Annual Shareholders Meeting
May 8, 2014

Remarks by Donald E. Graham
Chairman of the Board and Chief Executive Officer

This meeting is in the same location as last year, but Graham Holdings is a different company in a couple of very important respects. The most important is that we no longer own The Washington Post newspaper, The Gazette newspapers in Maryland, Robinson Terminal, El Tiempo Latino, Greater Washington Publishing or even this building. And we are now Graham Holdings, not The Washington Post Company. These changes obviously make a big difference, and I'll start the meeting by saying a few words about them.

At a different location a few blocks from here, Eugene Meyer bought The Washington Post at a bankruptcy sale in 1933. The paper was the fourth in a five-paper town, was losing money and lost money a lot longer than he thought it would.

My father was the publisher of the Post from 1946 to 1963, moved the paper to the current location and built the building on L Street that is still part of the newspaper's operations. My mother, Katharine Graham, became chairman on his death in 1963, expanded the building to create the structure we're meeting in today and did a whole lot of very famous things running the newspaper, which we'll always be proud of.

The sale to Jeff Bezos last summer seemed to the two family members involved in running the Company and the newspaper—Katharine Weymouth and me—to be the

best thing both for our shareholders and for the newspaper. We had been down in revenue several years in a row, and those forecasting the business results of the paper felt that the outlook for the next few years was much like the past few years. A key reason for the decline was that we hadn't converted our large and growing digital audience into revenues large enough to support the news organization into the future.

To say the least, Jeff Bezos' technology skills were as great as those of anyone in the United States when it came to plotting the future of an important business. While The Washington Post is no longer a part of the business of our Company, I personally continue to love the paper as much as ever. I think the team under Marty Baron, the executive editor Katharine hired a couple of years ago, continues to do a great job, as is reflected by the Pulitzer Prizes awarded in April. I'm as proud as ever to have spent years working at the Post, and I'm confident that it has a good future under Jeff's ownership and Katharine's management.

The key question facing the shareholders of this Company is, what will be the nature of Graham Holdings going forward? We are always willing to share bad news and risks facing the Company. I'll do some of that in the next portion of my remarks. But I think the Board and the management team would like to tell you that our short- and long-term future is awfully good. There are a lot of reasons for that. The greatest is that we genuinely are free to concentrate on building the assets and the profits of this Company over the long term as few companies are.

One of our strengths in this regard is the Class A and B structure of our stock and the concentration of ownership so that we don't have to cater to the winds of short-term profitability. We intend to be profitable, and we intend to be growing profits with our eye very much to the long term. We can take steps—as we did in the growth of Kaplan over the years—that may hurt profitability in the short term, but very much help it in the long term.

Graham Holdings Company

($ millions, except EPS)

	Q1 2013	Q1 2014	% Change
Income from			
Continuing Ops	21.7	131.0	-
Continuing Ops, excl. certain adjustments*	30.8	48.8	58
Earnings per Share from			
Continuing Ops	$ 2.92	$17.65	-
Continuing Ops, excl. certain adjustments*	$ 4.18	$ 6.47	55

**Non-GAAP measure*

(See Q1 2014 earnings release)

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Our Q1 results from continuing operations are up over last year. We've excluded certain items, such as the sale of this building. We intend to grow the profits of this Company in a variety of ways. First, we're in businesses that have very good cash flow characteristics. They are well run: Emily Barr, Tom Might and Tom Leppert, with Andy Rosen working with me in corporate and as chairman of Kaplan, constitute very, very strong management of our three largest divisions. The key to the future of the Company is not me; it's the people running the businesses. We believe we have particularly outstanding leadership.

Andy Rosen has become executive vice president of the Company. He remains the chairman of Kaplan and continues to play a role in our education policy. In addition to his role at Kaplan, Andy will be helping me with the expansion of the Company. Tom Leppert, the former CEO of the Turner Corporation and the former mayor of Dallas, who has been the chief operating officer of Kaplan, took over as CEO on April 1.

Balance Sheet

($ millions)

	Actual 12/31/2013	Actual 3/31/2014	% Change
Cash and restricted cash	653	695	6
Marketable equity securities/other	522	646	24
Other current assets	527	490	(7)
Net property, plant and equipment	928	846	(9)
Net goodwill and intangibles	1,869	1,798	(4)
Prepaid pension cost	1,246	1,251	0
Other assets	66	195	-
Total Assets	5,811	5,921	2
Current liabilities	931	932	0
Debt	451	453	0
Other long-term liabilities	1,129	1,124	0
Shareholders' Equity	3,300	3,412	3
Total Liabilities and Equity	5,811	5,921	2

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Second, we have a lot of assets to work with. Our balance sheet at the end of the first quarter showed $695 million in cash and $646 in securities and other investments. We hope in the second quarter that the FCC will approve our transaction with Berkshire Hathaway, which will reshape the Company in a couple of key ways.

Berkshire Hathaway

Exchange Transaction

Based on share prices as of April 30, 2014

($ millions)

GHC Assets	
WPLG	364
Berkshire Stock	400
Cash	328
Total	1,092

Berkshire Assets	
GHC Stock	1,092
Representing:	
– About 1.6 million shares	
– About 20% of GHC	

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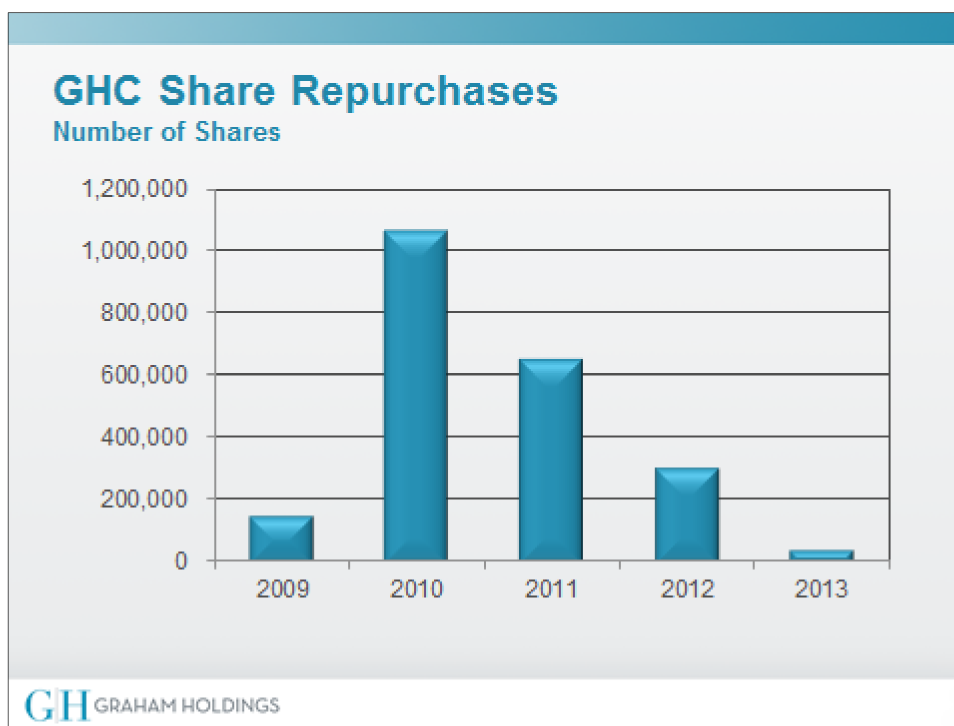
In that transaction we are transferring to Berkshire our Miami television station, a great deal of the stock we own in Berkshire Hathaway itself and approximately $328 million in cash. There are some remote circumstances in which the cash could go up, but that will most likely be the number.

The amount of Berkshire stock we transfer and the number of Graham Holdings shares we get back will vary depending on the prices of the two stocks on the day of sale. We'll transfer to Berkshire assets worth $1.092 billion, and it is highly likely that we'll get about 20% of Graham Holdings stock back.

The benefit to our shareholders is pretty simple to describe. For example, today, each of you, by owning one or more shares of our stock, owns a certain percentage of our broadcast assets. After we transfer one television station to Berkshire Hathaway, each shareholder will own a greater percentage of our broadcasting assets than they did before. We're transferring about 16% of our broadcast revenue to Berkshire, but buying in about 20% of our shares.



Buying in stock—first recommended by Warren Buffett to Katharine Graham in the late 1970s—is a practice we've engaged in only when we thought the transaction would be beneficial to shareholders. We haven't done it in season and out, and we haven't done it regardless of price. We bought in extensively during the post-2009 decline in our stock price. When the Company went public, we did so with 20 million shares outstanding. Graham Holdings, after the Berkshire transaction, will have approximately 6 million shares outstanding, which includes all outstanding options and performance shares. We'll have almost the same cash flow on many fewer shares outstanding.

While we will give up the earnings on the Miami television station, we will pay dividends on about 20% fewer shares outstanding. This year, with an election in Florida, the Miami station will earn more than the offsetting dividends, but the two numbers should be reasonably close in future years. We expect the results to be beneficial for our shareholders.

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($ millions)

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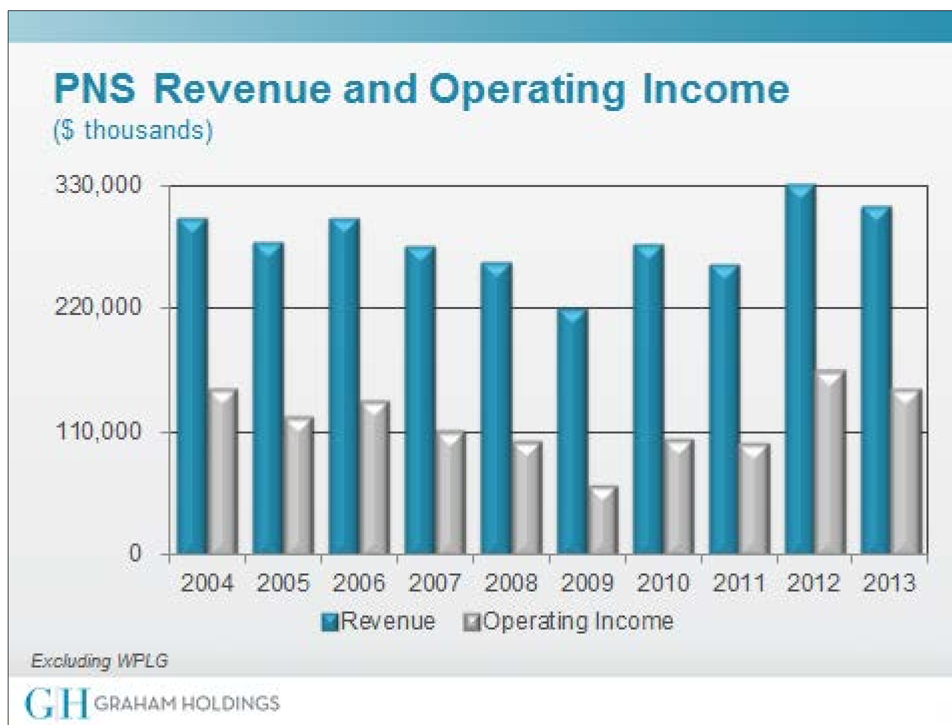
Looking at our first quarter balance sheet and subtracting the $328 million in cash we are likely to pay out at the time of closing and the approximately $400 million of Berkshire stock, we will retain after the sale a very healthy balance sheet for Company operations and for any acquisitions we may make.

The cash on our balance sheet, reflected in the first quarter, includes the $158 million from Carr Properties in payment for the building we're standing in. Not yet on the balance sheet is the money we received on April 1 from our share of the sale of apartments.com, a business owned by Classified Ventures, in which we invested in 1997. There have been plenty of press reports about the possibility—although not the certainty—that Classified Ventures will sell its cars.com site. As a 16.5% partner, that isn't up to us.

Why do I think this adds up to a company with a bright future? We are in strong businesses we believe have a good future.



Our television earnings have grown over the past few years. One reason to think they should continue to be very good in the future is that we have strong earners in Detroit, Jacksonville and San Antonio, where we are number one in news. These are big markets and good markets. Our largest market—Houston—has experienced strong momentum in local news. Because it is a top-ten market and growing, the station drives significant revenue and high margins for PNS.

Our station in Orlando is working hard to grow its news ratings. Like Houston, we are benefiting from the market's continued growth. Orlando is now the 18th largest market in the U.S., and significant political dollars pour into the market every other year due to its diverse and influential population. It would be ideal to have five stations that were number one in news. That's tough to do because we have strong competitors in every market and they'd like to be number one also. But our news operations are good, and they clearly have some momentum.

PNS results in recent years have also benefited from the growing stream of retransmission consent revenues from cable and satellite companies. With our cable hat on, we believe there's some reason to think that local TV retransmission may continue to grow, but there's a limit to the growth potential. These increases, like those from network programmers, come out of the pockets of cable customers. Ultimately, as the increases grow greater, the customers may grow fewer.

I would also point out that the networks are asking for—or rather demanding—an increasingly larger share of the retransmission revenue. So the net benefit will likely decline in the future.

The story at cable companies and satellite providers has been ever-higher programming costs over the past few years. And with sports rights in particular simply going through the sky, that is very likely to be translated into a declining number of subscribers. So even if your price per subscriber is going up, the number of subscribers you're paying for is going down. That's going to affect TV revenues as well as cable revenues.

But the exceptional results at PNS have been achieved by excellent managers, Alan Frank and now Emily Barr as the heads of the division. Emily shows every sign of being another great leader of Post–Newsweek Stations.

Post–Newsweek Stations
($ millions)

	Q1 2013	Q1 2014	% Change
Revenue	68.9	85.7	24
Operating Income	29.1	44.4	52

Excluding WPLG

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Q1 results were up sharply over last year. The winter Olympics helped our NBC affiliates, along with increased retransmission and political revenues.

Cable ONE

Primary Service Units	3/31/13	3/31/14
Video	588,180	524,563
High-Speed Data	463,726	484,168
Telephony	185,717	174,876
Total PSUs	**1,237,623**	**1,183,607**
Total Customers	**732,010**	**714,010**

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Turning to cable, as I have done in the past and now even more emphatically, I want to pay tribute to Tom Might, Julie Laulis and the management of Cable ONE for a particularly outstanding year, both in building for the future and in maximizing the benefits of current operations. The number of video subscribers at Cable ONE is down, and although I'm not going to say that's a result we wanted, it is the right result. It took place with Cable ONE understanding all the implications and choosing to concentrate our marketing and sales efforts on the customers we know are our best lifetime value customers.

To be more specific, over the past two years, Cable ONE has deliberately pivoted away from the industry's favored, heavily discounted triple play strategy to a carefully calculated lifetime value strategy. It goes something like this: Cable ONE realized that we were actually losing money on particular kinds of new customers, while making plenty of money on others. If Cable ONE could focus on our best customers, we would actually make more money with fewer customers.

With precipitous landline phone-cord cutting (today less than half of all homes still have a landline phone) and the implosion of video profitability due to extraordinary programmer price increases, Cable ONE management is ahead of the entire cable industry in redirecting resources toward highly profitable Internet customers.

Today, Cable ONE has more residential Internet customers than video customers. And more than half of Cable ONE's new residential customers each month are Internet-only starts—no video and no phone. A year ago those customers made up only one-quarter of new monthly installs.

Cable ONE
($ millions)

	Q1 2013	Q1 2014	% Change
Revenue	200.1	203.9	2
Operating Income	36.6	41.2	12

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Graham Holdings reported first quarter earnings last week, and Cable ONE's lifetime value strategy is starting to show good results. Operating income at the cable division was up 12%, while video units were down 11%. However, total customers were only down 2%. Internet units, which showed no growth one year ago, are up 4%. We now have fewer, but far more valuable customers than one year ago. Clearly, video subscriber counts do not drive cable MSO profitability anymore.

Tom will tell you that it is highly unlikely that results this dramatic will continue, but there is no doubt that his contrarian lifetime value strategy is starting to show results. And Cable ONE is pressing ahead at full speed.

Another rapidly growing stream of revenue at Cable ONE is business customers, particularly smaller businesses in our markets. They represented 14% of Cable ONE's operating cash flow last year, from virtually nothing a few years ago. Our revenue from business sales at Cable ONE more than doubled in the past three years, and we think it can double again in the next four years. Like residential Internet service, it is highly profitable and it does not rely on video; its margins are not hostage to video programmers.

Capital expenditures at Cable ONE will be high this year, and they'll be high in 2015 as well as we convert to all-digital operations in our markets. 20% of our customers are now all-digital. All-digital will make our video service even better for our customers, but far more important, it will allow us to repurpose 75% of our plant bandwidth from video content to Internet services.

I wrote a good deal in the annual report about the proposed regulations on the private sector education industry, and I don't want to repeat what I said there. To condense: the Obama administration published a gainful employment regulation in 2011. It was thrown out in court by an Obama-appointed U.S. District judge, who ruled that the Department of Education was arbitrary and capricious in establishing its rules.

By their own language, the Department has now proposed a regulation that will be significantly harsher on the industry. I think these regulations are much worse for students. The private sector education industry was the only part of higher education in the United States that was expanding before a couple of ideologues in the administration went to work on these regulations in 2010.

As President Obama and Mrs. Obama have correctly noted, higher education opportunity for lower income Americans is a crucial step on the path to higher income and a more stable and secure family.
I don't think there is any dispute that these regulations will result in dramatically fewer seats for students in the private sector market. I think they will also sharply restrict innovation and flexibility—the things our sector is best at.

Kaplan students continue to demonstrate that they want an education from a company like ours. And, they are now signing up at Kaplan under recruitment and marketing regulations put forward by the Obama administration and approved in 2011.

Students want this education because they believe it will help them to a better life. And after they graduate, they continue to tell us that they got a good education and the skills and knowledge they need to do well in their careers. More than 80% say yes to both. They also tell us, in unscientific surveys, that their income went up after they finished their education at Kaplan.

Kaplan will be affected by these regulations, because the regulations will affect any for-profit institution that is open to low-income students. I will continue to make the argument that these regulations are lousy and should not be adopted, in public and with anyone who will hear me. And I'll be saying the same things to senators and congressmen. I think we've got the best of the case, and we will continue to make it.

Kaplan, Inc.

($ millions)

	2012	2013	% Change
Revenue	2,196.5	2,177.5	(1)
Operating Income (Loss)	(105.4)	51.3	-

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Despite the regulatory clouds, Kaplan is likely to report good results in 2014, partly because its 2013 results were burdened with restructuring and other one-time costs at campuses that Kaplan Higher Education was closing in the United States and, to a minor extent, to charges in Australia related to the restructuring of one of our companies there. Those one-time charges amounted to $36 million in 2013 and will not recur in 2014, although Kaplan may develop additional restructuring plans this year.

Kaplan, Inc.

($ millions)

Test Prep	Q1 2013	Q1 2014	% Change
Revenue	68.9	67.8	(2)
Operating Loss	(4.3)	(6.6)	(53)
International			
Revenue	184.8	202.9	10
Operating Income	6.4	10.9	70
Higher Education			
Revenue	271.9	253.8	(7)
Operating Income	5.1	13.1	-

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We're very pleased with the progress we've made in bringing Kaplan Test Prep back to profitability. John Polstein, Lorin Thomas-Tavel and the leadership of Kaplan Test Prep deserve enormous admiration from shareholders for what they've done. In the future we think this will be a good business. It won't be nearly as profitable as it was before the disruption of the business by electronic delivery and other forms of competition. But we're now number one in online and classroom test prep.

As to the changes forthcoming in the SAT, it's a general rule that changes in any test are good for Kaplan. The changes are going to have students looking for the best guidance, and they are going to want to know that they have the best possible provider for test prep.

Kaplan International is now a big business in the scale of Kaplan. It's an increasing percentage of our revenues, and it's growing faster than the rest. You should know that Kaplan International is made up of more than a dozen different businesses in many different countries. With a high-quality management team in every one of those countries, we're going to take advantage of market trends and focus our efforts where we can provide high-quality education for students who want it. I continue to think that, around the world, education is going to be one of the businesses most in demand for the lifetimes of even the youngest people in this room, and taking advantage of that opportunity is key to Kaplan's future growth.

The future of higher education in the United States very much depends on the outcome of these regulatory proceedings. I want to be unequivocally clear that if the crazed regulations put forward by the administration are adopted, it would significantly curtail our future investment in Kaplan Higher Education's campus-based businesses.

You may have noticed in the past couple of years that Graham Holdings has made small acquisitions in a couple of businesses that are not related to those we've owned for many years. We bought Celtic, a residential health care business focused in Pennsylvania and Maryland, two years ago, and we bought Forney, a manufacturing business producing safety equipment critical to the operation of power plants, last year.

By this time next year, you are not going to see us developing into a conglomerate with 20 different business lines, but we have an opportunity—and we think it's a good opportunity—to be a very good home for long-established businesses if we can understand them and they are neither startups nor turnarounds, with a record of profitability, with management teams that want to stay and run those businesses and where the owners want to sell to somebody who will keep the business for a very long time.

We think the health care business has significant opportunity to grow, and Celtic has recently done so. But even if we don't grow it further, it will be a highly respectable business for the Company going forward, and the same is true for Forney. They are businesses we're proud to have as part of this Company. These are the kinds of businesses we are looking to grow in.

The scale of the transaction with Berkshire limits the amount of cash we have immediately, but we'll be earning more money as the year goes on and our balance sheet will be strong. We can make more acquisitions. If we see some come along at prices that seem good to us, we'll make them. But, we don't feel impelled to make acquisitions, because the current businesses we have are also producing very good results for shareholders.

It's true that this Company has a very great past, but I think it also has a very bright future. Almost uniquely among American corporations, we can grow by acquiring companies that seem to us to be well led and sustainably profitable, without tying ourselves to one industry or to one business. We hope to make more than a few such acquisitions over the next ten years, but whether we make any this year or not is not key to us. We think we'll grow the earnings from our current businesses and add other streams of income. We'll do so keeping a very strong balance sheet. We're not inclined to load up the Company with debt any more than we were in the past.

Helping large companies with their social media advertising is a very large business with dozens of competitors, but SocialCode has established itself as a leader in the field. We help companies advertise on Facebook and Twitter. As other social media companies like Instagram and Pinterest open themselves up to advertising, we'll partner with our customers to work with those companies as well. There are many companies in this business, but what SocialCode has that they don't is lots of customers, strong recurring revenues and a team both in advertising and IT that appears to me to be stronger than anyone else in the field.

What's the value of SocialCode? That's a reasonable question for shareholders. It's certainly not delivering profits today, because we're investing in its future. But bookings are growing so fast it appears to be a valuable business. In fact, in 2013 bookings almost tripled from the prior year. At the end of the first quarter, just as at the end 2013, I'm surprised by the pace of its growth and impressed by its future.
I want to conclude by saying a word about our Board of Directors. The Company is very lucky to have the Board we do, and Katharine and I in particular want to thank every

member of the Board for the counsel they offered to us, as a group and individually, during the sale of The Washington Post. It was a very, very difficult decision.

The best thing about it was that the decision was kept to ourselves so no rumors were floated and we were able to explain it to our decades-long colleagues. This was a tribute to the top people in this Company and to our Board, who with knowledge of this transaction were scrupulous and careful and kept it all private when it absolutely needed to be. The Company is very, very lucky to have the quality Directors that it does, and that is another aspect of our strength going forward.

Late this summer, we'll be moving out of this building to new headquarters in Arlington, a few subway stops across the river. We're looking forward to the move—and don't exactly know where the annual meeting will be held next year, but we're hoping to see many of you there.

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