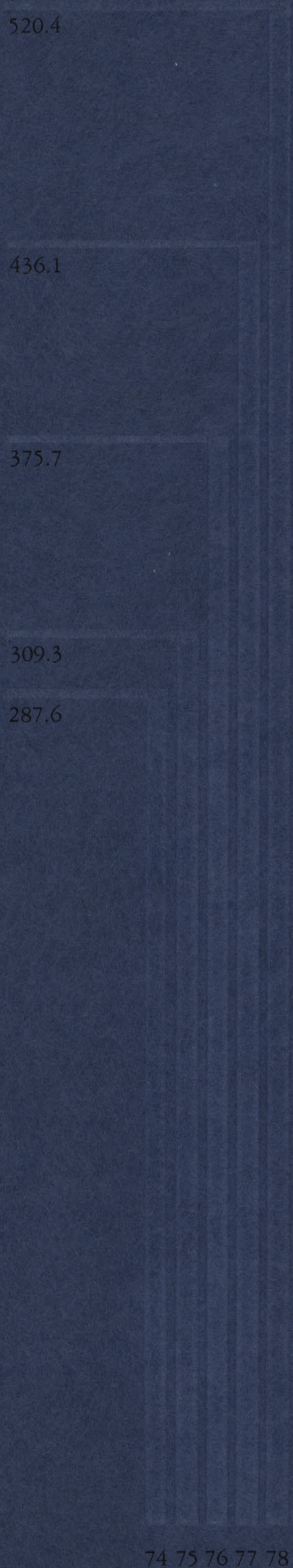
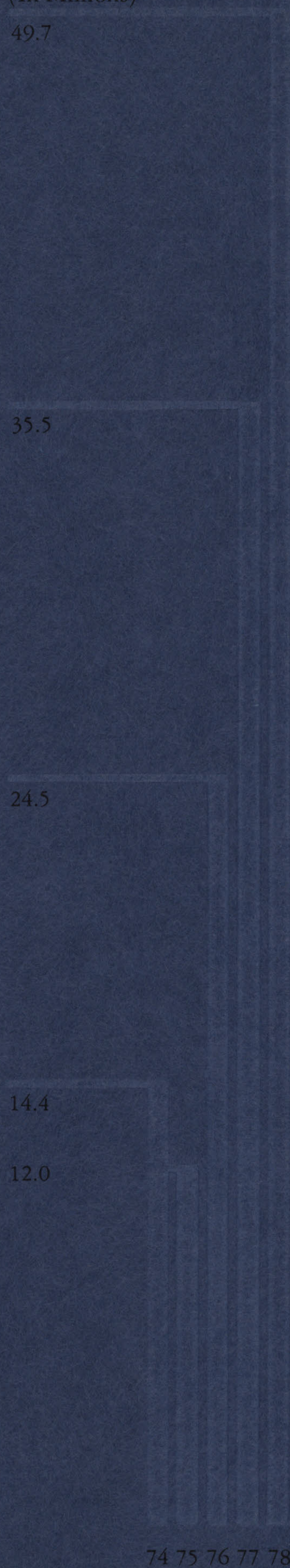
The Washington Post Company 1978

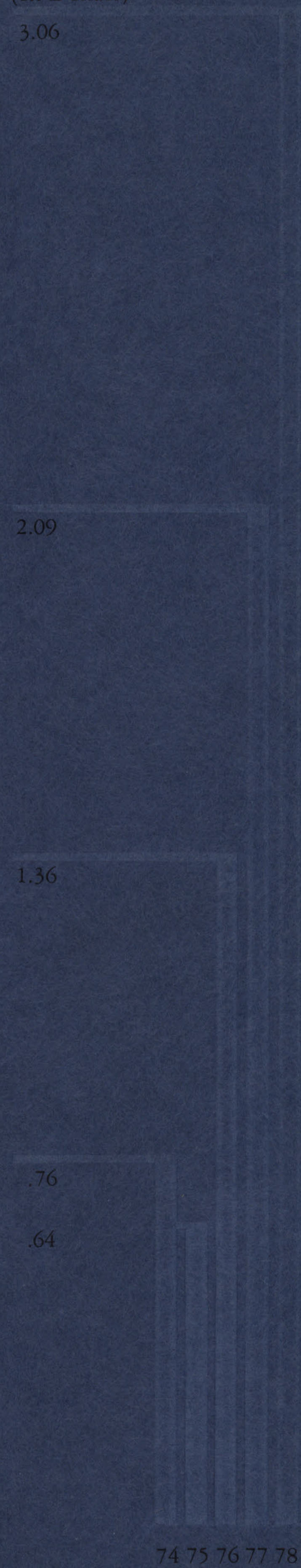
Operating Revenues
(In Millions)



Net Income
(In Millions)



Earnings Per Share
(In Dollars)



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The Washington Post Company

Newspaper Division

The Washington Post
Washington, D.C.

The Trenton Times and Sunday Times-Advertiser
Trenton, New Jersey

The Everett Herald
Everett, Washington

Robinson Terminal Warehouse Corporation
Alexandria, Virginia
(85 percent ownership)
Newsprint warehousing

The Washington Post Writers Group
Washington, D.C.
Newspaper feature syndication and other publications.

Magazine and Book Division

Newsweek
Newsweek International Editions
Newsweek Books

Broadcasting Division

Television Stations

WDIV
Detroit, Michigan (NBC affiliate)

WJXT
Jacksonville, Florida (CBS affiliate)

WPLG
Miami, Florida (ABC affiliate)

WFSB-TV
Hartford, Connecticut (CBS affiliate)

Top Market Television
National TV sales representative

Affiliates

Bowater Mersey Paper Company Limited
Liverpool, Nova Scotia
(49 percent of common stock)
Newsprint manufacturing

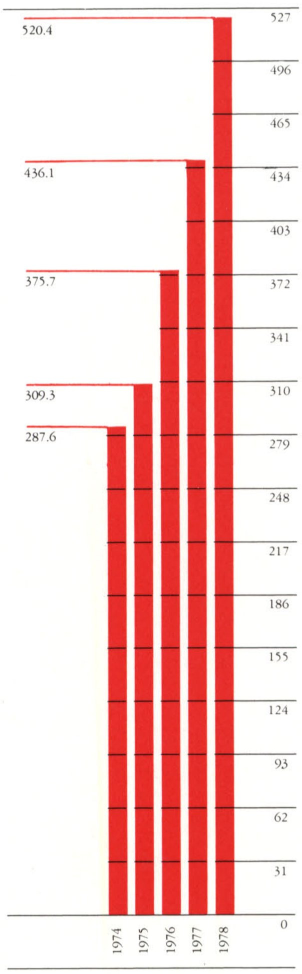
International Herald Tribune, S.A.
Paris, France
(30 percent of common stock)
Newspaper publishing

Los Angeles Times/ Washington Post News Service
(50 percent interest in joint venture)

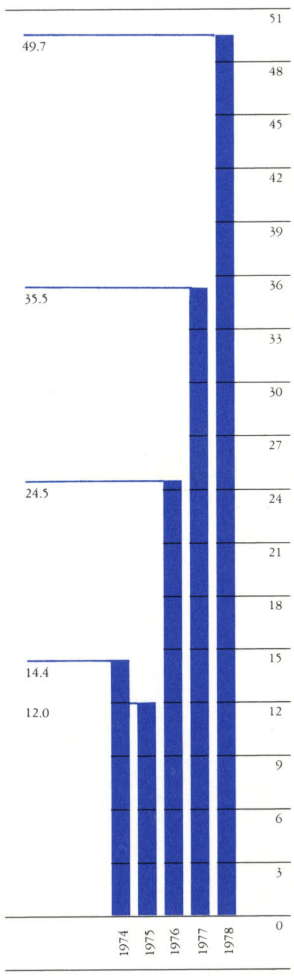
Bear Island Paper Company
Doswell, Virginia
(30 percent interest in joint venture)

(In thousands, except for per share amounts)	1978	1977	% Change
Revenues	$520,398	$436,102	+19%
Net Income	49,720	35,469	+40%
Earnings Per Share	$3.06	$2.09	+46%
Dividends Per Share	$ .30	$ .18	+67%
Shareholders' Equity	$177,414	$140,377	+26%
Average Number of Shares and Share Equivalents	16,232	16,952	- 4%
Total Assets	$328,517	$278,574	+18%
Long-Term Debt	$ 19,930	$ 22,300	-11%
Shareholders' Equity Per Share	$11.15	$8.59	+30%

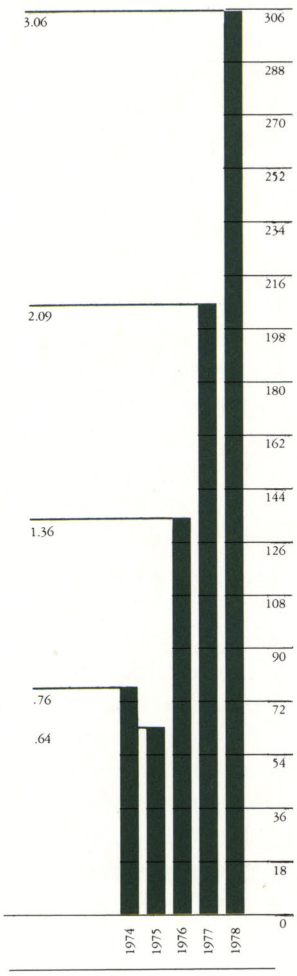
Operating Revenues
(In Millions)



Net Income
(In Millions)



Earnings Per Share
(In Dollars)



To Our Shareholders

The year 1978 was one of banner headlines for the company. The most extraordinary headline was the achievement of new records–beyond those set in 1977–in revenues and profits in each of our divisions–newspaper, broadcasting, magazines and books–and for the company overall.

The continuing rapid growth of The Washington Post Company in 1978 was captured in other headlines–each highlighting the further transformation of the company from a single newspaper in the Nation's Capital to today's international communications company:

– In 1978 the company exchanged its Washington television station, WTOP-TV, for a television station in Detroit, now operating as WDIV, and gained access to a larger market.

– Another newspaper, the Everett Herald, was purchased, serving a rapidly expanding market in the State of Washington. The Herald added $8.4 million to company revenues after its acquisition in February 1978.

– To provide a new domestic source of newsprint for a continuously growing Washington Post, in May we became a 30 percent limited partner in the Bear Island Paper Company which has started construction of a newsprint mill in Doswell, Virginia. This mill will have a capacity of 175,000 tons and will cost an estimated $100 million, of which our investment will total about $12 million. Production is scheduled to begin in 1980.

– To expand The Washington Post's production capabilities in anticipation of growing circulation, three new offset presses to be installed in a satellite plant in Fairfax County, Virginia, were ordered early in 1979. The three presses and new plant will represent an investment of about $65 million. Financing will be primarily provided by internal funds, but for this and other general corporate purposes a $50 million revolving credit agreement was concluded in January 1979.

– In August, Newsweek added an international edition–for Latin America–to its Atlantic and Pacific magazines. This new magazine began with a circulation rate base of 45,000 and provides a new source of advertising revenues in 1979.

The company now encompasses three newspapers, a world-renowned magazine with domestic and international editions, book publishing, television broadcasting and production, and participation in various international news activities and newsprint manufacturing.

Revenues of $520.4 million for the year were 19 percent higher than the $436.1 million reported for 1977. Consolidated net income for 1978 was $49.7 million or $3.06 per share, which was 40 percent higher than the $35.5 million or $2.09 per share earned in 1977. Net income includes the effect of $4.3 million in non-recurring gains in 1978 from the sale of radio station WTOP and two real estate transactions. These amounted to 27¢ per share. Without these gains net income in 1978 would have increased by 28 percent and earnings per share would have increased by 33 percent over 1977.

In 1978, all three divisions of the company–newspapers, magazines and books, and broadcasting–were outstanding in editorial quality and public service while enhancing their financial contributions to the company.

The Newspaper Division increased its revenues by $43 million, for a gain of 22 percent over 1977.

The Post's advertising linage increased to 96.8 million lines in 1978, a gain of 6 percent. The Post's circulation reached the all-time record high of 602,000 daily and 823,000 Sunday during the fourth quarter of 1978.

Advertising linage increased at the Everett Herald by 14 percent and at the Trenton Times by 11 percent. Circulation at the Everett Herald was up by 6 percent reflecting a continuing growth pattern. In Trenton we are taking measures to arrest a slight decrease in circulation.

Magazine and Book Division revenues increased by $33 million in 1978, a gain of 18 percent. For Newsweek, it was the best year in 45 years of publishing, with advertising revenues increasing by $22 million, a gain of 21 percent. Domestic Newsweek continued to lead all newsweekly magazines in advertising pages sold in 1978, with a total of 3,283 pages compared with 3,087 in 1977.

Broadcasting revenues increased by $8.1 million in 1978–15 percent over 1977. We told you in the Annual Report for 1977 of our plans to exchange station WTOP-TV and $2 million for station WWJ-TV (since renamed WDIV) in Detroit and to sell station WTOP to The Outlet Company for $6,675,000 in cash and notes. These transactions were completed in June 1978, and had no significant effect on 1978 operations.

Within the company there were two major leadership changes. Donald E. Graham, who has been serving as executive vice president and general manager of The Washington Post, was named as its publisher on January 10, 1979. He replaces Katharine Graham, who continues as chairman of the Board and chief executive officer of the company. At Newsweek, Peter Derow, who left the company in 1977, returned as president in March 1978.

To provide for more orderly growth and administration the corporate staff of The Washington Post Company was augmented in 1978 by the establishment of vice presidencies for planning, for human resources, and for public relations.

On December 29, 1978, a two-for-one split of Class A and Class B common stock took effect. The Board had previously announced its intention to increase the dividend to 36¢ per share a year for 1979 from the 30¢ paid in 1978.

We also continued the stock repurchase program which was initiated in 1975. Through 1978, four million shares have been acquired (505,000 in 1978) at a total cost of $42.7 million. Shareholders' equity grew to $177,414,000 by the end of 1978, an increase of 26 percent over 1977. Return on end of the year shareholders' equity was 28 percent for 1978 as compared with 25 percent for 1977.

We enter 1979 with confidence in the basic soundness of our businesses and properties. Although results for the coming year will to a large extent depend on economic conditions which, at this writing, are uncertain, we can assure you that we have never been in better position to act quickly and decisively to both limit risk and take advantage of opportunity.

As always, it is the talent and effort and dedication of the people who work for The Washington Post Company that make possible the kind of success it achieved in 1978. We are grateful to them.

March 9, 1979

Katharine Graham
Chairman of the Board

Mark J. Meagher
President

Corporate Directory

Board of Directors

Katharine Graham,
Director and Chairman of the Board
Chief Executive Officer (2,3,4)

Mark J. Meagher,
Director and President
Chief Operating Officer (2,3)

Warren E. Buffett,
Director
Chairman, Berkshire Hathaway Inc.
(textiles, insurance, banking) (1,3,4)

Robert D. Campbell,
Director and Vice President
Chairman of Newsweek, Inc.

Joel Chaseman,
Director and Vice President
President of Post-Newsweek Stations, Inc.

Peter A. Derow,
Director
President of Newsweek, Inc.

George J. Gillespie, III,
Director
Attorney; Member of Cravath, Swaine & Moore (1)

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

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

Dr. Eugene Meyer, III,
Director
Physician; Professor,
The Johns Hopkins Hospital

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

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

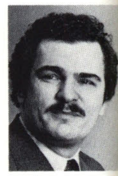
John W. Sweeterman,
Director
Retired; former Vice Chairman of the Board
and Publisher of The Washington Post (4)

Committees of the Board of Directors

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

Company Officers

J. Christopher Burns,
Vice President-Planning



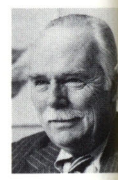
Robert D. Campbell,
Chairman of Newsweek, Inc.

Joel Chaseman,
President of Post-Newsweek Stations, Inc.

Martin Cohen,
Vice President-Finance and Treasurer

Peter A. Derow,
President of Newsweek, Inc.

John M. Dower,
Vice President-Public Relations



Alan R. Finberg,
Vice President, General Counsel and Secretary

Donald E. Graham,
Publisher of The Washington Post

Robert R. Schuldt,
Vice President-Human Resources

The Magazine and Book Division

Operating profits for Newsweek, Inc. in 1978 reached $30,655,000, a 15.4 percent increase over the record-breaking results of 1977, while revenues climbed to $214,829,000, an 18.2 percent improvement and also the highest in the magazine's 45-year history. This financial success is based firmly on editorial enterprise and excellence, technological innovation and marketing acumen.

Newsweek's editorial reputation, testified to by 42 major journalism awards in 1978–including a prestigious National Magazine Award–and recognized by a large, well-educated readership, gives it a prime position of leadership in the nation. Its estimated 17.8 million readers represents 11 percent of the entire U.S. adult population and 22 percent of those with college educations.

The domestic edition of Newsweek has a 2.9 million rate base and is in second place among newsweeklies (Time, Newsweek, and U.S. News & World Report) with 31.7 percent of their combined circulations. Revenues from circulation increased from $60,033,000 in 1977 to $66,421,000. Contributing to this record were a midyear 15 percent increase in the basic one-year subscription price (from $26 to $29.95) and a November increase of 25 percent for newsstand copies (from $1 to $1.25). Spiraling postal rates continue to hamper Newsweek subscription activity. Last year alone, new second class rates added $3,760,000 to Newsweek's already massive postage bill. To cope with this, Newsweek continues to experiment with alternate delivery systems.

Newsweek maintained its ten-year lead over Time and U.S. News & World Report in the number of advertising pages sold. In 1978, Newsweek booked 3,283 pages (the highest advertising page level since 1969) and captured 40 percent of this three-magazine market.

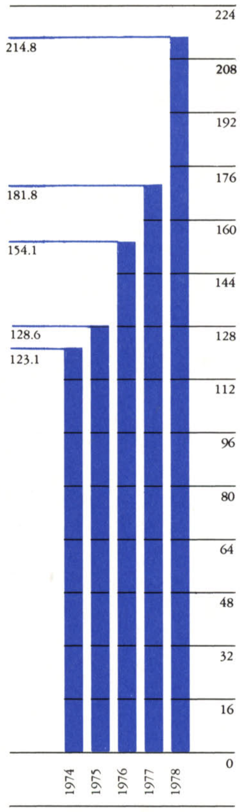
Executive Newsweek, a biweekly demographic edition created in 1974 and sent to high income subscribers in business, industry and government, had its best year ever with 1,155 advertising pages, a 179-page improvement (or 18 percent) over 1977. Executive Newsweek is but one of 61 different demographic or geographic editions offered by Newsweek. This marketing versatility enables advertisers to pinpoint their messages to specific areas and reader groups and thus reach their prospective customers with considerable efficiency.

Altogether, gains in the number of advertising pages sold, accompanied by rate increases and greater use by advertisers of more expensive four-color pages, produced a 19 percent increase in advertising revenues.

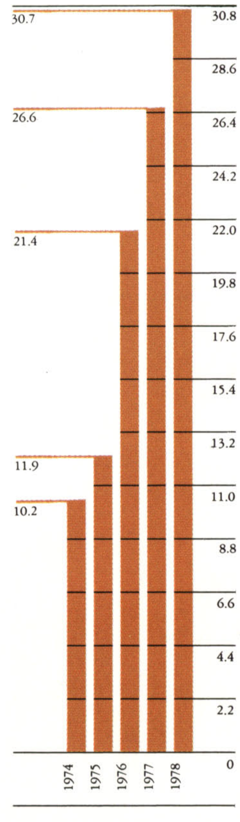
Three years ago, Newsweek decided to act forcefully against the shift of advertising from magazines to television. The most recent effort of this kind, Zero-Base Media Planning, unquestionably helped magazines in 1978 expand their share of total U.S. advertising for the second consecutive year.

Newsweek International, in its 31st year of publication as a separate English-language magazine, had an outstanding year. Advertising pages climbed from 1,873 in 1977 to 2,136, the second highest level in history. Advertising revenues increased 33 percent. Circulation revenues advanced from $9,672,000 in 1977 to an all-time high of $12,620,000. Reflecting this circulation success is the growth of International's rate base, which now is 255,000 in the Atlan-

Revenue (In Millions)



Income (In Millions)



Newsweek's greatly increased capacity to print editorial color and to handle it at the last minute was put to the test often in 1978. Some of the highlights from the magazine's news and feature coverage are reprinted here.

Harold Kreiger

Woody Allen, humorist turned film-maker, was the subject of an in-depth cover story. It was one of numerous timely features monitoring the course of the changing American culture of the late 1970's.

Ken Reagan–Camera 5

"The sting is gone, but the mastery lingers on," remarked Newsweek as Muhammed Ali regained his heavyweight crown from Leon Spinks in a classic battle of youth against experience.

Joe Baker–Medical World News

Newsweek's reports on matters of life and death ranged widely in 1978, from its cover story on the birth of Louise Brown, the world's first test-tube baby, to its report on a mid-air collision over San Diego, the worst in U.S. history.

Wendt–Gamma–Liaison

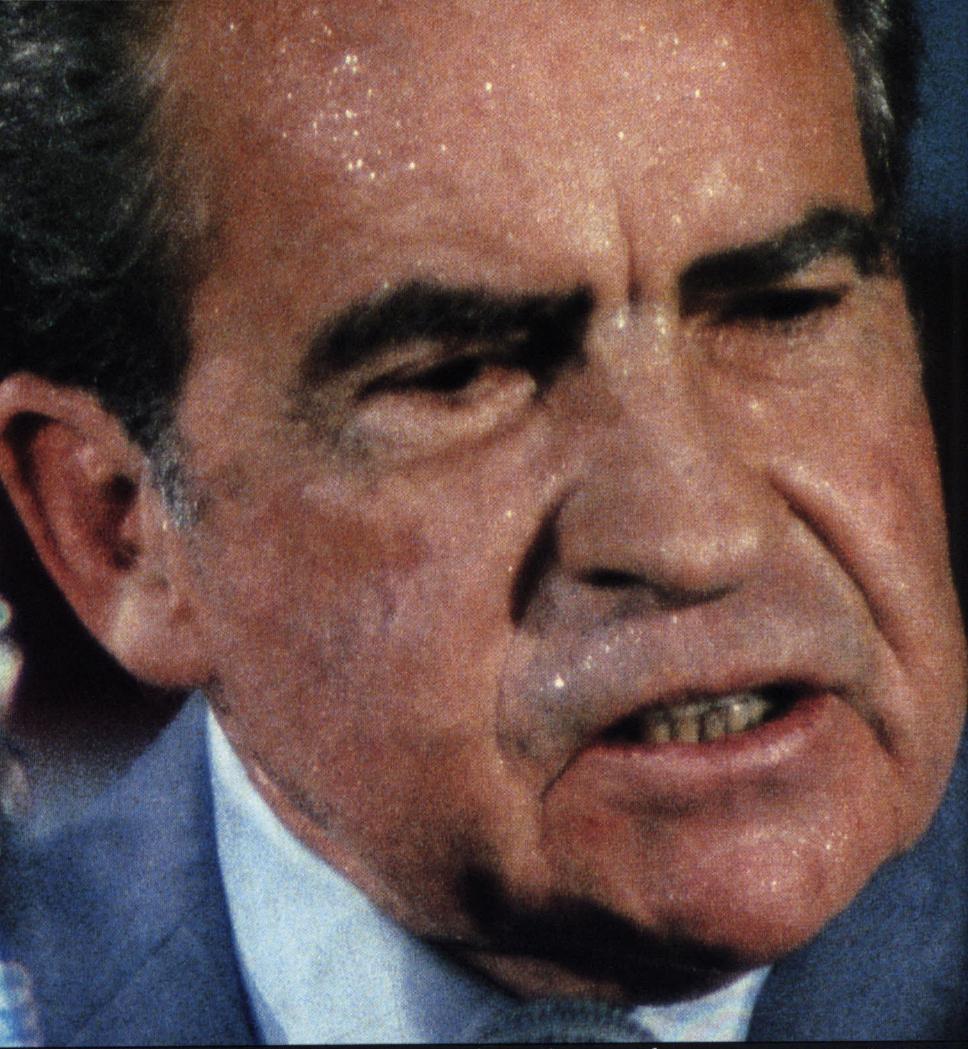
For two weeks Carter, Begin and Sadat conferred in a virtual news blackout at Camp

Gary Beydler's series "20 Minutes in April" headlined coverage of a spectacular display of recent American photography at New York's Museum of Modern Art.

Susan T. McElhinney

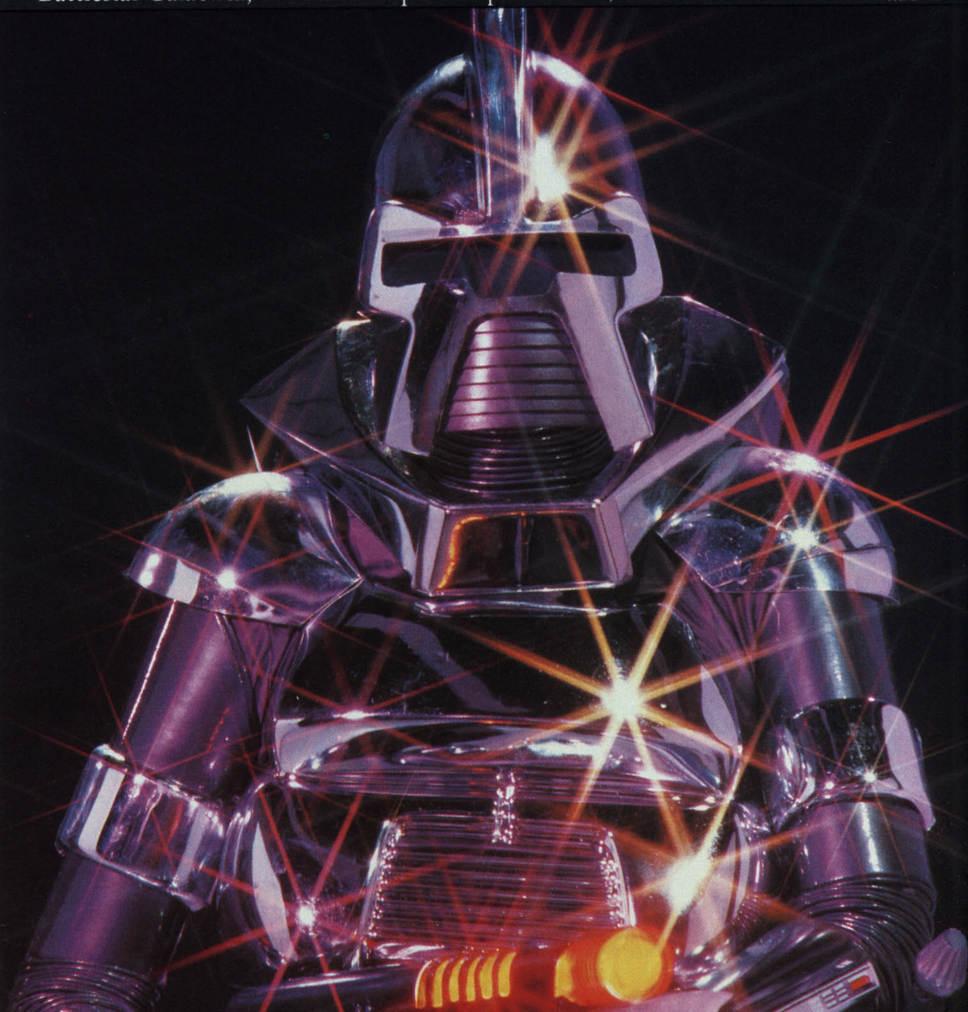
avid. Then came a dramatic announcement: basic agreement on a peace treaty.

The death of John Paul I after only 34 days in the chair of St. Peter shocked and saddened a world that had been charmed by his warmth and simplicity. Marc Riboud–Magnum



Temporarily abandoning the seclusion of San Clemente, former President Richard Nixon made his first public appearances since his resignation. Wally McNamee

A preview of the trends in programming featured a malevolent Cylon from ABC's Battlestar Galactica, TV's most expensive production, ever. ©ABC Inc.



In South Africa, Prime Minister P. F. Botha posed with police trainees, declaring, "We will not bend our knee to Marxism or revolution."

Abbas–Gamma–Liaison

Martha Swope

In Bob Fosse's hit Broadway show, "Dancin'," Ann Reinking and a brilliant cast of dancers made "a giant claim for popular dance as something worth looking at and admiring in its own right."

tic and 190,000 in the Pacific, and the variety of regional advertising availabilities, 19 in the Atlantic and 24 in the Pacific.

A major event for Newsweek International was the establishment in August of a Latin American edition. With a 45,000 rate base, the new edition already is producing sizeable advertising and circulation revenues.

Technological innovation continued to thrive at Newsweek. In March, the four-color run-of-press process celebrated its first birthday. Before the advent of ROP, the magazine at most ran about 100 pages of editorial four-color annually. Now the magazine is able to accommodate six times this amount. And not only has the volume of four-color pages grown, but the speed with which a four-color page can appear has increased as well. In the September 4 cover story on the papacy of Pope John Paul I, for instance, a color photograph of the event taken in Rome on Saturday appeared on Newsweek's cover the following Monday on 65 newsstands.

In April, Newsweek became the first newsweekly to adopt offset printing for all its advertisements, instead of the more costly letterpress method. Also in April, a new, faster data-communication system was installed that links all nine Newsweek domestic bureaus.

Perhaps the biggest technological leap occurred in August when Newsweek and U.S. News each purchased a minority stock interest in Publishers Phototype, Inc. (PPI), a New Jersey-based typesetting company. The venture inaugurated a unique photocomposition service for magazine and book publishers. A central feature of this service is that it can electronically produce and then transmit to printing plants via satellite completed pages of text, artwork, two-color forms and black-and-white photos. In January 1979 Newsweek put the service to use by sending completed editorial pages from its Pre-Press Center in New Jersey to a Los Angeles-based receiver via a Western Union satellite. This achievement not only saves considerable time (newsstand copies in California are expected to be available twelve hours earlier), but it improves the flexibility in handling late-breaking news.

A number of important staff changes took place during the year. Peter A. Derow returned to Newsweek in March as president. David Auchincloss was named publisher in December 1977. Under the leadership of Robert D. Campbell and Derow, Louis B. Dotti, Jr. joined Newsweek as senior vice president and treasurer; Arthur E. Karlan became vice president and director of marketing; and Mark M. Edmiston was named president and Howard W. Smith vice president of Newsweek International. In addition, Newsweek Books' Alvin Garfin and Newsweek Broadcasting's Bernard J. Shusman became vice presidents.

Editorially, 1978 was "the year of the unexpected," according to Editor Edward Kosner. But the combination of manufacturing flexibility and a determination to provide readers with the most up-to-date account of the week's news made it possible for Newsweek to confront the unexpected and report it to the magazine's readership with detail and clarity. The summit meetings at Camp David, the murder of Italian Premier Aldo Moro and the deaths of two popes all required special, on-deadline editorial efforts. And while late-breaking news seemed to be the rule in 1978, there were a variety of major topics that required intensive, long-range analyses. Newsweek completed an exhaustive study of inflation, reported on the transformation of the male role in American society, examined the problem of "Saving the Family" and completed the first major report by a national magazine on "Living with Dying."

Newsweek also produced a moving account of the life of Hubert H. Humphrey and explored the emergence of single-issue politics. In the arts, the magazine featured profiles of Woody Allen, Zubin Mehta, Willie Nelson, Robert Stigwood and Richard Avedon. Newsweek's 26-page report on the mass suicides at the Peoples Temple in Guyana was both comprehensive and sensitive to this jungle tragedy.

Newsweek Books added to its staff and strengthened its overseas sales plan in a concerted effort to improve profitability. Ten new titles were published and a network of overseas literary agents and new foreign sales outlets was established.

Newsweek Broadcasting added Cartoon-A-Torial to its other two series, the Feature Service and Today's Woman. The new series relies on twelve distinguished editorial cartoonists whose drawings are converted into 15-second animated films and syndicated to 58 television stations.

On January 30, 1979, Malcolm Muir, whose vision and energy turned the fledgling News-Week into Newsweek, died at the age of 93. A former editor-in-chief and chairman of the board, he possessed enormous discernment and determination and was responsible for successfully guiding Newsweek into the 1960s.

The year 1978, a record-breaking year in performance for the company's Broadcasting Division, was also marked by major operational developments because of the exchange of WTOP-TV in Washington for WWJ-TV in Detroit.

Divisional revenues increased to $63,499,000 from $55,389,000 in 1977, a healthy rise from the $38,776,000 posted five years before, in 1974. The Division's operating income over the same five-year period virtually tripled, from $7,192,000 to $20,668,000.

Margins increased from 18.5 percent in 1974 to 32.5 percent in 1978.

At the beginning of 1978, the company operated four VHF television stations: WTOP-TV in Washington, D.C., WPLG in Miami, WFSB-TV in Hartford, and WJXT in Jacksonville. Three were aligned with CBS, with WPLG an ABC affiliate. In addition the company owned one radio station, WTOP-AM in Washington.

In the uncertainty of Federal Communications Commission regulations–and possible future litigation arising from them–concerning "cross-ownership" of a newspaper and either a television or radio station in the same market, the company had decided in 1977 to exchange WTOP-TV plus $2,000,000 for the NBC affiliate in Detroit, WWJ-TV, owned by The Evening News Association.

The effective date was June 26, 1978, when the Detroit station became WDIV and instituted a "We're 4 Detroit" broadcast campaign to introduce the new call letters and direction. Mort Crim, a highly qualified journalist with network and large market experience, was hired as principal anchor, the most visible of many changes in WDIV's coverage of the news.

The business and audience potentials of Detroit are considerably greater than those of Washington. The market ranks seventh in the United States and has attracted approximately 15 percent more revenue than does Washington.

In June, WTOP-AM was sold for $6,675,000 to The Outlet Company.

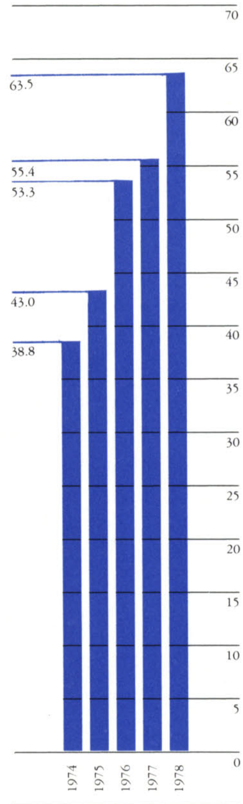
At WFSB-TV in Hartford, the leading station in the 23rd largest market, a new concept in southern New England's prime time programming was launched in 1978. "PM Magazine," a Monday through Friday 7:30 p.m. half-hour drawing primarily upon on-location stories and people in southern New England, immediately attracted high audience ratings.

Other special programming at WFSB-TV in 1978 included the one-hour "The Well Runs Dry," about the consequences of terminating 2,000 CETA-funded jobs in the Hartford area; "The Friendship Connection," using special film shot in Israel about an exchange between 400 Israelis and 400 Connecticut residents; a special half-hour program about "The Poor People's Priest," Bishop Peter Rosazza; and "The Congressional Black Caucus," a documentary on the role of black members of the Congress.

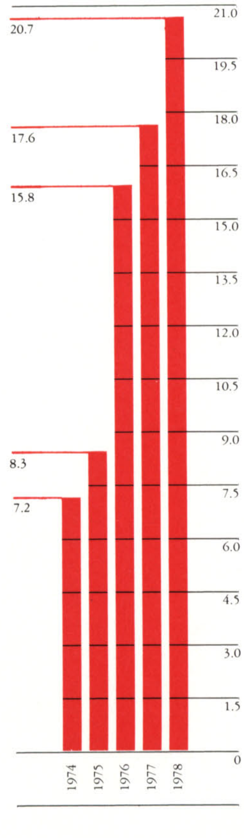
WFSB-TV continued to originate the nationally syndicated children's show "Marlo and the Magic Movie Machine," for which it shared an outstanding achievement award from Action for Children's Television.

Other major awards for WFSB-TV included an Emmy and three citations for investigative reporting on abuses at St. James School, which led to remedial legislation concerning private schools by the Connecticut General Assembly.

Revenue (In Millions)



Income (In Millions)



Each Post-Newsweek station combines the resources of network affiliation with aggressive news reporting and local features of particular interest to its community. The following pages show examples taken directly from the video tapes produced by our stations and aired in 1978.

In Detroit, when striking city hospital workers carried their grievances and demands to the picket lines, WDIV cameras were on the spot to record the dispute.

Accidents involving "double-bottomed" gas tank trucks caused fires, explosions, and death. WDIV coverage and the public outcry led to the banning of the trucks.

Highly-rated "PM Magazine," a new daily WFSB-TV feature, caught actor Paul Newman in a winning role as a competition stock-car driver at Limerock Raceway.

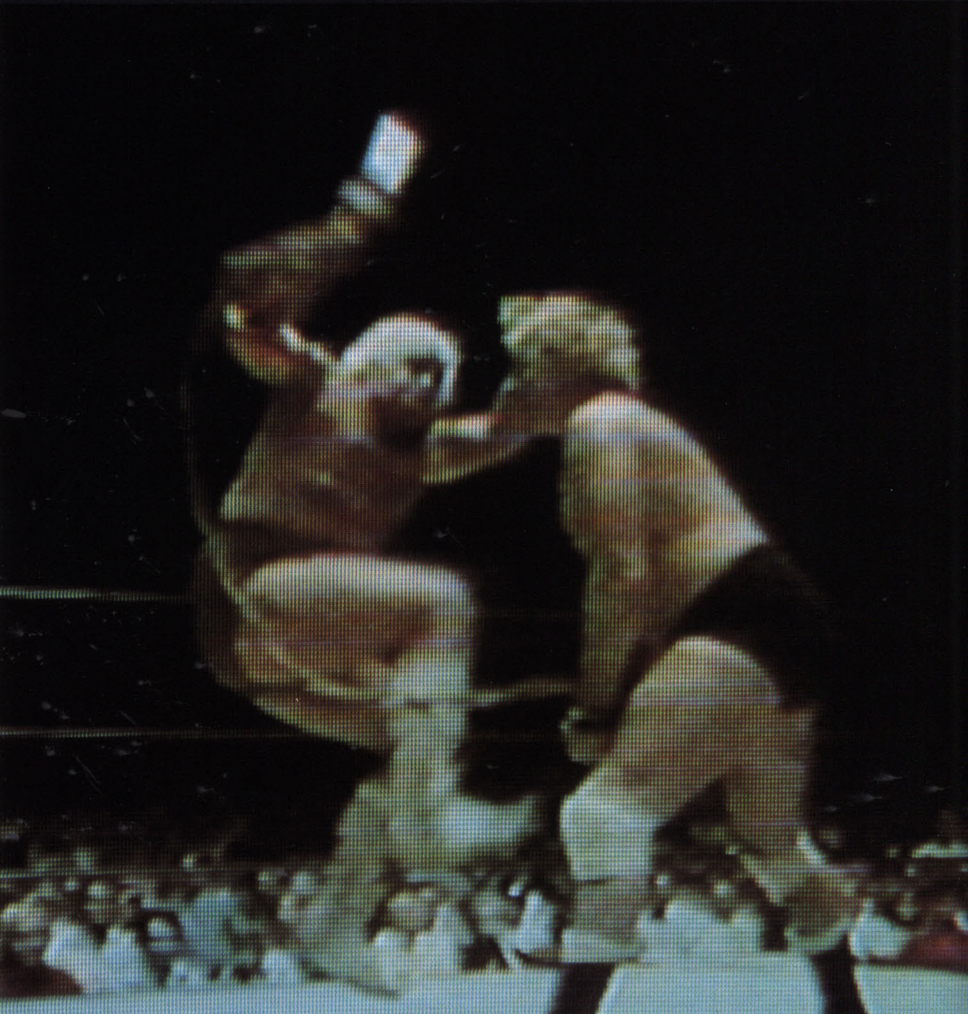
Using advanced electronic equipment and a mobile unit with microwave links, Hartford's WFSB news team reaches throughout Southern New England to cover

Hand-carried cameras place viewers at the scene of many fast-breaking news stories including a murder investigation by an undercover policeman.

a wide range of stories from subduing a spectacular fire to the "Blizzard of '78" which closed schools and provided an unscheduled vacation for some small citizens.

A WPLG-Miami news crew flew with Federal agents as they tracked members of a drug smuggling ring and produced a dramatic first-hand documentary.

As part of a wry study of human behavior, WPLG visited the wrestling matches to study crowd reactions.



No other medium captures the beauty and color of water sports the way television does: this shot from the videotape of a Florida hydroplane race is a good example.

WPLG scored a beat on other Miami stations by sending a news crew to the meeting between Castro and expatriate Cubans during the thaw in U.S.-Cuban relations.

WJXT got the only footage of the career-ending explosion of Ohio State's coach, Woody Hayes, as he angrily struck a Clemson player during the Gator Bowl.

When a Vietnam veteran held hostages at gunpoint in the Jacksonville City Hall, a WJXT crew was there as police snipers closed in on him.

WJXT did a feature on the disco phenomenon, pursued with serious concentration in Jacksonville as elsewhere in 1978.

Mysterious crashes of four light aircraft during the Thanksgiving weekend led to the dubbing of the incidents as the "Daytona Triangle" mystery.

Simpson Kalisher

"Nobody Ever Asked Me" is a highly successful public service feature originated by Post-Newsweek Stations. WDIV-Detroit focused upon community problems by linking 40 studio guests, four remote crews, and calls from the viewing audience.

Three WFSB-TV special productions received awards in the 22nd annual New England United Press International Broadcasting Competition.

Success in news broadcasting was a major highlight of 1978 at WPLG in Miami. For the first time, WPLG's late-evening news led the field and its early news improved in the highly competitive Miami market, 15th largest in the United States.

Among the major news stories of 1978, WPLG gave the most extensive coverage in Miami to the thaw in United States-Cuban relations. WPLG sent news crews to Cuba and was the only Miami station to cover the actual dialogue between Fidel Castro and a delegation of expatriate Cubans who met with him in Cuba.

WPLG also undertook a major investigation of irregularities in the CETA job program in Dade County which won for the station's investigative reporter Clarence Jones the prestigious DuPont-Columbia Broadcast Journalism Award for 1978.

Its efforts won WPLG several local Emmys for news excellence as well as the National Press Photographers Association regional award.

A joint activity of major significance between WPLG and WJXT, Jacksonville, was the one-year test, ending in mid-1978, which allowed television and still cameras in Florida courtrooms. A Florida Supreme Court decision about future use of cameras is imminent.

WJXT began its 30th year of broadcasting service in Jacksonville in 1978 by observing the 25th anniversary on the air of WJXT's vice president for news and principal anchor, Bill Grove. Walter Cronkite, who joined Governor Askew and 500 other guests at a party saluting "Mr. News," said: "Bill Grove is a rarity in our business. There are not nearly enough Bill Groves—not enough with the same integrity."

WJXT's coverage of a potential disaster involving a leaking railroad car loaded with deadly hydrogen chloride typified the station's responsible approach to such stories. The WJXT news department employed authorities on all aspects of the story from chemistry to meteorology, so that Jacksonville area residents might know precisely the potential hazards of chemical poisoning or explosion as they developed. The station's electronic reports from the field were also sent on request to two national networks and four additional Florida stations.

WJXT earned major news and public affairs programming awards in 1978 from the National Association of Television Program Executives and the Florida Educational Association, in addition to eight citations from the Jacksonville Advertising Federation.

Local and regional news coverage is given priority at each Post-Newsweek Station, necessitating strong and continuing emphasis on state-of-the-art technical resources as a main support to the carefully chosen news staffs. Our continuing investment in electronic news gathering equipment (ENG)—such as minicameras, editing equipment and microwave units—permits faster processing of the news and improved picture quality. In 1978, WPLG became the first Miami station to convert completely to ENG, while WDIV in Detroit worked to complete its conversion. WJXT, a pioneer in ENG, added new equipment, and WFSB-TV in Hartford improved its live coverage capability by supplementing its mobile unit with fixed microwave links at new locations. WFSB-TV and WPLG also purchased advanced video production switchers.

Each of the Post-Newsweek Stations purchased exclusive local rights this year to the classic Norman Lear production, "All in the Family," effective in September 1979 for an extended period of years.

Our public service responsibilities continued this year to occupy significant amounts of air time and staff effort. "Nobody Ever Asked Me," a pioneering program concept developed in 1977 by Post-Newsweek Stations as a public forum in prime time on community needs, was repeated in 1978 on all four stations and was demonstrated at national conventions of the National Association of Broadcasters and the National Association of Television Program Executives.

Once again, our stations provided free air time in 1978 to candidates for major public offices. This year, for example, WJXT donated 8 hours of prime time for this purpose, and, in an historic first for Detroit, WDIV gave area hopefuls six hours of free prime time.

The record-breaking revenue figures quoted above were credited in large part to Top Market Television, Post-Newsweek Stations' national sales representative. Our increasing share of each national spot market, according to the most recent figures available, is credited to Top Market Television's sharply focused sales efforts. Top Market Television also produced a 30-second promotional film for use on local television extolling the benefits of television advertising, entitled "Spot." Some 200 stations have so far broadcast "Spot."

It was an excellent year for The Washington Post Company's three newspapers, as The Post itself, the Trenton Times, and the newly-purchased Everett Herald set record performances in 1978.

In 1978, the company's Newspaper Division performed outstandingly. It produced record revenues of $242,100,000 and operating income of $37,900,000, both significant increases over revenues of $199,100,000 and operating income of $26,900,000 in 1977. The resulting 1978 profit margin of 15.6 percent for the division was a record high—and marks a significant gain over the 13.5 percent margin in 1977 and the 8.5 percent five years earlier in 1974.

Each of the three newspapers owned by The Washington Post Company competes in a very different market situation: the national capital, a state capital, and a satellite city.

Washington, because its business is government, has an almost insatiable appetite for news—and especially for news from newspapers. The Nation's Capital is the only large U.S. market in which newspapers—not television—are the main source of local, national and international information. Market researchers characterize the area's population as cosmopolitan, open-minded about new ideas, and active in the use of leisure time.

Washington is one of the nation's most prosperous markets, where one-third or more of the residents are college graduates and one-third have family incomes of $25,000 or more. Three out of five households are headed by professionals, executives or proprietors.

The Washington Post—the nation's ninth largest daily—has long been the circulation leader in the Nation's Capital and its metropolitan suburbs. In 1978 The Post's Sunday circulation was nearly two-and-a-half times that of its competitor, The Washington Star, and its daily circulation was more than 60 percent greater.

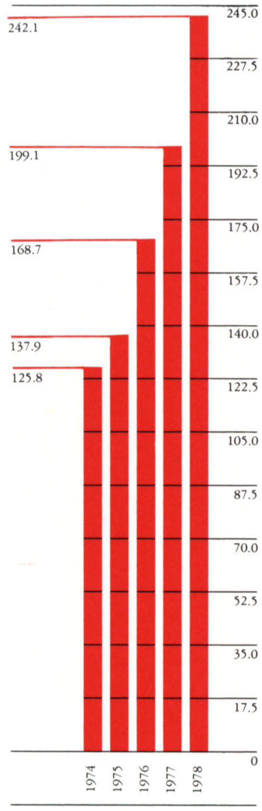
In spite of a 25 percent increase in the Sunday price early in the year, the Post's circulation grew. In the six months ending September 30, the Sunday gain was nearly 24,000 and the daily, 18,000. In early autumn The Post launched an intensive circulation campaign to add new subscriptions and to convert Sunday-only subscribers to the full week. This, too, was highly successful. Average circulation rose to nearly 602,000 daily and over 823,000 Sunday in the fourth quarter, gains of 33,600 and 24,800 over the previous year.

The Post's leadership is even stronger in advertising. In 1978 The Post's total advertising linage increased to 96,844,000 lines, up from 91,129,000. This gain raised The Post's share of the two-newspaper advertising linage from 69.3 percent in 1977 to 72.1 percent.

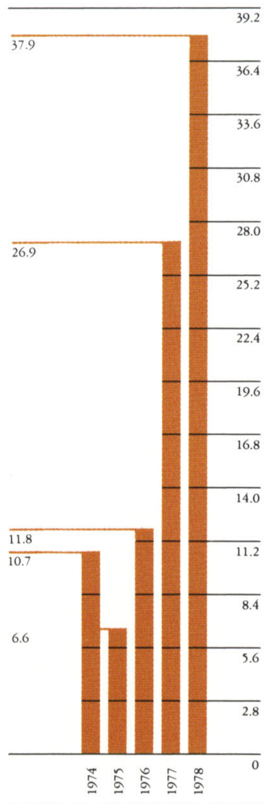
The continuing growth of The Post—together with a desire to improve distribution to readers—led the company in 1978 to decide to construct a satellite printing plant, housing three new offset presses, to supplement current printing capacity by an estimated 200,000 copies a day. A site in suburban Fairfax County, Va., has been chosen, with construction to begin in 1979 and full production scheduled for 1980.

The satellite plant is another step in the company's use of the latest technology to improve service to Post readers and advertisers. A new advertising make-up composition system was fully installed in 1978 and an electronic typewriter and editing system was expanded in the news department, to be completed in 1979.

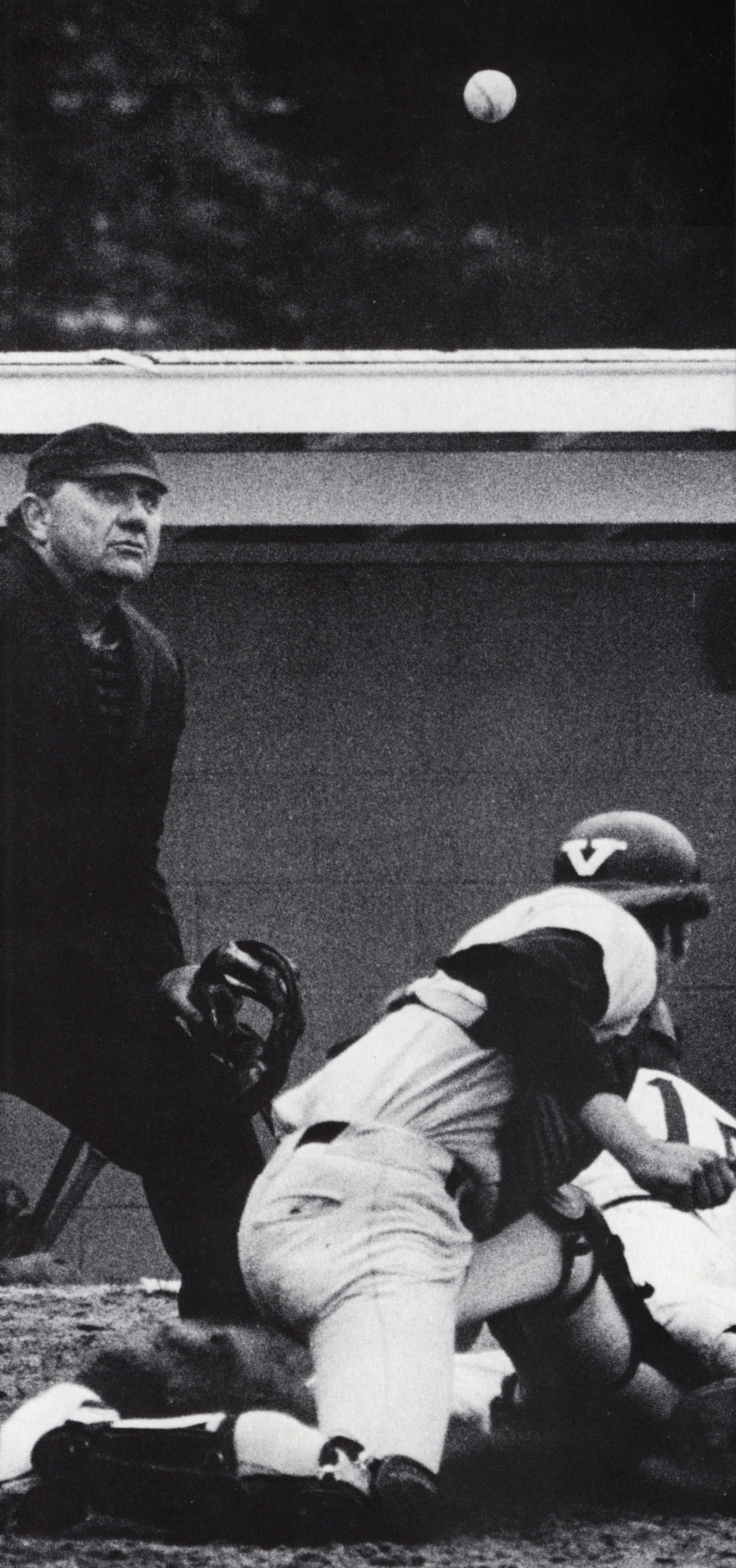
Revenue (In Millions)



Income (In Millions)



It was a challenging and rewarding year for the Newspaper Division's photographers, winners of many professional awards. The following is a sampling of the consistently high level of photography that appeared in the three newspapers.



John A. Pietras–Trenton Times

A Trenton Times photographer caught both the umpire's eye and the wild ball at home plate in this prize-winning shot.

tograph in New Jersey. For a series on urban renewal in New Jersey, the Times tied for first place among newspapers with circulations less than 100,000 in competitions held nationally by the American Society of Planning Officials.

Robert Bentley was named editor of the Trenton Times effective February 6, 1979.

The Company's recent acquisition in the State of Washington, the Everett Herald, began operation under its new ownership in February 1978.

The Herald reaches about 75 percent of all households in its primary circulation area in Snohomish County. In the southern part of the county adjacent to Seattle the Herald competes directly with Seattle metropolitan newspapers.

Everett is currently undergoing impressive economic growth because the Boeing Company plans to build the majority of its new wide-bodied 767 and 777 aircraft at Payne Field in Everett. Ten thousand new jobs will be created at Boeing itself, with a multiplier-effect upon jobs in other industries. In anticipation, a large new regional shopping center is being readied for 1979 opening.

In 1978, with this expansion only beginning, the Everett Herald performed exceedingly well. Its profitability increased, as advertising linage increased 14 percent to 27,543,000. Average circulation of the Herald increased from 53,200 in 1977 to 56,500.

The Washington Post Company has a 30 percent interest in the International Herald Tribune, which recorded a good year in 1978 with advertising revenue up by 26 percent and circulation up 4,000 copies to 124,000. To improve distribution in Europe and the Middle East, the International Herald Tribune has tied its new head-

Isaac Bashevis Singer, Nobel Prize winner for literature, reacted expressively for a Post photographer during an interview.

Harry Naltachayan

Marion Barry took time out of his campaign for mayor of the District of Columbia

A Washington Post Magazine story featured Alicia Alonso dancing "Giselle" with Jorge Esquivel as the Cuban prima ballerina visited the U.S. Louis Peres

to join neighborhood kids in a foot race. Barry won easily in the general election.
James A. Parcell

John McDonn

Antonio Williams of Seaton Street in Washington, D.C. poses in the glow of victory as befits a "street football" star.

President Jimmy Carter smiled the sweet smile of success after signing the Airline

In London, an opposite emotion was registered on a Post photographer's camera by singer Eartha Kitt, star of Broadway's "Timbuktu."

Bob Burchette

Deregulation bill. In a supportive role was Senator Edward Kennedy.

Frank Johnson

Among the many special reports and service articles appearing in the Washington Post Magazine, a special feature on the delights of Chinese food ran in May.

John

The quiet of a country church provided contrast in a story of the peace-shattering effect of hunters' gunfire on the people of Headwaters, Va.

Bill S

Fred Otnes

The Post Magazine devoted most of its October 22 issue to Pulitzer Prize-Winner John Hershey's look at the events of 1968, "The year of the triphammer."

The Everett Herald often features full-color photography on its front page. Here the spectacle of Mt. Baker was framed from the door of a rescue helicopter.

Donald E. Graham became publisher of The Washington Post on January 10, 1979, taking overall news and editorial responsibility for the newspaper in addition to the business duties he has performed as general manager for the past two years. His appointment follows his service as city reporter, advertising salesman, production supervisor, and in other editorial and business positions for the newspaper.

World events in 1978 presented The Post with a vast array of domestic and international stories to cover with its Washington staff, bureaus in New York, Los Angeles, and Houston, and correspondents in twelve news capitals abroad. Among the most notable were The Post's on-the-spot coverage of the Guyana Massacre and a series exposing alleged corruption in the General Services Administration which won a George Polk Memorial Award for investigative reporter Ronald Kessler.

Metro reporter Juan Williams' description of the conditions at the District of Columbia's Eastern High School focused attention on the deplorable educational and disciplinary problems at that institution. The 1978 elections, which included a gubernatorial race in Maryland and a three-way contest for Mayor in the District of Columbia, were given the in-depth coverage that characterizes The Post's political reporting. A team of reporters, researchers, photographers and an editor devoted six weeks to a series titled "Mex-America" based on the perception that Hispanic-Americans will soon constitute the largest minority in this country. Fast-moving events of global importance in Iran, China and Nicaragua provided an unremitting challenge to The Post's foreign desk and its correspondents.

Among the major honors awarded Post staff members in 1978 was a Pulitzer Prize won by Meg Greenfield, deputy editor of the editorial page, for her editorial writing. Sports writer Tom Boswell received his second consecutive Best Sports Story of the Year award.

Post photographers won first-place awards in five of eight categories in the 1978 White House News Photographers competition and Frank Johnston, for the second consecutive year, was named Photographer of the Year. One-third of all the prizes went to Post staff members.

The Washington Post Writers Group syndicates 12 newspaper columnists and cartoonists and publishes books by Post staff members or serves as their agent. It more than doubled its profits in 1978 and increased the number of columns sold over 1977.

In the capital city of New Jersey, the Trenton Times operates in a highly competitive market alongside a morning and Sunday tabloid in Trenton and Mercer County and other papers in nearby New Jersey and Pennsylvania counties. An in-depth study of this market was commissioned by the Times in 1978 as a guide to future planning.

The Times had a successful year in 1978, with profitability more than doubling. Advertising increased from 33,600,000 lines in 1977 to 37,430,000 in 1978 and advertising revenues were up from $10,277,000 to $11,221,000.

Staff members of the Trenton Times, winning widespread recognition in 1978 for the excellence of their work, took five of the 25 first-place awards in the New Jersey Press Association's annual competitions. One of those winners, chief photographer Herman Laesker, also received the Sigma Delta Chi award for the best spot news photograph in New Jersey. For a series on urban renewal in New Jersey, the Times tied for first place among newspapers with circulations less than 100,000 in competitions held nationally by the American Society of Planning Officials.

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Another news operation, the Los Angeles Times/Washington Post News Service, is a joint venture with the Times Mirror Company. In 1978, the Service added 16 new clients and streamlined its electronic editing system to permit further expansion abroad and in the U.S. Altogether, in 1978 newspapers on six continents–with a daily readership of more than 105,000,000 persons–subscribed.

The Washington Post Company has a 49 percent interest in Bowater Mersey Paper Company Ltd., a newsprint manufacturer in Nova Scotia with an annual capacity of 175,000 tons, close to half of which is sold to The Post. Mersey, a steady profit contributor, showed a profit increase of 58 percent.

The company took a 30 percent limited partnership participation in another newsprint firm in 1978, the Bear Island Paper Company, which is constructing a plant in Doswell, Va. It, too, will have a 175,000-ton capacity, using locally supplied wood, and about 50,000 tons will be purchased by The Post.

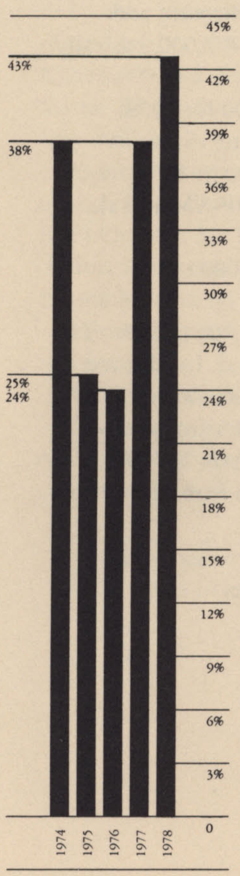
Robinson Terminal Warehouse Corporation, a newsprint handling and storage facility in Alexandria, Va., in which the company has an 85 percent interest, increased the tonnage of newsprint handled from 222,000 in 1977 to 234,000 in 1978. Robinson is scheduled to construct a new facility next to the proposed Washington Post satellite plant in Springfield, Va., a location especially well suited for receiving shipments from the Bear Island newsprint plant. Meanwhile, efforts are underway to obtain clearance for expansion of Robinson wharf facilities in Alexandria to increase newsprint capacity at that location.

The Washington Post Company and its subsidiaries are principally engaged in publishing newspapers, magazines and books, and operation of television broadcasting stations.

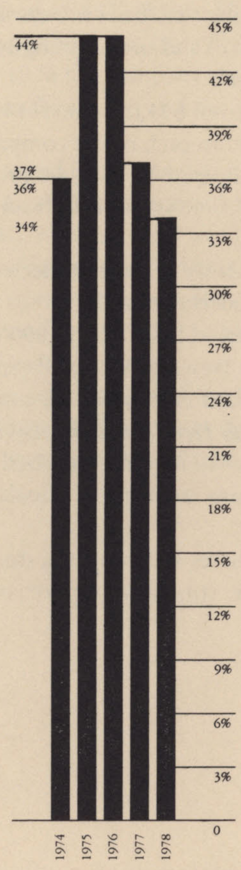
Operating revenues and operating profit of each of the three business segments of the company are shown below. As at December 31, 1978, identifiable assets by segment were: newspaper publishing $131 million; magazine and book publishing $55 million; broadcasting $82 million. For further information relating to 1978 operations see Note K on page 26.

(In thousands)	1978	1977	1976	1975	1974
Revenues					
Newspaper publishing	$242,120	$199,123	$168,739	$137,886	$125,849
Magazines and books	214,829	181,797	154,052	128,594	123,122
Broadcasting	63,499	55,389	53,286	43,005	38,776
Intersegment sales	(50)	(207)	(348)	(150)	(168)
Total	$520,398	$436,102	$375,729	$309,335	$287,579
Income from Operations					
Newspaper publishing	$ 37,867	$ 26,869	$ 11,836	$ 6,596	$ 10,746
Magazines and books	30,655	26,573	21,444	11,946	10,202
Broadcasting	20,668	17,632	15,765	8,282	7,192
Total	$ 89,190	$ 71,074	$ 49,045	$ 26,824	$ 28,140

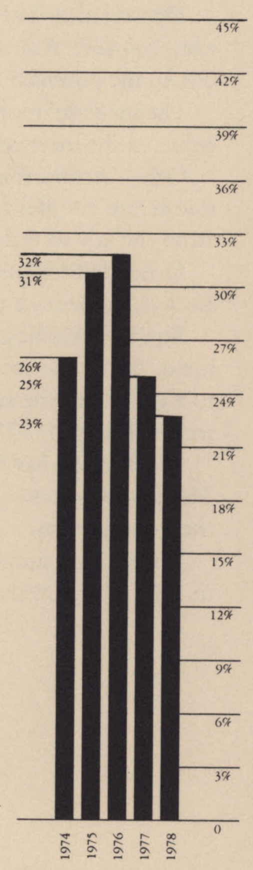
Newspaper



Magazine



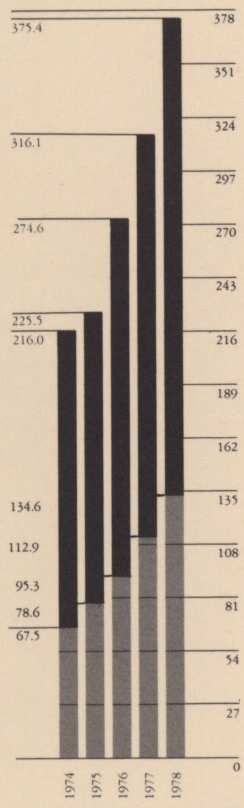
Broadcasting



Management's Discussion and Analysis of Consolidated Statements of Income*

1978 compared to 1977

Operating Revenues
(In Millions)
■ Advertising
■ Circulation



The substantial increase in net income, from $35,469,000 for 1977 to $49,720,000 for 1978, was attributable to increased advertising and circulation revenues and nonrecurring gains, mostly from the sale of a radio station. Without the nonrecurring gains net income would have been $45,382,000, an increase of 28% over 1977.

Advertising revenues increased by $59,279,000, or 19% over 1977. This reflected increased volume and higher rates in the newspaper and magazine divisions, increased sales of television advertising and the inclusion of the *Everett Herald,* which was purchased in February 1978 and contributed $7,000,000 of advertising revenue during the year. In June 1978 the company sold its Washington, D.C. radio station WTOP-AM and exchanged WTOP-TV for WDIV in Detroit, a larger station; the realignment had no significant effect on company operations in 1978.

Circulation revenues increased by $21,729,000, or 19% over 1977. Magazine circulation revenues increased by $9,300,000 due to higher prices. Increases in volume and prices at *The Washington Post* added $4,500,000 to revenue, and the *Everett Herald's* circulation revenues since the date of purchase were $1,350,000. A change made in late 1977 from a wholesale to retail pricing structure for a part of the circulation of *The Washington Post* increased circulation revenues (and also costs and expenses) by approximately $5,900,000.

Other revenues were up $3,288,000, or 46%, for the year mainly due to an increased volume of contract printing.

Operating expenses increased by $52,485,000, or 19%, due to increased volume, higher prices for materials and services, the inclusion of the *Everett Herald* since February 1978 and because of the change in the circulation structure at *The Washington Post* referred to above. Selling, general and administrative expenses increased by $12,122,000, or 15%, due to higher volume, the increased cost of materials and services and the inclusion of the *Everett Herald.*

Depreciation and amortization of plant facilities increased by $1,076,000 reflecting additions to plant. Amortization of goodwill and other intangibles increased by $497,000, basically due to the purchase of the *Everett Herald.*

The increase in operating income, from $71,074,000 for 1977 to $89,190,000 for 1978, reflected the increased profitability within each of the company's three operating divisions.

Other income increased significantly, from $2,576,000 in 1977 to $8,897,000 in 1978, due to pre-tax gains totaling about $6,100,000, mostly from the sale of WTOP-AM and also from the sale of real estate.

Other deductions, which consist mainly of interest, decreased from $2,628,000 to $2,090,000 because of repayment of indebtedness.

Equity in earnings of affiliates increased from $2,537,000 in 1977 to $4,616,000 in 1978. The major factor was increased earnings at Bowater Mersey Paper Company Limited. In addition to a gain from the sale of its former plant in Paris which contributed about $600,000 to company earnings in 1978, the *International Herald Tribune* also had improved operating results.

Income taxes as a percentage of pre-tax income decreased from 51.8% to 50.6% for 1978. The principal cause was the capital gains rate used to calculate tax on the gain from the sale of the radio station.

The average number of common shares and common share equivalents decreased by 4% in 1978 (720,000 shares), reflecting the company's repurchase of 505,000 shares in 1978.

*Consolidated Statements of Income appear on page 17.

1977 compared to 1976.

The substantial increase in net income, from $24,490,000 for 1976 to $35,469,000 for 1977, was attributable mainly to increased advertising and circulation revenues combined with improved operating margins at each of the company's three operating divisions, particularly newspaper publishing. The receipt of a nonrecurring insurance payment in 1977 increased net income for that year by about $500,000. Results for 1976, which were adversely affected by strikes in the first quarter of that year at *The Washington Post* and at the company's newsprint manufacturing affiliate, included a nonrecurring after-tax gain of approximately $1,800,000 from the sale of a radio station.

Advertising revenues increased by $41,497,000, or 15.1% over 1976, reflecting both increased volume and higher rates in the newspaper and magazine divisions and increased sales of television advertising. The strike at *The Washington Post* reduced newspaper advertising revenues in 1976 by an estimated $2,000,000.

Circulation revenues increased by $17,591,000, or 18.5% over 1976, primarily due to higher rate structures.

Other operating revenues increased by $1,285,000, or 22.1%. This was due to increased volume at the company's newsprint warehousing facility, which was adversely affected in the first quarter of 1976 by strikes at Canadian newsprint mills, and to increases in sales of sundry publications and services.

Costs and expenses for 1977 rose by $38,344,000, or 11.7%, due to increased sales volume and higher costs of wages, materials and services.

The substantial increase in operating income from $49,045,000 for 1976 to $71,074,000 for 1977, a change of 44.9%, reflected substantially higher profit margins at *The Washington Post* and improved profits at the other two operating divisions. The strike at *The Washington Post* reduced operating income by an estimated $1,300,000 in 1976.

Interest income for the year increased by $842,000 to $2,408,000 due to increased amounts of, and higher yield on, temporary investments of cash. Other income for the year decreased by $2,858,000 to $168,000; in February 1976 the company realized a pre-tax gain of approximately $2,900,000 from the sale of a radio station and the gain was included in "Other Income."

Equity in earnings of affiliates increased by $1,144,000 to $2,537,000, attributable mainly to operations at Bowater Mersey Paper Company Limited. A strike there halted manufacturing from October 31, 1975 to February 10, 1976, so there was greater production in 1977. A decline in the exchange rate for Canadian currency relative to United States currency had a favorable effect on Bowater Mersey's operating results for 1977.

Interest expense for the year decreased by $737,000 to $2,329,000 because of repayments of indebtedness.

Income taxes as a percentage of pre-tax income did not change significantly from 1976.

The average number of common shares and common share equivalents decreased in 1977 by 6% (1,086,000 shares), reflecting the company's repurchase of 1,485,000 shares of Class B common stock in 1977.

Common Stock Prices and Dividends

The Class A common stock of the company is not publicly traded. The Class B common stock is listed on the American Stock Exchange, where the high and low sales prices during the last two years were as follows (all information in the table and the succeeding paragraphs has been adjusted to reflect the two-for-one stock split on December 29, 1978):

	1978		1977	
Quarter	High	Low	High	Low
January-March	$17-3/4	$15-1/2	$12-9/16	$10-3/4
April-June	22-1/4	19-3/16	12-11/16	10-13/16
July-September	24-3/8	19-11/16	15-9/16	12-9/16
October-December	23-7/16	19-3/16	18	14-5/16

During 1978 and 1977 the company repurchased outstanding shares of Class B common stock in unsolicited transactions at prices no higher than the last sale price on the American Stock Exchange. In 1978, 504,694 shares were repurchased, of which 27,800 shares were included in trading volume reported on the American Stock Exchange in that year and accounted for 4% of such volume; 1,484,760 shares were repurchased in 1977, of which 541,000 shares were included in trading volume reported on the American Stock Exchange in that year and accounted for 59% of such volume.

Both classes of common stock participate equally as to dividends. Quarterly dividends were paid at the rate of 7.5 cents per share in 1978 and 4.5 cents per share in 1977.

At the end of 1978 there were approximately 2,000 shareholders of record.

Stock Trading

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

Stock Transfer Agents and Registrars

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

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

Shareholder Inquiries

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

Form 10-K

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

Report of Independent Accountants

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

In our opinion, based upon our examinations and the report mentioned below of other independent accountants, the financial statements appearing on pages 17 through 21 present fairly the financial position of The Washington Post Company and its subsidiaries at December 31, 1978 and January 1, 1978, and the results of their operations and the changes in their financial position for the fiscal years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Bowater Mersey Paper Company Limited, a 49% owned affiliate which represents 5% of consolidated assets at December 31, 1978 and January 1, 1978, and 6% of consolidated net income for each of the years then ended. These statements were examined by other independent accountants whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Bowater Mersey Paper Company Limited, is based solely upon the report of the other independent accountants.

Price Waterhouse & Co.

Washington, D.C.
February 6, 1979

(In thousands, except share amounts)	Fiscal Year Ended December 31, 1978	Fiscal Year Ended January 1, 1978
Operating Revenues		
Advertising	$375,408	$316,129
Circulation	134,601	112,872
Other	10,389	7,101
	520,398	436,102
Costs and Expenses		
Operating	327,847	275,362
Selling, general and administrative	95,309	83,187
Depreciation and amortization of plant facilities	6,602	5,526
Amortization of goodwill and other intangibles	1,450	953
	431,208	365,028
Income from Operations	89,190	71,074
Other Income (Deductions)		
Other income (including interest of $2,546 and $2,408)	8,897	2,576
Other deductions (including interest of $1,788 and $2,329)	(2,090)	(2,628)
Equity in earnings of affiliates	4,616	2,537
Income before Income Taxes	100,613	73,559
Income Taxes		
Current	46,948	34,473
Deferred	3,945	3,617
	50,893	38,090
Net Income	$ 49,720	$ 35,469
Earnings per common and common equivalent share	$3.06	$2.09

The information on pages 22 through 27 is an integral part of the financial statements.

(In thousands, except share amounts)	December 31, 1978	January 1, 1978
Assets		
Current Assets		
Cash and time deposits	$ 18,083	$ 11,659
Commercial promissory notes and other marketable securities at cost which approximates market value	29,570	41,255
Accounts receivable, less estimated returns, doubtful accounts and allowances of $6,908 and $6,378	55,347	47,626
Inventories at lower of cost or market	9,876	8,410
Prepaid expenses and other	6,592	5,539
	119,468	114,489
Investments in Affiliates	28,817	15,530
Plant Assets, at Cost		
Buildings	43,217	41,205
Machinery, equipment and fixtures	62,479	54,814
Leasehold improvements	3,983	3,433
	109,679	99,452
Less accumulated depreciation and amortization	(54,833)	(47,554)
	54,846	51,898
Land	9,297	9,175
Construction in progress	3,531	2,403
	67,674	63,476
Goodwill and Other Intangibles, Less Accumulated Amortization	94,385	73,124
Deferred Charges and Other Assets	18,173	11,955
	$328,517	$278,574

The information on pages 22 through 27 is an integral part of the financial statements.

(In thousands, except share amounts)	December 31, 1978	January 1, 1978
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued expenses	$ 43,899	$ 38,381
Federal and state income taxes	14,289	11,186
Contributions due to employee benefit trust funds	4,967	4,358
Current portion of long-term debt	2,500	2,450
	65,655	56,375
Other Liabilities	13,461	12,999
Long-Term Debt	19,930	22,300
Deferred Subscription Income (Less related magazine subscription procurement costs of $29,005 and $27,485)	27,490	25,920
Deferred Income Taxes	23,840	19,994
Minority Interest in Subsidiary Company	727	609
Shareholders' Equity		
Preferred stock, $1 par value, authorized 1,000,000 shares	–	–
Common stock		
Class A common stock, $1 par value, authorized 7,000,000 shares; 3,053,760 shares issued and outstanding	3,054	1,527
Class B common stock, $1 par value, authorized 40,000,000 shares; 16,946,240 shares issued; 12,854,694 and 13,279,088 shares outstanding	16,946	8,473
Capital in excess of par value	1,542	4,991
Retained earnings	192,582	154,303
Less cost of 4,091,546 and 3,667,152 shares of Class B common stock held in Treasury	(36,710)	(28,917)
Total shareholders' equity	177,414	140,377
Commitments and Contingencies		
	$328,517	$278,574

(In thousands, except share amounts)	Class A Common Stock	Class B Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock
Balance January 2, 1977	$1,527	$ 8,473	$5,351	$121,843	$(13,802)
Net income for the year				35,469	
Dividends–$.18 per share				(3,009)	
Issuance of 229,976 shares of Class B common stock upon exercise of options			(1,240)		2,721
Repurchase of 1,484,760 shares of Class B common stock					(17,836)
Other			880		
Balance January 1, 1978	$1,527	$ 8,473	$4,991	$154,303	$(28,917)
Net income for the year				49,720	
Dividends–$.30 per share				(4,812)	
Issuance of 80,300 shares of Class B common stock upon exercise of options			(644)		1,172
Repurchase of 504,694 shares of Class B common stock					(8,965)
Accounting for two-for-one stock split	1,527	8,473	(3,371)	(6,629)	
Other			566		
Balance December 31, 1978	$3,054	$16,946	$1,542	$192,582	$(36,710)

The information on pages 22 through 27 is an integral part of the financial statements.

(In thousands)	Fiscal Year Ended December 31, 1978	Fiscal Year Ended January 1, 1978
Sources of Working Capital		
Net income	$49,720	$35,469
Add charges to income not requiring working capital		
Depreciation and amortization of plant facilities	6,602	5,526
Amortization of television film costs	3,883	3,480
Amortization of goodwill and other intangibles	1,450	953
Income tax timing differences	3,846	3,482
Undistributed earnings of affiliates	(2,050)	(1,175)
Other	1,283	1,044
Total provided by operations	64,734	48,779
Increase in deferred subscription income	3,090	8,384
Proceeds from exercise of Class B common stock options	528	1,481
Other	3,912	4,326
Total provided	72,264	62,970
Uses of Working Capital		
Purchases of plant assets	10,181	10,937
Purchases of television film rights	4,549	5,787
Reduction of long-term debt	2,450	7,250
Increase in deferred magazine subscription procurement costs	1,520	4,514
Dividends on common stock	4,812	3,009
Purchase of newspaper, net of working capital adjustments, investment in newsprint mill and cash consideration paid on exchange of television station		
Plant assets	1,275	–
Goodwill and other intangibles	23,332	–
Investment in affiliates	11,017	–
Note receivable on sale of radio station	4,399	–
Repurchase of Class B common stock	8,965	17,836
Other	4,065	351
Total used	76,565	49,684
Net (decrease) increase in working capital	$ (4,301)	$13,286
Changes in Composition of Working Capital		
Cash and time deposits	$ 6,424	$ (4,829)
Commercial promissory notes and other marketable securities	(11,685)	11,299
Accounts receivable	7,721	4,741
Inventories	1,466	1,210
Prepaid expenses and other	1,053	1,149
Increase in current assets	4,979	13,570
Accounts payable and accrued expenses	(5,518)	(7,073)
Federal and state income taxes	(3,103)	4,501
Contributions due to employee benefit trust funds	(609)	(112)
Current portion of long-term debt	(50)	2,400
(Increase) in current liabilities	(9,280)	(284)
Net (decrease) increase in working capital	$ (4,301)	$13,286

A. Summary of Significant Accounting Policies

Principles of Consolidation.
The accompanying financial statements include the accounts of all subsidiaries; significant intercompany transactions have been eliminated. The company reports on a 52-53 week fiscal year ending on the Sunday nearest December 31.

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

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

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

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

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

Deferred Income and Magazine Subscription Procurement Costs.
Amounts received from subscribers in advance of deliveries are deferred and recorded as income when deliveries are made. The company amortizes magazine subscription procurement costs over the lives of the related subscriptions.

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

Translation of Foreign Currencies.
For balance sheet purposes foreign currency assets and liabilities have been translated into U.S. dollars at market rates of exchange in effect at year-end, except for plant assets which are translated at exchange rates in effect at dates acquired. Income statement amounts, other than depreciation, are translated at annual average market rates of exchange. Gains and losses from currency adjustments, which are not material in amount, are included in the determination of net income.

Retirement Plans.
The company and its subsidiaries contribute to various pension, incentive savings and profit sharing plans which cover substantially all their employees. Newspaper agents and dealers for *The Washington Post* who have prescribed periods of service participate in an unfunded Circulation Dealers Profit Incentive Plan, the accrued costs of which are charged to current expense. Liability under such plan, amounting to $6,330,000 at December 31, 1978, and $5,655,000 at January 1, 1978, is included in "Other Liabilities" in the consolidated balance sheets.

In addition, the company guarantees minimum retirement income benefits that require supplemental payments, which are not material in amount, to certain participants in the company's Profit Sharing and Circulation Dealers Profit Incentive Plans.

Total expense under the plans described above was $8,349,000 for 1978 and $6,879,000 for 1977, which includes, as to certain of the plans, amortization of prior service costs generally over periods not exceeding 20 years.

B. Inventories

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

	December 31, 1978	January 1, 1978	January 2, 1977
Newsprint	$1,104,000	$1,078,000	$1,771,000
Magazine paper	6,921,000	5,889,000	4,089,000
Books	728,000	335,000	470,000
Other materials	1,123,000	1,108,000	870,000
	$9,876,000	$8,410,000	$7,200,000

Operating costs and expenses include $26,600,000 in 1978 and $26,700,000 in 1977 of cost of newsprint supplied by Bowater Mersey Paper Company Limited.

C. Investments in Affiliates

Bowater Mersey Paper Company Limited.
The investment in Bowater Mersey Paper Company Limited consists of 49% of the common shares. Dividends received from Bowater Mersey were $1,843,000 in 1978 and $1,157,000 in 1977. Condensed statements of financial position and income of that company for 1978 and 1977, stated in Canadian dollars, are set forth below [at December 31, 1978 (1977) the quoted rates of exchange for $1 Canadian were $.84 U.S. ($.91 U.S.) and the average rates of exchange during the calendar year 1978 (1977) were $.88 U.S. ($.99 U.S.)]:

Condensed Statements of Financial Position ($ Can.)	December 31, 1978	December 31, 1977
Current assets	$28,784,000	$20,237,000
Less current liabilities	(12,711,000)	(8,896,000)
Working capital	16,073,000	11,341,000
Fixed assets, net	28,233,000	28,475,000
Other assets	111,000	121,000
Other liabilities	(7,370,000)	(7,172,000)
Shareholders' equity		
Preferred	1,694,000	2,245,000
Common	35,353,000	30,520,000
Total	$37,047,000	$32,765,000

Condensed Statements of Income ($ Can.)	December 31, 1978	December 31, 1977
Sales	$68,318,000	$58,118,000
Costs and expenses	52,479,000	48,113,000
Income before income taxes	15,839,000	10,005,000
Income taxes	6,485,000	4,061,000
Net income	9,354,000	5,944,000
Preferred dividend requirements	114,000	127,000
Net income applicable to common shares	$ 9,240,000	$ 5,817,000

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

	December 31, 1978	January 1, 1978
Cost of investment	$ 8,354,000	$ 8,354,000
Less amount included in consolidated goodwill	912,000	912,000
Equity in net assets at date of acquisition	7,442,000	7,442,000
Increase in equity since date of acquisition	8,059,000	6,351,000
	$15,501,000	$13,793,000

Other Investments.
The company's principal other investments are a 30% interest in a French corporation which publishes the *International Herald Tribune* in Paris and a 50% interest in a joint venture which operates the Los Angeles Times/Washington Post News Service.

During 1978 the company agreed to participate in a venture to construct and operate a newsprint mill near Richmond, Virginia. The company, as a limited partner, holds a 30% interest. Construction was started in 1978 and it is anticipated that production will begin in 1980. At December 31, 1978, the company's investment in the venture totaled $11,158,000.

D. Income Taxes and Tax Timing Differences

Income tax expense consisted of the following components:

	Current	Deferred
1978		
U.S. Federal	$39,463,000	$3,223,000
Foreign	276,000	269,000
State and Local	7,209,000	453,000
	$46,948,000	$3,945,000
1977		
U.S. Federal	$28,515,000	$2,824,000
Foreign	184,000	171,000
State and Local	5,774,000	622,000
	$34,473,000	$3,617,000

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

	1978	1977
Magazine subscription procurement and book promotion costs deducted when incurred for tax reporting and deferred and amortized for financial reporting	$ 864,000	$2,593,000
Investment tax credit, net	224,000	225,000
Other	2,857,000	799,000
	$3,945,000	$3,617,000

Total income tax expense exceeded 48% of income before taxes by $2,599,000 in 1978 and $2,782,000 in 1977. The reasons for the differences were as follows:

	1978	1977
State and local taxes on income, net of federal income tax benefit	$3,984,000	$3,326,000
Amortization of goodwill, expensed for financial reporting and not deductible for tax reporting	695,000	456,000
Foreign income taxes netted in equity in earnings of affiliates	(1,588,000)	(824,000)
Other	(492,000)	(176,000)
	$2,599,000	$2,782,000

E. Long-Term Debt and Restrictions on Dividends

Long-term debt consists of unsecured promissory notes which require payments each year to maturity.

The composition of long-term debt, including the amounts due within one year, $2,500,000 at December 31, 1978 and $2,450,000 at January 1, 1978, is:

Interest Rate	Final Maturity	Outstanding at December 31, 1978	Outstanding at January 1, 1978
6.95%	1987	$22,000,000	$24,250,000
5%-8.75%	1981	430,000	500,000
		$22,430,000	$24,750,000

The agreement relating to the 6.95% promissory notes contains restrictive provisions which pertain principally to the payment of dividends and the redemption or purchase of the company's capital stock. At the end of 1978 and 1977 retained earnings unrestricted by these provisions were $70,512,000 and $54,443,000. Principal repayments on the 6.95% promissory notes are due as follows: $2,250,000 in each of the years 1979 to 1986 and $4,000,000 in 1987.

Effective January 2, 1979, the company has a revolving credit agreement with a group of banks that permits borrowings of up to $50,000,000 until January 1, 1982. At the end of this period, any outstanding borrowings may be converted into four-year notes payable in equal semi-annual installments. During the three-year revolving credit period the agreement provides for a 0.45% average annual fee on any unused amount of the commitment. Interest on loans under the agreement is to be calculated at maxima of 103.2% of the floating prime rate until January 1, 1982, and 106.2% of the floating prime rate thereafter.

F. Capital Stock, Stock Split and Stock Options

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

On December 29, 1978, the company amended its Certificate of Incorporation to increase the authorized Class A common stock from 2,000,000 to 7,000,000 shares and the Class B common stock from 10,000,000 to 40,000,000 shares, and to effect a two-for-one stock split by reclassifying each share of Class A and Class B common stock outstanding or held in Treasury into two such shares. To account for these changes, the Class A common stock account was increased by $1,527,000, the Class B common stock account was increased by $8,473,000, capital in excess of par value was reduced by $3,371,000 and retained earnings were reduced by $6,629,000. Share and per share data have been restated to reflect the stock split.

In 1971 the company adopted a Stock Option Plan and reserved 1,400,000 shares of Class B common stock for options to be granted under the Plan. The purchase price of the shares covered by an option must be equal to their fair market value on the granting date. Options may be granted for a term of up to ten years.

At December 31, 1978, there were 424,624 shares reserved for issuance under the Stock Option Plan. Of this number, 329,424 shares were subject to options outstanding and 95,200 shares were available for future grants. Changes in the options outstanding for the two fiscal years ended December 31, 1978 and January 1, 1978 were as follows:

	1978 Number of Shares	1978 Average Option Price	1977 Number of Shares	1977 Average Option Price
Beginning of year	367,724	$ 7.72	620,200	$ 6.81
Options				
Granted	47,000	$16.44	40,000	$15.82
Exercised	(80,300)	$ 6.58	(229,976)	$ 6.44
Cancelled	(5,000)	$ 7.12	(62,500)	$ 8.61
End of year	329,424	$ 9.25	367,724	$ 7.72

The following table presents certain additional information with respect to options that became exercisable and options that were exercised during 1978 and 1977:

Options that became exercisable	Shares	Option Price Total	Option Price Ave. Per Share	Market Value When Options Became Exercisable Total	Market Value When Options Became Exercisable Ave. Per Share
1978	24,500	$201,000	$8.20	$509,000	$20.77
1977	57,000	$361,000	$6.33	$762,000	$13.38

Options exercised	Shares	Option Price Total	Option Price Ave. Per Share	Market Value When Options Exercised Total	Market Value When Options Exercised Ave. Per Share
1978	80,300	$ 528,000	$6.58	$1,535,000	$19.12
1977	229,976	$1,481,000	$6.44	$3,066,000	$13.33

Of the shares covered by options outstanding at the end of 1978, 228,924 were then exercisable; 24,750 will become exercisable in 1979; 34,750 in 1980; 29,250 in 1981; and 11,750 in 1982.

Per share data are based upon the weighted average number of shares of common stock and common stock equivalents outstanding during the periods, 16,232,000 in 1978 and 16,952,000 in 1977. Shares issuable under stock options are considered common stock equivalents if the market value of the shares was more than the option price during the period. The number of such equivalents is then reduced by the number of shares which could have been purchased with the proceeds from the sale of the optioned shares had the options been exercised.

G. Commitments and Contingencies

The company is contingently liable for payments under materials and services contracts and for claims and lawsuits arising in the ordinary course of business. The company is a party to various civil lawsuits arising in the ordinary course of business, including libel actions. In the opinion of management the company carries adequate insurance against liability in such libel actions, and the company is not a party to any other material litigation. In addition to normal commitments to purchase plant equipment, the company is undertaking a program to expand the production facilities of *The Washington Post* newspaper that is estimated to cost in the area of $65 million. As of December 31, 1978, the company had not yet entered into any commitments in connection with that program, but expected to commit for the construction of a $17 million satellite printing plant to be located in a suburb of Washington, D.C., with construction expected to commence in 1979 and to be completed in 1980, to commit approximately $22 million to purchase three printing presses for installation in the satellite plant, and to commit for approximately $26 million of additional plant and equipment. The company expects to finance the program from internal resources and, to the extent necessary, from borrowings under its $50,000,000 revolving credit agreement.

Leases.
Total rental expense included in operations was $4,513,000 for fiscal year 1978 and $4,140,000 for fiscal year 1977. As at December 31, 1978, minimum annual rental commitments under non-cancelable operating leases were: $2,373,000 for 1979; a lesser amount in each succeeding year to a total of $1,405,000 for 1983; $6,043,000 for the five-year period 1984-1988; and less than $65,000 in each of the succeeding five-year periods thereafter, excluding in the latter periods a lease for approximately $1,080,000 per year which expires in 1979 but which may be renewed for two successive 15-year periods at the option of the company (the company has exercised its first option) at amounts to be negotiated or arbitrated. All of these commitments were for real estate except for $371,000 in 1979, decreasing to $9,000 in 1982, which relate to equipment.

H. Dispositions and Acquisitions

On June 26, 1978, the company sold its Washington, D.C. radio station and exchanged its Washington, D.C. television station and $2,000,000 in cash for Detroit television station WDIV. The gain on the radio station sale of $5,350,000 before giving effect to taxes of $1,925,000 is included in "Other Income" for fiscal year 1978.

On February 14, 1978, the company acquired all the outstanding stock of the Daily Herald Company, publisher of the *Everett Herald.* The purchase price was less than 10% of the total of the company's assets as at January 1, 1978. The purchase did not have a significant effect on company operations.

I. Summary of Quarterly Financial Results (Unaudited)

Quarterly operating results, which are unaudited, for the fiscal years ended December 31, 1978 and January 1, 1978 were as follows:

1978	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$112,806,000	$135,103,000	$123,145,000	$149,344,000
Income from operations	$ 14,091,000	$ 27,985,000	$ 17,354,000	$ 29,760,000
Net income	$ 7,063,000	$ 17,208,000	$ 9,480,000	$ 15,969,000
Earnings per share	$.43	$1.06	$.59	$.99
Average number of shares of common stock and common stock equivalents	16,400,000	16,278,000	16,128,000	16,120,000

1977	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 94,559,000	$112,957,000	$101,928,000	$126,658,000
Income from operations	$ 10,109,000	$ 22,148,000	$ 13,277,000	$ 25,540,000
Net income	$ 5,019,000	$ 10,824,000	$ 6,611,000	$ 13,015,000
Earnings per share	$.28	$.64	$.40	$.79
Average number of shares of common stock and common stock equivalents	17,751,000	16,883,000	16,634,000	16,528,000

J. Replacement Cost Information (Unaudited)

In compliance with the rules of the Securities and Exchange Commission, the company has estimated certain replacement cost information. The data in this note should not be interpreted to indicate that the company has present plans to replace inventories or plant assets or that future replacement would take place in the form and manner assumed in developing these calculations. The replacement cost data presented are not necessarily the current market values of existing plant assets and inventories; rather, they are the company's estimate of the cost of replacement that would be incurred if such assets were replaced at the ends of 1978 and 1977. The difference between historical and replacement cost does not represent additional book value of the company's common stock. Furthermore, it must be recognized that, by their nature, the replacement cost data are not precise but are broad estimates predicated upon hypotheses and subjective judgments.

Estimates of the replacement cost of inventories and the plant assets of the company as of December 31, 1978 and January 1, 1978, together with estimates of the effect on "Operating costs" and "Depreciation and amortization of plant facilities" for the years then ended, are summarized in the following table:

Replacement Cost Information

	December 31, 1978		January 1, 1978	
	Amounts per Consolidated Balance Sheet	Estimated Replacement Cost	Amounts per Consolidated Balance Sheet	Estimated Replacement Cost
Inventories				
Newsprint, magazine paper, books and other materials	$ 9,876,000	$ 10,000,000	$ 8,410,000	$ 9,000,000
Plant Assets				
Buildings	$ 43,217,000	$ 71,000,000	$ 41,205,000	$ 62,000,000
Machinery, equipment and fixtures	62,479,000	146,000,000	54,814,000	117,000,000
Leasehold improvements	3,983,000	7,000,000	3,433,000	5,000,000
	109,679,000	224,000,000	99,452,000	184,000,000
Less accumulated depreciation and amortization	(54,833,000)	(119,000,000)	(47,554,000)	(89,000,000)
	54,846,000	$105,000,000	51,898,000	$ 95,000,000
Amounts for which replacement cost data are not required:				
Land	9,297,000		9,175,000	
Construction in progress	3,531,000		2,403,000	
	$ 67,674,000		$ 63,476,000	

"Operating costs and expenses" for the fiscal years 1978 and 1977, if calculated on the basis of estimated inventory replacement costs, would have increased by approximately $600,000 and $1,027,000 over the $327,847,000 and $275,362,000 calculated on an historical cost basis.

"Depreciation and amortization of plant facilities" for the fiscal years 1978 and 1977, if based on estimated average replacement cost, would have been approximately $14,000,000 and $10,000,000. Depreciation and amortization calculated on an historical cost basis were $6,602,000 and $5,526,000.

Replacement cost data for inventories were calculated by reference to supplier prices at the end of the fiscal year and at periodic times during the year.

Replacement cost data for plant assets were calculated using a combination of techniques: price level indices were applied to the historical cost of the assets, or current suppliers' prices and costs of construction were utilized. These techniques were applied to the assets in use or were applied to assets which the company believes have a present likelihood of being substituted for items currently used.

Accumulated depreciation at the end of the year and the provision for depreciation for the year related to the replacement cost of plant assets were calculated using straight-line depreciation rates based on the service lives used for financial accounting purposes.

In compiling replacement cost data no assessments were made of any related effects on labor costs, repairs and maintenance, energy costs and other indirect costs as a result of the assumed replacement of plant assets, the relationship of cost changes and changes in selling prices or the difficulty and related costs (such as those relating to regulatory requirements) which might be experienced in replacing plant assets.

K. Business Segments

The company operates in three areas of the communications industry: newspaper publishing, magazine and book publishing and broadcasting. Newspaper operations primarily involve the publication of newspapers in Washington, D.C., Trenton, N.J. and, as of February 14, 1978, Everett, Washington; they also include a newsprint warehousing facility which accounts for less than 1% of consolidated revenues. Magazine and book publishing consists primarily of the publication of a weekly news magazine, *Newsweek,* which has one domestic and three international editions. Sales of books, which are less than 1% of consolidated revenues, are included within the magazine publishing segment. The broadcasting operations are conducted through four VHF television stations. All stations are network affiliated with revenues derived primarily from sales of advertising time. The broadcasting segment also includes until June 26, 1978, the operations of a radio station that was sold at that time. Revenues from newspaper and magazine publishing are derived primarily from advertising, and to a lesser extent from circulation. Revenues from international operations and export sales are less than 10% of consolidated revenues.

Income from operations is the excess of total operating revenues over operating expenses. In computing income from operations by segment, the effects of interest expense, equity in earnings of affiliates, other income, other deductions, and income taxes have been neither added nor deducted, but all corporate operating expenses are allocated to segment operations.

Identifiable assets by segment are those assets used in the company's operations in each business segment. Corporate assets are principally cash and marketable securities.

Equity in earnings of affiliates and assets invested in unconsolidated enterprises include a 49% interest in a newsprint manufacturer located in Nova Scotia, Canada, and a 30% interest in a newspaper headquartered in Paris, France, which is distributed mainly in Europe. In 1978 the newsprint manufacturer sold about one-half of its newsprint production to the company for use in its newspapers. In 1978 the company entered into a limited partnership (30% interest) for the construction and operation of a newsprint mill; the investment did not have a significant effect on company earnings in 1978. It is expected that the mill will be productive in 1980. The company also has a 50% interest in a news service which is headquartered in the United States; the income and assets of this venture constitute only a minor portion of the company's income from and investment in affiliates.

Business Segments Data–1978:

	Newspaper Publishing	Magazine and Book Publishing	Broadcasting	Adjustments and Eliminations	Consolidated
Sales to unaffiliated customers	$242,076,000	$214,829,000	$63,493,000		$520,398,000
Intersegment sales	44,000		6,000	$ (50,000)	
Total operating revenues	242,120,000	214,829,000	63,499,000	(50,000)	520,398,000
Income from operations	37,867,000	30,655,000	20,668,000		89,190,000
Equity in earnings of affiliates					4,616,000
Interest expense					(1,788,000)
Other income (deductions) net					8,595,000
Income before income taxes					100,613,000
Identifiable assets	131,027,000	54,824,000	82,164,000	(947,000)	267,068,000
Investments in affiliates					28,817,000
Corporate assets					32,632,000
Total assets					328,517,000
Depreciation and amortization of plant facilities	3,525,000	1,034,000	2,043,000		6,602,000
Amortization of goodwill and other intangibles	802,000		648,000		1,450,000
Capital expenditures	3,868,000	3,555,000	2,758,000		10,181,000

Business Segments Data–1977:

	Newspaper Publishing	Magazine and Book Publishing	Broadcasting	Adjustments and Eliminations	Consolidated
Sales to unaffiliated customers	$199,010,000	$181,797,000	$55,295,000		$436,102,000
Intersegment sales	113,000		94,000	$(207,000)	
Total operating revenues	199,123,000	181,797,000	55,389,000	(207,000)	436,102,000
Income from operations	26,869,000	26,573,000	17,632,000		71,074,000
Equity in earnings of affiliates					2,537,000
Interest expense					(2,329,000)
Other income (deductions) net					2,277,000
Income before income taxes					73,559,000
Identifiable assets	98,275,000	42,178,000	73,885,000	(793,000)	213,545,000
Investments in affiliates					15,530,000
Corporate assets					49,499,000
Total assets					278,574,000
Depreciation and amortization of plant facilities	3,003,000	784,000	1,739,000		5,526,000
Amortization of goodwill and other intangibles	330,000		623,000		953,000
Capital expenditures	7,416,000	1,029,000	2,492,000		10,937,000

(Amounts in thousands, except share amounts) Fiscal Year	1978	1977	1976	1975	1974
Year-end Financial Condition					
Current assets	$119,468	$114,489	$100,919	$ 72,819	$ 70,009
Working capital	53,813	58,114	44,828	35,129	31,108
Plant assets	67,674	63,476	58,753	58,594	57,125
Total assets	328,517	278,574	259,000	230,599	226,397
Long-term debt	19,930	22,300	29,550	39,934	47,318
Deferred subscription income	56,495	53,405	45,021	36,999	29,797
Less related subscription procurement costs	(29,005)	(27,485)	(22,971)	(18,694)	(12,119)
Net deferred subscription income	27,490	25,920	22,050	18,305	17,678
Shareholders' equity	177,414	140,377	123,392	110,154	102,745
Revenues and Income					
Operating revenues	520,398	436,102	375,729	309,335	287,579
Costs and expenses	431,208	365,028	326,684	282,511	259,439
Income from operations	89,190	71,074	49,045	26,824	28,140
Other income	8,897	2,576	4,592	1,010	2,005
Other deductions, primarily interest	(2,090)	(2,628)	(3,644)	(4,126)	(3,942)
Equity in earnings of affiliates	4,616	2,537	1,393	1,884	2,571
Income before income taxes	100,613	73,559	51,386	25,592	28,774
Provision for income taxes					
Current	46,948	34,473	24,732	9,189	13,664
Deferred	3,945	3,617	2,164	4,361	669
	50,893	38,090	26,896	13,550	14,333
Net income	$ 49,720	$ 35,469	$ 24,490	$ 12,042	$ 14,441
Amounts per Share					
Earnings per common and common equivalent share	$3.06	$2.09	$1.36	$ .64	$ .76
Cash dividends	$ .30	$ .18	$.125	$.125	$.125
Average number of shares of common stock and common stock equivalents outstanding (in thousands)	16,232	16,952	18,038	18,900	19,000

In 1978 and 1976 the company realized nonrecurring gains, mostly from the sales of two radio stations. For 1978 this increased "Other income" by approximately $6,100,000, "Equity in earnings of affiliates" by $600,000, the "Provision for income taxes" by $2,400,000, "Net income" by $4,300,000 and "Earnings per share" by $.27. For 1976 the nonrecurring gain increased "Other income" by approximately $2,900,000, the "Provision for income taxes" by $1,100,000, "Net income" by $1,800,000 and "Earnings per share" by $.10.

The company uses the equity method of accounting for its investments in Bowater Mersey Paper Company Limited and in International Herald Tribune, S.A. Dividends received from these corporations for the five years ending December 31, 1978 were $2,391,000 in 1978; $1,362,000 in 1977; $880,000 in 1976; $874,000 in 1975; and $521,000 in 1974.

Per share amounts are based upon the weighted average number of shares of common stock and common stock equivalents outstanding during the periods. Share and per share data have been restated to give effect to two-for-one stock splits on December 29, 1978 and December 15, 1976.

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