ANNUAL REPORT...1971

The Washington Post Company

The Washington Post Company is a growing communications enterprise that has expanded from newspaper publishing to include magazines, broadcasting and books; its operations extend around the world. The Company, which made its first public offering in 1971, is traded on the American Stock Exchange.

The Washington Post itself, the Company's original base, is one of America's major dailies—the only morning newspaper in the nation's capital and one of its two Sunday newspapers.

The Company publishes Newsweek, which appears simultaneously each week in 179 countries. It also publishes books, which are sold primarily by direct mail, and Art News magazine, America's oldest fine arts monthly.

The broadcast operation consists of three VHF television stations and two AM radio stations. The television stations, each affiliated with a national network, are WTOP-TV in Washington, D.C.; WPLG in Miami and WJXT in Jacksonville, Florida. The radio stations are WTOP in Washington and WCKY in Cincinnati.

The Company also owns 95 per cent of Robinson Terminal Warehouse Corporation in Alexandria, Virginia and 49 per cent of Bowaters Mersey Paper Company Limited, a newsprint company in Liverpool, Nova Scotia. The Company is a partner in a joint venture that publishes the International Herald Tribune in Paris and another joint venture that operates the Los Angeles Times-Washington Post News Service.

FINANCIAL HIGHLIGHTS

Fiscal Year	1971	1970	1970 Pro forma (Note)
Operating revenue	**$192,749,000**	$178,031,000	$178,031,000
Income from operations	**15,194,000**	13,516,000	13,925,000
Income before extraordinary items and special credit (Note)	**6,784,000**	5,772,000	5,966,000
Per common and common equivalent share:			
Primary	**1.52**	1.43	1.48
Fully diluted	**1.52**	1.37	1.42
Extraordinary items	**387,000**	(853,000)	(853,000)
Per common and common equivalent share	**.09**	(.21)	(.21)
Special credit (Note)	**4,586,000**		
Per common and common equivalent share	**1.04**		
Net Income	**11,757,000**	4,919,000	5,113,000
Per common and common equivalent share:			
Primary	**2.65**	1.22	1.27
Fully diluted	**2.64**	1.17	1.22
Cash dividends per share	**.20**	.20	.20

NOTE: Pro forma amounts assume that the changes in accounting methods for magazine subscription procurement and book promotion costs adopted in 1971 had been applied to 1970. The special credit in 1971 is the cumulative effect of these changes on years prior to 1971. (See Financial Review)

Revenue and Income By Business Line

	1971 (millions)	1971 %	1970 (millions)	1970 %
Operating revenue				
Newspaper publishing	**$ 85.9**	**44**	$ 79.2	44
Magazine and book publishing	**86.0**	**45**	80.0	45
Broadcasting	**20.8**	**11**	18.8	11
	$192.7	**100**	$178.0	100
Income from operations			(pro forma)	
Newspaper publishing	**$ 8.7**	**57**	$ 8.9	64
Magazine and book publishing	**2.7**	**18**	2.6	18
Broadcasting	**3.8**	**25**	2.4	18
	$ 15.2	**100**	$ 13.9	100

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TO THE SHAREHOLDERS

In The Washington Post Company's first annual report since the public offering of its shares, we want to welcome those who have chosen to join us as stockholders. We appreciate—and share—your confidence in this Company and we pledge an unremitting effort to keep the Company worthy of it. In this letter, and in the pages that follow, we believe it appropriate to accompany a review of 1971 results with a longer-range examination of the Company's activities and character, its operating philosophy, its goals and its prospects.

First, we are pleased to report the highlights of the year's performance. The results for 1971 showed improvement over 1970 despite unusual circumstances that prevented an even better showing. Revenues in 1971 were $192.7 million, up 8 per cent from the $178 million reported in 1970. Before extraordinary items and a special credit, net income for the year was $6.8 million, or $1.52 a share, compared with $5.8 million, or $1.37 a share, for 1970.

These gains would have been significantly greater but for several exceptional factors. One resulted from the price freeze. The Post had planned to increase advertising rates effective November 1, 1971, as it had done on November 1 in each of the past several years. Because of the price freeze, we were forced to forego more than $1 million in revenue—and profits—that the scheduled rate increases would have produced. Newsweek incurred about $1 million of unusual and nonrecurring expenses because of two unrelated events. First, the magazine moved all its subscription fulfillment operations from Dayton, Ohio, to a newly established facility in Livingston, New Jersey, which involved substantial moving expenses and start-up costs. Second, typesetting and printing usually performed for Newsweek by the McCall Printing Company in Dayton had to be transferred for eight weeks in the spring to other plants due to the risk of a stoppage posed by labor negotiations at McCall's. This prudent action entailed a costly dislocation. In addition, Newsweek's Book Division, still in a relatively early growth stage, incurred a loss in 1971 as the result of heavy investment in promotional mailings for a major new book series.

As far as we can now see, none of these adverse factors will recur in 1972. With regard to the price freeze, the Price Commission has approved not only a circulation rate increase at the Post, but also advertising rate increases at both the Post and Newsweek. These increases, which were amply justified by additional costs, enable us to put into effect the rates we planned before the price freeze. We believe that they put us in a position that is competitively appropriate. As to the other adverse factors in 1971, we see no comparable problems ahead for 1972. Indeed, the installation of Newsweek's new subscription fulfillment facility, which is now complete, is already achieving significant operational savings, just as it was intended to do. Similarly, the Newsweek Book Division has begun to reap the benefits of last year's sowing; we are anticipating profitable operations this year and in the future.

Frederick S. Beebe

Another factor bearing on 1971 results—in this instance, a continuing factor—was a decision to make two changes in Newsweek's accounting methods so that expenses can be more directly related to the revenues they help to produce. Under the new procedures (approved by the Company's independent accountants, Price Waterhouse & Co.), magazine subscription procurement costs are amortized over the average lives of the related subscriptions, and costs of promoting the sale of books by direct mail are amortized over a 12-month period after they are incurred. Previously, Newsweek charged these circulation and sales costs to expense as they were incurred. The effect of these changes was to increase 1971 income by $681,000.

The Washington Post Company has built its success over the years on a policy of encouraging talented professionals to work at the peak of their abilities and to the highest possible standards. Each division is operated independently of the others and with a considerable degree of autonomy. This is true to the greatest extent where it involves the presentation of news and opinion. Superficially, it might appear advantageous for the Post and Newsweek, for example, to share correspondents; some experimentation years ago showed this to be a fallacy and a false economy. The newspaper and the magazine each has its working rhythm, special needs, sense of pride and, indeed, even a spirit of friendly rivalry toward the other. Thus, Newsweek maintains one of journalism's largest Washington bureaus in the city where the Post employs one of the largest news staffs in the nation. And the Post and Newsweek each sent its own correspondent to Peking with President Nixon. In the same way, the Company's broadcasting division functions with its own news and editorial personnel who have their own perceptions of the interests of the communities served by its stations. Thus WTOP in Washington, for example, in expressing editorial views on local and even national issues, differs on occasion with positions taken on the editorial page of the Post.

The emphasis on professional excellence and integrity, which has involved a steady expansion and upgrading of our editorial and programming resources, is a major reason for the Company's extraordinary growth over the years. The 10-year financial summary that appears on pages 28 and 29 records the rise in our revenues from $78.2 million in 1962 to $192.7

million in 1971; that growth was almost entirely generated internally, not as the result of acquisitions. Another index of the quality of the Company's efforts is the fact that the Post, Newsweek and the broadcasting division attract more than their share of increasing domestic advertising expenditures. In 1971 total U.S. advertising outlays rose to an estimated $20 billion. While such outlays for newspaper, magazine and broadcast advertising rose by an estimated 4.6 per cent in 1971, the combined advertising revenues of the Company for that year rose by 8.5 per cent, and the increases scored by each of the divisions substantially exceeded the national growth rate for its own medium.

Now we face the challenge of spurring growth of another kind—the growth of profitability, which, as the 10-year financial summary shows, has not kept pace with the rise in revenues. In all candor, that challenge is posed most forcefully by the Company's new role as a publicly accountable corporation. It is a challenge that management at all levels is eager to meet. We certainly do not propose to create shoddy products as a means of improving profit margins, nor to diminish in any way the prestige that the Company's divisions have earned through the excellence of their performance. We believe that excellence is not merely compatible with profitability but indispensable to it. But we are rigorously improving the efficiency of our operations in all divisions through a program of cutting costs, holding them down and generating new sources of income from existing resources.

However, one important cost beyond our control is the steep rate increase proposed by the Postal Service, which by 1975 would add more than $3 million to Newsweek's annual cost of second-class postage alone. The new rates would threaten the existence of many small periodicals and, as The New York Times has editorialized, would thereby make a free press appreciably less free. With other leading publishers we are striving to convince the postal authorities and, if necessary, the Congress that the proposed new rates are excessive and damaging.

In pursuing our commitment to greater profitability, we have strong advantages. We are emerging from a period of years of base-building in which we have strengthened our management and expanded our physical and creative resources. The Post, for example, is in the final stages of a $30 million capital improvement program that will soon be yielding the fruits of modernization in almost every phase of the newspaper's operations, including two new presses with the capacity to meet our circulation growth. The broadcasting division has largely completed the spadework of reorganization and upgrading in staff and facilities, and has already begun to show the benefits in earning capacity. In Washington, we are now erecting a new television tower that will greatly improve the quality and reach of WTOP-TV's signal. And Newsweek, for another example, is already producing savings as a result of its more efficient computerized facility for subscription fulfillment.

Katharine Graham

While placing priority on profit improvement in our existing operations, we are alert to other possibilities of increasing our earnings. One is to find new ways to utilize present resources, as Newsweek is doing in its production of television news inserts for syndication. Beyond that, we are alert to opportunities to extend our reach in the communications field through acquisition.

Several important changes were made in 1971 in our Board of Directors and our management. To the Board we added Arjay Miller and Nicholas deB. Katzenbach. Mr. Miller, now dean of the Business School at Stanford University, was formerly the president of Ford Motor Company and remains a director of that company and several others. Mr. Katzenbach, formerly Attorney General of the United States and Under Secretary of State, is vice president and general counsel and a director of International Business Machines Corporation.

Osborn Elliott, who was editor of Newsweek from 1961 to 1969, was named president and chief executive officer of Newsweek, Inc. At the end of 1971 John S. Prescott Jr. joined the Company as president of The Washington Post after many years of newspaper experience, most recently as general manager of Knight Newspapers' Philadelphia Inquirer and Philadelphia Daily News. Mr. Prescott also became a director of the Company. Alan R. Finberg, formerly associate counsel of General Dynamics Corporation, joined the Company as vice president, general counsel and secretary.

We look to 1972 and succeeding years to produce a substantial rise in the Company's fortunes. All of the Company's properties are in vigorous health, and all of them serve dynamic, growing markets. Our program to improve profit margins, which is already producing results, should gain impact from the larger advertising revenues that promise to accompany the general U.S. economic upturn. To the talented, loyal men and women of The Washington Post Company whose efforts have helped to bring us this far, we express our thanks—and our gratification that they will share with us the exciting years ahead.

Katharine Graham

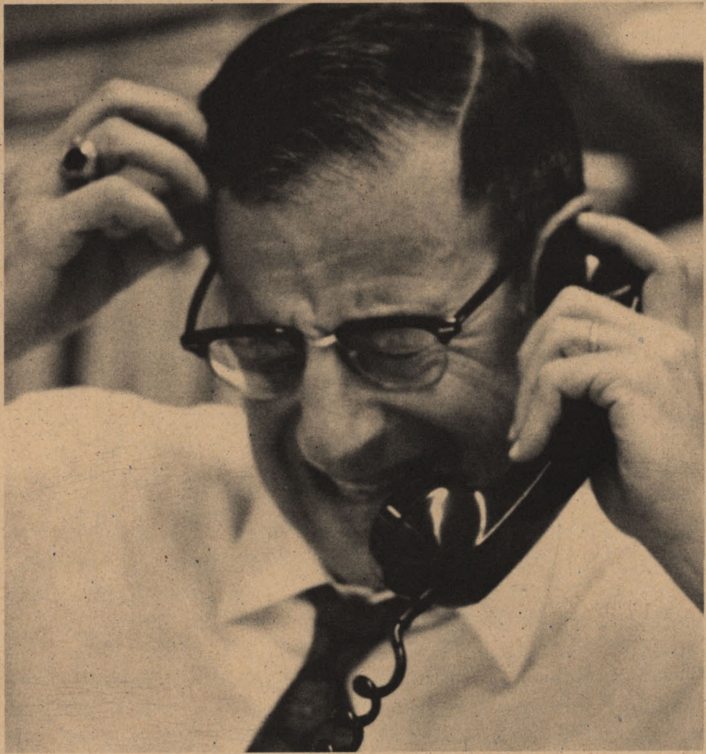
Katharine Graham
President

Frederick S. Beebe

Frederick S. Beebe
Chairman of the Board

March 24, 1972

THE WASHINGTON POST

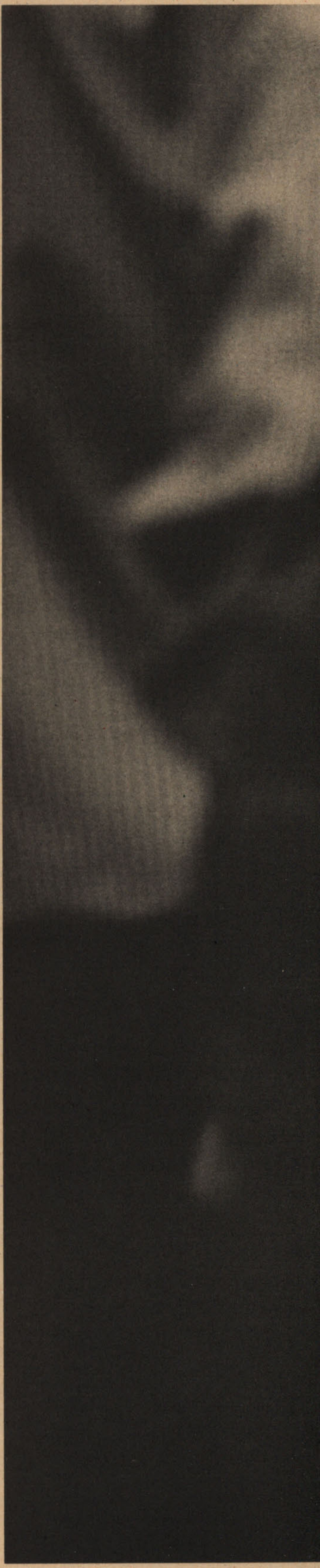


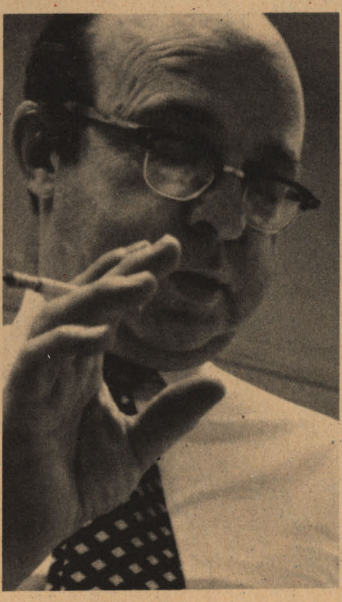
The Post is read by 60 per cent of Washington adults. It is read by every U.S. Senator and by most other government legislators and key executives. It has a leading national reputation. The quality of the editorial staff is a major factor in its leadership. The Post also dominates its market in advertising linage.

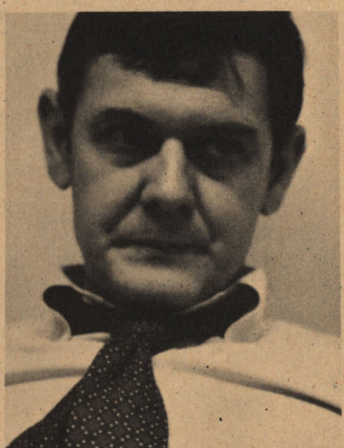
The Washington Post is by far the dominant newspaper in its metropolitan area by every yardstick—circulation, advertising and editorial influence. Its dominance springs from many factors, but ultimately from the newspaper's editorial excellence.

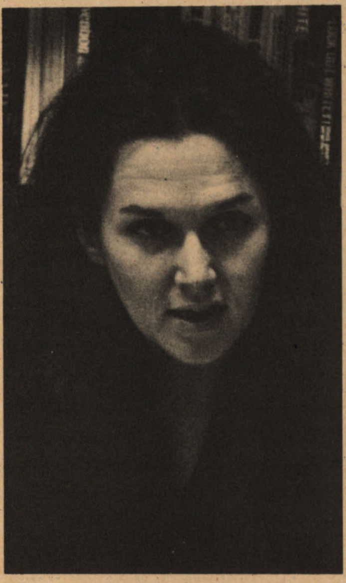
The paper seeks to make itself indispensable to the daily informational needs of two overlapping readerships: the Washington community as a whole and those who make the city a national and world capital. The success that the Post has attained in this twin goal is evidenced by the fact that it is read regularly by over 60 per cent of the adults in the area, and by virtually every Senator, 95 per cent of the members of the House of Representatives and 95 per cent of all key government executives. Washington ranks first in the nation in newspapers read per household, and the Post provides a penetration that is higher than any other daily paper in a major U.S. market.

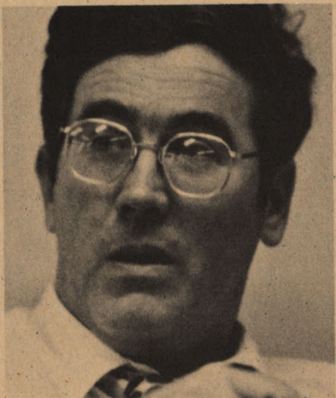
The Post has a national reputation as well, which was advanced in 1971 by the leading position the paper took in publishing the Pentagon Papers and in exposing government exploitation of "backgrounders" for newsmen. The Post has also benefited from the growth and success of the Los Angeles Times-Washington Post News Service, which now appears in 224 American newspapers and 113 overseas. A recently completed survey of several thousand business executives across the country substantiated the Post's leadership among U.S. newspapers in terms of reputation, quality, influence and thoroughness of world and national news coverage.







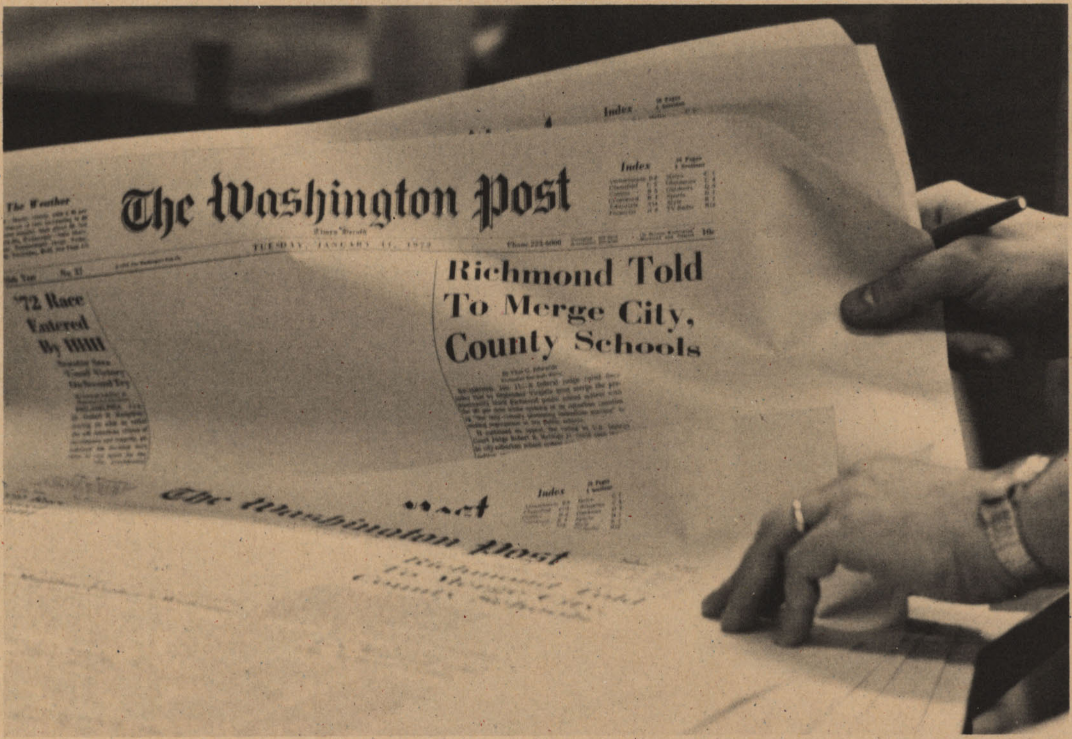




At daily editorial conferences Post stories undergo tough critiques. This engenders the kind of quality control that won the Post staff 29 awards for excellence in 1971, including a Pulitzer Prize.


THE
GEORGE HYMAN
CONSTRUCTION
COMPANY

The seventh largest U.S. daily dominates its market—the fastest growing in the nation.



Size and quality of editorial staff are of course major factors in the Post's leadership. The news staff of about 290 editors, correspondents, reporters and photographers includes Post bureaus in 11 news capitals abroad as well as in New York, Atlanta and Los Angeles. In 1971 Jim Hoagland, the Post's African correspondent, was the winner of a Pulitzer Prize for his series on apartheid; other staff writers won a total of 28 other awards for journalistic excellence.

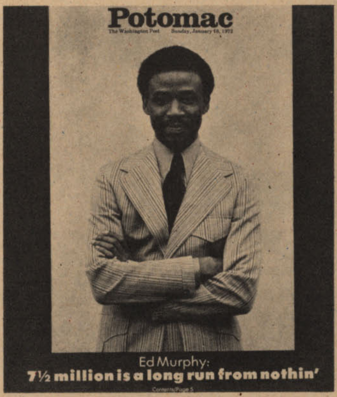
As a result of such quality, The Washington Post (which ranks seventh in circulation among all U.S. morning dailies) leads the second Washington newspaper in circulation by nearly 70 per cent daily and over 100 per cent Sunday. The Post's current circulation of over 510,000 copies daily and 671,000 Sunday is divided about equally among the District of Columbia, Maryland and Virginia. The Post is, in fact, the largest newspaper in the state of Virginia and the largest morning daily in Maryland.

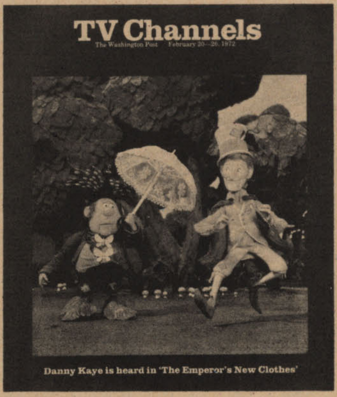
From an advertising standpoint the Post is equally dominant, carrying virtually 60 per cent of all the advertising linage in Washington's three newspapers. The Post's advertising linage in 1971 was more than 71.3 million lines, an increase of 2.9 million lines over 1970; in 1971 the Post ranked fifth in this respect among all newspapers in the country.

There is every indication that 1972 will be an even better year for advertising than 1971. Continued rapid market growth will bring gains in advertising from present advertisers; an influx of new retail chain outlets will assure further advertising gains. The Washington metropolitan area is the fastest growing major market area in the U.S.

The nine-story, 258,000 square-foot, $30 million addition to the Post's plant and office building will be fully utilized by mid-year.

The Post's nine-story addition to its plant and office building in Washington is scheduled to be in full use by the middle of 1972. This addition, along with production equipment and refurbishing existing facilities, will cost approximately $30 million and will add 258,000 square feet of floor space. The Post has been operating at close to capacity during peak periods. The expansion will provide sufficient additional capacity to handle future growth requirements.





Technologically, the Post is in a favorable situation. While production costs and wages in general have been high, Washington labor contracts do permit the introduction of new equipment and the harnessing of new technology. The Post's typographical union agreement provides for use of the computer for typesetting, for instance. It provides for high speed photocomposition equipment, and has for years made possible the use of outside tape. The Post has been using the computer and during 1972 will move up to a larger, better system. We see considerable potential for greater efficiency in the use of our new equipment, and we will make every effort to fulfill it.

Management believes that the Post's 1972 financial results can exceed 1971 even after absorbing increased depreciation, operating and maintenance costs resulting from the addition of the new building. We look for strong and continuing gains in both circulation and advertising as well as steady editorial improvement in an already distinguished newspaper.

NEWSWEEK

Newsweek
The Future of ROCK
MICK JAGGER of The Rolling Stones
SECRET
Chicago's Mayor RICHARD J. DALEY
The May Day Arrests
The Heroin Plague
John V. Lindsay
A Survey of U.S. Catholics
Has the Church Lost Its Soul?
Merry Christmas
THE TROUBLED ARMY IN VIETNAM
Corporations Under Fire
VICTORY FOR THE PRESS
YOUR NEW DOLLAR
ONE DOLLAR
Nixon's Recovery Plan
New Maestro, New Beat
The AGONY of the Commuter
The American Jew
New Pride, New Problems
Architect MOSHE SAFDIE
WHAT'S AHEAD FOR TV
Golf's Biggest Money Winner
Lee Trevino
AFL-CIO's GEORGE MEANY
Living With Controls
CIA Chief Richard Helms
WHO'S IN CHARGE HERE?
JUSTICE ON TRIAL
A Special Report
CHINA A New Game Begins
The New Black Politics
The House Caucus
NIXON: I Will Go To China
VOTER REGISTRATION
The Bunkers
Dissent in Russia
The Helicopter War
THE MURDER OF A PEOPLE
The Attica Tragedy
PRO FOOTBALL'S RED-HOT REDSKINS
WELFARE
THE ART OF MURDER
PROBING THE BRAIN
Treasury Secretary John Connally
Chou En-lai
FASHION '71 Anything Goes
the secret history of Vietnam
The New Woman
WHO'S TO BLAME?

Newsweek's financial results in 1971 were depressed by rising expenses, notably increased postal costs, and by the two non-recurring factors described in the letter to the shareholders. Yet despite the rigors of a recession year that buffeted many magazines, Newsweek produced striking evidence of its growing vigor as both an editorial force and an advertising medium. Gross advertising revenues hit an all-time high of $75.5 million compared with $68.8 million in 1970. And among all national magazines, Newsweek moved from fifth to fourth in advertising pages. Circulation revenues also hit an all-time high of $25.3 million against $23.8 million in 1970. With a domestic circulation rate base of 2.6 million, Newsweek sold more subscriptions than ever before.

This expression of confidence by advertisers and readers reflects the vitality of the newsweekly and the special qualities of Newsweek in particular. The difficulties encountered by general mass-circulation magazines have coincided recently with the success of a number of specialized ones such as Sports Illustrated and Golf Digest. The newsmagazine was a "specialty" magazine long before the name came into vogue; it performs a highly specialized service for a mass of educated readers who value a weekly perspective on the news, reported and analyzed with verve and insight. The mass-circulation picture magazines have proved vulnerable to the competition of television for both audience and advertising. To newsweeklies, however, television is a stimulus; TV news creates awareness of events and whets curiosity for the kind of in-depth coverage offered by newsweeklies. This is often reflected in newsstand sales; during weeks when there is saturation coverage of news events on television, Newsweek's sales go up. And the number of newsmagazine readers—a breed especially valuable to many advertisers—keeps growing. The demographic mix of the newsweekly readership includes increasing proportions of the affluent members of the college and post-college generations. As this market grows with the expansion of our college-educated population, so will newsweeklies.

But if the newsmagazine form is a staple, the execution still demands vitality and renewal. It is Newsweek's special cachet to have breathed new life into the old mold, qualifying not only for its advertised claim as "the world's most quoted newsweekly" but as the most copied as well. It has won this distinction with a variety of innovations, such as enterprise reporting, signed opinion, flexible new layout techniques and major in-depth reports running to 20 pages or more. Perhaps more important, it has found the skill to be fair and responsible without sacrificing readability, and kept itself

Newsweek's 1971 covers reflect a fascinating variety of journalistic enterprise. Often Newsweek makes news itself in newspapers, magazines and newscasts around the world. An exclusive interview with President Anwar Sadat of Egypt is a notable example.

Newsweek goes where the news is—on the Muskie presidential campaign, to China with President Nixon or on the travels of Vice President Agnew.

'The most-quoted newsweekly' keeps growing with gross revenues topping $100 million for first time.

open-minded and alert to new social and political phenomena.

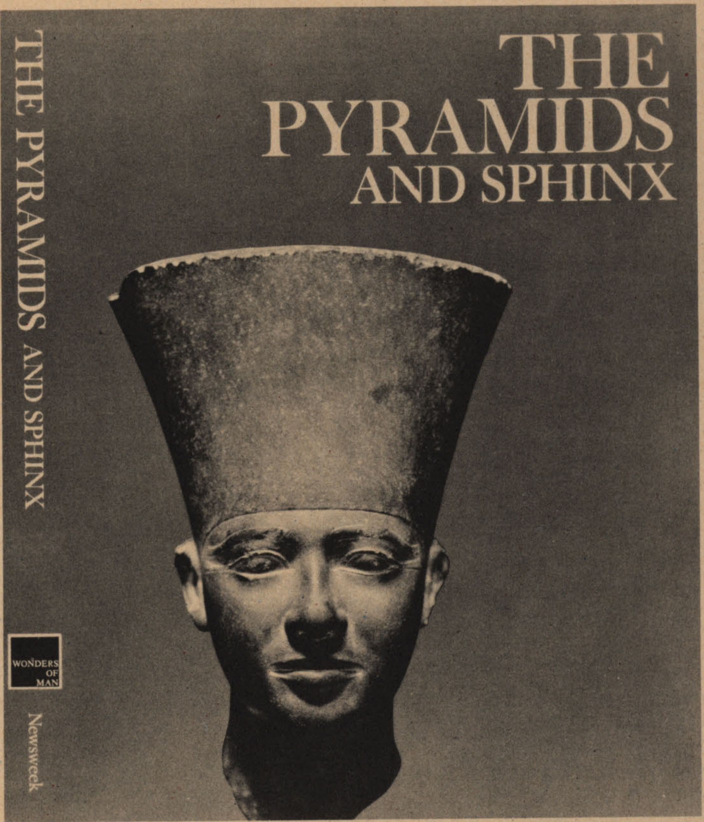
In 1971, as always, Newsweek's covers reflected a fascinating variety of journalistic initiative, whether reporting the emergence of the hot-pants craze, or the first large-scale survey (Newsweek's own) of how newly enfranchised 18-year-olds are likely to vote, or the slaughter and famine in Bengal months before the India-Pakistan war. For the biggest domestic news break of the year — President Nixon's announcement of the wage-price freeze and the effective devaluation of the dollar — Newsweek was the only magazine to carry the story while it was still news. Among several prize-winning stories was "Justice On Trial," a 21-page treatment of the crisis in U.S. criminal justice.

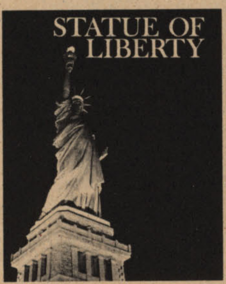
The magazine made further progress in 1971 in shaping its overseas editions to the special needs and interests of their readers, most of whom are foreign nationals. While basically identical to the U.S. magazine, the Atlantic and Pacific editions carry special features as well and frequently different covers. The latest mark of success of this policy is the decision to raise Newsweek International's circulation rate base for 1972 by more than 10 per cent, to 360,000.

The Newsweek Book Division, launched in 1968, sold 436,000 books in 1971, primarily in its "Great Museums" and "Wonders of Man" series, and laid the foundation for profitable operations in 1972. Scheduled for publication this fall is the first volume of Newsweek's next book series, based on the writings of six of the Founding Fathers and timed to coincide with the 200th anniversary of the United States.

Despite the continuing problem of postal costs, 1972 is looking up. Last year, to combat rising costs, management launched a careful review of operations and instituted a cost-cutting and cost-control program under which we have begun to save at an annual rate of more than $1 million — all of it without harming the quality of the magazine or our efforts in support of it.

We look forward to increased revenues in 1972. In part they will come from a 6 per cent rise in advertising rates, approved by the Price Commission, which went into effect in February. Our circulation income should also show healthy gains, based on a combination of different pricing policies, an improving economy and the tradionally better sales climate of a presidential year. Finally, we expect healthy improvements in our Book Division and Newsweek International. In all, we foresee a significantly improved financial performance in 1972.





Newsweek's magazine operations, from its editors' deliberations to the computerized facility that assures its subscription fulfillment, take place on an essentially weekly rhythm. But Newsweek also publishes Art News, the leading monthly in its field, and uses its own subscription lists and direct-mail expertise to market books in such highly successful series as "Wonders of Man" and "Great Museums."

BROADCASTING

The Post-Newsweek stations — three television and two radio stations, all in important growth markets — registered increases in revenues, earnings and market shares in 1971, despite unfavorable economic conditions and unusual regulatory pressures that beset the broadcast industry. These results reflect a major overhaul of programming and staffing undertaken three years ago. We believe they will continue with growing momentum through 1972.

The overhaul of our broadcast division grew out of the conviction that high quality forms an essential base for long-range commercial success and prosperity. Our stations seek to strike a balance between programming that reaches for the mass audience and diverse, quality offerings to meet the tastes and needs of a variety of specialized audiences. Each station schedules a significantly larger volume of news, public affairs, specials and children's programs — and maintains higher advertising standards — than any of its competitors.

In Washington, WTOP-TV and WTOP Radio — CBS affiliates — serve one of the nation's largest markets (ninth in size, including the District of Columbia and parts of Virginia and Mary-

Post-Newsweek stations in meeting the tastes of diverse audiences provide program variety such as Eyewitness News, the Arthur & Company puppet show, the Doing-Being children's fare, and the "Harambee" Black show, here interviewing Congresswoman Shirley Chisholm.

Post-Newsweek stations produce gains in revenues, earnings and market shares in '71.

land). While the Washington market showed a decrease in billings for 1971, WTOP-TV experienced an 8 per cent improvement. The station's competitive position should be improved with the completion in the latter part of the year of a new 1,000-foot tower. WTOP Radio renders a uniquely valuable service to the nation's capital with its all-news operation and 50-kilowatt signal, and has steadily accumulated a significantly large audience in a highly competitive market. The station is expecting a good profit improvement in 1972. Both stations experienced a 12-day strike in the opening weeks of 1972 when operating technicians walked out, but operations proceeded smoothly under the direction of management and supervisory personnel, and the work stoppage was settled satisfactorily within federal wage control guidelines.

In Jacksonville, WJXT-TV has been for many years a nationally recognized success story in terms of its overwhelmingly strong news and editorial leadership and its advertising strength. It has consistently been one of the highest rated CBS outlets in the U.S. and is the strongest news and advertising medium in its area. The Jacksonville market, which includes large sections of Northeast Florida and Southeast Georgia, has drawn unusual national attention because of its new area-consolidated government. It also has become an important test market for advertising new products.

WPLG-TV is the ABC affiliate in Miami, the nation's 18th market. When the station was acquired two years ago it was not a real

factor in Miami. It has since been re-programmed and re-staffed completely, and is now an important competitive force in the market. In a year in which the Miami market was off, WPLG-TV showed an improvement of 23 per cent in revenue.

In Cincinnati, WCKY Radio was purchased two years ago as part of a package that included the Miami station. It is an excellent 50-kilowatt facility that covers portions of Ohio, Indiana and Kentucky. Good revenue improvement is anticipated in 1972.

Early in 1970 the Post-Newsweek stations embarked on a stringent cost-containment program. This was particularly critical in view of the soft economy, increased labor costs and rising costs of talent, film and news coverage. Expenditures were carefully scrutinized, and sharp reductions were effected in many areas. In addition, considerable reduction in staff was achieved through attrition and combining job duties. The stations are now operating within strictly budgeted costs. The success of the cost-containment effort, coupled with increased sales, has enabled us to convert almost all additional sales into profits.

WJXT offers Eyewitness News and Black culture show, Kutana, a popular morning program, in Jacksonville; WPLG offers news on The Scene Tonight in Miami.

AFFILIATED OPERATIONS

The Company holds an interest in several ventures that are closely related to its newspaper operations. It owns 85 per cent of the capital stock of Robinson Terminal Warehouse Corporation, which conducts a terminal and warehousing business in Alexandria, Virginia. Stevedoring, storage and transshipment of newsprint for The Washington Post and other newspapers account for the greater part of the activities of this subsidiary.

The Company owns 49 per cent of the common stock of Bowaters Mersey Paper Company Limited, located in Liverpool, Nova Scotia. This company has an annual capacity to produce more than 180,000 tons of newsprint and owns extensive woodlands that provide much of the mill's wood requirements. Bowaters Mersey Paper Company Limited is The Washington Post's major source of newsprint. In 1971 it supplied almost 70 per cent of the Post's newsprint consumption, which accounted for almost two-thirds of the mill's productive capacity.

In addition, the Company participates in a joint venture that owns and operates the International Herald Tribune, an English-language newspaper published in Paris and distributed throughout Europe and in portions of Asia and Africa. Its circulation has grown from 56,000 in 1965 to 114,000 at the end of 1971. The Company currently has a 27 per cent interest in this venture.

The Company owns a substantial interest in the major supplier of newsprint for the Post as well as the terminal that stores it in Virginia.

FINANCIAL REVIEW

NET INCOME

Income for 1971 was $6,784,000 or $1.52 per share, compared to $5,772,000 or $1.37 per share for 1970. Income figures are stated before extraordinary items and before a special credit in 1971. Per-share earnings are fully diluted. Extraordinary income in 1971 amounted to $387,000 or $.09 per share. The special credit represents the cumulative effect of changes in accounting methods on years prior to 1971, and amounted to $4,586,000 after reduction for taxes on income of $5,068,000. The resulting net income for 1971 was $11,757,000 or $2.64 per share, fully diluted. Extraordinary expenses in 1970 amounted to $853,000, resulting in net income for 1970 of $4,919,000 or $1.17 per share, fully diluted.

Changes in Accounting Methods. In 1971 the Company changed its methods of accounting for magazine subscription procurement and book promotion costs so that revenues and expenses will be better matched. These changes, which are described below in the Summary of Accounting Policies, increased income in 1971 by $681,000 or $.15 per share. If these methods had been applied in 1970, pro forma income before extraordinary items in 1970 would have been $5,966,000 or $1.42 per share, fully diluted.

Per-Share Data is based upon the weighted average number of shares of common stock and common stock equivalents outstanding during the periods, 4,429,090 in 1971 and 3,999,960 in 1970. Shares issuable under stock options are considered common stock equivalents where the fair 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.

Fully diluted per-share data is based upon the assumption that preferred stock which was converted into shares of Class B common stock during a fiscal year was converted on the first day of the year. The weighted average number of shares used in the computation of fully diluted per-share data was 4,449,020 in 1971 and 4,205,931 in 1970.

SUMMARY OF ACCOUNTING POLICIES

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

Investments in Affiliates. In 1971 the Company adopted the equity method of accounting for its 49 per cent investment in Bowaters Mersey Paper Company Limited. The accompanying financial statements have been restated to give retroactive effect to this change for years prior to 1971. Other investments in affiliates are also accounted for by the equity method.

Plant Assets and Depreciation. Plant depreciation is accounted for at annual rates based upon the estimated service lives of assets, using both accelerated and straight-line methods for calculating depreciation. Useful lives of 3 to 11 years are used for machinery and equipment, 20 to 50 years for buildings and 5 to 20 years for land improvements. Leasehold improvements are amortized over the remaining lives of the leases. For assets acquired prior to 1971 depreciation was calculated on one or another of these methods for financial reporting purposes.

For all plant assets acquired in 1971 and future years the Company has adopted only the straight-line method of calculating depreciation for financial reporting purposes. The Company believes this change will provide for financial reporting purposes a better allocation of depreciation expense to the period benefited. The change had no significant effect on income or financial position reported for the periods presented. Accelerated methods of calculating depreciation have been and will continue to be used for income tax purposes.

Expenditures for maintenance, repairs and renewals are charged against income. Betterments are capitalized. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts in the year of disposal, and any losses or gains that result are reflected in the income statement. In connection with the newspaper plant expansion program now in progress, provision was made in 1970 for the estimated loss on assets scheduled to be retired in 1971 and 1972 and for the related estimated cost of demolition.

Deferred Film and Book Promotion 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 not reflected in the consolidated balance sheets. Instead, the costs of these rights are charged to expense as films are shown, using accelerated amortization rates for motion pictures and straight-line amortization rates for syndicated programs. Payments for film rights in excess of accrued amortization are included in "Deferred charges and other assets" in the consolidated balance sheets.

In 1970 and prior years book promotion costs were charged to expense as incurred. In 1971 the Company changed its accounting method to defer these costs and amortize them over the 12-month period following the dates when the costs are incurred.

Deferred Income. Amounts received from subscribers in advance of deliveries are deferred and recorded as income when deliveries are made.

In 1970 and prior years all costs in connection with the procurement of magazine subscriptions were charged to expense as incurred. In 1971 the Company changed its accounting method with respect to magazine subscription procurement costs to defer these costs and amortize them over the lives of the related magazine subscriptions.

Goodwill and Other Intangibles represent the excess of the cost of acquiring subsidiary companies over the related fair values of tangible assets at the dates of acquisition. The Company considers the "Goodwill and other intangibles" to be assets of indefinite life and does not intend to amortize them.

"Goodwill and other intangibles" previously reported at January 3, 1971 has been increased by $912,000 as a result of the retroactive application of the equity method of accounting for the investment in Bowaters Mersey Paper Company Limited. During 1971 agreement was reached with the Internal Revenue Service concerning allocation of the purchase price of a subsidiary acquired in a prior year, resulting in an addition of $282,000 to "Goodwill and other intangibles."

Foreign Operations. For balance sheet purposes foreign currency assets and liabilities have been translated into U.S. dollars at current market rates of exchange, while for income statement purposes transactions in foreign currencies have been reported on the basis of average annual rates of exchange.

Retirement Plans. The Company and its subsidiaries contribute to various pension, incentive savings and profit sharing plans which cover full-time employees who have prescribed periods of service. In general the accrued costs and liabilities of these plans are currently provided for and fully funded. Newspaper dealers who have prescribed periods of service participate in an unfunded Circulation Dealers Profit Incentive Plan, the accrued costs of which are charged to current expense; liability under such plan, amounting to $2,991,000 at January 2, 1972 and $2,638,000 at January 3, 1971, is included in "Other liabilities" in the consolidated balance sheets.

In addition, the Company guarantees minimum retirement income benefits that require supplemental payments to certain participants in the Company's profit sharing and newspaper dealer profit incentive plans. These supplemental payments, which are not material in amount, are charged to expense as paid.

Total expense under the plans described above was $2,653,000 for 1971 and $2,673,000 for 1970.

INVENTORIES

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

	January 2, 1972	January 3, 1971	December 28, 1969
Newsprint	$1,200,000	$ 557,000	$ 256,000
Magazine paper	2,037,000	2,342,000	2,311,000
Books	906,000	366,000	342,000
Other materials	498,000	454,000	429,000
	$4,641,000	$3,719,000	$3,338,000

INVESTMENTS IN AFFILIATES

Bowaters Mersey Paper Company Limited. The investment in Bowaters Mersey Paper Company Limited consists of 49 per cent of the common shares. Condensed statements of financial position and income of that company for 1971 and 1970, stated in Canadian dollars, are set forth below:

CONDENSED STATEMENTS OF FINANCIAL POSITION

	December 31 1971	1970
Current assets	$13,680,000	$13,260,000
Less current liabilities	(7,136,000)	(7,374,000)
Working capital	6,544,000	5,886,000
Fixed assets, net	27,162,000	29,681,000
Other assets	495,000	639,000
Long-term debt	(5,208,000)	(6,568,000)
Other liabilities	(5,108,000)	(5,362,000)
Shareholders' equity, including $4,408,000 and $4,562,000 applicable to preferred shares	$23,885,000	$24,276,000

CONDENSED STATEMENTS OF INCOME

Sales and other income	$28,193,000	$27,132,000
Costs and expenses	26,129,000	23,949,000
Income before income taxes	2,064,000	3,183,000
Income taxes	1,051,000	1,682,000
Net income	1,013,000	1,501,000
Preferred dividend requirements	245,000	255,000
Net income applicable to common shares	$ 768,000	$ 1,246,000

As stated above, in 1971 the Company adopted the equity method of accounting for its investment in Bowaters Mersey Paper Company Limited. In prior years this investment was carried at cost. The financial information for prior periods presented in the accompanying financial statements has been retroactively restated to reflect the equity method. The effect of the restatement was to increase retained earnings at December 28, 1969 by $1,352,000 and increase previously reported 1970 net income by $14,000. Net income in 1971 was reduced by $26,000 from that which would have been reported had the equity basis not been adopted.

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

	January 2, 1972	January 3, 1971
Cost of investment	$8,354,000	$8,354,000
Less amount included in Consolidated Goodwill	912,000	912,000
Equity in net assets at date of acquisition	7,442,000	7,442,000
Increase in equity since date of acquisition	1,392,000	1,397,000
	$8,834,000	$8,839,000

Dividends received from Bowaters Mersey Paper Company Limited are subject to both Canadian non-resident withholding tax and United States income tax, but the Company has received substantially full tax credit against its United States tax liability for the Canadian income taxes withheld and deemed to have been paid.

Other Investments. The Company has a 27 percent interest in a joint venture for the publication in Paris of the International Herald Tribune and a 50 percent interest in a joint venture which operates the Los Angeles Times-Washington Post News Service. Both of these investments are accounted for by the equity method.

PLANT ASSETS

Plant assets consist of the following:

	January 2, 1972	January 3, 1971
Land	$ 6,403,000	$ 6,416,000
Buildings	16,258,000	14,160,000
Leasehold improvements	2,378,000	2,378,000
Machinery, equipment and fixtures	25,549,000	24,518,000
Construction in progress	16,323,000	7,046,000
Less—accumulated depreciation and amortization	(25,796,000)	(24,328,000)
	$41,115,000	$30,190,000

Depreciation and amortization of plant assets was $2,436,000 in 1971 and $2,776,000 in 1970.

INCOME TAXES AND TAX TIMING DIFFERENCES

The Company adopted the deferral method of accounting for investment credits in 1971. Under this method, investment credits are applied as a reduction of income tax expense over the depreciable lives of the related assets. These credits were insignificant in amount in 1971 and 1970.

Income tax timing differences arise when income or expense is reported for financial purposes in a different period than for income tax purposes. These differences, depending on their nature, are reported either as "prepaid income taxes" (when the cumulative net effect is a greater amount of income for tax purposes than for financial reporting purposes) or as "deferred income taxes" (when the cumulative net effect is an excess of book income over taxable income).

At January 3, 1971 the Company's accounts reflected prepaid income taxes of $1,985,000. Principally as a result of the Company's change in 1971 in its methods of accounting for costs of magazine subscription procurement and book promotion, which produced an accrual of $5,818,000 as deferred income taxes, the Company's accounts at January 2, 1972 reflected deferred income taxes of $3,891,000.

LONG-TERM DEBT AND RESTRICTIONS ON DIVIDENDS

Long-term debt consists principally of unsecured promissory notes, many of which require payments each year to maturity. The amounts due within one year, $797,000 at January 2, 1972 and $3,313,000 at January 3, 1971, are included in current liabilities. The composition of long-term debt is:

Interest Rates	Year of Final Maturity	January 2, 1972	January 3, 1971
6.95%	1973-1987	$33,000,000	$25,000,000
4.00%	1977	3,205,000	3,480,000
5-5.75%	1981	2,625,000	2,825,000
Various—paid in full in 1971			11,880,000
		$38,830,000	$43,185,000

The agreement relating to the 6.95 per cent promissory notes contains restrictive provisions which relate principally to the payment of dividends and the redemption or purchase of the Company's capital stock. At the respective year-ends, retained earnings unrestricted by these provisions were $25,361,000 and $3,030,000. Principal repayments on the 6.95 per cent promissory notes are due as follows: $1,000,000 in each of the years 1973 and 1974; $2,250,000 in each of the years 1975 to 1986; and $4,000,000 in 1987.

The 4 per cent serial promissory notes are payable in Canadian currency in annual installments of $536,000 to April 1, 1977. As security, the Company has pledged its common shares of Bowaters Mersey Paper Company Limited.

At January 2, 1972, maturities of long-term debt scheduled during each of the succeeding five years were as follows: 1972, $797,000; 1973, $1,797,000; 1974, $1,797,000; 1975, $3,047,000; 1976, $3,047,000.

CAPITAL STOCK AND STOCK OPTIONS

There are two classes of common stock, Class A common stock and Class B common stock. In 1971 all the remaining outstanding preferred stock was converted into Class B common stock. In June 1971, a recapitalization plan was adopted which (1) authorized 1,000,000 shares of $1 par value preferred stock in place of the previously authorized $100 par value preferred stock, (2) established the number of authorized shares of Class A common stock at 1,000,000 and the number of authorized shares of Class B common stock at 10,000,000 and (3) substituted a par value of $1 per share for the former $10 per share stated value of the common stock and split the issued shares of both classes of common stock 60 for 1. The Class B common stock has limited voting rights, including the right to elect 30 per cent of the Board of Directors. The Class A common stock has full voting rights and is entitled to elect the balance of the Board of Directors. The recapitalization has been given retroactive effect in the accompanying consolidated financial statements.

In June and July 1971 the Company sold 621,375 shares of its Class B common stock to the public and to employees for net proceeds of $15,025,000. Of such amount, $9,658,000 was used to prepay indebtedness.

Prior to 1964 the Company granted to certain officers and key employees restricted stock options to purchase shares of Class B common stock at not less than 95 per cent of the fair value of the shares at the dates of grant, such value having been calculated in each case according to a formula designed to yield the fair value of the shares. All of these options were exercised prior to the public sale referred to above. Options exercised during the two years presented and the option prices and formula values of the shares at the dates the options were exercised are as follows:

Options Exercised		Option Price		Formula Value at Date of Exercise	
Fiscal Year Ended	Shares	Per Share	Total	Per Share	Total
Jan. 3, 1971	233,160	$5.00-$6.17	$1,252,000	$19.55	$4,558,000
Jan. 2, 1972	185,880	$5.00	$ 929,000	$19.25	$3,578,000

In 1971 the Company adopted a Stock Option Plan and reserved 350,000 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 10 years. At January 2, 1972 there were outstanding options for the purchase of 275,575 shares of Class B common stock at a price of $26 per share, and 12,000 shares at a price of $25.07 per share. Certain of these options were granted in substitution for Class B common stock equivalents embodied in deferred compensation agreements entered into in prior years. None of the options were exercisable in 1971.

COMMITMENTS AND CONTINGENCIES

The Company leases certain properties under agreements which extend for periods of more than three years and provide for aggregate annual rental payments approximating $1,273,000. Certain leases obligate the Company to pay taxes, insurance and maintenance, and most have renewal options.

The Company is also contingently liable for payments under employment contracts and for claims and lawsuits arising in the ordinary course of business.

In connection with the newspaper plant expansion program, the Company had commitments of $5,700,000 at January 2, 1972, and $14,100,000 at January 3, 1971, and expected to commit additional amounts of $3,700,000 and $4,800,000 at the respective dates.

Under the agreements for the right to use motion pictures and syndicated programs, the Company was committed to future payments for such rights of $2,738,000 at December 31, 1971 and $2,483,000 at December 31, 1970, with $1,348,000 and $984,000 being payable within one year of the respective dates.

EXTRAORDINARY ITEMS

Extraordinary items consist of the following:

	1971	1970
Provision for estimated loss on retirement of plant and estimated cost of demolition in connection with newspaper plant expansion, less tax benefits of $674,000		$(653,000)
Provision for loss on expiration of land purchase option, less tax benefits of $96,000		(101,000)
Expenses in defending renewal of television broadcasting license, less tax benefits of $93,000		(99,000)
Tax benefit from charitable donation of FM broadcast facilities	$387,000	
Net extraordinary income (loss)	$387,000	$(853,000)

CONSOLIDATED STATEMENTS OF INCOME

Fiscal Year	1971	1970
Operating revenues	**$192,749,000**	$178,031,000
Costs and expenses	**177,555,000**	164,515,000
Income from operations	**15,194,000**	13,516,000
Other income (deductions)		
Other income (including interest of $845,000 and $1,050,000)	**1,091,000**	1,259,000
Other deductions (including interest of $2,774,000 and $3,048,000)	**(3,275,000)**	(3,494,000)
Equity in earnings of affiliates	**509,000**	499,000
Income before income taxes, extraordinary items and special credit	**13,519,000**	11,780,000
Income taxes		
Currently payable	**5,698,000**	6,811,000
Deferred	**1,037,000**	(803,000)
	6,735,000	6,008,000
Income before extraordinary items and special credit	**6,784,000**	5,772,000
Extraordinary items	**387,000**	(853,000)
Special credit—cumulative effect on years prior to 1971 of changes in accounting methods for magazine subscription procurement and book promotion costs	**4,586,000**	—
Net income	**$ 11,757,000**	$ 4,919,000
Earnings per common and common equivalent share		
Primary		
Income before extraordinary items and special credit	**$1.52**	$1.43
Extraordinary items	**.09**	(.21)
Special credit	**1.04**	
Net income	**$2.65**	$1.22
Fully diluted		
Income before extraordinary items and special credit	**$1.52**	$1.37
Extraordinary items	**.09**	(.20)
Special credit	**1.03**	
Net income	**$2.64**	$1.17

Pro forma earnings assuming the 1971 changes in accounting methods for magazine subscription procurement and book promotion costs had been applied to 1970		
Income before extraordinary items		$ 5,966,000
Per share—primary		$1.48
Per share—fully diluted		$1.42
Net income		$ 5,113,000
Per share—primary		$1.27
Per share—fully diluted		$1.22

CONSOLIDATED BALANCE SHEETS

ASSETS	January 2, 1972	January 3, 1971
Current assets		
Cash and time deposits	**$ 10,268,000**	$ 9,037,000
Commercial promissory notes at amortized cost which approximates market value	**15,224,000**	11,409,000
Accounts receivable, less estimated returns, doubtful accounts and allowances of $2,342,000 and $2,260,000	**19,992,000**	19,893,000
Inventories, at lower of average cost or market	**4,641,000**	3,719,000
Prepaid expenses and other	**2,012,000**	1,664,000
	52,137,000	45,722,000
Investments in affiliates		
Bowaters Mersey Paper Company Limited	**8,834,000**	8,839,000
Other	**1,736,000**	1,710,000
	10,570,000	10,549,000
Plant assets, at cost less accumulated depreciation and amortization	**41,115,000**	30,190,000
Goodwill and other intangibles	**37,517,000**	37,240,000
Deferred charges and other assets — including prepaid income taxes of $1,985,000 at January 3, 1971	**4,353,000**	6,131,000
	$145,692,000	$129,832,000

LIABILITIES AND SHAREHOLDERS' EQUITY	**January 2, 1972**	January 3, 1971
Current liabilities		
Accounts payable and accrued expenses	**$ 17,368,000**	$ 15,388,000
Dividends payable	**—**	200,000
Federal and state income taxes	**735,000**	1,851,000
Contributions due to employee benefit trust funds	**837,000**	1,994,000
Current portion of long-term debt	**797,000**	3,313,000
	19,737,000	22,746,000
Other liabilities	**5,467,000**	5,491,000
Long-term debt	**38,033,000**	39,872,000
Deferred subscription income less related magazine subscription procurement costs of $10,496,000 at January 2, 1972	**7,900,000**	17,521,000
Deferred income taxes	**3,891,000**	—
Minority interest in subsidiary company	**313,000**	248,000
Shareholders' equity		
Preferred stock:		
$100 par value, authorized 50,000 shares; 5,500 shares issued and outstanding	**—**	550,000
$1 par value, authorized 1,000,000 shares	**—**	—
Common stock:		
Class A common stock, $1 par value, authorized 1,000,000 shares; 763,440 shares issued and outstanding	**763,000**	763,000
Class B common stock, $1 par value, authorized 10,000,000 shares; 4,304,040 and 3,968,160 shares issued; 3,993,257 and 3,058,980 shares outstanding	**4,304,000**	3,968,000
Capital in excess of par value	**10,079,000**	5,160,000
Retained earnings	**60,052,000**	49,166,000
Less: Cost of 310,783 and 909,180 shares of Class B common stock held in Treasury	**(4,847,000)**	(15,653,000)
	70,351,000	43,954,000
	$145,692,000	$129,832,000

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Fiscal Year	1971	1970
Sources of Working Capital		
Operations		
Income before extraordinary items and special credit	**$ 6,784,000**	$ 5,772,000
Charges to income not requiring current outlay of working capital:		
Depreciation and amortization of plant assets	**2,436,000**	2,776,000
Amortization of deferred film cost	**1,306,000**	1,162,000
Provisions for deferred compensation and Circulation Dealers Profit Incentive Plan	**192,000**	923,000
Loss on retirement of plant assets	**104,000**	295,000
Income tax timing differences relating to current period deferral of magazine subscription procurement and book promotion costs	**750,000**	
Other	**58,000**	(79,000)
Working capital provided by operations	**11,630,000**	10,849,000
Extraordinary items	**387,000**	(853,000)
Charges not requiring current outlay of working capital less related income taxes of $770,000		754,000
	387,000	(99,000)
Special credit	**4,586,000**	
Less deferral of magazine subscription procurement costs related to years prior to 1971 not requiring current outlay of working capital	**(9,368,000)**	
Deferred income taxes related to special credit	**5,068,000**	
	286,000	
Working capital provided by operations, extraordinary items and special credit	**12,303,000**	10,750,000
Increase in long-term debt	**8,222,000**	8,101,000
Increase in deferred subscription income	**875,000**	1,148,000
Proceeds from issuance of Class B common stock:		
Stock options	**929,000**	1,252,000
Public offering and sales to employees	**15,025,000**	
Newsweek Employees Saving Plan Trust	**58,000**	
Other	**118,000**	76,000
	37,530,000	21,327,000
Uses of Working Capital		
Purchase of		
Treasury stock	**530,000**	4,071,000
Plant assets	**13,748,000**	8,343,000
Television film rights	**1,449,000**	1,027,000
Reduction of long-term debt	**10,061,000**	3,228,000
Increase in deferred magazine subscription procurement costs	**1,128,000**	
Dividends on Common and Preferred Stock	**871,000**	814,000
Other	**319,000**	123,000
	28,106,000	17,606,000
Net Increase in Working Capital	**$ 9,424,000**	$ 3,721,000
Changes in Composition of Working Capital		
Increase (decrease) in current assets		
Cash and time deposits	**$ 1,231,000**	$ 2,645,000
Commercial promissory notes	**3,815,000**	3,943,000
Accounts receivable	**99,000**	(936,000)
Inventories	**922,000**	381,000
Prepaid expenses and other	**348,000**	191,000
	6,415,000	6,224,000
(Increase) decrease in current liabilities		
Accounts payable and accrued expenses	**(1,980,000)**	(1,279,000)
Account payable associated with prior year acquisition		1,130,000
Dividends payable	**200,000**	(3,000)
Federal and state income taxes	**1,116,000**	399,000
Contributions due to employee benefit trust funds	**1,157,000**	(627,000)
Current portion of long-term debt	**2,516,000**	(2,123,000)
	3,009,000	(2,503,000)
Net increase in working capital	**$ 9,424,000**	$ 3,721,000

CONSOLIDATED STATEMENTS OF CAPITAL IN EXCESS OF PAR VALUE, TREASURY STOCK AND RETAINED EARNINGS

Fiscal Year	1971	1970
Capital in Excess of Par Value		
Balance, beginning of period	**$ 5,160,000**	$ 3,581,000
Issuance of shares of Class B common stock to holders of stock options	**744,000**	1,019,000
Sale to public and employees	**3,738,000**	
Conversion of preferred stock	**400,000**	513,000
Other	**37,000**	47,000
Balance, end of period	**$ 10,079,000**	$ 5,160,000
Treasury Stock		
Balance, beginning of period	**$ 15,653,000**	$ 11,642,000
Purchases	**530,000**	4,071,000
Cost of shares sold	**(11,336,000)**	(60,000)
Balance, end of period	**$ 4,847,000**	$ 15,653,000
Retained Earnings		
Balance, beginning of period		
As previously reported	**$ 47,800,000**	$ 43,709,000
Adjustments to reflect adoption of the equity method of accounting for investment in Bowaters Mersey Paper Company Limited	**1,366,000**	1,352,000
As restated	**49,166,000**	45,061,000
Net income	**11,757,000**	4,919,000
Cash dividends:		
Common stock $.20 per share	**(871,000)**	(781,000)
Preferred stock		(33,000)
Balance, end of period	**$ 60,052,000**	$ 49,166,000

OPINION OF INDEPENDENT ACCOUNTANTS

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

We have examined the Consolidated Balance Sheets of The Washington Post Company and subsidiaries as of January 2, 1972 and January 3, 1971, and the related Consolidated Statements of Income, Changes in Capital in Excess of Par Value, Retained Earnings and Treasury Stock and Changes in Financial Position for each of the years then ended. Our examinations 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.

As described in the accompanying Financial Review, in 1971 the Company adopted the equity method of accounting for its investment in Bowaters Mersey Paper Company Limited, began deferring both magazine subscription procurement costs and book promotion costs and, for all plant assets put into service in 1971 and thereafter, adopted the straight-line method of calculating depreciation and the deferral method of accounting for investment credits.

In our opinion, the accompanying consolidated financial statements examined by us present fairly the financial position of The Washington Post Company and subsidiaries at January 2, 1972 and January 3, 1971, and the results of their operations and the changes in their financial position for each of the years then ended, in conformity with generally accepted accounting principles consistently applied, except for the aforementioned changes, which we approve.

Price Waterhouse & Co.

February 11, 1972
Washington, D.C.

TEN-YEAR SUMMARY

Revenues and Income (fiscal year)	1971	1970	1969	1968
Revenues	**$192,749,000**	$178,031,000	$169,133,000	$146,597,000
Income from operations	**15,194,000**	13,516,000	18,511,000	16,555,000
Pro forma income from operations	**15,194,000**	13,925,000	19,654,000	17,346,000
Income before income taxes, extraordinary items and special credit	**13,519,000**	11,780,000	18,484,000	16,038,000
Pro forma income before income taxes, extraordinary items and special credit	**13,519,000**	12,189,000	19,627,000	16,828,000
Income before extraordinary items and special credit	**6,784,000**	5,772,000	8,884,000	7,394,000
Pro forma income before extraordinary items and special credit	**6,784,000**	5,966,000	9,389,000	7,743,000
Extraordinary items and special credit, net of income taxes	**4,973,000**	(853,000)	(919,000)	—
Net income	**11,757,000**	4,919,000	7,965,000	7,394,000
Pro forma net income	**7,171,000**	5,113,000	8,470,000	7,743,000
Year End Financial Condition				
Current assets	**$ 52,137,000**	$ 45,722,000	$ 39,498,000	$ 39,130,000
Working capital	**32,400,000**	22,976,000	19,255,000	23,366,000
Total assets	**145,692,000**	129,832,000	118,457,000	98,243,000
Long-term debt	**38,033,000**	39,872,000	35,000,000	24,289,000
Deferred subscription income (net of related subscription procurement costs for 1971)	**7,900,000**	17,521,000	16,373,000	14,257,000
Shareholders' equity	**70,351,000**	43,954,000	42,561,000	39,950,000
Amount Per Share				
Earnings per common and common equivalent share—primary:				
Income before extraordinary items and special credit	**$1.52**	$1.43	$2.24	$1.75
Pro forma income before extraordinary items and special credit	**1.52**	1.48	2.37	1.83
Extraordinary items and special credit	**1.13**	(.21)	(.23)	—
Net income	**2.65**	1.22	2.01	1.75
Pro forma net income	**1.61**	1.27	2.14	1.83
Earnings per common and common equivalent share—fully diluted:				
Income before extraordinary items and special credit	**1.52**	1.37	2.06	1.62
Pro forma income before extraordinary items and special credit	**1.52**	1.42	2.17	1.69
Extraordinary items and special credit	**1.12**	(.20)	(.21)	—
Net income	**2.64**	1.17	1.85	1.62
Pro forma net income	**1.61**	1.22	1.96	1.69
Dividends per common share	**.20**	.20	.20	.20

Pro forma amounts assume that the changes in accounting methods for magazine subscription procurement and book promotion costs adopted in 1971 had been applied to previous years.

1967	1966	1965	1964	1963	1962
$131,495,000	$122,827,000	$108,050,000	$96,043,000	$85,514,000	$78,235,000
12,971,000	14,571,000	14,342,000	10,641,000	8,994,000	8,213,000
13,778,000	16,027,000	14,970,000	10,390,000	9,397,000	9,046,000
12,810,000	14,780,000	14,017,000	10,464,000	8,077,000	6,727,000
13,617,000	16,236,000	14,645,000	10,213,000	8,480,000	7,560,000
6,703,000	7,860,000	7,389,000	5,427,000	4,123,000	3,250,000
7,098,000	8,572,000	7,706,000	5,305,000	4,311,000	3,639,000
—	—	—	—	597,000	569,000
6,703,000	7,860,000	7,389,000	5,427,000	4,720,000	3,819,000
7,098,000	8,572,000	7,706,000	5,305,000	4,908,000	4,208,000
$ 32,066,000	$ 34,869,000	$ 29,882,000	$26,512,000	$21,346,000	$20,919,000
18,767,000	18,176,000	14,083,000	13,049,000	10,802,000	11,388,000
91,490,000	92,633,000	82,066,000	74,513,000	67,526,000	60,953,000
24,296,000	26,050,000	24,777,000	26,319,000	27,752,000	27,508,000
12,903,000	11,183,000	9,609,000	8,864,000	7,882,000	7,333,000
37,058,000	36,074,000	29,698,000	23,907,000	19,510,000	15,339,000
$1.49	$1.69	$1.59	$1.20	$1.24	$ .93
1.58	1.84	1.66	1.18	1.30	1.04
—	—	—	—	.19	.17
1.49	1.69	1.59	1.20	1.43	1.10
1.58	1.84	1.66	1.18	1.49	1.21
1.38	1.56	1.48	1.07	.81	.62
1.46	1.71	1.54	1.04	.84	.66
—	—	—	—	.12	.11
1.38	1.56	1.48	1.07	.93	.73
1.46	1.71	1.54	1.04	.96	.77
.20	.20	.20	.20	.02	.02

CORPORATE DIRECTORY

Board of Directors and Officers

Katharine Graham
Director and President
Publisher of The Washington Post

Frederick S. Beebe
Director and Chairman of the Board

Osborn Elliott
Director and Vice President
President of Newsweek, Inc.

Larry H. Israel
Director and Vice President
Chairman of Post-Newsweek Stations, Inc.

Nicholas deB. Katzenbach
Director

Mark J. Meagher
Director and Vice President—Finance

Dr. Eugene Meyer III
Director

Arjay Miller
Director

John S. Prescott, Jr.
Director and Vice President
President of The Washington Post

John W. Sweeterman
Director and Vice Chairman of the Board

Alan R. Finberg
Vice President, General Counsel and Secretary

Robert P. Thome
Treasurer

Transfer Agents and Registrars

Morgan Guaranty Trust Company of New York
New York, New York

American Security and Trust Company
Washington, D.C.

Corporate Offices

1150 15th Street, N.W.
Washington, D.C. 20005

444 Madison Avenue
New York, New York 10022

Annual Meeting

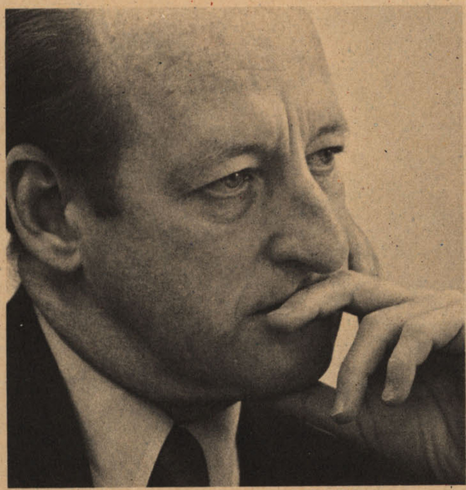
The Annual Meeting of Stockholders will be held at 10:00 a.m. on Wednesday, May 10, 1972, in the Georgetown Room of The Washington Hilton Hotel, 1919 Connecticut Avenue, N.W., Washington, D.C.

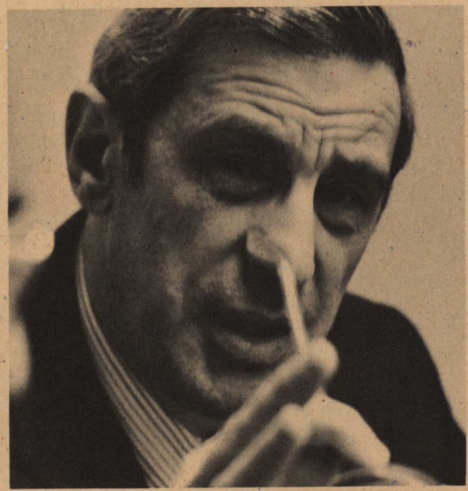
Graham

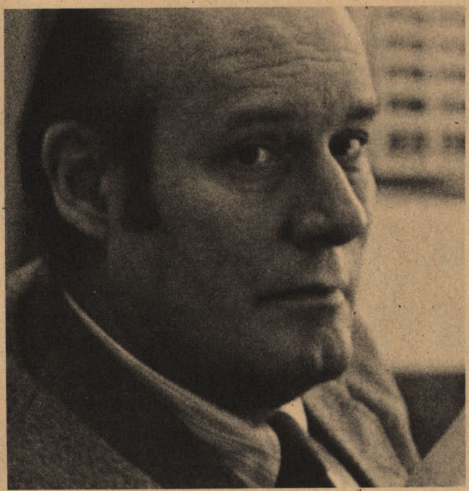
Beebe

Meyer

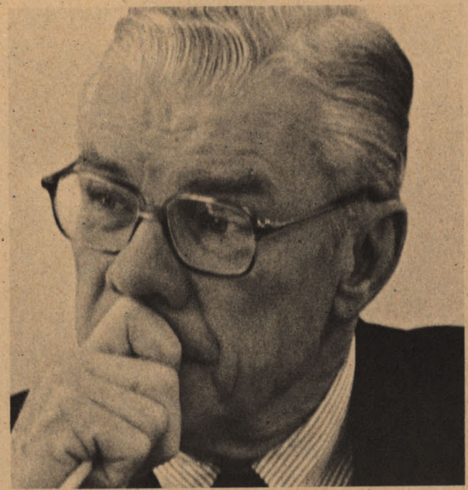

Prescott

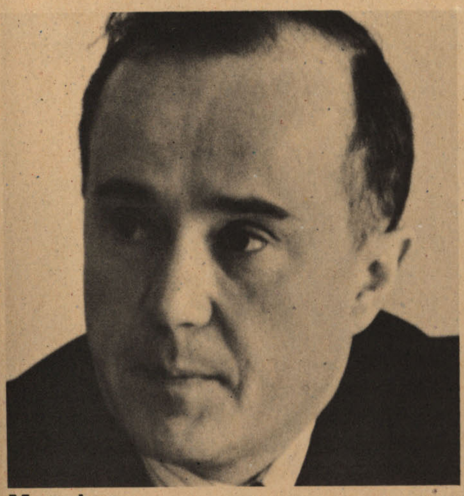

Elliott


Israel


Katzenbach


Miller


Sweeterman


Meagher


Finberg


Thome

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WASHINGTON, D.C. 20005