

**Media Week
New York
December 8, 2004**

**Remarks by
Donald E. Graham
Chairman and Chief Executive Officer**

The Washington Post Company

**Media Week
December 8, 2004**

The presentation at this meeting 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 1 of the Company's Annual Report on Form 10-K and the section titled "Risk Factors" under "Shareholders" on the Company's website, www.washpostco.com.

I feel that an occasion as monumental as the Media Week meetings should be treated with great importance. So later on in my presentation I will make history with one of my slides, and I will be good enough to point it out when I do so. But, just in case you think our company is totally changing its character because of this historic presentation, I will now return to form and comment on a very good nine-month performance, not with gloom but with what I view as totally realistic caution.

The Washington Post Company

Operating Income

<u>2003</u>	<u>2004</u>	<u>% Change</u>
\$226.1m	\$391.2m	+73%

Earnings Per Share

<u>2003</u>	<u>2004</u>	<u>% Change</u>
\$15.97	\$23.54	+47%

Nine months ended September

Obviously, it has been a hell of a nine months, even when you take into account that last year's results were affected by a \$75 million third quarter charge for the buyout of much of the Kaplan stock compensation plan, offset in part by the \$50 million pre-tax gain we got in the first quarter from the sale of our half of the International Herald Tribune.

The Washington Post Company Operating Income

(\$/millions)

	<u>2003</u>	<u>2004</u>	<u>% Change</u>
Kaplan	(23.6)	88.1	-
TV	97.2	118.3	+22%
Newspaper	82.7	99.6	+21%
Cable	64.5	72.4	+12%
Magazine	23.6	35.9	+52%

Nine months ended September

Kaplan is by the largest contributor to the positive swing in operating results for these three quarters, going from a \$24 million recorded loss last year, largely because of the stock comp charge, to \$88 million of operating income this year. It's not just Kaplan; in fact, every division is up, and in almost all cases, handsomely up over 2003 results.

The Washington Post Company

Media Units

2004 vs. 2003

Revenue Growth

 **7.8%**

Operating Income Growth

 **21.8%**

Nine months ended September

Our four media businesses are having a good year – much of this, of course, owing to election advertising at the TV stations. In the face of this, I want to caution observers of our company that while the long-term outlook for The Washington Post Company is reasonably good, we have absolutely not discovered some miracle formula for regularly increasing profits. I will guarantee you that we have no way of producing any more years of percentage gains as great as 2004.

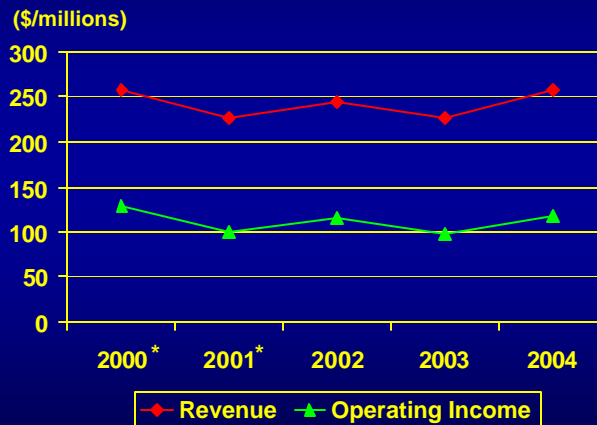
To be more specific, 2004 has had the following things going for it:

1. A recovery after three miserable years of an advertising recession,
2. A Washington-area economy that has been slightly better than the U.S. economy as a whole,
3. A presidential election and Summer Olympics year that brought in \$42 million in advertising revenues to Post-Newsweek Stations through November,
4. An impossible to repeat year in which Kaplan's results, with a significantly reduced stock compensation charge, dramatically affected our income statements for the first time.

POST-NEWSWEEK

STATIONS, INC.

Revenue and Operating Income



Nine months ended September

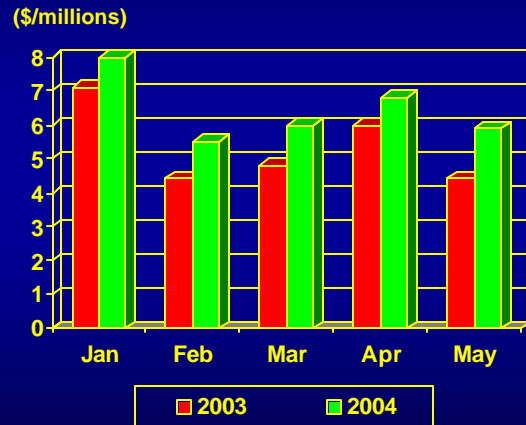
*Pro forma (excluding amortization of intangibles)

In 2005, our television stations will have a significantly down year. They won't be down by \$42 million, but the bulk of that advertising goes away in odd-numbered years. Our TV stations, which I will talk about in more detail later, are the number one contributor to our profits. As a result, in our year-over-year numbers, The Washington Post Company takes on some of the saw-tooth character of Post-Newsweek Stations' results. You know we don't care if profits are up or down in any given year; we just want to build the best businesses in the long run for our shareholders. We are absolutely willing to abide the cyclicity of our broadcasting results.

I will plod through our divisional results one at a time, starting in the traditional order with the media properties since this is a media conference. I will treat our newspaper, magazine and cable properties a bit in brief because I've promised you an important update on our broadcast results, and I want to finish with an overview of Kaplan.

The Washington Post

Recruitment Ad Revenue

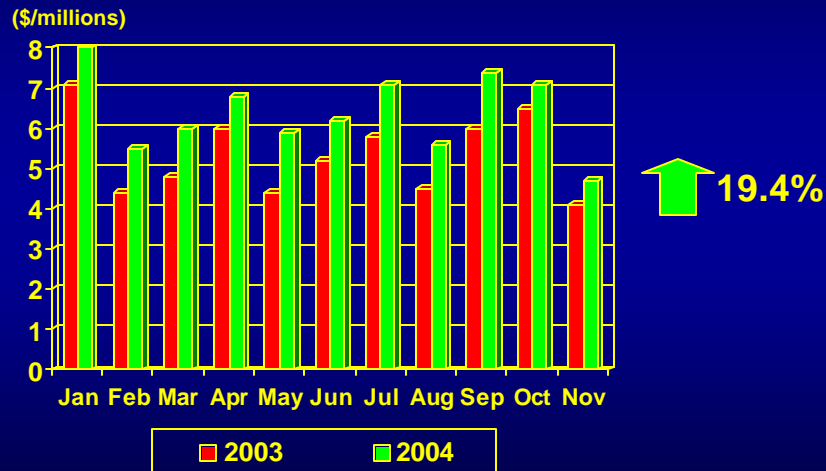


Newspaper division reports on a 5-4-4 basis

When we spoke in the spring, advertising at The Washington Post had the look of an old-fashioned recovering media company. The pace of print recruitment looked like the boom years of many a recovery that preceded this one.

The Washington Post

Recruitment Ad Revenue

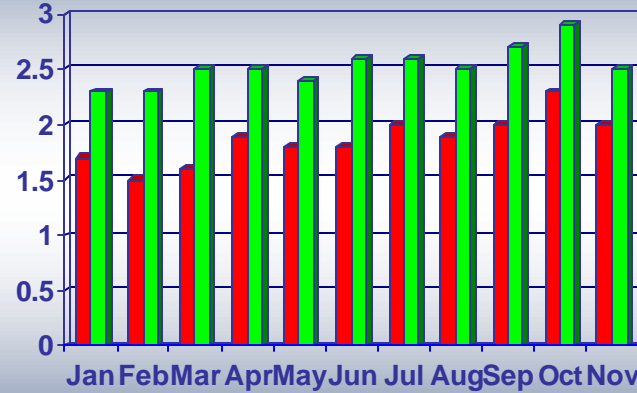


Newspaper division reports on a 5-4-4 basis

The double-digit growth trend continued until the fall; as you can see, in October and November it slowed a bit. We think these advertising numbers are strong relative to most newspaper markets. We know this to be the case in help-wanted, where our revenue growth is close to 20% through November. This stands to reason: DC has one of the strongest economies because federal contractor hiring is driving employment in the Washington marketplace. Employment gains in recent months haven't been as robust as they were in the spring. The national economy is growing at a slower pace than six months ago.

Online Classified Ad Revenue

(\$/millions)



↑ 34%

■ 2003 ■ 2004

Eleven months ended November

Online recruitment revenues have continued their steady pace of growth. Online classified, the majority of which is recruitment, is up 34% through November.

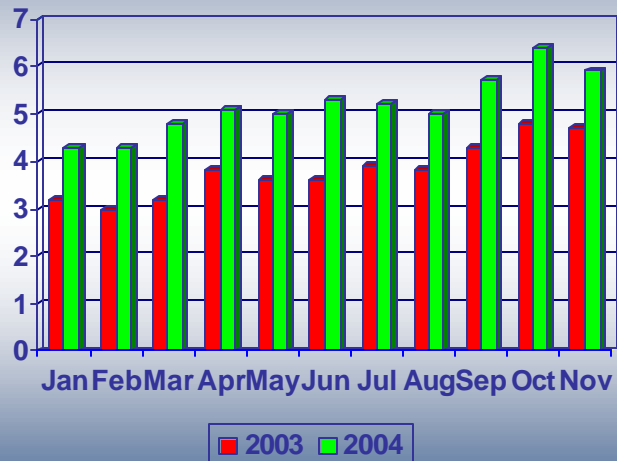
The Washington Post

**% Change in Ad Revenues
2004 vs. 2003**



Going back to the print side, here is a look at the revenue performance, year over year, in the major advertising categories: help-wanted remains the strongest growth category at the paper. Retail has continued at a slightly negative pace throughout most of the year, but picked up in the last three months. National advertising has been a lot more volatile, but overall, the trend is generally positive through November.

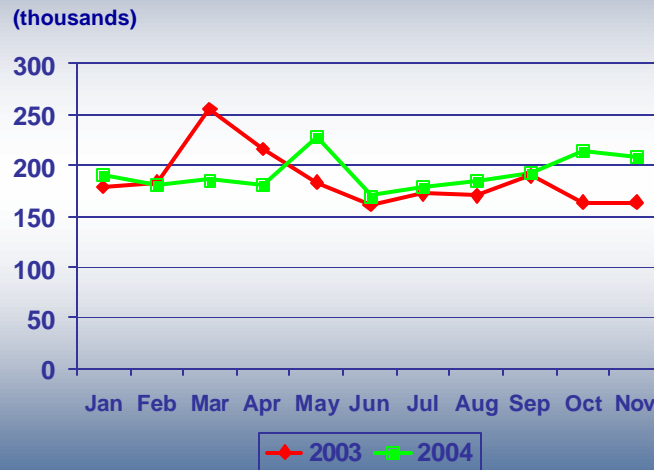
Revenue (\$/millions)



Eleven months ended November

The story is even better on the online front, where WPNI revenues have been up consistently throughout the year. At this rate of growth, we expect WPNI to be profitable for the first time, as we measure it internally.

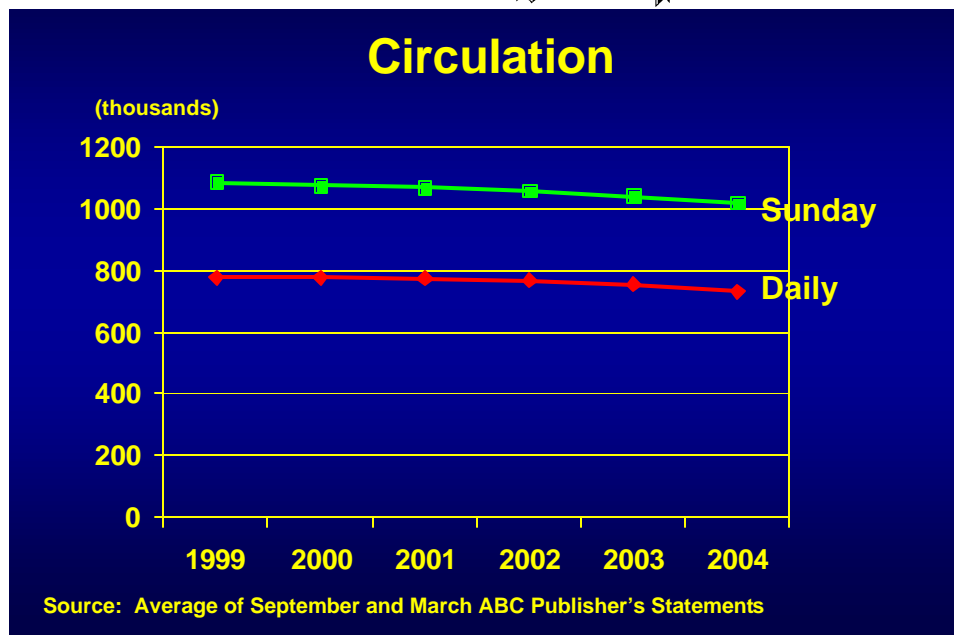
Monthly Page Views



Traffic is up – not as much as some other sites, we think because we instituted registration for the first time.

The expense performance at The Washington Post has been something to brag about. It's gradually sinking in around the place that Bo Jones is even cheaper than I am. Operating results have shown a healthy gain over last year. Remember that during 2003, 153 people took advantage of early retirement offers at the paper, and we have now begun to see the cost benefits of those actions.

The Washington Post



To comment quickly on three other issues:

1. Our circulation performance has been poor, with daily circulation down 3.2% and Sunday down 2.2% on average, based on the 2004 Publisher's ABC Statements.
2. This helps answer the inevitable question about accuracy of circulation figures. As Bo Jones remarked, you don't have to cheat to deliver numbers like these.
3. Philip Anschutz, a very smart, very rich man, has bought one of our suburban competitors, the Journal Newspapers, and converted it from paid circulation to largely free.

Some of you have asked about our free paper, the Express. We've announced that we'll increase its circulation to 175,000, and advertising is better than expected. During the spring we bought a fine Spanish-language weekly newspaper, El Tiempo Latino, from its founder, and we've begun talking with its staff about ways to expand its reach in the DC market.

Magazine Division*

2004 vs. 2003

Revenue

↑ 5%

Operating Income

↑ 52%

Nine months ended September

*Includes Newsweek, Budget Travel and the Tech Media Group

Newsweek has also had a fine nine-month performance. Through three quarters at the magazine division, revenue was up 5%, and operating income was up 52%. As you've already seen in the published year-to-date PIB numbers, it appears that advertisers may be adopting a more cautious outlook; the fourth quarter doesn't look as strong as the three quarters that preceded it. Newsweek International is having its best year in advertising in several years.



2004 vs. 2003

Revenue

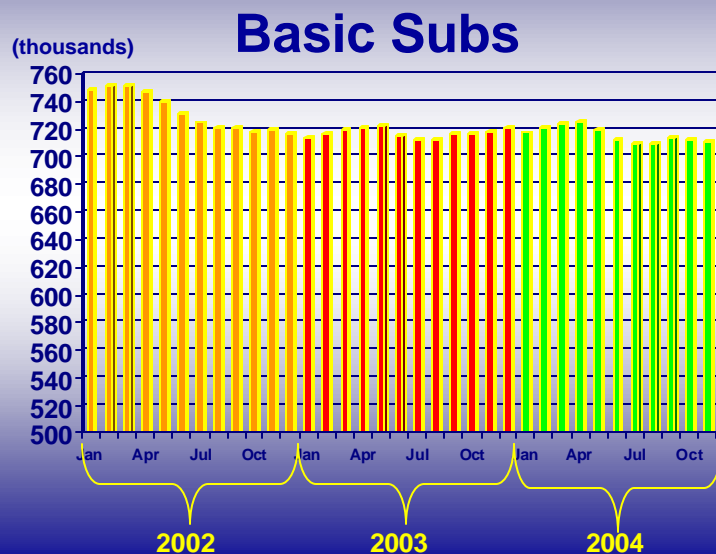
 **9%**

Operating Income

 **12%**

Nine months ended September

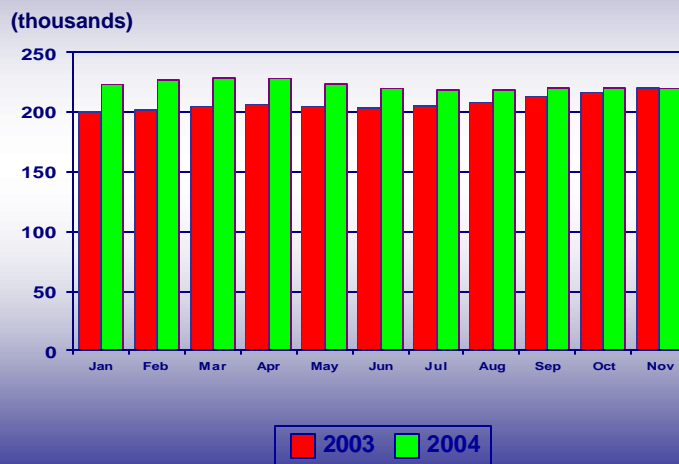
Now to cable. Cable One is fighting wars on what seem to be about 17 different fronts and doing surprisingly well on all of them. I take my hat off once again to Tom Might, CEO of this very unusual cable company, and the team he has assembled in Phoenix. Broadly, revenue is up about 9% and operating income is up 12% through the third quarter, but operating income is only a partial measure of results at Cable One since this is our most capital intensive business. Capex is running higher than last year, and we expect to see an uptick again in 2005. However, we continue to manage our capital very carefully and have about the lowest capital expense per sub of any cable company among the top ten operators.



More meaningful for our long-term health are Cable One's basic subscriber numbers. Two years ago I spoke to you after a year in which Cable One had lost more than 4% of its basic subs. I told you that if the trend continued it would be very serious for the health of the company. Tom Might has arrested that loss over the past two years through a blizzard of different programs. But we've paid a price for these efforts, including a change in our pattern of rate increases. We did not raise cable rates in 2003. We took a \$2 basic monthly rate increase in spring 2004, slightly greater than we had in the past, when we raised rates annually. The two-year result has been very slight growth in subscribers in 2003 and a very small loss in 2004. We may well not raise rates in 2005. On the whole, I am very pleased with these sub numbers.



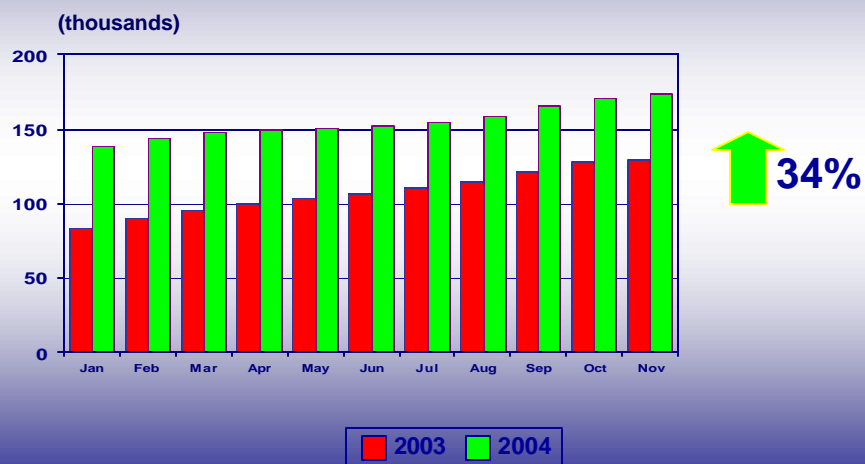
Digital Subs



Digital subs increased in 2003, but declined very, very slightly through November. Digital remains a healthy profit center.



Cable Modem Subs



The fastest growing part of the business continues to be cable modems. We had 174,000 subscribers at the end of November, up 34% from a year ago. About 24% of our subs now take high-speed data.

Satellite companies continue to compete with us in the video part of our business, and maintaining our basic subscriber count will be tough. And telephone companies now compete with us in high-speed data. We have begun offering \$29.95 service to new subs if they sign up for one year and give us a credit card number. The cable business remains very challenging, but results at Cable One continue to be very good.

POST-NEWSWEEK

STATIONS, INC.

2004 vs. 2003

Revenue

 **14%**

Operating Income

 **22%**

Nine months ended September

Now to Post-Newsweek Stations. After July 2002 when we dropped WJXT's CBS affiliation after 50 years and became an independent, I said I'd review the results at this meeting, and I will do so after I cover Post-Newsweek Stations as a whole. It's hard to see how these results could be much better.

Our largest station, WDIV in Detroit, continues a strong number one in news in a great TV market and remains one of the strongest local TV stations in the country.

Our second-largest station, KPRC in Houston, benefited, like WDIV, from being an NBC affiliate during the Olympics, though if KPRC received much political advertising I haven't heard about it. We were unable to persuade anyone from either presidential campaign that Texas was a swing state. Usually a close third in household ratings, KPRC is first in the market in billing. The ratings at our other Texas station, KSAT in San Antonio, are impressive.

I am cautiously optimistic about WPLG; Miami is the toughest and most fragmented television market in the country, with English and Spanish stations competing. We're also burdened by the historically weak performance of ABC, which is beginning to show some improvement. WPLG may have the greatest improvement potential of any of our stations. A highly regarded industry veteran, Dave Boylan, took over about a year ago.

The star of Post-Newsweek Stations this year is undoubtedly WKMG, our CBS affiliate in Orlando, where the new team of general manager Henry Maldonado and news director Skip Valet has dramatically improved ratings and results. We acquired WKMG in a trade for our Hartford station in 1997. We threw in \$60 million, and up until last year it

was hard to justify. But the dramatic improvement in 2004 in every aspect of the station's performance has made WKMG one of the most exciting stories at The Washington Post Company.

But for the hurricanes that criss-crossed Florida, every one of which seemed to hit Orlando, the station would have achieved an even more outstanding nine months. Its second quarter operating income margin was actually higher than the group's average for the first time in the station's history.

Now I'll tell the story of our smallest station, WJXT. Built around an absolutely astounding news division, which dominated its market in news, WJXT was perhaps the top-performing CBS affiliate in the U.S. in terms of the audience it brought to the network. In many dayparts, it provided double the audience of other local affiliates.

When it came time to consider network renewal in 2002, CBS offered no compensation, asked the station to pay a charge for NFL programming and implied other charges would be coming. We understood the financial problems of our network partner and were anxious to reach an agreement, but it didn't make sense to bring such enormous audiences to the network and receive no compensation for it. We declined CBS's offer, and we decided to go independent. I made that decision.

Needless to say, a board that then included Barry Diller, Dan Burke and Warren Buffett was quite interested in the direction and what we expected results to be. One thing we knew for sure, expenses would go up because we were programming news where previously we had run network programs. We increased our staff in the news division. We also had to acquire programming in prime time and other dayparts. And we had significant marketing expense to explain the change to viewers. On the other hand, we acquired a great deal of ad inventory.

Despite the importance of this decision for us, we did not prepare in the way we now wish we had – particularly in sales – for the magnitude of the changes at the station. Ratings held up well in news and were strong in some dayparts. But the November 2002 ratings book showed that while the number of households the station reached hadn't fallen much, except in primetime, the demographics were poor. This led to a disastrous first half of 2003 in ad sales and to a decline in operating income far greater than we had anticipated.

In mid-year 2003, Alan Frank changed station management, bringing in Larry Blackerby, a hardworking, nuts and bolts veteran of many different station environments. At the same time, primetime programming was strengthened, and the sales department greatly improved. With Alan Frank exercising a deft hand, we became the first or second station in the country to double-run "Dr. Phil," using him as a primetime program, thank God, to shore up primetime ratings. The demographics of our ratings improved throughout 2004.

One aspect of being an independent with a super-strong news department has been the ability to drop everything and go to major news events. During Hurricane Frances, we

were the number one station in the market, total day, for five consecutive days. From 7 to 9 a.m., WJXT averaged a 23.8 share, and from 5 to 7 p.m., we averaged a 22.2 share. The truly unique aspect of WJXT is that they are able to provide wall-to-wall coverage of national events locally. For instance, on election night, our local news team lost only to NBC, beating CBS by 60% and ABC by 75% from 7 to 10 p.m.

WJXT Wins Key Time Periods November 2004



			<u>Household Rating</u>
6:00A Eyewitness News	#1		6.7
4:00P Oprah	#1		7.6
5:00P Eyewitness News	#1		8.7
5:30P Eyewitness News	#1		8.8
6:00P Eyewitness News	#1		9.8
10:00P Eyewitness News	#1*		4.8

Source: Nielson, November 2004
*Versus Fox News

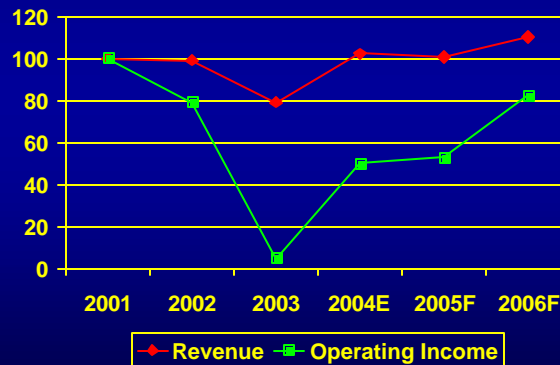
And in the just-released November sweeps, WJXT was the number one station in its market in the 6 a.m. news time period and all the early evening local newscasts through the month.

I will now make history and show you for the only time in the last 13 years an internal forecast from our company. I will show it because the picture at WJXT is not complete without it since 2004 includes some very weak months at the start of the year.

POST-NEWSWEEK STATIONS, INC.

WJXT

Revenue and Operating Income Indexed to Base Year 2001



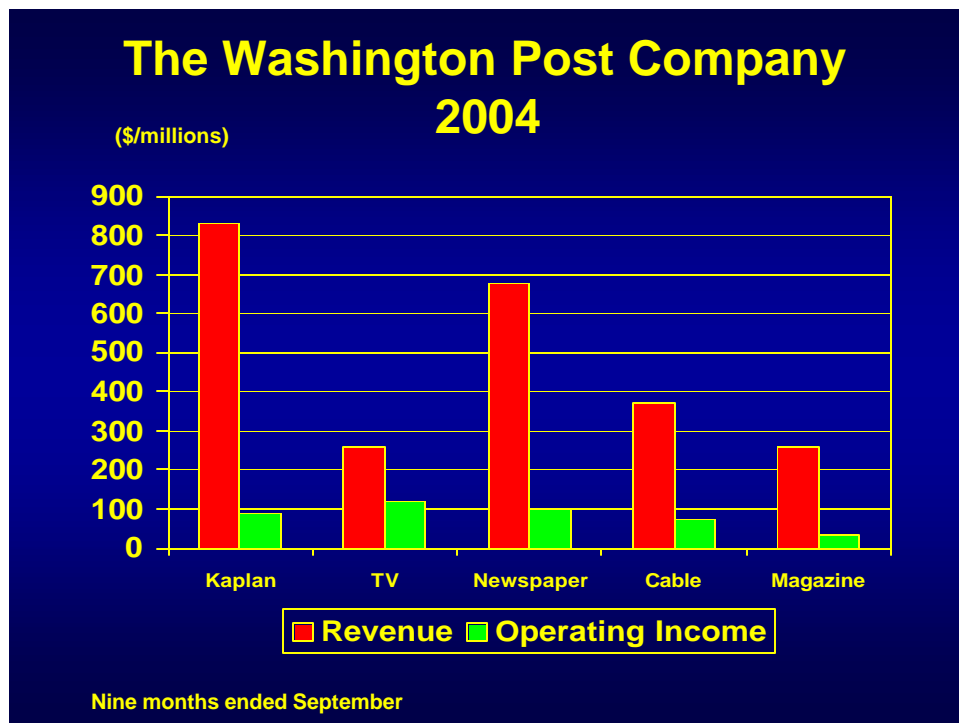
Note: Figures are percentages indexed to base year 2001.

Earnings at the station are good enough in 2004, but we expect 2005 will be an even better year, despite the lack of political advertising. We are forecasting earnings in 2006 equal to our last year as a CBS affiliate, minus the network comp, which was 14% of operating income. Such a result in 2006 would be extremely satisfying, although a year later than we expected and with a much greater interim drop in the station's earnings.

The management of an independent station has had to work much harder to sustain ratings, revenue and operating income, and if we maintain this kind of management, WJXT will earn the same amount of money for shareholders and perhaps a bit more than it would have as a network affiliate. However, we'll have greater control over our own destiny. If we succeed, it will be quite a unique station – and a magnificent achievement by Alan Frank and Larry Blackerby.

I will drop back and say: None of this has had or will have a material impact on earnings at The Washington Post Company. WJXT represents less than 10% of revenues at Post-Newsweek Stations. But we look for excellent results from all our businesses, big and small, and the history of WJXT has made it a part of the company that everyone in management cares about very strongly.

I'm pleased to report that we have reached satisfactory network affiliation renewals with ABC in Miami and San Antonio, and with CBS in Orlando.



Now I'll take a few moments to discuss Kaplan. Through nine months, Kaplan is our largest division in revenues, with \$829 million to the newspaper division's \$678 million. It is our third-largest division in operating income, larger than cable but smaller than PNS and the newspaper division. Since I am already out of character today, I will just add: This is one hell of a result. Eleven years ago, when Jonathan Grayer became CEO, Kaplan was 3% of Post Company revenues. Through nine months this year, it is 35%.



2004 vs. 2003

	<u>Revenue</u>	<u>Operating Income</u>
Supplemental	↑ 25%	↑ 18%
Higher Ed	↑ 56%	↑ 70%

Nine months ended September

Revenue was up by 25% in supplemental, which includes test prep, professional training and Score!, and up by 56% in higher education, which includes some revenue from 2003 and 2004 acquisitions of the Dublin Business School, CEI and Texas School of Business. Operating income for the first nine months at supplemental was up by 18% and, at the higher ed component of Kaplan, operating income was up by 70%. These kinds of increases are obviously unsustainable.

I will anticipate one of your questions by noting that a variety of federal and state investigations have hit upon several publicly traded education companies in 2004. I know no more than any of you – and probably less than some – about the status of these investigations.

In addition to reassuring you that we're not aware of anything like that in our company, I would say, as I have before, we do not have one kind of pressure that may have affected some of these companies. We do not pay any attention to quarterly earnings or whether we are above or below your estimates. No operator at Kaplan is under any pressure to meet external expectations for any quarter.

This is not to say that such problems cannot arise at Kaplan. In a very rapidly growing company, Jonathan Grayer and his team, particularly Gary Kerber, who is in charge of higher ed, and Andy Rosen, the president of Kaplan who runs online higher ed, have been sensitive to the implications for Kaplan and The Washington Post Company of meeting very high standards and in complying with government regulation. They also want to see to it that every student in our colleges has a good experience, because word of mouth is the most important marketing medium in education.

Kaplan is not in any sense an easy business. The rapid growth in revenue and earnings in the past ten years may be deceptive. In the first ten years, we proved repeatedly that merely being in the education business is no gold mine. Good operators run into trouble in this business. Yet, the education business has a strong wind at its back.

People young and old want an alternative to the traditional system of higher education, including online options. I think the future of Kaplan is very good, but I have to tell you it depends on a strong, deep management team in every aspect of Kaplan's businesses.

I am satisfied with the results TWPC has seen this year, but not complacent. Now I'd be happy to take your questions.