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

RESULTS OF OPERATIONS—2000 COMPARED TO 1999

Net income for 2000 was $136.5 million, compared with net income of $225.8 million for 1999. Diluted earnings per share totaled $14.32 in 2000, compared with $22.30 in 1999, with fewer average shares outstanding in 2000. The decline in 2000 net income and diluted earnings per share was primarily caused by increased costs associated with the development of new businesses (impact of $28.9 million or $3.47 per diluted share), a one-time charge arising from an early retirement program at The Washington Post newspaper (impact of $16.5 million or $1.74 per diluted share), higher interest expense (impact of $16.6 million or $1.85 per diluted share), and a reduced pension credit (impact of $11.7 million or $0.92 per diluted share). In addition, 1999 net income included gains from the sale of marketable equity securities, which did not recur in 2000 (impact of $18.6 million or $1.81 per share). These factors were offset in part by improved operating results at The Washington Post newspaper and the television broadcasting division.

Revenue for 2000 totaled $2,412.2 million, an increase of 9 percent from $2,215.6 million in 1999. Advertising revenue increased 5 percent in 2000, and circulation and subscriber revenue increased 4 percent. Education revenue increased 47 percent in 2000, and other revenue decreased 6 percent. Increases in advertising revenue at the newspaper and television broadcasting divisions accounted for most of the increase in advertising revenue. The increase in circulation and subscriber revenue is primarily due to a 6 percent increase in subscriber revenue at the cable division. Revenue growth at Kaplan, Inc. (about two-thirds of which was from acquisitions) accounted for the increase in education revenue. The decrease in other revenue is primarily due to the disposition of Legi-Slate in June of 1999.

Operating costs and expenses for the year increased 13 percent to $2,072.3 million, from $1,827.1 million in 1999. The cost and expense increase is primarily attributable to the one-time charge arising from the early retirement program at The Post, companies acquired in 2000 and 1999, greater spending for new business development at Kaplan, Inc. and washingtonpost.com, higher depreciation and amortization expense, and a reduced pension credit.

Operating income decreased 13 percent to $339.9 million in 2000, from $388.5 million in 1999.

The Company's 2000 operating income includes $61.7 million of net pension credits (excluding the one-time charge related to the early retirement program completed at The Washington Post newspaper), compared to $81.7 million in 1999.

Division Results

Newspaper Publishing Division. Newspaper division revenue in 2000 increased 5 percent to $918.2 million, from $875.1 million in 1999. Advertising revenue at the newspaper division rose 5 percent over the previous year; circulation revenue remained essentially unchanged.

Total print advertising revenue grew 4 percent in 2000 at The Washington Post newspaper, principally as a result of higher advertising rates. At The Post, higher advertising rates, offset in part by advertising volume declines, generated a 4 percent and 2 percent increase in full run retail and classified print advertising revenue, respectively. Other print advertising revenue (including general and preprint) at The Post increased 5 percent due mainly to increased general advertising volume and higher rates.

Newspaper division operating margin in 2000 decreased to 12 percent, from 18 percent in 1999. Excluding the $27.5 million, pre-tax, one-time charge for the early retirement program completed at The Washington Post, the 2000 newspaper division operating margin totaled 15 percent. The decline in operating margin resulted mostly from increased spending on marketing and sales initiatives at washingtonpost.com, an 8 percent increase in newsprint expense, and a reduced pension credit, offset in part by higher advertising revenues.

Daily circulation remained unchanged at The Washington Post; Sunday circulation declined 1 percent.

Revenue generated by the Company's online publishing activities, primarily washingtonpost.com, totaled $27.1 million for 2000, versus $15.6 million for 1999.

Television Broadcasting Division. Revenue at the broadcast division increased 7 percent to $364.8 million, from $341.8 million in 1999. Political and Olympics advertising in the third and fourth quarters of 2000 totaled approximately $42 million, accounting for the increase in 2000 revenue.

Competitive market position remained strong for the Company's television stations. WJXT in Jacksonville, KSAT in San Antonio, and WDIV in Detroit were all ranked number one in the latest ratings period, sign-on to sign-off, in their markets; WPLG was tied for first among English-language stations in the Miami market; and KPRC in Houston and WKMG in Orlando ranked third in their respective markets, but continued to make good progress in improving market share.

Operating margin at the broadcast division was 49 percent for both 2000 and 1999. Excluding amortization of goodwill and intangibles, operating margin was 53 percent for 2000 and 1999.

Magazine Publishing Division. Magazine division revenue was $416.4 million for 2000, up 4 percent over 1999 revenue of $401.1 million. Operating income for the magazine division totaled $49.1 million for 2000, a decrease of 21 percent from operating income of $62.1 million in 1999. The 21 percent decrease in operating income occurred primarily at Newsweek, where reduced pension credits and higher subscription acquisition costs at the domestic edition outpaced revenue and operating income improvements at the international edition.

Operating margin at the magazine publishing division decreased to 12 percent for 2000, compared to 15 percent in 1999.

Cable Television Division. Revenue at the cable division rose 7 percent to $358.9 million in 2000, compared to $336.3 million in 1999. Basic, tier, and advertising revenue categories each showed improvement over 1999. The increase in subscriber revenue is attributable to higher rates. The number of basic subscribers at the end of 2000 totaled 735,000, a 1 percent decline from 739,850 basic subscribers at the end of 1999.

Cable operating cash flow (operating income excluding depreciation and amortization expense) increased 2 percent to $143.7 million, from $140.2 million in 1999; operating cash flow margins totaled 40 percent and 42 percent, for 2000 and 1999, respectively.

Operating income at the cable division for 2000 and 1999 totaled $66.0 million and $67.1 million, respectively. The decline in operating income is primarily attributable to an increase in programming expense, additional costs associated with the launch of new services, and higher depreciation expense, offset in part by higher revenue.

The increase in depreciation expense is due to recent capital spending for continuing system rebuilds and upgrades, which will enable the cable division to offer new digital and high-speed cable modem services to its subscribers. The cable division began its rollout plan for these services in the second and third quarters of 2000.

The rollout plan for the new digital cable services includes an offer to provide services free for one year. Accordingly, management does not believe the cable division's financial operating performance will materially benefit from these new services in 2001; however, financial benefits are expected in 2002 and thereafter.

Education Division. Excluding the operating results of the career fair and HireSystems businesses from 1999 (these businesses were contributed to BrassRing at the end of the third quarter of 1999), 2000 education division operating results compared with 1999 are as follows (in thousands):

	2000	1999	% change
Revenue			
Test prep and professional training	$ 244,865	$ 209,964	17%
Quest post-secondary education	56,908	—	n/a
New business development activities	52,048	30,175	72%
	$ 353,821	$ 240,139	47%
Operating income (loss)			
Test prep and professional training	$ 30,399	$ 25,733	18%
Quest post-secondary education	8,359	—	n/a
New business development activities	(56,155)	(20,128)	179%
Kaplan corporate overhead	(8,365)	(7,153)	17%
Stock-based incentive compensation	(6,000)	(7,250)	(17%)
Goodwill and other intangible amortization	(10,084)	(6,861)	47%
	$ (41,846)	$ (15,659)	167%

Approximately 50 percent of the 2000 increase in test preparation and professional training revenue is attributable to acquisitions; the remaining increase is due to higher enrollments and tuition increases. Post-secondary education represents the results of Quest Education Corporation from the date of its acquisition in August 2000. New business development activities represent the results of Score!, eScore.com and The Kaplan Colleges. The increase in new business development revenue is attributable mostly to new learning centers opened by Score!, which operated 142 centers at the end of 2000 versus 100 centers at the end of 1999. The increase in new business development losses is attributable to start-up period spending at eScore.com and kaplancollege.com (part of The Kaplan Colleges) and to losses associated with the early operating periods of new Score! centers. Management presently expects new business development losses in 2001 will be 35 percent to 45 percent less than the losses in 2000 that resulted from these activities.

Corporate overhead represents unallocated expenses of Kaplan, Inc.'s corporate office.

Stock-based incentive compensation represents expense arising from a stock option plan established for certain members of Kaplan's management (the general provisions of which are discussed in Note G to the Consolidated Financial Statements). Under this plan, the amount of stock-based incentive compensation expense varies directly with the estimated fair value of Kaplan's common stock.

Including the operating results of the career fair and HireSystems businesses for the first nine months of 1999 (these businesses were contributed to BrassRing at the end of the third quarter of 1999), education division revenue increased 37 percent to $353.8 million for 2000, compared to $257.5 million for 1999. Operating losses increased 10 percent in 2000 to $41.8 million, from $38.0 million in 1999.

Other Businesses and Corporate Office. For 2000, other businesses and corporate office includes the expenses of the Company's corporate office. For 1999, other businesses and corporate office includes the expenses associated with the corporate office and the operating results of Legi-Slate through June 30, 1999, the date of its sale.

Operating losses for 2000 totaled $25.2 million, representing a 7 percent improvement over 1999. The reduction in 2000 losses is primarily attributable to the absence of losses generated by Legi-Slate and reduced spending at the Company's corporate office.

Equity in Losses of Affiliates. The Company's equity in losses of affiliates for 2000 was $36.5 million, compared to losses of $8.8 million for 1999. The Company's affiliate investments consist of a 42 percent effective interest in BrassRing, Inc. (formed in late September 1999), a 50 percent interest in the International Herald Tribune, and a 49 percent interest in Bowater Mersey Paper Company Limited. The decline in 2000 affiliate results is attributable to BrassRing, Inc., which is in the integration and marketing phase of its operations.

BrassRing accounted for approximately $37.0 million of the Company's 2000 equity in affiliate losses. A substantial portion of BrassRing's losses arises from goodwill and intangible amortization expense. Accordingly, the $37.0 million of equity in affiliate losses recorded by the Company in 2000 did not require significant funding by the Company.

Non-operating Items. In 2000, the Company incurred net interest expense of $53.8 million, compared to $25.7 million of net interest expense in 1999. The 2000 increase in net interest expense is attributable to borrowings executed by the Company during 1999 and 2000 to fund capital improvements, acquisition activities, and share repurchases.

The Company recorded other non-operating expense of $19.8 million in 2000, compared to $21.4 million in non-operating income for 1999. The 1999 non-operating income was comprised mostly of non-recurring gains arising from the sale of marketable securities (mostly various Internet-related securities). The 2000 non-operating expense resulted mostly from the write-downs of certain of the Company's e-commerce focused cost method investments.

Income Taxes. The effective tax rate in 2000 was 40.6 percent, compared to 39.9 percent in 1999. The increase in the effective tax rate is principally due to the non-recognition of benefits from state net operating loss carryforwards generated by certain of the Company's new business start-up activities and an increase in goodwill amortization expense that is not deductible for income tax purposes.

RESULTS OF OPERATIONS—1999 COMPARED TO 1998

Net income in 1999 was $225.8 million, compared with net income of $417.3 million for 1998. Diluted earnings per share totaled $22.30 in 1999, compared to $41.10 in 1998. The Company's 1998 net income includes $194.4 million from the disposition of the Company's 28 percent interest in Cowles Media Company, the sale of 14 small cable systems, and the disposition of the Company's investment in Junglee, a facilitator of Internet commerce. Excluding the effect of these one-time items from 1998 net income, the Company's 1999 net income of $225.8 million increased 1 percent, from net income of $222.9 million in 1998. On the same basis of presentation, diluted earnings per share for 1999 of $22.30 increased 2 percent, compared to $21.90 in 1998, with fewer average shares outstanding.

Revenue for 1999 totaled $2,215.6 million, an increase of 5 percent from $2,110.4 million in 1998. Advertising revenue increased 3 percent in 1999, and circulation and subscriber revenue increased 6 percent. Education revenue increased 40 percent in 1999, and other revenue decreased 31 percent. The newspaper and magazine divisions generated most of the increase in advertising revenue. The increase in circulation and subscriber revenue is primarily due to a 13 percent increase in subscriber revenue at the cable division. Revenue growth at Kaplan, Inc. (about two-thirds of which was from acquisitions) accounted for the increase in education revenue. The decline in other revenue is principally due to the disposition of Moffet, Larson & Johnson (July 1998) and Legi-Slate (June 1999).

Operating costs and expenses for the year increased 6 percent to $1,827.1 million, from $1,731.5 million in 1998. The cost and expense increase is primarily due to companies acquired in 1999 and 1998, greater spending for new business development activities at Kaplan, Inc. and washingtonpost.com, and higher depreciation and amortization expense. These expense increases were offset in part by a 19 percent decline in newsprint expense and an increase in the Company's pension credit.

Operating income increased 3 percent to $388.5 million in 1999, from $378.9 million in 1998.

The Company's 1999 operating income includes $81.7 million of net pension credits, compared to $62.0 million in 1998.

Division Results

Newspaper Publishing Division. At the newspaper division, 1999 included 52 weeks, compared to 53 weeks in 1998. Newspaper division revenue increased 3 percent to $875.1 million, from $848.9 million in 1998. Advertising revenue at the newspaper division rose 5 percent over the previous year. At The Washington Post, advertising revenue increased 3 percent as a result of higher rates and volume. Classified advertising revenue at The Washington Post increased 2 percent primarily due to higher rates. Retail advertising revenue at The Post remained essentially even with the previous year. Other advertising revenue (including general and preprint) at The Post increased 7 percent due mainly to increased general advertising volume and higher rates.

Circulation revenue for the newspaper division declined by 3 percent in 1999 due primarily to the extra week in 1998 versus 1999. At The Washington Post, daily circulation for 1999 remained essentially even with 1998; Sunday circulation declined by 1 percent.

Newspaper division operating margin in 1999 increased to 18 percent, from 16 percent in 1998. The improvement in operating margin resulted mostly from an improvement in the operating results of The Washington Post, offset in part by increased spending for the continued development of washingtonpost.com. The Post's 1999 operating results benefited from the higher advertising revenue discussed above, a 19 percent reduction in newsprint expense and larger pension credits ($28.0 million in 1999 versus $19.0 million in 1998). These operating income improvements were offset in part by higher depreciation expense (arising from the recently completed expansion of The Post's printing facilities) and other general expense increases, including increased promotion and marketing.

Television Broadcasting Division. Revenue at the broadcast division declined 4 percent to $341.8 million in 1999, compared to $357.6 million in 1998. The decline in 1999 revenue is due to softness in national advertising revenue and the absence of Winter Olympics advertising revenue (first quarter of 1998) and political advertising

revenue (third and fourth quarter of 1998), offset in part by growth in local advertising revenue.

Competitive market position remained strong for the Company's television stations. WJXT in Jacksonville and KSAT in San Antonio continued to be ranked number one in the latest ratings period, sign-on to sign-off, in their markets; WPLG in Miami achieved the top ranking among English-language stations in the Miami market; WDIV in Detroit was ranked second in the Detroit market with very little distance between it and the first place ranking; and KPRC in Houston and WKMG in Orlando ranked third in their respective markets but continued to make good progress in improving market share.

Operating margin at the broadcast division was 49 percent in 1999, compared to 48 percent in 1998. Excluding amortization of goodwill and intangibles, operating margin was 53 percent in 1999 and 52 percent in 1998. The improvement in 1999 operating margin is attributable to 1999 expense control initiatives, the benefits of which were offset in part by the decline in national advertising revenue.

Magazine Publishing Division. Magazine division revenue was $401.1 million for 1999, up slightly over 1998 revenue of $399.5 million. Operating income for the magazine division totaled $62.1 million in 1999, an increase of 39 percent over operating income of $44.5 million in 1998. The 39 percent increase in operating income is primarily attributable to the operating results of Newsweek. At Newsweek, operating income improved as a result of an increase in the number of advertising pages at the domestic edition, higher pension credits ($48.3 million in 1999 versus $35.9 million in 1998), and a reduction in other operating expenses. Offsetting these improvements were the effects of a decline in advertising revenue at the Company's trade periodicals unit.

Operating margin of the magazine division increased to 15 percent in 1999, from 11 percent in 1998.

Cable Television Division. Revenue at the cable division increased 13 percent to $336.3 million in 1999, from $298.0 million in 1998. Basic, tier, pay, and advertising revenue categories showed improvement over 1998. Increased subscribers in 1999, primarily from acquisitions, and higher rates accounted for most of the increase in revenue. The number of basic subscribers at the end of 1999 increased to 739,850 from 733,000 at the end of 1998.

Operating margin at the cable division before amortization expense was 29 percent for 1999, compared to 30 percent for 1998. The decline in operating margin is primarily attributable to a 16 percent increase in depreciation expense arising from system rebuilds and upgrades, offset in part by higher revenue. Cable operating cash flow increased 11 percent to $140.2 million, from $126.5 million in 1998. Approximately 70 percent of the 1999 improvement in operating cash flow is due to the results of cable systems acquired in 1999 and 1998.

Education Division. Excluding the operating results of the career fair and HireSystems businesses (these businesses were contributed to BrassRing at the end of the third quarter of 1999), 1999 revenue for the education division totaled $240.1 million, a 40 percent increase from 1998 revenue of $171.4 million. Approximately two-thirds of the 1999 revenue increase is attributable to businesses acquired in 1999 and 1998. The remaining increase in revenue is due to growth in the test preparation and Score! businesses. Operating losses for 1999 totaled $15.7 million, compared to $6.0 million in 1998. The decline in 1999 operating results is primarily attributable to the opening of new Score! centers, start-up costs associated with eScore.com, and the development of various distance learning initiatives, offset in part by operating income improvements in the traditional test preparation business.

Including the results of the career fair businesses and HireSystems, the education and career services division's 1999 revenue totaled $257.5 million, a 32 percent increase over the same period in the prior year. Approximately two-thirds of the increase is due to business acquisitions completed in 1999 and 1998. The remaining increase in 1999 revenue is due to growth in the test preparation and Score! businesses. Division operating losses of $38.0 million represent a $30.5 million increase in operating losses over 1998. The decline in 1999 operating results is primarily attributable to start-up costs associated with opening new Score! centers and the launch of the eScore.com web site, as well as increased spending for HireSystems and the development of various distance learning initiatives, offset in part by operating income improvements in the traditional test preparation business.

Other Businesses and Corporate Office. For 1999, other businesses and corporate office includes the expenses associated with the Company's corporate office and the operating results of Legi-Slate through June 30, 1999, the date of its sale. For 1998, other businesses and corporate office includes the Company's corporate office, the operating results of Legi-Slate, and the results of MLJ through July 1998, the date of its sale.

Revenue for other businesses totaled $3.8 million and $11.5 million in 1999 and 1998, respectively. Operating losses for other businesses and corporate office were $27.1 million for 1999 and $33.4 million for 1998. The decrease in operating losses in 1999 is due to the absence of full-year operating losses of MLJ (sold in July 1998) and Legi-Slate (sold in June 1999).

Equity in Losses of Affiliates. The Company's equity in losses of affiliates in 1999 was $8.8 million, compared to losses of $5.1 million in 1998. The Company's affiliate investments consist primarily of a 54 percent non-controlling interest in BrassRing (formed in late September 1999), a 50 percent interest in the International Herald Tribune, and a 49 percent interest in Bowater Mersey Paper Company Limited. The decline in 1999 affiliate results is primarily attributable

to BrassRing, which is in the development and marketing phase of its operations.

Non-operating Items. In 1999, the Company incurred net interest expense of $25.7 million, compared to $10.4 million of net interest expense in 1998. The 1999 increase in net interest expense is attributable to borrowings executed by the Company to fund capital improvements, acquisition activities, and share repurchases.

The Company recorded other non-operating income of $21.4 million in 1999, compared to $304.7 million in 1998. The Company's 1999 other non-operating income consists principally of gains on the sale of marketable equity securities (mostly various Internet-related securities). The Company's 1998 other non-operating income consisted mostly of the non-recurring gains resulting from the Company's disposition of its 28 percent interest in Cowles Media Company, sale of 14 small cable systems, and disposition of its investment interest in Junglee.

Income Taxes. The effective tax rate in 1999 was 39.9 percent, as compared to 37.5 percent in 1998. The increase in the effective tax rate is principally due to the 1998 disposition of Cowles Media Company being subject to state income tax in jurisdictions with lower tax rates.

FINANCIAL CONDITION: CAPITAL RESOURCES AND LIQUIDITY

Acquisitions. During 2000, the Company spent $212.3 million on business acquisitions. These acquisitions included $177.7 million for Quest Education Corporation, a provider of post-secondary education; $16.2 million for two cable systems serving 8,500 subscribers; and $18.4 million for various other small businesses (principally consisting of educational services companies).

During 1999, the Company acquired various businesses for about $90.5 million, which included, among others, $18.3 million for cable systems serving approximately 10,300 subscribers and $61.8 million for various educational and training companies to expand Kaplan, Inc.'s business offerings.

In 1998, the Company acquired various businesses for about $320.6 million, which principally included $209.0 million for cable systems serving approximately 115,400 subscribers and $100.4 million for educational, training, and career services companies.

Dispositions. There were no significant business dispositions in 2000. The Company sold Legi-Slate in June 1999; no significant gain or loss resulted.

In March 1998, the Company received $330.5 million in cash and 730,525 shares of McClatchy Newspapers, Inc. Class A common stock as a result of a merger of Cowles Media Company and McClatchy. The market value of the McClatchy stock received was $21.6 million. During 1998 and 1999, the Company sold the McClatchy common stock for $24.3 million.

In July 1998, the Company completed the sale of 14 small cable systems in Texas, Missouri, and Kansas serving approximately 29,000 subscribers for $41.9 million. In August 1998, the Company received 202,961 shares of Amazon.com common stock as a result of the merger of Amazon.com and Junglee Corporation. At the time of the merger transaction, the Company owned a minority investment interest in Junglee Corporation, a facilitator of Internet commerce. The market value of the Amazon.com stock received was $25.2 million. During 1999 and 1998, the Company sold the Amazon.com common stock for $31.5 million.

Capital Expenditures. During 2000, the Company's capital expenditures totaled $172.4 million, about half of which related to plant upgrades at the Company's cable division. The Company's capital expenditures for 2000, 1999, and 1998 are itemized by operating division in Note L to the Consolidated Financial Statements.

The Company estimates that in 2001 it will spend approximately $200 million for property and equipment. Approximately 60 percent of this spending is earmarked for the cable division in connection with its rollout of new digital and cable modem services. If the rate of customer acceptance for these new services is slower than anticipated, then the Company will consider slowing its capital expenditures in this area to a level consistent with customer demand.

Investments in Marketable Equity Securities. At December 31, 2000, the fair value of the Company's investments in marketable equity securities was $221.1 million, which includes $210.2 million in Berkshire Hathaway Inc. Class A and B common stock and $10.9 million of various common stocks of publicly traded companies with e-commerce business concentrations.

At December 31, 2000, the gross unrealized gain related to the Company's Berkshire Hathaway Inc. stock investment totaled $25.3 million; the gross unrealized loss on this investment was $19.1 million at January 2, 2000. The Company presently intends to hold the Berkshire Hathaway stock long term.

Cost Method Investments. At December 31, 2000 and January 2, 2000, the Company held minority investments in various non-public companies. The companies represented by these investments have products or services that in most cases have potential strategic relevance to the Company's operating units. The Company records its investment in these companies at the lower of cost or estimated fair value. During 2000 and 1999, the Company invested $42.5 million and $33.5 million, respectively, in various cost method investees. At December 31, 2000 and January 2, 2000, the carrying value of the Company's cost method investments totaled $48.6 million and $30.0 million, respectively.

Common Stock Repurchases and Dividend Rate. During 2000, 1999, and 1998, the Company repurchased 200, 744,095, and 41,033 shares, respectively, of its Class B common stock at a cost of $0.1 million, $425.9 million, and $20.5 million. The annual dividend rate

for 2001 was increased to $5.60 per share, from $5.40 per share in 2000, $5.20 per share in 1999, and $5.00 per share in 1998.

Liquidity. At December 31, 2000, the Company had $20.3 million in cash and cash equivalents.

At December 31, 2000, the Company had $525.4 million in commercial paper borrowings outstanding at an average interest rate of 6.6 percent with various maturities throughout the first and second quarter of 2001. In addition, the Company had outstanding $397.9 million of 5.5 percent, 10 year unsecured notes due February 2009. These notes require semiannual interest payments of $11.0 million payable on February 15 and August 15.

The Company utilizes a five-year $500 million revolving credit facility and a one-year $250 million revolving credit facility to support the issuance of its short-term commercial paper, and to provide for general corporate purposes.

At December 31, 2000, the Company has classified $475.4 million of its commercial paper borrowings as long-term debt in its Consolidated Balance Sheets as the Company has the ability and intent to finance such borrowings on a long-term basis under its credit agreements.

During 2000, the Company's borrowings, net of repayments, increased by $38.0 million. The net increase is principally attributable to the acquisition of Quest Education Corporation in July 2000, partially offset by cash generated by operations.

The Company expects to fund its estimated capital needs primarily through internally generated funds and, to a lesser extent, commercial paper borrowings. In management's opinion, the Company will have ample liquidity to meet its various cash needs in 2001.

Subsequent Events. On January 12, 2001, the Company sold a cable system serving about 15,000 subscribers in Greenwood, Indiana, for $61.9 million. In a related transaction, on March 1, 2001, the Company completed a cable system exchange with AT&T Broadband whereby the Company exchanged its cable systems in Modesto and Santa Rosa, California, and approximately $42.0 million to AT&T Broadband for cable systems serving approximately 155,000 subscribers principally located in Idaho. For income tax purposes, these transactions qualify as like-kind exchanges and are substantially tax free in nature. However, the Company will record a book accounting gain of approximately $195.3 million ($20.50 per share) in its earnings for the first quarter of 2001.

On February 28, 2001, the Company acquired Southern Maryland Newspapers, a division of Chesapeake Publishing Corp. Southern Maryland Newspapers publishes the Maryland Independent in Charles County, Maryland; the Lexington Park Enterprise in St. Mary's County, Maryland; and the Recorder in Calvert County, Maryland. The acquired newspapers have a combined total paid circulation of 50,000.

Forward-looking Statements. This annual report contains certain forward-looking statements that are based largely on the Company's current expectations. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results and achievements to differ materially from those expressed in the forward-looking statements. For more information about these forward-looking statements and related risks, please refer to the section titled "Forward-looking Statements" in Part 1 of the Company's Annual Report on Form 10-K.

Consolidated Statements of Income

(in thousands, except share amounts)	Fiscal year ended December 31, 2000	January 2, 2000	January 3, 1999
Operating Revenues			
Advertising	$ 1,396,583	$ 1,330,560	$ 1,297,621
Circulation and subscriber	601,258	579,693	547,450
Education	352,753	240,075	171,372
Other	61,556	65,243	93,917
	2,412,150	2,215,571	2,110,360
Operating Costs and Expenses			
Operating	1,308,063	1,189,734	1,139,177
Selling, general, and administrative	583,623	474,586	453,149
Depreciation of property, plant, and equipment	117,948	104,235	89,248
Amortization of goodwill and other intangibles	62,634	58,563	49,889
	2,072,268	1,827,118	1,731,463
Income From Operations	339,882	388,453	378,897
Equity in losses of affiliates	(36,466)	(8,814)	(5,140)
Interest income	967	1,097	1,137
Interest expense	(54,731)	(26,786)	(11,538)
Other (expense) income, net	(19,782)	21,435	304,703
Income Before Income Taxes	229,870	375,385	668,059
Provision for Income Taxes	93,400	149,600	250,800
Net Income	136,470	225,785	417,259
Redeemable Preferred Stock Dividends	(1,026)	(950)	(956)
Net Income Available for Common Shares	$ 135,444	$ 224,835	$ 416,303
Basic Earnings per Common Share	$ 14.34	$ 22.35	$ 41.27
Diluted Earnings per Common Share	$ 14.32	$ 22.30	$ 41.10

Consolidated Statements of Comprehensive Income

(in thousands)	Fiscal year ended December 31, 2000	January 2, 2000	January 3, 1999
Net Income	$ 136,470	$ 225,785	$ 417,259
Other Comprehensive Income (Loss)			
Foreign currency translation adjustments	(1,685)	(3,289)	(1,136)
Change in net unrealized gain on available-for-sale securities	13,527	(48,176)	68,768
Less reclassification adjustment for realized gains included in net income	(197)	(11,995)	—
	11,645	(63,460)	67,632
Income tax (expense) benefit related to other comprehensive income (loss)	(5,097)	23,460	(26,819)
	6,548	(40,000)	40,813
Comprehensive Income	$ 143,018	$ 185,785	$ 458,072

The information on pages 38 through 50 is an integral part of the financial statements.

Consolidated Balance Sheets

(in thousands)	December 31, 2000	January 2, 2000
Assets		
Current Assets		
Cash and cash equivalents	$ 20,345	$ 75,479
Investments in marketable equity securities	10,948	37,228
Accounts receivable, net	306,016	270,264
Federal and state income taxes	12,370	48,597
Inventories	15,178	13,890
Other current assets	40,210	30,701
	405,067	476,159
Property, Plant, and Equipment		
Buildings	263,311	249,957
Machinery, equipment, and fixtures	1,217,282	1,081,787
Leasehold improvements	70,706	53,048
	1,551,299	1,384,792
Less accumulated depreciation	(736,781)	(626,899)
	814,518	757,893
Land	38,000	37,301
Construction in progress	74,543	59,712
	927,061	854,906
Investments in Marketable Equity Securities	210,189	165,784
Investments in Affiliates	131,629	140,669
Goodwill and Other Intangibles, less accumulated amortization of $404,513 and $341,879	1,007,720	886,060
Prepaid Pension Cost	374,084	337,818
Deferred Charges and Other Assets	144,993	125,548
	$ 3,200,743	$ 2,986,944

The information on pages 38 through 50 is an integral part of the financial statements.

(in thousands, except share amounts)	December 31, 2000	January 2, 2000
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 273,076	$ 254,105
Deferred subscription revenue	85,721	80,766
Short-term borrowings	50,000	487,677
	408,797	822,548
Postretirement Benefits Other Than Pensions	128,764	124,291
Other Liabilities	178,029	148,819
Deferred Income Taxes	117,731	114,003
Long-Term Debt	873,267	397,620
	1,706,588	1,607,281
Commitments and Contingencies		
Redeemable Preferred Stock, Series A, $1 par value, with a redemption and liquidation value of $1,000 per share; 23,000 shares authorized; 13,148 and 11,873 shares issued and outstanding	13,148	11,873
Preferred Stock, $1 par value; 977,000 shares authorized; none issued	—	—
Common Shareholders' Equity		
Common stock		
Class A common stock, $1 par value; 7,000,000 shares authorized; 1,739,250 shares issued and outstanding	1,739	1,739
Class B common stock, $1 par value; 40,000,000 shares authorized; 18,260,750 shares issued; 7,721,225 and 7,700,146 shares outstanding	18,261	18,261
Capital in excess of par value	128,159	108,867
Retained earnings	2,854,122	2,769,676
Accumulated other comprehensive income (loss), net of taxes		
Cumulative foreign currency translation adjustment	(6,574)	(4,889)
Unrealized gain on available-for-sale securities	13,502	5,269
Cost of 10,539,525 and 10,560,604 shares of Class B common stock held in treasury	(1,528,202)	(1,531,133)
	1,481,007	1,367,790
	$ 3,200,743	$ 2,986,944

The information on pages 38 through 50 is an integral part of the financial statements.

Consolidated Statements of Cash Flows

(in thousands)	Fiscal year ended December 31, 2000	January 2, 2000	January 3, 1999
Cash Flows From Operating Activities:			
Net income	$ 136,470	$ 225,785	$ 417,259
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property, plant, and equipment	117,948	104,235	89,248
Amortization of goodwill and other intangibles	62,634	58,563	49,889
Net pension benefit	(61,719)	(81,683)	(61,997)
Early retirement program expense	25,456	—	—
Gain from disposition of businesses, marketable equity securities, and cost method investment, net	(11,588)	(38,799)	(314,400)
Cost method investment write-downs	23,097	13,555	—
Equity in losses of affiliates, net of distributions	37,406	9,744	9,145
Provision for deferred income taxes	(7,743)	29,988	26,987
Change in assets and liabilities:			
(Increase) decrease in accounts receivable, net	(44,413)	(28,194)	22,041
(Increase) decrease in inventories	(1,265)	6,264	(941)
Increase (decrease) in accounts payable and accrued liabilities	22,192	(7,749)	13,949
Decrease (increase) in income taxes receivable	36,227	(2,909)	(50,735)
Increase in other assets and other liabilities, net	23,141	3,314	12,241
Other	10,701	(1,521)	10,427
Net cash provided by operating activities	368,544	290,593	223,113
Cash Flows From Investing Activities:			
Investments in certain businesses	(212,274)	(90,455)	(320,597)
Net proceeds from sale of businesses	1,650	2,000	376,442
Purchases of property, plant, and equipment	(172,383)	(130,045)	(244,219)
Purchases of marketable equity securities	—	(23,332)	(164,955)
Purchases of cost method investments	(42,459)	(33,549)	—
Proceeds from sale of marketable equity securities	6,332	54,805	38,246
Other	(4,394)	12,605	(5,960)
Net cash used in investing activities	(423,528)	(207,971)	(321,043)
Cash Flows From Financing Activities:			
Issuance of commercial paper, net	35,071	34,087	156,968
Issuance of notes	—	397,620	—
Dividends paid	(52,024)	(53,326)	(51,383)
Common shares repurchased	(96)	(425,865)	(20,512)
Proceeds from exercise of stock options	7,056	25,151	7,004
Other	9,843	—	(74)
Net cash (used in) provided by financing activities	(150)	(22,333)	92,003
Net (Decrease) Increase in Cash and Cash Equivalents	(55,134)	60,289	(5,927)
Cash and Cash Equivalents at Beginning of Year	75,479	15,190	21,117
Cash and Cash Equivalents at End of Year	$ 20,345	$ 75,479	$ 15,190
Supplemental Cash Flow Information:			
Cash paid during the year for:			
Income taxes	$ 95,000	$ 125,000	$ 280,000
Interest, net of amounts capitalized	$ 52,700	$ 16,000	$ 8,700

The information on pages 38 through 50 is an integral part of the financial statements.

Consolidated Statements of Changes in Common Shareholders' Equity

	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 28, 1997	$ 1,739	$ 18,261	$ 33,415	$ 2,231,341	$ (464)	$ 31	$ (1,100,249)
Net income for the year				417,259			
Dividends paid on common stock–$5.00 per share				(50,427)			
Dividends paid on redeemable preferred stock				(956)			
Repurchase of 41,033 shares of Class B common stock							(20,512)
Issuance of 45,065 shares of Class B common stock, net of restricted stock award forfeitures			9,772				5,068
Change in foreign currency translation adjustment (net of taxes)					(1,136)		
Change in unrealized gain on available-for-sale securities (net of taxes)						41,949	
Tax benefits arising from employee stock plans			3,012				
Balance, January 3, 1999	1,739	18,261	46,199	2,597,217	(1,600)	41,980	(1,115,693)
Net income for the year				225,785			
Dividends paid on common stock–$5.20 per share				(52,376)			
Dividends paid on redeemable preferred stock				(950)			
Repurchase of 744,095 shares of Class B common stock							(425,865)
Issuance of 90,247 shares of Class B common stock, net of restricted stock award forfeitures			16,023				10,425
Change in foreign currency translation adjustment (net of taxes)					(3,289)		
Change in unrealized gain on available-for-sale securities (net of taxes)						(36,711)	
Issuance of subsidiary stock (net of taxes)			34,571				
Tax benefits arising from employee stock plans			12,074				
Balance, January 2, 2000	1,739	18,261	108,867	2,769,676	(4,889)	5,269	(1,531,133)
Net income for the year				136,470			
Dividends paid on common stock–$5.40 per share				(50,998)			
Dividends paid on redeemable preferred stock				(1,026)			
Repurchase of 200 shares of Class B common stock							(96)
Issuance of 21,279 shares of Class B common stock, net of restricted stock award forfeitures			4,433				3,027
Change in foreign currency translation adjustment (net of taxes)					(1,685)		
Change in unrealized gain on available-for-sale securities (net of taxes)						8,233	
Issuance of affiliate stock (net of taxes)			13,332				
Tax benefits arising from employee stock plans			1,527				
Balance, December 31, 2000	$ 1,739	$ 18,261	$ 128,159	$ 2,854,122	$ (6,574)	$ 13,502	$ (1,528,202)

The information on pages 38 through 50 is an integral part of the financial statements.

| A | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Washington Post Company (the "Company") is a diversified media organization whose principal operations consist of newspaper publishing (primarily The Washington Post newspaper), television broadcasting (through the ownership and operation of six network-affiliated television stations), the ownership and operation of cable television systems, and magazine publishing (primarily Newsweek magazine). Through its subsidiary Kaplan, Inc., the Company provides educational services for individuals, schools and businesses. The Company also owns and operates a number of media Web sites for the primary purpose of developing the Company's newspaper and magazine publishing businesses on the World Wide Web.

Fiscal Year. The Company reports on a 52-53 week fiscal year ending on the Sunday nearest December 31. The fiscal years 2000 and 1999, which ended on December 31, 2000 and January 2, 2000, respectively, both included 52 weeks, while 1998, which ended on January 3, 1999, 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.

Presentation. Certain amounts in previously issued financial statements have been reclassified to conform to the 2000 presentation.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

Cash Equivalents. Short-term investments with original maturities of 90 days or less are considered cash equivalents.

Investments in Marketable Equity Securities. The Company's investments in marketable equity securities are classified as available-for-sale and therefore are recorded at fair value in the Consolidated Balance Sheets, with the change in fair value during the period excluded from earnings and recorded net of tax as a separate component of comprehensive income.

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.

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 20 years for machinery and equipment, and 20 to 50 years for buildings. The costs of leasehold improvements are amortized over the lesser of the useful lives or the terms of the respective leases.

Investments in Affiliates. The Company uses the equity method of accounting for its investments in and earnings or losses of affiliates for which it does not control but does exert significant influence.

Cost Method Investments. The Company uses the cost method of accounting for its minority investments in non-public companies where it does not have significant influence over the operations and management of the investee. Investments are recorded at the lower of cost or fair value as estimated by management.

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 are being amortized by use of the straight-line method over periods ranging from 15 to 40 years (with the majority being amortized over 15 to 25 years).

Long-lived Assets. The recoverability of long-lived assets, including goodwill and other intangibles, is assessed whenever adverse events and changes in circumstances indicate that previously anticipated undiscounted cash flows warrant assessment.

Program Rights. The broadcast subsidiaries are parties to agreements that entitle them to show syndicated and other programs on television. The cost of such program rights is recorded when the programs are available for broadcasting, and such costs are charged to operations as the programming is aired.

Revenue Recognition. Revenue from media advertising is recognized, net of agency commissions, when the underlying advertisement is published or broadcast. Revenues from newspaper and magazine subscriptions are recognized upon delivery. Revenues from newspaper and magazine retail sales are recognized upon delivery with adequate provision made for anticipated sales returns. Cable subscriber revenue is recognized monthly as earned. Education revenue is recognized ratably over the period during which educational services are delivered.

The Company bases its estimates for sales returns on historical experience and has not experienced significant fluctuations between estimated and actual return activity. Amounts received from customers in advance of revenue recognition are deferred as liabilities. Deferred revenue to be earned after one year is included in "Other Liabilities" in the Consolidated Balance Sheets.

Postretirement Benefits Other Than Pensions. The Company provides certain healthcare and life insurance benefits for retired employees.

The expected cost of providing these postretirement benefits is accrued over the years that employees render services.

Income Taxes. The provision for income taxes is determined using the asset and liability approach. Under this approach, deferred income taxes represent the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities.

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 as a separate component of equity and comprehensive income.

Stock-based Compensation. The Company accounts for stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Pro forma disclosures of net income and earnings per share as if the fair-value based method prescribed by Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" had been applied in measuring compensation expense are provided in Note G.

Sale of Subsidiary/Affiliate Securities. The Company's policy is to record investment basis gains arising from the sale of equity interests in subsidiaries and affiliates that are in the early stages of building their operations as additional paid-in capital, net of taxes.

New Accounting Pronouncements. In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements ('SAB 101')." This bulletin summarized certain of the SEC's views regarding the application of generally accepted accounting principles to revenue recognition in financial statements. SAB 101 did not have a material impact on the Company's financial statements.

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," effective for fiscal year 2001. This statement establishes accounting and reporting standards for derivative instruments and hedging activities and requires companies to recognize derivative instruments as either an asset or liability on the balance sheet at fair value. This statement did not have a material impact on the Company's financial statements as the Company does not engage in significant derivative or hedging activities.

| B | ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable at December 31, 2000 and January 2, 2000 consist of the following (in thousands):

	2000	1999
Trade accounts receivable, less estimated returns, doubtful accounts and allowances of $65,198 and $60,621	$ 277,788	$ 248,279
Other accounts receivable	28,228	21,985
	$ 306,016	$ 270,264

Accounts payable and accrued liabilities at December 31, 2000 and January 2, 2000 consist of the following (in thousands):

	2000	1999
Accounts payable and accrued expenses	$ 163,197	$ 158,197
Accrued payroll and related benefits	66,169	58,420
Deferred tuition revenue	36,414	28,060
Due to affiliates (newsprint)	7,296	9,428
	$ 273,076	$ 254,105

| C | INVESTMENTS

Investments in Marketable Equity Securities. Investments in marketable equity securities at December 31, 2000 and January 2, 2000 consist of the following (in thousands):

	2000	1999
Total cost	$ 199,159	$ 194,364
Net unrealized gains	21,978	8,648
Total fair value	$ 221,137	$ 203,012

At December 31, 2000, the Company's ownership of 2,634 shares of Berkshire Hathaway Inc. ("Berkshire") Class A common stock and 9,845 shares of Berkshire Class B common stock accounted for $210,189,000 or 95 percent of the total fair value of the Company's investments in marketable equity securities. The remaining investments in marketable equity securities at December 31, 2000 consist of common stock investments in various publicly traded companies, most of which have concentrations in Internet business activities. In most cases, the Company obtained ownership of these common stocks as a result of merger or acquisition transactions in which these companies merged or acquired various small Internet-related companies in which the Company held minor investments.

Berkshire is a holding company owning subsidiaries engaged in a number of diverse business activities; the most significant of which consist of property and casualty insurance business conducted on both a direct and reinsurance basis. Berkshire also owns approximately 18 percent of the common stock of the Company. The chairman, chief executive officer, and largest shareholder of Berkshire,

Mr. Warren Buffett, is a member of the Company's Board of Directors. Neither Berkshire nor Mr. Buffett participated in the Company's evaluation, approval, or execution of its decision to invest in Berkshire common stock. The Company's investment in Berkshire common stock is less than 1 percent of the consolidated equity of Berkshire. At December 31, 2000, the unrealized gain related to the Company's Berkshire stock investment totaled $25,271,000; the unrealized loss on this investment was $19,134,000 at January 2, 2000. The Company presently intends to hold the Berkshire common stock investment long term; thus the investment has been classified as a non-current asset in the Consolidated Balance Sheets.

During 2000, 1999, and 1998 proceeds from sales of marketable equity securities were $6,332,000, $54,805,000, and $38,246,000, respectively, and gross realized gains on such sales were $4,929,000, $38,799,000, and $2,168,000, respectively. Gross realized gains or losses upon the sale of marketable equity securities are included in "Other (expense) income, net" in the Consolidated Statements of Income. For purposes of computing realized gains and losses, the cost basis of securities sold is determined by specific identification.

Investments in Affiliates. The Company's investments in affiliates at December 31, 2000 and January 2, 2000 include the following (in thousands):

	2000	1999
BrassRing, Inc.	$ 73,310	$ 75,842
Bowater Mersey Paper Company	40,227	39,885
International Herald Tribune	17,561	19,890
Other	531	5,052
	$ 131,629	$ 140,669

The Company's investments in affiliates consist of a 42 percent interest in BrassRing, Inc., which provides recruiting, career development and hiring management services for employers and job candidates; 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 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):

	2000	1999	1998
Financial Position:			
Working capital	$ 29,427	$ 69,155	$ 34,628
Property, plant, and equipment	143,749	133,425	125,025
Total assets	432,458	365,694	252,231
Long-term debt	—	—	—
Net equity	291,481	236,597	122,267
Results of Operations:			
Operating revenues	$ 345,913	$ 267,788	$ 279,779
Operating (loss) income	(27,505)	(37,889)	10,978
Net loss	(77,739)	(40,035)	(63)

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

	2000	1999
Beginning investment	$ 140,669	$ 68,530
Issuance of stock by BrassRing, Inc.	21,973	83,493
Additional investment	12,480	8,734
Equity in losses	(36,466)	(8,814)
Dividends and distributions received	(940)	(930)
Foreign currency translation	(1,685)	(3,289)
Other	(4,402)	(7,055)
Ending investment	$ 131,629	$ 140,669

On September 29, 1999, the Company merged its career fair and HireSystems businesses together and renamed the combined operations BrassRing, Inc. On the same date, BrassRing issued stock representing a 46 percent equity interest to two parties under two separate transactions for cash and businesses with an aggregate fair value of $87,000,000. As a result of this transaction, the Company's ownership of BrassRing was reduced to 54 percent and the minority investors were granted certain participatory rights. As such, the Company de-consolidated BrassRing on September 29, 1999 and recorded its investment under the equity method of accounting. The 1999 increase in the basis of the Company's investment in BrassRing resulting from this transaction of $34,571,000, net of taxes, has been recorded as contributed capital.

During 2000, BrassRing issued stock to various parties in connection with its acquisitions of various career fair and recruiting services companies. The effect of these transactions reduced the Company's investment interest in BrassRing to 42 percent, from 54 percent at January 2, 2000, and increased the Company's investment basis in BrassRing by $13,332,000, net of taxes. The increase in investment basis has been recorded as contributed capital.

Cost Method Investments. The Company's cost method investments consist of minority investments in non-public companies where the Company does not have significant influence over the investees' operating and management decisions. Most of the companies represented by these cost method investments have concentrations in Internet-related business activities. At December 31, 2000 and January 2, 2000, the carrying value of the Company's cost method investments was $48,617,000 and $30,009,000, respectively. Cost method investments are included in Deferred Charges and Other Assets in the Consolidated Balance Sheets.

During 2000 and 1999, the Company invested $42,459,000 and $33,549,000, respectively, in companies constituting cost method investments and recorded charges of $23,097,000 and $13,555,000, respectively, to write-down cost method investments to estimated fair value. The company made no significant investments in cost method investments during 1998. Charges recorded to write-down cost method investments are included in "Other (expense) income, net" in the Consolidated Statements of Income.

During 2000, proceeds from sales of cost method investments were $7,070,000, and gross realized gains on such sales were $6,570,000. There were no sales of cost method investments in 1999 or 1998. Gross realized gains or losses upon the sale of cost method investments are included in "Other (expense) income, net" in the Consolidated Statements of Income.

| D | INCOME TAXES

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

	Current	Deferred
2000		
U.S. Federal	$ 77,517	$ 4,854
Foreign	1,033	75
State and local	22,593	(12,672)
	$ 101,143	$ (7,743)
1999		
U.S. Federal	$ 94,609	$ 30,346
Foreign	1,306	(22)
State and local	23,697	(336)
	$ 119,612	$ 29,988
1998		
U.S. Federal	$ 200,898	$ 20,446
Foreign	1,233	255
State and local	21,682	6,286
	$ 223,813	$ 26,987

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

	2000	1999	1998
U.S. Federal statutory taxes	$ 80,455	$ 131,385	$ 233,821
State and local taxes, net of U.S. Federal income tax benefit	6,449	15,185	18,179
Amortization of goodwill not deductible for income tax purposes	5,011	4,178	5,644
IRS approved accounting change	—	—	(3,550)
Other, net	1,485	(1,148)	(3,294)
Provision for income taxes	$ 93,400	$ 149,600	$ 250,800

Deferred income taxes at December 31, 2000 and January 2, 2000 consist of the following (in thousands):

	2000	1999
Accrued postretirement benefits	$ 55,280	$ 53,819
Other benefit obligations	60,676	54,101
Accounts receivable	17,296	14,016
State income tax loss carryforwards	12,013	4,767
Other	20,693	12,081
Deferred tax asset	165,958	138,784
Property, plant, and equipment	90,391	77,907
Prepaid pension cost	152,609	140,640
Affiliate operations	18,365	21,741
Unrealized gain on available-for-sale securities	8,476	3,379
Amortized goodwill	12,050	8,513
Other	1,798	607
Deferred tax liability	283,689	252,787
Deferred income taxes	$ 117,731	$ 114,003

| E | DEBT

At December 31, 2000, the Company had $923,267,000 in total debt outstanding, which was comprised of $525,386,000 of commercial paper borrowings and $397,881,000 of 5.5 percent unsecured notes due February 15, 2009. At December 31, 2000, the Company has classified $475,386,000 of its commercial paper borrowings as Long-Term Debt in its Consolidated Balance Sheets as the Company has the ability and intent to finance such borrowings on a long-term basis under its credit agreements.

Interest on the 5.5 percent unsecured notes is payable semi-annually on February 15 and August 15.

At December 31, 2000 and January 2, 2000, the average interest rate on the Company's outstanding commercial paper borrowings was 6.6 percent and 6.4 percent, respectively. The Company's commercial paper borrowings are supported by a five-year $500,000,000 revolving credit facility and a one-year $250,000,000 revolving credit facility.

Under the terms of the $500,000,000 revolving credit facility, interest on borrowings is at floating rates, and the Company is required to pay an annual facility fee of 0.055 percent and 0.15 percent on the unused and used portions of the facility, respectively. Under the terms of the $250,000,000 revolving credit facility, interest on borrowings is at floating rates, and the company is required to pay a variable facility fee, ranging from 0.03 percent to 0.05 percent per annum, on the used and unused portion of the facility. Both revolving credit facilities contain certain covenants, including a financial covenant that the Company maintain at least $850,000,000 of consolidated shareholder's equity.

The Company incurred interest costs on its borrowing of $52,700,000 and $25,700,000 during 2000 and 1999, respectively, of which $1,800,000 was capitalized in 1999 in connection with the construction and upgrade of qualifying assets. No interest expense was capitalized in 2000.

At December 31, 2000 and January 2, 2000, the fair value of the Company's 5.5 percent unsecured notes, based on quoted market prices, totaled $376,200,000 and $353,920,000, respectively, compared with the carrying amount of $397,881,000 and $397,620,000, respectively.

The carrying value of the Company's commercial paper borrowings at December 31, 2000 and January 2, 2000 approximates fair value.

| F | REDEEMABLE PREFERRED STOCK

In connection with the acquisition of a cable television system in 1996, the Company issued 11,947 shares of its Series A Preferred Stock. On February 23, 2000, the Company issued an additional 1,275 shares related to this transaction. During 1998, the Company redeemed 74 shares of the Series A Preferred Stock at the request of a Series A Preferred Stockholder.

The Series A Preferred Stock has a par value of $1.00 per share and a liquidation preference of $1,000 per share; it is redeemable by the Company at any time on or after October 1, 2015 at a redemption price of $1,000 per share. In addition, the holders of such stock have a right to require the Company to purchase their shares at the redemption price during an annual 60-day election period, with the first such period beginning on February 23, 2001. Dividends on the Series A Preferred Stock are payable four times a year at the annual rate of $80.00 per share and in preference to any dividends on the Company's common stock. The Series A Preferred Stock is not convertible into any other security of the Company, and the holders thereof have no voting rights except with respect to any proposed changes in the preferences and special rights of such stock.

| G | CAPITAL STOCK, STOCK AWARDS, AND STOCK OPTIONS

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 2000, 1999, and 1998, the Company purchased a total of 200, 744,095, and 41,033 shares, respectively, of its Class B common stock at a cost of approximately $96,000, $425,865,000, and $20,512,000.

Stock Awards. In 1982, the Company adopted a long-term incentive compensation plan, which, among other provisions, authorizes the awarding of Class B common stock to key employees. Stock awards made under this 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 December 31, 2000, there were 87,910 shares reserved for issuance under the incentive compensation plan. Of this number, 30,165 shares were subject to awards outstanding, and 57,745 shares were available for future awards. Activity related to stock awards under the long-term incentive compensation plan for the years ended December 31, 2000, January 2, 2000, and January 3, 1999 was as follows:

	2000		1999		1998	
	Number of Shares	Average Award Price	Number of Shares	Average Award Price	Number of Shares	Average Award Price
Awards Outstanding						
Beginning of year	31,360	$ 412.86	30,730	$ 405.40	32,331	$281.19
Awarded	1,155	501.72	2,615	543.02	14,120	522.56
Vested	(99)	330.75	(167)	349.00	(15,075)	244.10
Forfeited	(2,251)	456.41	(1,818)	479.90	(646)	293.83
End of year	30,165	$ 413.28	31,360	$ 412.86	30,730	$405.40

In addition to stock awards granted under the long-term incentive compensation plan, the Company also made stock awards of 1,950 shares in 2000, 1,750 shares in 1999, and 938 shares in 1998.

For the share awards outstanding at December 31, 2000, the aforementioned restriction will lapse in 2001 for 15,833 shares, in 2002 for 1,371 shares, in 2003 for 16,649 shares, and in 2004 for 2,050 shares. Stock-based compensation costs resulting from stock awards reduced net income by $2.4 million ($0.25 per share, basic and diluted), $2.2 million ($0.22 per share, basic and diluted), and $1.9 million ($0.19 per share, basic and diluted), in 2000, 1999, and 1998, respectively.

Stock Options. The Company's 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 December 31, 2000, there were 503,575 shares reserved for issuance under the stock option plan, of which 166,450 shares were subject to options outstanding and 337,125 shares were available for future grants.

Changes in options outstanding for the years ended December 31, 2000, January 2, 2000, and January 3, 1999 were as follows:

	2000		1999		1998	
	Number of Shares	Average Option Price	Number of Shares	Average Option Price	Number of Shares	Average Option Price
Beginning of year	156,497	$ 470.64	246,072	$ 404.48	251,225	$371.35
Granted	89,500	544.90	3,750	516.36	25,500	519.32
Exercised	(20,425)	345.46	(87,825)	288.43	(30,653)	228.53
Forfeited	(59,122)	643.71	(5,500)	450.86	—	—
End of year	166,450	$ 465.55	156,497	$ 470.64	246,072	$404.48

Of the shares covered by options outstanding at the end of 2000, 75,463 are now exercisable, 31,612 will become exercisable in 2001, 25,375 will become exercisable in 2002, 20,250 will become exercisable in 2003, and 13,750 will become exercisable in 2004.

Information related to stock options outstanding at December 31, 2000 is as follows:

Range of exercise prices	Number Outstanding at 12/31/00	Weighted Average Remaining Contractual Life (yrs.)	Weighted Average Exercise Price	Number Exercisable at 12/31/00	Weighted Average Exercise Price
$ 173	2,500	1.0	$ 173.00	2,500	$ 173.00
222-299	23,750	3.3	247.91	23,750	247.91
344	13,750	6.0	343.94	13,750	343.94
472-484	31,450	7.6	473.89	18,713	472.00
500-586	95,000	9.3	542.81	16,750	526.03

All options were granted at an exercise price equal to or greater than the fair market value of the Company's common stock at the date of grant. The weighted-average fair value for options granted during 2000, 1999, and 1998 was $161.15, $157.77, and $126.57, respectively. The fair value of options at date of grant was estimated using the Black-Scholes method utilizing the following assumptions:

	2000	1999	1998
Expected life (years)	7	7	7
Interest rate	5.98%	6.19%	4.68%
Volatility	17.9%	16.0%	14.6%
Dividend yield	1.0%	1.1%	1.2%

Had the fair values of options granted after 1995 been recognized as compensation expense, net income would have been reduced by $3.8 million ($0.40 per share, basic and diluted), $1.9 million ($0.19 per share, basic and diluted), and $2.0 million ($0.19 per share, basic and diluted) in 2000, 1999, and 1998, respectively.

The Company also maintains a stock option plan at its Kaplan subsidiary that provides for the issuance of stock options representing 15 percent of Kaplan, Inc. common stock to certain members of Kaplan's management. Under the provisions of this plan, options are issued with an exercise price equal to the estimated fair value of Kaplan's common stock. Options vest ratably over five years from issuance, and upon exercise, an option holder has the right to require the Company to repurchase the Kaplan stock at the stock's then fair value. The fair value of Kaplan's common stock is determined by the Company's compensation committee. At December 31, 2000, options representing 12.5 percent of Kaplan's common stock were issued and outstanding. For 2000, 1999, and 1998, the Company recorded expense of $6,000,000, $7,200,000, and $6,000,000, respectively, related to this plan. No options have been exercised to date under this plan.

Average Number of Shares Outstanding. Basic earnings per share are based on the weighted average number of shares of common stock outstanding during each year. Diluted earnings per common share are based upon the weighted average number of shares of common stock outstanding each year, adjusted for the dilutive effect of shares issuable under outstanding stock options. Basic and diluted weighted average share information for 2000, 1999, and 1998 is as follows:

	Basic Weighted Average Shares	Dilutive Effect of Stock Options	Diluted Weighted Average Shares
2000	9,445,466	14,362	9,459,828
1999	10,060,578	21,206	10,081,784
1998	10,086,786	42,170	10,128,956

| H | PENSIONS AND OTHER POSTRETIREMENT PLANS

The Company maintains various pension and incentive savings plans and contributes to several multi-employer plans on behalf of certain union represented employee groups. Substantially all of the Company's employees are covered by these plans.

The Company also provides healthcare and life insurance benefits to certain retired employees. These employees become eligible for benefits after meeting age and service requirements.

The following table sets forth obligation, asset, and funding information for the Company's defined benefit pension and postretirement plans at December 31, 2000 and January 2, 2000 (in thousands):

	Pension Plans		Postretirement Benefits	
	2000	1999	2000	1999
Change in benefit obligation				
Benefit obligation at beginning of year	$ 344,611	$ 338,045	$ 86,938	$ 107,779
Service cost	14,566	14,756	3,496	3,585
Interest cost	24,962	23,584	6,338	6,039
Amendments	29,442	3,205	1,968	2,379
Actuarial gain	(5,091)	(22,281)	(1,199)	(27,981)
Benefits paid	(17,324)	(12,698)	(4,298)	(4,863)
Benefit obligation at end of year	$ 391,166	$ 344,611	$ 93,243	$ 86,938
Change in plan assets				
Fair value of assets at beginning of year	$ 1,119,916	$ 1,308,418	—	—
Actual return on plan assets	212,293	(175,804)	—	—
Employer contributions	—	—	$ 4,298	$ 4,863
Benefits paid	(17,324)	(12,698)	(4,298)	(4,863)
Fair value of assets at end of year	$ 1,314,885	$ 1,119,916	$ —	$ —
Funded status	$ 923,719	$ 775,305	$ (93,243)	$ (86,938)
Unrecognized transition asset	(15,354)	(22,941)	—	—
Unrecognized prior service cost	17,230	18,930	(663)	(825)
Unrecognized actuarial gain	(551,511)	(433,476)	(34,858)	(36,528)
Net prepaid (accrued) cost	$ 374,084	$ 337,818	$ (128,764)	$ (124,291)

The total (income) cost arising from the Company's defined benefit pension and postretirement plans for the years ended December 31, 2000, January 2, 2000, and January 3, 1999, consists of the following components (in thousands):

	Pension Plans			Postretirement Plans		
	2000	1999	1998	2000	1999	1998
Service cost	$ 14,566	$ 14,756	$ 11,335	$ 3,496	$ 3,585	$ 3,764
Interest cost	24,962	23,584	21,344	6,338	6,039	7,417
Expected return on assets	(85,522)	(92,566)	(71,814)	—	—	—
Amortization of transition asset	(7,585)	(7,665)	(7,665)	—	—	—
Amortization of prior service cost	2,091	2,110	1,679	(162)	(162)	(378)
Recognized actuarial gain	(10,231)	(21,902)	(16,876)	(2,870)	(2,886)	(1,379)
Net periodic (benefit) cost for the year	(61,719)	(81,683)	(61,997)	6,802	6,576	9,424
Composing Room early buyout expense	25,456	—	—	1,968	—	—
Total (benefit) cost for the year	$ (36,263)	$ (81,683)	$ (61,997)	$ 8,770	$ 6,576	$ 9,424

The cost for the Company's defined benefit pension and postretirement plans are actuarially determined. Key assumptions utilized at December 31, 2000, January 2, 2000, and January 3, 1999 include the following:

	Pension Plans			Postretirement Plans		
	2000	1999	1998	2000	1999	1998
Discount rate	7.5%	7.5%	7.0%	7.5%	7.5%	7.0%
Expected return on plan assets	9.0%	9.0%	9.0%	—	—	—
Rate of compensation increase	4.0%	4.0%	4.0%	—	—	—

The assumed healthcare cost trend rate used in measuring the postretirement benefit obligation at December 31, 2000 was 6.9 percent for pre-age 65 benefits (6.4 percent for post-age 65 benefits) decreasing to 5 percent in the year 2005 and thereafter.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one-percentage point change in the assumed healthcare cost trend rates would have the following effects (in thousands):

	1% Increase	1% Decrease
Benefit obligation at end of year	$ 13,917	$ (13,000)
Service cost plus interest cost	1,544	(1,497)

Contributions to multi-employer pension plans, which are generally based on hours worked, amounted to $1,100,000 in 2000 and $2,300,000 in 1999 and 1998.

The Company recorded expense associated with retirement benefits provided under incentive savings plans (primarily 401(k) plans) of approximately $13,300,000 in 2000, 1999, and 1998.

I LEASE AND OTHER COMMITMENTS

The Company leases 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 December 31, 2000, future minimum rental payments under noncancelable operating leases approximate the following (in thousands):

2001	$ 54,800
2002	47,500
2003	40,100
2004	34,300
2005	28,400
Thereafter	88,700
	$ 293,800

Minimum payments have not been reduced by minimum sublease rentals of $3,250,000 due in the future under noncancelable subleases.

Rent expense under operating leases included in operating costs and expenses was approximately $49,700,000, $33,600,000, and $31,800,000 in 2000, 1999, and 1998, respectively. Sublease income was approximately $1,150,000, $433,000, and $500,000 in 2000, 1999, and 1998, respectively.

The Company's broadcast subsidiaries are parties to certain agreements that commit them to purchase programming to be produced in future years. At December 31, 2000, such commitments amounted to approximately $62,800,000. If such programs are not produced, the Company's commitment would expire without obligation.

| J | ACQUISITIONS AND DISPOSITIONS

Acquisitions. The Company completed acquisitions totaling approximately $212,300,000 in 2000 (including assumed debt and related acquisition costs), $90,500,000 in 1999, and $320,600,000 in 1998. All of these acquisitions were accounted for using the purchase method, and accordingly, the assets and liabilities of the companies acquired have been recorded at their estimated fair values at the date of acquisition.

On August 2, 2000, the Company acquired Quest Education Corporation (Quest) for approximately $177,700,000, including assumed debt. The acquisition of Quest was completed through an all cash tender offer in which the company purchased substantially all of the outstanding stock of Quest for $18.35 per share. The acquisition was financed through the issuance of additional borrowings. Quest is a provider of post-secondary education, currently serving nearly 13,000 students in 34 schools located in 13 states. Quest's schools offer Bachelor's degrees, Associate's degrees, and diploma programs designed to provide students with the knowledge and skills necessary to qualify them for entry-level employment, primarily in the fields of healthcare, business, information technology, fashion, and design.

In addition, the Company acquired two cable systems serving approximately 8,500 subscribers in Nebraska (in June 2000) and Mississippi (in August 2000) for approximately $16,200,000, as well as various other smaller businesses throughout 2000 for $18,400,000 (principally consisting of educational services companies).

During 1999, the Company acquired cable systems serving 10,300 subscribers in North Dakota, Oklahoma, and Arizona (April and August 1999 for $18,300,000); two Certified Financial Analyst test preparation companies (November and December 1999 for $16,000,000), and a travel guide magazine (in December 1999 for $10,200,000). In addition, the Company acquired various other smaller businesses throughout 1999 for $46,000,000 (principally consisting of educational services companies).

Acquisitions in 1998 included an educational services company that provides English-language study programs (in January 1998 for $16,100,000); a 36,000-subscriber cable system serving Anniston, Alabama (in June 1998 for $66,500,000); cable systems serving 72,000 subscribers in Mississippi, Louisiana, Texas, and Oklahoma (in July 1998 for $130,100,000); and a publisher and provider of licensing training for securities, insurance, and real estate professionals (in July 1998 for $35,200,000). In addition, the Company acquired various other smaller businesses throughout 1998 for $72,700,000 (principally consisting of educational and career service companies and small cable systems).

The results of operations for each of the businesses acquired are included in the Consolidated Statements of Income from their respective dates of acquisition. Pro forma results of operations for 2000, 1999, and 1998, assuming the acquisitions occurred at the beginning of 1998, are not materially different from reported results of operations.

Dispositions. In June 1999, the Company sold the assets of Legi-Slate, Inc., its online services subsidiary that covered Federal legislation and regulation. No significant gain or loss was realized as a result of the sale.

In March 1998, Cowles Media Company ("Cowles") and McClatchy Newspapers, Inc. ("McClatchy") completed a series of transactions resulting in the merger of Cowles and McClatchy. In the merger, each share of Cowles common stock was converted (based upon elections of Cowles stockholders) into shares of McClatchy stock or a combination of cash and McClatchy stock. As of the date of the Cowles and McClatchy merger transaction, a wholly-owned subsidiary of the Company owned 3,893,796 shares (equal to about 28 percent) of the outstanding common stock of Cowles, most of which was acquired in 1985. As a result of the transaction, the Company's subsidiary received $330,500,000 in cash from McClatchy and 730,525 shares of McClatchy Class A common stock. The market value of the McClatchy stock received approximated $21,600,000. The gain resulting from this transaction, which is included in 1998 "Other (expense) income, net" in the Consolidated Statements of Income, increased net income by approximately $162,800,000 and basic and diluted earnings per share by $16.14 and $16.07, respectively.

In July 1998, the Company completed the sale of 14 small cable systems in Texas, Missouri, and Kansas serving approximately 29,000 subscribers for approximately $41,900,000. The gain resulting from this transaction, which is included in 1998 "Other (expense) income, net" in the Consolidated Statements of Income, increased net income by approximately $17,300,000 and basic and diluted earnings per share by $1.71.

In August 1998, Junglee Corporation ("Junglee") merged with a wholly-owned subsidiary of Amazon.com Inc. ("Amazon.com"). As a result, each share of Junglee common and preferred stock was converted into shares of Amazon.com. On the date of the merger, a wholly-owned subsidiary of the Company owned 750,000 common shares and 750,000 preferred shares of Junglee. As a result of the merger, the Company's subsidiary received 202,961 shares of Amazon.com common stock. The market value of the Amazon.com stock received approximated $25,200,000 on the date of the merger. The gain resulting from this transaction, which is included in 1998 "Other (expense) income, net" in the Consolidated Statements of Income, increased net income by approximately $14,300,000 and basic and diluted earnings per share by $1.42 and $1.41, respectively.

| K | 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.

The Company's education division derives a portion of its net revenues from financial aid received by its students under Title IV programs ("Title IV Programs") administered by the United States Department of Education pursuant to the Federal Higher Education Act of 1965, ("HEA"), as amended. In order to participate in Title IV Programs, the Company must comply with complex standards set forth in the HEA and the regulations promulgated thereunder (the "Regulations"). The failure to comply with the requirements of HEA or the Regulations could result in the restriction or loss of the ability to participate in Title IV Programs and subject the Company to financial penalties. For the year ended December 31, 2000, approximately $35,000,000 of the Company's education division revenues were derived from financial aid received by students under Title IV Programs. These revenues were earned and recognized by Quest following the Company's acquisition of Quest in August 2000. Management believes that the Company's education division schools that participate in Title IV Programs are in material compliance with the standards set forth in the HEA and the Regulations.

| L | BUSINESS SEGMENTS

The Company operates principally in four areas of the media business: newspaper publishing, television broadcasting, magazine publishing, and cable television. Through its subsidiary Kaplan, Inc., the Company also provides educational services for individuals, schools, and businesses.

Newspaper operations involve the publication of newspapers in the Washington, D.C., area and Everett, Washington; newsprint warehousing and recycling facilities; and the Company's electronic media publishing business (primarily washingtonpost.com).

Magazine operations consist principally of the publication of a weekly news magazine, Newsweek, which has one domestic and three international editions and the publication of business periodicals for the computer services industry and the Washington-area technology community.

Revenues from both newspaper and magazine publishing operations are derived from advertising and, to a lesser extent, from circulation.

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

Cable television operations consist of cable systems offering basic cable and pay television services to approximately 735,000 subscribers in 18 midwestern, western, and southern states. The principal source of revenues is monthly subscription fees charged for services.

Educational products and services are provided through the Company's wholly-owned subsidiary Kaplan, Inc. Kaplan's five major lines of businesses include Test Preparation and Admissions, providing test preparation services for college and graduate school entrance exams; Quest Education Corporation, a provider of post-secondary education offering Bachelor's degrees, Associate's degrees and diploma programs primarily in the fields of healthcare, business and information technology; Kaplan Professional, providing educational services to business people and other professionals; Score!, offering multi-media learning and private tutoring to children and educational resources to parents; and The Kaplan Colleges, Kaplan's distance learning businesses, including kaplancollege.com.

Other businesses and corporate office includes the Company's corporate office. Through the first half of 1999, the other businesses and corporate office segment also includes the result of Legi-Slate, Inc., which was sold in June 1999. The 1998 results for other businesses and corporate office include Moffet, Larson & Johnson, which was sold in July 1998.

Income from operations is the excess of operating revenues over operating expenses. In computing income from operations by segment, the effects of equity in earnings of affiliates, interest income, interest expense, other non-operating 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 marketable equity securities and investments in affiliates are discussed in Note C.

(in thousands)	Newspaper Publishing	Television Broadcasting	Magazine Publishing	Cable Television	Education	Other Businesses and Corporate Office	Consolidated
2000							
Operating revenue	$ 918,234	$ 364,758	$ 416,421	$ 358,916	$ 353,821	$ —	$ 2,412,150
Income (loss) from operations	$ 114,435	$ 177,396	$ 49,119	$ 65,967	$ (41,846)	$ (25,189)	$ 339,882
Equity in losses of affiliates							(36,466)
Interest expense, net							(53,764)
Other expense, net							(19,782)
Income before income taxes							$ 229,870
Identifiable assets	$ 684,908	$ 430,444	$ 452,453	$ 757,083	$ 482,014	$ 41,075	$ 2,847,977
Investments in marketable equity securities							221,137
Investments in affiliates							131,629
Total assets							$ 3,200,743
Depreciation of property, plant, and equipment	$ 38,579	$ 12,991	$ 5,059	$ 47,670	$ 13,649	—	$ 117,948
Amortization of goodwill	$ 1,588	$ 14,135	$ 6,758	$ 30,069	$ 10,084	—	$ 62,634
Pension credit (expense)	$ (5,579)	$ 5,767	$ 37,341	$ (599)	$ (667)	—	$ 36,263
Capital expenditures	$ 33,117	$ 11,672	$ 1,858	$ 96,167	$ 29,569	—	$ 172,383
1999							
Operating revenue	$ 875,109	$ 341,761	$ 401,096	$ 336,259	$ 257,503	$ 3,843	$ 2,215,571
Income (loss) from operations	$ 156,731	$ 167,639	$ 62,057	$ 67,145	$ (37,998)	$ (27,121)	$ 388,453
Equity in losses of affiliates							(8,814)
Interest expense, net							(25,689)
Other income, net							21,435
Income before income taxes							$ 375,385
Identifiable assets	$ 672,609	$ 444,372	$ 409,404	$ 718,230	$ 265,960	$ 132,688	$ 2,643,263
Investments in marketable equity securities							203,012
Investments in affiliates							140,669
Total assets							$ 2,986,944
Depreciation of property, plant, and equipment	$ 35,363	$ 11,719	$ 4,972	$ 43,092	$ 8,850	$ 239	$ 104,235
Amortization of goodwill	$ 1,535	$ 14,248	$ 5,912	$ 30,007	$ 6,861	$ —	$ 58,563
Pension credit (expense)	$ 26,440	$ 8,191	$ 48,309	$ (597)	$ (603)	$ (57)	$ 81,683
Capital expenditures	$ 19,279	$ 17,839	$ 3,364	$ 62,586	$ 26,977	$ —	$ 130,045
1998							
Operating revenue	$ 848,934	$ 357,616	$ 399,483	$ 297,980	$ 194,854	$ 11,492	$ 2,110,359
Income (loss) from operations	$ 139,032	$ 171,194	$ 44,524	$ 65,022	$ (7,453)	$ (33,422)	$ 378,897
Equity in losses of affiliates							(5,140)
Interest expense, net							(10,401)
Other income, net							304,703
Income before income taxes							$ 668,059
Identifiable assets	$ 646,151	$ 437,506	$ 355,176	$ 710,641	$ 196,702	$ 58,839	$ 2,405,015
Investments in marketable equity securities							256,116
Investments in affiliates							68,530
Total assets							$ 2,729,661
Depreciation of property, plant, and equipment	$ 29,033	$ 11,378	$ 4,888	$ 37,271	$ 5,925	$ 753	$ 89,248
Amortization of goodwill	$ 1,372	$ 14,368	$ 5,912	$ 24,178	$ 4,057	$ 2	$ 49,889
Pension credit	$ 19,828	$ 6,256	$ 35,913	$ —	$ —	$ —	$ 61,997
Capital expenditures	$ 122,667	$ 14,492	$ 3,666	$ 80,795	$ 21,411	$ 1,188	$ 244,219

| M | SUBSEQUENT EVENTS (UNAUDITED)

On January 12, 2001, the Company completed the sale of a cable system serving about 15,000 subscribers in Greenwood, Indiana, for $61,900,000. In a related transaction, on March 1, 2001, the Company completed a cable system exchange with AT&T Broadband whereby the Company exchanged its cable systems in Modesto and Santa Rosa, California, and approximately $42,000,000 to AT&T Broadband for cable systems serving approximately 155,000 subscribers principally located in Idaho. For income tax purposes, these transactions qualify as like-kind exchanges and are substantially tax free in nature. However, the Company will record a book accounting gain of approximately $195.3 million ($20.50 per share) in its earnings for the first quarter of 2001.

On February 28, 2001, the Company acquired Southern Maryland Newspapers, a division of Chesapeake Publishing Corp. Southern Maryland Newspapers publishes the Maryland Independent in Charles County, Maryland; the Lexington Park Enterprise in St. Mary's County, Maryland; and the Recorder in Calvert County, Maryland. The acquired newspapers have a combined total paid circulation of 50,000.

| N | SUMMARY OF QUARTERLY OPERATING RESULTS AND COMPREHENSIVE INCOME (UNAUDITED)

Quarterly results of operations and comprehensive income for the years ended December 31, 2000 and January 2, 2000 are as follows (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2000 Quarterly Operating Results				
Operating revenue				
Advertising	$ 318,865	$ 353,514	$ 338,428	$ 385,776
Circulation and subscriber	147,589	148,905	151,144	153,619
Education	71,450	68,803	99,428	113,072
Other	8,867	20,318	13,452	18,919
	546,771	591,540	602,452	671,386
Operating costs and expenses				
Operating	296,072	316,252	340,733	355,006
Selling, general, and administrative	135,421	138,704	131,206	178,291
Depreciation of property, plant, and equipment	28,386	28,638	30,019	30,905
Amortization of goodwill and other intangibles	14,738	14,755	15,937	17,204
	474,617	498,349	517,895	581,406
Income from operations	72,154	93,191	84,557	89,980
Other income (expense)				
Equity in losses of affiliates	(11,304)	(9,471)	(8,890)	(6,800)
Interest income	224	275	228	241
Interest expense	(12,567)	(12,573)	(14,617)	(14,974)
Other income (expense), net	(6,938)	1,556	238	(14,639)
Income before income taxes	41,569	72,978	61,516	53,808
Provision for income taxes	17,500	31,800	28,000	16,100
Net income	24,069	41,178	33,516	37,708
Redeemable preferred stock dividends	(500)	(263)	(263)	—
Net income available for common shares	$ 23,569	$ 40,915	$ 33,253	$ 37,708
Basic earnings per common share	$ 2.50	$ 4.33	$ 3.52	$ 3.99
Diluted earnings per common share	$ 2.49	$ 4.33	$ 3.51	$ 3.98
Basic average number of common shares outstanding	9,440	9,443	9,448	9,452
Diluted average number of common shares outstanding	9,458	9,458	9,463	9,470
2000 Quarterly Comprehensive Income	$ 21,152	$ 25,492	$ 49,789	$ 46,586

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1999 Quarterly Operating Results				
Operating revenue				
Advertising	$ 300,002	$ 341,602	$ 311,891	$ 377,065
Circulation and subscriber	141,431	142,854	147,016	148,393
Education	52,018	55,284	67,522	65,251
Other	26,946	17,455	13,151	7,691
	520,397	557,195	539,580	598,400
Operating costs and expenses				
Operating	286,583	294,172	293,948	314,698
Selling, general, and administrative	116,997	116,414	118,198	123,311
Depreciation of property, plant, and equipment	25,118	25,305	26,265	27,547
Amortization of goodwill and other intangibles	14,425	14,619	14,813	14,706
	443,123	450,510	453,224	480,262
Income from operations	77,274	106,685	86,356	118,138
Other income (expense)				
Equity in (losses) earnings of affiliates	(2,510)	731	(59)	(6,975)
Interest income	246	213	186	452
Interest expense	(6,813)	(5,441)	(6,473)	(8,059)
Other income (expense), net	6,143	9,471	8,279	(2,458)
Income before income taxes	74,340	111,659	88,289	101,098
Provision for income taxes	29,150	43,750	36,600	40,100
Net income	45,190	67,909	51,689	60,998
Redeemable preferred stock dividends	(475)	(237)	(237)	—
Net income available for common shares	$ 44,715	$ 67,672	$ 51,452	$ 60,998
Basic earnings per common share	$ 4.43	$ 6.70	$ 5.12	$ 6.11
Diluted earnings per common share	$ 4.41	$ 6.67	$ 5.10	$ 6.09
Basic average number of common shares outstanding	10,098	10,098	10,060	9,988
Diluted average number of common shares outstanding	10,143	10,140	10,101	10,008
1999 Quarterly Comprehensive Income	$ 47,803	$ 50,808	$ 19,615	$ 67,559

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.

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 33 through 50 of this report present fairly, in all material respects, the financial position of The Washington Post Company and its subsidiaries at December 31, 2000 and January 2, 2000, and the results of their operations and their cash flows for each of the three fiscal years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. 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 auditing standards generally accepted in the United States 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.

PricewaterhouseCoopers LLP

Washington, D.C.

January 26, 2001

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 1998 – 2000.

(in thousands, except per share amounts)	2000	1999	1998
Results of Operations			
Operating revenue	$ 2,412,150	$ 2,215,571	$ 2,110,360
Income from operations	$ 339,882	$ 388,453	$ 378,897
Income before cumulative effect of changes in accounting principle	$ 136,470	$ 225,785	$ 417,259
Cumulative effect of change in method of accounting for income taxes	—	—	—
Cumulative effect of change in method of accounting for postretirement benefits other than pensions	—	—	—
Net income	$ 136,470	$ 225,785	$ 417,259
Per Share Amounts			
Basic earnings per common share			
Income before cumulative effect of changes in accounting principles	$ 14.34	$ 22.35	$ 41.27
Cumulative effect of changes in accounting principles	—	—	—
Net income	$ 14.34	$ 22.35	$ 41.27
Basic average shares outstanding	9,445	10,061	10,087
Diluted earnings per share			
Income before cumulative effect of changes in accounting principles	$ 14.32	$ 22.30	$ 41.10
Cumulative effect of changes in accounting principles	—	—	—
Net income	$ 14.32	$ 22.30	$ 41.10
Diluted average shares outstanding	9,460	10,082	10,129
Cash dividends	$ 5.40	$ 5.20	$ 5.00
Common shareholders' equity	$ 156.55	$ 144.90	$ 157.34
Financial Position			
Current assets	$ 405,067	$ 476,159	$ 404,878
Working capital (deficit)	(3,730)	(346,389)	15,799
Property, plant, and equipment	927,061	854,906	841,062
Total assets	3,200,743	2,986,944	2,729,661
Long-term debt	873,267	397,620	395,000
Common shareholders' equity	1,481,007	1,367,790	1,588,103

1997	1996	1995	1994	1993	1992	1991
$ 1,956,253	$ 1,853,445	$ 1,719,449	$ 1,613,978	$ 1,498,191	$ 1,450,867	$ 1,380,261
$ 381,351	$ 337,169	$ 271,018	$ 274,875	$ 238,980	$ 232,112	$ 192,866
$ 281,574	$ 220,817	$ 190,096	$ 169,672	$ 153,817	$ 127,796	$ 118,721
—	—	—	—	11,600	—	—
—	—	—	—	—	—	(47,897)
$ 281,574	$ 220,817	$ 190,096	$ 169,672	$ 165,417	$ 127,796	$ 70,824
$ 26.23	$ 20.08	$ 17.16	$ 14.66	$ 13.10	$ 10.81	$ 10.00
—	—	—	—	0.98	—	(4.04)
$ 26.23	$ 20.08	$ 17.16	$ 14.66	$ 14.08	$ 10.81	$ 5.96
10,700	10,964	11,075	11,577	11,746	11,827	11,874
$ 26.15	$ 20.05	$ 17.15	$ 14.65	$ 13.10	$ 10.80	$ 10.00
—	—	—	—	0.98	—	(4.04)
$ 26.15	$ 20.05	$ 17.15	$ 14.65	$ 14.08	$ 10.80	$ 5.96
10,733	10,980	11,086	11,582	11,750	11,830	11,876
$ 4.80	$ 4.60	$ 4.40	$ 4.20	$ 4.20	$ 4.20	$ 4.20
$ 117.36	$ 121.24	$ 107.60	$ 99.32	$ 92.84	$ 84.17	$ 78.12
$ 308,492	$ 382,631	$ 406,570	$ 375,879	$ 625,574	$ 524,975	$ 472,219
(300,264)	100,995	98,393	102,806	367,041	242,627	183,959
653,750	511,363	457,359	411,396	363,718	390,804	390,313
2,077,317	1,870,411	1,732,893	1,696,868	1,622,504	1,568,121	1,487,661
—	—	—	50,297	51,768	51,842	51,915
1,184,074	1,322,803	1,184,204	1,126,933	1,087,419	993,005	924,285

Corporate Directory

Board of Directors

Donald E. Graham (3, 4)
Chairman of the Board and Chief Executive Officer
Chairman, The Washington Post

Katharine Graham (3, 4)
Chairman of the Executive Committee

Warren E. Buffett (3)
Chairman of the Board, Berkshire Hathaway Inc.

Daniel B. Burke (1, 2)
Former President and Chief Executive Officer,
Capital Cities/ABC, Inc.

Barry Diller
Chairman and Chief Executive Officer, USA Networks, Inc.

George J. Gillespie III (3)
Attorney, Member of Cravath, Swaine & Moore

Ralph E. Gomory (1)
President, Alfred P. Sloan Foundation

Donald R. Keough (2)
Chairman, Allen & Company Incorporated

William J. Ruane (1, 3)
Chairman of the Board, Ruane, Cunniff & Co., Inc.

Richard D. Simmons (3)
Former President and Chief Operating Officer,
The Washington Post Company

George W. Wilson (2)
President, Concord (NH) Monitor

Committees of the Board of Directors

(1) Audit Committee
(2) Compensation Committee
(3) Finance Committee
(4) Executive Committee

Other Company Officers

Patrick Butler
Vice President

Diana M. Daniels
Vice President, General Counsel, and Secretary

Hal S. Jones
Vice President

Beverly R. Keil
Vice President

Guyon Knight
Vice President - Corporate Communications

Christopher Ma
Vice President

John B. Morse, Jr.
Vice President - Finance, Chief Financial Officer

Gerald M. Rosberg
Vice President - Planning and Development

Ralph S. Terkowitz
Vice President - Technology

Daniel J. Lynch
Treasurer

Matthew C. Seelye
Controller

Pinkie Dent-Kannon
Assistant Treasurer

John F. Hockenberry
Assistant Secretary

James W. Keller
Assistant Treasurer

Jennifer A. Moyer
Assistant Controller

Stock Trading

The Washington Post Company Class B common stock is traded on the New York Stock Exchange with the symbol WPO.

Stock Transfer Agent and Registrar

(General Shareholder Correspondence)
First Chicago Trust Company, a division of EquiServe
P.O. Box 2500
Jersey City, NJ 07303-2500

(Transfers by Overnight Courier)
First Chicago Trust Company, a division of EquiServe
c/o S.T.A.R.S.
100 William Street
New York, NY 10038

(Transfers by Certified Mail)
First Chicago Trust Company, a division of EquiServe
P.O. Box 2506
Jersey City, NJ 07303-2506

Shareholder Inquiries

Communications concerning transfer requirements, lost certificates, dividends, and changes of address should be directed to First Chicago Trust Company Shareholder Relations Group. Inquiries may be made by telephone (201) 324-0498, or by fax (201) 222-4892 or 222-4872. Those who are hearing impaired may call the Telecommunications Device for the Deaf (TDD) at (201) 222-4955.

Internet — equiserve.com
Email — equiserve@equiserve.com

Form 10-K

The company's Form 10-K annual report to the Securities and Exchange Commission will be provided to shareholders upon written request to Treasurer, The Washington Post Company, 1150 15th Street, NW, Washington, D.C. 20071.

Annual Meeting

The annual meeting of stockholders will be held on May 10, 2001, at 8:00 a.m., at The Washington Post Company, 9th floor, 1150 15th Street, NW, Washington, D.C.

Common Stock Prices and Dividends

The Class A common stock of the company is not traded publicly. The Class B common stock of the company is listed on the New York Stock Exchange. High and low sales prices during the last two years were:

	2000		1999	
QUARTER	HIGH	LOW	HIGH	LOW
January-March	$587	$472	$595	$517
April-June	$541	$471	$582	$510
July-September	$528	$467	$574	$508
October-December	$629	$508	$586	$490

During 2000 the company repurchased 200 outstanding shares of Class B common stock in an unsolicited transaction.

Both classes of common stock participate equally as to dividends. Quarterly dividends were paid at the rate of $1.35 per share in 2000. At February 1, 2001, there were 23 Class A and 1,125 Class B shareholders.

Electronic Addresses

The Washington Post Company
washpostco.com

The Washington Post
washingtonpost.com
washpost.com

Washingtonpost.Newsweek Interactive
washingtonpost.com
newsweek.msnbc.com

The Washington Post National Weekly Edition
nationalweekly.com

The Washington Post Writers Group
postwritersgroup.com

The Herald
heraldnet.com

The Gazette
gazette.net

Comprint Military Publications
dcmilitary.com

Greater Washington Publishing
gwpi.net

Post-Newsweek Stations
ClickOnDetroit.com
Click2Houston.com
Click10.com
myCFnow.com
ClickOnSA.com
News4Jax.com

Cable ONE
cableone.net

Newsweek
newsweek.msnbc.com

HealthWeek
pbs.org/healthweek

Post Newsweek Tech Media Group
postnewsweektech.com

FOSE
fose.com

Government Computer News
gcn.com

GCN State & Local
gcn.com/state

Newsbytes News Network
newsbytes.com

Washington Technology
washingtontechnology.com
italmanac.com

Washington Techway
washtech.com

Kaplan, Inc.
kaplan.com
America Online: Keyword: Kaplan

Score!
escore.com

Kaplan Test Prep and Admissions
kaptest.com

The Kaplan Colleges
kaplancollege.edu

Concord University School of Law
concordlawschool.com

Quest Education
questeducation.com

Kaplan Professional
kaplanprofessional.com

Dearborn
dearborn.com

Self Test Software
selftestsoftware.com

Schweser Study Program
schweser.com

Perfect Access Speer
perfectaccessspeer.com

International Herald Tribune
iht.com

Los Angeles Times-Washington Post News Service
newsservice.com

BrassRing
brassring.com

Design: HC Creative Communications LLC Portrait Photography: Robert Burke Photography Printing: Westland Printers Printed on recycled paper

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