GRAHAM HOLDINGS

The Washington Post Company Reports First Quarter Earnings

April 24, 2000 at 11:55 AM EDT

WASHINGTON--The Washington Post Company (NYSE: WPO) today reported net income of $24.1 million ($2.50 per share) for its first quarter ended April 2, 2000, a decrease of $21.1 million, or 47 percent, from net income of $45.2 million ($4.41 per share) in the first quarter of last year.

The decline in earnings is due to increased costs associated with the development of new businesses (impact of $12.8 million or $1.39 per share), the absence of marketable security sale gains recorded in the first quarter of 1999 which did not recur in 2000 (impact of $4.1 million or $.40 per share), higher interest expense (impact of $3.1 million or $.36 per share), and a reduced pension credit (impact of $4.3 million or $.41 per share).

These declines were offset in part by improved operating results at the company's newspaper publishing division.

Revenue for the first quarter of 2000 was $546.8 million, up 5 percent from $520.4 million in 1999. Operating income for the quarter decreased 7 percent to $72.2 million, from $77.3 million in 1999.

The decrease in operating income is due primarily to increased spending for the development of new businesses and a decline in the company's pension credit, offset in part by a 25 percent improvement in the operating results of The Washington Post newspaper.

The increased spending for new business initiatives occurred mainly at Kaplan, Inc., and Washingtonpost.Newsweek Interactive. At Kaplan, additional spending was focused on the launch and build-out of various distance learning websites (including kaptest.com and kaplancollege.com) and the marketing and expansion of Score! learning centers.

In addition, Kaplan continued the development of eSCORE.com, an educational services website designed to help parents with the educational development of their children. At Washingtonpost.Newsweek Interactive, increased spending was dedicated principally to marketing and sales initiatives as well as the further development of the website's features.

The company's operating income for the first quarter of 2000 includes $15.0 million of pension credits, compared to $21.0 million in the first quarter of 1999. Management expects the 2000 annual pension credit will approximate $60.0 million, compared to $82.0 million in 1999.

In addition to the impact of the increased spending for new business development discussed above, the company's pre-tax income for the first quarter of 2000 includes $9.0 million in losses arising from its 42 percent equity investment in BrassRing, Inc., a provider of traditional and web-delivered recruiting, career development and hiring management services.

Donald Graham, chairman and chief executive officer of the company, commented, "I am pleased with the overall results of the quarter, particularly with the progress being made with our new business initiatives. While the build-out of these businesses does depress current earnings, we believe strongly that long-term value is being created for our shareholders."

Divisional Results

Newspaper Publishing

Newspaper publishing division revenue totaled $224.7 million for the first quarter of 2000, a 7 percent increase over revenue of $209.2 million in the first quarter of 1999. Division operating income for the first quarter increased 8 percent to $36.3 million, from $33.7 million in 1999.

The improvement in division operating results is primarily attributable to a 25 percent increase in the operating income of The Washington Post newspaper, offset in part by increased spending for the marketing and advancement of washingtonpost.com.

Advertising revenue at The Washington Post newspaper increased 9 percent to $166.4 million, from $153.1 million in 1999. Post daily circulation increased 1 percent; Sunday circulation for the first quarter of 2000 remained essentially unchanged.

Net revenues at washingtonpost.com more than doubled in the first quarter of 2000 compared to the same period in 1999. Sale of online classified advertisements accounted for most of the increase.

Broadcasting

Revenue for the broadcast division declined 2 percent in the first quarter of 2000 to $78.7 million, from $80.3 million in 1999. Operating income for the first quarter of 2000 decreased 6 percent to $32.3 million, compared to $34.4 million in the first quarter of 1999. General softness in advertising accounted for the decline in first quarter operating income.

Magazine Publishing

Revenue for the magazine publishing division decreased 7 percent in the first quarter of 2000 to $84.7 million, from $90.7 million in the first quarter of 1999. Magazine division operating income totaled $2.7 million for the first quarter of 2000, compared to $9.0 million for the same period of the prior year.

The first quarter revenue and operating income were affected by the timing of a technology trade show conducted by the division's computer technology trade periodicals unit. The trade show will be conducted in the second quarter of 2000 versus the first quarter of 1999. Operating income was also adversely affected by a decline in pension credits.

Revenue derived from publishing Newsweek, Arthur Frommer's Budget Travel and computer trade periodicals was up slightly for the quarter.

Cable

Cable division revenue of $86.7 million for the first quarter of 2000 represents a 7 percent increase over 1999 first quarter revenue of $80.8 million. Cable division cash flow (operating income excluding depreciation and amortization expense) totaled $33.8 million for the first quarter of 2000, a 2 percent increase over the first quarter of 1999.

Cable division operating income declined 1 percent. The decline in operating income is due mostly to 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 begin rolling-out new digital video and high-speed cable modem services to its subscribers in the second quarter of 2000.

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 and career services revenue increased 41 percent to $72.0 million in the first quarter of 2000, compared to $51.1 million in 1999.

Operating losses for the quarter totaled $9.6 million, compared to $4.6 million in the first quarter of 1999. Approximately half of the 2000 revenue increase is attributable to businesses acquired after the first quarter of 1999. 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 first quarter of 1999.

At the end of the first quarter of 2000, Score! operated 100 learning centers, compared to 68 centers at the end of the first quarter of 1999.

Including the operating results of the career fair and HireSystems businesses in 1999, education and career services revenue increased 25 percent to $72.0 million in the first quarter of 2000, compared to $57.4 million in 1999. Operating losses for the quarter totaled $9.6 million, compared to operating losses of $7.4 million in the first quarter of 1999.

Other Businesses and Corporate Office

Operating losses for the first quarter of 2000 totaled $4.1 million, representing a 43 percent improvement compared to the first quarter of 1999. The reduction in losses for the first quarter 2000 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

The company's equity in losses of affiliates for the first quarter of 2000 was $11.3 million, compared to losses of $2.5 million in the first quarter of 1999. The company's affiliate investments consist of a 42 percent interest in BrassRing, Inc. (formed in late September 1999), 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 $9.0 million of the total first quarter equity in losses of affiliates.

In March 2000, BrassRing acquired the Westech Group of Companies, a provider of Internet recruiting services and high-tech career fairs, from Central Newspapers, Inc. in exchange for a 23 percent interest in BrassRing. As a result of this transaction, the company's equity interest in BrassRing declined from 54 percent to 42 percent.

The company began recording its share of BrassRing losses at the reduced ownership percentage in March 2000.

Other Non-Operating (Expense) Income

The company recorded other non-operating expense of $6.9 million for the first quarter of 2000, compared to $6.1 million in non-operating income for the first 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 first quarter of 2000, the company incurred net interest expense of $12.3 million, compared to $6.6 million for the same period in the prior year. At April 2, 2000, the company had $793.1 million in borrowings outstanding.

Earnings Per Share

The calculation of diluted earnings per share for the first quarter of 2000 was based on 9,458,109 weighted average shares outstanding, compared to 10,142,801 for the first quarter of 1999. The company made no significant repurchases of its stock during the first quarter of 2000. -0-

*T

THE WASHINGTON POST COMPANY
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)
(In thousands, except share and per share amounts)

	First Quarter 2000	First Quarter 1999	% Change
Operating revenues	$ 546,771	$ 520,397	+5
Operating costs and expenses			
Operating expenses	(431,493)	(403,580)	+7
Depreciation	(28,386)	(25,118)	+13
Amortization	(14,738)	(14,425)	+2
Operating income	72,154	77,274	-7
Equity in losses of affiliates, net	(11,304)	(2,510)	
Interest income	224	246	
Interest expense	(12,567)	(6,813)	
Other (expense) income, net	(6,938)	6,143	
Income before income taxes	41,569	74,340	-44
Provision for income taxes	(17,500)	(29,150)	
Net income	24,069	45,190	-47
Redeemable preferred stock dividends	(500)	(475)	
Net income available for common stock	$ 23,569	$ 44,715	-47
Basic earnings per share	$ 2.50	$ 4.43	-44
Diluted earnings per share	$ 2.50	$ 4.41	-44
Basic average shares outstanding	9,439,818	10,097,830	

Diluted average shares outstanding	9,458,109	10,142,801

THE WASHINGTON POST COMPANY
BUSINESS SEGMENT INFORMATION

(Unaudited)
(In thousands)

	First Quarter		
	2000	1999	% Change
Operating Revenues:			
Newspaper publishing	$224,656	$209,210	+7
Broadcasting	78,742	80,297	-2
Magazine publishing	84,690	90,716	-7
Cable television	86,653	80,799	+7
Education and career services	72,030	57,412	+25
Other businesses and corporate office	--	1,963	-100
	$546,771	$520,397	+5
Operating Income:			
Newspaper publishing	$ 36,251	$ 33,690	+8
Broadcasting	32,349	34,428	-6
Magazine publishing	2,684	8,970	-70
Cable television	14,645	14,818	-1
Education and career services	(9,627)	(7,378)	-30
Other businesses and corporate office	(4,148)	(7,254)	+43
	$ 72,154	$ 77,274	-7
Depreciation:			
Newspaper publishing	$ 9,604	$ 8,214	+17
Broadcasting	3,111	2,788	+12
Magazine publishing	1,289	1,263	+2
Cable television	11,758	10,754	+9
Education and career services	2,624	1,993	+32
Other businesses and corporate office	--	106	-100
	$28,386	$25,118	+13
Amortization:			
Newspaper publishing	$ 392	$ 380	+3
Broadcasting	3,534	3,560	-
Magazine publishing	1,697	1,478	+15
Cable television	7,414	7,446	-
Education and career			

services	1,701	1,561	+9
	--------	--------	
	$14,738	$14,425	+2
	========	========	

The company reports the operating results of Washingtonpost.Newsweek Interactive in the Newspaper segment.

*T

CONTACT: The Washington Post Company, Washington

John B. Morse, Jr., 202/334-6662