FC 5316

NEWSWEEK INC - ATLANTIC EDITION

31 December 1994

BALANCE SHEET		US$
Assets		
Cash		1696739
Receivables		13470781
Inventory		322902
Prepaid Expenses		399191
Prepaid Pension		526368
Fixed Assets		570953
Deposits		175648
Inter-Office Account	(6846397)	
Profit & Loss for the year	7117755	
		271358
Total Assets		17433940
Liabilities		
Accounts Payable		111514
Accrued Expenses -misc		6443227
Accrued Payroll		471
Accrued Payroll Tax -Employee		54918
-Employer		79532
Deferred Liability		8542535
International Benefit Plan		2201743
Total Liabilities		17433940

signed .... September 12th 1995
Richard M Morris
Publisher & Managing Director

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COMPANIES HOUSE 14/09/95

NEWSWEEK INC - ATLANTIC EDITION

31 December 1994

PROFIT & LOSS ACCOUNT	US$
Revenue	
Advertising	21393816
Subscriptions	12064968
Newsstand	6165266
Rent of Lists	102020
Special Supplements	4132830
Other	56541
Total Revenue	43915441
Costs	
Administration	6135481
Editorial	3799035
Circulation	4451465
Advertising	7598922
Manufacturing	9102547
Distribution	9892270
Subscription	8580858
General Operating	1170385
Foreign Exchange Losses	272375
Total Costs	51003338
Operating Loss	(7087897)
Other Income	(2063)
Net Loss before tax	(7089960)
Provision for French and U.K. corporation tax adj.	(27795)
Net Loss after tax	(7117755)

signed ...Richard M. Morris............ September 12th 1995
Richard M Morris
Publisher & Managing Director

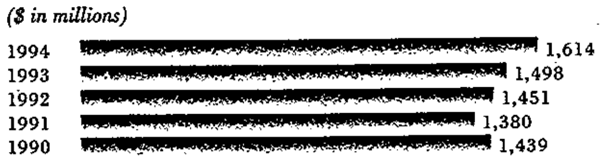
FINANCIAL HIGHLIGHTS

(in thousands, except per share amounts)	1994	1993	% CHANGE
Operating revenues	$1,613,978	$1,498,191	+8%
Income from operations	$ 274,875	$ 238,980	+15%
Net income			
After cumulative effect of change in accounting principle in 1993*	$ 169,672	$ 165,417	+3%
Before cumulative effect of change in accounting principle in 1993*	$ 169,672	$ 153,817	+10%
Pro forma**	$ 161,553	$ 140,446	+15%
Earnings per share			
After cumulative effect of change in accounting principle in 1993*	$ 14.65	$ 14.08	+4%
Before cumulative effect of change in accounting principle in 1993*	$ 14.65	$ 13.10	+12%
Pro forma**	$ 13.95	$ 11.96	+17%
Dividends per share	$ 4.20	$ 4.20	—
Shareholders' equity per share	$ 99.32	$ 92.84	+7%
Average number of shares outstanding	11,582	11,750	-1%

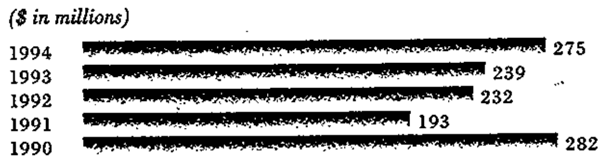
* *The cumulative effect of a change in the method of accounting for income taxes was recognized at the beginning of 1993.*

** *Excluding the gain on the sale of land at one of the company's newsprint affiliates in 1994, and before the cumulative effect of a change in accounting principle in 1993* and excluding the gain on the sale of cable franchises in the United Kingdom in 1993.*

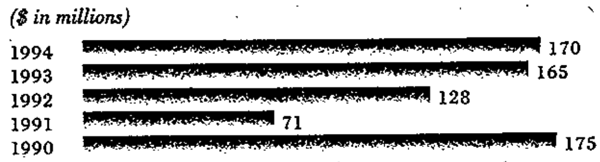
OPERATING REVENUES



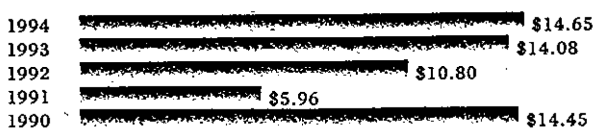
OPERATING INCOME



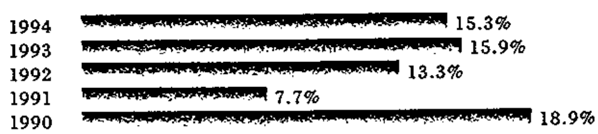
NET INCOME



EARNINGS PER SHARE



RETURN ON AVERAGE SHAREHOLDERS' EQUITY



TO OUR SHAREHOLDERS

1994 was a year of ups and downs. Viewed from the perspective of early 1995, the ups outweighed the downs.

One important "up" was the company's financial results. Net income for 1994 was $169.7 million ($14.65 per share), compared with net income of $165.4 million ($14.08 per share) in 1993.

The company's 1994 earnings included an after-tax gain of $8.1 million ($.70 per share) from the sale of land at one of our newsprint affiliates. The company's 1993 earnings included a one-time credit of $11.6 million ($.98 per share) related to a change in accounting for income taxes, and an after-tax gain of $13.4 million ($1.14 per share) from the sale of our cable franchises in the United Kingdom. Excluding these items, net income and earnings per share increased 15 percent and 17 percent, respectively, in 1994.

Operating income also was up, rising 15 percent to $274.9 million. Details of how the company's operating divisions performed in 1994 can be found on pages 7 to 18 of this report.

The year's biggest "up" by far was the acquisition in April of KPRC-TV, the NBC affiliate in Houston, and KSAT-TV, the ABC affiliate in San Antonio, from H & C Communications, Inc., for approximately $253 million in cash.

We felt this acquisition was a reasonable one for Post Company shareholders a year ago, before we had completed the transaction. We had no idea how good 1994 would turn out to be — nor can we claim to have anticipated either of the two factors that made this purchase, and broadcasting results in general, particularly good. One was a strong market for national advertising nationwide. The second was the scramble for affiliates that followed Rupert Murdoch's purchase of an interest in New World Communications and the switch of seven of New World's CBS stations to Fox affiliates. This scramble created a new environment for negotiating network compensation, which proved beneficial to Post-Newsweek Stations.

With strong management by Jim Joslyn, a manager put in place by the previous owner, H & C Communications, KSAT-San Antonio also surprised us by achieving the number one position in its market in November 1994, far sooner than anyone had expected.

What the acquisition, our network compensation negotiations, and the improved profitability of Post-Newsweek's long-held stations had in common was this: they were all very ably steered by Bill Ryan, president and CEO of Post-Newsweek Stations.

To put some numbers around it, Post-Newsweek's operating income rose 65 percent in 1994 to $107.7 million. That's 50 percent higher than operating income in 1989, Post-Newsweek's previous best year ever. These results obviously reflect some extraordinary circumstances, and network affiliates can't hope to sustain similar growth and margins every year. However, they put the lie to those who were saying, not too long ago, that television would never again have a banner year because of cable, VCRs, and marketplace fragmentation.

On the down side, the company's cable division made less money in 1994 than the previous year. The FCC's regulation of the cable industry affects companies like Post-Newsweek Cable, whose services are relatively low priced and whose quality is high, the same way it affects the high-priced and poor-service providers to whom legislators pointed when they decided to regulate cable in 1992.

Nevertheless, we believe our cable managers have done a good job surmounting the hurdles the FCC has put in their way. And we continue to feel good about the particular kind of cable systems we happen to own — located in classic, non-urban markets. While we (and everyone else) have read a lot in the past two years about cable companies our size and even larger inevitably selling out, we see no reason to sell. At the right price we are buyers.

Although the "second round" of FCC regulations also will impact cable results in 1995, we would expect earnings to improve in later years in this, our most predictable business. At the same time, we'll be keeping our eye on direct broadcast satellite (DBS) and telephone company competition.

Howard Wall, who became Post-Newsweek Cable's first president and CEO when we acquired the division in 1986, retired at the end of 1994. Howard had served the company with singular good judgment and excellent results for 12 years. He was succeeded by Tom Might, a talented manager who joined The Post organization in 1978 and who had been chief operating officer of the cable division since 1992.

• • •

The Washington Post newspaper had a modest increase in operating income in 1994, but shareholders should know there is one certain reason, and possibly another, why we anticipate a significant decline in operating income this year.

The known quantity is newsprint. Price increases for newsprint have been announced for January, March, and May. We've heard other newspaper companies say they anticipate continuing to grow earnings despite increased newsprint costs. Although results from our newsprint affiliates will partially offset these higher costs, the overall impact on our company will be negative. We see no way The Post can achieve the revenue gains needed to offset increased newsprint expense and produce higher operating income than last year.

Our newsprint bill is likely to rise by more than $30 million — nearly a third — in 1995, just from currently announced price increases. (Other costs will grow modestly as well.) Ad revenue would need to rise 8 or 9 percent simply to equal that amount. The Post hasn't had that kind of revenue growth in a decade.

If we knew how to cut costs enough to overcome the effect of those price increases, we would have done it years ago. The Post will try to keep costs as low as possible every year, consistent with the quality of the newspaper we try to produce.

The less certain reason for caution about '95 is the tenor of the Washington market. Both Democrats and Republicans have predicted large-scale reductions in federal employment. No one can estimate intelligently how many reductions will actually come to pass, nor their effect on the local economy. But it can't be positive. In addition, the District of Columbia and neighboring Prince George's County, Maryland, have announced their own employee cutbacks as well. It all adds up to a very difficult year for The Post. However, we remain optimistic about the long-term prospects for the market.

The biggest "up" note at The Post in 1994 was the long-overdue award of the Pulitzer Prize to columnist Bill Raspberry.

Tom Ferguson, who had been president and general manager of The Post since 1979, retired in January 1995. Tom was a dynamic and successful leader with strong ties to the advertising community. His successor, Boisfeuillet Jones, Jr., took over with the confidence of everyone at the paper. Bo had been vice president and counsel since joining The Post in 1980.

Newsweek, too, is facing paper price increases and a postage increase as well. Newsweek also has some of the problems that television stations had a few years ago. Fashion has steered some advertisers away from national magazines, just as it once did from local television. However, like broadcast networks, newsweeklies reach unrivaled numbers of affluent, well-educated, influential people. And although the two industries are not parallel — and we can't necessarily anticipate Newsweek having a surge like Post-Newsweek Stations enjoyed in 1994 — both divisions share another characteristic. They have unusually able, hard-working, and long-term-minded management.

Under the leadership of Rick Smith, Maynard Parker, Harold Shain, and Peter Luffman, Newsweek remains solidly profitable, and it is more efficient, higher in quality, with a stronger circulation base than ever. The advertising power of a Newsweek page reaching 24 million readers around the world is enormous. So we continue to view positively Newsweek's prospects over the long term.

Kaplan Educational Centers also is making progress in a contentious marketplace. During the past year, Greg Rorke, who had been president since 1992, left Kaplan to take an equity stake in another company. Greg had played an important role in positioning Kaplan for the future. His successor, Jonathan Grayer, and Jonathan's management team *are* the future. They already have made strong competitive moves in Kaplan's traditional businesses, as well as in the emerging book and software market.

One year ago we thought The Washington Post Company would by now be providing PCS service in Washington and Baltimore — and offering better technology and lower costs for portable telephony to thousands of customers.

However, better technology and lower costs were not in everyone's best interests; specifically, they were not in the best interest of the local telephone monopolies, which also dominate the cellular telephone industry. At least one of them went to Congress and the Federal Communications Commission to see if something could be done to delay and otherwise disadvantage this new generation of PCS competitors.

For reasons we do not understand, the FCC — which had unanimously awarded our PCS partnership a free "pioneer's preference" license (following 12 rounds of pleadings in competition with scores of other companies) — abruptly reversed itself and sought to charge the PCS pioneers very high prices to enter this business. This new policy was devised in secret and suddenly announced last August. We were not asked for any input on this issue, nor was anyone else.

At a minimum, the new policy would have added $100 million — likely more — to the $200 million we had planned to invest in PCS. Different terms attached to the GATT treaty made only a slight improvement. But the new price, coupled with years of costly regulatory delays, made the difference. We chose to sell most of our interest in January 1995 for the same amount of money we had invested in the partnership.

Shareholders may recall a comic interlude last November when the same monopoly telephone company alleged that the terms offered to The Washington Post Company amounted to a "billion dollar giveaway" by the federal government. With our sale, we gave our own valuation of how much this "gift" was worth to us.

New technologies making up the information superhighway still offer interesting opportunities for companies like ours. Unfortunately, as we said last year, we don't have a road map to successful new media businesses of the future. Events of 1994 have not made such a map any clearer. They have strengthened our view that the businesses we own are good ones and that many millions of dollars will be lost and made as companies grope toward the different future we know will come.

We've devoted a section of this annual report to describing our new media initiatives (see page 17). And for those of you who are technologically adept, we are creating a CD-ROM that will give you a hands-on experience of what these new products are like. If you'd like to receive this CD-ROM, free of charge, simply give us a call or return the enclosed postcard.

Looking ahead, we intend to continue to run our businesses as well as we know how, experiment when it may help us enter new businesses, and make acquisitions when we see an opportunity to buy a good business for a fair price. Such investments won't come along every year. Our standards remain high. As we've reported in past years, we're interested in:

- businesses with competitive barriers,
- businesses in which capital expenditures are not overwhelming and are not dictated to us by the market,
- businesses in which we have reasonable pricing power,
- businesses in which distinctive quality is highly rewarded in the market equation,
- businesses we know or to which we can bring special expertise,
- businesses whose potential returns are commensurate with the risks involved.

We'll also continue to repurchase our stock, as this company has long viewed stock repurchases as an excellent use of our shareholders' money when prices are favorable. In 1994 we repurchased 366,500 Class B shares for $86.7 million. By repurchasing stock we're increasing our investment in one business we know particularly well and think highly of. We hope shareholders agree.

Sincerely,

Donald E. Graham
Chairman and Chief Executive Officer

Alan G. Spoon
President and Chief Operating Officer

Katharine Graham
Chairman of the Executive Committee

March 9, 1995

POST-NEWSWEEK STATIONS

The broadcast division posted exceptional gains in 1994, following an excellent year in 1993. Post-Newsweek's four long-time stations turned in first-rate performances, and the division benefited from the acquisition of two Texas stations in April, improved network compensation, and $13 million in political advertising.

Division operating income rose 65 percent to $107.7 million, from $65.3 million in 1993. Operating revenue increased 47 percent to $260.3 million, from $177.4 million the previous year. Five of the division's six stations were number one in their markets, sign-on to sign-off, in November.

WDIV-Detroit emerged in the November ratings book as the number one station in Detroit, culminating a building effort. The first-place ranking resulted from years of strong community-based programs, aggressive promotion, innovative marketing, and solid, imaginative journalism.

WDIV was number one, sign-on to sign-off, and was first in four out of five local newscasts. In addition, the station handily won other dayparts — including morning, access, and primetime — thanks to its strong lineup of syndicated programs. In fact, WDIV was so strong that it out-delivered its network, NBC, producing wins for *The Today Show* and *Nightly News.* The pattern extended into late night, where *The Tonight Show with Jay Leno* defeated *The Late Show with David Letterman* on CBS.

In 1994 WDIV successfully navigated through tremendous upheaval in the Detroit market. ARB withdrew its ratings service in March, leaving the market with no measurement for four months until Nielsen completed its metering. In December four stations changed their network affiliation, immediately creating viewer confusion. In this environment WDIV remained stable and increased momentum.

WDIV's *Target 4 Action* series continued to create partnerships with the community and became the most honored series in Detroit television.

PASS Sports, a regional sports cable system serving about 774,000 subscribers in Michigan and northwest Ohio, completed its second year as part of WDIV and Post-Newsweek Stations. In 1994 PASS was buffeted by the baseball and hockey strikes. They eliminated two-thirds of the system's professional product. Nonetheless, new PASS general manager Jeff Genthner programmed the channel aggressively. He added additional minor league and college games, Detroit Pistons games, and *Detroit Lions Monday Night Magazine.* More resources also were put into the nightly sports show *Live on PASS.* As a result, cancellations of the service were far fewer than were expected because of the strikes.

KPRC-Houston became a Post-Newsweek station in April. Under the leadership of its new vice president and general manager, Steve Wasserman (who moved to KPRC from WJXT following the acquisition), the station immediately began taking steps to revitalize its operations and improve its third-place standing.

Several new managers were recruited for key positions, three of whom have successful track records with other Post-Newsweek operations. The station landed several of the fastest growing programs in syndication to bolster its morning and afternoon schedules. Substantial investments were made in broadcast technology to bring KPRC up to the state-of-the-art standards necessary to compete and win. News staff and programming were expanded. And by October, the station had totally revamped its on-air look with a new logo, graphics, music, and dynamic news studio.

These investments paid off with outstanding coverage, in particular, of the Houston Rockets NBA championship, the terrible floods and fire that devastated Houston last fall, and the November elections.

Still, KPRC faces a long and difficult challenge. Houston is one of broadcasting's most competitive markets, with stations owned by Cap Cities/ABC, Belo, Fox, and Paramount, among others.

WPLG-Miami/Ft. Lauderdale achieved its tenth consecutive year as the dominant station in South Florida. Despite increasing competition from one of the strongest Fox affiliates in the country, as well as CBS- and NBC-owned operations, WPLG remained number one in all major newscasts during 1994, as well as ranking first, sign-on to sign-off, in the November ratings.

WPLG's news and technical people successfully covered several challenging news stories during the year. The massive influx of Cuban rafters in the summer was quickly followed by the U.S. invasion of Haiti. In the midst of the invasion, WPLG sent news and engineering teams to Haiti and set up a portable satellite uplink there. This afforded the station a significant competitive advantage in transmitting stories directly to WPLG on a timely basis.

The station's Eyewitness News launched local CNN Headline News inserts in over 700,000 cable homes in South Florida. These five-minute news briefs air twice each hour and are attracting increasing interest from advertisers.

WPLG continued to focus on building a dominant sports image. Former Dolphin great Jimmy Cefalo joined the news team as sports director. Once again, WPLG was the exclusive outlet for the *Don Shula Show*, as Coach Shula celebrated his 25th year of NFL success. In addition, the station expanded its involvement with the nationally ranked University of Miami athletic program.

WPLG emphasized its strong commitment to the community with its Children First campaign. A combination of eight primetime specials, daily news stories, and promotion vignettes, the Children First campaign won recognition from Cap Cities/ABC as one of the best community service programming efforts in the country.

WFSB-Hartford won the November Nielsen book by the widest margin for a non-Olympic ratings period since the market was first metered in 1987. This sign-on to sign-off victory reflects the station's core strength in all dayparts and completes a clean sweep of all four measurement periods during the year.

WFSB ranks number one in all of its seven daily newscasts in terms of households and all significant demographic groups. The station also is top-rated in daytime, early evening, primetime, and late night. However, the troubles of WFSB's network, CBS, may affect the station's ratings in 1995.

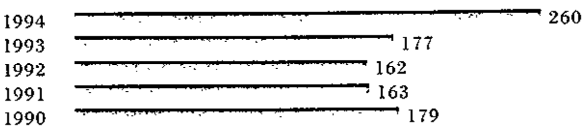
WFSB reached out to its audience in a number of important ways in 1994. The station's "3 On Your Side" consumer hotline recorded its 7,000th call late in the year. A state-of-the-art data center was designed and launched to provide WFSB's audience with access to the station via major on-line computer services, as well as voice mail and fax. Feedback from the data center is solicited on-air each day, and results are reported within newscasts.

WFSB produced and aired the only live, primetime gubernatorial debate in Connecticut during the election, as well as broadcasting debates for each of the state's six Congressional races.

In July 1995 the largest sporting event in the world will come to Connecticut: the Special Olympics World Games. The games are expected to attract 7,000 athletes from 139 countries, 45,000 volunteers, and 500,000 spectators. WFSB won an intense competition to be named Official Host Television Station of the games, and its coverage will be the largest single project the station has ever undertaken.

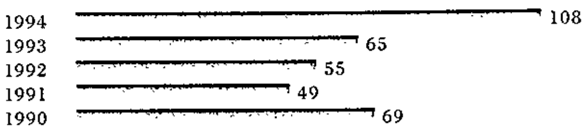
BROADCAST DIVISION OPERATING REVENUES

($ in millions)



BROADCAST DIVISION OPERATING INCOME

($ in millions)



KSAT-San Antonio had a banner year. For the first time in its history, KSAT reached the number one position in its market, sign-on to sign-off, in the November ratings. Growing viewership in all dayparts also led the station to a number one position for households and key demographic groups.

Nineteen ninety-four also was a year of changes. The news set received an extensive face lift, along with enhanced on-air graphics. The new, livelier look, coupled with aggressive news coverage, proved successful. The station's 10 o'clock news program, *Nightbeat,* broke the strong hold the CBS affiliate's news program had held on the market for more than 20 years.

Local programming played a major role in solidifying KSAT's number one standing, while well chosen syndicated programming provided winning numbers in their dayparts, helping to round out the station's leadership position.

Jim Joslyn, who has led the station since 1992, continued as vice president and general manager following the acquisition.

WJXT-Jacksonville dominated its market in 1994, with all local newscasts first in their time periods. WJXT also delivered the number one ranking nationally for the *CBS Evening News.*

Weather-related news is vitally important to local television stations. WJXT expanded its weather presence in 1994 with Weathernet, a network of weather stations installed, so far, in 13 middle schools throughout Jacksonville's wide-reaching 15-county coverage area. In addition, a unique partnership between WJXT and the Florida Times Union led to a co-promotion that puts the station's logo and weather team on page two of the newspaper every day with a weather report and forecast.

As usual, WJXT excelled in local news programming. Viewer response to the station's coverage of the decommissioning of the *U.S.S. Saratoga* was so strong, the station allowed the Navy to distribute videotape copies at a modest cost, with all proceeds going to Naval charities. An upbeat look at successful teachers, *An Apple For the Teacher,* garnered a national award from the National Education Association, the only locally produced television show to be so honored.

New relationships with cable blossomed into programming and sales opportunities. For example, WJXT provided continuous coverage of the primary and general elections on a local cable system's public access channel, while brief broadcast updates kept viewers informed with minimum disruption to entertainment programs.

Consumer interest in health issues, coupled with advertiser demand, led to several multi-level campaigns. The most successful, a five-part series on prostate cancer, generated enormous response. More than 2,000 viewers attended prostate awareness seminars; 6,500 information pamphlets were mailed out; and Blockbuster distributed a prostate cancer video produced by the station at many of its stores.

Sherry Burns became WJXT's vice president and general manager in April. She previously was program director of the Cap Cities affiliate in Chicago and earlier had been a Post-Newsweek veteran for eight years.

NEWSPAPER DIVISION

Operating income for the newspaper division increased 9 percent in 1994 to $134.4 million, from $123.2 million in 1993. Division revenue in 1994 totaled $717.3 million, an increase of 4 percent over revenue of $692.3 million in 1993.

The Washington Post had a number of notable achievements. Post columnist William Raspberry won the 1994 Pulitzer Prize for commentary. Bill began his Post career almost 33 years ago and has been a columnist since 1966. He writes with unique grace and insight about race, education, communities, and community problems.

Staff writer Leon Dash and editor Steve Luxenberg made an important contribution to American journalism with a series on Rosa Lee Cunningham, a Washington woman struggling with poverty, drug addiction, and other societal ills that have afflicted her family for generations. The series showed what their lives actually are like — as opposed to the often-erroneous views held by policy makers — and raised important questions about welfare reform and the role of government. The series generated 5,000 calls to a special telephone line set up to record people's reactions. Another 1,000 readers offered comments directly to Post writers and editors.

Members of The Post's financial and District staffs — David Vise, Nell Henderson, and Howard Schneider — did a first-rate job covering the District of Columbia's budget crisis. Despite a secretive city government and records that often are in disarray, these Post reporters figured out ways to determine what was happening to the city's money. In many cases, Post stories enabled city officials, politicians, and voters to understand the nature and extent of the problems. Columnist Courtland Milloy spent 1994 writing about real-life heroes who are helping to improve life in the inner city.

In a watershed election year, The Post's national staff quickly uncovered the important themes of the campaign and gave readers early notice that voters were indeed in a mood to make a big political change. After the election, The Post ran a seminal four-part series on new Speaker of the House Newt Gingrich that added considerably to Washington's knowledge of his biography.

At the end of the year foreign correspondent Keith Richburg finished his tour of service in Africa. His work chronicling the changing world of Africa and new attempts at democracy and economic reform there is without parallel among American journalists.

Under the leadership of deputy managing editor Mike Getler, The Post has changed completely the way it recruits, hires, trains, and develops career paths of people in the newsroom. A new diversity committee is addressing issues in that area.

Post circulation was disappointing, although stronger than most of the industry. Sunday circulation for the 12 months ended September 30, 1994, was steady at 1,152,441, compared with 1,152,272 the previous year. Daily circulation was 830,081, compared with 832,332 in 1993. The Post's primary market household penetration remains exceptionally high: 50 percent daily and 66 percent on Sunday.

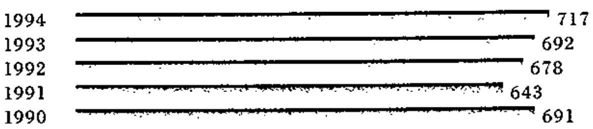
Post advertising revenue increased almost 5 percent in 1994 to $536.3 million, from $513.5 million in 1993. Total advertising volume fell slightly to 3,390,600 inches, from 3,393,600 inches the previous year.

Retail advertising inches declined 6.4 percent. The success of the Clinton administration in cutting federal jobs — combined with the intent of the new Republican-controlled Congress to shrink further the size of government — have cast uncertainty over the Washington market. However, preprint volume rose 16 percent.

Classified advertising volume, too, was ahead. It climbed 4.3 percent, paced by a 21 percent gain in employment ads. General advertising volume was up 7.9 percent, with a big boost from corporate advertising as many interested parties used The Post to express their views on health care reform.

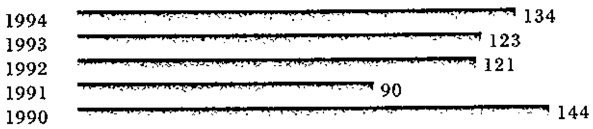
NEWSPAPER DIVISION OPERATING REVENUES

($ in millions)



NEWSPAPER DIVISION OPERATING INCOME

($ in millions)



The Post launched several offerings to expand service to readers and stimulate advertising growth: Fast Forward, a monthly magazine on electronic home entertainment; New Homes Showcase, a zoned real estate section; Escapes, a one-page Wednesday feature in the Style section geared to weekend getaways; and Thursday preprints. In addition, The Post added seven more Sunday television books zoned by cable system, bringing the total number to ten.

Confronted with skyrocketing newsprint expense, The Post focused on costs with renewed intensity. Total expenses rose less than 3 percent in 1994. The Post reduced the number of employees by another 120 full-time positions in 1994, on top of a reduction of 277 full-time positions in the prior five years.

The Post's reengineering teams made encouraging progress toward their goal both of controlling costs and improving efficiency and service. Reengineering of classified advertising enabled the department to set records for ad count and quality while operating with 25 fewer people. Another major on-going project is aligning The Post's preprint capabilities with its advertisers' needs by zoning preprints according to zip code and realigning distributor territories to conform with zip code boundaries.

As reported on other occasions, The Post is continuing to study the inevitable need for a new plant. Capacity, distribution, color requirements, and equipment costs are being actively analyzed. In view of economic realities, anything The Post eventually decides to do will not break any high-side records on costs.

The National Weekly Edition of The Post recorded a slight decrease in circulation in 1994. Advertising remained soft.

The Herald, the company-owned paper in Everett, Washington, improved profitability dramatically. Aggressive cost cutting early in the year (including personnel reductions of 10 percent), combined with a reinvigorated local retail advertising climate during the second half of 1994, led to favorable results. Paid daily circulation also finished the year on an upswing, 2 percent higher in December this year compared to 1993.

The Washington Post Writers Group successfully launched "The Family Filmgoer," a weekly package of reviews that helps families enjoy movies together. The comic strip "Non Sequitur," which began in 1992, grew to 250 daily, Sunday, and college newspapers, as many papers chose it to replace "The Far Side," which is no longer being published. With William Raspberry winning the 1994 Pulitzer Prize for commentary, the Writers Group now has eight Pulitzer winners.

The Gazette Newspapers, Inc., completed installation of an editorial pagination system and continued redesign of the papers by adding process color to all publications. In addition to the 13 weekly tabloid-size complimentary Gazette editions, a new weekly broadsheet paid publication, The Montgomery Gazette, was launched to cover county-wide news. Carrier routes were restructured to meet advertiser needs, and several new features and special publications contributed to significant revenue growth in 1994.

POST-NEWSWEEK CABLE

Post-Newsweek Cable delivered a strong performance in 1994, but it was masked by the FCC's over-reaching implementation of the 1992 Cable Act. Subscriber growth and the growth of unregulated revenue broke records. But the FCC's second unexpected — and undeserved — cable rate reduction order, for basic and tier services, caused overall revenue and cash flow to decline in 1994.

In 1993 basic and tier cable rates were frozen in April, then rolled back 10 percent in September. In July 1994, rates were rolled back another 7 percent. As a result, Post-Newsweek Cable's 1994 revenue was $182.1 million, down from $185.7 million in 1993. Excluding $3.8 million in revenue from the division's United Kingdom cable operations, which were divested in September 1993, revenue was essentially flat. Operating income fell slightly to $41.5 million in 1994, from $41.6 million in 1993. However, when results from the U.K. cable operations are excluded from 1993 results, operating income decreased 7 percent in 1994. Domestic cable cash flow in 1994 was $83.6 million, down 3 percent from $85.9 million the previous year.

In late 1994 and early 1995, the FCC made several favorable rate decisions that will allow Post-Newsweek Cable to recover some of the lost revenue from regulated basic and tier services. In addition, the 104th Congress has proposed legislation that includes the elimination or reduction of cable rate regulation in 1996. This would further mitigate past rate reductions.

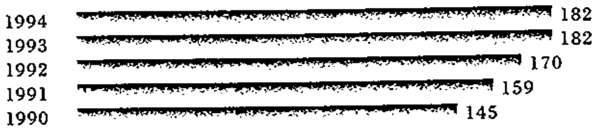
Revenue from unregulated sources grew 15 percent in 1994, led by advertising, which grew more than 22 percent to $10.3 million, and pay-per-view, which grew 12 percent to $3.4 million. Post-Newsweek Cable will continue to focus on unregulated sources of growth in the years ahead and anticipates similar good results. The division's marketing budget has been increased substantially, and a new marketing executive was hired in 1994 to lead this important effort. Jerry McKenna joined the company as vice president-strategic marketing from the RJR Tobacco Company, where he had 18 years of consumer brand marketing and competitive experience.

Basic subscribers rose to 498,227 at the end of 1994, more than 16,000 higher than at the end of 1993. All of the growth came from internal sources, as there were no cable acquisitions during the year. Systems with subscriber increases of more than 1,000 in 1994 include Fargo, Greenwood, Highland Park, Santa Rosa, and Sioux City.

The cost of programming continues to rise dramatically. Basic and tier programming costs rose more than 16 percent in 1994, continuing a long trend of double-digit growth. However, premium programming costs barely increased in 1994, reflecting (among other things) the conversion of The Disney Channel from a premium to a tier service in some systems. Total programming expenses increased over 8 percent and now account for 39 percent of Post-Newsweek Cable's operating expenses. This is up from 25 percent in 1986, when we acquired the division.

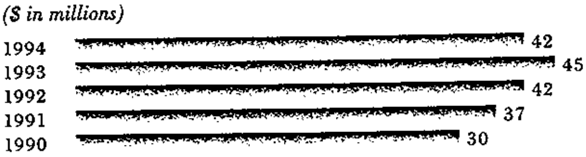
POST-NEWSWEEK CABLE
DOMESTIC OPERATING REVENUES

($ in millions)



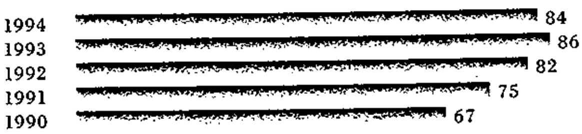
POST-NEWSWEEK CABLE
DOMESTIC OPERATING INCOME

($ in millions)



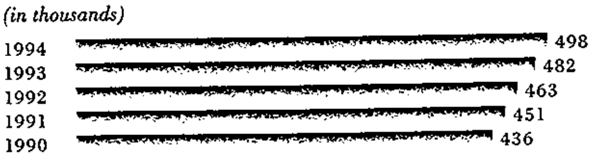
POST-NEWSWEEK CABLE
DOMESTIC CASH FLOW

($ in millions)



POST-NEWSWEEK CABLE
DOMESTIC BASIC SUBSCRIBERS

(in thousands)



The cable landscape continued to change rapidly in 1994. The year began with many announcements of cable acquisitions by regional Bell operating companies (RBOCs) that never materialized. The year ended, instead, with substantial consolidation within the cable industry. At the same time, most RBOCs received court permission to enter the cable business. North America's first national direct broadcast satellite (DBS) system was launched amidst considerable fanfare. Multi-channel multi-point distribution systems (MMDS) also began to grow in number.

Post-Newsweek's strategy of focusing on cable service in non-urban markets continues to set it apart from larger MSOs, which have a substantial portion of urban subscribers. We believe that competitive threats and opportunities in our smaller markets present a more favorable future for our distinctive cable assets. To strengthen our competitive position and enhance service to customers, we will boost capital investment in most systems to increase channel capacity.

NEWSWEEK

Newsweek gained momentum as 1994 progressed, with strong fourth-quarter performances both domestically and overseas. However, increased competition in the magazine industry over advertising rate negotiations and recessions that continued through the third quarter in Europe and Japan had an adverse impact on the year's results. Operating income in 1994 decreased 21 percent to $14.2 million, from $18.0 million in 1993. Revenue totaled $337.6 million, an increase of 2 percent over $332.5 million in 1993.

Newsweek's role in the debate of important issues worldwide continued to grow — a reflection of the magazine's editorial quality and Newsweek's large and influential readership, more than 24 million people around the world. Newsweek remained the most respected news magazine in the American Journalism Review's "Best in the Business" readers' survey, earning awards for best coverage of the Clinton administration and best design.

In 1994 Newsweek focused especially on deciphering the meaning of the Republican landslide in the midterm elections and analyzing the consequences of America's stumbling retreat from its role as global cop. The challenge, as Washington bureau chief Evan Thomas saw it, was "getting past the noise level of politics to look at what's really going on — to see the underlying social forces, to put government under a microscope to find anomalies and unintended consequences, to write about the drama of individuals, to tell people directly what they need to know and how events affect them."

Newsweek also articulated changes in the way Americans see themselves and society. In "The Politics of Virtue: The Crusade Against America's Moral Decline" (June 13), chief political correspondent Howard Fineman concluded that "chaos, or fear of it, has made Americans nostalgic for a more orderly age." In "The Search for the Sacred" (November 28), religion editor Kenneth Woodward and others described "a secular culture where nothing is sacred [and] anything can be sacrilized."

Alarm over single-parent families, debate on welfare reform, and panic over child-rearing practices among the poor were examined in "The Orphanage: Is It Time to Bring It Back?" (December 12). Senior writer Tom Morganthau concluded, "There are no quick fixes for broken children, only structure, consistency and love — the sort of thing families on the verge of collapse don't have a store of." Five weeks later, First Lady Hillary Rodham Clinton chose Newsweek for her essay responding to Representative Newt Gingrich's orphanage proposals.

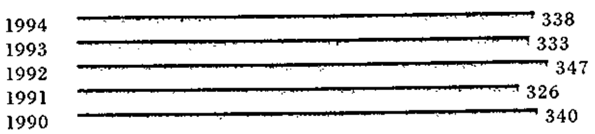
On the international front, diplomatic editor Michael Elliott considered the post-Cold War responsibilities of the major powers. Newsweek correspondents filed reports on the conflicts in Somalia, Rwanda, Bosnia, Haiti, and Chechnya.

Newsweek International introduced overseas readers to the promise and perils of the information superhighway with an issue devoted largely to the fast-developing field ("Your Electronic Future," June 6). And it signalled its growing emphasis on international business and economics news with such covers as "A Hunger for Money" (October 3), an examination of the world capital shortage that foreshadowed the risks that became apparent when Mexico's peso crisis broke at the end of the year.

Continuing to anticipate readers' changing needs, Newsweek created a number of important new features in 1994. Americans fighting for control of personal finances and trying to understand new technology found expanded coverage of those subjects in Newsweek. "Cyberscope" made its debut in July; its short news items help readers navigate the information highway. "Focus: On Your Money," introduced in April, is an eight-page monthly section including reader questions answered by consumer columnist Jane Bryant Quinn. "Focus: On Technology," added in October, is a four-page monthly section that provides tips on how to use new technology at work and at home. Thanks to an enthusiastic response from readers, the section will run twice a month in 1995. Newsweek also continued to excel in business reporting. Columnist Robert Samuelson won two of business journalism's most prestigious honors: the Gerald Loeb Award and the John Hancock Award.

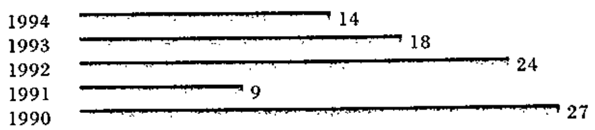
NEWSWEEK OPERATING REVENUES

($ in millions)



NEWSWEEK OPERATING INCOME

($ in millions)



Recently introduced features built on their success. Newsweek's first year-end double issue was a hit with readers and advertisers. This now-annual "Perspectives" issue, created around Newsweek's highly imitated page of cartoons and quotes, looked back at the year's most compelling stories and pictures and looked ahead to the year 2000 with predictions for the next century. Newsstand sales almost doubled, and a large number of advertisers participated in this popular issue.

Three newsstand-only issues published during the year also boosted advertising and circulation revenues. The issues included comprehensive guides to the Winter Olympics and World Cup Soccer, and a special issue on "Computers & the Family" that will be published again in 1995.

Newsweek's increasingly upscale audience helped to differentiate Newsweek from its competitors in the advertising marketplace. People with the most education, the highest household and individual incomes, and the greatest proportion of professional/managerial job titles choose Newsweek more than any other newsweekly. In addition, more opinion leaders in federal, state, and local governments read Newsweek than its competitors, according to the Opinion Leaders Survey conducted by Erdos & Morgan/MPG.

Newsweek also has the most loyal readers, with more longer-term subscriptions than its competition. Newsstand sales were up, driven by superior coverage of the O.J. Simpson case and Olympics scandals, plus cover stories on the deaths of Jacqueline Kennedy Onassis and Kurt Cobain.

Domestic advertising held its own in a very competitive and rate-conscious environment. Enhanced editorial coverage of business and technology attracted new advertisers in those categories. Newsweek organized a nine-city Technology Tour for advertisers that was built around a central booth showcasing Newsweek InterActive. Newsweek advertisers were able to demonstrate new software, hardware, copiers, and cellular phones to potential customers in malls and airports nationwide. The tour will travel to 15 cities in 1995.

Newsweek International saw light at the end of the tunnel, as recessions were ending in Europe and Japan by the end of the year. However, the weakened dollar continued to depress operating results.

For 1995 the Atlantic edition rate base is maintained at 340,000; the Asia edition continues at 225,000; and the Latin America edition is increased 2.7 percent to 75,000.

Newsweek's two foreign-language editions, in Japan and Korea, enjoyed a successful year. However, as a result of the recession in Japan, circulation for the Japanese-language edition, Nihon Ban, decreased from 160,000 to 145,000 in 1995. On the other hand, Hankuk Pan, Newsweek's Korean-language edition, increased its 1995 circulation 50 percent to 150,000. Newsweek remains the only newsweekly with foreign-language editions.

Taking advantage of new media technologies, Newsweek expanded its franchise with the launch in November of Newsweek InterActive on-line through Prodigy. This venture and other Newsweek initiatives are described in our report on New Media, page 17.

OTHER BUSINESSES

Other businesses, which in 1994 included Kaplan Educational Centers, PASS Sports, LEGI-SLATE, Mammoth Micro Productions, and American Personal Communications (APC), recorded an operating loss of $22.8 million, compared with a loss of $9.1 million in 1993. The increased losses are primarily attributable to APC, but also reflect the company's investments in electronic technologies.

Revenue from other businesses increased 6 percent in 1994 to $116.7 million, principally due to revenue gains at Kaplan Educational Centers.

As discussed elsewhere in this report, the company divested almost all of its interest in APC in January 1995.

Kaplan Educational Centers, the nation's leading test preparation company, made dramatic strides during the past year. Kaplan's core business — test preparation courses for the major standardized exams — grew by 8 percent. Larger markets did exceptionally well. The performance of the medical licensure business was down for the year, but the company is making substantial investments in medical course content, technology, and instruction, with the goal of growing its core medical business and introducing new medical products and services.

To continue providing the highest quality products and services in the field, Kaplan introduced a new Graduate Management Admissions Test (GMAT) course that will serve as a model for other course enhancements. Using computer diagnostic assessment, Kaplan began offering the most personalized program of GMAT preparation available. Kaplan's GMAT enrollments grew by 20 percent in 1994. Kaplan also introduced a live Test of English as a Foreign Language (TOEFL) program in 50 markets. This new offering is expected to attract additional international students to Kaplan's U.S. centers.

Kaplan entered the multimedia arena in 1994 and launched a new division, Kaplan InterActive, to exploit its opportunities. The division's new media activities are described on page 18. Kaplan InterActive also made successful inroads into the highly competitive educational book market and now has over 300,000 pre-college books in print. Kaplan will issue four pre-graduate titles in 1995 through its publishing partnership with Bantam Doubleday Dell.

LEGI-SLATE, the country's leading on-line service covering federal legislation and regulations, continued to strengthen its marketplace position in 1994.

LEGI-SLATE is highly regarded for its value-added information, achieved through subject indexing, analysis, integration with other sources, automatic updates, and other features. The Congressional Service follows every bill and resolution, step by step, from introduction through final passage and incorporation into the *U.S. Code.* The Regulatory Service includes the full text of the *Federal Register* and the *Code of Federal Regulations*, indexed and searchable on-line daily before any other source.

Continuing its tradition as the industry leader, LEGI-SLATE in October launched its Gopher service on the Internet, described in our New Media section.

In 1994 LEGI-SLATE also created a new Information Research & Development division to focus on new technologies and emerging standards. LEGI-SLATE's management also expanded the company's marketing function, streamlined its sales force, and converted law firm clients from transactional usage to unlimited, annual subscriptions. Initial results from these changes are encouraging.

LEGI-SLATE's founder and president, Curtiss Grove, retired after 16 years. He was succeeded by Mark L. Capaldini, who had established a successful track record when he worked at The Post, from 1979 to 1986, and at Claritas, Inc., a leading marketing information company, where he was executive vice president.

NEW MEDIA

The Washington Post Company made good progress during the past year in developing new electronic businesses. While no one can predict exactly how the information highway will evolve, The Post Company thinks good opportunities exist for organizations that can understand and exploit the unique advantages of new media.

The company also believes it's essential to participate actively in this arena with real-life products and services that must satisfy actual customers and produce concrete business results. We believe that such experimentation is the best way to understand and eventually prosper in the new media business environment.

At the same time, the risks of new information ventures can be large. Therefore, the company approaches these initiatives with suitable caution, minimizing our costs as we experiment and develop new media products. Our approach is to think aggressively, but act carefully.

Digital Ink, the subsidiary formed in 1993 to create and manage the company's electronic information services, is preparing for the launch of an on-line version of The Washington Post newspaper for the Washington market.

This new service will contain all of the contents of the daily Post, but its strength will be additional local content and interactive features. The service also will contain many forms of advertising, including all of the text from The Post's classifieds. Over time, electronic-only classified ads will be introduced, as well as supplementary material for The Post's display ads.

Several thousand customers currently are participating in a test of the service, which is scheduled for full-scale launch during the first half of 1995. The platform through which this service is delivered, Interchange, was sold by Ziff-Davis to AT&T during 1994. The effects of this transaction may delay the start date for the service.

Digital Ink also manages The Post's Post Haste audiotext service, which logged 12.5 million calls (with 18 million information requests) in 1994. This represents a 30 percent increase over 1993. A new audio service for classified auto advertising was introduced last year.

Newsweek set new standards for using electronic technology to expand its print franchise with the launch in November of Newsweek InterActive on-line, available through Prodigy. New editions are posted at noon each Sunday.

This new service retains and extends the look and feel of Newsweek, with full-color photography, audio files, hypertext links, and daily news updates from The Washington Post. Early reviewers called Newsweek InterActive the first on-line magazine "to use the full power of personal computers." Newsweek InterActive currently is recording nearly twice as many visits as its competitors.

The service has helped Newsweek better serve its readers with new feedback devices, including e-mail and the on-line "My Turn" essay. Chat "rooms" introduce users to each other, while "auditoriums" enable Newsweek writers, guests, and users to communicate among themselves.

Newsweek InterActive on-line also has attracted new readers who have used the service to electronically place subscription orders to the printed version of the magazine.

Newsweek InterActive also produced three CD-ROMs in 1994 on topics ranging from health care to special effects in the movies. Newsweek InterActive's latest CD-ROM, "Open Roads," about the information superhighway, is available for Macintosh and Windows and offers rich video, animation, and extensive sound not yet available on-line.

Almost a dozen Newsweek advertisers participate as sponsors of Newsweek InterActive ventures.

Mammoth Micro Productions, in which the company purchased an 80 percent interest in 1994, had a challenging year. Mammoth provides CD-ROM studio services and software tools for publishing clients, and is beginning to publish its own CD-ROM titles. While Mammoth's technology and software skills are among the best in the industry, translating these capabilities into good financial results in a fast-evolving marketplace will take some time.

Mammoth has scored some notable achievements. The company's CD-ROM game, "The Pagemaster," produced for a division of Turner Home Entertainment, was well received by critics and at retail. Mammoth also recently has completed a CD-ROM based on "Car and Driver Buyers' Guide" for Hachette Filipacchi Magazines.

Kaplan InterActive was formed in 1994 to develop and acquire multimedia products and services for young adults bound for college, graduate school, and new careers. In August this new division launched Kaplan Online, the most comprehensive on-line test preparation and admissions service available.

The division also distributed 60,000 copies of unique test preparation software developed for Kaplan's core courses. By summer 1995, approximately ten test preparation and admissions products will be available in software retail channels.

LEGI-SLATE, the company's on-line service covering federal legislation and regulations, combines a comprehensive database with powerful retrieval and analysis software. Development of a Microsoft Windows front end began in November and will be made available to clients in March 1995.

Continuing its tradition as the industry leader, in October LEGI-SLATE launched its Gopher service, the first combined federal legislative and regulatory service available over the Internet using the popular Gopher protocol. This new service generated enough revenue in its first three months to cover its out-of-pocket expenses for the entire first year. The LEGI-SLATE "Gopher" can be reached on the Internet by using the command "gopher@legislate.com" with any standard Gopher client software.

To sample first hand the products mentioned here, be sure to write, phone, or fax for the free CD-ROM, "New Media at The Washington Post Company."

Telephone: 202-334-6657
Fax: 202-334-6664
E-mail: knightc@washpost.com

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the consolidated financial statements appearing on pages 23 through 37 present fairly, in all material respects, the financial position of The Washington Post Company and its subsidiaries at January 1, 1995 and January 2, 1994, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 1, 1995, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

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

Price Waterhouse LLP

Washington, D.C.
January 31, 1995

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

This analysis should be read in conjunction with the consolidated financial statements and the notes thereto.

Results of Operations— 1994 Compared to 1993

Net income in 1994 was $169.7 million, an increase of 3 percent over net income of $165.4 million last year. Earnings per share rose 4 percent to $14.65, from $14.08 in 1993. Earnings in 1994 included an after-tax gain of $8.1 million ($.70 per share) from the sale of a large tract of land at the company's Canadian newsprint affiliate. The company's 1993 earnings included a one-time credit of $11.6 million ($.98 per share) related to a change in accounting for income taxes and an after-tax gain of $13.4 million ($1.14 per share) from the sale of the company's cable franchises in the United Kingdom. Excluding these items, net income and earnings per share increased 15 percent and 17 percent, respectively, in 1994.

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

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

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

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

Newspaper division operating margin in 1994 was 19 percent, up from 18 percent in the prior year. The previously mentioned increases in advertising revenues were offset partially by normal increases in payroll and fringe benefits and higher distribution costs. Average newsprint prices and total newsprint expense remained unchanged from last year. However, newsprint prices have been increasing steadily since mid-1994 and are expected to continue to rise throughout 1995. These increases will have an adverse impact on the operating results at the newspaper division in 1995.

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

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

Operating margin at the broadcast division increased to 41 percent, from 37 percent in 1993. Excluding amortization of goodwill and intangibles, operating margins for

1994 and 1993 were 44 percent and 37 percent, respectively. Increases in advertising, particularly political advertising, along with increases in network compensation accounted for most of the improvement in margins.

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

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

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

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

Other Businesses. In 1994 revenues from other businesses, including Kaplan Educational Centers (Kaplan), PASS Sports, Legi-Slate, Digital Ink, and Mammoth Micro Productions, increased 6 percent to $116.7 million, from $110.3 million in 1993, due principally to Kaplan, which experienced an 8 percent increase in revenues from precollege and pre-graduate school courses.

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

On January 9, 1995, the company sold substantially all of its interest in APC, retaining a 1.5 percent limited partnership interest. As a result of this transaction, the 1995 consolidated results of the company will not reflect operations of APC.

Equity in Earnings and Losses of Affiliates. The company's equity in earnings of affiliates for 1994 was $7.3 million, compared with a loss of $2.0 million in 1993. The improved results were primarily related to an $8.1 million after-tax gain from the sale of land at one of the company's newsprint affiliates.

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

Income Taxes. The effective tax rate in 1994 decreased to 40.9 percent, from 41.6 percent in 1993.

Results of Operations— 1993 Compared to 1992

Net income in 1993 was $165.4 million, an increase of 29 percent over net income of $127.8 million in 1992. Earnings per share rose 30 percent to $14.08, from $10.80 in 1992. Earnings in 1993 included a one-time credit of $11.6 million ($.98 per share) related to the adoption of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" and an after-tax gain of $13.4 million ($1.14 per share) from the sale of the company's cable franchises in the United Kingdom. Excluding these two items, 1993 net income and earnings per share increased 10 percent and 11 percent, respectively.

Revenues for 1993 totaled $1,498 million, an increase of 3 percent, from $1,451 million in 1992. Both advertising revenues and circulation and subscriber revenues rose 2 percent, while other revenues increased 18 percent. Full year revenues from businesses acquired at the end of 1992, principally PASS Sports, a regional sports cable network, contributed to the improvement in other revenues in 1993. Results for 1993 include 52 weeks at The Washington Post and The Herald newspapers; 1992 included 53 weeks.

Costs and expenses for the year increased 3 percent to $1,259 million, from $1,219 million in 1992. Approximately 40 percent of the total increase relates to additional expenses associated with businesses that were acquired at the end of 1992, while the remainder reflects normal increases in the costs of operations and the continued investment in personal communications services (PCS). Nonrecurring charges included in 1992 costs were expenses related to a restructuring at Kaplan and net costs associated with the termination of one of the health care plans at The Washington Post newspaper. In 1993 operating income rose to $239.0 million, a 3 percent increase over $232.1 million in 1992.

Newspaper Division. Results at the newspaper division included 52 weeks in 1993, compared with 53 weeks in 1992, and also included full-year results at The Gazette Newspapers (formerly known as The Gaithersburg Gazette) in 1993, compared with ten months in 1992.

At the newspaper division, revenues increased 2 percent in 1993. Advertising revenue for the division rose 3 percent. At The Washington Post, advertising revenues increased 2 percent as rate increases more than offset a 1 percent decline in advertising inches. Retail inches at The Post decreased by less than 1 percent, and general volume was down 2 percent. Classified inches were 3 percent below 1992, primarily due to the continued softness in the Washington, D.C., real estate market. Preprint volume remained strong in 1993. Circulation revenues for the newspaper division decreased 1 percent, principally due to the inclusion of the 53rd week in 1992. For the 12-month period ended September 30, 1993, daily circulation at The Washington Post rose 1 percent, while Sunday circulation decreased almost 1 percent from 1992 levels, reflecting the introduction of several competing Sunday newspapers in the Washington, D.C., market. The Post maintained its share of the market with 51 percent penetration daily, while Sunday penetration declined to 66 percent.

Newspaper division operating margin was 18 percent, unchanged from 1992. The previously mentioned increases in advertising revenues were offset by normal increases in payroll and fringe benefit costs. A slight increase in average newsprint prices accounted for the 3 percent rise in newsprint expense.

Broadcast Division. Revenues at the broadcast division increased 9 percent over 1992. National advertising revenues increased 10 percent during the year, while local advertising revenues rose 8 percent. These increases were primarily due to a surge in automobile advertising in 1993.

Viewership remained strong in all four markets in 1993. In the latest ratings period in 1993, all four television stations were ranked number one, sign-on to sign-off, in their markets.

Operating margin at the broadcast division increased to 37 percent, from 34 percent in 1992. Results in 1992 included the impact of Hurricane Andrew on WPLG in Miami and lower revenues from sports programming at WDIV in Detroit, which were partially offset by higher political advertising revenues.

Magazine Division. Newsweek revenues in 1993 decreased 4 percent, principally due to an 8 percent decline in advertising revenues at both the domestic and international editions. Lower rates and fewer pages were responsible for the decrease. Circulation revenues increased 1 percent at Newsweek, with higher volume and rates at the international editions being the major contributors to the increase. In 1993 Newsweek Domestic published the same number of weekly issues as in 1992 (52), with two special newsstand issues in 1993, compared with one special issue in 1992. At Newsweek International 51 weekly issues were published in 1993, the same as in 1992.

At Newsweek the operating margin decreased to 5 percent, from 7 percent in 1992, principally as a result of the decrease in advertising revenues and certain costs related to the relocation of the New York City operations in 1994.

Cable Division. Revenues at the cable division in 1993 increased 7 percent over 1992 (excluding the operations in the United Kingdom, which were sold in September 1993, revenues also increased 7 percent). The number of basic subscribers rose 4 percent, primarily due to the 10,000 subscribers acquired from Coast TV Cable, Inc., in Long Beach, Mississippi. Also affecting the change in division revenues were higher advertising revenues at the domestic systems, an approximately $3 million negative impact of rate reregulation, and the sale of the company's cable operations in the United Kingdom.

Operating margin in 1993 remained flat at 22 percent, compared to 1992. Excluding the operations in the United Kingdom, 1993 operating margin was 25 percent, the same as in 1992. Domestic cable cash flow rose 5 percent to $85.9 million, from $82.0 million last year. Total costs at the domestic systems increased 9 percent, reflecting the continued rise in programming costs and the larger number of subscribers.

Other Businesses. In 1993 revenues from other businesses increased 23 percent. Revenues from PASS Sports, acquired at the end of 1992, were the major contributor to the increase. Revenues at Kaplan Educational Centers rose 3 percent over 1992, and enrollments increased 2 percent, principally in the lower priced courses.

The company's other businesses recorded an operating loss of $9.1 million in 1993, compared with an operating loss of $6.1 million in 1992, principally due to the expansion of established businesses, the continuing investment in PCS, and lower operating results at Kaplan. This decline at Kaplan was a result of additional costs related to a change in its operating structure, implemented at the end of 1992.

Equity in Earnings and Losses of Affiliates. The company's equity in earning of affiliates for 1993 was a loss of $2.0 million, compared with a loss of $11.7 million in 1992. Better results at the company's newsprint affiliates, which included gains on the sale of land in 1993, contributed to the improvement.

Non-Operating Items. Interest income, net of interest expense, was $6.1 million in 1993, compared with $5.5 million in 1992. This increase was a result of higher invested cash balances, which were partially offset by lower interest rates.

Other income in 1993 was $20.4 million, compared with other expense of $1.7 million in 1992. In 1993 other income included a $20.2 million gain on the sale of the company's cable franchises in the United Kingdom. In 1992 other expense included the recognition of unrealized losses on the company's forward foreign currency contracts, in addition to the costs associated with the disposition of certain plant, property, and equipment.

Income Taxes. The effective tax rate decreased to 41.6 percent in 1993, from 43 percent in 1992, exclusive of the cumulative effect of the change in accounting principle. During 1993 the company adjusted the provision for income taxes to reflect the increase in the federal income tax rate, which was retroactive to the beginning of the year. Offsetting the rate increase was the lower effective rate for foreign taxes recorded on the sale of the company's cable operations in the United Kingdom.

Financial Condition: Capital Resources and Liquidity

During the period 1992 through 1994, the company spent approximately $646 million on purchases of additional plant, property, and equipment, the repurchase of Class B common stock, and investments in new businesses. With respect to the latter, in April 1994 the company acquired substantially all the assets of television stations KPRC-TV, the NBC affiliate in Houston, Texas, and KSAT-TV, the ABC affiliate in San Antonio, Texas, for approximately $253 million in cash. Additionally, in May 1994 the company acquired an 80 percent interest in Mammoth Micro Productions, a producer and publisher of multimedia CD-ROM titles, for approximately $23 million in cash. In September 1993 the company sold its cable franchises in the United Kingdom for approximately $65 million. At January 1, 1995, the company had $117 million in cash and cash equivalents, $25 million in marketable debt securities, and $50 million in long-term debt.

During 1994 and 1993 the company repurchased 366,500 and 99,800 shares, respectively, of its Class B common stock at a cost of $86.7 million and $23.1 million, respectively. Sixty-three thousand of these shares were purchased from The Washington Post Company Profit Sharing Plan in 1993. As of the end of 1994, the company had repurchased approximately 885,000 shares of the one million shares authorized by the Board of Directors in May 1990. In addition, in January 1995 the Board of Directors authorized the company to repurchase an additional one million shares, primarily through block purchases. The annual dividend rate for 1995 was increased to $4.40 per share, from $4.20 per share in 1994.

In January 1995 the company sold substantially all of its 70 percent limited partnership interest in American Personal Communications (APC) to its partner APC, Inc., and others, for approximately $33 million. The proceeds approximate the amounts The Washington Post Company had invested in the partnership since it was formed in August 1990.

The company estimates that in 1995 it will spend approximately $100 million for plant and equipment, principally for the completion of various projects at the newspaper and magazine divisions and the continued development of electronic technologies in its new media businesses. In addition, the company continues to assess the need for construction of a new production facility at The Washington Post newspaper and anticipates making a decision in early 1995. The cost of such a facility, should the company decide to proceed, would be approximately $250 million over a three-year period, with $50 million to $75 million to be incurred in 1995. The company expects to fund all of these expenditures from cash flows from operations.

As indicated previously, the newspaper division anticipates a significant increase in newsprint prices during 1995, which will impact its results significantly. As a result of the company's investments in newsprint paper mills, which are included in equity in income of affiliates, the company expects that a significant portion of the increased costs will be offset by increased profits at the newsprint affiliates.

In management's opinion, the company will have ample liquidity to meet the various cash needs in 1995 as outlined above.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share amounts)	FISCAL YEAR ENDED JANUARY 1, 1995	JANUARY 2, 1994	JANUARY 3, 1993
Operating revenues			
Advertising	$1,026,672	$ 913,529	$ 895,645
Circulation and subscriber	438,500	444,385	436,193
Other	148,806	140,277	119,029
	1,613,978	1,498,191	1,450,867
Operating costs and expenses			
Operating	861,464	790,256	787,256
Selling, general and administrative	390,296	393,196	356,799
Depreciation and amortization of property, plant, and equipment	61,950	59,543	59,222
Amortization of goodwill and other intangibles	25,393	16,216	15,478
	1,339,103	1,259,211	1,218,755
Income from operations	274,875	238,980	232,112
Equity in earnings (losses) of affiliates	7,325	(1,994)	(11,730)
Interest income	9,196	11,085	11,854
Interest expense	(5,590)	(4,983)	(6,385)
Other income (expense), net	1,116	20,379	(1,655)
Income before income taxes and cumulative effect of change in accounting principle	286,922	263,467	224,196
Provision for income taxes	117,250	109,650	96,400
Income before cumulative effect of change in accounting principle	169,672	153,817	127,796
Cumulative effect of change in method of accounting for income taxes	—	11,600	—
Net income	$ 169,672	$ 165,417	$ 127,796
Earnings per share:			
Before cumulative effect of change in accounting principle	$ 14.65	$ 13.10	$ 10.80
Cumulative effect of change in accounting principle	—	.98	—
Net income	$ 14.65	$ 14.08	$ 10.80

The information on pages 28 through 37 is an integral part of the financial statements.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)	JANUARY 1, 1995	JANUARY 2, 1994
Assets		
Current assets		
Cash and cash equivalents	$ 117,269	$ 171,512
Investments in marketable debt securities	24,570	258,412
Accounts receivable, net	175,441	140,518
Inventories	20,378	16,419
Program rights	18,972	15,460
Other current assets	19,249	23,253
	375,879	625,574
Investments in affiliates	170,754	155,251
Property, plant, and equipment		
Buildings	185,193	166,433
Machinery, equipment, and fixtures	629,043	579,423
Leasehold improvements	33,287	29,287
	847,523	775,143
Less accumulated depreciation and amortization	(499,172)	(469,359)
	348,351	305,784
Land	32,562	28,799
Construction in progress	30,483	29,135
	411,396	363,718
Goodwill and other intangibles, less accumulated amortization of $155,161 and $129,768	512,405	309,157
Deferred charges and other assets	226,434	168,804
	$1,696,868	$1,622,504

The information on pages 28 through 37 is an integral part of the financial statements.

(in thousands, except share amounts)	JANUARY 1, 1995	JANUARY 2, 1994
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 186,129	$ 163,553
Federal and state income taxes	6,593	15,726
Deferred subscription revenue	80,351	79,254
	273,073	258,533
Other liabilities	217,461	191,088
Long-term debt	50,297	51,768
Deferred income taxes	29,104	33,696
	569,935	535,085
Shareholders' equity		
Preferred stock, $1 par value, 1,000,000 shares authorized	—	—
Common stock		
Class A common stock, $1 par value, 7,000,000 shares authorized; 1,843,250 shares issued and outstanding	1,843	1,843
Class B common stock, $1 par value, 40,000,000 shares authorized; 18,156,750 shares issued; 9,502,684 and 9,870,115 shares outstanding	18,157	18,157
Capital in excess of par value	21,273	21,354
Retained earnings	1,691,497	1,570,546
Cumulative foreign currency translation adjustment	5,328	2,908
Unrealized gain on available-for-sale securities (net of taxes)	2,933	—
Cost of 8,654,066 and 8,286,635 shares of Class B common stock held in treasury	(614,098)	(527,389)
	1,126,933	1,087,419
	$1,696,868	$1,622,504

The information on pages 28 through 37 is an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	FISCAL YEAR ENDED JANUARY 1, 1995	JANUARY 2, 1994	JANUARY 3, 1993
Cash flows from operating activities:			
Net income	$ 169,672	$ 165,417	$ 127,796
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in accounting principle	—	(11,600)	—
Depreciation and amortization of property, plant, and equipment	61,950	59,543	59,222
Amortization of goodwill and other intangibles	25,393	16,216	15,478
Amortization of program rights	21,888	18,927	20,308
Provision for doubtful accounts and returns	57,983	56,631	57,629
Gain from sale of business	—	(13,371)	—
(Decrease) in accrued interest and income taxes payable	(9,177)	(5,141)	(14,162)
Provision for deferred income taxes	(6,882)	(1,669)	(1,577)
Change in assets and liabilities:			
(Increase) in accounts receivable	(92,526)	(68,901)	(47,393)
(Increase) decrease in inventories	(3,959)	3,839	(695)
Increase (decrease) in accounts payable and accrued liabilities	17,376	(17,054)	16,102
(Increase) in other assets and other liabilities, net	(21,148)	(9,628)	(14,347)
Other	4,727	9,440	23,886
Net cash provided by operating activities	225,297	202,649	242,247
Cash flows from investing activities:			
Net proceeds from sale of business	—	64,947	—
Purchases of property, plant, and equipment	(74,642)	(79,139)	(58,889)
Purchases of marketable debt securities	(38,994)	(520,114)	(533,082)
Maturities and sales of marketable debt securities	274,776	509,937	465,891
Investments in certain businesses	(281,937)	(1,591)	(32,353)
Payments for program rights	(20,838)	(20,232)	(22,013)
Other	(1,124)	663	978
Net cash (used) by investing activities	(142,759)	(45,529)	(179,468)
Cash flows from financing activities:			
Principal payments on debt	(1,400)	—	(25,000)
Dividends paid	(48,721)	(49,376)	(49,699)
Common shares repurchased	(86,660)	(23,133)	(7,484)
Other	—	61	122
Net cash (used) by financing activities	(136,781)	(72,448)	(82,061)
Net (decrease) increase in cash and cash equivalents	(54,243)	84,672	(19,282)
Cash and cash equivalents at beginning of year	171,512	86,840	106,122
Cash and cash equivalents at end of year	$ 117,269	$ 171,512	$ 86,840
Supplemental cash flow information:			
Cash paid during the year for:			
Income taxes	$ 134,700	$ 110,300	$ 110,700
Interest	$ 5,200	$ 5,600	$ 7,200
Noncash investing activities:			
Program rights acquired	$ 30,200	$ 5,800	$ 25,200

The information on pages 28 through 37 is an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands, except share amounts)	CLASS A COMMON STOCK	CLASS B COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	CUMULATIVE FOREIGN CURRENCY TRANSLATION ADJUSTMENT	UNREALIZED GAIN ON AVAILABLE-FOR-SALE SECURITIES	TREASURY STOCK
Balance December 29, 1991 ...	$1,843	$18,157	$18,725	$1,376,408	$6,870	—	$(497,718)
Net income for the year				127,796			
Dividends — $4.20 per share				(49,699)			
Repurchase of 33,949 shares of Class B common stock.........							(7,484)
Issuance of 304 shares of Class B common stock, net of restricted stock award forfeitures.........			(52)				16
Change in foreign currency translation adjustment					(1,931)		
Other			74				
Balance January 3, 1993	1,843	18,157	18,747	1,454,505	4,939	—	(505,186)
Net income for the year				165,417			
Dividends — $4.20 per share				(49,376)			
Repurchase of 99,800 shares of Class B common stock.........							(23,133)
Issuance of 15,030 shares of Class B common stock, net of restricted stock award forfeitures			2,480				930
Change in foreign currency translation adjustment					(2,031)		
Other			127				
Balance January 2, 1994	1,843	18,157	21,354	1,570,546	2,908	—	(527,389)
Net income for the year				169,672			
Dividends — $4.20 per share				(48,721)			
Repurchase of 366,500 shares of Class B common stock							(86,660)
Restricted stock award forfeitures of 931 shares, net of issuance of Class B common stock.................			(130)				(49)
Change in foreign currency translation adjustment					2,420		
Unrealized gain on available-for-sale securities (net of taxes)						2,933	
Other			49				
Balance January 1, 1995	$1,843	$18,157	$21,273	$1,691,497	$5,328	$2,933	$(614,098)

The information on pages 28 through 37 is an integral part of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A Summary of Significant Accounting Policies

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

Fiscal Year. The company reports on a 52-53 week fiscal year ending on the Sunday nearest December 31. The fiscal years 1994 and 1993, which ended January 1, 1995, and January 2, 1994, respectively, included 52 weeks, while 1992 included 53 weeks. With the exception of the newspaper publishing operations, subsidiaries of the company report on a calendar-year basis.

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

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

Investments in Marketable Securities. Marketable securities held to maturity consist of debt instruments that mature over 90 days from the purchase date and are stated at cost plus accrued interest. Other investments in marketable equity securities available for sale are classified in "Deferred charges and other assets" in the Consolidated Balance Sheets. In accordance with Statement of Financial Accounting Standards No. 115 (SFAS No. 115), any unrealized gains or losses (net of taxes) relating to such investments are included as a separate component of Shareholders' Equity.

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

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

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

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

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

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

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

Income Taxes. The 1994 and 1993 provisions for income taxes have been determined under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109), which requires the use of the asset and liability approach. Under this approach, deferred taxes represent the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities.

Prior to 1993 the provision for income taxes was determined under Accounting Principles Board (APB) Opinion No. 11, which required use of the deferred method.

Under that method, the provision for income taxes was based on pre-tax financial income, which differed from taxable income because certain elements of income and expense were reflected in different periods for financial accounting and tax purposes. Deferred taxes were provided on these timing differences using the tax rate in effect when the timing differences originated, and the effects of reversing timing differences were reflected at those historical tax rates.

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

Postretirement Benefits Other Than Pensions. The company provides certain health care and life insurance benefits for retired employees. The expected cost of providing these postretirement benefits is accrued over the years that employees render services.

B Investments in Marketable Debt Securities

The company's marketable debt securities at January 1, 1995, and January 2, 1994, include the following (in thousands):

	1994	1993
U.S. Government and Government agency obligations	$ 9,844	$237,655
Commercial paper	14,726	20,757
	$24,570	$258,412

C Accounts Receivable and Accounts Payable and Accrued Liabilities

Accounts receivable at January 1, 1995, and January 2, 1994, consist of the following (in thousands):

	1994	1993
Accounts receivable, less estimated returns, doubtful accounts and allowances of $39,943 and $38,602	$165,352	$129,976
Other	10,089	10,542
	$175,441	$140,518

Accounts payable and accrued liabilities at January 1, 1995, and January 2, 1994, consist of the following (in thousands):

	1994	1993
Accounts payable and accrued expenses	$ 99,106	$ 91,831
Accrued payroll and related benefits	40,143	31,747
Accrued interest expense	4,246	4,437
Deferred tuition revenue	14,752	12,564
Film contracts payable	18,408	14,978
Due to affiliates (newsprint)	9,474	7,996
	$186,129	$163,553

D Investments In Affiliates

The company's investments in affiliates at January 1, 1995, and January 2, 1994, include the following (in thousands):

	1994	1993
Cowles Media Company	$ 81,514	$ 80,786
Newsprint mills	60,782	50,172
Other	28,458	24,293
	$170,754	$155,251

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

The company's interest in newsprint mills includes a 49 percent interest in the common stock of Bowater Mersey Paper Company Limited, which owns and operates a newsprint mill in Nova Scotia; a 35 percent limited partnership interest in Bear Island Paper Company, which owns and operates a newsprint mill near Richmond, Virginia; and a 35 percent limited partnership interest in Bear Island Timberlands Company, which owns timberland and supplies Bear Island Paper Company with a major portion of its wood requirements. In 1993 and 1992 the company's ownership of Bear Island Timberlands Company and Bear Island Paper Company was a one-third limited partnership interest in each company. Operating costs and expenses of the company include newsprint supplied by Bowater, Inc. (parent to Bowater Mersey Paper Company), and Bear Island Paper Company and used in operations, the cost of which was approximately $53,200,000 in 1994, $52,500,000 in 1993, and $51,000,000 in 1992.

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

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

	1994	1993	1992
Financial Position			
Working capital	$(125,667)	$ (67,923)	$(119,505)
Property, plant, and equipment	407,235	422,606	436,620
Total assets	749,165	732,940	718,352
Long-term debt	180,988	200,105	197,203
Net equity	213,484	172,332	175,618
Results of Operations			
Operating revenues	$ 766,232	$610,617	$ 650,194
Operating income	46,741	43,569	20,500
Net income (loss)	29,235	7,218	(13,175)

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

	1994	1993
Beginning investment	$155,251	$162,410
Additional investment	8,750	—
Equity in earnings (losses)	7,325	(1,994)
Dividends and distributions received	(2,992)	(2,743)
Foreign currency translation	2,420	(2,422)
Ending investment	$170,754	$155,251

At January 1, 1995, the unamortized excess of the company's investments over its equity in the underlying net assets of its affiliates at the dates of acquisition was approximately $84,900,000. Amortization included in "Equity in earnings (losses) of affiliates" in the accompanying Consolidated Statements of Income was $2,600,000 for the years ended January 1, 1995, January 2, 1994, and January 3, 1993.

E Income Taxes

In 1994 and 1993 income taxes are based on the provisions of SFAS No. 109, "Accounting for Income Taxes," which was adopted at the beginning of 1993. The cumulative effect of adopting this standard was an increase in 1993 net income of $11,600,000 and is shown on the Consolidated Statements of Income as the cumulative effect of a change in accounting principle. Financial statements for years prior to 1993 were not restated, and the 1992 information shown below was determined under the provisions of APB Opinion No. 11.

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

	CURRENT	DEFERRED
1994		
U.S. Federal	$103,182	$(6,356)
Foreign	509	323
State and local	20,441	(849)
	$124,132	$(6,882)
1993		
U.S. Federal	$ 85,082	$ (535)
Foreign	6,913	(657)
State and local	19,324	(477)
	$111,319	$(1,669)
1992		
U.S. Federal	$ 79,380	$ (295)
Foreign	488	(1,219)
State and local	18,109	(63)
	$ 97,977	$(1,577)

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

The provision for income taxes exceeds the amount of income tax determined by applying the U.S. Federal statutory rate of 35 percent in 1994 and 1993 and 34 percent in 1992 to income before taxes as a result of the following (in thousands):

	1994	1993	1992
U.S. Federal statutory taxes	$100,423	$ 92,213	$76,226
State and local taxes net of U.S. Federal income tax benefit	12,735	12,251	11,911
Amortization of goodwill not deductible for income tax purposes	3,146	2,433	2,922
Other	946	2,753	5,341
Provision for income taxes	$117,250	$109,650	$96,400

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

	1994	1993
Accrued postretirement benefits	$45,568	$42,336
Other benefit obligations	22,903	17,760
Accounts receivable	6,559	6,368
Other	7,664	3,855
Deferred tax asset	$82,694	$70,319
Property, plant, and equipment	$44,250	$48,275
Prepaid pension cost	48,732	39,769
Affiliate operations	12,671	12,211
Investment tax credit	3,013	3,760
Other	3,132	—
Deferred tax liability	111,798	104,015
Deferred income taxes	$29,104	$33,696

In 1992 the deferred tax benefit resulted principally from the excess of financial statement depreciation over tax depreciation, $1,738,000, and accrued postretirement benefit expense, $4,138,000. These amounts were offset by deferred tax expense of $7,469,000 resulting from net pension credits in excess of contributions.

F Debt

Long-term debt of the company as of January 1, 1995, and January 2, 1994, is summarized as follows (in thousands):

	1994	1993
10.1 percent unsecured European Currency Unit notes, $50,000,000 face amount due in 1996	$50,297	$50,368
10.875 percent unsecured Eurodollar notes, $1,400,000 face amount due in 1995	—	1,400
	$50,297	$51,768

G Capital Stock, Stock Options and Stock Awards

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

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

Stock Options. The Employee Stock Option Plan, which was adopted in 1971 and amended in 1993, reserves 1,900,000 shares of the company's Class B common stock for options to be granted under the plan. The purchase price of the shares covered by an option cannot be less than the fair value on the granting date. At January 1, 1995, there were 662,950 shares reserved for issuance under the Stock Option Plan, of which 164,500 shares were subject to options outstanding and 498,450 shares were available for future grants.

Changes in options outstanding for the years ended January 1, 1995, and January 2, 1994, were as follows:

	1994		1993	
	NUMBER OF SHARES	AVERAGE OPTION PRICE	NUMBER OF SHARES	AVERAGE OPTION PRICE
Beginning of year	155,000	$255.95	143,000	$256.88
Granted	12,000	242.00	12,500	239.88
Exercised	—		(500)	121.50
Canceled	(2,500)	231.70	—	—
End of year	164,500	$255.35	155,000	$255.95

Of the shares covered by options outstanding at the end of 1994, 77,750 are now exercisable, 16,750 will become exercisable in 1995, 10,875 will become exercisable in 1996, 6,125 will become exercisable in 1997, 3,000 will become exercisable in 1998, and 50,000 will become exercisable in 1999.

Stock Awards. In 1982 the company adopted a Long-Term Incentive Compensation Plan that, among other provisions, authorizes the awarding of stock to key employees. Stock awards made under the Incentive Compensation Plan are subject to the general restriction that stock awarded to a participant will be forfeited and revert to company ownership if the participant's employment terminates before the end of a specified period of service to the company. At January 1, 1995, there were 138,597 shares reserved for issuance under the Incentive Compensation Plan. Of this number, 26,860 shares were subject to awards outstanding and 111,737 shares were available for future awards. Activity related to stock awards for the years ended January 1, 1995, and January 2, 1994, was as follows:

	1994		1993	
	NUMBER OF SHARES	AVERAGE AWARD PRICE	NUMBER OF SHARES	AVERAGE AWARD PRICE
Awards Outstanding				
Beginning of year	27,955	$214.61	24,765	$202.99
Awarded	472	237.84	15,437	228.67
Vested	(284)	201.79	(11,340)	209.05
Forfeited	(1,283)	222.05	(907)	206.35
End of year	26,860	$214.79	27,955	$214.61

For the share awards outstanding at January 1, 1995, the aforementioned restriction will lapse in January 1995 for 12,144 shares and in January 1997 for 14,716 shares.

Average Number of Shares Outstanding. Earnings per share are based on the weighted average number of shares of common stock outstanding during each year, adjusted for the dilutive effect of shares issuable under outstanding stock options, and awards made under the Incentive Compensation Plan. The average number of shares outstanding was 11,582,000 for 1994, 11,750,000 for 1993, and 11,830,000 for 1992.

H Retirement Plans

The company and its subsidiaries have various funded and unfunded pension and incentive savings plans and in addition contribute to several multi-employer plans on behalf of certain union-represented employee groups. Substantially all of the company's employees, including some located in foreign countries, are covered by these plans. Pension (benefit) cost for all retirement plans combined was $(1,600,000) in 1994, $(2,300,000) in 1993, and $5,200,000 in 1992. Included in 1992 are costs of $8,300,000 related to a new deferred compensation arrangement at The Washington Post newspaper.

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

The following table sets forth the funded status of the defined benefit plans and amounts recognized in "Deferred charges and other assets" in the Consolidated Balance Sheets at January 1, 1995, and January 2, 1994 (in thousands):

	1994	1993
Actuarial present value of accumulated plan benefits including vested benefits of $162,068 and $142,706	$ 167,341	$ 151,200
Plan assets at fair value, primarily listed securities	$ 455,456	$ 454,741
Projected benefit obligation for service rendered to date	(206,870)	(187,490)
Plan assets in excess of projected benefit obligation	248,586	267,251
Prior service cost not yet recognized in periodic pension cost	13,317	15,697
Less unrecognized net gain from past experience different from that assumed	(79,795)	(114,212)
Less unrecognized net asset (transition amount) being recognized over approximately 17 years	(61,268)	(68,933)
Prepaid pension cost	$ 120,840	$ 99,803

The net pension credit for the years ended January 1, 1995, January 2, 1994, and January 3, 1993, includes the following components (in thousands):

	1994	1993	1992
Service cost for benefits earned during the period	$ 9,117	$ 8,805	$ 8,312
Interest cost on projected benefit obligation	14,022	12,683	11,700
Actual return on plan assets	(7,211)	(35,086)	(29,388)
Net amortization and deferral	(36,751)	(5,839)	(8,185)
Net pension credit	$(20,823)	$(19,437)	$(17,561)

The weighted average discount rate and rate of increase in future compensation levels used for 1994, 1993, and 1992 in determining the actuarial present value of the projected benefit obligation were 7.5 percent and 4 percent, respectively. The expected long-term rate of return on assets was 9 percent in 1994, 1993, and 1992.

Contributions to multi-employer pension plans, which are generally based on hours worked, amounted to $1,700,000 in 1994, $1,900,000 in 1993, and $1,500,000 in 1992.

The costs of unfunded retirement plans are charged to expense when accrued. The company's liability for such plans, which is included in "Other Liabilities" in the Consolidated Balance Sheets, was $48,700,000 at January 1, 1995, and $45,000,000 at January 2, 1994.

I Postretirement Benefits Other Than Pensions

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

The following table sets forth the amounts included in "Other Liabilities" in the Consolidated Balance Sheets at January 1, 1995, and January 2, 1994 (in thousands):

	1994	1993
Accumulated postretirement benefit obligation:		
Retirees	$ 50,737	$46,987
Fully eligible active plan participants	6,936	6,423
Other active plan participants	44,194	40,927
	101,867	94,337
Unrecognized prior service costs arising from plan amendments	2,143	2,357
Unrecognized net gain from past experience different from that assumed	739	739
Accrued postretirement benefit cost	$104,749	$97,433

Net periodic postretirement benefit cost for the years ended January 1, 1995, January 2, 1994, and January 3, 1993, includes the following components (in thousands):

	1994	1993	1992
Service cost for benefits earned during the period	$ 3,373	$ 2,894	$ 3,029
Interest cost on accumulated post-retirement benefit obligation	7,419	6,880	6,853
Amortization of prior service costs	(214)	(214)	(61)
Curtailment gain	—	—	(5,963)
Net periodic post-retirement benefit cost	$10,578	$ 9,560	$ 3,858

The curtailment gain of $6,000,000 relates to the termination in December 1992 of one of the company's health care plans at The Washington Post newspaper. The terminated plan has been replaced by a deferred payment arrangement and a related expense of $8,300,000 was recognized as a result of this change (see Note H).

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

The company's policy is to fund the above-mentioned benefits as claims and premiums are paid.

The effect on the accumulated postretirement benefit obligation at January 1, 1995, of a 1 percent increase each year in the health care cost trend rate used would result in increases of approximately $16,800,000 in the obligation and $2,000,000 in the aggregate service and interest components of the 1994 expense.

The cash expenditures for postretirement benefits were $3,262,000 for 1994, $2,830,000 in 1993, and $2,560,000 in 1992.

J Lease Commitments

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

At January 1, 1995, future minimum rental payments under noncancelable operating leases are as follows (in thousands):

1995	$ 18,105
1996	15,498
1997	12,766
1998	9,858
1999	8,295
Thereafter	37,617
	$102,139

Minimum payments have not been reduced by minimum sublease rentals of $5,300,000 due in the future under noncancelable subleases.

Rent expense under operating leases included in operating costs and expenses was approximately $22,600,000 in 1994, $22,200,000 in 1993, and $21,500,000 in 1992. Sublease income was approximately $1,500,000 in 1994, and 1,300,000 in 1993 and 1992.

In 1993 the company entered into a lease agreement under which certain costs were paid for through a restricted funding mechanism. At January 2, 1994, $6,900,000 included in "Cash and cash equivalents" in the accompanying Consolidated Balance Sheets was restricted under the provisions of the funding arrangement. The provisions of this funding arrangement were satisfied during 1994 and, accordingly, there are no such restrictions on cash at January 1, 1995.

K Acquisitions and Dispositions

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

The following statements present the company's unaudited pro forma condensed consolidated income statements for the years ended January 1, 1995, and January 2, 1994, as if the acquisition of the television stations had occurred at the beginning of each year. Amounts reflect an allocation of the purchase price to the acquired net tangible assets, with the excess being amortized over a period of 20 years.

The revenues and results of operations presented in the pro forma income statements do not necessarily reflect the results of operations that would actually have been obtained if the acquisition had occurred at the beginning of each year.

(in thousands, except per share amounts)	PRO FORMA INCOME STATEMENTS FOR THE YEAR ENDED	
	JANUARY 1, 1995	JANUARY 2, 1994
Operating revenues	$1,633,345	$1,563,052
Net income	$169,865	$168,614
Earnings per share	$14.67	$14.35

In May 1994 the company acquired an 80 percent interest in Mammoth Micro Productions, a producer and publisher of multimedia CD-ROM titles for approximately $23,000,000 in cash, including related expenses. The transaction was accounted for as a purchase and, accordingly, the assets and liabilities have been recorded at their estimated fair values at the date of acquisition. The excess of cost over the fair value of net assets acquired is being amortized over a period of 5 years. Results of operations of the acquired business were included with those of the company for the period subsequent to the date of acquisition.

In September 1993 the company sold its cable franchises in the United Kingdom. The related gain of $20,175,000 before giving effect to taxes of $6,804,000 is included in "Other income (expense), net" in the accompanying Consolidated Statements of Income. This transaction increased earnings by $1.14 per share in 1993.

During 1992 the company expended approximately $32,000,000, including related expenses, for investments in new businesses. These included a cable system in Mississippi; PASS Sports, a company that provides sports programming in the Detroit area; and continued investment in personal communications services (PCS) technology development. The company also made additional investments in The Gazette Newspapers, Inc., which increased the company's ownership to 84 percent in 1992 and 100 percent in 1993. The acquisitions were accounted for using the purchase method, as described above, with the excess of the cost over the fair value of net assets acquired being amortized over periods up to 40 years.

In January 1995 the company sold substantially all of its 70 percent limited partnership interest in American Personal Communications (APC) to APC, Inc., and others, for approximately $33,000,000, retaining a 1.5 percent limited partnership interest. APC net assets of approximately $19,000,000 are included in "Deferred charges and other assets" in the January 1, 1995 Consolidated Balance Sheet.

L Contingencies

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

M Business Segments

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

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

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

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

Cable television operations consist of over 50 cable systems offering basic cable and pay television services to more than 498,000 subscribers in 15 midwestern, western, and southern states. Prior to September 1993, cable television operations also included services provided in the United Kingdom. The principal source of revenues is monthly subscription fees charged for services.

Other Businesses include the operations of a database publishing company, a regional sports cable system, a wireless telephone system, educational centers engaged in preparing students for admissions tests and licensing examinations (including the preparation and publishing of training materials), and a producer and publisher of CD-ROM titles.

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

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

(in thousands)	NEWSPAPER PUBLISHING	BROADCASTING	MAGAZINE PUBLISHING	CABLE TELEVISION	OTHER BUSINESSES	CONSOLIDATED
1994						
Operating revenues	$717,280	$260,252	$337,602	$182,140	$116,704	$1,613,978
Income from operations	$134,415	$107,656	$ 14,159	$ 41,464	$ (22,819)	$ 274,875
Equity in earnings of affiliates						7,325
Interest expense						(5,590)
Other income, net						10,312
Income before income taxes						$ 286,922
Identifiable assets	$349,194	$425,789	$187,052	$326,645	$100,028	$1,388,708
Investments in affiliates						170,754
Corporate assets						137,406
Total assets						$1,696,868
Depreciation and amortization of property, plant, and equipment	$ 18,086	$ 8,123	$ 5,075	$ 26,912	$ 3,754	$ 61,950
Amortization of goodwill and other intangibles	$ 800	$ 7,725		$ 12,149	$ 4,719	$ 25,393
Capital expenditures	$ 20,681	$ 8,881	$ 23,028	$ 18,860	$ 3,192	$ 74,642
1993						
Operating revenues	$692,287	$177,415	$332,506	$185,721	$110,262	$1,498,191
Income (loss) from operations	$123,151	$ 65,306	$ 18,011	$ 41,618	$ (9,106)	$ 238,980
Equity in losses of affiliates						(1,994)
Interest expense						(4,983)
Other income, net						31,464
Income before income taxes						$ 263,467
Identifiable assets	$329,799	$144,622	$152,462	$416,589	$ 71,059	$1,114,531
Investments in affiliates						155,251
Corporate assets						352,722
Total assets						$1,622,504
Depreciation and amortization of property, plant, and equipment	$ 16,768	$ 5,276	$ 6,266	$ 28,052	$ 3,181	$ 59,543
Amortization of goodwill and other intangibles	$ 800	$ 670		$ 12,247	$ 2,499	$ 16,216
Capital expenditures	$ 24,422	$ 6,599	$ 4,472	$ 38,802	$ 4,844	$ 79,139
1992						
Operating revenues	$677,645	$162,154	$347,067	$174,098	$ 89,903	$1,450,867
Income (loss) from operations	$120,794	$ 54,568	$ 23,882	$ 38,967	$ (6,099)	$ 232,112
Equity in losses of affiliates						(11,730)
Interest expense						(6,385)
Other income, net						10,199
Income before income taxes						$ 224,196
Identifiable assets	$315,522	$143,357	$141,008	$397,504	$ 77,365	$1,074,756
Investments in affiliates						162,410
Corporate assets						330,955
Total assets						$1,568,121
Depreciation and amortization of property, plant, and equipment	$ 16,724	$ 6,289	$ 6,252	$ 26,994	$ 2,963	$ 59,222
Amortization of goodwill and other intangibles	$ 745	$ 664		$ 11,574	$ 2,495	$ 15,478
Capital expenditures	$ 13,653	$ 2,844	$ 2,732	$ 36,900	$ 2,760	$ 58,889

N Summary of Quarterly Operating Results (Unaudited)

Quarterly results of operations for the years ended January 1, 1995, and January 2, 1994, are as follows (in thousands, except per share amounts):

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

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

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
1993				
Operating revenues				
Advertising	$214,602	$233,078	$208,972	$256,877
Circulation and subscriber	113,428	112,779	110,091	108,087
Other	33,676	30,848	45,059	30,694
	361,706	376,705	364,122	395,658
Operating costs and expenses				
Operating	195,083	193,597	199,287	202,289
Selling, general and administrative	97,783	99,949	92,224	103,240
Depreciation and amortization of property, plant, and equipment	14,982	15,100	14,773	14,688
Amortization of goodwill and other intangibles	4,067	4,058	4,058	4,033
	311,915	312,704	310,342	324,250
Income from operations	49,791	64,001	53,780	71,408
Other income (expense)				
Equity in earnings (losses) of affiliates	(1,795)	(591)	(11)	403
Interest income	2,606	2,488	2,653	3,338
Interest expense	(1,446)	(985)	(1,029)	(1,523)
Other	(51)	638	20,500	(708)
Income before income taxes and cumulative effect of change in accounting principle	49,105	65,551	75,893	72,918
Provision for income taxes	20,600	27,560	31,050	30,440
Income before cumulative effect of change in accounting principle	28,505	37,991	44,843	42,478
Cumulative effect of change in method of accounting for income taxes	11,600	—	—	—
Net income	$ 40,105	$ 37,991	$ 44,843	$ 42,478
Earnings per share:				
Before cumulative effect of change in accounting principle	$ 2.42	$ 3.23	$ 3.82	$ 3.63
Cumulative effect of change in accounting principle	.98	—	—	—
Net income	$ 3.40	$ 3.23	$ 3.82	$ 3.63
Average number of shares outstanding	11,796	11,755	11,731	11,718

TEN-YEAR SUMMARY OF SELECTED HISTORICAL FINANCIAL DATA

See Notes to Consolidated Financial Statements for the summary of significant accounting policies and additional information relative to the years 1992–1994.

(in thousands, except per share amounts)	1994	1993	1992
Results of Operations			
Operating revenues	$1,613,978	$1,498,191	$1,450,867
Income from operations	$ 274,875	$ 238,980	$ 232,112
Income before cumulative effect of changes in accounting principle	$ 169,672	$ 153,817	$ 127,796
Cumulative effect of change in method of accounting for income taxes	—	11,600	—
Cumulative effect of change in method of accounting for postretirement benefits other than pensions	—	—	—
Net income	$ 169,672	$ 165,417	$ 127,796
Per Share Amounts			
Earnings per share			
Income before cumulative effect of changes in accounting principle	$ 14.65	$ 13.10	$ 10.80
Cumulative effect of change in method of accounting for income taxes	—	0.98	—
Cumulative effect of change in method of accounting for postretirement benefits other than pensions	—	—	—
Net income	$14.65	$14.08	$10.80
Cash dividends	$ 4.20	$ 4.20	$ 4.20
Shareholders' equity	$99.32	$92.84	$84.17
Average Number of Shares Outstanding	11,582	11,750	11,830
Financial Position			
Current assets	$ 375,879	$ 625,574	$ 524,975
Working capital	102,806	367,041	242,627
Property, plant, and equipment	411,396	363,718	390,804
Total assets	1,696,868	1,622,504	1,568,121
Long-term debt	50,297	51,768	51,842
Shareholders' equity	1,126,933	1,087,419	993,005

1991	1990	1989	1988	1987	1986	1985
$1,380,261	$1,438,640	$1,444,094	$1,367,613	$1,315,422	$1,215,064	$1,078,650
$ 192,866	$ 281,768	$ 313,691	$ 233,290	$ 257,073	$ 228,986	$ 204,186
$ 118,721	$ 174,576	$ 197,893	$ 269,117	$ 186,743	$ 100,173	$ 114,261
—	—	—	—	—	—	—
(47,897)	—	—	—	—	—	—
$ 70,824	$ 174,576	$ 197,893	$ 269,117	$ 186,743	$ 100,173	$ 114,261
$ 10.00	$ 14.45	$ 15.50	$ 20.91	$ 14.52	$ 7.80	$ 8.66
—	—	—	—	—	—	—
(4.04)	—	—	—	—	—	—
$ 5.96	$14.45	$15.50	$20.91	$14.52	$ 7.80	$ 8.66
$ 4.20	$ 4.00	$ 1.84	$ 1.56	$ 1.28	$ 1.12	$ 0.96
$78.12	$76.31	$75.40	$67.50	$47.80	$34.04	$27.26
11,876	12,081	12,768	12,873	12,861	12,842	13,194
$ 472,219	$ 471,669	$ 553,188	$ 493,736	$ 226,523	$ 219,422	$ 359,174
183,959	175,807	283,118	235,698	(50,290)	(22,647)	150,397
390,313	394,979	370,597	352,113	371,080	343,702	219,310
1,487,661	1,496,509	1,532,211	1,422,267	1,194,196	1,145,227	885,079
51,915	126,988	152,061	154,751	155,791	336,140	222,392
924,285	905,112	941,522	868,240	614,009	436,590	349,548

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(2) Compensation Committee
(3) Finance Committee
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Editor-in-Chief and President, Newsweek

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Vice President-Technology

THE WASHINGTON POST COMPANY IN BRIEF

Newspaper Division

The Washington Post — a morning daily and Sunday newspaper published in Washington, D.C. For the 12-month period ended September 30, 1994, The Post's audited average circulation was 830,081 daily and 1,152,441 Sunday. The Post maintains 20 foreign, 5 national and 11 metropolitan news bureaus. It is printed at sites in Northwest and Southeast Washington and nearby Springfield, Virginia.

The Washington Post National Weekly Edition — a tabloid publication of selected Post articles on politics and government, edited for a national audience, with a circulation of approximately 110,000.

The Herald — a morning daily and Sunday newspaper published in Everett, Washington, 30 miles north of Seattle. The Herald's unaudited estimated average circulation for the 12-month period ended September 30, 1994, was 51,000 daily and 63,000 Sunday.

The Washington Post Writers Group — a syndicator of 29 writers and cartoonists to newspapers throughout the country.

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

Capitol Fiber Inc. — a handler and seller to recycling industries of old newspapers and other waste paper collected in the Washington/Baltimore area.

The Gazette Newspapers, Inc. — a publisher of one paid circulation and 13 controlled circulation weekly newspapers in Montgomery, Prince George's, Frederick, and Carroll Counties, Maryland. During 1994 The Gazette Newspapers had an aggregate average weekly circulation of more than 238,000.

Post-Newsweek Stations

Post-Newsweek Stations — the owner and operator of six network-affiliated VHF television stations.

WDIV — the NBC affiliate in Detroit, Michigan, the 9th-largest broadcasting market in the United States, with 1,747,940 television households.

KPRC — the NBC affiliate in Houston, Texas, the 11th-largest broadcasting market in the United States, with 1,561,530 television households.

WPLG — the ABC affiliate in Miami, Florida, the 16th-largest broadcasting market in the United States, with 1,308,900 television households.

WFSB — the CBS affiliate in Hartford, Connecticut, the 26th-largest broadcasting market in the United States, with 916,920 television households.

KSAT — the ABC affiliate in San Antonio, Texas, the 39th-largest broadcasting market in the United States, with 627,920 television households.

WJXT — the CBS affiliate in Jacksonville, Florida, the 55th-largest broadcasting market in the United States, with 487,890 television households.

Post-Newsweek Cable

Post-Newsweek Cable — Headquartered in Phoenix, Arizona, Post-Newsweek Cable systems currently serve over 498,000 subscribers in 15 midwestern, western, and southern states. States served and the number of basic subscribers in each as of December 31, 1994, were:

Arizona	33,310	Nebraska	12,100
California	117,753	New Mexico	22,915
Illinois	20,157	North Dakota	22,135
Indiana	12,477	Ohio	14,824
Iowa	23,328	Oklahoma	53,477
Kansas	8,899	Tennessee	9,593
Mississippi	40,663	Texas	79,555
Missouri	27,041	Total	498,227

Newsweek

Newsweek — a weekly news magazine published in New York City, with a 1995 rate base of 3.1 million and a 12-month average circulation for 1994 of 3.2 million. Newsweek maintains 10 U.S. offices and 16 foreign news bureaus and has 9 domestic advertising sales offices. The magazine is printed at 5 U.S. sites.

Newsweek International — a weekly English-language news magazine published in New York City and circulated throughout the world. For 1995 Newsweek International's combined circulation for its three editions is 750,000: Atlantic, 340,000; Pacific, 335,000 (including 110,000 for The Bulletin with Newsweek, Australia's largest news magazine); and Latin America, 75,000. Newsweek International maintains 11 sales offices, one in the U.S. and 10 overseas. The magazine is printed in Australia, England, Hong Kong, Singapore, Switzerland, and the United States.

Newsweek Japan (Newsweek Nihon Ban) — a Japanese-language newsweekly with a circulation of 145,000. It is produced with TBS-Britannica, which translates and publishes the magazine.

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

Other Businesses

Kaplan Educational Centers — Headquartered in New York City. Kaplan is the nation's leading test preparation company. Kaplan has more than 150 permanent centers and 1,500 satellite classrooms in the U.S. and abroad. Each year nearly 150,000 students take Kaplan courses for high school, college, and graduate school admissions exams, as well as professional licensing and language exams. Kaplan also offers test preparation books, videos, and on-line services.

LEGI-SLATE, INC. — Headquartered in Washington, D.C., LEGI-SLATE is the nation's leading on-line information service covering federal legislation and regulations.

Moffet, Larson & Johnson, Inc. (71 percent of common stock) — Headquartered in Falls Church, Virginia, MLJ provides advanced network design support, software design tools, database services, and measurement hardware to the telecommunications industry. MLJ specializes in the design and development of advanced mobile, broadcast, and common carrier radio systems both domestically and internationally.

PASS Sports — Headquartered in Detroit, Michigan, PASS is a regional sports cable system that supplies sports programming to 774,000 subscribers in Michigan and northwest Ohio.

Digital Ink Co. — Headquartered in Washington, D.C.. Digital Ink is a subsidiary formed in 1993 to create and manage electronic information services for The Washington Post Company. As an addition to existing audiotext services, Digital Ink plans to offer a computer on-line service for the Washington market in 1995. Additional news and advertising products are being explored for national and international delivery.

Mammoth Micro Productions (80 percent of equity) — Headquartered in Golden, Colorado, Mammoth provides full-service multimedia development to commercial and in-house publishers in a variety of electronic formats, such as CD-ROMs and on-line services.

American PCS, L.P. (APC) (1.5 percent limited partnership interest) — Headquartered in Bethesda, Maryland. APC will provide personal communications services (PCS) in the Washington-Baltimore region.

Affiliates

International Herald Tribune (50 percent of common stock) — a daily newspaper published in Paris, France. In 1994 the International Herald Tribune had an average daily paid circulation of almost 200,000 in over 180 countries, served from printing sites in Frankfurt, The Hague, Hong Kong, London, Marseilles, New York, Paris, Rome, Singapore, Tokyo, and Zurich.

Los Angeles Times-Washington Post News Service, Inc. (50 percent of common stock) — a supplier of spot news, features, and commentary to more than 500 clients in 51 countries.

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

Bear Island Paper Company (35 percent limited partnership interest) — a newsprint manufacturer in Doswell, Virginia.

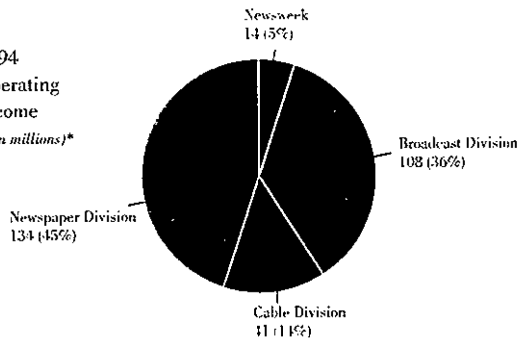
Bear Island Timberlands Company (35 percent limited partnership interest) — an owner/manager of timberland.

Cowles Media Company (28 percent of common stock) — owner of the Minneapolis Star Tribune and other smaller properties.

ACTV, Inc. (25 percent of common stock) — an interactive-television company serving the entertainment and education markets.

The Washington Post Company

1994
Operating
Income
*($ in millions)**



**Excluding losses from Other Businesses*

The Washington Post Company

1994
Operating
Revenues
($ in millions)