The Washington Post Company Reports 1998 Earnings

January 26, 1999

WASHINGTON -- The Washington Post Company (NYSE: WPO) today reported net income of $417.3 million for its fiscal year ended January 3, 1999, compared with net income of $281.6 million for the fiscal year ended December 28, 1997. Diluted earnings per share increased 57 percent to $41.10 in 1998, from $26.15 in 1997, with fewer average shares outstanding.

The company's 1998 net income included $194.4 million ($19.20 per share - diluted basis) from the disposition of the company's 28 percent interest in Cowles Media Company, the sale of 14 small cable systems and the disposition of the company's interest in Junglee, a facilitator of internet commerce. The company's 1997 net income included $44.5 million ($4.15 per share - diluted basis) from the sale of the company's investments in Bear Island Paper Company, L.P. and Bear Island Timberlands Company, L.P., and the sale of the assets of its PASS Sports subsidiary. Excluding the effect of these one-time items, net income totaled $222.9 million in 1998, a decrease of 6 percent from net income of $237.1 million in 1997. Diluted earnings per share remained essentially unchanged at $21.90 in 1998, as compared to $22.00 in 1997, with fewer average shares outstanding.

Revenue for 1998 totaled $2,110.4 million, an increase of 8 percent from $1,956.3 million in 1997. Operating income for 1998 decreased 1 percent to $378.9 million, from $381.4 million in 1997. Excluding the effect of acquisitions and dispositions completed in 1997 and 1998, revenue increased 4 percent and operating income increased 3 percent. The 3 percent increase in operating income is attributable to operating income growth at the company's broadcast and cable companies and an increase in the company's pension credit. This growth was partially offset by increases in newsprint expense, new media spending, and expenses arising from the expansion of the printing facilities of The Washington Post.

For the fourth quarter of 1998, the company's net income decreased 30 percent to $63.8 million, from $91.0 million in 1997; diluted earnings per share decreased 27 percent to $6.30 in 1998 versus $8.63 in 1997. Fourth-quarter 1997 net income and diluted earnings per share included the effect of the sale of the Bear Island partnership interests in the amounts of $28.5 million and $2.70, respectively. Excluding this one-time item, fourth quarter net income increased 2 percent and diluted earnings per share increased 6 percent.

Revenue for the fourth quarter of 1998 was $591.4 million, up 13 percent over revenue of $522.4 million in the fourth quarter of 1997. Operating income for the quarter increased 7 percent to $109.5 million, from $102.2 million. Excluding the effect of acquisitions and dispositions completed in 1997 and 1998, revenue increased 8 percent and operating income increased 13 percent.

Divisional Results[1]

Newspaper

At the newspaper division, 1998 included 53 weeks as compared to 52 weeks in 1997. Newspaper division operating income in 1998 decreased 4 percent to $165.1 million, from $172.6 million in 1997. In 1998, division revenue totaled $846.8 million, an increase of 4 percent over revenue of $812.9 million in 1997. The decrease in operating income at the newspaper division is due primarily to a 9 percent increase in newsprint expense and additional costs associated with the expansion of the printing facilities of The Washington Post, offset partially by growth in advertising revenue.

Advertising volume at The Washington Post totaled 3,199,200 inches in 1998, essentially unchanged from 3,191,900 inches in 1997. Post advertising revenue increased 4 percent to $630.1 million, from $604.1 million in 1997. Post daily and Sunday circulation declined 1 percent and 1.5 percent in fiscal 1998, respectively, as compared to fiscal 1997.

For the fourth quarter of 1998, newspaper division revenue rose 7 percent from the fourth quarter of 1997. Washington Post advertising inches increased 3 percent to 886,500 inches, from 864,000 inches in the fourth quarter of 1997. The fourth quarter of 1998 at the newspaper division included 13 weeks as compared to 12 weeks in the fourth quarter of 1997.

Broadcast

Broadcast division operating income in 1998 was $171.2 million, up 5 percent from $163.7 million in 1997. Division revenue for 1998 increased 6 percent to $357.6 million, from $338.4 million in 1997. The improvement in 1998 operating income is primarily attributable to 1998 political advertising and an increase in local advertising revenue.

In the fourth quarter of 1998, broadcast division revenue increased 9 percent over the fourth quarter in 1997 due primarily to political advertising in 1998.

Cable

Cash flow for the cable division in 1998 was $126.9 million, up 20 percent from $105.4 million in 1997. Cable division operating income of $65.0 million in 1998 was 19 percent higher than operating income of $54.7 million in 1997. Revenue for 1998 of $298.0 million represents a 16 percent increase over 1997. The increase in operating income is due primarily to higher subscriber levels and a slight increase in rates, offset partially by increased depreciation and amortization arising from acquisitions and capital improvements. At the end of 1998, there were 733,000 basic subscribers, an increase of 15 percent over 1997. Most of the basic subscriber increase resulted from acquisitions and trades.

In the fourth quarter of 1998, cable division revenue increased 21 percent over the same period for 1997, with acquisitions and higher rates accounting for the increase.

Magazine

Operating income at the magazine division totaled $44.5 million in 1998, an increase of 4 percent over $42.7 million in 1997. Revenue at the magazine division rose 2 percent to $399.5 million in 1998, from $389.9 million in 1997. The 4 percent increase in operating income is primarily attributable to the operating results of Newsweek. At Newsweek, growth in pension credit and other favorable cost experience boosted operating income by 14 percent, offsetting the adverse effects of two fewer special issues in 1998 versus 1997 and softness in advertising at the international edition of Newsweek.

In the fourth quarter of 1998, magazine division revenue increased 1 percent as compared to the fourth quarter of 1997.

Other Businesses and Corporate Office

Other businesses and corporate office include: Kaplan Educational Centers, Washingtonpost.Newsweek Interactive, Legi-Slate, PASS Sports (nine months of 1997), Moffet, Larson & Johnson (sold in July 1998), and the company's corporate office. Excluding PASS Sports and Moffet, Larson & Johnson, which were sold in September 1997 and July 1998, respectively, other businesses and corporate recorded a combined operating loss in 1998 of $66.5 million, compared with a loss of; $54.7 million in 1997. The increase in operating loss is primarily attributable to the company's investing activities in electronic media offset in part by an improvement in Kaplan's operating performance. Excluding PASS Sports and Moffet, Larson & Johnson, revenues for other businesses totaled $205.5 million in 1998, representing a 58 percent increase over 1997; revenue growth at Kaplan accounted for substantially all of the increase. At Kaplan, revenue increased $77.6 million, or 66 percent, with acquisitions accounting for about two-thirds of the increase.

In the fourth quarter, excluding PASS Sports and Moffet, Larson & Johnson, revenue from other businesses increased 107 percent due to revenue growth at Kaplan, with acquisitions at Kaplan accounting for approximately half of the increase.

Equity in (Losses)Earnings of Affiliates

The company's equity in losses of affiliates in 1998 was $5.1 million, compared with income of $10.0 million in 1997. The 1998 decline of $15.1 million in affiliate earnings resulted from increased spending at new media joint ventures and the absence of affiliate earnings; which were provided in the prior year from the company's interest in the Bear Island Partnerships (sold in November 1997) and Cowles Media Company (disposed of March 1998).

Net Interest Expense

For 1998, the company incurred net interest expense of $10.4 million, compared to $2.2 million of net interest income in 1997. At January 3, 1999, the company had approximately $453.4 million in borrowings outstanding.

Earnings Per Share

The calculation of diluted earnings per share for the fourth quarter and full year of 1998 was based on 10,123,898 and 10,128,956 weighted average shares outstanding, respectively, compared to 10,544,317 and 10,732,991 shares in 1997. At January 3, 1999, the company had 10,093,369 shares of common stock outstanding.

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[1] In December 1998, the company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information." In connection with the implementation of this accounting pronouncement, the company has changed the manner in which it reports divisional results to reflect its corporate office expenses in the "other businesses and corporate office" segment. Previously, the company had allocated its corporate office expenses to each of its divisions. Prior year divisional results have been adjusted to reflect this reporting change, thus, establishing comparability.

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

	Fourth Quarter (unaudited)			Fiscal Year		
	1998	1997	% Change	1998 (unaudited)	1997	% Change
Operating revenues	$591,366	$522,402	+13	$2,110,360	$1,956,253	+8
Operating expenses before						

depreciation and amortization	(441,631)	(393,370)	+12	(1,592,326)	(1,469,865)	+8
Operating income before						
depreciation and amortization	149,735	129,032	+16	518,034	486,388	+7
Depreciation and amortization	(40,245)	(26,821)	+50	(139,137)	(105,037)	+32
Operating income	109,490	102,211	+7	378,897	381,351	-1
Equity in (losses) earnings						
of Affiliates, net	(1,996)	1,787		(5,140)	9,955	
Interest income	328	554		1,137	3,471	
Interest expense	(6,717)	(747)		(11,538)	(1,252)	
Other income (expense),						
net[1]	(2,050)	45,257		304,703	69,549	
Income before income						
taxes	99,055	149,062	-34	668,059	463,07 4	+44
Provision for income taxes	(35,300)	(58,090)		(250,800)	(181,500)	
Net income	63,755	90,972	-30	417,259	281,574	+48
Redeemable preferred stock dividends	--	--		(956)	(956)	
Net income available for common stock	$ 63,755	$ 90,972	-30	$ 416,303	$ 280,618	+48
Basic earnings per share	$ 6.32	$ 8.66	-27	$ 41.27	$ 26.23	+57
Diluted earnings per share	$ 6.30	$ 8.63	-27	$ 41.10	$ 26.15	+57
Basic average shares outstanding	10,082	10,502	-4	10,087	10,700	-6
Diluted average shares outstanding	10,124	10,544	-4	10,129	10,733	-6

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[1]Other income, net, for the fourth quarter of 1997 includes a pre-tax gain of $46.4 million from the sale of the company's investment in Bear Island Paper Company, L.P., and Bear Island Timberlands Company, L.P. For 1998, other income, net, includes $309.7 million in pre-tax gains arising from the disposition of the company's 28 percent interest in Cowles Media Company, the sale of 14 small cable systems and the disposition of the company's interest in Junglee, a facilitator of internet commerce. For 1997, other income, net, includes $74.8 million in pre-tax gains from the sale of the Bear Island partnerships and the sale of the assets of the company's PASS Sports subsidiary.

THE WASHINGTON POST COMPANY
QUARTERLY PER SHARE AMOUNTS (UNAUDITED)
(In thousands, except per share amounts)

	First Quarter[1]	Second Quarter	Third Quarter[2]	Fourth Quarter[3]
1998				
Net income available for				
common stockholders	$207,396	$63,544	$81,609	$63,755
Basic earnings per share	$20.57	$6.30	$8.09	$6.32
Diluted earnings per share	$20.47	$6.27	$8.05	$6.30
Basic average shares outstanding	10,085	10,088	10,093	10,082

Diluted average shares outstanding	10,132	10,136	10,139	10,124
1997				
Net income available for common stockholders	$47,216	$71,118	$71,312	$90,972
Basic earnings per share	$4.35	$6.62	$6.66	$8.66
Diluted earnings per share	$4.35	$6.60	$6.64	$8.63
Basic average shares outstanding	10,844	10,743	10,708	10,502
Diluted average shares outstanding	10,866	10,772	10,743	10,544

The sum of the four quarters may not necessarily be equal to the amounts reported for the full year due to rounding.

[1] For the first quarter of 1998, the company's net income includes $162.8 million ($16.07 per share - diluted basis) from the disposition of its 28 percent interest in Cowles Media Company.

[2] For the third quarter of 1998, the company's net income includes $31.6 million ($3.13 per share - diluted basis) from the sale of 14 small cable systems and the disposition of the company's interest in Junglee, a facilitator of internet commerce. For the third quarter of 1997, the company's net income includes $16.0 million ($1.49 per share - diluted basis) from the sale of the assets of the company's PASS Sports subsidiary.

[3] For the fourth quarter of 1997, the company's net income includes $28.5 million ($2.70 per share - diluted basis) from the sale of the company's interest in the Bear Island partnerships.

THE WASHINGTON POST COMPANY
LINES OF BUSINESS[1]
(In thousands)

	1998 (Unaudited)	1997	% Change
Revenue			
Newspaper Division[2]	$846,836	$812,896	+4
Broadcast Division	357,616	338,373	+6
Cable Division	297,980	257,732	+16
Magazine Division	399,483	389,853	+2
Other Businesses and Corporate Office	208,445	157,399	+32
Total	$2,110,360	$1,956,253	+8
Operating Income			
Newspaper Division	$165,099	$172,566	-4
Broadcast Division	171,194	163,703	+5
Cable Division	65,022	54,659	+19
Magazine Division	44,524	42,719	+4
Other Businesses and Corporate Office	(66,942)	(52,296)	-28
Total	$378,897	$381,351	-1

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[2] At the newspaper division, 1998 included 53 weeks as compared to 52 weeks in 1997.

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