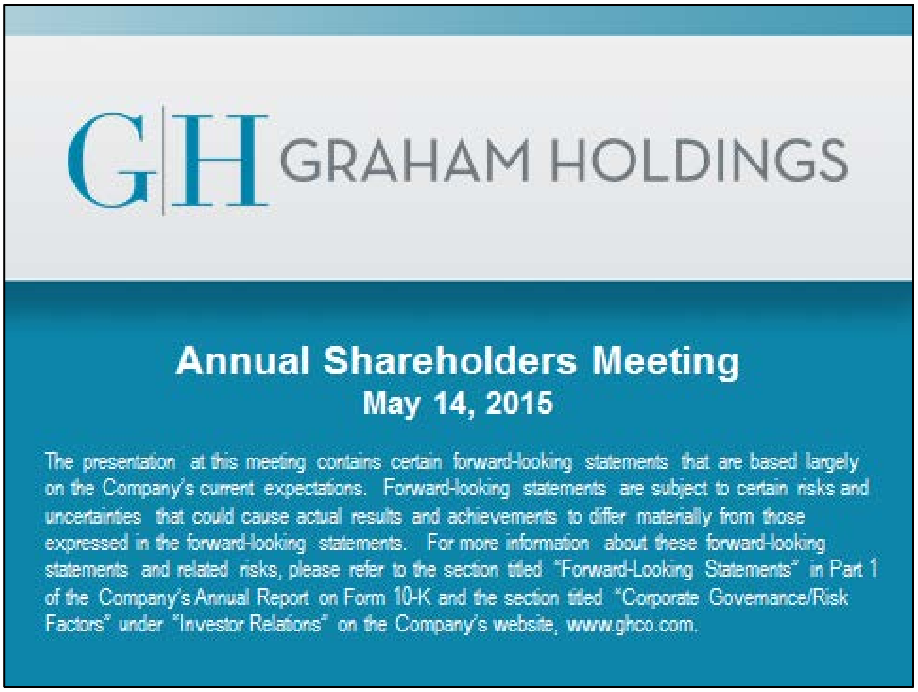
Annual Shareholders Meeting
May 14, 2015

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



Good morning. We meet in the shadow of a tragedy that befell a member of our board of directors. David Goldberg was a unique guy, and many people have said so over the last month. I thought of him as one of the secrets of Silicon Valley. He wasn't as famous as other advisers and people who've helped others build companies. He wasn't famous because he didn't want to be. If he'd lived, people would have heard a lot about him, because he was building a most impressive and unusual company. We are among those devastated by his death.

Welcome to the first annual meeting of Graham Holdings not held at The Washington Post. I've been at all of them since 1971, when we went public and I'm glad to join you here this year.

We're a 44-year-old public company, but in some ways, we feel like a new company and not just because of the surroundings. After years when the businesses we owned were unchanged, we've sold the Post—the business that gave us our name since 1933—and also Newsweek, and our Miami television station. We've announced the pending sale of Kaplan's nationally accredited colleges. We've also sold some familiar assets—the building that was our home, our 16.5% stake in Classified Ventures, even most of the stock we held in Berkshire Hathaway.

We will change further as the Cable ONE spin-off occurs later this year, probably this summer. While this may change, the date we are aiming to give effect to the spin-off is July 1. We've remained on schedule so far.

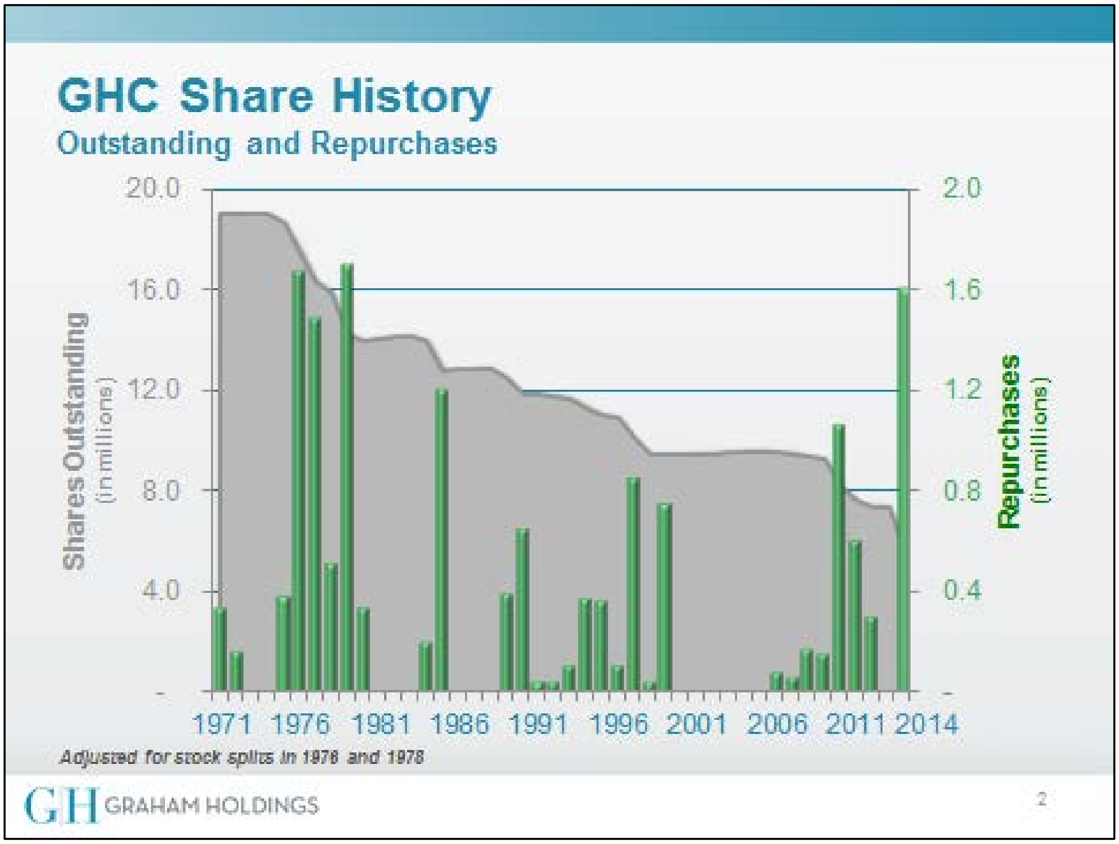
So what kind of company is Graham Holdings now?

I'll stick my neck out a bit: I think we have a lot of what it takes to build an impressive company over the next few years. We can grow, and we can grow into a company that provides a setting for durable accomplishment. We have the right corporate structure, we have the right balance sheet, and we have the right range of opportunity. Our corporate structure gives us the opportunity to build for the long term. That's what we intend to do. We can deploy capital for the best long-term result regardless of what happens next quarter.

But we also intend to be disciplined. We keep score; our board of directors sees a three-year review on every decision that costs us $20 million or more. It may be bracing for the executive proposing the acquisition: that executive and I will be in front of a tough board in the future reviewing how the acquisition met its goals or did not.

Expect us to continue buying businesses, not necessarily in the fields we've traditionally been in. We offer sellers the chance to find an unusual kind of home for their business. We look for businesses we can understand, with a proven record of profitability, and management that wants to remain in place. Our competition in buying such businesses consists mostly of private-equity firms which will load the acquired business up with debt and typically resell it in a few years. This isn't what every seller wants.

We're still mostly an education and media company, though we now own a handful of other businesses, most of them small. In revenues we are mostly an education company; in profits, we are mostly a media company, in part because of the mindless regulatory assault on for-profit education in the U.S. At least one writer has called us a conglomerate; this is an overly grandiose name for a company that owns less than a dozen businesses.



In addition to buying other businesses, we've been active repurchasers of our own stock, but only at times when we and our board thought our shares were selling at a significant discount to intrinsic value. Take a look at the pattern on this slide. When we see a chance to buy in stock, we are aggressive. We don't do it all the time, though. Warren Buffett has said that when companies buy in stock at prices well below their intrinsic value they are creating value for shareholders; when they repurchase at prices above intrinsic value, they're destroying it. We'll try to do lots of the former and none of the latter.

On rare occasions, we've bought publicly held securities (our Berkshire purchases in the '90's have paid off). We can do a little more of that too if the opportunity presents itself.

Balance Sheet

($ millions)

	3/31/2015	12/31/2014	% Change
Cash and restricted cash	$651	$798	(18)
Marketable equity securities/other	215	227	(5)
Other current assets	620	666	(7)
Net property, plant and equipment	823	861	(4)
Net goodwill and intangibles	1,916	1,962	(2)
Prepaid pension cost	1,164	1,152	1
Other assets	136	86	58
Total Assets	**$5,525**	**$5,752**	(4)
Current liabilities	$843	$1,004	(16)
Debt	405	446	(9)
Other long-term liabilities	1,156	1,161	0
Shareholders' Equity	3,121	3,141	(1)
Total Liabilities and Equity	**$5,525**	**$5,752**	(4)

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To look at the strengths of our company, let's start with the balance sheet. At the end of the first quarter, we have $860 million in cash and securities. Our debt is $400 million. At the time of the spin-off, we'll receive a dividend of $400-$500 million from Cable ONE. We'll have a very strong balance sheet. What we do with it will decide our success as a company in the next few years.

Pro Forma Balance Sheet

Excluding Cable, after Estimated Dividend

($ millions)

	Pro Forma 3/31/2015	Actual 3/31/2015	% Change
Cash and restricted cash	$1,095	$651	68
Marketable equity securities/other	215	215	-
Other current assets	578	620	(7)
Net property, plant and equipment	213	823	(74)
Net goodwill and intangibles	1,334	1,916	(30)
Prepaid pension cost	1,164	1,164	-
Other assets	122	136	(10)
Total Assets	**$4,721**	**$5,525**	**(15)**
Current liabilities	$755	$843	(10)
Debt	405	405	-
Other long-term liabilities	844	1,156	(27)
Shareholders' Equity	2,717	3,121	(13)
Total Liabilities and Equity	**$4,721**	**$5,525**	**(15)**

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This is our pro forma balance sheet as if the spin-off had taken place at the end of the first quarter. Except for the dividend, we won't look terribly different on the cash, securities and debt lines. The pension assets will remain with Graham Holdings. But the property, plant, and equipment lines and the goodwill and intangibles lines look very different.

I'd like to do the obvious and show you what our numbers look like for the first quarter and for 2014 without the blizzard of one-time charges that hit us last year—the Buffett transaction, the sale of the building, the sale of our share in Classified Ventures were the largest.

Revenues

From continuing operations

($ millions)

	2014	2013	% Change
Education	$2,160	$2,164	-
Television broadcasting	364	308	18
Other businesses	213	129	65
	2,737	2,601	5
Cable	798	807	(1)
	$3,535	$3,408	4

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So these are our 2014 numbers free of one-time transactions last year and without the television station we sold to Berkshire Hathaway as part of the deal. I've left Cable ONE on this slide, but dropped it into a separate category so you can see what the company will look like once the spin-off is effected.

First, revenue. 2014 was $2.7 billion, and that was in a year with Congressional elections and Olympics which increased revenue at the stations. It's not easy to grow from any base.

Operating Income (Loss)

From continuing operations
($ millions)

	2014	2013	% Change
Education	$65	$51	28
Television broadcasting	188	145	29
Other businesses	(21)	(23)	10
Corporate office, excl. pension credit	(85)	(66)	(31)
Corporate pension credit	82	42	97
	229	149	53
Cable	179	170	5
	$408	$319	28

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Next, operating income. Kaplan was at $65 million and as we've mentioned in our reports to you, that number was diminished by small write-offs for software expenses at Test Prep and for the shutdown of some of the campuses.

Please notice that $82 million of our $229 million of operating income stems from pension credit. This is the mandatory accounting treatment of our billion-dollar pension surplus. GAAP requires us to record the pension credit but as I have in the past, I urge you to ignore it when you look at the value of the Company.

Revenues

From continuing operations

($ millions)

	Q1 2015	Q1 2014	% Change
Education	$501	$522	(4)
Television broadcasting	83	86	(2)
Other businesses	63	25	-
	647	633	2
Cable	199	204	(3)
	$846	$837	1

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The first quarter was pretty straightforward. We expected TV revenues to decline because of the absence of Olympic revenue; there was also a trickle of first quarter political advertising last year. At Kaplan, revenues declined pretty much as we expected. We included some commentary on the decline in our first quarter 10-Q. The increase in other business revenue mostly comes from SocialCode and our health care businesses. We also bought Joyce at midyear 2014.

At Kaplan, more than half the decline in first quarter profitability is directly related to marketing spend at Kaplan University which did not occur in the first quarter of 2014. We also had declining results at the campuses which will be sold to ECA later in the year. Our other businesses lost $6 million less. I won't be reporting in detail on Kaplan and our TV group this morning because I did so at length in the annual report; Tom Leppert, the CEO of Kaplan and Emily Barr of the TV station group are here to help answer your questions.

Losses at SocialCode will continue because we are investing to keep growing in our fastest-growing business. We are a leader in advertising and analytics on Facebook and Twitter for large brands. It's a fast-growing market and our position is growing faster than the market.

Operating Income (Loss)

From continuing operations

($ millions)

	Q1 2015	Q1 2014	% Change
Education	($23)	$2	-
Television broadcasting	39	44	(13)
Other businesses	(5)	(11)	52
Corporate office, excl. pension credit	(20)	(15)	(29)
Corporate pension credit	17	18	(4)
	8	38	(80)
Cable	39	41	(5)
	$47	**$79**	(41)

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Our income for the first quarter was tiny if you subtract what Cable ONE contributed. Our TV stations now make up a great deal of our profitability; they'll be down in 2015 because there were elections and Olympics in 2014 and none this year and there's no chance the rest of our company will make up for their decline in income. But results at the rest of the company, taken as a whole, will improve a bit.

Operating and Free Cash Flow

2014

($ millions)

	GHC As Reported	Cable	GHC Excluding Cable*
Operating Income	$408	$179	$229
Add: Depreciation and Amortization	239	129	110
Less: Pension (Credit) Expense	(61)	3	(64)
Operating Cash Flow*	**$586**	**$311**	**$275**
Capital Expenditures	(237)	(177)	(60)
Free Cash Flow*	**$349**	**$134**	**$215**

Non-GAAP measure

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Our company will look quite different on its cash flow statements. Let me show you first how the 2014 yearly cash flow would change if the spin-off had taken place. We've always been a company with healthy cash flow from operations. That will continue both for us and for Cable ONE. The lines on the left show the results for Graham Holdings as we reported them for 2014. Of our operating income, almost $180 million came from Cable ONE and almost $230 million from what will be the post spin-off Graham Holdings. But the majority of our depreciation and amortization was attributable to Cable ONE. This left Cable ONE with the majority of our operating cash flow—$311 million as compared to $275 million for the rest of GHC.

But Cable ONE also had the lion's share of our capital expenditures—$177 million out of $237 million. So what we are calling free cash flow—operating cash flow minus capex—was $215 million at the businesses that will make up Graham Holdings after the spin-off. There will also be plenty of free cash flow at Cable ONE—their capex in 2014 and 2015 are exceptionally high.

We are setting the stage for a new and different company. Already we have acquired two companies in the home health care business and two in manufacturing. All are performing satisfactorily and profitably.

There's no question how we'll measure our progress. We want to earn more money for you per-share while building a very strong company for many years to come.

As our company has changed, our management has changed.

Tim O'Shaughnessy has become president of Graham Holdings; Tim is starting out with the primary job of helping me look at capital allocation. Andy Rosen is executive vice-president; Andy is also chairman of Kaplan and our health-care businesses report to him.

Also at corporate, Nicole Maddrey has become our general counsel, replacing Ronnie Dillon. Nicole has proven her judgment in years of work on the transactions I just described. Denise Demeter is the new leader of our HR team, replacing Ann McDaniel who, like Ronnie, has retired. I have known Denise for years and have the highest faith in her ability to move us forward.

We believe we are building something. We are building it for our shareholders, and we hope you'll be with us for a long time.

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