The Washington Post Company Annual Report 1980

Newspaper Division
The Washington Post
Washington, D.C.
The Trenton Times
Trenton, New Jersey
The Everett Herald
Everett, Washington
Robinson Terminal Warehouse Corporation
Alexandria, Virginia
(92 percent ownership)
Newsprint warehousing
The Washington Post Writers Group
Washington, D.C.
Newspaper feature syndication and other publications

Magazine and Book Division
Newsweek
Newsweek International Editions
Inside Sports
Newsweek Books
Newsweek Broadcasting

Broadcast Division
Television Stations
WDIV
Detroit, Michigan (NBC affiliate)
WJXT
Jacksonville, Florida (CBS affiliate)
WPLG
Miami, Florida (ABC affiliate)
WFSB
Hartford, Connecticut (CBS affiliate)
Top Market Television
National TV sales representative
Post-Newsweek Productions
Production of video programming
Post-Newsweek Distribution
Distribution of video programming

Affiliates
Bowater Mersey Paper Company Limited
Liverpool, Nova Scotia
(49 percent of common stock)
Newsprint manufacturing
International Herald Tribune, S.A.
Paris, France
(30 percent of common stock)
Newspaper publishing
Los Angeles Times—Washington Post News Service, Inc.
(50 percent of common stock)
Bear Island Paper Company
Doswell, Virginia
(30 percent interest in joint venture)
Newsprint manufacturing
Publishers Phototype, Inc.
Carlstadt, New Jersey
(24 percent of common stock)
Electronic photocomposition

Financial Highlights

(In thousands, except per share amounts)	1980	1979	% Change
Operating revenues	$659,535	$593,262	+11%
Income			
Before special charge for 1979*	$ 34,335	$ 42,999	−20%
Net income after special charge for 1979*	$ 34,335	$ 29,468	+17%
Earnings per share			
Before special charge for 1979*	$ 2.44	$ 2.75	−11%
After special charge for 1979*	$ 2.44	$ 1.89	+29%
Dividends per share	$ .44	$ .36	+22%
Shareholders' equity per share	$ 13.40	$ 11.56	+16%
Average number of common and common equivalent shares outstanding	14,068	15,609	−10%

*The special charge represents the cumulative effect on years prior to 1979 of the change in method of accounting for magazine subscription procurement costs.

Contents

Financial Highlights 1
To Our Shareholders 2
Review of Operations—
Newspaper Division 4
Magazine and Book Division 11
Broadcast Division 16
Lines of Business 21
Common Stock Prices and Dividends—1980 21
Management's Discussion and Analysis of Results of Operations and Financial Condition 22
Consolidated Balance Sheets 24
Consolidated Statements of Income 26
Consolidated Statements of Changes in Financial Position 27
Consolidated Statements of Changes in Shareholders' Equity 28
Report of Independent Accountants 28
Notes to Consolidated Financial Statements 29
Five-Year Summary of Selected Financial Data 40
Corporate Directory 41

The year 1980 turned out to be a reasonably good one for The Washington Post Company, even though we experienced our share of growing pains.

We pressed ahead with several major projects, fully recognizing that they would significantly reduce earnings in a recessionary year, because we felt they were right for the long-range development of our business. As a result, our income for 1980 was down from 1979. Nevertheless, we still managed to wind up 1980 with income of $34.3 million, or $2.44 per share, while laying the foundation for increased earnings in the future.

At The Washington Post, we successfully introduced one of the most advanced newsroom video display systems in the industry. Simultaneously, we completed and began printing newspapers at our new $68 million satellite plant in suburban Virginia. Both should enable us to better serve Post readers in the decade ahead, and make possible continued circulation and advertising gains.

At Newsweek, we launched a new monthly magazine, Inside Sports. This was the first start-up of its kind in our company's history, and the loss of $12 million was larger than we had originally projected. But I am enormously proud of the editorial content of Inside Sports—which presents journalism very much in the Post/Newsweek tradition—and at year's end both circulation and advertising were improving.

In the Broadcast Division, we moved ahead with two new ventures. Post-Newsweek Productions became a full-fledged operating subsidiary and a Post-Newsweek distribution unit was created as part of our expansion of activities in the television programming area. These operations not only represent a new source of quality programs for our four television stations, but also could become important profit centers as demand for new programming increases in the 1980s.

In each of our divisions, we invested during the past year in projects, products and facilities that we feel are important to The Washington Post Company's development. But while revenues for 1980 were $659.5 million, up 11 percent over 1979 revenues of $593.3 million, net income declined, in large part as a result of the substantial first-year loss of Inside Sports and the added depreciation and other operating expenses connected with the Post's new satellite plant.

Our 1980 earnings were down $8.7 million from the company's 1979 income of $43 million, or $2.75 a share. (A special charge, reflecting a change in 1979 in the method of accounting for magazine subscription costs at Newsweek and explained in last year's annual report, further reduced reported 1979 earnings to $29.5 million, or $1.89 a share. The pre-charge numbers are used here, however, because they offer a better comparison of our company's performance.)

The company's 1980 rate of return on equity, even with the developmental spending, remained at 20 percent —a level that for the past decade has been among the best in the industry. Our margin on sales, however, was down in 1980. We intend to rebuild our profit margin in the years ahead.

We feel it is important, however, to continue to invest in projects that will ensure the continued growth of our company and enhance its long-term earning power. To that end, our plans for 1981 include:

☐ Capital investment of an additional $10 million at The Washington Post to complete modernization of the newspaper's downtown presses.

☐ Launch of a Sunday newspaper by the Everett Herald.

☐ Increasing the subscription circulation level of Inside Sports.

☐ Production of several television series which at the end of 1980 were in the pilot stage.

☐ Completion of a new $13 million broadcast center for Detroit television station WDIV.

Some of these projects will obviously affect 1981 earnings, but developmental spending should not reduce our income as much as it did in 1980.

We also are looking for a better performance in 1981 from Bear Island Paper Company, in which we are a 30 percent limited partner. Through much of 1980 the new Bear Island newsprint mill, located in Doswell, Virginia, struggled with the kind of start-up problems often associated with these plants. Our share of its losses reduced our income from affiliates from $3 million in 1979 to $700,000 in 1980.

Our company's commitment to journalistic excellence was never more evident than in our coverage of the major stories that captured the nation's attention in 1980. The Washington Post and Newsweek both distinguished themselves with their coverage of the political campaigns, and Post-Newsweek Stations won accolades for its live satellite reports to our four television stations from the Republican and Democratic National Conventions.

These efforts reaffirmed our belief that constantly striving to improve the quality of our news and editorial product makes good business sense, even as it fulfills our societal obligations. The Post recorded new single-issue circulation highs with its coverage of the 1980 presidential election.

In all three divisions, revenues for the year climbed to record levels. In the Newspaper Division, revenues in 1980 rose 14 percent to $311.3 million from $272.6 million in 1979. The Washington Post strengthened its position as the largest daily newspaper not only in the District of Columbia, but also in the neighboring states of Virginia and Maryland. Circulation for the six months ending September 30, 1980, rose to 584,500 daily and to 820,452 Sunday. The Post again increased its share of total Washington newspaper advertising linage in 1980, and carried over 100 million lines.

In Everett, Washington, efforts focused during the year on preparations to launch a new Sunday edition early in 1981. Circulation of the Herald for the six months ending September 30, 1980, rose to 61,000. We also appeared at year's end to be rebounding from a variety of problems that affected the Trenton Times during 1980. Troubles in the circulation department during the year resulted in a cutback in circulation to 67,500 daily and 77,800 Sunday for the six months ending September 30, 1980, but there were encouraging signs that suggest we have found a mix of community and regional news that is right for the Trenton market.

Magazine Division revenues also increased in 1980 to $267.8 million, a gain of 8 percent. However, troubled national economic conditions were reflected in a decline in the number of advertising pages carried by Newsweek. While Newsweek's share of field in the weekly news magazine market remained stable, the domestic edition in 1980 carried 3,098 advertising pages, a decline from the record 3,410 carried in 1979.

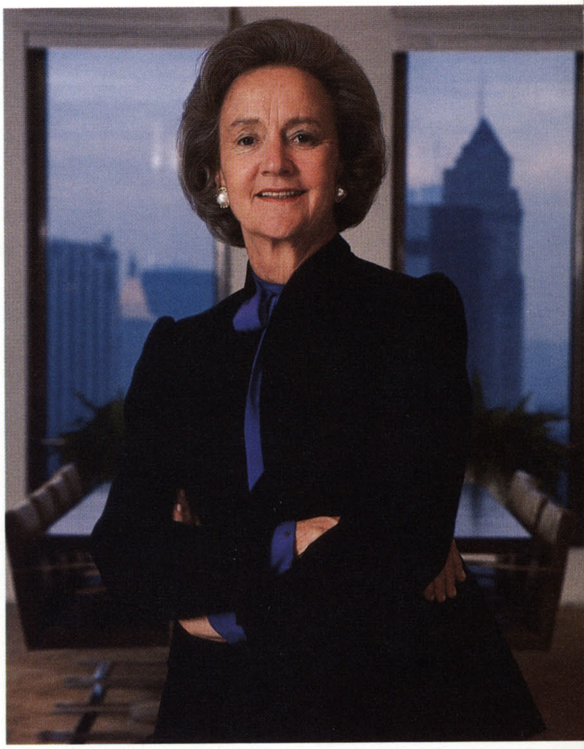
Recessionary conditions were also felt overseas, and Newsweek International had a drop of 170 advertising pages in its Atlantic and Pacific editions to 2,104. However, the Latin American edition of Newsweek International was up 95 pages in 1980 to 451. The domestic edition of Newsweek increased its circulation rate base in 1980 by 50,000 to 2,950,000 and the combined rate base for the three Newsweek International editions was raised by 27,000 to 517,000.

In the Broadcast Division, revenues were up 11 percent to $80.5 million. Our two northern stations, WDIV in Detroit and WFSB in Hartford, were more affected by adverse economic conditions than our two Florida stations, WJXT in Jacksonville and WPLG in Miami. All four stations continued to invest in local news and public affairs programming in the belief that this will become the company's strong suit in the increasingly competitive communications arena of the 1980s. WFSB, despite fragmentation of its market, remained number one in news in Southern New England at year's end. WDIV, with significantly strengthened programming, is in a position to make major gains in 1981. WJXT in Jacksonville continued to dominate its market, and WPLG in Miami extended its lead among young adult audiences in South Florida.

Mark Meagher, president and chief operating officer of the company, decided during the year to leave at the end of 1980. We were all pleased that Mark agreed to remain a member of the board of directors, where we will continue to have the benefit of his experience and wisdom. While the search for a successor takes place, I am being assisted in operating the company by a management group that includes the division heads and senior corporate officers.

In January of 1981 the company increased the annual dividend on its Class A and Class B common stock to 50 cents per share from the 44 cents paid in 1980. This reflects our confidence in both the short-range and long-term prospects for the company, despite continuing uncertainties over the course of the nation's economy.

Business conditions and advertising sales were sluggish early in 1981, and that will be reflected in our financial results for the first quarter. Our basic businesses, however, are in excellent shape, and if national economic conditions improve I think 1981 could yet be a good year for the company.



Finally, I want to express my gratitude to the people who work for the company across the country and around the world. They *are* The Washington Post Company, and have built the tradition of excellence in which lies our future.

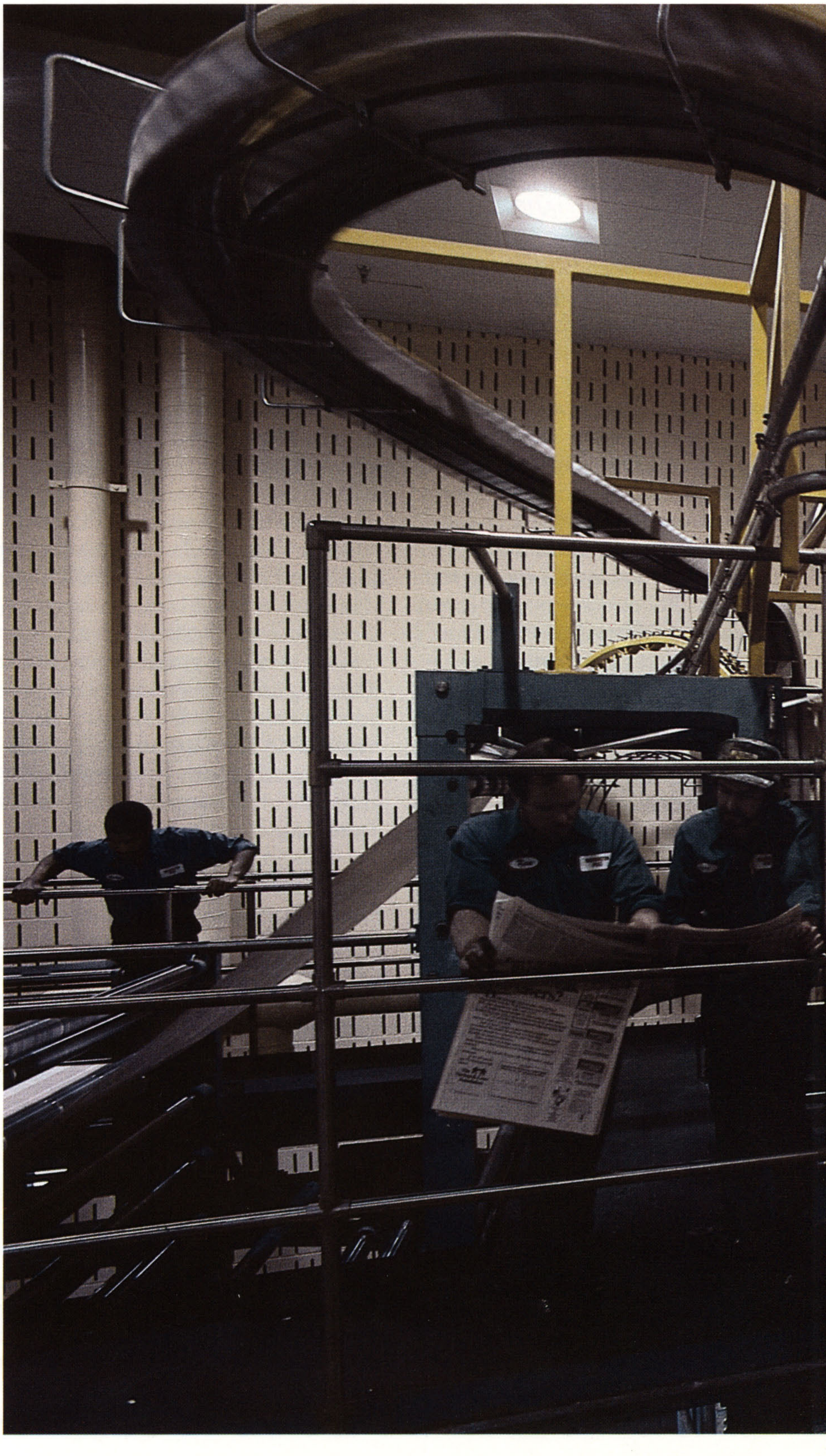
Katharine Graham

Katharine Graham
Chairman of the Board

February 25, 1981

The Washington Post entered a new technological era in 1980. Reporters and editors began writing and editing stories on one of the world's most advanced newsroom video display terminal systems. Laser and microwave technology were introduced to transmit page images from the downtown Washington plant to a new satellite printing facility in suburban Springfield, Virginia. There, three new offset presses and state-of-the-art equipment produced more attractive papers—containing later news and sharper pictures—for Washington Post readers.

Partially as a result of these changes, circulation rose again to a record high and the Post continued to have the highest household penetration of any major metropolitan newspaper in the United States. The Washington Post also sold more than 100 million lines of advertising in 1980—a slight gain over 1979—and published more than two million classified advertisements, expanding its position as the leading advertising medium in the metropolitan Washington area.



A year of advancement: The Washington Post's new satellite printing plant in Springfield, Va., uses microwave page image transmission, laser platemaking and remotely controlled offset presses to produce newspapers of improved quality for Post readers. Here, high-speed conveyors channel papers from one of the three presses to an automated distribution system.

Marketing support: Post promotion director Mary Ann Tortorello and members of her staff review one of her department's many projects supporting advertising, circulation and news.

During the year the paper opened news bureaus in Atlanta and Mexico City, and made plans to open additional bureaus in 1981 in Warsaw and Bangkok.

The pages of the paper featured coverage of a number of ongoing stories during an unusually active news year. Among the highlights of the foreign news reported during 1980 were the coverage of Iran and the hostage crisis, the Iran-Iraq war, the Polish situation, and China.

There were also many probing and poignant series closer to home. The George Polk Award for national reporting went to Jonathan Neumann and Ted Gup for their exposé of federal contracting practices. Stories on life among the down-and-out in the Washington area by Neil Henry and on Jimmy, an 8-year-old heroin addict, by Janet Cooke had a major impact on the community.

The biggest single news innovation in 1980 was the launching of Washington Business, the highly successful Monday financial section featuring news about business in the Washington metropolitan area. In addition to providing extensive new coverage of the area economic scene for Post readers, the section was an immediate hit with advertisers. Advertising revenue from this new section topped estimates by more than 120 percent.

The ability of the paper to better serve its readers was greatly enhanced by completion of the Springfield satellite printing plant and installation of the new Rayedit news and editorial production system.

The $68 million facility in Springfield, which was dedicated on November 12, was completed on schedule in 16 months. The building, located just off Interstate 495, houses two Goss offset presses and one TKS offset press.

The Post in 1980 installed a front-end, cold-type production system in the news and editorial departments. That system, developed by the Post and Raytheon Corporation, has 260 terminals for writers and editors, and enables them to perform a variety of editorial functions electronically.

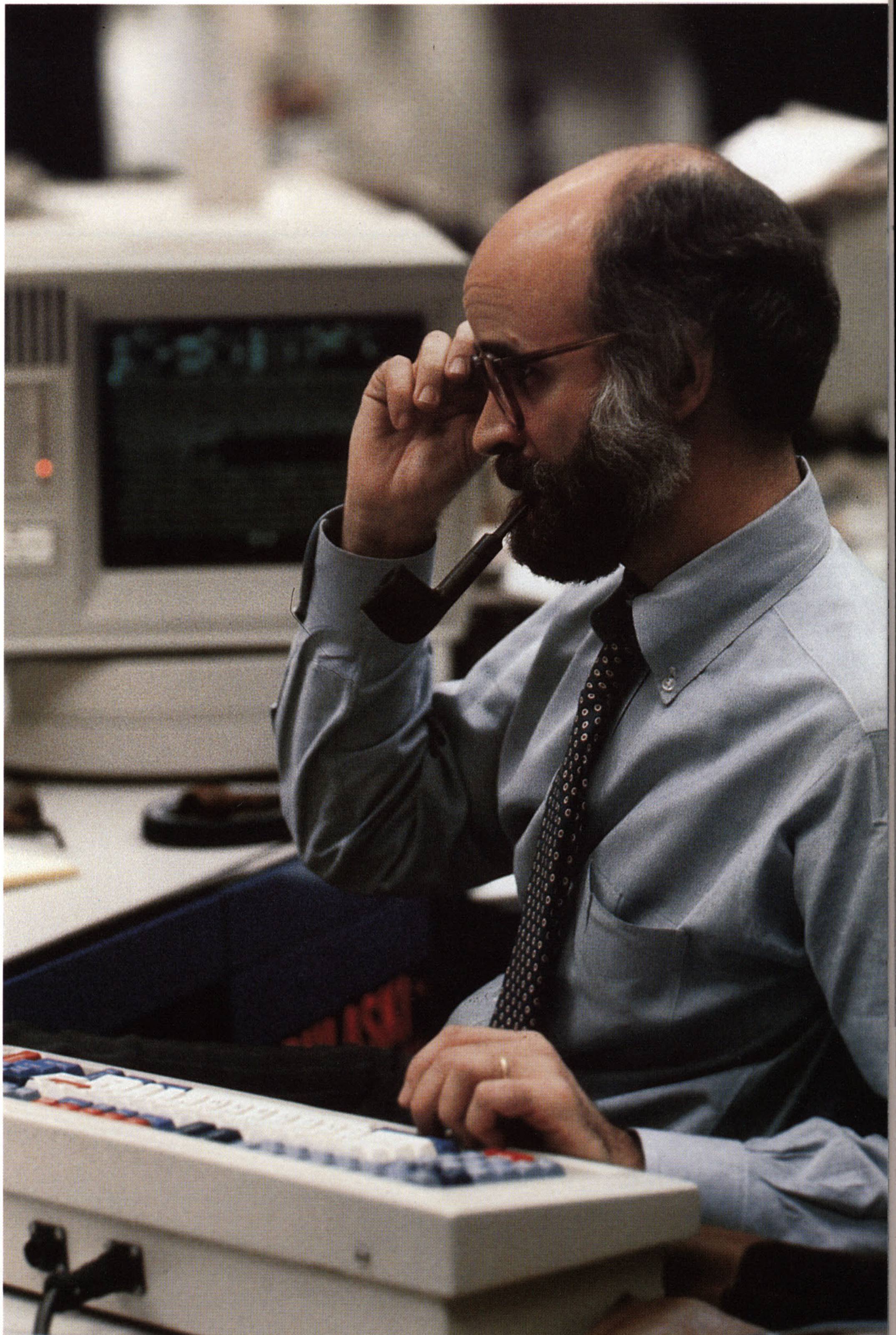
The newspaper continued in 1980 to be a good citizen of the metropolitan Washington community. The Post supported a school reading program in the District of Columbia—a program that produced significant improvement in the reading scores of a pilot group of children—by providing consulting services, teacher training, textbooks and 14,000 copies of the newspaper. The program was so successful that it was expanded in the 1980-1981 school year.

In Everett, Washington, the Herald introduced major technological changes and expanded its facilities to prepare for the launch of a new Sunday edition on April 5, 1981.

A new front-end production system was installed to alleviate problems caused by the increased size of the paper and circulation gains. Planning was also under way to increase press capacity in the near future.

More than 3,600 square feet of space was added to the Everett building, and the news, advertising, circulation and accounting departments in Everett and Lynnwood underwent complete remodeling.

At the same time, the Herald continued its pursuit of journalistic excellence and increased its involvement in community and civic activities. The Today's Living section was named the best section of its type in the country by the National Federation of Press Women. One of the Herald's special public service activities was a pre-election tabloid section published in cooperation with the League of Women Voters.



A new technological era: Assistant Virginia editor Phil Smith edits a story on a video display terminal. The newsroom completed its conversion to the advanced production system in 1980.

A commitment to excellence: Tom Shales, Post television critic. The Washington Post Writers Group syndicates Shales' three-times-a-week column to more than 100 newspapers.

Ad linage tops 100 million mark: Advertising's Royston De Souza supervises production of a Washington Post special advertising section.

The newspaper also produced a book during 1980 on the eruption of Mount St. Helens. While the volcano is far outside the Herald's circulation area, the newspaper's coverage attracted national attention and the book sold about 60,000 copies.

The Trenton Times was redesigned in 1980 to place more emphasis on local news and features. Larry Kramer moved from The Washington Post to become executive editor and vice president of the Times, and led the newspaper through a redesign process which involved launching several new sections, including two Food sections and a leisure magazine called "Good Times." New local features were introduced, including a daily full-page bulletin board section called "Making the Rounds," a locally written daily soap opera, and an expanded daily local business section.

The news department, meanwhile, maintained its tradition of excellence in investigative reporting, coming up with exclusive stories on Abscam and problems in the Atlantic City casinos.

The Times staff also swept the New Jersey Press Association's annual awards, winning four first prizes

Covering the news: The awesome destruction caused by the eruption of Mount St. Helens in Washington State, captured here by Everett Herald photographer Christopher Dorst, was one of the year's major news stories.

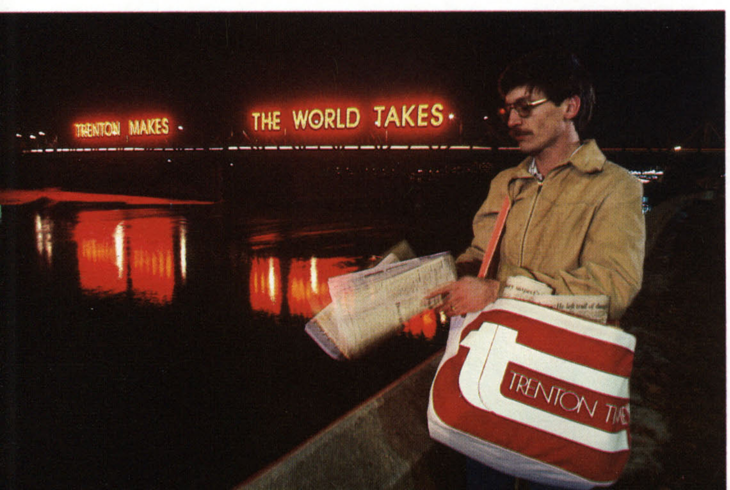
and placing in 18 other categories. The paper increased its ties with the community in 1980 by leading a drive to rebuild and illuminate a local landmark, the "Trenton Makes, The World Takes" sign on a bridge spanning the Delaware River. The drive raised $40,000 and culminated in an emotional sign-lighting ceremony.

Robinson Terminal Warehouse Corporation had another excellent year. The Alexandria, Virginia, newsprint handling and storage subsidiary serves about 40 customers in the Washington-Baltimore area.

The International Herald Tribune, in which The Washington Post Company has a 30 percent interest, continued its growth in 1980 and, with the September launch of an Asian edition, became the first newspaper to print simultaneously on two continents. Page images made up at the paper's editorial and production offices in Paris are transmitted by satellite to Hong Kong, making possible same-day delivery of the newspaper to most of Asia at greatly reduced cost to subscribers. Readers in Asia welcomed the paper warmly and paid circulation went over the 10,000 mark just three months after publication began in Hong Kong.

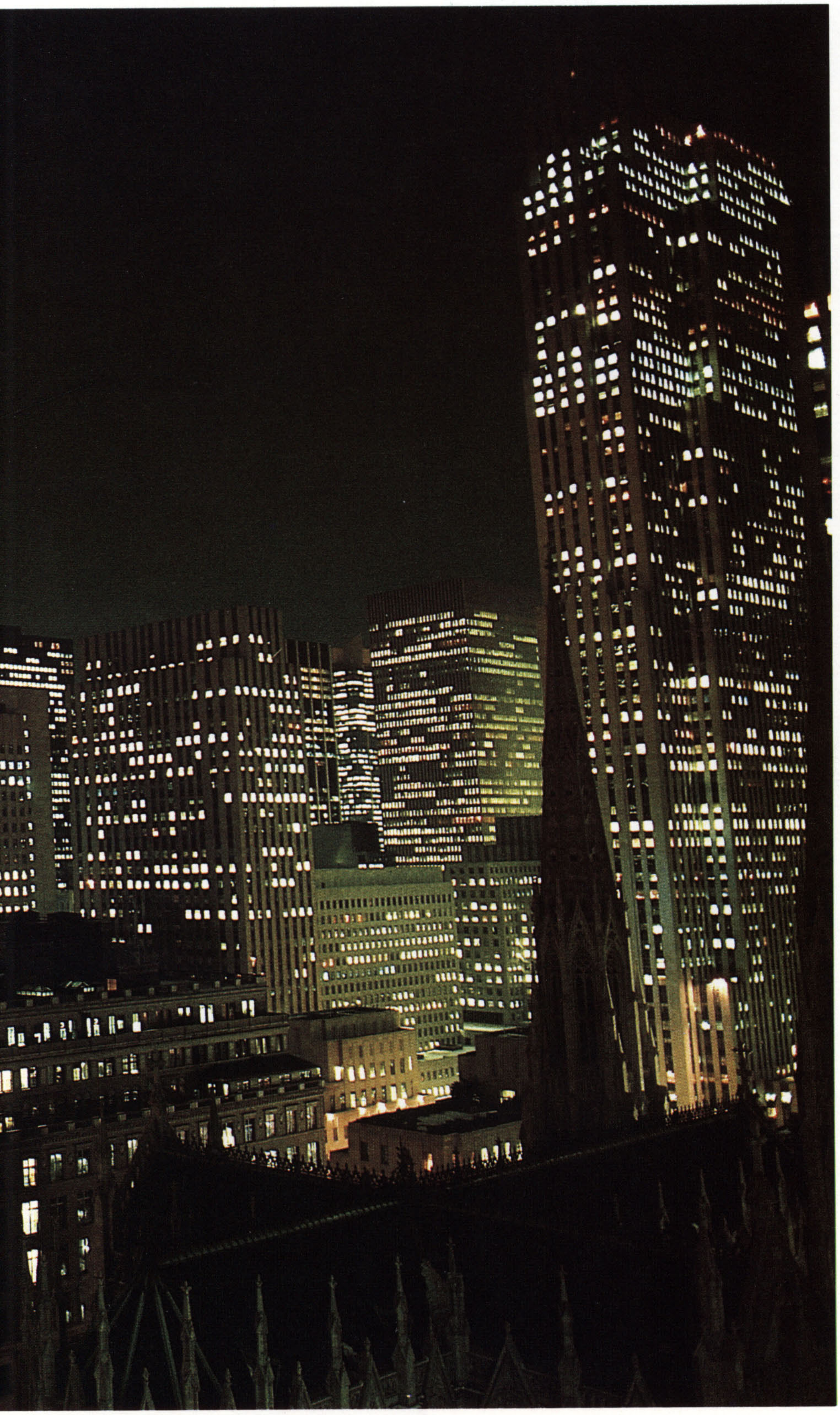
The Washington Post Writers Group had another good year. One of its top columnists, Ellen Goodman of the Boston Globe, won the Pulitzer Prize for distinguished commentary. Her column has been syndicated nationally by the Group for the past five years.

Further enhancing The Washington Post's national and international reputation was the Los Angeles Times/Washington Post News Service. The service upgraded its computer communications system in 1980 and added new subscribers in Zurich, Tokyo, Singapore and Kuala Lumpur.



Strengthening community ties: The "Trenton Makes, The World Takes" sign is relighted after a successful fund-raising drive led by the Trenton Times.


Newsweek
Newsweek



The Magazine and Book Division's revenues and income were affected in 1980 by the start-up costs of Inside Sports and the dual impact of recession and inflation.

The number of advertising pages carried in Newsweek's domestic edition was off 9 percent. The magazine maintained its share of advertising in the news weekly field, however, and price increases enabled it to boost gross advertising revenue to $175 million. The number of advertising pages carried in Newsweek International in 1980 was off 3 percent.

Both the domestic and international editions of Newsweek increased their rate bases in 1980, and Newsweek reversed a two-year downturn in U.S. newsstand sales that has affected much of the magazine industry. Eight Newsweek issues in 1980 registered newsstand sales of over 300,000 copies, compared to only two in 1979. Revenues from Newsweek's domestic and international magazine circulation increased to $95.4 million in 1980 from $89.7 million in 1979.

Newsweek: A distinguished name shines above the Manhattan cityscape.

Later news: Advances in production and distribution technology permit insertion of more late-breaking news stories in the magazine. Here, Newsweek editors review last-minute copy changes.

One of the largest-selling issues of the year was the special election issue, dated November 17, which covered Ronald Reagan's victory. Through a massive effort by the editorial, manufacturing/distribution and circulation staffs—employing the latest in production and distribution technology—the issue was completed within 15 hours of the closing of the polls in the East on November 4. It featured four late-closing color photos taken on Election Day in the West and developed in an airborne photo lab. The jet carrying the lab landed in New Jersey the following morning and, after color separations were made, the photos were transmitted via satellite to the magazine's six U.S. printing plants by 3 p.m. Wednesday, November 5, just four hours before the presses began to roll. This electronic capability is the culmination of a 15-month joint effort by Newsweek, Inc., and Information International, Inc., of Culver City, California, to computer-capture, store and transmit editorial color photographs.

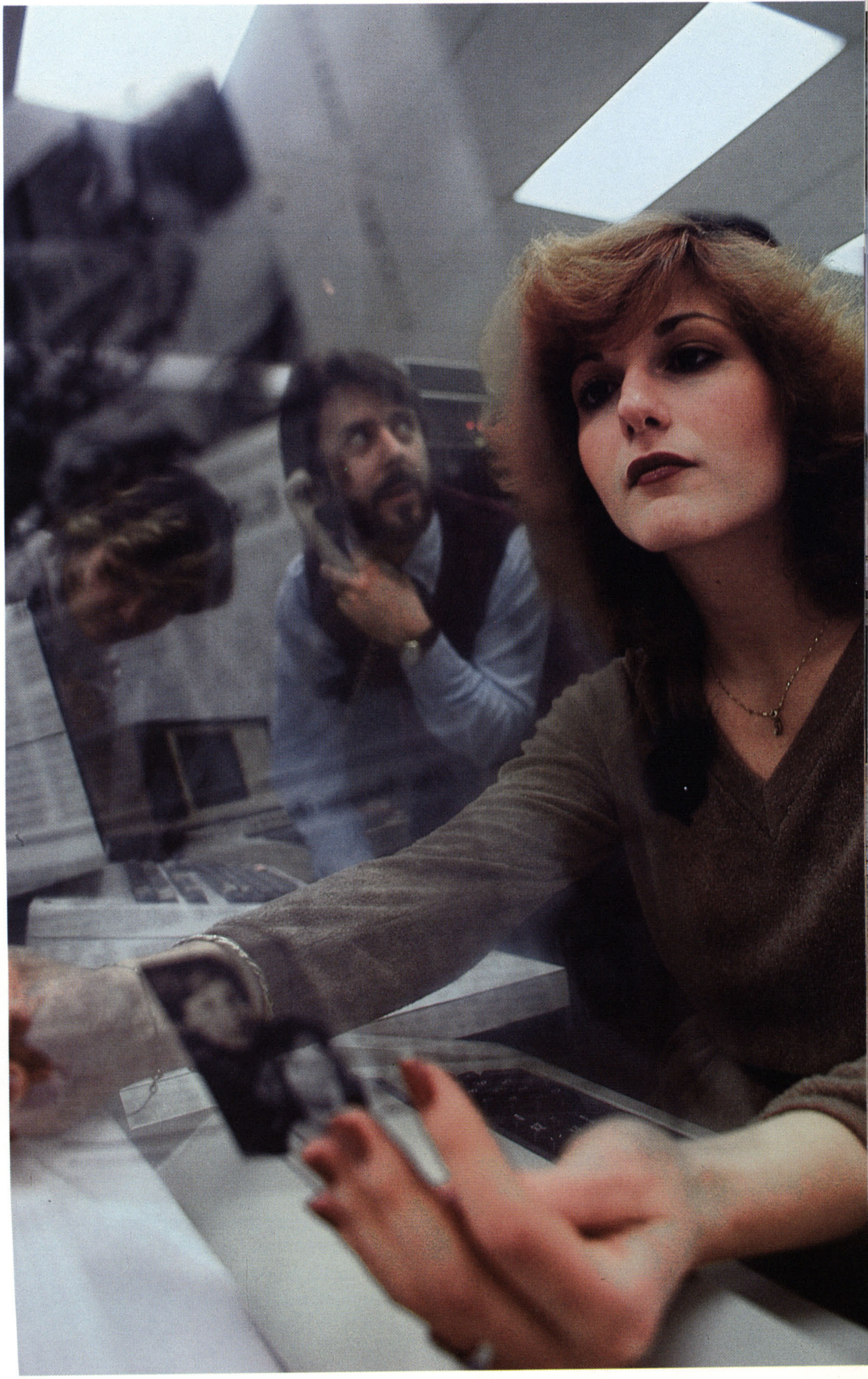
The largest-selling issue of the domestic edition in 1980—and one of the top ten sellers in Newsweek's history—was the December 22 cover on

John Lennon. The largest-selling issue of Newsweek International was the January 7 cover, "Year of Upheaval."

In 1980 Newsweek garnered 34 journalistic awards for its stories, photos, art and design from the National Magazine Awards, the Overseas Press Club of America, the National Headliners, the White House Correspondents Association, the White House News Photographers Association, the Aviation/Space Writers Association, the Amos Tuck Media Awards, Women in Communications, Inc., and the National Mental Health Association. Since 1962, the magazine has won 334 awards, more than half of which have been received in the past five years.

Newsweek opened an advertising sales office for its U.S. editions in Tokyo in 1980 as part of an effort to attract more international advertising. The magazine also opened a news bureau in the People's Republic of China in April.

Inside Sports—the first new magazine launched by Newsweek, Inc., in its 47-year history—began regular publication in April, and quickly earned a reputation as the quality monthly magazine in the sports field. It also became a showcase for many of the nation's top writers. The April charter issue carried articles by novelist Mordecai Richler and Pulitzer Prize winner David Halberstam, as well as by attorney F. Lee Bailey and former major league pitcher Jim Bouton. Subsequent issues have included pieces by Willie Morris, Frederick Exley, Studs Terkel, Dick Young and Tom Boswell.



Satellite transmission: An employee at Publishers Phototype in New Jersey readies an electronically typeset full-page film for transmission to printing plants.

Improved distribution schedules: With six printing facilities around the country, Newsweek is able to have nearly a third of its circulation available for distribution by 8 p.m. each Sunday.

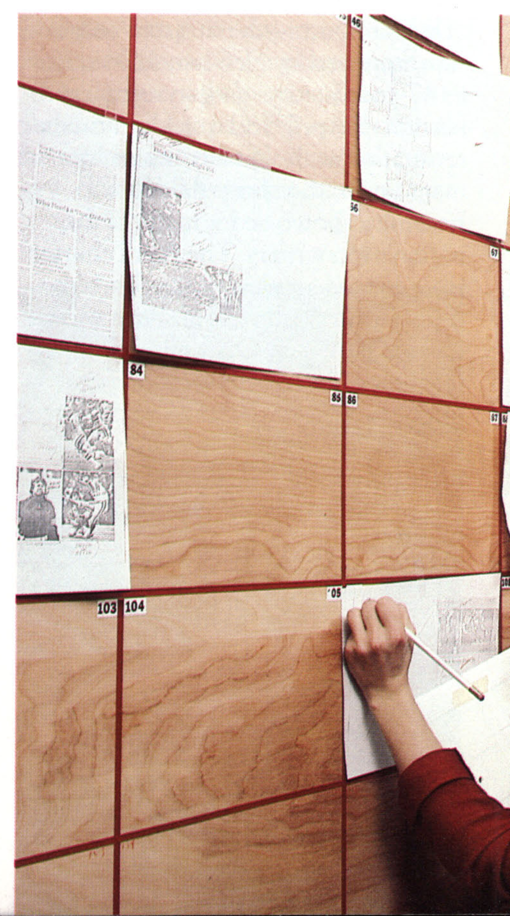
Electronic capability: Electronically-stored pictures are called up on a video display terminal to check color register.

By late in the year Inside Sports had moved into the top 10 percent of all magazines in newsstand sales. At about the same time, Inside Sports announced it was increasing its 500,000 circulation rate base to 550,000 as of April 1981. Circulation prospects were given a further boost with the December announcement that The Southland Corp. had agreed to place Inside Sports on check-out counters in its nationwide 7-Eleven stores. The unsettled economy had some effect on Inside Sports' advertising and circulation sales and this, together with the decision to place increased emphasis on subscription sales, resulted in higher than anticipated first-year losses. In the fall, a readership survey showed Inside Sports with more than three million readers per issue and a decidedly upscale demographic profile.

Major advances in technology during the year allowed Newsweek and Newsweek International to improve their distribution schedules and get even more late-breaking news and photos into the magazines. For the domestic edition, satellite transmission of editorial material was extended to all printing plants. Laser scanning and satellite transmission of four-color editorial photos allowed Newsweek to insert pictures as late as Saturday evening into the following Monday's issues. This represents the fastest system in use by any magazine. The new technology also improved delivery schedules to newsstands, allowing the magazine to reach 65 percent of all domestic newsstands on Monday and 90 percent by Tuesday.

Newsweek International began satellite transmission of editorial material to Hong Kong in mid-1980. Sending late closing editorial pages via satellite instead of jet, Newsweek cut a full day from the Pacific edition's distribution schedule in Hong Kong, putting the magazine on newsstands early Monday morning. Newsweek International will install a similar system in the Atlantic region in 1981. Plans for consolidating all Atlantic edition production operations in Zurich, Switzerland, should also be completed in 1981.

Newsweek Broadcasting's news inserts—the Feature Service, Today's Woman and Cartoon-A-Torial—continued to receive strong support in the marketplace. A pilot of a children's program "Periscope," won a certificate of merit at the Chicago Film Festival.



Newsweek Books will concentrate on its Great Museums and Wonders of Man series in 1981. In 1980 the nineteenth volume in the Wonders of Man series, Mecca, was successfully distributed and represented the first new title in the series since 1974. Two Great Museums books were also published, bringing to 22 the total number of titles in that series.

The Magazine and Book Division fulfilled its public service responsibilities during 1980 by providing more than $1.3 million worth of advertising space in Newsweek magazine to non-profit organizations. The division also provided speakers from both editorial and business staffs for appearances before various public and private organizations and made contributions to non-profit groups in the arts, communications, human services, community affairs and education.

A new magazine is launched: Editor John Walsh confers with his colleagues at Inside Sports.

The magazine takes shape: Spread by spread a new issue comes together on the Newsweek layout wall.

The Broadcast Division's four television stations increased revenues and consolidated audience position in 1980.

In Miami WPLG enhanced its reputation for local programming with its superb coverage of the Haitian and Cuban refugees, summer riots and drug smuggling. The station won an unprecedented 18 out of 53 Florida Emmy awards. WPLG also won more United Press International awards for news and editorials than any other station in South Florida. Action for Children's Television honored WPLG's "Arthur & Co." for children's programming and the National Press Photographers Association recognized "The Ballad of Arthur McDuffie," a photographic essay.

This kind of topical programming, added to WPLG's solid schedule of entertainment, attracted growing numbers of viewers, and the station strengthened its lead in the South Florida television market among young adult audiences. The station's news promotion campaign, "The One and Only," won the Gold award at the New York International Film and Television Festival.

In Jacksonville, WJXT continued to be Northeast Florida's and Southeast Georgia's strongest television station, delivering an average 42 percent sign-on to sign-off share of the audience. WJXT's local programming strength was reflected in the figures for its 6 p.m. Eyewitness News. In a year that

Investing in local programming: The Broadcast Division's four television stations continue to strengthen their market positions with increased emphasis on local news and public affairs programming. Here, a WPLG remote crew on location in Miami.

(Top)
Contributing to profitability: The post-production center of the new WJXT/Jacksonville Productions, which produces local television commercials.

(Above)
New initiatives in programming: Detroit psychologist Dr. Sonya Friedman headlines "Sonya," a new discussion show produced by WDIV/Detroit.

saw Tom Wills and Deborah Gianoulis succeed WJXT's remarkable anchorman Bill Grove, the show averaged an astonishing 59 percent share of the audience. Grove, for 27 years North Florida's most respected reporter, continues as WJXT's vice president-news and public affairs and will be increasingly active in the station's editorial and community programming.

WJXT's accomplishments were achieved in the face of a changing and more diversified marketplace as additional UHF stations came on the air. WJXT led its division in Florida United Press International awards and added three Florida Emmys to numerous state, local and national awards. The station marked its 30th anniversary of service to the community with a variety of projects that included support of the Florida Special Olympics.

One of the station's major accomplishments in 1980 was the creation of WJXT Productions as a center for video production and post-production editing and duplication. WJXT Productions will assist advertisers, agencies and other producers and is expected to enhance the station's productivity and contribute to profitability both as a separate unit and as an aid to the sale of commercial time.

At WDIV, Detroit, the station's emphasis on achieving a younger demographic profile was successful and audience figures generally improved, although the division's only NBC station remained third in ratings in the Detroit market. Popular local meteorologist Mal Sillars and Ben Frazier, previously an anchorman with the Jacksonville station, joined the news anchor team of Mort Crim, Jennifer Moore and Al Ackerman. A greatly strengthened reporting staff supported the total effort. Program investments in the late afternoon comedy block and early evening games hour continued to attract the young family audience so long missing from the channel.

WDIV won national and local acclaim for outstanding coverage of the Republican National Convention in Detroit. The station won awards in 1980 for news, editorial commentary, investigative reporting, special events and promotion. "Go Tell It," produced by WDIV, received the Communications Excellence to Black Audiences award of excellence. The station also launched a promotional campaign — "Go 4 It" — which included an original musical theme that became a local popular music hit as recorded by Phoebe Snow.

In October WDIV broke ground for its new 81,000 square-foot television center in downtown Detroit. Scheduled for completion in early 1982, the new facility will house state-of-the-art production equipment and emphasize energy conservation by recapturing and redistributing heat generated by equipment and lights.

During 1980 WFSB, Hartford, maintained its number one position in news in Southern New England.

Journalistic awards included recognition for coverage of spot news, political reporting, features and editing. Special events and programs were highlighted by a probing look at working women, children in organized athletics and a 20-hour-plus Muscular Dystrophy Telethon.

WFSB formed a new commercial production facility which is capable of producing commercials equal in quality to the major production outlets in Boston and New York. WFSB also generated increases in local revenue as the new competitive realities dictated some redefinition and repositioning of the station's unique strengths in its complicated Southern New England marketplace.

The station, in recognition of its public service commitment to the area, increased the number and quality of locally produced community announcements to a point where more than two-thirds of such programming is produced by the station on behalf of local organizations. WFSB provided talent from its P.M. Magazine program to produce and host the region's United Way Appeal program.

Award-winning local news coverage: A WPLG/Miami team prepares to tape a story.

Strengthening audience position: Dick Weisberg, WDIV promotion director, screens "Go 4 It, Detroit" promotion spots.

Number one in ratings: On location at Hartford's Constitution Plaza with WFSB's popular P.M. Magazine, first in the early evening access time period.

In 1980 satellite transmission brought important news coverage to all Post-Newsweek viewers. The four PNS stations broadcast reports directly from the floor of the major political conventions in Detroit and New York. The new PNS Washington Bureau also produced regular satellite reports geared specifically to local and regional developments. New technical facilities now make it possible for the stations to choose easily from a variety of real-time program sources, both local and world-wide.

The Broadcast Division also launched new initiatives in programming and production during 1980.

Reflecting the need for new programming not only by the four Post-Newsweek television stations but also by other stations and media, Post-Newsweek Productions became a separate entity and a Post-Newsweek distribution unit was created.

Among the highlights in the syndication-distribution field:

A daily half-hour interview/discussion program featuring Charlie Rose, former NBC reporter and executive producer of "Bill Moyers' Journal," was launched by Post-Newsweek Productions with WRC-TV, Washington. "The Charlie Rose Show" went into production in January 1981 and is being distributed nationally by the Post-Newsweek distribution unit.

Two quality mainstays of Post-Newsweek public affairs programming continued in successful national syndication—the weekly "Agronsky & Company" from Washington and Ben Hooks' "Go Tell It," six prime-time half hours from WDIV in Detroit.

"Silent Reach," a five-hour dramatization of Osmer White's popular adventure novel, was undertaken as an Australian co-production with AAV-Productions, a subsidiary of the David Syme Company, Ltd., and is planned for American showing in early 1982.

"The Charlie Rose Show": The new talk show, launched by Post-Newsweek Productions with WRC/TV, Washington, is distributed nationally by Post-Newsweek Distribution.

The pilot of a new concept in talk-variety programming, "Hittin' Home" starring performer/songwriter Chuck Woolery, was co-produced with Viacom Enterprises and Michael Krauss Productions in late 1980. "Hittin' Home" is designed for syndication beginning in the fall of 1981.

A daily serial drama, "Young Lives," was developed at year's end by the production unit for possible syndication. Pilot programs were produced in Hollywood during January 1981.

"Sonya," a daily discussion program on WDIV starring psychologist Sonya Friedman, and several children's programs were the subject of continued developmental efforts.

Top Market Television, the national time-sales subsidiary of Post-Newsweek Stations, generated a substantial increase in national advertising billings for the four stations. TMT has added computer capability and a sports sales specialist to take advantage of growing revenue opportunities in this category.

LINES OF BUSINESS

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

Revenues and income from operations of each of the three business segments of the company are shown below. Income from operations of magazine and book publishing activities for years prior to 1979 has been restated to show what such income from operations would have been had the change in method of accounting for magazine subscription procurement costs adopted in 1979 (as discussed in Note B on page 29) been in effect during those years.

As of December 28, 1980, identifiable assets by segment were: newspaper publishing $211 million; magazine and book publishing $73 million; broadcasting $102 million. For additional information relating to lines of business and 1980 operations, see Note L on page 34.

(In thousands)	1980	1979	1978	1977	1976
Revenues					
Newspaper publishing	$311,260	$272,616	$242,070	$198,916	$168,391
Magazine and book publishing	267,809	248,011	214,829	181,797	154,052
Broadcasting	80,466	72,635	63,499	55,389	53,286
Total	$659,535	$593,262	$520,398	$436,102	$375,729
Income from operations					
Newspaper publishing	$ 31,936	$ 35,426	$ 37,867	$ 26,869	$11,836
Magazine and book publishing	11,486	22,563	29,135	22,059	17,167
Broadcasting	22,091	22,432	20,668	17,632	15,765
Total	$ 65,513	$ 80,421	$ 87,670	$ 66,560	$ 44,768

COMMON STOCK PRICES AND DIVIDENDS—1980

The Class A common stock of the company is not publicly traded. The Class B common stock is listed on the American Stock Exchange, where the high and low sales prices during the last two years were as follows:

	1980		1979	
Quarter	High	Low	High	Low
January-March	$20⅞	$15⅞	$26¾	$22
April-June	18⅛	15⅞	25	21⅜
July-September	24⅝	16⅝	25⅝	22¾
October-December	24¾	22	24¾	18¾

During 1980 and 1979 the company repurchased outstanding shares of Class B common stock in unsolicited transactions at prices no higher than the last sale price on the American Stock Exchange. In 1980, 333,720 shares were repurchased, of which 158,000 shares were included in trading volume reported in that year's Consolidated Tape and accounted for 9% of such volume; 1,688,280 shares were repurchased in 1979, of which 1,570,200 shares were included in trading volume reported in that year's Consolidated Tape and accounted for 60% of such volume.

Both classes of common stock participate equally as to dividends. Quarterly dividends were paid at the rate of 11 cents per share in 1980 and 9 cents per share in 1979.

At February 27, 1981 there were 11 Class A and 1,941 Class B shareholders of record.

Results of Operations

In each of the last three years sales of newspaper, magazine and television advertising have accounted for about 72% of the company's operating revenues, with another 25% of revenues derived from newspaper and magazine circulation. Advertising revenues in 1979 increased by $55.5 million (15%), principally reflecting higher rates in the newspaper, magazine and broadcasting divisions and, to a lesser extent, increased volume. In 1980 advertising revenues increased by $44.5 million (10%), mainly due to higher rates, as total newspaper linage remained about even with 1979 while the number of magazine advertising pages declined by about 9 percent. Circulation revenues increased by $16.3 million (12%) in 1979 and an additional $20.4 million (14%) in 1980, mainly due to higher prices. About one percent of combined advertising and circulation revenues for 1980 was contributed by a new magazine, Inside Sports, which started publishing in March of that year. Revenues in 1981, particularly from advertising, are expected to continue to be responsive to national and local economic conditions.

Operating expenses increased in 1979 by $81.6 million (19%) and in 1980 by $81.2 million (16%), outpacing those years' revenue gains. As a result, income from operations declined in 1979 by $8.8 million (10%) and in 1980 by $14.9 million (19%). Both years' increased operating expenses were caused chiefly by inflationary increases in the costs of materials, wages and services, and by higher volume. Operating expenses in 1979 were also increased by a change in the company's method of accounting for the cost of obtaining magazine subscriptions, which added $9 million to that year's expenses, and by about $2 million of expenditures to develop Inside Sports. In 1980 operating expenses included $20 million of costs incurred by Inside Sports in its first year of publication and $5 million of depreciation and other operating expenses associated with a new Washington Post satellite printing plant that went into service during the fourth quarter of the year.

Inflationary trends are expected to further increase operating expenses in the predictable future. During 1981, for example, wage increases and cost-of-living adjustments contained in collective bargaining agreements will approximate $15 million, and several newsprint price increases have already been announced. In addition, substantial increases in postal rates which might take effect as early as March 1981 could add almost $5 million to the cost of using expedited postal service to deliver Newsweek magazine to subscribers. While the company believes the losses of Inside Sports will be reduced in 1981, that year's expenses associated with the new satellite plant are expected to be higher than in 1980.

The company's equity in earnings of its affiliates declined in both 1979 and 1980, reflecting the losses of Bear Island Paper Company in which the company is a 30 percent limited partner. In 1978 and 1979 Bear Island constructed a newsprint mill, which began operations in December 1979 but which is not expected to operate at designed capacity until 1983. The company's share of the mill's losses was $2.2 million in 1979 and $4.7 million in 1980, but substantial improvements in operating results are expected in 1981.

In 1979 interest income rose substantially due to increases in temporary investments of cash, while interest expense remained about level with the preceding year. In 1980, however, the company both utilized its previously accumulated funds and made substantial borrowings to finance a number of capital expenditures, the major projects being further described below under "Financial Condition." As a result, in 1980 interest income declined by about $2.5 million and interest costs would have risen by about $2 million had that amount of interest (applicable principally to funds borrowed to finance the construction of The Washington Post's satellite printing plant) not been capitalized as required by Statement of Financial Accounting Standards No. 34.

The company's effective income tax rate decreased in 1979 as the result of a statutory reduction in the Federal corporate income tax rate from 48 percent to 46 percent, and decreased further in 1980 as a greater proportion of income was derived from foreign affiliates. The effective rate for 1981 is expected to be near the rate for 1980.

Net income in 1979 declined by $6.7 million (14%) before a special charge of $13.5 million, which reflected the cumulative effect on prior years of the change made in 1979 in the company's method of accounting for the cost of obtaining magazine subscriptions. In 1980 net income declined by $8.7 million (20%) compared to the previous year's net income before the special charge, although it rose by $4.9 million (17%) if the comparison is made to 1979 after that year's special charge.

The company repurchased 1,688,000 shares of its Class B common stock during 1979 and 334,000 shares in the first quarter of 1980, when its repurchase program was concluded. Because most of the 1979 repurchases were made late in the year they did not significantly reduce the weighted average number of shares outstanding during that year; thus after allowing for estimated opportunity costs, that year's stock repurchases increased earnings per share by only about 2 percent in 1979. However, the stock repurchases in 1979 and the additional repurchases made early in 1980 did significantly reduce the weighted average number of shares outstanding during 1980 (as compared to 1979) and, after allowing for estimated opportunity costs, increased 1980 earnings per share by about 5 percent.

Financial Condition: Liquidity and Capital Resources

During the period from 1978 through 1980 the company expended approximately $210 million to construct or purchase additional plant and equipment (the largest single expenditure having been made for The Washington Post's satellite printing plant), to acquire the Everett Herald, to invest in the Bear Island newsprint mill and to purchase 2,527,000 shares of its Class B common stock. The company plans to expend an additional $50 million in 1981 and substantially lesser amounts in 1982-83 on plant and equipment, principally to modernize and increase the capacity of The Washington Post's production facilities in downtown Washington, D.C., and to construct or expand physical plant and purchase new equipment at the company's television stations.

Of the funds required to finance the $210 million of capital expenditures and stock purchases made during the past three years, approximately $160 million came from cash flow from operations and working capital, which declined during the three-year period by about $16 million. The remainder of the funds were provided by short-term borrowings under the company's $75 million revolving credit agreement with a group of banks and from the sale of commercial paper supported by that revolving credit agreement; at the end of 1980 the company had outstanding $5 million of bank borrowings and $23 million of commercial paper. The company expects to finance the capital expenditures to be made in 1981 and 1982-83 primarily from cash flow from operations, supplemented to the extent necessary by bank borrowings under the revolving credit agreement or by the sale of commercial paper supported by that agreement. The funding of these expenditures is not expected to adversely affect the company's working capital or its ability to finance its current operations.

The company presently expects to utilize cash flow from its operations to retire its commercial paper and to repay any borrowings made under its revolving credit agreement before the end of 1983. However, should any commercial paper or short-term bank borrowings be outstanding on December 31, 1984, the company may at that time, if it does not seek and obtain a new revolving credit agreement, retire such indebtedness (and obtain such additional funds as it may then require) by exercising its right under the revolving credit agreement to borrow from the banks up to $75 million for a four-year term.

Consolidated Balance Sheets

(In thousands, except share amounts)	December 28, 1980	December 30, 1979
ASSETS		
Current Assets		
Cash and time deposits	$ 9,668	$ 7,081
Commercial promissory notes and other marketable securities at cost which approximates market value	290	6,746
Accounts receivable, less estimated returns, doubtful accounts and allowances of $9,681 and $7,865	81,746	73,740
Inventories at lower of cost or market	20,672	14,290
Prepaid film expense	7,396	6,731
Other current assets	6,298	3,580
	126,070	112,168
Investments in Affiliates	32,177	32,195
Plant Assets, at Cost		
Buildings	72,399	43,776
Machinery, equipment and fixtures	122,210	69,473
Leasehold improvements	5,931	4,664
	200,540	117,913
Less accumulated depreciation and amortization	(66,906)	(60,898)
	133,634	57,015
Land	11,059	10,127
Construction in progress	7,416	26,592
	152,109	93,734
Goodwill and Other Intangibles, less accumulated amortization of $7,952 and $6,440	91,409	92,512
Deferred Charges and Other Assets	27,338	27,340
	$429,103	$357,949

The information on pages 29 through 39 is an integral part of the financial statements.

(In thousands, except share amounts)	December 28, 1980	December 30, 1979
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 72,854	$ 64,796
Federal and state income taxes	1,428	1,923
Contributions due to employee benefit trust funds	7,776	6,454
Current portion of long-term debt	2,397	2,380
	84,455	75,553
Other Liabilities	23,184	20,636
Long-Term Debt	43,586	17,550
Deferred Subscription Income	65,275	64,334
Deferred Income Taxes	24,643	14,264
Minority Interest in Subsidiary Company	690	830
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; 2,748,382 and 3,053,760 shares issued and outstanding	2,748	3,054
Class B common stock, $1 par value, authorized 40,000,000 shares; 17,251,618 and 16,946,240 shares issued; 11,229,922 and 11,197,714 shares outstanding	17,252	16,946
Capital in excess of par value	1,679	1,702
Retained earnings	244,629	216,458
Less cost of 6,021,696 and 5,748,526 shares of Class B common stock held in Treasury	(79,038)	(73,378)
Total shareholders' equity	187,270	164,782
Commitments and Contingencies	—	—
	$429,103	$357,949

The information on pages 29 through 39 is an integral part of the financial statements.

Consolidated Statements of Income

(In thousands, except share amounts)	Fiscal Year Ended December 28, 1980	December 30, 1979	December 31, 1978
Operating Revenues			
Advertising	$475,391	$430,909	$375,408
Circulation	171,301	150,887	134,601
Other	12,843	11,466	10,389
	659,535	593,262	520,398
Operating Costs and Expenses			
Operating	445,718	391,503	327,847
Selling, general and administrative	136,972	112,123	95,309
Depreciation and amortization of plant facilities	9,780	7,684	6,602
Amortization of goodwill and other intangibles	1,552	1,531	1,450
	594,022	512,841	431,208
Income from Operations	65,513	80,421	89,190
Other Income (Expense)			
Equity in earnings of affiliates	727	2,980	4,616
Interest income	1,063	3,609	2,546
Interest expense, net of capitalized interest of $2,252 in 1980	(1,581)	(1,796)	(1,788)
Other income (expense), net	(847)	(306)	6,049
Income before Income Taxes and Cumulative Effect of Change in Method of Accounting	64,875	84,908	100,613
Provision for Income Taxes			
Current	20,229	35,863	46,948
Deferred	10,311	6,046	3,945
	30,540	41,909	50,893
Income before Cumulative Effect of Change in Method of Accounting	34,335	42,999	49,720
Cumulative Effect on Years Prior to 1979 of Change in Method of Accounting for Magazine Subscription Procurement Costs	—	13,531	—
Net Income	$ 34,335	$ 29,468	$ 49,720
Earnings per Common and Common Equivalent Share			
Income before cumulative effect of change in method of accounting	$2.44	$2.75	$3.06
Cumulative effect on years prior to 1979 of change in method of accounting for magazine subscription procurement costs	—	.86	—
Net income	$2.44	$1.89	$3.06
Pro Forma Earnings to Show Effect of Change in Method of Accounting Assuming Change is Applied Retroactively			
Net income	$ 34,335	$ 42,999	$ 49,013
Earnings per common and common equivalent share	$2.44	$2.75	$3.02

The information on pages 29 through 39 is an integral part of the financial statements.

Consolidated Statements of Changes in Financial Position

(In thousands)	Fiscal Year Ended December 28, 1980	December 30, 1979	December 31, 1978
Sources of Working Capital			
Net income	$ 34,335	$ 29,468	$ 49,720
Add cumulative effect on years prior to 1979 of change in method of accounting for magazine subscription procurement costs not requiring working capital	—	13,531	—
Income before cumulative effect of change in method of accounting	34,335	42,999	49,720
Add charges to income not requiring working capital			
Depreciation and amortization of plant facilities	9,780	7,684	6,602
Income tax timing differences	10,311	6,046	3,846
Amortization of television film costs	9,245	5,484	3,883
Equity in earnings of affiliates	(727)	(2,980)	(4,616)
Amortization of goodwill and other intangibles	1,552	1,531	1,450
Other	2,039	2,028	1,283
Total provided by operations	66,535	62,792	62,168
Increase (decrease) in long-term debt	26,036	(2,380)	(2,450)
Dividends received from affiliates	8,493	2,319	2,566
Increase in deferred subscription income	941	7,839	3,090
Other	7,620	9,855	4,752
Total sources	109,625	80,425	70,126
Uses of Working Capital			
Purchases of plant assets	69,036	35,484	10,181
Purchases of television film rights	9,283	16,484	4,861
Purchase of newspaper, net of working capital adjustments, investment in newsprint mill and cash consideration paid on exchange of television station			
Plant assets	—	—	1,275
Goodwill and other intangibles	—	—	23,332
Investment in newsprint mill	7,740	2,700	11,017
Repurchases of Class B common stock	6,454	36,996	8,965
Dividends on common stock	6,164	5,592	4,812
Decrease (increase) in contracted television film rights payable	1,212	(6,635)	423
Other	4,736	7,002	9,561
Total uses	104,625	97,623	74,427
Net Increase (Decrease) in Working Capital	$ 5,000	$ (17,198)	$ (4,301)
Changes in Composition of Working Capital			
Cash and time deposits	$ 2,587	$ (11,002)	$ 6,424
Commercial promissory notes and other marketable securities	(6,456)	(22,824)	(11,685)
Accounts receivable	8,006	18,393	7,721
Inventories	6,382	4,414	1,466
Prepaid film expense	665	3,664	308
Other current assets	2,718	55	745
Increase (decrease) in current assets	13,902	(7,300)	4,979
Accounts payable and accrued expenses	(8,058)	(20,897)	(5,518)
Federal and state income taxes	495	12,366	(3,103)
Contributions due to employee benefit trust funds	(1,322)	(1,487)	(609)
Current portion of long-term debt	(17)	120	(50)
(Increase) in current liabilities	(8,902)	(9,898)	(9,280)
Net increase (decrease) in working capital	$ 5,000	$ (17,198)	$ (4,301)

The information on pages 29 through 39 is an integral part of the financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(In thousands, except share amounts)	Class A Common Stock	Class B Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock
Balance January 1, 1978	$1,527	$ 8,473	$4,991	$154,303	$(28,917)
Net income for the year				49,720	
Dividends—$.30 per share				(4,812)	
Issuance of 80,300 shares of Class B common stock upon exercise of options			(644)		1,172
Repurchase of 504,694 shares of Class B common stock					(8,965)
Accounting for two-for-one stock split	1,527	8,473	(3,371)	(6,629)	
Other			566		
Balance December 31, 1978	3,054	16,946	1,542	192,582	(36,710)
Net income for the year				29,468	
Dividends—$.36 per share				(5,592)	
Issuance of 31,300 shares of Class B common stock upon exercise of options			(129)		328
Repurchase of 1,688,280 shares of Class B common stock					(36,996)
Other			289		
Balance December 30, 1979	3,054	16,946	1,702	216,458	(73,378)
Net income for the year				34,335	
Dividends—$.44 per share				(6,164)	
Conversion of 305,378 shares of Class A common stock to Class B common stock	(306)	306			
Issuance of 60,550 shares of Class B common stock upon exercise of options			(375)		794
Repurchase of 333,720 shares of Class B common stock					(6,454)
Other			352		
Balance December 28, 1980	$2,748	$17,252	$1,679	$244,629	$(79,038)

The information on pages 29 through 39 is an integral part of the financial statements.

Report of Independent Accountants

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

In our opinion, based upon our examinations and the reports mentioned below of other independent accountants, the consolidated financial statements appearing on pages 24 through 28 present fairly the financial position of The Washington Post Company and its subsidiaries at December 28, 1980 and December 30, 1979, and the results of their operations and the changes in their financial position for each of the three fiscal years in the period ended December 28, 1980, in conformity with generally accepted accounting principles consistently applied during the period except for the change in 1979, with which we concur, in the method of accounting for magazine subscription procurement costs as described in Note B. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the company's two newsprint manufacturing affiliates which are summarized in Note D. These statements were examined by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these affiliates, is based solely upon the reports of the other independent accountants.

Price Waterhouse & Co.

Washington, D.C.
February 3, 1981

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.

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

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 by the average cost method.

Investment in Affiliates. The company uses the equity method of accounting for its investments in, and the earnings (losses) of, affiliates.

Plant Assets and Depreciation. Plant assets are recorded at cost which since 1980, in accordance with Statement of Financial Accounting Standards No. 34, includes interest capitalized in connection with major long-term construction projects. Depreciation is provided generally using the straight-line method over the estimated service lives of the plant assets. Useful lives of 3 to 11 years are used for machinery and equipment, 20 to 50 years for buildings and 5 to 20 years for land improvements. The costs of leasehold improvements are amortized over the lesser of their useful lives or the terms of the leases.

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

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

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

Deferred Income and Magazine Subscription Procurement Costs. Amounts received from subscribers in advance of deliveries are deferred and recorded as income when deliveries are made. For the years 1971 through 1978 the company amortized magazine subscription procurement costs over the lives of the related subscriptions. In 1979 the company changed its method of accounting for magazine subscription procurement costs to charge such costs against income as incurred.

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

Income statement amounts, other than depreciation, are translated at annual average market rates of exchange. Gains and losses from currency adjustments, which are not material in amount, are included in the determination of net income.

B. CHANGE IN ACCOUNTING METHOD

In 1979 the company adopted a change in its method of accounting for the costs of procuring magazine subscriptions. Under the deferred method previously used, such costs were amortized over the lives of the related subscriptions; under the currently used method, such costs are charged to expense as incurred.

The change was made principally because inflationary economic conditions caused the costs of procuring magazine subscriptions to increase in proportion to prepaid subscription revenues. This proportional increase would have been further accentuated by a new magazine venture then being considered which began publication in 1980. The company therefore concluded that a change to the "expensed-as-incurred" method of accounting for magazine subscription procurement costs was preferable.

The cumulative effect of the accounting change on years prior to 1979, net of related taxes of $15,474,000, was $13,531,000 ($.86 per share) which was included as a special charge to 1979 earnings.

C. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at December 28, 1980 and December 30, 1979 consisted of the following (in thousands):

	1980	1979
Trade payables	$39,183	$33,193
Accrued expenses	16,755	17,542
Accrued salaries, wages and employee benefits	12,614	10,591
Due to affiliates (newsprint)	4,302	3,470
	$72,854	$64,796

D. INVESTMENTS IN AFFILIATES

The company's investments in affiliates consist principally of a 49% interest in the common stock of Bowater Mersey Paper Company Limited, which owns and operates a newsprint mill in Nova Scotia, and a 30% limited partnership interest in Bear Island Paper Company which constructed a newsprint mill near Richmond, Virginia, which started production in late December 1979. Condensed financial statements of these companies for 1980, 1979 and 1978 are set forth below (stated in Canadian dollars for Bowater Mersey Paper Company— at December 31, 1980 and 1979, the quoted rates of exchange for $1 Canadian were $.84 U.S. and $.85 U.S. and the average rates of exchange during the calendar years 1980, 1979 and 1978 were $.86 U.S., $.85 U.S. and $.88 U.S.):

Bowater Mersey Paper Company Limited

Condensed Statements of Financial Position ($ Canadian in thousands)

	December 31	
	1980	1979
Current assets	$28,906	$27,638
Less current liabilities	(22,677)	(8,462)
Working capital	6,229	19,176
Property, plant and equipment, net	35,986	32,211
Other assets	89	100
Other liabilities	(7,110)	(9,176)
	$35,194	$42,311
Stockholders' equity		
Preferred	$ —	$ 1,434
Common	35,194	40,877
	$35,194	$42,311

Condensed Statements of Income ($ Canadian in thousands)

	Year Ended December 31		
	1980	1979	1978
Sales	$83,688	$73,532	$68,318
Costs and expenses	(58,512)	(56,689)	(52,479)
Income before income taxes	25,176	16,843	15,839
Income taxes	(12,029)	(6,267)	(6,485)
Income before effect of change in accounting on prior years	13,147	10,576	9,354
Effect of change in accounting for investment tax credits on prior years	1,202	—	—
Net income	14,349	10,576	9,354
Preferred dividend requirements	(52)	(90)	(114)
Net income applicable to common shares	$14,297	$10,486	$ 9,240

Bear Island Paper Company

Condensed Statements of Financial Position (In thousands)

	December 31	
	1980	1979
Current assets	$ 11,958	$ 8,563
Less current liabilities	(22,971)	(19,992)
Working capital	(11,013)	(11,429)
Property, plant and equipment, net	122,874	111,653
Other assets	169	188
Long-term debt	(60,614)	(63,269)
Partners' capital	$ 51,416	$ 37,143

Condensed Statements of Operations (In thousands)

	Year Ended December 31		
	1980	1979	1978
Sales	$ 41,672	$ 10	$ —
Costs and expenses	(48,724)	(1,609)	—
Operating income (loss)	(7,052)	(1,599)	—
Other income (expense), net	(8,475)	(5,725)	468
Net income (loss)	$(15,527)	$(7,324)	$468

Operating costs and expenses of the company include $29,366,000 in 1980, $30,228,000 in 1979 and $26,600,000 in 1978 of cost of newsprint supplied by Bowater Mersey Paper Company, and $7,060,000 in 1980 of cost of newsprint supplied by Bear Island Paper Company.

Other investments include a 30% interest in a French corporation which publishes the International Herald Tribune in Paris, a 50% interest in the Los Angeles Times-Washington Post News Service, Inc., and a 24% interest in Publishers Phototype, Inc., an electronic photocomposition company.

The investments described above are reflected in the consolidated balance sheets at December 28, 1980 and December 30, 1979 as follows (in thousands):

	1980	1979
Cost of investment	$32,437	$24,697
Less amount included in consolidated goodwill	(2,373)	(2,373)
Equity in net assets at date of investment	30,064	22,324
Net increase in equity since date of investment	2,113	9,871
	$32,177	$32,195

The increase in equity since date of investment represents the company's share of undistributed earnings of its affiliates which is included in retained earnings at year end. At December 28, 1980, there were no significant restrictions on the payment of dividends by the company's affiliates.

The following table summarizes the status and results of the company's investments for 1980, 1979 and 1978 (in thousands):

	Bowater Mersey	Bear Island	Other	Total
Investment January 1, 1978	$13,793	$ —	$1,737	$15,530
Equity in earnings	3,511	140	965	4,616
Dividends received	(1,843)	—	(723)	(2,566)
Additional investment	—	11,017	180	11,197
Other	40	—	—	40
Investment December 31, 1978	15,501	11,157	2,159	28,817
Equity in earnings (losses)	4,619	(2,197)	558	2,980
Dividends received	(2,091)	—	(228)	(2,319)
Additional investment	—	2,700	—	2,700
Other	16	—	1	17
Investment December 30, 1979	18,045	11,660	2,490	32,195
Equity in earnings (losses)	5,356	(4,658)	29	727
Dividends received	(8,248)	—	(245)	(8,493)
Additional investment	—	7,740	—	7,740
Other	8	—	—	8
Investment December 28, 1980	$15,161	$14,742	$2,274	$32,177

E. LONG-TERM DEBT

Long-term debt of the company as of December 28, 1980 and December 30, 1979 is summarized as follows (in thousands):

	1980	1979
6.95% unsecured promissory notes due 1981-1987	$17,500	$19,750
Notes payable to banks under revolving credit agreement	5,000	—
Commercial paper supported by revolving credit agreement with banks	23,215	—
Other indebtedness due 1981-1984, interest at 5-8.75%	268	180
Less amount included in current liabilities	(2,397)	(2,380)
	$43,586	$17,550

The agreement relating to the 6.95% promissory notes and the revolving credit agreement include restrictive provisions which pertain principally to the payment of dividends and the redemption or purchase of the company's capital stock. At the end of 1980 and 1979, retained earnings unrestricted by these provisions were $65,652,000 and $47,159,000.

The company has a revolving credit agreement with a group of banks which permits borrowings of up to $75,000,000 until January 1, 1985, at which time any outstanding borrowing may be converted into four-year notes, payable in equal semi-annual installments. Interest on borrowings under the revolving credit line is at a maximum average of 103.5% of the floating prime rate. Additionally, during the revolving credit period of the agreement a commitment fee ranging from .25% to .50% is payable on the unused portion of the line. The daily average borrowings under the revolving credit agreement were $2,915,000 during 1980 at a weighted average interest rate of 18.72% (the maximum borrowing outstanding at the end of any period during 1980 was $13,000,000); there were no borrowings under the agreement during 1979.

During 1980 the company issued commercial paper at prevailing market rates in the form of unsecured notes supported by the company's revolving credit agreement. In addition, it issued unsecured notes, also supported by the revolving credit agreement, to various banks. The daily average outstanding balance of such borrowings was $17,005,000 during 1980 at a weighted average interest rate of 12.8% (the maximum borrowings outstanding at the end of any period during 1980 were $35,000,000).

At December 28, 1980, the company's notes payable to banks and commercial paper borrowings outstanding were classified as long-term debt since it is the company's intention to refinance these obligations for at least a year through the use of similar instruments or long-term financing available under the company's revolving credit agreement.

Approximate annual maturities of long-term debt, based on existing loan repayment schedules and management's estimation of repayment of borrowings under or supported by its revolving credit agreement, are as follows:

1981	$ 2,397,000
1982	20,505,000
1983	12,290,000
1984	2,291,000
1985	2,250,000
1986	2,250,000
1987	4,000,000

F. INCOME TAXES

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

	Current	Deferred
1980		
U.S. Federal	$13,927	$10,267
Foreign	1,250	(452)
State and Local	5,052	496
	$20,229	$10,311
1979		
U.S. Federal	$28,682	$ 5,569
Foreign	325	390
State and Local	6,856	87
	$35,863	$ 6,046
1978		
U.S. Federal	$39,463	$ 3,223
Foreign	276	269
State and Local	7,209	453
	$46,948	$ 3,945

Deferred taxes result from timing differences in the recognition of revenue and expense for tax and financial reporting purposes, in the recognition of income tax to be withheld at source of distribution of earnings of foreign affiliates, and in the recognition of investment tax credits which for financial reporting purposes are applied as a reduction of income taxes over the depreciable lives of the related assets. The sources and effects of these differences were as follows (in thousands):

	1980	1979	1978
Investment tax credit, net	$ 6,146	$3,438	$ 224
Tax depreciation in excess of depreciation for financial reporting purposes	5,059	1,803	533
Other	(894)	805	3,188
	$10,311	$6,046	$3,945

The provision for income taxes exceeded the amount of income tax determined by applying the U.S. Federal statutory income tax rate of 46% (48% in 1978) by $697,000 in 1980, $2,852,000 in 1979 and $2,599,000 in 1978 as a result of the following (in thousands):

	1980	1979	1978
State and local taxes on income, net of Federal income tax benefit	$2,996	$3,750	$3,984
Amortization of goodwill expensed for financial reporting and not deductible for tax reporting	712	703	695
Foreign income taxes netted in equity in earnings of affiliates	(1,611)	(1,610)	(1,588)
Other	(1,400)	9	(492)
	$ 697	$2,852	$2,599

G. CAPITAL STOCK AND STOCK OPTIONS

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

In 1971 the company adopted a Stock Option Plan and reserved 1,400,000 shares of Class B common stock for options to be granted under the Plan. The purchase price of the shares covered by an option must be equal to their fair market value on the granting date. Options may be granted for a term of up to ten years. At December 28, 1980, there were 332,774 shares reserved for issuance under the Stock Option Plan. Of this number, 195,574 shares were subject to options outstanding and 137,200 shares were available for future grants. Changes in the options outstanding for the two fiscal years ended December 28, 1980 and December 30, 1979 were as follows:

	1980		1979	
	Number of Shares	Average Option Price	Number of Shares	Average Option Price
Beginning of year	298,124	$ 9.55	329,424	$9.25
Options				
Granted	15,000	20.25	—	—
Exercised	(60,550)	6.92	(31,300)	6.36
Cancelled	(57,000)	13.47	—	—
End of year	195,574	$10.05	298,124	$9.55

Of the shares covered by options outstanding at the end of 1980, 157,074 were then exercisable; 15,500 will become exercisable in each of the years 1981 and 1982; and 3,750 will become exercisable in each of the years 1983 and 1984.

Per share data are based upon the weighted average number of shares of common stock and common stock equivalents outstanding during the periods, 14,068,000 in 1980, 15,609,000 in 1979 and 16,232,000 in 1978. Shares issuable under stock options are considered common stock equivalents if the market value of the shares was more than the option price during the period. The number of such equivalents is then reduced by the number of shares which could have been purchased with the proceeds from the sale of the optioned shares had the options been exercised.

H. RETIREMENT PLANS

The company and its subsidiaries have various pension and incentive savings plans and in addition contribute to several multi-employer plans on behalf of certain union-represented employee groups. Substantially all of the company's employees including those located in foreign countries are covered by these plans. Total expense for retirement plans was $10,065,000 for 1980, $9,256,000 for 1979 and $8,349,000 for 1978.

The costs for the company's defined benefit plans are actuarially determined and include amortization of prior service costs over various periods, generally not exceeding 20 years. The accumulated plan benefits and plan net assets for the company's domestic defined benefit plans as of January 1, 1980, the most recent valuation date, were as follows:

Actuarial present value of accumulated plan benefits	
Vested	$20,697,000
Nonvested	5,451,000
	$26,148,000
Net assets available for benefits	$50,370,000

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8.0%.

The costs of unfunded plans are charged to expense when accrued. The company's unfunded liability for such plans which is included in "Other Liabilities" in the consolidated balance sheets was $9,090,000 at December 28, 1980 and $8,299,000 at December 30, 1979.

I. COMMITMENTS AND CONTINGENCIES

The company is contingently liable for payments under materials and services contracts and for claims and lawsuits arising in the ordinary course of business. The company is a party to various civil lawsuits arising in the ordinary course of business, including libel actions. In the opinion of management the company carries adequate insurance against liability in such libel actions, and the company is not a party to any other material litigation.

J. LEASES

Total rental expense included in operations was approximately $7,135,000 for 1980, $6,021,000 for 1979 and $4,513,000 for 1978. As of December 28, 1980, future minimum annual rental commitments under non-cancelable operating leases, substantially all for real estate, were $5,408,000 in 1981; $4,533,000 in 1982; $4,421,000 in 1983; $4,246,000 in 1984; $4,018,000 in 1985; $17,905,000 for the five-year period 1986-1990; and $10,640,000 for the five-year period 1991-1995. Included in the commitments above is $3,084,000 per year related to a real estate lease which expires in 1994 but may be renewed for an additional fifteen-year period at the option of the company at an amount to be negotiated.

K.DISPOSITIONS AND ACQUISITIONS

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

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

L. BUSINESS SEGMENTS

The company operates in three areas of the communications industry: newspaper publishing, magazine and book publishing and broadcasting.

Newspaper operations primarily involve the publication of newspapers in Washington, D.C., Trenton, N.J. and, as of February 14, 1978, Everett, Wash.; they also include a newsprint warehousing facility which accounts for less than 1% of consolidated revenues. Magazine and book publishing consists primarily of the publication of a weekly news magazine, Newsweek, which has one domestic and three international editions. A new magazine, Inside Sports, started publication in March 1980. Sales of books, which are less than 1% of consolidated revenues, are included within the magazine publishing segment. Revenues from newspaper and magazine publishing are derived primarily from advertising, and to a lesser extent from circulation.

The broadcasting operations are conducted through four VHF television stations. All stations are network affiliated with revenues derived primarily from sales of advertising time. The broadcasting segment also included until June 26, 1978, the operations of a radio station that was sold at that time.

Revenues from international operations and export sales are less than 10% of consolidated revenues.

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

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

Equity in earnings of affiliates and assets invested in unconsolidated enterprises include a 49% interest in a newsprint manufacturer located in Nova Scotia, Canada, a 30% interest in a newspaper headquartered in Paris, France, which is distributed mainly in Europe and, since 1978, a 30% limited partnership interest in a newsprint mill in Virginia. During 1980 the company used approximately 40% of the Canadian newsprint mill's production and approximately 15% of the Virginia mill's production in its newspapers. The company also has a 50% interest in a supplemental news service which is headquartered in the United States and a 24% interest in an electronic photocomposition company located in the United States; the income and assets of these affiliates constitute only a minor portion of the company's income from and investment in affiliates.

Business Segments (In thousands)

	Newspaper Publishing	Magazine and Book Publishing	Broadcasting	Consolidated
1980				
Operating revenues	$311,260	$267,809	$ 80,466	$659,535
Income from operations	$ 31,936	$ 11,486	$ 22,091	$ 65,513
Equity in earnings of affiliates				727
Interest expense				(1,581)
Other income, net				216
Income before income taxes				$ 64,875
Identifiable assets	$211,333	$ 73,472	$101,495	$386,300
Investments in affiliates				32,177
Corporate assets				10,626
Total assets				$429,103
Depreciation and amortization of plant facilities	$ 5,574	$ 1,397	$ 2,809	$ 9,780
Amortization of goodwill and other intangibles	$ 888	$ —	$ 664	$ 1,552
Capital expenditures	$ 56,651	$ 3,481	$ 8,904	$ 69,036
1979				
Operating revenues	$272,616	$248,011	$ 72,635	$593,262
Income from operations	$ 35,426	$ 22,563	$ 22,432	$ 80,421
Equity in earnings of affiliates				2,980
Interest expense				(1,796)
Other income, net				3,303
Income before income taxes				$ 84,908
Identifiable assets	$152,454	$ 64,912	$ 95,831	$313,197
Investments in affiliates				32,195
Corporate assets				12,557
Total assets				$357,949
Depreciation and amortization of plant facilities	$ 3,865	$ 1,334	$ 2,485	$ 7,684
Amortization of goodwill and other intangibles	$ 864	$ —	$ 667	$ 1,531
Capital expenditures	$ 29,100	$ 2,166	$ 4,218	$ 35,484
1978				
Operating revenues	$242,070	$214,829	$ 63,499	$520,398
Income from operations	$ 37,867	$ 29,135	$ 20,668	$ 87,670
Equity in earnings of affiliates				4,616
Interest expense				(1,788)
Other income, net				8,595
Income before income taxes				$ 99,093
Identifiable assets	$119,597	$ 54,760	$ 82,112	$256,469
Investments in affiliates				28,817
Corporate assets				43,231
Total assets				$328,517
Depreciation and amortization of plant facilities	$ 3,525	$ 1,034	$ 2,043	$ 6,602
Amortization of goodwill and other intangibles	$ 802	$ —	$ 648	$ 1,450
Capital expenditures	$ 3,868	$ 3,555	$ 2,758	$ 10,181

M. SUMMARY OF QUARTERLY OPERATING RESULTS (Unaudited)

Quarterly results of operations which are unaudited for the fiscal years ended December 28, 1980 and December 30, 1979 were as follows (in thousands, except per share amounts):

1980	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$151,225	$170,477	$152,510	$185,323
Income from operations	$ 8,686	$ 24,512	$ 4,091	$ 28,224
Net income	$ 3,855	$ 12,574	$ 2,509	$ 15,397
Earnings per share	$.27	$.90	$.18	$1.10
Average number of common and common equivalent shares outstanding	14,172	14,018	14,043	14,038

1979	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$130,317	$152,253	$137,457	$173,235
Income from operations	$ 13,575	$ 27,474	$ 10,777	$ 28,595
Income before cumulative effect of change in method of accounting	$ 7,657	$ 14,472	$ 6,179	$ 14,691
Cumulative effect on years prior to 1979 of change in method of accounting	(13,531)	—	—	—
Net income (loss)	$ (5,874)	$ 14,472	$ 6,179	$ 14,691
Earnings (loss) per share:				
Before cumulative effect of change in method of accounting	$ .48	$ .92	$ .40	$ .98
Cumulative effect on years prior to 1979 of change in method of accounting	(.84)	—	—	—
Net income (loss)	$(.36)	$ .92	$ .40	$ .98
Average number of common and common equivalent shares outstanding	16,056	15,747	15,591	15,048

The sum of the earnings per share for the four quarters may differ from the annual earnings per share as a result of computing the quarterly and annual amounts on the weighted number of shares outstanding in the respective periods in accordance with Accounting Principles Board Opinion No. 15.

N. INFORMATION ON INFLATION AND CHANGING PRICES (Unaudited)

In accordance with the requirements of Statement of Financial Accounting Standards No. 33, "Financial Reporting and Changing Prices," the company has prepared supplementary information which provides calculations illustrating the effects of inflation and changing prices on certain phases of the company's operations. Although changing price calculations and related disclosures are in the experimental stage, it is the company's opinion that the information has been reasonably prepared within the guidelines set forth in Standard No. 33. The information presented is necessarily based on numerous assumptions and estimates which required subjective judgments, and therefore should not be viewed as precise data. The difference between these data and historical data do not represent increases or decreases in the company's book value.

Consolidated Statement of Income Adjusted for the Effects of Inflation and Changing Prices for the Year Ended December 28, 1980
(In thousands, except per share amounts)

	As Reported In Financial Statements (Historical Cost)	Adjusted for General Inflation (Constant Dollars)	Adjusted for Changes in Specific Prices (Current Cost Dollars)
Operating revenues	$659,535	$659,535	$659,535
Costs and expenses			
Operating	445,718	447,451	446,362
Selling, general and administrative	136,972	136,972	136,972
Depreciation and amortization of plant facilities	9,780	15,853	15,621
Amortization of goodwill and other intangibles	1,552	1,552	1,552
	594,022	601,828	600,507
Income from operations	65,513	57,707	59,028
Other expense, net	(638)	(638)	(638)
	64,875	57,069	58,390
Income taxes	30,540	30,540	30,540
Net income	$ 34,335	$ 26,529	$ 27,850
Net income per common and common equivalent share	$2.44	$1.89	$1.98
Increase in general price level of inventories and plant assets			$ 25,196
Less effect of increase in specific prices			15,103
Excess of increase in general price level over increase in specific prices			$ 10,093

Five-Year Comparison of Selected Financial Data Adjusted for Effects of Inflation (Constant Dollars) and Changing Prices (Current Cost)

(In thousands, except per share amounts)

	1980	1979	1978	1977	1976
Operating revenues					
As reported	$659,535	$593,262	$520,398	$436,102	$375,729
In constant 1980 dollars	659,535	673,492	657,289	593,003	543,870
Net income					
As reported	$ 34,335	$ 29,468			
In constant 1980 dollars	26,529	27,129			
In current cost 1980 dollars	27,850	28,102			
Net income per common and common equivalent share					
As reported	$2.44	$1.89			
In constant 1980 dollars	1.89	1.74			
In current cost 1980 dollars	1.98	1.81			
Gain (loss) from change in purchasing power of net monetary position	$ 1,621	$ (1,809)			
Excess of increase in general price level over increase in specific prices of inventories and plant assets	$ 10,093	$ 6,153			
Cash dividends per common share					
As reported	$.44	$.36	$.30	$.18	$.125
In constant 1980 dollars	.44	.41	.38	.24	.18
Market price per common share at year end					
Historical amount	$22.75	$21.00	$23.25	$17.88	$12.50
In constant 1980 dollars	21.73	22.54	28.28	23.71	17.70
Average consumer price index	246.8	217.4	195.4	181.5	170.5

The information on inflation and changing prices is based upon the historical financial statements adjusted for general inflation relating to inventories and plant assets and for the changes in specific prices relating to these items.

The cost of newsprint and magazine paper included in operating costs and expenses was calculated using the same methods used in the historical financial statements. Depreciation and amortization of plant facilities were calculated generally using the same methods and rates of depreciation used in the financial statements. In accordance with the requirements of Standard No. 33, income taxes were not adjusted for the effects of the resulting changes in operating costs and expenses and depreciation and amortization of plant facilities. Operating revenues, all other operating costs and expenses and other expense, net, were assumed to reflect the average price levels for the year as allowed under Standard No. 33, and accordingly have not been adjusted.

The information adjusted for general inflation is expressed in constant 1980 average dollars which represent historical costs stated in terms of dollars of equal purchasing power as measured by the Consumer Price Index for all Urban Consumers. The constant dollar amounts do not purport to represent appraised values or any other measure of current value.

The information adjusted for changes in specific prices attempts to estimate what the cost of the company's existing inventories and net plant assets, and related costs and expenses, would be at the respective year ends. Indexation using specific industry indices and specific pricing using current prices and appraisals were used in estimating these amounts. The current cost amounts do not consider technological improvements and efficiencies associated with the normal replacement of productive capacity.

The gain or loss from change in purchasing power of the net monetary position was determined by calculating the difference between the company's net monetary positions at the beginning and end of the year, both amounts stated in average 1980 dollars. The calculation attempts to represent the effect of holding net monetary assets which lose purchasing power or net monetary liabilities which gain purchasing power during an inflationary period.

The increase in general price level of inventories and plant assets over the increase in specific prices of those items is determined by calculating the change in the balance of inventories and plant assets, stated at current cost, between years and removing that aspect of the change which is related to general inflation as measured by the Consumer Price Index for all Urban Consumers.

The constant dollar and current cost amounts of net monetary items, inventories and plant assets net of accumulated depreciation, stated in average 1980 dollars, and other net items and corresponding historical cost amounts were as follows (in thousands):

	December 28, 1980*			December 30, 1979		
	Historical Cost	Constant Dollars	Current Cost	Historical Cost	Constant Dollars	Current Cost
Net monetary items	$(31,992)	$(30,555)	$(30,555)	$ (2,517)	$ (2,701)	$ (2,701)
Inventories	20,672	19,977	20,039	14,290	15,478	16,096
Plant assets, net	152,109	203,834	218,372	93,735	156,969	173,934
Other net items	46,481	46,481	46,481	59,274	59,274	59,274
Net assets	$187,270	$239,737	$254,337	$164,782	$229,020	$246,603

*At December 28, 1980, the current cost of inventories was $20,980,000 and the current cost of plant assets net of accumulated depreciation was $228,635,000.

Five-Year Summary of Selected Financial Data

(In thousands, except per share amounts)	1980	1979	1978	1977	1976
Results of Operations					
Operating revenues	$659,535	$593,262	$520,398	$436,102	$375,729
Income from operations	$ 65,513	$ 80,421	$ 89,190	$ 71,074	$ 49,045
Net income					
Income before cumulative effect of change in method of accounting	$ 34,335	$ 42,999	$ 49,720	$ 35,469	$ 24,490
Cumulative effect on years prior to 1979 of change in method of accounting for magazine subscription procurement costs	—	13,531	—	—	—
Net income	$ 34,335	$ 29,468	$ 49,720	$ 35,469	$ 24,490
Per Share Amounts					
Earnings per common and common equivalent share					
Income before cumulative effect of change in method of accounting	$ 2.44	$ 2.75	$ 3.06	$ 2.09	$ 1.36
Cumulative effect on years prior to 1979 of change in method of accounting for magazine subscription procurement costs	—	.86	—	—	—
Net income	$ 2.44	$ 1.89	$ 3.06	$ 2.09	$ 1.36
Cash dividends	$ .44	$ .36	$ .30	$ .18	$ .125
Shareholders' equity	$13.40	$11.56	$11.15	$ 8.59	$ 7.02
Pro Forma Amounts					
Net income	$ 34,335	$ 42,999	$ 49,013	$ 33,394	$ 22,533
Earnings per common and common equivalent share	$ 2.44	$ 2.75	$ 3.02	$ 1.97	$ 1.25
Average Number of Common and Common Equivalent Shares Outstanding	14,068	15,609	16,232	16,952	18,038
Financial Position					
Current assets	$126,070	$112,168	$119,468	$114,489	$100,919
Working capital	41,615	36,615	53,813	58,114	44,828
Plant assets, net	152,109	93,734	67,674	63,476	58,753
Total assets	429,103	357,949	328,517	278,574	259,000
Long-term debt	43,586	17,550	19,930	22,300	29,550
Shareholders' equity	187,270	164,782	177,414	140,377	123,392

In 1979 the company changed its method of accounting for magazine subscription procurement costs so as to charge such costs against income as incurred. The effect of the change on operations for 1979 was to decrease earnings by $4,506,000 ($.29 per share). The cumulative effect of the accounting change on years prior to 1979 was $13,531,000 ($.86 per share), which amount has been included as a special charge against 1979 earnings. Pro forma amounts shown for the fiscal years 1976-1978 show what net income and earnings per share would have been if the newly adopted accounting method for magazine subscription procurement costs had been in effect during those years.

In 1978 and 1976, the company realized nonrecurring gains, mostly from the sales of two radio stations. The effect of these gains was to increase net income and earnings per share by $4,300,000 and $.27 for 1978 and by $1,800,000 and $.10 for 1976.

Per share amounts are based upon the weighted average number of shares of common stock and common stock equivalents outstanding during the periods. Shares issuable under stock options are considered common stock equivalents when the market value of the shares exceeds the option price during the period. The number of such equivalents is then reduced by the number of shares which could have been purchased with the proceeds from the sale of the optioned shares had the options been exercised. Share and per share data have been restated to give effect to two-for-one stock splits on December 29, 1978 and December 15, 1976.

Board of Directors

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Chief Executive Officer (2, 3, 4)

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Director
Chairman, Berkshire Hathaway, Inc.
(textiles, insurance) (3, 4)

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Committees of the Board of Directors
(1) Member of Audit Committee
(2) Member of Compensation Committee
(3) Member of Finance Committee
(4) Member of Stock Option Committee

Other Company Officers

Martin Cohen
Vice President-Finance and Treasurer

Alan R. Finberg
Vice President, General Counsel and Secretary

Stock Trading

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

Stock Transfer Agents and Registrars

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

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

Shareholder Inquiries

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

Form 10-K

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

Annual Meeting

The annual meeting of stockholders will be held on Wednesday, May 13, 1981, at 10 a.m. at The Washington Post Company, 1150 15th Street, N.W., Washington, D.C. 20071

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