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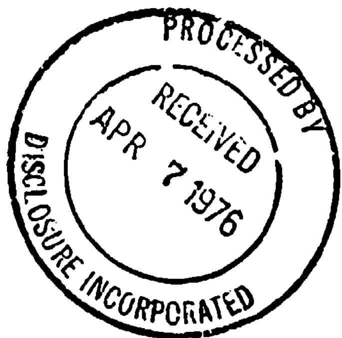
# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549




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

**For the fiscal year ended December 28, 1975.** **Commission file number 1-6714**

## The Washington Post Company

**(Exact name of registrant as specified in its charter)**

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

**Registrant's telephone number, including area code (202) 223-6000**

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

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

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

# PART I

**Item 1. *Business.***

The principal business activities of The Washington Post Company (the "Registrant") are newspaper publishing (*The Washington Post* and the Trenton (N. J.) *Times* and *Sunday Times-Advertiser*), magazine and book publishing (principally *Newsweek* magazine) and broadcasting (principally four network-affiliated television stations and an AM radio station).

Set forth below for each of the Registrant's last five fiscal years are the amount and percentage of the Registrant's consolidated net operating revenues and the amount and percentage of its consolidated income from operations attributable to its three principal lines of business. Net operating revenues are shown before other income (principally interest and equity in earnings of affiliates), and income from operations is shown before other income, other deductions, taxes on income and extraordinary items.

| | Fiscal Year Ended | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | December 28, 1975 | | December 29, 1974 | | December 30, 1973 | | December 31, 1972 | | January 2, 1972 | |
| **Net Operating Revenues** | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| | (dollars in thousands) | | | | | | | | | |
| Newspaper publishing and related operations | $137,753 | 44 | $125,731 | 44 | $111,997 | 45 | $ 99,796 | 46 | $ 85,892 | 44 |
| Magazine and book publishing and related operations | 128,594 | 42 | 123,121 | 43 | 107,617 | 44 | 93,790 | 43 | 86,044 | 45 |
| Broadcasting | 42,988 | 14 | 38,727 | 13 | 27,335 | 11 | 24,258 | 11 | 20,813 | 11 |
| | $309,335 | 100 | $287,579 | 100 | $246,949 | 100 | $217,844 | 100 | $192,749 | 100 |
| **Income from Operations** | | | | | | | | | | |
| Newspaper publishing and related operations | $ 6,596 | 25 | $ 10,746 | 38 | $ 10,535 | 41 | $ 10,222 | 47 | $ 8,706 | 57 |
| Magazine and book publishing and related operations | 11,946 | 44 | 10,202 | 36 | 9,161 | 36 | 5,660 | 26 | 2,738 | 18 |
| Broadcasting | 8,282 | 31 | 7,192 | 26 | 5,996 | 23 | 5,924 | 27 | 3,750 | 25 |
| | $ 26,824 | 100 | $ 28,140 | 100 | $ 25,692 | 100 | $ 21,806 | 100 | $ 15,194 | 100 |

Since February 15, 1974, the annual dividend rate on the Registrant's Common Stock has been 50¢ per share.

## Newspaper Publishing

***The Washington Post***

*The Washington Post* is a morning and Sunday newspaper primarily distributed by home delivery in the Washington, D. C. metropolitan area, including large portions of Virginia and Maryland. The following table shows the average paid circulation of the *Post* for the twelve-month periods ended September 30 in each of the last five years as reported by the Audit Bureau of Circulations ("ABC"), together with the newspaper's circulation revenues for each of the last five fiscal years:

| | Average Paid Circulation | | Circulation Revenue |
|---|---|---|---|
| | Daily | Sunday | |
| 1971 | 511,540 | 677,663 | $14,353,242 |
| 1972 | 523,201 | 694,055 | 15,527,826 |
| 1973 | 534,373 | 706,005 | 16,391,264 |
| 1974 | 532,641 | 712,625 | 18,680,576 |
| 1975 | 535,324 | 731,193 | 21,896,667 |

A major portion of the *Post's* increase in circulation revenue in 1975 was attributable to a change made during the latter half of the year in the method of distributing a substantial part (but not all) of the newspaper's circulation. Under the former system, dealers purchased newspapers from the Company at wholesale prices for resale to the dealers' customers, consisting of home-delivery subscribers, newsstand operators and purchasers from vending machines. Under the new system the Company sells the *Post* directly at retail prices (except for discounts to newsstand operators) and pays fees to independent agents who distribute the newspaper and collect amounts owed to the Company. This change from a wholesale to an essentially retail pricing system resulted in an increase in circulation revenues in 1975 (and, assuming that circulation remains constant, will produce an even greater increase in such revenues in 1976 when the change will be in effect for the full year), but since payment of the agents' fees increases circulation costs by approximately the same amount as the revenue increase, the change to the new system had and will have no net effect on the *Post's* operating income. A group of dealers, all but one of whom have declined to become agents, has challenged the validity of the *Post's* adoption of the agency system (see Item 5 of this report, "Pending Legal Proceedings").

*The Washington Post's* principal newspaper competition in the Washington area consists of *The Washington Star* (the "*Star*"), an evening newspaper which also publishes on Saturday and Sunday mornings. For the twelve-month period ended September 30, 1975, the average paid circulation of the *Star* as reported by ABC was 360,921 daily (down 7.9% from the preceding twelve-month period) and 343,317 on Sunday (down 1.7% from the preceding twelve-month period), but its circulation increased after September 30 as a result of the strike at the *Post* (see "Extended Strike" below).

The monthly rate for home-delivered copies of the *Post* has been $5.00 since the third quarter of 1974, while single-copy prices in the District of Columbia, Maryland and Virginia have been 15¢ daily and 50¢ Sunday since the first quarter of 1974. During 1975 the *Post* increased its rates for "general" advertising by about 14½% on January 1 and 17½% on September 1. Increases in retail and classified advertising rates scheduled to take effect during the fourth quarter of the year were postponed; a 9½% increase in those rates will take effect on April 1, 1976.

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

| | 1971 | 1972 | 1973 | 1[illegible] | 1975 |
|---|---|---|---|---|---|
| Linage (in thousands) | 72,197 | 78,768 | 84,728 | 83,809 | 73,356 |
| Advertising revenue (in thousands)..... | $69,533 | $82,032 | $92,955 | $101,881 | $101,920 |
| Average revenue per line ............ | $0.96 | $1.04 | $1.10 | $1.22 | $1.39 |

*The Washington Post* has about 325 editors, correspondents, reporters and photographers on its staff, draws upon the news reporting facilities of the major wire services and maintains correspondents in eleven news capitals abroad and in New York and Los Angeles.

**Extended Strike.** In the early morning of October 1, 1975, following production of most of the day's edition of *The Washington Post*, the newspaper's presses and related equipment were extensively vandalized and the Post's pressmen and stereotypers, whose collective bargaining agreements with the *Post* had expired at midnight on September 30, commenced an extended strike and posted picket lines at the newspaper's plant and offices in downtown Washington, D.C. Strikes and picketing were then initiated by two additional unions whose contracts had also expired on September 30, and commencing on October 1 members of all the *Post's* other craft unions (some of whose collective bargaining agreements had also expired) refused to cross the striking unions' picket lines, as did a minority of the *Post's* newsroom and commercial employees represented by a local of the American Newspaper Guild. Although the *Post* missed publication on October 2, it resumed publication on October 3 with a 24-page edition printed at other publishers' plants outside Washington, D.C., and a little more than a week later, as repairs to the *Post's* damaged presses progressed, it was able to publish an 80-page

Sunday edition of which half was printed outside and half was printed in the *Post's* plant with management, supervisory and non-union staff employees manning the newspaper's production facilities. As the strike went on the *Post's* in-house production capability continued to increase, reaching 84 pages of a 148-page Sunday edition in late October and 92 pages of a 156-page Sunday edition in mid-November, and by the end of the year the *Post* had resumed approximately 95% of its normal size and had substantially reduced (and on most weekdays had eliminated) its use of outside printing facilities.

Although contract negotiations with the striking production unions and with the unions whose members were observing the strikers' picket lines continued through the last quarter of 1975 and into 1976, in early December the *Post* reached an impasse with the pressmen's union and commenced hiring and training permanent replacements for its pressroom employees. On February 15, 1976, a new contract agreement was reached with the largest of the striking unions; members of that union and a fraternal union returned to work the next day and by March 1, 1976, substantially all the *Post's* production employees (together with most of the minority of newsroom and commercial employees who had been observing the strikers' picket lines) had returned to work except for the pressmen who remain on strike but who, as noted above, have been replaced.

The disruption in production and the temporary curtailment of the normal size of the newspaper had a minimal effect on the *Post's* circulation but a substantially greater impact on advertising linage. For the months of November and December 1975 the *Post's* average paid circulation (unaudited) was 512,296 daily, down 26,609 (4.9%) from the last quarter of 1974, and 711,436 on Sunday, down 10,330 (1.4%) from the last quarter of 1974; during the fourth quarter of 1975 the *Star's* average paid circulation (unaudited) was 384,259 daily, up 10,520 (2.8%) from the last quarter of 1974, and 376,308 on Sunday, up 26,269 (7.5%) from the last quarter of 1974. As shown by the table on page 2, the *Post's* advertising linage in 1975 declined by approximately 10.5 million lines compared to 1974; about 4.6 million lines of that decline were attributable to the damage to the presses on October 1 and the strike that continued throughout the fourth quarter of the year. See "Employees" on page 12 and "Discussion and Analysis of the Summary of Operations" on page 16.

***The Trenton Times***

On October 18, 1974, the Registrant purchased all the stock of the Trenton Times Corporation, publisher of the Trenton, N. J., *Times* and *Sunday Times-Advertiser* (both newspapers being hereinafter called the "*Times*"). The *Times* is published Monday through Friday afternoon and on Saturday and Sunday mornings, the publication of the Saturday edition having been inaugurated on September 13, 1975, and is primarily distributed by home delivery in Trenton, the state capital, and in Mercer County, New Jersey. The following table shows the average paid circulation of the *Times* for the twelve-month periods ended March 31 in each of the last five years as reported by ABC, together with the newspaper's circulation revenues for each of the last five years:

| | Average Paid Circulation | | Circulation Revenue |
|---|---|---|---|
| | Daily | Sunday | |
| 1971 | 84,242 | 106,893 | $3,318,601 |
| 1972 | 79,207 | 103,930 | 3,359,230 |
| 1973 | 76,892 | 103,639 | 3,274,634 |
| 1974 | 74,920 | 101,465 | 3,202,493 |
| 1975 | 72,852 | 100,047 | 3,402,819 |

The average paid circulation reported by the *Times* to ABC for the six months ended September 30, 1975 was 73,814 daily except Saturday, 71,569 Saturday and 97,579 Sunday.

The *Times'* principal newspaper competition in the Trenton area is a morning tabloid published daily (including Saturday) and on Sunday, the publication of the Sunday edition having commenced on November 9, 1975. That newspaper's average daily paid circulation as reported by ABC for the twelve-month period ended March 31, 1975, was 59,077; its average daily paid circulation reported to ABC for the six months ended September 30, 1975, was 59,934.

The following table shows the *Times'* total advertising linage for the past five years as measured by Media Records Incorporated (adjusted for the period September 1974 through February 1975 to reflect a change to a wider column in September 1974, which Media Records measurements did not begin to reflect until March 1975), together with the *Times'* advertising revenues and average revenue per line for such years:

| | 1971 | 1972 | 1973 | 1974 | 1975 |
|---|---|---|---|---|---|
| Linage (in thousands) | 25,685 | 28,820 | 30,460 | 28,572 | 27,347 |
| Advertising revenue (in thousands) | $6,036 | $6,999 | $7,545 | $7,733 | $7,738 |
| Average revenue per line | $0.23 | $0.24 | $0.25 | $0.27 | $0.28 |

Since its acquisition by the Registrant the *Times* has been edited by Richard L. Harwood, a former Assistant Managing Editor of *The Washington Post.* The newspaper employs approximately 100 editors, reporters and photographers on its staff.

## Magazine and Book Publishing

*Newsweek* is a weekly news magazine published domestically in a national edition and in more than 55 different geographic and demographic editions which carry identical news and feature material but enable advertisers to direct messages to specific market areas and demographic groups. In gathering, reporting and writing news and other material for publication, *Newsweek* maintains ten domestic and eleven foreign news bureaus. Worldwide there are approximately 315 full-time editorial staff members, 250 of whom are in New York.

*Newsweek* ranks second in domestic circulation among the three leading weekly news magazines (*Newsweek, Time* and *U. S. News & World Report*). Its average weekly domestic circulation rate base and its percentage of the total weekly domestic circulation rate base of the three leading weekly news magazines for the past five years is set forth in the following table, together with its circulation revenues for each such year:

| | *Newsweek* Average Weekly Circulation Rate Base | Percentage of Three Leading News Magazines | *Newsweek* Circulation Revenues |
|---|---|---|---|
| 1971 | 2,600,000 | 29.8% | $21,058,131 |
| 1972 | 2,600,000 | 29.8% | 22,664,086 |
| 1973 | 2,725,000 | 30.8% | 25,854,679 |
| 1974 | 2,900,000 | 31.9% | 32,089,413 |
| 1975 | 2,900,000 | 31.7% | 39,470,060 |

*Newsweek* is sold on newsstands and through subscription mail order sales derived from a number of sources, principally direct mail promotion. Approximately 85% of its circulation is from subscription sales delivered by mail. (See "Postal Rate Increases" below.) The newsstand price is 75¢ per copy and the basic subscription price is currently $19.50 for one year and $32 for two years.

The total number of *Newsweek's* domestic advertising pages and gross domestic advertising revenues as reported by Publishers' Information Bureau, Inc., together with *Newsweek's* percentage of

the total number of advertising pages and total advertising revenues of the three leading weekly news magazines, for the past five years have been as follows:

| | *Newsweek* Advertising Pages | Percentage of Three Leading News Magazines | *Newsweek* Gross Advertising Revenues* | Percentage of Three Leading News Magazines |
|---|---|---|---|---|
| 1971 | 2,981 | 40.3% | $66,696,292 | 34.4% |
| 1972 | 2,979 | 39.4% | 71,746,024 | 34.0% |
| 1973 | 3,159 | 38.3% | 81,657,466 | 33.7% |
| 1974 | 3,100 | 38.0% | 89,019,549 | 34.5% |
| 1975 | 2,561 | 39.1% | 85,995,083 | 36.1% |

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

*Newsweek's* advertising rates are based on its average weekly circulation rate base and are competitive with the other weekly news magazines. While *Newsweek's* 2,900,000 circulation rate base has remained constant since the beginning of 1974, advertising rates were increased by 9.7% effective with the issue dated January 6, 1975, and national advertising rates (other than for Executive *Newsweek*, described below) were increased by an additional 8.5% effective with the issue dated January 5, 1976.

In 1975 Executive *Newsweek*, a new bi-weekly demographic edition introduced in September 1974, continued to be distributed to 500,000 subscribers with personal incomes of at least $20,000 a year. The 26 issues of Executive *Newsweek* available to advertisers in 1975 carried 766 pages of advertising compared to 191 pages in the nine issues available in 1974 (six pages of advertising in Executive *Newsweek* approximate one page of space and 1⅔ pages of revenue in the national edition). Advertising rates for Executive *Newsweek* were not increased during 1975, but were increased by 15.4% effective with the issue dated January 5, 1976, while the 500,000 circulation rate base remained unchanged.

Internationally, *Newsweek* is published in an Atlantic edition covering the British Isles, Europe, the Middle East and Africa, and a Pacific edition covering Japan, Southeast Asia, the Philippines, Australia and New Zealand. The international editions are in English and are printed in England, Japan, Hong Kong and Australia. Editorial copy of purely domestic interest is eliminated in the international editions and is replaced by other international, business or national coverage primarily of interest abroad.

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

| | Average Weekly Circulation Rate Base | Circulation Revenue | Gross Advertising Revenue* |
|---|---|---|---|
| 1971 | 325,000 | $3,802,831 | $ 8,241,545 |
| 1972 | 360,000 | 4,369,973 | 8,787,015 |
| 1973 | 375,000 | 5,936,399 | 10,104,870 |
| 1974 | 395,000 | 7,177,082 | 11,791,417 |
| 1975 | 405,000 | 7,486,457 | 13,614,067 |

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

For 1976 the average weekly circulation rate base for *Newsweek's* international editions has been increased to 410,000 copies.

**Other *Newsweek* Activities**

*Newsweek* has been active in the book publishing field since 1968 when its Book Division published a 15-volume subscription series of full-color art books entitled "Great Museums of the World", followed by five additional series published in subsequent years. Substantially all book sales have been made through direct mail solicitation (see "Postal Rate Increases" below). In 1974 the Book Division, which accounted for about 3% of the Registrant's net operating revenues, incurred a substantial operating loss, and in 1975 *Newsweek* curtailed direct mail solicitation for new book subscribers and thereby substantially reduced the loss incurred by the Book Division (which had sales accounting for about 2% of the Registrant's net operating revenues in 1975). Subscribers already enrolled in a book series are receiving the publications initially offered, but *Newsweek* does not expect to originate any further new book projects.

The Newsweek Broadcasting Service, inaugurated in October 1971, produces two television series, the "Newsweek Feature Service" and "Today's Woman". The Feature Service consists of a weekly package of thirteen videotaped stories, each approximately 90 seconds in length, utilizing *Newsweek* correspondents, reporters, writers and editors from the worldwide bureaus reporting on such subjects as medicine, education, business, religion, science, fashion, sports and the arts. Since March 1975 the Broadcasting Service has also offered television stations in the United States "Today's Woman", a service focusing on the lifestyles and pursuits of the modern woman and consisting of a bi-weekly package of ten segments averaging two minutes 45 seconds each; like the Feature Service, "Today's Woman" utilizes the resources of *Newsweek* and is prepared by the Broadcasting Service staff in New York.

Both the "Newsweek Feature Service" and "Today's Woman" are distributed to television stations in the top 65 markets through an independent distributor, and are produced under a contract with a major television advertiser which pays *Newsweek* weekly and bi-weekly fees for producing and distributing both series to participating stations which, in turn, make other time available to the advertiser for spot television advertisements. *Newsweek's* contracts with the advertiser for both the "Newsweek Feature Service" and "Today's Woman" have been renewed for 26-week terms beginning March 29, 1976. The "Newsweek Feature Service" is distributed to stations in 62 major markets and "Today's Woman" is distributed in 61 major markets. In 1975 the revenues of the Newsweek Broadcasting Service accounted for less than 1% of the Registrant's net operating revenues.

**Postal Rate Increases**

Approximately 85% of *Newsweek's* domestic circulation is from subscriptions delivered by second class mail, and substantially all subscriptions are solicited by either first or third class mail. Thus substantial increases in postal rates for these classes of mail have had, and any further such increases could have, a material adverse impact on *Newsweek's* operating income.

In September 1973 the U. S. Postal Service announced rate increases for all classes of mail; following a postponement ordered by the Cost of Living Council, rates for all classes were increased effective March 2, 1974, with additional second class rate increases scheduled to take effect in July in each of the years 1974 through 1976. In June 1974 legislation was enacted extending the phasing from 1976 to 1979. All such increases are permitted to take effect subject to review, approval, rejection or modification by the Postal Rate Commission, and the Commission's decisions are subject to further approval by the Board of Governors of the Postal Service.

Based on the rate increases that have taken effect and are scheduled to become effective in the years 1976-1979, and assuming that *Newsweek's* present weekly circulation rate base remains in effect during this period, it is estimated that *Newsweek's* postage cost for second class mail will increase by approximately $1,500,000 in 1976, $800,000 in 1977, $1,000,000 in 1978 and $1,000,000 in 1979, and that by the end of 1980, the first full year in which the final stage of the higher second class rates will be

in effect, *Newsweek's* annual second class mailing costs will exceed its 1975 costs by approximately $4,300,000.

Postal rates were also increased on December 30, 1975, for first and third class mail, which *Newsweek* utilizes principally for subscription promotion. The effect of the higher rates for these two classes of mail will be to increase *Newsweek's* annual cash expenditures by $1,600,000; but because magazine promotion costs are not charged to expense when incurred but are instead amortized over the lives of the related subscriptions, only approximately $700,000 will be charged to expense in 1976 and the full annual effect of the rate increases on *Newsweek's* expenses will not be felt until 1977

## Broadcasting

### Television

Through a wholly owned subsidiary the Registrant owns, and with a separate staff operates, four VHF television stations, which accounted for approximately 92% of its net operating revenues from broadcasting in 1975. These stations are located in Washington, D. C., Miami, Florida, Hartford, Connecticut (purchased on March 8, 1974) and Jacksonville, Florida, which are the 8th, 15th, 21st and 69th largest broadcasting markets in the United States. Each of the Registrant's stations is affiliated with a national network. Although regulations of the Federal Communications Commission (the "FCC") limit the term of network contracts to two years, such regulations permit successive renewals and each of the Registrant's television stations has maintained its network affiliation continuously for at least ten years.

The Registrant's 1975 net operating revenues from television, by category of advertising, were as follows:

| | |
|---|---|
| National | $24,045,165 |
| Local | 11,666,268 |
| Network | 3,685,878 |
| Other | 100,118 |
| Total | $39,497,429 |

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

| Station Location and Year Commercial Operation Commenced | National Market Ranking (a) | Network Affiliation | Net Weekly Circulation (b) | TV Homes in ADI(c) | | Expiration Date of FCC License | Expiration Date of Network Contract | Total Commercial Stations in Market | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | 1965 | 1975 | | | Allocated | Operating |
| WTOP-TV Washington, D.C. 1949 | 8th | CBS | 1,465,000 | 857,600 | [illegible]322,900 | Oct. 1, 1978 | April 5, 1977 | VHF-[illegible] UHF-3 | VHF-4 UHF-1 |
| WPLG Miami, Fla. 1961 | 15th | ABC | 924,000 | 508,300 | 842,600 | Feb. [illegible] 1979 | April 2, 1977 | VHF-4 UHF-5 | VHF-4 UHF-3 |
| WFSB-TV Hartford, Conn. 1957 | 21st | CBS | 1,091,000 | 514,800 | 653,500 | April 1, 1978 | Sept. 10, 1978 | VHF-2 UHF-5 | VHF-2 UHF-3 |
| WJXT Jacksonville, Fla. 1949 | 69th | CBS | 347,000 | 234,200 | 294,500 | Feb. 1, 1979 | Sept. 29, 1978 | VHF-2 UHF-3 | VHF-2 UHF-1 |

(a) Source: 1975/76 ADI Market Rankings, American Research Bureau (Arbitron), Fall 1975, based on television homes in ADI (see note (c) below).

(b) Net weekly circulation is the number of TV households reached by the station at least once during a given week. Source: Arbitron November 1975 Market Reports.

(c) Area of Dominant Influence ("ADI") is a market designation of Arbitron which defines each television market exclusive of another, based on measured viewing patterns. Sources: 1975 TV homes in ADI from Arbitron November 1975 Market Reports; 1965 TV homes in ADI from ARB September 1965 Market Reports.

In April 1972 the U. S. Government commenced a civil action against the three major television networks alleging that they own or control network prime time entertainment programming to an extent that violates the Federal antitrust laws; that action was dismissed without prejudice in November 1974 and an essentially similar action was commenced in December 1974 and is currently pending. Although neither the Registrant nor any of its network-affiliated stations is a party to the suit, the action raises a number of questions with respect to the networks' present operations and a decision adverse to the defendants could have a material adverse effect on the value of network affiliation agreements and on the Registrant's revenues and earnings from television broadcasting.

**Radio**

During 1975 the Registrant owned and operated two AM radio broadcasting stations, WTOP in Washington, D. C., and WCKY in Cincinnati, Ohio; the latter station was sold in February 1976. In 1975 the Registrant's radio broadcasting revenues were derived approximately 70% from local advertising, 27% from national advertising and 3% from network advertising and other sources. Since 1969 WTOP has had a primarily all-news broadcasting format and in 1970 WCKY adopted a format consisting of popular standard music and news and public affairs programming. The following table sets forth certain information with respect to the radio stations operated by the Registrant in 1975:

| Location and Station | Power (Watts) | Expiration Date of License | Network Affiliation | Population of Metropolitan Area(a) | Number of Commercial Stations in Metropolitan Area(b) |
|---|---|---|---|---|---|
| Washington, D. C.<br>WTOP | 50,000 | Oct. 1, 1978 | CBS | 3,082,000 | 23 AM<br>15 FM |
| Cincinnati, Ohio<br>WCKY | 50,000 | Oct. 1, 1976 | CBS | 1,377,800 | 8 AM<br>9 FM |

(a) Source: 1975 Survey of Buying Power, Sales Management Magazine, based on 1970 U. S. Census of Population updated to population of Standard Metropolitan Statistical Area (SMSA) at December 31, 1973.

(b) Source: Broadcasting Yearbook (1975). Listening audiences of the Registrant's radio stations are served not only by local stations but also by AM and FM stations broadcasting from other areas.

As noted above, in February 1976 the Registrant sold Cincinnati radio station WCKY for $3.5 million, of which $2.1 million was paid in cash and the remaining $1.4 million is receivable in installments over a six-year period at 8½% interest.

**Federal Regulation of Broadcasting**

The Registrant's television and radio broadcasting operations are subject to the jurisdiction of the FCC under the Communications Act of 1934, as amended (the "Act"). The Act empowers the FCC, among other things, to issue, revoke or modify broadcasting licenses, to assign frequency bands, to determine the location of stations, to regulate the apparatus used by stations, to establish areas to be served, to adopt regulations necessary to carry out the provisions of the Act and to impose penalties for violation of such regulations.

Broadcasting licenses are granted for a maximum period of three years and, upon application, may be renewed for additional three-year terms. After the Registrant's stations WTOP-TV and WTOP in Washington filed their license renewal applications in 1972 petitions were filed to deny the applications of almost all Washington television and radio stations, but those petitions were denied as to WTOP-TV and WTOP in June and July of 1975 and both stations' licenses were renewed until October 1, 1975; and the stations' most recent renewal applications, filed in 1975, have also been granted (a petition to

deny the application of WTOP having been dismissed in December) and their licenses have been further renewed until October 1, 1978. A competing application was filed against the 1972 license renewal application of the Registrant's television station WPLG in Miami and three competing applications were filed against the 1972 license renewal application of the Registrant's television station WJXT in Jacksonville; the competing application against WPLG was withdrawn in December 1974 and all three competing applications against WJXT were withdrawn during 1975, with the result that both stations' licenses were renewed until February 1, 1976; and their most recent renewal applications, filed in 1975, have also been granted (a petition directed against all 334 broadcasting stations in Florida having been dismissed with respect to 235 of those stations, including WPLG and WJXT) and their licenses have been further renewed until February 1, 1979.

There has been pending before the FCC for several years an inquiry into the desirability of establishing program performance or other guidelines applicable to renewal applications that would assure reasonable security of television licenses to stations that meet those guidelines.

On January 31, 1975, the FCC adopted rules and policies which prohibit future acquisitions which would result in common ownership of a daily newspaper and either a television station or a radio station in the same market. The rules in general do not apply to existing common ownership or ownership interests, except for certain specified interests which must be divested by January 1, 1980, but which do not apply to the Registrant's Washington stations WTOP-TV and WTOP. The rules would preclude the Registrant from acquiring either a daily newspaper in any market where it owns a radio or a television station, or a television station whose Grade A contour encompasses Trenton, New Jersey, where the Registrant owns a newspaper. Appeals have been filed challenging various aspects of the FCC's action including the bar to prospective common ownership, the required divestiture of certain interests within five years and the Commission's refusal to require broad scale divestiture; in these appeals briefs have been filed by a petitioner and by the Department of Justice claiming that the FCC erred in declining to require broad scale divestiture, and by the FCC and other parties (including the Registrant) supporting the FCC's refusal to require such divestiture. The Registrant cannot predict the outcome of such appeals or the action it might take if the courts were to find that the Commission erred in respects pertinent to the Registrant.

There have been pending at the FCC a number of petitions filed by the Department of Justice in connection with renewal applications of television and radio stations in a number of markets challenging the common ownership in those markets of television stations and newspapers, and of television and radio stations and newspapers, on the ground that they constitute an undue concentration of ownership of communications media in the particular markets and are inconsistent with the public interest standards of the Federal Communications Act. The Department has not sought termination of the broadcast licenses but rather orders requiring divestiture within a reasonable time. The FCC's recent action on common ownership, described above, states generally that, although parties may raise concentration issues by such petitions, the FCC would not regard such petitions as raising valid issues necessitating the designation of renewal applications for hearing absent a showing of economic monopolization or of specific abuses. The Registrant does not believe that its broadcast and newspaper interests and operations in the Washington market provide a basis for such a petition.

The Registrant's television stations in Washington, Miami and Hartford are subject to the FCC's rules limiting the amount of network and off-network programming they may carry during prime time. In January 1975 the FCC further modified these rules, effective September 1975, to prohibit the broadcast of more than three hours of prime time network or off-network programming per day with the exception of certain specified types of programming. ("Off-network" programming consists of any programs previously broadcast on one of the three major television networks.) The Commission's actions were appealed to the courts, and in April 1975 the United States Court of Appeals for the Second Circuit generally affirmed the Commission but remanded the case to the Commission for further consideration and revision of certain aspects of the rules. The exceptions to the rules were somewhat modified, and the rules as modified took effect in September 1975. The Commission has indicated that

it may further modify the rules in the future in light of experience under them. The Registrant believes that the basic limitation provides its television stations with greater flexibility and opportunities in their operations but also believes that the exceptions seriously detract from that flexibility and those opportunities.

In May 1974 the FCC adopted rules limiting the geographical exclusivity for non-network programs which a television station may obtain against other television stations, which rules also affect the area within which exclusivity against CATV retransmissions can be obtained. In the opinion of the Registrant these rules have not adversely affected the audiences for the non-network programs of its stations. The FCC has not yet acted on pending proposals to place limitations on the length of exclusivity or the number of exclusive runs. The Registrant does not believe that its audiences would be adversely affected by reasonable limits on exclusivity, although it cannot predict the outcome of the portion of the proceeding which remains undecided.

Amendments adopted in 1974 to the Federal Election Campaign Act substituted an over-all limitation on campaign spending for the previous limitation on broadcast expenditures. In January 1976 the United States Supreme Court declared such campaign spending limitations unconstitutional, although the Court upheld the conditioning of the grant of Federal campaign funds to Presidential candidates on adherence by such candidates to over-all campaign spending limitations. Since political advertising accounts for less than 2% of the Registrant's broadcasting revenues it is not believed that either the amendments to the Act or the Supreme Court's decision will have any material effect on such revenues.

**Production and Raw Materials**

*The Washington Post* is produced at the newspaper's principal place of business and plant in Washington, D. C., and the Trenton *Times* is produced at its plant in Trenton, New Jersey. *Newsweek's* domestic edition is normally produced in five independent printing plants in the United States: Dayton Press in Dayton, Ohio (where most of the photo-offset filmmaking and color printing is done and where the molds and films are made for the other plants); R. R. Donnelley & Sons Company in Chicago, Illinois, Old Saybrook, Connecticut and Lancaster, Pennsylvania; and Arcata Graphics in Los Angeles, California. The international editions of *Newsweek* are printed in England, Australia, Hong Kong and Japan.

In 1975 *The Washington Post* consumed about 126,000 tons of newsprint purchased from a number of suppliers including Bowater Mersey Paper Company Limited, which supplied approximately 60% of the *Post's* newsprint requirements in 1975 under a contract extending to 1983. The Registrant owns 49% of the common shares of Bowater Mersey (the majority interest being held by Bowater Canadian Limited) which has a normal annual production capacity of 170,000 tons of 28½-lb. newsprint and which owns extensive woodlands that provide much of the mill's wood requirements. A strike in large portions of the Canadian newsprint manufacturing industry commenced in mid-1975 and spread to Bowater Mersey on October 31, 1975, shutting down its production until its strike was settled on February 10, 1976; although *The Washington Post* had built up a substantial inventory of newsprint and its own consumption of newsprint was reduced because of the strike at the *Post* itself (see page 2 of this report), during the strike at Bowater Mersey shipments from that supplier were substantially reduced and the *Post* found it necessary to purchase additional newsprint on the worldwide spot market at prices substantially higher than normal. (The financial statements of Bowater Mersey Paper Company Limited are included separately in this report.) The price of newsprint has risen sharply in recent years, reaching a range of $260-$270 per ton in January 1975, and is expected to increase by $25 per ton during 1976. Because of concern over the adequacy of production capacity and a desire to reduce the amount of virgin pulp required to manufacture newsprint, most newsprint suppliers currently supply 28½-lb. or 30-lb. basis-weight or lighter grades of paper to replace the standard 32-lb. basis-weight newsprint formerly supplied.

In 1975 the Trenton *Times* consumed about 8,600 tons of newsprint supplied by five different suppliers, the largest of which furnished approximately 45% of the newspaper's total requirements.

The domestic edition of *Newsweek* consumed 35,909 tons of paper in 1975, the bulk of which was purchased from four major suppliers under long-term contracts at negotiated prices. The current cost of body paper (the principal paper component of the magazine) ranges fro $427 to $481 per ton.

During 1974 *Newsweek* commenced installation of a data transmission system incorporating computerized composition and phototypesetting which began initial operation in March 1975 and which has substantially reduced composition costs.

**Competition**

*The Washington Post* is the only morning paper published daily and on Sunday in Washington, D. C. In July 1972 one of Washington's two evening daily newspapers ceased publication, so that the *Post* currently competes with one evening daily newspaper, which also publishes on Saturday morning and on Sunday, and encounters competition in varying degrees from nationally circulated newspapers and less-frequently published local newspapers, as well as from television, radio, magazines and other advertising media. In addition, to the extent that the *Post* is distributed in suburban and outlying areas it competes with newspapers published in nearby cities and towns.

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

According to figures compiled by Publishers' Information Bureau, Inc., of the 94 magazines reported on by that bureau *Newsweek* ranked third in total advertising revenues in 1975, when it received approximately 6.6% of all advertising revenues of the magazines included in the report. The magazine industry is highly competitive both within itself and with other advertising media which compete for audience and advertising revenue; television in particular has been attracting a consistently increasing share of annual advertising expenditures.

The Registrant's broadcast stations compete for revenues with other advertising media such as newspapers and magazines and, within their coverage area, with television and radio stations serving the same or nearby areas. In addition, cable television systems ("CATV"), which operate generally on a subscriber payment basis, are expected to expand their operations in the Registrant's broadcast markets and compete by importing out-of-market television signals or by originating programming to the extent permitted or required by present or future rules of the FCC. Under FCC rules effective March 31, 1972, CATV systems may import a greater number of out-of-market signals into the television markets in which the Registrant operates than was possible under previous regulations, particularly in certain parts of WFSB-TV's market, although unlimited importation of such signals is not presently permitted. The rules also presently contain significant limitations against CATV's importing by distant signals into a top-50 market, such as Miami, Washington or Hartford, syndicated programming and feature films as to which a station in the market has exclusive rights. Exclusivity provisions governing programming imported by CATV systems in markets below the top 50, such as Jacksonville, are much less rigorous. The rules also contain certain limitations on importation of network programs into a market where the program is broadcast simultaneously by a local station, although those limitations were substantially relaxed in 1975. The 1972 rules generally contemplated an increase in cable originations of programming and advertising and permitted pay cable television operations, subject to certain limitations which also were relaxed in 1975. These relaxations and the FCC's authority to impose any limitations on pay cable originations are presently under review in judicial proceedings. More recently, the FCC eliminated limitations in its 1972 rules on which out-of-market stations CATV systems could choose to carry, and still other rule-making proceedings in which further relaxation of the 1972 rules is contemplated are pending before the FCC. CATV operators, supported in some instances by various Federal Government officials, are urging in court proceedings, before the FCC and in Congress that

virtually all regulation of CATV importation of out-of-market signals and of pay cable should be abolished. CATV operations could, over a period of time, adversely affect the Registrant's revenues from broadcasting. Further, technological advances in such systems might adversely affect the Registrant's newspaper and magazine publishing interests in various ways should there be established a commercially feasible means for the distribution of news in a format similar to newspaper and magazine presentation.

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

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

**Employees**

The Registrant and its subsidiaries employ approximately 4,700 persons on a full-time basis.

*The Washington Post* has approximately 2,300 full-time employees, of whom about 2,100 are represented by one or another of ten unions. On September 30, 1975, the *Post's* collective bargaining agreements with eight craft unions representing approximately 1,300 full-time production employees expired; on October 1 one of those unions, representing 204 pressmen and 42 stereotypers, went on strike and commenced picketing after the *Post's* presses and related equipment were extensively damaged, and approximately 1,000 other employees represented by seven other craft unions (including six whose contracts had expired, two of which also went on strike, and one with an unexpired contract) refused to cross the picket lines, as did a minority of the approximately 800 full-time editorial and commercial employees represented by another union with an unexpired contract. During the work stoppage, which extended until mid-February 1976 the *Post* missed only one day of publication, but during the fourth quarter of 1975 lost about 4.6 million lines of advertising due to the press damage and the strike.

Before the end of February 1976 new labor contracts had been reached with five of the eight unions at the *Post* whose contracts had expired in 1975; the new contracts cover 387 full-time mailers and mailroom helpers, paperhandlers and general workers, photoengravers, electricians and engineers. New contracts were expected to be reached with two unions representing 72 building service employees (who were working without a contract) and 25 machinists, but contract negotiations had been broken off with the union representing both the pressmen (who had been replaced by newly hired employees starting in December 1975) and the stereotypers. On March 31, 1976, the *Post's* collective bargaining agreement with a local union of the American Newspaper Guild will expire; a rival union has filed a petition with the National Labor Relations Board seeking an election to determine which union, if any, shall represent the editorial and commercial employees heretofore represented by the Newpaper Guild. Under the *Post's* contractual commitments as of December 28, 1975, and the new labor contracts it has reached or expects to reach in 1976, the newspaper's direct wage costs for 1976 are expected to exceed its 1975 direct wage costs (which were reduced because of the strike during the fourth quarter) by approximately $10,450,000.

Of the approximately 350 full-time employees and 130 part-time employees at the Trenton *Times*, about 20 are represented by a union; the newspaper's collective bargaining agreement with the pressmen's union representing those employees expired on November 30, 1975, since which date negotiations looking toward a new contract have been in progress.

*Newsweek* has approximately 1,250 full-time employees, including approximately 250 full-time editorial staff members in New York, some of whom are represented by the New York Newspaper Guild under a collective bargaining agreement which expired at the end of 1975; at the date of this report a new Guild agreement had not yet been negotiated and the terms of the expired agreement remained in effect. *Newsweek* has never experienced a strike, although there have been occasional work

stoppages by employees of one of its independent printers which have not materially interfered with the publication of the magazine.

There are approximately 700 full-time employees in the Registrant's broadcasting operations, of which number 260 are union-represented. During 1976 seven collective bargaining agreements will expire, four on May 10 covering 55 on-the-air performers, writers and production personnel at WTOP television and radio in Washington, one on July 31 covering 5 other WTOP television and radio employees, one on July 8 covering 14 on-the-air performers at WJXT in Jacksonville and one on October 23 covering 27 technical employees at WPLG in Miami.

For 1975, the total expense of *The Washington Post's* circulation dealer profit incentive plan was $571,000.

**Properties**

The Registrant owns the publishing plant and principal offices of *The Washington Post* in Washington, D. C., including both a seven-story building in use since 1950 and expanded plant facilities and a connected nine-story office building on contiguous property completed in 1972. The additions, together with production equipment and furnishings and renovation of existing facilities, cost approximately $31,800,000. The seven-story building, which was constructed in 1950 and enlarged in 1960, provides 264,000 square feet of floor space. The expansion program added 258,000 square feet of floor space. To accommodate the long-term requirements of *The Washington Post*, during 1975 the Registrant acquired 10.6 acres of essentialy undeveloped land in Fairfax County, Virginia, and signed a contract to purchase in 1976, subject to various conditions, approximately 10 acres of undeveloped land in Montgomery County, Maryland; both sites are suitable for the construction of facilities for the assembly and distribution to suburban locations of copies of *The Washington Post* and, if made feasible by evolving production techniques, for the construction of "satellite" plants for printing all or parts of the newspaper.

The Trenton *Times* owns its modern three-story plant and office building in Trenton, New Jersey. Completed in 1962, the building contains approximately 109,000 square feet.

The principal offices of *Newsweek* are located at 444 Madison Avenue, New York, N. Y., where *Newsweek* leases 136,425 square feet of floor space at an annual rental of $1,135,801 under a lease that will expire in 1979. Subscription fulfillment and computer operations are located in Livingston, N. J., where *Newsweek* leases 38,600 square feet of floor space at a basic annual rental of $144,750 under a lease that will expire in 1986.

The principal offices of the Registrant's broadcasting operations are located at Broadcast House, a building owned by the Registrant at 40th and Brandywine Streets, N. W., in Washington, D. C. Each of the Registrant's stations also operates in facilities owned by the Registrant except for the transmitting site for WPLG in Miami, which is held under a 99-year lease with a remaining life of 85 years (and except that radio station WCKY in Cincinnati, which was sold in February 1976, rented its office and studio facilities).

Robinson Terminal Warehouse Corporation's facilities at Alexandria, Virginia, are adjacent to the business district and include two wharves and several warehouses, all but one of which are owned. The owned warehouses occupy approximately six acres of land and provide 187,000 square feet of space; leased space adds 44,000 square feet held under long-term arrangements costing $37,100 per year with certain purchase options and 35,000 square feet occupied under a short-term lease expiring on April 1, 1976. Robinson is constructing on its own property an additional warehouse containing approximately 40,000 square feet which will increase its present storage capacity of 48,000 tons of newsprint by about 4,000 tons.

In addition to the foregoing operating facilities, the Registrant owns the Lee House, a hotel, and the land on which it is situated on the corner of 15th and L Streets, N. W., in Washington, D. C., adjacent to *The Washington Post* publishing plant. This property has been leased through 1982 to Lee House, Inc., which operates the hotel at an annual net rental of $97,500.

## Item 2. *Summary of Operations.*

| | Fiscal Year Ended | | | | |
|---|---|---|---|---|---|
| | December 28, 1975 | December 29, 1974 | December 30, 1973 | December 31, 1972 | January 2, 1972 |
| | (Amounts in thousands except per share data) | | | | |
| Net operating revenues | | | | | |
| Advertising | $225,500 | $216,001 | $188,472 | $166,100 | $147,633 |
| Circulation | 78,566 | 67,546 | 54,612 | 47,421 | 42,397 |
| Other | 5,269 | 4,032 | 3,865 | 4,323 | 2,719 |
| | 309,335 | 287,579 | 246,949 | 217,844 | 192,749 |
| Costs and expenses | | | | | |
| Operating | 209,340 | 188,382 | 164,688 | 146,644 | 133,869 |
| Selling, general and administrative | 67,281 | 66,165 | 52,952 | 46,254 | 41,250 |
| Depreciation and amortization | 4,937 | 4,319 | 3,617 | 3,140 | 2,436 |
| Amortization of goodwill and other intangibles | 953 | 573 | — | — | — |
| | 282,511 | 259,439 | 221,257 | 196,038 | 177,555 |
| Income from operations | 26,824 | 28,140 | 25,692 | 21,806 | 15,194 |
| Other income | | | | | |
| Interest | 774 | 1,794 | 2,481 | 804 | 845 |
| Other | 236 | 211 | 180 | 339 | 246 |
| Equity in earnings of affiliates (Note 2) | 1,884 | 2,571 | 1,022 | 512 | 509 |
| | 2,894 | 4,576 | 3,683 | 1,655 | 1,600 |
| Other deductions | | | | | |
| Interest | 3,744 | 3,461 | 2,411 | 2,484 | 2,774 |
| Other | 382 | 481 | 411 | 756 | 501 |
| | 4,126 | 3,942 | 2,822 | 3,240 | 3,275 |
| Income before income taxes, extraordinary items and special credit | 25,592 | 28,774 | 26,553 | 20,221 | 13,519 |
| Provision for income taxes | | | | | |
| Current | 9,189 | 13,664 | 10,562 | 7,485 | 5,698 |
| Deferred | 4,361 | 669 | 2,657 | 2,721 | 1,037 |
| | 13,550 | 14,333 | 13,219 | 10,206 | 6,735 |
| Income before extraordinary items and special credit | 12,042 | 14,441 | 13,334 | 10,015 | 6,784 |
| Extraordinary items (Note 3) | — | — | — | (283) | 387 |
| Special credit (Note 1) | — | — | — | — | 4,586 |
| Net income | $ 12,042 | $ 14,441 | $ 13,334 | $ 9,732 | $ 11,757 |
| Earnings per common and common equivalent share (Note 4) | | | | | |
| Primary | | | | | |
| Income before extraordinary items and special credit | $2.55 | $3.04 | $2.80 | $2.08 | $1.52 |
| Extraordinary items | — | — | — | (.06) | .09 |
| Special credit | — | — | — | — | 1.04 |
| Net income | $2.55 | $3.04 | $2.80 | $2.02 | $2.65 |
| Fully diluted | | | | | |
| Income before extraordinary items and special credit | $2.55 | $3.04 | $2.80 | $2.07 | $1.52 |
| Extraordinary items | — | — | — | (.06) | .09 |
| Special credit | — | — | — | — | 1.03 |
| Net income | $2.55 | $3.04 | $2.80 | $2.01 | $2.64 |
| Dividends on common stock | $ .50 | $ .50 | $ .40 | $ .20 | $ .20 |

## NOTES TO SUMMARY OF OPERATIONS

1. In the fiscal year ended January 2, 1972 ("fiscal 1971"), the Company changed its methods of accounting for magazine subscription procurement and book promotion costs so as to better match revenues and expenses. These changes increased net income in fiscal 1971 by $681,000 or $0.15 per common and common equivalent share. The special credit in fiscal 1971 is after reduction for taxes on income of $5,068,000 and represents the cumulative effect of these changes in accounting methods on periods prior to fiscal 1971.

2. In 1971 the Company adopted the equity method of accounting for its 49 per cent investment in Bowater Mersey Paper Company Limited. Net income in fiscal 1971 was reduced by $26,000 from that which would have been reported had the equity basis not been adopted. Dividends received from Bowater for the five years ended December 28, 1975 were $874,000 in 1975; $521,000 in 1974; $293,000 in 1973; $441,000 in 1972; and $510,000 in 1971.

3. The extraordinary items were as follows:

| | Fiscal Year Ended | |
|---|---|---|
| | December 31, 1972 | January 2, 1972 |
| Tax benefit from charitable contribution of FM broadcast facilities | | $ 387,000 |
| Extraordinary loss on sale of Art News magazine, including income taxes of $124,000 on gain realized for tax purposes but not for book purposes | $ (283,000) | |
| Total | $ (283,000) | $ 387,000 |

4. Per share amounts are based upon the weighted average number of shares of common stock and common stock equivalents outstanding during the periods: 4,725,335 in 1975; 4,749,981 in 1974; 4,754,682 in 1973; 4,806,802 in 1972; and 4,429,090 in 1971. Shares issuable under stock options are considered common stock equivalents when the fair value of the shares exceeds the option price during the period. The number of such equivalents is then reduced by the number of shares which could have been purchased with the proceeds from the sale of the optioned shares had the options been exercised. Fully diluted per share data is based upon the assumption that the convertible preferred stock outstanding during each of the periods (all of which was converted in fiscal 1971) had been converted into shares of Class B common stock on the first day of each fiscal year. The weighted average number of shares used in the computation of fully diluted per share amounts was 4,731,060 in 1975; 4,750,350 in 1974; 4,754,903 in 1973; 4,837,167 in 1972; and 4,449,020 in 1971.

## Discussion and Analysis of the Summary of Operations

*1975 compared to 1974*

Despite improved earnings at the Magazine and Broadcasting Divisions, net income decreased in 1975 due to strikes at *The Washington Post* and Bowater Mersey (the Registrant's Canadian newsprint manufacturing affiliate), reduced advertising linage and increased expenses in the Company's Newspaper Division, and reduced interest income.

Advertising revenues increased by $9,499,000, or 4.4%, over 1974. The increase was principally due to the acquisition in 1974 of station WFSB-TV (in March) and the Trenton *Times* (in October) and also to improvements in sales at the Company's other broadcasting stations, which more than offset an estimated $8 million loss in advertising revenues resulting from the pressroom damage and strike at *The Washington Post* which began on October 1 and continued into 1976. Advertising rate increases at *Newsweek* together with increased sales of higher-rate pages in a demographic edition almost compensated for a substantial decline in *Newsweek's* total advertising pages.

Circulation revenues in 1975 were $11,020,000, or 16.3% more than in 1974. The acquisition of the Trenton *Times* accounted for almost one-quarter of the change, and higher *Newsweek* revenues from single-copy and subscription price increases accounted for about two-thirds. Decreased sales volume of Newsweek Books reduced revenue by approximately $2.5 million, but revenues increased by about the same amount as the result of a change made in the latter part of 1975 from a wholesale to a retail pricing structure for a substantial part of the circulation of *The Washington Post* as described on page 2 of this report.

Other revenues increased by $1,237,000, primarily reflecting increased sales of television programming produced by Newsweek and the Broadcasting Division.

Costs and expenses in 1975 increased by $23,072,000 or 8.9%. The principal elements contributing to the rise in 1975 costs were increases in the cost of wages, materials and services (including additional service costs equal to the additional revenues resulting from the change in circulation pricing at *The Washington Post* noted above and on page 2 of this report), an increased level of magazine subscription promotion and the acquisitions in 1974 of station WFSB-TV and the Trenton *Times*. These elements substantially outweighed non-recurring cost reductions associated with the strike at the *Post* (after giving effect to amounts recoverable from insurance), reduced costs attributable to a lower volume of activity at Newsweek Books, and the absence in 1975 of Executive *Newsweek* start-up costs incurred in 1974.

Increased depreciation and amortization of facilities reflected additions to plant, while the increase in amortization of goodwill reflected the first full year's ownership of station WFSB-TV and the Trenton *Times*.

Operating income in 1975 was $1,316,000, or 4.7%, lower than in 1974. The pressroom damage and strike at *The Washington Post* caused an estimated reduction in operating income of $1,700,000. Even without this reduction, newspaper operating income would have been lower than in 1974 due to a drop in advertising linage at both *The Washington Post* and the Trenton *Times*.

Interest income decreased by $1,020,000 as temporary investments of cash held in early 1974 were reduced to purchase station WFSB-TV and the Trenton *Times* during that year and interest rates declined in 1975.

Equity in earnings of affiliates decreased in 1975 because of a strike at Bowater Mersey which halted production from October 31, 1975 to February 10, 1976.

Income taxes as a percentage of pre-tax income rose from 49.8% in 1974 to 52.9% in 1975 because state and local taxes increased, because of an increase in amortization of goodwill, which is not tax-deductible, and because a smaller proportion of pre-tax income was represented by the Registrant's equity in the earnings of its affiliates. The ratio of income taxes to pre-tax income rises with a decrease in the portion of pre-tax income represented by equity in earnings of affiliates; that is because the equity

in earnings of affiliates, although included in pre-tax income, already reflects foreign income taxes accrued by the affiliates and is not subject to further income tax (until actually paid out as dividends).

The weighted average number of common and common equivalent shares decreased because of the repurchase of 93,650 shares of Class B common stock in 1975.

*1974 compared to 1973*

The increase in net income in 1974 was due primarily to improvement in the operations of *Newsweek* magazine and Bowater Mersey.

Net operating revenues in 1974 rose by $40,630,000, or 16.5%, over 1973, of which amount $27,529,000 represented a 14.6% increase in advertising revenues and $12,934,000 reflected a 23.7% increase in circulation revenues. A little more than one-third of the rise in advertising revenues was contributed by the operations of station WFSB-TV, purchased on March 8, and the Trenton *Times*, purchased on October 18; the rest was attributable to higher advertising rates at *The Washington Post* and *Newsweek* and improved advertising sales at the Registrant's three other television stations. The rise in circulation revenues principally reflected increases in the subscription and single-copy prices of both *The Washington Post* and *Newsweek* and higher *Newsweek* circulation.

Costs and expenses in 1974 were $38,182,000, or 17.3%, greater than in 1973. Of that increase, about one-fourth represented the operating costs of station WFSB-TV and the Trenton *Times* after they were acquired; the remainder was due primarily to increases in wages and costs of materials and services and to increased depreciation of plant facilities. The two acquisitions also resulted in the creation of approximately $38 million of goodwill, which is being amortized over a 40-year period; in 1974 such goodwill was amortized only after the dates of the respective acquisitions.

While 1974 operating income was 9.5% higher than in 1973, operating income was adversely affected by losses at *Newsweek's* Book Division and profit margins were lower in the Newspaper and Broadcasting Divisions.

Other income rose in 1974 by $893,000. This increase was attributable to a rise of $1,549,000 in the Registrant's equity in the earnings of its affiliates (principally reflecting sales of newsprint at higher prices by Bowater Mersey Paper Company Limited), which was more than enough to offset a $687,000 decline in interest income as cash previously invested was used in 1974 to purchase station WFSB-TV and the Trenton *Times*. Other deductions, on the other hand, rose by $1,120,000 chiefly as the result of an increase of $1,050,000 in interest expense, principally resulting from payments on a bank borrowing in March which financed a portion of the purchase price of station WFSB-TV and a promissory note issued in October as part of the purchase price of the Trenton *Times*.

Income taxes were 49.8% of pre-tax income in both 1974 and 1973, but there were offsetting changes during 1974. The ratio decreased principally because equity in the earnings of affiliates represented a greater portion of pre-tax income in 1974 than in 1973. However, amortization of goodwill, which is not tax-deductible, became substantial for the first time in 1974 and contributed to an increase in the ratio.

**Item 3. *Properties.***

Reference is made to the information contained under the heading "Properties" on page 13 of this report.

**Item 4. *Parents and Subsidiaries.***

Mrs. Katharine Graham, by virtue of her record and beneficial ownership of 28.4% of the outstanding shares of Class A Common Stock of the Registrant, her exclusive right to vote an additional 21.7% of said class of stock and her position as Chairman of the Board of the Registrant and Publisher of *The Washington Post*, may be deemed to be a "parent" of the Registrant.

The following is a list of the subsidiaries of the Registrant:

| Name of Subsidiary | Jurisdiction of Incorporation | % of Voting Stock Owned by Registrant |
|---|---|---|
| Newsweek, Inc. | New York | 100% |
| Trenton Times Corporation | Delaware | 100% |
| Post-Newsweek Stations, Inc. | Delaware | 100% |
| Post-Newsweek Stations, Capital Area, Inc. | Delaware | 100% |
| Post-Newsweek Stations, Florida, Inc. | Florida | 100% |
| Post-Newsweek Stations, Connecticut, Inc. | Delaware | 100% |
| Top Market Television, Inc. | Delaware | 100% |
| Dramacourt, Ltd. | United Kingdom | 100% |
| Postrib Corp. | Delaware | 50% |
| Robinson Terminal Warehouse Corporation | Delaware | 85% |
| Bowater Mersey Paper Company Limited | Nova Scotia | 49% |

All the subsidiaries listed above are included in the Registrant's consolidated financial statements except (i) Bowater Mersey Paper Company Limited, for which separate financial statements are included in this report, and (ii) Postrib Corp., which is not a significant subsidiary.

***Item 5. Pending Legal Proceedings.***

The Registrant is a party to an action entitled *Forrestal Village, Inc. v. Katharine Graham and The Washington Post Company* instituted on June 11, 1974 in the U. S. District Court for the District of Columbia in which the plaintiff, a holder of 50 shares of the Registrant's Class B Common Stock, alleges in general that certain prospectuses, proxy materials and reports of the Registrant violated the disclosure requirements and proxy rules of federal securities laws; that the defendants wasted corporate assets in various ways, such as by donating an FM radio station to Howard University, incurring unreasonable business expenses, paying unreasonable compensation, authorizing improvident acquisitions, carrying on "ideological vendettas against public officials" and pursuing editorial policies detrimental to the Registrant's business; and that the defendants have refused to allow Class B stockholders to make various proposals at stockholders' meetings and have otherwise disenfranchised such stockholders. By orders dated January 30 and February 10, 19[illegible], the District Court dismissed the complaint, which was assertedly brought on behalf of the plaintiff individually, the Registrant and all Class B stockholders as a class and which sought compensatory and punitive damages and the right to rescind purchases of Class B stock. The plaintiff has filed a notice of appeal from the orders of the District Court.

The Registrant is the defendant in an action entitled *Newberry et al. v. The Washington Post Company* instituted on November 7, 1975, in the U.S. District Court for the District of Columbia. The plaintiffs are 14 route distributors of *The Washington Post* who allege that the Registrant has engaged in a number of antitrust violations in its relationship with its distributors, including resale price fixing, restrictions on resales, exclusive dealing, price discrimination and monopolization; in addition to treble damages in an unspecified amount, the plaintiffs seek to enjoin the alleged violations and to void new agency agreements between the Registrant and most of its city home delivery distributors. On January 13, 1976, the Court ruled that the 14 plaintiffs cannot maintain the action as a class action on behalf of approximately 180 city home delivery distributors. The Registrant has denied all the material allegations of the complaint, to which it believes it has meritorious defenses.

On October 28, 1975, the Registrant commenced in the Superior Court for the District of Columbia an action entitled *The Washington Post Company v. International Printing and Graphic Communications Workers et al.* seeking recovery of $10 million in compensatory damages and $5 million in punitive damages resulting from the extensive vandalism to the presses and related equipment of *The Washington Post* immediately preceding the *Post* pressmen's strike on October 1, 1975; the defendants include the international and local unions representing employees theretofore employed in the newspaper's pressroom as well as officials of those unions and a number of individual pressmen. On January 15, 1976, both the international and local unions filed counterclaims against the Registrant; the international union seeks $5 million in actual damages and $10 million in punitive damages for defamation and $100,000 in actual damages and $10 million in punitive damages for abuse of process, and the local union seeks $10 million in actual damages and $10 million in punitive damages alleging that the Registrant has injured the local union, terminated its "advantageous contractual relationship", conspired to blacklist its members, employed professional strikebreakers, violated the Fair Labor Standards Act, employed minors and interfered with peaceful picketing. The Registrant believes that it has meritorious defenses to the unions' counterclaims.

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

**Item 6.** ***Increases and Decreases in Outstanding Securities.***

Class B Common Stock:

| | |
|---|---|
| Shares outstanding 12/29/74 | 3,986,368 |
| Issued during the year | 7,250 |
| Repurchased during the year | (93,650) |
| Shares outstanding 12/28/75 | 3,899,968 |

Options to Purchase Class B Common Stock:

| | |
|---|---|
| Shares subject to options outstanding 12/29/74 | 296,400 |
| Shares subject to options granted 5/7/75 | 13,500 |
| Shares subject to options exercised or lapsed—first quarter (2,500), second quarter (9,150), third quarter (950) and fourth quarter (1,500) | (14,100) |
| Shares subject to options outstanding 12/28/75 | 295,800 |

**Item 7.** ***Approximate Number of Equity Security Holders.***

| Title of Class | Number of Record Holders (a) |
|---|---|
| Class A Common Stock | 14 |
| Class B Common Stock | 2,000 |

(a) As of December 28, 1975.

**Item 8.** ***Executive Officers of the Registrant.****

| Name | Age* | Position(s) Held |
|---|---|---|
| Katharine Graham | 58 | Chairman of the Board (since May 1973); Publisher of *The Washington Post* (since April 1969) |

| Name | Age* | Position(s) Held |
|---|---|---|
| Joel Chaseman .......................... | 49 | Vice President (since July 1973); President of Post-Newsweek Stations, Inc. (since June 1973) |
| Osborn Elliott .......................... | 51 | Vice President (since May 1971); Chairman of the Board of Newsweek, Inc. (since March 1972) |
| Alan R. Finberg ........................ | 48 | Vice President, Secretary and General Counsel (since April 1971) |
| Larry H. Israel ........................ | 56 | President (since May 1973) |
| Mark J. Meagher ...................... | 43 | Vice President (since June 1970) and Executive Vice President and General Manager of *The Washington Post* (since September 1974) |
| Martin Cohen .......................... | 43 | Vice President—Finance and Treasurer (since June 1975) and Controller (since January 1973) |

*As of January 1, 1976.

There are no family relationships between any of the Registrant's executive officers. Such officers do not hold office for fixed terms, but are elected to serve until their resignation or removal or until their successors shall have been elected.

The principal business experience of such executive officers during the past five years has been as follows:

Mrs. Graham was President of the Registrant until May 1973, when she became Chairman of the Board; she has also been Publisher of *The Washington Post* for the past five years. Prior to joining the Registrant as chief executive officer of its broadcasting division in June 1973 Mr. Chaseman had for more than five years been a Vice President of Westinghouse Broadcasting Company, Inc. Mr. Elliott was Editor of *Newsweek* magazine from 1961 until 1969, Editor-in-Chief from 1969 to 1972, Editor from 1972 to 1975 and has again been Editor-in-Chief since September 1, 1975; he served as President of Newsweek, Inc. from April 1971 to March 1972, since which time he has been Chairman of its Board. Prior to joining the Registrant as Vice President, Secretary and General Counsel in April 1971, Mr. Finberg was Associate Counsel of General Dynamics Corporation. Mr. Israel was chief executive officer of the Registrant's broadcasting division from August 1968 until May 1973, when he became President of the Registrant. Messrs. Meagher and Cohen have both been employed by the Registrant in an executive capacity for more than five years.

**Item 9. *Indemnification of Directors and Officers.***

The information called for by Item 9 is unchanged from the information provided in response to Item 9 in the Registrant's report on Form 10-K for its fiscal year ended December 29, 1974, and is accordingly omitted from this report pursuant to General Instruction H to Form 10-K.

**Item 10. *Financial Statements and Exhibits Filed.***

**(a) Financial Statements**

As listed in the accompanying index to financial statements.

**(b) Exhibits**

1 —Letter agreement dated January 20, 1976, amending the Agreement for the Sale and Purchase of the Assets of Radio Station WCKY dated as of November 15, 1974, between Post-Newsweek Stations, Florida, Inc., and Truth Publishing Company, Inc.

2 —Statement of Amendments to The Washington Post Company Employees Profit Sharing Plan effective December 28, 1975.

3 —Agreement dated November 12, 1975, between the Registrant and American Security and Trust Company, as Trustee, amending the Registrant's Profit Sharing Trust Agreement.

4 —Statement of Amendments to The Washington Post Company Circulation Dealers Profit Incentive Plan effective July 1, 1975.

5 —Calculation of earnings per share of common stock (filed pursuant to Instruction 3 to Item 2 of Form 10-K).

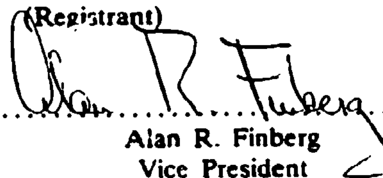
## PART II

Responses to Part II (Items 11 through 15) are omitted pursuant to General Instruction H to Form 10-K. Within 120 days from the end of the fiscal year covered by this Annual Report the Registrant will file with the Securities and Exchange Commission a definitive proxy statement pursuant to Regulation 14A involving the election of Directors of the Registrant.

## SIGNATURES

**Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.**

THE WASHINGTON POST COMPANY
(Registrant)



By ........................

Alan R. Finberg
Vice President

Dated: March 29, 1976

## INDEX TO FINANCIAL STATEMENTS

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V —Properties, Timberlands, Plant and Equipment
VI —Accumulated Depreciation and Depletion of Buildings, Docks, Dams, Plant, Equipment, Timberlands and Woods Equipment
IX —Bonds, Mortgages and Similar Debt
XVI —Supplementary Income Statement Information


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

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

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

(b) The aggregate of the minority interest in a subsidiary and indebtedness of that subsidiary which is held by outside parties is not material in relation to consolidated assets, and

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

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
THE WASHINGTON POST COMPANY

In our opinion, based upon our examinations and the reports mentioned below of other independent accountants, the financial statements listed in the accompanying index present fairly the financial position of The Washington Post Company and its subsidiaries at December 28, 1975 and December 29, 1974, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Bowater Mersey Paper Company Limited, a 49 percent owned affiliate, the investment in which is accounted for by the equity method, which represents 5 percent (5 percent for 1974) and 12 percent (14 percent for 1974) of consolidated assets and net income for 1975, respectively. These statements were examined by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Bowater Mersey Paper Company Limited, is based solely upon the reports of the other independent accountants.

Price Waterhouse & Co.
PRICE WATERHOUSE & CO.

February 13, 1976
Washington, D. C.

# THE WASHINGTON POST COMPANY

## CONSOLIDATED BALANCE SHEETS

### ASSETS

| | December 28, 1975 | December 29, 1974 |
|---|---|---|
| **Current assets** | | |
| Cash, including time deposits of $4,200,000 in 1974 | $ 2,077,000 | $ 8,072,000 |
| Commercial promissory notes and other marketable securities at cost which approximates market value | 18,586,000 | 7,181,000 |
| Accounts receivable, less estimated returns, doubtful accounts and allowances of $4,137,000 and $4,021,000 (Schedule XII) | 40,496,000 | 39,472,000 |
| Inventories at lower of cost or market (Note C) | 7,227,000 | 8,499,000 |
| Prepaid expenses and other | 4,433,000 | 6,785,000 |
| | 72,819,000 | 70,009,000 |
| **Investment in affiliates (Notes A, D and F and Schedule III)** | | |
| Bowater Mersey Paper Company Limited | 12,431,000 | 11,521,000 |
| Other | 1,351,000 | 1,205,000 |
| | 13,782,000 | 12,726,000 |
| **Plant assets, at cost (Note A and Schedules V and VI)** | | |
| Buildings | 38,436,000 | 38,229,000 |
| Machinery, equipment and fixtures | 49,302,000 | 44,607,000 |
| Leasehold improvements | 2,955,000 | 2,787,000 |
| | 91,193,000 | 85,623,000 |
| Less accumulated depreciation and amortization | (40,645,000) | (36,594,000) |
| | 50,548,000 | 49,029,000 |
| Land | 7,181,000 | 7,343,000 |
| Construction in progress | 865,000 | 753,000 |
| | 58,594,000 | 57,125,000 |
| Goodwill and other intangibles less accumulated amortization (Note A and Schedules VII and VIII) | 75,252,000 | 76,205,000 |
| Deferred charges and other assets (Schedules V and VI) | 10,152,000 | 10,332,000 |
| | $230,599,000 | $226,397,000 |

# THE WASHINGTON POST COMPANY
## CONSOLIDATED BALANCE SHEETS
### LIABILITIES AND SHAREHOLDERS' EQUITY

| | December 28, 1975 | December 29, 1974 |
|---|---|---|
| **Current liabilities** | | |
| Accounts payable and accrued expenses (Note K) | $ 26,347,000 | $ 25,453,000 |
| Federal and state income taxes | 2,856,000 | 4,377,000 |
| Contributions due to employee benefit trust funds (Note A) | 1,103,000 | 1,687,000 |
| Current portion of long-term debt (Note F) | 7,384,000 | 7,384,000 |
| | 37,690,000 | 38,901,000 |
| Other liabilities (Note A) | 9,889,000 | 10,574,000 |
| Long-term debt (Note F) | 39,934,000 | 47,318,000 |
| Deferred subscription income less related magazine subscription procurement costs of $18,694,000 and $12,119,000 (Note A) | 18,305,000 | 17,678,000 |
| Deferred income taxes (Note E) | 14,134,000 | 8,742,000 |
| Minority interest in subsidiary company | 493,000 | 439,000 |
| **Shareholders' equity (Note G)** | | |
| Preferred stock, $1 par value, authorized 1,000,000 shares | — | — |
| Common stock | | |
| Class A common stock, $1 par value, authorized 1,000,000 shares; 763,440 shares issued and outstanding | 763,000 | 763,000 |
| Class B common stock, $1 par value, authorized 10,000,000 shares; 4,304,040 shares issued; 3,899,968 and 3,986,368 shares outstanding | 4,304,000 | 4,304,000 |
| Capital in excess of par value | 10,423,000 | 10,302,000 |
| Retained earnings (Notes D and F) | 102,015,000 | 92,335,000 |
| Less: Cost of 404,072 and 317,672 shares of Class B common stock held in Treasury | (7,351,000) | (4,959,000) |
| Total shareholders' equity | 110,154,000 | 102,745,000 |
| Commitments and contingencies (Notes H and I) | | |
| | $230,599,000 | $226,397,000 |

# THE WASHINGTON POST COMPANY

## CONSOLIDATED STATEMENTS OF INCOME

| | Fiscal Year Ended | |
|---|---|---|
| | December 28, 1975 | December 29, 1974 |
| **Operating revenues** | | |
| Advertising | $225,500,000 | $216,001,000 |
| Circulation | 78,566,000 | 67,546,000 |
| Other | 5,269,000 | 4,032,000 |
| | 309,335,000 | 287,579,000 |
| **Costs and expenses** | | |
| Operating | 209,340,000 | 188,382,000 |
| Selling, general and administrative | 67,281,000 | 66,165,000 |
| Depreciation and amortization of plant facilities (Note A) | 4,937,000 | 4,319,000 |
| Amortization of goodwill and other intangibles (Notes A and B) | 953,000 | 573,000 |
| | 282,511,000 | 259,439,000 |
| Income from operations | 26,824,000 | 28,140,000 |
| **Other income** | | |
| Interest | 774,000 | 1,794,000 |
| Other | 236,000 | 211,000 |
| Equity in earnings of affiliates (Note A) | 1,884,000 | 2,571,000 |
| | 2,894,000 | 4,576,000 |
| **Other deductions** | | |
| Interest | 3,744,000 | 3,461,000 |
| Other | 382,000 | 481,000 |
| | 4,126,000 | 3,942,000 |
| Income before income taxes | 25,592,000 | 28,774,000 |
| **Provision for income taxes (Note E)** | | |
| Current | 9,189,000 | 13,664,000 |
| Deferred | 4,361,000 | 669,000 |
| | 13,550,000 | 14,333,000 |
| Net income | $ 12,042,000 | $ 14,441,000 |
| Earnings per common and common equivalent share (Note G) | $2.55 | $3.04 |

# THE WASHINGTON POST COMPANY

## CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL IN EXCESS OF PAR VALUE, RETAINED EARNINGS AND TREASURY STOCK

| | Fiscal Year Ended | |
|---|---|---|
| | December 28, 1975 | December 29, 1974 |
| **Capital in Excess of Par Value (Note G)** | | |
| Balance, beginning of period | $ 10,302,000 | $10,227,000 |
| Stock options exercised | 67,000 | — |
| Other | 54,000 | 75,000 |
| Balance, end of period | $ 10,423,000 | $10,302,000 |
| **Retained Earnings** | | |
| Balance, beginning of period | $ 92,335,000 | $80,270,000 |
| Net income | 12,042,000 | 14,441,000 |
| Cash dividends on Common Stock: $.50 per share | (2,362,000) | (2,376,000) |
| Balance, end of period | $102,015,000 | $92,335,000 |
| **Treasury Stock** | | |
| Balance, beginning of period | $ 4,959,000 | $ 4,959,000 |
| Stock options exercised (7,250 shares) | (119,000) | — |
| Repurchase of Class B Common Stock (93,650 shares) | 2,511,000 | — |
| Balance, end of period | $ 7,351,000 | $ 4,959,000 |

# THE WASHINGTON POST COMPANY

## CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

| | December 28, 1975 | December 29, 1974 |
|---|---|---|
| **SOURCES OF WORKING CAPITAL** | | |
| Net income | $12,042,000 | $ 14,441,000 |
| Add charges to income not requiring working capital | | |
| Depreciation and amortization of plant facilities | 4,937,000 | 4,319,000 |
| Amortization of television film costs | 3,096,000 | 2,622,000 |
| Amortization of goodwill and other intangibles | 953,000 | 573,000 |
| Income tax timing differences | 5,392,000 | 680,000 |
| Undistributed earnings of affiliates | (1,009,000) | (2,050,000) |
| Other | 1,119,000 | 483,000 |
| Total provided by operations | 26,530,000 | 21,068,000 |
| Increase in deferred subscription income | 7,202,000 | 3,700,000 |
| Proceeds from exercise of Class B common stock options | 186,000 | — |
| (Decrease) increase in liabilities for cost of contracted television film rights | (1,232,000) | 867,000 |
| Long-term debt incurred | — | 22,000,000 |
| Other | 561,000 | 745,000 |
| Total provided | 33,247,000 | 48,380,000 |
| **USES OF WORKING CAPITAL** | | |
| Acquisition of television station and newspaper, net of working capital acquired of $3,536,000: | | |
| Plant assets | — | 9,462,000 |
| Goodwill and other intangibles | — | 37,966,000 |
| Other, net | — | 100,000 |
| | — | 47,528,000 |
| Deposits and other costs for purchase of television station in 1974 | — | (903,000) |
| Purchases of plant assets | 6,718,000 | 3,738,000 |
| Purchases of television film rights | 1,519,000 | 3,671,000 |
| Reduction of long-term debt | 7,384,000 | 8,384,000 |
| Increase (decrease) in deferred magazine subscription procurement costs | 6,575,000 | (963,000) |
| Dividends on common stock | 2,362,000 | 2,376,000 |
| Acquisition of non-operating real estate | 1,237,000 | — |
| Repurchase of Class B common stock | 2,511,000 | — |
| Other | 920,000 | 1,181,000 |
| Total used | 29,226,000 | 65,012,000 |
| Net increase (decrease) in working capital | $ 4,021,000 | $(16,632,000) |
| **CHANGES IN COMPOSITION OF WORKING CAPITAL** | | |
| Cash and time deposits | $(5,995,000) | $(24,687,000) |
| Commercial promissory notes and other marketable securities | 11,405,000 | 263,000 |
| Accounts receivable | 1,024,000 | 10,041,000 |
| Inventories | (1,272,000) | 5,034,000 |
| Prepaid expenses and other | (2,352,000) | 1,075,000 |
| Increase (decrease) in current assets | 2,810,000 | (8,274,000) |
| Accounts payable and accrued expenses | (894,000) | (2,169,000) |
| Federal and state income taxes | 1,521,000 | 48,000 |
| Contributions due to employee benefit trust funds | 584,000 | (587,000) |
| Current portion of long-term debt | — | (5,650,000) |
| Decrease (increase) in current liabilities | 1,211,000 | (8,358,000) |
| Net increase (decrease) in working capital | $ 4,021,000 | $(16,632,000) |

# THE WASHINGTON POST COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Summary of Accounting Policies

*Principles of Consolidation.* The accompanying financial statements include the accounts of all subsidiaries; significant intercompany transactions have been eliminated. The Company reports on a 52-53 week fiscal year ending on the Sunday nearest December 31. All except one of the subsidiaries, however, report on the calendar year.

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

*Plant Assets and Depreciation.* Plant assets are depreciated at annual rates based upon the estimated service lives of assets, using both accelerated and straight-line methods for calculating depreciation for assets acquired prior to 1971. For all plant assets acquired in 1971 and subsequent years the Company has adopted the straight-line method of calculating depreciation for financial reporting purposes. Useful lives of 3 to 11 years are used for machinery and equipment, 20 to 50 years for buildings and 5 to 20 years for land improvements. Leasehold improvements are amortized over the remaining lives of the leases.

Expenditures for maintenance, repairs and renewals are charged against income. Betterments are capitalized. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts in the year of disposal, and any losses or gains that result are reflected in the income statement.

*Deferred Film Costs.* The broadcasting subsidiaries are parties to agreements which entitle them to show motion pictures and syndicated programs on television. The costs of these rights and the liabilities for future payments under these agreements are reflected in the consolidated balance sheets and are charged to expense using accelerated amortization rates for motion pictures and straight-line and accelerated amortization rates for syndicated programs.

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

*Deferred Income and Magazine Subscription Procurement and Book Promotion Costs.* Amounts received from subscribers in advance of deliveries are deferred and recorded as income when deliveries are made. The Company amortizes magazine subscription procurement costs over the lives of the related subscriptions and amortizes book promotion costs over the 12-month period following the dates when the costs are incurred.

*Goodwill and Other Intangibles* represent the unamortized excess of the cost of acquiring subsidiary and affiliated companies over the fair values of such companies' tangible assets at the dates of acquisition. Goodwill and other intangibles acquired prior to October 31, 1970, the effective date of Opinion 17 of the Accounting Principles Board of the American Institute of Certified Public Accountants, are not being amortized because in the opinion of the Company there has been no diminution in the value of such assets. Goodwill and other intangibles acquired subsequently are being amortized by use of the straight-line method over 40 years in accordance with the aforementioned Opinion 17 although in the opinion of the Company there has been no diminution in the value of such assets.

*Translation of Foreign Currencies.* For balance sheet purposes foreign currency assets and liabilities have been translated into U. S. dollars at market rates of exchange in effect at year-end, except for plant assets which are translated at exchange rates in effect at dates acquired.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Income statement amounts, other than depreciation, are translated at annual average market rates of exchange. Gains and losses from currency adjustments which are not material in amount are included in costs and expenses on a current basis.

*Retirement Plans.* The Company and it subsidiaries contribute to various pension, incentive savings and profit sharing plans which cover employees who have prescribed periods of service. Newspaper dealers who have prescribed periods of service participate in an unfunded Circulation Dealers Profit Incentive Plan, the accrued costs of which are charged to current expense; liability under such plan, amounting to $4,556,000 at December 28, 1975 and $4,079,000 at December 29, 1974, is included in "Other liabilities" in the consolidated balance sheet.

In addition, the Company guarantees minimum retirement income benefits that require supplemental payments, which are not material in amount, to certain participants in the Company's profit sharing and newspaper dealer profit incentive plans.

Total expense under the plans described above was $5,382,000 for 1975 and $5,585,000 for 1974 which includes, as to certain of the plans, amortization of prior service costs over periods not exceeding 20 years.

### B. Acquisitions

The Company purchased television station WFSB (formerly WTIC-TV), Hartford, Connecticut, on March 8, 1974 for approximately $35 million, and purchased all the outstanding stock of the Trenton Times Corporation, a newspaper publisher, on October 18, 1974 for approximately $16 million. The acquired properties are accounted for by the purchase method. The purchase prices exceeded the fair market values of the tangible net assets of the acquired businesses by an aggregate of $37,966,000, which amount has been recorded as goodwill and other intangibles and is being amortized on a straight-line basis over a 40-year period from the respective acquisition dates. If the two purchases had been made at the beginning of 1974, unaudited revenues, net income and net income per share after pro forma adjustment for amortization of goodwill and other intangibles and interest for the fiscal year ended December 29, 1974 would have been: revenues, $297,657,000; net income, $13,562,000; net income per share, $2.85.

### C. Inventories

The inventories used in determining operating costs and expenses for the periods presented were as follows:

| | December 28, 1975 | December 29, 1974 | December 30, 1973 |
|---|---|---|---|
| Newsprint | $1,239,000 | $1,914,000 | $ 420,000 |
| Magazine paper | 3,623,000 | 3,043,000 | 1,449,000 |
| Books | 1,389,000 | 2,664,000 | 900,000 |
| Other materials | 976,000 | 878,000 | 696,000 |
| | $7,227,000 | $8,499,000 | $3,465,000 |

Operating costs and expenses include $20,297,000 in 1975 and $22,092,000 in 1974 of cost of newsprint supplied by Bowater Mersey Paper Company Limited.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

D. INVESTMENTS IN AFFILIATES

*Bowater Mersey Paper Company Limited.* The investment in Bowater Mersey Paper Company Limited consists of 49 per cent of the common shares. Condensed statements of financial position and income of that company for 1975 and 1974, stated in Canadian dollars, are set forth below:

CONDENSED STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| | 1975 | 1974 |
| Current assets | $16,333,000 | $16,315,000 |
| Less current liabilities | (10,191,000) | (8,410,000) |
| Working capital | 6,142,000 | 7,905,000 |
| Fixed assets, net | 27,986,000 | 24,968,000 |
| Other assets | 244,000 | 279,000 |
| Long-term debt | — | (1,312,000) |
| Other liabilities | (5,726,000) | (4,725,000) |
| Shareholders' equity: | | |
| Preferred | 2,755,000 | 3,194,000 |
| Common | 25,891,000 | 23,921,000 |
| Total | $28,646,000 | $27,115,000 |

CONDENSED STATEMENTS OF INCOME

| | | |
|---|---|---|
| Sales and other income | $41,007,000 | $42,273,000 |
| Costs and expenses | 34,324,000 | 33,360,000 |
| Income before income taxes | 6,683,000 | 8,913,000 |
| Income taxes | 2,842,000 | 3,653,000 |
| Net income | 3,841,000 | 5,260,000 |
| Preferred dividend requirements | 162,000 | 191,000 |
| Net income applicable to common shares | $ 3,679,000 | $ 5,069,000 |

The investment is reflected in the consolidated balance sheets as follows:

| | December 28, 1975 | December 29, 1974 |
|---|---|---|
| Cost of investment | $ 8,354,000 | $ 8,354,000 |
| Less amount included in consolidated Goodwill | 912,000 | 912,000 |
| Equity in net assets at date of acquisition | 7,442,000 | 7,442,000 |
| Increase in equity since date of acquisition | 4,989,000 | 4,079,000 |
| | $12,431,000 | $11,521,000 |

The Company's equity in the accumulated net assets of Bowater is included in consolidated retained earnings except for $238,000 at December 28, 1975 and $195,000 at December 29, 1974, which is included in capital in excess of par value.

*Other Investments.* The Company has a 30 per cent interest in a French corporation which publishes the International Herald Tribune in Paris and a 50 per cent interest in a joint venture which operates the Los Angeles Times-Washington Post News Service.

### E. Income Taxes and Tax Timing Differences

Income tax expense consists of the following components:

| | Current | Deferred |
|---|---|---|
| **1975** | | |
| U. S. Federal | $ 6,953,000 | $ 3,465,000 |
| Foreign | 131,000 | 134,000 |
| State and Local | 2,105,000 | 762,000 |
| | $ 9,189,000 | $ 4,361,000 |
| **1974** | | |
| U. S. Federal | $11,691,000 | $ 389,000 |
| Foreign | 78,000 | 292,000 |
| State and Local | 1,895,000 | (12,000) |
| | $13,664,000 | $ 669,000 |

"Deferred" or "prepaid" tax expense results from timing differences (1) in the recognition of revenue and expense for tax and financial reporting purposes, (2) in the recognition of income tax to be withheld at source on distribution of earnings of foreign affiliates and (3) on the recognition of investment tax credits which for financial reporting purposes are applied as a reduction of income tax expense over the depreciable lives of the related assets. The sources and effect of these differences were as follows:

| | 1975 | 1974 |
|---|---|---|
| Excess of tax over financial depreciation | $ 891,000 | $ 766,000 |
| Magazine subscription procurement and book promotion costs deducted when incurred for tax reporting and deferred and amortized for financial reporting | 2,797,000 | (697,000) |
| Investment tax credit, net | 430,000 | (18,000) |
| Other | 243,000 | [illegible]8,000 |
| | $4,361,000 | $ 669,000 |

Total income tax expense exceeded 48% of income before taxes by $1,265,000 in 1975 and $522,000 in 1974. The reasons for the differences were as follows:

| | 1975 | 1974 |
|---|---|---|
| State and local taxes on income, net of federal income tax benefit | $1,491,000 | $ 979,000 |
| Amortization of goodwill, expensed for financial reporting and not deductible for tax reporting | 456,000 | 274,000 |
| Canadian income tax netted in equity in earnings of affiliates | (575,000) | (796,000) |
| Other | (107,000) | 65,000 |
| | $1,265,000 | $ 522,000 |

### F. Long-Term Debt and Restrictions on Dividends

Long-term debt consists principally of unsecured promissory notes which require payments each year to maturity. The amount due within one year, $7,384,000, is included in current liabilities.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The composition of long-term debt is:

| Interest Rate | Year of Final Maturity | Outstanding at December 28, 1975 | Outstanding at December 29, 1974 |
|---|---|---|---|
| 6.95% | 1987 | $28,750,000 | $31,000,000 |
| Prime | 1979 | 7,000,000 | 9,000,000 |
| 8.50% | 1979 | 9,600,000 | 12,000,000 |
| 4.00% | 1977 | 1,068,000 | 1,602,000 |
| 5.00% | 1981 | 900,000 | 1,100,000 |
| | | $47,318,000 | $54,702,000 |

The agreements relating to the 6.95% promissory notes and the $10 million borrowed on March 7, 1974 (described below) contain restrictive provisions which pertain principally to the payment of dividends and the redemption or purchase of the Company's capital stock. At the end of 1975 and 1974 retained earnings unrestricted by these provisions were $45,613,000 and $42,695,000. Principal repayments on the 6.95% promissory notes are due as follows: $2,250,000 in each of the years 1976 to 1986, and $4,000,000 in 1987.

On March 7, 1974 the Company borrowed $10,000,000 through the issuance of five-year unsecured notes repayable in semi-annual installments of $1,000,000. These notes bear interest at the prime commercial rate for the first two years, ¼% above the prime rate for the next two years and ½% above the prime rate for the fifth year. The weighted average interest rates paid on these notes were 7.8% in 1975 and 11% in 1974.

On October 18, 1974 the Company issued a five-year unsecured note for $12,000,000 bearing interest at 8.5% in connection with an acquisition. This indebtedness is payable in quarterly installments of $600,000.

The 4% serial promissory notes are payable in Canadian currency in annual installments of $536,000. As security the Company has pledged its common shares of Bowater Mersey Paper Company Limited.

At December 28, 1975, maturities of long-term debt scheduled during each of the succeeding five years were as follows: 1976 and 1977, $7,384,000; 1978, $6,850,000; 1979, $5,850,000; and 1980, $2,450,000.

The Company has lines of credit totaling $12,000,000. As of December 28, 1975, no borrowing had been made under lines of credit.

### G. Capital Stock and Stock Options

Each share of Class A common stock and Class B common stock participates equally in dividends. The Class B stock has limited voting rights and as a class has the right to elect 30% of the Board of Directors; the Class A stock has unlimited voting rights, including the right to elect a majority of the Board of Directors.

In 1971 the Company adopted a Stock Option Plan and reserved 350,000 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. Options may be granted for a term of up to ten years.

At December 28, 1975, 334,325 shares were reserved for issuance under the Stock Option Plan. Of this number, 295,800 shares were subject to options outstanding and 38,525 shares were

available for future grants. Changes in the options outstanding for the two years ended December 28, 1975 and December 29, 1974 were as follows:

| | 1975 | | 1974 | |
|---|---|---|---|---|
| | Number of Shares | Average Option Price | Number of Shares | Average Option Price |
| Beginning of year | 296,400 | $25.63 | 292,650 | $25.99 |
| Options | | | | |
| Granted | 13,500 | 28.50 | 15,000 | 19.41 |
| Exercised | (7,250) | 25.66 | — | — |
| Cancelled | (6,850) | 25.55 | (11,250) | 26.69 |
| End of year | 295,800 | $25.76 | 296,400 | $25.63 |

During 1975 options became exercisable on 73,550 shares having an average option price of $25.60 per share. Of the shares covered by options outstanding at the end of 1975, 250,675 were then exercisable; 19,000 will become exercisable in 1976; 15,625 in 1977; 7,125 in 1978; and 3,375 in 1979.

In January 1976, the Company repurchased 197,500 shares of Class B Common Stock at a cost of $5,085,000.

Per share data is based upon the weighted average number of shares of common stock and common stock equivalents outstanding during the periods, 4,725,000 in 1975 and 4,750,000 in 1974. Shares issuable under stock options are considered common stock equivalents if the fair value of the shares was more than the option price during the period. The number of such equivalents is then reduced by the number of shares which could have been purchased with the proceeds from the sale of the optioned shares had the options been exercised.

## H. Commitments and Contingencies

The Company is contingently liable for payments under employment contracts and for claims and lawsuits arising in the ordinary course of business. The Company is a party to various civil lawsuits arising in the ordinary course of business including libel actions. In the opinion of management the Company carries adequate insurance against liability in such libel actions.

The Company is a defendant in an action brought by a holder of Class B common stock of the Company; the court dismissed the plaintiff's complaint on January 30, 1976, which dismissal is subject to appeal. The Company is also a defendant in a civil antitrust action brought by fourteen distributors of The Washington Post newspaper; and in an action brought by the Company against the International Printing and Graphic Communications Workers and others, the Company is a defendant in a cross-claim by that union and its affiliated local union. In the opinion of management none of such litigation will result in any material liability to the Company, and the Company is not a party to any other material litigation.

The Company has commitments to purchase plant equipment in the ordinary course of business.

*Leases*. Total rental expense included in operations was $3,748,000 for fiscal year 1975 and $3,672,000 for fiscal year 1974. As at December 28, 1975 minimum annual rental commitments under non-cancelable leases were: $1,995,000 for 1976; a lesser amount in each succeeding year to a total of $258,000 for 1980; $1,123,000 for the five-year period 1981-1985; and less than

$150,000 in each of the succeeding five-year periods thereafter, excluding a lease for approximately $800,000 per year which expires in 1979 but which may be renewed for two successive 15-year periods at the option of the Company at amounts to be negotiated. All of these commitments were for real estate except for $365,000 in 1976 and $62,000 in 1977 which relate to equipment.

### I. Sale of Radio Station

Effective February 8, 1976, the Company sold radio station WCKY in Cincinnati, Ohio, to Truth Publishing Company for $3,500,000, of which $2,100,000 was received at the time of the sale and the remaining $1,400,000 is receivable over a six-year period from the date of sale. The estimated gain on sale after giving effect to taxes on income is $1,800,000..

### J. Effect of Newspaper Strike

On October 1, 1975, the pressmen's union struck The Washington Post. Immediately prior to the start of the strike, there was considerable damage to the newspaper's presses. Two other unions subsequently struck the newspaper. The Company carries insurance against property damage and certain other losses incurred as a result of the press damage or the strike. Although not all claims have been filed, amounts estimated to be recoverable from insurance are included in the accounts for 1975.

### K. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following:

| | December 28, 1975 | December 29, 1974 |
|---|---|---|
| Trade payables | $ 9,760,000 | $ 9,586,000 |
| Due to Bowater Mersey Paper Company Limited | 1,360,000 | 2,273,000 |
| Accrued salaries, wages and employee benefits | 5,729,000 | 5,340,000 |
| Accrued expenses | 9,498,000 | 8,254,000 |
| | $26,347,000 | $25,453,000 |

### L. Supplementary Profit and Loss Information

The following have been charged to costs and expenses:

| | Fiscal Year Ended | |
|---|---|---|
| | December 28, 1975 | December 29, 1974 |
| Maintenance and repairs | $1,359,000 | $1,142,000 |
| Taxes other than income taxes | | |
| Property | 1,530,000 | 1,397,000 |
| Payroll | 4,425,000 | 3,951,000 |
| Other | 145,000 | 128,000 |
| Rents | 3,748,000 | 3,672,000 |
| Royalties (primarily amortization of film costs) | 3,096,000 | 2,630,000 |
| Advertising | 4,068,000 | 4,589,000 |
| Research and development | 278,000 | 346,000 |

SCHEDULE III

# THE WASHINGTON POST COMPANY

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

| Column A | Column B | | Column C | | Column D | Column E | |
|---|---|---|---|---|---|---|---|
| | Balance at beginning of period | | Additions | | Deductions | Balance at end of period | |
| Name of issuer and description of investment | Number of shares | Amount | Equity taken up in earnings (losses) of affiliates for the period | Other | Distribution of earnings by persons in which earnings (losses) were taken up | Number of shares | Amount |
| **Year ended December 29, 1974** | | | | | | | |
| Bowater Mersey Paper Company Limited Common Shares ........ | 1,470,000 | $ 9,554,000 | $2,413,000 | $ 75,000(A) | $ 521,000 | 1,470,000 | $11,521,000 |
| Other Investments .......... | | 1,043,000 | 158,000 | 4,000(B) | | | 1,205,000 |
| | | $10,597,000 | $2,571,000 | $ 79,000 | $ 521,000 | | $12,726,000 |
| **Year ended December 28, 1975** | | | | | | | |
| Bowater Mersey Paper Company Limited Common Shares ........ | 1,470,000 | $11,521,000 | $1,741,000 | $ 43,000(A) | $ 874,000 | 1,470,000 | $12,431,000 |
| Other Investments .......... | | 1,205,000 | 143,000 | 3,000(B) | | | 1,351,000 |
| | | $12,726,000 | $1,884,000 | $ 46,000 | $ 874,000 | | $13,782,000 |

(A) Increase in capital surplus.
(B) Increase in investment.

# THE WASHINGTON POST COMPANY

## SCHEDULE V—PROPERTY, PLANT AND EQUIPMENT

| Column A | Column B | Column C | Column D | Column E | Column F |
|---|---|---|---|---|---|
| Classification | Balance at beginning of period | Additions at cost | Retirements | Other changes add (deduct) | Balance at end of period |
| **Year Ended December 29, 1974** | | | | | |
| Plant Assets | | | | | |
| Machinery, equipment and fixtures | $36,332,000 | $ 2,608,000 | $ 1,084,000 | $ 6,751,000 (A) | $44,607,000 |
| Leasehold improvements | 2,562,000 | 274,000 | 53,000 | 4,000 | 2,787,000 |
| Buildings | 32,984,000 | 447,000 | 27,000 | 4,825,000 (B) | 38,229,000 |
| Construction in progress | 212,000 | 407,000 | 93,000 | 227,000 (C) | 753,000 |
| Land | 6,232,000 | 2,000 | | 1,109,000 (D) | 7,343,000 |
| | 78,322,000 | 3,738,000 | 1,257,000 | 12,916,000 | 93,719,000 |
| Other Assets | | | | | |
| Building | 820,000 | | | | 820,000 |
| Land | 1,088,000 | | | | 1,088,000 |
| | 1,908,000 | | | | 1,908,000 |
| | $80,230,000 | $ 3,738,000 | $ 1,257,000 | $12,916,000 | $95,627,000 |
| **Year Ended December 28, 1975** | | | | | |
| Plant Assets | | | | | |
| Machinery, equipment and fixtures | $44,607,000 | $ 3,403,000 | $ 942,000 | $ 2,734,000 (E) | $ 49,802,000 |
| Leasehold improvements | 2,787,000 | 139,000 | 8,000 | 37,000 | 2,955,000 |
| Buildings | 38,229,000 | 190,000 | | 17,000 | 38,436,000 |
| Construction in progress | 753,000 | 2,986,000 | | (2,874,000)(F) | 865,000 |
| Land | 7,343,000 | | | (162,000)(G) | 7,181,000 |
| | 93,719,000 | 6,718,000 | 950,000 | (248,000) | 99,239,000 |
| Other Assets | | | | | |
| Building | 820,000 | 349,000 | | | 1,169,000 |
| Land | 1,088,000 | 888,000 | | | 1,976,000 |
| | 1,908,000 | 1,237,000 | | | 3,145,000 |
| | $95,627,000 | $ 7,955,000 | $ 950,000 | $ (248,000) | $102,384,000 |

(A) Includes $6,709,000 applicable to the purchase of television station and newspaper less $150,000 transferred to "Goodwill and other intangibles".

(B) Includes $5,045,000 applicable to the purchase of television station and newspaper less $75,000 transferred to "Goodwill and other intangibles".

(C) Includes $281,000 applicable to the purchase of newspaper.

(D) Includes $1,184,000 applicable to the purchase of television station and newspaper less $75,000 transferred to "Goodwill and other intangibles".

(E) Includes $2,797,000 applicable to completed construction transferred from related accounts, less $46,000 charged to "Costs and expenses" and $17,000 transferred to "Buildings".

(F) Includes $2,835,000 applicable to completed construction transferred to related accounts and $39,000 charged to "Costs and expenses".

(G) Sale of land.

# THE WASHINGTON POST COMPANY

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

| Column A | Column B | Column C | Column D | Column E | Column F |
|---|---|---|---|---|---|
| Description | Balance at beginning of period | Additions Charged to costs and expenses | Retirements | Other changes add (deduct) | Balance at end of period |
| **Year Ended December 29, 1974** | | | | | |
| Plant Assets | | | | | |
| Machinery, equipment and fixtures | $19,931,000 | $3,162,000 | $765,000 | $2,530,000 (B)(D) | $24,858,000 |
| Leasehold improvements | 1,220,000 | 272,000 | 42,000 | | 1,450,000 |
| Buildings | 8,273,000 | 885,000 | 9,000 | 1,137,000 (C)(E) | 10,286,000 |
| | 29,424,000 | 4,319,000 | 816,000 | 3,667,000 | 36,594,000 |
| Other Assets | | | | | |
| Building | 426,000 | 39,000(A) | | | 465,000 |
| | $29,850,000 | $4,358,000 | $816,000 | $3,667,000 | $37,059,000 |
| **Year Ended December 28, 1975** | | | | | |
| Plant Assets | | | | | |
| Machinery, equipment and fixtures | $24,858,000 | $3,657,000 | $886,000 | $ (10,000)(F) | $27,619,000 |
| Leasehold improvements | 1,450,000 | 307,000 | | | 1,757,000 |
| Buildings | 10,286,000 | 973,000 | | 10,000 (F) | 11,269,000 |
| | 36,594,000 | 4,937,000 | 886,000 | | 40,645,000 |
| Other Assets | | | | | |
| Building | 465,000 | 44,000 | | | 509,000 |
| | $37,059,000 | $4,981,000 | $886,000 | $ — | $41,154,000 |

(A) Charged to "Other deductions".
(B) Includes $73,000 transferred to "Goodwill and other intangibles".
(C) Includes $17,000 transferred to "Goodwill and other intangibles".
(D) Includes $2,603,000 applicable to assets acquired in purchase of newspaper.
(E) Includes $1,154,000 applicable to assets acquired in purchase of newspaper.
(F) Reclassification between "Buildings" and "Machinery, equipment and fixtures".

SCHEDULE VII

# THE WASHINGTON POST COMPANY

## SCHEDULE VII—GOODWILL AND OTHER INTANGIBLES

| Column A | Column B | Column C | Column D | Column E | Column F |
|---|---|---|---|---|---|
| Description | Balance at beginning of period | Additions | Charged to profit and loss | Other changes | Balance at end of period |
| Year ended December 29, 1974 | | | | | |
| Goodwill | $38,107,000 | $37,966,000 | $571,000 | $498,000(A) | $76,000,000 |
| Leasehold interest | 207,000 | | 2,000 | | 205,000 |
| | $38,314,000 | $37,966,000 | $573,000 | $498,000 | $76,205,000 |
| Year ended December 28, 1975 | | | | | |
| Goodwill | $76,000,000 | | $951,000 | | $75,049,000 |
| Leasehold interest | 205,000 | | 2,000 | | 203,000 |
| | $76,205,000 | | $953,000 | | $75,252,000 |

(A) Additional goodwill resulting from Internal Revenue Service examination.

# THE WASHINGTON POST COMPANY

## SCHEDULE VIII—ACCUMULATED AMORTIZATION OF GOODWILL AND OTHER INTANGIBLES

| Column A | Column B | Column C | Column D | Column E |
|---|---|---|---|---|
| Description | Balance at beginning of period | Charged to profit and loss | Deduction from reserve | Balance at end of period |
| Year ended December 29, 1974 | | | | |
| Goodwill | $ — | $571,000 | | $ 571,000 |
| Leasehold interest | 27,000 | 2,000 | | 29,000 |
| | $27,000 | $573,000 | | $ 600,000 |
| Year ended December 28, 1975 | | | | |
| Goodwill | $571,000 | $951,000 | | $1,522,000 |
| Leasehold interest | 29,000 | 2,000 | | 31,000 |
| | $600,000 | $953,000 | | $1,553,000 |

SCHEDULE XII

# THE WASHINGTON POST COMPANY

## SCHEDULE XII—VALUATION ACCOUNTS AND RESERVES

| Column A | Column B | Column C | | Column D | Column E |
|---|---|---|---|---|---|
| | | Additions | | | |
| Description | Balance at beginning of period | Charged to costs and expenses | Other | Deductions | Balance at end of period |
| Year ended December 29, 1974 | | | | | |
| Allowance for doubtful accounts and returns | $1,865,000 | $ 7,696,000 | $153,000(A) | $ 6,956,000 | $2,758,000 |
| Allowance for advertising rate adjustments and discounts | 1,223,000 | 2,289,000 | | 2,249,000 | 1,263,000 |
| | 3,088,000 | 9,985,000 | 153,000 | 9,205,000 | 4,021,000 |
| Other | 50,000 | 55,000 | | 55,000(B) | 50,000 |
| | $3,138,000 | $10,040,000 | $153,000 | $ 9,260,000 | $4,071,000 |
| Year ended December 28, 1975 | | | | | |
| Allowance for doubtful accounts and returns | $2,758,000 | $ 9,014,000 | $134,000 | $ 8,874,000 | $3,032,000 |
| Allowance for advertising rate adjustments and discounts | 1,263,000 | 1,871,000 | (11,000) | 2,018,000 | 1,105,000 |
| | 4,021,000 | 10,885,000 | 123,000 | 10,892,000 | 4,137,000 |
| Other | 50,000 | | | | 50,000 |
| | $4,071,000 | $10,885,000 | $123,000 | $10,892,000 | $4,187,000 |

(A) Acquired in purchase of newspaper.
(B) Transferred to "Deferred charges and other assets".

## REPORT OF INDEPENDENT CHARTERED ACCOUNTANTS

TO THE WASHINGTON POST COMPANY

We have examined the consolidated balance sheets of Bowater Mersey Paper Company Limited and subsidiary companies at December 31st, 1975 and 1974, and the related consolidated statements of income and retained earnings, changes in financial position and changes in contributed surplus and capital redemption reserve for the two years ended December 31st, 1975. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of Bowater Mersey Paper Company Limited and subsidiary companies at December 31st, 1975 and 1974, and the results of their operations and the changes in their financial position for the two years ended December 31st, 1975, in accordance with generally accepted accounting principles applied on a consistent basis; and the supporting schedules, in our opinion, present fairly the information set forth therein.

Peat, Marwick, Mitchell & Co.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

Halifax, Nova Scotia
January 30, 1976

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# BOWATER MERSEY PAPER COMPANY LIMITED
## AND SUBSIDIARY COMPANIES

## CONSOLIDATED BALANCE SHEETS

(Stated in thousands of Canadian Dollars)

### ASSETS

| | December 31, 1975 | 1974 |
|---|---|---|
| Current assets: | | |
| Accounts receivable: | | |
| Affiliates, principally trade | $ 7,360 | $10,812 |
| Income taxes recoverable | 1,169 | — |
| Other | 1,001 | 719 |
| | 9,530 | 11,531 |
| Inventories, at the lower of cost or net realizable value (note 2) | 6,464 | 4,643 |
| Prepaid expenses | 339 | 141 |
| Total current assets | 16,333 | 16,315 |
| Fixed assets (note 3): | | |
| Properties, timberlands, plant and equipment, at cost | 69.552 | 63,633 |
| Less accumulated depreciation and depletion | 41,566 | 38,665 |
| | 27,986 | 24,968 |
| Other assets (note 4): | | |
| Organization and financing expenses | 46 | 93 |
| Deferred charges | 198 | 186 |
| | 244 | 279 |
| | $44,563 | $41,562 |

See accompanying notes to consolidated financial statements.

# BOWATER MERSEY PAPER COMPANY LIMITED
## AND SUBSIDIARY COMPANIES

## CONSOLIDATED BALANCE SHEETS

(Stated in thousands of Canadian Dollars)

## LIABILITIES AND SHAREHOLDERS' EQUITY

| | December 31, 1975 | December 31, 1974 |
|---|---|---|
| **Current liabilities:** | | |
| Bank loans and overdrafts, secured | $ 1,503 | $ 792 |
| Current instalment of long-term debt (note 6) | 1,300 | 1,288 |
| Accounts payable and accrued liabilities | 3,653 | 3,446 |
| Accrued interest on long-term debt | 6 | 10 |
| Payables to affiliates | 2,490 | 120 |
| Income taxes payable | — | 1,509 |
| Dividends payable | 1,239 | 1,245 |
| Total current liabilities | 10,191 | 8,410 |
| Long-term debt, net of current instalment (note 6) | — | 1,312 |
| Deferred income taxes | 5,726 | 4,725 |
| **Shareholders' equity (notes 6, 7, 8 and 9):** | | |
| Capital stock: | | |
| 5½% cumulative redeemable preferred shares, par value $50 per share Authorized and issued 55,913 shares less 806 shares redeemed | 2,755 | 3,194 |
| Common shares of no par value. Authorized and issued 3,000,000 shares | 15,000 | 15,000 |
| | 17,755 | 18,194 |
| Contributed surplus | 748 | 658 |
| Capital redemption reserve | 40 | 54 |
| Retained earnings (note 6) | 10,103 | 8,209 |
| Total shareholders' equity | 28,646 | 27,115 |
| | $44,563 | $41,562 |

See accompanying notes to consolidated financial statements.

## BOWATER MERSEY PAPER COMPANY LIMITED
### AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(Stated in thousands of Canadian Dollars)

| | Year ended December 31, 1975 | 1974 |
|---|---|---|
| Sales (including to affiliates, 1975—$35,876; 1974—$37,350) | $41,007 | $42,482 |
| Cost of goods sold, excluding depreciation and amortization | 25,460 | 24,453 |
| Gross profit before depreciation and amortization | 15,547 | 18,029 |
| Shipping, selling and administrative expenses | 5,729 | 6,369 |
| Depreciation | 3,003 | 2,976 |
| | 8,732 | 9,345 |
| Operating income | 6,815 | 8,684 |
| Other income | 236 | 568 |
| | 7,051 | 9,252 |
| Other Charges: | | |
| Interest on loans and advances | 159 | 84 |
| Interest on long-term debt | 128 | 184 |
| Amortization of other assets | 81 | 71 |
| | 368 | 339 |
| Income before provision for income taxes | 6,683 | 8,913 |
| Provision for income taxes: | | |
| Current | 1,667 | 3,365 |
| Investment tax credit realized | 174 | — |
| Deferred | 1,001 | 288 |
| | 2,842 | 3,653 |
| Net income | 3,841 | [illegible],260 |
| Retained earnings, at beginning of year | 8,209 | 4,970 |
| | 12,050 | 10,230 |
| Dividends paid or declared: | | |
| Preferred shares | 162 | 191 |
| Common Shares | 1,800 | 1,800 |
| | 1,962 | 1,991 |
| | 10,088 | 8,239 |
| Transfer (to) from capital redemption reserve on cancellation of preferred shares, net | 15 | (30) |
| Retained earnings, at end of year | $10.103 | $ 8.209 |

See accompanying notes to consolidated financial statements.

# BOWATER MERSEY PAPER COMPANY LIMITED

## AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(Stated in thousands of Canadian Dollars)

| | Year ended December 31 1975 | 1974 |
|---|---|---|
| Funds provided: | | |
| From operations: | | |
| Net income | $ 3,841 | $ 5,260 |
| Add (deduct) amounts included which have no effect on funds: | | |
| Depreciation | 3,003 | 2,976 |
| Depletion of timberlands | 257 | 331 |
| Amortization of other assets | 81 | 71 |
| Investment tax credit realized | 174 | — |
| Deferred income taxes | 1,001 | 288 |
| Funds provided from operations | 8,357 | 8,926 |
| Proceeds from disposal of assets | 453 | 4 |
| Total funds provided | 8,810 | 8,930 |
| Funds used: | | |
| Dividends | 1,962 | 1,991 |
| Additions to fixed assets | 6,904 | 5,554 |
| Other assets | 46 | 3 |
| Reduction in long-term debt | 1,312 | 1,294 |
| Redemption of preferred shares | 349 | 560 |
| Total funds used | 10,573 | 9,402 |
| Decrease in working capital | $ 1,763 | $ 472 |
| Changes in composition of working capital: | | |
| Increase (decrease) in current assets: | | |
| Accounts receivable | $(2,001) | $ 1,353 |
| Inventories | 1,821 | 608 |
| Prepaid expenses | 198 | (174) |
| | 18 | 1,787 |
| (Increase) decrease in current liabilities: | | |
| Bank loans and overdrafts | (711) | 103 |
| Current instalment of long-term debt | (12) | 6 |
| Accounts payable and accrued liabilities | (207) | (531) |
| Accrued interest on long-term debt | 4 | 6 |
| Payables to affiliates | (2,370) | 27 |
| Income taxes payable | 1,509 | (1,130) |
| Dividends payable | 6 | (740) |
| | (1,781) | (2,259) |
| Decrease in working capital | $ 1,763 | $ 472 |

See accompanying notes to consolidated financial statements.

# BOWATER MERSEY PAPER COMPANY LIMITED
AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENTS OF CHANGES IN CONTRIBUTED SURPLUS AND CAPITAL REDEMPTION RESERVE

(Stated in thousands of Canadian Dollars)

| | Year ended December 31 | |
|---|---|---|
| | 1975 | 1974 |
| **Contributed surplus:** | | |
| Balance at beginning of year | $ 658 | $ 509 |
| Gain on redemption of preferred shares | 90 | 149 |
| Balance at end of year | $ 748 | $ 658 |
| **Capital redemption reserve:** | | |
| Balance at beginning of year | $ 54 | $ 24 |
| Transfer from retained earnings on cancellation of preferred shares | 439 | 709 |
| | 493 | 733 |
| Transfer to retained earnings on reduction of preferred capital | 453 | 679 |
| Balance at end of year | $ 40 | $ 54 |

See accompanying notes to consolidated financial statements.

# BOWATER MERSEY PAPER COMPANY LIMITED
## AND SUBSIDIARY COMPANIES
## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies:

*Principles of consolidation:*

The accompanying consolidated financial statements include the accounts of Bowater Mersey Paper Company Limited and all its subsidiary companies. All material inter-company items have been eliminated.

*Translation of foreign currency balances:*

Assets and liabilities in foreign currencies (mainly U. S. dollars) are translated into Canadian dollars at the rates of exchange prevailing at the balance sheet dates.

U. S. dollar transactions, principally sales, are included in the income statement at the amounts realized in Canadian dollars. Other foreign currency transactions affecting the income statement are not significant.

*Inventories:*

Inventories are stated at the lower of average cost, including production overheads, and net realizable value.

*Income taxes:*

The statutory tax rate applicable to the Company is 40%.

Deferred income taxes are provided for all significant timing differences in reporting income and expenses for financial statement and tax purposes. The timing differences arise principally from differences in accounting and tax depreciation.

*Fixed assets:*

Fixed assets are retained in the accounts until they are sold or otherwise disposed of, at which time the cost of the asset is removed from the accounts and the difference between this amount and the related amount of sales proceeds is debited to accumulated depreciation. Repairs and maintenance of fixed assets are charged to operating expenses when incurred and significant improvements of fixed assets are capitalized.

The assets comprising the buildings, docks and dams and plant and equipment are depreciated on a straight line basis at 5% per annum. Woods equipment is depreciated on the residual balance at rates varying from 5% to 50% depending upon the estimated life of the asset. Timberlands are depleted at amounts per thousand of sawlogs and at amounts per cord of pulpwood delivered to the mill and estimated to be sufficient to fully amortize the cost of timberlands when the available timber is removed.

*Investment tax credit:*

The Federal government investment tax credit is being deducted from the cost of the related fixed assets with the depreciation being calculated on the net amount as outlined under fixed assets. The full amount available for 1975 has been claimed against current income taxes payable.

# BOWATER MERSEY PAPER COMPANY LIMITED
## AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

2. **Inventories:**

| | December 31 | |
|---|---|---|
| | 1975 | 1974 |
| Raw materials and supplies | $ 3,943 | $ 2,967 |
| Woods operations | 2,436 | 1,349 |
| Newsprint rolls | 85 | 327 |
| | $ 6,464 | $ 4,643 |

Inventories used in computing cost of goods sold were as follows:

| | |
|---|---|
| December 31, 1973 | $4,035 |
| December 31, 1974 | 4,643 |
| December 31, 1975 | 6,464 |

3. **Fixed Assets, Depreciation and Depletion:**

| | December 31 | |
|---|---|---|
| | 1975 | 1974 |
| Freehold land, buildings, docks and dams | $15,200 | $13,375 |
| Plant and equipment | 45,843 | 42,010 |
| Timberlands and woods equipment | 8,509 | 8,248 |
| | $69,552 | $63,633 |

4. **Other Assets:**

Organization and financing expenses were comprised of the following amounts:

| | December 31 | |
|---|---|---|
| | 1975 | 1974 |
| Organization and financing | $ 26 | $ 53 |
| Exchange and expenses re sale of first mortgage sinking fund bonds | 20 | 40 |
| | $ 46 | $ 93 |

These expenses are being amortized in equal amounts to 1976.

Deferred charges were comprised of the following amounts:

| | December 31 | |
|---|---|---|
| | 1975 | 1974 |
| Prepayment of power substation rental | $ 143 | $ 154 |
| Roads used in woods operations | 55 | 32 |
| | $ 198 | $ 186 |

The prepayment of power substation rental is being amortized in equal annual amounts to 1988. The cost of roads used in woods operations is being written off in amounts depending upon the estimated life of the asset.

## BOWATER MERSEY PAPER COMPANY LIMITED
### AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

| | December 31 | |
|---|---|---|
| | 1975 | 1974 |
| Trade payables | $ 2,095 | $ 2,328 |
| Accrued salaries and wages | 584 | 229 |
| Accrued vacation benefits | 974 | 889 |
| | $ 3,653 | $ 3,446 |

6. LONG-TERM DEBT, NET OF CURRENT INSTALMENT:

| | December 31 | |
|---|---|---|
| | 1975 | 1974 |
| 5% First mortgage sinking fund bonds, Series "A", due December 1, 1976, payable in annual instalments of U. S. $1,300,000 | $ 1,300 | $ 2,600 |
| Less instalment due December 1, 1976, U. S. $1,300,000 | 1,300 | 1,288 |
| | $ — | $ 1,312 |

The Deed of Trust and Mortgage securing the First Mortgage Bonds places restrictions on the payment of dividends. At December 31, 1975, retained earnings of $7,657,000 were available for the payment of dividends.

7. CAPITAL:

*Preferred shares:*

The preferred share capital is redeemable at $50.25 per share at the option of the company. The holders of the shares are entitled to receive fixed cumulative dividends of 5½% per annum on the par value of the shares.

The company is obligated to use as a $50 Preferred Stock Purchase Fund an amount of money equal to 1% annually of the aggregate issue for the purchase on the open market or by tender for retirement of shares to the extent that such shares are available at a price not exceeding their par value. The company is permitted at any time to anticipate the whole or any part of the Preferred Stock Purchase Fund by purchasing shares for retirement in reduction of the obligation thereafter becoming due.

At December 31, 1975, 144,893 shares had been redeemed through the operations of the Preferred Stock Purchase Fund.

*Common shares:*

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

8. CONTRIBUTED SURPLUS:

Contributed surplus comprises $487,000 in credits from the redemption of preferred shares purchased by the company at less than par value, and $261,000 contributed by a shareholder to improve the capital position.



2

# BOWATER MERSEY PAPER COMPANY LIMITED
## AND SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

9. CAPITAL REDEMPTION RESERVE:

Capital redemption reserve (a Canadian legal requirement) is an appropriation of retained earnings equivalent to the par value of preferred shares redeemed for which an application for a reduction of capital has not yet been made.

10. PENSION PLAN:

The company has a contributory trusteed pension plan covering substantially all its employees. The company's policy is to fund pension costs as accrued. Based on the most recent independent actuarial report, the single sum liability for unfunded pension benefits is estimated at $2,875,000.

This liability is being funded over a period of up to 20 years commencing in 1973. Total pension expenses amounted to $569,000 and $839,000 for the two years ended December 31, 1974 and 1975, respectively.

The plan is integrated with the Canada Pension Plan of the Government of Canada, whose annual cost to the company is approximately $105,000.

11. SUPPLEMENTARY INFORMATION IN RESPECT OF SHORT-TERM BORROWING DURING THE YEAR ENDED DECEMBER 31, 1975:

| | |
|---|---|
| Highest amount (as of a month end) outstanding | $1,400,000 |
| The average aggregate outstanding | 499,452 |
| Average annual interest rate | 10.0% |
| Approximate aggregate weighted average interest rate | 9.59% |

At December 31, 1975, the outstanding balance was $950,000 and the approved line of credit was $3,000,000.

12. COMMITMENTS:

At December 31, 1975, commitments in respect of orders placed for fixed assets were estimated to amount to $1,473,000, and it is estimated that an additional $989,000 will be required to complete the major projects in progress.

The company has entered into non-cancellable leases to lease equipment for various periods to 1986. The minimum annual rentals under leases in force at December 31, 1975 are—1976—$585,000; 1977—$549,000; 1978—$485,000; 1979— $387,000; 1980—$169,000; for the years 1981—1985 the total is $534,000; thereafter $21,000 in total.

In addition, the company has a cancellable lease for data processing equipment with a yearly rental of $44,626.

13. ASSETS PLEDGED:

The bank holds as security for its loans an assignment of inventories as provided under Section 88 of The Bank Act.

The net book value of fixed assets at December 31, 1975 pledged under the Deed of Trust and Mortgage securing the first mortgage bonds was $27,986,000.

14. The company is subject to restrictions on prices, profits, compensation and dividends under the Anti-Inflation Act of the Government of Canada.

## BOWATER MERSEY PAPER COMPANY LIMITED

### AND SUBSIDIARY COMPANIES

### Schedule V—Properties, Timberlands, Plant and Equipment

### Year ended December 31, 1975

(Stated in thousands of Canadian Dollars)

| | Balance at Beginning of Period | Additions at cost | Investment tax credit | Disposals at cost | Balance at End of Period |
|---|---|---|---|---|---|
| Freehold land | $ 162 | $ — | $ — | $ — | $ 162 |
| Buildings, docks and dams | 13,213 | 1,871 | 46 | — | 15,038 |
| Plant and equipment | 42,010 | 4,314 | 117 | 364 | 45,843 |
| Timberlands | 6,787 | 652 | — | 315 | 7,124 |
| Woods equipment | 1,461 | 57 | 2 | 141 | 1,385 |
| | $63,633 | $ 6,904 | $ 165 | $ 820 | $69,552 |

### Year ended December 31, 1974

(Stated in thousands of Canadian Dollars)

| | Balance at Beginning of Period | Additions at cost | Disposals at cost | Balance at End of Period |
|---|---|---|---|---|
| Freehold land | $ 162 | $ — | $ — | $ 162 |
| Buildings, docks and dams | 12,163 | 1,050 | — | 13,213 |
| Plant and equipment | 37,778 | 4,232 | — | 42,010 |
| Timberlands | 6,532 | 255 | — | 6,787 |
| Woods equipment | 1,488 | 17 | 44 | 1,461 |
| | $58,123 | $ 5,554 | $ 44 | $63,633 |

# BOWATER MERSEY PAPER COMPANY LIMITED

AND SUBSIDIARY COMPANIES

## Schedule VI—Accumulated Depreciation and Depletion of Buildings, Docks, Dams, Plant, Equipment. Timberlands and Woods Equipment

### Year ended December 31, 1975

(Stated in thousands of Canadian Dollars)

| | Balance at Beginning of Period | Depreciation and Depletion | Deductions for Sales | Balance at End of Period |
|---|---|---|---|---|
| Buildings, docks and dams and plant and equipment | $33,274 | $ 2,963 | $ 272 | $35,965 |
| Timberlands | 4,201 | 257 | — | 4,458 |
| Woods equipment | 1,190 | 49 | 96 | 1,143 |
| | $38,665 | $ 3,269 | $ 368 | $41,566 |

### Year ended December 31, 1974

(Stated in thousands of Canadian Dollars)

| | Balance at Beginning of Period | Depreciation and Depletion | Deductions for Sales | Balance at End of period |
|---|---|---|---|---|
| Buildings, docks and dams and plant and equipment | $30,377 | $ 2,897 | $ — | $33,274 |
| Timberlands | 3,870 | 331 | — | 4,201 |
| Woods equipment | 1,150 | 79 | 39 | 1,190 |
| | $35,397 | $ 3,307 | $ 39 | $38,665 |

# BOWATER MERSEY PAPER COMPANY LIMITED

AND SUBSIDIARY COMPANIES

## Schedule IX—Bonds, Mortgages and Similar Debt

### Years ended December 31, 1975 and 1974

| Title of Issue | Amount Authorized | Amount Issued and not Retired or Cancelled | Amount Held by or for Account of Issuer | Amount not Held by or for Account of Issuer | Amount in Related Balance Sheet | Amount in Sinking Funds of Issuer | Amount Pledged by Issuer | Amount Held by Affiliates: Persons Included in Consolidation | Amount Held by Affiliates: Others |
|---|---|---|---|---|---|---|---|---|---|
| December 31, 1975: | | | | | | | | | |
| 5% First mortgage sinking fund bonds series "A" due December 1, 1976 | $26,000 | $1,300 | $ — | $1,300 | $1,300 | $ — | $ — | $ — | $ — |
| December 31, 1974: | | | | | | | | | |
| 5% First mortgage sinking fund bonds series "A" due December 1, 1976 | $26,000 | $2,600 | $ — | $2,600 | $2,600 | $ — | $ — | $ — | $ — |

| | 1975 |
|---|---|
| Current instalments of long-term debt | $1,300 |
| Long-term debt | — |
| | $1,300 |

| | 1974 |
|---|---|
| Current instalments of long-term debt | $1,288 |
| Long-term debt | 1,312 |
| | $2,600 |

# BOWATER MERSEY PAPER COMPANY LIMITED
## AND SUBSIDIARY COMPANIES

### Schedule XVI—Supplementary Income Statement Information

(Stated in thousands of Canadian Dollars)

| | Year ended December 31 | |
|---|---|---|
| | 1975 | 1974 |
| Maintenance and repairs: | | |
| Cost of goods sold | $ 2,629 | $ 2,011 |
| Other | — | 58 |
| | $ 2,629 | $ 2,069 |
| Depreciation and depletion | $ 3,269 | $ 3,307 |
| Less amortization of investment tax credit | 9 | — |
| | $ 3,260 | $ 3,307 |
| Taxes, other than income taxes: | | |
| Real estate: | | |
| Cost of goods sold | $ 203 | $ 192 |
| Other | 427 | 371 |
| | $ 630 | $ 563 |
| Rents: | | |
| Cost of goods sold | $ 536 | $ 408 |
| Other | — | — |
| | $ 536 | $ 408 |

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

EXHIBIT NO. 1

January 20, 1976

Mr. Joel Chaseman
Post-Newsweek Stations, Florida, Inc.
Broadcast House
40th and Brandywine Streets, N.W.
Washington, D. C. 20016

Dear Mr. Chaseman:

This letter is intended to reflect our agreement that paragraph 4 of the Agreement dated as of November 15, 1974, between Post-Newsweek Stations, Florida, Inc. (PNS) and Truth Publishing Company, Inc. (Truth) entitled "Agreement for the Sale and Purchase of Radio Station WCKY" (the Purchase Agreement) is amended to provide that on the Closing Date Truth will purchase the Station Property from PNS for a total purchase price of Three Million Five Hundred Thousand Dollars ($3,500,000), to be paid on the Closing Date as follows:

1. The Escrow Agent shall deliver the $50,000 Deposit to PNS;

2. Truth shall pay to PNS by cashier's or certified check the sum of Two Million Fifty Thousand Dollars ($2,050,000); and

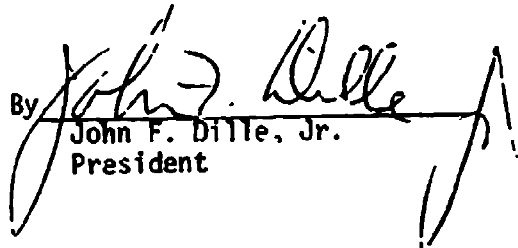
3. The remaining $1,400,000 shall be paid by delivery to PNS of Truth's promissory note payable in installments on the following anniversaries of the Closing Date:

| | | | |
|---|---|---|---|
| Second | Anniversary | | $ 175 000 |
| Third | " | " | 225,000 |
| Fourth | " | " | 250,000 |
| Fifth | " | " | 325,000 |
| Sixth | " | " | 425,000 |
| | | | $1,400,000 |

If the foregoing correctly reflects our agreement, please so indicate by signing the enclosed copy of this letter in the place indicated below and returning it to the undersigned.

Yours truly,

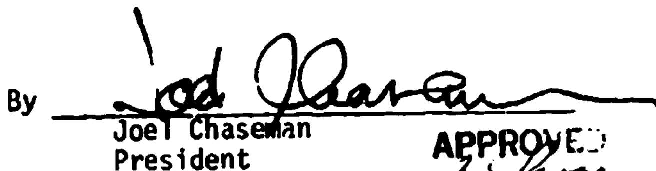
TRUTH PUBLISHING COMPANY, INC.



By John F. Dille, Jr.
President

Agreed:

POST-NEWSWEEK STATIONS, FLORIDA, INC.



By Joel Chaseman
President

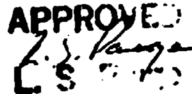


EXHIBIT NO. 2

THE WASHINGTON POST COMPANY
Profit Sharing Plan

Statement of Amendments
(Effective December 28, 1975)

1. Amend the Introduction by deleting the third sentence and substituting therefor the following:

"The trust fund is to be invested in such securities or other property as the Trustee may select, but it may be invested in securities issued by the Company only on direction of the Profit Sharing Committee."

2. Amend Section 1.1 to alphabetize the definitions therein.

3. Add a definition of "Act" to read as follows:

"The Employee Retirement Income Security Act of 1974. All references to any section of the Act shall be deemed to refer not only to such section but also to any amendment thereof and any successor statutory provision."

4. Add a definition of "Break in Service" to read as follows:

"Any Year during which an Employee or an employee of a Subsidiary does not complete more than 500 Hours of Service."

5. Add a definition of "Code" to read as follows:

"The Internal Revenue Code of 1954. All references

to any section of the Code shall be deemed to refer not only to such section but also to any amendment thereof and any successor statutory provision."

6. Amend the definition of "Employee" by deleting the first sentence and substituting therefor the following:

   "Any person (other than Katharine Graham) who is employed by an Employing Company."

7. Add a definition of "Fiduciary" to read as follows:

   "Any person to the extent that he (1) exercises any discretionary authority or discretionary control respecting management of the Plan or exercises any authority or control respecting management or disposition of its assets, (2) renders investment advice for a fee or other compensation, direct or indirect, with respect to any moneys or other property of the Plan, or has any authority or responsibility to do so, or (3) has any discretionary authority or discretionary responsibility in the administration of the Plan. Such term includes persons designated by fiduciaries named in the Plan to carry out fiduciary responsibilities under the Plan."

8. Add a definition of "Forfeiture Account" to read as follows"

   "An account to which are credited Units forfeited

on termination of employment by Members formerly employed by a particular Employing Company, as provided in Section 5.1(e)."

9. Add a definition of "Hours of Service" to read as follows:

"(1) With respect to an Employee or an employee of a Subsidiary for whom a time record is kept of his actual hours worked, all hours (i) for which he receives or is entitled to receive compensation (including back pay, if any) from an Employing Company or a Subsidiary or (ii) which shall be included in any period of uncompensated leave of absence authorized by an Employing Company or Subsidiary;

(2) with respect to any other Employee or employee of a Subsidiary, 40 hours for each week (i) which is a scheduled work week for which he receives or is entitled to receive compensation (including back pay, if any) from an Employing Company or Subsidiary or (ii) which shall be included in any period of uncompensated leave of absence authorized by an Employing Company or Subsidiary;

provided, however, that if an Employee or an employee of a Subsidiary fails to return to employment with an Employing Company or a Subsidiary immediately upon the expiration of any such leave of absence, no hours in-

cluded in the period of such leave of absence shall constitute Hours of Service."

10. Amend the definition of "Member" to read in full as follows:

"In respect of any Year, an Employee who at the end of such Year (1) has attained age 25, (2) has completed a Year of Eligibility Service commencing prior to December 1 of such Year and (3) has completed 1,000 Hours of Service as an Employee during such Year; provided, however, that an Employee who satisfies only conditions (1) and (2) during the first full Year in which he is an Employee, or in the first full Year following a Break in Service, shall nevertheless be a Member for such Year."

11. Amend the definition of "Profit Sharing Profit" to read in full as follows:

"In respect of any Year, the Consolidated Net Income of the Employing Companies (other than any Employing Company with respect to which the Plan shall have been discontinued) for such Year before any contributions under the Plan, any tax based upon income, any gain or loss from the disposition of assets not held for sale in the ordinary course of business and any dividend to the Company from a Subsidiary."

12. Amend the definition of "Successor" by inserting, after the word "Member" or "Member's", the words "or Nonparticipating Employee" or "or Nonparticipating Employee's".

13. Amend the definition of "Trust Fund" to read in full as follows:

"The property from time to time acquired and held by the Trustee, except that cash set apart and held in interest-bearing accounts or invested in units of participation in the discretionary common trust fund maintained by the Trustee pursuant to Section 5.1(c) or (d) or Section 5.2(b) shall not be deemed to be a part of the Trust Fund for the purposes of Sections 2.1, 4.1, 4.2, 4.3 or 9.1. On direction of the Committee, the Trustee may invest the assets of the Trust Fund in, and the Trust Fund may include, securities issued by the Company, provided that at no time after December 28, 1975, shall more than 75% of the assets of the Trust Fund be invested in such securities."

14. Add a definition of "Year of Eligibility Service" to read as follows:

"With respect to an Employee or an employee of a Subsidiary, the following periods in which he completes at least 1,000 Hours of Service (regardless of whether

or not he is an Employee or an employee of a Subsidiary throughout such period):

(a) the period of 12 consecutive months beginning on the date of his initial employment by an Employing Company or a Subsidiary or the date of such employment following a Break in Service; and

(b) any Year which does not include the first day of the 12-month period referred to in clause (a) above."

15. Add a definition of "Year of Vesting Service" to read as follows:

"A Year in which an Employee or an employee of a Subsidiary has attained age 22 and completes at least 1,000 Hours of Service; provided, however, that he shall be credited with a Year of Vesting Service if his first Year of Eligibility Service overlaps two Years and he fails to complete 1,000 Hours of Service in either of the overlapped Years. Any such person shall be credited with a Year of Vesting Service regardless of whether or not he is employed by an Employing Company or a Subsidiary throughout an applicable Year. If a person remains or becomes an Employee or an employee of a Subsidiary after a Break in Service, he shall receive credit for his Years of Vesting Service before such Break

only if (1) he completes a Year of Eligibility Service after such Break and (2) he had at least one Year of Vesting Service before such Break."

16. Amend Section 3.1 to read in full as follows:

"Rules for Determining Membership. Anything in the Plan to the contrary notwithstanding, no Employee shall be a Member for any Year after the Year 1973 during any part of which he shall be eligible to participate in any retirement, pension or similar plan under which an Employing Company makes contributions in lieu of contributions under this Plan. If a circulation dealer or agent ceases to be such in order to accept a position at the principal office of the Company, then solely for the purposes of this Section 3.1 he shall be deemed to have been an Employee while serving as such dealer or agent."

17. Amend Section 4.1 by substituting a semicolon for the period at the end thereof and adding the following:

"provided, however, that there shall not be set apart in respect of any Member for any Year an amount which, when added to any amounts from the Forfeiture Account allocable to his account as provided in Section 5.1(e), exceeds the lesser of (a) 25% of the Compensation of such Member for such Year or (b) $25,000, as such amount

may be adjusted as provided in Section 415(d) of the Code."

18. Amend the introductory clause of Section 5.1 to read in full as follows:

"When a Member ceases to be an Employee, Units in his account shall be credited as follows:".

19. Amend subparagraph (a) of Section 5.1 by deleting the first sentence and substituting therefor the following:

"If he becomes a Nonparticipating Employee, or if he ceases to be an Employee (i) because of his death, disability or mental incompetency or because his Employing Company ceases to be a Subsidiary, or (ii) for any reason on a date subsequent to December 28, 1975, after having at least ten Years of Vesting Service, or (iii) for any reason after attaining age 60, all the Units then in his account shall be irrevocably credited to his account."

20. Amend subparagraph (b) of Section 5.1 to read in full as follows:

"If he ceases to be an Employee under any other circumstances, there shall be irrevocably credited to his account a number of Units equal to the product obtained by multiplying the aggregate number of Units in his account by 10% for each Year (not exceeding 7) of his Years of Vesting Service."

21. Amend subparagraph (c) of Section 5.1 to read in full as follows:

"If a Member who ceases to be an Employee again becomes an Employee before a Break in Service, he may repay the amount received by him in distribution of the vested portion of his account in accordance with the provisions of subparagraph (b) of this Section 5.1 and Section 5.2. If such repayment is made, the nonvested portion of his account then held in the Forfeiture Account, as provided in subparagraph (e) of this Section 5.1, shall be restored to his credit as of the Valuation Date coincident with, or otherwise next following, the date on which he again becomes an Employee."

22. Amend subparagraph (d) of Section 5.1 to read in full as follows:

"Solely for the purposes of this Section and Section 5.2, the employment of an Employee by a Subsidiary immediately after the termination of his employment with an Employing Company shall be deemed to be employment with an Employing Company and shall not affect his status as an Employee hereunder. However, upon his becoming an employee of a Subsidiary, cash equal to the value of the Units then credited to his account, determined as of the Valuation Date next preceding the date on which he terminated his employment with an Employing Company in order to become an employee of a Subsidiary, shall be, on the written

election of such Employee irrevocably made at the time of such termination of employment: (1) set apart from the Trust Fund in an interest-bearing account for such Employee or (2) invested in units of participation in the discretionary common trust fund maintained by the Trustee. If the Employee makes an election under clause (2), he must designate whether the investment is to be made in the fixed income fund or the common stock fund of said discretionary common trust fund, or what proportion of the total is to be invested in each. Thereafter, upon termination of such Employee's employment with all Employing Companies and Subsidiaries, there shall be distributed to him, in accordance with the provisions of Section 5.2, the value of (i) all amounts irrevocably credited to his interest-bearing account, (ii) units of participation irrevocably credited to him in the discretionary common trust fund and (iii) in the event he shall have resumed employment with an Employing Company prior to such termination, the Units irrevocably credited to his account attributable to contributions of the Employing Companies after such resumption of employment."

23. Amend subparagraph (e) of Section 5.1 to read in full as follows:

"Effective as of December 29, 1975, a Forfeiture Account

within the Trust Fund shall be established with respect to each Employing Company, into which shall be transferred any forfeited Units arising in respect of Members employed by each respective Employing Company. When a Member ceases to be an Employee, all Units in such Member's account, if any, in excess of those irrevocably credited thereto, as provided in subparagraphs (a), (b) or (d) of this Section 5.1, shall, as of the Valuation Date coincident with such forfeiture, be transferred to the Forfeiture Account maintained with respect to the Employing Company of which the Member was an Employee. If, as of any Valuation Date within the 12-month period following such Valuation Date, the Member shall have again become an Employee and repaid the amount of the distribution of his vested interest received by him, as provided in subparagraph (c), the Units transferred to such Forfeiture Account in respect of him shall be restored to his credit as of such subsequent Valuation Date. All Units in any such Forfeiture Account which have not been so applied as of such Date shall, as of the last day of the Year in which such Date falls, but prior to the crediting of the Company contribution in respect of such Year, be transferred out of such Forfeiture Account and credited to the account of each Member in the employ of the respective Employing Company in the proportion which

the number of Units in such Member's account bears to the total number of Units in the accounts of all Members in the employ of the respective Employing Company."

24. Amend Section 5.4 to read in full as follows:

"Inalienability of Benefits. The right of any person to receive any property from the Trust Fund, or from an interest-bearing account established pursuant to Section 5.1(c) or (d) or Section 5.2(b), or in respect of units of participation purchased pursuant to Section 5.1(d) in the discretionary common trust fund maintained by the Trustee, shall not be subject to alienation or assignment, and any attempt to assign, transfer or dispose of such right (except as provided in Section 5.3) or to subject such right to attachment, execution, garnishment, sequestration, or other process shall not be recognized except to the extent required by law."

25. Amend Section 6.1 to read in full as follows:

"Composition of Committee. There shall be a Profit Sharing Committee consisting of three members (who may be Employees and/or Members) appointed by the Board of Directors. Any member of the Committee may resign from the Committee by notice in writing filed with the Secretary of the Company. Any member of the Committee may be re-

moved from the Committee by the Board of Directors for cause, and any member of the Committee who is an Employee shall cease to be a member of the Committee when he is no longer an Employee. Vacancies in the Committee shall be filled by the Board of Directors."

26. Amend Section 6.5 to read in full as follows:

"Indemnification. The Company shall indemnify each member of the Committee against all liabilities and expenses, including attorneys' fees, reasonably incurred by him in connection with any legal action to which he may be a party, or any threatened legal action to which he may become or might have become a party, by reason of his membership on the Committee, except with regard to any matters as to which he shall be adjudged to be liable for gross negligence or willful misconduct in the performance of his duty as such a member."

27. Add Section 11.5 to read as follows:

"Responsibility of Fiduciaries.

(a) Each Fiduciary under the Plan shall discharge his duties with respect to the Plan solely in the interest of Members and their beneficiaries and with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and

familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

(b) No Fiduciary under the Plan shall be liable for an act or omission of another person in carrying out any fiduciary responsibility where such fiduciary responsibility is allocated to such other person by the Plan or pursuant to a procedure established in the Plan, except as otherwise provided in Section 405 of the Act.

(c) Anything in the Plan, or any amendment thereof, to the contrary notwithstanding, no provision of the Plan shall be so construed as to violate the requirements of Part 4 of Title I of the Act."

28. Add Section 11.6 to read as follows:

"Merger of Plans or Transfer of Plan Assets. In the case of any merger or consolidation of the Plan with, or transfer of assets or liabilities of the Plan to, any other plan, each Member shall (if such other plan shall then terminate) receive a benefit immediately after such merger, consolidation or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before such merger, consolidation or transfer (if the Plan had then terminated)."

[Conformed Copy]

EXHIBIT NO. 3

AGREEMENT OF AMENDMENT dated November 12, 1975, by and between THE WASHINGTON POST COMPANY, a Delaware corporation (hereinafter called the Company), and AMERICAN SECURITY AND TRUST COMPANY of Washington, D.C. (hereinafter called the Trustee).

WHEREAS the Company has adopted a Profit Sharing Plan for the benefit of its employees (which plan, as amended from time to time, is hereinafter called the Plan); and

WHEREAS the Company and the Trustee entered into an Agreement dated December 28, 1953, establishing a trust as part of the Plan, which Agreement was amended in its entirety by an Agreement between the Company and the Trustee dated November 30, 1967, and was subsequently amended by an Agreement between the Company and the Trustee dated as of January 1, 1974 (hereinafter called the Trust Agreement); and

WHEREAS the Company has adopted certain amendments to the Plan effective December 28, 1975; and

WHEREAS the Company and the Trustee desire to amend certain provisions of the Trust Agreement to conform them to the abovementioned amendments to the Plan;

NOW THEREFORE, the Company and the Trustee hereby agree as follows:

1. Section 4 of the Trust Agreement is amended by deleting from the first paragraph thereof the clause commencing with the words "provided, however," and ending with the words

"Committee shall direct" and by substituting therefor the following clause:

> "provided, however, that at no time after December 28, 1975, shall more than 75% of the assets of the Fund be invested or held in the form of securities issued by the Company, nor shall any such securities be purchased by the Trustee or held as part of the Fund except on such terms as the Committee may direct;"

2. Section 6(1) of the Trust Agreement is amended by deleting the semicolon at the end thereof and adding the following:

> "unless such disposition is required to enable the Trustee to comply with the provisions of the first paragraph of Section 4 of this Agreement."

IN WITNESS WHEREOF, the parties have caused this Agreement of Amendment to be executed as of the date first above written.

THE WASHINGTON POST COMPANY

By Alan R. Finberg
Vice President

AMERICAN SECURITY AND TRUST COMPANY

By Joseph L. Whyte
Vice President

EXHIBIT NO. 4
3/10/76

# The Washington Post Company
# Circulation Dealers Profit Incentive Plan

## Statement of Amendments
## (Effective July 1, 1975)

1. Paragraph (f) of Section 1.1 of the Plan is amended to read in full as follows:

> (f) "Circulation Dealer" means any individual who has a contract with the Company under which such individual, acting as an independent contractor, agrees to distribute the daily and Sunday editions of The Washington Post newspaper by either purchasing the newspaper from the Company for resale or by acting as a distribution agent of the Company, and whose principal business consists of such distribution activity. The Committee's determination that any person is or is not a Circulation Dealer for the purposes of the Plan shall be conclusive.

2. Paragraph (a)(i) of Section 4.1 of the Plan is amended by deleting the phrase "an amount equal to 6% of such Member s account" and substituting therefor the phrase "an amount equal to such percentage of such Member's account (but not less than 5% or more than 8%) as the Committee shall establish as the applicable percentage for such Year".

3. Paragraph (a)(ii) of Section 4.1 of the Plan is amended by deleting the phrase "an amount equal to 6% of such Dealer's account" and substituting therefor the phrase "an amount equal to such percentage of such Dealer's account (but not less than 5% or more than 8%) as the Committee shall establish as the applicable percentage for such Year".

# THE WASHINGTON POST COMPANY and Subsidiaries

## Calculation of Earnings per Share of Common Stock

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 1975 | 1974 | 1973 | 1972 | 1971 |
| Weighted Average Shares Outstanding | | | | | |
| Class A Common | 763,440 | 763,440 | 763,440 | 763,440 | 763,440 |
| Class B Common (excludes shares issuable upon exercise of stock options - accounted for below) | 3,955,527 | 3,986,368 | 3,985,008 | 3,984,966 | 3,527,603 |
| | 4,718,967 | 4,749,808 | 4,748,448 | 4,748,406 | 4,291,043 |
| Add - Shares issuable upon exercise of stock options | 141,932 | 4,250 | 72,101 | 283,061 | 185,880 |
| Deduct - Shares assumed to be purchased for Treasury with proceeds from exercise of stock options(1) | (135,564) | (4,077) | (65,867) | (224,665) | (47,833) |
| | 6,368 | 173 | 6,234 | 58,396 | 138,047 |
| Shares used in computation of primary per share data | 4,725,335 | 4,749,981 | 4,754,682 | 4,806,802 | 4,429,090 |
| Adjustment to reflect full dilution of common stock(2) | 5,725 | 369 | 221 | 30,365 | 19,930 |
| Common shares assuming full dilution | 4,731,060 | 4,750,350 | 4,754,903 | 4,837,167 | 4,449,020 |
| Net income applicable to common shares | $12,042,000 | $14,441,000 | $13,334,000 | $9,732,000 | $11,757,000 |
| Per share data: | | | | | |
| Primary | | | | | |
| Income before extraordinary items and special credit | $2.55 | $3.04 | $2.80 | $2.08 | $1.52 |
| Extraordinary items | - | - | - | (.06) | .09 |
| Special credit | - | - | - | - | 1.04 |
| Net income | $2.55 | $3.04 | $2.80 | $2.02 | $2.65 |
| Fully diluted | | | | | |
| Income before extraordinary items and special credit | $2.55 | $3.04 | $2.80 | $2.07 | $1.52 |
| Extraordinary items | - | - | - | (.06) | .09 |
| Special credit | - | - | - | - | 1.03 |
| Net income | $2.55 | $3.04 | $2.80 | $2.01 | $2.64 |
| (1) Proceeds (weighted) - upon exercise | $ 3,522,000 | $ 89,250 | $ 1,887,610 | $7,469,380 | $ 929,400 |
| Divided by weighted average formula value (1971) or market value (1971-1975) per share | $ 25.98 | $ 21.89 | $ 28.66 | $ 33.25 | $ 19.43 |
| Shares assumed to be purchased | 135,564 | 4,077 | 65,867 | 224,665 | 47,833 |

(2) Includes shares issuable upon conversion of 5% convertible preferred stock (1971) and adjustments to reflect application of treasury stock method using formula value (1971) or market value (1971-1975) at date options were exercised or at close of period, as appropriate.

END.