The Washington Post Company

1989 Annual Report

"Journalism . . . is the first rough draft of history."

Philip L. Graham

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(In thousands, except per share amounts)	1989	1988	% Change
Operating revenues	$1,444,094	$1,367,613	+6%
Income from operations	$ 313,691	$ 233,290	+34%
Pro forma net income (excluding certain gains and one-time charges in 1988)	$ 197,893	$ 166,059*	+19%
Pro forma earnings per share (excluding certain gains and one-time charges in 1988)	$ 15.50	$ 12.90*	+20%
Dividends per share	$ 1.84	$ 1.56	+18%
Shareholders' equity per share	$ 75.40	$ 67.50	+12%
Average number of shares outstanding	12,768	12,873	−1%

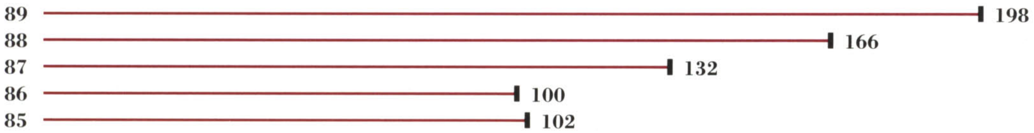
**Excluding gains in 1988 of $115.7 million ($8.99 per share) from the sale of remaining cellular telephone interests and charges in 1988 of $12.6 million ($.98 per share) related to Newsweek restructuring activities*

Operating Revenues *($ in millions)*

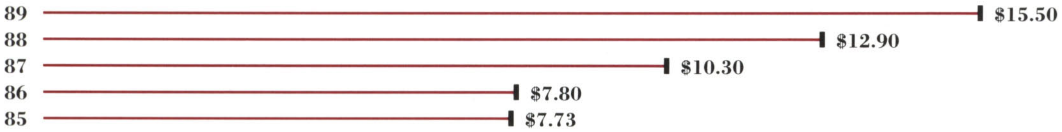
Pro Forma Operating Income *($ in millions)*

***Excluding the Newsweek restructuring charges*

Pro Forma Net Income† *($ in millions)*



Pro Forma Earnings Per Share†



Pro Forma Return on Average Shareholders' Equity†

†*Excluding certain gains in 1988, 1987 and 1985 and one-time charges in 1988*

Nineteen eighty-nine was an outstanding year for The Washington Post Company. Bolstered by good performances from all divisions, the company enjoyed exceptionally robust financial results.

Net income rose 19 percent to $197.9 million ($15.50 per share) from pro forma net income of $166.1 million ($12.90 per share) in 1988.

The 1988 pro forma figure excludes net after-tax nonrecurring gains of $103.1 million ($8.01 per share) from the sale of the company's interests in cellular telephone operations, partially offset by restructuring charges at Newsweek.

Operating income surged 34 percent to $313.7 million in 1989 from $233.3 million the previous year.

Revenue reached $1,444 million, a 6 percent increase over $1,368 million in 1988.

The company's total return on average shareholders' equity (excluding nonrecurring items) was 23.2 percent, compared with 25.1 percent the previous year.

The annual dividend rate was raised in January 1990 from $1.84 to $4.00 per share. The Board of Directors reevaluated the company's dividend policy in terms of its current financial position and earning power and determined that a payout in the range of 25 to 30 percent of earnings is appropriate. In recent years, the company has paid out approximately 10 to 15 percent of its earnings in dividends.

The company invested $107 million to repurchase 389,427 shares of its Class B common stock during 1989. The reduction in the number of shares outstanding had the effect of increasing earnings per share by 2 cents.

On January 31, 1990, trading in the company's Class B common stock moved from the American Stock Exchange to the New York Stock Exchange. When the company went public in 1971, the New York Stock Exchange did not list companies having dual classes of stock with unequal voting rights. Since that restriction has been removed, we believe the company's interests—and those of its shareholders—now will best be served by changing our affiliation.

Newspaper division operating income rose 26 percent in 1989 to $177 million from $141 million in 1988. Several favorable factors combined to produce excellent results for The Washington Post.

Newsprint costs, reflecting lower newsprint prices, declined $4 million (3 percent) from 1988, although consumption increased 1 percent.

Unlike much of the rest of the country, the advertising market in Washington remained strong for most of the year. Advertising revenue rose 7 percent to $574 million. Retail advertising volume in particular benefited from a highly competitive marketplace and climbed 6 percent.

Productivity gains also made an important contribution to The Post's performance. Mail room efficiency, for example, improved thanks to a reorganized management structure, new home-grown technology and the labor contract negotiated in 1988. Overtime costs in that operation declined by 66 percent.

Circulation continued to grow, but at a slower pace. For the latest 12-month reporting period, average daily circulation increased to 792,584 from 788,752. Sunday circulation rose to 1,137,989 from 1,122,375. Average primary-market penetration is now 54 percent daily and 73 percent on Sunday, the highest of any metropolitan area daily newspaper in the country's top ten markets.

The Post's circulation and advertising strength reflects the quality of the newspaper itself. During 1989, a team of Post reporters provided accomplished reporting of the revolutionary developments in the Communist world. The Post's Jerusalem correspondent Glenn Frankel was awarded the Pulitzer Prize for distinguished reporting on international affairs for his coverage of the 1988 Palestinian uprising on Israel's West Bank.

The Post's Metro staff devoted special effort to investigating the causes and consequences of the drug epidemic raging in Washington. Coverage of the suburbs also increased to stay abreast of subscriber growth in these areas.

The Herald, the company's daily and Sunday newspaper in Everett, Washington, also made gains in operating income.

The broadcast division operated in a very difficult environment. A soft market for national advertising, increased competition and some adverse conditions in local markets took their toll on Post-Newsweek Stations. Revenue rose only 1 percent from a year ago; however, 1988's total included $8 million of Olympics and election advertising.

Our station managers were able to control costs, which declined 5 percent from the previous year. Broadcast division operating income increased 12 percent to

$72 million from $64 million in 1988. All four stations surpassed last year's results.

Our stations continue to invest in their most powerful weapon to attract and retain viewers: quality local news and public affairs programming. All of our stations are ranked number one or number two in both early and late news.

Newsweek had a record year—the best financial performance in its history. Operating income reached $28 million, a gain of 40 percent over the $20 million Newsweek earned in 1988 before restructuring charges. Revenue totaled $334 million, up 2 percent from $328 million in 1988.

The restructuring efforts of the past two years, plus continuing attention to cost control, have been fundamental to Newsweek's financial success. However, quality journalism lies at the heart of the magazine's continuing resurgence.

Readership reached an all-time high of 19.6 million readers, an increase of 2.3 million (14 percent) over the previous year, according to Simmons Market Research Bureau. Newsweek's percentage gain was the largest for any weekly magazine. Newsweek delivered a bonus circulation of 134,000 over its rate base of 3.1 million.

Newsweek's strong circulation and audience demographics have enabled it to weather a soft advertising market. Advertising revenue rose 2 percent in 1989.

Newsweek International had an outstanding year. Good results from the Pacific edition, combined with another strong performance from the Atlantic edition, produced substantial gains in operating income. Nihon Ban, the Japanese-language edition of Newsweek, has achieved a weekly circulation of approximately 125,000.

Post-Newsweek Cable had an excellent year. Operating income rose 28 percent to $26 million from $20 million in 1988. Cable cash flow reached $59 million, a gain of 16 percent over $51 million in 1988. Revenue increased 12 percent to $129 million from $115 million the previous year.

The number of basic subscribers grew to 416,300 at year end. This represents 66 percent of homes passed and an increase of 14,600 subscribers, or 4 percent, from year-end 1988. Since the company acquired the cable division in 1986, the number of basic subscribers has risen by 66,000, or 19 percent.

Revenue from pay units declined in 1989 as a result of expanded basic services and competition from hit movies that were playing in theaters but not yet available on cable. We hope to reverse this decline in 1990.

Cable advertising sales revenue rose to $4 million from $3 million in 1988. Advertising is now sold in 27 of Post-Newsweek's 51 cable systems.

Post-Newsweek has been awarded several cable franchises, which will be served by existing Post-Newsweek systems. The new franchises include three additional Chicago suburbs, Lincolnshire, Bannockburn and Kenilworth; Friendship, Tennessee; Frontier, North Dakota; and several communities around Joplin, Missouri.

Post-Newsweek also acquired the 50 percent interest held by our partners in the Fargo, North Dakota, system, and agreed to acquire a system with approximately 5,500 subscribers in Ada, Oklahoma.

In addition, the company is pursuing cable opportunities in the United Kingdom.

Stanley H. Kaplan Educational Center made excellent progress in 1989. Operating revenue and income increased substantially, and the number of students rose 11 percent. Kaplan opened five new centers during the year, bringing its total to 137.

Legi-Slate also had a good year. Its customer base continued to grow, and the development of new services based on the United States Code offers additional opportunities for expansion.

The company's equity in earnings of affiliates declined sharply in 1989, falling to $10 million from $19.1 million in 1988. Poor results from the company's newsprint affiliates, reflecting declines in the price of newsprint, were the major factor in the decrease, and this trend will continue throughout 1990.

Several senior management changes took place in the past year.

After 16 years of distinguished service, Joel Chaseman stepped down as chairman and chief executive officer of Post-Newsweek Stations at the end of 1989. He continues as vice president of The Washington Post Company. G. William Ryan, president of Post-Newsweek Stations since March 1988, was named Post-Newsweek Stations' chief executive officer at the beginning of 1990.

Alan G. Spoon, vice president of The Washington Post Company, also became president of Newsweek in September and assumed corporate responsibility for Post-Newsweek Stations in January 1990.

John B. Morse, Jr., became vice president-finance in November 1989. He had been vice president and controller since joining the company in July. Previously he was a partner of Price Waterhouse, which he joined in 1972.

Christopher J. Rohrs became vice president and general manager of WFSB in Hartford in July 1989. He had been vice president/marketing and station manager of WDIV in Detroit.

The company benefited from the addition of three new directors in 1989.

Donald R. Keough was elected a director at the company's annual meeting last May. Mr. Keough is president and chief operating officer of The Coca-Cola Company.

Ralph E. Gomory, president of the Alfred P. Sloan Foundation, was elected to the Board in July. Dr. Gomory retired in May 1989 as senior vice president for science and technology and a member of the corporate management board of IBM.

James E. Burke, former chairman and chief executive officer of Johnson & Johnson, was elected to the Board in November.

As we look to the future, we believe the company is well positioned not only to weather the uncertain economic times that lie ahead, but also to seize opportunities for growth.

In the near term, current softness in the Washington market and continued weakness in national advertising are hurdles that must be overcome. Fortunately, our managers have demonstrated their ability to respond quickly and professionally to challenging circumstances, particularly with effective cost control. Moreover, we believe that the company's commitment to serving readers, viewers and advertisers with quality products will continue to be our most potent competitive resource.

Longer term, we believe that our traditional businesses have the capacity for significant growth and that new opportunities for investment and expansion will be found and developed as they have been in the past.

In short, we believe that 1990 will be a good year—and the decade ahead even better.

We thank our employees for their dedication and commitment, and we thank you, our shareholders, for your continued support.

Sincerely,

Katharine Graham

Katharine Graham
Chairman of the Board

Richard D. Simmons
President

March 2, 1990

"WHEN THE PRESS IS FREE AND EVERY MAN ABLE TO READ, ALL IS SAFE."

Thomas Jefferson

In a year of extraordinary news events around the world, The Post had gifted foreign correspondents to keep up with the action from Beijing to Moscow to the capitals of Eastern Europe: Dan Southerland in his fifth year in Beijing, with exceptional local contacts to assist him in covering Tiananmen Square; Jackson Diehl, Blaine Harden and Mary Battiata reporting across Eastern Europe throughout a summer and fall of breathtaking change; and Michael Dobbs and David Remnick in Moscow bearing witness to the unraveling of the Soviet empire.

On the home front, The Post continued its probing coverage of a city ravaged by drugs and violence. Homicides in Washington climbed to a new high in 1989 and the crack epidemic continued. The disastrous effects of the drug crisis on children were brought home forcefully by Metro reporters, notably in Michele Norris's profile of Dooney, a very young boy who preferred to stay at school rather than return home to his crack-addicted mother; and Marcia Slacum Greene's series on children who are victims of crack, including "boarder babies"—abandoned infants who are born addicted or are victims of AIDS, and who remain in hospitals because their mothers are unable to care for them.

The Pulitzer Prize for distinguished reporting on international affairs was awarded to Jerusalem correspondent Glenn Frankel for his coverage of the 1988 Palestinian uprising on Israel's West Bank. Ken Ringle won the J.C. Penney-University of Missouri Award for excellence in reporting. For the past two years—as long as it has been awarded—The Post has won the Gerald R. Ford prize for distinguished reporting on the Presidency, which was awarded to Lou Cannon in 1988 and to David Hoffman in

Operating Revenues *($ in millions)*

Operating Income *($ in millions)*

1989. The American Society of Newspaper Editors recognized David J. Remnick for excellence in deadline writing, and the Society of Professional Journalists recognized special correspondent Douglas Farah for outstanding foreign reporting. Dan Morgan won the 1989 Everett McKinley Dirksen Award for distinguished reporting of Congress. The Post also garnered major awards for photography, design, graphic art and cartography.

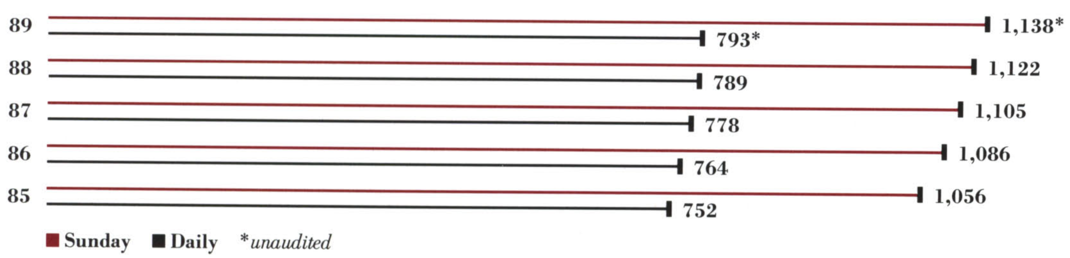
Daily circulation for the 12-month period ending September 30, 1989, increased slightly to an average of 792,584. Sunday circulation advanced 1.4 percent to 1,137,989. Since 1980, The Post's 12-month average circulation has increased 34 percent daily and 38 percent Sunday.

Advertising grew to 6.0 million inches, from 5.9 million inches in 1988, an increase of 1.1 percent. Advertising revenue increased 7.4 percent to $574 million. Retail advertising in particular remained strong throughout most of the year, as The Post benefited from a very competitive retail environment. The overall strength of the Washington market also continued to be a major factor in The Post's favorable results. Washington ranks 9th in the nation in population, and it is first in several key demographic statistics, including average household income and proportion of college graduates.

Advances in technology contributed to productivity gains at The Post. At the Springfield, Virginia, plant, two linear collators adapted from magazine binding machines are in place, helping The Post keep up with the 1.4 billion inserts it

Washington Post Advertising Inches *(in millions)*

Washington Post Circulation *(in thousands)*



distributes each year. Installation of a fourth offset press began in November 1989 and is expected to be completed by late summer. Site excavation for a major Springfield plant expansion has begun. When the expansion project is completed next year, space will be nearly doubled, permitting the addition of a third linear collator and providing much needed warehouse space.

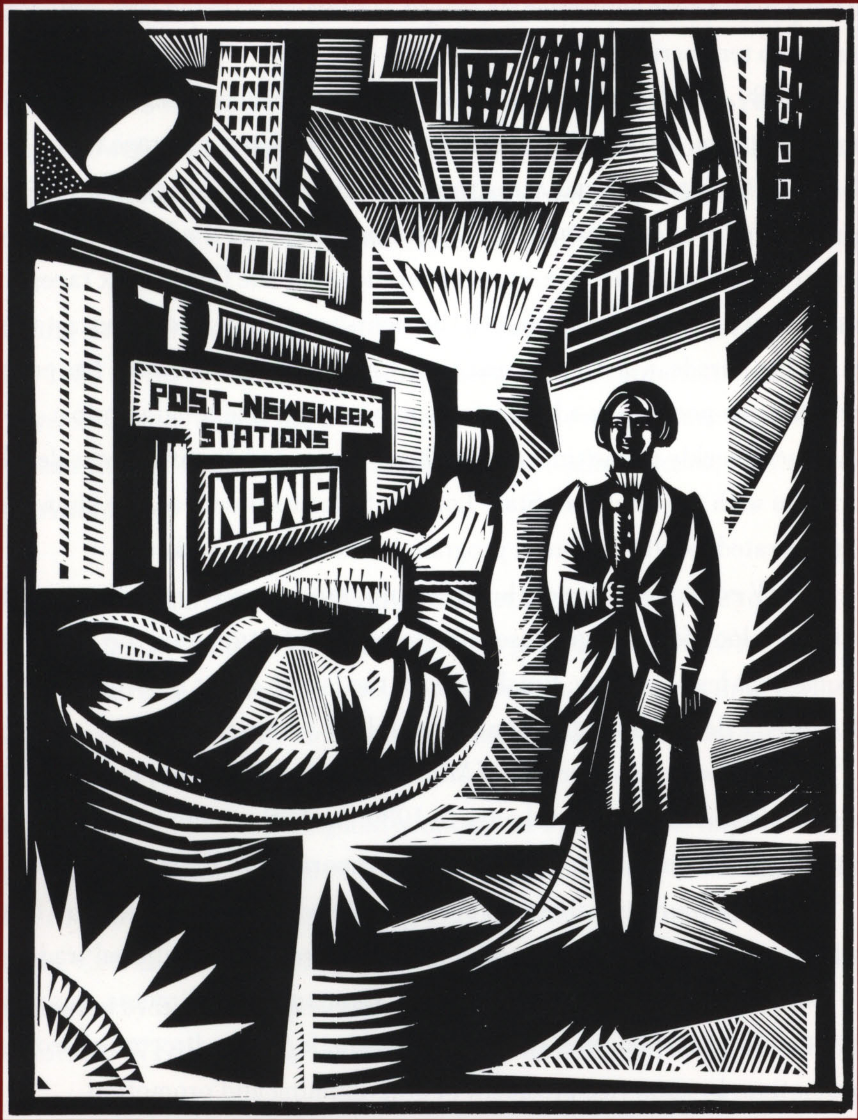
In order to ensure that land will be available to the newspaper for possible future plant locations, The Post purchased property in 1989 in suburban Virginia. Earlier, The Post purchased a site in suburban Maryland. When the time comes to replace the letterpresses now in use in the Northwest and Southeast plants, these acquisitions will enable The Post to construct new plants in locations close to its readership, which is increasingly farther beyond the Capital Beltway. The highest population growth in the Washington metropolitan area is now occurring in the "outer ring" counties.

A New Media Center was formed in late 1989 to explore technology-based news and information ventures. An initial service the unit will be marketing is a computer-based information hotline, accessed by touch-tone telephone. Called "Post-Haste," the advertiser-supported service will be offered to the general public and will include business and sports information.

The Washington Post National Weekly Edition averaged circulation of approximately 74,000 per week in the last six months of 1989, a 5.7 percent increase over the previous year.

The Washington Post Writers Group continued to represent a diverse group of contributors, including Pulitzer prize-winners Tom Shales, George F. Will, David Broder, Ellen Goodman, Charles Krauthammer and Berke Breathed.

The Herald, the company's daily and Sunday paper in Everett, Washington, made gains in operating income. Snohomish County is experiencing a strong economy, high employment and rising income levels, producing an increased demand for residential and commercial construction. The local economy is expected to remain strong well into the 1990s.



"[TELEVISION] SHOULD ADDRESS ITSELF TO THE IDEAL OF EXCELLENCE, NOT THE IDEA OF ACCEPTABILITY."

✦

E. B. White

The four Post-Newsweek stations once again were leaders in their respective markets with distinguished, award-winning local news and public affairs programming and high ratings.

WDIV/TV4-Detroit continued its record as the highest rated NBC affiliate in the country's top ten markets.

In 1989, WDIV secured exclusive rights to broadcast the City of Detroit's major events. In January, the station broadcast four hours of live coverage from the first North American International Auto Show, marking the opening of Detroit's expanded convention center and displaying the latest innovations of the Detroit automobile community. Also broadcast live were preparations for the Grand Prix races through the city's streets. The station also obtained the rights to produce and broadcast the city's 1990 Thanksgiving Parade, a sixty-year tradition. Coverage of these events has enabled WDIV to strengthen its position as a leader in community service programming.

A new weekly prime time access show, "Fame and Fortune," was developed in conjunction with the Michigan State Lottery. Since its premiere, the show has been the highest rated locally produced program in the Detroit market.

WDIV employed state-of-the-art, computer-designed graphics to create a dramatic new look for its Tiger baseball telecasts. Unfortunately, the Tigers themselves were somewhat less dramatic, finishing with the fourth worst record in their history, which caused a decline in both attendance and TV viewership.

Together with its sister city of Minsk in the Soviet Union, Detroit and WDIV participated in an historic interchange in 1989. Activities included a prime time, award-winning documentary, a series of news reports from Russia by anchor/reporter Mort Crim, and a four-hour live teleconference in which business leaders from Russia and Michigan discussed a wide range of issues related to international trade.

Bob Warfield, who had been vice president and news director, was named vice president and station manager. Henry Maldonado, formerly director of programming and promotion, became vice president of programming and promotion.

Operating Revenues *($ in millions)*

WPLG/TV10-MIAMI completed its fifth consecutive year as the dominant South Florida television station. Except for WPLG, all VHF stations in the Miami market changed ownership or network affiliation in 1989. Amidst this confusion, WPLG successfully positioned itself as the "One & Only" stable broadcaster in South Florida, keeping the pressure on competitors with on-air promotion campaigns and sharply focused sales and marketing.

The station's sales efforts were enhanced by investment in valuable research, such as the Leigh Stowell consumer market profile, and in a joint station task force that commissioned the market's first independent newspaper readership study. WPLG set revenue records with its "For Kids' Sake" and "Time to Care" community partnership programs.

Completing its third year, Channel 10's weekly community affairs series "Eye on Crime" won the 1989 Silver Award for community service in the International Film & TV Festival. "Eye on Crime" also is the number one rated show in its time period. "Caution: Precious Cargo," a special report on the safety of school buses, won a George Foster Peabody Award.

WFSB/TV3-HARTFORD overcame a relatively weak network performance to lead its competitors in most dayparts and in all local news time periods. Channel 3's "Eyewitness News" increased its lead over its closest rival in every news time period, while capturing a number of awards, including the Associated Press Award for the best newscast in Connecticut.

Despite a slowing of the New England economy in 1989, WFSB improved its competitive position in relation to other advertiser-supported media in the region. In audience share, the station ranked third among CBS affiliates in the nation's top 25 markets. Only the CBS affiliates in Minneapolis and Pittsburgh, where viewership is much less fragmented by high cable penetration than the Hartford/New Haven market, outperformed WFSB. During the same period, the ABC affiliate in Hartford/

Operating Income *($ in millions)*

New Haven ranked fifteenth among the top 25 ABC stations, and the NBC station ranked twenty-fifth among the NBC affiliates.

Continuing its tradition of community involvement, Channel 3 inaugurated "Time To Care," a call-to-action campaign in which volunteer efforts by Connecticut groups and individuals were spotlighted in special programs, news stories, public service announcements and editorials.

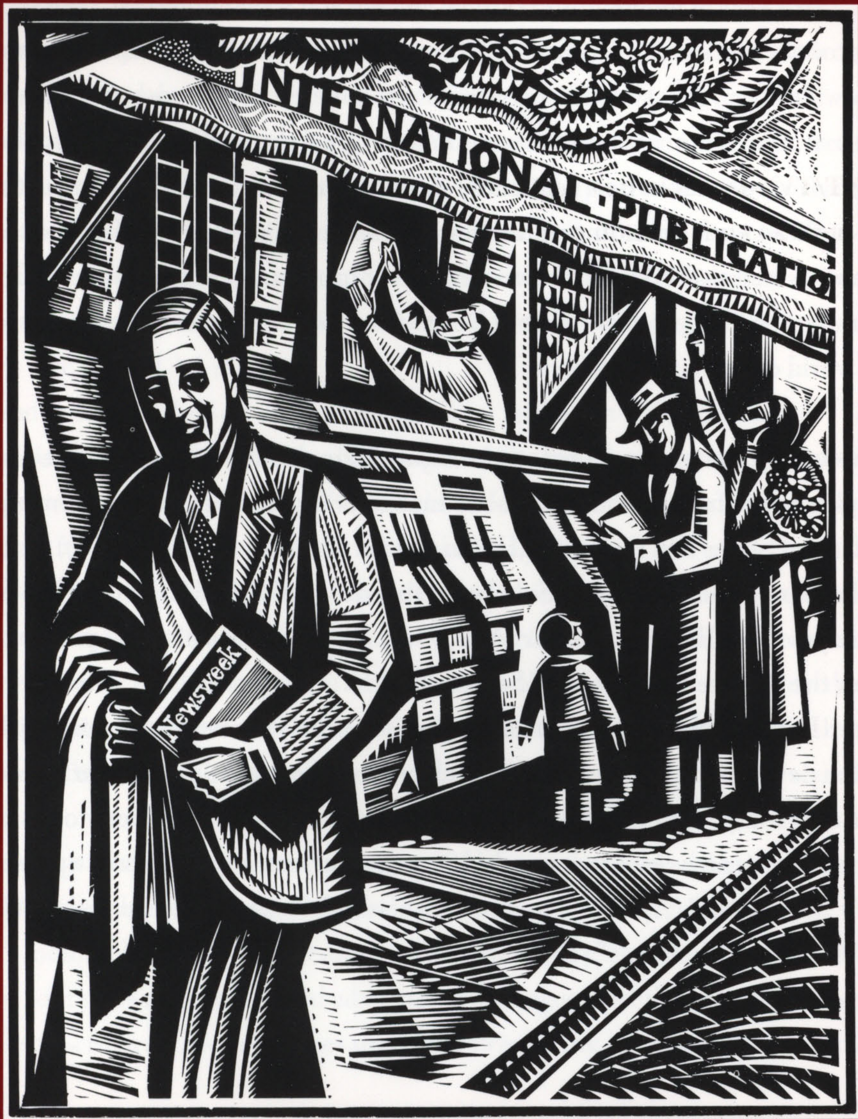
Mark Effron, who had been news director, became vice president and news director.

WJXT/TV4-Jacksonville celebrated its 40th anniversary by dominating its market in local news and information programming. Despite a weak network performance, more aggressive local competition, and increased cable and independent viewership, WJXT remained among a select few stations in the country with an average daily audience share of more than 30 percent.

1989 also brought increased competition for a smaller pool of advertising dollars. Jacksonville market growth stalled, and spending in key product categories such as automotive and retailing plummeted. Despite the disappointing sales environment, careful management enabled the station to increase operating income over 1988.

A WJXT news documentary, "Crack Crisis: A Cry for Action," chronicled the drug epidemic from the jungles of Bolivia to the streets of Jacksonville. The program earned for Channel 4 its third duPont-Columbia University Silver Baton award, broadcast journalism's most coveted prize.

Ground was broken and construction began on WJXT's new broadcast facility. The two-story steel and glass structure will house the station's studios and offices in 52,000 square feet of space, a fifty percent increase over the current facility.



"THE WORLD WE HAVE TO DEAL WITH . . . HAS TO BE EXPLORED, REPORTED, AND IMAGINED."

Walter Lippmann

Newsweek recorded the best financial performance in its history in 1989. Operating income rose to $28.2 million, 40 percent greater than 1988's $20.1 million. First-rate editorial content, strong circulation performance and solid advertising revenues contributed to Newsweek's results.

In a year of momentous political change and social upheaval, Newsweek reported the stories and captured the drama as it unfolded and erupted upon a worldwide stage. Newsweek's correspondents covered the bloodshed in China and Romania, the military intervention in Panama, and the more peaceful toppling of Communist regimes in Poland, Czechoslovakia and East Germany. To update major stories, Newsweek broke its Sunday deadline several times for news related to Tiananmen Square, as well as the Malta Summit, Eastern Europe and Central America. In a year-end tribute to the "People of the Year" (December 25 issue), Newsweek examined a brave new world of democratic protest.

Newsweek's writers and editors brought original and insightful analysis to the complex issues facing American policy-makers, ranging from the relationship between the United States and the Soviet Union ("After the Cold War," May 15), to increasing Japanese investment in the U.S. ("Japan Invades Hollywood," October 9), to the environment ("Cleaning Up Our Mess," July 24), to America's drug-plagued underclass ("Can the Children Be Saved?," September 11).

Drawing upon its increasing expertise as the only news magazine with a regular section devoted to the family, Newsweek produced a special edition on "The 21st Century Family" (Winter/Spring 1990). Other family-related cover stories produced a tremendous reader response: nearly 100 organizations requested multiple reprints of "How Kids Learn" (April 17), and the Alzheimer's Association ordered 50,000 reprints of "All About Alzheimer's" (December 18).

Operating Revenues *($ in millions)*

The magazine received a National Magazine Award finalist nomination in 1989 for "How Bush Won," its chronicle of the 1988 election. The Overseas Press Club also recognized Newsweek with the Ed Cunningham Award for best reporting from abroad, for 1988 summit coverage.

ON THE BUSINESS SIDE, Newsweek performed well in a difficult advertising environment. Domestic advertising revenue increased 2 percent over 1988.

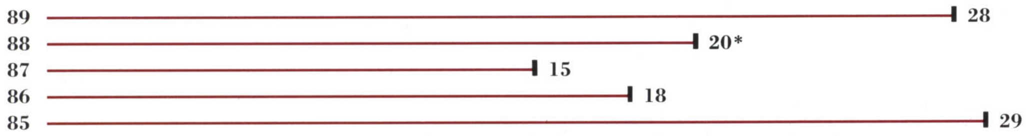
Newsweek's circulation strategy continued to deliver loyal, well-educated, high-income subscribers. Under this strategy, costly electronic premiums have been rejected in favor of editorial premiums that attract new subscribers who are more likely to make a long-term commitment to the magazine. Greater circulation profits resulted, and in 1989, Newsweek again delivered to advertisers a bonus circulation (134,000) over the magazine's rate base of 3.1 million.

Readership reached an all-time high of 19.6 million in 1989 (Simmons Market Research Bureau), reflecting Newsweek's solid circulation strategy and editorial quality. The magazine gained 2.3 million readers, or 13.8 percent, the largest percentage gain not only for newsweeklies, but for all weekly magazines.

Newsweek capitalized on its strong demographics among professionals and managers by launching Newsweek Business. With a circulation of 750,000, it quickly became the number one demographic edition of any news magazine as measured by gross ad pages and ad revenue. With strong advertiser support, the Newsweek Business demographic edition will increase its frequency in 1990 from 26 to 39 times a year.

EMPLOYING NEW STATE-OF-THE-ART TECHNOLOGY, Newsweek tested advertising applications for ink jet printing and selective binding processes. In ink jet printing, the magazine's mailing list is fed into a computer, which then instructs ink jets to print names and addresses or personalized advertising messages directly onto magazines for individual subscribers. One advertiser used Newsweek's ink jet capability to send nearly

Pro Forma Operating Income *($ in millions)*



**Excluding one-time restructuring charges* a dozen different messages to current and prospective customers. Selective binding makes it possible to insert specific advertisements into magazines of subscribers who represent the advertisers' best prospects. Newsweek's full roll-out of ink jet printing and selective binding is scheduled for 1990.

Several appointments strengthened Newsweek's management team: Howard Smith became worldwide publisher. Don Durgin was named vice chairman, with overall responsibility for public relations and Newsweek's client development and industry-related activities. Vice president of circulation Harold Shain was named senior vice president with added responsibility for information systems. Frank Callea, formerly director of New Jersey operations, became vice president of customer services. Pamela Gillespie, formerly with The Washington Post as assistant director of data processing/programming services, joined Newsweek as vice president of information systems. Joanne Hindman was named Newsweek vice president/controller. Previously, she had been director of corporate accounting for The Washington Post Company.

Newsweek International, following a major turnaround in 1988, enjoyed steady growth in 1989. The magazine provided a vital source of news and information to international readers amidst 1989's avalanche of major news events in Eastern Europe and around the world.

Advertising revenues for Newsweek International's three editions (Atlantic, Pacific and Latin America) increased 3 percent. Advertisers represented major "blue chip" companies and financial institutions worldwide. Global economic growth and anticipated action by the European Economic Community in 1992 continued to benefit the advertising environment, and a stronger dollar helped reduce costs compared to 1988.

"VARIETY IS THE MOTHER OF ENJOYMENT."

✦

Benjamin Disraeli

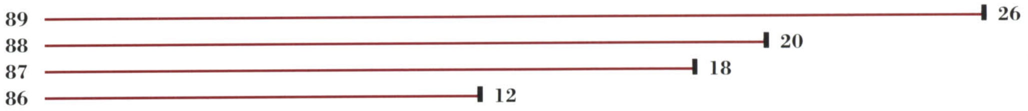
The company's cable operations enjoyed another year of strong performance and steady growth. Basic subscribers increased to a total of 416,332 at year-end 1989, representing an increase of 14,634 subscribers from year-end 1988. The Highland Park, Illinois, system added 3,400 subscribers during the year as Glencoe and Winnetka, both of which were newly franchised by Post-Newsweek in 1988, were built out. The remaining increases came from serving more homes within existing systems and extending service to adjacent areas previously unserved. The Greenwood, Indiana; Modesto, California; and Joplin, Missouri, systems each added over 1,000 subscribers during the year through system extensions.

In the four years since the company acquired the cable division, the number of basic subscribers has risen by 66,000 (19 percent). Approximately 17 percent of these new subscribers were obtained through acquisitions. New franchise areas awarded to Post-Newsweek Cable provided 7 percent of the increase, and 76 percent came from line extensions and marketing.

Pay units (individual premium services) decreased by 6,661 during the year, to 266,819 at year end. Pay revenue in 1989 totalled $29.6 million compared to $30.1 million a year ago. Following an increase of almost 16,000 pay units in 1988, this past year's decline reflected a more difficult sales environment for this category, as basic services expanded and many blockbuster movies of 1989 were still in theaters and not yet available to pay cable.

Operating Revenues *($ in millions)*

Operating Income *($ in millions)*



Pay-per-view revenue, while still relatively small, continued to grow at a rapid rate. Pay-per-view offerings, including recent movies, boxing, wrestling and entertainment specials, contributed $1.27 million in revenue in 1989, compared to $954,000 in 1988. More than half of Post-Newsweek Cable subscribers now have access to the addressable converters that make pay-per-view possible. In the future, virtually all system rebuilds will make these converters available to subscribers. The number of pay-per-view events will increase in the coming year, and they will be offered to a greater number of Post-Newsweek Cable subscribers.

Advertising sales revenue rose to $4.0 million in 1989 from $3.0 million in 1988. Spot advertising, implemented in 1985, continues to grow rapidly. Advertising is now sold in 27 Post-Newsweek Cable systems. Seventeen of the systems sell and produce advertisements themselves, while ten of the systems use third parties for sales and/or production of advertisements. Sixteen systems sell classified advertising.

Capital expenditures increased to about $25 million, compared to $24 million a year ago. Construction of the Glencoe and Winnetka, Illinois, franchises was completed in 1989. Lincolnshire and Bannockburn franchises, awarded in 1989, are now under construction. Approximately $4.4 million were expended in 1989 on these franchises, which were won through the efforts of Peter Newell, vice president, Nor-West Division; Mary Manning, director of regulatory affairs; and Ted Hartson, vice president,

Cable Cash Flow *($ in millions)*

Basic Subscribers *(in thousands)*

engineering. The franchise in Kenilworth, Illinois, was awarded in early 1990, and the unincorporated Cook County, Illinois, franchise is being negotiated. This group of franchises will be served from the existing Post-Newsweek Cable system in Highland Park, and should add approximately 5,000 subscribers when fully constructed and marketed.

Franchises also were awarded in Friendship, Tennessee; Frontier, North Dakota; and several communities around Joplin, Missouri. System rebuilds were completed in Roswell, New Mexico; Miami and Frederick, Oklahoma; and Kirksville, Missouri. Reconstruction is underway in Lufkin, Texas. After completion of these rebuilds and new franchises, capital expenditures should decline and future construction should be largely confined to line extensions within existing systems. As prices paid for cable subscribers have risen in recent years, line extensions to connect newly built homes have become the most efficient means of adding new subscribers.

"AN INVESTMENT IN KNOWLEDGE ALWAYS PAYS THE BEST INTEREST."

Benjamin Franklin

STANLEY H. KAPLAN EDUCATIONAL CENTER enjoyed another record-setting year. The company strengthened its position as the industry leader by substantially increasing student enrollments in its test preparation courses. In particular, Kaplan registered robust growth in courses preparing students for nursing boards and for admissions tests to college and medical school. Total revenue from the Kaplan Center has increased nearly 80 percent since its acquisition by The Washington Post Company five years ago.

The Kaplan corporate office completed an organizational restructuring to position the company for even greater growth. Barry Wexler was named vice president of administration. An international office was opened in Houston, Texas, to increase foreign enrollments.

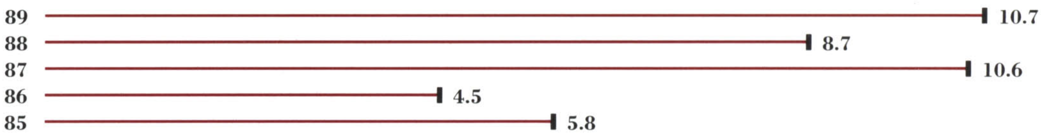
Five new centers were opened—in Monmouth County and Cherry Hill, New Jersey; Lincoln, Nebraska; Spokane, Washington; and Colorado Springs, Colorado. The opening of these centers brings the total number of Kaplan's permanent centers to 137.

Three product lines were revamped to reflect changes in admissions tests for college, law school and business school. A new course was created to prepare high achievers for the SAT. In addition, new components were added to the national medical boards program to enable foreign physicians to prepare for these exams.

Kaplan anticipates continued revenue growth in 1990 and has plans to add four new centers. Recently acquired programs will expand the company's CPA market.

Operating Revenues* *($ in millions)*

Operating Income* *($ in millions)*



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

Increased international marketing efforts are expected to draw more foreign students as Kaplan continues its leadership position in this high-growth area of the test preparation market.

Legi-Slate, Inc. continued to broaden its subscriber base and maintained its record of steady growth in revenue and operating income. Three out of every four U.S. Senators now subscribe to LEGI-SLATE®, which provides online information about Federal legislative and regulatory activities. In 1989, LEGI-SLATE added over 400 major U.S. law firms to its subscriber base through an aggressive sales effort, supported in part by a new service office in New York City.

Legi-Slate, Inc. introduced a new product, the CURRENT USC™ service, providing online, up-to-date access to the United States Code. CURRENT USC is being marketed primarily to U.S. law firms, as well as to Federal agencies, trade associations and corporations. Initial response has been positive, and this new product offers exceptional potential for growth. A companion DAILY CFR™ service, providing electronic access to the Code of Federal Regulations, is being developed for marketing in tandem with CURRENT USC.

Stanley H. Kaplan Educational Center Enrollments

CONTENTS

This analysis should be read in conjunction with the financial statements, notes thereto and Letter to Shareholders on pages 2 through 4.

Results of Operations–1989 Compared to 1988

Net income was $197.9 million in 1989, a decrease of 26.5 percent from net income of $269.1 million in 1988. The decrease in 1989 is primarily due to certain nonrecurring items recorded in 1988: nonrecurring after-tax gains of $115.7 million from the sale of the company's Miami-Fort Lauderdale ("Florida") cellular telephone operations and one-time after-tax charges of $12.6 million related to restructuring activities at Newsweek. Excluding these nonrecurring items in 1988, net income increased 19 percent in 1989.

Earnings per share in 1989 decreased 26 percent to $15.50 from $20.91 in 1988, with $8.01 attributable to nonrecurring items in 1988. Stock repurchases in 1989 had the effect of increasing earnings per share by 2 cents.

Consolidated revenues in 1989 were $1,444 million, an increase of 6 percent, compared to $1,368 million in 1988, with advertising, circulation and other revenues increasing 5 percent, 2 percent and 12 percent, respectively. Revenues at the newspaper division rose 6 percent, primarily due to increases in advertising revenues during the first three quarters of 1989 at The Washington Post. Advertising inches at The Washington Post rose 1 percent in 1989, with retail and general volume increasing 6 and 2 percent respectively, offset by a decrease of 4 percent in classified linage. Circulation revenues were up 2 percent in 1989, primarily reflecting volume increases in Sunday circulation at The Washington Post. Broadcast division advertising revenues, principally spot revenues, increased only 1 percent compared to 1988 levels, which included $8 million of advertising related to the Olympic games and political campaigns, primarily in the third and fourth quarters. Excluding the Olympic and political advertising revenues in 1988, broadcast revenues would have increased 6 percent in 1989. Newsweek revenues increased 2 percent in 1989. Advertising and circulation revenues increased 2 percent and 1 percent, respectively, in both the domestic and international editions, primarily as a result of price increases. Advertising pages at the domestic edition remained unchanged (with 53 issues in 1989 versus 52 in 1988), while international pages fell 3.7 percent. The cable division experienced a 12 percent increase in operating revenues on the strength of increases in both subscribers and rates. In 1989 revenues from other businesses—Stanley H. Kaplan Educational Center and Legi-Slate—rose 15 percent compared to 1988, primarily due to increased enrollments at Kaplan.

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

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

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

Net interest income increased substantially in 1989, due to a rise in interest rates and an increase in the level of internally generated funds from the businesses, which enabled the company to increase short-term investments.

In 1988 other income and expense principally included pre-tax gains of $179.8 million from the sales of the company's interests in the previously mentioned cellular telephone operations.

The effective income tax rate increased in 1989 to 40.7 percent from 38.2 percent in 1988, when the tax benefits related to the sale of Florida cellular telephone operations significantly lowered the effective tax rate.

Results of Operations–1988 Compared to 1987

In 1988 net income increased 44 percent to $269.1 million from $186.7 million in 1987. However, the comparison of 1988 and 1987 earnings was affected significantly by certain nonrecurring items. In 1988 the sale of the company's Florida cellular telephone operations on January 4, 1988, generated a nonrecurring after-tax gain of $115.7 million. In addition, during the fourth quarter of 1988, nonrecurring after-tax charges of $12.6 million were incurred in connection with the restructuring of operations at Newsweek. Earnings in 1987 included after-tax gains of $54.3 million from the sales of the company's minority interests in Washington/Baltimore and Detroit cellular telephone businesses and the sales of the company's remaining interests in certain sports programming networks. Excluding these nonrecurring items in 1988 and 1987, net income increased 25 percent. Contributing to this improvement in 1988 were a significant increase in net interest income and a decrease in the company's effective tax rate.

Earnings per share increased 44 percent to $20.91 from $14.52 in 1987, with $8.01 attributable to nonrecurring items in 1988 and $4.22 attributable to nonrecurring gains in 1987.

Total operating revenues were up 4 percent as advertising revenues increased 5 percent, circulation revenues rose 2.5

percent and other revenues were up only slightly. In 1987 other revenues included revenues from the Florida cellular operations that were sold at the beginning of 1988. At the newspaper division, revenues increased 5 percent, with higher rates and increased circulation at The Washington Post contributing to the gain. Although 1988 had one less week than 1987, advertising inches at The Washington Post rose 2 percent, led by increases in classified and preprint volume. Revenues at the broadcast division were up 5 percent, primarily because of increased advertising related to coverage of the Olympic games and political campaigns. At Newsweek, revenues increased by less than 2 percent. An increase in advertising pages at the international edition of Newsweek more than offset a 2.5 percent decline in the number of domestic advertising pages, with 52 issues in both 1988 and 1987. Operating revenues at the cable division rose 17 percent as a result of volume and rate increases. Revenues at the company's other businesses, including Stanley H. Kaplan Educational Center and Legi-Slate, increased 14.5 percent in 1988 (excluding revenues from the Florida cellular operations), primarily due to an increase in enrollments at Kaplan.

Total costs and expenses in 1988 included nonrecurring pre-tax charges of $21.1 million related to restructuring activities at Newsweek. If these one-time charges are excluded in 1988, and operating costs related to the Florida cellular operations are excluded in 1987, total operating costs and expenses would have been up 7.5 percent. This increase reflects a significant rise in the cost of newsprint, normal increases in costs and increased volume. In addition, 1988 costs included a pre-tax charge at the broadcast division of $7.2 million, reflecting the write-down of certain programming rights to their net realizable values.

Income from operations was down in 1988, basically due to restructuring charges at Newsweek and the write-down of programming rights at the broadcast division. The newspaper division's operating margin in 1988 was 21 percent, down from 22 percent in 1987. Increases in the price of newsprint, combined with a payment made in connection with a mailroom labor contract settlement and normal increases in costs, contributed to the decline. The operating margin at the broadcast division fell in 1988 to 35.8 percent from 41 percent, essentially because of the write-down of programming rights. Excluding restructuring charges from operating income in 1988, Newsweek's operating margin increased to 6 percent, compared to 5 percent in 1987. The progress was primarily due to operating improvements at the international edition of Newsweek. The cable division maintained an 18 percent operating margin, while the margin for the company's "other businesses" increased to 14 percent in 1988, up from 11 percent in 1987 when the Florida cellular operations incurred an operating loss.

In 1988 the company's equity in earnings of its affiliated companies was $19.1 million, compared to earnings of $17.7 million in 1987. Improved operations at the affiliated newsprint mills added over $3 million to the company's share of those profits in 1988, while diminished earnings at Cowles Media Company reduced equity earnings by about $2 million.

Net interest income increased substantially in 1988 as internally generated funds combined with proceeds from the sales of businesses enabled the company to reduce debt and increase short-term investments.

In 1988 and 1987, other income and expense principally included pre-tax gains of $179.8 million and $81.6 million, respectively, from the sales of the company's interests in the previously mentioned cellular telephone and cable sports programming operations.

The effective income tax rate declined to 38.2 percent in 1988, reflecting the full year's impact of changes included in the Tax Reform Act of 1986 and the tax benefits related to the sale of the Florida cellular operations.

Financial Condition: Capital Resources and Liquidity

The company spent approximately $259 million during the period 1987 through 1989 on various capital programs, principally investments in new businesses and purchases of additional property, plant and equipment. The company currently estimates that it will expend a total of approximately $145 million for plant and equipment projects, primarily in the newspaper and cable divisions, and investments in new businesses in 1990. It expects to fund such expenditures with cash flow from operations.

The company's Board of Directors has authorized the repurchase of up to 700,000 shares of its Class B common stock. In 1989, 389,427 shares were acquired at a cost of $107 million, and it is anticipated that further repurchases will be made in 1990.

In 1990 the annual dividend rate was raised from $1.84 to $4.00 per share. The company's dividend policy was reevaluated in terms of its current financial position and earning power and it was determined that a payout in the range of 25 to 30 percent of earnings is appropriate. It expects to fund such payouts with cash flow from operations.

Proceeds from the sales of the company's interests in the cellular telephone and sports programming operations, in addition to internally generated funds from operations, have enabled the company to reduce debt and increase its cash position during the period from 1987 through 1989. As a result, since the end of 1988 working capital increased by approximately $47 million, and at December 31, 1989, the company had $316 million of cash and cash equivalents, $50 million in marketable securities and $155 million of debt.

In 1990 the company's effective tax rate is expected to be approximately 40.5 percent, based upon the existing rules for accounting for income taxes. The company does not plan to adopt Statement of Financial Accounting Standards No. 96, "Accounting for Incomes Taxes," until all proposed revisions to the pronouncement have been reviewed. The expected date of implementation is 1992.

In management's opinion the changes in financial position mentioned above or anticipated in the future, in conjunction with increased cash balances generated from operations, will not affect the company's excellent liquidity position.

	Fiscal Year Ended		
(In thousands, except share amounts)	December 31, 1989	January 1, 1989	January 3, 1988
Operating Revenues			
Advertising	$ 986,335	$ 937,230	$ 892,884
Circulation	241,249	237,218	231,479
Other	216,510	193,165	191,059
	1,444,094	1,367,613	1,315,422
Operating Costs and Expenses			
Operating	762,157	764,182	713,832
Selling, general and administrative	305,795	290,078	288,868
Depreciation and amortization of property, plant and equipment	48,756	45,317	42,918
Amortization of goodwill and other intangibles	13,695	13,602	12,731
Restructuring	—	21,144	—
	1,130,403	1,134,323	1,058,349
Income from Operations	313,691	233,290	257,073
Equity in earnings of affiliates	10,042	19,114	17,663
Interest income	28,599	19,841	3,130
Interest expense	(17,027)	(16,889)	(25,479)
Other (expense) income, net	(1,312)	179,914	79,062
Income before Income Taxes	333,993	435,270	331,449
Provision for Income Taxes	136,100	166,153	144,706
Net Income	$ 197,893	$ 269,117	$ 186,743
Earnings per Share	$15.50	$20.91	$14.52

The information on pages 32 through 40 is an integral part of the financial statements.

(In thousands, except share amounts)	December 31, 1989	January 1, 1989*
ASSETS		
Current Assets		
Cash and cash equivalents	$ 315,601	$ 302,638
Marketable securities	49,638	—
Accounts and notes receivable, net	133,997	129,900
Inventories at lower of cost or market	18,798	27,806
Program rights	23,360	23,372
Other current assets	11,794	10,020
	553,188	493,736
Investments in Affiliates	167,060	163,250
Property, Plant and Equipment		
Buildings	128,535	125,872
Machinery, equipment and fixtures	438,912	400,792
Leasehold improvements	27,785	26,261
	595,232	552,925
Less accumulated depreciation and amortization	(284,196)	(244,469)
	311,036	308,456
Land	23,294	22,506
Construction in progress	36,267	21,151
	370,597	352,113
Goodwill and Other Intangibles, less accumulated amortization of $67,820 and $54,125	327,893	341,588
Deferred Charges and Other Assets	113,473	71,580
	$1,532,211	$1,422,267

**Certain amounts have been reclassified in 1988 to conform with the 1989 presentation.*

The information on pages 32 through 40 is an integral part of the financial statements.

(In thousands, except share amounts)	December 31, 1989	January 1, 1989*
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 178,709	$ 180,328
Federal and state income taxes	20,694	10,778
Deferred subscription revenue—current	67,925	65,841
Current portion of long-term debt and notes payable	2,742	1,091
	270,070	258,038
Other Liabilities	96,513	78,078
Long-Term Debt and Notes Payable	152,061	154,751
Deferred Income Taxes	72,045	63,160
	590,689	554,027
Shareholders' Equity		
Preferred stock, $1 par value, authorized 1,000,000 shares	—	—
Common stock		
Class A common stock, $1 par value, authorized 7,000,000 shares; 1,852,378 and 2,058,702 shares issued and outstanding	1,852	2,059
Class B common stock, $1 par value, authorized 40,000,000 shares; 18,147,622 and 17,941,298 shares issued; 10,634,644 and 10,804,343 shares outstanding	18,148	17,941
Capital in excess of par value	16,946	13,234
Retained earnings	1,229,421	1,055,070
Cumulative foreign currency translation adjustment	3,931	1,979
Cost of 7,512,978 and 7,136,955 shares of Class B common stock held in Treasury	(328,776)	(222,043)
	941,522	868,240
	$1,532,211	$1,422,267

**Certain amounts have been reclassified in 1988 to conform with the 1989 presentation.*

The information on pages 32 through 40 is an integral part of the financial statements.

(In thousands)	Fiscal Year Ended December 31, 1989	January 1, 1989*	January 3, 1988*
Cash Flows From Operating Activities:			
Net income	$197,893	$269,117	$186,743
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property, plant and equipment	48,756	45,317	42,918
Amortization of goodwill and other intangibles	13,695	13,602	12,731
Amortization of program rights	23,673	29,116	18,476
Provision for doubtful accounts receivable	37,582	40,102	47,039
Net gains from sales of businesses	—	(115,671)	(54,309)
Increase (decrease) in interest and income taxes payable	11,247	(10,407)	18,550
Provision for deferred income taxes	8,737	(1,009)	7,961
Change in assets and liabilities:			
(Increase) in accounts and notes receivable	(41,679)	(37,413)	(53,166)
Decrease (increase) in inventories	9,008	(8,134)	(5,987)
(Decrease) increase in accounts payable and accrued liabilities	(2,733)	19,443	20,333
Other	(5,182)	(12,658)	(7,071)
Net cash provided by operating activities	300,997	231,405	234,218
Cash Flows From Investing Activities:			
Net proceeds from sales of businesses	—	173,315	61,258
Purchases of property, plant and equipment	(80,712)	(55,400)	(83,326)
Purchases of marketable securities	(106,685)	—	—
Proceeds from sales of marketable securities	57,169	—	—
Investments in certain businesses	—	(15,096)	(24,217)
Payments for program rights	(28,005)	(23,902)	(22,921)
Other	578	20,613	25,053
Net cash (used) provided by investing activities	(157,655)	99,530	(44,153)
Cash Flows From Financing Activities:			
Principal payments on debt	(966)	(29,396)	(190,556)
Dividends paid	(23,542)	(20,068)	(16,439)
Common shares repurchased	(107,156)	—	—
Other	1,285	507	—
Net cash (used) by financing activities	(130,379)	(48,957)	(206,995)
Net Increase (Decrease) in Cash and Cash Equivalents	12,963	281,978	(16,930)
Cash and Cash Equivalents at Beginning of Year	302,638	20,660	37,590
Cash and Cash Equivalents at End of Year	$315,601	$302,638	$ 20,660
Supplemental Cash Flow Information:			
Cash paid during the year for:			
Income taxes	$115,300	$176,400	$113,000
Interest	$ 16,700	$ 16,600	$ 21,400
Noncash Investing Activities:			
Program rights acquired	$ 41,900	$ 26,200	$ 33,100

**Certain amounts have been reclassified to conform with the 1989 presentation.*

The information on pages 32 through 40 is an integral part of the financial statements.

(In thousands, except share amounts)	Class A Common Stock	Class B Common Stock	Capital in Excess of Par Value	Retained Earnings	Cumulative Foreign Currency Translation Adjustment	Treasury Stock
Balance December 28, 1986	$2,109	$17,891	$ 8,346	$ 635,717	$(4,232)	$(223,241)
Net income for the year				186,743		
Dividends—$1.28 per share				(16,439)		
Issuance of 19,242 shares of Class B common stock, net of restricted stock award forfeitures			2,430			607
Conversion of 50,000 shares of Class A common stock to Class B common stock	(50)	50				
Change in foreign currency translation adjustment					2,741	
Other			1,337			
Balance January 3, 1988	2,059	17,941	12,113	806,021	(1,491)	(222,634)
Net income for the year				269,117		
Dividends—$1.56 per share				(20,068)		
Issuance of 18,265 shares of Class B common stock, net of restricted stock award forfeitures			1,080			591
Change in foreign currency translation adjustment					3,470	
Other			41			
Balance January 1, 1989	2,059	17,941	13,234	1,055,070	1,979	(222,043)
Net income for the year				197,893		
Dividends—$1.84 per share				(23,542)		
Repurchase of 389,427 shares of Class B common stock						(107,156)
Issuance of 13,404 shares of Class B common stock, net of restricted stock award forfeitures			2,457			423
Conversion of 206,324 shares of Class A common stock to Class B common stock	(207)	207				
Change in foreign currency translation adjustment					1,952	
Other			1,255			
Balance December 31, 1989	$1,852	$18,148	$16,946	$1,229,421	$ 3,931	$(328,776)

The information on pages 32 through 40 is an integral part of the financial statements.

A. Summary of Significant Accounting Policies

Fiscal Year. The company reports on a 52-53 week fiscal year ending on the Sunday nearest December 31. The fiscal year 1989, which ended on December 31, 1989, included 52 weeks; 1988 included 52 weeks and 1987 included 53 weeks.

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

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

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

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

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

Property, Plant and Equipment. Property, plant and equipment is recorded at cost and includes interest capitalized in connection with major long-term construction projects. Replacements and major improvements are capitalized; maintenance and repairs are charged to expense as incurred. Upon sale or retirement of property, plant and equipment, the costs and related accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are included in the determination of net income.

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

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

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

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

Income Taxes. Deferred income taxes result from timing differences in the recognition of certain revenue and expense items for tax and financial reporting purposes, in the recognition of income tax to be paid or withheld on earnings of affiliates, and in the recognition of investment tax credits that for financial reporting purposes are applied as a reduction of income taxes over the depreciable lives of the related assets.

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

B. Accounts and Notes Receivable and Accounts Payable and Accrued Liabilities

Accounts and notes receivable at December 31, 1989, and January 1, 1989, consist of the following (in thousands):

	1989	1988
Accounts receivable, less estimated returns, doubtful accounts and allowances of $27,934 and $29,367	$125,770	$119,949
Notes receivable	216	740
Other	8,011	9,211
	$133,997	$129,900

Accounts payable and accrued liabilities at December 31, 1989, and January 1, 1989, consist of the following (in thousands):

	1989	1988
Accounts payable and accrued expenses	$110,500	$109,066
Accrued payroll and related benefits	32,944	30,948
Accrued interest expense	9,488	9,559
Film contracts payable	19,657	23,894
Due to affiliates (newsprint)	6,120	6,861
	$178,709	$180,328

C. Investments in Affiliates

The company's investments in affiliates at December 31, 1989, and January 1, 1989, include the following (in thousands):

	1989	1988
Cowles Media Company	$ 77,245	$ 78,399
Newsprint mills	84,697	80,269
Other	5,118	4,582
	$167,060	$163,250

The company's investments in affiliates in 1989 and 1988 include a 26 percent interest in the stock of Cowles Media Company, which owns and operates the Minneapolis Star and Tribune and several smaller properties. In 1987 the company owned a 21 percent interest.

The company's interest in newsprint mills includes a 49 percent interest in the common stock of Bowater Mersey Paper Company Limited, which owns and operates a newsprint mill in Nova Scotia; a one-third limited partnership interest in Bear Island Paper Company, which owns and operates a newsprint mill near Richmond, Virginia; and a one-third limited partnership interest in Bear Island Timberlands Company, which owns timberland and supplies Bear Island Paper Company with a major portion of its wood requirements. Operating costs and expenses of the company include newsprint supplied by Bowater Mersey Paper Company and Bear Island Paper Company and used in operations, the cost of which was $65,500,000 in 1989, $71,400,000 in 1988 and $63,300,000 in 1987.

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

In 1987 the company's investments in affiliates also included various interests in several partnerships that were constructing and operating cellular telephone systems. These investments included an 18 percent partnership interest in Detroit Cellular Telephone Company, a 20 percent partnership interest in Washington/Baltimore Cellular Telephone Company and a minority interest in a cellular partnership located in Florida. The company's interests in Detroit and Washington/Baltimore were sold in 1987, and the company's minority interest in the Florida location was sold in 1988.

During 1983 the company acquired interests in several businesses that distribute programming, principally sports events, to pay cable and subscription television subscribers. In August 1987, the company sold its interests in these sports programming businesses.

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

	1989	1988	1987
Financial Position			
Working capital	$(56,090)	$ 17,185	$100,100
Property, plant and equipment	518,577	456,160	370,781
Total assets	770,525	694,751	642,374
Long-term debt	245,468	263,773	129,651
Net equity	243,920	226,160	339,905
Results of Operations			
Operating revenues	$674,899	$662,691	$616,387
Operating income	76,109	91,957	78,972
Net income	38,129	54,914	53,439

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

	1989	1988
Beginning investment	$163,250	$152,636
Equity in earnings	10,042	19,114
Dividends and distributions received	(8,184)	(10,763)
Additional investments	—	599
Sale of investments	—	(1,806)
Foreign currency translation	1,952	3,470
Ending investment	$167,060	$163,250

At December 31, 1989, the unamortized excess of the company's investments over its equity in the underlying net assets of its affiliates at the date of acquisition was approximately $72,000,000. Amortization included in equity in earnings of affiliates for the years ended December 31, 1989, January 1, 1989, and January 3, 1988, was $2,650,000, $1,150,000 and $1,900,000, respectively.

D. Income Taxes

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

	Current	Deferred
1989		
U.S. Federal	$104,240	$ 6,891
Foreign	277	255
State and local	22,846	1,591
	$127,363	$ 8,737
1988		
U.S. Federal	$138,746	$(2,186)
Foreign	308	837
State and local	28,108	340
	$167,162	$(1,009)
1987		
U.S. Federal	$115,567	$ 5,889
Foreign	228	778
State and local	20,950	1,294
	$136,745	$ 7,961

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

	1989	1988	1987
Tax depreciation in excess of depreciation for financial reporting purposes	$ 3,159	$ 3,989	$6,467
Deferral of restructuring charges for income tax purposes	1,216	(8,375)	—
Deferral of investment tax credits for financial reporting purposes	(1,094)	(958)	(47)
Other	5,456	4,335	1,541
	$ 8,737	$(1,009)	$7,961

The provision for income taxes exceeds the amount of taxes determined by applying the U.S. Federal statutory rate of 34 percent in 1989 and 1988 and 40 percent in 1987 to income before taxes as a result of the following (in thousands):

	1989	1988	1987
U.S. Federal income taxes	$113,558	$147,992	$132,580
State and local taxes net of Federal income tax benefit	16,128	18,776	13,346
Amortization of goodwill not deductible for income tax purposes	2,640	2,640	3,493
Other	3,774	(3,255)	(4,713)
Provision for income taxes	$136,100	$166,153	$144,706

In December 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" (SFAS No. 96), which significantly changes the approach and methodology of accounting for income taxes. The new rules adopt the liability method of accounting for income taxes, which requires adjustment of deferred taxes to reflect changes in tax rates when they are enacted. The statement also limits the ability to recognize deferred tax effects of expenses or losses reported later for tax purposes than for financial statement purposes. The new rules must be adopted for fiscal years beginning after December 15, 1991, by either retroactive restatement of prior financial statements or as a cumulative effect of a change in accounting principle in the year of adoption. The company intends to adopt SFAS No. 96 in 1992 as a cumulative effect of a change in accounting principle. Based on preliminary calculations, the adoption of the statement is not expected to materially affect the company's financial position.

E. Debt

Long-term debt of the company as of December 31, 1989, and January 1, 1989, is summarized as follows (in thousands):

	1989	1988
10.68 percent unsecured promissory notes due 1991-1994	$100,000	$100,000
10.1 percent unsecured European Currency Unit notes due 1996	50,661	50,734
10.875 percent unsecured Eurodollar notes due 1995	1,400	1,400
Other	2,742	3,708
Less amounts included in current liabilities	(2,742)	(1,091)
	$152,061	$154,751

During 1987 the company issued unsecured short-term notes supported by bank credit agreements. The average daily borrowings supported by these agreements were $126,400,000, at a weighted average cost of 7.1 percent. The maximum borrowing outstanding at the end of any period for the year ended January 3, 1988, was $193,700,000. There were no such borrowings during 1988 or 1989, and the bank credit agreements have been terminated.

The agreements relating to the promissory notes include restrictive provisions that principally pertain to limits on indebtedness, minimum working capital requirements, the payment of dividends and the redemption or purchase of the company's capital stock. At the end of 1989, retained earnings unrestricted by these provisions were $353,600,000.

Annual maturities of long-term debt based on existing loan repayment schedules are $25,000,000 in each of the years 1991-1994, $1,400,000 in 1995 and $50,000,000 in 1996.

F. Capital Stock, Stock Options and Stock Awards

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

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

During 1989 the company purchased a total of 389,427 shares of its Class B common stock at a cost of approximately $107,156,000.

Stock Options. In 1971 the company adopted a Stock Option Plan and reserved 1,400,000 shares of Class B common stock for options to be granted under the plan. The purchase price of the shares covered by an option must be equal to their fair market value on the granting date. At December 31, 1989, there were 168,700 shares reserved for issuance under the Stock Option Plan. Of this number, 52,000 shares were subject to options outstanding and 116,700 shares were available for future grants. Changes in the options outstanding for the years ended December 31, 1989, and January 1, 1989, were as follows:

	1989		1988	
	Number of Shares	Average Option Price	Number of Shares	Average Option Price
Beginning of year	31,500	$174.79	27,500	$ 41.03
Granted	23,500	268.50	24,500	199.38
Exercised	(500)	199.38	(20,500)	24.74
Canceled	(2,500)	196.03	—	—
End of year	52,000	215.88	31,500	174.79

Of the shares covered by options outstanding at the end of 1989, 11,000 are now exercisable, 11,875 will become exercisable in 1990, 11,625 will become exercisable in 1991, 11,625 will become exercisable in 1992 and 5,875 will become exercisable in 1993.

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, 1989, there were 171,930 shares reserved for issuance under the Incentive Compensation Plan. Of this number, 30,930 shares were subject to awards outstanding and 141,000 shares were available for future awards. Activity related to stock awards for the years ended December 31, 1989, and January 1, 1989, was as follows:

	1989		1988	
	Number of Shares	Average Award Price	Number of Shares	Average Award Price
Awards Outstanding				
Beginning of year	45,885	$114.47	48,419	$112.92
Awarded	15,767	207.75	872	204.06
Vested	(27,859)	86.26	(251)	78.75
Forfeited	(2,863)	172.95	(3,155)	118.28
End of year	30,930	182.01	45,885	114.47

For the shares outstanding at December 31, 1989, the aforementioned restriction will lapse in January 1991 for 17,101 shares and in January 1993 for 13,829 shares.

Average Number of Shares Outstanding. Earnings per share are based on the weighted average number of shares of common stock outstanding during each year, adjusted for the dilutive effect of shares issuable under outstanding stock options, as well as stock awards made under the Incentive Compensation Plan. The average number of shares considered outstanding was 12,768,000 for 1989, 12,873,000 for 1988 and 12,861,000 for 1987.

G. Retirement Plans

The company and its subsidiaries have various pension and incentive savings plans and in addition contribute to several multi-employer plans on behalf of certain union-represented employee groups. Substantially all of the company's employees, including some located in foreign countries, are covered by these plans. Pension (benefit) cost for all retirement plans combined was $(900,000) in 1989, $5,300,000 in 1988 and $(1,100,000) in 1987. Included in 1988 are costs of $6,200,000 associated with early retirement benefits offered to certain employees in connection with restructuring activities at Newsweek.

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

The following table sets forth the funded status of the defined benefit plans and amounts recognized in the Consolidated Balance Sheets at December 31, 1989, and January 1, 1989, (in thousands):

	1989	1988
Actuarial present value of accumulated plan benefits, including vested benefits of $90,905 and $75,885	$ 94,462	$ 83,889
Plan assets at fair value, primarily listed securities	$324,892	$274,142
Projected benefit obligation for service rendered to date	(118,178)	(105,275)
Plan assets in excess of projected benefit obligation	206,714	168,867
Prior service cost not yet recognized in periodic pension cost	3,429	538
Less unrecognized net gain from past experience different from that assumed	(78,732)	(43,072)
Less unrecognized net asset (transition amount) being recognized over approximately 17 years	(99,603)	(107,326)
Prepaid pension cost	$ 31,808	$ 19,007

The net pension credits for the years ended December 31, 1989, January 1, 1989, and January 3, 1988, included the following components (in thousands):

	1989	1988	1987
Service cost for benefits earned during the period	$ 5,967	$ 6,209	$ 5,607
Interest cost on projected benefit obligation	8,069	6,982	6,166
Cost of special retirement benefits related to restructuring	—	6,221	—
Actual return on plan assets	(56,009)	(25,621)	(24,641)
Net amortization and deferral	29,198	930	2,475
Net pension credit	$(12,775)	$(5,279)	$(10,393)

The weighted average discount rate and rate of increase in future compensation levels used for 1989, 1988 and 1987 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 8 percent in 1989, 1988 and 1987.

Contributions to multi-employer pension plans, which are generally based on hours worked, amounted to $1,500,000, $1,200,000 and $1,400,000 in 1989, 1988 and 1987, respectively.

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 $24,900,000 at December 31, 1989, and $23,300,000 at January 1, 1989.

In addition to providing pension benefits, the company and its subsidiaries have certain health care and life insurance plans that include retired employees who have reached retirement age while employed by the company. The cost of these plans, which is charged to expense as premiums are paid or trust contributions are made, was approximately $22,400,000 for 1989, $18,700,000 for 1988 and $15,200,000 for 1987. Retiree participation in these plans as a percentage of total participation approximated 9 percent in 1989 and 1988, and 8 percent in 1987 for the life insurance plan, and 15 percent in 1989 and 1988, and 12 percent in 1987 for the medical plan.

H. Lease Commitments

Total rental expense under operating leases included in operating costs and expenses was approximately $15,900,000 for 1989, $16,500,000 for 1988 and $15,500,000 for 1987. As of December 31, 1989, minimum future rentals under noncancelable leases, principally for real estate, were as follows (in thousands):

1990	$13,713
1991	13,070
1992	10,957
1993	9,672
1994	6,765
Thereafter	11,650
	$65,827

I. Acquisitions and Dispositions

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

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

During 1987 the company sold its remaining partnership interests in certain cable sports programming businesses and its minority interests in the Washington/Baltimore and Detroit cellular companies. The effect of these transactions before giving effect to taxes of $27,265,000 was a gain of $81,574,000, which amount is included in "Other (expense) income, net" in the Consolidated Statements of Income for 1987. These gains increased earnings per share by $4.22.

J. Contingencies

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

K. Restructuring Activities

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

L. Business Segments

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

Newspaper operations involve the publication of newspapers in Washington, D.C., and Everett, Washington, and a newsprint warehousing facility. Magazine publishing operations consist of the publication of a weekly news magazine, Newsweek, which has one domestic and three international editions. Revenues from both newspaper and magazine publishing operations are derived from advertising and, to a lesser extent, from circulation.

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

Cable television operations consist of over 50 cable systems offering basic cable and pay television services to over 416,000 subscribers in 15 midwestern, western and southern states. The principal source of revenues is monthly subscription fees charged for services.

"Other Businesses" include the operations of a database publishing company, educational centers engaged in preparing students for admissions tests and licensing examinations (including the preparation and publishing of training materials), and in 1987 a cellular telephone system in Miami-Fort Lauderdale.

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

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

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

	Newspaper Publishing	Broadcasting	Magazine Publishing	Cable Television	Other Businesses	Consolidated
1988						
Operating revenues	$682,708	$180,195	$327,540	$115,210	$61,960	$1,367,613
Income from operating segments	$140,697	$ 64,456	$ 20,131	$ 20,434	$ 8,716	$ 254,434
Restructuring costs			(21,144)			(21,144)
Income from operations						233,290
Equity in earnings of affiliates						19,114
Interest expense						(16,889)
Other income, net						199,755
Income before income taxes						$ 435,270
Identifiable assets	$267,173	$158,973	$106,951	$382,802	$48,483	$ 964,382
Investments in affiliates						163,250
Corporate assets						294,635
Total assets						$1,422,267
Depreciation and amortization of property, plant and equipment	$ 13,908	$ 7,289	$ 5,645	$ 17,213	$ 1,262	$ 45,317
Amortization of goodwill and other intangibles	$ 533	$ 664		$ 10,225	$ 2,180	$ 13,602
Capital expenditures	$ 17,982	$ 7,381	$ 2,445	$ 25,835	$ 2,841	$ 56,484
1987						
Operating revenues	$648,133	$171,396	$322,233	$ 98,625	$75,035	$1,315,422
Income from operations	$145,088	$ 70,295	$ 15,305	$ 17,822	$ 8,563	$ 257,073
Equity in earnings of affiliates						17,663
Interest expense						(25,479)
Other income, net						82,192
Income before income taxes						$ 331,449
Identifiable assets	$254,962	$166,892	$104,527	$378,569	$99,656	$1,004,606
Investments in affiliates						152,636
Corporate assets						36,954
Total assets						$1,194,196
Depreciation and amortization of property, plant and equipment	$ 13,660	$ 7,243	$ 5,091	$ 13,052	$ 3,872	$ 42,918
Amortization of goodwill and other intangibles	$ 543	$ 664		$ 9,553	$ 1,971	$ 12,731
Capital expenditures	$ 16,003	$ 5,999	$ 14,270	$ 27,060	$10,564	$ 73,896

M. Summary of Quarterly Operating Results (UNAUDITED)

Quarterly results of operations for the years ended December 31, 1989, and January 1, 1989, are as follows (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1989				
Operating revenues	$341,877	$374,457	$346,341	$381,419
Income from operations	66,896	94,664	71,669	80,462
Net income	41,500	60,486	44,778	51,129
Earnings per share	$3.22	$4.72	$3.50	$4.06
Average number of shares outstanding	12,875	12,815	12,780	12,600
1988				
Operating revenues	$321,236	$346,249	$329,371	$370,757
Income from operations	45,550	78,090	58,087	51,563
Net income	144,819	49,305	38,060	36,933
Earnings per share	$11.25	$3.83	$2.96	$2.87
Average number of shares outstanding	12,873	12,874	12,873	12,872

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

In our opinion, the consolidated financial statements appearing on pages 27 through 31 present fairly, in all material respects, the financial position of The Washington Post Company and its subsidiaries at December 31, 1989 and January 1, 1989, and the results of their operations and their cash flows for each of the three fiscal years in the period ended December 31, 1989, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Washington, D.C.
February 6, 1990

See Notes to Consolidated Financial Statements for the summary of significant accounting policies and additional information relative to the years 1987-1989.

(In thousands, except per share amounts)	1989	1988	1987
Results of Operations			
Operating revenues	$1,444,094	$1,367,613	$1,315,422
Income from operations	313,691	233,290	257,073
Net income	197,893	269,117	186,743
Per Share Amounts			
Earnings per share	$15.50	$20.91	$14.52
Cash dividends	$ 1.84	$ 1.56	$ 1.28
Shareholders' equity	$75.40	$67.50	$47.80
Average Number of Shares Outstanding	12,768	12,873	12,861
Financial Position			
Current assets	$ 553,188	$ 493,736	$ 226,523
Working capital*	283,118	235,698	(50,290)
Property, plant and equipment	370,597	352,113	371,080
Total assets	1,532,211	1,422,267	1,194,196
Long-term debt	152,061	154,751	155,791
Shareholders' equity	941,522	868,240	614,009
Pro Forma Amounts (See Notes)			
Net income	$ 197,893	$ 166,059	$ 132,434
Earnings per share	$15.50	$12.90	$10.30

**Certain amounts have been reclassified to conform with the 1989 presentation.*

NOTES:

Pro forma amounts for 1981, 1985, 1987 and 1988 calculate net income excluding nonrecurring gains and losses from the sales of businesses and restructuring costs, as described below.

In 1981 the company realized a net nonrecurring loss from the sale of its newspaper subsidiary in Trenton, New Jersey, its national television sales subsidiary and the company's magazine, Inside Sports. The effect of this loss was to decrease net income and earnings per share by $2,100,000 and $.15. In 1985 the company realized nonrecurring gains from the sales of portions of the company's SportsChannel and cellular telephone interests. The effect of these gains was to increase net income and earnings per share by $12,300,000 and $.93. In 1987 the company realized nonrecurring gains from the sales of portions of the company's cellular telephone interests and the company's remaining SportsChannel interests. The effect of these gains was to increase net income and earnings per share by $54,300,000 and $4.22. In 1988 the company realized a nonrecurring gain from the sale of its Miami-Ft. Lauderdale cellular telephone system subsidiary and its minority interest in the Palm Beach cellular system. The effect of this gain was to increase net income and earnings per share by $115,700,000 and $8.99. Also in 1988, the company incurred nonrecurring charges related to restructuring activities at Newsweek. The effect of these charges was to decrease net income and earnings per share by $12,600,000 and $.98.

1986	1985	1984	1983	1982	1981	1980
$1,215,064	$1,078,650	$984,303	$877,714	$800,824	$753,447	$659,535
228,986	204,186	166,295	132,415	98,106	65,714	65,513
100,173	114,261	85,886	68,394	52,413	32,710	34,335
$ 7.80	$ 8.66	$ 6.11	$ 4.82	$ 3.70	$ 2.32	$ 2.44
$ 1.12	$ .96	$ .80	$ .66	$ .56	$ .50	$ .44
$34.04	$27.26	$27.17	$22.50	$18.32	$15.17	$13.40
12,842	13,194	14,050	14,195	14,153	14,077	14,068
$ 219,422	$359,174	$218,559	$190,616	$170,658	$135,002	$126,070
(22,647)	150,397	56,850	31,104	13,933	(13,187)	(1,752)
343,702	219,310	191,072	181,333	181,982	171,301	152,109
1,145,227	885,079	645,800	570,676	501,223	458,197	429,103
336,140	222,392	6,250	8,500	10,750	23,000	43,586
436,590	349,548	380,127	318,890	258,843	213,393	187,270
$ 100,173	$101,993	$ 85,886	$ 68,394	$ 52,413	$ 34,817	$ 34,335
$ 7.80	$ 7.73	$ 6.11	$ 4.82	$ 3.70	$ 2.47	$ 2.44

Newspaper Division

The Washington Post—a morning daily and Sunday newspaper published in Washington, D.C. For the 12 months ending September 30, 1989, The Post's unaudited average circulation was 792,584 daily and 1,137, 989 Sunday. The Post maintains 17 foreign, 6 national and 11 metropolitan news bureaus. It is printed at sites in Northwest and Southeast Washington and nearby Springfield, Virginia.

The Washington Post National Weekly Edition—a tabloid publication of selected Post articles on politics and government, edited for a national audience, with a circulation of approximately 74,000.

The Herald—a daily newspaper published weekday afternoons and Saturday and Sunday mornings in Everett, Washington, 30 miles north of Seattle. The Herald's unaudited average circulation for the 12-month period ending September 30, 1989, was 55,210 daily and 62,417 Sunday.

The Washington Post Writers Group—a syndicator of 31 features to newspapers throughout the United States.

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

Post-Newsweek Stations

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

WDIV-4—an NBC affiliate in Detroit, Michigan, the 8th largest broadcasting market in the United States, with 1,723,500 television households.

WPLG-10—an ABC affiliate in Miami, Florida, the 16th largest broadcasting market in the United States, with 1,288,800 television households.

WFSB-3—a CBS affiliate in Hartford, Connecticut, the 23rd largest broadcasting market in the United States, with 901,000 television households.

WJXT-4—a CBS affiliate in Jacksonville, Florida, the 56th largest broadcasting market in the United States, with 464,100 television households.

Post-Newsweek Cable

Post-Newsweek Cable—Headquartered in Phoenix, Arizona, Post-Newsweek Cable systems currently serve over 416,000 subscribers in 15 midwestern, western and southern states. Principal communities served and the number of basic subscribers in each as of December 31, 1989, were:

Arizona	
Bisbee	2,967
Clifton	1,472
Cottonwood	1,763
Globe	4,708
Holbrook	1,504
Page	1,640
Safford	5,024
Showlow	6,472
Winslow	2,612
California	
Burlingame	6,845
Modesto/Oakdale	49,825
Santa Rosa	43,302
Union City	7,992
Illinois	
Highland Park	12,759
Indiana	
Greenwood	8,520
Iowa	
Sioux City	19,752
Kansas	
Abilene	2,484
Beloit	1,683
Clay Center	1,928
Concordia	2,347
Mississippi	
Clarksdale	6,828
Gulfport	19,256
Missouri	
Brookfield	2,227
Joplin	11,490
Kirksville	5,221
Trenton	2,722
Nebraska	
Norfolk	10,243
New Mexico	
Rio Rancho	5,615
Roswell	12,117
North Dakota	
Fargo	16,447
Ohio	
Akron	12,215
Oklahoma	
Altus	8,389
Ardmore	9,218
Frederick	1,711
Hobart	1,746
Idabel	2,257
Mangum	1,423
Miami	4,866
Ponca City	11,474
Vinita/Nowata	2,726
Tennessee	
Dyersburg	7,206
Texas	
Aransas Pass	4,214
Bonham	2,807
Childress	1,854
Lampasas	2,196
Lufkin/Livingston	14,462
Memphis	938
Odessa	24,193
Port Lavaca	4,014
Sherman/Denison	19,636
Wellington	1,022
TOTAL	416,332

Newsweek

Newsweek—a weekly news magazine published in New York City, with a 1990 rate base of 3.1 million and a twelve-month average circulation for 1989 of 3,234,229. Newsweek maintains 10 U.S. and 15 foreign news bureaus and has 8 domestic advertising sales offices. The magazine is printed at 4 U.S. sites and in Ontario, Canada.

Newsweek International—a weekly English-language news magazine published in New York City and circulated throughout the world. For 1989, Newsweek International's combined circulation for its three editions was 665,000: Atlantic, 300,000; Pacific, 310,000 (including 110,000 for The Bulletin with Newsweek, Australia's largest news magazine); and Latin America, 55,000. Newsweek International maintains 12 sales offices, one in the U.S. and 11 overseas. The magazine is printed in Zurich, Hong Kong, Sydney and Hollywood, Florida.

Newsweek Japan (Newsweek Nihon Ban)—a Japanese-language newsweekly with a circulation of 125,000. Launched in 1986 as the first Japanese-language newsweekly, it is produced with TBS-Britannica, which translates and publishes the magazine.

Other Businesses

Stanley H. Kaplan Educational Center—Headquartered in New York City, the Kaplan Center offers courses at 137 permanent centers throughout the United States and in Canada and Puerto Rico, and at over 600 other locations on a seasonal basis. The company prepares students for a broad range of high school, college and graduate school admissions tests including SAT, LSAT, GMAT, MCAT, GRE and professional licensing examinations in law, medicine, nursing and accounting. Kaplan also offers general improvement programs such as speed reading and preparation for TOEFL (Test of English as a Foreign Language). In 1989 enrollment exceeded 122,000 students.

Legi-Slate, Inc.—An online information service headquartered in Washington, D.C., LEGI-SLATE® is the original and leading service covering Congressional legislation and voting records, federal regulatory activity and other government-related matters. The CURRENT USC™ service provides the full text of the *United States Code,* online and updated within 24 hours after the President signs each new law.

Affiliates

Los Angeles Times-Washington Post News Service, Inc. (50 percent of common stock)—a supplier of spot news and features to more than 600 newspapers, broadcast stations and magazines in 48 countries.

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

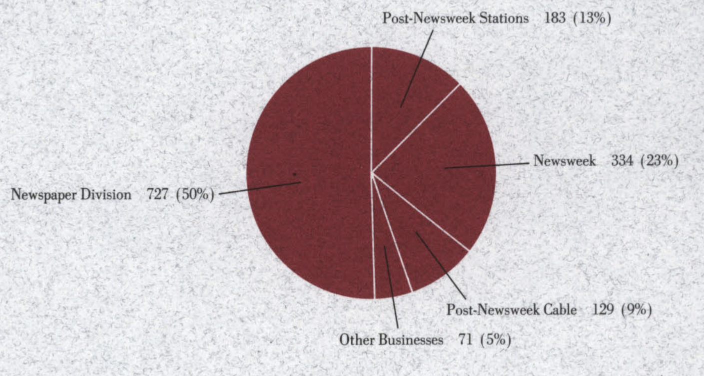
Bear Island Paper Company (one-third limited partnership interest)—a newsprint manufacturer in Doswell, Virginia.

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

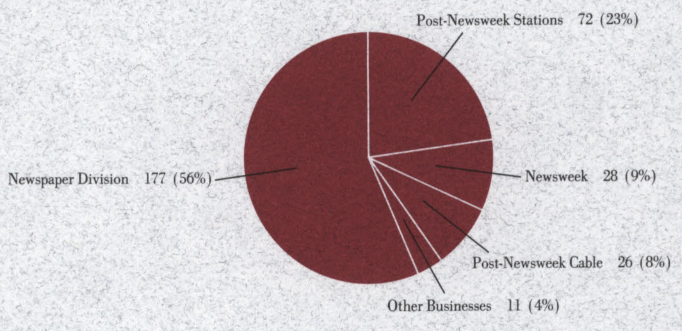
International Herald Tribune, S.A. (33 1/3 percent of common stock)—a daily newspaper published in Paris, France. In 1989 the International Herald Tribune had an average daily paid circulation of more than 182,000 in 164 countries, served from printing sites in Paris, Zurich, London, Marseilles, The Hague, Singapore, Hong Kong, Tokyo, Rome, Frankfurt and New York.

Cowles Media Company (26 percent of common stock)—owner of the Minneapolis Star and Tribune and other smaller properties.

1989 Operating Revenues
($ in millions)



1989 Operating Income
($ in millions)



Board of Directors

Katharine Graham (3)
Chairman of the Board
Chief Executive Officer

Richard D. Simmons (3)
President
Chief Operating Officer

James E. Burke
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
President, Alfred P. Sloan Foundation

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

Nicholas deB. Katzenbach (2)
Attorney

Donald R. Keough (1)
President and Chief Operating Officer
The Coca-Cola Company

Anthony J. F. O'Reilly (2)
Chairman, President and Chief Executive Officer
H.J. Heinz Company

Barbara Scott Preiskel (1)
Attorney

William J. Ruane (1, 3)
Chairman of the Board, Ruane, Cunniff & Co., Inc.

George W. Wilson (2)
President, Concord (N.H.) Monitor

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

Other Company Officers

Joel Chaseman
Vice President

Diana M. Daniels
Vice President and General Counsel

Alan R. Finberg
Vice President and Secretary

Ross F. Hamachek
Vice President-Planning and Development

Leonade D. Jones
Treasurer

Beverly R. Keil
Vice President-Human Resources

Guyon Knight
Vice President-Corporate Communications

John B. Morse, Jr.
Vice President-Finance

Alan G. Spoon
Vice President

Howard E. Wall
Vice President

Stock Trading

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

Stock Transfer Agents and Registrar

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

The Riggs National Bank of Washington, DC
Corporate Trust Division
Post Office Box 2651
Washington, DC 20013

Shareholder Inquiries

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

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, DC 20071.

Annual Meeting

The annual meeting of stockholders will be held on Thursday, May 10, 1990, at 9:00 a.m., at The Washington Post Company, 9th floor, 1150 15th Street, N.W., Washington, DC.

Common Stock Prices and Dividends

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

	1989		1988	
Quarter	High	Low	High	Low
January-March	$221	$204	$229	$187
April-June	283	212	229	204
July-September	298	266	206	187
October-December	311	250	216	190

During 1989 the company repurchased 389,427 outstanding shares of Class B common stock in unsolicited transactions at prices no higher than the last sale price on the American Stock Exchange. Of the total shares repurchased in 1989, 282,340 shares were included in trading volume reported on that year's consolidated tape and accounted for 17 percent of such volume.

Both classes of common stock participate equally as to dividends. Quarterly dividends were paid at the rate of 46 cents per share in 1989 and 39 cents per share in 1988. At February 21, 1990, there were 24 Class A and 1,874 Class B shareholders of record.

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The Washington Post Company
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Washington, D.C. 20071