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 39 through 55 of this report present fairly, in all material respects, the financial position of The Washington Post Company and its subsidiaries at January 2, 2000 and January 3, 1999, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 2, 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 25, 2000

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

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. Basic and diluted earnings per share totaled $22.35 and $22.30 in 1999, respectively, compared to $41.27 and $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.

Revenues for 1999 totaled $2,215.6 million, an increase of 5 percent from $2,110.4 million in 1998. Advertising revenues increased 3 percent in 1999, and circulation and subscriber revenues increased 6 percent. Education revenues increased 40 percent in 1999, and other revenues decreased 31 percent. The newspaper and magazine divisions generated most of the increase in advertising revenues. The increase in circulation and subscriber revenues is primarily due to a 13 percent increase in subscriber revenues at the cable division. Revenue growth at Kaplan, Inc. (about two-thirds of which was from acquisitions) accounted for the increase in education revenues. The decline in other revenues is principally due to the disposition of MLJ (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 Internet-related businesses (approximately $34 million increase), higher depreciation and amortization expense and increased spending for new business initiatives at the education and career services division. 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. The Company now includes the results of its electronic media publishing operations (primarily washingtonpost.com) within the newspaper publishing division. Previously, these operating results were included in the "other businesses and corporate office" segment. All prior year division results have been restated to reflect this change in reporting.

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

Circulation revenues 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 electronic media spending for the continued development of washingtonpost.com. The Post's 1999 operating results benefited from the higher advertising revenues 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. Revenues at the broadcast division declined 4 percent to $341.8 million in 1999, compared to $357.6 million in 1998. The decline in 1999 revenues is due to softness in national advertising revenues and the absence of Winter Olympic advertising revenues (first quarter of 1998) and political advertising revenues (third and fourth quarter of 1998), offset in part by growth in local advertising revenues.

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.

The operating margin at the broadcast division was 49 percent in 1999, compared to 48 percent in 1998. Excluding amortization of goodwill and intangibles, the 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 revenues.

Magazine Publishing Division. Magazine division revenues were $401.1 million for 1999, up slightly over 1998 revenues 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 revenues 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 Division. Revenues 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 revenues. The number of basic subscribers at the end of the year 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 revenues. 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 and Career Services Division. The Company provides education and career services through its subsidiary Kaplan, Inc. Kaplan provides test preparation programs in the U.S. and abroad for individuals taking admissions and professional licensing exams. Kaplan also provides on-site educational programs to students and teachers at elementary, secondary and post-secondary institutions, and offers a growing number of distance learning programs. In addition, Kaplan publishes books, software and other materials.

Kaplan also owns SCORE! Learning Corporation, a provider of after-school learning opportunities for students in kindergarten through the twelfth grade. SCORE! presently operates 100 SCORE! Educational Centers (most opened within the last two years) and plans to open an additional 45 centers in 2000. In September 1999, SCORE! announced the launch of a new e-commerce site, eSCORE.com, to provide customized online educational resources and services to parents and children.

For the first nine months of 1999 and all of 1998, Kaplan, through its career services division, was the leading provider of career fairs in North America, bringing together technical, sales and diversity candidates with corporate recruiters. Kaplan, through its subsidiary HireSystems, also provided corporate clients with web-based tools to streamline the recruitment and hiring process. On September 29, 1999, Kaplan contributed its ownership of these two businesses to a newly formed company named BrassRing, Inc. (BrassRing). Partnering with Kaplan in the formation of this new business are the Tribune Company and Accel Partners, which each contributed cash and/or other assets to BrassRing. From September 30, 1999, the operating results of the career fair businesses and HireSystems have been included in BrassRing, of which the Company records its 54 percent non-controlling interest in accordance with the equity method of accounting.

Excluding the operating results of the career fair and HireSystems businesses, the 1999 revenues for the education and career services division totaled $240.1 million, a 40 percent increase from 1998 revenues 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 $17.4 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 revenues 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 business and SCORE! businesses. Division operating losses of $38.0 million represent a $30.5 million increase in operating losses from 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 consists 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, Inc., 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.

RESULTS OF OPERATIONS — 1998 COMPARED TO 1997

Net income in 1998 was $417.3 million, an increase of 48 percent over net income of $281.6 million in 1997. Basic and diluted earnings per share both rose 57 percent to $41.27 and $41.10, respectively, 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 interest in Junglee, a facilitator of Internet commerce. The Company's 1997 net income includes $44.5 million from the sale of the Company's investment in Bear Island Paper Company, L.P., and Bear Island Timberlands Company, L.P., and the sale of the assets of its PASS regional cable sports network. Excluding these non-recurring gains, net income decreased 6 percent in 1998 and basic and diluted earnings per share remained essentially unchanged with fewer average shares outstanding.

Revenues for 1998 totaled $2,110.4 million, an increase of 8 percent from $1,956.3 million in 1997. Advertising revenues increased 5 percent in 1998, and circulation and subscriber revenues increased 5 percent. Education revenues increased 46 percent in 1998 and other revenues increased 14 percent. The newspaper and broadcast divisions generated most of the increase in advertising revenues. The increase in circulation and subscriber revenues is primarily due to a 15 percent increase in subscriber revenues at the cable division (arising mostly from cable system acquisitions in 1998 and 1997). Revenue growth at Kaplan, Inc. (about two-thirds of which was from acquisitions) accounted for the increase in education revenues.

Operating costs and expenses for the year increased 10 percent to $1,731.5 million, from $1,574.9 million in 1997. The cost and expense increase is primarily due to companies acquired in 1998 and 1997, increased spending for new media activities, a 10 percent increase in newsprint expense, and expenses arising from the expansion of the printing facilities of The Washington Post. These expense increases were partially offset by an increase in the Company's pension credit.

Operating income decreased 1 percent to $378.9 million in 1998, from $381.4 million in 1997.

The Company's 1998 operating income includes $62.0 million of net pension credits, compared to $30.2 million in 1997.

Division Results

Newspaper Publishing Division. At the newspaper division, 1998 included 53 weeks as compared to 52 weeks in 1997. Newspaper division revenues increased 4 percent to $848.9 million, from $814.3 million in 1997. Advertising revenues at the newspaper division rose 5 percent over the previous year. At The Washington Post, advertising revenues increased 4 percent as a result of higher rates

and a slight increase in volume. Classified advertising revenues at The Washington Post increased 5 percent primarily due to higher rates and higher recruitment volume. Retail advertising revenues at The Post declined 3 percent primarily as a result of a 7.5 percent decline in inches. Other advertising revenues (including general and preprint) at The Post increased 11 percent; general advertising volume was essentially unchanged for 1998; however, preprint volume increased 6 percent.

Circulation revenues for the newspaper division remained essentially unchanged from 1997, with the extra week in 1998 offsetting the effects of a 1.3 percent decline in daily and Sunday circulation at The Washington Post.

Newspaper division operating margin in 1998 decreased to 16 percent, from 19 percent in 1997. The decrease in 1998 operating margin is primarily attributable to increased costs arising from the expansion of the printing facilities of The Washington Post, a 10 percent increase in newsprint costs, and increased electronic media spending for the continued development of washingtonpost.com. The 10 percent increase in newsprint costs is comprised of a 4 percent increase in newsprint consumed (driven primarily by expanded suburban community coverage at The Washington Post) and a 6 percent increase in newsprint prices.

Television Broadcasting Division. Revenues at the broadcast division rose 6 percent to $357.6 million in 1998, compared to $338.4 million in 1997. The increase in revenues is primarily attributable to 1998 political advertising and increased local advertising revenues.

Competitive market position remained strong for the Company's television stations. In the November 1998 Nielsen ratings book, WDIV, WJXT and KSAT continued to rank number one in audience share sign-on to sign-off, while WPLG tied for first place among English-language stations in the Miami market. KPRC, although still ranked third in the market, has narrowed the gap significantly and now challenges its closest competitors by as little as two audience share points. WKMG, which the broadcast division took over in September 1997, has remained in third place in Orlando while moving aggressively to build a strong news franchise.

The operating margin at the broadcast division was 48 percent in 1998 and 1997. Excluding amortization of goodwill and intangibles, the operating margin was 52 percent in 1998 and 1997.

Magazine Publishing Division. Magazine division revenues rose 2 percent to $399.5 million, from $389.9 million in 1997. The increase in revenue is attributable to revenue contributed by the business information trade periodicals acquired in December 1997, offset partially by a decline in revenue at Newsweek. Advertising revenues at Newsweek declined 7 percent primarily as the result of two fewer Newsweek domestic special issues in 1998 versus 1997 and softness in advertising at the international editions of Newsweek (particularly the Asian and Latin American editions). Total circulation revenue for the magazine division decreased 6 percent in 1998 due predominantly to the newsstand sales of two Newsweek domestic edition special issues in 1997, which were not recurring in 1998, as well as currency deflation at most of the international editions of Newsweek.

Operating margin at the magazine division was 11 percent in both 1998 and 1997. The 2 percent increase in 1998 revenues combined with an increase in the pension credit at Newsweek were offset by normal expense growth and the amortization expense arising from the December 1997 acquisition of the business unit trade periodicals.

Cable Division. Revenues at the cable division increased 16 percent to $298.0 million in 1998, from $257.7 million in 1997. Basic, tier, pay and advertising revenue categories showed improvement over 1997. Increased subscribers in 1998, primarily from acquisitions, and higher rates accounted for most of the 15 percent increase in subscriber revenues. The number of basic subscribers at the end of the year increased to 733,000, from 637,300 at the end of 1997. During 1998, the cable division acquired cable systems serving approximately 115,400 subscribers and sold cable systems serving approximately 29,000 subscribers.

Operating margin at the cable division was 22 percent in 1998, compared to 21 percent in 1997. Cable operating cash flow increased 21 percent to $126.5 million, from $104.7 million in 1997. Approximately 40 percent of the 1998 improvement in operating cash flow is attributable to the results of cable systems acquired in 1998 and 1997.

Education and Career Services Division. The education and career services division's 1998 revenues totaled $194.9 million, a 66 percent increase over 1997 (with acquisitions accounting for approximately two-thirds of the increase). The remaining growth in revenue was primarily generated by the traditional test preparation and SCORE! businesses. Operating losses totaled $7.5 million for 1998, compared to $8.4 million in 1997. The 1998 operating results reflect improvements in operating income arising from the traditional test preparation business and acquisitions, offset by start-up costs associated with the opening of new SCORE! centers.

Other Businesses and Corporate Office. Revenues from other businesses, including Legi-Slate, MLJ (sold in July 1998) and PASS Sports (nine months of 1997) totaled $11.5 million in 1998, compared to $38.8 million in 1997. The decline in revenue is due to the sale of PASS and MLJ.

Other businesses and the corporate office recorded an operating loss in 1998 of $33.4 million, compared to a loss of $25.8 million in 1997.

Equity in (Losses) Earnings of Affiliates. The Company's equity in losses of affiliates in 1998 was $5.1 million, compared with income of $10.0 million in 1997. The $15.1 million decline in affiliate earnings resulted from increased spending at new media joint ventures (principally Classified Ventures and CareerPath.com) and the absence of affiliate earnings that were provided in the prior year from the Company's investment interest in the Bear Island Partnerships (sold in November 1997) and Cowles Media Company (disposed of in March 1998).

Non-Operating Items. In 1998, the Company incurred net interest expense of $10.4 million, compared to $2.2 million of net interest income in 1997. The average short-term borrowings outstanding in 1998 was $231.8 million, as compared to $10.7 million in average borrowings outstanding in 1997.

Other income, net, in 1998 was $304.7 million, compared to $69.5 million in 1997. For 1998, other income, net, includes $309.7 million arising 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 interest in Junglee, a facilitator of Internet commerce. For 1997, other income, net, includes $74.8 million in gains arising from the sale of the Bear Island partnerships and the sale of the assets of the Company's PASS regional cable sports network.

Income Taxes. The effective tax rate in 1998 was 37.5 percent, as compared to 39 percent in 1997. The decrease in the effective income tax rate is principally the result of the disposition of Cowles Media Company being subject to state income tax in jurisdictions with lower tax rates, and to a lesser extent, from a favorable IRS-approved income tax change in the fourth quarter of 1998.

FINANCIAL CONDITION: CAPITAL RESOURCES AND LIQUIDITY

Acquisitions. 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.

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

In 1997, the Company spent $118.9 million on business acquisitions. These acquisitions included, among others, $23.9 million for cable systems serving approximately 16,000 subscribers and $84.5 million for the publishing rights to two computer services industry periodicals and the rights to conduct two computer industry trade shows.

On February 10, 2000, BrassRing, Inc. announced an agreement to acquire from Central Newspapers, Inc. the Westech Group of Companies in exchange for BrassRing, Inc. stock representing a 23 percent equity ownership in BrassRing, Inc. Westech provides Internet recruitment services and high-tech career fairs. Upon the closing of this transaction, the Company's ownership in BrassRing, Inc. will decline from 54 percent to 42 percent.

Exchanges. During 1997, the Company exchanged the assets of certain cable systems with Tele-Communications, Inc., resulting in an increase of about 21,000 subscribers for the Company. The Company also completed, in 1997, a transaction with Meredith Corporation whereby the Company exchanged the assets of WFSB-TV, the CBS affiliate in Hartford, Connecticut, and $60.0 million in cash for the assets of WCPX-TV (renamed WKMG), the CBS affiliate in Orlando, Florida.

Dispositions

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 the merger of Cowles and McClatchy. The market value of the McClatchy stock received was $21.6 million, based upon publicly quoted market prices. During the last three quarters of 1998, the Company sold 464,700 shares of the McClatchy stock (64 percent of the total shares received) for $15.4 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.

In November 1997, the Company sold its 35 percent interest in Bear Island Paper Company, L.P., and Bear Island Timberlands Company, L.P., for approximately $92.8 million. In September 1997, the Company sold the assets of its PASS regional cable sports network for $27.4 million.

Capital Expenditures. During 1999, the Company's capital expenditures totaled $130.0 million, about half of which related to plant upgrades at the Company's cable subsidiary. The Company estimates that in 2000 it will spend approximately $145.0 million for property and equipment, primarily for various projects at the cable, broadcasting and newspaper divisions.

Investments in Marketable Equity Securities. At January 2, 2000, the fair value of the Company's investments in marketable equity securities was $203.0 million, which includes $165.8 million of Berkshire

Hathaway, Inc. Class A and B common stock and $37.2 million of various publicly traded common stocks of companies with Internet business concentrations.

During 1999 the Company spent $20.0 million for 9,820 shares of Berkshire Hathaway, Inc. Class B common stock. The Company spent $165.0 million for 2,634 and 25 shares of Berkshire Hathaway, Inc. Class A and B common stock, respectively, during 1998. At February 25, 2000, the gross unrealized loss on the Company's Berkshire Hathaway, Inc. stock holdings totaled $51.5 million. The Company intends to hold the Berkshire Hathaway stock long-term and views the unrealized loss position at February 25, 2000 as temporary.

During 1999, the Company sold various of its common stock holdings (most of which were Internet-related) netting proceeds of $54.8 million.

Common Stock Repurchases and Dividend Rate. During 1999, 1998 and 1997, the Company repurchased 744,095, 41,033 and 846,290 shares, respectively, of its Class B common stock at a cost of $425.9 million, $20.5 million and $368.6 million, respectively. The annual dividend rate for 2000 was increased to $5.40 per share, from $5.20 per share in 1999, $5.00 per share in 1998 and $4.80 per share in 1997.

Liquidity. At January 2, 2000, the Company had $75.5 million in cash and cash equivalents. At January 2, 2000, the Company had $487.7 million in short-term commercial paper borrowings outstanding at an average interest rate of 6.4 percent with various maturities throughout the first quarter of 2000.

Additionally, at January 2, 2000 the Company had outstanding $400.0 million of 5.5 percent, 10 year unsecured notes, due in February 2009. The $400.0 million, 10 year notes were issued on February 15, 1999, netting approximately $395.0 million in proceeds after discount and fees. The notes require semiannual interest payments of $11.0 million payable on February 15th and August 15th. The Company used the proceeds from the issuance of the notes to repay an equal amount of short-term commercial paper borrowings then outstanding.

The Company utilizes a $500.0 million revolving credit facility to support the issuance of its short-term commercial paper and to provide for general corporate purposes.

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 2000.

Year 2000. The Company did not experience any significant malfunctions or errors in its operating or business systems when the date changed from 1999 to 2000. Based on operations since January 1, 2000, the Company does not expect any significant impact to its ongoing business as a result of the "Year 2000 issue." However, it is possible that the full impact of the date change, which was of concern due to computer programs that use two digits instead of four digits to define years, has not been fully recognized. For example, it is possible that the Year 2000 or similar issues such as leap year-related problems may occur with billing, payroll, or financial closings at month, quarterly, or year-end. The Company believes that any such problems are likely to be minor and correctable. In addition, the Company could still be negatively affected if its customers or suppliers are adversely affected by the Year 2000 or similar issues. The Company currently is not aware of any significant Year 2000 or similar problems that have arisen for its customers and suppliers.

The Company spent about $25 million on Year 2000 readiness efforts; $15 million related to assessment, repair and testing efforts and was expensed as incurred (approximately $8 million in 1999 and $7 million in 1998) and $10 million related to the replacement of non-compliant systems which have been capitalized and will be amortized over a period ranging between five and seven years.

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 January 2, 2000	January 3, 1999	December 28, 1997
Operating Revenues			
Advertising	$ 1,330,560	$ 1,297,621	$ 1,236,877
Circulation and subscriber	579,693	547,450	519,620
Education	240,075	171,372	117,268
Other	65,243	93,917	82,488
	2,215,571	2,110,360	1,956,253
Operating Costs and Expenses			
Operating	1,189,734	1,139,177	1,019,869
Selling, general and administrative	474,586	453,149	449,996
Depreciation of property, plant and equipment	104,235	89,248	71,478
Amortization of goodwill and other intangibles	58,563	49,889	33,559
	1,827,118	1,731,463	1,574,902
Income from Operations	388,453	378,897	381,351
Equity in (losses) earnings of affiliates	(8,814)	(5,140)	9,955
Interest income	1,097	1,137	3,471
Interest expense	(26,786)	(11,538)	(1,252)
Other income, net	21,435	304,703	69,549
Income Before Income Taxes	375,385	668,059	463,074
Provision for Income Taxes	149,600	250,800	181,500
Net Income	225,785	417,259	281,574
Redeemable Preferred Stock Dividends	(950)	(956)	(956)
Net Income Available for Common Shares	$ 224,835	$ 416,303	$ 280,618
Basic Earnings Per Common Share	$ 22.35	$ 41.27	$ 26.23
Diluted Earnings Per Common Share	$ 22.30	$ 41.10	$ 26.15

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)	Fiscal year ended January 2, 2000	January 3, 1999	December 28, 1997
Net Income	$ 225,785	$ 417,259	$ 281,574
Other Comprehensive (Loss) Income			
Foreign currency translation adjustments	(3,289)	(1,136)	(5,127)
Change in net unrealized gain on available-for-sale securities	(48,176)	68,768	(5,121)
Less reclassification adjustment for realized gains included in net income	(11,995)	—	—
	(63,460)	67,632	(10,248)
Income tax benefit (expense) related to other comprehensive (loss) income	23,460	(26,819)	1,997
	(40,000)	40,813	(8,251)
Comprehensive Income	$ 185,785	$ 458,072	$ 273,323

The information on pages 44 through 55 is an integral part of the financial statements.

CONSOLIDATED BALANCE SHEETS

(in thousands)	January 2, 2000	January 3, 1999
Assets		
Current Assets		
Cash and cash equivalents	$ 75,479	$ 15,190
Investments in marketable equity securities	37,228	71,676
Accounts receivable, net	270,264	236,514
Federal and state income taxes	48,597	35,395
Inventories	13,890	20,154
Other current assets	30,701	25,949
	476,159	404,878
Property, Plant and Equipment		
Buildings	249,957	248,764
Machinery, equipment and fixtures	1,081,787	977,710
Leasehold improvements	53,048	50,556
	1,384,792	1,277,030
Less accumulated depreciation	(626,899)	(566,616)
	757,893	710,414
Land	37,301	41,191
Construction in progress	59,712	89,457
	854,906	841,062
Investments in Marketable Equity Securities	165,784	184,440
Investments in Affiliates	140,669	68,530
Goodwill and Other Intangibles, less accumulated amortization of $341,879 and $286,135	886,060	883,232
Prepaid Pension Cost	337,818	256,134
Deferred Charges and Other Assets	125,548	91,385
	$ 2,986,944	$ 2,729,661

The information on pages 44 through 55 is an integral part of the financial statements.

(in thousands, except share amounts)	January 2, 2000	January 3, 1999
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 254,105	$ 245,068
Deferred subscription revenue	80,766	85,649
Short-term borrowings	487,677	58,362
	822,548	389,079
Other Liabilities	273,110	261,896
Deferred Income Taxes	114,003	83,710
Long-Term Debt	397,620	395,000
	1,607,281	1,129,685
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; 11,873 shares issued and outstanding	11,873	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; 7,700,146 and 8,353,994 shares outstanding	18,261	18,261
Capital in excess of par value	108,867	46,199
Retained earnings	2,769,676	2,597,217
Accumulated other comprehensive income (loss), net of taxes		
Cumulative foreign currency translation adjustment	(4,889)	(1,600)
Unrealized gain on available-for-sale securities	5,269	41,980
Cost of 10,560,604 and 9,906,756 shares of Class B common stock held in treasury	(1,531,133)	(1,115,693)
	1,367,790	1,588,103
	$ 2,986,944	$ 2,729,661

The information on pages 44 through 55 is an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Fiscal year ended January 2, 2000	January 3, 1999	December 28, 1997
Cash Flows from Operating Activities:			
Net income	$ 225,785	$ 417,259	$ 281,574
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property, plant and equipment	104,235	89,248	71,478
Amortization of goodwill and other intangibles	58,563	49,889	33,559
Net pension benefit	(81,683)	(61,997)	(30,227)
Gain from disposition of businesses and marketable equity securities, net	(38,799)	(314,400)	(44,560)
Equity in losses (earnings) of affiliates, net of distributions	9,744	9,145	(6,996)
Provision for deferred income taxes	29,988	26,987	3,089
Change in assets and liabilities:			
(Increase) decrease in accounts receivable, net	(28,194)	22,041	(8,438)
Decrease (increase) in inventories	6,264	(941)	5,214
(Decrease) increase in accounts payable and accrued liabilities	(7,749)	13,949	19,638
Increase in income taxes receivable	(2,909)	(50,735)	—
(Increase) decrease in other assets and other liabilities, net	(4,274)	12,241	2,690
Other	12,034	10,427	(8,724)
Net cash provided by operating activities	283,005	223,113	318,297
Cash Flows from Investing Activities:			
Net proceeds from sale of businesses	2,000	376,442	120,208
Purchases of property, plant and equipment	(130,045)	(244,219)	(214,573)
Purchases of marketable equity securities	(23,332)	(164,955)	—
Sales and maturities of marketable equity securities	54,805	38,246	—
Investments in certain businesses	(90,455)	(320,597)	(178,943)
Other	(13,356)	(5,960)	(3,187)
Net cash used in investing activities	(200,383)	(321,043)	(276,495)
Cash Flows from Financing Activities:			
Issuance of commercial paper, net	34,087	156,968	296,394
Issuance of notes	397,620	—	—
Redemption of redeemable preferred stock	—	(74)	—
Dividends paid	(53,326)	(51,383)	(52,592)
Common shares repurchased	(425,865)	(20,512)	(368,565)
Proceeds from exercise of stock options	25,151	7,004	1,800
Net cash (used in) provided by financing activities	(22,333)	92,003	(122,963)
Net Increase (Decrease) in Cash and Cash Equivalents	60,289	(5,927)	(81,161)
Cash and Cash Equivalents at Beginning of Year	15,190	21,117	102,278
Cash and Cash Equivalents at End of Year	$ 75,479	$ 15,190	$ 21,117
Supplemental Cash Flow Information:			
Cash paid during the year for:			
Income taxes	$ 125,000	$ 280,000	$ 164,000
Interest, net of amounts capitalized	$ 16,000	$ 8,700	$ 350

The information on pages 44 through 55 is an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDERS' EQUITY

(in thousands, except share amounts)	Class A Common Stock	Class B Common Stock	Capital in Excess of Par Value	Retained Earnings	Cumulative Foreign Currency Translation Adjustment	Unrealized Gain on Available-for-Sale Securities	Treasury Stock
Balance, December 29, 1996	$ 1,779	$ 18,221	$ 26,455	$ 2,002,359	$ 4,663	$ 3,155	$ (733,829)
Net income for the year				281,574			
Dividends paid on common stock—$4.80 per share				(51,636)			
Dividends paid on redeemable preferred stock				(956)			
Repurchase of 846,290 shares of Class B common stock							(368,565)
Issuance of 24,962 shares of Class B common stock, net of restricted stock award forfeitures			6,025				2,145
Change in foreign currency translation adjustment (net of taxes)					(5,127)		
Change in unrealized gain on available-for-sale securities (net of taxes)						(3,124)	
Conversion of Class A common stock to Class B common stock	(40)	40					
Tax benefits arising from employee stock plans			935				
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)

The information on pages 44 through 55 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 and career 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 year 1999, which ended on January 2, 2000, included 52 weeks, while 1998 included 53 weeks and 1997 included 52 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 1999 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 equity and 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.

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

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

Depreciation is calculated using the straight-line method over the estimated useful lives of the property, plant and equipment: 3 to 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.

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 20 years).

Long-Lived Assets. The recoverability of long-lived assets, including goodwill and other intangibles, is assessed annually or 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.

Deferred Subscription Revenue and Magazine Subscription Procurement Costs. Deferred subscription revenue, which primarily represents amounts received from customers in advance of magazine and newspaper deliveries, is included in revenues over the related subscription term.

Deferred subscription revenue to be earned after one year is included in "Other liabilities" in the Consolidated Balance Sheets. Magazine subscription procurement costs are charged to operations as incurred.

Education Revenue. Education revenue in recognized ratably over the period during which educational services are delivered.

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

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 H.

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

B. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts receivable at January 2, 2000 and January 3, 1999 consist of the following (in thousands):

	1999	1998
Trade accounts receivable, less estimated returns, doubtful accounts and allowances of $60,621 and $55,050	$248,279	$216,500
Other accounts receivable	21,985	20,014
	$270,264	$236,514

Accounts payable and accrued liabilities at January 2, 2000 and January 3, 1999 consist of the following (in thousands):

	1999	1998
Accounts payable and accrued expenses	$158,197	$170,018
Accrued payroll and related benefits	58,420	55,133
Deferred tuition revenue	28,060	13,166
Due to affiliates (newsprint)	9,428	6,751
	$254,105	$245,068

C. INVESTMENTS IN MARKETABLE EQUITY SECURITIES

Investments in marketable equity securities at January 2, 2000 and January 3, 1999 consist of the following (in thousands):

	1999	1998
Total cost	$194,364	$187,297
Net unrealized gains	8,648	68,819
Total fair value	$203,012	$256,116

At January 2, 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 $165,800,000 or 82 percent of the total fair value of the Company's investments in marketable equity securities. The remaining investments in marketable equity securities at January 2, 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 present, the Company intends to hold the Berkshire common stock investment long-term; thus this investment has been classified as a non-current asset in the Consolidated Balance Sheets.

At January 2, 2000, net unrealized gains consisted of unrealized gains totaling $27,782,000 on various common stock investments offset in part by $19,134,000 in unrealized losses on the company's investment in Berskshire common stock. The company intends to hold the Berkshire common stock investment long-term and views the unrealized loss position at January 2,000 as temporary.

During 1999 and 1998, proceeds from sales of marketable equity securities were $54,805,000 and $38,246,000, respectively, and gross realized gains on such sales were $38,799,000 and $2,168,000, respectively. There were no sales of marketable equity securities during 1997. Gross realized gains or losses upon the sale of marketable equity securities are included in "Other income, net" in the Consolidated Statements of Income. For purposes of comput-

ing realized gains and losses, the cost basis of securities sold is determined by specific identification.

D. INVESTMENTS IN AFFILIATES

The Company's investments in affiliates at January 2, 2000 and January 3, 1999 include the following (in thousands):

	1999	1998
BrassRing, Inc.	$ 75,842	—
Bowater Mersey Paper Company	39,885	$ 40,121
International Herald Tribune	19,890	23,026
Other	5,052	5,383
	$140,669	$ 68,530

The Company's investments in affiliates consist of a 54 percent non-controlling interest in BrassRing, Inc., a recently established company 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.

Operating costs and expenses of the Company include newsprint supplied by Bowater, Inc. (parent to Bowater Mersey Paper Company Limited), the cost of which was approximately $36,300,000 in 1999, $39,800,000 in 1998 and $40,100,000 in 1997.

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

	1999	1998
Beginning investment	$ 68,530	$154,791
BrassRing, Inc.	83,493	—
Additional investment	8,734	15,187
Equity in losses	(8,814)	(5,140)
Dividends and distributions received	(930)	(1,587)
Foreign currency translation	(3,289)	(1,134)
Sale of interest in Cowles	—	(93,587)
Other	(7,055)	—
Ending investment	$140,669	$ 68,530

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 has prospectively de-consolidated BrassRing and recorded its investment under the equity method of accounting. The 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.

E. INCOME TAXES

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

	Current	Deferred
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
1997		
U.S. Federal	$149,003	$ 2,210
Foreign	915	(165)
State and local	28,493	1,044
	$178,411	$ 3,089

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):

	1999	1998	1997
U.S. Federal statutory taxes	$131,385	$233,821	$162,076
State and local taxes, net of U.S. Federal income tax benefit	15,185	18,179	19,199
Amortization of goodwill not deductible for income tax purposes	4,178	5,644	2,492
IRS approved accounting change	—	(3,550)	—
Other, net	(1,148)	(3,294)	(2,267)
Provision for income taxes	$149,600	$250,800	$181,500

Deferred income taxes at January 2, 2000 and January 3, 1999 consist of the following (in thousands):

	1999	1998
Accrued postretirement benefits	$ 53,819	$ 52,971
Other benefit obligations	54,101	37,450
Accounts receivable	14,016	13,695
Other	16,848	9,656
Deferred tax asset	138,784	113,772
Property, plant and equipment	77,907	60,793
Prepaid pension cost	140,640	101,884
Affiliate operations	21,741	4,797
Unrealized gain on available-for-sale securities	3,379	26,839
Other	9,120	3,169
Deferred tax liability	252,787	197,482
Deferred income taxes	$114,003	$ 83,710

F. DEBT

At January 2, 2000, the Company had $885,297,000 in total debt outstanding including long-term debt of $397,620,000 and short-term commercial paper borrowings of $487,677,000. At January 3, 1999, the Company had $453,362,000 in commercial paper borrowings outstanding.

The Company's long-term debt, stated net of unamortized original issue discount, consists of $400,000,000 5.5 percent unsecured notes due February 15, 2009. Interest is payable semi-annually on February 15 and August 15.

At January 2, 2000 and January 3, 1999, the average interest rate on the Company's outstanding commercial paper borrowings was 6.4 percent and 5.4 percent, respectively. The Company's commercial paper borrowings are supported by a five-year $500,000,000 revolving credit facility. Under the terms of the revolving credit facility, interest on borrowings are 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.

The Company incurred interest costs on its borrowings of $25,700,000 and $13,800,000 during 1999 and 1998, respectively, of which $1,800,000 and $5,600,000 were capitalized in connection with the construction and upgrade of qualifying assets.

At January 2, 2000, the fair value of the Company's long-term debt, based upon quoted market prices, totalled $353,920,000 compared with the carrying amount of $397,620,000. At January 3, 1999, the Company's long-term debt of $395,000,000 consisted of commercial paper borrowings classified as long-term due to the Company's ability and intent to refinance such borrowings with long-term debt; the carrying value of these borrowings approximated fair value.

The carrying value of the Company's short-term borrowings at January 2, 2000 and January 3, 1999 approximates fair value.

The Company's borrowing arrangements contain various covenants, including financial covenants that require the Company to maintain at least $850,000,000 of consolidated shareholders' equity.

G. 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 and agreed to issue an additional 1,282 shares of such stock on February 23, 2000 (which additional number of shares is subject to reduction in the event of any breach of the representations and warranties made by the seller in the acquisition agreement). 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.

H. 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 1999, 1998 and 1997, the Company purchased a total of 744,095, 41,033 and 846,290 shares, respectively, of its Class B common stock at a cost of approximately $425,865,000, $20,512,000 and $368,565,000.

Stock Awards. In 1982, the Company adopted a long-term incentive compensation plan that, 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 January 2, 2000, there were 90,260 shares reserved

for issuance under the incentive compensation plan. Of this number, 31,360 shares were subject to awards outstanding, and 58,900 shares were available for future awards. Activity related to stock awards under the long-term incentive compensation plan for the years ended January 2, 2000, January 3, 1999 and December 28, 1997 was as follows:

	1999		1998		1997	
	Number of Shares	Average Award Price	Number of Shares	Average Award Price	Number of Shares	Average Award Price
Awards Outstanding						
Beginning of year ...	30,730	$ 405.40	32,331	$ 281.19	30,490	$ 237.83
Awarded	2,615	543.02	14,120	522.56	18,285	351.68
Vested	(167)	349.00	(15,075)	244.10	(13,521)	228.96
Forfeited	(1,818)	479.90	(646)	293.83	(2,923)	285.35
End of year	31,360	$ 412.86	30,730	$ 405.40	32,331	$ 281.19

In addition to stock awards granted under the long-term incentive compensation plan, the Company also made stock awards of 1,750 shares in 1999, 938 shares in 1998, and 2,000 shares in 1997.

For the share awards outstanding at January 2, 2000, the aforementioned restriction will lapse in 2000 for 100 shares, 2001 for 17,683 shares, 2002 for 1,371 shares, 2003 for 15,794 shares, and 2004 for 1,100 shares. Stock-based compensation costs resulting from stock awards reduced net income by $2.2 million ($0.22 per share, basic and diluted), $1.9 million ($0.19 per share, basic and diluted), and $1.2 million ($0.11 per share, basic and diluted) in 1999, 1998 and 1997, 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 January 2, 2000, there were 524,000 shares reserved for issuance under the stock option plan, of which 156,497 shares were subject to options outstanding and 367,503 shares were available for future grants.

Changes in options outstanding for the years ended January 2, 2000, January 3, 1999 and December 28, 1997 were as follows:

	1999		1998		1997	
	Number of Shares	Average Option Price	Number of Shares	Average Option Price	Number of Shares	Average Option Price
Beginning						
of year	246,072	$ 404.48	251,225	$ 371.35	178,625	$ 270.21
Granted	3,750	516.36	25,500	519.32	80,200	583.62
Exercised	(87,825)	288.43	(30,653)	228.53	(7,600)	234.20
Forfeited	(5,500)	450.86	—	—	—	—
End of year	156,497	$ 470.64	246,072	$ 404.48	251,225	$ 371.35

Of the shares covered by options outstanding at the end of 1999, 109,022 are now exercisable, 22,342 will become exercisable in 2000, 17,925 will become exercisable in 2001, 6,625 will become exercisable in 2002, and 583 will become exercisable in 2003.

Information related to stock options outstanding at January 2, 2000 is as follows:

Range of exercise prices	Number outstanding at 1/2/00	Weighted average remaining contractual life (yrs.)	Weighted average exercise price	Number exercisable at 1/2/00	Weighted average exercise price
$ 173	5,000	2.0	$ 173.00	5,000	$ 173.00
222-299	30,675	4.3	247.70	30,675	247.70
344-350	17,497	7.1	344.44	12,347	344.29
472	41,575	8.0	472.00	20,000	472.00
509-570	26,750	9.1	519.10	6,000	520.70
733	35,000	8.0	733.00	35,000	733.00

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 1999, 1998 and 1997 was $157.77, $126.57 and $87.94, respectively. The fair value of options at date of grant was estimated using the Black-Scholes method utilizing the following assumptions:

	1999	1998	1997
Expected life (years)	7	7	7
Interest rate..............................	6.19%	4.68%	5.84%
Volatility.................................	16.0%	14.6%	14.2%
Dividend yield	1.1%	1.2%	1.5%

Had the fair values of option granted after 1995 been recognized as compensation expense, net income would have been reduced by $1.9 million ($0.19 per share, basic and diluted), $2.0 million ($0.19 per share, basic and diluted) and $1.6 million ($0.15 per share, basic and diluted) in 1999, 1998 and 1997 respectively.

The Company also maintains stock option and stock appreciation right plans at its Kaplan subsidiary that provide for the issuance of stock options representing 10 percent of Kaplan, Inc. stock and the issuance of stock appreciation rights to certain members of Kaplan's management. These options and appreciation rights vest ratably over five years from issuance. For 1999 and 1998, the Company recorded expense of $7,200,000 and $6,000,000 related to these plans.

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 1999, 1998 and 1997 is as follows:

	Basic Weighted Average Shares	Dilutive Effect of Stock Options	Diluted Weighted Average Shares
1999	10,060,578	21,206	10,081,784
1998	10,086,786	42,170	10,128,956
1997	10,699,713	33,278	10,732,991

I. 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 health care 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 January 2, 2000 and January 3, 1999 (in thousands):

	Pension Plans		Postretirement Benefits	
	1999	1998	1999	1998
Change in benefit obligation				
Benefit obligation at beginning of year	$ 338,045	$ 284,278	$ 107,779	$ 101,255
Service cost	14,756	11,335	3,585	3,764
Interest cost	23,584	21,344	6,039	7,417
Amendments	3,205	4,690	2,379	—
Actuarial (gain) loss	(22,281)	26,871	(27,981)	155
Benefits paid	(12,698)	(10,473)	(4,863)	(4,812)
Benefit obligation at end of year	$ 344,611	$ 338,045	$ 86,938	$ 107,779
Change in plan assets				
Fair value of assets at beginning of year	$ 1,308,418	$ 1,014,531	—	—
Actual return on plan assets	(175,804)	304,360	—	—
Employer contributions	—	—	$ 4,863	$ 4,812
Benefits paid	(12,698)	(10,473)	(4,863)	(4,812)
Fair value of assets at end of year	$ 1,119,916	$ 1,308,418	$ —	—
Funded status	$ 775,305	$ 970,373	$ (86,938)	$ (107,779)
Unrecognized transition asset	(22,941)	(30,606)	—	—
Unrecognized prior service cost	18,930	17,835	(825)	(3,366)
Unrecognized actuarial gain	(433,476)	(701,468)	(36,528)	(11,433)
Net prepaid (accrued) cost	$ 337,818	$ 256,134	$ (124,291)	$ (122,578)

The total (income) cost arising from the Company's defined benefit pension and postretirement plans for the years ended January 2, 2000, January 3, 1999 and December 28, 1997, consists of the following components (in thousands):

	Pension Plans			Postretirement Plans		
	1999	1998	1997	1999	1998	1997
Service cost	$ 14,756	$ 11,335	$ 10,567	$ 3,585	$ 3,764	$ 3,511
Interest cost	23,584	21,344	19,433	6,039	7,417	6,973
Expected return on assets	(92,566)	(71,814)	(51,842)	—	—	—
Amortization of transition asset	(7,665)	(7,665)	(7,665)	—	—	—
Amortization of prior service cost	2,110	1,679	1,512	(162)	(378)	(378)
Recognized actuarial gain	(21,902)	(16,876)	(2,232)	(2,886)	(1,379)	(1,576)
Total (benefit) cost for the year	$ (81,683)	$ (61,997)	$ (30,227)	$ 6,576	$ 9,424	$ 8,530

The cost for the Company's defined benefit pension and postretirement plans are actuarially determined. Key assumptions utilized at January 2, 2000, January 3, 1999 and December 28, 1997 include the following:

	Pension Plans			Postretirement Plans		
	1999	1998	1997	1999	1998	1997
Discount rate	7.5%	7.0%	7.5%	7.5%	7.0%	7.5%
Expected return on plan assets	9.0%	9.0%	9.0%	—	—	—
Rate of compensation increase	4.0%	4.0%	4.0%	—	—	—

The assumed health care cost trend rate used in measuring the postretirement benefit obligation at January 2, 2000 was 7.6 percent for pre-age 65 benefits (7.1 percent for post-age 65 benefits) decreasing to 5 percent in the year 2005 and thereafter.

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

	1% Increase	1% Decrease
Benefit obligation at end of year	$ 12,944	$ (12,091)
Service cost plus interest cost	1,510	(1,464)

Contributions to multi-employer pension plans, which are generally based on hours worked, amounted to $2,300,000 in 1999 and 1998, and $2,000,000 in 1997.

The Company recorded expense associated with retirement benefits provided under incentive savings plans (primarily 401k plans) of approximately $13,300,000 in 1999 and 1998, and $12,400,000 in 1997.

J. 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 January 2, 2000, future minimum rental payments under non-cancelable operating leases approximate the following (in thousands):

2000	$ 31,300
2001	26,600
2002	23,000
2003	19,100
2004	16,500
Thereafter	50,600
	$167,100

Minimum payments have not been reduced by minimum sublease rentals of $1,900,000 due in the future under noncancelable subleases.

Rent expense under operating leases included in operating costs and expenses was approximately $33,600,000, $31,800,000 and $27,800,000 in 1999, 1998 and 1997, respectively. Sublease income was approximately $433,000, $500,000 and $400,000 in 1999, 1998 and 1997, respectively.

The Company's broadcast subsidiaries are parties to certain agreements that commit them to purchase programming to be produced in future years. At January 2, 2000, such commitments amounted to approximately $47,000,000. If such programs are not produced, the Company's commitment would expire without obligation.

K. ACQUISITIONS, EXCHANGES AND DISPOSITIONS

Acquisitions. The Company completed acquisitions totaling approximately $90,500,000 in 1999, $320,600,000 in 1998 and $118,900,000 in 1997. 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.

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).

In 1997, the Company acquired cable systems serving approximately 16,000 subscribers in Cleveland, Mississippi (in February 1997 for $23,900,000), the publishing rights to two computer service industry trade periodicals and the rights to conduct two computer industry trade shows (in December 1997 for $84,500,000), and various other smaller businesses throughout 1997 for $10,500,000.

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 1999, 1998 and 1997, assuming the acquisitions occurred at the beginning of 1997, are not materially different from reported results of operations.

Exchanges. In June 1997, the Company exchanged the assets of certain cable systems with Tele-Communications, Inc. This trade resulted in an increase of about 21,000 subscribers for the Company.

In September 1997, the Company completed a transaction with Meredith Corporation whereby the Company exchanged the assets of WFSB-TV, the CBS affiliate in Hartford, Connecticut, and approximately $60,000,000 for the assets of WCPX-TV, the CBS affiliate in Orlando, Florida.

The assets obtained in these transactions were recorded at the carrying value of the assets exchanged plus cash consideration. No gain or loss resulted from these exchange transactions.

Dispositions. In June 1999, the Company sold the assets of Legi-Slate, Inc., its on-line 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 (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 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 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 income (expense), 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.

In September 1997, the Company sold the assets of its PASS regional sports network for approximately $27,400,000. In December 1997, the Company sold its 35 percent limited partnership interest in both Bear Island Paper Company and Bear Island Timberlands Company for approximately $92,800,000. The gains resulting from these dispositions, which are included in "Other income, net" in the Consolidated Statements of Income, increased 1997 net income by approximately $44,500,000 and basic and diluted earnings per share by $4.16 and $4.15, respectively.

L. CONTINGENCIES

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

M. BUSINESS SEGMENTS

The Company operates principally in four areas of the media business: newspaper publishing, television broadcasting, magazine publishing, and cable television. Through its subsidiary Kaplan, Inc., the Company also provides educational and career 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 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 primarily through six VHF television stations. All stations are network-affiliated, with revenues derived primarily from sales of advertising time.

Cable television operations consist of more than 50 cable systems offering basic cable and pay television services to approximately 740,000 subscribers in midwestern, western, and southern states. The principal source of revenues is monthly subscription fees charged for services.

Education and career services are provided through the Company's wholly-owned subsidiary Kaplan, Inc. Kaplan's four major lines of businesses include Test Preparation and Admissions, providing test preparation services for college and graduate school entrance exams; Kaplan Professional, providing education and career services to business people and other professionals; SCORE!, offering multimedia learning and private tutoring to children in kindergarten through twelfth grade; and KaplanCollege.com, Kaplan's distance learning business, including Concord University School of Law, the country's first online Law School.

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 Notes C and D, respectively.

	Newspaper Publishing	Television Broadcasting	Magazine Publishing	Cable Television	Education and Career Services	Other Businesses and Corporate Office	Consolidated
1999							
Operating revenues	$ 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 & 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 revenues	$ 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 & 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
1997							
Operating revenues	$ 814,263	$ 338,373	$ 389,853	$ 257,732	$ 117,268	$ 38,764	$ 1,956,253
Income (loss) from operations	$ 154,512	$ 163,703	$ 42,719	$ 54,659	$ (8,436)	$ (25,806)	$ 381,351
Equity in earnings of affiliates							9,955
Interest income, net							2,219
Other income, net							69,549
Income before income taxes							$ 463,074
Identifiable assets	$ 522,210	$ 436,760	$ 323,573	$ 502,642	$ 75,045	$ 58,930	$ 1,919,160
Investments in marketable equity securities							3,366
Investments in affiliates							154,791
Total assets							$ 2,077,317
Depreciation of property, plant & equipment	$ 20,234	$ 11,011	$ 4,484	$ 30,672	$ 3,699	$ 1,378	$ 71,478
Amortization of goodwill	$ 874	$ 12,213	$ 136	$ 19,371	$ 936	$ 29	$ 33,559
Pension credit	$ 6,843	$ 2,887	$ 20,497	$ —	$ —	$ —	$ 30,227
Capital expenditures	$ 114,187	$ 11,651	$ 3,022	$ 73,156	$ 10,121	$ 2,436	$ 214,573

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

Quarterly results of operations and comprehensive income for the years ended January 2, 2000 and January 3, 1999 are as follows (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1999 Quarterly Operating Results				
Operating revenues				
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
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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1998 Quarterly Operating Results				
Operating revenues				
Advertising	$ 292,685	$ 342,247	$ 293,277	$ 369,412
Circulation and subscriber	130,341	133,365	138,783	144,961
Education	31,845	28,226	52,864	58,438
Other	29,084	21,919	24,357	18,555
	483,955	525,757	509,281	591,366
Operating costs and expenses				
Operating	267,587	276,399	278,241	316,950
Selling, general and administrative	109,930	111,005	107,533	124,681
Depreciation of property, plant and equipment	20,378	20,733	22,058	26,079
Amortization of goodwill and other intangibles	10,743	11,127	13,853	14,166
	408,638	419,264	421,685	481,876
Income from operations	75,317	106,493	87,596	109,490
Equity in earnings (losses) of affiliates	988	(71)	(4,060)	(1,996)
Interest income	207	384	217	328
Interest expense	(2,244)	(330)	(2,246)	(6,717)
Other income (expense), net	258,106	(1,594)	50,241	(2,050)
Income before income taxes	332,374	104,882	131,748	99,055
Provision for income taxes	124,500	41,100	49,900	35,300
Net income	207,874	63,782	81,848	63,755
Redeemable preferred stock dividends	(478)	(239)	(239)	—
Net income available for common shares	$ 207,396	$ 63,543	$ 81,609	$ 63,755
Basic earnings per common share	$ 20.57	$ 6.30	$ 8.09	$ 6.32
Diluted earnings per common share	$ 20.47	$ 6.27	$ 8.05	$ 6.30
Basic average number of common shares outstanding	10,084	10,088	10,093	10,082
Diluted average number of common shares outstanding	10,131	10,136	10,139	10,124
1998 Quarterly Comprehensive Income	$ 207,814	$ 64,253	$ 74,503	$ 111,502

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.

See Notes to Consolidated Financial Statements for the summary of significant accounting policies and additional information relative to the years 1997-1999.

(in thousands, except per share amounts)	1999	1998	1997
Results Of Operations			
Operating revenues	$ 2,215,571	$ 2,110,360	$ 1,956,253
Income from operations	$ 388,453	$ 378,897	$ 381,351
Income before cumulative effect of changes in accounting principle	$ 225,785	$ 417,259	$ 281,574
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	$ 225,785	$ 417,259	$ 281,574
Per Share Amounts			
Basic earnings per common share			
Income before cumulative effect of changes in accounting principles	$ 22.35	$ 41.27	$ 26.23
Cumulative effect of changes in accounting principles	—	—	—
Net income	$ 22.35	$ 41.27	$ 26.23
Basic average shares outstanding	10,061	10,087	10,700
Diluted earnings per share			
Income before cumulative effect of changes in accounting principles	$ 22.30	$ 41.10	$ 26.15
Cumulative effect of changes in accounting principles	—	—	—
Net income	$ 22.30	$ 41.10	$ 26.15
Diluted average shares outstanding	10,082	10,129	10,733
Cash dividends	$ 5.20	$ 5.00	$ 4.80
Common shareholders' equity	$ 144.90	$ 157.34	$ 117.36
Financial Position			
Current assets	$ 476,159	$ 404,878	$ 308,492
Working capital (deficit)	(346,389)	15,799	(300,264)
Property, plant and equipment	854,906	841,062	653,750
Total assets	2,986,944	2,729,661	2,077,317
Long-term debt	397,620	395,000	—
Common shareholders' equity	1,367,790	1,588,103	1,184,074

1996	1995	1994	1993	1992	1991	1990
$ 1,853,445	$ 1,719,449	$ 1,613,978	$ 1,498,191	$ 1,450,867	$ 1,380,261	$ 1,438,640
$ 337,169	$ 271,018	$ 274,875	$ 238,980	$ 232,112	$ 192,866	$ 281,768
$ 220,817	$ 190,096	$ 169,672	$ 153,817	$ 127,796	$ 118,721	$ 174,576
—	—	—	11,600	—	—	—
—	—	—	—	—	(47,897)	—
$ 220,817	$ 190,096	$ 169,672	$ 165,417	$ 127,796	$ 70,824	$ 174,576
$ 20.08	$ 17.16	$ 14.66	$ 13.10	$ 10.81	$ 10.00	$ 14.46
—	—	—	0.98	—	(4.04)	—
$ 20.08	$ 17.16	$ 14.66	$ 14.08	$ 10.81	$ 5.96	$ 14.46
10,964	11,075	11,577	11,746	11,827	11,874	12,073
$ 20.05	$ 17.15	$ 14.65	$ 13.10	$ 10.80	$ 10.00	$ 14.45
—	—	—	0.98	—	(4.04)	—
$ 20.05	$ 17.15	$ 14.65	$ 14.08	$ 10.80	$ 5.96	$ 14.45
10,980	11,086	11,582	11,750	11,830	11,876	12,081
$ 4.60	$ 4.40	$ 4.20	$ 4.20	$ 4.20	$ 4.20	$ 4.00
$ 121.24	$ 107.60	$ 99.32	$ 92.84	$ 84.17	$ 78.12	$ 76.31
$ 382,631	$ 406,570	$ 375,879	$ 625,574	$ 524,975	$ 472,219	$ 471,669
100,995	98,393	102,806	367,041	242,627	183,959	175,807
511,363	457,359	411,396	363,718	390,804	390,313	394,979
1,870,411	1,732,893	1,696,868	1,622,504	1,568,121	1,487,661	1,496,509
—	—	50,297	51,768	51,842	51,915	126,988
1,322,803	1,184,204	1,126,933	1,087,419	993,005	924,285	905,112

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Other Company Officers

Patrick Butler
Vice President

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

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

Pinkie Dent-Kannon
Assistant Treasurer

John F. Hockenberry
Assistant Secretary

James W. Keller
Assistant Treasurer