TO OUR SHAREHOLDERS

It was the best of years, it was the worst of years.

Judged by financial results, 2010 was a great year. Every division of the Company significantly exceeded the results I'd have expected at the beginning of the year (except for Newsweek, which we sold — more on that later).

The Company wound up the year in excellent financial shape; we were able to repurchase more stock than we had done in any recent year (more on this later, as well).

At the same time, however, attacks on Kaplan's Higher Education unit (and on for-profit education generally) took up much of management's time and energy in 2010 — and will take up much of this letter. It's hard to know how much the fireworks of 2010 have damaged Kaplan Higher Education. But that's clearly the most important question facing the Company and should be dealt with up front.

One other thing should also be spelled out up front: in profits, all four of our major businesses will likely do worse financially in 2011 than they did in 2010, from marginally worse (Post–Newsweek Stations) to much worse (Kaplan).

We'll address the reasons for the slippage as we go through our businesses, division by division. Now for the Kaplan Higher Education story.

What Are We Fighting About?

In 2010, the U.S. Department of Education proposed a controversial set of regulations to control the industry, and set off a major battle. A Senate committee held one-sided hearings blasting the industry. Non-profit groups supporting the proposed regulations also criticized us. The for-profit sector, with the support of many organizations and a bipartisan group in Congress, pushed back.

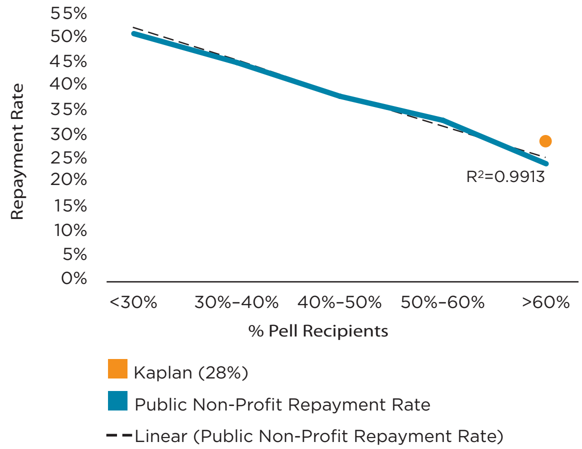
The proposed regulations may have aimed at reining in "bad actors" in for-profit education (the Department's view); or they may have aimed at walloping the industry as a whole. Whatever their aim, the proposed regulations hit the wrong target: they scored a direct hit on institutions that serve low-income students.

The regs would apply primarily to for-profit colleges as well as a small subset of programs at traditional public and non-profit colleges. But the Department released information that shows how the regs would affect *all* colleges, for-profit and not-for-profit, *if* they were applied to all. There's quite a close correlation between the number of Pell Grant-eligible (i.e., very poor) students in a college's population and the "repayment rate" by which the school would be judged under the proposed regulation. If its former students' repayment rate is low enough (under 35%), a for-profit school may become ineligible to receive federal aid, a death sentence.

As you can see from our chart, most traditional not-for-profit colleges serving large numbers of poor students would be subject to closure if the reg applied to them.

I hate it, but in response to the proposed regulation, we'll be admitting and educating many

REPAYMENT RATES BY INSTITUTIONS' PERCENTAGE OF PELL RECIPIENTS



Source: U.S. Department of Education, ge-data-model.xls, 2009, institutions grouped in deciles.

Kaplan Data Source: Kaplan internal data for comparable students, 2003–04.

This is a chart we showed in a discussion with Department of Education officials; one Department official told us they preferred a different methodology that results in a lower correlation. Independent research has been published that supports the higher correlation. A further explanation is on the Company's website, washpostco.com, under "Annual Reports."

fewer poor students. We'll be seeking to enroll students with somewhat greater means (we're budgeting for our average student's expected family contribution to double). As a business decision, this makes complete sense. As federal policy, it seems odd.

As I write, the final form of the "gainful employment" regulation isn't yet decided. But businesses have to draw up their plans, and the plan described above is at the heart of ours.

What Does Kaplan Higher Education Do?

Until 2010, Kaplan's Higher Education unit — our largest and most profitable — was in the business of providing higher education of various types for some of the poorest and neediest students in America.

This was not because Kaplan does not know how to provide education for wealthier students. Kaplan, Inc. got its start providing college and graduate school test preparation for students, most relatively well-off (well-off enough, at least, that their families could afford the test prep course).

When we entered the higher education business by buying Quest Education in 2000, we welcomed the chance to focus on a different group of students altogether.

Quest had been founded by Gary Kerber, a salesman of medical devices who was smart enough to notice that whenever he entered a doctor's office or hospital, there was likely to be a help-wanted sign.

Gary built a company focused on training very low-income students for medical assistant, dental assistant and introductory business jobs. After we bought his company, we expanded the business and continued to serve low-income students.

Gary's company was also one of a small number of participants in a Department of Education demonstration project on online higher education. It was timely for us; we had failed in a couple of online higher education start-ups and knew we had to succeed in the future.

So Jonathan Grayer, then Kaplan's CEO, assigned Andy Rosen, then Kaplan's president, to take over Kaplan's online higher education efforts. Since 2001, all of Kaplan's online programs, and since 2005, all of its higher education programs have reported to Andy, now Kaplan's CEO. (An able Kaplan veteran, Jeff Conlon, now heads Kaplan Higher Education.) And, under Andy, Kaplan Higher Education grew very rapidly. What caused the growth? First, we and other for-profit companies offered online higher education. As I know to my sorrow from a lifetime in newspapers, when something is offered for the first time online, it's taken up very quickly. And, second: the recession, starting in 2008, caused a dramatic increase in enrollments at all U.S. colleges, for-profit and not-for-profit.

I've known Andy since he was hired as a lawyer at the Post in 1986. In brains, in character and in values, Andy is as good as any manager I've known in our Company. As Kaplan has faced its challenges, I've been impressed but not surprised at the high-quality way Andy and the Kaplan team have responded.

I am proud to stand with the management of Kaplan, our higher education campuses and online programs and the value of the education we provide. This has been a profitable business for our Company, and we expect it will be in the future.

But it has no value unless it provides a valuable service to students. Kaplan will be tough with anyone in our organization who isn't serving students properly. And, we'll continue and expand efforts to serve them well.

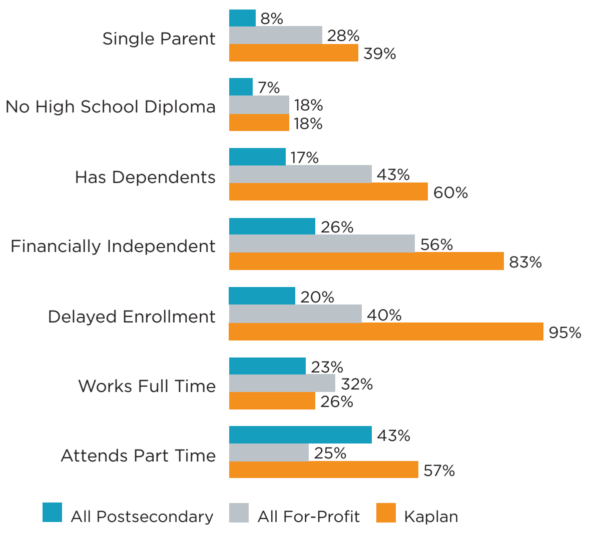
Why the Criticism of Kaplan's Work, and What's Our Answer?

The Department of Education lists seven "risk factors" that make college students less likely to graduate from a program. The chart below shows those risk factors, the percentage of students in all U.S. colleges (for-profit and not-for-profit) affected by these and the corresponding percentage of Kaplan Higher Education students for 2010.

The average student in American higher education has one and a half risk factors; the average Kaplan student has four.

Pause a minute over this picture of our demographics and consider the critique of for-profit education repeated in article after article in 2010: for-profit universities graduate fewer students than traditional universities; their students also have higher debt loads when they leave college; and, they are likelier to default.

RISK FACTORS



Source: U.S. Department of Education, National Center for Education Statistics, 2003–04 Beginning Postsecondary Students Longitudinal Study, First Follow-Up (BPS:04/06).

Kaplan Data Source: Kaplan internal data.

Kaplan ceased accepting students without a high school diploma or its equivalent effective fall 2009.

Also, the tuitions at for-profit colleges are generally higher than those at state universities and community colleges. And (say the critics), aggressive recruiting brings many students to for-profit colleges who don't really want to be there, or don't understand what they're signing up for.

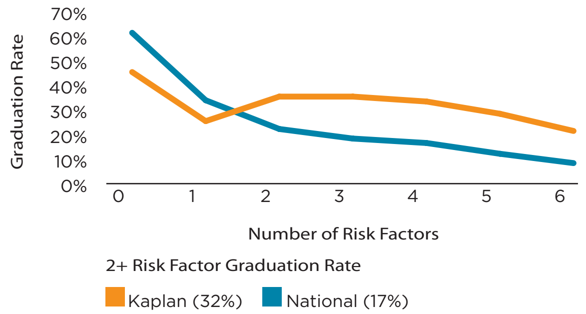
Our reply:

1. For students with our demographics, Kaplan's graduation rates are *much higher* than those at traditional colleges (indeed, at all colleges, for-profit or not-for-profit).

2. Poor students have higher debt loads and are likelier to default *because they are poor*. Whether they attend for-profit or not-for-profit colleges, a student with no family resources (there are many) will have to borrow almost all of the cost of higher education. But that student also has much more at stake. Let's step away from Kaplan for a moment and consider another set of students. This year, roughly 60% of students graduating from Washington, DC's public schools are so poor that their families will be expected to contribute nothing to the cost of their college education. (If you have ever filled out a federal financial aid form, these students have an expected family contribution of zero.) But no students have more at stake in attending college and graduating. Failure to attend generally means a life of very limited job choices. Should such a student try college if it means a risk of high debt and possible default? In most cases, I would say yes.

3. On tuition: the federal government is an inadvertent price-fixer in the for-profit education field. A simple change would allow price competition among for-profit colleges. We would cut tuition for some programs if we could do so without running afoul of government regulations.

COMPARATIVE GRADUATION RATES BY RISK FACTORS
(Undergraduate Degree Students)

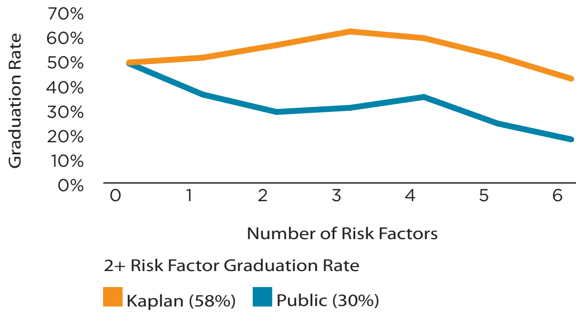


National Data Source: National Center for Education Statistics, 2003–04 Beginning Postsecondary Students Longitudinal Study.

Graduation rates include students pursuing associate's and bachelor's degrees.

Kaplan Data Source: Kaplan internal data for comparable students, 2003–04.

COMPARATIVE GRADUATION RATES BY RISK FACTORS
(2-year or shorter programs)



National Data Source: National Center for Education Statistics, 2003–04 Beginning Postsecondary Students Longitudinal Study.

Graduation rates include students pursuing associate's degrees and certificates.

Kaplan Data Source: Kaplan internal data for comparable students, 2003–04.

How does the federal government fix prices for our tuition?

For sensible reasons, the government long ago decided that for-profit higher education companies had to get at least 10% of their revenue from sources other than federal Title IV aid, the so-called 90/10 rule. Fair enough.

But the 90/10 rule has a perverse consequence: each time the federal government raises the maximum amount granted under Pell Grants or the maximum federal loan amount, *we end up compelled to raise tuitions to comply with 90/10.* (As a general matter, no university can limit how much a student can borrow under Title IV.)

Does this make a difference?

There's one for-profit higher education company whose major source of funds is *not* Title IV. It's American Public Education, the owner of American Military University (AMU), and most of its funds come from federal funds that are not subject to the 90% limitation, particularly GI Bills and veterans' benefits. AMU's annual tuition for a bachelor's program is about $7,500. I'm not saying that Kaplan could or would offer $7,500 per year bachelor's degrees. I am saying: experiment with freeing companies from 90/10 on programs where they offer to reduce tuitions and keep them low in the future. I tell the story of AMU (we own no stake in it) to make a point: for-profit education and low tuition are not incompatible; 90/10 and low tuition are incompatible.

Our Worst Moment and What Happened After

There was one really dreadful moment during the year at Kaplan. In the end, quite a lot of good came from it.

An undercover investigator from the Government Accountability Office, pretending to be a student, taped an admissions representative at our Pembroke Pines, Florida, campus. The tape was played at a Senate HELP Committee hearing, and it showed gross violations of many of Kaplan's standards and values.

Andy Rosen and I issued a joint statement calling the misconduct "sickening" and promising changes.

Here's what happened in the aftermath (this was entirely the Kaplan team's doing, not mine):

1. Enrollment at the campus in question was suspended from August until mid-December. We didn't reopen enrollment at the campus until we had a team that would deliver an excellent program.

2. All students at the campus were interviewed and offered the opportunity to walk away with a full refund if they felt they had been misled into enrolling, or were dissatisfied with the school or for any other reason. Most of these students could have used the money. But they wanted their education. Most chose to stay in school.

3. We instituted a broad array of student protections. These include a program of "mystery

shopping" our own admissions reps. It will be continuous and extensive. This will help us identify and help us prevent future problems in the admissions departments of our schools.

4. Most important, we implemented a new program called the Kaplan Commitment. It provides that students enrolling in Kaplan Higher Education programs can choose to leave the program after four or five weeks and owe us *nothing* (they'll have paid a fee at registration, under $50) and incur no debt.

Offering students this free look at our programs is very expensive to Kaplan, but very beneficial to students:

1. The first- or second-term dropout is the likeliest to default on student debt. By giving struggling students a chance to drop out early, we think we'll markedly reduce Kaplan students' likelihood of defaulting on student loans.

2. We assess students during the introductory period, and those who we believe are not up to the rigors of the education are asked to withdraw—again without financial obligation to them. That way, students who are unlikely to succeed do not incur debt.

3. I think the Kaplan Commitment is the best response to the possibility of aggressive recruiting. No company can be motivated to hustle students into a program on false assumptions when students can drop it after a few weeks if it isn't what they were promised. It's a powerful additional safety net.

   As we stated publicly after adopting the Kaplan Commitment: if we'd had such a program in all of 2010, it would likely have cost us roughly $140 million in revenues. It will be very costly and is one major reason we expect 2011 results to decline.

4. So, the Kaplan Commitment should make our programs more attractive than those of our competitors. It may be a long-term competitive advantage as no other major company has yet followed our example.

In the short term—certainly in 2011—the effect of all this on Kaplan Higher Education's profits will be very substantial. *We'll make less money in 2011, and our profits will likely be down by more than those of other for-profit educators.* In the long run, the story *may* be different.

We intend to stay in the education business, and we intend to grow. We are committed to doing the right thing for our students.

Some of our critics may believe that a corporation simply isn't a proper home for an institution of higher education—that the profit motive isn't consistent with running a good college or university.

A year of intense challenge has reaffirmed my belief that the people of Kaplan Higher Education are, in fact, doing their best to run such institutions. We certainly intend to get better. I believe the educational ambition of Kaplan—and its significant investments in educational technology, learning science, pedagogy, facilities and student and faculty support—will serve our shareholders well over time. We'll see whether a very long-term-minded company, willing to invest with the years, may be quite a good home for the kind of university we run. We want to be a valuable business for the long term, but we are not driven by quarterly earnings.

One word about our regulators: the people I know at the U.S. Department of Education are able and want to help students succeed. They want to punish colleges that cheat students, and we couldn't agree more. But an equally important goal of regulators must be to provide a setting where educators who aim at quality can succeed. We look forward to working with the Department over the years.

High school counselors will be busy this year, reminding seniors that getting a college education will, for most, be a wonderful, rewarding choice. These counselors are right. And, the same is true for Kaplan's students. It's up to us to provide them with a good education. I believe the people of Kaplan are doing that today and that we will be getting better with the years.

At The Washington Post newspaper, it was a remarkable year. The paper's journalists won four Pulitzer Prizes, and the business side deserved a prize, too, for a dramatic improvement in results.

In 2009, the newspaper division reported losses of $164 million: these included early retirement programs that cost $58 million and noncash accelerated depreciation of $34 million related to the closing of a printing plant. It was the worst year the newspaper division had ever reported, if you exclude the impairment charge recorded in 2008.

2010 results improved dramatically, largely because publisher Katharine Weymouth, president Steve Hills and executive editor Marcus Brauchli implemented efficiencies and cut annual expenses by approximately 12%.

The reported results are disguised by two factors: one is that we booked $20 million related to our withdrawal from a multiemployer pension plan. This was a one-time charge.

The Post's results are also affected by reported noncash pension charges, though the Company overall has a large surplus in its pension fund (not many companies are writing *that* in their 2010 letter). The newspaper division books a noncash pension expense; in 2010, it was $21.9 million. I'd advise shareholders: ignore the noncash expense (it's broken out in our segment reporting).

The Post's digital team, led by managing editor Raju Narisetti and general manager Ken Babby, brought increased traffic to washingtonpost.com, up 6.5%; division online revenue was up 14%. It was a heartening showing.

While we've lost circulation in recent years, the Post remains amazingly strong. Washington is the number eight market in population, but the Post is second to the Los Angeles Times in daily and Sunday circulation among metropolitan papers.

2011 will not be an easy year (there are no easy years in the newspaper business). The large cuts of 2010 can't be repeated, and we don't expect a rebound in print revenue.

Meanwhile, the corporate digital team, under Vijay Ravindran, has come up with a remarkable new news site, Trove, which we expect to be public by the end of the first quarter. I am very excited by Trove's potential; depending on its success, we'll try to integrate some of its features into washingtonpost.com. And, we have a road map of impressive new capabilities that will be launched as part of the Trove initiative throughout 2011.

In addition, together with Gannett and The New York Times Company, we've invested in another innovative news site, Ongo, a uniquely handsome aggregation of quality news sites that made its debut in early 2011. Ongo will give us our first exposure to operating a paid site. It will be a busy year in digital innovation.

Post–Newsweek Stations turned in an amazing year. Results were far better than I would have predicted: in ad revenue relative to 2009 — a terrible year — our stations stood out as a group. We were helped by strong political advertising in all the states we operate in, but the pre-election period was great, as well. PNS's performance was the largest financial surprise of 2010. Post–Newsweek CEO Alan Frank and all six station managers deserve the thanks of all our shareholders. A non-election year in 2011 probably means lower revenue and profits this year (although the stations are off to a strong start).

Once again, the astonishing Cable ONE team, under Tom Might, Julie Laulis, Jerry McKenna and Steve Fox, adapted to rapidly changing industry circumstances and turned in a strong year, both in unit counts and in terms of customer satisfaction.

The ground is changing rapidly in the cable business. Cable ONE serves small-city markets, with an average of 15,000 to 20,000 subscribers. These customers have had the choice of satellite for 20 years, but additional options from telephone companies and Internet sources are increasingly available now, too.

As the competitive world changes, Tom and his team have steered skillfully, offering more choices and embellishing Cable ONE's outstanding customer-service record. (When is the last time you heard a cable company bragging about that?) Operating income and free cash flow in 2010 were close to an all-time high.

This will *not* be the case in 2011 for two reasons. First, we will be heavying up on capital spending to increase our HD channel capacity and Internet speeds. Second, we started pursuing a market-share strategy in the second half of 2010 by increasing the discounts on bundled service, with great success. At the same time, for the second straight year, we likely won't be raising cable rates, further eating into our profits.

While our prices are not going up, the cost of programming content certainly is. Cable networks are inspiring each other to claim their "fair share" of the monthly cable bill, which has further inspired broadcast networks to start claiming their "fair share" of the cable bill, too, through retransmission consent fees. (Smaller operators are disadvantaged both ways here: "retransmission consent" is no bonanza for Post–Newsweek Stations and a problem for Cable ONE.) But Tom and his team will manage through significant operational improvements (savings) and meaningfully higher volume.

Three corporate developments warrant mention. First, we sold Newsweek. It makes me sad even to write the words. My father, Philip Graham, bought Newsweek in 1963; he, my mother, my sister Lally Weymouth and I always took great pride in the magazine and admired the people who worked there.

We are very reluctant to sell businesses unless they are losing money and we think they are unlikely to return to profit. This was the case at Newsweek. Combining with a large website was always an interesting option. Newsweek's smart new owner, Sidney Harman, merged it with The Daily Beast, under Tina Brown. Everyone at our Company wishes Newsweek great success in the future.

If you own shares of Post Company stock, you own a larger percentage of our Company today than you did a year ago. As the stock price bobbed up and down during 2010 (mostly down), we repurchased over a million shares of stock out of roughly 9.3 million available at the start of 2010.

When we went public in 1971, our Company had almost 20 million shares outstanding; now we have about 8.2 million. Our aim is to repurchase when doing so will make money for shareholders (by buying at a time when the Company is selling at less than the value of its assets). We've never bought routinely, regardless of price.

Because of our 35-year off-and-on repurchasing, a shareholder since those long-ago days now owns almost two and a half times the percentage of the Company he did in the early 1970s.

It is also worth noting the performance of our pension assets in 2010, both because the performance is somewhat unusual and because the results are recorded in a way you should understand if you are examining newspaper division results.

Our pension assets, managed by Ruane, Cunniff & Goldfarb and First Manhattan, had exceptional returns in 2010 that far outperformed the S&P 500 stock index. Thus, unusually for an S&P 500 company, we continue to have an overfunded pension plan. We haven't had to contribute to the plan in decades. There's almost no chance we'll have to contribute in the near future.

By accounting rules, the plan generates a pension credit (last year's was $4 million), which is allocated to the divisions based on their historical contributions and the current service costs. In recent years, Newsweek had recorded a large pension credit (now reported at corporate). The Post, having repeatedly gone through buyouts of senior employees, has been recording a large noncash pension expense in recent years.

Since the expense is noncash, I expect Post managers to pay no attention to it, and I would suggest that shareholders do the same (the same, of course, applies to the large pension credit at corporate).

Our board underwent enormous change in 2010–2011. First, Melinda Gates left the board. If only for her knowledge of technology and education, Melinda was a uniquely excellent board member. Her awesome work at the Gates Foundation somehow left her time to apply herself to Company matters whenever she was needed. When she told me last spring she might be leaving the board, I knew there was no replacing her and was simply grateful for her six years of service. She is one of the best-known people in the world, but I join all her colleagues in saying: Melinda is much more impressive than the world yet understands.

Another loss is that Warren Buffett is leaving the board after 37 years of once-interrupted service. (Warren joined the board in 1974; he left from 1986 to 1996, when he was on the board of Capital Cities after its purchase of ABC, though he continued to consult with Kay Graham and me during those years.)

No important decision at The Post Company has been taken for all those years without asking for Warren's input. What he nudged us into is easily described: the purchase of what is now Cable ONE; the Houston and San Antonio TV acquisitions; our active stock repurchasing; the selection of our pension advisers.

What he kept us out of was still more important: Kay Graham described in *Personal History* the advice Warren gave when she was eager to buy newspapers and TV stations. She bid, but followed Warren's ideas of value and didn't bid crazy prices. Likewise, he talked me out of a couple of ill-conceived acquisition ideas that would have created serious problems.

Warren is incomparable. For 37 years, we've been privileged to have the single-best adviser a corporation could have had in those years. He says he'll still be willing to advise us as before; there will be a lot more DC-to-Omaha phone calls and plane travel coming up.

Donald E. Graham
Chairman of the Board and Chief Executive Officer

February 23, 2011