



The Washington Post Company Reports First Quarter Earnings

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WASHINGTON--The Washington Post Company (NYSE:WPO) today reported net income of \$199.1 million (\$20.90 per share) for its first quarter ended April 1, 2001. Excluding one-time transactions from the quarter, principally gains from the sale and exchange of certain cable systems, net income for the first quarter totaled \$9.5 million, or \$0.95 per share, compared to \$24.1 million, or \$2.49 per share, for the same period of 2000.

Revenue for the first quarter of 2001 was \$587.0 million, up 7 percent from \$546.8 million in 2000. The increase in revenue is due mostly to revenue generated by Quest Education (acquired in August 2000), an increase in revenue at Kaplan's test preparation and Score! businesses, and revenue from a technology trade show held in the first quarter of 2001. These increases in revenue were offset partially by a collective \$20.9 million or 7 percent decline in advertising revenues at the company's advertising-based businesses, where the climate remains soft.

Operating income for the quarter decreased 40 percent to \$43.2 million, from \$72.2 million in 2000. The decrease in operating income is due primarily to the decline in advertising revenue, a 10 percent increase in newsprint expense, increased depreciation and goodwill amortization expense, and higher stock-based compensation expense at the education division. These factors were offset in part by operating income contributed from Quest Education, higher operating profits from Kaplan's test preparation and professional training businesses, and an increased pension credit.

In addition to the factors accounting for the decline in the company's first quarter operating income, the company's pre-tax income for the quarter also includes greater losses from the continuing development of web-delivered recruiting and hiring management services at BrassRing Inc., in which Kaplan has a 42 percent equity interest.

The company's operating income for the first quarter of 2001 includes \$20.5 million of pension credits, compared to \$15.0 million in the first quarter of 2000. Management expects the 2001 annual pension credit will approximate \$82.0 million, compared to \$61.7 million in 2000.

Divisional Results

Newspaper Publishing

Newspaper publishing division revenue totaled \$218.2 million for the first quarter of 2001, a 3 percent decline from revenue of \$224.7 million in the first quarter of 2000. Division operating income decreased 28 percent to \$26.3 million, from \$36.3 million in 2000. The decline in division operating income is primarily attributable to a decline in recruitment advertising at The Washington Post newspaper and a 10 percent increase in newsprint expense, offset in part by higher online advertising revenue.

Print advertising revenue at The Washington Post newspaper decreased 6 percent to \$152.6 million, from \$162.9 million in 2000, due to a \$12.2 million or 26 percent decline in classified recruitment advertising that was partially offset by higher revenue from other advertising categories, principally general advertising. First quarter 2001 advertising volume and circulation statistics for The Washington Post newspaper were as follows (inches in thousands, preprints in thousands of pieces):

| | First Quarter | | |
|--------------------|---------------|-----------|----------|
| | 2001 | 2000 | % Change |
| Retail | 314.6 | 353.3 | -11 |
| General | 90.6 | 89.3 | +1.5 |
| Classified | 289.3 | 329.6 | -12 |
| Total | 694.5 | 772.2 | -10 |
| Preprints | 371,482 | 359,341 | +3 |
| Daily circulation | 773,352 | 787,654 | -2 |
| Sunday circulation | 1,077,672 | 1,092,252 | -1 |

The decrease in first quarter classified advertising volume was due to a 30 percent decline in recruitment classified advertising.

Revenue generated by the company's online publishing activities, primarily washingtonpost.com, totaled \$7.2 million for the first quarter of 2001, versus \$5.4 million for 2000.

Television Broadcasting

Revenue for the broadcast division declined 6 percent in the first quarter of 2001 to \$74.2 million, from \$78.7 million in 2000. Operating income for the first quarter of 2001 decreased 12 percent to \$28.5 million from \$32.3 million in 2000. General softness in advertising accounted for the decline in first quarter operating income.

Magazine Publishing

Revenue for the magazine publishing division declined 1 percent for the first quarter of 2001, compared to the same period in 2000. Magazine division operating loss totaled \$2.5 million, compared to operating income of \$2.7 million for the first quarter of 2000. The decline in operating income is primarily attributable to a 12 percent decline in advertising at Newsweek (due to softness in domestic and international edition advertising pages), offset in part by a technology trade show conducted in the first quarter of 2001, which was held in the second quarter of 2000.

Cable

Cable division revenue of \$89.2 million for the first quarter of 2001 represents a 3 percent increase over 2000 first quarter revenue of \$86.7 million. Cable division cash flow (operating income excluding depreciation and amortization expense) totaled \$31.7 million for the first quarter of 2001, a 6 percent decrease from \$33.8 million for the first quarter of 2000. Cable division operating income declined 47 percent. The decline in operating income is due mostly to increased depreciation expense, higher programming expense, and costs associated with the launch of digital cable services.

The increase in depreciation expense is due to capital spending which is enabling the cable division to offer digital cable services to its subscribers. The cable division began its rollout plan for these services in the third quarter of 2000. At March 31, 2001, the cable division had approximately 83,000 digital cable subscribers, representing a 14 percent penetration of the subscriber base in the markets where digital services are offered. Digital services are offered in markets serving 77 percent of the cable division's subscriber base. The rollout plan for the new digital cable services includes an offer for the cable division's customers to obtain these services free for one year. Accordingly, management does not believe the cable division's 2001 revenue will materially benefit from these new services; however, benefits are expected in 2002 and thereafter.

At March 31, 2001, the cable division had 769,000 basic subscribers, compared to 741,400 at the end of March 2000. The increase in basic subscribers is largely attributable to a net gain in subscribers arising from the recently completed cable system exchange and sale transactions.

Education

Education division revenue totaled \$121.5 million for the first quarter of 2001, a 69 percent increase over revenue of \$72.0 million for the same period of 2000. Operating losses for the quarter were \$10.2 million, compared to \$9.6 million for the first quarter of 2000. A summary of first quarter operating results is as follows (in thousands):

| | First Quarter | | |
|-------------------------------------|---------------|------------|----------|
| | 2001 | 2000 | % Change |
| | ---- | ---- | ----- |
| Revenue | | | |
| Test prep and professional training | \$ 68,148 | \$60,970 | +12 |
| Quest post-secondary education | 37,850 | - | n/a |
| New business development activities | 15,510 | 11,060 | +40 |
| | ----- | ----- | ----- |
| | \$121,508 | \$72,030 | +69 |
| | ===== | ===== | ===== |
| Operating income (loss) | | | |
| Test prep and professional training | \$10,057 | \$ 5,051 | +99 |
| Quest post-secondary education | 5,429 | - | n/a |
| New business development activities | (10,978) | (9,329) | +18 |
| Kaplan corporate overhead | (2,573) | (2,148) | +20 |
| Other(a) | (12,183) | (3,201) | +281 |
| | ----- | ----- | ----- |
| | \$ (10,248) | \$ (9,627) | +6 |
| | ===== | ===== | ===== |

(a) Other includes charges accrued for stock-based incentive compensation and amortization of goodwill and other intangibles.

The increase in test preparation and professional training results is due mostly to higher enrollments at Kaplan's traditional test preparation business (particularly the GMAT and LSAT exams), and higher revenues from CFA exam preparation services. Quest Education was acquired in August 2000.

New business development activities represent the results of Score!, eScore.com, and The Kaplan Colleges (various distance learning businesses). The increase in new business development revenue is attributable mostly to new learning centers opened by Score!, which operated 141 centers at the end of the first quarter of 2001 versus 100 at the end of the same period in the prior year.

Corporate overhead represents unallocated expenses of Kaplan, Inc.'s corporate office. Other expense is comprised of accrued charges for stock-based incentive compensation arising from a stock option plan established for certain members of Kaplan's management and amortization of goodwill and other intangibles. Under the stock-based incentive plan, the amount of compensation expense varies directly with the estimated fair value of Kaplan's common stock and the number of options outstanding. The first quarter 2001 increase in other expense compared to the same period of 2000 is mostly attributable to an increase in stock-based incentive compensation, which was primarily due to an increase in Kaplan's estimated value.

Equity in Losses of Affiliates

The company's equity in losses of affiliates for the first quarter of 2001 was \$12.5 million, compared to losses of \$11.3 million for the first quarter of 2000. The company's affiliate investments consist of a 42 percent interest in BrassRing Inc., a 50 percent interest in the International Herald Tribune, and a 49 percent interest in Bowater Mersey Paper Company Limited. The decline in 2001 affiliate results is primarily attributable to the continuing development of BrassRing, which is in the marketing phase of its operations. The company's share of BrassRing's losses accounted for \$14.1 million of the total first quarter equity in losses of affiliates, versus \$9.0 million in the first quarter of the prior year.

Other Non-Operating Income (Expense)

The company recorded other non-operating income, net, of \$308.8 million for the first quarter of 2001, compared to non-operating expense of \$6.9 million for the same period of the prior year. The 2001 non-operating income is comprised mostly of gains arising from the sale and exchange of certain cable systems completed in January and March of 2001. Slightly offsetting these gains were write-downs recorded for certain e-commerce focused investments.

For income tax purposes, the cable system sale and exchange transactions qualify as like-kind exchanges and therefore do not result in a current tax liability.

Net Interest Expense

The company incurred net interest expense of \$14.3 million for the first quarter of 2001, compared to \$12.3 million for the same period of the prior year. At April 1, 2001, the company had \$976.6 million in borrowings outstanding.

Provision for Income Taxes

The effective tax rate for the first quarter of 2001 was 38.8 percent, compared to 42.1 percent for the same period of 2000. The decline in the effective tax rate is due to a lower effective rate applicable to the one-time gains arising from the sale and exchange of cable systems. Excluding the effect of the cable gain transactions, the company's effective tax rate approximated 43 percent for the quarter, with the increase in the rate due mostly to the decline in pretax income.

Earnings Per Share

The calculation of diluted earnings per share for the first quarter of 2001 was based on 9,499,027 weighted average shares outstanding, compared to 9,458,109 for the first quarter of 2000. The company made no repurchases of its stock during the first quarter of 2001.

Forward-looking Statements

This report contains certain forward-looking statements that are based largely on the company's current expectations. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results and achievements to differ materially from those expressed in the forward-looking statements. For more information about these forward-looking statements and related risks, please refer to the section titled "Forward-looking Statements" in Part I of the company's Annual Report on Form 10-K.

THE WASHINGTON POST COMPANY
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except share and per share amounts)

| | First Quarter | | |
|---|---------------|------------|----------|
| | 2001(1) | 2000 | % Change |
| | ----- | ----- | ----- |
| Operating revenue | \$ 586,976 | \$ 546,771 | +7 |
| Operating expenses | (491,908) | (431,493) | +14 |
| | ----- | ----- | |
| Operating income before depreciation and amortization | 95,068 | 115,278 | -18 |
| Depreciation | (34,632) | (28,386) | +22 |

| | | | |
|---------------------------------------|------------|-----------|------|
| Amortization | (17,192) | (14,738) | +17 |
| | ----- | ----- | |
| Operating income | 43,244 | 72,154 | -40 |
| Equity in losses of affiliates, net | (12,461) | (11,304) | |
| Interest income | 325 | 224 | |
| Interest expense | (14,624) | (12,567) | |
| Other income (expense), net(1) | 308,769 | (6,938) | |
| | ----- | ----- | |
| Income before income taxes | 325,253 | 41,569 | +682 |
| Provision for income taxes | (126,200) | (17,500) | +621 |
| | ----- | ----- | |
| Net income | 199,053 | 24,069 | +727 |
| Redeemable preferred stock dividends | (526) | (500) | |
| | ----- | ----- | |
| Net income available for common stock | \$ 198,527 | \$ 23,569 | +742 |
| | ===== | ===== | |
| Basic earnings per share | \$ 20.94 | \$ 2.50 | +738 |
| | ===== | ===== | |
| Diluted earnings per share | \$ 20.90 | \$ 2.49 | +739 |
| | ===== | ===== | |
| Basic average shares outstanding | 9,479,284 | 9,439,818 | -- |
| Diluted average shares outstanding | 9,499,027 | 9,458,109 | -- |

(1) The first quarter of 2001 includes one-time transactions, principally gains from the sale and exchange of cable systems, totaling \$309.3 million pre-tax and \$189.5 million after-tax (\$19.95 per share).

THE WASHINGTON POST COMPANY
BUSINESS SEGMENT INFORMATION

(Unaudited)
(In thousands)

First Quarter

| | 2001 | 2000 | % Change |
|-------------------------|-----------|-----------|----------|
| | ---- | ---- | ----- |
| Operating Revenue: | | | |
| Newspaper publishing | \$218,194 | \$224,656 | -3 |
| Television broadcasting | 74,202 | 78,742 | -6 |

| | | | |
|-------------------------|-----------|-----------|------|
| Magazine publishing | 83,895 | 84,690 | -1 |
| Cable television | 89,177 | 86,653 | +3 |
| Education | 121,508 | 72,030 | +69 |
| | ----- | ----- | |
| | \$586,976 | \$546,771 | +7 |
| | ===== | ===== | |
| Operating Income: | | | |
| Newspaper publishing | \$ 26,276 | \$ 36,251 | -28 |
| Television broadcasting | 28,548 | 32,349 | -12 |
| Magazine publishing | (2,520) | 2,684 | -194 |
| Cable television | 7,756 | 14,645 | -47 |
| Education | (10,248) | (9,627) | +6 |
| Corporate office | (6,568) | (4,148) | +58 |
| | ----- | ----- | |
| | \$ 43,244 | \$ 72,154 | -40 |
| | ===== | ===== | |
| Depreciation: | | | |
| Newspaper publishing | \$ 9,502 | \$ 9,604 | -1 |
| Television broadcasting | 2,926 | 3,111 | -6 |
| Magazine publishing | 1,219 | 1,289 | -5 |
| Cable television | 16,259 | 11,758 | +38 |
| Education | 4,726 | 2,624 | +80 |
| | ----- | ----- | |
| | \$ 34,632 | \$ 28,386 | +22 |
| | ===== | ===== | |
| Amortization: | | | |
| Newspaper publishing | \$ 508 | \$ 392 | +30 |
| Television broadcasting | 3,534 | 3,534 | - |
| Magazine publishing | 1,667 | 1,697 | -2 |
| Cable television | 7,701 | 7,414 | +4 |
| Education | 3,782 | 1,701 | +122 |
| | ----- | ----- | |
| | \$ 17,192 | \$ 14,738 | +17 |
| | ===== | ===== | |

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