

The Washington Post Company

2000 Annual Report



An extraordinary year for news

The Washington Post Company is a diversified media organization whose principal operations include newspaper and magazine publishing, television broadcasting, cable television systems, electronic information services, and education and career services.

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On the Cover, clockwise from top:

Al Gore giving his wife Tipper a lingering kiss at the Democratic National Convention.
Susan Biddle, *The Washington Post*, August 17

Elian Gonzalez being removed by federal marshals from his great uncle's house in Miami.
WPLG-Miami, April 22

Gathering water in front of the AIDS ward at a hospital in Kano, Nigeria.
Michael Williamson, *The Washington Post*, August 18

George and Laura Bush at the close of the Republican National Convention.
Ron Haviv / Saba for *Newsweek*, August 14

Tiger Woods at the President's Cup Tournament in Gainesville, Virginia.
Rich Lipski, *The Washington Post*, October 21

The Washington Post Company In Brief

Television Broadcasting

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

WDIV — the NBC affiliate in Detroit, MI, the 9th largest broadcasting market in the United States, with 1,873,620 television households.

KPRC — the NBC affiliate in Houston, TX, the 11th largest broadcasting market in the United States, with 1,747,350 television households.

WPLG — the ABC affiliate in Miami, FL, the 16th largest broadcasting market in the United States, with 1,468,630 television households.

WKMG — the CBS affiliate in Orlando, FL, the 21st largest broadcasting market in the United States, with 1,126,000 television households.

KSAT — the ABC affiliate in San Antonio, TX, the 37th largest broadcasting market in the United States, with 693,810 television households.

WJXT — the CBS affiliate in Jacksonville, FL, the 53rd largest broadcasting market in the United States, with 548,750 television households.

Newspaper Publishing

The Washington Post — a morning daily and Sunday newspaper published in Washington, D.C. For the 12-month period ending September 30, 2000, The Post's unaudited estimated average paid circulation was 787,000 Monday through Friday and 1,076,000 Sunday. The Post maintains 22 foreign, 6 national, and 12 metropolitan news bureaus.

Washingtonpost.Newsweek Interactive — the new-media and electronic-publishing subsidiary of The Washington Post Company, headquartered in Arlington, VA. Its mission is to develop the company's editorial products and businesses on the web. WPNI's flagship products include washingtonpost.com and Newsweek.MSNBC.com.

The Washington Post National Weekly Edition — a tabloid publication of selected Post articles on politics, foreign affairs, popular culture, public policy, and personal finance, edited for a national audience, with a circulation of 56,000.

The Washington Post Writers Group — a syndicator of 28 writers and cartoonists, including several Washington Post writers, plus material from Newsweek to thousands of publications worldwide. The Writers Group also sells reprints of articles and photos from Washington Post archives.

The Herald — a morning daily and Sunday newspaper published in Everett, WA, 30 miles north of Seattle. The Herald's unaudited estimated average paid circulation for the 12-month period ending September 30, 2000, was 52,600 daily and 60,800 Sunday. The Herald also publishes 6 community weeklies in South Snohomish and North King Counties and a monthly business journal.

The Gazette — a publisher in Maryland of 39 controlled-circulation community weekly newspapers with a combined circulation of 614,000; 3 twice-weekly paid-circulation newspapers with a com-

bined circulation of 50,300; 2 weekly paid-circulation newspapers with a combined circulation of 19,000; a weekly specialty publication with a circulation of 17,900; one twice-monthly real estate publication; 9 military newspapers and 9 base guides for local military bases; and an operator of 2 commercial printing plants in the Washington area.

Greater Washington Publishing — a publisher of consumer guide-books for apartments, new homes, retirement facilities, and automobiles in the metropolitan Washington area.

Robinson Terminal Warehouse — a newsprint handling and storage facility with operations in Alexandria and Springfield, VA, and College Park, MD.

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

Cable Television

Cable ONE, Inc. — the owner and operator of cable television systems serving 759,142 subscribers in 19 midwestern, western, and southern states, headquartered in Phoenix, AZ. States served and the number of basic subscribers in each as of March 1, 2001, were:

Alabama	35,567	Nebraska	16,862
Arizona	65,320	New Mexico	22,593
Arkansas	7,972	North Dakota	29,912
Idaho	138,691	Ohio	16,418
Iowa	22,504	Oklahoma	88,700
Louisiana	1,565	Oregon	4,113
Minnesota	9,558	South Dakota	1,170
Mississippi	162,787	Tennessee	9,519
Missouri	21,828	Texas	98,787
		Washington	5,276
		Total	759,142

Magazine Publishing

Newsweek — a weekly news magazine published in New York City, with a 2001 circulation rate base of 3.1 million. Newsweek maintains 9 U.S. and 13 overseas bureaus.

Newsweek International — a weekly English-language news magazine published in New York City and circulated throughout the world. For 2001, Newsweek International's combined circulation for its three editions is 666,000: Atlantic, 340,000; Asia, 240,000; Latin America, 86,000. In Australia, Newsweek is published as part of The Bulletin with Newsweek, a news magazine with a circulation of 85,000.

Newsweek Japan (Newsweek Nihon Ban) — a Japanese-language newsweekly with a circulation of 130,000. It is produced with TBS-Britannica, which translates and publishes the magazine.

Newsweek Korea (Newsweek Hankuk Pan) — a Korean-language newsweekly with a circulation of 90,000. It is produced with Joong-ang Ilbo, which translates and publishes the magazine.

Newsweek en Español — a Spanish-language newsweekly with a Latin American circulation of 52,500. It is produced with Ideas Publishing Group (IPG), based in Miami.

Newsweek in Arabic (Newsweek Bil Logha Al-Arabia) — an Arabic-language newsweekly with a circulation of 30,000. Launched in June 2000, it is produced with Dar Al-Watan Publishing Group in Kuwait, which translates and publishes the magazine.

Itogi — a Russian-language newsweekly with a circulation of 85,000. Itogi, “summing up,” is Russia’s first independent newsweekly. It is produced by Seven Days Publishing, a subsidiary of Media Most.

Teen Newsweek — a weekly 8-page magazine and teachers guide aimed at America’s middle schools. It is produced with Weekly Reader and has a circulation of 180,000.

Arthur Frommer’s Budget Travel — a bimonthly travel magazine with a 2001 U.S. circulation rate base of 400,000.

Newsweek Productions — a television production company that produces “HealthWeek,” broadcast nationally on PBS, and other television programming and media projects.

Post Newsweek Tech Media Group — a publisher of controlled-circulation trade periodicals and web sites and presenter of trade shows and conferences for the business-to-government and the Washington, D.C., region business-to-business technology markets.

FOSE — the leading IT trade show serving the government marketplace.

Government Computer News — a technology publication serving federal, state, and local government IT managers.

Washington Technology — a business publication for government systems integrators.

Washington Techway — a news magazine for the Greater Washington technology community.

Education

Kaplan, Inc. — a leading provider of educational and career services for individuals, schools, and businesses, headquartered in New York City with locations throughout the U.S. and abroad. Kaplan’s five operating units are:

Kaplan Test Prep and Admissions offers test preparation and admissions services worldwide; kaptest.com provides these services on the web; Kaplan Publishing includes books, software, and Kaplan/Newsweek guides; Kaplan International provides intensive English instruction and university and test preparation for students and professionals in the U.S. and abroad; and Kaplan K12 offers instruction, staff development, and curriculum in schools.

Kaplan Professional provides licensing and continuing education training, certification, and professional development courses for securities, insurance, financial services, real estate, and legal professionals and corporations. Kaplan Professional includes major names in professional education: Dearborn Financial, Dearborn Trade, Dearborn Real Estate Education, Schweser Study Program, Self Test Software, and Perfect Access Speer.

The Kaplan Colleges offers an extensive array of online and traditional educational programs for professionals, and is comprised of 3 institutions: Kaplan College, The College for Professional Studies, and Concord University School of Law.

Quest Education offers bachelor and associate degrees and diploma programs in areas such as healthcare, business, information technology, fashion, and design.

Score! offers learning programs for children and educational resources for parents through its after-school educational centers, Score! Prep in-home tutoring service, and eScore.com.

Affiliates

International Herald Tribune (50 percent of common stock) — a daily newspaper headquartered in Paris, France. In 2000 the International Herald Tribune had an average daily paid circulation of 239,500 in over 180 countries.

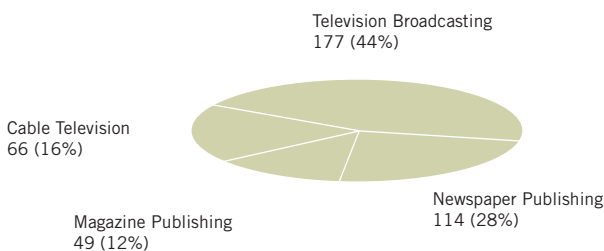
Los Angeles Times-Washington Post News Service, Inc. (50 percent of common stock) — a supplier of news, commentary, features, columns, sports, photos, graphics, series, reviews, and editorials to 623 clients in 52 countries.

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

BrassRing, Inc. (42 percent equity interest) — a business-to-business hiring management and recruitment company, in which Kaplan is the lead shareholder, that helps companies hire the right candidates faster.

2000 Operating Income*

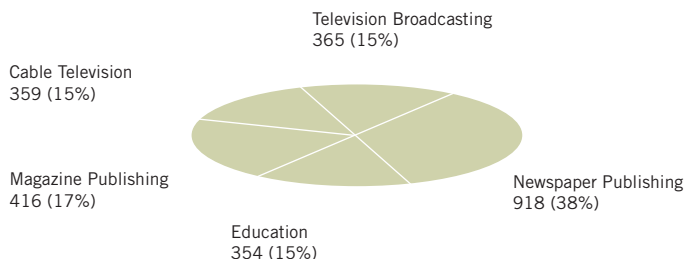
(\$ in millions)



*excluding losses of \$42 million from Education and losses of \$25 million from Corporate Office.

2000 Operating Revenue

(\$ in millions)

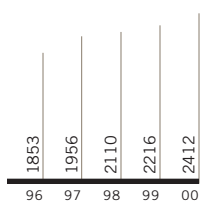


Financial Highlights

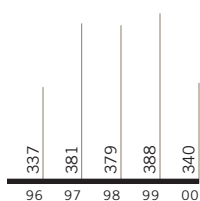
(in thousands, except per share amounts)

	2000	1999	% Change
Operating revenue	\$ 2,412,150	\$ 2,215,571	+ 9%
Income from operations	\$ 339,882	\$ 388,453	- 13%
Net income.....	\$ 136,470	\$ 225,785	- 40%
Basic earnings per common share	\$ 14.34	\$ 22.35	- 36%
Diluted earnings per common share	\$ 14.32	\$ 22.30	- 36%
Dividends per common share	\$ 5.40	\$ 5.20	+ 4%
Common shareholders' equity per share	\$ 156.55	\$ 144.90	+ 8%
Basic average number of common shares outstanding	9,445	10,061	- 6%
Diluted average number of common shares outstanding	9,460	10,082	- 6%

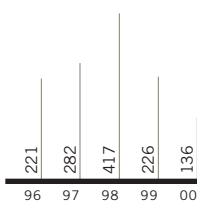
Operating Revenue
(\$ in millions)



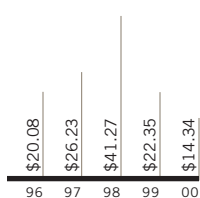
Income from Operations
(\$ in millions)



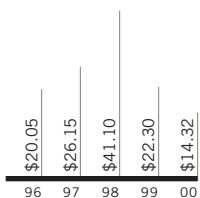
Net Income
(\$ in millions)



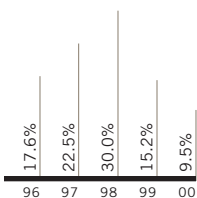
Basic Earnings per
Common Share



Diluted Earnings per
Common Share



Return on Average
Common Shareholders'
Equity



To Our Shareholders

In the year 2000, The Washington Post Company set the table for what should be strong operating performance in the years ahead. 2001 will be another table-setting year as we expect to invest \$85 million in a series of businesses at Kaplan and Washingtonpost.Newsweek Interactive (down from \$125 million in 2000).

In addition, while it won't significantly affect reported operating results this year (but will remind investors that they should always examine the Statements of Cash Flows), we will spend an all-time record amount of capital at the cable division.

If these investments are as successful as we hope, our company should do very well indeed. We hope the new businesses we are building will take their place alongside our traditional, highly successful newspaper, broadcasting, and magazine operations.



The year was a strong one for The Washington Post newspaper. Reported results are somewhat misleading because at year-end we offered a buyout to most of our 117 printers; 114 accepted it, resulting in a one-time charge of \$27.5 million against 2000 operating income. It's hard to believe we will no longer have a large number of printers here. In the 1960s and '70s the composing room was the largest department at the paper, reaching a peak of 743 people in 1974. That number is now down to 3! At a time of highly contentious labor relations at The Post, Kay Graham and Larry Wallace had the wisdom and foresight to reach agreements with the printers union that guaranteed lifetime jobs to the then-employees. In return, The Post received freedom to automate and the right not to replace those who retired. This newspaper, like many in the United States, was founded by a printer and owes much to the dedication and craftsmanship of hundreds of compositors who worked here over the decades.

Journalistically it was a year of highly unusual recognition. Post journalists won three Pulitzer Prizes and were finalists in five of the 11 other categories. Kate Boo's series on the treatment of mentally retarded adults in D.C. group homes, a reporting achievement among the greatest in the history of The Post, won the public service Pulitzer for the newspaper for the second year in a row. Henry Allen, one of Style's outstanding writers, won the Pulitzer for criticism. And three Post photographers – Carol Guzy, Lucien Perkins, and Michael Williamson – won the Pulitzer for feature photography. Together these three Post photographers have won seven Pulitzer Prizes. (In addition, Tom Ricks, who had joined us early in the year to cover defense, was a key part of a Wall Street Journal team that won the Pulitzer for national reporting.)

There's more good news about a story we mentioned last year. In 1998 a Post series disclosed that the District of Columbia's police force had shot more people consistently over many years than any other large police department in the country. The series documented the number of police shootings beyond any argument and received the Pulitzer Prize for public service. D.C. Police Chief Charles Ramsey didn't argue with what the series proved; he implemented reforms in police firearms regulations and improvements in training, which immediately yielded dramatic reductions in woundings and deaths of citizens. For 2000 police shootings in the District were down by 78 percent from 1998 levels, and the District now has one of the lowest rates of police shootings in the country. Chief Ramsey and his department deserve great credit for this, and so do Post reporters Jeff Leen and Sari Horwitz, and the others who contributed to the series.

The Post turned in improved profits in 2000, perhaps because it changed management. Bo Jones became only the fifth publisher of the paper since 1933. Bo had won the confidence and support of the staff, first as vice president and counsel, and then as general manager. He changed the paper's edition schedule and started a new Sunday bulldog edition. We added a new KidsPost section for school-age readers. Bo also focused more resources on local news gathering.



Much of this annual report describes the extraordinary news year all our journalistic organizations experienced in 2000. In the following pages, Post executive editor Len Downie, washingtonpost.com executive editor Doug Feaver, WPLG news anchor Dwight Lauderdale, and former Newsweek managing editor Ann McDaniel recount how their operations mobilized to cover the election and its aftermath, a totally unexpected, huge story, as well as other important events of the year. In addition, you'll see examples of the fine news photography and video images that appeared in 2000.

One of the most gratifying effects of the Florida election challenge was the light it shed on the cooperation between The Post's newsroom and washingtonpost.com. Throughout the year, washingtonpost.com had added large, important new features to its site, including a wonderful daily politics report. washingtonpost.com's election coverage attracted a dramatically increased audience, and the site has maintained remarkably high traffic ever since.

However, the creation earlier in the year of our newly expanded WashingtonJobs.com site may have been equally important to washingtonpost.com's long-term future. WashingtonJobs.com almost tripled the site's recruitment revenue, recording \$10 million of help-wanted advertising and creating a foundation for a very healthy local recruitment business on the web.

washingtonpost.com ended the year as the number one local news web site in America (sometimes trading the distinction back and forth with Cox's excellent AccessAtlanta) and one of the country's fastest growing national news sites. The site won the first-ever award for Excellence in Online Journalism from the National Press Foundation and five Eppy Awards, including best overall site among large newspapers. In his first full year running Washingtonpost.Newsweek Interactive, Chris Schroeder assembled and led a team that steadily increased site quality, revenue, and traffic.



Newsweek turned in another exceptional performance despite dramatically fewer advertising pages from the automotive category, our largest. It was a fine effort from Rick Smith, Harold Shain, and their team.

The decline in operating income shown in the magazine publishing segment is mainly a factor of the reduced pension credit at Newsweek. For years we have been mentioning the large amount of our operating income that consists of pension credits, a component that is of lesser quality than the rest of our profits. We report it as we are required to. Shareholders will want to take note

that \$3.90 of earnings per share in 2000 was attributable to pension credits, and that a decline of 24 percent in the pension credit in 2000 reduced EPS by 92 cents compared to 1999.

We feel the same way about the reduction as we did about the increases attributable to pension credits in every other recent year. It makes the numbers look good (or, in 2000, bad), but the pension credit is a non-cash entry, and shareholders should understand that. (It does have some importance; our generously funded pension plans enabled us, for instance, to offer the printer buyout at The Post referred to above.)

Under Mark Whitaker's leadership, Newsweek journalists again helped readers make sense of a turbulent year. The magazine's election coverage culminated in a 60,000-word behind-the-scenes account that was published less than a week after polls closed. The magazine also spoke vividly on the major political and social issues of the day, from DNA testing in death-penalty cases to the changing nature of race in America.

Newsweek International managed to improve its operating results by \$2 million over 1999, despite a world economy that wobbled and staggered all year long. Peter Luffman remains one of the finest managers in the entire company. Newsweek International welcomed Fareed Zakaria as editor at the end of the year.



Our television stations came through with another gain in operating income – indeed, it was the best year Post-Newsweek Stations ever had. It's fitting the record was set in Bill Ryan's last year as CEO. Bill has simply been the best group broadcasting executive in the United States for the last decade. He remains chairman of PNS.

In addition to tripling the profitability of the group during his 12-year tenure, Bill also improved the ratings at almost every station and created one of the strongest management teams in the business. He's being succeeded by Alan Frank, Bill's choice and for years the highly successful general manager of WDIV in Detroit, our biggest station and the company's largest individual profit center after The Post. Alan and Bill shared management in 2000, and both deserve credit for the excellent year.

Alan's successor at WDIV is Joe Berwanger, a longtime and highly successful broadcast executive. Another top industry veteran, Jeff Sales, became general manager at WKMG in Orlando. They join the best group of station managers around: Sherry Burns (Jacksonville), John Garwood (Miami), Jim Joslyn (San Antonio), and Steve Wasserman (Houston). They deserve credit for PNS's margins remaining the highest of any publicly reporting group broadcaster.

Perhaps the most dramatic year-to-year difference in our business came at Cable ONE. We've raved to you in the past about Tom Might's work as CEO of this division. In the year just ended, Tom completed the first phase of an arduous redefinition of our cable business and put Cable ONE on a unique course within the industry. Wish him luck, because the extent of Cable ONE's success will have a major impact on The Post Company's performance in 2002 and beyond.

Tom would be the first to say that the lack of growth in last year's operating income was disappointing. But Cable ONE achieved three truly remarkable things: First, J.D. Power and Associates ranked Cable ONE as the number one cable company in the U.S. in customer satisfaction, the first time we were included in their ratings. This was an enormous achievement for every single person at Cable ONE. Tom had focused the company on customer satisfaction for years.

Second, in March 2001, Cable ONE traded three systems, including our two largest – Modesto and Santa Rosa, California – to AT&T Broadband for five systems in Idaho, where we are now the largest cable company in the state. The swap increased Cable ONE's total subscriber count to 759,000.

But the biggest event at Cable ONE was the adoption of a new plan for digital television. We are giving away access to 149 additional channels of digital cable programming to all existing customers who want it – free for one year. Tom is doing this in the expectation of achieving the highest penetration rate for digital television among all cable companies once the free offer expires. The industry peak is 17 percent penetration; Tom hopes that once Cable ONE's customers have experienced digital television for a year, we'll achieve 30 percent penetration or even better.

But that's not all. Partly because we're offering the service for free, Cable ONE became the only company asking customers to self-install our digital service. We've even done the same thing with cable modems, which, along with other changes we've made, will greatly improve the economics of that business.

While the ultimate success of this strategy remains uncertain, there's no doubt about the cost of those free digital boxes and upgrading Cable ONE's systems. Cable ONE's capital expenditures leapt to \$96 million in 2000 and will increase even more, to \$125 million in 2001.

This is extraordinarily high capital spending, but shareholders should hope we do spend it. That's the amount we'll spend should the free digital offer remain a ringing success throughout

the year. If subscribers who were among the first to receive our offer don't meet our adoption rate goals, we'll cut back on this year's capital spending and on our long-term profit expectations.

Cable ONE is now a very big part of The Washington Post Company, recording over \$65 million of operating income and \$144 million of operating cash flow in 2000. Its growth will have important implications for our growth as a company. Obviously, in light of the free-digital strategy, cable operating income growth won't be great in 2001, but 2002-3 will be worth watching.

Kaplan matured in 2000 and is now ready to take off as a business. Starting this year Kaplan will be our second largest division in revenue. And while development spending will continue at Score!, eScore, and The Kaplan Colleges, results from the rest of Kaplan were strong in 2000, and we have high expectations for 2001.

The biggest event at Kaplan this past year was the acquisition of Quest Education Corporation in the summer. This company, founded by Gary Kerber in 1988, has been successfully educating thousands of college students annually.

Quest's 34 campuses in 13 states offer programs in technology, healthcare, business, and other fields directly important to students' careers. A degree or certificate from one of these colleges can mean a new or better job for its recipient.

Quest's growth had been dramatic during every year of its performance as a public company, and it continued under Kaplan. We acquired four new colleges in three new states with the acquisition of Denver Paralegal Institute at year-end.

Quest also has been a participant in a U.S. Department of Education demonstration program in Title IV funding for online education. The ability to offer accredited programs – to offer associate and bachelor degrees online – will be absolutely critical to Kaplan's web-based initiatives in the future.

Quest is only the latest of several successful acquisitions that have made Kaplan a significantly bigger company. Entrepreneurs like Andy Temte at Schweser, Richard Capezzali at The College for Professional Studies, Craig Callaway at Self Test, and Bonnie Speer McGrath at Perfect Access Speer have found a home for themselves and their companies in Kaplan's decentralized atmosphere.

Meanwhile, the oldest part of Kaplan, the Test Prep and Admissions business, has continued to grow under John Polstein's management. Test prep revenue increased 9 percent in 2000, and the enrollment numbers grew bigger almost every month as the year went along. Early in 2000, when Internet companies seemed such attractive employers, the number of students seeking business and other graduate degrees was in decline. But as dot-coms lost some of their appeal, applicants flooded back to traditional graduate programs. Whether business was weak or strong, Kaplan continued to strengthen its market share in almost every graduate program across the board.

Jonathan Grayer and Andy Rosen have put together an extraordinary collection of managers who know they are building an important business – one that will bring meaningful results to Washington Post Company shareholders and one that can make a difference in society. The company that Kay Graham and Dick Simmons bought from Stanley Kaplan in 1985 had just \$35 million in revenue. This year Kaplan's revenue should be over \$500 million – and there's room to grow.

Last year we devoted considerable space in the annual report to bragging about the success of our technology investments. These investments were indeed valuable for the company; what we learned from some of them propelled us ahead rapidly at washingtonpost.com. But we focused on our financial success: we had invested \$40 million in 15 Internet-related companies and through the end of 1999 had realized \$60 million in pre-tax gains. In addition, the company had a substantial amount of unrealized gains in the remaining portfolio, including approximately \$28 million in publicly traded securities.

Honesty and completeness compel us to report that this \$28 million unrealized gain has since nearly evaporated. We did learn valuable lessons about the Internet from watching developments at these companies; the last year taught some financial lessons as well (at year-end our unrealized gain totaled \$1.5 million).

Our overall cumulative investment record remains very good because chief technology officer Ralph Terkowitz and chief financial officer Jay Morse sold off investments over the past few years in a disciplined manner as sale restrictions on these stocks lapsed.

Once again consolidated corporate results were a bit confusing. Our net income was affected by the \$16.5 million after-tax charge for the printer buyout at The Post, by a \$11.7 million reduction in non-cash pension credits, and by an increase of \$16.6 million in interest costs since debt mounted. In addition, 1999 included gains arising from the sales of marketable securities that were \$18.6 million more than in 2000. Nonetheless, earnings apart from one-time items fell by 35 percent – a result we hope we prepared you for in our 1999 annual report, when we told you we would be investing \$130 million in developing businesses during the year. In fact, as indicated above, the net investment amounted to \$125 million; the comparable amount this year will be about \$85 million. Losses will diminish at Washingtonpost.Newsweek Interactive, at Kaplan's array of businesses, and at BrassRing. More important, a couple of these businesses have developed to the point where we can say they show great promise, although none is yet a certain winner.

Stockholders should be aware that Kaplan's results are affected by accruals for an incentive compensation plan somewhat equivalent to a stock option plan at a publicly traded company, although the accounting differs greatly. The accruals are non-cash today, but we'll be paying out cash in the future (12.5 percent of Kaplan stock is under option). We do not intend to take Kaplan public.

Unlike our other businesses, Kaplan has the characteristics of a turnaround. The current management team took over when the test prep business was losing \$4 million a year, and it seemed to us that it was going nowhere without highly unusual management, in depth. We've had such management, we've kept it, and results have been impressive. Kaplan's reported results for 2000 include operating profit (before goodwill amortization, stock-based compensation, and corporate overhead) of about \$30 million for its core test prep and professional training businesses (18 percent greater than in 1999), and \$8 million for Quest, which we acquired in the summer. These profits were offset by start-up losses totaling \$56 million at Score!, eScore, and kaplancollege.com.

Annual accruals for the compensation plan have been on the order of \$6-to-\$7 million since 1998, but they could go much higher in the future if Kaplan has the results we hope for. Stockholders should hope they go very high indeed.

| | |

As 2000 ended, the advertising market for local television and newspaper recruitment softened considerably. We never try to forecast the national economy, but the slowdown we've seen so far will definitely affect 2001 results in a negative way.

| | |

Again in 2001 we will be spending heavily; however, development spending actually will be outweighed by huge capital spending at Cable ONE.

For an unusual reason, we can feel some confidence in shareholder understanding of the reasons for this spending. Our company takes a different approach to corporate communications than most. As we've said in the annual report for several years, we care enormously about the profitability of our businesses, but we care nothing whatsoever about reported quarterly operating results. As we have told securities analysts consistently for years, we pay no attention to anyone's estimates of our quarterly earnings and whether our actual earnings are above or below them. In fact, we typically don't know what the estimates are.

However, our inattention to quarterly figures will not be an excuse for nonperformance. Our focus will continue to be on trying to build the intrinsic value of the company's businesses over time. Our success in doing this can only be measured by net income. Our goal is to build the most successful long-term business we can, consistent with The Post Company's emphasis on quality. This is not an easy goal to achieve; freedom from the distraction of quarterly earnings can only help, but the job still needs doing.

While we do not communicate nonpublic information to securities analysts focusing on our quarterly results, we do try to communicate in considerable detail with you, our shareholders. In 2000, frustrated by our limited ability to address serious business questions at our annual meeting, we invited our shareholders – and only our shareholders – to Shareholders Day. We had never had more than 50 shareholder attendees at an annual meeting and were anticipating 30 or so when we sent out invitations to Shareholders Day. To our amazement, more than 300 showed up. (We had to move it from The Post to a large nearby hotel at the last minute.)

Shareholders heard the detailed business plans of Cable ONE, Kaplan, and Washingtonpost.Newsweek Interactive, and spent five hours listening and asking questions. A panel of Post and Newsweek journalists also discussed the election, which had taken

place three days earlier. Shareholders Day was a great experience for everyone in the company. We won't turn it into an annual event, but you can bet we'll have many more Shareholders Days in our future.

Because Shareholders Day gave us the chance to spell out the nature of our plans in our three fastest changing businesses, our company entered 2001 feeling that our most important business constituency understood where we hoped to go and why. Now it's up to those of us running the company to get there. We continue to take our responsibility to you very seriously and hope you will continue to communicate questions and comments about the company to us.

| | |

This year Bill Ruane retires from our Board of Directors after reaching our mandatory retirement age of 75. Shareowners owe way more than the normal vote of thanks to Bill. Since 1977, Ruane, Cunniff & Co., Inc., has invested a substantial portion of Post pension funds, and its performance is the overwhelming reason our pension plans are among the most generously funded in the country. Year after year after year, Bill's results have earned our pension funds a niche among the top-performing U.S. pension plans, have saved shareholders millions of dollars, and have meant that people who work here have unusual certainty about their retirement funding.

Bill's retirement is a loss to our truly remarkable Board of Directors, but we added Barry Diller, chairman and CEO of USA Networks, Inc., to this world-class group in late 2000. His experience in operating Internet businesses as well as universally known television and cable networks made him a perfect choice for our Board.

Sincerely,

Donald E. Graham

Chairman and Chief Executive Officer

Katharine Graham

Chairman of the Executive Committee

March 2, 2001



George W. Bush in a quiet moment on his campaign train.
Bill O'Leary, The Washington Post, May 20



Mother and child awaiting treatment in a cholera ward in Kano, Nigeria.
Michael Williamson, The Washington Post, August 16



Vice President Gore after his concession speech, surrounded by his family and Senator Lieberman, his vice presidential running mate.
Susan Biddle, The Washington Post, December 13



Students at the New School of Dance in Washington, D.C.
Susan Biddle, The Washington Post, June 22



Women's basketball: George Mason beats American University.
Joel Richardson, The Washington Post, January 17



Leonard Downie, Jr.

A More Dynamic News Medium

By Leonard Downie, Jr., Executive Editor, The Washington Post

“There was no script. Things kept happening that never happened before.”

So began a front page story by Washington Post reporter David Von Drehle about the deadlocked 2000 presidential election. Those words also could describe how the newspaper covered the election – from the parties’ national conventions right on through the 36-day-long count in Florida. Because of the Internet, we covered this story differently from any story we had ever covered before, combining the depth of print journalism with the immediacy of broadcast.

In addition to extensive coverage of the election each morning in The Washington Post itself, our political reporters covered breaking news that appeared on The Washington Post Company’s Internet site, washingtonpost.com, all day long. One of our senior political reporters, Chuck Babington, wrote a “lead-all” summary of new election developments several times a day for publication on the web site. Our media reporter, Howard Kurtz, wrote a daily web column reviewing election news in other newspapers, with links to their web sites. Many of our top political journalists, including David Broder, Dan Balz, and Bob Woodward, participated, along with politicians from both parties, in washingtonpost.com online forums and video “web cast” interviews and panel discussions. All this was supplemented on the web site by live, “streaming” video of press conferences and speeches, video clips of their highlights, and full texts and transcripts. Between The Washington Post and washingtonpost.com, we blended print and broadcast news cycles with the limitless capacity and interactivity of the web to keep news-hungry readers fully informed around the clock.

When the Florida recount began, we assigned dozens of reporters to cover all the recounting and legal maneuvering. They reported many of the fast-moving events on washingtonpost.com as quickly as television could, but in greater depth and with more context.

After Vice President Gore conceded the election, we sent our reporters back to all the principal players to question them exhaustively about what they had thought, said, and done during those tense, action-packed weeks. Their findings were published at the end of January in an eight-part series in the newspaper and the next month in a book, *Deadlock: The Inside Story of America’s Closest Election*.

Throughout our coverage of the election and its aftermath, we demonstrated that The Washington Post and washingtonpost.com, working together, could be a different and more dynamic news medium than a newspaper alone or a web site alone. “A news organization that less than 18 months ago was operating pretty much under a one-deadline-per-day situation has shown that it can respond quickly and provide first-class journalism throughout the day for web readers,” said Tracy Grant, The Washington Post newsroom editor in charge of providing breaking news coverage to washingtonpost.com. Noting the record numbers of web users coming to washingtonpost.com for coverage of the election, she added, “If Election Night and its aftermath taught us anything about the web, it’s that news drives traffic.”

We also continued to publish in the newspaper enterprise journalism that made a difference during 2000. Metro staff reporters Katherine Shaver and David S. Fallis reported that convicted drunken drivers in suburban Montgomery County, Maryland, usually avoided jail and were able to continue driving even after they killed people on the road or were repeatedly arrested for drunken driving.

National staff reporter Michael Grunwald wrote a year-long series of articles detailing how the U.S. Army Corps of Engineers, in partnership with members of Congress, have been over-engineering America’s rivers and watersheds, spending billions of taxpayers’ money, and threatening the environment. Several of the projects he spotlighted were stopped, and changes were made in the Corps’ leadership and mission.

A team of investigative reporters and foreign correspondents revealed how multi-national pharmaceutical companies exploited poor, uneducated, and diseased people in Third World countries around the globe for the testing of new drugs without informed consent, sufficient safety precautions, or follow-up care. And another team of reporters explained how pharmaceutical companies and the United Nations have done little to combat the deadly scourge of AIDS in Africa with drug treatment regimens that are extending lives in the United States.

The Winner Is...

By Ann McDaniel, formerly Managing Editor, Newsweek

Senior Director, Human Resources, The Washington Post Company



The morphed face of George W. Bush and Al Gore on the cover of Newsweek's special election issue.

Steve Walkowiak for Newsweek, November 20

Gore-Bradley election primary debate.

Najlah Feanny / Saba for Newsweek, November 20

Presidential elections seem way too long even to the political junkies who make their living covering the campaigns. Whatever their political beliefs, by late October, they, like most of the voters, just want the fight for the White House to be over. The editors at Newsweek are no different, and for a few minutes in the early morning hours of November 8, 2000, we were delighted that the election had come to an end. For months we had planned for that night. In the next few hours we expected to close a special issue of the magazine that would hit the streets that Thursday and include the “inside story” of the campaign. Several Newsweek reporters had received in-depth access to the campaigns by promising that nothing from their reporting would be revealed until after Election Day, and those chapters were written and already at the printer. We’d selected and prepared a cover that featured Al Gore, assuming he’d won, and another that would declare “President Bush.” Just in case, we’d also designed covers that would work if one candidate won the popular vote and the other carried the Electoral College. None of that would matter, though, when veteran investigative reporter Mike Isikoff rushed back into the Wallendatorium (Newsweek’s top editors’ offices, nicknamed after the high-flying Wallenda brothers) and declared, “It isn’t over yet.” Isikoff had been looking at the Florida Secretary of State’s web site, and he saw what Gore’s staff would discover at about the same time: Florida required

Ann McDaniel





Demonstrators in Florida protesting ballot recounts.
Najlah Feanny / Saba for Newsweek, December 18

Palestinian youths battling Israeli Army forces on the West Bank.
Najlah Feanny / Saba for Newsweek, October 23



American swimmer Misty Hyman (left) celebrating her gold medal at the Sydney Olympics.
Lori Adamski / Peek for Newsweek, October 2

an automatic recount if there was less than a 0.5 percent victory margin, and, with the vote razor close, that was a certainty.

Exhausted as we had been only minutes before, every Newsweek staffer working that night was suddenly energized. Family trips were quickly canceled (the magazine had expected to be closed for a few days after the special issue was produced), reporters were dispatched to Florida, and editors began debating how we would capture the confusion and craziness of this bizarre election on the cover. Should we feature Bush's picture or Gore's? Photo illustrator Steve Walkowiak produced a stunning answer. At the suggestion of Sarah Harbutt, our director of photography, Walkowiak created a composite image with half Bush's face on one side and half Gore's on the other. The design generated a lot of mail and even a joke from Jay Leno. "Did you see the cover of Newsweek?" he asked in his monologue. "It's half Gore, half Bush. Think about it – what a nightmare this would be.... You'd have a know-it-all who gets everything wrong."

Once again, Newsweek had captured the zeitgeist of the nation. It was a very satisfying moment for our staff, which had worked tirelessly throughout the year to provide the best possible political coverage. We'd expanded our reporting to focus not only on the unexpected contests between Bill Bradley and Gore, John McCain and Bush, and Jesse Ventura and Ralph Nader, but also

on the key policy initiatives. We featured many issues on the cover, including the death penalty, the Supreme Court, and prescription drugs. Not all of our efforts were in print. As a result of our alliance with MSNBC, Newsweek's political team, led by Howard Fineman, Evan Thomas, and Jon Alter, offered commentary on television more frequently than ever before. Throughout the year we used our web site (Newsweek.MSNBC.com) to break news and give political junkies immediate contact with our reporters and editors. On Election Night our six hours of "live chats" were so popular that our servers almost crashed.

For the five weeks following Election Day, we happily worked around the clock, even delaying publication by 24 hours one Sunday when Florida Secretary of State Katherine Harris opened her office to certify the recount results. Each issue included reporting from behind the scenes, and we tried to add extra value by asking our talented writer Evan Thomas to tell the story in narrative form. Each week Evan and his team produced a new chapter, taking the reader inside the meetings and mania that would eventually land George W. Bush in the White House. Readers responded to our efforts, sending us more mail and email feedback than they had at any other time during 2000. For us, that was the perfect end to an incredible story and a great year.

Old Media Into New

By Douglas B. Feaver, Executive Editor, washingtonpost.com

Vice President, Washingtonpost.Newsweek Interactive

washingtonpost.com enjoyed record traffic during the election season and the Florida contretemps that followed because of the extraordinary cooperation that had developed between the old – and new – media arms of the company in the months preceding the election.

That cooperation was possible because key players in The Washington Post newsroom in the District of Columbia and washingtonpost.com newsroom in Arlington, Virginia, met regularly, beginning with the primary season, to plan and coordinate their coverage of the conventions and the election. In the process they forged the kind of personal and business relationships that engender mutual respect, an essential element in any successful partnership.

The result of those discussions was that both sides had their acts together when the election turned out not to be over November 7, and each side had learned enough about what the other does well to take advantage of the opportunities.

News on the Internet is not the same as news in print, and not the same as news over radio or television. The Internet does make it possible to combine the depth of print with the immediacy of broadcast, and also provides opportunities to do even more than print can for those who want to dig deeply into a subject.

Since we are not limited by press capacity or newsprint concerns, we can run the complete text of all the campaign speeches and statements. If you don't want to accept a boiled-down summary, the original words are all there. Court opinions became particularly important when Election Day was over and the Florida story began. We at washingtonpost.com got so good at posting the opinions within minutes of their issuance that Post reporters – and many others, we learned later – were using our site as a primary source.

washingtonpost.com shot its own video during the campaign and election, and photographer Travis Fox's work won three awards from the television division of the White House News Photographers' Association. We launched video clips of important moments, then informed them with analysis from The Washington Post's political experts. We posted terrific photo packages (the Internet is a highly visual medium) without having to worry about how many pages they would eat up. And readers who came late to the political story and wanted to find out what preceded Election Day could discover on washingtonpost.com the extraordinary Post biographies of George W. Bush and Al Gore that ran in the newspaper weeks before the election.

This cooperative effort was led at washingtonpost.com by Mark Stencel, the managing editor for washingtonpost.com's OnPolitics. Stencel's work has provided a blueprint for improved cooperation between the Internet site and The Post newsroom in other important areas of coverage, including local area news and entertainment and the challenge of making Washington fathomable to the rest of the nation and the world.

In my opinion no one yet has mastered the best ways to do these things on the Internet. Everything is an experiment. Some things work, some don't. The technology has a long way to go before it matches the reliability of print or the ease of pointing the clicker at the Zenith. Nonetheless, it does have some clear advantages for presenting, on demand, sights and sounds and tabular material far too extensive for either print or broadcast to handle.

In 1996 most Internet news sites crashed at some point on Election Night because the demand was too heavy for the electronic infrastructure to support. On Election Night 2000, washingtonpost.com was able to provide continuously updated vote totals for every congressional and senatorial race nationwide, for all governors' contests, and for every Washington-area local election. We did so without a technological hitch.



Marisleyis Gonzalez testifying on Capitol Hill about the abduction of Elian by federal marshals.

Susan Biddle, The Washington Post, April 23



Freshmen Senate Democrats at the Capitol.

Ray Lustig, The Washington Post, December 6



President Clinton passing Alan Greenspan at an Economic Conference in the White House.

Frank Johnston, The Washington Post, December 6



Michael Jordan with other Wizards basketball team owners at the MCI Center.

John McDonnell, The Washington Post, January 19



Young protester at the World Trade Organization meetings in Washington, D.C.

Michael Williamson, The Washington Post, April 17



Douglas B. Feaver

Eyewitness to History

By Dwight Lauderdale, News Anchor, WPLG-Miami

Elian Gonzalez being removed by federal marshals from his great uncle's house in Miami.

WPLG / Miami, April 22



George W. Bush on the campaign trail in Texas.

KPRC / Houston, March 15

“It’s going down...they snatched the kid!”

The producer hung up, but I knew exactly what that meant: the government was making its move to send Elian Gonzalez back to Cuba! I jumped out of bed and less than an hour later was live on the air describing heavily armed federal agents storming a house in Miami’s Little Havana and threatening to stop anyone who got in their way. Someone yells in my ear, “Throw it to reporter Rad Berky! A major intersection is shut down and on fire!” The next pictures we see are angry protesters filling the streets... setting fires... fighting police and threatening our news crews who dared show the world what they were doing. As dawn broke and people woke up to these pictures of Miami on fire, we faced a new challenge: telling the story without fanning the flames. With technology that brings the action into homes as it’s happening comes the added responsibility of not becoming part of the problem. We used our helicopter, Sky 10, to show viewers some young people who took advantage of the situation just to destroy property. Their motives had nothing to do with

Elian Gonzalez. Once they realized they couldn’t hide from our eye in the sky, most of them stopped and went home.

As we continued to broadcast pictures of Miami burning, WPLG political reporter Michael Putney and I shared with viewers our experiences reporting from Cuba. I recalled an image I’ll never forget: a little old lady who could have been my grandmother standing in a ration line in Havana for six hours to get four hard rolls. I hoped the perspective that Michael and I tried to convey would help our viewers comprehend why some Cuban Americans were so vehemently against sending the boy back. My co-anchor, Kristi Krueger, talked about how she would feel if someone took her child to another country and refused to give him back. On this early Saturday morning, I like to believe the collective experience of the WPLG team set us apart.

No sooner had the embers cooled from the Elian Gonzalez saga, another phone call. This one from a friend asking, “What are you people in Miami doing?” It was the day after Election Day, and once again the eyes of the world were on the Sunshine State to find



Footage of a van swept away in dangerous flooding in Texas.
KSAT / San Antonio, October 23



Checking chads in Palm Beach County.
WKMG / Orlando, November 14

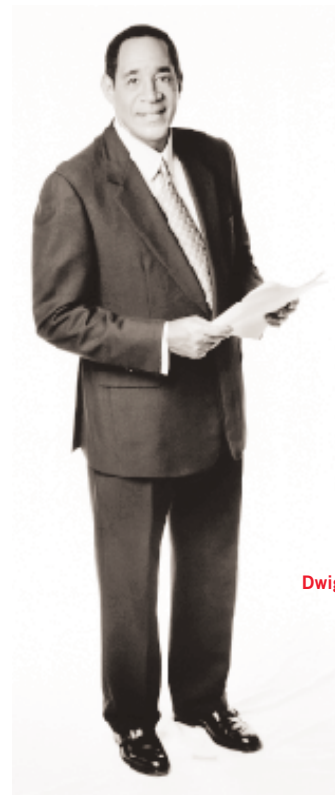


Celebrating the news that Jacksonville will host the Super Bowl in 2005.
WJXT / Jacksonville, November 1



Exposing dangerous electrical wires on light poles near Detroit schools and playgrounds.
WDIV / Detroit, July 19

out who would be our next president. We were back on the air around the clock with live pictures of angry Republicans storming election headquarters to stop the recount. I don't remember which recount; there were many. There were no scripts. We were swimming in uncharted political waters, and the tide kept changing. No sooner had we explained one court decision than another court was considering the issues. University of Miami legal experts became part of our news team. Do you know how difficult it is to get lawyers to speak in terms we all can understand? But we got through it, and the nation got its president. We owned this story! The networks and their affiliates turned to Post-Newsweek stations in Miami, Orlando, and Jacksonville to get the latest on pregnant, hanging, and dimpled chads. C-SPAN broadcast the top of our 5 p.m. newscast every day, which only spawned more phone calls from across the country asking, "What are you people in Miami doing?" I can't speak for the entire region, but I have my answer. I'm an eyewitness to history with the best seat in the nation. That's what I'm doing, and loving every minute of it. Y2K. Whew, what a year!!!



Dwight Lauderdale

Television Broadcasting

Business Overview

The broadcast division had its best year ever in 2000. Operating income rose 6 percent to \$177.4 million in 2000, from \$167.6 million in 1999. The stations' revenue rose 7 percent. Political and Olympics advertising totaling approximately \$42 million in the third and fourth quarters generated most of the increase.

WDIV-Detroit continued to be the dominant local station in its market and was the number one NBC affiliate in the top 20 U.S. markets in 2000.

Several Local First News investigations resulted in major public policy changes in 2000. One investigation exposed dangerous problems in the Detroit Fire Department. The city responded by allocating millions of dollars to the department and adding seven new trucks to the firefighting fleet. Another investigation revealed extensive problems with head gaskets on a popular minivan. As a result of the investigation, steps were taken to cover the cost of expensive repairs.

WDIV introduced ClickOnDetroit.com, a 24-hour news and information site. In six months, ClickOnDetroit.com became one of the top ten broadcast web sites in the country.

Partnering with Detroit-area food banks, WDIV helped fight hunger in the community. A month-long "Target 4 Action" campaign focused on recovering the tons of food that go unused every day by area restaurants and markets and on redistributing the food into the community. The successful campaign culminated with a major community fundraiser for area food banks.

KPRC-Houston continued to improve its news ratings in 2000 despite increased competition. Another Houston television station entered the local news wars in 2000. The Tribune-owned WB affiliate started a 9 p.m. newscast. There now are seven nightly newscasts on the air in Houston, two of which are Spanish-language. Nonetheless, in the November sweeps, KPRC was number one in late news in the key advertiser demographic, adults ages 25 to 54.

KPRC created African American Health Week, a ten-part, on-air health initiative targeting the health concerns of Houston's

black community. The outreach program included the distribution of pamphlets about warning signs, treatments, and where to go for screenings for illnesses of special concern in the African American community. For Buddy Check 2000, KPRC teamed up with the M.D. Anderson Cancer Center in Houston to screen over 2,000 men for prostate cancer.

In the spring KPRC was the first Post-Newsweek station to launch a web site as part of the PNS partnership with the Internet Broadcasting System (IBS). Click2Houston.com, supported by heavy cross promotion on KPRC's air, quickly became the most dynamic online source of local news, weather, and other information available to Houstonians. Traffic on this web site for the first six months of operation exceeded expectations.

WPLG-Miami/Fort Lauderdale extended its strength in news and community affairs in 2000. The station finished first in late news and led the market in delivering key young demographics at 11 p.m.

WPLG led the market in covering major breaking news events, including the custody battle over Elian Gonzalez, scandal and corruption in local government, and, of course, the national focus on South Florida during the presidential election.

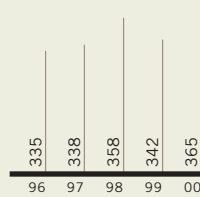
Michael Putney, Rad Berky, and the Eyewitness News team covered every aspect of the election from Miami to Tallahassee to Washington, D.C. WPLG's tough investigative reports, produced by investigator Jilda Unruh, uncovered major inconsistencies in construction contracts in the Dade County school system. Her stories have led to a call for a federal grand jury investigation.

Eyewitness News followed the saga of Elian Gonzalez at every turn. The station's crews were in Cuba, Atlanta, Washington, and New York as the world watched and waited to see the outcome of this emotional and politically charged story.

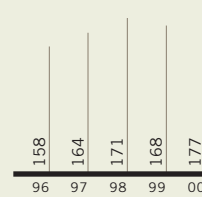
WKMG-Orlando achieved gains in prime-time audience share and key demographics. Popularity of the reality-based CBS network adventure series "Survivor" helped attract a new,

Television Broadcasting

Operating Revenue
(\$ in millions)



Operating Income
(\$ in millions)



younger audience to the station. WKMG also ranked as one of the top-performing CBS stations in the country for the new fall prime-time programming.

WKMG launched a local news segment called “Problem Solvers” that uses a team of investigators. The station broke a story about local banks that routinely discard bank records without shredding the documents. Now WKMG’s reporting has raised the issue of whether statewide and national legislation is needed to ensure proper disposal of confidential financial and medical records.

In August, WKMG was honored by Florida’s Department of Children and Family Services for its stationwide effort to improve the foster care system in Florida. WKMG helped revise the state’s foster parent recruiting program and promoted the need for new volunteers in a news and promotion blitz. Over 1,000 viewers responded to the call.

WKMG created Winter Spectacular, a free, family-oriented event including snow and a fireworks display. Winter Spectacular also collected truckloads of donated clothing and thousands of cans of food for the Salvation Army.

KSAT-San Antonio continued to lead in local news and local programming in 2000, topping the market in ratings for adults 18 to 49 and 25 to 54. In most cases, KSAT 12 news delivered more key demographics than the other network stations combined.

2000 was a big year for KSAT’s community involvement. With diabetes so prevalent among Hispanics in South Texas, KSAT offered free diabetes screenings and educational counseling for a full week and screened more than 11,000 people. When the summer temperatures skyrocketed to triple digits, KSAT called on the community to donate window fans for low-income families who have no other way of cooling their homes. Viewers responded immediately, donating thousands of badly needed fans.

KSAT stayed on top of the weather with the addition of a state-of-the-art weather graphics system that features a touch screen telestrator to track storms. 2000 also saw the launch of ClickOnSA.com, KSAT’s dynamic new web site, and the debut of

KSAT CHAT, an innovative 30-minute summertime program featuring viewer feedback from KSAT CHAT kiosks.

WJXT-Jacksonville emerged the clear market winner in 2000 in the first full year competing against Gannett and Clear Channel duopolies. Going head to head in local competition, Eyewitness News finished first in every contest. More important, WJXT’s gains came at the expense of WTLV, which has suffered a ratings slump since it began simulcasting its local news on both NBC and ABC outlets. WJXT’s loyal news viewership expanded with the launch of its web site, News4Jax.com, which is an integral part of the station’s on-air identity.

Election month proved challenging to Florida stations. Resources were poured into covering the endless recounts and court challenges. In the midst of chad chaos, the Reverend Billy Graham brought his crusade to Jacksonville for the first time, and the NFL announced Jacksonville had been chosen as the site for Super Bowl XXXIX – two new indicators of Jacksonville’s emergence as a first-tier city.

WJXT returned to its long-form investigative roots throughout the year with several prime-time events. The station hosted a town hall meeting that put the mayor of Jacksonville on the hot seat for his proposed tax hike. WJXT also was the originating station for a marketwide simulcast about the issue of teen pregnancy. The most dramatic effort was a documentary months in the making that took viewers behind closed doors at a domestic violence shelter. An all-female crew followed women through the system, from emergency room to the courts. The day the documentary aired, WJXT focused on domestic violence in each broadcast and throughout the day and night staffed a phone bank with counselors from shelters.

Newspaper Publishing

Business Overview

Newspaper division operating income totaled \$114.4 million in 2000, a decrease of 27 percent from \$156.7 million in 1999. Revenue increased 5 percent to \$918.2 million, from \$875.1 million in the prior year.

The decline in operating income resulted mostly from the \$27.5 million pre-tax, one-time charge recognized in the fourth quarter of 2000 in connection with the early retirement program completed at The Washington Post, increased spending for marketing and advancement of washingtonpost.com, a lower pension credit, and higher newsprint expense. These factors were offset in part by higher print and online advertising revenue.

The Washington Post had a good year. Solid financial results were accompanied by important innovations to meet the changing needs of readers and advertisers in The Post's increasingly diverse marketplace. Major steps were taken to streamline operations and reduce costs.

Revenue increased by over 4 percent in 2000. Excluding pension credits and one-time production staff buyouts, expenses grew by 3 percent.

Print advertising revenue was up 4 percent to \$664 million in 2000, from \$641 million in 1999. Automotive, corporate, financial, technology, and home furnishings segments all showed substantial gains over the prior year. Classified advertising increased 2 percent.

To afford new opportunities for advertisers to reach their target audiences efficiently and effectively, the newspaper initiated expanded zoning opportunities, launched special business sections, and invested in new equipment. The weekly Home, Washington Business, and Sunday Recruitment sections were redesigned to provide an enhanced experience for readers and more choices for advertisers. A new feature focusing on the booming technology sector in the National Capital Region was launched.

For the second straight year, daily circulation for the 12 months ending September 30 showed a slight increase. The gain was fueled by the growing presence of the newspaper in school classrooms throughout the region. The Post also launched a weekday KidsPost page to help attract and retain 8- to 12-year-old readers.

Sunday circulation for the same period declined by just under 1 percent. A new early Sunday edition was launched in July to ensure that there is a Post product available to meet this market niche.

Responding to readers' needs, The Post put later news and sports scores in its editions, provided greater local coverage through zoning of the Metro and Sports sections, and converted weekly local sections serving several Maryland counties and the District of Columbia to a more engaging and informative format.

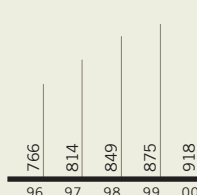
The Post's new production facilities produced excellent results. Press speeds increased 17 percent, with significant improvements in print quality and reductions in waste.

Washingtonpost.Newsweek Interactive (WPNI) experienced the most dramatic growth of its five-year history in 2000, expanding the company's news and information franchise and achieving online revenue of \$27.1 million, compared to \$15.6 million in 1999. WPNI's flagship product, washingtonpost.com, made significant progress in furthering its two primary missions: being the definitive place of community for greater Washington and making Washington fathomable to the rest of the nation and world.

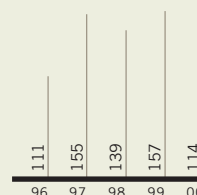
With little national marketing, washingtonpost.com drew larger national and international audiences in 2000. By year-end, the site was regularly breaking records for daily and monthly page views. Page views for December 2000 increased by 72 percent over December 1999. washingtonpost.com received numerous industry awards in 2000.

Newspaper Publishing

Operating Revenue
(\$ in millions)



Operating Income
(\$ in millions)



washingtonpost.com's reputation as the leading Internet destination for politics helped to fuel growth. With content from The Post's award-winning political team, increased multimedia features, and new partnerships, washingtonpost.com set new standards for deep, comprehensive coverage of politics on the web.

A powerful washingtonpost.com local marketing initiative that more clearly defined the site as the D.C. area's leading news, entertainment, and information destination also contributed to growing traffic. The success of WashingtonJobs.com also stimulated site visits. A mid-summer redesign that expanded the resources available to job seekers and employers helped WashingtonJobs.com triple revenue from 1999 to 2000. December site traffic jumped 107 percent over the prior year. In addition to jobs, washingtonpost.com's online classified marketplace flourished, with cars and apartments showing strong performance.

Newsweek's web site, now located at Newsweek.MSNBC.com, also expanded, seeing double-digit traffic growth during the year.

In October, WPNI launched Washtech.com, the definitive site for technology news and information in the D.C. region. The new site combines content from its own staff, The Washington Post, and Post Newsweek Tech Media Group to create an important technology resource.

Another initiative was the company's entry into the delivery of content "beyond the desktop." Users now can have washingtonpost.com news sent to their email, wireless devices, and personal digital assistants. The site launched a political email newsletter mid-year and, in a matter of months, saw subscriptions rise to over 20,000. In 2001, washingtonpost.com will offer email newsletters covering major news stories, sports, and entertainment.

Washington Post Writers Group in 2000 awarded its first three FineToon fellowships under a new program to develop new comic-strip artists and expects to add to its list of syndicated car-

toonists in 2001. Syndication revenue from international publications softened in 2000, but North American revenue and income from text and photo reprint operations continued to grow.

The Herald, in Everett, Washington, launched two highly successful weekly sections in 2000. The new Sunday Employment section and Thursday Home and Garden section proved popular among readers and advertisers alike. Combined with strong gains in reprint advertising volume, advertising revenue growth topped 7 percent for the third consecutive year.

Strong revenue results were offset by rising newsprint prices, escalating employee benefit costs, and declining circulation revenue, causing operating income to fall a disappointing 12 percent below the record results posted in 1999.

The Gazette launched three community newspapers to bring its combined mid-week controlled circulation for Montgomery, Frederick, Carroll, and Prince George's Counties to 35 editions and 554,000 copies in 2000. For the fourth consecutive year, The Gazette was awarded first place for General Excellence by Suburban Newspapers of America. Comprint Printing, the organization's commercial printing operation, completed installation of a prepress technology that provides straight-to-film/plate service for its customers and other units of The Washington Post Company. On February 28, 2001, The Gazette completed the acquisition of Southern Maryland Newspapers from Chesapeake Publishing Corp.

Cable Television

Business Overview

Cable division operating cash flow was \$143.7 million in 2000, up only 2 percent from \$140.2 million in 1999. Revenue increased to \$358.9 million, up 7 percent from \$336.3 million in 1999. Basic cable programming expense continued its steady rise to \$66.3 million, up 12 percent in 2000. The other major reason for sluggish growth was the second and third quarter launch of free Cable ONE Digital® to half of Cable ONE's customer base. Access to 149 new additional digital channels is being offered free for the first 12 months to any basic cable customer who agrees to self-install a digital receiver. The free 12-month offer has a dampening impact on 2000 and 2001 cash flows.

However, this offer is a bold, fresh strategy to leap past industry penetration expectations for digital video. The average annual digital video penetration growth of other cable companies has been less than 10 percent, accompanied by high monthly churn. If successful, Cable ONE's strategy will yield digital penetration of 30 percent or more by the end of 2001 and equally strong digital cash flow growth in 2002 and 2003. The first five systems launched already had reached an average penetration of 12 percent by the end of 2000, just four months after launch.

Cable ONE Digital® will be offered to 97 percent of all Cable ONE customers by the end of 2001.

Cash flow growth also was hindered by start-up costs for CableONE.net®. This new high-speed cable modem service was launched to 45 percent of Cable ONE's customer base in the third and fourth quarters. Cable ONE's approach to high-speed access is different from any other major cable company. The service is operated entirely by Cable ONE without any revenue sharing or operational reliance on a partner such as @Home or RoadRunner. All customers have been asked to buy, self-install, and provision their own modems from day one. These differences will allow Cable ONE to compete more cost effectively. High-speed CableONE.net® will be available to 86 percent of all customers by the end of 2001.

Capital spending hit an all-time high of \$96 million in 2000 to support the large-scale launch of free Cable ONE Digital® and the continuing upgrade of cable systems. Spending will be even higher in 2001 if digital penetration reaches 30 percent as planned. Plant upgrade spending is declining since most system upgrades have been completed. CableONE.net® capital spending

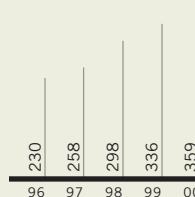
was modest in 2000 since customers purchased their own modems at retail. However, some spending to subsidize cable modem purchases may be necessary in 2001 due to competitive high-speed offers from telephone-based DSL operators.

The division completed a major system trade with AT&T Broadband in March 2001, giving up its three systems in California and Indiana for 70 percent of all cable customers in Idaho. Most of the Idaho customers are located in five systems that are ideally suited for Cable ONE's focus on large, but non-metropolitan, systems. The Idaho trade, along with 19 other deals completed since 1996, concentrates 75 percent of all Cable ONE's customers in just five states: Mississippi, Idaho, Texas, Oklahoma, and Arizona. The average system size has grown from 7,000 to 17,000 customers, which is important to the economics of new service roll-outs. The net subscriber gain from the 20 deals is 240,000 customers at an average price of only \$1,360, 11.4 times cash flow multiple.

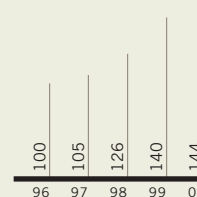
Video competition from DBS hindered any internal subscriber growth in 2000 as average basic subscribers were up

Cable Television

Operating Revenue
(\$ in millions)



Cash Flow
(\$ in millions)



only slightly to 735,000. The broad launch of Cable ONE Digital® and CableONE.net® in the last few months of 2000 will change the subscriber equation significantly and will help the division hold and expand market share.

Cable ONE's intensive focus on customer satisfaction paid off in 2000 when a J.D. Power and Associates survey of cable and satellite DBS customers showed that Cable ONE had the highest customer satisfaction on the cable side of the industry. Since re-branding the service to Cable ONE in 1997, associates throughout the cable division have trained and worked hard to provide the best cable service in the country.

Magazine Publishing

Business Overview

Magazine publishing is a highly competitive industry, with a long history of innovation and growth. The industry has seen significant changes in the past few years, with the rise of digital publishing and the decline of print. The industry is currently facing a period of consolidation, with many publishers merging or being acquired. The industry is expected to continue to evolve in the coming years, with a focus on digital and mobile publishing.

The magazine publishing division, which includes Newsweek, Inc., and Post Newsweek Tech Media Group, recorded operating income of \$49.1 million, a decrease of 21 percent from operating income of \$62.1 million in 1999. Revenue totaled \$416.4 million for 2000, a 4 percent increase over 1999. The decline in operating income occurred primarily at Newsweek.

Newsweek, Inc., recorded a decline in operating income, after a record performance in 1999, as a result of a significant drop in the pension credit, higher subscription acquisition costs, and an increase in investment spending on the recently acquired Arthur Frommer's Budget Travel. But thanks to careful expense controls, several strong special issues, and improvements at Newsweek's international editions, Newsweek's results exceeded expectations.

For the craziest, closest presidential election in modern memory, readers turned to Newsweek for out-front reporting and analysis that helped define the political landscape week in and week out. Newsweek's coverage of international affairs was equally notable, with features on Jerusalem, the AIDS crisis in Africa, and a Pentagon cover-up concerning the 1999 war in Kosovo.

Readers responded well to the magazine's clear, lively coverage of health, science, and technology – including cover reports on Napster, diabetes, Alzheimer's, and autism; two editions of "eLife" (Newsweek's guide to the world of high tech); and the widely distributed special issue, "Your Child: From Birth to Three," a follow-up to the magazine's hugely successful 1997 edition for parents.

Newsweek's domestic advertising pages were down 7 percent in 2000 compared to 1999, but net rates per page were up, bringing 2000 ad revenue to roughly the same level as in the previous year. Along with the magazine industry as a whole,

the industry has seen a significant decline in advertising revenue. This is due to a combination of factors, including the decline in print advertising and the rise of digital advertising. The industry is currently facing a period of consolidation, with many publishers merging or being acquired. The industry is expected to continue to evolve in the coming years, with a focus on digital and mobile advertising.

Newsweek experienced a soft fourth quarter advertising market. The magazine faced sharply reduced automotive advertising in 2000, in part because of the slowdown in domestic auto sales, as well as the downturn among the dot-coms and the technology category as a whole. However, some categories gained pages: financial services, pharmaceuticals, and telecommunications. Also performing well were the magazine's various special issues, including "Your Child," "eLife," and two editions of "Issues 2001," which were published both in the U.S. and overseas in cooperation with the World Economic Forum in Davos, Switzerland.

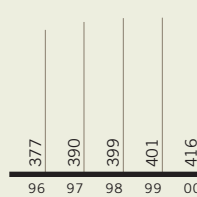
Newsweek's domestic paid circulation remained solid and profitable at more than 3.1 million. Newsweek continues to lead the news magazine category in terms of the highest percentage of long-term subscribers, the fewest subscriptions sold with premiums, and the lowest subscription sales required to meet its rate base of 3.1 million. The circulation rate base for the magazine's three English-language editions overseas rose slightly, from 663,000 in 2000, to 666,000 in 2001.

Globally, Newsweek delivers a total audience of 22.6 million. Syndicated research around the world shows the magazine leading the newsweekly field with the highest concentration of readers in key demographic categories that advertisers most want to reach. According to MRI Fall 2000, the U.S. edition of Newsweek is read by a greater number of affluent business professionals than Time or U.S. News, and eight out of ten Newsweek readers are linked to the Internet.

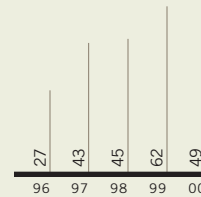
Newsweek International's business picture improved markedly in 2000, with the overseas editions ending the year well ahead of expectations. Sales of advertising from overseas markets

Magazine Publishing

Operating Revenue
(\$ in millions)



Operating Income
(\$ in millions)



into the domestic edition reached a record level, and advertising pages for the international edition were at their highest since 1996 thanks to a 25 percent gain in the Asian market. Advertising revenue grew by 8 percent despite intense pan-regional competition, which pressured advertising rates. A strong dollar had a positive effect on operating results.

In June an Arabic edition of Newsweek, Newsweek Bil Logha Al-Arabia, was launched in cooperation with Dar Al-Watan of Kuwait. Newsweek remains the only news magazine with weekly foreign-language editions – in Japanese, Korean, Spanish, and now Arabic. Itogi, Russia's first independent news magazine, is also published in cooperation with Newsweek.

As part of The Washington Post Company's and Newsweek's strategic alliance with NBC News, MSNBC Cable, and MSNBC.com, Newsweek's web site was relaunched last June as Newsweek.MSNBC.com.

Arthur Frommer's Budget Travel, a no-nonsense guide to affordable travel, increased its rate base from 350,000 in 2000, to 400,000 for 2001. Teen Newsweek, aimed at America's middle schools and produced with Weekly Reader, increased its circulation from 115,000 in the 1999-2000 school year, to 180,000 for 2000-2001.

Newsweek Productions produced a third season of the "HealthWeek" series on PBS, as well as a 50-episode "Health Point" series for The Health Network, a joint cable venture of News Corp. and WebMD.

In addition, Newsweek Productions produced "e-Planet: A Cyberday" for CNBC as part of a sponsorship package with Microsoft and its technology partners that also featured a special section in

Newsweek. The one-hour documentary, filmed in 16 cities on six continents in the same 24-hour period, reported on the worldwide impact of the Internet.

Newsweek Productions also co-produced with National Geographic Television the two-hour documentary "Destination: Space," which also was broadcast on CNBC as a special edition of the "National Geographic Explorer" series.

Newsweek Productions has entered into a development agreement with Carlton Television, a major television production company in the United Kingdom, to develop nonfiction programming for both the U.S. and international markets.

Post Newsweek Tech Media Group, formerly Post-Newsweek Business Information, was relaunched with the mission to provide "smart content, smart solutions, in print, in person, and online." The operations of two business-to-government publications, Government Computer News and Washington Technology, were consolidated into a government publications group. Entering its 25th year, FOSE, the premier trade show for government technology, diversified its business into smaller niche shows such as the IRMCO conference.

Two of the unit's web sites, washingtontechnology.com and gcn.com, turned profitable. In the business-to-business field, Washington Techway was launched, covering the commercial technology community of the Washington, D.C., region, and the web site, Washtech.com, was relaunched in partnership with two other divisions of The Washington Post Company.

Operating results improved significantly at Post Newsweek Tech Media Group with growth in revenue across all products and effective attention to expense control.

Education

Business Overview

Kaplan, Inc., continued to expand its reach and position as a broad-based provider of education and career services in 2000. Revenue grew 37 percent over 1999, climbing to \$353.8 million, which includes \$56.9 million from Kaplan's acquisition of Quest Education Corporation in the summer of 2000. Through a combination of strategic acquisitions, new technologies, and strong leadership, Kaplan's five operating units served students of all ages with tools for lifelong learning.

Kaplan Test Prep and Admissions experienced a solid year, with revenue of \$165.2 million for 2000. Despite the entry of numerous competitors, Kaplan continued to grow. While graduate school was less popular at the beginning of the year as prospective students flocked to Internet jobs, year-end saw substantial growth in Kaplan's pre-graduate courses, in particular, GMAT and LSAT preparation, as interest in business school and law school increased. In the pre-college arena, Kaplan introduced one-on-one college admissions consulting to complement its national center-based college admissions courses.

Kaplan continued to serve a broad population of international students and professionals, offering English-language programs and test preparation for American entrance and licensing exams. In addition to serving international students in its U.S. centers, Kaplan and its licensees offered its programs at 36 centers in 15 countries abroad.

Kaplan provided many of its services directly to schools and had 650 school relationships in 2000, reaching thousands of middle and high school students and teachers through professional development workshops, curricular materials, and test preparation programs. Through a statewide contract, Kaplan Test Prep and Admissions also provided professional development seminars for approximately 550 Florida teachers to assist them in preparing their students for the Florida statewide assessment tests.

Kaptest.com, the online division of Kaplan Test Prep and Admissions, began and ended the year as a leading provider of

online test preparation, reaching 2 million users worldwide. Kaptest.com added a variety of new online courses, workshops, and live online events related to test preparation and admissions. The site also provides informative articles and guidance about the admissions process for college, graduate, and professional schools.

Kaplan Publishing, in a joint venture with Simon & Schuster, published 71 titles in 2000 on test preparation, admissions, education, career development, and life skills. Kaplan Publishing emerged as a leader in sales of books for statewide assessments with the publication of 24 state test titles. The division also initiated a line of eBooks. Kaplan's test prep software business, through a strategic relationship with Encore Software, had a 65 percent share of the test preparation software market through December 2000, according to PC Data, the computer industry's primary source for software, hardware, and video game sales information.

Kaplan Professional consists of several companies that provide licensing and continuing education, certification, and professional development courses. The unit had revenue of \$79.7 million, an increase of 35 percent over 1999, including acquisitions. Dearborn Financial, a supplier of training and curriculum for securities, insurance, and financial services professionals, provided nearly 6,000 classes nationwide and served more than 115,000 students with an enhanced product line of print titles and CD-ROM and online courses. The division also introduced the Dearborn Career Tracker, which allows corporations to meet, manage, and track their employees' educational requirements and progress. Dearborn Real Estate Education launched RECampus.com, its online continuing education learning center for agents and brokers. Perfect Access Speer, the unit's software training and consulting business, broadened its educational and training solutions for legal and financial firms with the acquisition of Speer Software Training, Inc., and began expanding its training services into the e-learning arena. Schweser Study Program, a lead-

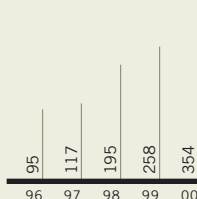
ing provider of training for the Chartered Financial Analyst (CFA®) examination, grew as the CFA® became an increasingly popular designation for financial services professionals. Self Test Software, a provider of practice tests for technical certifications for businesses and individuals, provided software to more than 90,000 technologists who sought to attain vendor-sponsored certification.

Quest Education Corporation, a provider of post-secondary education, was acquired by Kaplan in the summer of 2000, enabling Kaplan to broaden the population of students it serves and to offer high-quality programs, including many that are regionally accredited. Quest posted revenue of \$128.0 million in 2000, of which \$56.9 million was recognized by Kaplan, Inc. Through 34 schools in 13 states, Quest offered bachelor and associate degrees as well as diploma programs to nearly 13,000 students. Programs are designed to provide students with the skills necessary to qualify them for entry-level employment in the fields of healthcare, business, information technology, fashion, and design.

The Kaplan Colleges is comprised of three institutions focused on distance education: Kaplan College, The College for Professional Studies, and Concord University School of Law. This group of institutions, which posted revenue of \$11.1 million in 2000, offers complete diploma and degree programs for working professionals. Kaplan College offers a variety of business and IT programs with regional accreditation from The Commission on Institutions of Higher Education of the North Central Association of Colleges and Schools, one of the highest levels of academic accreditation in the country. The College for Professional Studies is accredited by the Accreditation Commission of the Distance Education and Training Council and offers diplomas in legal nurse consulting and paralegal studies. Concord, the nation's first online law school, offers J.D. and Executive J.D.SM degrees to professionals, family caretakers, and working students whose circumstances prevent them from attending

Education

Operating Revenue
(\$ in millions)



a fixed-facility law school. Approximately 600 students were enrolled in Concord at year-end.

Score! Learning, Inc., a national provider of after-school learning programs for children and educational resources for parents, posted revenue of \$41.2 million. In Score!'s 142 after-school learning centers, children in grades K through 10 develop academic skills, self-confidence, and a love of learning. In 2000, Score! opened 42 new centers nationwide and served nearly 50,000 students. Score! Prep serves high school students with in-home tutoring for standardized tests and academic subjects. eScore.com, an online resource for parents of children newborn to age 14, provides parents with customized tools and information to pinpoint their child's learning strengths and needs and play a more effective role in their child's education and development.

BrassRing, Inc., is a business-to-business provider of integrated recruiting solutions and Talent Relationship Management (TRM) systems. Kaplan helped create BrassRing in 1999 and is the largest shareholder in the company with a 42 percent interest. BrassRing's mission is to help employers hire better people faster. The company consists of BrassRing Career Events, one of the largest sponsors of technology career fairs in North America and Europe; BrassRing Exchanges, a leading provider of online recruiting solutions for hard-to-hire candidates; and BrassRing Systems, a leading provider of web-based TRM solutions that help manage and streamline the entire hiring process. BrassRing results are included in the "equity in affiliates" line.