

FORM 10-Q  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

Quarterly Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For the Quarterly Period Ended                      July 2, 2000  
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Commission File Number                              1-6714  
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THE WASHINGTON POST COMPANY

-----  
(Exact name of registrant as specified in its charter)

Delaware	53-0182885
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1150 15th Street, N.W. Washington, D.C. 20071	
-----	-----
(Address of principal executive offices)	(Zip Code)

(202) 334-6000

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(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes: X. No: .

Shares outstanding at August 8, 2000:

Class A Common Stock	1,739,250 Shares
Class B Common Stock	7,709,095 Shares

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PART I. FINANCIAL INFORMATION  
Item 1. Financial Statements

The Washington Post Company  
Condensed Consolidated Statements of Income (Unaudited)

(In thousands, except per share amounts)	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 2, 2000	July 4, 1999	July 2, 2000	July 4, 1999
Operating revenues				
Advertising	\$353,514	\$341,602	\$ 672,379	\$ 641,604
Circulation and subscriber	148,905	142,854	296,495	284,285
Education	68,803	56,445	140,833	107,457
Other	20,318	16,294	28,604	44,246
	-----	-----	-----	-----
	591,540	557,195	1,138,311	1,077,592
Operating costs and expenses				
Operating	316,252	294,172	612,297	580,756
Selling, general and administrative	138,704	116,414	274,126	233,410
Depreciation of property, plant and equipment	28,638	25,305	57,024	50,423
Amortization of goodwill and other intangibles	14,755	14,619	29,493	29,044
	-----	-----	-----	-----
	498,349	450,510	972,940	893,633
Income from operations	93,191	106,685	165,371	183,959
Other income (expense)				
Equity in (losses)earnings of affiliates	(9,471)	731	(20,775)	(1,779)
Interest income	275	213	498	459
Interest expense	(12,573)	(5,441)	(25,140)	(12,254)
Other	1,556	9,471	(5,408)	15,613
	-----	-----	-----	-----
Income before income taxes	72,978	111,659	114,546	185,998
Provision for income taxes	31,800	43,750	49,300	72,900
Net income	41,178	67,909	65,246	113,098
Redeemable preferred stock dividends	(263)	(237)	(763)	(712)
	-----	-----	-----	-----
Net income available for common shares	\$ 40,915	\$ 67,672	\$ 64,483	\$ 112,386
	=====	=====	=====	=====
Basic earnings per common share	\$ 4.33	\$ 6.70	\$ 6.83	\$ 11.13
	=====	=====	=====	=====
Diluted earnings per common share	\$ 4.33	\$ 6.67	\$ 6.82	\$ 11.08
	=====	=====	=====	=====
Dividends declared per common share	\$ 1.35	\$ 1.30	\$ 4.05	\$ 3.90
	=====	=====	=====	=====
Basic average number of common shares outstanding	9,443	10,098	9,441	10,098
Diluted average number of common shares outstanding	9,458	10,140	9,458	10,141

The Washington Post Company  
Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(In thousands)	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 2, 2000	July 4, 1999	July 2, 2000	July 4, 1999
Net income	\$41,178	\$67,909	\$65,246	\$113,098
Other comprehensive loss				
Foreign currency translation adjustment	(737)	(239)	(1,179)	(3,348)
Change in unrealized gain on available-for-sale securities	(24,669)	(20,385)	(28,420)	(12,420)
Less: reclassification adjustment for realized gains included in net income	(16)	(7,258)	(197)	(5,832)
	(25,422)	(27,882)	(29,796)	(21,600)
Income tax benefit related to other comprehensive loss	9,736	10,781	11,193	7,112
	(15,686)	(17,101)	(18,603)	(14,488)
Comprehensive income	\$ 25,492	\$ 50,808	\$ 46,643	\$ 98,610

The Washington Post Company  
Condensed Consolidated Balance Sheets

(In thousands)	July 2, 2000 (unaudited)	January 2, 2000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 26,520	\$ 75,479
Investments in marketable equity securities	19,977	37,228
Accounts receivable, net	292,977	270,264
Federal and state income taxes receivable	25,817	48,597
Inventories	26,468	13,890
Other current assets	37,245	30,701
	-----	-----
	429,004	476,159
<b>Property, plant and equipment</b>		
Buildings	247,060	249,957
Machinery, equipment and fixtures	1,115,334	1,081,787
Leasehold improvements	55,113	53,048
	-----	-----
	1,417,507	1,384,792
Less accumulated depreciation	(678,484)	(626,899)
	-----	-----
	739,023	757,893
Land	36,900	37,301
Construction in progress	89,857	59,712
	-----	-----
	865,780	854,906
Investments in marketable equity securities	159,036	165,784
Investments in affiliates	136,277	140,669
Goodwill and other intangibles, less accumulated amortization	869,181	886,060
Prepaid pension cost	367,872	337,818
Deferred charges and other assets	139,396	125,548
	-----	-----
	\$2,966,546	\$2,986,944
	=====	=====
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 254,635	\$ 254,105
Deferred subscription revenue	81,614	80,766
Dividends declared	13,000	--
Short-term borrowings	125,000	487,677
	-----	-----
	474,249	822,548
Other liabilities	281,174	273,110
Deferred income taxes	134,089	114,003
Long-term debt	672,852	397,620
	-----	-----
	1,562,364	1,607,281
	-----	-----
Redeemable preferred stock	13,148	11,873
	-----	-----
Preferred stock	--	--
	-----	-----
Common shareholders' equity		
Common stock	20,000	20,000
Capital in excess of par value	123,673	108,867
Retained earnings	2,795,934	2,769,676
Accumulated other comprehensive income (losses)		
Cumulative foreign currency translation adjustment	(6,068)	(4,889)
Unrealized (loss) gain on available-for-sale securities	(12,155)	5,269
Cost of Class B common stock held in treasury	(1,530,350)	(1,531,133)
	-----	-----
	1,391,034	1,367,790
	-----	-----
	\$2,966,546	\$2,986,944
	=====	=====

The Washington Post Company  
Condensed Consolidated Statements of Cash Flows (Unaudited)

(In thousands)	Twenty-six Weeks Ended	
	July 2, 2000	July 4, 1999
Cash flows from operating activities:		
Net income	\$ 65,246	\$ 113,098
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	57,024	50,423
Amortization of goodwill and other intangibles	29,493	29,044
Net pension benefit	(30,000)	(43,000)
Gain on disposition of marketable equity securities	(4,299)	(17,013)
Provision for deferred income taxes	22,684	6,448
Equity in losses of affiliates, net of distributions	20,775	1,779
Change in assets and liabilities:		
Increase in accounts receivable, net	(22,713)	(20,902)
Increase in inventories	(12,578)	(1,116)
Increase in accounts payable and accrued liabilities	500	7,879
Decrease in income taxes receivable	22,780	6,278
Decrease in other assets and other liabilities, net	1,289	2,505
Other	9,043	1,165
	-----	-----
Net cash provided by operating activities	159,244	136,588
	-----	-----
Cash flows from investing activities:		
Purchases of property, plant and equipment	(64,602)	(64,951)
Investments in certain businesses	(16,685)	(28,431)
Proceeds from sale of marketable securities	5,609	27,379
Purchase of marketable securities	--	(3,370)
Other investments	(26,416)	(14,387)
Other	5,017	4,280
	-----	-----
Net cash used in investing activities	(97,077)	(79,480)
	-----	-----
Cash flows from financing activities:		
Principal payments on debt	(87,576)	(420,115)
Issuance of debt	--	397,425
Dividends paid	(25,988)	(26,719)
Common shares repurchased	(219)	(8,424)
Proceeds from exercise of stock options	2,657	3,242
	-----	-----
Net cash used in financing activities	(111,126)	(54,591)
	-----	-----
Net (decrease) increase in cash and cash equivalents	(48,959)	2,517
Beginning cash and cash equivalents	75,479	15,190
	-----	-----
Ending cash and cash equivalents	\$ 26,520	\$ 17,707
	=====	=====

The Washington Post Company  
Notes to Condensed Consolidated Financial Statements (Unaudited)

Results of operations, when examined on a quarterly basis, reflect the seasonality of advertising that affects the newspaper, magazine and broadcasting operations. Advertising revenues in the second and fourth quarters are typically higher than first and third quarter revenues. All adjustments reflected in the interim financial statements are of a normal recurring nature.

Note 1: Acquisitions and Dispositions

Acquisitions. During the first six months of 2000, the company acquired various businesses for approximately \$16.7 million, including a cable system serving approximately 4,000 subscribers in South Sioux City, Nebraska.

During the first six months of 1999, the company acquired various businesses for approximately \$28.4 million, including an accredited distance education institute that offers degrees in paralegal studies and legal nurse consulting, and a provider of test preparation services for the United States Medical Licensing Exam.

Dispositions. There were no business dispositions during the first six months of 2000. In June 1999, the company sold Legi-Slate, Inc. No significant gain or loss arose from the sale of Legi-Slate.

Note 2: Investments in Marketable Securities

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

	July 2, 2000	January 2, 2000
	-----	-----
Total cost	\$198,982	\$194,364
Gross unrealized (losses) gains	(19,969)	8,648
	-----	-----
Total fair value	\$179,013	\$203,012
	=====	=====

During the second quarter and first six months of 2000, proceeds from sales of marketable equity securities were \$5.6 million. Gross realized gains on such sales were \$4.3 million. During the second quarter and first six months of 1999, proceeds from sales of marketable equity securities were \$16.9 million and \$27.4 million, respectively. Gross realized gains on such sales were \$10.3 million and \$17.0 million, respectively. Gross realized gains upon the sale of marketable equity securities are included in "Other, net" in the Condensed Consolidated Statements of Income.

Note 3: Borrowings

On February 15, 1999, the company completed the issuance of \$400.0 million 5.5 percent unsecured notes due February 15, 2009. The company is required to pay interest related to these notes on February 15 and August 15 of each year.

During the second quarter and first half of 2000, the company had average borrowings outstanding of approximately \$797.7 million and \$816.8 million, respectively, at an average interest rate of approximately 6.1 percent and 5.9 percent, respectively. During the second quarter and first half of 1999, the company had average borrowings outstanding of approximately \$425.7 million and \$437.7 million, respectively, at average interest rates of approximately 5.7 percent and 5.6 percent, respectively.

The company's commercial paper borrowings at July 2, 2000 totaled \$400,232 of which \$275,232 has been classified in the consolidated balance sheet as long-term debt as the company has the ability and intent to finance such borrowings on a long-term basis under its existing credit agreements.

During the first half of 2000 and 1999, the company incurred interest costs on borrowings of \$24.2 million and \$12.3 million, respectively, of which \$1.2 million was capitalized in 1999. No significant interest costs were capitalized in the first half of 2000. Interest costs for construction and upgrade of qualifying assets are capitalized.





Six Month Period  
(in thousands)

	Newspaper Publishing	Television Broadcasting	Magazine Publishing	Cable Television	Education and Career Services	Other Businesses and Corporate Office	Consolidated
<b>2000</b>							
Operating revenues	\$452,814	\$168,160	\$200,314	\$176,190	\$140,833	\$ -	\$1,138,311
Income (loss) from operations	\$ 73,462	\$ 75,145	\$ 23,435	\$ 30,729	\$(25,982)	\$(11,418)	\$ 165,371
Equity in losses of affiliates							(20,775)
Interest expense, net							(24,642)
Other expense, net							(5,408)
Income before income taxes							\$ 114,546
Depreciation expense	\$ 19,056	\$ 6,341	\$ 2,577	\$ 23,580	\$ 5,470	\$ -	\$ 57,024
Amortization expense	\$ 781	\$ 7,067	\$ 3,394	\$ 14,802	\$ 3,449	\$ -	\$ 29,493
Pension credit (expense)	\$ 9,098	\$ 2,691	\$ 18,048	\$ (340)	\$ (344)	\$ -	\$ 29,153
<b>1999</b>							
Operating revenues	\$428,752	\$171,319	\$191,302	\$163,919	\$118,457	\$ 3,843	\$1,077,592
Income (loss) from operations	\$ 75,991	\$ 80,370	\$ 26,689	\$ 30,391	\$(14,336)	\$(15,146)	\$ 183,959
Equity in losses of affiliates							(1,779)
Interest expense, net							(11,795)
Other income, net							15,613
Income before income taxes							\$ 185,998
Depreciation expense	\$ 16,576	\$ 5,613	\$ 2,507	\$ 21,508	\$ 4,005	\$ 214	\$ 50,423
Amortization expense	\$ 760	\$ 7,119	\$ 2,956	\$ 14,892	\$ 3,317	\$ -	\$ 29,044
Pension credit (expense)	\$ 14,400	\$ 4,492	\$ 24,424	\$ (298)	\$ (302)	\$ (28)	\$ 42,688

Newspaper publishing includes the publication of newspapers in the Washington, D.C. area (The Washington Post and the Gazette community newspapers) and Everett, Washington (The Everett Herald). This business division also includes newsprint warehousing, recycling operations and the company's electronic media publishing business (primarily washingtonpost.com).

Television broadcasting operations are conducted through six VHF, network-affiliated television stations serving the Detroit, Houston, Miami, San Antonio, Orlando and Jacksonville television markets.

The magazine publishing division consists of the publication of a weekly news magazine, Newsweek, which has one domestic and three international editions, the publication of Arthur Frommer's Budget Travel, and the publication of business periodicals for the computer services industry and the Washington-area technology community.

Cable television operations consist of over 50 cable systems offering basic cable and pay television services to approximately 740,000 subscribers in midwestern, western, and southern states.

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

Other businesses and corporate office for 2000 includes the expenses of the company's corporate office. Through the first half of 1999, the other businesses and corporate office segment also includes the result of Legi-Slate, Inc., which was sold in June 1999.

The company maintains stock option and stock appreciation right plans at its Kaplan subsidiary that provide for the issuance of stock options representing 10 percent of Kaplan's stock and the issuance of stock appreciation rights to certain members of Kaplan's management. The options and appreciation rights vest ratably over five years from issuance. For the second quarter and first half of 2000, the education and career services operating results include a non-cash charge of \$1.5 million and \$3.0 million, respectively, related to these plans. For the second quarter and first half of 1999, the education and career services operating results include a non-cash charge of \$1.7 million and \$3.7 million, respectively, related to these plans.

#### Note 5: Subsequent Event

On July 27, 2000, the company acquired Quest Education Corporation (Quest). The acquisition was completed through an all cash tender offer in which the company purchased substantially all the outstanding stock of Quest for \$18.35 per share. The total purchase price, including transaction fees, is expected to approximate \$165 million. The acquisition was financed through the issuance of additional short-term borrowings.

The operating results of Quest from the date of acquisition will be included in the Education and Career Services segment. In its Annual Report on Form 10-K for the year ended March 31, 2000, Quest reported \$115.3 million in net revenues and operating income of \$13.8 million.

Quest, headquartered in Atlanta, Ga., is a leading provider of post-secondary education, currently serving more than 13,400 students in 30 schools located in 11 states. Quest's schools offer bachelor degrees, associate degrees, and diploma programs designed to provide students with the knowledge and skills necessary to qualify them for entry-level employment, primarily in the fields of health care, business and information technology.

## Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

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

Revenues and expenses in the first and third quarters are customarily lower than those in the second and fourth quarters because of significant seasonal fluctuations in advertising volume. For that reason, the results of operations for each quarter are compared with those of the corresponding quarter in the preceding year.

### Second Quarter Comparisons

Net income for the second quarter of 2000 was \$41.2 million (\$4.33 per share), a decrease of \$26.7 million, or 39 percent, from net income of \$67.9 million (\$6.67 per share) in the second quarter of last year. The decline in second quarter earnings was primarily caused by increased costs associated with the development of new businesses (impact of \$11.8 million or \$1.34 per share), marketable equity security gains recorded in the second quarter of 1999 which did not recur in 2000 (impact of \$7.2 million or \$0.67 per share), higher interest expense (impact of \$4.0 million or \$0.44 per share), and a reduced pension credit (impact of \$4.9 million or \$0.43 per share). These declines were offset in part by higher operating income at the company's magazine publishing division.

Revenue for the second quarter of 2000 was \$591.5 million, up 6 percent from \$557.2 million in 1999. Advertising revenues and circulation and subscriber revenues increased 3 and 4 percent, respectively, over the prior year. Education revenues increased 22 percent and other operating revenues increased 25 percent as compared to last year. The increase in advertising revenues is mostly due to advertising gains at The Washington Post newspaper, Newsweek magazine and washingtonpost.com. The increase in circulation and subscriber revenues is the result of a 7 percent improvement in subscriber revenues at Cable One, mainly due to rate increases established to offset the rising cost of programming. The growth in Education revenues primarily resulted from acquisitions completed after June 1999 as well as growth at Kaplan's Score! and test preparation businesses. The increase in other revenues is mostly attributable to the timing of a technology trade show which occurred during the second quarter of 2000 versus the first quarter of 1999.

Costs and expenses for the second quarter of 2000 increased 11 percent to \$498.3 million from \$450.5 million in 1999. The increase in costs and expenses is the result of increased spending for new business initiatives, higher depreciation expense and a lower pension credit.

The increased spending for new business initiatives occurred mainly at Kaplan, Inc., and Washingtonpost.Newsweek Interactive. At Kaplan, new business spending was focused on the build-out of various distance learning websites (including kaptest.com and kaplancollege.com) and the marketing and expansion of Score! Educational Centers. In addition, Kaplan continued the development and marketing of eSCORE.com, an educational services website designed to help parents with the development of their children. At Washingtonpost.Newsweek Interactive, increased spending was dedicated principally to marketing and sales initiatives.

Also included in the quarterly impact of new business development activities quantified above is \$2.9 million (\$0.33 earnings per share) in incremental net losses arising from the company's development of web-delivered recruiting, career development, and hiring management services (BrassRing, Inc.). The company owns a 42 percent equity interest in BrassRing and records its percentage of BrassRing losses in the equity in losses of affiliates line. For the first nine months of 1999, prior to the formation of BrassRing, the company developed these activities through majority-owned subsidiaries, the results of which were included in the Education and Career Services segment.

The increase in depreciation expense is mainly due to capital spending at Cable One, The Washington Post, and Kaplan.

The company's expenses for the second quarter of 2000 were reduced by \$14.6 million of pension credits, compared to \$21.3 million in the second quarter of 1999. Management expects the 2000 annual pension credit will approximate \$60.0 million, compared to \$82.0 million in 1999. The decline in the 2000 pension credit is mostly attributable to lower investment returns generated by pension funds in 1999.

Operating income in the second quarter of 2000 and 1999 was \$93.2 million and \$106.7 million, respectively, a decrease of 13 percent.

Newspaper Publishing. At the newspaper division, revenues increased 4 percent in the second quarter of 2000 to \$228.2 million; division operating income for the second quarter declined 12 percent to \$37.2 million. The overall decline in division operating income is attributable to increased spending for the marketing and advancement of washingtonpost.com and a lower pension credit, offset in part by higher operating income at The Washington Post newspaper.

Print advertising revenues at The Washington Post newspaper increased 2 percent in the second quarter of 2000. Online advertising revenues increased approximately 140 percent for the second quarter 2000 compared to the same period in the prior year.

Post daily circulation increased 1 percent; Sunday circulation decreased 1 percent from the same period last year.

Newsprint expense at the newspaper publishing division increased 6 percent in the second quarter of 2000 due mostly to price increases.

Television Broadcasting. Revenues at the broadcast division totaled \$89.4 million for the second quarter of 2000, a 2 percent decline from the second quarter of 1999. Division operating income for the quarter totaled \$42.8 million, a decrease of 7 percent from the prior year. The decline in second quarter 2000 operating results is primarily attributable to general softness in advertising, as well as a decline in the pension credit.

Magazine Publishing. Revenues at the magazine division were \$115.6 million for the second quarter of 2000, a 15 percent increase from the second quarter of 1999; division operating income for the second quarter of 2000 improved 17 percent to \$20.8 million.

The 17 percent improvement in second quarter operating results is due in part to the timing of a technology trade show conducted by the division's computer technology trade periodicals unit. The trade show was conducted in the second quarter of 2000 versus the first quarter of 1999. Improved operating results at Newsweek for the second quarter of 2000, offset in part by lower pension credits, also contributed to the division's positive second quarter operating income trend.

Cable Television. At the cable division, second quarter 2000 revenues of \$89.5 million were 8 percent higher than 1999; division cash flow (operating income excluding depreciation and amortization expense) rose to \$35.3 million for the second quarter of 2000, an increase of 5 percent over the second quarter of 1999.

Cable division operating income increased 3 percent for the second quarter of 2000. The increase in operating income is mostly due to higher rates, offset in part by an increase in programming expenses and higher depreciation expense.

The increase in depreciation expense is due to capital spending for system rebuilds and upgrades which will enable the cable division to offer new digital video and high-speed cable modem services. The cable division began its roll-out plan for cable modem services in the second quarter of 2000 and plans to launch its digital services program in the third quarter of this year.

At the end of the second quarter of 2000, there were 738,400 basic service subscribers.

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

Excluding the operating results of the career fair and HireSystems businesses from 1999 (these businesses were contributed to BrassRing in the third quarter of 1999), education division revenue increased 22 percent to \$68.8 million in the second quarter of 2000, compared to \$56.4 million in 1999. Operating losses for the quarter totaled \$16.4 million, compared to operating losses of \$2.1 million in the second quarter of 1999. Approximately half of the second quarter revenue increase for 2000 is attributable to acquisitions. The remaining increase in revenue is due mostly to growth at the Score! and test preparation businesses. The decline in 2000 operating results is primarily attributable to marketing and expansion activities at Score!, start-up costs associated with eSCORE.com, and the development of various distance learning initiatives (including kaptest.com and kaplancollege.com), offset in part by operating income generated by acquisitions completed after the second quarter of 1999.

Including the operating results of the career fair and HireSystems businesses in 1999, education and career services revenue increased 13 percent to \$68.8 million in the second quarter of 2000, compared to \$61.0 million in 1999. Operating losses for the second quarter totaled \$16.4 million, compared to operating losses of \$7.0 million in the second quarter of 1999.

Test preparation revenues, which comprise approximately half of Kaplan's annual revenues, are seasonally strongest in the third and fourth quarters while test preparation operating expenses are relatively consistent throughout the year.

Other Businesses and Corporate Office. Operating losses for the second quarter of 2000 totaled \$7.3 million, representing an 8 percent improvement compared to the second quarter of 1999. The reduction in 2000 losses is primarily attributable to the absence of losses generated by Legi-Slate (sold in June 1999) and reduced spending at the company's corporate office.

Equity in Earnings and Losses of Affiliates. The company's equity in losses of affiliates for the second quarter of 2000 was \$9.5 million, compared to earnings of \$0.7 million in the second quarter of 1999. The company's affiliate investments consist of a 42 percent interest

in BrassRing, Inc. (formed in late September 1999), a 50 percent interest in the International Herald Tribune, and a 49 percent interest in Bowater Mersey Paper Company Limited. The decline in 2000 affiliate results is primarily attributable to BrassRing, Inc., which is in the development and marketing phase of its operations. BrassRing accounted for approximately \$9.3 million of the total 2000 second quarter equity in losses of affiliates.

**Non-Operating Items.** The company recorded other non-operating income of \$1.6 million for the second quarter of 2000, compared to income of \$9.5 million in the second quarter of 1999. The 1999 non-operating income was comprised mostly of non-recurring gains arising from the sale of marketable securities (mostly various Internet-related securities).

**Net Interest Expense.** For the second quarter of 2000, the company incurred net interest expense of \$12.3 million, compared to \$5.2 million for the same period in the prior year. At July 2, 2000, the company had \$797.9 million in borrowings outstanding.

**Income taxes.** The effective tax rate during the second quarter of 2000 was 43.6 percent compared to 39.2 percent in 1999. The increase in the effective tax rate is principally due to the non-recognition of benefits from state net operating loss carryforwards generated by certain of the company's new business start-up activities.

**Earnings Per Share.** The calculation of diluted earnings per share for the second quarter of 2000 was based on 9,458,000 weighted average shares outstanding, compared to 10,140,000 for the second quarter. The company made no significant repurchases of its stock during the second quarter of 2000.

#### Six Month Comparisons

For the first six months of 2000, net income totaled \$65.2 million (\$6.82 per share), compared with net income of \$113.1 million (\$11.08 per share) for the same period in 1999. Consistent with the company's results for the second quarter of 2000, the decrease in the company's six-month earnings is primarily attributable to new business development, the absence of non-recurring gains from the sale of marketable securities which occurred in 1999, higher interest expense, and a lower pension credit. These factors were offset in part by increased operating income at The Washington Post newspaper and the company's magazine publishing division.

Revenue for the first half of 2000 was \$1,138.3 million, up 6 percent over revenue of \$1,077.6 million for the first six months of 1999. Advertising revenues and circulation and subscriber revenues increased 5 percent and 4 percent, respectively, over the prior year. Education revenues increased 31 percent, while other operating



revenues decreased 35 percent, as compared to the first six months of 1999. The increase in advertising revenue is mostly attributable to advertising gains at The Washington Post newspaper, Newsweek magazine and washingtonpost.com. The improvement in circulation and subscriber revenues is attributable to 6 percent improvement in Cable One subscriber revenues, mainly due to rate increases. The increase in education revenues arose from acquisitions completed after June 1999, and to a lesser extent, growth at Score and the test preparation businesses. The decrease in other revenues is primarily due to the absence of revenues generated by Legi-Slate (sold in June 1999).

Costs and expenses for the first six months of 2000 increased 9 percent to \$972.9 million from \$893.6 million in 1999. The increase in costs and expenses is the result of increased spending for new business initiatives, higher depreciation expense and lower pension credits.

The increased spending for new business initiatives occurred mainly at Kaplan, Inc., and Washingtonpost.Newsweek Interactive. At Kaplan, new business spending was focused on the build-out of various distance learning websites (including kaptest.com and kaplancollege.com) and the marketing and expansion of Score! Educational Centers. In addition, Kaplan continued the development and marketing of eSCORE.com, an educational services website designed to help parents with the development of their children. At Washingtonpost.Newsweek Interactive, increased spending was dedicated principally to marketing and sales initiatives.

The increase in depreciation expense is mainly due to capital spending at Cable One, The Washington Post newspaper and Kaplan. The company's expenses for the first six months of 2000 were reduced by \$29.2 million of pension credits, compared to \$42.7 million during the first six months of 1999.

Operating income declined 10 percent to \$165.4 million, from \$184.0 million in 1999.

Newspaper Publishing. Newspaper division revenues of \$452.8 million in the first half of 2000 were up 6 percent over the comparable period of 1999; division operating income for the first half of 2000 totaled \$73.5 million, a 3 percent decrease from the prior year. The decrease in operating income for the first six months is due to increased spending for the marketing and advancement of washingtonpost.com and reduced pension credits, offset in part by higher operating income at The Washington Post newspaper.

Print advertising revenue at The Washington Post newspaper increased 4 percent for the first six months of 2000. For the first six months of 2000, daily circulation at The Post increased 1 percent,

while Sunday circulation declined 1 percent compared to the same period of the prior year. Newsprint expense decreased 3 percent from the same period in the prior year.

Online advertising revenues increased approximately 140 percent for first six months of 2000 compared to the same period in the prior year.

Television Broadcasting. Revenues at the broadcast division totaled \$168.2 million, 2 percent less than revenues for the first six months of 1999; division operating income through the first six months of 1999 totaled \$75.1 million, a decline of 7 percent as compared to the same period in 1999. The overall decrease in broadcast division operating results is due to general softness in advertising.

Magazine Publishing. Magazine division revenue totaled \$200.3 million for the first six months of 2000, an increase of 5 percent over 1999. Magazine division operating income for the first six months of 2000 totaled \$23.4 million, a 12 percent decrease from 1999.

The 12 percent decline in operating income for the first six months was principally due to reduced pension credits, offset by improved operating results at Newsweek.

Cable Television. Cable division revenues of \$176.2 million increased 7 percent in the first half of 2000; division cash flow (operating income excluding depreciation and amortization expense) of \$69.1 million increased 3 percent over 1999. Cable division operating income increased 1 percent for the first six months of 2000. The increase in operating income is mostly due to higher rates, offset in part by an increase in programming expenses and higher depreciation expense.

The increase in depreciation expense is due to capital spending for system rebuilds and upgrades which will enable the cable division to offer new digital video and high-speed cable modem services.

Education and Career Services. Excluding the operating results of the career fair and HireSystems businesses from 1999 (these businesses were contributed to BrassRing in the third quarter of 1999), education division revenue increased 31 percent to \$140.8 million for the first six months of 2000. Operating losses for the first six months of 2000 totaled \$26.0 million, compared to operating losses of \$6.7 million for the same period of 1999. Approximately half of the six-month revenue increase for 2000 is attributable to acquisitions. The remaining increase in revenue is due mostly to growth at the Score! and test preparation businesses. The decline in 2000 operating results is primarily attributable to marketing and expansion activities at Score!, start-up costs associated with eSCORE.com, and the development of various distance learning initiatives (including

kaptest.com and kaplancollege.com), offset in part by operating income generated by acquisitions completed after the second quarter of 1999.

Including the operating results of the career fair and HireSystems businesses in 1999, education and career services revenue increased 19 percent to \$140.8 million for the first six months of 2000. Operating losses for the first six months of 2000 totaled \$26.0 million compared to \$14.3 million in 1999.

Other Businesses and Corporate Office. Operating losses for the first six months of 2000 totaled \$11.4 million, a 25 percent improvement from 1999. The reduction in 2000 losses is primarily attributable to the absence of losses generated by Legi-Slate (sold in June 1999) and reduced spending at the company's corporate office.

Equity in Losses of Affiliates. For the first six months of 2000, the company's equity in losses of affiliates totaled \$20.8 million, compared to losses of \$1.8 million for the same period in 1999. The decline in 2000 affiliate results is primarily attributable to BrassRing, Inc., which is in the development and marketing phase of its operations. BrassRing accounted for approximately \$18.3 million of the total equity in losses of affiliates during the first six months of 2000.

Non-Operating Items. The company recorded other non-operating losses of \$5.4 million for the first six months of 2000, compared to non-operating income of \$15.6 million for the same period of 1999. The 1999 non-operating income was comprised mostly of non-recurring gains arising from the sale of marketable securities (mostly various Internet-related securities).

Income Taxes. The effective tax rate during the first six months of 2000 was 43.0 percent compared to 39.2 percent in 1999. The increase in the effective tax rate is principally due to the non-recognition of benefits from state net operating loss carryforwards generated by certain of the company's new business start-up activities.

Earnings Per Share. The calculation of diluted earnings per share for the first six months of 2000 was based on 9,458,000 weighted average shares outstanding, compared to 10,141,000 for the first six months of 1999. The company made no significant repurchases of its stock during the first six months of 2000.

#### Financial Condition: Capital Resources and Liquidity

Acquisitions. During the first six months of 2000, the company acquired various businesses for approximately \$16.7 million, including

a cable system in South Sioux City, Nebraska, serving approximately 4,000 subscribers.

Investments in Marketable Equity Securities. At July 2, 2000, the fair value of the company's investments in marketable equity securities was \$179.0 million, of which \$159.0 million consists of the company's investment in the common stock of Berkshire Hathaway, Inc. ("Berkshire"). The remaining investments in marketable equity securities consist of common stock investments in various publicly traded companies, most of which have concentrations in Internet business activities.

At July 2, 2000 the gross unrealized loss attributable to the company's investment in the common stock of Berkshire totaled \$25.9 million. The company intends to hold the Berkshire stock long-term and views the unrealized loss position at July 2, 2000 as temporary. In fact, as of August 8, 2000, the fair value of Berkshire Hathaway, Inc. common stock had increased to the point where the company's investment in Berkshire was in a gross unrealized gain position.

During the first six months of 2000, the company received approximately \$5.6 million from the sale of certain marketable equity securities.

Capital Expenditures. During the first six months of 2000, the company's capital expenditures totaled approximately \$64.6 million, the most significant portion of which related to plant upgrades at the company's cable subsidiary. The company anticipates it will spend approximately \$145 million throughout 2000 for property and equipment, primarily for various projects at the cable, newspaper and broadcast divisions.

Liquidity. Throughout the first half of 2000 the company repaid \$87.6 million of commercial paper borrowings with cash generated from operations as well as from the receipt of a \$45.0 million income tax refund.

During the first half of 2000, the company had average borrowings outstanding of approximately \$816.8 million at an average annual interest rate of 5.9 percent.

The company expects to fund its estimated capital needs, including the Quest acquisition described in Note 5 to the Condensed Consolidated Financial Statements for the second quarter ended July 2, 2000, primarily through internally generated funds and commercial paper borrowings. In management's opinion, the company will have ample liquidity to meet its various cash needs throughout 2000.

#### Recent Accounting Pronouncements

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements ("SAB 101"). This bulletin summarizes certain of the Staff's views in the application of generally accepted accounting principles to revenue recognition in financial statements. The required implementation of SAB 101 has been deferred until the fourth quarter of 2000, although adoption would be as of January 1, 2000. The company is monitoring on-going interpretations of SAB 101, but at this time believes that there will be no material impact on the company's financial statements.

#### Forward-Looking Statements

All public statements made by the company and its representatives which are not statements of historical fact, including statements in

this quarterly report, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results and achievements to differ materially from those expressed in the forward-looking statements. These risks and uncertainties include: changes in prevailing economic conditions, particularly in the specific geographic and other markets served by the company; actions of competitors; changes in customer preferences; changes in communications and broadcast technologies; and the effects of changing cost or availability of raw materials, including changes in the cost or availability of newsprint and magazine body paper. They also include other risks detailed from time to time in the company's publicly-filed documents, including the company's Annual Report on Form 10-K for the period ended January 2, 2000.

## PART II - OTHER INFORMATION

## Item 4. Submission of Matters to a Vote of Security Holders

At the company's May 11, 2000, Annual Meeting of Stockholders, the stockholders elected each of the nominees to its Board of Directors named in the company's proxy statement dated March 31, 2000. The voting results are set forth below:

## Class A Directors

Nominee	Votes For	Votes Withheld	Broker Non-Votes
Warren E. Buffett	1,739,250	-0-	-0-
George J. Gillespie III	1,739,250	-0-	-0-
Donald E. Graham	1,739,250	-0-	-0-
Katharine Graham	1,739,250	-0-	-0-
William J. Ruane	1,739,250	-0-	-0-
Richard D. Simmons	1,739,250	-0-	-0-
George W. Wilson	1,739,250	-0-	-0-

## Class B Directors

Nominee	Votes For	Votes Withheld	Broker Non-Votes
Daniel B. Burke	6,305,104	25,804	-0-
Donald R. Keough	6,301,816	29,092	-0-
Ralph E. Gormory	6,305,304	25,604	-0-

## Item 6. Exhibits and Reports on Form 8-K.

(a) The following documents are filed as exhibits to this report:

Exhibit  
Number

Description

- |     |  |
|-----|--|
| 3.1 | Certificate of Incorporation of the Company as amended through May 12, 1998, and the Certificate of Designation for the Company's Series A Preferred Stock filed January 22, 1996 (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995).      |
| 3.2 | By-Laws of the Company as amended through September 9, 1993 (incorporated by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 3, 1993).   |
| 4.1 | Credit Agreement dated as of March 17, 1998 among the Company, Citibank, N.A., Wachovia Bank of Georgia, N.A., and the other Lenders named therein (incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 1997).                                     |
| 4.2 | Form of the Company's 5.50% Notes due February 15, 2009, issued under the Indenture dated as of February 17, 1999, between the Company and The First National Bank of Chicago, as Trustee (incorporate by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 1999). |
| 4.3 | Indenture dated as of February 17, 1999, between the Company and The First National Bank of Chicago, as Trustee (incorporated by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 1999).  |
| 11  | Calculation of Earnings per Share of Common Stock.   |
| 27  | Financial Data Schedule - July 2, 2000 (Electronic filing only).   |
- (b) On June 27, 2000, the company filed a report on Form 8-K related to the announcement of its agreement to purchase all the outstanding shares of Quest Education Corporation in an all cash tender offer to be commenced by Kaplan, Inc., a wholly-owned subsidiary of the company.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE WASHINGTON POST COMPANY  
(Registrant)

Date: August 11, 2000  
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/s/ Donald E. Graham  
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Donald E. Graham, Chairman &  
Chief Executive Officer  
(Principal Executive Officer)

Date: August 11 , 2000  
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/s/ John B. Morse, Jr.  
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John B. Morse, Jr., Vice  
President-Finance  
(Principal Financial Officer)



CALCULATION OF EARNINGS  
PER SHARE OF COMMON STOCK  
(In thousands of shares)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 2, 2000	July 4, 1999	July 2, 2000	July 4, 1999
Number of shares of Class A and Class B Common stock outstanding at beginning of period	9,440	10,099	9,439	10,093
Issuance of shares of Class B common stock (weighted), net of forfeiture of restricted stock awards	3	3	2	8
Repurchase of Class B common stock (weighted)	-	(4)	-	(3)
Shares used in the computation of basic earnings per share	9,443	10,098	9,441	10,098
Adjustment to reflect dilution from common stock equivalents	15	42	17	43
Shares used in the computation of diluted earnings per share	9,458	10,140	9,458	10,141
Net income available for common shares	\$40,915	\$67,672	\$64,483	\$112,386
Basic earnings per common share	\$4.33	\$6.70	\$6.83	\$11.13
Diluted earnings per common share	\$4.33	\$6.67	\$6.82	\$11.08

This schedule contains summary financial information extracted from the Condensed Consolidated Statement of Income for the twenty-six weeks ended July 2, 2000 and the Condensed Consolidated Balance Sheet as of July 2, 2000 and is qualified in its entirety by reference to such financial statements.

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	Dec-31-2000	
	July-2-2000	
		26,520
		179,013
		371,115
		78,138
		26,468
	429,004	
		1,544,264
		678,484
	2,966,546	
749,350		397,751
	13,148	
		0
		20,000
		1,371,034
2,966,546		
		0
	1,138,311	
		0
		612,297
		0
		37,063
		25,140
		114,546
		49,300
	65,246	
		0
		0
		0
		65,246
		6.83
		6.82