# The Washington Post Company

## 1975 Annual Report

## The Washington Post Company today . . .

**Newspaper Division**

The Washington Post,
Washington, D.C.

The Trenton Times and Sunday Times-Advertiser,
Trenton, N.J.

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

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

**Magazine and Book Division**

Newsweek

Newsweek, Atlantic and Pacific editions

Newsweek Books

**Broadcasting Division**

Television Stations

WTOP, Washington, D.C. (CBS affiliate)

WJXT, Jacksonville, Fla. (CBS affiliate)

WPLG, Miami, Fla. (ABC affiliate)

WFSB, Hartford, Conn. (CBS affiliate)

Radio Stations

WTOP-AM, Washington, D.C.

WCKY-AM, Cincinnati, Ohio
(sold in February 1976)

**Affiliates**

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

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

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

## Contents

# Report to Shareholders

Nineteen seventy-five was a year of both achievement and disappointment for The Washington Post Company. Despite a recessionary economy that severely impacted advertising expenditures which normally account for three-quarters of the Company's revenues, both Newsweek and the Broadcasting Division reported new highs in revenues and earnings. Newspaper publishing operations, however, were hard-hit not only by the downturn in advertising volume but also —and more dramatically—by a lengthy strike at The Washington Post. A strike also halted operations at the Company's Canadian newsprint manufacturing affiliate, Bowater Mersey Paper Company Limited. The effects of these adverse factors were so substantial that, despite record performances in magazine publishing and broadcasting, consolidated earnings for 1975 declined although revenues reached a new high. It is our belief, however, that the Company enters 1976 significantly strengthened and prepared to take advantage of the opportunities an improving economy will bring.

Revenues for 1975 were $309,335,000, a 7.6% increase over 1974 revenues of $287,579,000. Almost half this increase was attributable to the acquisition of Hartford television station WFSB-TV in March 1974 and The Trenton Times in October 1974. Net income for 1975, however, declined by 16.6% to $12,042,000, or $2.55 per share, compared to 1974 net income of $14,441,000 or $3.04 per share.

The strikes at The Washington Post and Bowater Mersey, in which the Company has a 49% common stock interest, were responsible for approximately 63% of this earnings decline ($800,000 or 17 cents per share at the Post and $700,000 or 15 cents per share at Bowater Mersey). The remainder of the earnings decline was due to a drop in newspaper linage and to reduced interest income.

The Broadcasting Division's revenues increased 11% to $42,988,000, and broadcasting operating income increased 15% to $8,282,000. Newsweek's revenues increased 4.4% to $128,594,000, and its operating income increased 17% to $11,946,000. These earnings gains, however, were more than offset by newspaper publishing operations, where revenues rose 9.6% to $137,753,000 but operating income fell 39% to $6,596,000.

Although results for the year as a whole were disappointing, the fourth quarter produced strong evidence of a turnaround for both the economy and the Company. Despite the strikes at The Washington Post and at Bowater Mersey, the impact of which fell entirely in the fourth quarter of the year, net income for the quarter, which included substantial amounts recoverable from insurance, was $5,540,000 or $1.19 per share, a 2.8% increase over the $5,388,000 or $1.14 per share reported in the last quarter of 1974. This improvement was earned on a 1.7% increase in quarterly revenues, from $84,663,000 in 1974 to $86,107,000 in 1975. The Post strike lowered fourth-quarter revenues by about $8,000,000 (and, as noted above, lowered quarterly earnings by $800,000).

Beyond any question, the dominant event of the year was the strike by the pressmen immediately after extensive damage to the newspaper's presses on the morning of October 1. Although we anticipated lengthy negotiations with the pressmen and the other unions whose contracts expired on September 30, we did not expect the extended strike which began the next day. The Post missed only one day of publication thanks to the resolve and dedication of the employees who remained on the job, working 15 to 20 hours a day producing the newspaper under virtually unprecedented conditions. The newspaper returned to normal operations in February 1976. The pressmen who remain on strike have been replaced by new pressmen trained by the Post.

The Bowater Mersey strike, which began October 31, was settled on February 10, 1976. There was no production during this period.

The year 1975 also brought a successful end to the four challenges to the broadcasting licenses of the Company's two Florida television stations, with the last of those challenges withdrawn in October. As of the beginning of 1976 all of the Company's FCC licenses had been renewed for three-year periods ending in 1978 or 1979. The Company sold radio station WCKY in Cincinnati, Ohio in February 1976.

Following its announcement in April 1975, the Company began repurchasing shares of its outstanding Class B Common Stock, acquiring 93,650 shares during 1975 and 197,500 additional shares in January 1976.

With both The Washington Post and Bowater Mersey operations settled down, we look forward to 1976 with confidence. We are in better control of the Post's production processes and should therefore be able to reverse a disturbing financial trend at the newspaper. Both Newsweek and Post-Newsweek Stations should be able to attract additional advertising revenues as economic conditions continue to improve. Based on the Company's performance in the fourth quarter of 1975 and the additional impetus provided by the return to normal conditions at the Post and Bowater Mersey, we look forward to a significant improvement in operations and financial results in the year ahead.

We express our appreciation to all the people in the Company for their efforts and achievements in a difficult year.

Katharine Graham

Katharine Graham
Chairman of the Board

Larry D. Israel

Larry H. Israel
President

February 27, 1976

# Newspaper Division

Nineteen seventy-five was a year of substantial accomplishment and innovation in the Newspaper Division—despite a shaky economy and a craft union strike at The Washington Post which began on October 1 and continued into early 1976.

The Division's revenues were $137,753,000 compared to $125,731,000 in 1974. About 70% of this increase was due to the inclusion of the Trenton Times revenues for all of 1975 as opposed to less than three months in 1974. In addition, a change in the latter part of 1975 from a wholesale to a retail pricing structure for most of the Post's circulation increased reported revenues, although it increased costs by about the same amount. The Division's operating income was $6,596,000 compared to $10,746,000 in 1974. The Company estimates that the strike and the strike-related pressroom damage reduced Division revenue, mostly advertising, by about $8,000,000 and net income by about $800,000 (after giving effect to amounts recoverable by insurance). The hard facts, however, were that newspaper advertising revenues remained about level with 1974 as volume declined at the Post by about 10.5 million lines (12.5%), less than half of which (4.6 million lines) was attributable to the press damage and the strike, and by about 1.2 million lines (4.3%) at the Trenton Times.

The importance of the strike should not be allowed to obscure the continuing improvements made during 1975 in the Post's service to the Washington community. Branch advertising offices were established in Maryland and Virginia to improve service to suburban advertisers and to pave the way for the beginning of zoned editions. "The Weekly," an every-Thursday news section appearing in three different versions with specific emphasis on coverage of District of Columbia, Maryland, and Virginia news and advertising, began publication in July. News offices were established to serve the Maryland and Virginia editions.

Sports II, a new weekly section devoted to participatory (as contrasted with spectator) sports, was inaugurated in March and quickly found reader and advertiser acceptance.

Matthew Lewis, whose photographs appear in Potomac, the Post's Sunday magazine, won the 1975 Pulitzer Prize for feature photography.

The classified pages of the Post were changed from nine to ten columns per page, providing an annual newsprint savings of about $900,000 per year. Only a portion of these savings was realized in 1975.

Most of the Post's home-delivery dealers changed their status from independent retailers of the Post to agents, delivering and collecting for subscriptions bought directly from the Post.

The Washington Post Writers Group now provides 10 different columnists, cartoonists and features to newspapers across the nation.

Circulation growth at the Post was strong despite substantial home-delivery and newsstand price increases in 1974. The six-month averages for the period ended September 30, 1975 were 534,400 copies daily and 736,527 Sunday—new all-time highs for comparable periods. Subsequent circulation losses due to the strike were minimal.

Following record advertising linage in 1974, the Post, along with other newspapers, forecast and experienced a decline in 1975. Nevertheless, at the end of September, the Post was carrying almost 70 percent of all advertising placed in the two Washington dailies. Advertising revenue virtually equaled 1974's total of $102,000,000.

The strike at the Post began early in the morning of October 1, when, without warning, pressmen sabotaged and vandalized all nine of the Post's presses, set fire to one, and severely beat an assistant foreman who tried to stop them. Simultaneously, a picket line was formed, and the strike began. The striking pressmen were subsequently joined by the mailers and photoengravers unions. Other craft unions honored their lines. The majority of the newspaper guild members voted to remain at work.

Late in 1975, the striking pressmen rejected the Post's final contract offer, and were replaced by a new workforce. Other craft unions subsequently ratified contract offers. By February 23, 1976, virtually all Post employees had returned to work.

The continuing slump in the economy of the Delaware Valley resulted in a 1975 operating loss at the Trenton Times, although its advertising linage declined by only 4.3% compared to a 6.8% decline in the Trenton market. The Times thus increased its share of the market, particularly in classified advertising. Of special significance were the Times' inauguration on September 13 of a Saturday morning edition, which should contribute to increased revenues in 1976, and its conversion from letterpress to offset production. During 1975 important steps were taken to reorganize and strengthen management and to extend news coverage and circulation.

**"...The Post missed only one day of publication thanks to the resolve and dedication of the employees who remained on the job."**

## Magazine and Book Division

Newsweek achieved record revenues and operating income in 1975. Revenues reached $128,594,000 compared to $123,121,000 in 1974, while operating income improved from $10,202,000 in 1974 to $11,946,000 in 1975.

Due to increased newsstand and subscription prices magazine circulation revenue increased by $7,690,000 or 19.6%. Domestic edition advertising pages, exclusive of affiliated advertising, numbered 2,561 in 1975, a decrease of 17% from the 3,100 pages carried in 1974; international edition pages totaled 1,546 in 1975, a decrease of 13% from the 1,778 carried in 1974. Because of increases in page rates and an increased number of specialized edition pages (particularly in Executive Newsweek, an advertising edition for high income executives which in its first complete calendar year of operation contributed the equivalent of 131 pages of national advertising), advertising revenues for the year totaled $73,338,000, a decrease of only .6%. Newsweek's international editions had their most profitable year. Book operations incurred a substantial loss, although somewhat lower than in 1974.

A number of important management changes took place in 1975. Publisher Robert D. Campbell, with the Company since 1949, assumed the added responsibilities of President in June, when Gibson McCabe retired. Simultaneously, Senior Vice President Peter A. Derow, who joined Newsweek in 1965, was appointed Executive Vice President.

A computerized photocomposition system was phased into full operation during the year and has resulted in greater editorial production speed and flexibility at a cost saving to the magazine. A new manufacturing site in Lancaster, Pennsylvania was chosen to replace production capacity lost from the closing of a plant in Glenn Dale, Maryland.

Newsweek's editorial leadership also experienced change in 1975. Managing Editor Edward Kosner was named Editor in September, taking over the week-to-week editorial duties from Osborn Elliott, who is now Editor-in-Chief. Executive Editor Kenneth Auchincloss became Managing Editor and Edward Klein and Larry Martz Assistant Managing Editors.

The editorial year began with a cover story on "Wildlife in Danger" and concluded with a profile on First Lady Betty Ford. In between, Newsweek's worldwide corps of editors, writers, reporters, and researchers focused on such cover subjects as Johnny Miller, "Golf's New Golden Boy;" "Abortion and the Law;" actress Liv Ullmann; Presidential candidate Ronald Reagan; "Oil Money;" "Why Johnny Can't Write;" and "Big Government."

In 1975, Newsweek's editorial enterprise was honored in a number of journalistic competitions. The Overseas Press Club, White House Press Photographers Association, National Council for the Advancement of Education Writing, The American Bar Association, Penney-University of Missouri were among the organizations that presented awards to Newsweek in 1975.

In December, Newsweek obtained the exclusive North American serialization rights to "The Final Days," a new book by Washington Post Watergate reporters Bob Woodward and Carl Bernstein. The magazine intends to run two separate excerpts, totaling 15,000 words each, in the spring of 1976.

Syndicated columnist George Will was named a contributing editor in November and currently writes a bi-weekly column for the magazine.

In February, Raymond Moley, Newsweek's first editor and a columnist for 30 years, died in Phoenix.

An important editorial innovation was made in December when Newsweek International joined with the Wharton Econometric Forecasting Association to offer International's readers a series of periodic surveys of global economic trends and forecasts.

Newsweek's Broadcasting and Editorial Services continued to contribute to Newsweek's profits. Broadcasting's new series, "Today's Woman," was a Gold Medal winner at the International Film and Television Festival of New York, while the segment "Ellis Island," won a Silver Medal in the same competition.

In summary, effective problem-solving management combined with award-winning editorial content to turn a very difficult recessionary period into Newsweek's most profitable year in history.

**"...Newsweek's editorial enterprise was honored in a number of journalistic competitions."**

# Broadcasting Division

Nineteen seventy-five was a year of progress for the Broadcasting Division in all respects—service to the public, audience growth, and financial results.

Post-Newsweek Stations' revenues in 1975 reached $42,988,000 compared to $38,727,000 in 1974. About one-third of the increase in revenues was due to operating WFSB-TV for all of 1975, as compared to less than 10 months in 1974. Division operating income improved from $7,192,000 in 1974 to $8,282,000 in 1975. These results were achieved despite the 1975 reversal in the Florida economy which had an adverse effect on our two stations' revenues, particularly WPLG in Miami.

During 1975, Post-Newsweek Stations reached more households than ever—3,827,000 per week, an increase of about 5% from the 3,651,000 in November, 1974 (source: Arbitron Local Market Reports). We believe these audience levels were due to the stations' longstanding commitment to quality in news and public affairs as well as to their network and entertainment programming.

During 1975, Post-Newsweek Stations received more than a dozen major awards for programming. Among them were:

**WPLG**
duPont-Columbia University Award in Broadcast Journalism
"Clarence Jones' Crimewatch"

**Post-Newsweek Stations**
Action for Children's Television
Achievement in Children's Television
"The Reading Show"

**Post-Newsweek Stations**
Freedoms Foundation at Valley Forge
The Principal Award for Television
"The American Documents"

**WFSB-TV**
Ohio State Award (TV Documentaries)
"What's Happening—Hunger in Northeastern Connecticut"

**WTOP-TV**
White House Press Photographers Association
White House Photographer of the Year
Hal Hoiland

**WTOP-TV**
Chesapeake AP Broadcasters Association
Outstanding News Operations

**WPLG**
Florida State Associated Press Broadcasters Association:
Best News Feature
Best News Special
Best Documentary
Outstanding General News Reporting

"Agronsky and Company," a production of WTOP-TV, is now carried from coast to coast on 15 public broadcasting stations, in addition to the Post-Newsweek Stations.

Other program efforts which received special attention and commendation were "The Vanishing Shadow," twelve half-hour programs designed to improve reading skills at the junior high level. Produced at WJXT, the programs were shown in prime time during April. The series was endorsed by the National Education Association and was said by an independent University of Georgia study to have resulted in "a real and significant increase in vocabulary test scores" and in establishing "the motivational value of telecasting."

In Miami, WPLG focused attention upon the Spanish-speaking community and South Florida's migrant workers. Hartford saw an intensive study of the region's educational systems which culminated in a televised regional "town meeting" as well as two special documentary efforts, all in prime time. Hartford was also the scene of a unique co-production by WFSB-TV and CBS News in which Walter Cronkite, Mike Wallace, CBS News President Richard M. Salant and their associates faced a representative audience of Hartford leaders assembled to question the philosophy and practices of CBS News. The discussion was televised locally in prime time and then, on February 15, on the CBS Television Network. In Washington, WTOP-TV initiated town meetings on such subjects as abortion, the energy crisis, and gun control, and continued to give regular prime-time exposure to station-produced programs on the special needs and interests of minorities and women.

In October, PNS Stations, together with The League of Women Voters and The Aspen Institute's Program on Communications and Society, sponsored a conference on "Ballots and Broadcasting" which brought together principal broadcasters, public groups, elected office-holders, academic leaders, regulators, and other interested parties to discuss the American electoral process in this electronic age. Two days of stimulating presentations, work sessions and informal discussions centered on responsibilities to the public shared by all these parties.

Such accomplishments in news, public affairs, and special activities are not possible without economically healthy stations. Accordingly, much of our efforts during 1975 was focused on achieving better acceptance among audience and advertiser alike. Such efforts, together with regular review and rigorous supervision of expense and productivity levels, assure continuing progress toward our goal of economically healthy stations offering an unusual level of service to the public.

**"...Continuing progress toward our goal of economically healthy stations offering an unusual level of service to the public."**

# Financial Highlights

| | 1975 | 1974 |
|---|---|---|
| Revenues | **$309,335,000** | $287,579,000 |
| Income from Operations | **$ 26,824,000** | $ 28,140,000 |
| Net Income | **$ 12,042,000** | $ 14,441,000 |
| Working Capital | **$ 35,129,000** | $ 31,108,000 |
| Long-term Debt | **$ 39,934,000** | $ 47,318,000 |
| Total Assets | **$230,599,000** | $226,397,000 |
| Shareholders' Equity | **$110,154,000** | $102,745,000 |
| Per Share: | | |
| Earnings | **$ 2.55** | $ 3.04 |
| Shareholders' Equity | **$23.31** | $21.63 |
| Dividends | **$ .50** | $ .50 |
| Average Number of Shares of Common Stock and Common Stock Equivalents Outstanding | **4,725,000** | 4,750,000 |

# Five-Year Summary of Financial Highlights

| (Amounts in thousands except per share data) | 1975 | 1974 | Fiscal Year 1973 | 1972 | 1971 |
|---|---|---|---|---|---|
| **Year-end Financial Condition** | | | | | |
| Current assets | **$ 72,819** | $ 70,009 | $ 78,283 | $ 61,754 | $ 52,137 |
| Working capital | **35,129** | 31,108 | 47,740 | 36,125 | 32,400 |
| Plant assets | **58,594** | 57,125 | 48,898 | 46,171 | 41,115 |
| Total assets | **230,599** | 226,397 | 184,704 | 161,031 | 145,692 |
| Long-term debt | **39,934** | 47,318 | 33,702 | 35,436 | 38,033 |
| Deferred subscription income | **36,999** | 29,797 | 26,097 | 20,971 | 18,396 |
| less related subscription procurement costs | **(18,694)** | (12,119) | (13,082) | (11,998) | (10,496) |
| Net deferred subscription income | **18,305** | 17,678 | 13,015 | 8,973 | 7,900 |
| Shareholders' equity | **110,154** | 102,745 | 90,605 | 79,031 | 70,351 |
| **Revenues and Income** | | | | | |
| Net operating revenues | **309,335** | 287,579 | 246,949 | 217,844 | 192,749 |
| Costs and expenses | **282,511** | 259,439 | 221,257 | 196,038 | 177,555 |
| Income from operations | **26,824** | 28,140 | 25,692 | 21,806 | 15,194 |
| Other income, primarily interest | **1,010** | 2,005 | 2,661 | 1,143 | 1,091 |
| Other deductions, primarily interest | **(4,126)** | (3,942) | (2,822) | (3,240) | (3,275) |
| Equity in earnings of affiliates | **1,884** | 2,571 | 1,022 | 512 | 509 |
| Income before income taxes and extraordinary items and special credit | **25,592** | 28,774 | 26,553 | 20,221 | 13,519 |
| Provision for income taxes | | | | | |
| Current | **9,189** | 13,664 | 10,562 | 7,485 | 5,698 |
| Deferred | **4,361** | 669 | 2,657 | 2,721 | 1,037 |
| | **13,550** | 14,333 | 13,219 | 10,206 | 6,735 |
| Income before extraordinary items and special credit | **12,042** | 14,441 | 13,334 | 10,015 | 6,784 |
| Extraordinary items | **—** | — | — | (283) | 387 |
| Special credit | **—** | — | — | — | 4,586 |
| Net income | **$ 12,042** | $ 14,441 | $ 13,334 | $ 9,732 | $ 11,757 |
| **Amounts per Share** | | | | | |
| Earnings per common and common equivalent share | | | | | |
| Primary | | | | | |
| Income before extraordinary items and special credit | **$2.55** | $3.04 | $2.80 | $2.08 | $1.52 |
| Extraordinary items | **—** | — | — | (.06) | .09 |
| Special credit | **—** | — | — | — | 1.04 |
| Net income | **$2.55** | $3.04 | $2.80 | $2.02 | $2.65 |
| Fully diluted | | | | | |
| Income before extraordinary items and special credit | **$2.55** | $3.04 | $2.80 | $2.07 | $1.52 |
| Extraordinary items | **—** | — | — | (.06) | .09 |
| Special credit | **—** | — | — | — | 1.03 |
| Net income | **$2.55** | $3.04 | $2.80 | $2.01 | $2.64 |
| Cash dividends | **$ .50** | $ .50 | $ .40 | $ .20 | $ .20 |
| Average number of shares of common stock and common stock equivalents outstanding (in thousands): | | | | | |
| Primary | **4,725** | 4,750 | 4,755 | 4,807 | 4,429 |
| Fully diluted | **4,731** | 4,750 | 4,755 | 4,837 | 4,449 |

# Notes to Five-Year Summary

In 1971 the Company changed its method of accounting for magazine subscription procurement and book promotion costs so as to better match revenues and expenses. Previously these costs were expensed as incurred. With the change, magazine subscription procurement costs are amortized over the life of the related subscriptions and book promotion costs are amortized over the 12-month period following the dates incurred. The cumulative effect of the change is shown as a special credit in 1971.

In 1971 the Company adopted the equity method of accounting for its investment in Bowater Mersey Paper Company Limited. Net income for that year was reduced by $26,000 as a result of the change. Dividends received from Bowater in the last five fiscal years were $874,000 in 1975, $521,000 in 1974, $293,000 in 1973, $441,000 in 1972 and $510,000 in 1971.

The extraordinary items in the past five years were as follows: in 1972, a $283,000 loss on the sale of Art News magazine, including related income tax effects; and in 1971, a $387,000 tax benefit from the charitable contribution of an FM radio station.

Earnings per share are based upon the weighted average number of shares of common stock and common stock equivalents outstanding during each fiscal year.

# Discussion and Analysis of Consolidated Statements of Income*

**1975 compared to 1974**

Despite improved earnings at the Magazine and Broadcasting Divisions, net income decreased in 1975 due to strikes at The Washington Post and Bowater Mersey, reduced advertising linage and increased expenses in the Company's Newspaper Division and reduced interest income.

Advertising revenues increased by $9,499,000, or 4.4%, over 1974. The increase was principally due to the acquisition in 1974 of station WFSB (in March) and the Trenton Times (in October) and also to improvements in sales at the Company's other broadcasting stations, which more than offset an estimated $8 million loss in advertising revenues resulting from the pressroom damage and strike at The Washington Post that began on October 1 and continued into 1976. Advertising rate increases at Newsweek together with increased sales of higher-rate pages in a demographic edition almost compensated for a substantial decline in Newsweek's total advertising pages.

Circulation revenues in 1975 were $11,020,000, or 16.3% more than in 1974. The acquisition of the Trenton Times accounted for almost one-quarter of the change, and higher Newsweek revenues from single-copy and subscription price increases accounted for about two-thirds. Decreased sales volume of Newsweek Books reduced revenue by approximately $2.5 million, but revenues increased by about the same amount as the result of a change made in the latter part of 1975 from a wholesale to retail pricing structure for a substantial part of the circulation of The Washington Post.

Other revenues increased by $1,237,000 primarily reflecting increased sales of television programs produced by Newsweek and the Broadcasting Division.

Costs and expenses in 1975 increased by $23,072,000, or 8.9%. The principal elements contributing to the rise in 1975 costs were increases in the cost of wages, materials and services (including additional service costs equal to the additional revenues resulting from the change in circulation pricing at The Washington Post noted in a preceding paragraph), an increased level of magazine subscription promotion and the acquisitions in 1974 of station WFSB and the Trenton Times. These elements substantially outweighed non-recurring cost reductions associated with the strike at the Post (after giving effect to amounts recoverable from insurance), reduced costs attributable to a lower volume of activity at Newsweek Books, and the absence in 1975 of Executive Newsweek start-up costs incurred in 1974.

Increased depreciation and amortization of facilities reflected additions to plant, while the increase in amortization of goodwill reflected the first full year's ownership of station WFSB and the Trenton Times.

Operating income in 1975 was $1,316,000, or 4.7% lower than in 1974. The pressroom damage and strike at The Washington Post caused an estimated reduction in operating income of $1,700,000. Even without this reduction, newspaper operating income would have been lower than in 1974 due to a drop in

*Consolidated Statements of Income appear on page 10.

advertising linage at both The Washington Post and the Trenton Times.

Interest income decreased $1,020,000 as temporary investments of cash held in early 1974 were reduced to purchase station WFSB and the Trenton Times during that year and interest rates declined in 1975.

Equity in earnings of affiliates decreased in 1975 because of a strike at Bowater Mersey which halted production from October 31, 1975 to February 10, 1976.

Income taxes as a percentage of pre-tax income rose from 49.8% in 1974 to 52.9% in 1975 because state and local taxes increased, because of an increase in amortization of goodwill, which is not tax-deductible, and because a smaller proportion of pre-tax income was represented by equity in earnings of affiliates. The ratio of income taxes to pre-tax income rises with a decrease in the portion of pre-tax income represented by equity in earnings of affiliates; that is because the equity in earnings of affiliates, although included in pre-tax income, already reflects foreign income taxes accrued by the affiliates and is not subject to further income tax (until actually paid out as dividends).

The weighted average number of common and common equivalent shares decreased because of the repurchase of 93,650 shares of Class B common stock in 1975.

**1974 compared to 1973**

The increase in net income in 1974 was due primarily to improvement in the operations of Newsweek magazine and Bowater Mersey Paper Company Limited.

Operating revenues in 1974 rose by $40,630,000, or 16.5%, over 1973, of which amount $27,529,000 represented a 14.6% increase in advertising revenues and $12,934,000 reflected a 23.7% increase in circulation revenues. A little more than one-third of the rise in advertising revenues was contributed by the operations of station WFSB, purchased on March 8, and the Trenton Times, purchased on October 18; the rest was attributable to higher advertising rates at The Washington Post and Newsweek and improved advertising sales at the Company's three other television stations. The rise in circulation revenues principally reflected increases in the subscription and single-copy prices of both The Washington Post and Newsweek and higher Newsweek circulation.

Costs and expenses in 1974 were $38,182,000, or 17.3%, greater than in 1973. Of that increase, about one-fourth represented the operating costs of station WFSB and the Trenton Times after they were acquired; the remainder was due primarily to increases in wages and costs of materials and services and to increased depreciation of plant facilities. The two acquisitions also resulted in the creation of approximately $38 million of goodwill, which is being amortized over a 40-year period.

While 1974 operating income was 9.5% higher than in 1973, operating income was adversely affected by losses at Newsweek's Book Division and profit margins were lower in the Newspaper and Broadcasting Divisions.

Interest income decreased in 1974 by $687,000 as cash previously invested was used to purchase station WFSB and the Trenton Times.

Interest expense increased by $1,050,000 principally from a bank borrowing in March which financed a portion of the purchase price of station WFSB and a promissory note issued in October as part of the purchase price of the Trenton Times.

Equity in earnings of affiliates increased by $1,549,000 which reflected sales of newsprint at higher prices by Bowater Mersey.

Income taxes were 49.8% of pre-tax income in both 1974 and 1973, but there were offsetting changes during 1974. The ratio decreased principally because equity in the earnings of affiliates represented a greater portion of pre-tax income in 1974 than in 1973. However, amortization of goodwill, which is not tax-deductible, became substantial for the first time in 1974 and contributed to an increase in the ratio.

# Lines of Business

The Washington Post Company and its subsidiaries are principally engaged in publishing newspapers (The Washington Post; the Trenton Times and Sunday Times-Advertiser) and magazines and books (Newsweek magazine and Newsweek Books) and the ownership and operation of television and radio broadcasting stations.

Operating revenues and operating profit of each of the three divisions of the Company are shown below.

| | | 1975 | 1974 | 1973 | 1972 | 1971 |
|---|---|---|---|---|---|---|
| | | | | (in thousands) | | |
| Revenues | Newspaper publishing | $137,753 | $125,731 | $111,997 | $ 99,796 | $ 85,892 |
| | Magazine and books | 128,594 | 123,121 | 107,617 | 93,790 | 86,044 |
| | Broadcasting | 42,988 | 38,727 | 27,335 | 24,258 | 20,813 |
| | Total | 309,335 | 287,579 | 246,949 | 217,844 | 192,749 |
| Income from Operations | Newspaper publishing | 6,596 | 10,746 | 10,535 | 10,222 | 8,706 |
| | Magazine and books | 11,946 | 10,202 | 9,161 | 5,660 | 2,738 |
| | Broadcasting | 8,282 | 7,192 | 5,996 | 5,924 | 3,750 |
| | Total | $ 26,824 | $ 28,140 | $ 25,692 | $ 21,806 | $ 15,194 |

# Common Stock Prices and Dividends

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

| | 1975 | | 1974 | |
|---|---|---|---|---|
| Quarter | High | Low | High | Low |
| January-March | $25.25 | $16.875 | $24.375 | $14.75 |
| April-June | 30.00 | 21.75 | 23.375 | 19.75 |
| July-September | 29.25 | 22.75 | 21.75 | 16.125 |
| October-December | 23.00 | 20.25 | 20.625 | 14.75 |

Both classes of common stock participate equally as to dividends. Quarterly dividends were paid at the rate of 12.5 cents per share in 1975 and 1974.

At the end of 1975 there were approximately 2,000 shareholders.

# Consolidated Statements of Income

| | Fiscal Year Ended December 28, 1975 | Fiscal Year Ended December 29, 1974 |
|---|---|---|
| **Operating Revenues** | | |
| Advertising | **$225,500,000** | $216,001,000 |
| Circulation | **78,566,000** | 67,546,000 |
| Other | **5,269,000** | 4,032,000 |
| | **309,335,000** | 287,579,000 |
| **Costs and Expenses** | | |
| Operating | **209,340,000** | 188,382,000 |
| Selling, general and administrative | **67,281,000** | 66,165,000 |
| Depreciation and amortization of plant facilities | **4,937,000** | 4,319,000 |
| Amortization of goodwill and other intangibles | **953,000** | 573,000 |
| | **282,511,000** | 259,439,000 |
| **Income from Operations** | **26,824,000** | 28,140,000 |
| **Other Income (Deductions)** | | |
| Other income (including interest of $774,000 and $1,794,000) | **1,010,000** | 2,005,000 |
| Other deductions (including interest of $3,744,000 and $3,461,000) | **(4,126,000)** | (3,942,000) |
| Equity in earnings of affiliates | **1,884,000** | 2,571,000 |
| **Income Before Income Taxes** | **25,592,000** | 28,774,000 |
| **Income Taxes** | | |
| Current | **9,189,000** | 13,664,000 |
| Deferred | **4,361,000** | 669,000 |
| | **13,550,000** | 14,333,000 |
| **Net Income** | **$12,042,000** | $14,441,000 |
| **Earnings per Common and Common Equivalent Share** | **$2.55** | $3.04 |

The information on pages 15 through 19 is an integral part of the financial statements.

# Consolidated Statements of Changes in Financial Position

| | Fiscal Year Ended | |
|---|---|---|
| | **December 28, 1975** | December 29, 1974 |
| **Sources of Working Capital** | | |
| Net income | **$12,042,000** | $ 14,441,000 |
| Add charges to income not requiring working capital | | |
| Depreciation and amortization of plant facilities | **4,937,000** | 4,319,000 |
| Amortization of television film costs | **3,096,000** | 2,622,000 |
| Amortization of goodwill and other intangibles | **953,000** | 573,000 |
| Income tax timing differences | **5,392,000** | 680,000 |
| Undistributed earnings of affiliates | **(1,009,000)** | (2,050,000) |
| Other | **1,119,000** | 483,000 |
| Total provided by operations | **26,530,000** | 21,068,000 |
| Increase in deferred subscription income | **7,202,000** | 3,700,000 |
| Proceeds from exercise of Class B common stock options | **186,000** | — |
| (Decrease) increase in liabilities for cost of contracted television film rights | **(1,232,000)** | 867,000 |
| Long-term debt incurred | — | 22,000,000 |
| Other | **561,000** | 745,000 |
| Total provided | **33,247,000** | 48,380,000 |
| **Uses of Working Capital** | | |
| Acquisition in 1974 of television station and newspaper, net of working capital acquired of $3,536,000 | | |
| Plant assets | — | 9,462,000 |
| Goodwill and other intangibles | — | 37,966,000 |
| Other, net | — | 100,000 |
| | — | 47,528,000 |
| Deposits and other costs for purchase of television station in 1974 | — | (903,000) |
| Purchases of plant assets | **6,718,000** | 3,738,000 |
| Purchases of television film rights | **1,519,000** | 3,671,000 |
| Reduction of long-term debt | **7,384,000** | 8,384,000 |
| Increase (decrease) in deferred magazine subscription procurement costs | **6,575,000** | (963,000) |
| Dividends on common stock | **2,362,000** | 2,376,000 |
| Acquisition of non-operating real estate | **1,237,000** | — |
| Repurchase of Class B common stock | **2,511,000** | — |
| Other | **920,000** | 1,181,000 |
| Total used | **29,226,000** | 65,012,000 |
| Net increase (decrease) in working capital | **$ 4,021,000** | $(16,632,000) |
| **Changes in Composition of Working Capital** | | |
| Cash and time deposits | **$ (5,995,000)** | $(24,687,000) |
| Commercial promissory notes and other marketable securities | **11,405,000** | 263,000 |
| Accounts receivable | **1,024,000** | 10,041,000 |
| Inventories | **(1,272,000)** | 5,034,000 |
| Prepaid expenses and other | **(2,352,000)** | 1,075,000 |
| Increase (decrease) in current assets | **2,810,000** | (8,274,000) |
| Accounts payable and accrued expenses | **(894,000)** | (2,169,000) |
| Federal and state income taxes | **1,521,000** | 48,000 |
| Contributions due to employee benefit trust funds | **584,000** | (587,000) |
| Current portion of long-term debt | — | (5,650,000) |
| Decrease (increase) in current liabilities | **1,211,000** | (8,358,000) |
| Net increase (decrease) in working capital | **$ 4,021,000** | $(16,632,000) |

# Consolidated Balance Sheets

| Assets | December 28, 1975 | December 29, 1974 |
|---|---|---|
| **Current Assets** | | |
| Cash and time deposits | $ 2,077,000 | $ 8,072,000 |
| Commercial promissory notes and other marketable securities at cost which approximates market value | 18,586,000 | 7,181,000 |
| Accounts receivable, less estimated returns, doubtful accounts and allowances of $4,137,000 and $4,021,000 | 40,496,000 | 39,472,000 |
| Inventories at lower of cost or market | 7,227,000 | 8,499,000 |
| Prepaid expenses and other | 4,433,000 | 6,785,000 |
| | 72,819,000 | 70,009,000 |
| **Investments in Affiliates** | | |
| Bowater Mersey Paper Company Limited | 12,431,000 | 11,521,000 |
| Other | 1,351,000 | 1,205,000 |
| | 13,782,000 | 12,726,000 |
| **Plant Assets, at Cost** | | |
| Buildings | 38,436,000 | 38,229,000 |
| Machinery, equipment and fixtures | 49,802,000 | 44,607,000 |
| Leasehold improvements | 2,955,000 | 2,787,000 |
| | 91,193,000 | 85,623,000 |
| Less accumulated depreciation and amortization | (40,645,000) | (36,594,000) |
| | 50,548,000 | 49,029,000 |
| Land | 7,181,000 | 7,343,000 |
| Construction in progress | 865,000 | 753,000 |
| | 58,594,000 | 57,125,000 |
| **Goodwill and Other Intangibles** less accumulated amortization | 75,252,000 | 76,205,000 |
| **Deferred Charges and Other Assets** | 10,152,000 | 10,332,000 |
| | $230,599,000 | $226,397,000 |

The information on pages 15 through 19 is an integral part of the financial statements.

## Liabilities and Shareholders' Equity

| | December 28, 1975 | December 29, 1974 |
|---|---|---|
| **Current Liabilities** | | |
| Accounts payable and accrued expenses | **$ 26,347,000** | $ 25,453,000 |
| Federal and state income taxes | **2,856,000** | 4,377,000 |
| Contributions due to employee benefit trust funds | **1,103,000** | 1,687,000 |
| Current portion of long-term debt | **7,384,000** | 7,384,000 |
| | **37,690,000** | 38,901,000 |
| **Other Liabilities** | **9,889,000** | 10,574,000 |
| **Long-Term Debt** | **39,934,000** | 47,318,000 |
| **Deferred Subscription Income** less related magazine subscription procurement costs of $18,694,000 and $12,119,000 | **18,305,000** | 17,678,000 |
| **Deferred Income Taxes** | **14,134,000** | 8,742,000 |
| **Minority Interest in Subsidiary Company** | **493,000** | 439,000 |
| **Shareholders' Equity** | | |
| Preferred stock, $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 shares issued; 3,899,968 and 3,986,368 shares outstanding | **4,304,000** | 4,304,000 |
| Capital in excess of par value | **10,423,000** | 10,302,000 |
| Retained earnings | **102,015,000** | 92,335,000 |
| Less cost of 404,072 and 317,672 shares of Class B common stock held in Treasury | **(7,351,000)** | (4,959,000) |
| Total shareholders' equity | **110,154,000** | 102,745,000 |
| | **$230,599,000** | $226,397,000 |

## Consolidated Statements of Changes in Shareholders' Equity

| | Capital in Excess of Par Value | Retained Earnings | Treasury Stock |
|---|---|---|---|
| Balance December 30, 1973 | $10,227,000 | $ 80,270,000 | $(4,959,000) |
| Net income for the year | | 14,441,000 | |
| Dividends—$.50 per share | | (2,376,000) | |
| Other | 75,000 | | |
| Balance December 29, 1974 | $10,302,000 | $ 92,335,000 | $(4,959,000) |
| Net income for the year | | 12,042,000 | |
| Dividends—$.50 per share | | (2,362,000) | |
| Issuance of 7,250 shares of Class B common stock to holders of stock options | 67,000 | | 119,000 |
| Repurchase of 93,650 shares of Class B common stock | | | (2,511,000) |
| Other | 54,000 | | |
| Balance December 28, 1975 | $10,423,000 | $102,015,000 | $(7,351,000) |

The information on pages 15 through 19 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 financial statements appearing on pages 10 through 14 present fairly the financial position of The Washington Post Company and its subsidiaries at December 28, 1975 and December 29, 1974, and the results of their operations and the changes in their financial position for the years then ended in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Bowater Mersey Paper Company Limited, a 49 percent owned affiliate, the investment in which is accounted for by the equity method, which represents 5 percent (5 percent for 1974) and 12 percent (14 percent for 1974) of consolidated assets and net income for 1975, respectively. 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 Bowater Mersey Paper Company Limited, is based solely upon the reports of the other independent accountants.

Price Waterhouse & Co.

February 13, 1976
Washington, D.C.

# Notes to Consolidated Financial Statements

### A. 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. All except one of the subsidiaries, however, report on the calendar year.

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

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

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.

**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 straight-line and accelerated amortization rates for syndicated programs.

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

**Deferred Income and Magazine Subscription Procurement and Book Promotion Costs.** Amounts received from subscribers in advance of deliveries are deferred and recorded as income when deliveries are made. The Company amortizes magazine subscription procurement costs over the lives of the related subscriptions and amortizes book promotion costs over the 12-month period following the dates when the costs are incurred.

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

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

**Retirement Plans.** The Company and its subsidiaries contribute to various pension, incentive savings and profit sharing plans which cover employees who have prescribed periods of service. 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 $4,556,000 at December 28, 1975 and $4,079,000 at December 29, 1974, is included in "Other liabilities" in the consolidated balance sheet.

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

Total expense under the plans described above was $5,382,000 for 1975 and $5,585,000 for 1974 which includes, as to certain of the plans, amortization of prior service costs over periods not exceeding 20 years.

**B. Acquisitions**

The Company purchased television station WFSB (formerly WTIC-TV) Hartford, Connecticut on March 8, 1974 for approximately $35 million, and purchased all the outstanding stock of the Trenton Times Corporation, a newspaper publisher, on October 18, 1974 for approximately $16 million. The acquired properties are accounted for by the purchase method. The purchase prices exceeded the fair market values of the tangible net assets of the acquired businesses by an aggregate of $37,966,000, which amount has been recorded as goodwill and other intangibles and is being amortized on a straight-line basis over a 40-year period from the respective acquisition dates. If the two purchases had been made at the beginning of 1974, unaudited revenues, net income and net income per share after pro forma adjustment for amortization of goodwill and other intangibles and interest for the fiscal year ended December 29, 1974 would have been: Revenues, $297,657,000; net income, $13,562,000; net income per share, $2.85.

**C. Inventories**

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

| | December 28, 1975 | December 29, 1974 | December 30, 1973 |
|---|---|---|---|
| Newsprint | $1,239,000 | $1,914,000 | $ 420,000 |
| Magazine paper | 3,623,000 | 3,043,000 | 1,449,000 |
| Books | 1,389,000 | 2,664,000 | 900,000 |
| Other materials | 976,000 | 878,000 | 696,000 |
| | $7,227,000 | $8,499,000 | $3,465,000 |

Operating costs and expenses include $20,297,000 in 1975 and $22,092,000 in 1974 of cost of newsprint supplied by Bowater Mersey Paper Company Limited.

**D. Investments in Affiliates**

**Bowater Mersey Paper Company Limited.** The investment in Bowater Mersey Paper Company Limited consists of 49 per cent of the common shares. Condensed statements of financial position and income of that company for 1975 and 1974, stated in Canadian dollars, are set forth in the next column.

Condensed Statements of Financial Position

| | December 31 | |
|---|---|---|
| | 1975 | 1974 |
| Current assets | $16,333,000 | $16,315,000 |
| Less current liabilities | (10,191,000) | (8,410,000) |
| Working capital | 6,142,000 | 7,905,000 |
| Fixed assets, net | 27,986,000 | 24,968,000 |
| Other assets | 244,000 | 279,000 |
| Long-term debt | — | (1,312,000) |
| Other liabilities | (5,726,000) | (4,725,000) |
| Shareholders' equity | | |
| Preferred | 2,755,000 | 3,194,000 |
| Common | 25,891,000 | 23,921,000 |
| Total | $28,646,000 | $27,115,000 |

Condensed Statements of Income

| | 1975 | 1974 |
|---|---|---|
| Sales and other income | $41,007,000 | $42,273,000 |
| Costs and expenses | 34,324,000 | 33,360,000 |
| Income before income taxes | 6,683,000 | 8,913,000 |
| Income taxes | 2,842,000 | 3,653,000 |
| Net income | 3,841,000 | 5,260,000 |
| Preferred dividend requirements | 162,000 | 191,000 |
| Net income applicable to common shares | $ 3,679,000 | $ 5,069,000 |

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

| | December 28, 1975 | December 29, 1974 |
|---|---|---|
| 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 | 4,989,000 | 4,079,000 |
| | $12,431,000 | $11,521,000 |

**Other Investments.** The Company has a 30 per cent interest in a French corporation which publishes the International Herald Tribune in Paris and a 50 per cent interest in a joint venture which operates the Los Angeles Times-Washington Post News Service.

### E. Income Taxes and Tax Timing Differences

Income tax expense consisted of the following components:

| 1975 | Current | Deferred |
|---|---|---|
| U.S. Federal | $ 6,953,000 | $ 3,465,000 |
| Foreign | 131,000 | 134,000 |
| State and Local | 2,105,000 | 762,000 |
| | $ 9,189,000 | $ 4,361,000 |

| 1974 | Current | Deferred |
|---|---|---|
| U.S. Federal | $11,691,000 | $ 389,000 |
| Foreign | 78,000 | 292,000 |
| State and Local | 1,895,000 | (12,000) |
| | $13,664,000 | $ 669,000 |

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

| | 1975 | 1974 |
|---|---|---|
| Excess of tax over financial depreciation | $ 891,000 | $ 766,000 |
| Magazine subscription procurement and book promotion costs deducted when incurred for tax reporting and deferred and amortized for financial reporting | 2,797,000 | (697,000) |
| Investment tax credit, net | 430,000 | (18,000) |
| Other | 243,000 | 618,000 |
| | $4,361,000 | $ 669,000 |

Total income tax expense exceeded 48% of income before taxes by $1,265,000 in 1975 and $522,000 in 1974. The reasons for the differences were as follows:

| | 1975 | 1974 |
|---|---|---|
| State and local taxes on income, net of federal income tax benefit | $1,491,000 | $ 979,000 |
| Amortization of goodwill, expensed for financial reporting and not deductible for tax reporting | 456,000 | 274,000 |
| Canadian income tax netted in equity in earnings of affiliates | (575,000) | (796,000) |
| Other | (107,000) | 65,000 |
| | $1,265,000 | $ 522,000 |

### F. Long-Term Debt and Restrictions on Dividends

Long-term debt consists principally of unsecured promissory notes which require payments each year to maturity. The amount due within one year, $7,384,000, is included in current liabilities.

The composition of long-term debt is:

| Interest Rate | Final Maturity | Outstanding at December 28, 1975 | Outstanding at December 29, 1974 |
|---|---|---|---|
| 6.95% | 1987 | $28,750,000 | $31,000,000 |
| Prime | 1979 | 7,000,000 | 9,000,000 |
| 8.50% | 1979 | 9,600,000 | 12,000,000 |
| 4.00% | 1977 | 1,068,000 | 1,602,000 |
| 5.00% | 1981 | 900,000 | 1,100,000 |
| | | $47,318,000 | $54,702,000 |

The agreements relating to the 6.95% promissory notes and the $10 million borrowed on March 7, 1974 (described below) contain 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 1975 and 1974 retained earnings unrestricted by these provisions were $45,613,000 and $42,695,000. Principal repayments on the 6.95% promissory notes are due as follows: $2,250,000 in each of the years 1976 to 1986, and $4,000,000 in 1987.

On March 7, 1974 the Company borrowed $10,000,000 through the issuance of five-year unsecured notes repayable in semi-annual installments of $1,000,000. These notes bear interest at the prime commercial rate for the first two years, 1/4% above the prime rate for the next two years and 1/2% above the prime rate for the fifth year. The weighted average interest rates paid on these notes were 7.8% in 1975 and 11% in 1974.

On October 18, 1974 the Company issued a five-year unsecured note for $12,000,000 bearing interest at 8.5% in connection with an acquisition. This indebtedness is payable in quarterly installments of $600,000.

The 4% serial promissory notes are payable in Canadian currency in annual installments of $536,000. As security the Company has pledged its common shares of Bowater Mersey Paper Company Limited.

At December 28, 1975 maturities of long-term debt scheduled during each of the succeeding five years were as follows: 1976 and 1977, $7,384,000; 1978, $6,850,000; 1979, $5,850,000; and 1980, $2,450,000.

The Company has lines of credit totaling $12,000,000. As of December 28, 1975, no borrowing had been made under lines of credit.

### 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 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 ten years.

At December 28, 1975, 334,325 shares were reserved for issuance under the Stock Option Plan. Of this number, 295,800 shares were subject to options outstanding and 38,525 shares were available for future grants. Changes in the options outstanding for the two years ended December 28, 1975 and December 29, 1974 were as follows:

| | 1975 | | 1974 | |
|---|---|---|---|---|
| | Number Of Shares | Average Option Price | Number Of Shares | Average Option Price |
| Beginning of year | 296,400 | $25.63 | 292,650 | $25.99 |
| Options | | | | |
| Granted | 13,500 | 28.50 | 15,000 | 19.41 |
| Exercised | (7,250) | 25.66 | — | — |
| Cancelled | (6,850) | 25.55 | (11,250) | 26.69 |
| End of year | 295,800 | $25.76 | 296,400 | $25.63 |

During 1975 options became exercisable on 73,550 shares having an average option price of $25.60 per share. Of the shares covered by options outstanding at the end of 1975, 250,675 were then exercisable; 19,000 will become exercisable in 1976; 15,625 in 1977; 7,125 in 1978 and 3,375 in 1979. In January 1976, the Company repurchased 197,500 shares of Class B common stock at a cost of $5,085,000.

Per share data is based upon the weighted average number of shares of common stock and common stock equivalents outstanding during the periods, 4,725,000 in 1975 and 4,750,000 in 1974. Shares issuable under stock options are considered common stock equivalents if 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.

### H. Commitments and Contingencies

The Company is contingently liable for payments under employment 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.

The Company is a defendant in an action brought by a holder of Class B common stock of the Company; the court dismissed the plaintiff's complaint on January 30, 1976, which dismissal is subject to appeal. The Company is also a defendant in a civil antitrust action brought by fourteen distributors of The Washington Post newspaper; and in an action brought by the Company against the International Printing and Graphic Communications Workers and others, the Company is a defendant in a cross-claim by that union and its affiliated local union. In the opinion of management none of such litigation will result in any material liability to the Company, and the Company is not a party to any other material litigation.

The Company has commitments to purchase plant equipment in the ordinary course of business.

**Leases.** Total rental expense included in operations was $3,748,000 for fiscal year 1975 and $3,672,000 for fiscal year 1974. As at December 28, 1975 minimum annual rental commitments under non-cancelable leases were: $1,995,000 for 1976; a lesser amount in each succeeding year to a total of $258,000 for 1980; $1,123,000 for the five-year period 1981-1985; and less than $150,000 in each of the succeeding five-year periods thereafter, excluding a lease for approximately $800,000 per year which expires in 1979 but which may be renewed for two successive 15-year periods at the option of the Company at amounts to be negotiated. All of these commitments were for real estate except for $365,000 in 1976 and $62,000 in 1977 which relate to equipment.

### I. Sale of Radio Station

Effective February 8, 1976, the Company sold radio station WCKY in Cincinnati, Ohio, to Truth Publishing Company for $3,500,000, of which $2,100,000 was received at the time of the sale and the remaining $1,400,000 is receivable over a six-year period from the date of sale. The estimated gain on sale after giving effect to taxes on income is $1,800,000.

### J. Effect of Newspaper Strike

On October 1, 1975, the pressmen's union struck The Washington Post. Immediately prior to the start of the strike, there was considerable damage to the newspaper's presses. Two other unions subsequently struck the newspaper. The Company carries insurance against property damage and certain other losses incurred as a result of the press damage or the strike. Although not all claims have been filed, amounts estimated to be recoverable from insurance are included in the accounts for 1975.

# Corporate Directory

## Board of Directors and Executive Officers

**Katharine Graham,** Director and Chairman of the Board
Publisher of The Washington Post

**Larry H. Israel,** Director and President

**Warren E. Buffett,** Director
Chairman, Berkshire Hathaway Inc.
(textiles, insurance, banking)

**Robert D. Campbell,** Director
President of Newsweek, Inc.

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

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

**George J. Gillespie III,** Director
Attorney; Member of Cravath, Swaine & Moore

**Donald E. Graham,** Director
Assistant General Manager, The Washington Post

**Nicholas deB. Katzenbach,** Director
Vice President, International Business Machines Corporation

**Gibson McCabe,** Director
Retired; former President of Newsweek, Inc.

**Mark J. Meagher,** Director and Vice President
Executive Vice President and General Manager of
The Washington Post

**Dr. Eugene Meyer III,** Director
Physician; Professor, Johns Hopkins School of Medicine

**Arjay Miller,** Director
Dean, Stanford University Graduate School of Business

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

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

**Martin Cohen,** Vice President-Finance and Treasurer

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

## 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. 20071

## Annual Meeting

The Annual Meeting of Stockholders
will be held at 10:00 a.m.
on Wednesday, May 12, 1976, at
The Washington Post Company,
1150 15th Street, N.W.,
Washington, D.C. 20071

The Washington Post Company

1975 Annual Report

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