frederick	1,668
Hobart	1,727
Idabel	2,220
Mangum	1,408
Miami	4,964
Ponca City	11,449
Vinita	2,865
Tennessee	
Dyersburg	7,579
Texas	
Aransas Pass	4,194
Bonham	2,818
Childress	1,819
Lampasas	2,203
Lufkin	14,604
Memphis	932
Odessa	24,315
Port Lavaca	4,161
Sherman	19,435
Wellington	1,016
TOTAL	435,896

Newsweek

Newsweek—a weekly news magazine published in New York City, with a 1991 rate base of 3.1 million and a 12-month average circulation for 1990 of 3,219,740. Newsweek maintains 10 U.S. and 15 foreign news bureaus and has 8 domestic advertising sales offices. The magazine is printed at 4 U.S. sites and in Ontario, Canada.

Newsweek International—a weekly English-language news magazine published in New York City and circulated throughout the world. For 1991 Newsweek International's combined circulation rate base for its three editions is 705,000: Atlantic, 320,000 (including 10,000 for a new Eastern Europe edition); Pacific, 325,000 (including 110,000 for The Bulletin with Newsweek, Australia's largest news magazine); and Latin America, 60,000. Newsweek International maintains 12 sales offices, one in the U.S. and 11 overseas. The magazine is printed in Zurich, Hong Kong, Sydney and Hollywood, Florida.

Newsweek Japan (Newsweek Nihon Ban)—a Japanese-language newsweekly with a circulation rate base of 135,000. Launched in 1986 as the first Japanese-language newsweekly, it is produced with TBS-Britannica, which translates and publishes the magazine.

Other Businesses

Stanley H. Kaplan Educational Center—Headquartered in New York City, Kaplan offers courses at 146 permanent centers throughout the United States and in Canada and Puerto Rico, and at another 600 satellite classrooms on a seasonal basis. The company prepares students for over 30 standardized high school, college and graduate school admissions tests, including SAT, LSAT, GMAT, MCAT and GRE, and professional licensing examinations in law, medicine, nursing and accounting. Kaplan also offers an intensive English program, preparation for TOEFL (Test of English as a Foreign Language), a speed-reading course and continuing professional education courses for CPAs. In 1990 enrollment exceeded 130,000 students.

Legi-Slate, Inc.—Headquartered in Washington, D.C., LEGI-SLATE® is the original and leading online information service covering congressional legislation and voting records, federal regulatory activity and other government-related matters. CURRENT-USC™ is the full text of the *United States Code*, online and updated soon after the President signs each new law. DAILY CFR™ is the full text of the *Code of Federal Regulations*, online and updated each day as new rules and regulations are announced in the *Federal Register*. LEGI-SLATE NEWS SERVICE provides a daily feed of news briefs to wire services, plus a daily fax newsletter reporting on congressional and regulatory matters of interest to Japanese business and government officials.

Affiliates

Los Angeles Times-Washington Post News Service, Inc. (50 percent of common stock)—a supplier of spot news and features to almost 600 newspapers, broadcast stations and magazines in 44 countries.

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

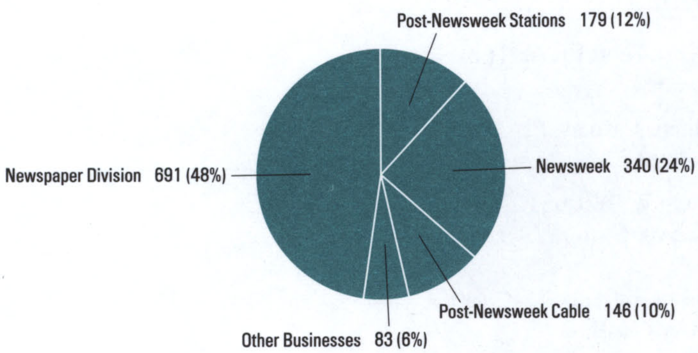
Bear Island Paper Company (one-third limited partnership interest)—a newsprint manufacturer in Doswell, Virginia.

Bear Island Timberlands Company (one-third limited partnership interest)—an owner/manager of timberland.

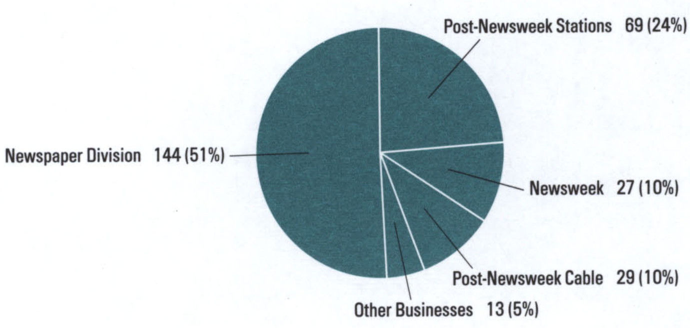
International Herald Tribune, S.A. (33⅓ percent of common stock)—a daily newspaper published in Paris, France. In 1990 the International Herald Tribune had an average daily paid circulation of more than 196,000 in 164 countries, served from printing sites in Paris, Zurich, London, Marseilles, The Hague, Singapore, Hong Kong, Tokyo, Rome, Frankfurt and New York.

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

1990 Operating Revenues
($ in millions)



1990 Operating Income
($ in millions)



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Chief Operating Officer

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(2) Compensation Committee
(3) Finance Committee

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Vice President-Corporate Communications

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Vice President-Finance

Alan G. Spoon
Vice President

Howard E. Wall
Vice President

Stock Trading

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

Stock Transfer Agents and Registrar

First Chicago Trust Company of New York
30 West Broadway
New York, New York 10007-2193

The Riggs National Bank of Washington, D.C.
Corporate Trust Division
Post Office Box 96206
Washington, D.C. 20090-6206

Shareholder Inquiries

Communications concerning transfer requirements, lost certificates, dividends and changes of address should be directed to either transfer agent. Inquiries may be made to The Riggs National Bank of Washington, D.C., Corporate Trust Division by telephone (202) 835-4082 or fax (202) 835-4032, or to First Chicago Trust Company of New York Shareholder Relations Group by telephone (212) 791-6422 or fax (212) 385-9796. Those who are hearing-impaired may call the Telecommunications Device for the Deaf (TDD) at (212) 406-5970.

Form 10-K

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

Annual Meeting

The annual meeting of stockholders will be held on Thursday, May 9, 1991, 9:00 a.m., at The Washington Post Company, 9th floor, 1150 15th Street, NW, Washington, D.C.

Common Stock Prices and Dividends

The Class A common stock of the company is not traded publicly. Since January 31, 1990, the Class B common stock of the company has been listed on the New York Stock Exchange. Before that date, it was listed on the American Stock Exchange. High and low sales prices during the last two years were:

	1990		1989	
Quarter	High	Low	High	Low
January-March	$296	$254	$221	$204
April-June	266	233	283	212
July-September	265	209	298	266
October-December	218	167	311	250

During 1990 the company repurchased 641,500 outstanding shares of Class B common stock in unsolicited transactions at prices no higher than the last sale price on the New York Stock Exchange. Of the total shares repurchased in 1990, 635,500 shares were included in trading volume reported on that year's consolidated tape and accounted for 27 percent of such volume.

Both classes of common stock participate equally as to dividends. Quarterly dividends were paid at the rate of $1.00 per share in 1990 and 46 cents per share in 1989. At February 20, 1991, there were 23 Class A and 1,841 Class B shareholders of record.

Design: Invisions, Ltd.
Portrait Photography: Donald L. Miller
Other Photography: Chris Brown, Thom Duncan, Larry Morris, Mark Peters, Victor Sumovsky and George Tiedemann
Printing: S&S Graphics, Inc.

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