FINANCIAL HIGHLIGHTS

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

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

Revenue and Income By Business Line

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

Contents

ANNUAL REPORT...1971

The Washington Post Company

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

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

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

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

The Company also owns 85 per cent of Robinson Terminal Warehouse Corporation in Alexandria, Virginia and 49 per cent of Bowaters Mersey Paper Company Limited, a newsprint company in Liverpool, Nova Scotia. The Company is a partner in a joint venture that publishes the International Herald Tribune in Paris and another joint venture that operates the Los Angeles Times-Washington Post News Service.

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

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

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

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

Katharine Graham

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

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

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

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

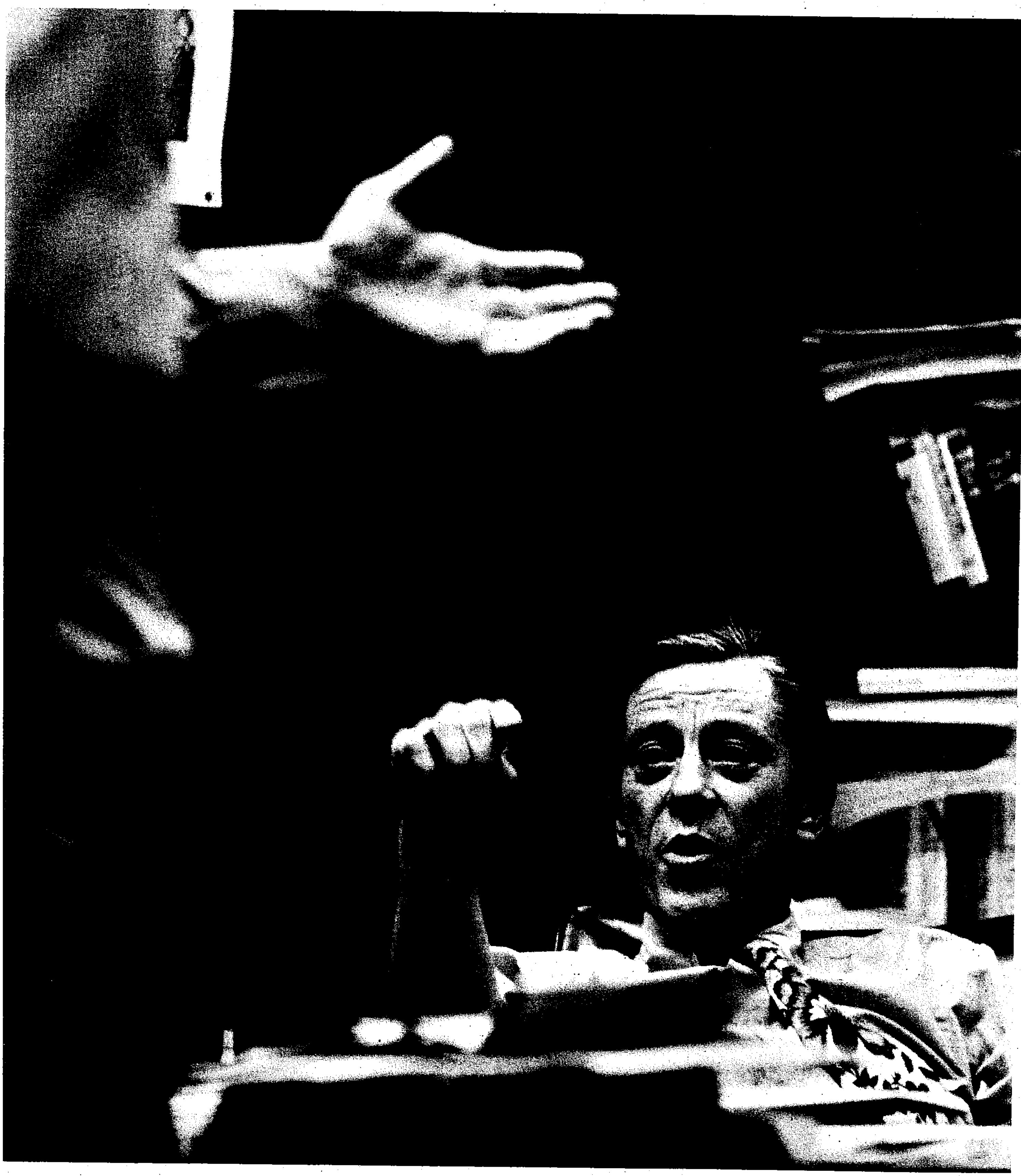
Katharine Graham

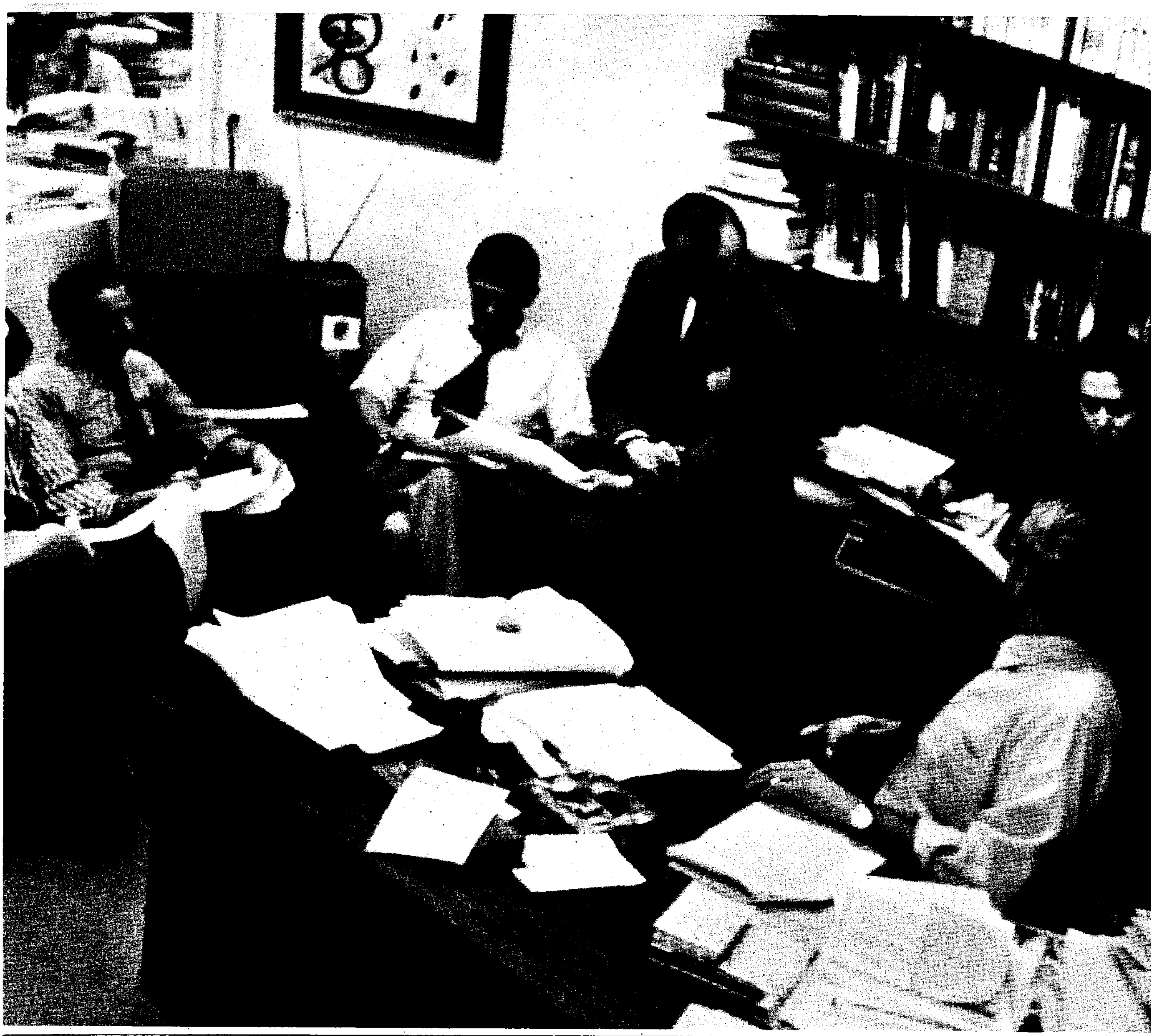
Katharine Graham
President

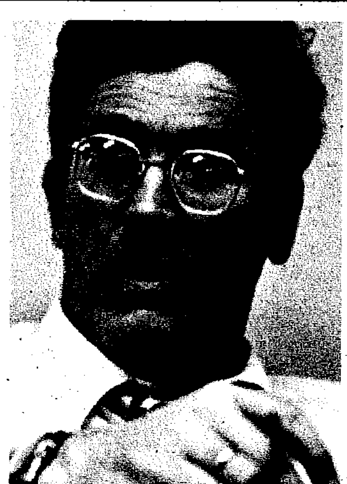
Frederick S. Beebe

Frederick S. Beebe
Chairman of the Board

March 24, 1972

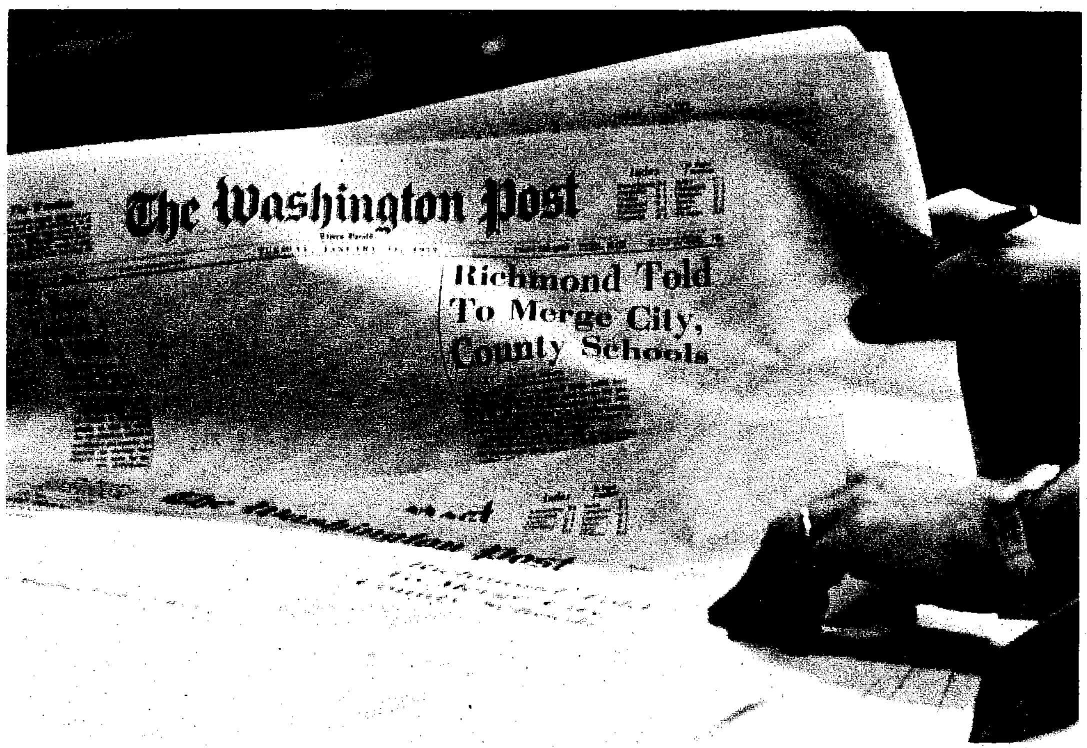






At daily editorial conferences Post stories undergo tough critiques. This engenders the kind of quality control that won the Post staff 29 awards for excellence in 1971, including a Pulitzer Prize.

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



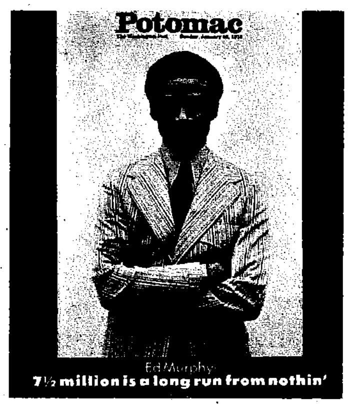
Size and quality of editorial staff are of course major factors in the Post's leadership. The news staff of about 290 editors, correspondents, reporters and photographers includes Post bureaus in 11 news capitals abroad as well as in New York, Atlanta and Los Angeles. In 1971 Jim Hoagland, the Post's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

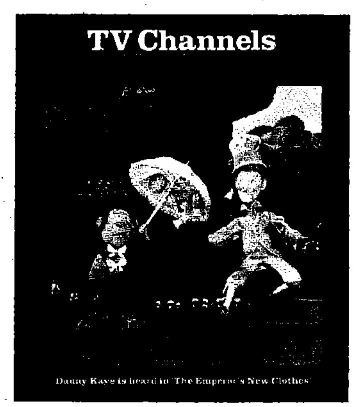
As a result of such quality, The Washington Post (which ranks seventh in circulation among all U.S. morning dailies) leads the second Washington newspaper in circulation by nearly 70 per cent daily and over 100 per cent Sunday. The Post's current circulation of over 510,000 copies daily and 671,000 Sunday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

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

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

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





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

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

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

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

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

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

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

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

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

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

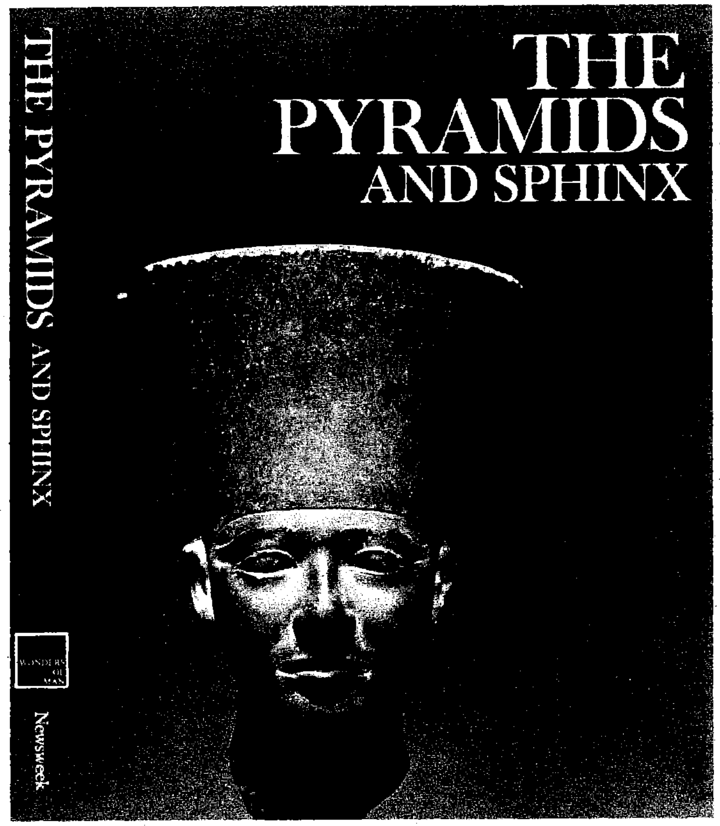
In 1971, as always, Newsweek's covers reflected a fascinating variety of journalistic initiative, whether reporting the emergence of the hot-pants craze, or the first large-scale survey (Newsweek's own) of how newly enfranchised 18-year-olds are likely to vote, or the slaughter and famine in Bengal months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

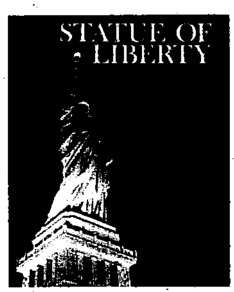
The magazine made further progress in 1971 in shaping its overseas editions to the special needs and interests of their readers, most of whom are foreign nationals. While basically identical to the U.S. magazine, the Atlantic and Pacific editions carry special features as well and frequently different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

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

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

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





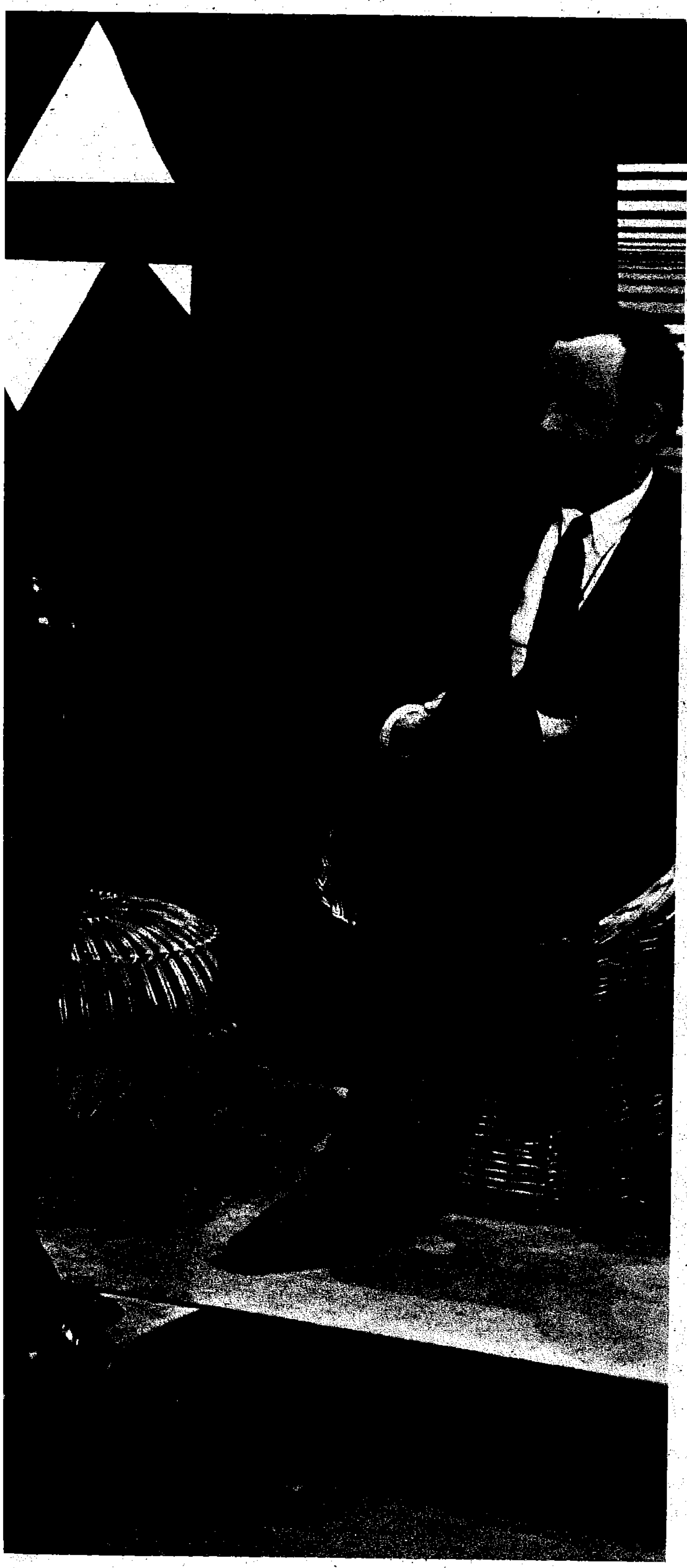
Newsweek's magazine operations, from its editors' deliberations to the computerized facility that assures its subscription fulfillment, take place on an essentially weekly rhythm. But Newsweek also publishes Art News, the leading monthly in its field, and uses its own subscription lists and direct-mail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

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

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

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

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



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

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

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

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

FINANCIAL REVIEW

NET INCOME

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

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

Per-Share Data is based upon the weighted average number of shares of common stock and common stock equivalents outstanding during the periods, 4,429,090 in 1971 and 3,999,960 in 1970. Shares issuable under stock options are considered common stock equivalents where the fair value of the shares was more than the option price during the period. The number of such equivalents is then reduced by the number of shares which could have been purchased with the proceeds from the sale of the optioned shares had the options been exercised.

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

SUMMARY OF ACCOUNTING POLICIES

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

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

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

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

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

Deferred Film and Book Promotion Costs. The broadcasting subsidiaries are parties to agreements which entitle them to show motion pictures and syndicated programs on television. The costs of these rights and the liabilities for future payments under these agreements are not reflected in the consolidated balance sheets. Instead, the costs of these rights are charged to expense as films are shown, using accelerated amortization rates for motion pictures and straight-line amortization rates for syndicated programs. Payments for film rights in excess of accrued amortization are included in "Deferred charges and other assets" in the consolidated balance sheets.

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

Deferred Income. Amounts received from subscribers in retroactively restated to reflect the equity method. The effect of the restatement was to increase retained earnings at December 28, 1969 by $1,352,000 and increase previously reported 1970 net income by $14,000. Net income in 1971 was reduced by $26,000 from that which would have been reported had the equity basis not been adopted.

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

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

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

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

PLANT ASSETS

Plant assets consist of the following:

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

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

INCOME TAXES AND TAX TIMING DIFFERENCES

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

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

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

LONG-TERM DEBT AND RESTRICTIONS ON DIVIDENDS

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

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

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

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

CONSOLIDATED STATEMENTS OF INCOME

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

Pro forma earnings assuming the 1971 changes in accounting methods for magazine subscription procurement and book promotion costs had been applied to 1970

Income before extraordinary items	$ 5,966,000
Per share—primary	$1.48
Per share—fully diluted	$1.42
Net income	$ 5,113,000
Per share—primary	$1.27
Per share—fully diluted	$1.22

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

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

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

OPINION OF INDEPENDENT ACCOUNTANTS

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

We have examined the Consolidated Balance Sheets of The Washington Post Company and subsidiaries as of January 2, 1972 and January 3, 1971, and the related Consolidated Statements of Income, Changes in Capital in Excess of Par Value, Retained Earnings and Treasury Stock and Changes in Financial Position for each of the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

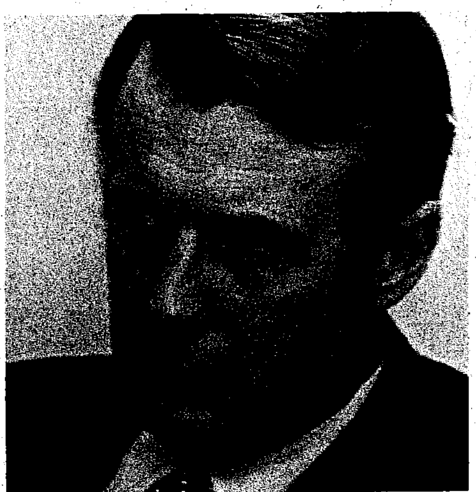
As described in the accompanying Financial Review, in 1971 the Company adopted the equity method of accounting for its investment in Bowaters Mersey Paper Company Limited, began deferring both magazine subscription procurement costs and book promotion costs and, for all plant assets put into service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

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

Price Waterhouse & Co.

February 11, 1972
Washington, D.C.

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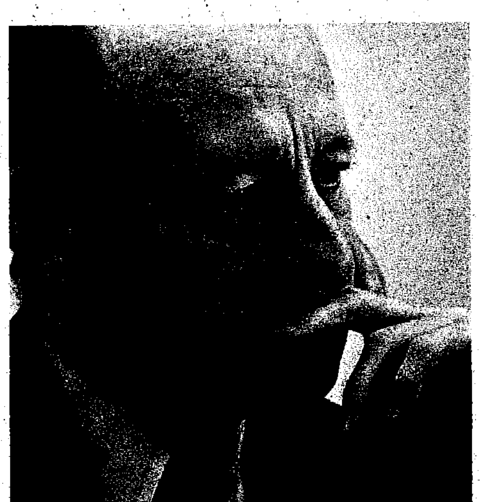
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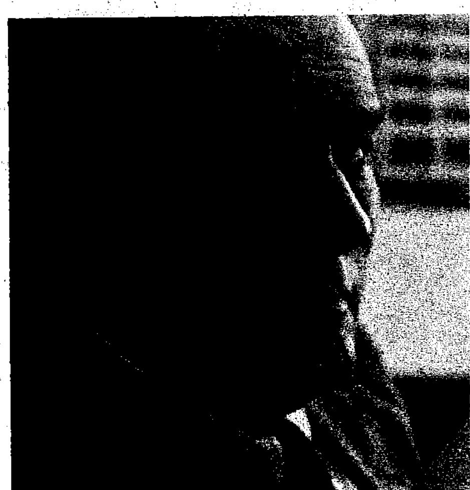
Israel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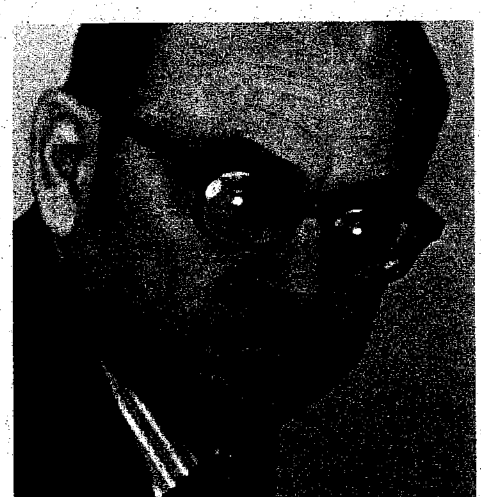
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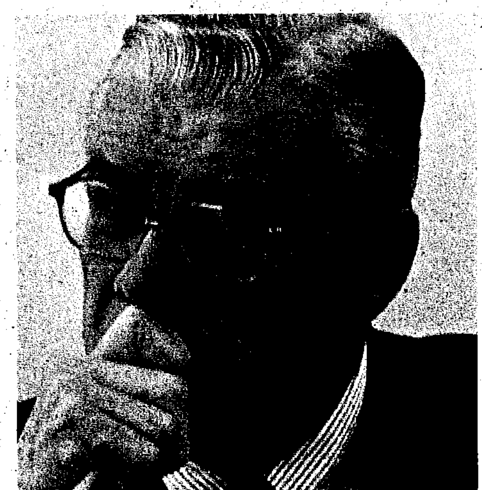
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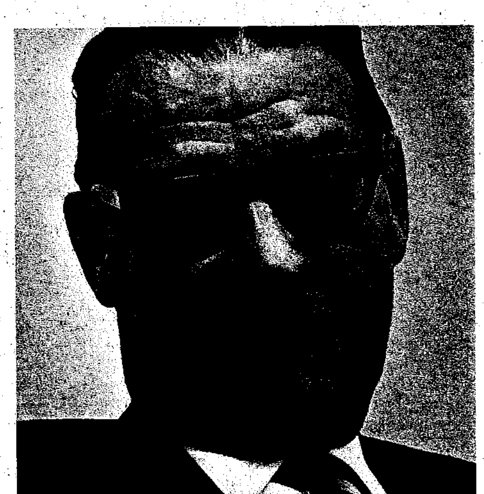
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