The Washington Post Company

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1991 Annual Report

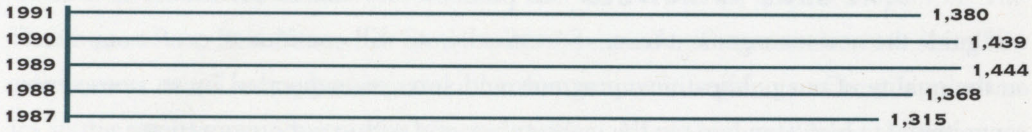
Contents

Financial Highlights

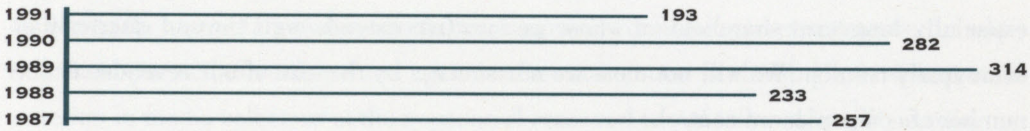
(In thousands, except per share amounts)	1991	1990	% Change
Operating revenues	$1,380,261	$1,438,640	−4%
Income from operations	$ 192,866	$ 281,768	−32%
Net income			
Before cumulative effect of change in accounting principle in 1991*	$ 118,721	$ 174,576	−32%
After cumulative effect of change in accounting principle in 1991*	$ 70,824	$ 174,576	−59%
Earnings per share			
Before cumulative effect of change in accounting principle in 1991*	$ 10.00	$ 14.45	−31%
After cumulative effect of change in accounting principle in 1991*	$ 5.96	$ 14.45	−59%
Dividends per share	$ 4.20	$ 4.00	+5%
Shareholders' equity per share	$ 78.12	$ 76.31	+2%
Average number of shares outstanding	11,876	12,081	−2%

*Represents the cumulative effect on years prior to 1991 of the change in method of accounting for postretirement benefits other than pensions, adopted in 1991.

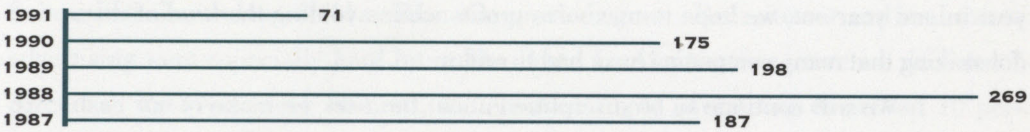
Operating Revenues ($ in millions)



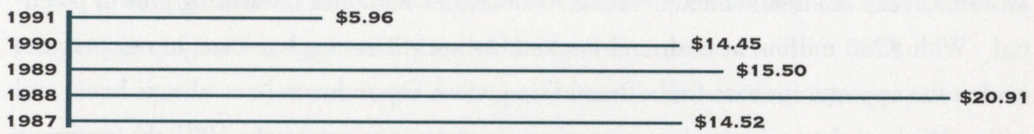
Operating Income ($ in millions)



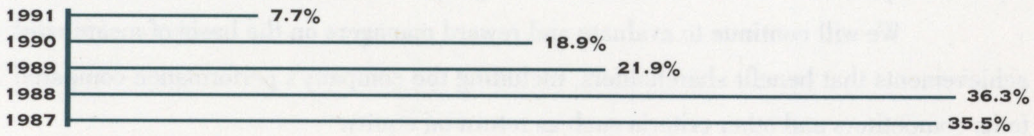
Net Income ($ in millions)



Earnings per Share



Return on Average Shareholders' Equity



1991 marked the transition to a new management team at The Washington Post Company. Donald Graham became president and chief executive officer, succeeding Katharine Graham, who had been chief executive officer since May 1973. She remains chairman of the Board of Directors. Alan Spoon became executive vice president and chief operating officer, succeeding Richard Simmons, who retired after ten years of exceptional leadership.

During Dick's tenure, earnings per share grew at an annual compounded rate of 22.5 percent. Return on equity averaged 26 percent. The company acquired its cable division, Stanley H. Kaplan Educational Center and Legi-Slate, and successfully participated in the creation of the cellular telephone industry. Beyond these tangible accomplishments, Dick set a high standard of professional management for the company and prepared many executives for increasingly responsible assignments. Dick foresaw the harsher realities that would confront media companies in the 1990's. In response, he worked assiduously to contain costs and honed the company's competitive edge. Dick remains a director of the company and president of the International Herald Tribune.

THE SAME PRINCIPLES our predecessors embraced with such success will guide the new management team. Specifically, we will continue to center our efforts on the quality of our publications, programs and services, supported by an unwavering commitment to high standards in the marketplace and within our organization.

We will continue to manage the company for the benefit of shareholders, especially long-term shareholders whose perspective extends well beyond quarterly or even yearly results. We will not measure our success by the size of our revenues or the number of companies we control.

We will continue to manage costs rigorously. By keeping expenses in line year in and year out, we hope to maximize profits while avoiding the kind of disruptive downsizing that many companies have had to endure.

We will continue to be disciplined about the uses we make of our cash. We will pursue acquisition opportunities that meet our admittedly high investment criteria, as well as seek out new communications technologies that offer interesting growth potential. With $280 million in cash and marketable securities, we have ample resources to exploit the opportunities we find. In addition, stock repurchases have always been, and will continue to be, an important part of our investment strategy. In 1991 the company repurchased 42,900 shares for $7.4 million.

We will continue to evaluate and reward managers on the basis of meaningful achievements that benefit shareholders, including the company's performance compared to its competitors and other criteria such as return on equity.

We believe these principles will continue to produce good results for the company and its shareholders over the long term.

SHORT-TERM FINANCIAL RESULTS were disappointing — in fact, 1991 was a terrible year. The company's net income declined 59 percent to $71 million ($5.96 per share), from $175 million ($14.45 per share) in 1990. Operating income fell 32 percent to $193 million, from $282 million the year before. Revenue dropped 4 percent to $1,380 million, from $1,439 million in 1990.

The newspaper division, broadcast division, Newsweek and the company's "other businesses" segment all recorded lower profits. Affiliate results declined, as newsprint manufacturers experienced continued soft demand. A number of one-time items also affected the year's results. In particular, the company incurred a one-time, after-tax charge of $48 million ($4.04 per share) resulting from the adoption of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Excluding this one-time charge, the company's net income for 1991 would have decreased 32 percent to $119 million ($10.00 per share).

LOWER SPENDING FOR ADVERTISING had an adverse impact on The Washington Post, Post-Newsweek Stations and Newsweek. The recession took its toll on employment, retail sales, housing and other key economic segments. Changing dynamics in the advertising industry also affected results. Advertisers continued shifting more dollars from traditional advertising to promotion. Marketers were firmly committed to exploring the use of targeted media to reach narrowly defined market segments. In addition, hard-pressed advertisers and agencies focused on cost as the single most important criterion in media selection at the expense of reasoned use of tailored, quality media.

As a result, total advertising revenue in 1991 fell 10 percent to $852 million, from a less than robust $944 million the previous year. Recruitment and real estate advertising were especially hard hit at The Post. Local advertising revenue declined 7 percent at Post-Newsweek Stations, while national spot advertising decreased 10 percent. Newsweek, too, experienced a substantial downturn in advertising revenue.

Nevertheless, The Washington Post Company's franchises are strong, and the company is responding aggressively to the changed environment.

COST CONTROL remains a top priority. Total operating expenses increased 3 percent last year and have grown at an annual rate of only 4 percent over the past five years, despite the cost of serving higher numbers of subscribers to our publications and cable services.

Declining newsprint expense, of course, has helped. Because of price reductions and lower volume resulting from less advertising, newsprint expense fell 10 percent last year.

The company also worked hard to keep the number of employees low. Through attrition, voluntary retirement packages, buyouts and strict control of vacancies, the number of full-time employees declined 4 percent last year to 5,950. The company has not had fewer than 6,000 employees since 1984.

We will continue to focus on cost control — and we recognize we can do more in this area — because a low cost base gives us the leverage to realize substantial profit growth when economic conditions improve.

AT THE SAME TIME, we are committed to improving our publications, programming and other services. This commitment reflects our responsibilities to readers, viewers and the communities we serve. It also reflects the fact that, ultimately, high quality is most effective in attracting the distinctive, desirable audiences advertisers seek.

The company strengthened its franchises in 1991 through better circulation management and, most important, by enhancing editorial quality. We worked especially hard to provide first-rate coverage of the country's economic troubles, the disintegration of the Soviet Union and the Persian Gulf War, a crisis that generated exceptional public interest. As a result, both daily and Sunday circulation rose last year at The Washington Post, a significant accomplishment in a period when circulation at many major-market newspapers declined. Newsweek's U.S. circulation averaged 3.3 million, a 3 percent increase over 1990 and a substantial bonus over Newsweek's rate base of 3.1 million. Readership gains and resulting efficiencies for advertisers continued to exhibit exceptional strength.

Circulation gains contributed to a 5 percent increase in the company's circulation revenue, which rose to $266 million in 1991. Equally important, producing publications of consistently high quality gives us several long-term advantages. This commitment helps us know how and why audiences use our products. It assures advertisers of audience involvement in our publications, a key requirement for advertising effectiveness. It attracts desirable demographic groups. And it enables us to sell advertising on a basis other than price. We hope this will allow us to derive maximum financial benefit from our editorial franchises in years to come.

Despite increased competition, Post-Newsweek television stations maintained their dominance in news, with comparable marketplace advantages. Our local

IF YOU'RE LOOKING FOR OBJECTIVITY, PLEASE TURN THE PAGE.

MY MOTHER, KATHARINE GRAHAM, STEPPED DOWN LAST MAY AS THE COMPANY'S CHIEF EXECUTIVE OFFICER. SHE HAD HELD THE TITLE OF CEO SINCE 1973, BUT HAD RUN THE COMPANY (WITH THE GREAT HELP OF FRITZ BEEBE IN THE EARLY YEARS) SINCE 1963. SHE REMAINS A VERY ACTIVE CHAIRMAN AND IS NOT IN ANY SENSE RETIRING. NONETHELESS, IT SEEMS A GOOD TIME TO TALK ABOUT HER.

HER REACTION WHEN SHE FIRST TOOK OVER THE JOB IS EASILY SUMMARIZED: WHAT IN THE WORLD, SHE ASKED HERSELF, AM I DOING HERE. THE BUSINESS WORLD SHOOK ITS COLLECTIVE HEAD. NO OTHER WOMAN WAS RUNNING A LARGE COMPANY IN THE UNITED STATES IN THE EARLY 1960'S. IN FORTUNE'S LIST OF CEO'S OF THE 1000 LARGEST INDUSTRIAL COMPANIES, KAY GRAHAM'S WAS THE ONLY WOMAN'S NAME UNTIL LIZ CLAIBORNE JOINED IN THE LATE 1980'S.

CAN A WOMAN SUCCESSFULLY RUN A LARGE CORPORATION?

HERE'S THE RECORD:	1963	1990
REVENUE	$ 86 MILLION	$ 1,439 MILLION
NET INCOME	$ 5 MILLION	$ 175 MILLION
POST CIRCULATION		
DAILY	423,000	802,000
SUNDAY	514,000	1,145,000
PULITZER PRIZES: 18		
NEWSWEEK CIRCULATION WORLDWIDE	1,762,000	4,052,000
NATIONAL MAGAZINE AWARDS: 5		

ACQUISITIONS

- 1966 - ROBINSON TERMINAL WAREHOUSE
- 1969 - WPLG/MIAMI
- 1974 - TRENTON TIMES (OH, WELL)
- 1974 - WFSB/HARTFORD
- 1978 - THE HERALD
- 1983 - LEGI-SLATE
- 1984 - KAPLAN
- 1986 - CABLE

STOCK

1971 - INITIAL PRICE $6.50 (AFTER ADJUSTING FOR SPLITS)
EPS ANNUAL COMPOUND GROWTH RATE, 1963-1990: 17.1%
AVERAGE RETURN ON EQUITY, 1963-1990: 20.4%

ACTUALLY, THE NUMBERS ARE THE LESS IMPRESSIVE PART OF THE STORY.

♦ IN 1971 SHE TOOK THE COMPANY PUBLIC. <u>THE DAY BEFORE THE PUBLIC OFFERING</u>, BRADLEE ASKED HER TO PRINT THE PENTAGON PAPERS STORY. THE JUSTICE DEPARTMENT SENT HER A PRE-PUBLICATION MESSAGE THREATENING TO PROSECUTE THE COMPANY, WHICH COULD HAVE RESULTED IN THE FORFEITURE OF ITS BROADCAST LICENSES IF CONVICTED. AGAINST THE ADVICE OF HER LAWYERS AND BUSINESS ADVISORS, SHE MADE THE DECISION TO PUBLISH THE STORY.

♦ IN 1972-73 SHE BACKED BRADLEE'S NEWSROOM IN PUBLISHING THE WATERGATE STORIES, AGAIN UNDER FIERCE AND PERSONAL THREATS FROM TOP GOVERNMENT OFFICIALS.

♦ Perhaps hardest of all, in 1973-75 she endured a series of showdowns with Post labor unions, making the decision to publish the paper during a violent strike by its pressmen. It was a difficult decision and, in retrospect, the right one.

♦ When Warren Buffett bought into the company in the early 1970's, she was wise enough to ask his advice and put him on the company's Board. There were many pleasant consequences for shareholders. On Warren's advice, the company was perhaps the first in our industry to repurchase shares in large quantities. Between 1975 and today, the company has bought in 43% of its shares at an average price of $60 per share.

♦ Throughout the '70's and '80's she insisted on quality as well as good business results. Newsweek grew steadily in respect and national prominence. Jim Snyder, the Ben Bradlee of broadcast news, helped Joel Chaseman and Bill Ryan put together news teams that were almost always first in their markets.

♦ In 1981 she made Dick Simmons president and together they put together a strong and stable management team that compiled a superior record.

♦ In 1986 she made her largest acquisition, buying what is now Post-Newsweek Cable from Capital Cities.

♦ Throughout the 1980's, she did <u>not</u> make many expensive acquisitions pressed on her by investment bankers and others much celebrated at the time. Because of that, the company is essentially debt-free today.

Through it all, Kay remained uniquely self-doubting. At a Christmas lunch, one of her guests asked everyone around the table what they wished they had done earlier in life. Most said they wished they'd been center fielders or movie stars. Kay said she wished she'd gone to Harvard Business School.

In a very early and very brief pre-feminist phase, she once actually gave an interview in which she said, "Any man could do this job better than me."

Twenty-eight years later it seems fair to say: no one could have done it better.

Don Graham

early and late news programs are number one at all four stations, with the single exception of early news in Detroit, rated second.

THE COMPANY HAS RESPONDED to the changing needs of advertisers. Last year we increased targeted marketing options, including expanded zoned classified at The Post, and selective binding and demographic editions at Newsweek. To address advertisers' need for flexibility in using our products, we introduced newly structured rate cards. We also intensified efforts to respond quickly to special opportunities. For example, shortly after the conclusion of the Persian Gulf War, Newsweek published a special newsstand issue that generated significant circulation and advertising revenues. Accordingly, we are formalizing our commitment, and improving our ability, to seize moments of opportunity in serving reader, viewer and advertiser needs.

BUSINESSES NOT DEPENDENT ON ADVERTISING had mixed results in 1991. Post-Newsweek Cable enjoyed another year of solid growth. The number of basic subscribers rose to over 451,000, compared to 436,000 last year, and 360,000 when we acquired the cable division in 1986. Cable revenue, cash flow and operating income all increased. Significantly, in 1991 domestic cable capital spending decreased 26 percent to $18 million, as line extensions and construction of new franchises neared completion. In the future, domestic capital spending can be held near maintenance levels.

While the overall rate of basic subscriber growth is slowing due to the build-out of franchises and maximum penetration, prospects for further growth in domestic cable operations remain good. We anticipate continued expansion of basic subscribers, pay-per-view revenue and cable advertising. In addition, Post-Newsweek Cable is experimenting with some new services, including digital radio music delivered by cable to subscribers' stereo systems.

Stanley H. Kaplan Educational Center posted somewhat lower profits last year. Enrollments and revenue did increase, although the recession slowed their growth. This highly successful business has attracted several new competitors, and Kaplan is reinvesting now to ensure sustainable, superior returns over the long term.

Legi-Slate, our online information service covering Congress and federal regulations, had its best year ever. Operating income more than doubled that of 1990.

NEW BUSINESS VENTURES made encouraging progress last year. Our cable operations in the United Kingdom continued to expand. The company has franchises in Scotland encompassing a total of 283,000 homes. In 1991 we passed more than 24,000 homes, with penetration rates ranging from 27 percent in existing systems to 40 percent in new builds. These are among the highest penetration rates in the

United Kingdom — a reflection of Post-Newsweek Cable's energetic marketing and compelling prices for attractive entertainment. Construction costs are running below initial estimates and industry experience.

Still, this business is not without risks. Until more cabling is completed throughout the United Kingdom, the cost of programming will remain high and margin pressure will be an issue. Recent investment commitments by large, reputable firms suggest a favorable outlook. Recognizing the uncertain path to eventual cable maturity, we are moving ahead carefully, while preserving our ability to enlarge our commitment if conditions are right.

Another new venture, personal communications services (PCS), reflects our faith in the growth prospects of a family of portable wireless telephones offering a variety of features at a range of affordable rates. Common to all is a new digital technology that offers a better quality connection and much greater system capacity than current analog cellular technology. At the right low price, we believe PCS ultimately will reach tens of millions of people in the United States and tenfold that many worldwide.

Our PCS partnership, American Personal Communications (APC), is a responsible leader in the development of this new field. APC received licenses from the Federal Communications Commission to build and operate experimental systems in Washington and Baltimore. In November we launched test operations. With plans to have 350 participants, our test is now the largest in the country.

Initial results are encouraging, and we remain excited about the future of this business. However, future FCC rulings will determine how personal communications services are developed, licensed and put into operation.

CHANGES IN EDITORIAL LEADERSHIP occurred at The Post, Newsweek and Post-Newsweek Stations last year. Benjamin C. Bradlee retired as executive editor of The Post, a position he had held since 1968. Quite simply, Ben redefined The Post for a generation of Washingtonians. He reshaped the relationship between government and the press. With the invention of the Style section, he started something now part of almost every paper in the United States. Perhaps most important, Ben inspired a legion of reporters and editors who continue his pursuit of first-rate journalism. Ben was elected a director of the company in September and serves as vice president at large of The Post. Leonard Downie, Jr., who had been managing editor of The Post since 1984, became executive editor. Robert G. Kaiser was named managing editor.

At Newsweek, Richard M. Smith was appointed president. He remains editor-in-chief, a position he has held since 1984. We believe that combining editorial and business responsibilities in an experienced executive like Rick will strengthen Newsweek's organizational structure. Maynard Parker, Newsweek's editor since 1982, took over responsibility for day-to-day editorial operations.

At Post-Newsweek Stations, Jim Snyder retired after 22 years as vice president for news. Jim made a unique contribution to the development of modern local news programming. He also was a trailblazer in promoting women and minorities to important on-air assignments. Mark Effron, vice president-news/station manager at WFSB in Hartford, has assumed the additional responsibility of vice president-news for Post-Newsweek Stations.

Alan R. Finberg retired as vice president and secretary of the company after 20 years of distinguished service. He was succeeded by Diana M. Daniels, who remains vice president and general counsel.

LOOKING AHEAD, we anticipate another difficult year in 1992. Unless there is a significant improvement in the nation's economy, advertising will remain sluggish. Nonetheless, our franchises are robust, our balance sheet is strong and the company's long-term prospects are good.

Katharine Graham

Katharine Graham
Chairman of the Board

Donald E. Graham

Donald E. Graham
President and Chief Executive Officer

Alan Spoon

Alan G. Spoon
Executive Vice President and Chief Operating Officer

March 6, 1992

Newspaper division operating income in 1991 fell 38 percent to $89.5 million, from $143.8 million in 1990. Division revenue totaled $642.7 million, a decline of 7 percent from revenue of $691 million the previous year.

The Washington Post struggled against a soft local economy and a consequent weak market for advertising. Advertising revenue fell 10 percent to $484 million, from $536 million in 1990. Advertising inches declined 13 percent to 3,570,600, from 4,125,400 the previous year.

Classified advertising was especially hard hit, as recruitment and real estate volume plummeted in the first half of the year. Total classified advertising inches declined 19 percent in 1991. Retail and general advertising inches each decreased 11 percent. Preprint volume, on the other hand, rose one-half percent.

The Post's new warehouse in Springfield, Virginia, was completed and put into operation. This facility has computerized systems that track preprinted advertising material from arrival to insertion and enable The Post to handle increased volume with greater efficiency. The warehouse was a $22.5 million investment that came in on time and under budget.

The Post continued to serve its readers well. Coverage of the Persian Gulf War earned Pulitzer Prizes for Caryle Murphy, who courageously remained in Kuwait and continued to file stories for 26 days after the Iraqi invasion in August 1990, and Jim Hoagland, whose analysis and commentary provided unique insight into the political and military events as they unfolded.

The breakup of the Soviet Union was a monumental development, well reported by Post foreign correspondents Michael Dobbs and David Remnick.

At home, relentless violence in the streets of Washington generated groundbreaking reporting efforts. Among them was a nine-part Metro series, "In the Line of Fire," that covered gun trafficking in the area and illustrated the spread of guns beyond the drug culture.

Circulation was strong. For the 12 months ended September 30, 1991, The Post's average daily circulation rose 1.6 percent to 814,530. Sunday circulation rose almost 1 percent to 1,154,138. Readers were especially interested in news about the Gulf War. For example, the day the ground war began, The Post sold an extra 188,000 copies.

The Post's primary-market penetration — 51 percent daily and 68 percent on Sunday — remains the highest of any major-market newspaper.

♦ Steve Hills managed the Business Development Unit, a new group of ad sales people calling on smaller advertisers. Despite the recession and record bankruptcies, the group achieved a meaningful increase in revenue and sold 900 new advertisers into the paper.

♦ Springfield pressroom crew chief John Reikowsky's crew became the first in the history of The Post to average over 22,000 papers printed per hour for an entire year.

♦ With Diane Prather's suburban and country department showing the largest daily/Sunday gains, Post circulation increased daily and Sunday in both ABC reporting periods in 1991. It was the paper's 28th daily circulation gain in the last 30 years. Sunday circulation has been up 30 years in a row.

♦ Advertising operations manager Raleigh Schein and pre-press manager Marty Black helped create a unique department, merging people and work from the composing room and advertising departments.

♦ Caryle Murphy's Pulitzer Prize means the foreign staff, led by assistant managing editor Michael Getler, now includes three Pulitzer-winning reporters. London correspondent Glenn Frankel and New Delhi correspondent Steve Coll were earlier winners. Associate editor Jim Hoagland has won two Pulitzers, as reporter and columnist.

♦ When U.S. reporters entered Kuwait City during Operation Desert Storm, there was no electricity or telephone system. But Post reporters were able to file their stories thanks to Ralph Terkowitz, vice president/data processing, who had acquired a satellite-linked mobile phone for them.

♦ Under superintendent Alvin Nesmith, The Post's Northwest pressroom set all-time productivity records. Although the Northwest presses are 20 to 40 years old, productivity has increased by 20 percent in the last two years.

♦ Seventy-five Washington-area schools enthusiastically subscribed to "Inside The Washington Post," the newspaper-in-education program managed by Kate Humphries and designed with the help of vice president/communications Vincent Reed, a former Washington, D.C., school superintendent.

♦ Reporter Pierre Thomas uncovered a loophole in Maryland law that permitted almost 300 gun sales to convicted criminals, a policy that violated federal law. Soon after Thomas' article appeared, Maryland's attorney general announced the state had reversed its policy.

♦ Bill Snead won the White House Press Photographers Association's "Photographer of the Year" award, and The Post's photo staff won three first-place awards in the competition.

♦ After the first two Redskins victories, sports columnist Tony Kornheiser wrote tongue-in-cheek columns suggesting that the team was the greatest of all time and readers should "get on the Bandwagon." When the team won its first 11 games, Kornheiser's "Bandwagon column" developed a cult following, then a mass following. Promotion director Candace Medd made up a Bandwagon bumper sticker and inserted it in a Friday paper; sales went up 35,000. Kornheiser was driven to the Super Bowl in a long trailer painted with Bandwagon artwork, filing columns along the way.

♦ Newsstand zone manager Sandra Ballentine, with the support of division manager Mike Dewey, took the lead in convincing a major metropolitan-area drug store chain to sell The Post inside their stores. They now average over 2,000 Sunday Post sales weekly.

♦ Steve Reed and his team of home delivery managers dramatically raised the level of service to the point where the average customer will have a problem with Sunday delivery only once in five years.

♦ Reporter Carlos Sanchez wrote a story about a seven-year-old Chilean boy who needed a $100,000 bone marrow transplant. Gifts ranging from $1 to $30,000 poured in from the Washington area and from as far away as California, Latin America and Spain. Over $110,000 was raised.

♦ At The Herald, a team from advertising sales, ad services, art and promotion streamlined the process of selling and producing camera-ready R.O.P. advertising. The result was dramatically improved turnaround time for proofs, fewer errors and higher quality. Their success is the inspiration for restructuring the entire ad production system into similar teams. The team included Jim Gay, Tim Jarboe, Gail Mossman, Rick Waites, Kirstin Waht, Greg Sheffield, Lynn Jefferson, Dennis Hanscom, Rich Jarosik and Chuck Soverns.

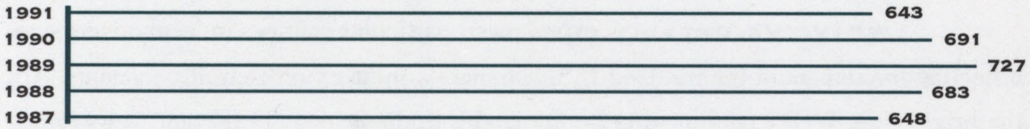
THE POST'S NEW MEDIA CENTER made further progress. The "PostHaste" telephone lines, which provide stock quotes, sports scores and other information, rang up 9.2 million information requests, versus 4.5 million in 1990.

THE NATIONAL WEEKLY EDITION also continued its growth. Circulation averaged 90,000 copies during 1991, up from 85,000 the previous year, and well above the rate base of 30,000 when the publication was launched in 1983.

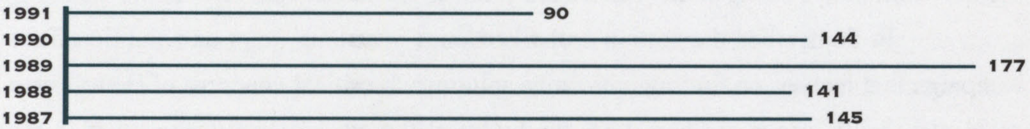
THE WASHINGTON POST WRITERS GROUP introduced two new features during 1991, Eleanor Randolph's "Letter from Moscow" and The Washington Post Magazine Crossword Puzzle. In February 1992 the Writers Group launched a new daily and Sunday comic strip, "Non Sequitur," by Wiley. It was acquired by 50 newspapers, including papers in eight of the country's top ten markets.

THE HERALD, the company-owned newspaper in Everett, Washington, successfully completed its conversion from an afternoon to a morning paper. Although daily circulation fell slightly, as expected, The Herald anticipates resumption of circulation growth this year. The response from advertisers has been favorable.

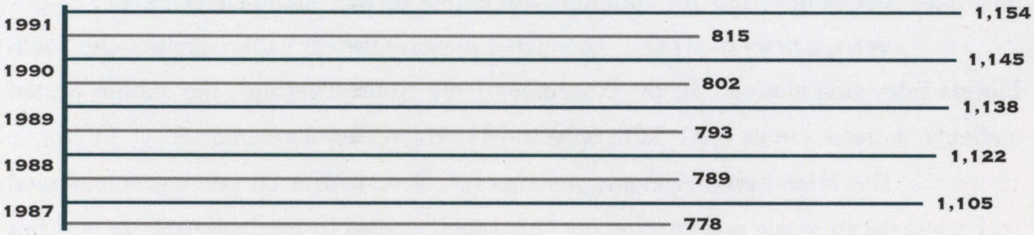
NEWSPAPER DIVISION OPERATING REVENUES ($ in millions)



NEWSPAPER DIVISION OPERATING INCOME ($ in millions)



THE WASHINGTON POST CIRCULATION (in thousands) Daily Sunday



Broadcast division operating income was $49.1 million in 1991, down 29 percent from $68.9 million in 1990. Division revenue for the year fell 9 percent to $163.5 million, from $179.4 million in 1990, which included record political advertising revenue of $8 million.

Each Post-Newsweek station battled a recessionary economy in its local market, as well as soft national advertising. A write down of "The Cosby Show," which was purchased for airing in Detroit in 1988, also contributed to the decrease in 1991 operating income.

PNS managers responded vigorously to the grim realities by developing aggressive new marketing programs and by holding down costs. Total operating expenses have grown only 2 percent, compounded annually, since 1987. Full-time staffing is down 14 percent in the same period. Our stations continue to be selective in purchasing programming and are able to secure very favorable prices because of the stations' high quality and ratings strength.

Despite intensified competition, Post-Newsweek stations maintained their leadership in news and other locally produced programming — the cornerstone of progress in the future.

WDIV/TV4-DETROIT experienced particular softness in local advertising, reflecting the impact of the troubled U.S. automobile industry on Detroit's economy. On the bright side, WDIV continued to be the leader in the critical 11:00 p.m. news arena. In addition, the station successfully negotiated a new three-year contract with the Detroit Tigers, continuing a string of 20 consecutive years of Tigers baseball on WDIV.

In September the station embarked on a year-long news and public affairs campaign that focuses on finding innovative solutions to critical concerns of Detroit-area residents: youth crime, the homeless, the future of the city of Detroit, the crisis in the auto industry. The campaign includes prime-time documentaries, late-night discussion programs, special news reports, editorials and public service announcements.

WPLG/TV10-MIAMI completed its seventh year as the number one South Florida television station. In the November 1991 Nielsen ratings, the station posted audience increases in its 5:00, 5:30, 6:00 and 11:00 p.m. news programs.

The Miami-area economy remains troubled, with a 28 percent commercial real estate vacancy rate and growing unemployment caused by the bankruptcies of major businesses such as Eastern Airlines and Pan Am. However, mergers in the financial industry and the entrance of new retailers into the market strengthened local advertising. "Countdown to Kickoff" completed its sixth year as one of the station's most successful extended marketing ventures, now syndicated in eight Florida markets.

At WDIV...

♦ Henry Maldonado, vice president/programming and promotion, was co-executive producer (with Walter Pincus at The Post) of "The Secret Files," a Washington Post Company-produced documentary narrated by Ben Bradlee. It represents a unique collaboration between The Post newspaper, Newsweek and Post-Newsweek Stations. An agreement with WETA, the public broadcasting station in Washington, D.C., enabled national distribution of this first special and paved the way for possible future documentaries.

♦ Marcia Etienne, director of business affairs, reorganized her department and assumed the additional duties of personnel director. Without adding staff, she upgraded the productivity of the expanded operation.

♦ Investigative reporter Mike Wendland and photographer Paul Brinkerhoff received a special community award for a series of undercover reports about a drug-infested suburban neighborhood. As a result of the series, a task force of government officials, police, private businesses and neighborhood citizens banded together to clean up the area.

At WPLG...

♦ Executive producer Nanci Ross produced the "Time to Care Volunteerathon," during which over 3.6 million hours of volunteer service were committed to community agencies.

♦ Manny Caycedo, who works long hours as the traffic and operations department's sales and service coordinator, volunteered during his spare time to run the station's "Time to Care" booth at community events.

♦ Aaron King filled in for award-winning videotape editor Lucy Flanagan, who was on maternity leave during the year. Displaying imagination, creativity and energy, Aaron created the exceptional graphics and animation viewers expect from WPLG.

At WFSB...

♦ Dick Ahles chairs WFSB's editorial board and writes the station's daily editorials. In 1991 he produced 58 editorials on Connecticut's budget and tax crisis. Although it was often a lonely vigil, Dick's clear and consistent presentation of the station's views placed WFSB at the center of Connecticut's most intense public debate in decades.

♦ Mark Effron, vice president of news and station manager, navigated the station through an enormously challenging news year as well as major format changes. When one of WFSB's news anchors joined the NBC Network, Effron quickly reconfigured two of the station's four newscast anchor teams.

At WJXT...

♦ Jack Potter, local ad sales manager, led his staff to its strongest finish in years. The biggest success was the WJXT Value Pack, a direct mail coupon book that generated hundreds of thousands of dollars in revenue. Dawn Rodriguez Hudson, sales promotion coordinator, organized the Value Pack.

♦ Steve Flanagan, Post-Newsweek Stations' vice president of engineering, and Jim Biggers, WJXT's chief engineer, supervised the station's move into a new broadcast facility during the week the Gulf War began. Running two facilities at once, they made the move without requiring the station to sign off the air.

♦ Ann Pace, vice president and station manager, came up with the idea of running the first episode of "Dallas" right before CBS broadcast the final episode. She aggressively negotiated a deal with the syndicator to run the original episode at no additional cost to the station. The show generated high ratings.

♦ In response to remarks about African-Americans made by the Chief Circuit Court Judge, news director Nancy Shafran pulled together a 90-minute prime-time town meeting in less than 48 hours. That program was crucial in helping community leaders diffuse racial tensions.

♦ Chuck Cooper, courier and mailroom staffer, made a splash as DinoFour, WJXT's big green friendly mascot. Wearing his DinoFour suit, Chuck was featured in many family-oriented station promotions and advertiser-sponsored vignettes that generated revenue.

WPLG's "Time to Care" community service effort continued to make a difference in the lives of needy citizens. One project brought together hundreds of South Florida companies and volunteers to renovate an inner-city YMCA.

WFSB/TV3-HARTFORD made the most of a very difficult year, maintaining clear ratings superiority and leadership in news, a notable accomplishment in one of the country's most fragmented and competitive television markets.

New England's worst recession in 60 years continued to take a heavy toll. Advertising revenue declined for all media, including WFSB. One small Connecticut television station went out of business, while another dropped its newscasts to offset revenue losses. Fortunately, by the end of the year there were some signs of a stabilizing, if not growing, economy.

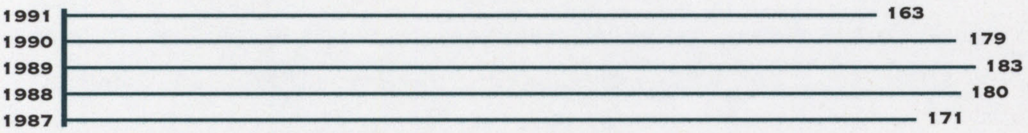
WFSB battled the recessionary climate with stringent cost control and steps to build revenue share. Exceptional viewer interest in the recession, the Gulf War and Connecticut's year-long legislative battle over tax reform increased the station's already large news audiences.

WJXT/TV4-JACKSONVILLE continued to dominate an increasingly competitive market. The station delivered an average daily audience share of 32 percent, sign-on to sign-off, equal to the shares of the other two network affiliates combined, and the third-highest share among all stations in the top 100 U.S. markets.

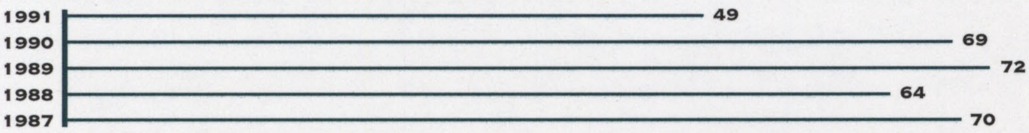
WJXT increased its early news programming from one-half hour to a full 90 minutes, a successful move in terms of both ratings and revenue.

WJXT has created several innovative marketing strategies to combat a local economy that has been soft, although more resilient than many. One marketing technique pioneered by WJXT was a coupon book delivered by direct mail. Combined with an on-air advertising schedule, this endeavor attracted advertisers who had never before appeared on television and generated substantial revenue for the station.

POST-NEWSWEEK STATIONS OPERATING REVENUES ($ in millions)



POST-NEWSWEEK STATIONS OPERATING INCOME ($ in millions)



Cable division operating income totaled $35 million in 1991, a 20 percent increase over $29.2 million in 1990. Domestic cable cash flow rose 12 percent to $75.3 million, from $67.4 million the previous year. Revenue for 1991 was $159.5 million, an increase of 10 percent over revenue of $145.5 million in 1990. However, basic and tier programming costs continued to rise rapidly, increasing nearly 20 percent from the 1990 figure.

BASIC SUBSCRIBERS rose to 451,179 at the end of the year, a gain of 15,283 from the beginning of 1991, and representing 68.4 percent of homes passed. The 1991 subscriber gain follows increases of 19,564 in 1990 and 14,634 in 1989. Systems with subscriber increases of more than 1,000 included Fargo, North Dakota; Highland Park, Illinois; and Modesto and Santa Rosa, California.

Post-Newsweek Cable continued to acquire subscribers in the Highland Park area by franchising small portions of unincorporated Cook and Lake Counties and Riverwoods, which will be part of the Highland Park system.

A major system rebuild was completed in Lufkin, Texas, and system upgrades were completed in Clifton, Winslow and Holbrook, Arizona.

ADVERTISING SALES rose 9 percent to $6 million. Twenty Post-Newsweek cable systems now sell both spot and classified advertising, while 11 sell spot only and six sell classified only.

PAY-PER-VIEW REVENUE jumped by over 100 percent in 1991, reaching $3.1 million. Post-Newsweek Cable is able to offer pay-per-view to the more than 80 percent of its subscribers whose systems have the needed addressable capability. Addressability was added in an additional six systems in 1991. New impulse ordering technology, which enables the customer to order an event by remote control through the converter, was introduced in two systems. The Joplin, Missouri, system introduced a simplified Automatic Number Identification ordering process that resulted in a tripling of the movie buy rate.

♦ As part of an industry-wide effort called "Cable in the Classroom," Post-Newsweek Cable provides free installation, monthly service and programming guides to schools within its systems. Under the "Cable in the Classroom" umbrella, Ken Berns, Modesto system manager, hosted a dinner for over 100 area teachers and administrators. Cable programming representatives made presentations about their educational programming, which is provided free of charge to the schools. All participants came away with a better understanding of the cable industry's contribution to education.

♦ Jan Beeson, former director of advertising sales in Ponca City, Oklahoma, led the city's 1991 United Way campaign. She raised $772,000. Conoco, a major employer in Ponca City, matched every dollar over the old record of $690,000. Late in 1991 Jan moved to Post-Newsweek Cable's Highland Park, Illinois, system.

♦ Ron Van Buren, general manager of the Kirksville, Missouri, system, donated cameras and equipment to media classes at the local public schools. Students produce programs showing school sports and other events for cable Channel 2, which is dedicated exclusively to school district use.

♦ The Santa Rosa School System faced a shortfall of funds to support its sports programs. John Gosch, Santa Rosa system manager, hosted a two-night telethon that raised $50,000 to maintain the programs. It was a grassroots effort, with many community groups volunteering to staff the telephones during the show.

♦ In Roswell, New Mexico, system manager Dennis Edwards coordinated Post-Newsweek's participation in the Toys for Tots holiday program. The system waived installation fees for customers who brought in a new toy of $10 or more in value.

♦ During the holiday season, Joni Young and Joyce Schmitz helped the Kirksville system collect and deliver almost 100 toys to the Kirksville Salvation Army.

♦ Trenton, Missouri, system manager Charlotte McClure collected cans of food in lieu of installation fees in December and sent the food to a local food bank.

♦ In Dyersburg, Tennessee, system manager Danny Williamson and office manager Linda Jacobi spent time tutoring area children. Danny and Linda tutor disadvantaged sixth graders at a nearby school, and every Friday two eighth graders spend the morning learning about the operation of a cable system.

♦ Production director Todd Randall and traffic director Arlene Cribbs gave many volunteer hours producing the Roswell system's annual August telethon to raise money for the Eastern New Mexico Medical Center Foundation. Almost $150,000 was raised during the one-day event.

♦ Post-Newsweek Cable personnel play active roles in state and regional trade associations that help serve the industry. To highlight a few:

♦ Ray Clemons, manager of the Gulfport system, is president of the Mississippi Cable Television Association.

♦ Jerald Stone, manager of the Ponca City system, is president of the Cable Television Operators of Oklahoma.

♦ Jerald Stone and Jim Perry, manager of the Joplin, Missouri, system, serve together on the board of the Mid-America Cable Association.

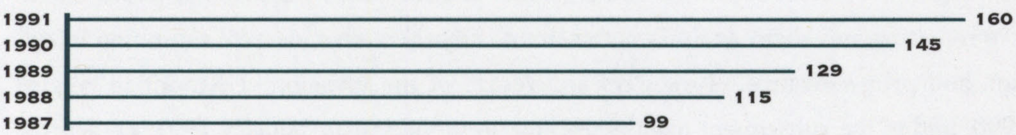
♦ Mary Ruskin, vice president of regulatory affairs, is the incoming president of the Arizona Cable Television Association.

Major pay-per-view events for the year were the Foreman-Holyfield and Tyson-Ruddock fights, which generated combined revenue of nearly $800,000.

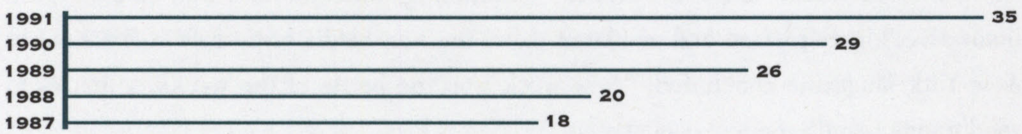
Later this year, the Summer Olympics from Barcelona, Spain, will be available on pay-per-view to over three-quarters of Post-Newsweek Cable subscribers. The complete Olympic package consists of three channels and 15 days of programming.

In an effort to stem the decline in pay units experienced during the past two years, Post-Newsweek Cable introduced a new service called Encore in several systems. Encore is a relatively low-cost service featuring hit movies of the 1960's, '70's and '80's.

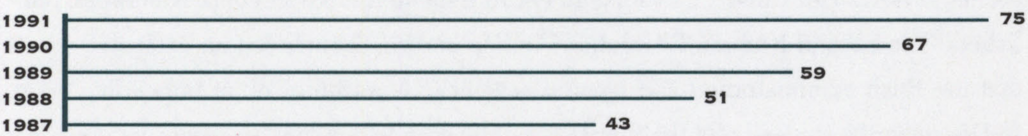
Post-Newsweek Cable Operating Revenues ($ in millions)



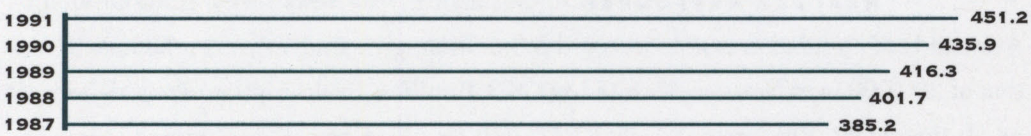
Post-Newsweek Cable Operating Income ($ in millions)



Post-Newsweek Cable Domestic Cash Flow ($ in millions)



Post-Newsweek Cable Domestic Basic Subscribers (in thousands)



Newsweek's operating income in 1991 decreased 66 percent to $9.1 million, from $26.9 million in 1990. Revenue totaled $326.5 million in 1991, a decline of 4 percent from $340.2 million the previous year. A soft market for advertising throughout the magazine industry was the primary reason for the fall-off in Newsweek's results. The business and consumer services category and the computer and office equipment category were especially hard hit. However, some categories showed strength. Retail advertising revenue, for example, almost tripled. Increased postal costs also contributed to the decline in operating income.

THE YEAR'S MAJOR INTERNATIONAL STORIES — the Persian Gulf War and the breakup of the Soviet Union — provided defining moments for Newsweek. Working under tremendous time and logistical pressures, the magazine provided exclusive reporting and sharp analysis not available anywhere else, despite saturation television and print coverage. Newsweek's coverage of the invasion of Kuwait in August 1990, and of the subsequent months leading up to the war in January 1991, earned the Overseas Press Club's 1991 Ed Cunningham Memorial Award for Best Reporting from Abroad. Newsweek's maps and charts — including two centerfold pull-outs — were innovative, highly praised and emulated. After the war, media critic Edwin Diamond of New York Magazine concluded, "Newsweek won the battle of the weeklies thanks to good timing... and excellent commentary."

Readers were equally well served by Newsweek's coverage of the dramatic events in the Soviet Union. Devoting an entire issue to the Soviet coup, Newsweek published "The Second Russian Revolution" in September. It included an exclusive report that the Bush administration had ignored several CIA warnings of an impending coup. In December Newsweek was the first U.S. publication to conduct an extensive interview with Boris Yeltsin after he became President of Russia.

READERS RESPONDED enthusiastically to Newsweek's editorial vitality. Average U.S. circulation rose to a record 3.3 million, giving advertisers a bonus circulation of 200,000 over Newsweek's rate base of 3.1 million. Subscription renewals were at an all-time high. Readership reached 21.5 million, also a record, according to Simmons Market Research Bureau. Newsweek had the highest percentage gain of all the 110-plus magazines surveyed by Simmons in 1991. Perhaps most significant, Newsweek was alone among the newsweeklies in retaining new readers after the Gulf War ended. According to the fall 1991 MRI survey, Newsweek continued to gain audience share while its competitors lost readers.

LAUNCHING A MAJOR EDITORIAL INITIATIVE, Newsweek will be the first major magazine to use selective-binding technology to enable readers to cus-

Small Victories

♦ On assignment to cover the Kurdish uprising following the Gulf War, Bangkok bureau chief Ron Moreau came under heavy artillery fire from Iraqi forces. He then slogged through rain and cold with refugees as they fled into the mountains. Finally, Moreau convinced the Turkish military to take him by helicopter to the nearest town, where he phoned in his first-person cover story on the Kurds' plight, right on deadline.

♦ The eruption of Mt. Pinatubo in the Philippines caused major disruptions at Manila's airport. Nelson Lim, regional circulation manager, boarded a 5:00 a.m. flight to Cebu, a provincial capital, and personally carried copies of Newsweek for distribution.

♦ A Newsweek team, coordinated by Latin America business manager Richard Hauptner, with extensive help from Joel Reiss of U.S. manufacturing, John Makarewicz and John Mackey of information systems, and Mary Green of Atlantic fulfillment, developed a new labeling and plastic wrapping procedure that accelerated delivery in Latin America by 24 hours and will save $50,000 annually.

♦ Joe McHugh, associate sales director in Detroit, sold an auto company an exclusive section on the 75th anniversary of the National Parks that the company plans to run again in 1992.

♦ Nancy Stadtman, head researcher, Nation, took on added supervisory responsibilities during the Gulf War, at times seeing virtually the entire magazine through the editorial research process. Her hard work, speed and accuracy shaved hours off of preparation time and enabled Newsweek to go on sale right on schedule.

♦ Geoff Cowley's cover story on halcion was validated by government action: Great Britain has pulled the drug off the market, and the U.S. and many European countries are reevaluating halcion's status.

♦ Karen Stark, manufacturing/distribution business manager, undertook a difficult technical and financial analysis of Newsweek International. Her work enabled senior vice president Angelo Rivello to negotiate contracts for all three international editions to be produced in four colors at a significantly lower cost than black and white.

♦ Bill Murray, San Francisco sales director, and Bill Youngberg, Chicago associate sales director, linked a major consumer products company and Newsweek as co-sponsors of an environmental contest for schools nationwide, an innovation that made the company one of Newsweek's largest advertisers.

♦ The circulation/newsstand department developed a top-notch strategy to secure optimal positioning in major retail outlets. They rush copies of Newsweek to major airport newsstands on Sundays instead of Mondays. Customized floor displays that highlight each week's cover story are quickly created and placed. These strategies produced growth in circulation, particularly during the Gulf War.

♦ Atlantic business development director David Gow, with the help of Heribert Striewe, regional director for Germany and Eastern Europe, sold a special advertising section that ran in the U.S. and Europe to attract Western investment in Poland. As a result, other former Eastern bloc countries are considering similar ads.

♦ Hideki Watanabe, Tokyo ad sales representative, approached a Japanese auto maker with the idea of running the results of major F-1 car races around the world. The company bought seven spreads in Europe in 1991 and plans to repeat the program in 1992.

♦ Leading the six-person New York copy desk, Tita Gillespie set a high standard for excellence, working 12-hour days, from 4:00 p.m. to 4:00 a.m. on Fridays and Saturdays. During the Gulf War, when most of the magazine was written right on deadline, Tita's skills were vital.

♦ During the Gulf War, associate art editor Alex Ha's photo layouts illustrated Newsweek's excellence in photo journalism. He was part of the team that created the "Weapons of War" pull-out chart.

tomize their copies of the magazine. Beginning in April 1992, readers can elect to have one of four Newsweek "Focus" editorial sections included in their magazine once a month. The eight-page sections are science and technology, personal finance, international news and excerpts from newly published books. Subscribers will pay an additional charge for the "Focus" sections.

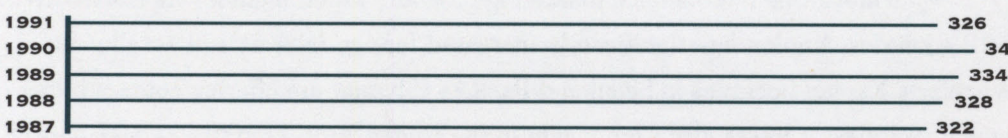
NEWSWEEK'S CROSS-MEDIA ALLIANCES with Meredith Corporation and Times Mirror Magazines attracted new advertisers in 1991. Using the 21 magazines owned by the three companies, advertisers can reach a total audience of 79 million readers through a single buy. These carefully crafted packages have generated more than 510 pages of advertising for the three publishers from ten major advertisers.

NEWSWEEK INTERNATIONAL posted record circulation and advertising revenue in 1991. Strong circulation growth enabled Newsweek International to increase rate bases in all three of its principal editions for 1992. The Atlantic edition increased its base by 4.7 percent to 335,000; Asia increased by 2.3 percent to 220,000; and Latin America increased by 8.3 percent to 65,000.

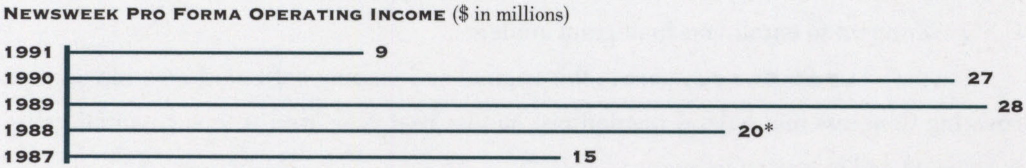
Newsweek's Japanese-language edition, Nihon Ban, increased its 1992 rate base by 18.5 percent, rising from 135,000 to 160,000.

In October 1991 Newsweek launched a Korean-language edition, Hankuk Pan, with a circulation of 70,000. The new magazine is published with Joong-ang Ilbo, a subsidiary of the Samsung Group.

NEWSWEEK OPERATING REVENUES ($ in millions)



NEWSWEEK PRO FORMA OPERATING INCOME ($ in millions)



*Excluding one-time restructuring charges

Other businesses, including Stanley H. Kaplan Educational Center, Legi-Slate and American Personal Communications, recorded operating income of $10.2 million in 1991, a decrease of 22 percent from operating income of $13.1 million in 1990. Total revenue from other businesses rose 7 percent to $88.1 million, compared with $82.6 million in 1990.

STANLEY H. KAPLAN EDUCATIONAL CENTER took steps to enhance its position as the country's leading test preparation company. Although operating income declined, revenue and enrollments continued to grow. Expansion of Kaplan's new CPA review course resulted in double the number of students in this area. Enrollments for the Medical College Admissions Test (MCAT) surged, as applications to medical school sharply increased. Enrollments for the Graduate Record Exam (GRE) course were the highest ever.

Changes in standardized tests required extensive product development efforts for Kaplan's courses preparing students for the Law School Admissions Test (LSAT) and for medical licensing exams. Kaplan's courses for American-trained and internationally trained medical school graduates are the only nationally accredited courses in the test preparation field.

Kaplan increased the number of permanent centers to 151 by adding centers in several markets: Bedford and Denton, Texas; Las Vegas, Nevada; Charlotte, North Carolina; Des Moines, Iowa; St. Petersburg, Florida; and Vancouver, British Columbia, the fourth major market for Kaplan in Canada.

Through its international marketing program, which includes representatives in 12 countries, Kaplan has significantly increased foreign interest and enrollments in its courses. Kaplan licensees in Seoul and Panama City now are offering courses in permanent facilities. Classes also were taught in the United Arab Emirates by members of Kaplan's U.S. staff. Kaplan remains the only test preparation company approved by the U.S. government to enroll non-immigrant students.

LEGI-SLATE, INC., the original and leading online information service covering Congress and federal regulations, had its best year ever, with substantial gains in revenue and operating income.

A new computer was installed early in the year, increasing by 50 percent the company's capacity for serving a growing subscriber base. Legi-Slate's subscribers include the White House, the Cabinet departments and Congress, plus a who's who of domestic and foreign corporations, trade and professional associations, state and federal agencies, law firms, foreign governments, labor unions, political parties and universities.

AT KAPLAN...

♦ Marilyn McKenny, independent administrator of the Philadelphia-area centers since June 1990, reversed a two-year decline in that market. She outperformed all other major center groups by increasing revenue and decreasing expenses, becoming the top administrator for 1991.

♦ Vice president of the production/distribution facility, Jeff Cohen has been a key part of Kaplan's development for 24 years. Managing over 6,000 items with clockwork efficiency, Jeff's team is always responsive, never late and often makes the impossible a reality in getting materials across the country and abroad.

♦ Bob Verini was named 1991 Kaplan Teacher of the Year. During many years in Kaplan's research and product development department, Bob also has helped develop several Kaplan courses. His humor, wit and intelligence draw legions of students to his classes.

♦ A dynamo on the telephone, Elaine Vrathos signed up 70 percent of students who called Boston-area centers, enrolling over 1,000 students. Elaine was named 1991 Enrollment Counselor of the Year.

♦ Dianne Lake, associate director for graduate programs in the research and product development department, led full-scale revisions of the courses for the LSAT and MCAT.

AT LEGI-SLATE...

♦ Joe Meringolo and two other law librarians co-authored a second edition of "A Research Guide to Congress: How to Make Congress Work for You," which includes new information about online services such as Legi-Slate. Legi-Slate financed and published the new edition, released in December 1991. Pre-publication sales have already recovered Legi-Slate's financial investment in this vital tool for the research community.

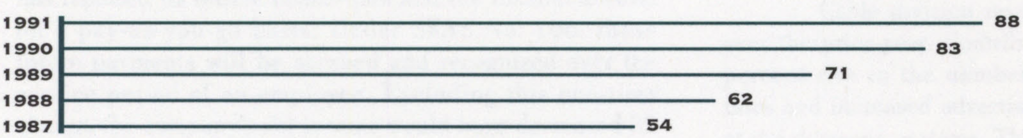
♦ Brian Becker spearheaded a project that culminated in a new "search engine" used by Legi-Slate's computers to look through enormous quantities of text for a particular word or phrase—and do it very quickly. The new system incorporates the latest technology in this sophisticated field, supplemented by Brian's own inventions.

♦ Bob Hanson guided Legi-Slate's sales and customer service staff to another year in an unbroken string of record sales years—despite the recession. Over the years Bob has molded a sales and service group with skills that keep Legi-Slate in its preeminent position.

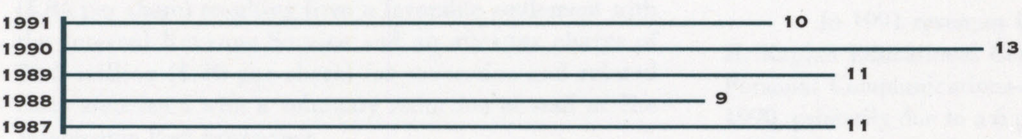
A new Daily CFR™ (*Code of Federal Regulations*) service was introduced at the beginning of 1991, joining the Current USC® (*United States Code*) service introduced in 1990. With the addition of these new services, Legi-Slate subscribers now can follow an issue from introduction as a bill through enactment and incorporation in the *United States Code*, then through the regulatory process and incorporation in the *Code of Federal Regulations*.

During 1991 two online services were introduced that represent a significant new direction for Legi-Slate. The *Markup* service provides a timely briefing on committee actions on pending legislation. The *Bill Overview and Outlook* service provides a brief summary of each bill, explaining in plain English its purpose and prospects for passage.

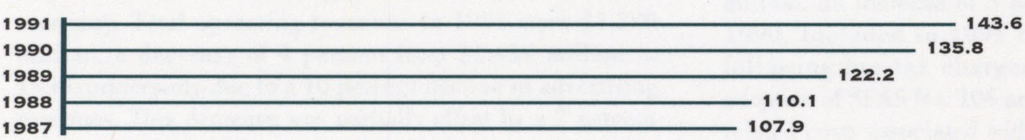
Other Businesses Operating Revenues ($ in millions)



Other Businesses Operating Income ($ in millions)



Stanley H. Kaplan Educational Center Enrollments (in thousands)



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This analysis should be read in conjunction with the financial statements, notes thereto and the comparative information relating to the company's operating divisions included in the Letter to Shareholders on pages 2 through 7.

Results of Operations— 1991 Compared to 1990

In 1991 net income decreased 59 percent to $70.8 million, from net income of $174.6 million in 1990. Earnings per share also declined 59 percent to $5.96, from $14.45 last year. Included in 1991 results was an after-tax charge of $47.9 million ($4.04 per share) related to the adoption, effective at the beginning of the year, of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS No. 106). In the past the company has reported its retiree health care and life insurance costs on a pay-as-you-go basis. Under SFAS No. 106, these future payments will be accrued and recognized over the service period of an employee. Excluding this one-time charge, the company's net income would have decreased 32 percent to $118.7 million ($10.00 per share).

Also included in 1991 was a credit of $10 million ($.84 per share) resulting from a favorable settlement with the Internal Revenue Service and an after-tax charge of $3.5 million ($.30 per share) for severance and related costs associated with a voluntary reduction of staff at The Washington Post newspaper.

During 1991 the national recession had an adverse impact on the advertising-related businesses of the company. Total operating revenues in 1991 were $1,380 million, a decrease of 4 percent from $1,439 million in 1990, principally due to a 10 percent decline in advertising revenues. This decrease was partially offset by a 7 percent increase in circulation and subscriber revenues and a 6 percent rise in other revenues.

Revenues at the newspaper division fell 7 percent from 1990 levels, primarily due to a 9 percent decrease in advertising revenues. Advertising linage at The Washington Post fell 13 percent, with the largest decline of 19 percent occurring in classified volume, while retail and general volume each decreased 11 percent. Circulation revenues increased 3 percent in 1991 as a result of a price increase and the continued public demand for news.

Broadcast division revenues decreased 9 percent, reflecting the effect of the recession on advertisers, who reduced spending in both the local and national markets. Local advertising revenues declined 7 percent, while national revenues fell 10 percent.

At Newsweek total revenues declined 4 percent in 1991. Advertising revenues decreased 11 percent, primarily due to reduced volume at the domestic edition and partially offset by the effect of rate increases. Newsweek circulation revenues rose 7 percent over 1990 levels. The number of subscribers at both the domestic and international editions grew 3 percent in 1991, while the average number of copies sold at the newsstand increased 8 percent for both editions. During the year the domestic edition published 56 issues, one more than in 1990; the international edition published 51 issues, one less than last year.

Cable division revenues in 1991 rose 10 percent over the prior year. Contributing to the increase were a 4 percent rise in the number of basic subscribers, higher rates and increased advertising and pay-per-view revenues at the domestic systems. The number of subscribers in the company's cable systems in the United Kingdom rose to over 8,000.

In 1991 revenues from other businesses—Stanley H. Kaplan Educational Center, Legi-Slate and American Personal Communications—rose 7 percent compared to 1990, primarily due to a 6 percent increase in enrollments at Kaplan.

Total operating costs and expenses were $1,187 million, an increase of 3 percent over $1,157 million in 1990. Included in 1991 operating expenses were the following pre-tax charges: $7 million related to the adoption of SFAS No. 106 and $6 million for severance and related costs associated with a voluntary reduction of staff at The Washington Post newspaper. Also included in 1991 expenses was a write down of the company's programming rights to "The Cosby Show." Excluding these charges in 1991, total operating costs and expenses increased approximately 1 percent over 1990. This increase reflects normal increases in payroll and related fringe benefit costs, distribution costs and depreciation expenses, partially offset by a significant decrease in the cost of newsprint and magazine paper.

Income from operations declined 32 percent in 1991 as the recession continued to take its toll on the media industry. Operating margins at most of the divisions also were adversely affected by the adoption of SFAS No. 106. The newspaper division's operating margin fell to 14 percent, from 21 percent in 1990. Included in 1991 were the costs related to the voluntary reduction of staff mentioned previously. The operating margin at the broadcast division decreased from 38 percent to 30 percent in 1991, which included the write down of programming rights to "The Cosby Show." Newsweek's operating margin declined to 3 percent, from 8 percent in the prior year. In 1991 operating income included an additional $5 million in postal costs and accelerated amortization of leasehold improvements related to the expiration of an operating lease. The cable division's operating margin rose from 20 percent to 22 percent in 1991, while the margin for the company's other businesses decreased from 16 percent in 1990 to 12 percent in 1991.

The company's equity in earnings of affiliates for 1991 was a loss of $1.9 million, compared with earnings of $6.2 million in 1990. Continued weakness at the company's newsprint manufacturing affiliates contributed to the loss in 1991. In 1990 affiliate results reflected higher earnings from Cowles Media Company, which reported nonrecurring gains on the sales of two small newspapers.

Net interest expense totaled $.4 million in 1991, compared with net interest income of $4.7 million in 1990. Included in 1991 were a fee of $2.1 million related to the $50 million prepayment on the company's 10.68 percent unsecured promissory notes and interest of $1.6 million related to the tax settlement with the Internal Revenue Service, mentioned previously.

In 1991 and 1990 other expense included the costs related to the disposition of certain plant, property and equipment.

The effective tax rate, before the cumulative effect of the change in accounting principle, decreased from 40.1 percent in 1990 to 37.6 percent in 1991, as the favorable settlement with the Internal Revenue Service significantly lowered the effective tax rate.

Results of Operations—1990 Compared to 1989

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

In 1990 total revenues were down less than one percent to $1,439 million, from $1,444 million in 1989. Advertising revenues fell 4 percent, reflecting a soft advertising climate and a weakening in the national economy. Offsetting this decline were a 7 percent increase in circulation and subscriber revenues and a 12 percent rise in other revenues.

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

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

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

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

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

Operating costs and expenses in 1990 increased 2 percent to $1,157 million, from $1,130 million in 1989. This rise in costs over 1989 levels was primarily due to normal increases in payroll and related benefits costs, depreciation expense related to additional capital expenditures at the newspaper and cable divisions, and amortization expense related to acquisition activity at the cable division. Cost increases were offset in part by newsprint expense, which declined 10 percent in 1990.

Income from operations was down 10 percent in 1990, basically due to the downturn in advertising that continued throughout most of the year. The newspaper division's operating margin in 1990 was 21 percent, down from 24 percent in 1989. In 1990 the operating margin at the broadcast division fell to 38 percent, from 39.5 percent in 1989. At Newsweek and the cable division, operating margins were maintained at 1989 levels, which were 8 percent and 20 percent, respectively. The operating margin at the company's other businesses increased to almost 16 percent in 1990, up from 15 percent in 1989.

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

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

Financial Condition: Capital Resources and Liquidity

During the period 1989 through 1991 the company spent approximately $540 million on purchases of additional property, plant and equipment, investments in new businesses, various other capital programs, and the repurchase of Class B common stock. At the end of 1991 the company made a $50 million prepayment on its 10.68 percent unsecured promissory notes. In January 1992 the company made the final debt payment of $25 million on the 10.68 percent notes. Despite this, since the end of 1990 working capital has increased by approximately $8 million, and at December 29, 1991, the company had $106 million in cash and cash equivalents, $174 million in marketable securities and $77 million in debt.

In 1992 the company estimates that it will spend approximately $80 million - $90 million for plant and equipment, principally for the expansion of cable operations in the United Kingdom and the completion of various projects at the newspaper division. It expects to fund these expenditures from cash flow from operations.

The company's effective tax rate in 1992 is expected to be approximately 43 percent, based upon the existing rules of accounting for income taxes. In February 1992 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109), which significantly changes the approach and methodology of accounting for income taxes. Adoption of SFAS No. 109 is not expected to significantly affect the company's financial position. In accordance with SFAS No. 109, the new rules must be adopted by 1993.

During 1991 and 1990 the company repurchased 42,900 and 641,500 shares, respectively, of its Class B common stock at a cost of $7 million and $163 million, respectively. In 1990 the company completed the repurchase of shares under a 700,000 share buyback program begun in 1987 and commenced a new program that authorized the repurchase of up to 1,000,000 shares, of which 626,120 remained at the end of 1991. The annual dividend rate in 1992 remains at $4.20 per share.

In management's opinion the changes in financial position mentioned above or anticipated in the near future are not expected to impair the company's liquidity position.

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

In our opinion, the consolidated financial statements appearing on pages 23 through 37 present fairly, in all material respects, the financial position of The Washington Post Company and its subsidiaries at December 29, 1991 and December 30, 1990, and the results of their operations and their cash flows for each of the three fiscal years in the period ended December 29, 1991, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note I to the financial statements, the Company adopted, effective at the beginning of 1991, Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

Price Waterhouse

Washington, D.C.
February 4, 1992

(In thousands, except share amounts)	Fiscal Year Ended December 29, 1991	December 30, 1990*	December 31, 1989*
OPERATING REVENUES			
Advertising	$ 852,438	$ 943,676	$ 986,335
Circulation and subscriber	412,937	386,756	361,068
Other	114,886	108,208	96,691
	1,380,261	1,438,640	1,444,094
OPERATING COSTS AND EXPENSES			
Operating	775,936	778,574	762,157
Selling, general and administrative	337,492	309,807	305,795
Depreciation and amortization of property, plant and equipment	58,695	53,509	48,756
Amortization of goodwill and other intangibles	15,272	14,982	13,695
	1,187,395	1,156,872	1,130,403
INCOME FROM OPERATIONS	192,866	281,768	313,691
Equity in earnings of affiliates	(1,856)	6,235	10,042
Interest income	17,382	21,342	28,599
Interest expense	(17,759)	(16,653)	(17,027)
Other expense, net	(412)	(1,266)	(1,312)
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	190,221	291,426	333,993
PROVISION FOR INCOME TAXES	71,500	116,850	136,100
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	118,721	174,576	197,893
CUMULATIVE EFFECT OF CHANGE IN METHOD OF ACCOUNTING FOR OTHER POSTRETIREMENT BENEFITS (NET OF TAXES OF $30,311)	(47,897)	—	—
NET INCOME	$ 70,824	$ 174,576	$ 197,893
EARNINGS PER SHARE:			
BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	$ 10.00	$ 14.45	$ 15.50
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(4.04)	—	—
NET INCOME	$ 5.96	$ 14.45	$ 15.50

* Certain amounts have been reclassified in 1990 and 1989 to conform with 1991 presentation.

The information on pages 28 through 37 is an integral part of the financial statements.

(In thousands, except share amounts)	December 29, 1991	December 30, 1990
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 106,122	$ 171,133
Marketable securities	174,238	105,384
Accounts receivable, net	138,604	131,839
Inventories	19,563	25,202
Program rights	17,314	22,723
Other current assets	16,378	15,388
	472,219	471,669
INVESTMENTS IN AFFILIATES	181,764	168,512
PROPERTY, PLANT AND EQUIPMENT		
Buildings	156,197	139,875
Machinery, equipment and fixtures	537,206	495,511
Leasehold improvements	28,761	29,047
	722,164	664,433
Less accumulated depreciation and amortization	(374,447)	(331,691)
	347,717	332,742
Land	26,904	26,143
Construction in progress	15,692	36,094
	390,313	394,979
GOODWILL AND OTHER INTANGIBLES, less accumulated amortization of $98,074 and $82,802	320,641	333,844
DEFERRED CHARGES AND OTHER ASSETS	122,724	127,505
	$1,487,661	$1,496,509

The information on pages 28 through 37 is an integral part of the financial statements.

(In thousands, except share amounts)	December 29, 1991	December 30, 1990
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 160,967	$ 175,387
Federal and state income taxes	26,053	23,741
Deferred subscription revenue	76,240	71,734
Current portion of long-term debt	25,000	25,000
	288,260	295,862
OTHER LIABILITIES	175,186	86,269
LONG-TERM DEBT	51,915	126,988
DEFERRED INCOME TAXES	48,015	82,278
	563,376	591,397
SHAREHOLDERS' EQUITY		
Preferred stock, $1 par value, 1,000,000 shares authorized	—	—
Common stock		
Class A common stock, $1 par value, 7,000,000 shares authorized; 1,843,250 and 1,852,378 shares issued and outstanding	1,843	1,852
Class B common stock, $1 par value, 40,000,000 shares authorized; 18,156,750 and 18,147,622 shares issued; 9,988,530 and 10,008,691 shares outstanding	18,157	18,148
Capital in excess of par value	18,725	16,641
Retained earnings	1,376,408	1,355,456
Cumulative foreign currency translation adjustment	6,870	4,170
Cost of 8,168,220 and 8,138,931 shares of Class B common stock held in Treasury	(497,718)	(491,155)
	924,285	905,112
	$1,487,661	$1,496,509

The information on pages 28 through 37 is an integral part of the financial statements.

	Fiscal Year Ended		
(In thousands)	December 29, 1991	December 30, 1990	December 31, 1989
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 70,824	$174,576	$197,893
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	78,208	—	—
Depreciation and amortization of property, plant and equipment	58,695	53,509	48,756
Amortization of goodwill and other intangibles	15,272	14,982	13,695
Amortization of program rights	28,939	26,215	23,673
Provision for doubtful accounts	52,920	52,900	37,582
Increase in accrued interest and income taxes payable	391	3,141	11,247
Provision for deferred income taxes	(34,336)	11,289	8,737
Change in assets and liabilities:			
(Increase) in accounts receivable	(59,685)	(50,742)	(41,679)
Decrease (increase) in inventories	5,639	(6,404)	9,008
(Decrease) in accounts payable and accrued liabilities	(978)	(5,053)	(2,733)
Other	14,012	(13,480)	(5,182)
Net cash provided by operating activities	229,901	260,933	300,997
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(55,657)	(73,249)	(80,712)
Purchases of marketable securities	(249,057)	(157,344)	(106,685)
Proceeds from sales of marketable securities	180,203	91,207	57,169
Investments in certain businesses	(19,301)	(31,121)	
Payments for program rights	(19,917)	(20,779)	(28,005)
Other	969	336	578
Net cash (used) by investing activities	(162,760)	(190,950)	(157,655)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on debt	(75,000)	(2,742)	(966)
Dividends paid	(49,872)	(48,541)	(23,542)
Common shares repurchased	(7,430)	(163,267)	(107,156)
Other	150	99	1,285
Net cash (used) by financing activities	(132,152)	(214,451)	(130,379)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(65,011)	(144,468)	12,963
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	171,133	315,601	302,638
CASH AND CASH EQUIVALENTS AT END OF YEAR	$106,122	$171,133	$315,601
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the year for:			
Income taxes	$ 72,300	$102,300	$115,300
Interest	$ 19,500	$ 15,900	$ 16,700
NONCASH INVESTING ACTIVITIES:			
Program rights acquired	$ 19,800	$ 11,000	$ 41,900

The information on pages 28 through 37 is an integral part of the financial statements.

(In thousands, except share amounts)	Class A Common Stock	Class B Common Stock	Capital in Excess of Par Value	Retained Earnings	Cumulative Foreign Currency Translation Adjustment	Treasury Stock
BALANCE JANUARY 1, 1989	$2,059	$17,941	$13,234	$1,055,070	$1,979	$(222,043)
Net income for the year				197,893		
Dividends—$1.84 per share				(23,542)		
Repurchase of 389,427 shares of Class B common stock						(107,156)
Issuance of 13,404 shares of Class B common stock, net of restricted stock award forfeitures			2,457			423
Conversion of 206,324 shares of Class A common stock to Class B common stock	(207)	207				
Change in foreign currency translation adjustment					1,952	
Other			1,255			
BALANCE DECEMBER 31, 1989	1,852	18,148	16,946	1,229,421	3,931	(328,776)
Net income for the year				174,576		
Dividends—$4.00 per share				(48,541)		
Repurchase of 641,500 shares of Class B common stock						(163,267)
Issuance of 15,547 shares of Class B common stock, net of restricted stock award forfeitures			(514)			888
Change in foreign currency translation adjustment					239	
Other			209			
BALANCE DECEMBER 30, 1990	1,852	18,148	16,641	1,355,456	4,170	(491,155)
Net income for the year				70,824		
Dividends—$4.20 per share				(49,872)		
Repurchase of 42,900 shares of Class B common stock						(7,430)
Issuance of 13,611 shares of Class B common stock, net of restricted stock award forfeitures			1,833			867
Conversion of 9,128 shares of Class A common stock to Class B common stock	(9)	9				
Change in foreign currency translation adjustment					2,700	
Other			251			
BALANCE DECEMBER 29, 1991	$1,843	$18,157	$18,725	$1,376,408	$6,870	$(497,718)

The information on pages 28 through 37 is an integral part of the financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Washington Post Company ("the company") operates principally in four areas of the media business: newspaper publishing, television broadcasting, magazine publishing and cable television. Segment data is set forth in Note M.

Fiscal Year. The company reports on a 52-53 week fiscal year ending on the Sunday nearest December 31. The fiscal year 1991, which ended on December 29, 1991, included 52 weeks, as did 1990 and 1989. With the exception of the newspaper publishing operations, subsidiaries of the company report on a calendar year basis.

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

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

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

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

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

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

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

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

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

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

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

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

Postretirement Benefits Other Than Pensions. The company provides certain health care and life insurance benefits for retired employees. Effective in 1991, the expected cost of providing these postretirement benefits is accrued over the years that employees render the necessary service. Previously these costs were expensed as claims were paid. The cumulative effect of adopting this method of accounting for previously unrecognized years of service has been recognized in net income in 1991 as a change in accounting principle. This change in method is defined within Statement of Financial Accounting Standards No. 106.

B. Marketable Securities

The company's marketable securities at December 29, 1991, and December 30, 1990, include the following (in thousands):

	1991	1990
U.S. Government and Government agency obligations	$ 87,397	$ 95,368
State obligations	20,673	10,016
Commercial paper	66,168	—
	$174,238	$105,384

C. Accounts Receivable and Accounts Payable and Accrued Liabilities

Accounts receivable at December 29, 1991, and December 30, 1990, consist of the following (in thousands):

	1991	1990
Accounts receivable, less estimated returns, doubtful accounts and allowances of $35,642 and $33,228	$131,294	$121,992
Other	7,310	9,847
	$138,604	$131,839

Accounts payable and accrued liabilities at December 29, 1991, and December 30, 1990, consist of the following (in thousands):

	1991	1990
Accounts payable and accrued expenses	$ 98,827	$112,839
Accrued payroll and related benefits	27,038	24,779
Accrued interest expense	7,118	9,362
Film contracts payable	19,955	19,066
Due to affiliates (newsprint)	8,029	9,341
	$160,967	$175,387

D. Investments in Affiliates

The company's investments in affiliates at December 29, 1991, and December 30, 1990, include the following (in thousands):

	1991	1990
Cowles Media Company	$ 79,952	$ 81,638
Newsprint mills	73,616	80,213
Other	28,196	6,661
	$181,764	$168,512

The company's investments in affiliates in 1991 and 1990 include a 28 percent interest in the stock of Cowles Media Company, which owns and operates the Minneapolis Star and Tribune and several other smaller properties. In 1989 the company owned a 26 percent interest.

The company's interest in newsprint mills includes a 49 percent interest in the common stock of Bowater Mersey Paper Company Limited, which owns and operates a newsprint mill in Nova Scotia; a one-third limited partnership interest in Bear Island Paper Company, which owns and operates a newsprint mill near Richmond, Virginia; and a one-third limited partnership interest in Bear Island Timberlands Company, which owns timberland and supplies Bear Island Paper Company with a major portion of its wood requirements. Operating costs and expenses of the company include newsprint supplied by Bowater Mersey Paper Company and Bear Island Paper Company and used in operations, the cost of which was $59,200,000 in 1991, $60,400,000 in 1990, and $65,500,000 in 1989.

The company's other investments include a 50 percent common stock interest in the International Herald Tribune, which is a newspaper based near Paris, and a 50 percent common stock interest in the Los Angeles Times-

Washington Post News Service, Inc. In 1990 and 1989 the company owned a one-third common stock interest in the International Herald Tribune. In 1991 the company purchased a 30 percent common stock interest in The Gaithersburg Gazette, Inc., which publishes eleven weekly newspapers in Montgomery, Frederick and Carroll Counties, Maryland.

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

	1991	1990	1989
Financial Position			
Working capital	$ (93,737)	$ (76,521)	$ (56,090)
Property, plant and equipment	478,502	495,932	518,577
Total assets	759,850	770,071	770,525
Long-term debt	212,923	225,938	245,468
Net equity	203,997	212,938	243,920
Results of Operations			
Operating revenues	$644,814	$670,345	$674,899
Operating income	30,509	34,712	76,109
Net income	6,543	34,162	38,129

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

	1991	1990
Beginning investment	$168,512	$167,060
Equity in earnings	(1,856)	6,235
Dividends and distributions received	(5,217)	(5,989)
Additional investments	17,841	680
Foreign currency translation	2,484	526
Ending investment	$181,764	$168,512

At December 29, 1991, the unamortized excess of the company's investments over its equity in the underlying net assets of its affiliates at the date of acquisition was approximately $99,000,000. Amortization included in equity in earnings of affiliates for the years ended December 29, 1991, December 30, 1990, and December 31, 1989, was $2,550,000, $2,250,000 and $2,650,000, respectively.

E. Income Taxes

The provision for income taxes, exclusive of the benefit related to the cumulative effect of the adoption of SFAS No. 106, consists of the following (in thousands):

	Current	Deferred
1991		
U.S. Federal	$ 60,732	$ (3,195)
Foreign	567	(528)
State and local	14,226	(302)
	$ 75,525	$ (4,025)
1990		
U.S. Federal	$ 85,385	$ 9,489
Foreign	412	(454)
State and local	19,764	2,254
	$105,561	$11,289
1989		
U.S. Federal	$104,240	$ 6,891
Foreign	277	255
State and local	22,846	1,591
	$127,363	$ 8,737

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

	1991	1990	1989
Net pension credits in excess of contributions	$ 5,335	$ 7,098	$ 5,206
Accrued postretirement benefit expenses (current year)	(3,163)	—	—
Difference between tax depreciation and depreciation for financial reporting purposes	(2,437)	3,338	3,159
Deferral of investment tax credits for financial reporting purposes	(1,350)	(539)	(1,094)
Other	(2,410)	1,392	1,466
	$ (4,025)	$11,289	$ 8,737

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

	1991	1990	1989
U.S. Federal income taxes	$64,675	$ 99,085	$113,558
State and local taxes net of Federal income tax benefit	9,190	14,532	16,128
Amortization of goodwill not deductible for income tax purposes	2,805	2,887	2,640
Settlement with IRS	(10,013)	—	—
Other	4,843	346	3,774
Provision for income taxes	$71,500	$116,850	$136,100

Contributing to the lower effective tax rate in 1991 was a credit of $10 million resulting from a favorable settlement with the Internal Revenue Service, which related to adjustments to prior year's income taxes.

In February 1992 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109), which significantly changes the approach and methodology of accounting for income taxes. SFAS No. 109, which has not been adopted by the company, requires the implementation of the liability method of accounting for income taxes and the adjustment of deferred taxes to reflect changes in tax rates at the time they are enacted. The adoption of SFAS No. 109 is not expected to significantly affect the company's financial position. In accordance with SFAS No. 109, the new rules must be adopted in 1993.

F. Debt

Long-term debt of the company as of December 29, 1991, and December 30, 1990, is summarized as follows (in thousands):

	1991	1990
10.68 percent unsecured promissory notes due 1991-1994	$25,000	$100,000
10.1 percent unsecured European Currency Unit notes due 1996	50,515	50,588
10.875 percent unsecured Eurodollar notes due 1995	1,400	1,400
Less amounts included in current liabilities	(25,000)	(25,000)
	$51,915	$126,988

In December 1991 the company prepaid $50,000,000 of the 10.68 percent unsecured promissory notes. A related $2,100,000 prepayment fee was included in interest expense for the year.

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

On January 6, 1992, the company made the final debt payment of $25,000,000 on the 10.68 percent unsecured promissory notes. Accordingly, as of such date, there are no restrictions on retained earnings or other aspects of the company's financial operations.

G. Capital Stock, Stock Options and Stock Awards

Capital Stock. Each share of Class A common stock and Class B common stock participates equally in dividends. The Class B stock has limited voting rights and as a class has the right to elect 30 percent of the board of directors; the Class A stock has unlimited voting rights including the right to elect a majority of the board of directors. In 1991, 9,128 shares of the company's Class A common stock were converted into an equal number of shares of the company's Class B common stock.

During 1991 and 1990 the company purchased a total of 42,900 and 641,500 shares, respectively, of its Class B common stock at a cost of approximately $7,430,000 and $163,267,000.

Stock Options. In 1971 the company adopted a Stock Option Plan and reserved 1,400,000 shares of Class B common stock for options to be granted under the plan. The purchase price of the shares covered by an option cannot be less than the fair market value on the granting date. At December 29, 1991, there were 164,450 shares reserved for issuance under the Stock Option Plan. Of this number, 125,000 shares were subject to options outstanding and 39,450 shares were available for future grants. Changes in options outstanding for the years ended December 29, 1991, and December 30, 1990, were as follows:

	1991		1990	
	Number of Shares	Average Option Price	Number of Shares	Average Option Price
Beginning of year	53,000	$227.39	52,000	$215.88
Granted	73,500	283.11	4,500	205.50
Exercised	(750)	199.38	(3,500)	28.25
Canceled	(750)	199.38	—	—
End of year	125,000	260.49	53,000	227.39

Of the shares covered by options outstanding at the end of 1991, 30,625 are now exercisable, 18,625 will become exercisable in 1992, 12,875 will become exercisable in 1993, 7,000 will become exercisable in 1994, 5,875 will become exercisable in 1995, and 50,000 will become exercisable in 1999.

Stock Awards. In 1982 the company adopted a Long-Term Incentive Compensation Plan that, among other provisions, authorizes the awarding of stock to key employees. Stock awards made under the Incentive Compensation Plan are subject to the general restriction that stock awarded to a participant will be forfeited and revert to company ownership if the participant's employment terminates before the end of a specified period of service to the company. At December 29, 1991, there were 153,559 shares reserved for issuance under the Incentive Compensation Plan. Of this number, 25,461 shares were subject to awards outstanding and 128,098 shares were available for future awards. Activity related to stock awards for the years ended December 29, 1991, and December 30, 1990, was as follows:

	1991		1990	
	Number of Shares	Average Award Price	Number of Shares	Average Award Price
Awards Outstanding				
Beginning of year	30,812	$182.80	30,930	$182.01
Awarded	16,031	197.18	221	282.50
Vested	(18,212)	164.64	(159)	156.00
Forfeited	(3,170)	200.71	(180)	192.51
End of year	25,461	202.62	30,812	182.80

For the share awards outstanding at December 29, 1991, the aforementioned restriction will lapse in January 1993 for 11,478 shares and in January 1995 for 13,983 shares.

Average Number of Shares Outstanding. Earnings per share are based on the weighted average number of shares of common stock outstanding during each year, adjusted for the dilutive effect of shares issuable under outstanding stock options, as well as stock awards made under the Incentive Compensation Plan. The average number of shares outstanding was 11,876,000 for 1991, 12,081,000 for 1990, and 12,768,000 for 1989.

H. Retirement Plans

The company and its subsidiaries have various pension and incentive savings plans and in addition contribute to several multi-employer plans on behalf of certain union-represented employee groups. Substantially all of the company's employees, including some located in foreign countries, are covered by these plans. Pension cost (benefit) for all retirement plans combined was $3,000,000 in 1991, $(4,000,000) in 1990 and $(900,000) in 1989. Included in 1991 are costs of $4,900,000 associated with the voluntary reduction of staff at The Washington Post newspaper.

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

The following table sets forth the funded status of the defined benefit plans and amounts included in the Consolidated Balance Sheets at December 29, 1991, and December 30, 1990 (in thousands):

	1991	1990
Actuarial present value of accumulated plan benefits, including vested benefits of $122,058 and $97,052	$127,366	$100,621
Plan assets at fair value, primarily listed securities	$402,052	$324,479
Projected benefit obligation for service rendered to date	(156,369)	(126,958)
Plan assets in excess of projected benefit obligation	245,683	197,521
Prior service cost not yet recognized in periodic pension cost	16,219	3,332
Less unrecognized net gain from past experience different from that assumed	(115,455)	(59,876)
Less unrecognized net asset (transition amount) being recognized over approximately 17 years	(84,266)	(91,931)
Prepaid pension cost	$ 62,181	$ 49,046

The net pension credits for the years ended December 29, 1991, December 30, 1990, and December 31, 1989, included the following components (in thousands):

	1991	1990	1989
Service cost for benefits earned during the period	$ 7,200	$ 6,383	$ 5,967
Interest cost on projected benefit obligation	10,327	8,672	8,069
Actual return on plan assets	(84,880)	(6,312)	(56,009)
Net amortization and deferral	50,471	(26,056)	29,198
Cost of voluntary reduction in staff	4,916	—	—
Net pension credit	$(11,966)	$(17,313)	$(12,775)

The weighted average discount rate and rate of increase in future compensation levels used for 1991, 1990 and 1989 in determining the actuarial present value of the projected benefit obligation were 7.5 percent and 4 percent, respectively. The expected long-term rate of return on assets was 9 percent in 1991 and 1990, and 8 percent in 1989.

Contributions to multi-employer pension plans, which are generally based on hours worked, amounted to $1,300,000 in 1991, and $1,500,000 in 1990 and 1989.

The costs of unfunded retirement plans are charged to expense when accrued. The company's liability for such plans, which is included in "Other Liabilities" in the Consolidated Balance Sheets, was $31,500,000 at December 29, 1991, and $28,100,000 at December 30, 1990.

I. Postretirement Benefits Other Than Pensions

The company and its subsidiaries provide health care and life insurance benefits to certain retired employees. These employees become eligible for benefits after meeting minimum age and service requirements.

In 1991 the company adopted the provisions of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Under SFAS No. 106, the cost of providing retiree health care and life insurance benefits is actuarially determined and accrued over the service period of an employee. Prior to 1991 retiree health care and life insurance benefits were expensed as claims and premiums were paid.

As permitted by SFAS No. 106, the company elected to recognize in 1991 the accumulated benefit obligation related to prior service costs. This obligation of $78,208,000, after income taxes of $30,311,000, is shown on the Consolidated Statements of Income as the cumulative effect of a change in accounting principle. In addition, the effect of adopting SFAS No. 106 was to increase current year operating expense by $7,130,000.

The following table sets forth the amounts included in "Other Liabilities" in the Consolidated Balance Sheets at December 29, 1991 (in thousands):

Accumulated postretirement benefit obligation:	
Retirees	$ 45,815
Fully eligible active plan participants	10,878
Other active plan participants	32,712
Total accumulated postretirement benefit obligation	$ 89,405

In addition to the cumulative effect of adopting SFAS No. 106, postretirement benefit cost for the year ended December 29, 1991, included the following components (in thousands):

	1991
Service cost for benefits earned during the period	$ 2,948
Interest cost on accumulated postretirement benefit obligation	6,404
Net periodic postretirement benefit cost	$ 9,352

The accumulated postretirement benefit obligation was determined using a discount rate of 8 percent and a health care cost trend rate of approximately 14 percent for pre-age-65 benefits, decreasing to 6.5 percent in the year 2022 and thereafter; and rates of approximately 11 to 13 percent for post-age-65 benefits, decreasing to 6.5 percent in the year 2022 and thereafter.

The company's policy is to fund the above mentioned benefits as claims and premiums are paid.

The effect on the accumulated postretirement benefit obligation at January 1, 1991, of a 1 percent increase each year in the heath care cost trend rate used, would result in increases of approximately $14,000,000 in the obligation and $2,000,000 in the aggregate service and interest components of the 1991 expense.

In 1990 and 1989 the cost of providing health care and life insurance benefits for retirees was not separable from the cost of providing these benefits for active employees. The total cost recognized for both active and retired employees for health care and life insurance benefits was approximately $26,500,000 in 1990, and $22,400,000 in 1989. Retiree participation in these plans as a percentage of total participation approximated 9 percent in 1990 and 1989 for the life insurance plan, and 16 percent in 1990 and 15 percent in 1989 for the medical plan.

J. Lease Commitments

Total rental expense under operating leases included in operating costs and expenses was approximately $20,000,000 for 1991, $16,800,000 for 1990, and $15,900,000 for 1989. The company's commitments under operating lease agreements are primarily for real estate. As of December 29, 1991, minimum future rentals under non-cancelable leases (exclusive of minimum sublease rentals totaling $7,000,000) were as follows (in thousands):

1992	$14,954
1993	13,909
1994	10,274
1995	8,197
1996	5,512
Thereafter	8,404
	$61,250

K. Acquisitions and Dispositions

During 1991 the company expended approximately $21,000,000, including related expenses, for investments in new businesses. These included an additional investment in the International Herald Tribune, which increased the company's ownership to 50 percent, a cable franchise in the United Kingdom, and a company that publishes eleven weekly newspapers in suburban Washington, D.C.

The International Herald Tribune and the newspaper publishing company purchases are accounted for under the equity method of accounting, and amortization of the excess of the cost over the company's share of the fair value of the assets acquired is included in equity in earnings of affiliates. The cable purchase included costs of obtaining the franchise and are being amortized over the franchise life.

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

L. Contingencies

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

M. Business Segments

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

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

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

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

Cable television operations consist of over 50 cable systems offering basic cable and pay television services to more than 451,000 subscribers in 15 midwestern, western and southern states and over 8,000 subscribers in the United Kingdom. The principal source of revenues is monthly subscription fees charged for services.

Other Businesses include the operations of a database publishing company, an experimental wireless telephone system, and educational centers engaged in preparing students for admissions tests and licensing examinations (including the preparation and publishing of training materials).

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

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

(in thousands)	Newspaper Publishing	Broadcasting	Magazine Publishing	Cable Television	Other Businesses	Consolidated
1991						
Operating revenues	$642,694	$163,471	$326,475	$159,503	$ 88,118	$1,380,261
Income from operations	$ 89,488	$ 49,074	$ 9,085	$ 35,011	$ 10,208	$ 192,866
Equity in earnings of affiliates						(1,856)
Interest expense						(17,759)
Other income, net						16,970
Income before income taxes						$ 190,221
Identifiable assets	$307,897	$144,232	$131,510	$386,527	$ 52,779	$1,022,945
Investments in affiliates						181,764
Corporate assets						282,952
Total assets						$1,487,661
Depreciation and amortization of property, plant and equipment	$ 18,119	$ 7,174	$ 6,548	$ 24,651	$ 2,203	$ 58,695
Amortization of goodwill and other intangibles	$ 533	$ 664		$ 11,553	$ 2,522	$ 15,272
Capital expenditures	$ 19,215	$ 3,158	$ 2,762	$ 25,363	$ 5,159	$ 55,657

(in thousands)	Newspaper Publishing	Broadcasting	Magazine Publishing	Cable Television	Other Businesses	Consolidated
1990						
Operating revenues	$690,997	$179,385	$340,177	$145,473	$ 82,608	$1,438,640
Income from operations	$143,758	$ 68,923	$ 26,865	$ 29,157	$ 13,065	$ 281,768
Equity in earnings of affiliates						6,235
Interest expense						(16,653)
Other income, net						20,076
Income before income taxes						$ 291,426
Identifiable assets	$309,769	$162,393	$125,520	$395,286	$ 51,717	$1,044,685
Investments in affiliates						168,512
Corporate assets						283,312
Total assets						$1,496,509
Depreciation and amortization of property, plant and equipment	$ 16,890	$ 7,311	$ 4,639	$ 22,809	$ 1,860	$ 53,509
Amortization of goodwill and other intangibles	$ 533	$ 664		$ 11,289	$ 2,496	$ 14,982
Capital expenditures	$ 38,189	$ 6,991	$ 2,651	$ 28,660	$ 1,705	$ 78,196
1989						
Operating revenues	$726,713	$182,545	$334,352	$129,319	$ 71,165	$1,444,094
Income from operations	$176,625	$ 72,128	$ 28,161	$ 26,084	$ 10,693	$ 313,691
Equity in earnings of affiliates						10,042
Interest expense						(17,027)
Other income, net						27,287
Income before income taxes						$ 333,993
Identifiable assets	$290,812	$179,170	$111,602	$376,770	$ 49,461	$1,007,815
Investments in affiliates						167,060
Corporate assets						357,336
Total assets						$1,532,211
Depreciation and amortization of property, plant and equipment	$ 14,942	$ 7,543	$ 4,896	$ 19,849	$ 1,526	$ 48,756
Amortization of goodwill and other intangibles	$ 533	$ 664		$ 10,131	$ 2,367	$ 13,695
Capital expenditures	$ 42,085	$ 8,260	$ 3,479	$ 24,987	$ 1,901	$ 80,712

N. Summary of Quarterly Operating Results (Unaudited)

Quarterly results of operations for the years ended December 29, 1991, and December 30, 1990, are as follows. Quarterly results for the first three quarters of 1991 have been restated to reflect the adoption in the fourth quarter of SFAS No. 106 (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1991				
Operating revenues	$317,132	$356,617	$339,959	$366,553
Income from operations	19,916	57,151	48,668	67,131
Net income as originally reported	13,604	35,071	26,121	46,969
Effect of adopting change in accounting for postretirement benefits other than pensions	(1,060)	(1,044)	(940)	—
Income before cumulative effect on prior years of a change in accounting for postretirement benefits other than pensions	12,544	34,027	25,181	46,969
Cumulative effect on prior years of a change in accounting for postretirement benefits other than pensions	(47,897)	—	—	—
Net (loss) income	(35,353)	34,027	25,181	46,969
Earnings per share:				
Net income as originally reported	$1.15	$2.95	$2.20	$3.96
Effect of adopting change in accounting for postretirement benefits other than pensions	(.09)	(.09)	(.08)	—
Income before cumulative effect on prior years of a change in accounting for postretirement benefits other than pensions	1.06	2.86	2.12	3.96
Cumulative effect on prior years of a change in accounting for postretirement benefits other than pensions	(4.04)	—	—	—
Net (loss) income	$(2.98)	$2.86	$2.12	$3.96
Average number of shares outstanding	11,878	11,879	11,877	11,869
1990				
Operating revenues	$340,966	$379,551	$348,724	$369,399
Income from operations	58,586	91,461	62,632	69,089
Net income	39,020	55,947	37,522	42,087
Earnings per share	$3.16	$4.60	$3.14	$3.55
Average number of shares outstanding	12,344	12,147	11,960	11,871

See Notes to Consolidated Financial Statements for the summary of significant accounting policies and additional information relative to the years 1989-1991.

(In thousands, except per share amounts)	1991	1990	1989
RESULTS OF OPERATIONS			
Operating revenues	$1,380,261	$1,438,640	$1,444,094
Income from operations	$ 192,866	$ 281,768	$ 313,691
Income before cumulative effect of change in accounting principle	$ 118,721	$ 174,576	$ 197,893
Cumulative effect in 1991 of change in method of accounting for postretirement benefits other than pensions	(47,897)		
Net income	$ 70,824	$ 174,576	$ 197,893
PER SHARE AMOUNTS			
Earnings per share			
Income before cumulative effect of change in accounting principle	$10.00	$14.45	$15.50
Cumulative effect in 1991 of change in method of accounting for postretirement benefits other than pensions	(4.04)	—	—
Net income	$ 5.96	$14.45	$15.50
Cash dividends	$ 4.20	$ 4.00	$ 1.84
Shareholders' equity	$78.12	$76.31	$75.40
AVERAGE NUMBER OF SHARES OUTSTANDING	11,876	12,081	12,768
FINANCIAL POSITION			
Current assets	$ 472,219	$ 471,669	$ 553,188
Working capital	183,959	175,807	283,118
Property, plant and equipment	390,313	394,979	370,597
Total assets	1,487,661	1,496,509	1,532,211
Long-term debt	51,915	126,988	152,061
Shareholders' equity	924,285	905,112	941,522

1988	1987	1986	1985	1984	1983	1982
$1,367,613	$1,315,422	$1,215,064	$1,078,650	$984,303	$877,714	$800,824
$ 233,290	$ 257,073	$ 228,986	$ 204,186	$166,295	$132,415	$ 98,106
$ 269,117	$ 186,743	$ 100,173	$ 114,261	$ 85,886	$ 68,394	$ 52,413
—	—	—	—	—	—	—
$ 269,117	$ 186,743	$ 100,173	$ 114,261	$ 85,886	$ 68,394	$ 52,413
$20.91	$14.52	$ 7.80	$ 8.66	$ 6.11	$ 4.82	$ 3.70
—	—	—	—	—	—	—
$20.91	$14.52	$ 7.80	$ 8.66	$ 6.11	$ 4.82	$ 3.70
$ 1.56	$ 1.28	$ 1.12	$ .96	$ .80	$ .66	$ .56
$67.50	$47.80	$34.04	$27.26	$27.17	$22.50	$18.32
12,873	12,861	12,842	13,194	14,050	14,195	14,153
$ 493,736	$ 226,523	$ 219,422	$ 359,174	$218,559	$190,616	$170,658
235,698	(50,290)	(22,647)	150,397	56,850	31,104	13,933
352,113	371,080	343,702	219,310	191,072	181,333	181,982
1,422,267	1,194,196	1,145,227	885,079	645,800	570,676	501,223
154,751	155,791	336,140	222,392	6,250	8,500	10,750
868,240	614,009	436,590	349,548	380,127	318,890	258,843

NEWSPAPER DIVISION

The Washington Post—a morning daily and Sunday newspaper published in Washington, D.C. For the 12 months ended September 30, 1991, The Post's audited average circulation was 814,530 daily and 1,154,138 Sunday. The Post maintains 17 foreign, 7 national and 11 metropolitan news bureaus. It is printed at sites in Northwest and Southeast Washington and nearby Springfield, Virginia.

The Washington Post National Weekly Edition—a tabloid publication of selected Post articles on politics and government, edited for a national audience, with a circulation of approximately 90,000.

The Herald—a morning daily and Sunday newspaper published in Everett, Washington, 30 miles north of Seattle. The Herald's unaudited average circulation for the 12-month period ended September 30, 1991, was 51,887 daily and 63,204 Sunday.

The Washington Post Writers Group—a syndicator of 33 features to newspapers throughout the country.

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

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

POST-NEWSWEEK STATIONS

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

WDIV-4—an NBC affiliate in Detroit, Michigan, the 9th largest broadcasting market in the United States, with 1,719,100 television households.

WPLG-10—an ABC affiliate in Miami, Florida, the 15th largest broadcasting market in the United States, with 1,286,300 television households.

WFSB-3—a CBS affiliate in Hartford, Connecticut, the 24th largest broadcasting market in the United States, with 925,600 television households.

WJXT-4—a CBS affiliate in Jacksonville, Florida, the 54th largest broadcasting market in the United States, with 471,500 television households.

POST-NEWSWEEK CABLE

Post-Newsweek Cable—Headquartered in Phoenix, Arizona, Post-Newsweek Cable systems currently serve over 451,000 subscribers in 15 midwestern, western and southern states. Post-Newsweek Cable has acquired franchises in several areas of Scotland. Principal U.S. communities served and the number of basic subscribers in each as of December 31, 1991, were:

Arizona	
Bisbee	3,044
Clifton	1,657
Cottonwood	1,976
Globe	5,120
Holbrook	1,521
Page	1,738
Safford	5,356
Show Low	6,824
Winslow	2,690
California	
Burlingame	7,311
Modesto	52,767
Santa Rosa	45,519
Union City	9,192
Illinois	
Highland Park	17,183
Indiana	
Greenwood	9,964
Iowa	
Sioux City	20,543
Kansas	
Abilene	2,683
Beloit	1,708
Clay Center	1,993
Concordia	2,374
Mississippi	
Clarksdale	7,128
Gulfport	20,892
Missouri	
Brookfield	2,217
Joplin	13,523
Kirksville	5,423
Trenton	2,750
Nebraska	
Norfolk	10,949
New Mexico	
Rio Rancho	6,254
Roswell	12,709
North Dakota	
Fargo	18,233
Ohio	
Akron	13,324
Oklahoma	
Ada	6,853
Altus	8,314
Ardmore	9,897
Frederick	1,698
Hobart	1,735
Idabel	2,259
Mangum	1,413
Miami	5,250
Ponca City	11,622
Vinita	2,955
Tennessee	
Dyersburg	8,259
Texas	
Aransas Pass	4,665
Bonham	2,810
Childress	1,819
Lampasas	2,217
Lufkin	14,737
Memphis	942
Odessa	24,446
Port Lavaca	4,313
Sherman	19,407
Wellington	1,003
TOTAL	451,179

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Des Moines, IA 50347-1330

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FIRST CLASS PERMIT NO. 2479 NEW YORK, NY

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Educational Center Limited
810 Seventh Avenue
New York, New York 10102-0767

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Newsweek

Newsweek—a weekly news magazine published in New York City, with a 1992 rate base of 3.1 million and a 12-month average circulation for 1991 of 3.3 million. Newsweek maintains 10 U.S. and 16 foreign news bureaus and has 9 domestic advertising sales offices. The magazine is printed at 5 U.S. sites. In May 1991 Newsweek began printing in Saratoga, New York.

Newsweek International—a weekly English-language news magazine published in New York City and circulated throughout the world. For 1992 Newsweek International's combined circulation for its three editions is 730,000: Atlantic, 335,000; Pacific, 330,000 (including 110,000 for The Bulletin with Newsweek, Australia's largest news magazine); and Latin America, 65,000. Newsweek International maintains 11 sales offices, one in the U.S. and 10 overseas. The magazine is printed in Zurich, Hong Kong, Sydney and Hollywood, Florida.

Newsweek Japan (Newsweek Nihon Ban)—a Japanese-language newsweekly with a circulation of 160,000. It is produced with TBS-Britannica, which translates and publishes the magazine.

Newsweek Korea (Newsweek Hankuk Pan)—a Korean-language newsweekly with a circulation rate base of 70,000. It is produced with Joong-ang Ilbo of Korea, a division of the Samsung Group, which translates and publishes the magazine. Newsweek Hankuk Pan is the first international Korean-language newsweekly.

Other Businesses

Stanley H. Kaplan Educational Center—Headquartered in New York City, Kaplan offers courses at 151 permanent centers throughout the United States and in Canada and Puerto Rico, and at another 600 satellite classrooms on a seasonal basis. The company has prepared nearly 2 million students for over 30 standardized high school, college and graduate school admissions tests, as well as professional licensing examinations. Kaplan also offers an intensive English program, a speed-reading course and continuing professional education courses for CPA's. In 1991 enrollment exceeded 140,000 students.

Legi-Slate, Inc.—Headquartered in Washington, D.C., Legi-Slate® is the original and leading online service covering congressional legislation and voting records, federal regulatory activity and other government-related matters.

Affiliates

International Herald Tribune (50 percent ownership)—a daily newspaper published in Paris, France. In 1991 the International Herald Tribune had an average daily paid circulation of more than 196,000 in 164 countries, served from printing sites in Paris, Zurich, London, Marseilles, The Hague, Singapore, Hong Kong, Tokyo, Rome, Frankfurt and New York.

Los Angeles Times-Washington Post News Service, Inc. (50 percent of common stock)—a supplier of spot news and features to more than 600 newspapers, broadcast stations and magazines in 34 countries.

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

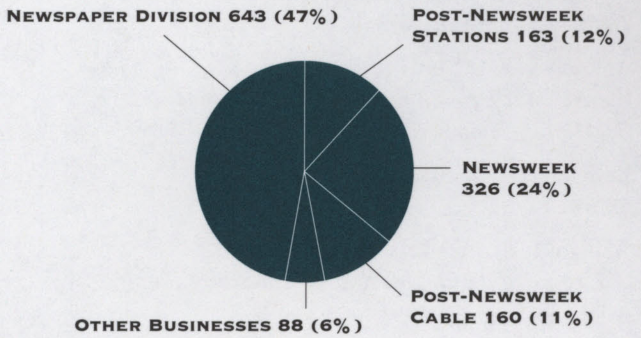
Bear Island Paper Company (one-third limited partnership interest)—a newsprint manufacturer in Doswell, Virginia.

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

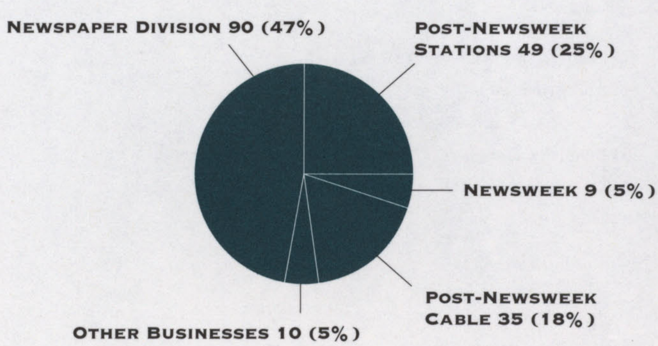
The Gaithersburg Gazette, Inc. (30 percent of common stock)—publisher of 11 weekly newspapers in Montgomery, Frederick and Carroll Counties, Maryland.

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

1991 Operating Revenues ($ in millions)



1991 Operating Income ($ in millions)



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Committees of the Board of Directors:
(1) Audit Committee
(2) Compensation Committee
(3) Finance Committee

OTHER COMPANY OFFICERS

Diana M. Daniels
Vice President, General Counsel and Secretary

Ross F. Hamachek
Vice President-Planning and Development

Leonade D. Jones
Treasurer

Beverly R. Keil
Vice President-Human Resources

Guyon Knight
Vice President-Corporate Communications

John B. Morse, Jr.
Vice President-Finance

G. William Ryan
Vice President

Richard M. Smith
Vice President

Howard E. Wall
Vice President

STOCK TRADING

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

STOCK TRANSFER AGENTS AND REGISTRAR

First Chicago Trust Company of New York
Post Office Box 3981
Church Street Station
New York, New York 10008-3981

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

SHAREHOLDER INQUIRIES

Communications concerning transfer requirements, lost certificates, dividends and changes of address should be directed to either transfer agent. Inquiries may be made to First Chicago Trust Company of New York Shareholder Relations Group by telephone (212) 791-6422 or fax (212) 385-9796. Those who are hearing-impaired may call the Telecommunications Device for the Deaf (TDD) at (212) 571-0022.

FORM 10-K

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

ANNUAL MEETING

The annual meeting of stockholders will be held on Thursday, May 14, 1992, at 9:00 a.m., at The Washington Post Company, 9th floor, 1150 15th Street, N.W., Washington, D.C.

COMMON STOCK PRICES AND DIVIDENDS

The Class A common stock of the company is not traded publicly. The Class B common stock of the company is listed on the New York Stock Exchange. High and low sales prices during the last two years were:

	1991		1990	
Quarter	High	Low	High	Low
January-March	$251	$193	$296	$254
April-June	229	210	266	233
July-September	236	209	265	209
October-December	212	169	218	167

During 1991 the company repurchased 42,900 outstanding shares of Class B common stock in unsolicited transactions at prices no higher than the last sale price on the New York Stock Exchange. All 42,900 shares were included in trading volume reported on 1991's consolidated tape and accounted for less than 1 percent of such volume.

Both classes of common stock participate equally as to dividends. Quarterly dividends were paid at the rate of $1.05 per share in 1991, and $1.00 per share in 1990. At February 19, 1992, there were 23 Class A and 1,769 Class B shareholders of record.

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