



The Washington Post Company Reports Second Quarter Earnings

July 20, 2001 at 11:00 AM EDT

WASHINGTON – The Washington Post Company (NYSE: WPO) today reported net income of \$14.5 million (\$1.50 per share) for its second quarter ended July 1, 2001, a decrease of \$26.7 million, or 65 percent, from net income of \$41.2 million (\$4.33 per share) for the second quarter of last year.

Revenue for the second quarter of 2001 was \$604.5 million, up 2 percent from \$591.5 million in 2000. The increase in revenue is due mostly to revenue generated by Quest Education (acquired in August 2000), higher revenues at the cable division, and an increase in revenue at Kaplan's test preparation and Score! businesses. These increases in revenue were offset partially by a collective \$40.5 million, or 12 percent, decline in advertising revenues at the company's advertising-based businesses, where the climate remains soft.

Operating income for the quarter decreased 39 percent to \$56.6 million, from \$93.2 million in 2000. The decrease in operating income is due primarily to the decline in advertising revenue, increased depreciation and goodwill amortization expense, and higher stock-based compensation expense accruals 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 second quarter operating income, the company's pre-tax income for the second quarter of 2001 also includes \$10.1 million of losses from the write-down of a non-operating parcel of land and certain cost method investments to their estimated fair value.

For the first six months of 2001, net income totaled \$213.5 million (\$22.39 per share), compared with net income of \$65.2 million (\$6.82 per share) for the same period of 2000. Excluding one-time transactions from the first six months of 2001, principally gains from the sale and exchange of certain cable systems, net income for the first six months totaled \$28.8 million, or \$2.95 per share. Revenue for the first half of 2001 was \$1,191.5 million, up 5 percent over revenue of \$1,138.3 million for the first six months of 2000. Operating income declined 40 percent to \$99.8 million, from \$165.4 million in 2000. Consistent with the company's results for the second quarter of 2001, the decrease in the company's six-month earnings is primarily attributable to the decline in advertising revenues, increased newsprint, depreciation and goodwill amortization expenses, and higher stock-based compensation expense at the education division. These factors were offset in part by operating income contributed by Quest Education, higher profits from Kaplan's test preparation and professional training businesses, and an increased pension credit.

The company's operating income for the second quarter and first six months of 2001 includes \$20.3 million and \$40.6 million of pension credits, respectively, compared to \$15.0 million and \$30.0 million for the same periods of 2000.

Divisional Results

Newspaper Publishing

Newspaper publishing division revenue totaled \$212.8 million for the second quarter of 2001, a decrease of 7 percent from revenue of \$228.2 million in the second quarter of 2000; division revenue decreased 5 percent to \$431.0 million for the first six months of 2001. Division operating income for the second quarter declined 38 percent to \$23.1 million, from \$37.2 million in the second quarter of 2000; operating income decreased 33 percent to \$49.4 million for the first six months of 2001. The decrease in operating income for the second quarter and first six months is due to the decline in print advertising and an increase in newsprint expense, offset in part by higher online advertising revenues and cost control initiatives employed throughout the division.

Print advertising at The Washington Post newspaper decreased 13 percent to \$142.0 million, from \$163.9 million in 2000 and declined 10 percent to \$294.6 million for the first six months of 2001. The decline in print advertising revenues for the second quarter and first six months of 2001 was primarily caused by a 40 percent and 32 percent, respectively, decline in classified recruitment advertising, where volume declines arising from the cyclical economic downturn were only partially offset by higher rates. The economic environment surrounding most of the other advertising categories at the Post (i.e., retail, general, preprints) was also sluggish for the second quarter and first six months of 2001, compared to the prior year. In these categories, rate increases only partially offset 5 to 15 percent volume declines, except for preprints which were essentially unchanged.

For the first six months of 2001, Post daily and Sunday circulation declined 2 percent and 1 percent, respectively, compared to the same period of the prior year. For the six months ended July 1, 2001, average daily circulation at the Post totaled 760,420 and average Sunday circulation totaled 1,068,196.

Revenue generated by the company's online publishing activities, primarily washingtonpost.com, increased 20 percent to \$8.2 million for the second quarter of 2001, compared to the same period in the prior year; online revenues increased 26 percent to \$15.4 million for the first six months of 2001.

Television Broadcasting

Revenue for the television broadcasting division declined 6 percent for both the second quarter and first six months of 2001 to \$83.7 million and \$157.9 million, respectively, compared to the same periods of 2000. Operating income for the second quarter and for the first six months of 2001 declined 12 percent to \$37.8 million and \$66.4 million, respectively.

A general softness in advertising (particularly national advertising) was prevalent at each of the division's stations, except for the two stations in Texas where revenue and operating income increased for the 2001 second quarter and six month periods.

Magazine Publishing

Revenue for the magazine publishing division totaled \$92.2 million for the second quarter of 2001, a 20 percent decrease from \$115.6 million for the second quarter of 2000; division revenue decreased 12 percent to \$176.1 million for the first six months of 2001. Operating income totaled \$8.5 million for the second quarter of 2001, a 59 percent decline from the same period of the prior year; operating income totaled \$6.0 million for the first half of 2001, a decrease of 74 percent. The decline in operating income for the second quarter of 2001 is primarily attributable to a 26 percent decrease in advertising revenue at Newsweek (due to fewer domestic and international edition advertising pages) and the timing of a technology trade show conducted in the second quarter of 2000, which was held in the first quarter of this year.

Softness in domestic and international advertising pages at Newsweek, offset in part by higher pension credit and reduced operating expenses, accounted for most of the 74 percent decline in the operating results for the first six months of 2001.

Cable Television

Cable division revenue of \$96.5 million for the second quarter of 2001 represents an 8 percent increase over 2000 second quarter revenue; for the first six months of 2001, revenue increased 5 percent to \$185.6 million. Cable division cash flow (operating income excluding depreciation and amortization expense) totaled \$32.4 million for the second quarter of 2001, a decrease of 8 percent from \$35.3 million for the second quarter of 2000; cash flow decreased 7 percent to \$64.2 million for the first six months. The decline in cable division cash flow is mostly due to higher programming expense, costs associated with the launch of digital services, and comparatively lower cash flow margin subscribers acquired in the recently completed cable system exchanges.

Cable division operating income declined 67 percent and 57 percent for the second quarter and six-month periods of 2001 versus the same periods of 2000. The decline in operating income is due mostly to increased depreciation and amortization expense, which increased by \$7.9 million and \$12.7 million for the second quarter and first six months of 2001, respectively. Higher programming expense and costs associated with the launch of digital cable services also contributed to the decline in operating income.

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 June 30, 2001, the cable division had approximately 133,000 digital cable subscribers, representing a 20 percent penetration of the subscriber base in the markets where digital services are offered. Digital services are currently offered in markets serving 87 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 will materially benefit from these new services until 2002 and thereafter.

At June 30, 2001, the cable division had 758,000 basic subscribers, compared to 738,000 at the end of June 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

Excluding Quest Education (acquired in August 2000), education division revenue increased 24 percent to \$85.0 million in the second quarter of 2001; the operating loss for the quarter improved 28 percent to \$11.7 million. On the same basis of presentation, the division's six-month revenue for 2001 grew 20 percent to \$168.6 million and operating losses were reduced 2 percent to \$25.5 million. A summary of operating results for the second quarter and first six months of 2001 compared to 2000 is as follows (in thousands):

	Second Quarter			YTD		
	2001	2000	% Better (worse)	2001	2000	% Better (worse)
Revenue						

Test prep and professional training	\$ 67,825	\$ 56,272	+21	\$135,973	\$117,243	+16
Quest post-secondary education	34,453	-	n/a	72,303	-	n/a
New business development activities	17,159	12,531	+37	32,669	23,590	+38
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	\$119,437	\$ 68,803	+74	\$240,945	\$140,833	+71
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Operating income (loss)

Test prep
and
professional

training	\$ 8,523	\$ 4,362	+95	\$ 18,580	\$ 9,413	+97
Quest post-secondary education	2,143	-	n/a	7,572	-	n/a
New business development activities	(4,472)	(15,118)	+70	(15,450)	(24,447)	+37
Kaplan corporate overhead	(6,337)	(2,351)	(170)	(8,910)	(4,499)	(98)
Other(a)	(11,364)	(3,248)	(250)	(23,546)	(6,449)	(265)
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	\$ (11,507)	\$ (16,355)	+30	\$ (21,754)	\$ (25,982)	+16
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*Other includes charges accrued for stock-based incentive compensation and amortization of goodwill and other intangibles.

The improvement in test preparation and professional training results for the second quarter and first six months is due mostly to higher enrollments, and to a lesser extent higher rates, at Kaplan's traditional test preparation business (particularly the GMAT, LSAT and USMLE prep courses), and higher revenues and profits from Kaplan's CFA and real estate 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 145 centers at the end of the second quarter of 2001 versus 106 at the end of the same period in the prior year.

Corporate overhead represents unallocated expenses of Kaplan, Inc.'s corporate office, including expenses associated with the design and development of educational software that, if successfully completed, will benefit all of Kaplan's business units. The increase in this expense category in 2001 is principally due to increased spending for these internal software development initiatives.

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 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 increase in other expense for the second quarter and first six months of 2001 compared to the same periods 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 second quarter of 2001 was \$6.6 million, compared to \$9.5 million for the second quarter of 2000. For the first six months of 2001, the company's equity in losses of affiliates totaled \$19.1 million, compared to losses of \$20.8 million for the same period 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 improvement in 2001 affiliate results is primarily attributable to higher earnings of Bowater, offset in part by increased losses at BrassRing.

BrassRing accounted for approximately \$8.3 million and \$22.4 million of the 2001 second quarter and first six-month equity in losses affiliates, compared to \$9.3 million and \$18.3 million in equity losses for the same periods of 2000. Similar to the classified recruitment advertising component of the Newspaper division, BrassRing's career services businesses are experiencing a cyclical downturn in 2001 compared to 2000.

Other Non-Operating (Expense) Income

The company recorded other non-operating expense, net, of \$10.7 million for the second quarter of 2001, compared to \$1.6 million of non-operating income, net, in the second quarter of 2000. The 2001 non-operating expense includes charges for the write-down of certain cost method investments and a parcel of non-operating land to their estimated fair value.

For the first six months the company recorded non-operating income, net, of \$298.1 million for the first six months of 2001, compared to non-operating expense of \$5.4 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 and the non-operating land as previously discussed.

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

Net Interest Expense

The company incurred net interest expense of \$12.2 million for the second quarter of 2001, compared to \$12.3 million for the same period of 2000. At July 1, 2001, the company had \$1,029.3 million in borrowings outstanding at an average interest rate of 4.5 percent.

Provision for Income Taxes

The effective tax rate for the second quarter of 2001 was 46.4 percent, compared to 43.6 percent for the same period of 2000 and 39.4 percent versus 43.0 percent for the 2001 and 2000 six month periods, respectively. Excluding the effect of the cable gain transactions, the company's effective tax rate approximated 46.8 percent and 45.8 percent for the second quarter and first six months of 2001, respectively, 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 second quarter and first six months of 2001 was based on 9,500,000 weighted average shares outstanding, compared to 9,458,000 for the second quarter and first six months of 2000. The company made no significant repurchases of its stock during the first six months 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)

	Second Quarter			Year-to-Date		
	2001	2000	%	2001	2000	%
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Operating revenues	\$604,535	\$591,540	+2	\$1,191,511	\$1,138,311	+5
Operating expenses	(492,149)	(454,956)	+8	(984,056)	(886,423)	+11
Operating income before depreciation and amortization	112,386	136,584	-18	207,455	251,888	-18
Depreciation	(35,867)	(28,638)	+25	(70,499)	(57,024)	+24
Amortization	(19,926)	(14,755)	+35	(37,118)	(29,493)	+26
Operating income	56,593	93,191	-39	99,838	165,371	-40
Equity in losses of affiliates, net	(6,641)	(9,471)		(19,102)	(20,775)	
Interest income	1,047	275		1,371	498	
Interest expense	(13,240)	(12,573)		(27,864)	(25,140)	
Other income (expense), net	(10,717)	1,556		298,053	(5,408)	
Income before income taxes	27,042	72,978	-61	352,296	114,546	+208
Provision for income taxes	(12,550)	(31,800)	-60	(138,750)	(49,300)	+181
Net income	14,492	41,178	-65	213,546	65,246	+227
Redeemable preferred						

stock dividends	(263)	(263)		(789)	(763)	
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Net income available for common stock	\$14,229	\$40,915	-65	\$212,757	\$64,483	+230
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Basic earnings per share	\$ 1.50	\$ 4.33	-66	\$ 22.44	\$ 6.83	+228
	=====	=====		=====	=====	
Diluted earnings per share	\$ 1.50	\$ 4.33	-66	\$ 22.39	\$ 6.82	+228
	=====	=====		=====	=====	
Basic average shares outstanding	9,485,000	9,443,000		9,482,000	9,441,000	
Diluted average shares outstanding	9,502,000	9,458,000		9,500,000	9,458,000	

THE WASHINGTON POST COMPANY
BUSINESS SEGMENT INFORMATION

(Unaudited)
(In thousands)

	Second Quarter			Year-to-Date		
	2001	2000	% Change	2001	2000	% Change
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Operating Revenues:						
Newspaper publishing	\$212,824	\$228,158	-7	\$ 431,018	\$ 452,814	-5
Broadcasting Magazine publishing	83,653	89,419	-6	157,854	168,160	-6
Cable television	92,169	115,624	-20	176,065	200,314	-12
Education	96,452	89,536	+8	185,629	176,190	+5
	119,437	68,803	+74	240,945	140,833	+71
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	\$604,535	\$591,540	+2	\$1,191,511	\$1,138,311	+5
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Operating Income:						
Newspaper publishing	\$ 23,130	\$ 37,211	-38	\$ 49,406	\$ 73,462	-33
Broadcasting Magazine publishing	37,811	42,769	-12	66,359	75,145	-12
Cable television	8,540	20,751	-59	6,020	23,435	-74
Education	5,325	16,084	-67	13,081	30,729	-57
Corporate office	(11,507)	(16,355)	-30	(21,754)	(25,982)	-16
	(6,706)	(7,269)	-8	(13,274)	(11,418)	+16
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	\$ 56,593	\$ 93,191	-39	\$ 99,838	\$ 165,371	-40
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Depreciation:

Newspaper						
publishing	\$ 10,026	\$ 9,452	+6	\$ 19,527	\$ 19,056	+2
Broadcasting	2,931	3,230	-9	5,858	6,341	-8
Magazine						
publishing	1,217	1,288	-6	2,437	2,577	-5
Cable						
television	16,886	11,822	+43	33,145	23,580	+41
Education	4,807	2,846	+69	9,532	5,470	+74
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	\$ 35,867	\$ 28,638	+25	\$ 70,499	\$ 57,024	+24
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Amortization:

Newspaper						
publishing	\$ 686	\$ 388	+77	\$ 1,195	\$ 781	+53
Broadcasting	3,534	3,534	--	7,067	7,067	--
Magazine						
publishing	1,667	1,697	-2	3,334	3,394	-2
Cable						
television	10,238	7,388	+39	17,939	14,802	+21
Education	3,801	1,748	-117	7,583	3,449	+120
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	\$ 19,926	\$ 14,755	+35	\$ 37,118	\$ 29,493	+26
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