



The Washington Post Company Reports Third Quarter Earnings

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WASHINGTON - The Washington Post Company (NYSE:WPO) today reported net income of \$33.5 million (\$3.51 per share) for its third quarter ended October 1, 2000, a decrease of \$18.2 million, or 35 percent, from net income of \$51.7 million (\$5.10 per share) in the third quarter of last year. Revenue for the third quarter of 2000 was \$602.5 million, up 12 percent from \$539.6 million in 1999. Operating income for the quarter decreased 2 percent to \$84.6 million, from \$86.4 million in 1999.

The decline in third quarter earnings was primarily caused by increased costs associated with the development of new businesses (impact of \$4.0 million or \$0.53 per share), higher interest expense (impact of \$4.9 million or \$0.54 per share), a reduced pension credit (impact of \$3.6 million or \$0.30 per share), and lower earnings at the magazine publishing division (impact of \$4.5 million or \$0.46 per share). These declines were offset in part by higher operating income at the company's television broadcasting operations. In addition, the third quarter of 1999 included gains from the sale of marketable equity securities which did not recur in 2000 (impact of \$3.7 million or \$0.35 per share).

For the first nine months of 2000, net income totaled \$98.8 million (\$10.33 per share), compared with net income of \$164.8 million (\$16.18 per share) for the same period in 1999. Revenue for the first nine months of 2000 was \$1,740.8 million, up 8 percent over revenue of \$1,617.2 million for the same period in 1999. Operating income declined 8 percent to \$249.9 million, from \$270.3 million in 1999. Consistent with the company's results for the third quarter of 2000, the decrease in the company's nine-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, a reduced pension credit, and lower earnings at the magazine publishing division. These factors were offset in part by increased operating income at The Washington Post newspaper and the company's broadcast operations.

The increased spending for new business initiatives occurred mainly at Kaplan, Inc., and Washingtonpost.Newsweek Interactive (WPNI). At Kaplan, new business spending consisted of the build-out of various distance learning websites (including kaplancollege.com and kaptest.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 academic advancement of their children. At WPNI, increased spending was dedicated principally to marketing and sales initiatives.

Also included in the new business development costs discussed above are incremental net losses arising from the company's development of web-delivered recruiting and hiring management services at 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 businesses through majority-owned subsidiaries, the results of which were included in the Education segment.

The company's operating income for the third quarter and first nine months of 2000 includes \$15.0 million and \$45.0 million of pension credits, respectively, compared to \$21.0 million and \$63.0 million for the same periods of 1999.

Divisional Results

Newspaper Publishing

Newspaper publishing division revenue totaled \$227.6 million for the third quarter of 2000, an increase of 7 percent over revenue of \$212.5 million in the third quarter of 1999; division revenue increased 6 percent to \$680.4 million for the first nine months of 2000. Division operating income for the third quarter declined 10 percent to \$35.0 million, from \$38.7 million in the third quarter of 1999; operating income decreased 5 percent to \$108.5 million for the first nine months of 2000. The decrease in operating income for the third quarter and first nine months is due to increased spending for the marketing and advancement of washingtonpost.com, reduced pension credit, and higher newsprint expense, offset in part by higher print and online advertising revenues.

Print advertising revenue at The Washington Post newspaper increased 6 percent and 5 percent for the third quarter and first nine months of 2000, respectively. For the first nine months of 2000, daily circulation at The Post remained essentially unchanged, while Sunday circulation declined 1 percent. Newsprint expense at the newspaper publishing division increased 21 percent in the third quarter of 2000 due mostly to price increases. For the first nine months of 2000, newsprint expense increased approximately 4 percent over the same period in the prior year.

Online advertising revenues increased approximately 130 percent for the third quarter and first nine months of 2000 compared to the same periods in the prior year.

Television Broadcasting

Revenue at the broadcasting division increased 16 percent for the third quarter of 2000 to \$88.9 million; revenue increased 4 percent to \$257.0 million for the first nine months of 2000. Operating income for the third quarter of 2000 totaled \$41.9 million, a 23 percent increase from the third quarter of 1999; operating income for the first nine months of 2000 improved 2 percent to \$117.0 million. Political and Olympics advertising in the third quarter of 2000 totaled approximately 16 million, accounting for most of the improvement in the 2000 operating results.

Magazine Publishing

Revenue for the magazine publishing division totaled \$95.9 million in the third quarter of 2000, a 4 percent increase from \$91.9 million in 1999; division revenue increased 5 percent to \$296.2 million for the first nine months of 2000. Operating income totaled \$4.6 million for the third quarter of 2000, a 70 percent decline from the same period in the prior year; operating income totaled \$28.0 million for the first nine months of 2000, a decrease of 33 percent. The 70 percent decline in third quarter operating results occurred primarily at Newsweek where reduced pension credits and higher subscription acquisition costs outpaced improvements in domestic and international edition advertising revenues.

Cable Television

Cable division revenue of \$90.6 million and \$266.8 million for the third quarter and first nine months of 2000, respectively, represent a 7 percent increase over the same periods of 1999. Cable division cash flow (operating income excluding depreciation and amortization expense) was \$35.3 million for the third quarter of 2000, a decrease of 2 percent from the third quarter of 1999. For the first nine months of 2000, cash flow increased 2 percent to \$104.4 million. Cable division operating income decreased 9 percent and 3 percent for the third quarter and first nine months of 2000, respectively. The decline in operating income is mostly due to an increase in programming expense, additional costs associated with the launch of new services, and higher depreciation expense. These factors were offset in part by higher subscriber revenues.

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 and high-speed cable modem services to its subscribers. The cable division began its roll-out plan for these services in the second and third quarters of this year.

At the end of the third quarter of 2000, there were 735,700 basic subscribers, an increase of 1 percent compared to 730,200 basic subscribers at the end of the third quarter of 1999.

Education

Excluding the operating results of the career fair and HireSystems businesses from 1999 (these businesses were contributed to BrassRing at the end of the third quarter of 1999), education division revenue increased 48 percent to \$99.4 million in the third quarter of 2000, compared to \$67.3 million in 1999; revenue increased 37 percent to \$240.3 million for the first nine months of 2000. Operating losses for the quarter totaled \$6.7 million, compared to operating income of \$7.1 million in the third quarter of 1999. For the first nine months of 2000, operating losses totaled \$32.6 million, compared to operating losses of \$6.4 million for the same period of 1999. Approximately 75 percent of the third quarter revenue increase 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 (primarily kaplancollege.com and kaptest.com). These factors were offset in part by operating income generated by acquisitions completed after the third quarter of 1999 and the test preparation business.

At the end of the third quarter of 2000, Score! operated 115 learning centers, compared to 81 centers at the end of the third quarter of 1999.

Including the operating results of the career fair and HireSystems businesses in 1999, revenue increased 35 percent to \$99.4 million in the third quarter of 2000, compared to \$73.8 million in 1999; revenue increased 25 percent to \$240.3 million for the first nine months of 2000. Operating losses for the third quarter totaled \$6.7 million, compared to operating losses of \$13.7 million in the third quarter of 1999; operating losses totaled \$32.6 million for the first nine months of 2000, compared to \$28.0 million in 1999.

Other Businesses and Corporate Office

Operating losses for the third quarter of 2000 totaled \$6.2 million, representing a 10 percent increase compared to the third quarter of 1999. For the first nine months of 2000, operating losses totaled \$17.6 million, a 15 percent improvement from 1999. The reduction in 2000 losses for the nine-month period 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 third quarter of 2000 was \$8.9 million, compared to losses of \$0.1 million for the third 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. For the first nine months of 2000, the company's equity in losses of affiliates totaled \$29.7 million, compared to losses of \$1.8 million for the same period of 1999. The decline in 2000 affiliate results is primarily attributable to BrassRing, Inc., which is in the integration and marketing phase of its operations. BrassRing accounted for approximately \$9.8 million and \$28.1 million, respectively, of the total 2000 third quarter and first nine-month equity in losses of affiliates.

Other Non-Operating (Expense) Income

The company recorded other non-operating income of \$0.2 million for the third quarter of 2000, compared to \$8.3 million in the second quarter of 1999. Non-operating expense totaled \$5.2 million for the first nine months of 2000, compared to non-operating income of \$23.9 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).

Net Interest Expense

For the third quarter of 2000, the company incurred net interest expense of \$14.4 million, compared to \$6.3 million for the same period in the prior year; net interest expense totaled \$39.0 million for the first nine months of 2000, versus \$18.1 million in 1999. At October 1, 2000, the company had \$936.0 million in borrowings outstanding.

Earnings Per Share

The calculation of diluted earnings per share for the third quarter and first nine months of 2000 was based on 9,463,000 and 9,459,000 weighted average shares outstanding, respectively, compared to 10,101,000 and 10,127,000 for the third quarter and first nine months of 1999. The company

made no significant repurchases of its stock during the first nine months of 2000.



