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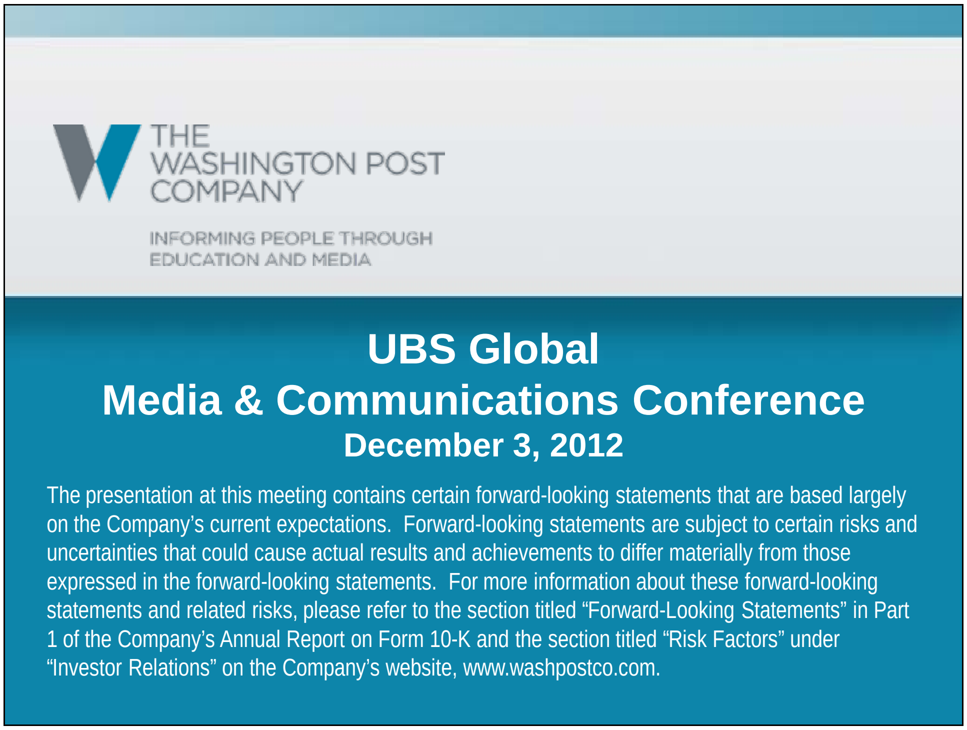
Remarks by Donald E. Graham
Chairman of the Board and Chief Executive Officer



This will be a different kind of presentation for us. I'm going to briefly outline the nature of our Company and describe a few things about our third quarter and first nine months' results.

We can then spend 45 minutes on questions; by a happy coincidence, Andy Rosen, the CEO of Kaplan, is in town today. The education business has changed so dramatically in the last couple of years that I suspect many of your questions will concentrate on it. Andy will be here to answer questions about Kaplan; Hal and I will take questions about our other businesses and about the corporation.

The Washington Post Company

($ millions, except EPS and shares outstanding)

	Q3 2011	Q3 2012	% Change
Revenue	1,012.5	1,011.3	-
Operating Income	70.2	75.9	8
EPS - Continuing Operations	1.59	6.03	-
EPS - Continuing Operations, adjusted*	5.18	6.79	31
Shares Outstanding	7,883	7,376	(6)

	First 9 Months 2011	First 9 Months 2012	% Change
Revenue	3,090.7	2,967.6	(4)
Operating Income	216.6	159.0	(27)
EPS - Continuing Operations	10.44	12.38	19
EPS - Continuing Operations, adjusted*	17.31	13.48	(22)
Shares Outstanding	7,979	7,508	(6)

Non-GAAP measure

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Our third quarter was a good one; operating income was up 8%. Shares outstanding were down 6%. We went public with 20 million shares outstanding, so you can see we have a strong tendency to repurchase when prices are attractive.

The Washington Post Company

($ millions)

Operating Income (Loss)*	Q3 2011	Q3 2012	% Change
Education	20.8	14.7	(29)
Cable Television	36.8	39.9	8
Newspaper Publishing	(10.8)	(21.8)	-
Television Broadcasting	24.1	54.1	-
Other	(0.7)	(11.0)	-
Total	**70.2**	**75.9**	**8**

includes noncash pension expense

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Our Company consists of four major businesses and some smaller ones. For the third quarter, two of the four large businesses produced excellent results: our television stations (boosted by

Olympic and election-related advertising) and Cable ONE. Education was down for the quarter. Newspaper results, as I'll show you later, are dramatically affected by a $16.2 million noncash pension charge. The results aren't great, but they aren't nearly as bad as this slide makes them look.

The Washington Post Company

($ millions)

Operating Income (Loss)*	First 9 Months 2011	2012	% Change
Education	65.4	6.5	(90)
Cable Television	114.9	111.1	(3)
Newspaper Publishing	(28.0)	(56.3)	-
Television Broadcasting	76.2	128.8	69
Other	(11.9)	(31.1)	-
Total	**216.6**	**159.0**	**(27)**

*includes noncash pension expense

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For the first nine months, the gain in television profit is more than offset by declining profits at Kaplan. Later, I'll show you another slide that describes newspaper results after noncash pension charges.

Post–Newsweek Stations

($ millions)

	Q3 2011	Q3 2012	% Change
Revenue	73.8	106.4	44
Operating Income	24.1	54.1	-

	First 9 Months 2011	First 9 Months 2012	% Change
Revenue	231.0	283.5	23
Operating Income	76.2	128.8	69

At our television stations, the headline is the replacement of one brilliant CEO, Alan Frank, with another, Emily Barr, who has spent her career at Cap Cities and Disney.

Post–Newsweek Stations

LOCAL 2 KPRC

LOCAL 4 WDIV

Local 10 WPLG

LOCAL 6 WKMG

KSAT 12

4 WJXT the local station

These results will stand comparison to anyone's, and the six stations' news and competitive positions range from reasonably strong to unbelievable. Obviously, profits will be down next year, unless someone calls an election.

Cable ONE

($ millions)

	Q3 2011	Q3 2012	% Change
Revenue	187.9	199.6	6
Operating Income	36.8	39.9	8

	First 9 Months 2011	2012	% Change
Revenue	569.4	585.4	3
Operating Income	114.9	111.1	(3)

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Cable ONE is a quite unique cable company, serving smaller cities in the South, West and Southwest. It's run by a unique CEO, Tom Might. The headline on this slide is: Tom's done it again, repositioning the company to take advantage of our business and competitive strengths.

Much of the profit is going out of the video business. But, our customers continue to enjoy the best service in the industry, and our high-speed data offering is also the best.

Cable ONE

PSUs	9/30/11	9/30/12
Basic Video	627,659	605,057
High-Speed Data	448,143	462,808
Telephony	176,527	185,647
Total	**1,252,329**	**1,253,512**

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Data and telephony subs are doing well (the profit is NOT going out of these businesses, though we have strong competition).

Kaplan, Inc.

($ millions)

	Q3 2011	Q3 2012	% Change
Revenue	601.6	552.6	(8)
Operating Income	20.8	14.7	(29)

	First 9 Months 2011	2012	% Change
Revenue	1,823.7	1,652.1	(9)
Operating Income	65.4	6.5	(90)

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Kaplan is by far our most complicated business; two of its parts have had good years. One has not.

Kaplan Test Prep

($ millions)

	Q3 2011	Q3 2012	% Change
Revenue	79.6	81.2	2
Operating Income (Loss)	(4.7)	3.4	-

	First 9 Months 2011	2012	% Change
Revenue	236.2	223.8	(5)
Operating Loss	(29.0)	(4.1)	86

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I'd like to pay tribute to John Polstein and the team at Kaplan Test Prep. This business lost $29 million through three quarters a year ago. It is $25 million better this year, in a radically redefined business. No promises about the future, but this team has come through.

Kaplan International

($ millions)

	Q3 2011	Q3 2012	% Change
Revenue	192.6	197.9	3
Operating Income	10.8	20.6	91

	First 9 Months 2011	First 9 Months 2012	% Change
Revenue	513.8	555.9	8
Operating Income	18.7	33.3	78

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Likewise, Kaplan's international business has markedly improved, although the world economy isn't great. There's promise in this business not reflected in these numbers; we make a lot of our money in the fourth quarter. We received a big boost last week from the principal survey of private educators in Singapore; for the first time in the history of the survey, we were voted the best in the country, in competition with some brilliant Singapore, UK, Australian and Chinese competitors.

Kaplan Higher Education

($ millions)

	Q3 2011	Q3 2012	% Change
Revenue	330.9	273.7	(17)
Operating Income	25.1	1.5	(94)

	First 9 Months 2011	First 9 Months 2012	% Change
Revenue	1,076.1	872.9	(19)
Operating Income	120.9	16.3	(86)

Here's the problem at Kaplan: the US higher education business is suffering from a combination of bad regulation; an economy so bad that people don't believe they'll get a job, despite education; and to a lesser extent, new competition. These results include one-time charges connected to our closing some Kaplan Higher Education campuses, as we described in our third quarter press release and 10-Q.

Kaplan Higher Education Enrollments

	9/30/2011	6/30/2012	9/30/2012
Kaplan University	53,473	44,756	49,132
Kaplan Higher Education Campuses	26,184	22,849	24,129
Total	**79,657**	**67,605**	**73,261**

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This is the number of students we teach. It is down from about 120,000 at the peak, but up over last quarter.

Newspaper Division

($ millions)

	Q3 2011	Q3 2012	% Change
Revenue	143.5	137.3	(4)
Operating Loss	(10.8)	(21.8)	-
Pension Expense	5.2	16.2	-
Operating Loss, Excluding Pension Expense*	(5.5)	(5.6)	2

	First 9 Months 2011	First 9 Months 2012	% Change
Revenue	450.4	419.6	(7)
Operating Loss	(28.0)	(56.3)	-
Pension Expense	17.2	32.6	89
Operating Loss, Excluding Pension Expense*	(10.8)	(23.8)	-

*Non-GAAP measure

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A word about the newspaper division that begins with a word about our corporate balance sheet: we have a significantly overfunded pension plan. This is unusual enough that I'll repeat it: our Company has a significantly overfunded pension plan. We haven't had to put money into it since I became CEO in 1991.

But, accountants are accountants, and we keep our books in the approved way. For whatever reason, we take a big pension credit at corporate and assign a pension charge to the newspaper division. I wrote about this at length in the annual report. Investors are free to view this charge as they wish; I ignore it when viewing the newspaper's results. After pension expense and what any of us would truly view as one-time charges (including buyouts and the costs associated with closing a printing plant), the Post made money in 2010 and 2011. As you can see, results at the newspaper division (which includes more than the Post) were worse in 2012 than in 2011. The fourth quarter, of course, is usually our best in this division.

The Washington Post

Daily Print Circulation

Rank	Newspaper Name	Total Print
1	Los Angeles Times	454,498
2	**The Washington Post**	**434,693**
3	Chicago Tribune	388,848
4	New York Daily News	383,835
5	New York Post	344,755
6	Long Island Newsday	278,369
7	Phoenix Republic	274,783
8	Houston Chronicle	234,483
9	Minneapolis-St. Paul Star Tribune	234,475
10	Denver Post	226,118

Source: September, 2012 ABC FAS-FAX

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The Washington Post

Sunday Print Circulation

Rank	Newspaper Name	Total Print
1	Los Angeles Times	809,176
2	Chicago Tribune	733,981
3	**The Washington Post**	651,428
4	Minneapolis-St. Paul Star Tribune	476,573
5	New York Daily News	460,255
6	Detroit Free Press	435,996
7	Phoenix Republic	433,663
8	Houston Chronicle	411,751
9	Denver Post	388,374
10	Philadelphia Inquirer	385,880

Source: September, 2012 ABC FAS-FAX

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In old-fashioned print circulation, the Post is the 2nd – largest metro newspaper in the United States daily and the 3rd –largest on Sunday, although we are in the 8th – largest market.

Newspaper Publishing Division

Selected Revenue Categories

($ millions)

	Q3 2011	Q2 2012	% Change
Print Advertising (The Washington Post)	57.6	51.4	(11)
Online	23.8	26.9	13

	First 9 Months 2011	2012	% Change
Print Advertising (The Washington Post)	187.4	160.7	(14)
Online	74.3	77.5	4

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This has meant that our ads work better than those of others; in digital advertising, our market position is also unusually strong, as are our ad results.

washingtonpost.com

	Q3 2011	Q3 2012	% Change
Unique Users	17 million	18 million	5
Page Views	194 million	261 million	35

Source: comScore Media Metrix, July-Sept, 3-month avg

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I was publisher of The Washington Post for 21 years; I take my hat off to the entire Post management team, led by Katharine Weymouth and Steve Hills, for their cost-cutting performance this year and for each of the past four years. It is absolutely crucial to the newspaper's future. As a member of the Pulitzer Prize board from 1999 to 2008, I am pleased that Marty Baron is the new editor of the Post; his leadership of the Boston Globe has produced truly memorable work (and a rarity in the newspaper business—quite a few reporters who really like the guy).

Balance Sheet
($ millions)

	Actual 12/31/11	Actual 9/30/12	% Change
Cash and restricted cash	$406	$327	(20)
Marketable equity securities/other	339	424	25
Other current assets	501	527	5
Net property, plant and equipment	1,152	1,101	(4)
Net goodwill and intangibles	2,000	1,980	(1)
Prepaid pension cost	537	528	(2)
Other assets	82	79	(2)
Total Assets	**$5,017**	**$4,966**	(1)
Current liabilities	883	902	2
Debt	565	457	(19)
Other long-term liabilities	967	964	-
Stockholders' equity	2,602	2,643	2
Total Liabilities and Equity	**$5,017**	**$4,966**	(1)
Net Cash and Securities (Debt)*	**$180**	**$295**	64

*Non-GAAP measure

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I will end with a look at our balance sheet: our cash and marketable securities of $751 million somewhat exceed our debt of $457 million, most of it due in 2019.

We should have ample time for your questions.

Q & A

Sam Powers: Well, Don, thanks very much for that overview. I think that was really helpful.

If you don't mind, I'll start with the first question. And, actually, even though you talked pretty broadly about all your businesses, I'm going to start with one of the businesses you didn't mention because I think it would just be helpful to level set some of the strategy.

You announced an acquisition this year of Celtic Healthcare. And there was a lot of speculation when you did that around what the intention was, how it may or may not fit with the education business. If you don't mind starting on something that's a little more tangential and a smaller business-- if you don't mind talking about that, the strategy for it, and how it fits in with the overall strategy.

Don Graham: We bought an extremely well run healthcare company in western Pennsylvania. And it is hard to describe it as "strategic" because its revenue is, roughly, 1% of the revenues of The Washington Post Company. So it is a tiny business compared to the overall scope of the company.

But it is a very good business in a field that won't be merely growing but, unfortunately, exploding. It serves older patients who have been in-- typically, have been in a hospital, have been discharged under a doctor's orders, and given a prescription for home healthcare. The prescription typically runs 60 days. The industry is closely regulated. Every state decides on the form of regulation. Celtic, run by its founders, who are both healthcare professionals, has a highly superior record of performance on behalf of its patients. It serves them well. It is a decent business.

For demographic reasons, everyone knows the overall business in the United States will grow a great deal over the rest of our lifetimes. I understand some senators and members of congress are talking in Washington this week about some of the consequences of that. But whatever the federal government decides to do about the future of Medicare, I was born in 1945, so I'm the leading edge of the baby boom. And the number of Medicare patients and the amount of money the United States will be spending on healthcare will grow enormously.

No. We do not plan to become a giant in the healthcare field. We plan to acquire every time we can well run businesses that can contribute some profit meaningfully to The Washington Post Company. We'll do the same thing with Celtic that we do with Kaplan. We will leave them alone. We will not tell them what to do. They run their business superbly. And we will stay out of their way, let them continue to run it. We hope they will grow a little. But, if they never grow at all, we're very pleased to have Celtic as part of our company.

Did that answer your question?

Sam Powers: Yeah. That was helpful.

Maybe turning to the biggest part of the-- well, maybe not by revenue or the biggest part of the business, but, certainly, what's gotten the most questions is Andy's business.

Don Graham: Well, it's more than half the revenues of the company, so it is, by far, the biggest part of the business.

Sam Powers: By profit, I guess, then, for that.

Don Graham: Yeah. Correct.

Sam Powers: Don referenced the regulatory headwinds, and he's been pretty vocal about that. Can you just talk about, specifically, some of the things like the 90/10 rule and how you're mitigating potential impact to your business?

Andy Rosen: Yeah. I mean, higher education is very highly regulated, up, down, and sideways. As Don has discussed, I think, in this forum and in the shareholder letter, we have an unusual situation in our country where there's a lot of talk about how costs are going up in higher education, and, yet, there's a regulatory structure that drives prices up instead of letting prices settle down. It's a combination of this 90/10 rule and a set of rules around how much-- how are institutions have to reduce the loans that students get.

So the 90/10 rule provides a limit on what percentage of your revenue can come from the federal government. And one of the ways that some companies ensure that they comply with the 90/10 rule is to price their program above the umbrella of the Title IV program.

So it is our goal-- No Kaplan institution has ever run afoul of the 90/10 rule. We monitor the 90/10 very closely. We make sure that our students get a significant amount of debt counseling. We encourage them not to borrow more than they're capable of borrowing. We make sure that we get cash from students when that's possible. We work with employers. We work with states and other means to try to attract cash on the 10 side of 90/10. But it's something that we keep close watch on. And we certainly would hope to maintain that record of never exceeding.

Don Graham: Andy, if there were no 90/10 regulation, are there Kaplan programs for which you would reduce tuition?

Andy Rosen: Yeah. 90/10 is the constraint on our ability to reduce prices. The marketplace would reward those who reduce prices. And I think the market would require us to reduce prices. And there are some places I'd love to do it right now.

Sam Powers: Helpful.

That whole topic raises just another issue of the education sector. It's taken a lot of investor focus, certainly. But there's definitely been-- The regulatory overhang has been significant. What are you just--? Stepping back, what's the overall path to clearing some of this what I'll call regulatory overhang and really being allowed to run your business the way you think you can really serve students the best, provide the best product offering, which, presumably, would result in a better financial story and a better investment case?

Andy Rosen: Well, I could tell you what a better regulatory environment would be. So, if we start with that, I think the goals of our federal regulatory structure ought to be around outcomes for students, accessibility, affordability, and accountability. And a regulatory structure that focused on those four priorities, that is incentivizing them, and dis-incentivizing those institutions that worked against that would be better for our country as a whole, not just for-profit institutions but all institutions because we really don't know who a better educator is among Georgetown or George Washington or George Mason or UDC. We know about reputations. We don't know who's a better educator. We know how much they charge, but we don't incentivize institutions to reduce pricing.

From our perspective, the difficulty over the last couple of years has really been around the debate of changing the regulatory structure. We have adapted our business to respond to the regulatory structure we have now. What we'd like to be able to do now is run our business.

Don Graham: I mentioned before two-thirds of you came in the room that Andy is the author of a recent book, 20 copies or so of which are on the back table, about the state of higher education in general.

You made an amazing point in that book-- amazing to me. Perhaps people that know about higher ed know all about this.

But the point you made was that-- I cannot think of another area of American life where this is true that the 20 or so biggest-name, biggest-reputation universities of 1950 are still, to the 90% or 95% level, the most famous, best-reputation institutions today. There has been no competitive movement whatsoever. Am I correct?

Andy Rosen: Yeah. You're right. And the fact that you can go back to 1900 and you'd see pretty much-- if you did a ranking of the top 20 or top 50 institutions in the United States, you'd find mostly the same ones. In fact, in the *U.S. News*' rankings, in the top 75, there's only one institution that was created as recently as the 20th century, and that was Carnegie Mellon in 1900.

So you have to wonder. Were there no good institutions created in the United States in that period? And, of course, the answer is there are plenty of good institutions. It's just that reputation takes a long time to develop in the U.S. And, in part, it's because nobody measures learning outcomes. Reputation feeds itself, and institutions don't compete on the key thing we think as a society they should be competing against.

Sam Powers: You're clearly-- Correct me if I paraphrase incorrectly. But you're clearly competing with those top institutions. You compete with private institutions, or your lease expires in terms of the education. Right?

Andy Rosen: I would say we're not competing with the top institutions. I mean, our population-- average age at Kaplan University is 34. They're working professionals. They have kids. They've got mortgages and so on. So it's a very different population.

We're competing with the local state college, with community colleges, places where adults come in order to further their education and their career.

Sam Powers: Okay. That's helpful. The second part of my question, I guess, is related to that. And I wanted to make sure I had the population right. But, when those schools that have needs and are kind of trying to best serve their population and you're making technology investments and you're trying to improve the service you offer, has there ever been a thought of being a solutions provider to some of those schools, where you compete with them today? Is it ever where you leverage some of the investment you've done, where it's a white-label type product?

Andy Rosen: Yeah. We do do that in the United States. We serve traditional institutions that are providing for their online program. So we run their online programs.

Internationally, that is the heart of our business. That is, where we-- Don showed some of the international performance. Most of that is serving traditional institutions, whether by hosting their branch campuses overseas or hosting international students when they come onto the home campus in the U.K. or in Australia or here in the U.S. We teach those international students their first year. And, once they successfully survive that first year with us, then they matriculate into the home university. And there's a whole range of other services we provide.

But we think that, increasingly, partnerships with traditional universities will be a central part of who Kaplan is. People in the United States think of us as a branded institution. But, overseas, they think of us an ally of the traditional system.

Sam Powers: Just one more question on Kaplan. I want to touch on a few other things before we open up for questions.

The business spans, you mentioned, internationally. You've got the test prep business and then higher ed. How do you prioritize dollars across those three businesses? They've obviously, on the profitability side, contracted a little bit. How are you thinking about marketing spend and investment across that portfolio?

Andy Rosen: Well, you know, I think one of the nice things about having a diversified portfolio is we can direct dollars to where they're getting a better return. Now, obviously, we have sort of higher ed issues we have here.

But, if you look at, for example, our acquisitions over the course of the last couple of years, most of them have been outside the United States. There was a time when higher education assets were relatively inexpensive. Then they became expensive. Now they've become quite inexpensive, but people are still holding back on investing. But, internationally, there are some good opportunities, and we've taken advantage of some of them.

Sam Powers: Got it.

And just a follow-up question. I guess you said the assets have been inexpensive. There have been some technology-enabling assets that have traded at quite high multiples. Maybe just walk us through how you think about that side of the business. We referenced it a little bit in terms of some of the services you provide. But what's the path there? And how aggressive do you think you could be with some of those opportunities, given your own valuation?

Andy Rosen: Well, there's a lot of dynamism in the education marketplace generally. I mean, you're describing EmbanetCompass, which just was acquired by Pearson, the Deltak acquisition recently by Wiley-- And those have been at multiples of between 4 and 5 times revenue. So they're pretty substantial. And both of those businesses are in the business that I described that we're in, which is helping traditional universities offer their online programs.

I think that's a good market. I mean, there's no question that traditional universities are increasingly going to be adding online programs. Many institutions feel they don't have the expertise to be able to do it well - both to deliver the education or to market and attract students. So I think it's a good opportunity.

But I think it's an opportunity that has a limited period because, over time, institutions are going to want to pull that in to their own programs. I don't know that, over 20 years, institutions are going to want to outsource that.

Sam Powers: Interesting. Maybe, before we move on, are there any questions in the audience on Kaplan?

Bill Brown: I'm not as familiar with some of the different aspects--

Don Graham: I'm sorry. We can't see you. Can you say who you are?

Bill Brown: Oh, hi. Bill Brown. I had a question for Andrew about the not-for-profit. One of the things-- I don't know the company as well. But, just from afar, there was a lot of abuse in the industry, a lot of bad acting, particularly around loan programs. At least, that's what I'm aware of. Can you comment on that? And have we got to the point where that's out of the business? And, when you look at the numbers, I would imagine some of the decline is based on some of that coming out of the sector. As an investor, how would you baseline where you are now, and how are you going to grow going forward?

Don Graham: I'm sorry. Could you repeat maybe the last two sentences of what you said? As an investor--?

Bill Brown: Well, yeah, as an investor-- so, you look at an industry-- you know, like you could look at-- I mean some people have published reports which indicated that the abuse in the sector was rampant. I'm not going to compare it to the subprime lending sector. But there was a lot of schools in competition that had bad acting.

So how much--? Is that over? Has that come out of the market? And, when you look at your business, have you baselined? When is that sort of--? Is there more, sort of, stuff to come out of the market before you can sort of grow again and be profitable?

Don Graham: Okay. Thank you. Good, direct, helpful question. I'll take a headline-level swipe, since I am in the press business, and pass to Andy.

There was abuse. Much of the comment on it, much of the reporting on it was very bad. The fellow comparing it to subprime was a highly self-interested sort who made a lot of money for himself by making that comparison in front of the congressional committee, profiting greatly by his appearance in front of the committee.

I'll talk about Kaplan. How much is Kaplan University about students, and how much is it about making money? I have the tiniest of connections with Kaplan University. I teach there and have for a couple of years because I wanted to experience the students and the life at first hand. In the extensive investigation conducted by a GAO committee, one of our employees was found committing what Andy and I said publicly at the time we considered a gross abuse.

Thinking over how to best respond to this person's behavior and how to make sure that it never happened again, we did something I doubt that any university you know of has done. We said to every entering student at any of our programs - You can enroll and take the first four or five weeks, including the first set of exams, and, if you choose to drop out, you will owe us nothing. You will pay us no tuition. You'll incur no debt. The reason I can say no institution you're close to has done such a thing is no institution in the United States has. But that was how seriously we took the kind of criticism that you're conveying. We do not want to run an institution that abuses students. We do not want to run an institution that does anything but educates them in the best, quality manner we can do.

And I think-- I did not create that program. Andy and Greg Marino at Kaplan University and his team did. I am so proud of what they did. It cost us-- It cost our shareholders tens of millions. But, to anybody who cares about reputation, it's just impossible to come up with something that-- The person I know best who runs a university for low-income students in Washington says - If we did that, we'd be out of business tomorrow.

I'm very proud of Kaplan and proud to be associated with it and proud to teach there. You've been answering this question for two years. Why don't you go on?

Andy Rosen: Yeah. The one thing-- I'd start by saying that the sort of anecdotal, sort of snippets that people hear-- I would encourage you, actually, to, all in modesty, take a look at my book because I talk at some length about these issues. And people who have looked at it have pretty uniformly said it's fair-minded. It is not a one-sided presentation of it. And it acknowledges that there were some issues and have been some issues in private sector higher education.

Having said that, you know, you just heard a presentation from Don in which he made very clear that The Washington Post Company is a long-term-oriented company. That is, we want to create excellence for our customers, for our readers, for our students over a period of years and decades. The only way to do that, the only way to serve shareholders in the long run is to provide a return on investment for students and for taxpayers who are footing the bill for a lot of the education. And so programs like the one that Don described, the Kaplan commitment, show right up front that students-- if they don't find that they're getting exactly what they expected, they can pull out. And we've incurred all the cost, and they've incurred none. That creates a very powerful incentive for us to be very up front with students in advance as to what kind of experience they're going to have. And, in fact, we've seen that we're getting students who are better able to surmount the rigors of a college education.

I should add that most of the students who withdraw during that Kaplan commitment period are withdrawing because we've identified them as unlikely to succeed. So the bulk of the students who come out are students that we said - We can't permit you to continue because we don't think this is a good decision for you.

Now, that is-- doing that is a direct contributor to the numbers that you've seen. We believe that that's a good, long-term solution for our students. And things that are good, long-term solutions for our students will, over time, be good solutions for our shareholders. But one of the pleasures of being part of The Washington Post Company is we get to make the decision for our students first with the assumption that that will serve our shareholders over time.

Don Graham: I really want to thank you for the very direct and straightforward question. That was helpful.

Sam Powers: We've got a couple questions on this side.

Unidentified Audience Member: Hi. My name is (inaudible). First of all, thank you, guys. I think this is a fascinating discussion.

This year, we've seen a lot of growth and just an explosion behind the trend I guess people are calling democratization of education. You're seeing a lot of the top universities in this country and a lot of faculty members offering their classes online for free to students around the world. How do you see these players disrupting, I guess, the education industry, and how do you view them as competitors?

Andy Rosen: Yeah. What you're describing is, primarily, the rise of what's called MOOCs, massively open, online courses. So, you know, Stanford famously put that artificial intelligence course online and had 160,000 students come.

One thing I just want to say as an observation. We've been in the online education world for, really, decades now. And, for most of that time, traditional academia said online education-- that's not real education. That's a low-brow approach to education. We don't even like to think about it. Stanford puts a program online, and then, all of a sudden, the crowd goes wild. Everybody loves online education. It's fantastic.

Well, I think that, from our perspective, first of all, there is a certain validation there that online education is not just what those who don't have access have to do. It's something that the elite institutions have embraced. And I think, in that sense, it's a good thing.

Coursera and EDEX and Udacity and so on-- they're offering free courses online. And they really are, I think, in that democratizing education. What they haven't done yet and have expressly not articulated a vision for is-- How do you take that and turn it into a set of programs at a very low cost? I think that institutions, the Stanfords of the world, will be very hesitant to offer a Stanford degree for free to anyone who comes aboard. But I think it creates opportunity for companies, perhaps companies like ours, to help aggregate those programs and offer them with maybe a wrapper of service to help students be able to get degrees through this. It's a very dynamic marketplace, and I think it creates opportunities as well as risks.

The one thing I will say is that, over time, it starts to say that education can be delivered for less. And so, right now, if you have to spend $60,000 a year to go to an elite institution and that same elite institution is offering courses for free, people are going to start saying - I get that there should be some gap, but should it really be $60,000 a year? And what does that mean about the price of traditional education? We are considerably less expensive than that, but we're more expensive than community colleges, which are heavily subsidized.

This is perhaps-- it's on the top three of issues that we deal with, which is-- how is this world going to play out? And I can promise you that I spend at least-- well, a big chunk of my time focusing on that exact question. Thank you.

Sam Powers: There's another question in the back.

Josh Alpert: Hi. Josh Alpert from Indice Capital. Dare I bring up the newspaper? I'm just wondering. What is your strategy with the pay wall, given the recent press findings about--?

Don Graham: I'm sorry, Josh. I'm really not hearing you.

Sam Powers: The question was the strategy around the pay wall at the newspaper.

Don Graham: Okay. Is that a good enough definition of the question?

Josh Alpert: (Inaudible - microphone inaccessible) versus some of the other metro newspapers around the country. What do you think needs to be done to turn it profitable again and really get the newspaper business going?

Don Graham: Well, the-- Anybody who really focuses on the newspaper business should be studying one company this year, Berkshire Hathaway. Warren has bought more than 80 papers between *Media General* and the Omaha *World-Herald* and some of the other acquisitions he's made. And he's not-- He's been waving his arms saying - I'm not done.

I presume-- This is a very intelligent group, so I presume most of you are Berkshire Hathaway shareholders and go to the annual meeting. But, in case there are one or two of you who do not, first of all, you're out of your mind. Spend $80 and go to Omaha in May and listen to Warren Buffet for six hours, and you'll make a big profit on your $80. I mean, it's the best deal going.

But why would somebody as smart as Warren Buffet be buying newspapers? What he said at this year's annual meeting was - We own the paper in Omaha, and we own the paper in Grand Island, Nebraska. The paper in Grand Island, Nebraska said - Warren, it's a better business than the paper in Omaha because there's no broadcasting stations in Grand Island. There's no other way to get the news except by reading the Grand Island newspaper. He said, of the papers he owns, the largest ones - Buffalo, Omaha, Richmond - probably in margin terms are the most-- they're profitable, but they're not the most-- the most profitable are the smallest because, when you get larger, you get challenged by more forms of media competition for advertising delivery. When you get up to the size of metros--

Warren's strategy is simple. Put in a firm pay wall, and stick to local, local, local stuff. He has publicly written that the editor and publisher of every paper Berkshire owns-- you can read this. Just Google Warren Buffet and newspapers, and you'll read the letter he writes. And it says - Don't worry about anything except the stuff where we're primary. Write about Nebraska football if you're the Omaha *World-Herald*, but don't go outside the borders of the city and the state. They pay a lot of attention to obits as a form of news that you can only get in the local paper.

The New York Times has also put in what seems to me a very intelligently conceived pay wall aimed at, first of all, a paper that can deliver you a newspaper-- a printed newspaper anywhere in the United States and, second, a sort of top 1% or maybe even top half of 1% wealthy audience that can pay you a lot. But other metro papers have faced the challenge of this pay wall and come to different conclusions. *The Times* has-- Help me, Rick. *The Times* has 500,000 or something paying digital customers.

More than that. Do you happen to know the number? 500,000-plus, 600,000. But the *Boston Globe*, which also publishes their numbers because *The Times* owns it has about 20,000 or 25,000 digital subs. And *The Post* has a metro footprint, not a national footprint, as a print paper. So, if you want to subscribe but you live in California, we can't deliver you a paper. That puts a pay wall for the digital product on a different footing.

And we have two other unusual things. We have a digital audience that's 90% outside Washington. So you'd guess that, if we put up a very firm pay wall, we would lose some of that. And we have, as one of my slides showed, a very significant amount of digital advertising. So, if you lose the audience, you'll lose the advertising. We are obviously looking at pay walls of every type. But the reason we haven't adopted one yet is that we haven't found one that actually adds to profits immediately. But we're going to continue to study every model of pay wall and think about that, as well as thinking about keeping it free.

So I hope that answers your question.

Sam Powers: We've got one question over here. While the mike makes it over, do you mind if I ask a question about cable?

Don Graham: Shoot.

Sam Powers: I guess the cable business is an extraordinary cash flow generator for you. In the last few years, you invested a significant amount of capital in that business, starting about a year and a half ago I think.

Don Graham: Right.

Sam Powers: Just given the dynamics in that business with the implications of scale, with programming costs, and, increasingly, scale within the technology development, do you see that as being as resilient in terms of investment outlook? Or is that going to require more capital going forward to remain competitive?

Don Graham: Cable ONE is a very, very different kind of cable company. I just can't give you the long-form presentation of this because-- But our average market has about 20,000 cable customer households. You know, so we're at the other end of the pole from Comcast and Time Warner. We're the biggest cable company in Idaho. We're the biggest in Mississippi. But we don't have Jackson. We're the biggest in Oklahoma outside Tulsa and Oklahoma City. I mean, we are rural America.

And you mentioned Glenn Britt's comments this morning about how much video providers, content providers were demanding from cable companies. And, out in rural America, the customers won't pay that. They won't pay the exorbitant sums that some people are demanding. So we've always been picking and choosing and weeding out people who demand a lot of money but don't provide valuable content.

Our best business today is the data business. Everybody needs a high-speed cable modem for themselves, for their family, for their children if they have children going through school in the household. And we knock ourselves out providing the best in our markets, the fastest, the most cost-effective. And we constantly redefine what we emphasize, but we always emphasize service to the customer because that will make a huge difference in the long run.

That's a very short answer to a good question.

Sam Powers: I think we had a question here.

Unidentified Audience Member: Excuse me. Back to newspapers, on the-- referencing what you said about Buffet, in what areas is *The Post* primary? Strategically, what kinds of news are primary for you? And is *The Post*--? Is your business-- stays a Washington metro publication, or does it become the *de facto* free, good nationwide paper now that *The Times* is pay walled?

And then, just secondly, revenue breakdown-wise, do you think that you're going to be mostly a circulation revenue business in the future or mostly ads or the same mix where you are today?

And, thirdly, profits in the division-- will they be driven by revenue growth in the future as you institute a pay wall maybe? Or will it just be bringing costs down on the current revenue base?

Don Graham: We will absolutely have to be bringing costs down. That is a very-- You have really studied the newspaper business. That's a very smart set of questions.

The Post is primary-- I started at *The Post* as a metro reporter covering the city of Washington in January 1971. Unfortunately, I wasn't the best metro reporter we covered-- we hired that year because a fellow named Woodward came on later in the year. But we cover-- We are absolutely primary in covering the city of Washington and the surrounding Maryland and Virginia counties. The city of Washington is also the capital of the United States and of the free world. That's always given us a specialty in coverage of the United States government, politics, the people who run it. We do that well enough that-- there are two surveys of political leaders - members of congress and top people of the administration. In one of those, 85% of people read us every day, and, in the other, 99% of us read us every day. I'll take either, although I prefer the higher number.

So, you know, we cover the capital of the United States as a city and as the capital of the United States.

Because we do that job pretty well, we've got this massive-- we've got this unusually high penetration of our market. Because of that, the ads work better. And we don't get the Tiffany's ads *The New York Times* gets, but we get the grocery ads that they don't because we reach everybody in the market or everybody with any money to spend. The same applies in digital. We really reach a lot of people with the digital product. And, if you do that, there's enough people that want to reach local audiences. LivingSocial, which started as a Washington-based business, used our audience to help their growth in the early days. There's a lot of companies that want a local audience to build on.

That's a very much too short answer to a very good set of questions. There were some other hands I think.

Sam Powers: Maybe just-- There's a question down here in the front. We have time for probably one more.

Unidentified Audience Member: (Inaudible - microphone inaccessible)? Last year, you were quite enthusiastic about some of the new digital initiatives. You talked about couponing and other things. Is that all dead?

Don Graham: No. I de-emphasized that just because I wanted to make Andy available to answer Kaplan-related questions.

If you look at the third quarter press release and 10-K, we've-- The most promising of those businesses is something called SocialCode, which is a Facebook-focused, a social-focused, advertising, marketing, consulting, and agency type business with a dramatically growing revenue stream and half the Fortune 100 as customers. We are very enthusiastic about the digital business.

But I wanted to get out of the way and let you have a chance to question the CEO of one of the largest education companies, so I didn't spend a lot of time on it.

Sam Powers: Maybe one last question, back to Andy, and maybe Hal will chime in on this one. You've got two phenomenal cash flow businesses. You've got the broadcast assets and, then, the cable business, which throw off a ton of cash. Would you run Kaplan and, maybe, *The Post* differently if they weren't paired with those siblings that certainly provide a lot of cushion in terms of cash flow and the overall economics of The Washington Post Company?

Don Graham: That's an interesting question.

Andy Rosen: Well, I'll let Hal and Don talk about how they would run *The Post* company. But Kaplan is a pretty good cash flow generator even now. So, our CapEx is reasonably low, and, certainly, well, less than depreciation nowadays. It generates a lot more cash than you might think.

Sam Powers: I was just thinking about things like willing to do the Kaplan Commitment, which (inaudible) a big hit. Would you still be that aggressive without that kind of cushion that you have from being part of a parent company?

Andy Rosen: Well, I think what matters most is being part of a company that is focused on the long term and on interest in students. And you have to have the financial resources to be able to do that, even in tough times. And it's true that the cash generated by those businesses permit that. But it's the cultural focus on long-term value, I think, is what is most important for us.

Hal Jones: I think the other thing to remember is, other than in case of acquisitions, Kaplan's been self-funding for a long time, and it's still self-funding today. So it's hard to hypothesize what we would do without those other two businesses. But, as Andy said, it's not earning as much money as it was, but it's still throwing off a lot of cash. In fact, CapEx is significantly lower than depreciation today because we're not opening new schools. We're retrenching a bit. So, in that sense, it's still in good shape.

Don Graham: I would like to comment on that and just take a step back. Because of our history in the newspaper business, we have been one of these companies with two classes of stock since 1947, which is way before we were public. So we went public with two classes of stock. We've never been any other way. And people look at that and say - Is it a good idea or a bad idea? I think it's a good idea in only one respect. It gives you the opportunity to think-- to genuinely think about the long term and to focus on things that will build the company if you're wise enough to identify them.

If you think about businesses that you as an investor would want to be in for the rest of your life-- If you're saying to yourself - What industries, what fields would you want to invest alongside very smart people in? That will look good. Again, that's a question that's fascinated Warren, and he often points out that, in 1945, if you'd said, well, jet travel is about to explode, and passenger aviation is going to be a sensational business and you bought a bunch of airline stocks, you'd be broke. None of them-- The growth had been there, but the profit wasn't. And, back in 1900, if you'd decided the automobile business was a great business for the future and you'd invested in everybody in the automobile business, there were 2,200 companies in the automobile business in the United States in the early 1900s, of which three survive. And you know what would have happened to you as an investor in those three companies. You would have done very well for a number of years, but then-- but today you would not have.

Now, with that caveat, for the rest of your lives, what business would you rather be in than education? What business does the world need more? The revenues Kaplan posts in the education business and the revenues of other companies are coming from teaching people things they need to know to have a successful life, to get a job, or to get a better job. Is this something societies want? In a huge way. Are today's educators smart enough to provide that? We'll see. But it would look to me from-- not from a Kaplan perspective but from a world education industry perspective, very much including the nonprofit, very much including the traditional providers of education, the demand for education is enormous. And the companies that meet it will have a very successful future and will be a very welcome part of society.

Thank you so much.

Sam Powers: That's a great place to wrap up. Thank you for being here.

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