The Washington Post Company

ANNUAL REPORT

2001

The Washington Post Company is a diversified media and education company whose principal operations include:

Television Broadcasting
- Post-Newsweek Stations
  - WDIV-Detroit
  - KPRC-Houston
  - WPLG-Miami/Fort Lauderdale
  - WKMG-Orlando
  - KSAT-San Antonio
  - WJXT-Jacksonville

Newspaper Publishing
- The Washington Post
- Washingtonpost.Newsweek Interactive
- The Washington Post National Weekly Edition
- The Washington Post Writers Group
- The Herald
- Community Newspaper Group
  - The Gazette
  - Southern Maryland Newspapers
  - Comprint Military Publications
  - Commercial Printing
- Greater Washington Publishing
- Robinson Terminal Warehouse
- Capitol Fiber

Cable Television
- Cable ONE

Magazine Publishing
- Newsweek
- Newsweek International
- Newsweek Japan (Newsweek Nihon Ban)
- Newsweek Korea (Newsweek Hankuk Pan)
- Newsweek en Español
- Newsweek in Arabic (Newsweek Bil Logha Al-Arabia)
- Newsweek Polska
- Teen Newsweek
- Arthur Frommer's Budget Travel
- Newsweek Productions
- PostNewsweek Tech Media
  - FOSE
  - Government Computer News
  - Washington Technology
  - Washington Techway

Education
- Kaplan
  - Kaplan Test Prep and Admissions
  - Kaplan Professional
  - Kaplan Higher Education
  - Score!

Affiliates
- International Herald Tribune (50% interest)
- Los Angeles Times-Washington Post News Service (50% interest)
- Bowater Mersey Paper Company (49% interest)
- BrassRing (49% interest)
- Classified Ventures (19% interest)

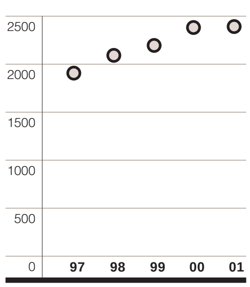
Please visit washpostco.com for complete descriptions of the businesses listed above.

Contents

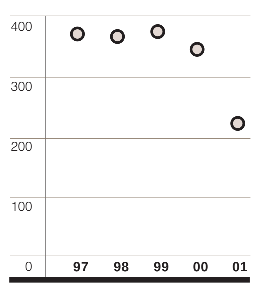
Financial Highlights

(in thousands, except per share amounts)	2001	2000	% Change
Operating revenue	$ 2,416,673	$ 2,412,150	—
Income from operations	$ 219,932	$ 339,882	– 35%
Net income	$ 229,639	$ 136,470	+ 68%
Basic earnings per common share	$ 24.10	$ 14.34	+ 68%
Diluted earnings per common share	$ 24.06	$ 14.32	+ 68%
Dividends per common share	$ 5.60	$ 5.40	+ 4%
Common shareholders' equity per share	$ 177.30	$ 156.55	+ 13%
Basic average number of common shares outstanding	9,486	9,445	—
Diluted average number of common shares outstanding	9,500	9,460	—

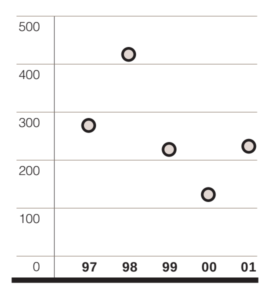
Operating Revenue
($ in millions)



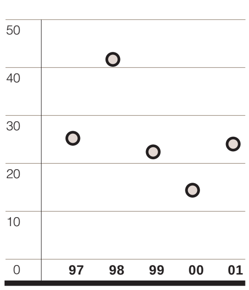
Income from Operations
($ in millions)



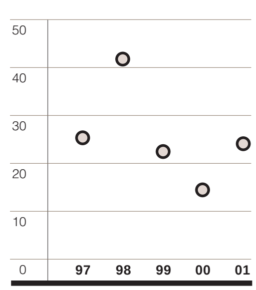
Net Income
($ in millions)



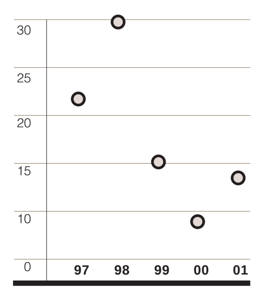
Basic Earnings per Common Share
($)



Diluted Earnings per Common Share
($)



Return on Average Common Shareholders' Equity (%)



To Our Shareholders

September 11 was a shattering day for everyone in the United States. Like all Americans, our hearts went out to the victims of the terrorist attacks and their relatives. Thankfully, the Kaplan associates who were in the World Trade Center that morning escaped, but many Post Company people lost family members, and many more lost friends and close business associates. The Post and Newsweek immediately set about months of diligent reporting on these events, which Ben Bradlee describes beginning on page 12. You also would be proud of the quality news and public affairs programming Post-Newsweek Stations devoted to the September 11 tragedy, particularly in the days immediately afterward.

On July 17, my mother Katharine Graham, the publisher of The Post and chairman of this company for decades, died in Boise, Idaho. The Post, Newsweek, and many other publications and television programs offered tributes to her at the time, focusing on her contributions to journalism and to the community. A short essay by Warren Buffett describing her business career and what it meant to the shareholders of this company begins on page 9. The company will carry on with the dedication to excellence in business, journalism, and education that she inspired.

It seems mundane to be reporting about the company's financial affairs after those two introductory paragraphs. But that's the purpose of this letter. Although chief financial officer Jay Morse keeps the books here in a fashion somewhere between conservative and very conservative, it has often seemed necessary to start off this report by explaining something about accounting. This year is no exception. In 2001 we booked a gain of $321 million on a cable transaction that was, in fact, one portion of a trade: We traded Cable ONE's systems in California and Indiana for AT&T's systems in Idaho. This gain is a bookkeeping fiction. We never received $321 million in cash (we did receive some cash in the trade, but it was less than 20 percent of the sum that was booked). The gain resulted from accounting rules that require writing the assets we traded up to fair market value, rather than recording them at their historical cost.

In evaluating this gain, shareholders should do what I do: ignore it. If you ignore it, The Washington Post Company had a very poor year in reported results. Much of this was attributable to the recession, which had a highly negative effect on advertising in all media and particularly on help wanted advertising at newspapers, including The Post. Advertising was bad before September 11 and worse after. Other major components of our down year included a large write-off at our BrassRing affiliate and the first-year effects of the Idaho trade on Cable ONE (the longer-term effects should be excellent, beginning this year).

Fortunately, The Post Company continued making substantial progress on several fronts. We aren't planning for an advertising recovery in 2002 (don't be alarmed by this; we have no record of successfully forecasting changes in the ad market). But unless advertising gets much worse, the company should have a pretty good year in 2002, both in reported earnings and in substance. Two divisions in particular look set for good times: Cable ONE and Kaplan.

2002 should be an encouraging year for Cable ONE, partly because of the company's willingness to absorb lower earnings in 2001. Tom Might has put together a series of management actions that should enable this amazing organization and its associates to bring in large increases in operating income and cash flow for the next two years.

Operating results in 2001 were pounded by the aforementioned trade of high-performing cable systems in northern California and Indiana for all of AT&T's systems in Idaho. The systems we traded had higher cash flow than the Idaho systems we acquired, and we also absorbed large depreciation and amortization expenses – all of which took their toll on net income in 2001. But Cable ONE management had an immediate impact on the performance of the Idaho systems. Their cash flow in 2002 should equal that of the systems we traded, and customer satisfaction, which was much lower in Idaho than in Cable ONE systems, has risen rapidly. We gave up short-term cash flow in the trade, but we acquired more subscribers and more homes passed in under-penetrated systems in the third-fastest-growing state in the country. We like our prospects in Idaho going forward.

Idaho was only the beginning of an outstanding year at Cable ONE. By year-end we were number one in the industry in digital video penetration from a standing start just 16 months earlier. To demonstrate the appeal of our service, we offered it free for one year to any subscriber who was willing to self-install it. The initial returns are in, and they demonstrate a gratifying number of subscribers who are willing to convert to paying customers. We're right in line (though still near the beginning) with our optimistic plan to have 250,000 paying subscribers at the end of 2002.

We also had cable modem or (in a few cases) dial-up Internet capabilities deployed in more of our rural MSO than any other cable operator in the United States. Theorists have written about a digital divide between urban and rural America. That absolutely isn't the case in Cable ONE's small-town/smaller-city markets, and we hope to end up with very high cable modem penetration. At year-end 6 percent of Cable ONE's customers subscribed to CableONE.net. This was somewhat behind industry averages because of our decision to delay the launch of the service until we could do it our way – self-installed by our customers, of course, and without a third-party Internet access provider. But with the rapid rollout of our modem capability, we hope to catch up rapidly with everyone else in the industry.

Cable ONE's management has done almost nothing according to standard cable industry practice. That's because our markets are different and because we have focused on the twin goals of providing maximum customer satisfaction and good returns to shareholders. Cable ONE is ready to come through. Tom Might and the Cable ONE team have not let shareholders down.

Kaplan had a very good year in 2001 and set the table for outstanding performances this year and for years to come. Jonathan Grayer, Andy Rosen, and dozens of smart, energetic, customer-focused Kaplan managers have the company delivering great results in businesses that address many areas of education. Kaplan's oldest business, Test Prep, is performing outstandingly. Kaplan's newest acquisitions, particularly the Quest colleges (now part of Kaplan's newly-formed higher education division), have been extremely successful. We enter 2002 with very high hopes indeed.

Kaplan fell just short of $500 million in revenue in 2001 and became the company's second-largest business in revenues after The Washington Post. In 2002 revenues will grow dramatically, in part from acquisitions but much more from internal growth.

Kaplan Test Prep, the business Stanley Kaplan invented in the late 1930s and sold to The Washington Post Company in 1984, continued to experience fast growth in revenues and profits. (Stanley's autobiography, *Test Pilot*, was published to excellent reviews last year.) When The Princeton Review went public during the course of the year, we learned that our revenue growth has consistently outpaced that of our largest, albeit smaller, competitor. Competition is keen, but John Polstein and Kaplan's Test Prep team intend to keep up that record.

Throughout the year we noted that the securities and financial offerings of Kaplan Professional were certain to be affected by the recession. They were, but we're happy to report that Eric Cantor and his team turned in an increase of more than 20 percent in their contribution to Kaplan's profits. The growth opportunities here remain great. Kaplan Professional's one acquisition of 2001 added a truly unusual and excellent business to the unit: ProSource, under Joe Coyne, has dominated Minnesota in financial and real estate training.

Our higher education division had a banner year in 2001, its first full year as a Kaplan unit. Gary Kerber and his team are bringing wonderful resources to thousands of students, helping those students get better jobs and earn more money. In January 2002 three acquisitions brought more colleges into Kaplan's network, in Texas, Philadelphia, and Columbus, Ohio. There is opportunity for substantial growth in this business, and Gary has shown – both in 2001 and in the years before – that he can manage a growing company.

In past years we've written about the amounts the company has invested in various developing businesses. Kaplan's post-secondary online efforts consumed another $10.5 million in 2001 and will lose money again in 2002. But what started as an experiment is now a business with hundreds of students, serious courses, and a huge growth opportunity. Robert Greenberg, one of the ablest among Kaplan's capable group of managers, took charge of Kaplan's online higher education business in 2001. The goals he and Jonathan have set for this unit are very high indeed.

Finally, Score cut its losses in 2001 and will cut them again in 2002. Score probably will never be a very big business, but it should be a profitable one. It's providing a vitally needed service if we can judge by the number of kids who run from the family minivan to Score centers every day, both because Score helps with schoolwork and because they enjoy it so much.

Kaplan has been our fastest-growing business for years and should be again in 2002. It is changing the face of our company. Before long, it's likely to become our largest division in revenues and should be growing fast in profitability.

As Kaplan becomes more successful, it becomes more necessary that shareholders understand its results. These include annual accruals for a compensation plan for Kaplan's top management. Back in 1994 we thought Kaplan's strong management team had the potential to take our money-losing education business and turn it into a highly profitable division – if we could keep the managers together. Most of the team stayed, and the results have been terrific.

Accruals related to the stock compensation plan – mostly non-cash for now, but leading to a cash payout later – make it difficult to understand Kaplan's results. Under the plan, a value for Kaplan, based on its hypothetical value if it were a public company, is set by our Board's compensation committee. An outside firm participates in the valuation. As Kaplan's earnings have started to increase dramatically, so have the valuations – and the accruals. We accrued $6 million under the plan in 2000 and $25 million last year. We expect Kaplan's profits and its value to increase significantly this year; so, too, should our accruals.

So much for the news of improving results. If you look at the segment data at the end of this report, you'll find that Post-Newsweek Stations had a big down year in profits; they were off 26 percent. But Alan Frank and the managers of our six television stations – Joe Berwanger (Detroit), Sherry Burns (Jacksonville), John Garwood (Miami), Jim Joslyn (San Antonio), Henry Maldonado (Orlando), and Steve Wasserman (Houston) – deserve thanks from every Post Company shareholder for their excellent performance under difficult circumstances.

2001 was certain to be a down year in television station profits because 2000 included such a large amount of political and Olympics advertising. The TV business has evolved into one where even-numbered years experience growth, while odd-numbered years struggle to retain it. Nonetheless, because of the advertising recession, revenues were way below what we had expected. (For four days after September 11, the stations ran no advertising whatsoever, but revenues were off before and after September 11 as well.)

Post-Newsweek once again recorded the highest operating margins of any publicly reporting group broadcaster. Alan and his team of station managers started cutting expenses as soon as they saw the year was going to be a poor one, and they never stopped. Post-Newsweek Stations has made an art form of cutting expenses while making sure news and public affairs programming stays as strong as ever.

Several of our stations set ratings records, and all performed well within their markets. Our poorest-performing station, WKMG in Orlando, had a management change at year-end with PNS veteran Henry Maldonado taking over, along with news director Skip Valet. The station quickly became competitive in the 11 p.m. news period, but WKMG still has plenty of work to do to get to the place where other Post-Newsweek stations have been for years.

At the beginning of 2002, we reached a deal with NBC that should work out very well for both companies. Back in 1994 Bill Ryan, then president of Post-Newsweek Stations, reached a network compensation agreement with NBC that has proven very beneficial to our company and also has provided to the NBC network the audiences of both Detroit's top-rated station and our fast-growing station in Houston.

At the end of 2001, NBC made a proposal for a revised arrangement that will run through 2011. Alan Frank recognized the proposal had highly advantageous qualities for both companies, and an agreement was quickly reached. This was gratifying; relations between networks and affiliates have been difficult for years, and our company may have contributed to the rhetorical noise level at times. (We certainly weren't alone; it has long seemed to us that the networks have been super-critical of local affiliates and not at all appreciative of higher-performing groups like Post-Newsweek, even though we bring higher-than-average audiences to network programming.) We would prefer that all our stations remain affiliated with the major networks, as we traditionally have been; we'll do so if we can reach agreements that are financially acceptable for our shareholders.

News is the key building block at every PNS station. Strong news programming produces strong business results. Of particular note, WJXT won a 2001 Peabody Award for its documentary on domestic violence. Peabodys are usually won by the networks, so this was a remarkable accomplishment for our smallest station and the team that created the program: anchor Deborah Gianoulis, producer Sharon Siegel-Cohen, photographer Bobby Thomas, and news director Skip Valet.

In the future, viewers will have more and more high-quality channels to turn to, and there are those who have doubts about the future importance of local television stations. It has always seemed to us that the station with the best local news in each market has a huge advantage in getting ready for the future. That's what we intend to be.

Financially, Newsweek had an extremely tough year. When Rick Smith took over the magazine in 1991, Newsweek was making no money at all, and Rick described the next ten years as "rolling the rock up the hill." In 2001 the rock rolled most of the way back down again. Advertising pages were off almost 25 percent. Few news or business magazines did better; many did worse.

However, poor business results had no effect whatsoever on Newsweek's journalistic quality. Week after week, the magazine broke important stories, printed insightful columns, and crackled with life. Circulation revenue was up by a simply unbelievable (and highly necessary) $21 million. The success of Newsweek's special post-September 11 issues – described in Ben Bradlee's essay – led to thousands of subscriptions that will hold down circulation-building expenses in 2002 and provide advertisers with a meaningful bonus over the rate base.

Newsweek's management – Rick Smith, president and COO Harold Shain, publisher Greg Osberg, and editor Mark Whitaker – is simply the best in the business and experienced at rolling rocks up hills.

Again, Newsweek and all magazines face huge increases from the U.S. Postal Service. The Postal Service has its problems, but its persistent rate posture – raise rates aggressively on the mail customers want (letters and magazines) while slashing rates on the mail no one wants (third-class junk mail) – seems like a recipe for disaster.

In reporting on The Washington Post newspaper over the years, I've occasionally called attention to the increasing importance of help wanted advertising to Post results and to the cyclical character of that business. But the dramatic decline in help wanted in 2001 made the point far more eloquently than I.

This question often comes up: Is help wanted advertising moving from newspapers to the Internet? The enormous numbers of résumés that flood in from Post help wanted ads remain ample tribute to the necessity of newspapers for recruitment campaigns. If advertisers want an online solution, our WashingtonJobs.com is simply the best resource for employers in the greater Washington area. We're ready to serve advertisers in whatever medium works best for them. But we think newspapers will remain the key ingredient in successful recruitment advertising.

For Post advertising outside recruitment, it wasn't as bad a year. Retail revenue was down almost 15 percent, but automotive and real estate advertising held up well.

At the end of the year, The Post raised its newsstand price for the daily paper to 35 cents. We remain one of the lowest-priced newspapers in the country, a fact that has something to do with the exceptionally high penetration The Post enjoys in the District and the 11 counties that make up the Washington area. But with advertising falling, we, like all other newspapers, have had to ask readers to bear somewhat more of the costs of producing their morning paper.

Expense performance was a highlight. All departments focused on it, and costs at the newspaper actually declined for the year despite higher average newsprint prices than in 2000.

The Post's journalistic performance both before and after 9/11 was simply sensational. For years executive editor Len Downie has been patiently building an exceptional reporting staff. When the events of 2001 hit, The Post was prepared with great reporters to follow them across the board.

I'd also like to single out one particularly important piece of pre-9/11 reporting. Everyone in Washington was horrified by the death in early 2000 of a little girl named Brianna Blackmond. She had been removed from loving care in an outstanding infants' home and returned for a visit to the custody of a mother previously found unfit. Her death inspired reporters Sari Horwitz, Scott Higham, and Sarah Cohen to ask how many other children turned over to the city's custody had died. The answer was appalling. From 1993 through 2000, 229 boys and girls perished after their families had come to the attention of the District's child protection system. According to the series, "Some children died in accidents or shootings on the streets. Others succumbed to disease. But one in five – 40 boys and girls, most of them infants and toddlers – lost their lives after government workers failed to take key preventive action or placed children in unsafe homes or institutions." When the series ran, city officials dedicated themselves to making necessary changes in the child custody system.

Late in 2001 Herbert Block (Herblock) died, ending a 55-year career as The Post's cartoonist. Herb was the greatest editorial cartoonist in history. No other cartoonist was ever at the center of affairs for such a long period, nor the regular author of so much memorable work. To paraphrase one of his favorite Americans, someone will succeed Herb, but no one will replace him.

The Gazette newspapers in Maryland's Montgomery, Frederick, Carroll, and Prince George's counties also saw their advertising volume fall as a result of the recession. Profits fell somewhat, but The Gazette delivered another strong year.

In early 2001 we acquired Southern Maryland Newspapers from Chesapeake Publishing Corp. They, too, were affected by the recession's impact on advertising. However, under Chuck Lyons' able leadership, we look for our now-large group of community newspapers to be an important contributor to the company's profits in the future.

One of the largest business issues facing the company is the future of Washingtonpost.Newsweek Interactive (WPNI). In important respects it had a simply great year in 2001. Traffic to washingtonpost.com boomed from January on, and as readers sought news about September 11 and its aftermath, chief executive officer Chris Schroeder and editor Doug Feaver responded.

Up until 2001, the biggest day in washingtonpost.com's history had been the day after the November 2000 presidential election, when the uncertainty in Florida led to a record 10.7 million page views, 35 percent more than the biggest day we'd ever seen. September 11 and 12 each brought 28 million page views, and the site recorded several more 10 million-plus page-view days. As I write this in January, washingtonpost.com seems to have settled down to a traffic level almost 50 percent higher than the level of 2001.

Jupiter Media Metrics, the principal web ratings service, continued to report that washingtonpost.com was the most highly penetrated local site in the United States. Its 39 percent local-market penetration in October was a runaway number one in the country. In addition, washingtonpost.com attained a record year for revenues in jobs, cars, and real estate advertising.

Frustratingly, while employers, car dealers, and real estate agencies increasingly used washingtonpost.com to drive business, other advertisers held back. The site's losses remained high (though no higher than we budgeted, thanks to nice work on the cost side).

Chris Schroeder, chief operating officer Caroline Little, and their impressive team enter 2002 with a renewed commitment to push revenues higher, drive expenses down, and look for every possible way to expand the site's advertising base.

Flatteringly, Cox Newspapers bought our WashingtonJobs.com software, feeling it was the best available product on the market, and began using it on its own recruitment web sites.

In our three previous annual reports, I've proudly highlighted how much money we were spending on new businesses, many taking advantage of the Internet. These included WPNI, Score, eScore.com, and Kaplan's online higher education initiatives, BrassRing, and a newspaper industry classified advertising initiative, Classified Ventures.

The scorecard on these is mixed. I've reported on WPNI. Score, after about $50 million of investment, is close to break-even. Kaplan's online higher education effort (once called The Kaplan Colleges) looks like a winner, possibly a big winner.

eScore.com, an ambitious attempt to create an online equivalent to the Score classroom experience, failed. Much of the able programming talent gathered to support it is now developing the Kaplan Learning Platform (KLP), a set of learning software that will undergird Kaplan's initiatives to deliver superior educational services across the board, from kids at Score to adult learners at Kaplan's higher education division. KLP will give Kaplan a leg up in all of its online endeavors.

BrassRing, a business-to-business hiring management and recruitment company in which The Post Company has a 49 percent interest, reported a large loss in 2001. Much of this resulted from the write-down of the value of its career fair assets and therefore was non-cash. Our share of these losses resulted in a pre-tax charge of $75 million, although we invested only $21 million in cash in BrassRing in 2001.

BrassRing consists primarily of two businesses: a large career fair business and a smaller but rapidly growing software business that offers customer companies web-based systems that streamline and manage the corporate recruiting process. The career fair business had a terrible year; almost no large companies were hiring. The systems business had an excellent year. BrassRing's prospects going forward are uncertain, but seem very good. Certainly the company couldn't have a better CEO than Deb Besemer, and Deb has attracted a very strong management team.

Classified Ventures had a much-improved year under new CEO Dan Jauernig. The company expects to operate without requiring additional capital from investors in 2002, but it will never return to Post Company shareholders anything like the amount of money we've put into it. (We own 19 percent of Classified Ventures.)

Whether all these investments turn out to have brought much to Post Company shareholders will be determined by the futures of WPNI, Kaplan's post-secondary businesses, and BrassRing.

No Washington Post Company annual report would be complete without a few words on pension accounting. I've reported before that a large portion of our reported profits comes from our pension credit. The number for both 2001 and 2000 was approximately $4.00 per share (excluding costs for early retirement programs). The table on page 52 breaks down the pension credit by segment.

Our pension credit has always been a large percentage of our profits because the investment results of our pension fund have been extraordinary. With Bill Ruane and his firm, Ruane, Cunniff, investing the lion's share of the fund, our returns have been among the best of any U.S. corporation. This gives the people who work here unusual certainty about their pension funding.

The reason we have always singled out the pension credit for your attention is that it's a non-cash item and therefore of lesser quality than the rest of our earnings.

Complex accounting rules decide how much pension credit is reported as part of our earnings, but a key determinant is the expected rate of return on assets in a pension fund (the higher the expected return, the larger the pension credit and the greater a company's reported earnings). For 2002 and the future, we have reduced The Washington Post Company's investment return assumption from 9 percent to 7.5 percent. We've also lowered a second assumption, called the discount rate, by one-half percentage point. As we announced in January, the combined effect of these changes and assumptions would be to reduce 2002 earnings by $20-to-$25 million, although cash receipts don't go down by a dollar. After our January announcement, our actuaries informed us that our investment returns were much higher than expected, so that the pension credit in 2002 will be off only $10-to-$15 million.

Our decision to reduce the return assumption is unconventional and will penalize our earnings compared to those of other companies. Warren Buffett's article in the December 10, 2001, issue of Fortune seems to me and to our Board to provide overwhelming evidence that it's not prudent to expect 9 percent returns out into the future.

One other significant difference for 2002 is that because of a change in accounting rules, we will no longer amortize goodwill. This will have the effect of increasing our reported operating income by approximately $75 million (about $5.00 per share), but it's a non-cash item. A similar adjustment will hit the books of all other companies.

John Dotson joined the company's Board of Directors at mid-year. John had spent 18 years at Newsweek early in his career, rising to become chief of correspondents. After leaving us, he became a Knight Ridder publisher, first at the Boulder Camera and then at the Akron Beacon-Journal, where the newspaper won the Pulitzer Prize Gold Medal for Public Service for a groundbreaking series on race relations in the community. John is a most-welcome addition to the Board.

This year Don Keough retires, an enormous loss to our Board. Don's range of experience, brains, and unfailing good humor were among the most important supports to Kay Graham and later to me. To say he'll be missed is a huge understatement.

Bev Keil, the company's longtime vice president of human resources, retired at the end of the year. Bev's contributions were very important. She greatly improved and simplified our benefits plans. In addition, she oversaw the growth of The Gazette newspapers and PostNewsweek Tech Media. She found and hired Chuck Lyons and put him in charge of those businesses. Ann McDaniel moved from the managing editorship of Newsweek to become Bev's successor.

With Cable ONE and Kaplan leading the way, the company continues to change dramatically from year to year, making it difficult for me to communicate to you all I should about the nature of your investment. In the fall of 2000, we held a highly successful Shareholders Day, giving shareholders a chance to hear from our division heads about the most rapidly changing parts of the company. We'll probably stage a second Shareholders Day later this year. I'll communicate with you about it when a time and place are set.

Readers of this report over the years may have noted I'm not particularly comfortable with optimistic statements, and I try this one out somewhat awkwardly. Despite the biggest advertising recession in recent memory, we could have a pretty good year in 2002. In fact, the next two or three years should be good ones for the company, even assuming no advertising recovery (as long as it doesn't get still worse). When advertising does start to recover – we have no idea when that will be – we'll be ready to make progress across the company.

Sincerely,
Donald E. Graham
Chairman of the Board

March 8, 2002

EDITORIAL CARTOON
BY HERBLOCK, 1909 – 2001

Kay Graham’s Management Career

BY WARREN E. BUFFETT

Katharine Graham told her story far better than I can: *Personal History* is simply the best autobiography I’ve ever read. What I can add, however, is some perspective on her managerial career gained from a ringside view, which I was lucky enough to have for many years.

Kay’s business odyssey was unique. She became responsible for the company’s operations in 1963, painfully unsure of herself, but totally sure of her principles. She had been taught all her life — wrongly — that only men possessed a managerial gene. But she also understood completely — and correctly — that independent and first-class journalistic institutions are key to creating and preserving a great society. When the obligation to manage such an institution was thrust upon her by her husband’s death, she felt she had no choice but to march forward — however loudly her knees might be knocking.

And how she marched! The Pentagon Papers and Watergate are milestones in journalistic history that will be recalled and studied for centuries. But these heralded journalistic successes were matched as well by quiet business success. On June 15, 1971, The Washington Post Company went public at $6.50 per share (adjusted for a subsequent 4-for-1 split). When Kay stepped down as CEO on May 9, 1991, the price was $222, a gain of 3,315 percent. During the same period the Dow advanced from 907 to 2,971, an increase of 227 percent.

continued

KATHARINE GRAHAM

1917 – 2001

This spectacular performance — which far outstripped those of her testosterone-laden peers — always left Kay amazed, almost disbelieving. She was never quite sure where debits and credits belonged and couldn't shake the feeling that the lack of an MBA degree destined her for business failure.

Of course, none of that mattered at all. For Kay understood the two most basic rules of business: First, surround yourself with talented people and then nourish them with responsibilities and your gratitude; second, consistently deliver a superior, ever-improving product to your customer. Among journalistic leaders, no one carried out either task better than she. The consequence was outsized profits. Indeed, if we look at newspaper and television profit margins on what I would term a "quality-adjusted" basis, she took The Washington Post Company from near the bottom straight to the top.

The managerial problem that caused Kay the most anguish was the pressmen's strike in 1975. During the preceding years, conditions in The Post's pressroom had deteriorated to a state approaching anarchy. Finally, on October 1, the union walked out, after first disabling all presses, setting fire to one, and severely beating a foreman. The union's members, smug in the knowledge that a long strike could kill the paper, were certain that Kay would fold. Instead, she took them on.

In the strike's early days, the competing Washington Star bulged with ads while an emaciated Post lost readers and advertisers at an alarming rate. During that period I watched Kay suffer, tormented by the thought that she was destroying what her family had spent more than 40 years building. Some of her most trusted advisors urged her to cave. But, with her knees knocking louder than ever before, she persevered — and won.

Kay brought brains, character, guts, and, not to be omitted, the deepest sort of patriotism to her job as CEO of The Washington Post Company. She always said that what she most wished for was a Pulitzer in management. In my book, she earned one.

The Biggest Story of the 21st Century — If We're Lucky

BY BENJAMIN C. BRADLEE

The frightful events of September 11 kicked off the biggest story since World War II, the biggest story of the 21st century — if we're lucky. Before the night was over, thousands were dead, history had changed wrenchingly, and our reporters were off to explore events and peoples and cultures beyond their knowledge and imagination.

In the next six weeks, The Washington Post put more than a dozen reporters and photographers into Afghanistan — by foot, by automobile, by truck, by plane, and on horseback. And Newsweek published 32 million magazines, including two extras, and street sales averaged more than half a million, many times more than the normal weekly number.

Foreign correspondence is great for these historians: proud — and proprietary of their war stories. But you really had to be there to understand:

Rajiv Chandrasekaran, The Post's Djakarta bureau chief, was driving back to Pakistan after attending a Taliban press conference inside Afghanistan. He came upon three hulking wrecks of a Taliban convoy and stopped to examine a truck. He began to worry that he might be the inadvertent target of the next U.S. attack so he called assistant managing editor Phil Bennett for advice. Bennett called the U.S. military's central command in Tampa, Florida, and told a source there the situation. The source wanted to know whether Rajiv was in the lead truck,


washingtonpost.com
Terrorist Attacks on D.C., New York Worst in History
Bin Laden Likely Tied To Today's Terrorist Attacks
Frantic Calls Made From Hijacked Dulles Plane
America Must Respond
MSNBC Video
Other Multimedia
Live Online
Graphics
SPECIAL LATE EDITION
The Washington Post
Terror Hits Pentagon, World Trade Center
N.Y. Skyscrapers Collapse After Hijacked Planes Hit

and whether he was using his satellite phone. It was suggested bluntly that Rajiv stop using the satellite phone since the planes use signals from the phones to identify their targets.

Language skills in Farsi and Pashto, or the several dialects in the countries north of Pakistan, were hard to come by, and so everyone's expense account included monies for translators. When Moscow correspondent Peter Baker arrived in Afghanistan, he reported hiring a translator thusly:

> Baker: "Hello. How old are you?"
>
> Translator: "Fine."
>
> Baker: "We have a deal."
>
> And they shook hands.

Baker was the first Post reporter and one of the first two American reporters to make it into Afghanistan. (He denies that he arrived pulling a suitcase on wheels, but he was wearing a blue blazer and loafers.) He was followed by correspondent Bill Branigin and photographer Lois Raimondo. Lois was the only Post staffer who knew Afghanistan well, and she stayed there ten weeks, filing both stories and pictures. She spent much of that time with Northern Alliance troops, and she got the first pictures of jubilant Afghans celebrating their liberation.

Bill Branigin wrote a memorable story about a hair-raising drive on a narrow, treacherous mountain road, when he met another truck coming toward him — in *reverse*. "This is a Toyota truck," the driver explained. "It only goes in reverse. I've been in reverse for 250 kilometers." Branigin's driver said to him: "Don't even bother to write that up…. No one is going to believe you."

Reporter Keith Richburg and photographer Lucien Perkins struggled through Afghanistan's Anjuman Pass (altitude: 10,500 feet) in snow and ice storms on horseback (expense account: $60 per horse) to get to the front in the Panjshir Valley north of Kabul.

Newsweek's Colin Soloway was the first reporter to find the bearded young American Taliban, John Walker Lindh. Soloway had returned to the Afghan fortress of Qala-i-Jhangi after a deadly uprising by captured Taliban and al Qaeda prisoners had been brutally quashed by Northern Alliance fighters and American Special Forces. Soloway was interviewing survivors of the uprising when Northern Alliance officers told him that an American was among the prisoners loaded on a truck. Soloway at first looked around for an American Special Forces soldier. “There obviously was no one like that,” Soloway said. “There were dazed, injured, bleeding people. Men were crying.” Lindh was pointed out to Soloway, and he asked the young man if he was American. Lindh said yes. Within hours, Soloway reported his scoop, first on Newsweek.MSNBC.com and then in the magazine. Soloway was also the first to report the existence and details of the videotaped interrogation of Lindh by two CIA officers, one of whom, Johnny “Mike” Spann, was subsequently killed in the uprising.

Newsweek International editor Fareed Zakaria produced a seminal piece — “Why They Hate Us.” Pentagon briefers told the press corps: “Read the Newsweek cover story before asking any more questions. This is basic reading.”

Newsweek contributing editor Eleanor Clift landed an exclusive on the cockpit recorder transcripts of passengers on United Airlines Flight 93 trying to recapture the plane from the terrorists.

And the ubiquitous powerhouse Evan Thomas seemed to be producing the classiest cover stories every week. One Newsweek editor says admiringly, “He writes faster than he types.”

The first regular edition of Newsweek after the attacks sold 2 million copies, by far the biggest newsstand sale in the magazine’s 68-year history. Four different magazines were published in 13 days. One 64-page special issue was produced in just over 24 hours.

The city room of a big metropolitan newspaper is a fast-paced and chaotic place on a day like September 11. Len Downie and the other editors had to mobilize the staff long before they had any real idea what was happening. Fashion reporter Robin Givhan, sports columnist Sally Jenkins, and sports writer Rachel Alexander happened to be in New York when the two planes struck the Twin Towers in lower Manhattan. And they were out chasing the story before the third plane hit the Pentagon.

Metro reporter Arthur Santana was one of the first to arrive at the Pentagon. He got into the Pentagon courtyard, inside the cordon set up to keep the media out. A military officer pressed Santana into joining a group of volunteers trying to claw through the rubble looking for survivors. He stayed on that job for 72 hours while sending regular reports on his cell phone. He was joined inside the cordon by photographer Juana Arias, who abandoned her car on Shirley Highway and climbed two highway fences to get there.


AMERICA UNDER ATTACK
Newsweek
Newsweek
God Bless America
Newsweek
THE SPIRIT OF

Metro reporter Steve Vogel, who had a Pentagon press pass, was among the group brought into the still-burning Pentagon later that day to report on the scene inside.

Photographer Rich Lipski wanted to go to the roof of a Virginia apartment building with a great close-up view of the Pentagon disaster area. The superintendent turned him down. “You don’t understand,” Lipski told the superintendent. “I work for a madman. He’ll fire me if I don’t get on that roof and bring back those pictures.” He was not kidding when he described photo editor Joe Elbert. (p.s. – he got the pictures.)

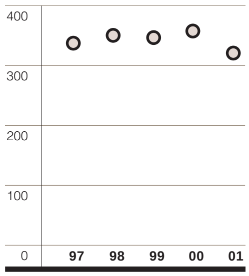
All this produced a rare extra of 50,000 copies — all sold and all collectors’ items.

Bob Woodward came in early on the morning of September 11 (from his book leave) and has been knocking off exclusives ever since: Mohammed Atta’s letters to his fellow hijackers; the first accurate account of the Taliban–bin Laden relationship; the first account of secret CIA units playing a combat role; and much, much more. Another Post prize-winning reporter/author, David Maraniss, who also was on book leave, returned to the newsroom to start reporting on three powerful stories on the many lives affected by the attacks.

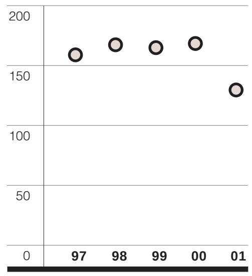
And finally, The Post’s newsroom worked hand in hand with washingtonpost.com. Our web site recorded 28 million page views in the first 24 hours after the greatest crime in American history. The biggest previous day in the site’s history (the day after the 2000 presidential election) was 10.7 million. Traffic to the site has stayed at nearly 50 percent above pre-September 11 levels.

In so many ways daily journalism — with its endless procession of breaking news, crime, deadlines, inside politics, scandal, and bowl games — is all just a dress rehearsal for the stories that grab the country by the throat and by the heart. This was such a story, and Post shareholders can be completely proud of how the troops responded.

Operating Revenue
($ in millions)



Operating Income
($ in millions)



Television broadcasting division operating income in 2001 declined 26 percent to $131.8 million, from $177.4 million in 2000. The stations' revenue decreased 14 percent. Excluding approximately $42 million in political and Olympics advertising in 2000, revenue in 2001 decreased only 3 percent despite the impact of September 11 and its aftermath.

All six Post-Newsweek stations rallied immediately after the terrorist attacks to focus on local stories. WPLG broke the story of the terrorists' interest in crop-dusting facilities in South Florida, where the attackers planned and trained. WDIV exposed a terrorist cell in Detroit and revealed the apartment where terrorist suspect Nabil Al-Marabh was living. WJXT followed Jacksonville fire, police, and Red Cross volunteers to New York and stayed close to local naval bases as military mobilization began. The stations organized telethons, fundraisers, blood drives, and phone banks of grief counselors, and the stations' web sites provided important safety information about anthrax and other potential threats.

WDIV-Detroit continued to rank first in its market and was the number one NBC affiliate in the top 20 U.S. markets in 2001.

Throughout the year WDIV created specials and vignettes to salute Detroit's 300th birthday. Highlights included a special on the vital role Detroit played in the Underground Railroad and exclusive live coverage of the Parade of Tall Ships on the Detroit River.

WDIV and the Detroit News formed an exclusive new partnership in 2001. On Election Day, using combined polling capabilities, WDIV was the only television station in the market to call the mayoral race accurately early in the evening.

An investigation on underage drinking caught teens on tape illegally buying liquor. The Michigan legislature responded by enacting stiffer penalties for store owners who sell liquor to minors. Investigative reporter Kevin Dietz received the Agnes Scott Leadership Award from the Prevention Coalition of Southeast Michigan for his investigative reporting.

KPRC-Houston weathered Tropical Storm Allison in June by remaining continuously on the air for 48 hours, providing viewers with extraordinary live pictures of one of the worst natural disasters in U.S. history. KPRC broadcast a live town meeting with city, state, and federal officials and many of the storm's victims. The station followed up with a day-long telethon that raised $250,000 for the American Red Cross relief fund. KPRC's total storm coverage won a regional Emmy Award for excellence.

An incredible story of a different kind also took Houston by storm in June. Suburban wife and mother Andrea Yates drowned all of her five children. This tragic event made national headlines and continues to do so. KPRC was the only TV station at the home to capture pictures of Yates when authorities arrested her.

By year's end it was apparent that Enron, once the pride and joy of Houston's corporate community, was collapsing in a scandal that continues to unfold. KPRC quickly recognized the scope of the story and created a "Boom to Bust" coverage team. The station coordinated its coverage with NBC News and tapped into the expertise of Washington Post reporters who were covering the congressional angle of the Enron collapse.

Last spring KPRC expanded to a three-person anchor team for the 10 p.m. weeknight newscasts. The expanded news team introduced a Nightbeat Extra segment offering viewers in-depth coverage of a different issue each night. KPRC's 10 p.m. weeknight news was rated number one in the May ratings sweeps.

WPLG-Miami/Fort Lauderdale led the market in reporting major news events in 2001.

The disputed 2000 presidential election was finally resolved in January. As many political, polling, and news operations continued to pursue a recount throughout the state, WPLG dispatched crews to report on all facets of the story and the final accounting of the election.

Reporter Jilda Unruh's two-year investigation into malfeasance and corruption in the Dade County school system led to the forced resignation of the Superintendent of Schools and two of his top lieutenants. The school board instituted a top-to-bottom review of accountability and oversight of administrative practices as a result of the series.

WPLG continued its success in combining signature community events with strong marketing and sales initiatives. The 2001 Air and Sea Show, a salute to the nation's military, brought over 3 million spectators to the Fort Lauderdale beach in May. The station's live special of the event, supported by sponsorship packages, generated high ratings. The Air and Sea Show joins WPLG's longstanding sponsorship of the Ericsson Tennis Championships on Key Biscayne as prime examples of the station's commitment to showcasing South Florida, as well as successful event marketing.

WKMG-Orlando underwent major transitions in 2001. Henry Maldonado, a 20-year Post-Newsweek veteran, joined WKMG as general manager in August. He brings years of experience from major markets, including most recently Detroit, where he was vice president of programming and promotion at WDIV. At WKMG Maldonado quickly focused the station on local issues, branding WKMG as Local 6 and introducing Good Neighbor 6 to address community issues.

Other significant additions included changes in news, both on-air and in management. The station introduced a new anchor team for the evening newscasts at 5 p.m., 6 p.m., and 11 p.m. weeknights; promoted another anchor/reporter to solo anchor the 5:30 p.m. newscast; and hired a weatherman from WDIV to anchor all evening weathercasts, a news director from WJXT, and an assistant news director from KSAT.

In addition, the station has added experienced new sales management.

Among news highlights, a Little League team from Apopka, a community in the Orlando market, represented the United States at the Little League World Series. WKMG was the only station to travel with the team to Pennsylvania and became the home station for their families and the community that rooted for them.

KSAT-San Antonio once again delivered the highest-rated late newscast among all ABC affiliates in metered markets. Nightbeat at 10 p.m. maintained its ratings dominance in the San Antonio market despite a weak ABC network schedule. KSAT also continues to dominate early newscasts at noon, 5 p.m., and 6 p.m., with number one household ratings and great demographics.

Early in the year KSAT anchor Leslie Mouton was diagnosed with breast cancer at age 34. She told her story to viewers on-air and at speaking engagements throughout the city. From her first surgery through chemotherapy and radiation, Leslie shared her battle with the entire community, step by step. She anchored an entire newscast bald after losing her hair during chemotherapy. Because of her efforts to educate others about breast cancer, Leslie was awarded the Congressional Families Action for Cancer Awareness Award.

When heavy rains came in June and created terrifying flood conditions, KSAT stayed on the air continuously and brought residents much-needed information, as well as dramatic video of water rescues.

During the station's second annual free diabetes and cholesterol screening event, more than 11,000 people were tested, an unprecedented response. KSAT teamed up with the San Antonio Police Department to collect bikes for children. More than 1,000 families received bikes for Christmas.

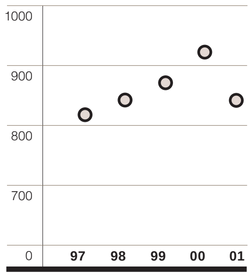
WJXT-Jacksonville celebrated a year of market domination in ratings and revenue, showing clear growth in both arenas. Despite poor market conditions that only worsened after September 11, WJXT emerged with its strongest market share in more than a decade thanks to aggressive sales prospecting and new business development. WJXT maintained its 52-year history of market leadership, retaining its number one ranking in virtually every newscast and key daypart. Of special note, America's longest-running four-person news anchor team – Tom Wills, Deborah Gianoulis, Sam Kouvaris, and George Winterling – celebrated 20 years together on WJXT in June.

2001 marked the beginning of a new partnership with the NFL Jaguars, as WJXT became the team's official station. The alliance led to exclusive reporting opportunities for WJXT's sports reporters, as well as increased and highly desirable football inventory for the sales department.

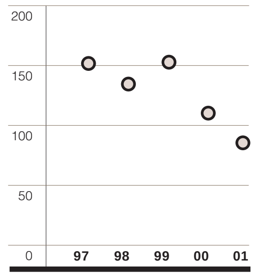
WJXT has a long history of producing insightful primetime documentaries. The latest, "When Mommy Can't Read," reported on the issue of adult illiteracy. This examination of the cyclical nature of illiteracy has seen wide use throughout Florida by groups dedicated to eradicating the problem.

Newspaper Publishing Business Overview

Operating Revenue
($ in millions)



Operating Income
($ in millions)



Newspaper publishing division revenue in 2001 decreased 8 percent to $842.7 million, from $918.2 million in 2000. Operating income decreased 26 percent to $84.7 million, from $114.4 million in the prior year.

The decline in operating income in 2001 resulted from a significant decline in print advertising, offset in part by a higher pension credit, higher online advertising revenue, lower newsprint consumption, and cost control initiatives. In addition, a $27.5 million charge recorded in the fourth quarter of 2000 in connection with an early retirement program at The Washington Post had a favorable impact on year-over-year comparisons.

The Washington Post had a tough financial year, with results greatly affected by the industry-wide decline in advertising revenue. At the same time, several important steps were taken to reduce costs, improve the newspaper, and enhance customers' ability to do business with The Post.

Print advertising revenue dropped 14 percent to $574 million, from $664 million in 2000. Almost two-thirds of the ad revenue decline – $58 million – was due to the print recruitment category, which fell 37 percent from 2000. This sharp drop masked other classified areas – automotive, real estate, and apartments – that grew in 2001 due in part to new zoning opportunities and other innovations. The Post also successfully launched a community zoning advertising unit to generate new revenue and build local content that is highly important to readers.

Every department at The Post focused on expense reduction. Despite higher newsprint prices, expenses were down 3 percent from 2000, excluding the pension credit from both years and one-time production staff buyouts in 2000. Headcount was reduced by nearly 200 full-time equivalents, and the manufacturing units generated significant productivity improvements. Newsprint waste was reduced with no adverse impact on reproduction quality.

Daily circulation declined about one-half of 1 percent, while Sunday circulation dropped by three-quarters of 1 percent.

The Post made substantial progress in efforts to make it easier and more efficient for advertising and circulation customers to conduct business with the newspaper. The advertising billing systems are being upgraded, "back-office" service to advertisers has improved, and more payment options are being made available to subscribers.

Two local weekly sections in suburban Virginia were converted to a livelier and more informative format as The Post continues its initiatives aimed at meeting the needs of a growing and increasingly diverse region.

Washingtonpost.Newsweek Interactive (WPNI) grew revenue in excess of 12 percent in 2001 despite a double-digit nationwide decline in advertising. washingtonpost.com saw dramatic growth in traffic, with page views increasing by nearly 50 percent. WPNI expects continued advertising revenue growth as online usage increases both at home and in the workplace.

Digital media emerged as a trusted and critical source of news and information in 2001. Second only to national television, the Internet was a leading source for coverage of September 11 and its aftermath.

washingtonpost.com is committed to providing the best coverage and interactivity for its local, national, and international audiences. This was especially tested under the demands for information following the September 11 attacks. washingtonpost.com remained available throughout the day, when nearly every other news site was difficult to access.

This commitment has made washingtonpost.com the highest locally penetrated site and one of the top five national news sites in the country. The site strives to offer the best in journalism with easy-to-use interactivity, personalization, email alerts, and multimedia. The site offers live discussions with newsmakers, mywashingtonpost.com's personalization features, and award-winning video, audio, and photography woven seamlessly into text coverage.

Locally, WashingtonJobs.com continued as the top recruitment site, offering both the best ability to match employers and employees and the most advanced job search features. Cox Newspapers was so impressed that it licensed WPNI's internally developed software for use on its recruitment sites.

washingtonpost.com's Cars.com and real estate areas are the definitive online places to buy, sell, or rent a car, home, or apartment in the Washington market. Washtech.com, the powerful source for information on the metropolitan-area technology community, became the most visited site in its category.

In 2001 Yahoo! Internet Life Magazine named washingtonpost.com Best Newspaper Online, and the site won the National Press Foundation's Excellence in Online Journalism Award. The site also won top honors from the Newspaper Association of America and five top Editor & Publisher awards, including best news site and best recruitment section. washingtonpost.com also broke new ground by winning television awards from the White House News Photographers Association.

Newsweek.MSNBC.com also achieved record traffic – up more than 100 percent year over year – reflecting outstanding news and war coverage and an innovative site redesign. As a result of the MSNBC partnership, Newsweek and washingtonpost.com have developed creative online multimedia packages that are closely linked to print and television.

Newsweek.MSNBC.com also launched a breaking news email product available only to Newsweek magazine subscribers.

The Washington Post Writers Group posted a solid year in a very tight market. The Group's op-ed writers – Jim Hoagland, David Broder, George Will, Ellen Goodman, William Raspberry, Richard Cohen, Charles Krauthammer, Robert Samuelson, Michael Kelly, Ruben Navarrette, and E.J. Dionne – were in great demand after September 11. Comic strip sales weakened during the year, but income from Post photo and text reprints rose for the fifth consecutive year.

The Herald in Everett, Washington, celebrated its 100th year as a daily newspaper by redesigning the look and feel of the paper to sharpen its appeal to busy readers and by introducing a revitalized Arts & Entertainment section and a new Sunday Real Estate section that attracted considerable advertising support. Herald columnist Larry Henry was judged number one among sports columnists for newspapers between 40,000 and 100,000 circulation by the Associated Press Sports Editors.

The local economy, already in recession, was hard hit following the September 11 terrorist attacks when The Boeing Company, Everett's largest employer, announced plans to lay off 30,000 employees company-wide. Earnings at The Herald were off 16 percent, and the company instituted major cost reduction and re-engineering plans to stabilize the operation as it headed into 2002.

Longtime publisher Larry Hanson retired after 45 years, the last 18 of which he served as publisher and president. He was succeeded by general manager Allen Funk, a 16-year veteran of The Washington Post Company.

Community Newspaper Group consists of The Gazette newspapers, Southern Maryland Newspapers, Comprint Military Publications, and Commercial Printing.

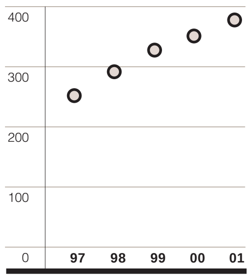
The Group acquired Southern Maryland Newspapers on February 28, 2001, and moved quickly to redesign the paid-circulation newspapers serving Charles, Calvert, and St. Mary's counties; launch a non-subscriber specialty publication, The Advertiser; install pre-press technology; and refurbish press equipment to achieve quality reproduction for its newspapers and commercial printing customers.

The Gazette operations in Montgomery, Carroll, Prince George's, and Frederick counties felt the effects of a major decline in classified employment advertising. The newspapers distinguished themselves by publishing local coverage of the September 11 attacks and by winning a fifth straight annual Award for General Excellence from Suburban Newspapers of America.

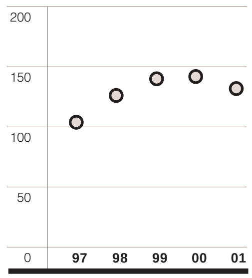
The paid-circulation weekend edition of The Gazette that covers business and politics in Maryland saw its circulation increase to 25,000; its monthly business publication expanded to become a weekly section of that edition. The commercial printing operation in Gaithersburg saw a nearly $2 million increase in 2001 revenues.

Cable Television Business Overview

Operating Revenue
($ in millions)



Cash Flow
($ in millions)



Cable ONE's operating cash flow was $135.3 million in 2001, down 5.9 percent from $143.7 million in 2000. Revenue increased to $386.0 million in 2001, up 7.6 percent from $358.9 million in 2000.

As predicted in the 2000 annual report, the short-term costs of Cable ONE's unique free digital launch strategy were reflected in 2001's cash flow. However, the gradual addition of the $8.95 digital fee to more than 200,000 free digital subscribers will be a major source for cash flow growth in 2002 and 2003. Likewise, last year's trade of three high cash flow systems for AT&T's low cash flow systems in Idaho dampened 2001 cash flow, but promises substantial upside as cash flows are increased to Cable ONE levels in 2002 and 2003. The slowdown in the economy hurt cash flow, too – bad debt expense increased sharply.

2001 was a year of many anticipated accomplishments at Cable ONE, but some turned out even better than expected. Although Cable ONE held back its digital video launch two to three years later than other MSOs, the company surged to an industry-leading 32 percent penetration of basic subscribers by year-end, just 16 months from launch. Cable ONE also waited for its cable modem launch until mid-2000, but by year-end 2001 had become the industry's highest deployed cable ISP at 89 percent of homes passed, in just 21 months. In both cases Cable ONE patiently developed unique products and launches to improve upon early industry experiences. Customer satisfaction with both new products produced Cable ONE's highest-ever overall customer satisfaction ratings.

Cable ONE Digital launched as a rich digital service with more premium channels (38), more PPV channels (47), and more music channels (40) than DBS. Not satisfied with the results of digital launches at other MSOs, Cable ONE bought first-of-a-kind digital headends that allowed 100 percent statistical remultiplexing and 256 QAM output. In English, this allowed total flexibility to mix and match portions of digital streams from any number of desired transponders with full, efficient utilization of each digitized 6 MHz stream. Well, almost English! The purpose of this rich offering was to match or surpass DBS in as many categories of programming as possible. And it has worked. Research shows that since Cable ONE Digital was launched, customer interest in DBS has fallen by 60 percent to a record low.

This unique digital content strategy was enhanced by an even more unique and risky launch strategy – giving digital access away free for 12 months. There was only one catch. Customers were asked to install the digital receiver on their own, if possible. An estimated 80 percent of digital installs in 2001 were accomplished with self-installations, saving more than 150,000 expensive truck rolls. It would have been impossible to achieve Cable ONE's industry-leading 32 percent penetration in just 16 months without this tactic. The free offer expired December 31, 2001, with a year-end digital customer count of approximately 239,500.

In 2002 Cable ONE plans to expand its digital programming by increasing digital basic channels from 14 to 25 by adding limited HDTV feeds and a Hispanic tier. Managing digital programming changes across Cable ONE's 42 digital headends is easy, because virtually all carry the exact same national digital lineup. This standardization also enabled the deployment to 91 percent of the MSO basic subscriber base in record time, just 16 months.

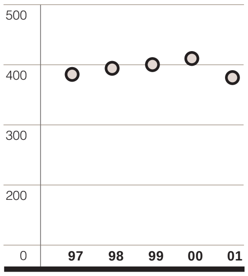
The cable modem story is no less unique at Cable ONE. It confounds most analysts that an MSO built around smaller markets that was last to launch cable modems now leads the industry in market deployment. So much for the "rural digital divide." CableONE.net is available to 89 percent of all homes passed by the MSO. As with digital video, the strategy was to wait until adequate knowledge and standards had been acquired to do it better. While waiting for all the benefits of standardized DOCSIS modems to arrive, Cable ONE launched CableONE.net as a dial-up service in most of its markets four years ago. This strategy readied all associates for selling and servicing Internet customers well before the first modem was added as a high-speed version of the brand. As a result, Cable ONE was able to launch high-speed modem service without any partnerships, such as @Home, and without sharing any revenue. The recent enormous costs and customer hardships suffered by other MSOs who were affiliated with @Home have been well chronicled by the press and completely avoided by Cable ONE.

Perhaps more important, Cable ONE was the first in the industry to avoid expensive truck rolls and accomplish 100 percent customer self-installation and self-provisioning since launch – something no other MSO has been able to do universally. This will save more than 50,000 truck rolls per year. For the first 15 months the service was offered, Cable ONE required all customers to buy their own modems at retail. A $5 monthly leasing option was added in the third quarter of 2001, when wholesale modem prices fell below $100. As a result net subscription sales rates tripled to an annualized 6 percent rate in the fourth quarter and 7 percent in 2002. Penetration of basic subscribers was 6 percent at the end of 2001.

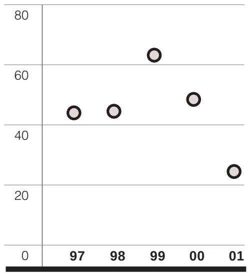
The trade of three Cable ONE systems in California and Indiana for six AT&T systems in Idaho was completed in March. Although Cable ONE received 30 percent more subscribers and 70 percent more homes passed, the short-term impact of the trade diluted cash flow by $8.6 million due to the significantly lower cash flow per sub in AT&T's systems. Idaho cash flow growth is expected to close that gap in 2002. This trade pushes the percentage of Cable ONE subscribers in its five largest states to 73 percent. In subscriber order the five states are Mississippi, Idaho, Texas, Oklahoma, and Arizona.

As promised, 2001 capital spending hit an all-time high of $167 million due to the rapid deployment of digital service, which accounted for almost $100 million. With the massive digital deployment over and with rebuilds nearly complete, 2002 capital spending will be a fraction of the 2001 level. Cable ONE should experience significant free cash flow growth in 2002 and beyond.

Operating Revenue
($ in millions)



Operating Income
($ in millions)



The magazine publishing division recorded operating income of $25.3 million in 2001, a decrease of 48 percent from $49.1 million in 2000. Revenue totaled $380.2 million, a 9 percent decrease from $416.4 million in 2000. The decline in 2001 operating income resulted from a 24 percent decrease in advertising revenue at the domestic and international editions of Newsweek.

Newsweek's distinguished coverage of September 11 and its aftermath, as well as an extraordinary response from readers, were vivid reminders of the vitality of the news magazine category and of the important role Newsweek plays in the lives of its readers. A string of weekly issues and two special editions broke all Newsweek newsstand sales records and elicited 10,000 letters in the first month after the attacks. Covering every aspect of the event, Newsweek and its web site broke many important stories – on the hijack investigation, the flight recorder transcript of Flight 93 (the plane that crashed in Pennsylvania on September 11), and the existence of American Taliban John Walker Lindh. The magazine also provided narrative storytelling and analysis, including distinctive cover stories such as Evan Thomas' "The Road to September 11th" and Fareed Zakaria's widely cited "Why They Hate Us," which answered the question Americans were asking about Islamic fundamentalism.

With the two special issues and the regular weekly editions, Newsweek printed a total of 32 million copies of the magazine in the six weeks after September 11. The first extra sold roughly 2 million copies, as did the first regular issue after the suicide hijackings. The price of the second special, "The Spirit of America," included a $1 donation to charity for every copy sold; the issue will generate more than $1 million for the September 11th Fund.

That kind of affirmation made 2001's financial results that much more disappointing. With a weak advertising market mirroring the overall economic slowdown, both ad revenue and pages were down from 2000 levels. The aftermath of September 11 only accelerated a yearlong decline. Advertising for the other two major newsweeklies declined similarly; the business and technology books fell by substantially higher percentages. For Newsweek the net result was a revenue hole that could not be filled, and a major turnaround is not expected for 2002. However, expenses have risen by only about 1 percent since 1999 – even though postal rates climbed steadily, and following September 11, manufacturing and distribution costs rose as Newsweek produced millions of additional newsstand copies to meet increased demand.

Circulation revenue increased dramatically in 2001 due to post-September 11 newsstand sales of as much as ten times the normal weekly average. More important for the long run, increased reader interest produced gains in both new and renewal subscriptions. Domestic paid circulation remained strong and profitable at an average of more than 3.25 million, which provided advertisers with an average 5 percent bonus above the 3.1 million rate base. Newsweek continued to lead the newsweekly category in delivering brand-loyal readers to its advertisers, offering the highest percentage of long-term subscribers, the highest percentage of subscribers sold without premiums, and the lowest subscription sales requirement to maintain rate base.

Newsweek's total global audience is 23.9 million. Syndicated research around the world shows the magazine leading the newsweekly field with the highest concentration of readers in key demographic categories that advertisers most want to reach. According to MRI Fall 2001, the U.S. edition of Newsweek is read by a greater number of affluent business professionals than Time or U.S. News, and nearly 9 in 10 Newsweek readers are linked to the Internet.

Newsweek International also saw a dramatic increase in newsstand sales in the aftermath of September 11, but it felt the impact of the global economic slowdown as advertising dropped in all three major editions. Circulation of the magazine's three English-language editions overseas totaled an estimated 676,000. A Polish-language edition, Newsweek Polska, was launched in September, and in just three months it became the leading news magazine in Poland, outdistancing two well-established rivals. The only news magazine to publish foreign-language editions, Newsweek also appears in Japanese, Korean, Spanish, and Arabic. In April Newsweek severed its ties to Itogi, a Russian newsweekly, when that magazine was taken over by a state-owned company.

Arthur Frommer's Budget Travel, a no-nonsense guide to affordable travel, saw both circulation and advertising hold up much better than expected – far better, in fact, than other books in the category. For its September/October 2001 issue, Budget Travel's rate base increased to 450,000, from 400,000, and average paid circulation for the second half of 2001 was more than 544,000. For the first half of 2001 (the latest period for which figures are available for the other travel books), Budget Travel was the category leader in units sold per issue at the newsstand.

Newsweek Productions substantially expanded its operations in 2001. Under a development agreement with Carlton Television, a major television production company in the United Kingdom, Newsweek Productions produced nonfiction programming for the cable networks MSNBC, A&E, The History Channel, American Movie Classics, and National Geographic Channel.

Among the productions were biographies of Laura Bush and Bill Clinton for MSNBC's *Headliners & Legends* series; documentaries on childhood obesity, plastic surgery, and human cloning for A&E's *Investigative Reports* series; a documentary on presidential libraries for The History Channel; documentaries on the making of the movies *Sophie's Choice* and *sex, lies and videotape* for American Movie Classics; and a 14-part series on a year at West Point for National Geographic Channel.

In addition, Newsweek Productions completed a fourth season of the award-winning *HealthWeek* series on PBS. Three single-topic *HealthWeek* special editions also were broadcast as Friday night specials on ABC News' *Nightline*.

The biography of Laura Bush and a *HealthWeek* special edition on a mysterious outbreak of the rare disease scleroderma in south Boston won Gracie Awards, the highest honor of the American Women in Radio and Television Foundation.

PostNewsweek Tech Media felt the impact of the severe decline in the technology sector, but made significant strides in strengthening its publications, trade shows and conferences, and Internet sites in the government information technology market.

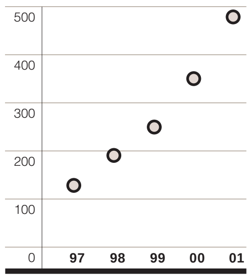
In January 2001 Government Computer News (GCN) introduced a redesigned magazine with improved content based on focus group research. By year's end GCN saw a significant increase in renewal rates among its 87,500 qualified subscribers, most of whom are federal government IT decision-makers.

By January 2002 Washington Technology, a sister publication of GCN that serves systems integrators in the government IT market, also had introduced a redesigned magazine.

FOSE, the 26-year-old government IT trade show, followed its successful show in 2001 by expanding its 2002 show to include the latest in IT plus a separate but related conference called FOSE ES, focused on Enterprise Solutions. The Trade Show Group produced the third annual FOSE@IRMCO conference for government CIOs and launched the PSX trade show in February 2002.

Washington Techway, which serves the non-government technology market in the nation's capital, won the Jesse H. Neal National Business Journalism Award for news coverage in 2001 and introduced an annual Tech Legends event that honors past and present leaders of the Washington regional technology community.

Operating Revenue
($ in millions)



Education revenue increased 40 percent in 2000, climbing from $354 million to $494 million in 2001. Kaplan became The Washington Post Company's second-largest revenue producer during the year.

Due to the amortization of goodwill and the accounting for stock options at Kaplan, which unlike most companies includes a charge related to options held by management, Kaplan reported a loss of $28.3 million in 2001, compared with a loss of $41.8 million in 2000. Excluding these charges, Kaplan's operating earnings were $12.7 million in 2001, compared to a loss of $25.8 million in 2000. The improvement resulted from higher profits at Kaplan Test Prep and Admissions, Kaplan Professional, and Quest (now part of Kaplan's higher education division) and reduced losses from new business development activities, offset by higher stock-based compensation expense accruals.

Kaplan, Inc., continued to grow as one of the nation's leading providers of lifelong education, evolving well beyond its historic test preparation roots in areas that include after-school educational centers, institutional programs for schools, post-secondary education, and professional training.

Kaplan Test Prep and Admissions posted another year of solid growth, serving nearly 200,000 students through its center-based and online courses. The sagging economy boosted the popularity of graduate school, which benefited Kaplan's pre-graduate courses, particularly GMAT and LSAT preparation. Revenue from both courses was up approximately 25 percent for the year. The division's medical and nursing licensure programs also experienced double-digit growth. Kaplan K12 Learning Services benefited from increased emphasis on elementary and secondary school testing and increased its direct sales to schools. By year-end, school relationships numbered more than 800, reaching tens of thousands of students and teachers through professional development workshops, curricular materials, and test preparation programs. For example, Kaplan prepared 4,000 New York City teachers for their certification tests. In January 2002 Kaplan acquired assets of Achieva, an institutional provider of online state testing and college preparation services, with programs in 75 school districts.

Despite challenges facing foreign students seeking visas to study in the United States following September 11, Kaplan continued its strong push into English-language instruction. The division offered a full array of English-language and test prep programs in its U.S. centers and served a growing number of international students through 45 centers in 18 countries.

Enrollments and revenue from online programs were up more than 150 percent for the year, with kaptest.com selling over 27,000 online programs. Kaplan Publishing, in a joint venture with Simon & Schuster, published 151 titles and introduced a number of state-specific test preparation and parent involvement books. With an 82 percent market share in retail test prep software, Kaplan had the top-selling SAT/PSAT/ACT and GMAT/GRE/LSAT titles on the market.

Kaplan Professional, which serves corporations and individuals who require licensing and continuing education in insurance, securities, information technology, real estate, and finance, was the business unit most affected by the soft economic climate. The unit as a whole, however, continued to broaden its reach. The unit's real estate businesses experienced 20 percent growth with the launch of new products, the expansion of online and classroom offerings, and the acquisition of ProSource Educational Services in Minnesota. The Kaplan Professional Real Estate Schools are the largest provider in each of the five states in which they operate. Schweser Study Program, the largest provider of preparation for the Chartered Financial Analyst (CFA®) exam, achieved revenue growth of 50 percent over 2000 and launched Schweser Online. Despite the slow economy, Dearborn Financial Services, which offers pre-licensing and continuing education for financial professionals, and Perfect Access Speer, an information technology training and consulting business, continued to grow. Dearborn Trade Publishing released 43 new business titles in 2001. Self Test Software, a leading provider of information technology practice certification tests, launched a new test engine and grew its corporate client base.

Kaplan Test Prep and Admissions and Kaplan Professional increased revenue by 11 percent, reaching $272 million in 2001.

Kaplan Higher Education, the newly-formed division that includes all of Kaplan's post-secondary education businesses, posted revenue of $165 million in 2001. Each school that is part of this division has its own individual accreditation by one of several national or regional accrediting agencies approved by the U.S. Department of Education. The unit includes the fixed-facility colleges that were formerly part of Quest Education (acquired by Kaplan in 2000), as well as online post-secondary and career schools.

The fixed-facility schools, which posted revenue of $151 million in 2001, added 7 schools in January 2002 and now have 41 schools in 13 states. The schools offer bachelor and associate degrees as well as diploma programs designed to provide students with the skills necessary to qualify them for entry-level employment in the fields of healthcare, business, information technology, fashion, and design. These schools had nearly 15,000 students at year-end 2001.

Kaplan's higher education division also offers distance-learning programs through such institutions as Kaplan College and Concord Law School. Distance revenue totaled $14 million. The distance-learning programs include bachelor and associate degrees and diploma and certificate programs in such areas as business, information technology, financial planning, legal nurse consulting, paralegal studies, and criminal justice, as well as advanced law degrees.

Score!, a national provider of after-school learning programs for children, posted revenue of $51 million, a 40 percent increase over 2000. In 2001 Score!'s 147 after-school learning centers helped nearly 60,000 children in grades K through 10 develop academic skills, self-confidence, and a love of learning.

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Comprint Military Publications
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gwpi.net

Apartment Showcase
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newhomesguide.com

Guide to Retirement Living
retirement-living.com

Post-Newsweek Stations

WDIV-Detroit
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Kaplan, Inc.
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Kaplan Higher Education
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Score!
escore.com

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

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Web: equiserve.com

Form 10-K
The company's Form 10-K annual report to the Securities and Exchange Commission is available on the company's web site, washpostco.com.

Annual Meeting
The annual meeting of stockholders will be held on May 9, 2002, at 8 a.m. at The Washington Post Company, 1150 15th Street, NW, Washington, DC.

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

	2001		2000	
QUARTER	HIGH	LOW	HIGH	LOW
January-March	$652	$524	$587	$472
April-June	$608	$542	$541	$471
July-September	$599	$470	$528	$467
October-December	$540	$479	$629	$508

During 2001 the company repurchased 714 outstanding shares of Class B common stock.

Both classes of common stock participate equally as to dividends. Quarterly dividends were paid at the rate of $1.40 per share in 2001. At February 19, 2002, there were 29 Class A and 1,063 Class B shareholders.

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