The Washington Post Company Reports First Quarter Earnings

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WASHINGTON - The Washington Post Company (NYSE: WPO) today reported net income of $45.2 million ($4.41 per share) for its first quarter ended April 4, 1999, a decrease of $162.7 million from net income of $207.9 ($20.47 per share) in the first quarter of last year. The company's 1998 first quarter net income included $162.8 million ($16.07 per share) from the disposition of its 28 percent interest in Cowles Media Company. Excluding the effect of the prior year disposition, the company's 1999 first quarter net income and earnings per share remained essentially unchanged.

Revenue for the first quarter of 1999 was $520.4 million, up 8 percent from $484.0 million in 1998. Operating income for the quarter increased 3 percent to $77.3 million, from $75.3 million in 1998. The increase in operating income was primarily attributable to operating income growth at the company's cable division and an increase in the company's pension credit. This growth in operating income was tempered by increased amortization expense (arising primarily from acquisitions completed after March of 1998), higher depreciation expense, and increased spending for new business initiatives at the company's education and career services division. The increase in depreciation expense is principally due to the recently completed expansion of The Washington Post's printing facilities.

The company's operating income for the first quarter of 1999 includes $21.0 million of pension credits, compared to $12.0 million in the first quarter of 1998. Management expects the 1999 annual pension credit will approximate $85.0 million, compared to $62.0 million in 1998. The company's pension funds continue to earn strong investment returns, thus driving the growth in pension credits. These earnings are not cash; they are meaningful, however, in that they will reduce the company's future cash funding requirements for employee pension benefits.

Divisional Results

Newspaper Publishing

Newspaper division revenue totaled $208.5 million for the first quarter of 1999, a 2 percent increase over revenue of $203.9 million in the first quarter of 1998. Division operating income for the first quarter of 1999 decreased 7 percent to $39.5 million, from $42.4 million in the first quarter of 1998. The decrease resulted from a decline in the operating results of The Washington Post, where revenues were flat and operating expenses increased 4 percent. The expense increase at The Post was due primarily to increased depreciation expense (arising from the recently completed expansion of its printing facilities) and higher promotional expenses, offset in part by growth in pension credit.

Advertising volume at The Washington Post totaled 752,000 inches in the first quarter of 1999, down 1.5 percent from 763,400 inches in the first quarter of 1998. Post daily circulation remained unchanged and Sunday circulation declined 2 percent, compared to the first quarter of 1998.

Broadcasting

Revenue for the broadcast division increased 2 percent in the first quarter to $80.3 million, from $79.1 million in 1998. Operating income for the first quarter of 1999 increased 1 percent to $34.4 million, compared to $34.0 million in the first quarter of 1998. In the first quarter of 1998, the broadcast division benefited from incremental advertising derived from the 1998 Winter Olympics.

Magazine Publishing

Revenue for the magazine division decreased 1 percent in the first quarter of 1999 to $90.7, from $91.9 million in the first quarter of 1998. Magazine division operating income totaled $9.0 million for the first quarter of 1999, compared to $6.3 million for the same period in the prior year. The increase in operating income is primarily attributable to the operating results of Newsweek. At Newsweek, growth in pension credit and an 8 percent increase in advertising revenues at the domestic edition offset the adverse affects of reduced revenues at the international edition (due primarily to prior year special issues that did not recur in 1999).

Cable

Cable division revenue of $80.8 million for the first quarter of 1999 represents a 20 percent increase over 1998 first quarter revenue. Cable division operating income of $14.8 million for the quarter was 23 percent higher than operating income of $12.1 million in the first quarter of 1998. The increase in operating income is due to higher subscriber levels and, to a lesser extent, an increase in rates, offset partially by increased depreciation and amortization arising from acquisitions and capital improvements. At the end of the first quarter of 1999, there were 738,300 basic subscribers, an increase of 14 percent compared to the end of the first quarter of 1998. Most of the basic subscriber increase resulted from acquisitions completed after March of 1998.

Education and Career Services[1]

The company provides education and career services through its subsidiary, Kaplan Educational Centers. Kaplan provides test preparation programs in the U.S. and abroad for individuals taking admissions and professional licensing exams. Kaplan also provides on-site educational programs to students and teachers at elementary, secondary and post-secondary institutions, and offers a growing number of distance learning programs. In addition, Kaplan publishes books, software and other materials. For career services, Kaplan is the leading provider of career fairs in North America, bringing together technical, sales and diversity candidates with corporate recruiters.

Completing the business offerings of Kaplan are two subsidiaries that are in the early growth phase of their operations. Score! Educational Centers is a provider of after-school learning opportunities for students in kindergarten through the eighth grade. Score! presently operates 70 Score! centers (most opened within the last two years) and plans to open an additional 30 centers in the remainder of 1999. HireSystems provides corporate clients with Web-based tools to streamline the recruitment and hiring process. HireSystems established its products during 1998 and plans to spend significant resources in 1999 developing its customer base.

Education and career services revenue in the first quarter of 1999 totaled $57.4 million, a 45 percent increase over the same period in the prior year. Most of the increase is attributable to businesses acquired subsequent to the first quarter of 1998. Classroom test preparation revenue grew 32 percent (11 percent excluding acquisitions). Growth in institutional sales and at Score! also contributed to the revenue increase.

Division operating losses of $7.4 million in the first quarter of 1999 were in line with management's expectations and include approximately $4.1 million in losses arising from the expansion activities of Score! and HireSystems, as previously discussed. Operating results were also adversely affected by amortization expense from acquisitions and by the seasonality of test preparation revenues. Test preparation revenues, which comprise approximately half of Kaplan's annual revenues, are seasonally strongest in the third and fourth quarters; the first quarter is seasonally the weakest. Test preparation operating expenses are relatively constant throughout the year.

Other Businesses and Corporate Office

Other businesses and corporate office include Washingtonpost.Newsweek Interactive, Legi-Slate, Moffet, Larson & Johnson (sold in July 1998), and the company's corporate office. Revenues for other businesses totaled $2.7 million, compared to $2.3 million in the first quarter of 1998. Operating losses for other businesses and corporate office in the first quarter of 1999 decreased 15 percent to $13.1 million, from $15.4 million in the first quarter of 1998.

Equity in (Losses) Earnings of Affiliates

The company's equity in losses of affiliates in the first quarter of 1999 was $2.5 million, compared with income of $1.0 million in the first quarter of 1998. The 1999 decline resulted from lower results at the company's affiliated newsprint mill and the absence of affiliate earnings provided in the first quarter of 1998 from Cowles Media Company (disposed of in March 1998).

Net Interest Expense

For the first quarter of 1999, the company incurred net interest expense of $6.6 million, compared to $2.0 million for the same period in the prior year. At April 4, 1999, the company had approximately $435.0 million in borrowings outstanding.

Earnings Per Share

The calculation of diluted earnings per share for the first quarter of 1999 was based on 10,142,800 weighted average shares outstanding, compared to 10,131,500 for the first quarter of 1998.

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[1]The company is now reporting the results of its educational and career services business unit separately. Previously, this unit's results were included in the "other businesses and corporate office" segment. The prior year segment results have been adjusted to reflect this change in reporting.

THE WASHINGTON POST COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share amounts)

	First Quarter		
	1999	1998	% Change
Operating revenues	$ 520,397	$ 483,955	+8
Operating costs and expenses			
Operating expenses	(403,580)	(377,517)	+7
Depreciation	(25,118)	(20,380)	23
Amortization	(14,425)	(10,741)	34
Operating income	77,274	75,317	+3

Equity in (losses)earnings			
of affiliates, net	(2,510)	988	
Interest income	246	207	
Interest expense	(6,813)	(2,244)	
Other income (expense), net[1]	6,143	258,106	
Income before income taxes	74,340	332,374	-78
Provision for income taxes	(29,150)	(124,500)	
Net income	45,190	207,874	-78
Redeemable preferred stock			
dividends	(475)	(478)	
Net income available for			
common stock	$ 44,715	$ 207,396	-78
Basic earnings per share	$ 4.43	$20.57	-78
Diluted earnings per share	$ 4.41	$20.47	-78
Basic average shares			
outstanding	10,097,830	10,084,500	
Diluted average shares			
outstanding	10,142,801	10,131,500	

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[1] Other income, net for the first quarter of 1998 includes a $258.4 million gain related to the disposition of the Company's 28 percent investment interest in Cowles Media Company. This gain added $162.8 million to first quarter 1998 net income and $16.07 to diluted and basic earnings per share.

THE WASHINGTON POST COMPANY
BUSINESS SEGMENT INFORMATION
(Unaudited)
(In thousands)

	First Quarter		
	1999	1998	% Change
Operating Revenues:			
Newspaper publishing	$ 208,462	$ 203,880	+2
Broadcasting	80,297	79,057	+2
Magazine publishing	90,716	91,854	-1
Cable television	80,799	67,303	+20
Education and career services	57,412	39,566	+45

Other businesses and corporate office	2,711	2,295	+18
	$ 520,397	$ 483,955	+8
Operating Income:			
Newspaper publishing	$ 39,502	$ 42,449	-7
Broadcasting	34,428	34,000	+1
Magazine publishing	8,970	6,291	+43
Cable television	14,818	12,094	+23
Education and career services	(7,378)	(4,112)	-79
Other businesses and corporate office	(13,066)	(15,405)	+15
	$ 77,274	$ 75,317	+3
Depreciation:			
Newspaper publishing	$ 7,582	$ 5,048	+50
Broadcasting	2,788	2,805	-1
Magazine publishing	1,263	1,244	+2
Cable television	10,754	9,292	+16
Education and career services	1,993	1,261	+58
Other businesses and corporate office	738	730	+1
	$ 25,118	$ 20,380	+23
Amortization:			
Newspaper publishing	$ 380	$ 218	+74
Broadcasting	3,560	3,533	+1
Magazine publishing	1,478	1,482	--
Cable television	7,446	4,874	+53
Education and career services	1,561	634	+146
Other businesses and corporate office	--	--	--
	$ 14,425	$ 10,741	+34

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