

## The Washington Post Company Reports 2001 and Fourth Quarter Earnings

January 25, 2002



WASHINGTON — The Washington Post Company (NYSE: WPO) today reported net income of \$229.6 million for its fiscal year ended December 30, 2001, compared with \$136.5 million for the fiscal year ended December 31, 2000. Diluted earnings per share totaled \$24.06 in 2001, compared to \$14.32 in 2000. Revenue for 2001 was \$2,416.7 million, or flat compared to revenue of \$2,412.2 million in 2000. Operating income decreased 35 percent to \$219.9 million, from \$339.9 million in 2000.

The company's 2001 results include after-tax gains of \$196.5 million, or \$20.69 per share, from the sale and exchange of certain cable systems in the first quarter, a non-cash goodwill and other intangibles impairment charge recorded by one of the company's affiliates (after-tax impact of \$19.9 million, or \$2.10 per share), and losses from the write-down of a non-operating parcel of land and certain cost method investments to their estimated fair value (after-tax impact of \$18.3 million or \$1.93 per share). Excluding these one-time, non-operating and principally non-cash transactions in 2001, net income totaled \$71.3 million, or \$7.40 per share.

The decline in 2001 operating earnings is largely due to a significant 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 (acquired in August 2000), 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. In addition, 2000 earnings included a one-time fourth quarter after-tax charge of \$16.5 million, or \$1.74 per share, arising from an early retirement program at The Washington Post.

Net income for the fourth quarter of 2001 was \$14.5 million (\$1.53 per share), down from net income of \$37.7 million (\$3.98 per share) for the same period in 2000. Results for the fourth quarter of 2001 include cost method investment write-downs to their estimated fair value (after-tax impact of \$4.3 million, or \$0.46 per share) and a portion of the affiliate's non-cash goodwill and other intangibles impairment charge (after-tax impact of \$9.0 million, or \$0.94 per share). Excluding these one-time, non-operating, non-cash charges, net income for the fourth quarter of 2001 totaled \$27.8 million, or \$2.93 per share.

Revenue for the fourth quarter of 2001 was \$629.6 million, down 6 percent from revenue of \$671.4 million for the same period of 2000. Operating income declined 19 percent to \$73.1 million, from \$90.0 million in 2000. Consistent with the company's 2001 annual results, the decrease in the company's fourth quarter operating earnings is primarily attributable to advertising revenue declines, increased depreciation and amortization expenses, and higher stock-based compensation expense accruals at the education division, offset in part by higher operating profits at Quest Education, reduced operating losses at Kaplan's new business development activities, and an increased pension credit. In addition, fourth quarter 2000 earnings included an after-tax \$16.5 million charge for the early retirement program at The Post.

The company's 2001 and 2000 operating income includes \$76.9 million and \$62.7 million of pension credits, respectively; \$17.9 million and \$16.6 million for the fourth quarter of 2001 and 2000, respectively. At December 30, 2001, the company modified certain assumptions surrounding the company's pension plans. Specifically, the company reduced its assumptions on discount rate from 7.5 percent to 7.0 percent and expected return on plan assets from 9.0 percent to 7.5 percent. The company expects the pension credit for 2002 to be reduced by approximately \$20 million to \$25 million.

### Divisional Results

#### *Newspaper Publishing*

Newspaper publishing division revenues in 2001 decreased 8 percent to \$842.7 million, from \$918.2 million in 2000; revenues decreased 11 percent to \$211.8 million for the fourth quarter of 2001. Division operating income for 2001 totaled \$84.7 million, a decrease of 26 percent from operating income of \$114.4 million in 2000; operating income increased to \$23.8 million in the fourth quarter of 2001, from \$6.0 million in the fourth quarter of 2000. The division's fourth quarter 2000 results include a \$27.5 million, pre-tax charge in connection with the early retirement program completed at The Washington Post. Excluding this charge, operating income declined 29 percent in the fourth quarter of 2001.

The decrease in operating income for 2001 is due to a significant decline in print advertising, offset in part by a higher pension credit, higher online advertising revenues, lower newsprint cost, cost control initiatives employed throughout the division, and the \$27.5 million charge recorded in the fourth quarter of 2000 in connection with the early retirement program completed at The Post.

Print advertising revenue at The Washington Post newspaper decreased 14 percent to \$574.3 million, from \$664.1 million in 2000, and declined 14 percent to \$146.8 million for the fourth quarter of 2001. Volume declines of 41 percent and 47 percent in classified recruitment advertising for 2001 and the fourth quarter of 2001 caused classified recruitment advertising revenue declines of 37 percent and 42 percent, respectively. The economic environment surrounding most of the other advertising categories at The Post (i.e., retail, general, preprints) was also sluggish for both the fourth quarter and fiscal 2001 compared to the prior year. In these categories, rate increases only partially offset volume declines ranging from 6 percent to 35 percent during the fourth quarter. The soft advertising climate worsened late in the third quarter of 2001 as the company experienced further reductions in advertising revenue and volumes following the events of September 11.

Daily and Sunday circulation at The Post both declined 1 percent in 2001. For the year ended December 30, 2001, average daily circulation at The

Post totaled 773,000 and average Sunday circulation totaled 1,067,000. Newsprint expense at the newspaper publishing division decreased 6 percent for 2001 due to reduced consumption offset by overall higher prices during the year.

Revenues generated by the company's online publishing activities, primarily washingtonpost.com, increased 12 percent to \$30.4 million during the year. Online revenues decreased 4 percent to \$7.3 million for the fourth quarter largely as a result of a decline in revenues in October; revenues were up in November and December.

#### Television Broadcasting

Revenue for the television broadcasting division totaled \$314.0 million for 2001, a 14 percent decline from 2000; revenue decreased 18 percent in the fourth quarter of 2001 to \$88.0 million. Excluding approximately \$42 million in political and Olympics advertising in 2000, revenues in 2001 decreased 3 percent due to a general softness in advertising (particularly national advertising) and several days of commercial-free coverage following the events of September 11. Operating income for 2001 declined 26 percent to \$131.8 million; fourth quarter operating income totaled \$43.2 million, a 28 percent decrease over the same period of 2000.

#### Magazine Publishing

Revenue for the magazine publishing division totaled \$380.2 million for 2001, a 9 percent decrease from 2000; revenue decreased 15 percent to \$102.6 million for the fourth quarter of 2001. Operating income totaled \$25.3 million for 2001, a decrease of 48 percent from 2000; division operating income was down 53 percent to \$9.9 million in the fourth quarter of 2001. The decline in 2001 operating income resulted from a 24 percent decrease in advertising revenue at Newsweek due to fewer advertising pages at both the domestic and international editions. The decline was offset in part by increased newsstand sales on regular and special editions related to the September 11 terrorist attacks, a higher pension credit, and reduced operating expenses.

#### Cable Television

Cable division revenue of \$386.0 million for 2001 represents an 8 percent increase over 2000; revenue totaled \$101.7 million for the fourth quarter of 2001, a 10 percent increase over the same period of 2000. The 2001 revenue increase is due to rapid growth in the division's digital and cable modem service revenues, along with an increased number of basic subscribers from the cable exchange transactions completed in the first quarter of 2001. Cable division operating income declined 51 percent in 2001 to \$32.2 million due mostly to a \$25.3 increase in depreciation and amortization expense compared to 2000. For the fourth quarter of 2001, operating income was down 42 percent to \$11.1 million due mostly to a \$4.9 million increase in depreciation and amortization expense compared to the fourth quarter of 2000.

Cable division cash flow (operating income excluding depreciation and amortization expense) totaled \$135.3 million for 2001, a decrease of 6 percent from 2000. Cable cash flow for the fourth quarter of 2001 totaled \$36.0 million, a 9 percent decrease from the fourth quarter of 2000. 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.

The increase in depreciation expense is due to capital spending, which is enabling the company 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 December 31, 2001, the cable division had approximately 216,000 digital cable subscribers, representing a 32 percent penetration of the subscriber base in the markets where digital services are offered. Digital services are currently offered in markets serving 91 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. At the end of December 2001, the cable division had about 9,000 "paying" digital subscribers. Most of the benefits from these new services are expected to show beginning in 2002 and thereafter.

At December 31, 2001, the cable division had 752,700 basic subscribers, compared to 735,400 at the end of December 2000. The increase in basic subscribers is largely due to a net gain in subscribers arising from cable system exchanges and sale transactions completed in the first quarter of 2001. At December 31, 2001, the cable division had 32,900 cable modem service subscribers, compared to 3,600 at the end of 2000, with the increase due to a large increase in the company's cable modem deployment (offered to 89 percent of homes passed at the end of December 2001) and take-up rates.

#### Education

Education revenue in 2001 increased 40 percent to \$493.7 million, from \$353.8 million in 2000; excluding Quest Education (acquired in August 2000), education division revenue increased 15 percent to \$342.3 million for 2001, compared to \$296.9 million for 2000. The operating loss for the year improved from \$41.8 million to \$28.3 million. For the fourth quarter of 2001, education division revenue increased 11 percent to \$125.6; the operating loss for the quarter improved from \$9.2 million to \$7.3 million. A summary of operating results for 2001 and the fourth quarter of 2001 compared to 2000 is as follows (in thousands):

	Fourth Quarter			YTD		
	2001	2000	% Better (worse)	2001	2000	% Better (worse)
Revenue						
Test prep and professional training	\$ 64,469	\$ 63,684	+1	\$271,931	\$244,189	+11
Quest post- secondary education(a)	42,203	35,275	+20	151,400	56,908	+166
New business development						

activities	18,906	14,601	+29	70,350	52,724	+33
	-----	-----	---	-----	-----	----
	\$125,578	\$113,560	+11	\$493,681	\$353,821	+40
	=====	=====	===	=====	=====	=====
Operating						
income (loss)						
Test prep						
and professional						
training	\$ 5,399	\$ 10,121	-47	\$ 36,391	\$ 30,315	+20
Quest post-						
secondary						
education(a)	8,521	6,143	+39	19,858	8,359	+138
New business						
development						
activities	(7,575)	(18,038)	+58	(24,136)	(55,313)	+56
Kaplan						
corporate						
overhead	(3,027)	(2,203)	(37)	(19,436)	(9,123)	(113)
Other(b)	(10,661)	(5,219)	(104)	(41,014)	(16,084)	(155)
	-----	-----	---	-----	-----	----
	\$ (7,343)	\$ (9,196)	+20	\$(28,337)	\$(41,846)	+32
	=====	=====	===	=====	=====	=====

(a) Quest was acquired in August 2000; therefore, 2000 year-to-date results include only 5 months of activity.

(b) 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 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 business development revenue is primarily attributable to Score!, with both increased enrollment from new learning centers opened (147 centers at the end of 2001 versus 142 centers at the end of 2000) 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 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 2001 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 2001 was \$68.7 million, compared to losses of \$36.5 million for 2000. The company's affiliate investments consist of a 40 percent interest in BrassRing, LLC, a 50 percent interest in the International Herald Tribune, and a 49 percent interest in Bowater Mersey Paper Company Limited. For the fourth quarter of 2001, the company's equity in losses of affiliates totaled \$23.0 million, compared to \$6.8 million for the same period of 2000. BrassRing accounted for substantially all of the company's 2001 and fourth quarter equity in losses of affiliates. The increase in 2001 equity in affiliate losses from BrassRing is largely due to a one-time non-cash goodwill and other intangibles impairment charge which BrassRing recorded in the fourth quarter of 2001 primarily to reduce the carrying value of its career fair business.

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

The company recorded other non-operating income of \$283.7 million in 2001, compared to \$19.8 million in non-operating expense for 2000. For the fourth quarter of 2001, the company recorded non-operating expense of \$9.9 million, compared to \$14.6 million for the fourth quarter of 2000. 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-downs of a non-operating parcel of land and certain investments to their estimated fair value.

For income tax purposes, substantial components 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 \$47.5 million in 2001, compared to \$53.8 million in 2000; net interest expense totaled \$9.3 million for the fourth quarter of 2001, compared to \$14.7 million for the same period of 2000. At December 30, 2001, the company had \$933.1 million in borrowings outstanding at an average interest rate of 3.5 percent.

#### Provision for Income Taxes

The effective rate was 40.7 percent for 2001, compared to 40.6 percent for 2000. Excluding the effect of the cable gain transactions, the company's effective tax rate approximated 50.2 percent for 2001, with the increase in rate due mostly to the decline in pretax income.

#### Earnings Per Share

The calculation of diluted earnings per share for 2001 and the fourth quarter of 2001 was based on 9,500,000 and 9,501,000 weighted average shares, respectively, compared to 9,460,000 and 9,470,000 shares, respectively, in 2000. The company made no significant repurchases of its stock during 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  
-----

(In thousands, except share and per share amounts)

	Fourth Quarter (unaudited)			Fiscal Year		
	2001	2000	%Change	2001 (unaudited)	2000	%Change
Operating revenues	629,646	\$671,386	-6	\$2,416,673	\$2,412,150	-
Operating expenses	(501,721)	(533,323)	-6	(1,979,508)	(1,891,686)	5
Operating income before depreciation and amortization	127,925	138,063	-7	437,165	520,464	-16
Depreciation	(33,036)	(30,905)	7	(138,300)	(117,948)	17
Amortization	(21,748)	(17,204)	26	(78,933)	(62,634)	26
Operating income	73,141	89,954	-19	219,932	339,882	-35
Equity in losses of affiliates, net	(23,023)	(6,800)		(68,659)	(36,466)	
Interest income	570	241		2,167	967	
Interest expense	(9,914)	(14,974)		(49,640)	(54,731)	

Other (expense) income, net	(9,949)	(14,613)		283,739	(19,782)	
	-----	-----		-----	-----	
Income before income taxes	30,825	53,808	-43	387,539	229,870	69
Provision for income taxes	(16,300)	(16,100)	1	(157,900)	(93,400)	69
	-----	-----		-----	-----	
Net income	14,525	37,708	-61	229,639	136,470	68
Redeemable preferred stock dividends	-	-		(1,052)	(1,026)	
	-----	-----		-----	-----	
Net income available for common stock	\$14,525	\$37,708	-61	\$228,587	\$135,444	69
	=====	=====		=====	=====	
Basic earnings per share	\$1.53	\$3.99	-62	\$24.10	\$14.34	68
	=====	=====		=====	=====	
Diluted earnings per share	\$1.53	\$3.98	-62	\$24.06	\$14.32	68
	=====	=====		=====	=====	
Basic average shares outstanding	9,492,000	9,452,000		9,486,000	9,445,000	
Diluted average shares outstanding	9,501,000	9,470,000		9,500,000	9,460,000	

THE WASHINGTON POST COMPANY  
QUARTERLY PER SHARE AMOUNTS (UNAUDITED)  
(in thousands, except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	-----	-----	-----	-----
2001				
----				
Net income available for common stockholders	\$198,527	\$ 14,229	\$ 1,305	\$ 14,525
	=====	=====	=====	=====
Basic earnings per share	\$ 20.94	\$ 1.50	\$ 0.14	\$ 1.53
	=====	=====	=====	=====
Diluted earnings per share	\$ 20.90	\$ 1.50	\$ 0.14	\$ 1.53

	=====	=====	=====	=====
Basic average shares outstanding	9,479	9,485	9,489	9,492
Diluted average shares outstanding	9,499	9,502	9,502	9,501
2000				
----				
Net income available for common stockholders	\$ 23,569	\$ 40,915	\$ 33,253	\$ 37,708
	=====	=====	=====	=====
Basic earnings per share	\$ 2.50	\$ 4.33	\$ 3.52	\$ 3.99
	=====	=====	=====	=====
Diluted earnings per share	\$ 2.49	\$ 4.33	\$ 3.51	\$ 3.98
	=====	=====	=====	=====
Basic average shares outstanding	9,440	9,443	9,448	9,452
Diluted average shares outstanding	9,458	9,458	9,463	9,470

The sum of the four quarters may not necessarily be equal to the amounts reported for the full year due to rounding.

THE WASHINGTON POST COMPANY  
BUSINESS SEGMENT INFORMATION

(In thousands)

	Fourth Quarter (unaudited)			Fiscal Year		
	2001	2000	%Change	2001 (unaudited)	2000	%Change
	----	----	-----	-----	----	-----
Operating Revenues:						
Newspaper publishing	\$211,756	\$237,786	-11	\$842,721	\$918,234	-8
Television broadcasting	87,964	107,741	-18	314,010	364,758	-14
Magazine publishing	102,614	120,196	-15	380,224	416,421	-9
Cable television	101,734	92,103	10	386,037	358,916	8
Education	125,578	113,560	11	493,681	353,821	40
	-----	-----		-----	-----	
	\$629,646	\$671,386	-6	\$2,416,673	\$2,412,150	--
	=====	=====		=====	=====	
Operating Expenses:						
Newspaper publishing	\$187,993	\$231,806	-19	\$757,977	\$803,799	-6
Television broadcasting	44,805	47,395	-5	182,163	187,362	-3

Magazine publishing	92,758	99,090	-6	354,918	367,302	-3
Cable television	90,615	72,788	24	353,800	292,949	21
Education	132,921	122,756	8	522,018	395,667	32
Corporate office	7,413	7,597	-2	25,865	25,189	3
	-----	-----		-----	-----	
	\$556,505	\$581,432	-4	\$2,196,741	\$2,072,268	6
	=====	=====		=====	=====	

Operating Income:						
Newspaper publishing	\$23,763	\$5,980	297	\$84,744	\$114,435	-26
Television broadcasting	43,159	60,346	-28	131,847	177,396	-26
Magazine publishing	9,856	21,106	-53	25,306	49,119	-48
Cable television	11,119	19,315	-42	32,237	65,967	-51
Education	(7,343)	(9,196)	20	(28,337)	(41,846)	32
Corporate office	(7,413)	(7,597)	2	(25,865)	(25,189)	-3
	-----	-----		-----	-----	
	\$73,141	\$89,954	-19	\$219,932	\$339,882	-35
	=====	=====		=====	=====	

Depreciation:						
Newspaper publishing	\$9,424	\$9,840	-4	\$37,862	\$38,579	-2
Television broadcasting	3,141	3,315	-5	11,932	12,991	-8
Magazine publishing	1,057	1,212	-13	4,654	5,059	-8
Cable television	14,474	12,145	19	64,505	47,670	35
Education	4,940	4,393	12	19,347	13,649	42
	-----	-----		-----	-----	
	\$33,036	\$30,905	+7	\$138,300	\$117,948	17
	=====	=====		=====	=====	

Amortization:						
Newspaper publishing	\$1,979	\$419	372	\$3,864	\$1,588	143
Television broadcasting	3,534	3,534	--	14,135	14,135	--
Magazine publishing	1,667	1,667	--	6,669	6,758	-1
Cable television	10,386	7,865	32	38,553	30,069	28
Education	4,182	3,719	12	15,712	10,084	56
	-----	-----		-----	-----	
	\$21,748	\$17,204	26	\$78,933	\$62,634	26
	=====	=====		=====	=====	

**CONTACT:** The Washington Post Company, Washington  
John B. Morse, Jr., 202/334-6662

