Annual Shareholders Meeting
May 4, 2017

Remarks by Timothy J. O'Shaughnessy
President and Chief Executive Officer

Good morning and welcome to the Graham Holdings Company Annual Shareholders Meeting. We hope you will find today's meeting informative and helpful in increasing your understanding of the business in which you are an owner. As usual, we have attendance from several of our key managers and most of our Board of Directors. I'd also like to introduce Wallace Cooney, a longtime Graham Holdings executive who became Chief Financial Officer on April 1. Wally replaces Hal Jones, who is in the early stages of retirement. In addition to my prepared remarks, I look forward to a robust Q & A session.

Since our last meeting, we have been much busier than we may have anticipated this time last year. Happily, we believe many of the developments were opportunistic and have helped us create a stronger company. Over the last several years, Graham Holdings has become a more diversified company with greater stability in earnings and growth prospects. Our formula of leveraging our patient nature, balance sheet strength and long-term view has continued us on a path to be a great holding company of some wonderful businesses.

I thought I'd begin by first touching on key items since we met last year:

- We purchased two TV stations for $60 million in cash and the assumption of pension liabilities.
- At Dekko, our custom manufacturing business, we strengthened our position in Dekko's biggest business, power and data, through the purchase of Electri-Cable Assemblies (ECA).
- We purchased Hoover Treated Wood Products, the largest producer of fire-retardant wood in the United States.

- We merged our two healthcare companies, Celtic and Residential, to create Graham Healthcare Group. We believe the increased scale should allow for greater efficiencies and operating margins once the integration is complete.
- We took on 75 million GBP of debt related to our early 2016 acquisition of Mander Portman Woodward (MPW).
- We repurchased just over 44,000 Class B shares at prices we found attractive.
- Last week we announced Purdue University will acquire Kaplan University and, its institutional operations and assets, to create a new public institution that will be affiliated with Purdue. To insure the new university's success, Kaplan will provide support for non-academic functions, through a long-term transition and operations support agreement.

We have spent much of the last year and expect much of this year to be focused on three buckets: 1) improving the operations of our existing businesses; 2) investing capital in areas we believe can generate strong risk-adjusted returns; 3) creating organic growth. We have made noticeable strides in each of these areas; but we also think we are far from reaching peak potential. If our change rate of business improvement over the last 12 months diminishes, our management team will be sorely disappointed. We believe additional opportunities and improvements to the business remain and we continue to work with our companies to identify and achieve the best results for you that we can.

2016 Comparative Results

From continuing operations

($ millions)

	2016 As Reported	2016 As Adjusted		2015 As Reported	2015 As Adjusted	
Revenue						
Education	$1,598	$1,598		$1,928	$1,928	
Television broadcasting	410	410		359	359	
Other businesses	474	474		299	299	
	$2,482	$2,482		$2,586	$2,586	
Operating Income Before Amortization/Impairment*						
Education	$101	$113	**	$39	$83	**
Television broadcasting	201	201		165	165	
Other businesses	(2)	(2)		2	3	**
Corporate office, excluding pension credit	(50)	(50)		(90)	(65)	**
Corporate pension credit	82	82		82	82	
	$332	$344		$198	$268	

* Non-GAAP measure – see reconciliation at ghco.com
** Non-GAAP measure – excluding certain expenses – see reconciliation at ghco.com

GH GRAHAM HOLDINGS

Our 2016 results once again show how Kaplan and Graham Media Group drive the business. Graham Media Group recorded its highest ever annual operating income and we could not be more proud of Emily Barr and team for these results. At Kaplan, Andy Rosen and the team have done a very good job of reducing costs amid revenue declines over the last few years as the sectorwide drop in enrollments have impacted Kaplan University. They have been ruthlessly focused on “good” revenue that drives real operating income even if it causes reported revenue declines. Our Other Businesses segment grew both organically and via acquisition and we have been pleased with the progress that group has collectively made. Revenue for the total company declined slightly from 2015 coming in at just under $2.5 billion. In 2017, it is likely the company will return to revenue growth for the first time in several years, in large part due to the recent Hoover acquisition and continued growth in other businesses.

Operating income before amortization and impairments increased to $332 million in 2016. As I discussed in the Annual Letter it will be very difficult for us to achieve similar results in 2017, in large part due to the anticipated declines at Kaplan University (KU) and expected performance at Graham Media Group. We do expect our non-KU and TV businesses to become bigger contributors to our operating income pie over the coming year, continuing the trend of the last few years.

Combined GHC & Kaplan Corporate Expenses

($ millions)

	2016 As Reported	2015 As Reported	2015 As Adjusted*
Kaplan Corporate	$20	$72	$43
GHC Corporate, excluding pension credit	50	90	65
	$70	$162	$108

* Non-GAAP measure – excluding certain expenses – see reconciliation at ghco.com

GH GRAHAM HOLDINGS

At this meeting last year, I discussed actions we were taking around corporate expense reductions at both Graham Holdings and Kaplan. While I won't do this most years, because of the significance in 2016, I want to specifically call out the year over year changes. We do not expect substantial further reductions at the corporate office levels, but do consider this a new baseline that is appropriate relative to the size and needs of the businesses.

Balance Sheet

($ millions)

	3/31/2017	12/31/2016	% Change
Cash and restricted cash	$657	$671	(2)
Marketable equity securities/other	457	448	2
Other current assets	646	752	(14)
Net property, plant and equipment	243	234	4
Net goodwill and intangibles	1,427	1,297	10
Prepaid pension cost	836	882	(5)
Other assets	150	149	1
Total Assets	**$4,416**	**$4,433**	0
Current liabilities	$ 773	$ 813	(5)
Debt	493	492	0
Other long-term liabilities	669	675	(1)
Shareholders' Equity	2,481	2,453	1
Total Liabilities and Equity	**$4,416**	**$4,433**	0

GH GRAHAM HOLDINGS

We continue to maintain a fortified balance sheet. The major change to the balance sheet since the conclusion of the first quarter is the reduction of cash of $205 million due to the purchase of Hoover Treated Wood Products. After the Hoover purchase, we continue to have a cash and securities balance in excess of $800 million.

Q1 2017 and 2016 Results

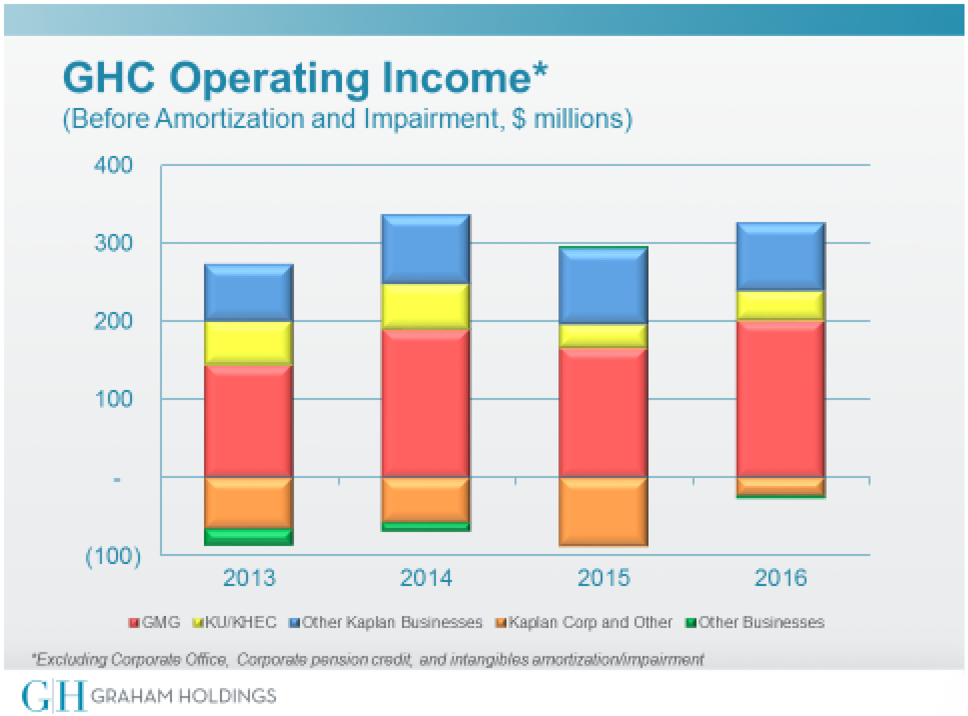
($ millions)

	2017	2016	% Change
Revenue			
Education	$373	$401	(7)
Television broadcasting	92	92	(1)
Other businesses	118	109	9
	$583	**$602**	**(3)**
Operating Income Before Amortization*			
Education	$10	$16	(37)
Television broadcasting	27	41	(35)
Other businesses	(6)	(1)	-
Corporate office, excluding pension credit	(14)	(14)	2
Corporate pension credit	18	16	16
	$36	**$58**	**(38)**

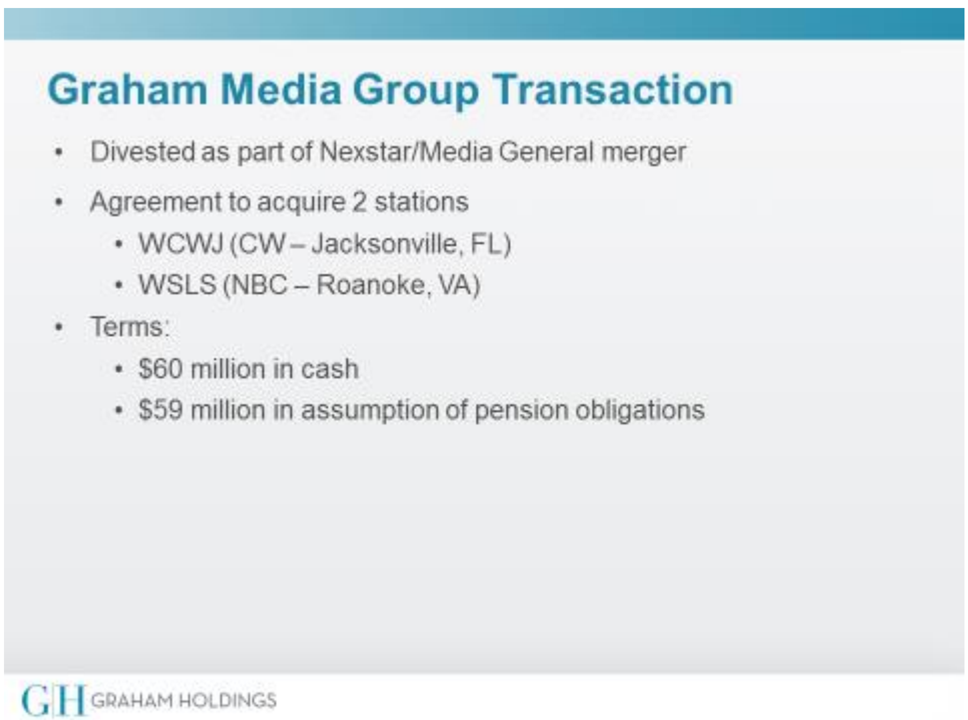
The sum of certain amounts may not equal the total due to rounding
** Non-GAAP measure – see reconciliation at ghco.com*

GH GRAHAM HOLDINGS

Our results in Q1 of 2017 were materially lower than in Q1 of 2016, although in line with our internal expectations. Graham Media Group was the largest contributor to the decline, as decreased political advertising spend and the December 31, 2016 conclusion of a long-term, favorable network agreement with NBC have had impacts. Additionally, our new agreement with Comcast, our largest cable operator, did not take effect until April 1. Kaplan reported improved results in its international segment, but those were more than offset by declines at Kaplan University. Our other businesses continued to show strong revenue growth and we expect a significant improvement in operating income for our other businesses over the remainder of 2017.



Now might be a good time to take a step back and discuss the makeup of Graham Holdings. As you can see from this graph, Kaplan University and Kaplan Higher Ed Campuses (KHEC) and Graham Media Group have driven the lion's share of the profits for the past several years although there has been a slow shift as our other businesses have grown. While going into 2017 we already expected our non-GMG and KU businesses to become a bigger driver of operating income, with the addition of Hoover, we expect these businesses to produce further meaningful gains as the year progresses.



Our slide of station logos has grown by two since our last meeting with the addition of WSLS in Roanoke and WCWJ in Jacksonville. These two stations were divested as part of the Nexstar/Media General merger and we were able to strengthen our NBC affiliation and add a second station in Jacksonville. Notably, the transaction involved the assumption of pension obligations as part of the deal. With our significantly overfunded pension plan, this is a formula we hope to repeat.

Graham Media Group

($ millions)

	Q1 2017	Q1 2016	% Change
Revenue	$92	$92	(1)
Operating Income Before Amortization*	$27	$41	(35)

* Non-GAAP measure – see reconciliation at ghco.com

GRAHAM HOLDINGS

Revenue at GMG declined by 1% and operating income declined by 35% from Q1 2016. 2017 includes a $4 million decrease in political advertising and a $5 million increase in retransmission fees. We are confident that our world-class team, led by Emily Barr, will help us navigate the changing ecosystem of broadcast. We continue to closely monitor both regulatory changes and the competitive landscape.

Kaplan

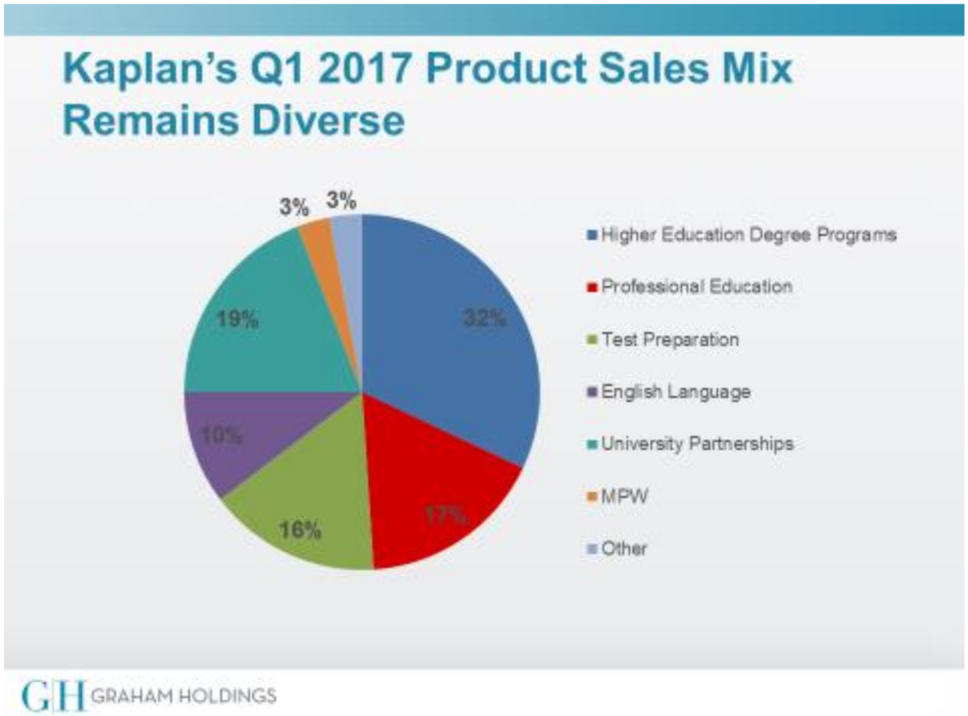
($ millions)

	Q1 2017	Q1 2016	% Change
Revenue			
Higher Education			
KU/KHEC	$112	$134	(16)
Kaplan Professional	32	32	2
Test Preparation	65	66	(3)
International	165	169	(3)
Corporate and Other	(1)	0	-
	$373	**$401**	**(7)**
Operating Income Before Amortization*			
Higher Education			
KU/KHEC	$3	$11	(79)
Kaplan Professional	10	10	5
Test Preparation	(3)	(2)	(24)
International	8	5	57
Corporate and Other	(7)	(8)	5
	$10	**$16**	**(37)**

The sum of certain amounts may not equal the total due to rounding
** Non-GAAP measure – see reconciliation at ghco.com*

GH GRAHAM HOLDINGS

Kaplan revenue decreased by 7% and operating income declined 37% from Q1 2016. While Kaplan University had a smaller student base coming into the year which resulted in lower results for the quarter, there is a note of optimism in that the business is showing signs of stabilization. In fact, new student enrollments were up slightly in the first quarter and increased 2% year over year. These results were partially offset by improved performance at Kaplan International.



The sales mix at Kaplan remains diverse and became incrementally less dependent on Kaplan University as compared to 2016.

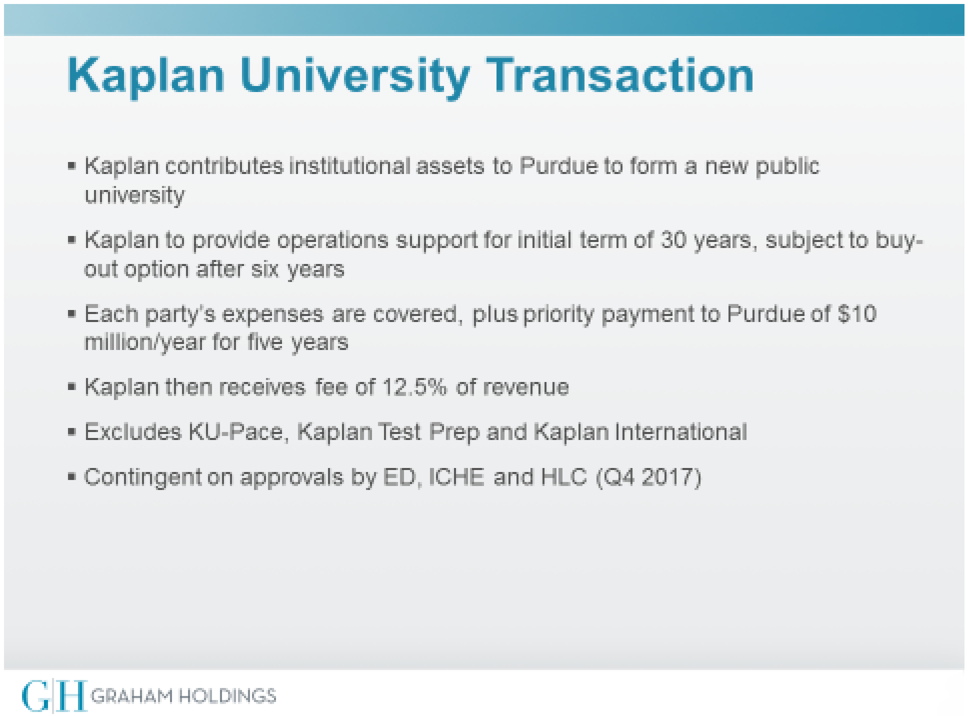
Kaplan Operating Margin*
(excluding restructuring and amortization/impairment)

	2016	2015	2014	2013
Kaplan Operating Margin	7.1%	4.3%	5.0%	4.6%

* Non-GAAP measure – see reconciliation at ghco.com

GH GRAHAM HOLDINGS

As previously discussed, we should be able to exceed a 10% operating margin at Kaplan. In 2016, we improved our operating margin by 280 basis points and believe we will make further improvements over the course of 2017.



I wanted to take a moment to discuss the recent transaction with Purdue University. As you are probably aware, Purdue, which is one of the nation's most elite public universities (ranked #20 by US News & World Report), is also among the most innovative in addressing issues of access and affordability. As part of the transaction, Kaplan will contribute its institutional assets to enable Purdue to further its mission of expanding access, as a land-grant institution. Kaplan will support the renamed, adult-learner-focused academic institution through a long-term transition and operations support agreement. Key terms of the transaction include:

- The contribution of Kaplan University, its institutional operations and assets.
- A 30-year contract term for Kaplan to provide non-academic support to the renamed institution, subject to a buy-out provision that can be exercised after year six at 1.25x the institution's previous year's revenue.
- A minimum priority payment to Purdue of $10 million per year for 5 years.

- Payment to Kaplan of 12.5% of the new university's revenue after all operating costs for the academic institution and support functions and the priority payment have been paid.
- The agreement is contingent on Department of Education, Indiana Commission on Higher Education, Higher Learning Commission and other regulatory and accreditor approvals. It is expected to take about six to seven months to close.

We believe this provides a unique setup that opens up the next chapter for our higher education business and we are thrilled to work with Purdue, which is in a strong position to continue to drive great educational outcomes for non-traditional students that KU has served for nearly two decades.

Kaplan

($ millions)

	2016	2015	2014	2013
Revenue				
Higher Education				
KU/KHEC	$505	$757	$923	$991
Kaplan Professional	112	93	87	90
Test Preparation	287	302	305	293
International	696	770	841	784
Corporate and Other	(2)	6	5	6
	$1,598	$1,928	$2,160	$2,164
Operating Income Before Amortization/Impairment*				
Higher Education				
KU/KHEC	$39	$30	$59	$56
Kaplan Professional	28	26	24	16
Test Preparation	10	17	(5)	4
International	48	54	69	52
Corporate and Other	(24)	(87)	(57)	(65)
	$101	$39	$90	$63

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** Non-GAAP measure – see reconciliation at ghco.com*

GH GRAHAM HOLDINGS

With the recent announcement of the Kaplan University transaction, Kaplan will look different moving forward. Here is the Kaplan Higher Education division for the last few years broken down by KU/KHEC and Kaplan Professional. Kaplan Professional has reported strong revenue growth and operating results during this period.

Kaplan

($ millions)

	Q1 2017	Q1 2016	% Change
Revenue			
Higher Education			
KU/KHEC	$112	$134	(16)
Kaplan Professional	32	32	2
Test Preparation	65	66	(3)
International	165	169	(3)
Corporate and Other	(1)	0	-
	$373	$401	(7)
Operating Income Before Amortization*			
Higher Education			
KU/KHEC	$3	$11	(79)
Kaplan Professional	10	10	5
Test Preparation	(3)	(2)	(24)
International	8	5	57
Corporate and Other	(7)	(8)	5
	$10	$16	(37)

The sum of certain amounts may not equal the total due to rounding
** Non-GAAP measure – see reconciliation at ghco.com*

GH GRAHAM HOLDINGS

In the first quarter of 2017, revenue at Kaplan Professional increased 2% and operating income increased 5% as compared to Q1 2016. Kaplan University revenue decreased 16% and operating income decreased 79% as compared to Q1 2016. The professional education business has been a good one for Kaplan over the years, but it is cyclical. In good years, companies spend more on employee training, but they tend to trim expenses when the economy struggles. The last few years have been positive ones.

I also want to use today as an opportunity to focus on an additional business within Kaplan: our university pathways programs. Our Pathways business partners with top universities in the UK, Australia and the US to bring foreign students with high academic potential to our western university partners. Kaplan runs the first year for the student: we provide schooling, pastoral care, English language lessons, and, increasingly, housing. After the first year, most students matriculate to the full university.

The Pathways business helps fill a need for universities who also want both geographic diversity and full-paying students, and allows the universities to accept students that would be unlikely to find success without a pathway as the initial experience. Increasingly, in an effort to build longer lasting relationships with our university partners, we have increased our commitments to the program and our partners by building accommodations and academic facilities, in most cases on or very near campus. These allow us to have a premier offering for students and earn a fair return on the accommodation. But most importantly, the facilities make our Pathways business a better business. Not only do they foster lower attrition rates by housing students with other international students in a similar stage of their academic career, but by making a commitment to our partners that allows them to expand enrollment without incurring the capital costs of a new facility, our partners make a commitment back to us. With each partner where we have built or are building an accommodation, we have entered into materially longer agreements that allow revenue predictability and the ability to manage the business in 5-10 year cycles. We find this approach very much suits the long-term nature of Graham Holdings.

To date, we have opened three University student residences, have one under construction, and have one in the planning stages. We are also planning a similar initiative in Bath for MPW, our secondary school business. Whether we buy or lease has been the result of a case-by-case analysis. To date our total expected CapEx commitments for new Pathways facilities is $47 million. Our total lease commitments are about $110 million, with another $206 million pending. We believe the results of some of these early investments are beginning to pay off in 2017 and we see the potential for continued growth.

Our industrials business added an additional unit with the purchase of Hoover Treated Wood Products. Hoover is the leading producer of fire-retardant wood in the United States. It has the premier reputation, is the only industry member with a national footprint, and gets pricing advantage as the only in-house chemical producer. Hoover is well run, with stable management and a long history of profitable growth. We are delighted to have Hoover as part of the Graham Holdings family.

Dekko, Joyce-Dayton, and Forney collectively increased revenue by 9% and operating income by 33% as compared to Q1 2016. We continue to look at logical, bolt-on acquisitions at our industrial businesses.

	Q1 2017	Q1 2016	% Change
Revenue	$37	$36	3
Operating Income Before Amortization*	$1	$4	(83)

Celtic and Residential merged in Q2 of 2016 to become Graham Healthcare Group. The integration effort for the businesses has been a major project and we have incurred unexpected costs associated with the integration and migration to a single operating platform. Operating margins have declined post-merger and we are working with the team to bring the economics of the business back in line with industry standards. In Q1 of 2017, revenue grew by 3% but operating income declined sharply.

SOCIAL CODE

($ millions)

	Q1 2017	Q1 2016	%Change
Revenue	$13	$11	18
Operating Income Before Amortization*	($4)	($3)	(49)

* Non-GAAP measure – see reconciliation at ghco.com

GH GRAHAM HOLDINGS

SocialCode recorded another quarter of strong topline growth. Revenue grew 18% and operating income declined by 49% as compared to Q1 2016. One item worth noting is that as SocialCode has grown, its revenue profile has increasingly come in line with seasonal advertising spend trends. Q1 is traditionally its weakest quarter and Q4 is traditionally its strongest.

We have several other investments in businesses that we house within our Other Businesses segment. We have quarterly reviews of the businesses to determine whether progress warrants continued investment and do not view any investment stage business as an entitlement program. We will remain vigilant in monitoring the progress of these businesses.

Operating and Free Cash Flow

($ millions)

	Q1 2017	Q1 2016
Operating Income	$29	$52
Add: Depreciation and Amortization	22	23
Less: Pension (Credit) Expense	(15)	(12)
Operating Cash Flow*	36	63
Capital Expenditures	(16)	(11)
Free Cash Flow*	$20	$52

*Non-GAAP measure

GH GRAHAM HOLDINGS

Operating free cash flow declined by $32 million from Q1 2016. In addition to reasons previously discussed around the Q1 operating income decline, we had a CapEx burst from the completion of a new facility housing KPRC in Houston. The facility is now largely complete and Graham Media Group's CapEx should return to normal levels.

GHC Pension Plan
($ millions)

At December 31, 2016	
Benefit Obligation	$1,161
Plan Assets	2,043
Funded Status/Prepaid Pension Asset	**$882**

Net Pension (Expense) Credit For the Year ended December 31	
2013	(2)
2014	69
2015	63
2016	49
2017 Estimate	59

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Our pension plan remained $882 million overfunded as of December 31, 2016. Through the transition of assets in 2016, we increased our diversification by significantly reducing the assets under management of one of our pension managers. This greatly reduces the overall risk associated with reductions in pension funding levels.

I want to take a moment more to discuss our recently retired Chief Financial Officer, Hal Jones. Hal spent just shy of 30 years at the Company, both at Kaplan and at the corporate level. During his tenure, Hal served in both operating and non-operating roles, providing a unique perspective that often served us well. When Hal first became CFO at Graham Holdings in the second half of 2008, he was greeted with the most rude welcome gift: the beginnings of a global financial crisis and $400 million of debt due in February of 2009. Hal navigated those waters exceptionally well for the Company and enabled Graham Holdings to keep operating with the patience and stability it treasures. Both Don and I have counted Hal as one of our most trusted advisors and are thankful to have been partners with him. On behalf of all shareholders, we wish him well in retirement, but most importantly we say, “Thank you, Hal”.

I'd like to close by reiterating our company philosophy and acquisition strategy.

- We remain uniquely focused on the long-term and do not manage the business for quarter-to-quarter results
- We are diversified in our sectors and determine whether we like an opportunity based on the merits of each particular opportunity, not based on a sector it inhabits
- We are maniacally focused on capital allocation and the associated accountability

Our acquisition strategy is to find:

- Well-run, profitable businesses in fields we can understand
- Strong management with an interest in continuing to run the business
- Businesses we believe have at least ten years of stable or growing earnings ahead of them
- Reinvestment opportunities that are apparent within the business

In 2016, our company took another step forward in building strong, stable businesses. We expect to continue this both via organic growth and the acquisition strategy presented above and discussed over the last several years. We believe we have a company that will perform better than average for you more years than not, and we are pleased and grateful for the trust you have placed in our company as shareholders. I will open it up for questions at this time.


GH GRAHAM HOLDINGS
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