

## The Washington Post Company Reports Third Quarter Earnings

October 22, 1998 at 12:00 AM EDT

WASHINGTON -- The Washington Post Company today reported net income of \$81.8 million for the third quarter of 1998, an increase of 14 percent from net income of \$71.6 million in the third quarter of 1997. Diluted earnings per share increased 21 percent to \$8.05, from \$6.64 for the same period last year, with fewer average shares outstanding.

The 1998 third quarter results included one-time after-tax gains of \$30.9 million (\$3.05 per share - diluted basis) resulting principally from the previously announced sale of 14 small cable systems in Texas, Missouri and Kansas and the disposition of the company's interest in Junglee, a facilitator of internet commerce. The 1997 third quarter results included a non-recurring after-tax gain of \$16.0 million (\$1.49 per share - diluted basis) relating to the sale of the assets of the company's PASS Sports subsidiary and the termination of its regional sports network. Excluding these non-recurring items, net income totaled \$50.9 million for the third quarter of 1998, a decrease of 8 percent from net income of \$55.6 million in the third quarter of 1997; diluted earnings per share decreased 3 percent to \$5.00 in 1998, from \$5.15 in 1997.

Revenue for the third quarter of 1998 was \$509.3 million, up 6 percent over revenue of \$478.4 million in the third quarter of 1998. Operating income for the quarter declined 4 percent to \$87.6 million, from \$91.2 million in 1997. Excluding the effect of acquisitions and dispositions completed in 1997 and 1998, revenue increased 1 percent and operating income remained substantially unchanged. Third quarter results were adversely affected by one less special Newsweek issue and a decline in advertising in Newsweek and at the company's television stations by General Motors Corporation during the recent autoworkers' strike. Increases in newsprint expense, new media spending and expenses arising from the expansion of the printing facilities of The Washington Post, partially offset by an increase in the company's pension credit, also contributed to the operating income trend.

For the first nine months of 1998, the company's net income was \$353.5 million (\$34.79 per share - diluted basis), compared with net income of \$190.6 million (\$17.57 per share - diluted basis) in the same period of 1997, with fewer average shares outstanding. The company's 1998 net income included \$193.7 million (\$19.12 per share - diluted basis) from non-recurring gain transactions which include the first quarter disposition of the company's 28 percent interest in Cowles Media Company and the previously mentioned cable system and Junglee transactions. The company's 1997 net income includes \$16.0 million (\$1.49 per share - diluted basis) from the sale of the assets of PASS Sports and termination of its regional sports network. Excluding the effect of these one-time items, net income totaled \$159.8 million for the first nine months of 1998, a decrease of 8 percent from net income of \$174.6 million for the same period in 1997; diluted earnings per share decreased 3 percent to \$15.67 in 1998, from \$16.08 in 1997.

Revenue for the first nine months of 1998 was \$1,519.0 million, up 6 percent over revenue of \$1,433.9 million in the first nine months of 1997. Operating income for the same period declined 3 percent to \$269.4 million, from \$279.1 million in 1997. Excluding the effect of acquisitions and dispositions completed in 1997 and 1998, revenue increased 3 percent and operating income decreased 2 percent in the first nine months of 1998 compared to the same period last year. Increases in newsprint expense, new media spending, and expenses arising from the expansion of the printing facilities of The Washington Post offset operating income growth at the company's cable and broadcast businesses and growth in the company's pension credit.

Newspaper division revenue increased 3 percent and 4 percent in the third quarter and first nine months, respectively. Advertising volume at The Washington Post totaled 734,600 inches in the third quarter of 1998, down 2 percent from 746,300 inches in the third quarter of 1997. Post advertising inches decreased 1 percent in the first nine months of 1998 to 2,312,800 inches, from 2,328,000 inches for the comparable period of 1997. For the first nine months of 1998, daily and Sunday circulation at The Post each declined 1 percent compared to the same period last year. Newsprint expense at the newspaper division increased 8 percent and 11 percent in the third quarter and first nine months of 1998, respectively, over the comparable periods in 1997.

Revenue at the broadcast division increased 2 percent and 5 percent in the third quarter and first nine months of 1998, respectively, compared to the same periods in the prior year.

Revenue at the cable division increased 18 percent and 14 percent in the third quarter and first nine months, respectively, over the same periods last year. Higher subscriber levels, resulting mainly from system acquisitions, as well as slightly higher rates, accounted for the increases. At the end of the third quarter there were approximately 730,000 basic subscribers, versus 635,000 at the end of the third quarter in 1997.

Magazine division revenue decreased 3 percent in the third quarter and increased 3 percent for the first nine months of 1998. Revenues for the third quarter and first nine months of 1998 reflect the previously mentioned third quarter decline in automotive advertising and one less special issue at Newsweek as well as softness in advertising at the international edition of Newsweek. These revenue declines were offset partially for the third quarter, and in full for the first nine months, by increased revenue from the trade periodicals acquired in the fourth quarter of 1997.

Revenues from other businesses - principally Kaplan Educational Centers, Legi-Slate, Washingtonpost.Newsweek Interactive (formerly Digital Ink), MLJ (sold in July 1998), and PASS Sports (for 1997 only) - increased 31 percent and 14 percent, respectively, over the third quarter and first nine months of last year. Excluding PASS Sports and MLJ, which were sold in September 1997 and July 1998, respectively, revenue from other businesses increased 54 percent and 41 percent for the third quarter and first nine months. Growth at Kaplan Educational Centers produced most of the increase, with acquisitions accounting for about two-thirds of the gain.

The company's equity in losses of affiliates in the third quarter was \$4.1 million, compared with income of \$4.7 million in the third quarter of 1997. For the first nine months of the year, the company's equity in losses of affiliates was \$3.1 million, compared with income of \$8.2 million for the comparable period of 1997. The 1998 decline in equity in earnings of affiliates resulted principally from increased spending at new media joint ventures

and the company's sale of its 35 percent interest in Bear Island Paper Company and Bear Island Timberlands Company in November 1997 and the disposition of the company's 28 percent interest in Cowles Media Company, which occurred in March of 1998.

For the first nine months of 1998, the company incurred net interest expense of \$4.0 million, compared to \$2.4 million of net interest income in the first nine months of 1997. At September 27, 1998, the company had approximately \$380.5 million in borrowings outstanding under its short-term commercial paper program.

The calculation of diluted earnings per share for the third quarter and first nine months of 1998 was based on 10,138,997 and 10,132,247 weighted average shares outstanding, respectively, compared to 10,743,000 and 10,794,000 shares in 1997. During the first nine months of 1998 the company repurchased 30,260 shares of its Class B common stock at a cost of approximately \$14.9 million.

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

	Third Quarter			Thirty-nine Weeks		
	1998	1997	% Change	1998	1997	% Change
Operating revenues	\$509,281	\$478,375	+6	\$1,518,994	\$1,433,851	+6
Operating costs and expenses						
Operating expense	(385,774)	(360,751)	+7	(1,150,694)	(1,076,494)	+7
Depreciation and Amortization	(35,911)	(26,389)	+36	(98,893)	(78,217)	+26
Income from operations	87,596	91,235	-4	269,407	279,140	-3
Equity in (losses)						
Income of Affiliates, net	(4,060)	4,712		(3,143)	8,168	+7
Interest income	217	725		809	2,917	
Interest expense	(2,246)	(182)		(4,821)	(505)	
Other income, net <sup>1</sup>	50,241	23,471		306,752	24,292	
Income before income taxes	131,748	119,961	+10	569,004	314,012	+81
Provision for income taxes	(49,900)	(48,410)		(215,500)	(123,410)	
Net income	81,848	71,551	+14	353,504	190,602	+85
Redeemable preferred stock dividends	(239)	(239)		(956)	(956)	
Net income available for common stock	\$ 81,609	\$ 71,312	+14	\$ 352,548	\$ 189,646	+86
Basic earnings per share	\$ 8.09	\$ 6.66	+21	\$ 34.95	\$ 17.62	+98
Diluted earnings per share	\$ 8.05	\$ 6.64	+21	\$ 34.79	\$ 17.57	+98
Basic average shares outstanding	10,093	10,708	-6	10,088	10,766	-6
Diluted average shares outstanding	10,139	10,743	-6	10,132	10,794	-6

<sup>1</sup>Other income, net for the third quarter of 1998 includes gains of \$51.2 million related to the sale of 14 small cable systems in Texas, Missouri and Kansas and the disposition of the company's interest in Junglee, a facilitator of internet commerce. For the third quarter of 1997, other income, net includes gains of \$24.8 million resulting from the sale of the assets of the company's PASS Sports subsidiary and the termination of its regional sports network. For the first nine months of 1998, other income, net includes the gains resulting from the third quarter

cable system and Junglee transactions and \$258.4 million related to the disposition of the company's 28 percent interest in Cowles Media Company in March of 1998.

**Contact:**

John B. Morse, Jr.  
(202) 334-6662