The Washington Post Company

1995 ANNUAL REPORT

ABOUT PEOPLE

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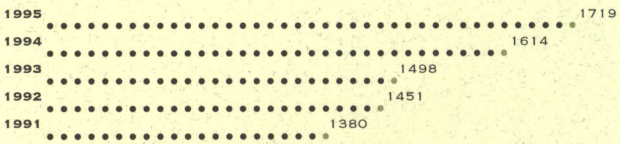
The Washington Post Company is a diversified media organization whose principal operations include newspaper and magazine publishing, broadcasting, and cable television systems. The company also produces electronic information services, provides test preparation services, and offers online information covering federal legislative and regulatory activity. A complete listing of the company's activities can be found inside the back cover of this report.

Financial Highlights

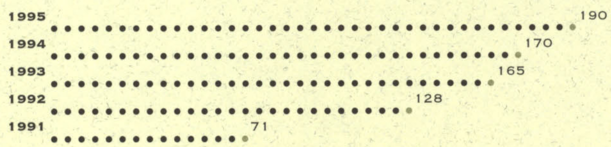
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	1995	1994	%CHANGE
Operating revenues	$1,719,449	$1,613,978	+7%
Income from operations	$ 271,018	$ 274,875	-1%
Net income	$ 190,096	$ 169,672	+12%
Pro forma*	$ 187,296	$ 161,553	+16%
Earnings per share	$ 17.15	$ 14.65	+17%
Pro forma*	$ 16.91	$ 13.95	+21%
Dividends per share	$ 4.40	$ 4.20	+5%
Shareholders' equity per share	$ 107.60	$ 99.32	+8%
Average number of shares outstanding	11,086	11,582	-4%

*Excluding the gain on the sale of the company's investment in American PCS, L.P., and the charge relating to the write-off of the company's investment in Mammoth Micro Productions in 1995; and the gain on the sale of land at one of the company's newsprint affiliates in 1994.

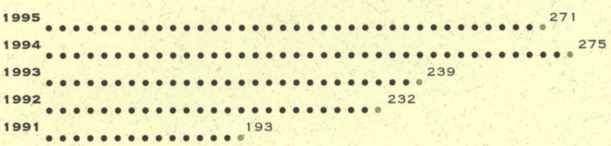
OPERATING REVENUES
($ IN MILLIONS)



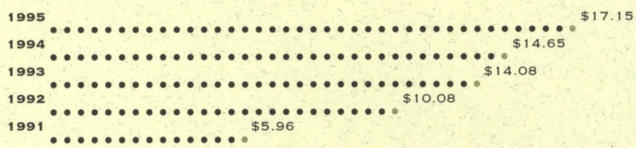
NET INCOME
($ IN MILLIONS)



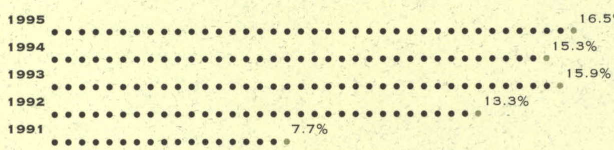
OPERATING INCOME
($ IN MILLIONS)



EARNINGS PER SHARE



RETURN ON AVERAGE SHAREHOLDERS' EQUITY



To Our Shareholders

1995, A YEAR OF PLUSES AND MINUSES, ended with a strong company-wide financial performance. Excluding non-recurring items in 1995 and 1994, net income rose 16 percent. Earnings per share rose 21 percent, with fewer average shares outstanding.

The pluses that contributed to these gains are easy to list: first and largest, continuing growth at the broadcast division, which became the largest contributor to the company's profits for the first time since the early 1950s, when The Post was losing money; second, a small improvement in cable cash flow, growing larger as the year went on; third, a meaningful turnaround at Kaplan Educational Centers, which has exciting future prospects.

The disappointments included the decline in profits at the newspaper division (although it was no worse than expected) and the write-off of our investment in Mammoth Micro Productions, the multimedia studio and development company we acquired in 1994. Also, as we reported last year, early in 1995 we sold most of our investment in American PCS, L.P., our personal communications services partnership, for the same amount of money we had invested in it.

To take these items one at a time, TV results improved partly because advertising revenue rose substantially in the first half of the year and also because all six station managers did first-rate jobs developing the opportunities in their markets.

Three long-time Post-Newsweek stations remained number one in their markets; the fourth, WDIV in Detroit, was an extremely close number two. KSAT, our recently acquired ABC affiliate in San Antonio, reached first place, sign-on to sign-off, for the first time in its history in February 1995 and remained there throughout most of the year. (It was a close second in the November ratings.) KPRC, our new NBC affiliate in Houston, strengthened its ratings and share of advertising dollars against outstanding competitors. Further improvement will be tough.

Bill Ryan's leadership of the entire division continued to contribute largely to the bottom line. This outstanding executive, through careful management of the stations and shrewd programming and network compensation negotiations, has added importantly to the company's value for shareholders.

THE CABLE PICTURE brightened somewhat as the year went on, more because the FCC backed off from the more onerous aspects of its own regulations than from any forecasted improvements from the infinitely debated telecommunications bill.

Cash flow strengthened from quarter to quarter and was up 2 percent for the year as a whole. It will continue to improve in 1996. This year also will certainly look great on paper for cable on the operating income line, as the end of the ten-year depreciation resulting from our acquisition of the Cap Cities cable division in 1986 will raise operating income, but not cash flow, of Post-Newsweek Cable by 21 percent.

With cable division president Tom Might doing the quarterbacking, we negotiated several acquisitions of new cable systems and one trade. Specifically, we agreed to acquire two systems, in Prescott, Arizona, and Cleveland, Mississippi, from Time Warner, and one system, in Texarkana, Arkansas-Texas, from Cox Communications. The combined purchase price for these systems, which serve about 65,000 subscribers, is $120 million. We also agreed to acquire a system serving 15,700 subscribers in Columbus, Mississippi, for a price of approximately $23 million consisting of cash and shares of non-convertible, redeemable preferred stock of The Washington Post

Company. Finally, we reached an agreement in principle to trade certain systems with Tele-Communications, Inc., which will produce a net gain of about 23,000 subscribers for our cable division. (The systems traded by us produced higher revenue and cash flows per subscriber but seemed to us more exposed to competitive threats.)

None of these acquisitions and trades closed in 1995; therefore, the cable results included in this report come solely from internal growth. When these and other pending transactions do close, Post-Newsweek Cable will have about 630,000 subscribers. This compares with 350,000 subscribers we originally acquired from Cap Cities.

We like the cable business in the kinds of markets where we operate and would like to acquire more similar systems at the right price. We are aware of competition from MMDS (multi-channel, multi-point distribution systems) and from satellite. However, we believe that well-run cable systems offer subscribers better value than either competitor. Tom Might and the managers working with him will make sure the value is there.

KAPLAN DESERVES A SPECIAL NOTE. A year and a half ago, we turned to Jonathan Grayer, then executive vice president and chief operating officer, to become president of Kaplan – holding our breath only slightly because he was just 29. We needn't have worried. With the help of a remarkable management team headed by Jonathan, Veronica Dillon, Robert Greenberg, and Andy Rosen, Kaplan achieved a substantial turnaround, meaningful profitability, and strong momentum as 1996 began.

Kaplan's core business has expanded beyond classroom test preparation to include successful ventures into books and software. Its CD-ROM on the SAT made a number of bestseller lists in the fall.

With the numbers of college and post-graduate students certain to expand in the next few years because of demographics, Kaplan, though still small in relation to The Post Company as a whole, is well positioned to become a larger profit contributor.

AT NEWSWEEK, Rick Smith, Harold Shain, and Peter Luffman wrote a new success chapter in a book that's already full of them. As editor-in-chief and president, Rick continues to provide one-of-a-kind leadership for both news and business operations. Under editor Maynard Parker, Newsweek stayed at least one jump ahead of its weekly competitors. Circulation and readership were strong. Advertisers responded to Newsweek's quality, helping overcome huge increases in paper and postal costs. It was another fine year.

THE WRITE-OFF AT MAMMOTH simply reflects a lousy decision Messrs. Graham and Spoon jointly made in 1994. We acquired a company we had done business with for a couple of years. We were so impressed by its technical pre-eminence that we failed to note that there were, or soon would be, a hundred companies making CD-ROMs and few consumers buying them. Mammoth lived up to our quality expectations, but the market for its products developed glacially. We saw no prospect of a reasonable level of profitability.

This was not a small mistake; our cumulative investment in Mammoth totaled $28 million. Nonetheless, as we try to capitalize on the large and accelerating changes in our traditional businesses, more mistakes are a certainty. Each Post Company division has sophisticated people exploring markets for the electronic delivery of information. Expect us to experiment in many such markets, but to do so in the most cost-effective way we can.

SOME WORDS ABOUT DIGITAL INK, The Post Company's online information provider, are appropriate here. Last summer Digital Ink brought an electronic service on line through AT&T's Interchange platform. After many delays in bringing Interchange itself to market, AT&T announced in January of this year that Interchange would be terminated.

This was disappointing, but we were pleased that over 11,000 subscribers quickly joined our service and that it became a lively and enjoyable medium for delivery and discussion of news.

Now called WashingtonPost.com, our online service is moving to a Web site where its audience will grow dramatically. We think we're already among the foremost electronic information providers, but we will continue to lose money on Digital Ink this year and for the foreseeable future. The losses are worth it; we have to retain The Post's pre-eminence in delivering news and advertising in the Washington area.

THE WASHINGTON POST NEWSPAPER had a relatively poor year in profits and anticipates another drop in 1996 because of higher newsprint costs and a weak local economy.

The federal government dwarfs all other employers in our market and will cut back further in headcount whether the Democrats or the Republicans call the signals. As we write this letter, it's uncertain how the current round of appropriations bills will affect employment precisely, but we can say with assurance that it won't increase. Uncertainty about the future, perhaps as much as the actual reductions themselves, has contributed to a negative outlook in 1995 and early '96. This does not appear to be going away, although private-sector gains, especially in northern Virginia, are helping to moderate any decline in federal employment.

Meanwhile, newsprint prices were far higher in 1995 than in 1994, mainly because of increased overseas demand. While an announced price increase for the spring of '96 has been canceled, the annualization of '95 price increases will lead to significant increases in 1996 newsprint costs regardless.

The Post's revenue grew by only $8 million in 1995, while newsprint costs (including those for supplements) grew by $30 million. In the face of this, careful cost constraints kept newspaper division profits at $110 million, and margins at 15 percent.

Readers got a paper that did not compromise on quality. Leon Dash and Lucian Perkins, and Carol Guzy won Pulitzer Prizes, and Post journalists had another remarkable year described in full elsewhere in this report.

Despite current difficulties – and this is hardly the first downturn The Post has faced – we continue to believe that Washington is the best market in the country in which to operate a newspaper. Our confidence is reflected in the decision, announced in August, to invest $250 million over four years to build a new plant, modernize another, replace all The Post's presses with eight new ones, and completely revamp The Post's production operations. The new presses will improve reproduction and provide color. They will also enable The Post to have a more predictably laid-out newspaper for readers and advertisers and to provide zoned editions and sections for various parts of the region.

THE COMPANY'S FINANCIAL PERFORMANCE benefitted from non-operating sources in 1995. As a result of higher newsprint prices, our affiliated newsprint mills did well, and our equity in earnings of affiliates rose sharply. Thanks to the astute performance of our pension managers, our reported operating income has included nearly $60 million of pension credits over the past three years. These earnings are on our books in accordance with generally accepted accounting principles. Investors will want to note that they are not earnings of the same quality as the rest (the cash produced stays in the pension fund and is not available for dividends, acquisitions, or share repurchases), but they are far from meaningless, since they moderate pension cost increases.

Earnings per share also grew in 1995 partly because we repurchased 361,106 shares of our stock during the course of the year, for $89.6 million. When the company began one of the first aggressive corporate repurchase programs in 1977, there were 20 million Class A and B shares outstanding. Now there are about 11 million. We're glad that what we saw as relatively low stock prices compared with the company's actual value allowed us to increase the wealth of current shareholders by increasing your interest.

OUR INDUSTRY is going through a period of dramatic changes caused by the convergence of communications infrastructures, the rapid deployment of new technologies, and reduced and shifting barriers to our businesses. We face a world of new competitors and new means of communicating with readers, viewers, and advertisers. Accordingly, traditional business profit models will change. Portions of our various businesses will remain durable, fully competitive, and prosperous. Others will be more vulnerable. Our information content and services undoubtedly will find valuable applications and audiences that were previously unforeseen. We're not inclined to bet extravagantly on a vision of this exciting future – even if we had a precise one (we don't). But we are alert to the dangers of being blinded by defensiveness. In other words, we believe what will matter is not our ability to prophesy, but rather our ability to adapt.

We'll insist that our managers and organizations get even closer to customers and markets – to identify needs and the panoply of ways they can be met in today's rich technological setting. At the same time, our managers will have to stand back and think about the broader implications of changing business models. We're confident our managers can do both well and will continue to improve our existing franchises while we look for intelligent ways to invest in new ones.

Sincerely,

DONALD E. GRAHAM
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

ALAN G. SPOON
PRESIDENT AND CHIEF OPERATING OFFICER

KATHARINE GRAHAM
CHAIRMAN OF THE EXECUTIVE COMMITTEE

MARCH 8, 1996

Post-Newsweek Stations

THE BROADCAST DIVISION had another excellent year. Operating income rose 23 percent to $132.4 million, from $107.7 million in 1994. Division revenue increased 18 percent to $306.1 million, from $260.3 million the prior year.

WDIV-DETROIT continued to be the number one NBC affiliate in the country's top 19 markets. For the first time in over 30 years, all of the station's newscasts were rated first in their time slots.

Because of WDIV's strength and the disruption caused by affiliate switches among other stations in the market that took place in December 1994, the two top stations have pulled away from the pack. WDIV and its ABC competitor dominate all time periods. The new CBS affiliate dropped to sixth (and last) place, while the Fox station has cut back on its newscasts.

1995 marked the first time in 20 years that WDIV has not been the local flagship station for Tiger baseball. The decision not to renew the contract proved fortuitous, as the players' strike decimated ratings and revenues of those stations throughout the country that did carry baseball. In addition, WDIV was able to carry more of NBC's top-rated prime time programming, thus increasing revenue and viewer satisfaction.

In October, WDIV launched Job Connection, a computer-based telephone-accessed job bank that has averaged over 50,000 inquiries per week. WDIV is the first station in the country to provide this interactive service.

With the premiere of "Dateline Detroit," WDIV became the only station in the market to produce a regularly scheduled prime time news program.

PASS SPORTS, a regional sports cable system serving about 865,000 subscribers in Michigan and northwest Ohio, emerged from the baseball and hockey strikes as a more aggressive and competitive sports service. New alliances with Michigan State University and the University of Michigan for football and basketball games, both on an exclusive and a tape-delayed basis, added a new dimension to PASS Sports' event coverage.

PASS Sports has been one of the few regional sports services still offered as a pay service. A new agreement with Continental Cable, the second-largest cable system operator in the Detroit market, will reposition PASS to an expanded basic tier, alongside services such as ESPN and CNN. This marks the start of PASS becoming a basic service, enabling it to be seen by almost all cable subscribers and dramatically increasing its value to advertisers.

KPRC-HOUSTON made good strides in enhancing its ratings during the year. Its news ratings in key younger demographic groups were up from 1994 for all major newscasts. The gap between KPRC (an NBC affiliate) and the long-time market leaders – the CBS station (owned by Belo) and the ABC station (owned by Cap Cities/ABC) – has narrowed significantly.

KPRC's news department distinguished itself with aggressive coverage of major stories, including the murder of Tejano music superstar Selena, the bombing of the federal building in Oklahoma City, the demise of The Houston Post, and the second consecutive NBA championship for the Houston Rockets.

Several new features strengthened the station's newscasts. These include segments that uncover government waste, help solve consumer complaints, cover local arts, entertainment, and style stories, and focus on fascinating people who make Houston a dynamic community.

KPRC began providing local news and weather reports for Warner Cable's Headline News channel, becoming the first and only station in Houston to regularly partner with a cable operator for daily news coverage.

The station also established a Saturday morning newscast to complement its already established Sunday morning news. This makes KPRC the only Houston station with live, local news seven mornings a week.

KPRC continued to enhance its on-air graphics presentation and upgrade its technical facilities. Plans were finalized for the construction of a new, state-of-the-art newsroom and news studio facility scheduled for completion in late 1996.

WPLG-MIAMI/FT. LAUDERDALE completed its 11th consecutive year as number one in the market. The station's Eyewitness News remains the number one choice for news in South Florida. The Eyewitness News Team outdistanced the competition this year with in-depth coverage of the record number of hurricanes and tropical storms that battered Florida and the East Coast.

As official local host station for Super Bowl XXIX, WPLG saw its programming and engineering departments rise to the many challenges such an event provides. An extraordinary station-wide effort produced seven newscasts and three hours of special programming over a five-day period, live from Joe Robbie Stadium.

WPLG's dominance in sports continued with exclusive TV sponsorship of both the Lipton Tennis Tournament on Key Biscayne and a year-round partnership with Miami Motor Sports for its new state-of-the-art racing complex in Homestead, new home of the Miami Grand Prix and NASCAR and Indy car racing.

In 1995 the station aired the United Negro College Fund Telethon and the United Cerebral Palsy Telethon live from the Channel 10 studios. The Children's Miracle Network Telethon raised a record-setting $2.2 million.

WFSB-HARTFORD surmounted the challenges posed by its affiliation with CBS, which had an extremely difficult year in 1995. The network's prime time schedule was largely unsuccessful; the loss of National Football League games had a negative impact on the network's ratings and prestige.

Despite these serious problems, WFSB ended 1995 first in the Hartford-New Haven television market, sign-on to sign-off. WFSB also was first in late news. These achievements proved to be an impossible dream for most CBS affiliates. Only one other CBS affiliate among the nation's 33 largest markets, where viewership is measured by meters installed in television sets, ranked first in both those categories.

The station's Eyewitness News and other local programming were primarily responsible for most of WFSB's hard-fought ratings success. In a highly competitive market, WFSB retained its number one ranking in all major newscasts.

In 1995 the world's biggest sporting event, the Special Olympics World Games, was held in Connecticut. WFSB served as the official host station for the games, which proved to be a good investment both journalistically and financially. Coverage on newscasts and in special nightly programs attracted greater-than-usual summertime audiences, and the games enjoyed strong sponsorship from national and local advertisers.

WFSB also became associated with the new International Skating Center of Connecticut in Simsbury, which immediately attracted many of the world's premier figure skaters as a home training facility. Several skating stars appeared in two highly popular WFSB productions that drew large television audiences in March and December.

KSAT-SAN ANTONIO became the number one-ranked television station in the San Antonio market for the first time in its history in February 1995, thus ending a 22-year reign by the local CBS affiliate. Although KSAT dropped to second place, sign-on to sign-off, in November, the station clearly has changed the dynamics of the market.

All five of KSAT's news broadcasts took first place in all significant demographic groups in all three sweeps periods throughout 1995. Additionally, KSAT ranked number one in daytime, early fringe, access,

SMALL VICTORIES

WDIV Technician Kevin Berryman, director Rendall Thomas, production manager Tom Guida, and assistant chief engineer Ed Blind led a meticulously planned team effort to convert WDIV to robotic cameras.

Local police asked news cameraman Mack Combs to use his camera light to help rescuers extricate a woman pinned in her car by an overturned truck. Combs assisted in their efforts and documented the remarkable rescue. He received special recognition from the Michigan State Police.

PEOPLE MAKE THE DIFFERENCE

KPRC Sales account executive Bill Tomko helped secure statewide sponsorship for a prime time salute to murdered Tejano singing star Selena. The tribute, from Houston's Astrodome, was broadcast on a Texas network originated by KPRC.

It took almost two dozen cameras, plus motorcycles and helicopters, to bring Houston viewers the first-ever live coverage of the Houston Tenneco Marathon. Program director Lyle Schulze, who served as executive producer, line producer Leslie Seamon, assistant chief engineer Gerald Weaver, and director Fred Schultze spearheaded this extraordinary local television event.

WPLG Health and medicine reporter Kristi Krueger teamed up with WPLG's community services department and the American Cancer Society to launch Buddy Check 10, a year-round on-air effort to promote early breast cancer detection. A four-part news series, PSAs, and monthly news features throughout the year delivered excellent results, with the placement of over 20,000 Buddy Check kits.

In January 1996, Ann Bishop left her anchor chair after 25 years at the station. In 1995, Super Bowl weekend saw her co-hosting three hours of specials with Jimmy Cefalo, live from Joe Robbie Stadium in Miami. Ann also offered viewers a behind-the-scenes look at "20/20," an in-depth interview with Oprah Winfrey about the role of talk shows, and a humorous series called "Ann Goes to Computer Camp." She remains a part of WPLG's Eyewitness News Team as a special contributor and a talent consultant to all six Post-Newsweek stations.

SMALL VICTORIES

WFSB WFSB's extensive coverage of the July Special Olympics World Games in New Haven appeared effortless to viewers. In fact, it took a year of planning under the leadership of business manager Hope Etheridge and coordinating producer Allen Allshouse. Creative services director Don Graham was in charge of the overall creative effort, which required the services of 45 reporters, anchors, photographers, and technicians.

Anita Coles, executive producer of programming for the Special Olympics, wrote and produced four half-hour specials that preceded the Games, as well as the nightly half-hour specials that aired live and on videotape at 7:00 p.m. during the nine days of coverage.

PEOPLE MAKE THE DIFFERENCE

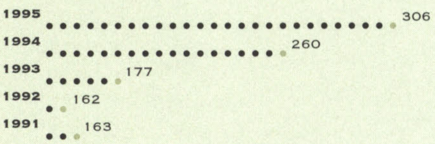
KSAT KSAT won Best Newscast in the 1995 Texas AP Broadcasters competition – the only San Antonio station to win an award. Sports reporter David Sears and photographer Raymond Ramirez won second place for Best Sports Story, and the station received three honorable mentions.

Police beat reporter Mary Walker's series of reports about an escaped convict kept the story in the public eye until state law enforcement agents recaptured the criminal, who had moved in with an unsuspecting family.

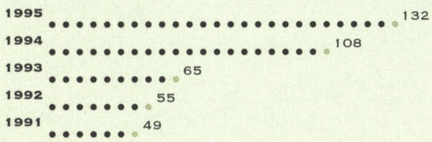
WJXT Thanks to the efforts of account executive Irvin Cohen, WJXT secured exclusive broadcast sponsorship of the inaugural year of Black Expo. The national program, which celebrates minority enterprise, began operating in Jacksonville in late 1994.

Art director Nancy Tillman joined the station in 1995, just in time to take delivery of the new news set. Thanks to her talent and professionalism, the set was launched without a hitch.

BROADCAST DIVISION OPERATING REVENUES
($ IN MILLIONS)



BROADCAST DIVISION OPERATING INCOME
($ IN MILLIONS)



and late fringe programming. KSAT also ranked number one, sign-on to sign-off, in the February, May, and July ratings books.

KSAT's news department excelled in covering several important stories during the year. Key among them was the decision to close Kelly Air Force Base, with more than 15,000 jobs at stake. The city-wide effort to keep Kelly open was the big story of the year. KSAT provided more local coverage and more special event programming related to this issue than any of its competitors.

Another KSAT series exposed the dangers Texans would face if poorly maintained Mexican trucks carrying toxic chemicals and radioactive waste were allowed to cross the border virtually unchecked. KSAT news reports were used by state and federal officials to push for – and win – a moratorium on new NAFTA trucking regulations.

Reflecting its new leadership role, KSAT stepped up its commitment to the San Antonio community in 1995. For example, following a rash of residential fires just before Christmas, KSAT, in conjunction with the San Antonio Fire Department, put together a fundraiser that raised thousands of dollars in less than 48 hours.

WJXT-JACKSONVILLE overcame weak CBS programming to continue to hold its dominant number one position in the market. All local newscasts were first in their time periods, and the station's ratings were first in the country for the "CBS Evening News" and "CBS This Morning."

The big story in Jacksonville in 1995 was the inaugural season of the NFL Jaguars. WJXT gave it the coverage it deserved, with expanded weekend sports, nightly sponsored "Jagwire" reports, and live specials. A weekly post-game show was telecast live throughout the season on Monday nights and consistently outperformed similar programming on both the "official" Jaguar station and on the Monday Night Football ABC affiliate.

A fledgling relationship with the Florida Times-Union bore fruit in 1995, as WJXT and the paper joined forces to cover the sheriff and mayoral elections in the spring and the public school desegregation dilemma over the summer. The alliance expands statewide in 1996, as Post-Newsweek's Florida News Network joins with Voices of Florida, a coalition of Florida newspapers, to facilitate election coverage.

A public service first in Jacksonville took place when a town hall meeting on teen pregnancy, produced live at WJXT in December, was simulcast on all local television stations in Jacksonville in prime time.

Newspaper Division

OPERATING INCOME for the newspaper division declined 18 percent in 1995 to $109.7 million, from $134.4 million in 1994. Division revenue in 1995 totaled $729.2 million, an increase of 2 percent over revenue of $717.3 million the previous year.

THE WASHINGTON POST surpassed admittedly modest profit expectations that resulted from sharply higher newsprint costs and a weak local economy. The quality of the newspaper remained high.

Post reporter Leon Dash and Post photographer Lucian Perkins shared the Pulitzer Prize for explanatory journalism for a 1994 series of articles about three generations of a Washington family struggling with poverty, drug addiction, and other societal ills.

Carol Guzy won her second Pulitzer – her first as a Post photographer – for spot news photography for her pictures of Haiti before and after the U.S. military intervention there in September 1994.

Local coverage continued strong. D.C. officials again learned most of what they know about the city's finances from the reporting of Howard Schneider and David Vise. Michael Abramowitz, Charles Babington, and Terry Neal broke the story of how Maryland Governor Parris Glendening created an unusually generous pension plan that benefitted his top aides, among others, in Prince George's County before becoming governor. Reporters Michael Fletcher and Hamil Harris led the paper's coverage of the Million Man March. The Post was the first paper in the country to see that the march would be a significant event.

Among The Post's distinguished contributions to national news coverage was a series by Michael Weisskopf and David Maraniss that probed deeply into the way Speaker Newt Gingrich's House really ran. The series won a 1996 George Polk Award and the Everett McKinley Dirksen Award.

Barton Gellman, The Post's correspondent in Israel, covered that country so thoroughly that when Prime Minister Rabin was tragically assassinated, Gellman turned out to have had a substantial earlier interview with the assassin. John Pomfret and Christine Spolar provided brave and brilliant coverage of Bosnia.

POST CIRCULATION declined by 13,600 copies daily to 816,474, and by 11,900 copies on Sunday to 1,140,498. The primary reason was the reconfiguration of distributor territories according to zip code boundaries to accommodate targeted advertising needs. This meant that 200,000 Post subscribers had a new distributor last year. Another factor in the decline was a drop-off in household growth in the market.

Nonetheless, The Post's overall circulation picture is strong. Over the past ten years, The Post is significantly ahead in daily and Sunday circulation.

POST ADVERTISING REVENUE increased 1 percent to $541.4 million, from $536.3 million in 1994. However, total advertising volume fell 5 percent to 3,212,400 inches, from 3,390,600 inches in 1994.

The Post's third-largest advertiser, Woodward & Lothrop, went out of business in mid-year. Another large Post advertiser, Evans Jewelers & Distributors, also ceased operations, in January. These failures contributed to a decline of 9.7 percent in retail ad inches for the year.

Classified advertising inches fell 1.6 percent because of weakness in the real estate sector. However, recruitment advertising was strong, up 19 percent in revenue for the year.

General advertising inches were off 3.2 percent, although national, and corporate and advocacy advertising posted significant growth.

Preprints, too, enjoyed an outstanding year, with the number of pieces rising 6.8 percent to more than 1.4 billion.

The economic outlook for the Washington market continues to be unfavorable. The Clinton administration has cut federal employment, and the possibility of further cuts – including cuts in outside federal contracting – has created uncertainty within the region.

Still, Virginia's high-tech corridor and Maryland's biotechnology

SMALL VICTORIES

Vastly better customer service should result from the work of accounting's Kathleen Waugh and advertising's Debbie Rubenstein. They put together the sales and service plan that restructured the accounting and advertising departments to lessen paper work and simplify responsibility for service to Post advertisers and maximize advertising revenues. Kim Grounds was the systems and engineering department's brains for the project.

Personnel's Carl Williams, Arlene Fry, and Harry Volz get credit for overhauling the Benefits health insurance program, leading many employees to join The Post's health insurance network, saving money for them and the company. Elaine Gooden-Booker and her team installed the new Benefits enrollment system.

PEOPLE MAKE THE DIFFERENCE

Pete Hill worked with First Union Bank so that distributors can cash checks and deposit Post checks at the bank's branches. The new system is safer, and it saves cashier and distributor time.

Barton Gellman, The Post's correspondent in Israel, won the American Society of Newspaper Editors award for deadline writing for the two stories he wrote the night Prime Minister Rabin was assassinated.

Susan O'Leary, Linda Lewis, and the help-wanted team in classified were responsible for growing their business to $88 million and, jointly with Digital Ink, for putting Post ads on the Internet as part of the newspaper consortium called CareerPath.com and on The Post's own CareerPost.com.

Royston DeSouza and the travel and international ad staff met budget and grew the business again, with international kicking in a bigger portion than ever.

Lance Matthiesen of marketing and Bill Smith and Diane Dubois of the real estate staff worked together to create a new spadea/gatefold position in the Saturday real estate classified section. Using this new position, an advertiser sold 22 homes in one weekend. Needless to say, the advertiser bought the next two spadeas.

Almost half of The Post's employees had to move offices last year to accommodate building renovations. Brian Svendsen and his tech services staff coordinated the news and classified moves and much of the hardware installation. Pat Michalski, George Wathen, and Dorothy Wyatt ensured that those moves took place and all the newspapers still got out.

SMALL VICTORIES

Steve Reed and the home delivery team took on the very difficult task of realigning home deliveries along zip code boundaries – ahead of time and under budget. Their service record is excellent – complaints are down 25 percent since 1990.

Bob Rawl and Andy Denault launched The Post's daily hawker program, seeing to it that The Washington Post is sold aggressively on street corners.

Fred Leftricht of marketing worked with Bill Johnson of circulation to offer ads on home delivery plastic bags.

Kelly Benson and Jenny Rymarcsuk took over the planning for construction of The Post's Maryland and Virginia plants.

PEOPLE MAKE THE DIFFERENCE

Despite a weakened classified marketplace and the emergence of numerous competitive products, Sally Kortekaas and the classified staff at The Herald finished the year 116 percent above goal.

Liz Magill coordinated the task force of classified, systems, and creative services staff that installed a classified computer system with complete pagination of The Gazette Newspapers. For her efforts Liz was named employee of the year.

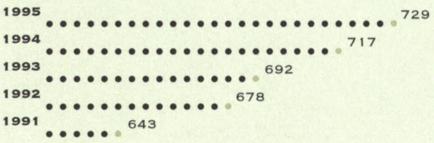
Metro staff writers Mary Pat Flaherty and Keith Harriston were finalists in 1995 for a Pulitzer Prize in investigative reporting. Their series, "Law and Order: The District's Troubled Police," was about the hiring and training practices of the Washington, D.C., police department. Post Sunday Magazine writer David Finkel was a finalist in feature writing.

Diane Prather and Jay O'Hare devised a new college student subscription offer and got 25 percent more orders from colleges and universities around the region.

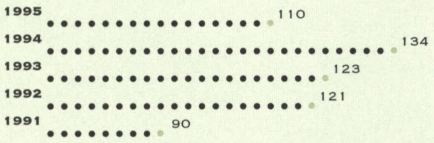
Under Richard Hawes and the Springfield Plant's excellent mailroom superintendents, mailroom productivity improved dramatically. Overtime hours were down 34 percent, and total hours were down 8 percent, while preprint pieces increased 5 percent. This is a major reason the whole paper made budget.

Marc Rosenberg and his staff grew corporate and advocacy advertising in 1995. This important category of business has now almost doubled since Marc came to the advertising department three years ago.

NEWSPAPER DIVISION OPERATING REVENUES
($ IN MILLIONS)



NEWSPAPER DIVISION OPERATING INCOME
($ IN MILLIONS)



industries remain robust. As a result, regional unemployment remains low – 3.9 percent compared with a national average of 5.6 percent.

NEWSPRINT EXPENSE soared, rising 29 percent as three price increases took effect in 1995, following three price increases in 1994. Post managers worked hard to control other costs, which were flat for the year. The number of full-time employees declined for the eighth year in a row.

DESPITE CURRENT PROBLEMS, Washington remains the country's best newspaper market. It ranks first among the nation's ten largest markets in share of college graduates and post-graduates, affluence, and high-tech computer and engineering employment, among other important demographic criteria.

To serve this market well, The Post is building a new offset printing plant in Maryland and replacing the presses in its Virginia plant with new and faster machines, a project that will lead to a full-color newspaper by 1998. When the new plant and presses come on stream, The Post will cut the paper's length from 23$\frac{9}{16}$ to 22 inches, and the web width from 54 to 50 inches, becoming the first major daily newspaper in the country to go to the narrower width. This should lead to substantial cost savings and a paper readers like better.

THE NATIONAL WEEKLY EDITION of The Post recorded a substantial gain in advertising revenue as a result of an increase in special section supplements. Circulation declined 6 percent to approximately 103,000, primarily because Publishers Clearing House and other "stamp" mailings have not been as productive for the industry.

THE WASHINGTON POST WRITERS GROUP expanded its operations by opening an international sales office in Washington to sell features directly to publications around the world. The comic strip "Non Sequitur" grew to a very healthy list of 350 newspapers.

THE HERALD maintained operating income near 1994's record level despite rapidly escalating newsprint costs and a 68-day strike at the local Boeing aircraft plant, which ruined the local retail climate during the crucial October-December period. Nonetheless, advertising revenue rose 3.3 percent, and daily circulation averaged a robust 2.3 percent increase over 1994 to almost 52,000 daily and 63,000 Sunday.

The Herald's commercial printing operation grew revenue and profits six-fold and continued to produce niche publications for The Herald, including a new 22,000-circulation weekly newspaper in north Seattle.

THE GAZETTE NEWSPAPERS, INC., reported record profits despite rising newsprint costs. Revenue grew approximately 10 percent. The company installed a new classified computer system with pagination and consolidated its operations in a single location.

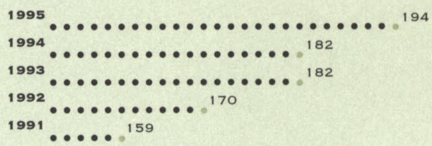
Gazette Newspapers became the major media partner with The Kemper Open, publishing the Kemper Gazette each day during the popular golf tournament. In December a monthly publication, Montgomery Business Gazette, was launched in affluent Montgomery County, Maryland.

In early 1996, Gazette Newspapers acquired Comprint, Inc., a commercial printer and publisher of newspapers serving military bases in the Washington, D.C., area. Gazette Newspapers will move its printing work to Comprint.

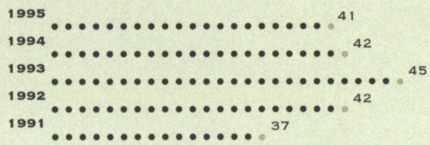
Post-Newsweek Cable

CABLE DIVISION results in 1995 were better than anticipated on all fronts. Cash flow was $85.2 million, up 2 percent from $83.6 million in 1994. Operating income of $41.0 million in 1995 was essentially even with operating income of $41.5 million the previous year. Revenue rose 7 percent to $194.1 million, from $182.1 million in 1994.

POST-NEWSWEEK CABLE OPERATING REVENUES ($ IN MILLIONS)



POST-NEWSWEEK CABLE OPERATING INCOME ($ IN MILLIONS)



At the end of 1994 and in early 1995, the Federal Communications Commission made several decisions modifying its previous rules. These decisions allowed Post-Newsweek Cable to add services and increase revenue in virtually all of its systems. These modifications included, first, permitting cable systems to pass through to customers two years' worth of accumulated inflation and programming cost increases; and, second, allowing systems to add up to six new channels of programming on their tiers and to adjust tier rates (the so-called "Going Forward" rules).

As a result of the Going Forward rules, 1995 was a very busy year for rebuilding and upgrading cable systems. Post-Newsweek added from six to 40 channels of new capacity in over half its systems, giving customers programming they desired and positioning our systems to compete successfully. In an all-out effort to add services, the cable division more than doubled capital spending over 1994, to $40 million.

Post-Newsweek Cable's technical personnel worked at top speed to upgrade channel capacities, while office staff fielded hundreds of thousands of additional phone calls and questions about new services and rates.

BASIC AND TIER REVENUE rose 7 percent – thanks to the Going Forward rules and the ability to pass through inflation and programming cost increases – in a year that was expected to be almost flat. 1996 should be even better as Post-Newsweek will enjoy the full-year impact of these rate adjustments and will carry out additional rebuilds and upgrades.

UNREGULATED REVENUE received major attention during the year, increasing 7 percent overall. With the help of a newly formed marketing function, system managers produced a 4 percent increase in premium revenue at a time when much of the industry was flat. Post-Newsweek Cable also achieved a 27 percent increase in pay-per-view revenue and an increase of 8 percent in advertising revenue.

Pay units increased during the year by almost 32,000 to 305,652, as a result of intensified focus on marketing pay services. Post-Newsweek Cable was the fastest growing multiple system operator for HBO and Cinemax pay services, gaining more than 18 percent in volume over 1994. Also, Post-Newsweek achieved an industry-leading average penetration of 3 percent for the newly launched Sega Channel, outpacing even the Sega Channel's two MSO parents.

BASIC SUBSCRIBERS increased by 19,717 to a year-end total of 517,944. This strong internal growth – combined with strong marketing, more staffing focused on unregulated revenue, increased channel capacity from upgrades undertaken in 1995 and 1996, and continuing relaxation of the FCC's rules – creates positive momentum for the coming year.

ACQUISITIONS AND TRADES negotiated in 1995 also will contribute to Post-Newsweek Cable's growth in 1996 and beyond. The acquisition of a cable system in Texarkana, Texas and Arkansas, was completed at the

Small Victories

Bill Tomlinson has been operations manager for both the South and Southwest Divisions of Post-Newsweek Cable for several years. In that capacity, he has helped prepare budgets and three-year forecasts for over 40 systems; analyze countless acquisition proposals; calculate, recalculate, and fill out FCC rate forms innumerable times; and continue to support and assist the dozens of people who rely on him.

The New Mexico Cable Communications Association named Dennis Edwards its Member of the Year. Dennis is active in many civic groups. His annual telethon has raised millions of dollars for the Eastern New Mexico Medical Center. Dennis has been general manager of Post-Newsweek's cable television association in Roswell, New Mexico, for 13 years and an employee in the system for 20 years.

People Make the Difference

Joni Young, Sondra Sanford, and Betty Christian worked long hours telemarketing, increasing premium subscriber sales by 652 units in Kirksville, Missouri, in 1995. Through the Best of Sports campaign, they installed 317 new customers and signed up 182 Digital Music Express subscribers.

Susan Adams, general manager of the San Francisco Bay Area systems in Burlingame and Union City, was elected to the board of directors of Women in Cable & Telecommunications, an organization active in the professional development of women in the cable industry. Susan has played a key leadership role as a charter member of the organization's Betsy Magness Leadership Institute.

Four Post-Newsweek Cable employees were selected from a national pool of candidates to participate in the 1995-96 class of the Betsy Magness Leadership Institute: Jan Beeson, regional ad sales manager; Margaret Egler, director of regulatory affairs; Leslie Streidel, assistant controller for taxation; and Colleen Wolter, marketing director at Cablecom of Fargo, North Dakota. Sponsored by Women in Cable & Telecommunications, the program offers 21 women cable executives a year-long intensive study of personal development and industry involvement designed to refine individual leadership skills.

SMALL VICTORIES

In late 1994, the FCC adopted rules allowing cable operators to add new channels to their core packages and to adjust their rates for them. South Division engineer Hyman Sharpe began to plan projects, put together capital requests, order materials, secure contracts, and start construction. By year-end 1995, Hyman and chief engineers of soon-to-be-rebuilt systems Gary Alexander, George Perry, Louis Jones, Rodger Hooks, and Don Muths had added new capacity in 14 Post-Newsweek systems.

At Post-Newsweek Cable in Modesto, California, producer Ann Marie DeLong and the commercial production department produced a promotional spot for the pay-per-view movie "Ace Ventura, Pet Detective." The system donated one dollar to the county animal shelter for each pay-per-view order. The spot raised $500 for the shelter.

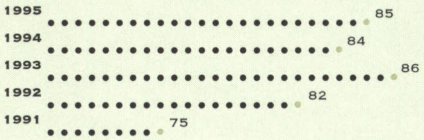
PEOPLE MAKE THE DIFFERENCE

Working with The March of Dimes, Modesto's director of public access Bob Foster came up with the idea for the first Lady and the Tramp Ball, which was a big success.

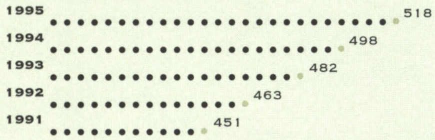
Modesto production manager Michael Monroe produced a promotional spot for the Center for Human Services' fundraiser, Broadway Comes to Motown. The spot featured Modesto's mayor and the chairman of the County Board of Supervisors warming up their saxophones. After the spot aired, the event, which had been selling poorly, sold out.

Tragically, Steve Woods, Post-Newsweek's Show Low, Arizona, system manager for 17 years, was a homicide victim in August. Steve was a 20-year veteran of Post-Newsweek Cable. He is deeply missed by his fellow workers.

POST-NEWSWEEK CABLE DOMESTIC CASH FLOW
($ IN MILLIONS)



POST-NEWSWEEK CABLE DOMESTIC BASIC SUBSCRIBERS
(IN THOUSANDS)



beginning of 1996 as was the acquisition of a system in Columbus, Mississippi. Acquisitions of systems in Mississippi and Arizona also will be completed this year. Final contracts are being negotiated to trade Post-Newsweek systems in suburban Chicago and San Francisco for systems owned by TCI in Mississippi, Minnesota, and Oklahoma. These transactions will add a total of about 111,700 subscribers to the cable division.

Post-Newsweek Cable continues to seek systems in small to medium-size communities where capital requirements are not excessive and where the division has great experience operating cable systems.

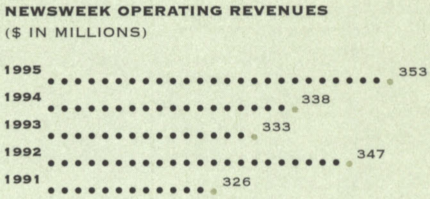
COMPETITION is becoming more widespread, with direct broadcast satellite (DBS) on a national level and increasingly well-financed wireless companies in Post-Newsweek's markets. However, cable has many strengths to bring to each competitive arena, and these strengths have produced continued strong subscriber growth. Where individual systems have faced specific wireless competition, subscriber levels and cash flow have recovered from the declines experienced during the early months of competition. Post-Newsweek Cable has learned to be alert, aggressive, and sensitive to customer needs.

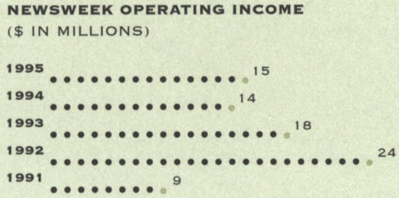
THE TELECOMMUNICATIONS ACT was finally passed by Congress and signed by President Clinton in February 1996. This Act will have significant impact on the major telecommunications industries and the largest companies within them. However, it will have less impact on Post-Newsweek Cable, which is a medium-size, essentially rural operator.

AS POST-NEWSWEEK CABLE moves ahead, it will continue to build on its strengths: excellent customer service, strong local presence, first-rate picture quality, and a wide range of channels at reasonable prices. In an age when too many cities and subscribers view their local cable systems with hostility and mistrust, Post-Newsweek systems are considered to be excellent corporate citizens.

Newsweek

NEWSWEEK OPERATING INCOME rose 5.6 percent to $15.0 million, from $14.2 million in 1994. Revenue totaled $352.6 million, an increase of 4.4 percent from $337.6 million in 1994. Strong advertising sales growth both in the United States and abroad enabled Newsweek to overcome higher paper costs and postage rates.





NEWS EVENTS in 1995 made Americans take a hard look at themselves: terrorism came home with the Oklahoma City bombing; deep racial divisions were exposed by the O.J. Simpson verdict and the Million Man March; and widespread frustration with current political options was perhaps the one lasting message of Gen. Colin Powell's noncandidacy. These were precisely the stories that played to Newsweek's strengths – its ability not only to scoop breaking news, but to bring fresh, provocative analysis that helps readers understand what the latest developments mean. Last year's exponential growth of the Internet and the World Wide Web only added to the growing deluge of news and information, making the weekly news magazine format more vital than ever.

Newsweek's three cover reports on the Oklahoma City bombing – the first published just four days after the blast – showed the unique power of a newsweekly to put major events in vivid perspective. Newsweek published the first definitive account of the militia movement, the first in-depth profile of alleged bomber Timothy McVeigh, and the only interview anywhere with McVeigh himself.

As in 1994, Newsweek repeatedly beat print, broadcast, and electronic media on developments in the O.J. Simpson trial. The magazine covered the verdict with an in-depth, 36-page cover package. In the lead piece, managing editor Mark Whitaker found that a "national soap opera...had suddenly turned into a racial Rorschach test," and that "for many African-Americans, the trial turned into a parable about the criminal justice system" in which they had been historically ill-served. Newsweek, a leader since the 1960s in examining American race relations, also published searching cover stories on affirmative action and Louis Farrakhan's Million Man March.

Newsweek's award-winning political team – including Joe Klein, Howard Fineman, Jonathan Alter, and Evan Thomas – helped define the terms of the upcoming presidential election through incisive analyses such as Klein's "How to Capture the Radical Middle," a September cover story that offered politicians four ways to reach angry middle-of-the-road voters sick of politics as usual. The same month, the magazine beat the competition by a week with a detailed report on the contents of Colin Powell's book. After the general decided not to enter the presidential race, Newsweek's cover package offered an exclusive, behind-the-scenes account of why he bowed out, deftly summing up the event's meaning for millions of disillusioned voters.

Israeli Prime Minister Yitzhak Rabin's shocking assassination took place on a Saturday, just hours before Newsweek's weekly editorial close. Editors ripped apart the magazine to produce a wide-ranging cover report, and the magazine still arrived on newsstands on time, beating the competition by at least 24 hours.

Newsweek continued its commitment to extensive coverage of technological developments and their meaning. Highlights included an entire issue devoted to the topic and groundbreaking, level-headed assessments of "cyberporn," "cybercash," and 1995 as "The Year of the

SMALL VICTORIES

New York sales rep Susan Dee brought in ten pages from IBM Personal Computer Co. to run in both the debut issue of the cyberspace magazine Virtual City and in an excerpt of Virtual City that appeared in Newsweek's Business Plus demographic edition that same week.

When Steven Levy launched his column "Random Access" in January, it instantly became a must-read for both the digitally clued-in and the clueless. When other media hyped "cyberporn" as the biggest problem on the Internet, Levy offered a more clear-eyed view: "We should be so lucky. There are much more vital issues to be debated as we move into a networked world" – such as how to provide Net access to all, not just the privileged.

PEOPLE MAKE THE DIFFERENCE

Sales development director Bill Youngberg worked with Detroit sales rep Stephen Sirich and Detroit sales director Terry Brady to sell Chevy Trucks on a front-cover gatefold advertorial about the U.S. Ski Team and World Cup Championship events, of which Chevy Trucks is a sponsor. Youngberg arranged for Newsweek to become a co-sponsor, and as part of the arrangement, Chevy paid for the advertorial. The four pages, all new business, were a case of making advertising pages work harder for clients.

In his October cover story "Meet the Beatles (Again)" – which offered an exclusive look at the new Beatles documentary and anthology a month before their release – Jeff Giles showed how Newsweek can be just as aggressive with cultural reporting as with hard news. Giles began work on the story almost a year ahead of the Beatles reunion, and he interviewed every key player – Paul McCartney, George Harrison, Ringo Starr, and Yoko Ono.

Award-winning director of design Lynn Staley, who joined Newsweek in May from The Boston Globe, hired several new designers and implemented an important refinement of the magazine's design. Staley built a consistent, handsome backdrop against which the best images can be displayed.

SMALL VICTORIES

Last March the Atlantic edition's long-term mailing house – serving subscribers in 108 countries who pay in nearly 40 different currencies – gave the magazine three weeks' notice that the house was closing down. Subscription promotions controller Janet Roose met the challenge, succeeding in getting all stock moved to a new mailing house within the three-week deadline. Two weeks later the magazine's invoices, renewals, and premiums were, once again, in the mail.

Boston sales manager Rich Ofstun used Newsweek's Technology Tour – a traveling hands-on display of new computer and electronic products – to build closer relationships with clients and increase market share. The tour, coordinated by marketing's Stephanie Hirsch, travels to malls and business centers across the country.

PEOPLE MAKE THE DIFFERENCE

Newsweek International's Singapore-based Ashley Northcote and New York-based Carol Wilk won an exclusive contract worth $2 million from the Singapore Tourist Promotion Board. Northcote's well-planned selling effort was supported by a highly creative proposal developed by Wilk that included a sophisticated menu of Internet-related merchandising ideas. New York's Sue Langlois created the proposal, which combined both print and interactive elements.

Having served as editor of Newsweek's overseas editions since 1986, Kenneth Auchincloss stepped down at the end of 1995 to become Newsweek editor-at-large to work on the magazine's presidential campaign chronicle. Michael Elliott, who has written on diplomatic affairs for Newsweek since 1993, was named Auchincloss' successor. Alexis Gelber, who top edited the domestic issue's National Affairs and Society sections since 1992, was named managing editor of the overseas editions.

Often working long hours as well as through weekends and holidays, the editorial-production group, headed by Gary Dzurenda, processed nearly 7,500 color pages in 1995, a historic high.

Prepress systems' Becky Cassidy, Ignacio Kleva, and Alice Simpson implemented a major computer upgrade for Newsweek's art, graphics, and cover departments. The upgrade provided state-of-the-art technology, allowing the designers to create levels of design not achievable before. Integration of the photo department's CD and photo-imaging work station allowed for in-house scanning of high-resolution images, speeding production of the magazine's pictures.

Internet." Newsweek also produced two more special issues of Computers & the Family, a newsstand-only consumer guide.

Personal finance columnist Jane Bryant Quinn won the Gerald R. Loeb Award, the most prestigious in business journalism, for a selection of articles on topics ranging from the insurance industry to retirement funds to the financial prospects of Generation X.

A series of Back of the Book cover stories and features continued to expand the boundaries of the traditional news magazine. Newsweek put its finger on the trends and stories that most affect the lives of its readers, with major stories on everything from air safety and suburban planning to infertility, melatonin, and the return of the Beatles.

Mark Whitaker, who as one of four assistant managing editors had served for some time as editor Maynard Parker's key deputy, was named managing editor in December, with across-the-magazine responsibilities for the domestic edition.

DOMESTIC PAID CIRCULATION remained steady at nearly 3.2 million, and overall American readership rose to almost 20.4 million. Newsweek remains first in the news magazine field for readers per copy (6.34), and its high-quality audience continues to improve.

According to the fall 1995 Mediamark Research Inc. (MRI) survey, Newsweek has more readers in key demographic groups – such as college graduates, managers, and high-income earners – than do the other newsweeklies. Newsweek also showed the highest percentage gains for these groups over the past five years.

DOMESTIC ADVERTISING PAGES rose 10.7 percent from 1994 levels – the number one growth among all major national weekly magazines. A 30 percent ad-page increase in the magazine's Business and Business Plus demographic editions reflected strong gains in the business-to-business category. Other top growth categories for '95 included proprietary drugs and over-the-counter products, food, and travel.

Marketing efforts continued to provide programs for advertisers with measurable impact. The Technology Tour, a hands-on display of new computer and electronic products that traveled to malls and business centers, provided high-tech advertisers a means of directly reaching consumers across the country.

Newsweek also sponsored Computer Mania, a consumer trade show of computers and software, and increased its involvement in sports marketing programs, adding sponsorships of golf tournaments and World Cup Skiing events to the Newsweek Champions Cup and other major tennis events.

EXPLOITING THE RAPID GROWTH of online computer users, Newsweek joined with Virtual Communications to launch Virtual City, a city magazine for the emerging online community. The first issue appeared in September, with a second in December.

NEWSWEEK INTERNATIONAL posted a gain of over 11 percent in advertising revenue, although these outstanding results could not entirely negate the effects of a continuing weak dollar in Europe and Japan as well as the dramatically increasing costs of paper.

The 1996 circulation rate base guaranteed to advertisers for the Atlantic edition remains steady at 340,000; the Asia edition continues at 225,000; and the Latin America edition is increased 2.7 percent to 77,000.

Newsweek is the only news magazine with foreign-language editions: Nihon Ban in Japan and Hankuk Pan in Korea. Both publications continue to do well, with Hankuk Pan showing very strong advertising growth.

Early in 1996, Newsweek International announced it will begin publishing a Spanish-language edition with Ideas & Capital Limited Company, of Miami. Newsweek will also help the MOST Group of Moscow and its subsidiary, Seven Days Publishing House, develop and launch a Russian-language newsweekly.

Other Businesses

OTHER BUSINESSES, which include Kaplan Educational Centers, PASS Sports, LEGI-SLATE, MLJ (Moffet, Larson & Johnson, Inc.), and Digital Ink, recorded an operating loss in 1995 of $27.1 million, compared with a loss of $22.8 million in 1994. The increased loss is due to the write-off of the company's investment in Mammoth Micro Productions, which offset improved performances at Kaplan, MLJ, and LEGI-SLATE.

KAPLAN EDUCATIONAL CENTERS, the nation's premier educational company specializing in test preparation, admissions, and career services, continued to show significant growth in 1995. Overall revenues rose 11 percent, share of market increased, and expenses held steady.

Kaplan also successfully launched its first software products, added additional book titles, introduced a student loan marketing program, and acquired the nation's leading minority college recruiting firm.

Especially strong performances were recorded by courses for business school, graduate school, and medical school. Kaplan anticipates substantial growth in its pre-college programs as the baby boomlet generation reaches college age.

Access America, Kaplan's new intensive English-language program offered in the United States, nearly doubled its revenues from the prior year. Kaplan's investment in its medical licensure business paid off handsomely, with revenues rising 17 percent after a decline in 1994. Kaplan will introduce new medical licensure courses and products in 1996, which should grow this business even further.

Kaplan closed its Dauberman live CPA review courses, which operated in New York, California, and Texas. Kaplan may continue to market CPA review products under the Dauberman name. In addition, Kaplan plans to introduce new national products and services in this field that capitalize on the company's recent progress in software, video, and online markets.

Kaplan is expanding its brand identity by introducing admissions-related products to existing customers and by developing new products for older and younger customers. After experiencing great success with its pre-high school courses, Kaplan successfully piloted an academic program for younger students in the Boston region and plans to expand it in 1996.

On the career services front, Kaplan acquired Crimson & Brown Associates, the nation's leading collegiate recruiting firm that helps top-tier companies attract minorities, women, and international students. Kaplan will introduce additional career-guidance products in 1996.

Kaplan also entered the student loan marketing business, capitalizing on the explosive growth of the educational loan market.

Kaplan's InterActive division successfully introduced five software products in 1995 and plans to introduce between eight and ten new titles in 1996. The company's online sites have received multiple awards. In the book category, Kaplan has 18 titles in print and has reached an agreement in principle with Simon & Schuster to create an educational imprint that will publish over 20 titles annually.

LEGI-SLATE, the nation's leading online services company covering federal legislation and regulations, posted the third-largest operating income in its history in 1995 – up sharply from results for the prior two years.

Careful cost management and the elimination of an unprofitable product line were the primary reasons for the improvement. At the same time, LEGI-SLATE made significant long-term investments in proprietary news content and in a new Windows-based user interface for the flagship online service. Several new marketing programs were initiated as well.

Broadening its base of proprietary content was a top priority in 1995. LEGI-SLATE established a new news operation in April. To complement LEGI-SLATE's own original content, new or expanded material from highly respected news sources, such

SMALL VICTORIES

KAPLAN Bob Edelman spearheaded the development of Computer Assisted Feedback (CAF), a software product for Kaplan centers that provides students with computerized analysis of their test-taking strengths and weaknesses. CAF is leading the revolution in technology-based educational tools.

In 1995, Alabama director Laura Mullins saw enrollments for her area rise 25 percent and revenue increase 37 percent over the previous year. Because of these gains and tight expense control, profitability for the Alabama area rose 67 percent over 1994.

Marilyn Rymniak designed and launched Access America, Kaplan's new comprehensive English-language training program, offered in its U.S. centers. Last year, Kaplan's revenue from its English-language programs almost doubled.

PEOPLE MAKE THE DIFFERENCE

Shira Berman and Cathy O'Connor helped relaunch Kaplan's medical licensure courses. Working as a team, they expanded course offerings, improved course material quality, and launched both local and national marketing campaigns. Medical segment revenue increased 17 percent in 1995.

Many of Kam Hunter's Medical College Admissions Test students say the Ann Arbor instructor is the best teacher they've ever had. An M.D./Ph.D. candidate at the University of Michigan, he has worked for Kaplan since age 15, when he graduated from college.

Carol Clair, Kaplan's Richmond-area director, helped boost revenue for her area 10 percent over 1994. Strong expense control increased her area's profit contribution by 25 percent. In addition, Carol planned and launched the successful new telemarketing hub covering most of the Kaplan centers in the southern U.S.

LEGI-SLATE Bruce Samuelson and Lisa Witkin revamped LEGI-SLATE's corporate image and developed the new tag-line, Digital Intelligence on Legislation and Regulations™. They created a new corporate logo, product logos, and company slogan.

Overhauling an outdated system, Mona Gabry oversaw the development of a new database using state-of-the-art technology. Product development staff Wayne Hall and Fred Sencindiver worked closely with Mona to design a system to track LEGI-SLATE's present clients and prospective customers.

SMALL VICTORIES

Managing editor Nancy Schwerzler joined LEGI-SLATE in April to establish a news operation. LEGI-SLATE News Service (LNS) had its first stories online in May, received Congressional press credentials in June, and generated almost 1,000 news stories by year-end, in addition to covering markups and bill overviews and outlooks.

Human resources manager Janis Williamson arranged for 15 supervisors to take part in an intensive management training program. She also coordinated a Microsoft Office/Windows training program for LEGI-SLATE's 100-plus employees when the company converted to this new technology.

PEOPLE MAKE THE DIFFERENCE

Al Holmes worked many nights and weekends to order, install, and migrate all of LEGI-SLATE's online data to new mainframe disk drives. His efforts improved system reliability and up-time. In the process he also implemented improvements that provide faster system response time.

MLJ The first operational PCS system in the U.S. was launched in late 1995 in the greater Washington/Baltimore area by American Personal Communications, Inc. Thanks to Mark Taylor, MLJ's manager of engineering, and his talented staff assigned to the project, the system is operating well, and calls are getting through clearly and consistently.

Technical staff John Pastor and Joseph Khalil and their team finalized MLJ's patented software, PathGuard™, which allows PCS systems to operate in the same frequency band as incumbent microwave facilities. Most of the major PCS operators around the U.S. are currently using PathGuard™ itself or have contracted MLJ's engineering services to use the tool.

Manager of software development Enrique Lenz and his dedicated team of programmers developed MLJ's advanced engineering software, PathPro™. PathPro™ is the telecommunications industry's first fully integrated radio frequency design tool.

as CongressDaily and Federal News Service, also was added during the year. This array of proprietary content is one of several major advantages that LEGI-SLATE offers over free government document services on the Internet.

The most visible of several recently launched marketing initiatives was a new logo and tag-line, Digital Intelligence on Legislation and Regulations™. A marketing database, based on Lotus Notes software, was installed in November, providing improved tracking, reporting, analytical, and targeting capabilities. In a new series of ads, direct mail, and sales materials, LEGI-SLATE revamped its image and emphasized a broadened product line and multiple pricing options.

MLJ, one of the nation's fastest growing engineering firms, has emerged as a leader in providing technical support to the wireless communications industry. Over the past two years, MLJ has experienced a tremendous increase in demand for its services and products in order to meet the needs of those building and operating in this rapidly expanding arena.

From a staff of 23 when it was acquired in 1992, MLJ's roster has grown to nearly 140 in less than four years. Revenues have grown even faster during that period with the addition of hardware and software sales to its traditional revenue base of engineering services.

In an environment that borders on revolution rather than evolution, MLJ has positioned itself to be an active participant/leader in providing the necessary tools to those looking to shape the future of communications. Of particular significance was MLJ's role in the design of the country's first operational personal communications services (PCS) system in Washington-Baltimore, which was launched in late 1995. As part of this effort, MLJ developed the first transmitter, its PCS-20, specifically for the PCS industry. MLJ's software packages for radio frequency network design (PathPro™), microwave relocation (PathGuard™), and real world measurement evaluation (PathView™) are fully integrated tools. This integration, a first for engineering software, provides engineering capabilities unseen before in the telecommunications industry.

New Media

THE WASHINGTON POST COMPANY continued to make progress in developing new electronic businesses, although it wasn't exactly a straight trajectory. Like others, we are learning by doing, with the inevitable missteps that occur when forging a new path. We remain convinced that advancing technologies will offer important opportunities to add value to our businesses. The successful launch of several new electronic products and services throughout the company in 1995 created a strong foundation for further growth.

As the new year begins, the company has consolidated its new media investments at the corporate level under Digital Ink, the subsidiary formed in 1993 to create and manage the company's electronic information services. Our hope is that investment decisions can be made more efficiently and that we can take better advantage of the learning that is associated with our early product development.

DIGITAL INK will continue to develop products that are consistent with its twofold mission: first, to sustain and expand The Post's franchise in Washington for information, entertainment, and advertising; and, second, to develop products for national markets by building on our traditional brand strengths.

In 1995 Digital Ink launched a new online service, called The Washington Post Digital Ink, for the Washington market. Despite all the technical problems associated with its platform, AT&T Interchange, the service has attracted an extremely loyal customer base. Monthly usage of the service by its over 11,000 subscribers far exceeds that of other newspaper electronic efforts.

One of the most important accomplishments of the service was building a strong and vital presence in the community. For example, during the snow storms of early 1996, Digital Ink rose to the occasion with 'round-the-clock features that tracked the storms' progress, provided families with activities to do while snowbound, and delivered the latest neighborhood information – from grocery store hours to school closings to neighborhood snowplow schedules. Usage rose sharply. This service is now moving to the Internet, where it will be called WashingtonPost.com.

ELECTRONIC CLASSIFIED advertising was the target of much development work. With a group of five other newspapers, Digital Ink, representing The Post, launched CareerPath.com, a highly successful national interactive employment service.

CareerPath.com offers the most comprehensive listing of jobs on the Internet. After five months in operation, the service had almost 250,000 registered users.

A local employment product, CareerPost.com, was launched jointly with The Post's advertising department early in 1996. In addition to the capabilities of CareerPath.com, this product offers many features for local readers and advertisers in the Washington area.

NATIONAL EFFORTS also have been underway, although the primary emphasis at Digital Ink in the past year has been developing products for the local marketplace.

One of the most ambitious is ElectionLine™, a World Wide Web site that is being produced by ABC News and Digital Ink (for The Post and Newsweek). ElectionLine™ is a comprehensive, up-to-the-minute site designed to enable both the average consumer and the political junkie to stay on top of issues and results as the 1996 election unfolds. It features content ranging from real-time primary- and election-night results to Post stories to commentary from the top names at The Post, Newsweek, and ABC. Forums allow all-comers to weigh in on election issues.

In addition, while advertising revenue in electronic media has so far been insignificant, ElectionLine™ appears to be a good opportunity to develop an advertiser-supported product. Its combination of branded quality content and political subject matter could be a winner.

SMALL VICTORIES

DIGITAL INK Online producer Bill Frischling and online developer Retha Hill found a way to "deliver" The Post real time through Digital Ink to Post international correspondents for the cost of a local phone call. Digital Ink users benefitted as well by having the opportunity to ask questions and discuss the news with these correspondents.

How to keep customers when Digital Ink launched its online service and the platform was slow and occasionally crashed? Alec Dann, direct marketing manager, responded with random acts of kindness – small tokens of appreciation from Digital Ink to loyal users. The first random act was developed and implemented by Diane Hurley and Doug Mitchell. They created the holiday greetings page, which offered users their choice of a chocolate disk or a Digital Ink mouse pad. The mouse pad won, 2 to 1.

PEOPLE MAKE THE DIFFERENCE

NEWSWEEK INTERACTIVE For Newsweek InterActive, the online version of the magazine, Jennifer Bensko, now online editor, worked with InterActive director of sales and marketing Joe Willix to create sample interactive ads that Willix and sales reps could show to potential clients. The pair served as a new kind of in-house ad agency.

Newsweek InterActive offered a photo essay by picture editor Cynthia Carris. Her compelling portfolio, taken during several recent visits to Cuba, documented the isolated nation in transition after decades of Soviet support.

Direct communication with Newsweek journalists is made possible in Newsweek InterActive's "Talk to Us" area. Auditoriums arranged by associate editor Todd Oppenheimer included Mark Miller fielding questions on the O.J. Simpson trial the week of the verdict; Kenneth Woodward answering questions about his stories on Satan and repentance; and Jonathan Alter discussing the media and politics.

SMALL VICTORIES

KAPLAN INTERACTIVE Online editors Laura Barnes and Steve Koppelman helped develop and bring fresh content to Kaplan's online sites, which have received many awards and accolades. Kaplan's Internet site was ranked number 13 among all commercial World Wide Web sites by InterActive Age magazine and was listed among the top 5 percent of all Web sites by Point Communications.

Working with a team of software content developers and format specialists, Gretchen VanEsselstyn helped produce Kaplan's first line of retail test preparation software – RoadTrip '96. Gretchen helped create and organize thousands of questions, dozens of lessons, and countless hypertext links. Kaplan's SAT RoadTrip became a bestseller.

PEOPLE MAKE THE DIFFERENCE

LEGI-SLATE Edmund Stawick, director of product development, and his staff developed LEGI-SLATE for Windows™ – the first proprietary Windows interface tailored specifically to the needs of government information professionals. Camille Kurtz and Sally Carter also made important contributions to the product by debugging and documenting this new program. LEGI-SLATE for Windows™ received the 1995 HotShots Award for Best Government Service.

A model of inter-departmental cooperation and individual initiative, LEGI-SLATE's World Wide Web site/home page was developed in-house by staff in their spare time. Charles Morrell, Kevin Lockwood, and several other employees also are responsible for maintaining the site.

POST HASTE, The Post's audiotext service managed by Digital Ink, continued to grow, averaging several million information requests quarterly during 1995. Post Haste's interactive contests and promotions help the newspaper be more responsive to both readers and advertisers. Celebrity voice clips and music also enhance newspaper content.

NEWSWEEK INTERACTIVE enjoyed considerable success with its online version of the magazine, launched in November 1994. In addition to text, photos, and graphics from the weekly printed Newsweek, offerings include online chat, audio interviews with newsmakers, and an archive of Newsweek and selected Washington Post stories. This product has received wide acclaim as the most sophisticated and dynamic of the online magazine offerings.

1995 was not a rosy year for CD-ROM development industry-wide. However, Newsweek InterActive's title, "Parent's Guide to Children's Software 96," was well received critically, and its review program has won national recognition. While this was Newsweek's best-selling CD-ROM project to date, product distribution and consistent profits at retail are still difficult.

Peter McGrath, executive editor of Newsweek InterActive and managing editor of Newsweek International since 1992, was named Newsweek's first editor of new media.

KAPLAN INTERACTIVE recorded several achievements in its first full year of operation. It introduced four test preparation titles under the name "RoadTrip 96." It also produced a college selection multimedia CD-ROM called "On Campus." The software, distributed through Simon & Schuster Interactive Distribution Services, was sold at all major computer superstores, software specialty stores, other retail outlets, and through catalogues. As a result of the products' success, Kaplan became one of the very few profitable software publishers. Kaplan plans to introduce between eight and ten software titles in 1996.

Kaplan's new Web site was ranked number 13 among the top 100 commercial Web sites named by InterActive Age and was listed among the top 5 percent of Web sites by Point Survey. Kaplan also introduced a new site on The Microsoft Network and built a more robust service on America Online.

LEGI-SLATE, the company's online services subsidiary covering federal legislation and regulations, continued its tradition as a pioneer and innovator with the release in May of LEGI-SLATE for Windows™. This new graphical user interface for the online service offers point-and-click simplicity, more consistent menus, and the first step toward a totally new online infrastructure. By year-end three versions of the software had been released to clients. This state-of-the-art interface was well received in the marketplace and was presented with the 1995 HotShots Award for Best Government Service by the Information Industry Association and Online Access magazine.

Report of Independent Accountants

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF THE WASHINGTON POST COMPANY

In our opinion, the consolidated financial statements appearing on pages 25 through 39 present fairly, in all material respects, the financial position of The Washington Post Company and its subsidiaries at December 31, 1995 and January 1, 1995, and the results of their operations and their cash flows for each of the three fiscal years in the period ended December 31, 1995, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note E to the financial statements, the Company adopted, effective at the beginning of 1993, Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes."

Price Waterhouse LLP

Washington, D.C.
January 30, 1996

Management's Discussion and Analysis of Results of Operations and Financial Condition

THIS ANALYSIS SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS AND THE NOTES THERETO.

RESULTS OF OPERATIONS - 1995 COMPARED TO 1994

Net income in 1995 was $190.1 million, an increase of 12 percent over net income of $169.7 million in 1994. Earnings per share rose 17 percent to $17.15, from $14.65 in 1994. The company's 1995 net income includes $8.4 million ($0.75 per share) from the sale of the company's investment in American PCS, L.P. (APC), as well as an after-tax charge of $5.6 million ($0.51 per share) relating to the write-off of the company's interest in Mammoth Micro Productions. Earnings in 1994 included an after-tax gain of $8.1 million ($0.70 per share) from the sale of land at one of the company's newsprint affiliates. Excluding these items, net income and earnings per share increased 16 percent and 21 percent, respectively, in 1995.

Revenues for 1995 totaled $1.719 billion, an increase of 7 percent from $1.614 billion in 1994. Advertising revenues increased 7 percent in 1995, and circulation and subscriber revenues increased 3 percent. Other revenues increased 15 percent. Advertising revenues in the broadcast division, which included two additional television stations in Houston and San Antonio acquired in April of 1994, rose 18 percent in 1995. Newsweek also contributed to the improvement in advertising revenues with a 7 percent increase over 1994. The increase in circulation and subscriber revenues was principally due to growth at the cable division. Other revenue rose in 1995 due to growth in fees for engineering services at MLJ (Moffet, Larson & Johnson, Inc.) and higher tuition revenue at Kaplan Educational Centers (Kaplan).

Costs and expenses for the year increased 8 percent to $1.448 billion, from $1.339 billion in 1994. Approximately one-third of the increase is attributable to the higher cost of newsprint and magazine paper, while the remainder of the increase reflects normal increases in the costs of operations as well as the write-off of Mammoth Micro Productions mentioned previously.

Operating income declined 1 percent to $271.0 million, from $274.9 million in 1994.

NEWSPAPER DIVISION. Newspaper division revenues increased 2 percent to $729.2 million, from $717.3 million. Advertising revenue at the newspaper division rose 1 percent over last year. At The Washington Post, advertising revenues increased 1 percent as higher rates offset a decline in volume. Retail revenues at The Washington Post declined 5 percent as a result of a 10 percent decline in inches. Classified revenues rose 7 percent, primarily as a result of improved recruitment related volume in the year. Other advertising revenues were flat; general advertising inches declined 3 percent and preprint volume at The Post increased 7 percent versus 1994. Circulation revenues for the newspaper division rose 2 percent in 1995 due to a home delivery price increase. For the 12-month period ended September 30, 1995, daily and Sunday circulation at The Washington Post declined 2 and 1 percent, respectively. The Washington Post's share of the market declined slightly with 49.5 percent penetration in its daily editions and 65.1 percent penetration in its Sunday editions.

Newspaper division operating margin in 1995 was 15 percent, down from 19 percent in the prior year. The previously mentioned increases in advertising and circulation revenues were offset by higher newsprint expense, which increased 29 percent. Newsprint prices have been increasing steadily since mid-1994 and may rise in 1996. These increases will continue to have a significant impact on the operating results at the newspaper division in 1996.

BROADCAST DIVISION. Revenues at the broadcast division increased 18 percent over last year. National and local advertising revenues increased 5 percent and 18 percent, respectively. Increased revenues for 1995 in a broad range of categories, including auto and truck advertising, more than offset a $12 million decline in political advertising versus 1994.

Approximately two-fifths of these increases were attributable to the inclusion of a full twelve months of revenue for KSAT and KPRC in 1995 versus only eight and one-half months' revenue in 1994. Network revenues rose 88 percent in 1995 as a result of the renegotiation of network affiliation contracts in 1995 and the second half of 1994.

Viewership remained strong for the original four television stations. Three stations were ranked number one in the latest ratings period, sign-on to sign-off, in their markets; one station was ranked number two. With respect to the stations acquired in 1994, San Antonio was ranked number two, sign-on to sign-off, while Houston was ranked number three.

Operating margin at the broadcast division increased to 43 percent, from 41 percent in 1994. Excluding amortization of goodwill and intangibles, operating margins for 1995 and 1994 were 47 percent and 44 percent, respectively. Increases in advertising and network compensation accounted for most of the improvement in margins as expenses remained stable.

MAGAZINE DIVISION. Newsweek revenues in 1995 increased 4 percent due primarily to increased advertising revenues at both the domestic and international editions. Advertising revenues rose 7 percent overall, 6 percent at the domestic edition, and 11 percent at the international editions. These improvements were due to better page volume at slightly higher rates. Circulation revenues for 1995 were essentially even with the prior year. In 1995 the domestic and international editions published 51 weekly issues versus 52 issues in 1994.

At Newsweek the operating margin remained at 4 percent. The higher costs of magazine paper, distribution, and subscription acquisition offset much of the revenue increase.

CABLE DIVISION. Revenues at the cable division increased 7 percent in 1995 over the prior year. The number of basic subscribers increased 4 percent to 518,000, all of which were from internal growth. All revenue categories – basic, tier, pay, pay-per-view, advertising, and other – showed improvement from 1994.

Operating margin at the cable division was 21 percent, compared to 23 percent in 1994. However, cable cash flow increased 2 percent to $85.2 million, from $83.6 million in 1994. Programming costs continued to increase due to the increased number of subscribers and license fee increases by programming suppliers.

OTHER BUSINESSES. In 1995 revenues from other businesses, including Kaplan, MLJ, PASS Sports, LEGI-SLATE, and Digital Ink, increased 18 percent to $137.4 million, from $116.7 million in 1994. Half of the increase relates to MLJ, where fees for engineering services almost tripled in 1995. Most of the remainder is due to Kaplan, which experienced an 11 percent increase in revenues, mostly post-graduate school courses and new products.

Other businesses recorded an operating loss in 1995 of $27.1 million, compared with a loss of $22.8 million in 1994. The 1995 results include the write-off of Mammoth Micro Productions as previously mentioned. The 1994 results include operating expenses of APC, which was disposed of in January 1995. If all costs associated with these units are excluded from both years, other businesses operating losses amounted to $4.8 and $7.3 million in 1995 and 1994, respectively.

EQUITY IN EARNINGS AND LOSSES OF AFFILIATES. The company's equity in earnings of affiliates for 1995 was $24.5 million, compared with $7.3 million in 1994. The improved results are derived from the company's newsprint mills, which are benefiting from higher newsprint prices. The 1994 results included an $8.1 million after-tax gain from the sale of land at one of the company's newsprint affiliates.

NON-OPERATING ITEMS. Interest income, net of interest expense, was $2.4 million, compared with $3.6 million in 1994. The decrease was a result of lower average invested cash balances. Other income in 1995 was $13.5 million, compared with income of $1.1 million in 1994. The gain from the sale of the company's investment in APC is included in the 1995 amount.

INCOME TAXES The effective tax rate in 1995 decreased to 39.0 percent, from 40.9 percent in 1994.

RESULTS OF OPERATIONS - 1994 COMPARED TO 1993

Net income in 1994 was $169.7 million, an increase of 3 percent over net income of $165.4 million in 1993. Earnings per share rose 4 percent to $14.65, from $14.08 in 1993. Earnings in 1994 included an after-tax gain of $8.1 million ($0.70 per share) from the sale of a large tract of land at the company's Canadian newsprint affiliate. The company's 1993 earnings included a one-time credit of $11.6 million ($0.98 per share) related to a change in accounting for income taxes and an after-tax gain of $13.4 million ($1.14 per share) from the sale of the company's cable franchises in the United Kingdom. Excluding these items net income and earnings per share increased 15 percent and 17 percent, respectively, in 1994.

Revenues for 1994 totaled $1.614 billion, an increase of 8 percent from $1.498 billion in 1993. Advertising revenues increased 12 percent in 1994, while circulation and subscriber revenues decreased 1 percent. Other revenues increased 6 percent. Advertising revenues in the broadcast division, which included two additional television stations in Houston and San Antonio acquired in April of 1994, rose 47 percent in 1994. The Washington Post newspaper also contributed to the improvement in advertising revenues with a 4.5 percent increase over 1993. Circulation and subscriber revenues decreased, principally due to rate reregulation affecting the cable division in late 1993 and again in mid-1994.

Operating costs and expenses for the year increased 6 percent to $1.339 billion, from $1.259 billion in 1993. Approximately two-thirds of the increase is attributable to new businesses, while the remainder of the increase reflects normal increases in the costs of operations as well as continued investment in personal communications services during the year.

Operating income rose 15 percent to $274.9 million, from $239.0 million in 1993.

NEWSPAPER DIVISION. Newspaper division revenues increased 4 percent to $717.3 million, from $692.3 million. Advertising revenue at the newspaper division rose 5 percent over 1993. Most of the improvement was at The Washington Post, where advertising revenues increased 4.5 percent. Retail revenues at The Washington Post declined 2 percent as a result of a 6 percent decline in inches. Classified revenues rose 9 percent, primarily as a result of improved recruitment-related volume during the year. Other advertising revenues increased 8 percent; general advertising inches and preprint volume at The Washington Post increased 8 percent and 16 percent, respectively, over 1993. Circulation revenues for the newspaper division remained at 1993 levels. For the 12-month period ended September 30, 1994, daily and Sunday circulation at The Washington Post were essentially unchanged. The Washington Post maintained its share of the market with just over 50 percent household penetration by its daily editions and 66 percent household penetration by its Sunday editions.

Newspaper division operating margin in 1994 was 19 percent, up from 18 percent in the prior year. The previously mentioned increases in advertising revenues were offset partially by normal increases in payroll and fringe benefits and higher distribution costs. Average newsprint prices and total newsprint expense remained unchanged from last year.

BROADCAST DIVISION. Revenues at the broadcast division increased 47 percent over 1993. National and local advertising revenues, which included approximately $13 million in political advertising and significantly improved auto and truck advertising, increased 45 percent and 46 percent, respectively. Approximately two-thirds of these increases were attributable to the stations acquired in April 1994. Network revenues more than doubled in 1994 as a result of the addition of the new stations and renegotiation of network affiliation contracts.

Viewership remained strong for the original four television stations. These stations were ranked number one in the latest ratings period, sign-on to sign-off, in their respective markets. The newly acquired television station in San Antonio was also ranked number one, sign-on to sign-off, while the station acquired in Houston was ranked number three.

Operating margin at the broadcast division increased to 41 percent, from 37 percent in 1993. Excluding amortization of goodwill and intangibles, operating margins for 1994 and 1993 were 44 percent and 37 percent, respectively. Increases in advertising, particularly political advertising, along with increases in network compensation accounted for most of the improvement in margins.

MAGAZINE DIVISION. Newsweek revenues in 1994 increased almost 2 percent due primarily to increased advertising revenues at the international editions. Advertising revenues rose 1 percent overall, with a 9 percent increase at the international editions offset partially by a 2 percent decrease at the domestic edition. Although the weakened dollar had a negative impact on overall operating results, the international editions had increases in both page volume and rates. The decrease at the domestic edition was due primarily to lower rates. Circulation revenues increased 2 percent, with better rates at both domestic and international editions offset partially by lower volumes. In 1994 the domestic edition published the same number of weekly issues (52) and published one additional special newsstand-only issue, compared with 1993. The international edition included 52 weekly issues in 1994, compared to 51 issues in 1993.

At Newsweek the operating margin decreased slightly to 4 percent from 5 percent in 1993, due primarily to higher subscription acquisition costs and general operating expense offset partially by lower advertising costs.

CABLE DIVISION. Revenues at the cable division decreased 2 percent in 1994. However, the prior year included the operations in the United Kingdom that were sold in September 1993. Excluding these operations from 1993 results, revenues for the cable division remained essentially unchanged in 1994. The number of basic subscribers increased 3 percent to 498,000, all of which were from internal growth. Increases in revenues from pay, pay-per-view, advertising, and other revenues were offset by reduced basic and tier revenue resulting from two rounds of industry reregulation. Rate reductions, effective under reregulation, went into effect on September 1, 1993, and again on July 14, 1994.

Operating margin at the cable division was 23 percent, compared to almost 25 percent in 1993, excluding United Kingdom operations from 1993 results. Domestic cable cash flow decreased almost 3 percent to $83.6 million, from $85.9 million in 1993. Programming costs continued to increase due to the increased number of subscribers and continued license fee increases by programming suppliers.

OTHER BUSINESSES. In 1994 revenues from other businesses, including Kaplan, MLJ, PASS Sports, LEGI-SLATE, Digital Ink, and Mammoth Micro Productions, increased 6 percent to $116.7 million, from $110.3 million in 1993, due principally to Kaplan, which experienced an 8 percent increase in revenues from pre-college and pre-graduate school courses.

Other businesses recorded an operating loss in 1994 of $22.8 million, compared with a loss of $9.1 million in 1993. The increased losses were primarily attributable to APC, as well as the company's investments in the development of electronic technologies, including CD-ROM and computer online businesses.

EQUITY IN EARNINGS AND LOSSES OF AFFILIATES. The company's equity in earnings of affiliates for 1994 was $7.3 million, compared with a loss of $2.0 million in 1993. The improved results were primarily related to an $8.1 million after-tax gain from the sale of land at one of the company's newsprint affiliates.

NON-OPERATING ITEMS. Interest income, net of interest expense, was $3.6 million, compared with $6.1 million in 1993. The decrease was a result of lower invested cash balances partially offset by higher interest rates. Other income in 1994 was $1.1 million, compared with income of $20.4 million in 1993. In 1993 other income included a $20.2 million gain on the sale of the company's cable franchises in the United Kingdom.

INCOME TAXES. The effective tax rate in 1994 decreased to 40.9 percent, from 41.6 percent in 1993.

FINANCIAL CONDITIONS: CAPITAL RESOURCES AND LIQUIDITY

During the period 1993 through 1995 the company spent approximately $760.1 million on purchases of additional plant, property, and equipment, investments in new businesses, and the repurchase of Class B common stock.

In April 1994 the company acquired substantially all of the assets comprising the businesses of television stations KPRC-TV, an NBC affiliate in Houston, Texas, and KSAT-TV, an ABC affiliate in San Antonio, Texas, for approximately $253 million in cash. Additionally, the company acquired an 80 percent interest in Mammoth Micro Productions, a producer and publisher of multimedia CD-ROM titles, for approximately $23 million in cash. As previously mentioned, this investment was written off in 1995. In January 1995 the company divested substantially all of its 70 percent limited partnership interest in APC to APC, Inc., and others. The sales price was approximately $33 million, an amount that does not exceed the amounts the company had invested in the partnership since it was formed in August 1990. In September 1993 the company divested its cable franchises in the United Kingdom for approximately $65 million.

During 1995, 1994, and 1993 the company repurchased 361,106, 366,500, and 99,800 shares, respectively, of its Class B common stock at a cost of $89.6 million, $86.7 million, and $23.1 million, respectively. Sixty-three thousand of these shares were purchased from The Washington Post Company Profit Sharing Plan in 1994. The 1995 purchases completed the repurchase of one million Class B shares authorized by the Board of Directors in May 1990. Approximately 765,000 Class B shares remain to be purchased pursuant to a January 1995 Board authorization to repurchase an additional one million Class B shares. The annual dividend rate for 1996 was increased to $4.60 per share, from $4.40 per share in 1995, and $4.20 per share in 1994.

The company estimates that in 1996 it will spend approximately $150 million for plant and equipment, principally for various projects at the newspaper and cable divisions and the continued development of electronic technologies in its new media businesses. This estimate includes about $50 million to be expended as part of a $250 million project to provide new production facilities for The Washington Post newspaper. In 1995 approximately $45 million was expended in conjunction with this project, which is expected to be completed in late 1998.

Early in 1996 the company purchased two businesses for approximately $60 million, a cable system in Texarkana serving about 24,000 subscribers and a commercial printing operation located in the Maryland suburbs of Washington, D.C. In addition, in late February 1996 the company acquired a cable system in Columbus, Mississippi, serving about 15,700 subscribers for approximately $23 million consisting of cash and shares of non-convertible, redeemable preferred stock of the company. The company has also reached agreements in principle to purchase cable systems serving 49,000 subscribers in two states for approximately $80 million, and to exchange the assets of certain cable systems with Tele-Communications, Inc. (TCI). According to the terms of the TCI agreement, the exchange will result in an aggregate increase of about 23,000 subscribers for the company. The purchases are expected to be completed in the first half of 1996, and the exchange is expected to be completed before the end of the year.

At December 31, 1995, the company had $147 million in cash and cash equivalents, $13 million in marketable debt securities, and $50 million in long-term debt. The company expects in 1996 to fund the majority of its estimated capital expenditures and business acquisitions through internally generated funds. In early 1996 the company established a five-year, $300 million revolving credit facility with a group of banks to provide for general corporate purposes and support the issuance of short-term promissory notes. In management's opinion, the company will have ample liquidity to meet its various cash needs in 1996 as outlined above.

As indicated previously, the newspaper division anticipates an increase in newsprint expense during 1996, which will impact its results significantly. As a result of the company's investments in newsprint paper mills, which are included in equity in income of affiliates, the company expects that a significant portion of the increased costs will continue to be offset by its share of increased profits at the newsprint affiliates.

Consolidated Statements of Income

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)	FISCAL YEAR ENDED DECEMBER 31, 1995	JANUARY 1, 1995	JANUARY 2, 1994
OPERATING REVENUES			
Advertising	$1,094,620	$1,026,672	$ 913,529
Circulation and subscriber	453,330	438,500	444,385
Other	171,499	148,806	140,277
	1,719,449	1,613,978	1,498,191
OPERATING COSTS AND EXPENSES			
Operating	948,088	861,464	790,256
Selling, general, and administrative	403,064	390,296	393,196
Depreciation and amortization of property, plant, and equipment	65,850	61,950	59,543
Amortization of goodwill and other intangibles	31,429	25,393	16,216
	1,448,431	1,339,103	1,259,211
INCOME FROM OPERATIONS	271,018	274,875	238,980
Equity in earnings (losses) of affiliates	24,512	7,325	(1,994)
Interest income	7,974	9,196	11,085
Interest expense	(5,600)	(5,590)	(4,983)
Other income (expense), net	13,492	1,116	20,379
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	311,396	286,922	263,467
PROVISION FOR INCOME TAXES	121,300	117,250	109,650
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	190,096	169,672	153,817
CUMULATIVE EFFECT OF CHANGE IN METHOD OF ACCOUNTING FOR INCOME TAXES	—	—	11,600
NET INCOME	$ 190,096	$ 169,672	$ 165,417
EARNINGS PER SHARE:			
BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	$ 17.15	$ 14.65	$ 13.10
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	—	—	.98
NET INCOME	$ 17.15	$ 14.65	$ 14.08

The information on pages 30 through 39 is an integral part of the financial statements.

Consolidated Balance Sheets

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)	DECEMBER 31, 1995	JANUARY 1, 1995
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 146,901	$ 117,269
Investments in marketable debt securities	12,756	24,570
Accounts receivable, net	200,698	175,441
Inventories	26,766	20,378
Other current assets	19,449	38,221
	406,570	375,879
INVESTMENTS IN AFFILIATES	189,053	170,754
PROPERTY, PLANT, AND EQUIPMENT		
Buildings	190,543	185,193
Machinery, equipment, and fixtures	664,403	629,043
Leasehold improvements	33,805	33,287
	888,751	847,523
Less accumulated depreciation and amortization	(535,691)	(499,172)
	353,060	348,351
Land	32,513	32,562
Construction in progress	71,786	30,483
	457,359	411,396
GOODWILL AND OTHER INTANGIBLES, less accumulated amortization of $177,932 and $155,161	472,291	512,405
DEFERRED CHARGES AND OTHER ASSETS	207,620	226,434
	$1,732,893	$1,696,868

The information on pages 30 through 39 is an integral part of the financial statements.

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)	DECEMBER 31, 1995	JANUARY 1, 1995
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 172,004	$ 186,129
Federal and state income taxes	3,494	6,593
Deferred subscription revenue	82,457	80,351
Current portion of long-term debt	50,222	—
	308,177	273,073
OTHER LIABILITIES	205,869	217,461
LONG-TERM DEBT	—	50,297
DEFERRED INCOME TAXES	34,643	29,104
	548,689	569,935
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preferred stock, $1 par value, 1,000,000 shares authorized	—	—
Common stock		
Class A common stock, $1 par value, 7,000,000 shares authorized; 1,804,250 and 1,843,250 shares issued and outstanding	1,804	1,843
Class B common stock, $1 par value, 40,000,000 shares authorized; 18,195,750 and 18,156,750 shares issued; 9,201,163 and 9,502,804 shares outstanding	18,196	18,157
Capital in excess of par value	24,941	21,273
Retained earnings	1,832,706	1,691,497
Cumulative foreign currency translation adjustment	5,537	5,328
Unrealized gain on available-for-sale securities (net of taxes)	3,224	2,933
Cost of 8,994,587 and 8,653,946 shares of Class B common stock held in treasury	(702,204)	(614,098)
	1,184,204	1,126,933
	$1,732,893	$1,696,868

The information on pages 30 through 39 is an integral part of the financial statements.

Consolidated Statements of Cash Flows

(IN THOUSANDS)	FISCAL YEAR ENDED DECEMBER 31, 1995	JANUARY 1, 1995	JANUARY 2, 1994
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 190,096	$ 169,672	$ 165,417
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	—	—	(11,600)
Depreciation and amortization of property, plant, and equipment	65,850	61,950	59,543
Amortization of goodwill and other intangibles	31,429	25,393	16,216
Gain from disposition of businesses, net	(1,341)	—	(13,371)
Equity in (earnings) losses of affiliates, net of distributions	(18,090)	(4,333)	4,737
Provision for deferred income taxes	5,408	(6,882)	(1,669)
Change in assets and liabilities:			
(Increase) in accounts receivable, net	(25,579)	(34,543)	(12,270)
(Increase) decrease in inventories	(6,388)	(3,959)	3,839
(Decrease) increase in accounts payable and accrued liabilities	(15,507)	17,376	(17,054)
(Decrease) increase in income taxes payable	(3,099)	(9,133)	2,859
Decrease (increase) in other assets and other liabilities, net	13,074	(20,192)	(19,061)
Other	10,605	9,110	4,831
Net cash provided by operating activities	246,458	204,459	182,417
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net proceeds from sale of business	32,743	—	64,947
Purchases of property, plant, and equipment	(121,697)	(74,642)	(79,139)
Purchases of marketable debt securities	(55,649)	(38,994)	(520,114)
Maturities and sales of marketable debt securities	67,453	274,776	509,937
Investments in certain businesses	(1,757)	(281,937)	(1,591)
Other	552	(1,124)	663
Net cash (used) by investing activities	(78,355)	(121,921)	(25,297)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on debt	—	(1,400)	—
Dividends paid	(48,887)	(48,721)	(49,376)
Common shares repurchased	(89,584)	(86,660)	(23,133)
Other	—	—	61
Net cash (used) by financing activities	(138,471)	(136,781)	(72,448)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	29,632	(54,243)	84,672
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	117,269	171,512	86,840
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 146,901	$ 117,269	$ 171,512
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the year for:			
Income taxes	$ 122,000	$ 134,700	$ 110,300
Interest	$ 5,102	$ 5,200	$ 5,600

The information on pages 30 through 39 is an integral part of the financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)	CLASS A COMMON STOCK	CLASS B COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	CUMULATIVE FOREIGN CURRENCY TRANSLATION ADJUSTMENT	UNREALIZED GAIN ON AVAILABLE-FOR-SALE SECURITIES	TREASURY STOCK
BALANCE JANUARY 3, 1993	$1,843	$18,157	$18,747	$1,454,505	$ 4,939	$ —	$ (505,186)
Net income for the year				165,417			
Dividends — $4.20 per share				(49,376)			
Repurchase of 99,800 shares of Class B common stock							(23,133)
Issuance of 15,030 shares of Class B common stock, net of restricted stock award forfeitures			2,480				930
Change in foreign currency translation adjustment					(2,031)		
Other			127				
BALANCE JANUARY 2, 1994	1,843	18,157	21,354	1,570,546	2,908	—	(527,389)
Net income for the year				169,672			
Dividends — $4.20 per share				(48,721)			
Repurchase of 366,500 shares of Class B common stock							(86,660)
Restricted stock award forfeitures of 811 shares, net of issuance of Class B common stock			(130)				(49)
Change in foreign currency translation adjustment					2,420		
Unrealized gain on available-for-sale securities (net of taxes)						2,933	
Other			49				
BALANCE JANUARY 1, 1995	1,843	18,157	21,273	1,691,497	5,328	2,933	(614,098)
Net income for the year				190,096			
Dividends — $4.40 per share				(48,887)			
Repurchase of 361,106 shares of Class B common stock							(89,584)
Issuance of 20,465 shares of Class B common stock, net of restricted stock award forfeitures			3,403				1,478
Change in foreign currency translation adjustment					209		
Unrealized gain on available-for-sale securities (net of taxes)						291	
Conversion of Class A common stock to Class B common stock	(39)	39					
Other			265				
BALANCE DECEMBER 31, 1995	$1,804	$18,196	$24,941	$1,832,706	$ 5,537	$ 3,224	$ (702,204)

The information on pages 30 through 39 is an integral part of the financial statements.

Notes to Consolidated Financial Statements

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

FISCAL YEAR. The company reports on a 52-53 week fiscal year ending on the Sunday nearest December 31. The fiscal years 1995, 1994, and 1993, which ended December 31, 1995, January 1, 1995, and January 2, 1994, respectively, included 52 weeks. With the exception of the newspaper publishing operations, subsidiaries of the company report on a calendar-year basis.

PRINCIPLES OF CONSOLIDATION. The accompanying financial statements include the accounts of the company and its subsidiaries; significant intercompany transactions have been eliminated. Certain prior year amounts have been reclassified to conform with the current year presentation.

USE OF ESTIMATES. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

CASH EQUIVALENTS. Short-term investments with original maturities of 90 days or less are considered cash equivalents. The carrying amount reported approximates fair value.

INVESTMENTS IN MARKETABLE SECURITIES. Marketable securities held to maturity consist of debt instruments that mature over 90 days from the purchase date and are stated at cost plus accrued interest, which approximates fair value. Other investments in marketable equity securities available for sale are classified in "Deferred charges and other assets" in the Consolidated Balance Sheets. Unrealized gains or losses (net of taxes) relating to such investments are reported separately in the "Unrealized gain on available-for-sale securities (net of taxes)" in the Consolidated Balance Sheets.

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

INVESTMENTS IN AFFILIATES. The company uses the equity method of accounting for its investments in and earnings or losses of affiliates.

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

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

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

The company periodically evaluates the realizability of goodwill based upon projected undiscounted cash flows and operating income for each subsidiary. The company believes that no material impairment exists at December 31, 1995.

PROGRAM RIGHTS. The broadcast subsidiaries are parties to agreements that entitle them to show syndicated and other programs on television. The cost of such program rights is recognized as the gross amount of the related liability when the programs are available for broadcasting. The cost is charged to operations using accelerated and straight-line rates which appropriately match the cost of programming with associated revenues. The unamortized cost of such rights and the liability for future payments under these agreements are included in the Consolidated Balance Sheets.

DEFERRED SUBSCRIPTION REVENUE AND MAGAZINE SUBSCRIPTION PROCUREMENT COSTS. Deferred subscription revenue, which primarily represents amounts received from customers in advance of magazine and newspaper deliveries, is included in revenues over the subscription term. Deferred subscription revenue to be earned after one year is included in "Other liabilities" in the Consolidated Balance Sheets. Subscription procurement costs are charged to operations as incurred.

INCOME TAXES. The provision for income taxes is determined in accordance with Statement of Financial Accounting Standards No. 109 (FAS 109), "Accounting for Income Taxes," which requires the use of the asset and liability approach. Under this approach, deferred taxes represent the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities.

FOREIGN CURRENCY TRANSLATION. Gains and losses on foreign currency transactions and the translation of the accounts of the company's foreign operations where the U.S. dollar is the functional currency are recognized currently in the Consolidated Statements of Income. Gains and losses on translation of the accounts of the company's foreign operations where the local currency is the functional currency and the company's equity investments in its foreign affiliates are accumulated and reported separately in the "Cumulative foreign currency translation adjustment" in the Consolidated Balance Sheets.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS. The company provides certain health care and life insurance benefits for retired employees. The expected cost of providing these postretirement benefits is accrued over the years that employees render services.

NEW ACCOUNTING STANDARDS. The company will adopt Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," and No. 121, "Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," beginning with the company's first quarter of 1996. The adoption of these standards will not have a material effect on the company's financial position or results of operations.

B INVESTMENTS IN MARKETABLE DEBT SECURITIES

The company's marketable debt securities at December 31, 1995, and January 1, 1995, include the following (in thousands):

	1995	1994
U.S. Government and Government agency obligations	$12,756	$ 9,844
Commercial paper	—	14,726
	$12,756	$24,570

C ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable at December 31, 1995, and January 1, 1995, consist of the following (in thousands):

	1995	1994
Accounts receivable, less estimated returns, doubtful accounts and allowances of $41,964 and $39,943	$188,845	$165,352
Other	11,853	10,089
	$200,698	$175,441

Accounts payable and accrued liabilities at December 31, 1995, and January 1, 1995, consist of the following (in thousands):

	1995	1994
Accounts payable and accrued expenses	$ 97,520	$117,514
Accrued payroll and related benefits	40,781	40,143
Accrued interest expense	4,232	4,246
Deferred tuition revenue	15,862	14,752
Due to affiliates (newsprint)	13,609	9,474
	$172,004	$186,129

D INVESTMENTS IN AFFILIATES

The company's investments in affiliates at December 31, 1995, and January 1, 1995, include the following (in thousands):

	1995	1994
Cowles Media Company	$ 83,097	$ 81,514
Newsprint mills	77,018	60,782
Other	28,938	28,458
	$189,053	$170,754

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

The company's interest in newsprint mills includes a 49 percent interest in the common stock of Bowater Mersey Paper Company Limited, which owns and operates a newsprint mill in Nova Scotia; 35 percent limited partnership interests in both Bear Island Paper Company, which owns and operates a newsprint mill near Richmond, Virginia; and Bear Island Timberlands Company, which owns timberland and supplies Bear Island Paper Company with a major portion of its wood requirements. In 1993 the company owned a one-third limited partnership interest in both Bear Island Timberlands Company and Bear Island Paper Company. Operating costs and expenses of the company include newsprint supplied by Bowater, Inc. (parent to Bowater Mersey Paper Company) and Bear Island Paper Company and used in operations, the cost of which was approximately $73,600,000 in 1995, $53,200,000 in 1994, and $52,500,000 in 1993.

The company's other investments represent a 50 percent common stock interest in the International Herald Tribune newspaper, published near Paris, France, and a 50 percent common stock interest in the Los Angeles Times-Washington Post News Service, Inc.

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

	1995	1994	1993
FINANCIAL POSITION			
Working capital	$ (82,505)	$ (125,667)	$ (67,923)
Property, plant, and equipment	415,874	407,235	422,606
Total assets	791,748	749,165	732,940
Long-term debt	165,284	180,988	200,105
Net equity	265,918	213,484	172,332
RESULTS OF OPERATIONS			
Operating revenues	$ 904,482	$ 766,232	$610,617
Operating income	120,843	46,741	43,569
Net income	69,070	29,235	7,218

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

	1995	1994
Beginning investment	$170,754	$155,251
Additional investment	—	8,750
Equity in earnings	24,512	7,325
Dividends and distributions received	(6,422)	(2,992)
Foreign currency translation	209	2,420
Ending investment	$189,053	$170,754

At January 1, 1995, the unamortized excess of the company's investments over its equity in the underlying net assets of its affiliates at the dates of acquisition was approximately $81,100,000. Amortization included in "Equity in earnings (losses) of affiliates" in the Consolidated Statements of Income was approximately $2,600,000 for the years ended December 31, 1995, January 1, 1995, and January 2, 1994.

E INCOME TAXES

Income taxes are based on the provisions of FAS 109, which was adopted at the beginning of 1993. The cumulative effect of adopting this standard was an increase in 1993 net income of $11,600,000, and is shown as the "Cumulative effect of change in method of accounting for income taxes" in the Consolidated Statements of Income.

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

	Current	Deferred
1995		
U.S. Federal	$ 96,630	$ 3,525
Foreign	608	1,215
State and local	18,654	668
	$115,892	$ 5,408
1994		
U.S. Federal	$103,182	$ (6,356)
Foreign	509	323
State and local	20,441	(849)
	$124,132	$ (6,882)
1993		
U.S. Federal	$ 85,082	$ (535)
Foreign	6,913	(657)
State and local	19,324	(477)
	$111,319	$ (1,669)

During 1993 the company sold its cable franchises in the United Kingdom. This transaction increased 1993 foreign taxes by approximately $6,800,000.

The provision for income taxes exceeds the amount of income tax determined by applying the U.S. Federal statutory rate of 35 percent to income before taxes as a result of the following (in thousands):

	1995	1994	1993
U.S. Federal statutory taxes	$108,989	$100,423	$ 92,213
State and local taxes net of U.S. Federal income tax benefit	12,559	12,735	12,251
Amortization of goodwill not deductible for income tax purposes	2,373	3,146	2,433
Other, net	(2,621)	946	2,753
Provision for income taxes	$121,300	$117,250	$109,650

Deferred income taxes at December 31, 1995, January 1, 1995, and January 2, 1994, consist of the following (in thousands):

	1995	1994	1993
Accrued postretirement benefits	$ 47,167	$ 45,568	$ 42,336
Other benefit obligations	20,963	22,903	17,760
Accounts receivable	6,765	6,559	6,368
Other	9,134	7,664	3,855
Deferred tax asset	84,029	82,694	70,319
Property, plant, and equipment	42,159	44,250	48,275
Prepaid pension cost	55,574	48,732	39,769
Affiliate operations	14,165	12,671	12,211
Investment tax credit	2,301	3,013	3,760
Other	4,473	3,132	—
Deferred tax liability	118,672	111,798	104,015
Deferred income taxes	$ 34,643	$ 29,104	$ 33,696

F DEBT

Long-term debt of the company as of December 31, 1995, and January 1, 1995, is summarized as follows (in thousands):

	1995	1994
10.1 percent unsecured European Currency Unit notes, $50,000,000 face amount due in 1996	$ 50,222	$ 50,297
Less: Amount due within one year	(50,222)	—
	$ —	$ 50,297

G CAPITAL STOCK, STOCK OPTIONS AND STOCK AWARDS

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

During 1995, 1994, and 1993 the company purchased a total of 361,106, 366,500, and 99,800 shares, respectively, of its Class B common stock at a cost of approximately $89,584,000, $86,660,000, and $23,133,000.

STOCK OPTIONS. The Employee Stock Option Plan, which was adopted in 1971 and amended in 1993, reserves 1,900,000 shares of the company's Class B common stock for options to be granted under the plan. The purchase price of the shares covered by an option cannot be less than the fair value on the granting date. At December 31, 1995, there were 659,475 shares reserved for issuance under the Stock Option Plan, of which 168,525 shares were subject to options outstanding and 490,950 shares were available for future grants.

Changes in options outstanding for the years ended December 31, 1995, and January 1, 1995, were as follows:

	1995		1994	
	Number of Shares	Average Option Price	Number of Shares	Average Option Price
Beginning of year	164,500	$ 255.35	155,000	$ 255.95
Granted	9,000	298.75	12,000	242.00
Exercised	(3,475)	204.81	—	—
Canceled	(1,500)	268.50	(2,500)	231.70
End of year	168,525	$ 258.59	164,500	$ 255.35

Of the shares covered by options outstanding at the end of 1995, 90,400 are now exercisable, 12,500 will become exercisable in 1996, 8,125 will become exercisable in 1997, 5,250 will become exercisable in 1998, and 52,250 will become exercisable in 1999.

STOCK AWARDS. In 1982 the company adopted a Long-Term Incentive Compensation Plan that, among other provisions, authorizes the awarding of stock to key employees. Stock awards made under the Incentive Compensation Plan are subject to the general restriction that stock awarded to a participant will be forfeited and revert to company ownership if the participant's employment terminates before the end of a specified period of service to the company. At December 31, 1995, there were 125,362 shares reserved for issuance under the Incentive Compensation Plan. Of this number, 31,378 shares were subject to awards outstanding, and 93,984 shares were available for future awards. Activity related to stock awards for the years ended December 31, 1995, and January 1, 1995, was as follows:

	1995		1994	
	Number of Shares	Average Award Price	Number of Shares	Average Award Price
AWARDS OUTSTANDING				
Beginning of year	26,860	$ 214.79	27,955	$ 214.61
Awarded	17,753	244.90	472	237.84
Vested	(12,472)	198.50	(284)	201.79
Forfeited	(763)	233.23	(1,283)	222.05
End of year	31,378	$ 237.85	26,860	$ 214.79

For the share awards outstanding at December 31, 1995, the aforementioned restriction will lapse in January 1997 for 13,917 shares and in January 1999 for 17,461 shares.

AVERAGE NUMBER OF SHARES OUTSTANDING. Earnings per share are based on the weighted average number of shares of common stock outstanding during each year, adjusted for the dilutive effect of shares issuable under outstanding stock options, and awards made under the Incentive Compensation Plan. The average number of shares outstanding was 11,086,000 for 1995, 11,582,000 for 1994, and 11,750,000 for 1993.

H RETIREMENT PLANS

The company and its subsidiaries have various funded and unfunded pension and incentive savings plans and in addition contribute to several multi-employer plans on behalf of certain union-represented employee groups. Substantially all of the company's employees, including some located in foreign countries, are covered by these plans. Pension benefit for all retirement plans combined was $600,000 in 1995, $1,600,000 in 1994, and $2,300,000 in 1993.

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

The following table sets forth the funded status of the defined benefit plans and amounts recognized in "Deferred charges and other assets" in the Consolidated Balance Sheets at December 31, 1995, and January 1, 1995 (in thousands):

	1995	1994
Actuarial present value of accumulated plan benefits, including vested benefits of $179,123 and $162,068	$ 183,573	$ 167,341
Plan assets at fair value, primarily listed securities	$ 610,560	$ 455,456
Projected benefit obligation for service rendered to date	(227,793)	(206,870)
Plan assets in excess of projected benefit obligation	382,767	248,586
Prior service cost not yet recognized in periodic pension cost	12,185	13,317
Less unrecognized net gain from past experience different from that assumed	(201,024)	(79,795)
Less unrecognized net asset (transition amount) being recognized over approximately 17 years	(53,602)	(61,268)
Prepaid pension cost	$ 140,326	$ 120,840

The net pension credit for the years ended December 31, 1995, January 1, 1995, and January 2, 1994, includes the following components (in thousands):

	1995	1994	1993
Service cost for benefits earned during the period	$ 10,623	$ 9,117	$ 8,805
Interest cost on projected benefit obligation	15,430	14,022	12,683
Actual return on plan assets	(162,253)	(7,211)	(35,086)
Net amortization and deferral	116,812	(36,751)	(5,839)
Net pension credit	$ (19,388)	$ (20,823)	$(19,437)

The weighted average discount rate and rate of increase in future compensation levels used for 1995, 1994, and 1993 in determining the actuarial present value of the projected benefit obligation were 7.5 percent and 4 percent, respectively. The expected long-term rate of return on assets was 9 percent in 1995, 1994, and 1993.

Contributions to multi-employer pension plans, which are generally based on hours worked, amounted to $1,800,000 in 1995, $1,700,000 in 1994, and $1,900,000 in 1993.

The costs of unfunded retirement plans are charged to expense when accrued. The company's liability for such plans, which is included in "Other liabilities" in the Consolidated Balance Sheets, was $50,700,000 at December 31, 1995, and $48,700,000 at January 1, 1995.

I POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

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

The following table sets forth the amounts included in "Other liabilities" in the Consolidated Balance Sheets at December 31, 1995, and January 1, 1995 (in thousands):

	1995	1994
Accumulated postretirement benefit obligation:		
Retirees	$ 48,178	$ 50,737
Fully eligible active plan participants	7,356	6,936
Other active plan participants	33,538	44,194
	89,072	101,867
Unrecognized prior service costs arising from plan amendments	3,017	2,143
Unrecognized net gain from past experience different from that assumed	17,268	739
Accrued postretirement benefit cost	$109,357	$104,749

Net periodic postretirement benefit cost for the years ended December 31, 1995, January 1, 1995, and January 2, 1994, includes the following components (in thousands):

	1995	1994	1993
Service cost for benefits earned during the period	$ 2,719	$ 3,373	$ 2,894
Interest cost on accumulated post-retirement benefit obligation	6,515	7,419	6,880
Amortization of prior service costs	(290)	(214)	(214)
Amortization of gains	(1,296)	—	—
Net periodic postretirement benefit cost	$ 7,648	$10,578	$ 9,560

For 1995 the accumulated postretirement benefit obligation was determined using a discount rate of 7.5 percent and a health care cost trend rate of 12% for pre-age-65 benefits, decreasing to 5.5 percent in the year 2015 and thereafter; and a rate of 11.4 percent for post-age-65 benefits, decreasing to 5.5 percent in the year 2015 and thereafter. For 1994 and 1993 the accumulated postretirement benefit obligation was determined using a discount rate of 8 percent and a health care cost trend rate of approximately 14 percent for pre-age-65 benefits, decreasing to 6.5 percent in the year 2022 and thereafter; and rates of approximately 11 to 14 percent for post-age-65 benefits, decreasing to 6.5 percent in the year 2022 and thereafter.

The effect on the accumulated postretirement benefit obligation at December 31, 1995, of a 1 percent increase each year in the health care cost trend rate used would result in increases of approximately $11,300,000 in the obligation and $1,200,000 in the aggregate service and interest components of the 1995 expense.

The company's policy is to fund the above-mentioned benefits as claims and premiums are paid. The cash expenditures for postretirement benefits were $2,980,000 in 1995, $3,262,000 in 1994, and $2,830,000 in 1993.

J LEASE AND OTHER COMMITMENTS

The company leases primarily real property under operating agreements. Many of the leases contain renewal options and escalation clauses that require payments of additional rent to the extent of increases in the related operating costs.

At December 31, 1995, future minimum rental payments under noncancelable operating leases are as follows (in thousands):

1996	$ 18,133
1997	15,685
1998	12,759
1999	10,627
2000	12,816
Thereafter	32,772
	$102,792

Minimum payments have not been reduced by minimum sublease rentals of $3,700,000 due in the future under noncancelable subleases.

Rent expense under operating leases included in operating costs and expenses was approximately $22,900,000 in 1995, $22,600,000 in 1994, and $22,200,000 in 1993. Sublease income was approximately $1,600,000 in 1995, $1,500,000 in 1994, and 1,300,000 in 1993.

The company's broadcast subsidiaries are parties to certain agreements which commit them to purchase programming to be produced in future years. At December 31, 1995, such commitments amounted to approximately $71,800,000. If such programs are not produced, the company's commitment will expire without obligation.

K ACQUISITIONS AND DISPOSITIONS

In April 1994 the company acquired substantially all of the assets comprising the businesses of television stations KPRC-TV, the NBC affiliate in Houston, Texas, and KSAT-TV, the ABC affiliate in San Antonio, Texas, for approximately $253,000,000 in cash, including related expenses. The transaction was accounted for as a purchase and the results of operations of the television stations were included with those of the company for the period subsequent to the date of acquisition.

The following statements present the company's unaudited pro forma condensed consolidated income statements for the years ended January 1, 1995, and January 2, 1994, as if the acquisition of the television stations had occurred at the beginning of each year. Amounts reflect an allocation of the purchase price to the acquired net tangible assets, with the excess being amortized over a period of 20 years. The revenues and results of operations presented in the pro forma income statements do not necessarily reflect the results of operations that would actually have been obtained if the acquisition had occurred at the beginning of each year.

	Pro Forma Income Statements For the Year Ended	
(in thousands, except per share amounts)	January 1, 1995	January 2, 1994
Operating revenues	$1,633,345	$1,563,052
Net income	$ 169,865	$ 168,614
Earnings per share	$ 14.67	$ 14.35

In January 1995 the company sold substantially all of its 70 percent limited partnership interest in American Personal Communications (APC) to its partner, APC, Inc., and others, for approximately $33,000,000. The proceeds approximate the amounts the company had cumulatively invested in the partnership since it was formed in August 1990. The resulting gain, which is included in "Other income (expense), net" in the Consolidated Statements of Income, increased net income by $8.4 million and earnings per share by $0.75.

In September 1995 the company wrote-off its remaining investment in Mammoth Micro Productions, a producer and publisher of multimedia CD-ROM titles, originally acquired in 1994 for approximately $23,000,000. The loss resulting from the write-off, which is included in "Operating costs and expenses" in the Consolidated Statements of Income, decreased net income by $5.6 million and earnings per share by $0.51.

In September 1993 the company sold its cable franchises in the United Kingdom. The resulting gain, which is included in "Other income (expense), net" in the Consolidated Statements of Income, increased net income by $13,000,000 and earnings per share by $1.14 in 1993.

In early 1996 the company purchased two businesses for approximately $60,000,000, a cable system in Texarkana serving about 24,000 subscribers, and a commercial printing operation in the Maryland suburbs of Washington, D.C.

L CONTINGENCIES

The company and its subsidiaries are parties to various civil lawsuits that have arisen in the ordinary course of their businesses, including actions for libel and invasion of privacy. Management does not believe that any litigation pending against the company will have a material adverse effect on its business or financial condition.

M BUSINESS SEGMENTS

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

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

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

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

Cable television operations consist of over 50 cable systems offering basic cable and pay television services to more than 518,000 subscribers in 15 midwestern, western, and southern states. Prior to September 1993, cable television operations also included services provided in the United Kingdom. The principal source of revenues is monthly subscription fees charged for services.

Other Businesses include the operations of educational centers engaged in preparing students for admissions tests and licensing examinations (including preparation and publishing of training materials), an engineering firm which provides services to the telecommunications industry, and a regional sports cable system. The results of APC and Mammoth Micro Productions are included in other businesses prior to their disposition in January 1995 and September 1995, respectively.

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

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

(IN THOUSANDS)	NEWSPAPER PUBLISHING	BROADCASTING	MAGAZINE PUBLISHING	CABLE TELEVISION	OTHER BUSINESSES	CONSOLIDATED
1995						
Operating revenues	$729,172	$306,108	$352,619	$194,142	$137,408	$1,719,449
Income (loss) from operations	$109,737	$132,351	$ 15,008	$ 41,019	$ (27,097)	$ 271,018
Equity in earnings of affiliates						24,512
Interest expense						(5,600)
Other income, net						21,466
Income before income taxes						$ 311,396
Identifiable assets	$399,090	$387,462	$204,947	$322,443	$ 73,055	$1,386,997
Investments in affiliates						91,242
Corporate assets						254,654
Total assets						$1,732,893
Depreciation and amortization of property, plant, and equipment	$ 18,248	$ 9,958	$ 4,633	$ 28,819	$ 4,192	$ 65,850
Amortization of goodwill and other intangibles	$ 800	$ 11,253		$ 12,150	$ 7,226	$ 31,429
Capital expenditures	$ 61,879	$ 9,265	$ 4,145	$ 40,050	$ 6,358	$ 121,697
1994						
Operating revenues	$717,280	$260,252	$337,602	$182,140	$116,704	$1,613,978
Income (loss) from operations	$134,415	$107,656	$ 14,159	$ 41,464	$ (22,819)	$ 274,875
Equity in earnings of affiliates						7,325
Interest expense						(5,590)
Other income, net						10,312
Income before income taxes						$ 286,922
Identifiable assets	$349,194	$425,789	$187,052	$326,645	$100,028	$1,388,708
Investments in affiliates						170,754
Corporate assets						137,406
Total assets						$1,696,868
Depreciation and amortization of property, plant, and equipment	$ 18,086	$ 8,123	$ 5,075	$ 26,912	$ 3,754	$ 61,950
Amortization of goodwill and other intangibles	$ 800	$ 7,725		$ 12,149	$ 4,719	$ 25,393
Capital expenditures	$ 20,681	$ 8,881	$ 23,028	$ 18,860	$ 3,192	$ 74,642
1993						
Operating revenues	$692,287	$177,415	$332,506	$185,721	$110,262	$1,498,191
Income (loss) from operations	$123,151	$ 65,306	$ 18,011	$ 41,618	$ (9,106)	$ 238,980
Equity in losses of affiliates						(1,994)
Interest expense						(4,983)
Other income, net						31,464
Income before income taxes						$ 263,467
Identifiable assets	$329,799	$144,622	$152,462	$416,589	$ 71,059	$1,114,531
Investments in affiliates						155,251
Corporate assets						352,722
Total assets						$1,622,504
Depreciation and amortization of property, plant, and equipment	$ 16,768	$ 5,276	$ 6,266	$ 28,052	$ 3,181	$ 59,543
Amortization of goodwill and other intangibles	$ 800	$ 670		$ 12,247	$ 2,499	$ 16,216
Capital expenditures	$ 24,422	$ 6,599	$ 4,472	$ 38,802	$ 4,844	$ 79,139

N SUMMARY OF QUARTERLY OPERATING RESULTS (UNAUDITED)

Quarterly results of operations for the years ended December 31, 1995, and January 1, 1995, are as follows (in thousands, except per share amounts):

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
1995				
Operating revenues				
Advertising	$ 252,210	$ 284,954	$ 250,011	$ 307,445
Circulation and subscriber	108,466	114,079	113,355	117,430
Other	40,875	37,961	54,553	38,111
	401,551	436,994	417,919	462,986
Operating costs and expenses				
Operating	221,158	226,879	240,912	259,140
Selling, general, and administrative	98,013	106,053	96,606	102,391
Depreciation and amortization of property, plant, and equipment	16,374	16,370	16,379	16,728
Amortization of goodwill and other intangibles	7,673	8,956	8,315	6,485
	343,218	358,258	362,212	384,744
Income from operations	58,333	78,736	55,707	78,242
Other income (expense)				
Equity in earnings of affiliates	772	8,858	6,268	8,614
Interest income	2,334	2,032	1,860	1,748
Interest expense	(1,431)	(1,368)	(1,388)	(1,413)
Other	14,395	(869)	716	(751)
Income before income taxes	74,403	87,389	63,163	86,440
Provision for income taxes	30,505	35,875	21,370	33,550
Net income	$ 43,898	$ 51,514	$ 41,793	$ 52,890
Earnings per share	$ 3.91	$ 4.65	$ 3.79	$ 4.80
Average number of shares outstanding	11,220	11,084	11,019	11,020

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
1994				
Operating revenues				
Advertising	$ 212,195	$ 261,682	$ 245,042	$ 307,752
Circulation and subscriber	109,165	110,098	107,522	111,715
Other	37,094	33,033	47,262	31,417
	358,454	404,813	399,826	450,884
Operating costs and expenses				
Operating	199,553	216,229	215,295	230,386
Selling, general, and administrative	88,957	97,160	95,045	109,134
Depreciation and amortization of property, plant, and equipment	14,710	15,360	15,663	16,217
Amortization of goodwill and other intangibles	4,031	6,502	7,570	7,290
	307,251	335,251	333,573	363,027
Income from operations	51,203	69,562	66,253	87,857
Other income (expense)				
Equity in (losses) earnings of affiliates	(5,385)	2,211	11,091	(592)
Interest income	3,565	2,030	1,427	2,174
Interest expense	(1,435)	(1,413)	(1,332)	(1,410)
Other	2,604	2	508	(1,998)
Income before income taxes	50,552	72,392	77,947	86,031
Provision for income taxes	21,740	31,135	30,495	33,880
Net income	$ 28,812	$ 41,257	$ 47,452	$ 52,151
Earnings per share	$ 2.46	$ 3.54	$ 4.13	$ 4.56
Average number of shares outstanding	11,720	11,667	11,492	11,447

The sum of the four quarters may not necessarily be equal to the annual amounts reported in the Consolidated Statements of Income due to rounding.

Ten-Year Summary of Selected Historical Financial Data

See Notes to Consolidated Financial Statements for the summary of significant accounting policies and additional information relative to the years 1993-1995.

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	1995	1994	1993
RESULTS OF OPERATIONS			
Operating revenues	$1,719,449	$1,613,978	$1,498,191
Income from operations	$ 271,018	$ 274,875	$ 238,980
Income before cumulative effect of changes in accounting principle	$ 190,096	$ 169,672	$ 153,817
Cumulative effect of change in method of accounting for income taxes	—	—	11,600
Cumulative effect of change in method of accounting for postretirement benefits other than pensions	—	—	—
Net income	$ 190,096	$ 169,672	$ 165,417
PER SHARE AMOUNTS			
Earnings per share			
Income before cumulative effect of changes in accounting principle	$ 17.15	$ 14.65	$ 13.10
Cumulative effect of change in method of accounting for income taxes	—	—	0.98
Cumulative effect of change in method of accounting for postretirement benefits other than pensions	—	—	—
Net income	$ 17.15	$ 14.65	$ 14.08
Cash dividends	$ 4.40	$ 4.20	$ 4.20
Shareholders' equity	$ 107.60	$ 99.32	$ 92.84
AVERAGE NUMBER OF SHARES OUTSTANDING	11,086	11,582	11,750
FINANCIAL POSITION			
Current assets	$ 406,570	$ 375,879	$ 625,574
Working capital	98,393	102,806	367,041
Property, plant, and equipment	457,359	411,396	363,718
Total assets	1,732,893	1,696,868	1,622,504
Long-term debt	—	50,297	51,768
Shareholders' equity	1,184,204	1,126,933	1,087,419

1992	1991	1990	1989	1988	1987	1986
$1,450,867	$1,380,261	$1,438,640	$1,444,094	$1,367,613	$1,315,422	$1,215,064
$ 232,112	$ 192,866	$ 281,768	$ 313,691	$ 233,290	$ 257,073	$ 228,986
$ 127,796	$ 118,721	$ 174,576	$ 197,893	$ 269,117	$ 186,743	$ 100,173
—	—	—	—	—	—	—
—	(47,897)	—	—	—	—	—
$ 127,796	$ 70,824	$ 174,576	$ 197,893	$ 269,117	$ 186,743	$ 100,173
$ 10.80	$ 10.00	$ 14.45	$ 15.50	$ 20.91	$ 14.52	$ 7.80
—	—	—	—	—	—	—
—	(4.04)	—	—	—	—	—
$ 10.80	$ 5.96	$ 14.45	$ 15.50	$ 20.91	$ 14.52	$ 7.80
$ 4.20	$ 4.20	$ 4.00	$ 1.84	$ 1.56	$ 1.28	$ 1.12
$ 84.17	$ 78.12	$ 76.31	$ 75.40	$ 67.50	$ 47.80	$ 34.04
11,830	11,876	12,081	12,768	12,873	12,861	12,842
$ 524,975	$ 472,219	$ 471,669	$ 553,188	$ 493,736	$ 226,523	$ 219,422
242,627	183,959	175,807	283,118	235,698	(50,290)	(22,647)
390,804	390,313	394,979	370,597	352,113	371,080	343,702
1,568,121	1,487,661	1,496,509	1,532,211	1,422,267	1,194,196	1,145,227
51,842	51,915	126,988	152,061	154,751	155,791	336,140
993,005	924,285	905,112	941,522	868,240	614,009	436,590

Corporate Directory

BOARD OF DIRECTORS

DONALD E. GRAHAM (3,4)
Chairman of the Board and
Chief Executive Officer
Publisher, The Washington Post

ALAN G. SPOON (3,4)
President and Chief Operating Officer

KATHARINE GRAHAM (3,4)
Chairman of the Executive Committee

JAMES E. BURKE (2,3)
Chairman, Partnership for a Drug-Free America
Former Chairman and Chief Executive Officer, Johnson & Johnson

MARTIN COHEN (3)
Vice President

GEORGE J. GILLESPIE III (3)
Attorney, Member of Cravath, Swaine & Moore

RALPH E. GOMORY (1)
President, Alfred P. Sloan Foundation

DONALD R. KEOUGH (1)
Chairman, Allen & Company Incorporated

BARBARA SCOTT PREISKEL (1)
Attorney

WILLIAM J. RUANE (1,3)
Chairman of the Board, Ruane, Cuniff & Co., Inc.

RICHARD D. SIMMONS (2)
President, International Herald Tribune

GEORGE W. WILSON (2)
President, Concord (N.H.) Monitor

COMMITTEES OF THE BOARD OF DIRECTORS

(1) Audit Committee
(2) Compensation Committee
(3) Finance Committee
(4) Executive Committee

OTHER COMPANY OFFICERS

PATRICK BUTLER
Vice President

DIANA M. DANIELS
Vice President, General Counsel, and Secretary

ROSS F. HAMACHEK
Vice President-Planning and Development

HAL S. JONES
Controller

LEONADE D. JONES
Treasurer

BEVERLY R. KEIL
Vice President-Human Resources

GUYON KNIGHT
Vice President-Corporate Communications

JOHN B. MORSE, JR.
Vice President-Finance
Chief Financial and Accounting Officer

RALPH S. TERKOWITZ
Vice President-Technology

CANDACE C. BRYANT
Assistant Treasurer

JOHN F. HOCKENBERRY
Assistant Secretary

JAMES W. KELLER
Assistant Treasurer

The Washington Post Company In Brief

NEWSPAPER DIVISION

THE WASHINGTON POST – a morning daily and Sunday newspaper published in Washington, D.C. For the 12-month period ending September 30, 1995, The Post's audited average circulation was 816,474 daily and 1,140,498 Sunday. The Post maintains 19 foreign, 5 national, and 11 metropolitan news bureaus.

THE WASHINGTON POST NATIONAL WEEKLY EDITION – a tabloid publication of selected Post articles on politics and government, edited for a national audience, with a circulation of approximately 103,000.

THE HERALD – a morning daily and Sunday newspaper published in Everett, Washington, 30 miles north of Seattle. The Herald's unaudited estimated average circulation for the 12-month period ending September 30, 1995, was 51,837 daily and 63,061 Sunday. *Internet – http://www.heraldnet.com*

THE WASHINGTON POST WRITERS GROUP – a syndicator of 26 writers and cartoonists to newspapers throughout the country.

ROBINSON TERMINAL WAREHOUSE CORPORATION – a newsprint handling and storage facility with operations in Alexandria and Springfield, Virginia.

CAPITOL FIBER INC. – a handler and seller to recycling industries of old newspaper and other waste paper collected in the Washington/Baltimore area.

THE GAZETTE NEWSPAPERS, INC. – a publisher of one paid circulation and 15 controlled circulation weekly newspapers in Montgomery, Prince George's, Frederick, and Carroll Counties, Maryland, and a monthly business publication in Montgomery County and Mt. Airy, Maryland. During 1995, The Gazette Newspapers had an aggregate average weekly circulation of nearly 235,000 copies. *Internet – http://www.gazette.net*

POST-NEWSWEEK STATIONS

POST-NEWSWEEK STATIONS – the owner and operator of six network-affiliated VHF television stations.

WDIV – the NBC affiliate in Detroit, Michigan, the 9th-largest broadcasting market in the United States, with 1,736,910 television households. *Internet – http://www.wdiv.com*

KPRC – the NBC affiliate in Houston, Texas, the 11th-largest broadcasting market in the United States, with 1,574,300 television households.

WPLG – the ABC affiliate in Miami, Florida, the 16th-largest broadcasting market in the United States, with 1,340,860 television households.

WFSB – the CBS affiliate in Hartford, Connecticut, the 26th-largest broadcasting market in the United States, with 911,490 television households. *Internet – http://www.wfsb.com*

KSAT – the ABC affiliate in San Antonio, Texas, the 37th-largest broadcasting market in the United States, with 638,080 television households.

WJXT – the CBS affiliate in Jacksonville, Florida, the 55th-largest broadcasting market in the United States, with 486,240 television households. *Internet – http://www.wjxt.com*

NEWSWEEK

NEWSWEEK – a weekly news magazine published in New York City, with a 1996 rate base of 3.1 million and a 12-month average circulation for 1995 of nearly 3.2 million. Newsweek maintains 9 U.S. news bureaus and 14 overseas and has 9 domestic advertising sales offices.

NEWSWEEK INTERNATIONAL – a weekly English-language news magazine published in New York City and circulated throughout the world. For 1996, Newsweek International's combined circulation for its three editions is 752,000: Atlantic, 340,000; Pacific, 335,000 (including 110,000 for The Bulletin with Newsweek, Australia's largest news magazine); and Latin America, 77,000. Newsweek International maintains 11 sales offices, one in the U.S. and 10 overseas.

NEWSWEEK JAPAN (NEWSWEEK NIHON BAN) – a Japanese-language newsweekly with a circulation of 140,000. It is produced with TBS-Britannica, which translates and publishes the magazine.

NEWSWEEK KOREA (NEWSWEEK HANKUK PAN) – a Korean-language newsweekly with a circulation of 150,000. It is produced with Joong-ang Ilbo of Korea, a division of the Samsung Group, which translates and publishes the magazine. Newsweek Hankuk Pan is the first international Korean-language newsweekly.

VIRTUAL CITY – a quarterly magazine launched in September 1995 for the emerging online community. Newsweek's partner in the venture is Virtual Communications, which oversees editorial and advertising sales, while Newsweek handles circulation, fulfillment, production, manufacturing, and distribution.
Internet – http://www.virtcitnow.com

POST-NEWSWEEK CABLE

POST-NEWSWEEK CABLE – Headquartered in Phoenix, Arizona, Post-Newsweek Cable systems served almost 518,000 subscribers in 15 midwestern, western, and southern states in 1995. States served and the number of basic subscribers in each as of December 31, 1995, were:

Arizona	35,137	Nebraska	12,413
California	121,664	New Mexico	24,609
Illinois	21,085	North Dakota	24,165
Indiana	13,583	Ohio	15,777
Iowa	24,869	Oklahoma	54,272
Kansas	8,790	Tennessee	9,722
Mississippi	41,288	Texas	82,676
Missouri	27,894	Total	517,944

OTHER BUSINESSES

KAPLAN EDUCATIONAL CENTERS – Headquartered in New York City, Kaplan is the nation's premier educational company specializing in test preparation, admissions, and career services. Kaplan offers courses, seminars, books, software, videos, and online services. With 150 centers throughout the U.S. and abroad, Kaplan has prepared over 2.5 million students for college and graduate admissions exams, as well as professional licensing and language exams.
Internet – http://www.kaplan.com
Student Loan Information Program Internet – http://www.kaploan.com

LEGI-SLATE, INC. – Headquartered in Washington, D.C., LEGI-SLATE® is the nation's leading online information service for congressional legislation and federal regulations.
Internet – http://www.legislate.com

MOFFET, LARSON & JOHNSON, INC. (71 percent of common stock) – Headquartered in Arlington, Virginia, MLJ provides advanced network design support, software design tools, database services, and measurement hardware to the telecommunications industry. MLJ specializes in the design and development of advanced mobile, broadcast, and common carrier radio systems both domestically and internationally.
Internet – http://www.mlj.com

PASS SPORTS – Headquartered in Detroit, Michigan, PASS is a regional sports cable system that supplies sports programming to 865,000 subscribers in Michigan and northwest Ohio.

DIGITAL INK CO. – Headquartered in Arlington, Virginia, Digital Ink creates and manages electronic information services for The Washington Post Company. In addition to existing audiotext services, Digital Ink launched commercial service of its online local news product, consisting of original content as well as content from The Post, in July 1995. ElectionLine™, a national/international product covering politics and the election, was launched in January 1996. Additional news and advertising products are being explored for national and international delivery.
Digital Ink /CareerPost.com Internet – http://www.washingtonpost.com
CareerPath.com Internet – http://www.careerpath.com
ElectionLine™ Internet – http://www.electionline.com

AFFILIATES

INTERNATIONAL HERALD TRIBUNE (50 percent of common stock) – a daily newspaper published in Paris, France. In 1995 the International Herald Tribune had an average daily paid circulation of almost 200,000 in over 180 countries.
Internet – http://www.iht.com

LOS ANGELES TIMES-WASHINGTON POST NEWS SERVICE, INC. (50 percent of common stock) – a supplier of spot news, features, and commentary to more than 500 clients in 51 countries.
Internet – http://www.newsservice.com

BOWATER MERSEY PAPER COMPANY LIMITED (49 percent of common stock) – a newsprint manufacturer in Liverpool, Nova Scotia.

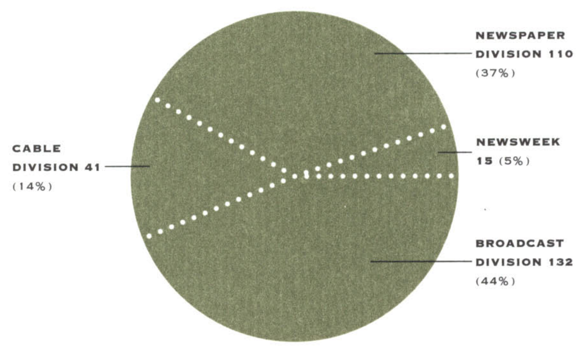
BEAR ISLAND PAPER COMPANY (35 percent limited partnership interest) – a newsprint manufacturer in Doswell, Virginia.

BEAR ISLAND TIMBERLANDS COMPANY (35 percent limited partnership interest) – an owner/manager of timberland.

COWLES MEDIA COMPANY (28 percent of common stock) – owner of the Minneapolis Star Tribune and other smaller properties.

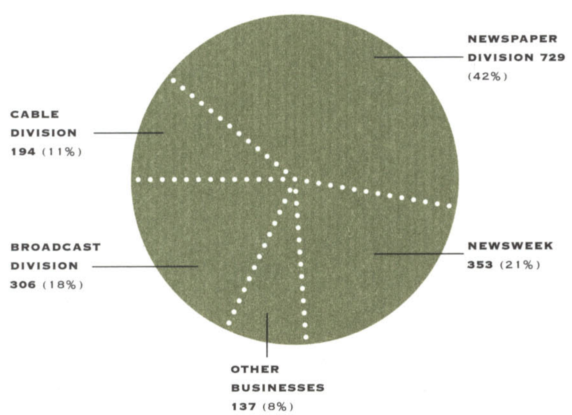
ACTV, INC. (21 percent of common stock) – an interactive-television company serving the entertainment and education markets.

THE WASHINGTON POST COMPANY
1995 OPERATING INCOME ($ IN MILLIONS)*



*Excluding losses from Other Businesses

THE WASHINGTON POST COMPANY
1995 OPERATING REVENUES ($ IN MILLIONS)



STOCK TRADING

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

STOCK TRANSFER AGENT AND REGISTRAR

(General Shareholder Correspondence)
First Chicago Trust Company of New York
Post Office Box 2500
Jersey City, New Jersey 07303-2500

(Transfers by Overnight Courier)
First Chicago Trust Company of New York
14 Wall Street
Mail Suite 4680
New York, New York 10005

(Transfers by Certified Mail)
First Chicago Trust Company of New York
Post Office Box 2506
Jersey City, New Jersey 07303-2506

SHAREHOLDER INQUIRIES

Communications concerning transfer requirements, lost certificates, dividends, and changes of address should be directed to First Chicago Trust Company of New York Shareholder Relations Group. Inquiries may be made by telephone (201) 324-0498, or by fax (201) 222-4892 or 222-4872. Those who are hearing impaired may call the Telecommunications Device for the Deaf (TDD) at (201) 222-4955.

FORM 10-K

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

ANNUAL MEETING

The annual meeting of stockholders will be held on Thursday, May 9, 1996, at 9:00 a.m., at The Washington Post Company, 9th floor, 1150 15th Street, N.W., Washington, D.C.

COMMON STOCK PRICES AND DIVIDENDS

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

	1995		1994	
QUARTER	HIGH	LOW	HIGH	LOW
January-March	$258	$238	$284	$232
April-June	$271	$255	$241	$222
July-September	$315	$258	$238	$231
October-December	$312	$280	$248	$234

During 1995 the company repurchased 361,106 outstanding shares of Class B common stock in unsolicited transactions at prices no higher than the last sale price on the New York Stock Exchange. Of the total shares repurchased in 1995, all were included in trading volume reported on that year's consolidated tape and accounted for approximately 23 percent of such volume.

Both classes of common stock participate equally as to dividends. Quarterly dividends were paid at the rate of $1.10 per share in 1995. At February 29, 1996, there were 23 Class A and 1,390 Class B shareholders of record.

Design: The Invisions Group, Ltd.
Printing: Westland Printers
Printed on recycled paper.

The Washington Post Company
1150 15th Street, N.W.
Washington, D.C. 20071
(202) 334-6000