



## The Washington Post Company Reports Third Quarter Earnings

October 19, 2001 at 12:00 AM EDT

WASHINGTON – The Washington Post Company (NYSE: WPO) today reported net income of \$1.6 million (\$0.14 per share) for its third quarter ended September 30, 2001, down from net income of \$33.5 million (\$3.51 per share) in the third quarter of last year.

Revenue for the third quarter of 2001 was \$595.5 million, down 1 percent from \$602.5 million in 2000. The revenue decline is mostly due to a decrease in advertising revenue of \$61.6 million, or 19 percent, at the company's advertising-based businesses, where an already-soft advertising environment worsened for several weeks following the events of September 11. This revenue decrease was offset by a significant spike in Newsweek's newsstand sales in September, higher revenues at the cable division, an increase in revenue at Kaplan's test preparation and Score! businesses, and increased revenue generated by Kaplan's Quest Education unit (acquired in August 2000).

Operating income for the quarter decreased 44 percent to \$47.0 million, from \$84.6 million in 2000. The decrease in operating income is due primarily to the decline in advertising revenue and increased depreciation and amortization expense. These factors were offset in part by higher operating profits at Newsweek, increased operating income from Quest Education and from Kaplan's test preparation and professional training businesses, reduced operating losses in Kaplan's new business development activities, and an increased pension credit.

In addition to the factors accounting for the decline in the company's third quarter operating income, the company's pre-tax income for the third quarter of 2001 also includes write-downs of approximately \$26 million to adjust several of the company's investments to their estimated fair value. Excluding these non-operating investment write-downs, net income for the third quarter of 2001 totaled \$15.1 million, or \$1.56 per share.

For the first nine months of 2001, net income totaled \$215.1 million (\$22.53 per share), compared with net income of \$98.8 million (\$10.33 per share) for the same period of 2000. Excluding certain one-time non-operating transactions from the first nine months of 2001, principally net gains from the sale and exchange of certain cable systems and write-downs of investments, net income for the first nine months totaled \$43.9 million, or \$4.51 per share. Revenue for the first nine months of 2001 was \$1,787.0 million, up 3 percent over revenue of \$1,740.8 million for the same period in 2000. Operating income declined 41 percent to \$146.8 million, from \$249.9 million in 2000. The decrease in the company's nine month earnings is primarily attributable to the decline in advertising revenues, increased depreciation and amortization expenses, and higher stock-based compensation expense accruals at the education division. These factors were offset in part by increased operating income contributed by Quest Education, higher profits from Kaplan's test preparation and professional training businesses, reduced operating losses at Kaplan's new business development activities, and an increased pension credit.

The company's operating income for the third quarter and first nine months of 2001 includes \$19.7 million and \$60.3 million of pension credits, respectively, compared to \$15.0 million and \$45.0 million for the same periods of 2000.

### Divisional Results

#### *Newspaper Publishing*

Newspaper publishing division revenue totaled \$199.9 million for the third quarter of 2001, a decrease of 12 percent from revenue of \$227.6 million in the third quarter of 2000; division revenue decreased 7 percent to \$631.0 million for the first nine months of 2001. Division operating income for the third quarter declined 67 percent to \$11.6 million, from \$35.0 million in the third quarter of 2000; operating income decreased 44 percent to \$61.0 million for the first nine months of 2001. The decrease in operating income for the third quarter and first nine months is due to the decline in print advertising, offset in part by higher online advertising revenues and cost control initiatives employed throughout the division.

Print advertising revenue at The Washington Post newspaper decreased 20 percent to \$132.9 million, from \$165.1 million in the third quarter of 2000, and declined 13 percent to \$427.5 million for the first nine months of 2001. Volume declines of 48 percent and 40 percent in classified recruitment advertising for the third quarter and first nine months of 2001 caused classified recruitment advertising revenue declines of 45 percent and 36 percent, respectively. The economic environment surrounding most of the other advertising categories at The Post (i.e., retail, general, preprints) was also sluggish for the third quarter and the first nine months of 2001, compared to the prior year. In these categories, rate increases only partially offset volume declines ranging from 7 to 33 percent in the third quarter of 2001. The soft advertising climate worsened for several weeks late in the third quarter of 2001 as the company experienced further reductions in advertising revenue and volumes following the events of September 11.

For the first nine months of 2001, Post daily and Sunday circulation both declined 1 percent compared to the same period of the prior year. For the nine months ended September 30, 2001, average daily circulation at The Post totaled 758,000 and average Sunday circulation totaled 1,066,000.

Revenues generated by the company's online publishing activities, primarily washingtonpost.com, increased 7 percent to \$7.7 million for the third quarter of 2001, compared to the same period in the prior year; online revenues increased 19 percent to \$23.1 million for the first nine months of 2001.

#### *Television Broadcasting*

Revenue for the television broadcasting division declined 23 percent for the third quarter of 2001 to \$68.2 million; revenue decreased 12 percent to \$226.0 million for the first nine months of 2001. Excluding approximately \$16 million in political and Olympics advertising in 2000, the decline in third quarter 2001 revenues was 6 percent, due largely to several days of commercial-free coverage following the events of September 11. A general softness in advertising (particularly national advertising) also adversely impacted comparisons for both the third quarter and first nine months of 2001.

Operating income for the third quarter of 2001 totaled \$22.3 million, a 47 percent decrease from the third quarter of 2000; operating income for the first nine months of 2001 declined 24 percent to \$88.7 million.

#### Magazine Publishing

Revenue for the magazine publishing division totaled \$101.5 million for the third quarter of 2001, a 6 percent increase from \$95.9 million in 2000; division revenue decreased 6 percent to \$277.6 million for the first nine months of 2001. Operating income totaled \$9.4 million for the third quarter of 2001, a 106 percent increase from the same period in the prior year; operating income totaled \$15.5 million for the first nine months of 2001, a decrease of 45 percent. The increase in operating income for the third quarter of 2001 is primarily attributable to a significant increase in newsstand circulation revenues on regular and special editions related to the September 11 terrorist attacks offset by a 21 percent decrease in advertising revenue at Newsweek due to fewer advertising pages at both the domestic and international editions.

Softness in domestic and international advertising pages at Newsweek, offset in part by increased newsstand sales, a higher pension credit and reduced operating expenses, accounted for most of the 45 percent decline in the operating results for the first nine months of 2001.

#### Cable Television

Cable division revenue of \$98.7 million for the third quarter of 2001 represents a 9 percent increase over 2000 third quarter revenue; for the first nine months of 2001, revenue increased 7 percent to \$284.3 million. Cable division cash flow (operating income excluding depreciation and amortization expense) totaled \$35.2 million for the third quarter of 2001 compared with \$35.3 million for the third quarter of 2000; cash flow decreased 5 percent to \$99.3 for the first nine months of 2001. 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 cable system exchanges completed in the first quarter of 2001.

Cable division operating income declined 50 percent and 55 percent for the third quarter and nine month periods of 2001, respectively, versus the same periods of 2000. The decline in operating income is due mostly to higher depreciation and amortization expense, which increased by \$7.8 million and \$20.5 million for the third quarter and first nine months of 2001, respectively.

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 September 30, 2001, the cable division had approximately 172,000 digital cable subscribers, representing a 23 percent penetration of the subscriber base in the markets where digital services are offered. Digital services are currently offered in markets serving 90 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 expects the benefits from these new services to show beginning in 2002 and thereafter.

At September 30, 2001, the cable division had 753,000 basic subscribers, compared to 735,700 at the end of September 2000. The increase in basic subscribers is largely due to a net gain in subscribers arising from cable system exchange and sale transactions completed in the first quarter of 2001.

#### Education

Excluding Quest Education (acquired in August 2000), education division revenue increased 16 percent to \$90.3 million in the third quarter of 2001; the operating loss for the quarter improved from \$7.7 million to \$1.1 million. On the same basis of presentation, the division's nine month revenue for 2001 grew 18 percent to \$258.9 million and operating losses were reduced from \$33.6 million to \$26.6 million. A summary of operating results for the third quarter and first nine months of 2001 compared to 2000 is as follows (in thousands):

	Third Quarter			YTD		
	2001	2000	% Better (worse)	2001	2000	% Better (worse)
Revenue						
Test prep and professional training	\$ 71,489	\$ 63,879	+12	\$ 207,462	\$ 181,122	+15
Quest post-secondary education(1)	36,894	21,634	+71	109,197	21,634	+405
New business development activities	18,776	13,915	+35	51,444	37,505	+37
	\$ 127,159	\$ 99,428	+28	\$ 368,103	\$ 240,261	+53
	=====	=====	=====	=====	=====	=====

Operating  
income (loss)  
Test prep and  
professional

training	\$ 12,523	\$ 10,778	+16	\$ 31,104	\$ 20,191	+54
Quest post-secondary education(1)	3,669	2,216	+66	11,241	2,216	+407
New business development activities	(2,752)	(12,826)	+79	(18,202)	(37,273)	+51
Kaplan corporate overhead	(5,897)	(2,421)	(144)	(14,807)	(6,920)	(114)
Other(2)	(6,783)	(4,415)	(54)	(30,330)	(10,864)	(179)
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	\$ 760	\$ (6,668)	+111	\$ (20,994)	\$ (32,650)	+36
	=====	=====	====	=====	=====	=====

(1) Quest was acquired in August 2000, therefore, 2000 results only include 2 months of activity for the third quarter and year-to-date.

(2) 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 third quarter and first nine months of 2001 is due mostly to higher enrollments, and to a lesser extent higher rates, at Kaplan's traditional test preparation business (particularly the GMAT and the LSAT prep courses), and higher revenues and profits from Kaplan's CFA and real estate exam preparation services.

New business development activities represent the results of Score! and Kaplan College (various distance learning businesses). The improvement in new development revenue is primarily attributable to Score!, with both increased enrollment from new learning centers opened (operated 147 centers at the end of the third quarter of 2001 versus 115 centers at the end of the same period in the prior year) and rate increases implemented early in 2001.

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 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 increase in other expense for the third quarter and first nine 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 third quarter of 2001 was \$5.5 million, compared to losses of \$8.9 million for the third quarter of 2000. For the first nine months of 2001, the company's equity in losses of affiliates totaled \$24.6 million, compared to losses of \$29.7 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.

BrassRing accounted for approximately \$8.1 million and \$30.6 million of the 2001 third quarter and first nine-month equity in losses of affiliates, respectively, compared to \$9.8 million and \$28.1 million in equity losses for the same periods of 2000.

#### Other Non-Operating (Expense) Income

The company recorded other non-operating expense, net, of \$25.4 million for the third quarter of 2001, compared to non-operating income of \$0.2 million for the third quarter of 2000. The 2001 non-operating expense includes investment write-downs of approximately \$26 million to adjust several of the company's investments to their estimated fair values.

For the first nine months of 2001, the company recorded non-operating income, net, of \$272.7 million, compared to non-operating expense of \$5.2 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. Offsetting these gains were losses from the write-down of a non-operating parcel of land and certain investments to their estimated fair value.

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 does not result in a current tax liability.

#### Net Interest Expense

The company incurred net interest expense of \$11.6 million for the third quarter of 2001, compared to \$14.4 million for the same period of 2000; net interest expense totaled \$38.1 million for the first nine months of 2001, versus \$39.0 million in 2000. At September 30, 2001, the company had \$971.1 million in borrowings outstanding at an average interest rate of 4.2 percent.

#### Provision for Income Taxes

The effective rate was 64.5 percent for the third quarter of 2001 compared to 45.5 percent for the same period of 2000 and 39.7 percent versus 43.9 percent for the 2001 and 2000 nine month periods, respectively. Excluding the effect of the cable gain transactions, the company's effective tax rate approximated 64.5 percent and 47.8 percent for the third quarter and first nine months of 2001, respectively, with the increase in the rate due mostly to the decline in pretax income. The company anticipates that the overall effective tax rate for 2001 will be approximately 41 percent.

#### Earnings Per Share

The calculation of diluted earnings per share for the third quarter and first nine months of 2001 was based on 9,502,000 and 9,500,000 weighted average shares outstanding, respectively, compared to 9,463,000 and 9,459,000 for the third quarter and first nine months of 2000. The company made no significant repurchases of its stock during the first nine 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 the company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

THE WASHINGTON POST COMPANY  
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except share and per share amounts)

	Third Quarter			Year-to-Date		
	2001	2000	%	2001	2000	%
			Change			Change
Operating revenues	\$ 595,516	\$ 602,452	-1	\$ 1,787,027	\$ 1,740,764	3
Operating expenses	(493,730)	(471,939)	5	(1,477,787)	(1,358,363)	9
Operating income before depreciation and amortization	101,786	130,513	-22	309,240	382,401	-19
Depreciation	(34,765)	(30,019)	16	(105,264)	(87,043)	21
Amortization	(20,068)	(15,937)	26	(57,185)	(45,430)	26
Operating income	46,953	84,557	-44	146,791	249,928	-41
Equity in losses of affiliates, net	(5,535)	(8,890)		(24,636)	(29,666)	
Interest income	226	228		1,597	726	
Interest expense	(11,861)	(14,617)		(39,726)	(39,757)	
Other (expense) income, net	(25,365)	238		272,688	(5,169)	

Income before income taxes	4,418	61,516	-93	356,714	176,062	103
Provision for income taxes	(2,850)	(28,000)		(141,600)	(77,300)	
Net income	1,568	33,516	-95	215,114	98,762	118
Redeemable preferred stock dividends	(263)	(263)		(1,052)	(1,026)	
Net income available for common stock	\$ 1,305	\$ 33,253	-96	\$ 214,062	\$ 97,736	119
Basic earnings per share	\$ 0.14	\$ 3.52	-96	\$ 22.57	\$ 10.35	118
Diluted earnings per share	\$ 0.14	\$ 3.51	-96	\$ 22.53	\$ 10.33	118
Basic average shares outstanding	9,489,000	9,448,000		9,484,000	9,443,000	
Diluted average shares outstanding	9,502,000	9,463,000		9,500,000	9,459,000	

THE WASHINGTON POST COMPANY  
BUSINESS SEGMENT INFORMATION

(Unaudited)  
(In thousands)

	Third Quarter			Year-to-Date		
	2001	2000	% Change	2001	2000	% Change
Operating Revenues:						
Newspaper publishing	\$199,946	\$227,634	-12	\$630,965	\$680,448	-7
Television broadcasting	68,191	88,857	-23	226,046	257,017	-12
Magazine publishing	101,546	95,911	6	277,610	296,225	-6

Cable						
television	98,674	90,622	9	284,303	266,813	7
Education	127,159	99,428	28	368,103	240,261	53
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	\$595,516	\$602,452	-1	\$1,787,027	\$1,740,764	3
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Operating  
Expenses:

Newspaper						
publishing	\$188,372	\$192,640	-2	\$569,984	\$571,992	-
Television						
broadcasting	45,862	46,951	-2	137,358	139,967	-2
Magazine						
publishing	92,116	91,334	1	262,160	268,213	-2
Cable						
television	90,637	74,699	21	263,185	220,161	20
Education	126,399	106,096	19	389,097	272,911	43
Corporate						
office	5,177	6,175	-16	18,452	17,592	5
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	\$548,563	\$517,895	6	\$1,640,236	\$1,490,836	10
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Operating  
Income:

Newspaper						
publishing	\$11,574	\$34,994	-67	\$60,981	\$108,456	-44
Television						
broadcasting	22,329	41,906	-47	88,688	117,050	-24
Magazine						
publishing	9,430	4,577	106	15,450	28,012	-45
Cable						
television	8,037	15,923	-50	21,118	46,652	-55
Education	760	(6,668)	(a)	(20,994)	(32,650)	36
Corporate						
office	(5,177)	(6,175)	16	(18,452)	(17,592)	-5
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	\$46,953	\$84,557	-44	\$146,791	\$249,928	-41
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Depreciation:

Newspaper						
publishing	\$8,911	\$9,683	-8	\$28,438	\$28,739	-1
Television						
broadcasting	2,933	3,335	-12	8,791	9,676	-9
Magazine						
publishing	1,160	1,270	-9	3,597	3,847	-6
Cable						
television	16,886	11,945	41	50,031	35,525	41
Education	4,875	3,786	29	14,407	9,256	56
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	\$34,765	\$30,019	16	\$105,264	\$87,043	21
	=====	=====		=====	=====	

Amortization:

Newspaper						
publishing	\$691	\$389	78	\$1,885	\$1,170	61
Television						
broadcasting	3,534	3,534	-	10,601	10,601	-
Magazine						

publishing	1,667	1,697	-2	5,002	5,091	-2
Cable						
television	10,229	7,401	38	28,167	22,204	27
Education	3,947	2,916	35	11,530	6,364	81
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	\$20,068	\$15,937	26	\$57,185	\$45,430	26
	=====	=====		=====	=====	

(a) percentage not meaningful.

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