

# FINANCIAL HIGHLIGHTS

	Fiscal Year		1970	
	1971			Pro forma (Note)
Operating revenue	<b>\$192,749,000</b>		\$178,031,000	\$178,031,000
Income from operations	<b>15,194,000</b>		13,516,000	13,925,000
Income before extraordinary items and special credit (Note)	<b>6,784,000</b>		5,772,000	5,966,000
Per common and common equivalent share:				
Primary	<b>1.52</b>		1.43	1.48
Fully diluted	<b>1.52</b>		1.37	1.42
Extraordinary items	<b>387,000</b>		(853,000)	(853,000)
Per common and common equivalent share	<b>.09</b>		(.21)	(.21)
Special credit (Note)	<b>4,586,000</b>			
Per common and common equivalent share	<b>1.04</b>			
Net Income	<b>11,757,000</b>		4,919,000	5,113,000
Per common and common equivalent share:				
Primary	<b>2.65</b>		1.22	1.27
Fully diluted	<b>2.64</b>		1.17	1.22
Cash dividends per share	<b>.20</b>		.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		1970	
	(millions)	%	(millions)	%
<b>Operating revenue</b>				
Newspaper publishing	<b>\$ 85.9</b>	<b>44</b>	\$ 79.2	44
Magazine and book publishing	<b>86.0</b>	<b>45</b>	80.0	45
Broadcasting	<b>20.8</b>	<b>11</b>	18.8	11
	<b>\$192.7</b>	<b>100</b>	\$178.0	100
<b>Income from operations</b>			(pro forma)	
Newspaper publishing	<b>\$ 8.7</b>	<b>57</b>	\$ 8.9	64
Magazine and book publishing	<b>2.7</b>	<b>18</b>	2.6	18
Broadcasting	<b>3.8</b>	<b>25</b>	2.4	18
	<b>\$ 15.2</b>	<b>100</b>	\$ 13.9	100

## Contents

Letter to Shareholders	2
Review of Operations	
The Washington Post	4
Newsweek	10
Post-Newsweek Stations	14
Affiliated Operations	18
Financial Review	19
Financial Statements	23
Ten-Year Summary	28
Corporate Directory	30

## 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



**Katharine Graham**

of its more efficient computerized facility for subscription fulfillment.

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.

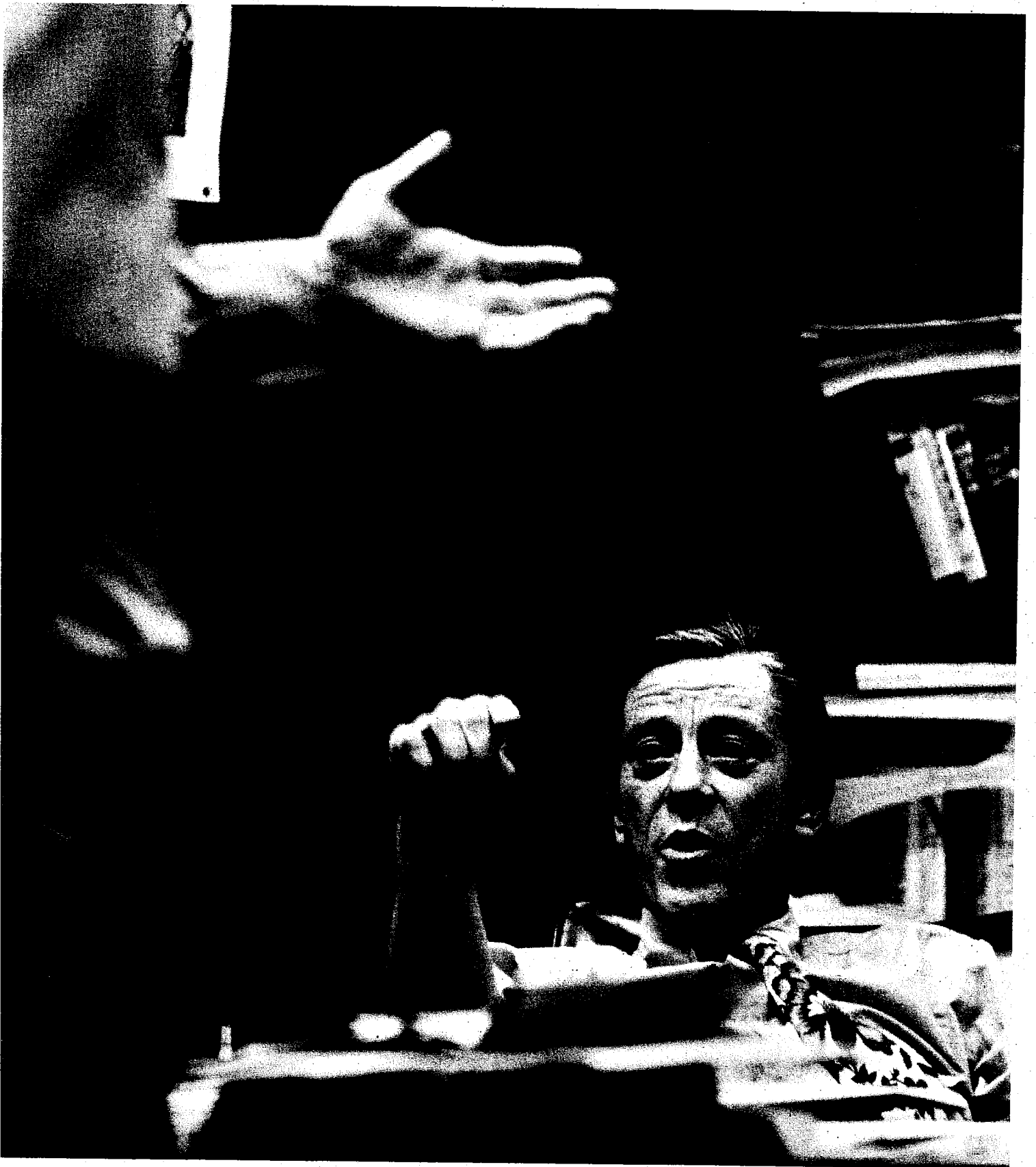
*Katharine Graham*

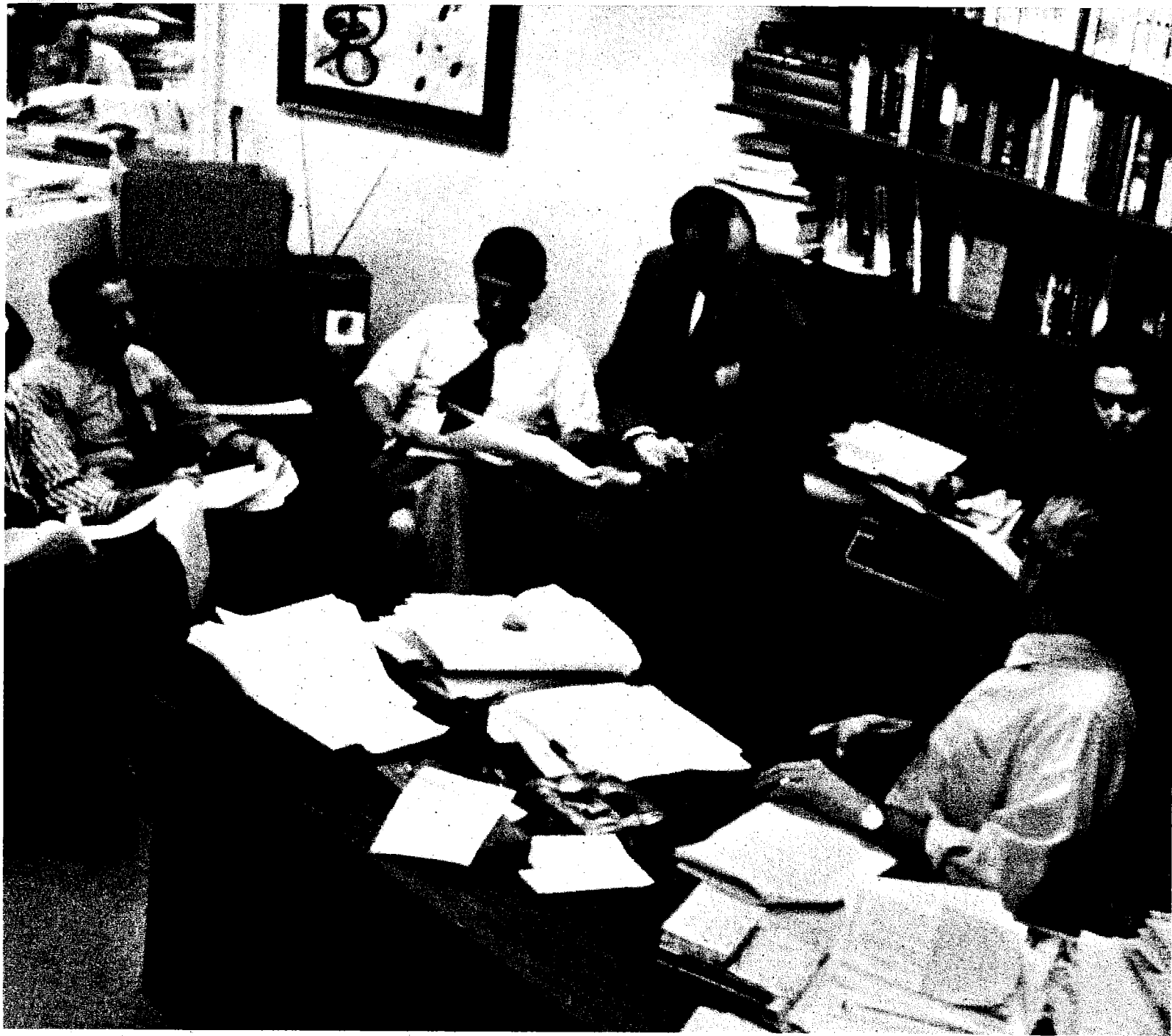
Katharine Graham  
President

*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.

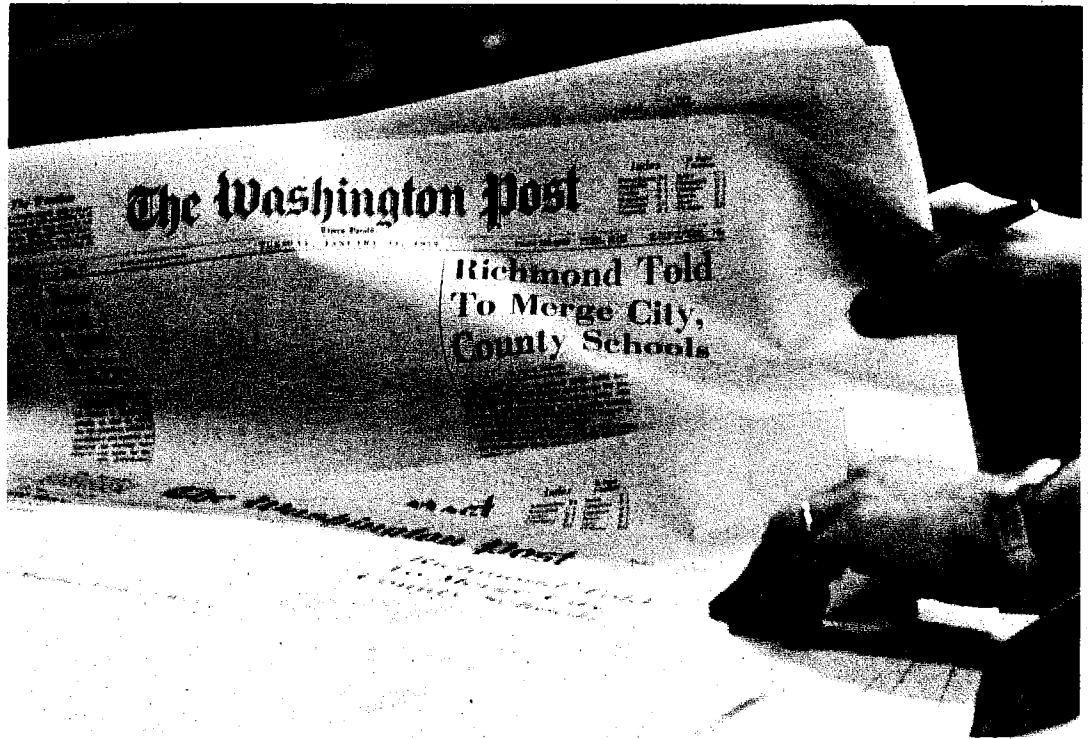
Size and quality of editorial staff are of course major factors in the Post's leadership. The news staff of about 290 editors, correspondents, reporters and photographers includes Post bureaus in 11 news capitals abroad as well as in New York, Atlanta and Los Angeles. In 1971 Jim Hoagland, the Post's 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

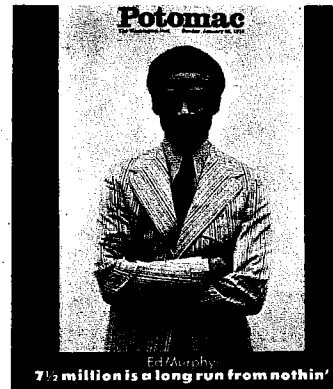
**The nine-story, 258,000 square-foot, \$30 million addition to the Post's plant and office building will be fully utilized by mid-year.**



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 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.

**N**ewsweek'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 news-magazine was a "specialty" magazine long before the name came into vogue; it

**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.**

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

