



THE POWER OF MULTIMEDIA

CONVERGENCE

**Media
General**

2001 Annual Report



TABLE OF CONTENTS

| | |
|---|----|
| Chairman's Letter | 2 |
| Southeast Focus | 4 |
| Convergence | 8 |
| Regional Clustering | 12 |
| A Quick Look at Media General | 14 |
| Management's Discussion and Analysis | 17 |
| Management's Statement of Responsibility and Report of Independent Auditors | 24 |
| Financial Statements | 25 |
| Notes to Financial Statements | 30 |
| Quarterly Review | 45 |
| Ten-Year Financial Summary | 46 |
| Corporate Information | 48 |
| Officers | 48 |
| Directors | 49 |

BUSINESS IN BRIEF

Media General is an independent, publicly owned communications company situated primarily in the Southeast with interests in newspapers, television stations, interactive media and diversified information services.

Publishing

Media General owns and operates The Tampa Tribune, the Richmond Times-Dispatch, the Winston-Salem Journal and 22 other daily newspapers in Virginia, North Carolina, Florida, Alabama and South Carolina, as well as nearly 100 other periodicals. It also has a 20 percent interest in The Denver Post.

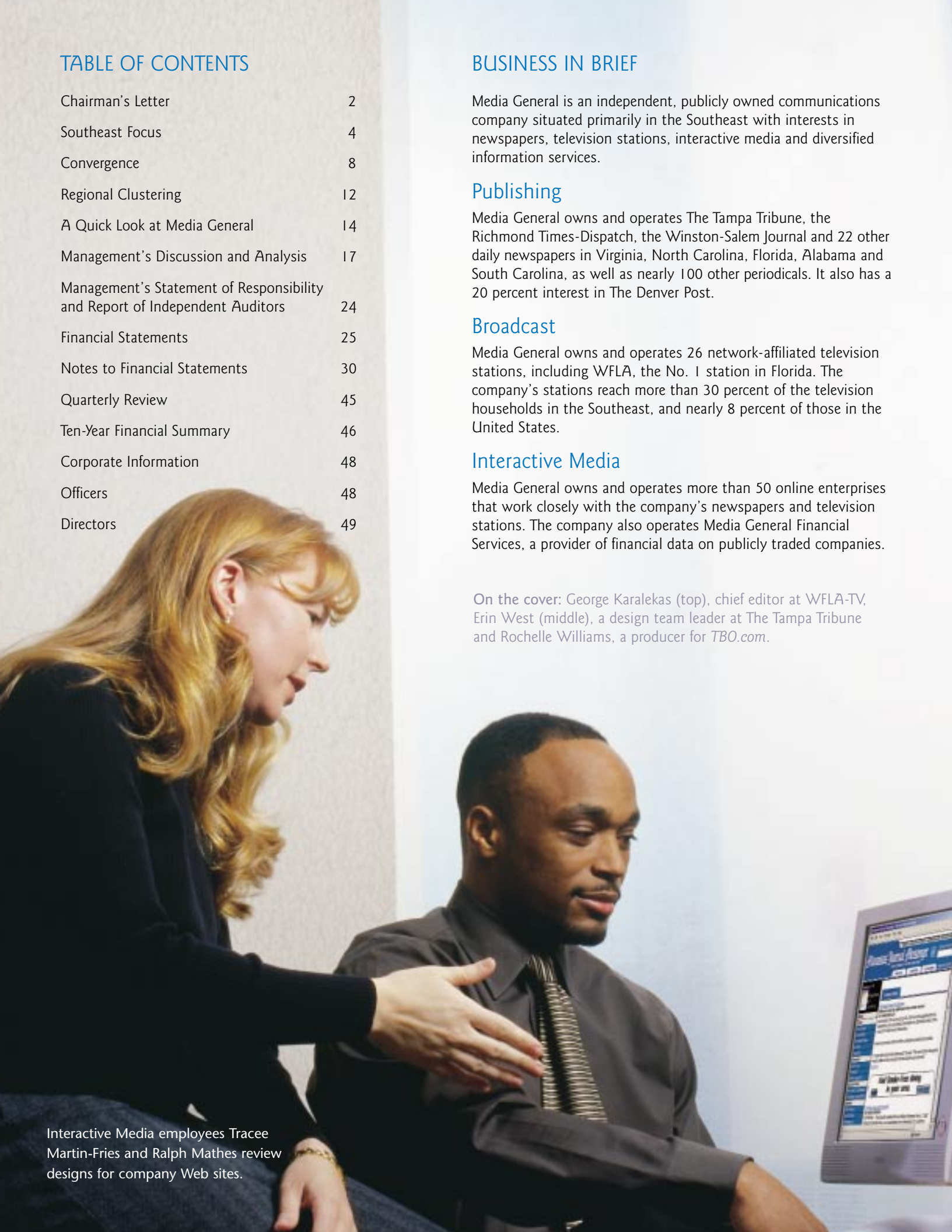
Broadcast

Media General owns and operates 26 network-affiliated television stations, including WFLA, the No. 1 station in Florida. The company's stations reach more than 30 percent of the television households in the Southeast, and nearly 8 percent of those in the United States.

Interactive Media

Media General owns and operates more than 50 online enterprises that work closely with the company's newspapers and television stations. The company also operates Media General Financial Services, a provider of financial data on publicly traded companies.

On the cover: George Karalekas (top), chief editor at WFLA-TV, Erin West (middle), a design team leader at The Tampa Tribune and Rochelle Williams, a producer for *TBO.com*.



Interactive Media employees Tracee Martin-Fries and Ralph Mathes review designs for company Web sites.

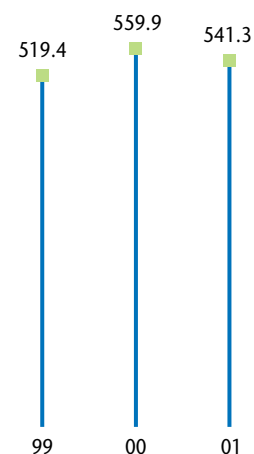
FINANCIAL HIGHLIGHTS

(In millions, except per share amounts)

| For Fiscal Years Ended | Dec. 30, 2001 | Dec. 31, 2000 | Percentage Change |
|--|------------------|------------------|----------------------|
| Revenues | \$ 807.2 | \$ 830.6 | (2.8)% |
| Operating cash flow | 186.4 | 225.3 | (17.3) |
| Depreciation and amortization | 113.7 | 101.5 | 12.0 |
| Operating income | 72.7 | 123.8 | (41.3) |
| Income from continuing operations | \$ 17.9 | \$ 63.6 | (71.8)% |
| Discontinued operations | 0.3 | (9.8) | — |
| Net income | 18.2 | 53.7 | (66.1) |
| Stockholders' equity | 1,163.7 | 1,171.9 | (0.7) |
| Total assets | 2,534.1 | 2,561.3 | (1.1) |
| Average shares outstanding – assuming dilution | 23.0 | 24.2 | (5.1)% |
| Earnings per share – assuming dilution: | | | |
| Income from continuing operations | \$ 0.78 | \$ 2.63 | (70.3) |
| Income (loss) from discontinued operations | 0.01 | (0.41) | — |
| Net income | 0.79 | 2.22 | (64.4) |
| Dividends per share | 0.68 | 0.64 | 6.3 |
| Stockholders' equity per share | 50.64 | 51.59 | (1.8) |

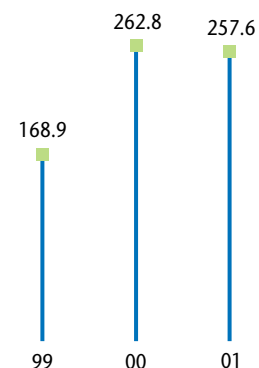
Publishing Revenues

dollars in millions

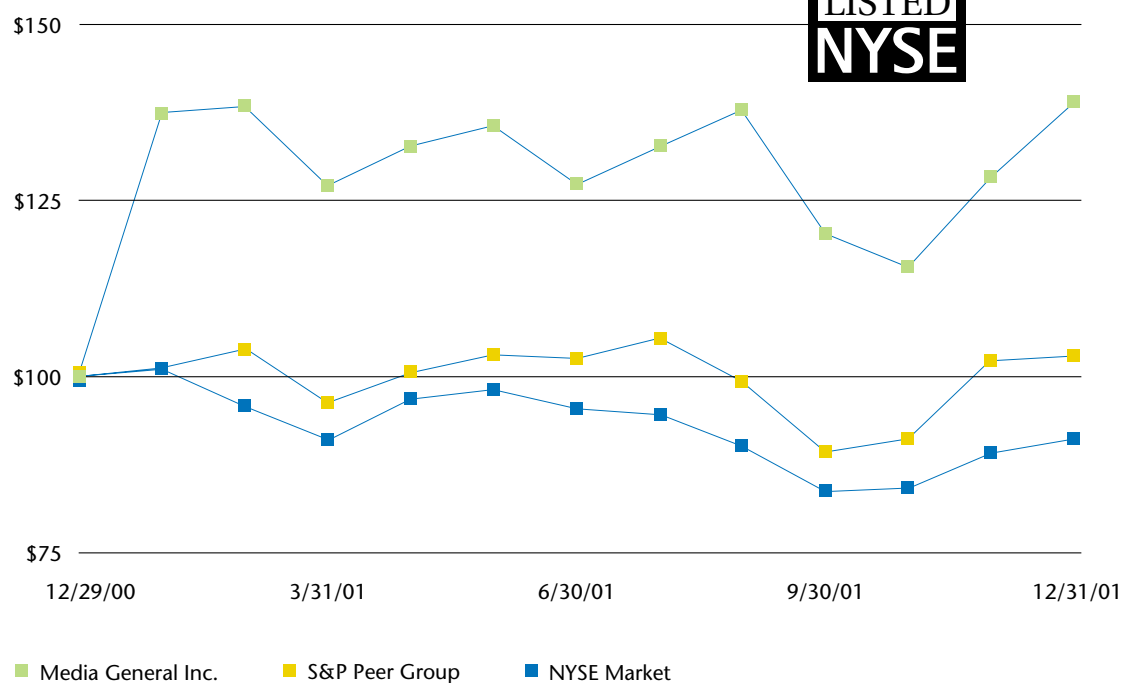


Broadcast Revenues

dollars in millions

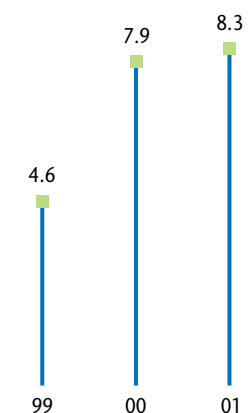


MEG vs. NYSE Market and S&P Peer Group



Interactive Revenues

dollars in millions



Note: Graph shows cumulative total shareholder return from \$100 invested in Media General stock on 12/29/00 vs. \$100 invested in the NYSE Market and the S&P Peer Group.



OFFICE OF THE CHIEF EXECUTIVE: (left to right) Reid Ashe, president and chief operating officer; J. Stewart Bryan III, chairman and chief executive officer; Marshall N. Morton, vice chairman and chief financial officer.

To Our Shareholders

Despite the fact that the year 2001 was one of the most difficult ever for media companies, Media General achieved substantial progress with its strategy for building shareholder value.

A weak national economy caused advertisers everywhere to radically reduce spending, beginning in the fall of 2000. We entered 2001 in what seemed to us, and was later confirmed to be, a recession. By late summer, we thought a steady decline in advertising revenues had bottomed, but the tragic events of September 11 caused business conditions to worsen.

In response to the extremely difficult environment, Media General implemented stringent cost-control measures that partially offset the impact of lower revenues on our earnings. We reduced operating expenses and deferred capital spending wherever possible. Today we have about 5 percent fewer employees than at the end of 2000, an accomplishment made almost entirely through attrition. We also aggressively pursued new sales initiatives.

These actions helped our newspapers perform better than the industry average for revenue growth, operating

income growth and operating cash flow margins. Our initiatives also enabled our television stations to realize markedly smaller declines in advertising revenue than the industry generally, particularly in local sales.

The Publishing Division made excellent progress developing regional clusters that provide significant synergies and create new revenue opportunities. For example, our North Carolina Community Newspapers launched a cross-selling infrastructure across its five daily newspapers and other weekly publications. The new classified system allows the sale of advertising in all publications and Web sites from any location in the group. We are implementing a similar system in Virginia.

The Broadcast Division management team moved from Tampa to Richmond last summer, enabling our entire management team to work together more effectively as we implement our growth strategy.

In the November ratings sweeps, 13 of our stations were up, 12 stayed even, and only one was down. Twenty-one of our stations are number one or number two in their markets from sign-on to sign-off. For 2001, WFLA

remained Florida's number one rated television station.

To increase revenue, Broadcast consolidated national sales representation for all our stations in one company.

We made excellent progress with the launch of our new Interactive Media Division and instituted many promising initiatives. Much of the division's focus was devoted to new product and content development, Web site design, and the implementation of new sales and marketing processes. With strong staff and systems in place, the division's thrust is to capitalize on the Internet as a dynamic marketplace and develop profitable new enterprises.

An early success for the new division was the launch of a classified up-sell program between The Tampa Tribune and *TBO.com*. More than 85 percent of all classified ads placed in The Tribune are also being sold online, generating \$1.3 million in new revenue. We are implementing the model in several other markets.

We made strong, measurable progress with convergence, further confirming that it produces better journalism, which builds audience and creates new revenue opportunities. Our Tampa team booked multimedia orders for \$6.4 million in incremental revenue, significantly exceeding its goal of \$4 million.

We replaced our five-year revolving credit facility with a new one and tapped the public debt markets for the first time. These moves enhanced our financial flexibility and ability to pursue attractive growth opportunities, while maintaining a disciplined focus on our capital structure. In September we transferred to the New York Stock Exchange, markedly increasing our visibility and liquidity.

A most significant event for the media industry was the Federal Communications Commission's spring decision to review the newspaper-broadcast cross-ownership ban. Media General has been actively involved in the process and is united with peer companies in asking the FCC to repeal the outdated rule. We are optimistic that a favorable decision may come later this year.

Among a chief executive's most important responsibilities is the development of succession planning throughout the corporation. Last year, we filled some important leadership positions and implemented a new senior man-

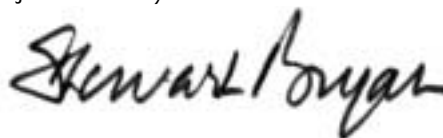
agement structure. Reid Ashe, after great success as publisher of The Tampa Tribune, was elected Media General's president and chief operating officer. Marshall Morton stepped up to vice chairman and continues as chief financial officer. For the next year or so, the three of us will operate together as the Office of the Chief Executive. We will work closely with our strong and capable division presidents on all issues facing our company. With this combination of talents and strengths, I believe that the right decisions will be made and executed in the best interests of all our shareholders.

Two members of the Board of Directors retired in May because of mandatory retirement provisions in our bylaws. Bob Black and Roger Mudd provided valuable guidance and counsel during their tenure, and we thank them for their outstanding service. Two equally valuable individuals joined the Board. Tom Rankin, who previously served with distinction from 1985 to 1994, and Walter Williams have already contributed significantly to the Board's deliberations.

I thank all Media General employees for their hard work and resourcefulness as we manage our way through these difficult times. I look forward to their continued dedication and creativity as we work together to grow our company and successfully pursue the opportunities before us. We are especially grateful to our readers, viewers and users for their loyalty, and to our advertisers for their business.

And we thank you, our shareholders, too, for your investment in Media General. We believe we are well positioned to build value for you as we continue to leverage our Southeast focus, expand clustering and convergence, create new interactive media products, and pursue other growth opportunities. As always, we will do these things while remaining focused on both revenue growth and aggressive expense management to generate strong cash flow.

J. Stewart Bryan III



Chairman and Chief Executive Officer

March 8, 2002

Media General's Southeast focus helps the company pursue strategies of newspaper clustering and media convergence. It provides a common set of regional interests and issues to cover, and it creates new opportunities for advertising revenue growth.

Southeast Focus

Regional strategy drives value creation

Media General's focus on the southeastern United States provides several major advantages as the company works to build value for shareholders.

With 25 daily newspapers, Media General owns more dailies in the Southeast region than any other company and is ranked third in daily circulation. The company's 26 network-affiliated broadcast television stations reach more than 30 percent of television households in the Southeast and nearly 8 percent of those in the United States. Media General's numerous online enterprises, most of which are affiliated with its newspapers and television stations, have global reach. This combination of resources makes Media General one of the most focused media companies in America.

The company's Southeast focus capitalizes on the region's vibrant local economies. Nearly all of the company's Southeast markets continue to grow faster than the United States as a whole. From 1990 to 2000, the population of the Southeast increased 17.6 percent, while the U.S. population increased 13.2 percent. All but two southeastern states ranked in the top 25 nationally for population growth.

Economic growth in Richmond and Tampa – Media General's top two markets – has been strong, and both cities look forward to bright futures. Aggressive economic development efforts continue to attract new industry, and traditional drivers of both economies remain robust. Upscale retailers such as Nordstrom, Neiman Marcus and Lord & Taylor entered the Tampa market in 2001. Saks Fifth Avenue, Nordstrom and Lord & Taylor plan to debut in Richmond in 2003. Both Tampa and Richmond are investing heavily in education and transportation, and the quality of life in both markets is exceptionally high. Many other Media General markets have equally strong growth prospects.

The Southeast has been Media General's home for more than 150 years, and the company knows its Southeast markets very well. A regional focus enables the company to create content of common interest throughout the region on topics such as college sports, NASCAR, weather, state and local politics, and regional business issues, to name a few.

Southeast Strategy

- >> Capitalizing on strong economic growth
- >> Creating media convergence opportunities
- >> Clustering newspapers into regions
- >> Leveraging content of common interest





The company's newspapers operate a system called Media General News Bank, which allows them to share stories, editorials, photos and graphics via a common intranet. Over the past three years, Media General newspapers have shared 75,000 stories and 28,000 photographs. The Broadcast Division operates a similar system called MegaBank, which allows the company's television stations to share various graphic elements. The Publishing Division also produces syndicated pages on subjects such as NASCAR (LapbyLap), science and technology (Frontiers) and food (Flavor), which are used by Media General newspapers and sold to other publishing companies. Media General News Service provides the company's eyes and ears in Washington, tailoring political coverage to issues of special interest to readers, viewers and Web users in the Southeast.

As the company has grown in its regional focus, it has developed sophisticated capabilities for regional clustering of newspapers and for convergence of multimedia properties. Both approaches leverage core assets to create new shareholder value. The company's acquisition strategy is designed to strengthen these capabilities.

Television Stations

| Market | DMA Rank | Station | Channel | Network Affiliation | Station Rank |
|------------------|----------|---------|---------|---------------------|--------------|
| Tampa, FL | 14 | WFLA | 8 | NBC | 1 |
| Spartanburg, SC | 36 | WSPA | 7 | CBS | 1 |
| Toccoa, GA | 36 | WNEG | 32 | CBS | * |
| Spartanburg, SC | 36 | WASV | 62 | UPN | 5 |
| Birmingham, AL | 39 | WIAT | 42 | CBS | 4 |
| Jacksonville, FL | 53 | WJWB | 17 | WB | 5 |
| Mobile, AL | 63 | WKRG | 5 | CBS | 1 |
| Wichita, KS | 65 | KWCH | 12 | CBS | 1 |
| Dodge City, KS | 65 | KBSD | 6 | CBS | * |
| Hays, KS | 65 | KBSH | 7 | CBS | * |
| Goodland, KS | 65 | KBSL | 10 | CBS | * |
| Lexington, KY | 66 | WTVQ | 36 | ABC | 3 |
| Roanoke, VA | 67 | WSLS | 10 | NBC | 2 |
| Chattanooga, TN | 86 | WDEF | 12 | CBS | 3 |
| Jackson, MS | 88 | WJTV | 12 | CBS | 2 |
| Johnson City, TN | 93 | WJHL | 11 | CBS | 2 |
| Savannah, GA | 99 | WSAV | 3 | NBC | 2 |
| Greenville, NC | 106 | WNCT | 9 | CBS | 1 |
| Charleston, SC | 108 | WCBD | 2 | NBC | 2 |
| Florence, SC | 109 | WBTW | 13 | CBS | 1 |
| Augusta, GA | 114 | WJBF | 6 | ABC | 1 |
| Columbus, GA | 126 | WRBL | 3 | CBS | 2 |
| Mason City, IA | 151 | KIMT | 3 | CBS | 1 |
| Panama City, FL | 159 | WMBB | 13 | ABC | 2 |
| Hattiesburg, MS | 167 | WHLT | 22 | CBS | 2 |
| Alexandria, LA | 179 | KALB | 5 | NBC | 1 |

DMA Rankings 2001-2002 / * Satellite Stations / November 2001 Sign-on to Sign-off Household Share

Regional newspaper clusters work together to reduce costs, improve quality and increase sales. Acquisitions have enabled the company to create seven newspaper clusters that share a variety of resources, including printing presses, management and some content. In addition, clustered newspapers work together to provide regional advertising opportunities, allowing customers to purchase space in several newspapers with just one buy and one bill. For more information about newspaper clustering, please see Page 12 of this annual report.

Media convergence – a separate strategy that promotes cooperation among newspapers, television stations and online enterprises – has been implemented to various degrees in six markets. These multimedia models capitalize on the unique strengths of each platform to deliver news and advertising more effectively. Media General is an industry pioneer of this concept. The company began to experiment with it in Tampa, where the company operates The Tampa Tribune, WFLA, the local NBC affiliate, and *TBO.com*, one of the Internet's first successful media Web sites. Each of these organizations has its newsroom in the company's News Center, the nation's most advanced facility for media convergence.

These three work closely together to improve the quality of journalism each provides to the community, thus increasing the value of all three brands. This journalistic method enables a converged approach to advertising through the development and sale of multimedia advertising packages, which, in turn, generates incremental revenue.

Recent acquisitions have created similar convergence opportunities in five Media General markets other than Tampa. Media General has been able to jumpstart convergence in these markets by quickly implementing practices that have been learned in Tampa. For more information about convergence, please see Page 8 of this annual report.

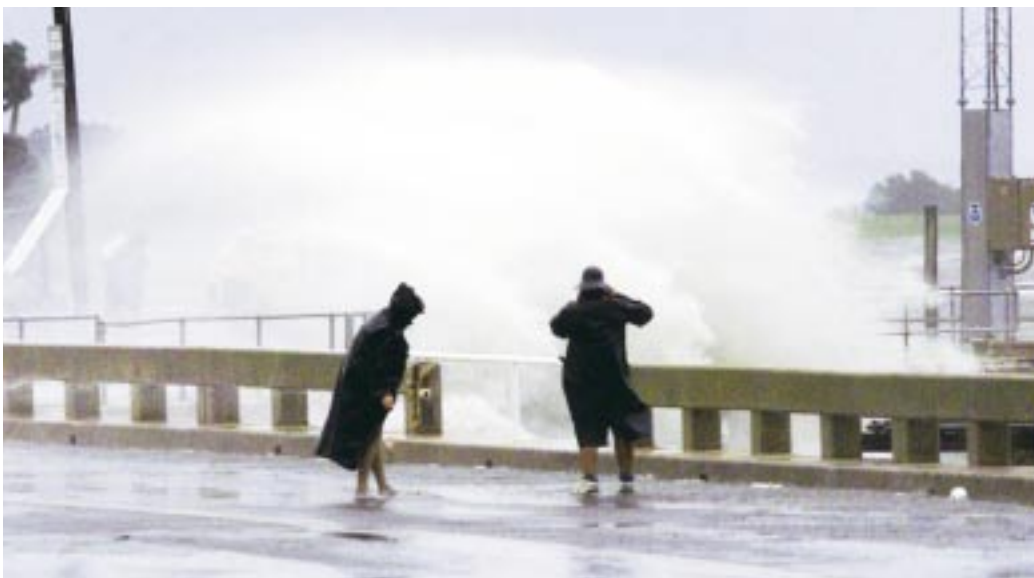
Media General believes it is building significant shareholder value as it pursues its mission of becoming the leading provider of high-quality news, information and entertainment in the Southeast by continually building a position of strength in strategically located markets.

Our corporate mission is to be the leading provider of high-quality news, information and entertainment in the Southeast by continually building our position of strength in strategically located markets.

Daily Newspapers

| Newspaper | Location | Circulation* | |
|-----------------------------------|--------------------------|--------------|---------|
| | | Daily | Sunday |
| Florida Cluster | | | |
| The Tampa Tribune | Tampa, Fla. | 219,524 | 295,132 |
| Highlands Today | Sebring, Fla. | 17,291 | 20,535 |
| Hernando Today | Brooksville, Fla. | 14,213 | 14,928 |
| Richmond Times-Dispatch | Richmond, Va. | 192,228 | 230,961 |
| Winston-Salem Journal | Winston-Salem, N.C. | 85,715 | 96,920 |
| Central Virginia Cluster | | | |
| The News & Advance | Lynchburg, Va. | 37,647 | 42,565 |
| The Daily Progress | Charlottesville, Va. | 30,158 | 34,374 |
| Danville Register & Bee | Danville, Va. | 22,245 | 25,393 |
| The News Virginian | Waynesboro, Va. | 8,196 | 7,874 |
| Culpeper Star-Exponent | Culpeper, Va. | 6,720 | 6,284 |
| The Reidsville Review | Reidsville, N.C. | 5,244 | 4,945 |
| The Daily News | Eden, N.C. | 4,241 | 3,665 |
| Southwest Virginia Cluster | | | |
| Bristol Herald Courier | Bristol, Va. | 41,432 | 43,136 |
| Northern Virginia Cluster | | | |
| Potomac News | Woodbridge, Va. | 15,938 | 15,681 |
| Manassas Journal Messenger | Manassas, Va. | 4,759 | 3,793 |
| North Carolina Cluster | | | |
| Independent Tribune | Concord/Kannapolis, N.C. | 20,500 | 22,542 |
| Hickory Daily Record | Hickory, N.C. | 19,982 | 21,485 |
| Statesville Record & Landmark | Statesville, N.C. | 14,796 | 15,518 |
| The News Herald | Morganton, N.C. | 11,407 | 12,050 |
| The McDowell News | Marion, N.C. | 4,777 | NA |
| South Carolina Cluster | | | |
| Morning News | Florence, S.C. | 33,316 | 35,363 |
| Alabama Cluster | | | |
| The Dothan Eagle | Dothan, Ala. | 35,432 | 36,907 |
| Opelika-Auburn News | Opelika/Auburn, Ala. | 14,340 | 14,717 |
| Enterprise Ledger | Enterprise, Ala. | 9,008 | 9,878 |
| Jackson County Floridan | Marianna, Fla. | 5,608 | 6,386 |

*2001 averages



Media General's hurricane coverage sparks intense interest throughout the Southeast. This photo ran in The Tampa Tribune.



Tampa Tribune business reporter Cherie Jacobs delivers the MoneySense segment for WFLA-TV.

Building on the success of its multimedia News Center in Tampa, Media General has launched convergence efforts in several other markets. Recent acquisitions have created powerful publishing, broadcasting and interactive combinations in these Southeast cities.

Convergence

The Power of Three

Media General's media convergence strategy evolved first in Tampa, where the company owns and operates The Tampa Tribune, WFLA-TV and *TBO.com*. After several years of working together informally, these three news organizations came together under one roof in the Media General News Center in early 2000.

The opportunity to work together across three media platforms in one building was unprecedented, and journalists from all three newsrooms made the most of it. They quickly demonstrated that they could combine their unique strengths to find better ways to gather and present the news of the Tampa Bay area. *TBO.com* had the ability to break news on a moment's notice, WFLA could follow up with dramatic coverage on its newscasts, and The Tampa Tribune could tell the whole story with greater depth in the morning newspaper.

What began as a unique experiment soon became an overwhelming success as reporters, editors and producers discovered they could significantly improve the quality of their journalism by working together. The results have been remarkable. The Project for Excellence in Journalism recently recognized WFLA for providing the best television journalism in the Tampa Bay area, and Media Week magazine placed WFLA on its list of “10 stations that do it right.” Meanwhile, *TBO.com* won the first national Edward R. Murrow Award for overall excellence in Web sites. Both the Web site and the television station share the credit for these high honors with their convergence partner – The Tampa Tribune.

More importantly, these awards reflect increases in quality that have attracted more readers, viewers and Web users. WFLA has solidified its position as Florida’s No. 1 television station. *TBO.com* is attracting thousands of new users each month, and The Tampa Tribune has boosted circulation in its important primary market. Individually, each newsroom has maintained its own independent voice, but collectively they have become the best source of news and information for the entire region. During a typical month, they reach 85 percent of adults in the Tampa Bay market.

This unprecedented penetration has attracted many advertisers who want to reach everyone in the market via each person’s preferred medium. In the inaugural year of multimedia sales, the Tampa team booked orders that will yield altogether \$6.4 million in incremental revenue, exceeding the goal of \$4 million. Nearly \$3.5 million of this new revenue was realized in 2001, and the balance is advertising that will run in 2002 and the next two years. The Tampa sales team also generated an additional \$1.3 million in new revenue by upselling newspaper classifieds on *TBO.com*.

Building on the News Center’s success, Media General has launched convergence efforts in several other markets. Recent acquisitions have created powerful publishing and broadcasting combinations in Bristol-Johnson City, Tenn.; Florence-Myrtle Beach, S.C.; Columbus, Ga.-Opelika, Ala.; Marianna-Panama City, Fla.; and Lynchburg-Roanoke, Va. Also, Media General’s new Interactive Media Division has developed strong online enterprises for the newspapers and television stations in each of these markets.

The Interactive Media Division plays a key role in convergence because it can quickly combine and convey content from both newspapers and television stations. Online enterprises give their publishing and broadcasting partners the ability to reach new audiences with news, information and advertising that is available 24 hours a day, seven days a week. They provide the first opportunity to break news, and they are the best conduits for continuous updates as stories unfold.



Rebecca Stewart, morning/noon anchor for WFLA, tapes a news segment for a radio station in Lynchburg. The segments are written by editors at The News & Advance.

The importance of working together on the Web is just one of the lessons learned in Tampa that has helped jumpstart cooperation in Media General's other convergence markets. Convergence partners routinely share news tips and news budgets. They coordinate coverage of major events, and they cross-promote each other's content. TV stations provide enhanced weather coverage to their print and online partners, who reciprocate by sharing their vast stores of news and information.

These staples of convergence were tested in Tampa and are being implemented in the company's other major markets, where convergence partners stir their own ideas into the multimedia mix. In Bristol-Johnson City, WJHL-TV

teamed up with the Bristol Herald Courier to co-sponsor a Southern Living cooking school that generated new revenues for both partners. In addition to some extra advertising, the newspaper and the television station worked together to sell more booth space for the event, which attracted 2,400 participants.



WMBB in Panama City, Fla., shares its weather information with the Jackson County Floridan, WMBB.com and jcloridan.com.

This type of cooperation is also evident between the two newsrooms and their respective Web sites. The Herald Courier has helped WJHL build its audience



Quentin Lewis (left), retail sales manager for the Bristol Herald Courier, cooks up convergence ideas with Lamar Reid, general sales manager of WJHL.

in the Bristol portion of its market, and for the first time in 20 years, WJHL has claimed the top rating in the metro area for all newscasts from noon to midnight.

In Florence-Myrtle Beach, S.C., the Morning News and WBTW-TV teamed up on a week-long series of stories highlighting the most dangerous intersections in the region. Each morning, the newspaper provided accident statistics on a different intersection and referred readers to the nightly news for visuals and interviews with drivers and transportation officials. The television reporter then previewed the intersection that would be featured the following day in the Morning News. Web sites from both the newspaper and the television station ran the stories and conducted online polls.

Big events provide excellent opportunities for convergence, and in Alabama, few events are bigger than the Iron Bowl, the annual football game between Auburn University and the University of Alabama. Coverage of this event is now a cooperative effort among the Opelika-Auburn News and Media General's television stations in Birmingham and Mobile, Ala, and Columbus, Ga. Sports news crews from all three stations worked together this past fall on a three-hour pre-game show and a one-hour post-game show. Multimedia advertising packages included commercials during these shows and print ads in the "Tiger Tailgater," a wrap-around special section of the Opelika-Auburn News.

While it's too early to measure the bottom-line impact in Media General's new convergence markets, the potential is beginning to unfold as former rivals within the company find innovative ways to work together. Some of the competitive advantages they gain are unique to their respective cities, but many others can be duplicated in all of Media General's convergence markets.

By sharing knowledge and experience of what works and what doesn't, Media General has quickly become an industry leader in convergence – not just in Tampa, but throughout the Southeast. The result has been better news coverage, greater market share, more advertising and more efficient use of the company's resources.



WMBB reporter April Douglas prepares to broadcast live from the newsroom of the Jackson County Floridan.



The Opelika-Auburn News converges with three Media General TV stations to cover the Iron Bowl rivalry between Auburn and Alabama.



Glenn Coker (left), manager of the Dillard's department store in Hickory, N.C., meets with Steve Garland, advertising director for the Hickory Daily Record.

Newspaper clustering is a time-tested strategy for managing costs and reducing capital expenditures by sharing resources. Now Media General is using the same strategy to improve quality and increase advertising sales.

Regional Clustering

New Revenues and Efficiencies

Media General's regional clustering strategy is based on improving the efficiency and revenue-generating opportunities of newspapers in adjacent or overlapping markets. When Media General began clustering its newspaper operations, improving operating efficiency was the primary goal. Today, the company is developing unique regional products and realizing new regional advertising growth.

Strategic acquisitions in recent years have greatly expanded the company's opportunities to capitalize on regional clustering. From 1995 through 2000, the company's daily newspapers grew from three to 25. By focusing on acquisitions in the Southeast, Media General has increased its newspaper clusters from one to seven. They are based in Florida, North Carolina, Central Virginia, Northern Virginia, Southwest Virginia, Alabama and South Carolina.

Nearly all of Media General's weekly newspapers and many of its dailies share printing operations with one or more publications in their respective clusters. By using production assets more efficiently, newspapers reduce operating costs and capital expenditures. Also, by consolidating resources into fewer pressrooms, the company has been able to boost printing quality. Focusing on larger production facilities makes equipment upgrades more cost-effective, and it helps attract and retain highly skilled press operators.

Shared content is another way that clustering increases quality, particularly at Media General's weeklies and community dailies. Newspapers in overlapping or adjacent markets enhance their local coverage by sharing stories, photos and graphics. They also work together to provide special coverage that would be more difficult and costly to produce individually.

Clustering creates opportunities to combine administrative functions, such as accounting and human resources. It also encourages newspaper managers to work together to build circulation and generate more regional advertising.

Media General made several significant advances with regional clustering in 2001. In the Florida cluster, the sales staffs from The Tampa Tribune, two other dailies and several weeklies are coming together as one team. They have developed their first combined rate card with uniform policies and incentives designed to steer advertising into multiple publications. This reorganization will produce cost savings of about \$1.5 million per year, but more importantly, it is expected to generate new business for each newspaper in the group.

In North Carolina, Media General implemented a regional approach to selling advertising among five dailies and several weeklies. Each newspaper has the ability to sell advertising for all other publications in the group, giving regional customers, such as Dillard's department stores, seamless service with one invoice and one account executive. Classified advertising is handled much the same way under a new system called Carolina Classified Marketplace. By the end of 2001, more than 80 percent of all classified sales included listings in at least one additional publication and/or the Carolina Classified Web site.

Media General's Virginia clusters are in the process of implementing a similar cross-selling network, and the company will continue to develop each of its newspaper clusters with an emphasis on increasing regional sales. These newspapers will become more valuable as they find new ways to work together on increasing sales, managing costs and improving quality.



Pressman James Saunders helps produce the Potomac News and the Manassas Journal Messenger in one facility.

PUBLISHING

Media General owns and operates The Tampa Tribune, the Richmond Times-Dispatch, the Winston-Salem Journal and 22 other daily newspapers in Virginia, North Carolina, Florida, Alabama and South Carolina, as well as nearly 100 other

periodicals. It also has a 20 percent interest in The Denver Post.



- > Build readership and provide community service through excellence in journalism.
- > Capitalize on media convergence – including news sharing and multimedia advertising sales – with Broadcast and Interactive Media divisions.
- > Refine and expand newspaper clustering initiatives, especially efforts to increase regional revenues by cross-selling advertisers into multiple products.
- > Work closely with Interactive Media Division to ensure all daily newspapers develop and maintain robust Web sites and other online enterprises.
- > Increase circulation and readership by implementing the findings of the NAA/Northwestern University Readership Impact Study.
- > Build affinity for local brands through strong community involvement.
- > Continue to exceed industry benchmarks for financial performance.

BROADCAST

Media General owns and operates 26 network-affiliated television stations, including WFLA, the No. 1 station in Florida. The company's stations reach

more than 30 percent of the television households in the Southeast, and nearly 8 percent of those in the United States.



- > Increase revenues through convergence, local programming, superior inventory management and cross-platform selling.
- > Build strong local brands through commitment to excellent journalism, enterprise marketing and community involvement. Produce news programs that are rated first or second in their respective markets.
- > Produce cash flow margins and revenue growth that place us in top half of industry peers by operating cost-efficient stations with a more customer-focused sales philosophy.
- > Complete digital broadcast facilities and develop strategies to monetize that investment by identifying new uses for digital spectrum.
- > Sharpen Southeast market focus through station acquisitions.
- > Expand market presence via convergence, joint sales agreements, local management agreements, duopolies and technical innovation.

INTERACTIVE MEDIA

Media General owns and operates more than 50 online enterprises that work closely with the company's newspapers

and television stations. The company also operates Media General Financial Services, a provider of financial data on publicly traded companies.



- > Realize profitable growth by increasing revenues while carefully managing costs, assets and new business opportunities.
- > Offer interactive solutions that meet needs of users and advertisers.
- > Take leading role in convergence with Media General newspapers and television stations.
- > Increase market share among advertisers and users in all markets.
- > Execute three-tiered strategy: strong local enterprises, regional networks and niche Southeast products.
- > Develop operating standards that nurture innovation, excellence and quality.
- > Create sales strategies that serve users and advertising clients equally well.
- > Pursue investment opportunities that increase shareholder value, remain true to the company's mission, and afford Media General a position of control.

2001 Accomplishments

- > Outperformed industry averages for revenue growth, operating income growth and cash flow margin.
- > Implemented regional sales strategies in North Carolina and in Tampa. Account executives can now offer one-stop service for advertisers in multiple newspapers.
- > Nineteen daily newspapers produced Extra! editions on Sept. 11. Many were their first since World War II.
- > Managed costs to help offset effects of industry-wide advertising recession. Reduced work force by 250, primarily through attrition.
- > Conserved newsprint, including web-width reduction at The Tampa Tribune, which completed company-wide efforts that began in 1999.
- > Continued to develop and enhance tools for sharing content and ideas.
- > Conducted readership studies and cross-shopping research, demonstrating commitment to serving needs of readers and advertisers.



Tampa Tribune Photographer Gary Ring

- > Moved headquarters to Richmond from Tampa.
- > Consolidated national advertising reps from four firms to one, with offices in New York and Atlanta.
- > Made significant progress toward developing digital signals in all markets to meet FCC deadline of May 2002. The most dramatic digital upgrade was in Charleston, S.C., where WCBF-TV soon will move into a new \$18 million facility.
- > Invested in centralized traffic-management system to manage inventories more efficiently.
- > In Roanoke, Va., WSLF-TV won national Edward R. Murrow Award for outstanding continuing coverage.
- > Twenty-one stations now ranked No. 1 or No. 2 in their markets.
- > Cut costs substantially.
- > Outperformed industry averages for time sales, particularly in local category.
- > Provided four days of commercial-free coverage beginning on Sept. 11.



WFLA Photojournalist Joe Bamford

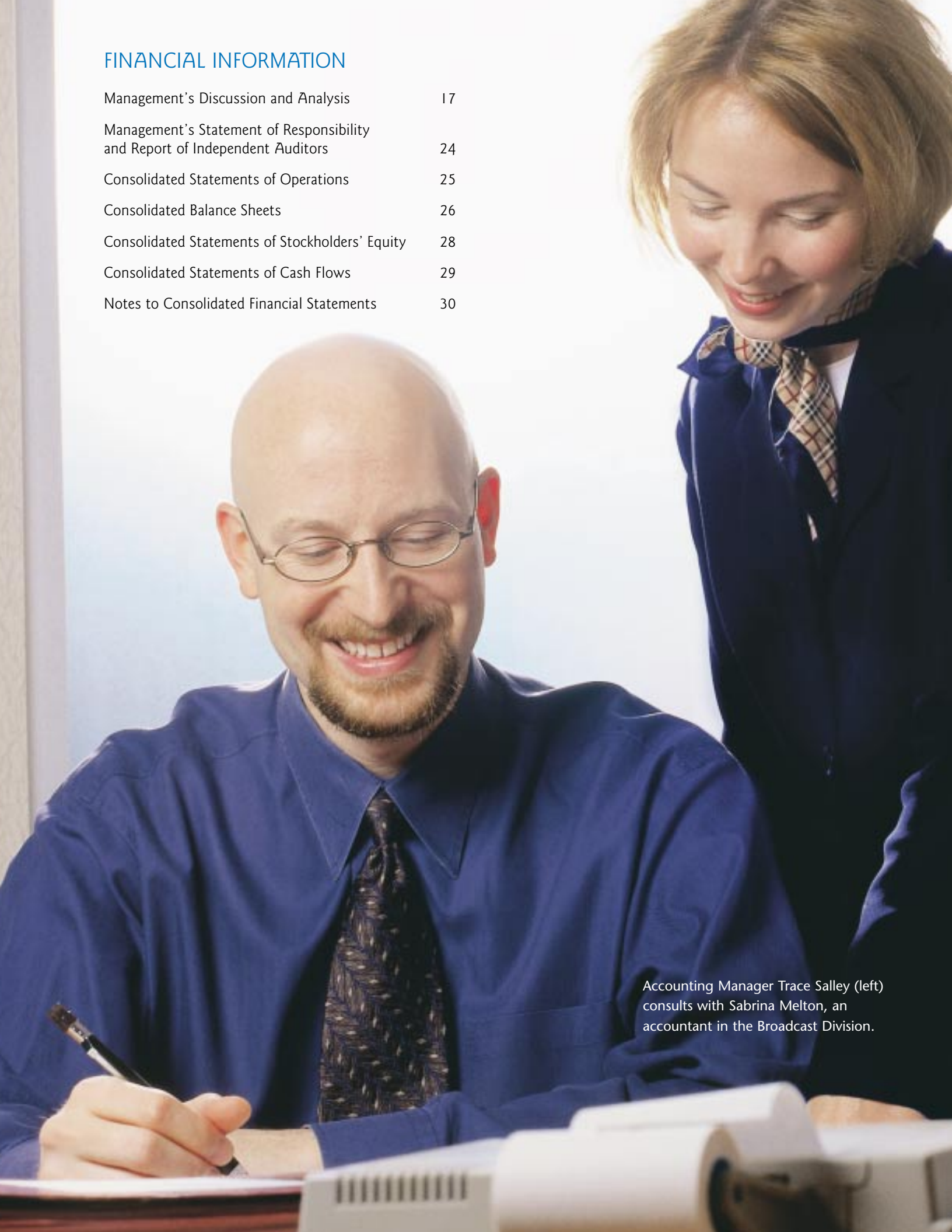
- > Neal F. Fondren, formerly vice president of new media for E.W. Scripps Co., became president of new division.
- > Built cohesive, fully functional division from diverse group of independent Web sites.
- > Generated 11 percent increase in total revenues.
- > Increased revenues by upselling newspaper classifieds into online media in several markets.
- > Generated 28 percent increase in page views, growing to 4.4 million per week by end of year.
- > Initiated systematic program of site upgrades, adding needed services for users and greater value for advertisers.
- > Launched new sites and expanded existing ones, extending Media General's reach in several markets.
- > Introduced 360° Tours, Parade of Homes, All Wrapped Up, Look Here First, InfoLerts and many other new features for local sites.



Interactive Application Developer David Hess

FINANCIAL INFORMATION

| | |
|---|----|
| Management's Discussion and Analysis | 17 |
| Management's Statement of Responsibility and Report of Independent Auditors | 24 |
| Consolidated Statements of Operations | 25 |
| Consolidated Balance Sheets | 26 |
| Consolidated Statements of Stockholders' Equity | 28 |
| Consolidated Statements of Cash Flows | 29 |
| Notes to Consolidated Financial Statements | 30 |



Accounting Manager Trace Salley (left) consults with Sabrina Melton, an accountant in the Broadcast Division.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion addresses the principal factors affecting the Company's financial condition and operations during the past three years and should be read in conjunction with the financial statements and the Ten-Year Financial Summary found in this report.

OVERVIEW

The impact of the events of 2001 was pervasive. The year began with a sharp decline in advertising spending across all media. This advertising decline persisted for the entire year as part of a larger recession in the overall economy. Then the terrorist attacks of September 11th exacerbated an already weak economic environment. The Company was greatly affected by these events, but responded positively and, more importantly, positioned itself for the coming recovery.

From 1995 through 2000, the Company made a number of strategic publishing and broadcast acquisitions, while disposing of its cable and wholly owned newsprint operations. The Company now has 26 network affiliated television stations versus three, 25 daily newspapers versus three, and a separate division, Interactive Media, managing its interactive and online operations. The Company also owns nearly 100 weekly newspapers and other periodicals. The Interactive Media Division was launched in January 2001. It operates in conjunction with the Publishing and Broadcast Divisions to foster the Company's strategy of convergence by: delivering information and entertainment through the Company's existing websites, capitalizing on new online growth opportunities, and providing expanded choices for advertisers, readers, viewers and users. The Company's convergence efforts, initially focused in Tampa, continue to thrive there and are deepening their roots in many other markets and throughout Media General's culture. The leader of those efforts in Tampa, Reid Ashe, was named President and Chief Operating Officer in 2001 and together with Chairman Stewart Bryan and Vice Chairman Marshall Morton function as the Office of the Chief Executive.

The Company instituted significant cost restraints, which are still in place, in response to the economic conditions of 2001, and did so in a measured way so that key employees and skill sets were maintained. Additionally, during 2001, the Company replaced its existing revolving credit facility with a new five-year \$1 billion revolving credit facility and a \$1.2 billion debt-equity shelf registration to provide the financial flexibility to respond to strategic acquisition opportunities, including those expected to arise if and when the Federal Communications Commission eliminates or modifies its

cross-ownership and duopoly regulations. The Company also transferred the listing of its common stock to the New York Stock Exchange to provide greater visibility and liquidity to the Company's stock. The combination of the Interactive Media Division's emergence, the convergence efforts of all three divisions, the cost restraints, the new credit facilities, and the Company's presence on the New York Stock Exchange positions the Company well as it enters 2002.

RESULTS OF OPERATIONS

Critical Accounting Policies

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require management to make estimates and assumptions. The notes to the financial statements, most particularly Note 9, contain information on the critical accounting policies of the Company. Additional information regarding the importance of management's judgments and assumptions is included in the "Newsprint", "Intangible Amortization Expense", and "Interest Income and Expense" sections of this Discussion and Analysis.

Net Income

Net income in 2001 dropped 66% to \$18 million (\$0.79 per diluted share) from \$54 million (\$2.22 per diluted share) in 2000. After adjusting for discontinued operations, the deep and sustained advertising revenue decline throughout 2001 was the most significant factor in the 72% drop in income from continuing operations. Comparisons with the prior year are also adversely affected by the presence of a fifty-third week in 2000's fiscal calendar versus fifty-two weeks in 2001. Declines were seen in all major revenue categories including, most notably, Classified and Retail in the Publishing Division and National and Political in the Broadcast Division. These were offset in part by the benefits of various cost containment initiatives and by the full-year impact of the acquisitions made in 2000, but still resulted in a \$46 million decrease in segment operating income. A \$12 million increase in interest expense and an \$8 million increase in intangibles amortization were also primarily related to the full-year impact of the March 2000 acquisition of Spartan Communications, Inc. (Spartan) and the August 2000 acquisition of certain newspaper groups from Thomson Newspapers (Thomson). Additionally, "Other" was negatively affected by the absence of \$8.2 million of interest income that had been present in 2000 and \$7 million of



additional expense related to a newsprint swap contract, prior to its termination in November 2001. On a positive note, the Company's share of the results of SP Newsprint Company increased 150% to \$19 million.

Results for both 2000 and 1999 were heavily influenced by several significant and non-recurring events. Additionally, 2000 included a fifty-third week of results as compared to fifty-two weeks in 1999. The accompanying chart facilitates a better understanding of the Company's year-over-year comparative performance excluding the listed unusual items on an after-tax basis. Inclusive of these unique items, net income for 2000 was \$54 million (\$2.22 per diluted share) compared to \$881 million (\$32.78 per diluted share) for 1999.

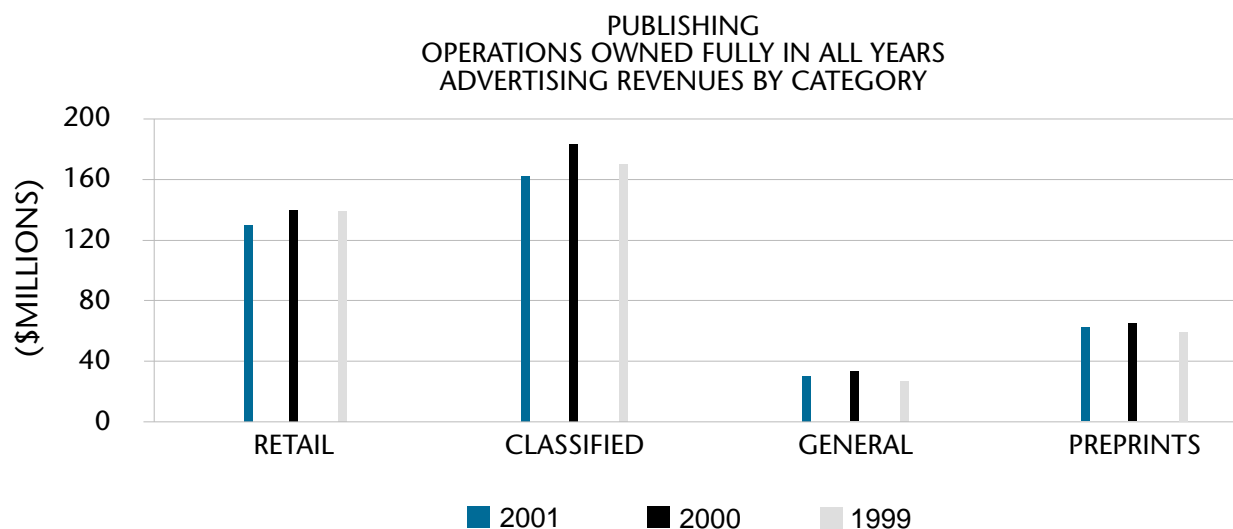
| <i>(In millions)</i> | 2000 | 1999 |
|--|----------------|----------------|
| Net income | \$ 53.7 | \$ 881.3 |
| Adjusted for: | | |
| Gain on sale of Cable operations | --- | (798.7) |
| Extraordinary item (debt redemption) | --- | 1.3 |
| Gain on sale of Denver common stock | --- | (18.9) |
| (Income) loss from discontinued operations | 4.3 | (5.1) |
| Loss on sale of Garden State Paper | 13.8 | --- |
| Gain on Cable sale - adjustment | (8.3) | --- |
| Net income as adjusted | <u>\$ 63.5</u> | <u>\$ 59.9</u> |

Excluding these unique items, net income rose 6% in 2000 over the prior year. This rise was principally due to a 77% increase in Broadcast operating profits, primarily attributable to the addition of the newly acquired Spartan properties. Publishing results were flat despite the acquisition of the Thomson properties. Strong Broadcast results more than offset

a 55% rise in acquisition-related intangibles amortization expense, a 19% increase in Corporate expense due to the expanded resources necessary to support the Company's broadened operations, and an additional week of expenses in 2000. Earnings per share assuming dilution, excluding the items in the previous chart, increased 18% to \$2.63 per share from \$2.23 per share. This seemingly disproportionate percentage increase in EPS as compared to net income was primarily accounted for by the Company's stock repurchase program, which lowered average shares outstanding by 2.7 million shares, just over 10%, in 2000.

Publishing

Publishing Division operating income decreased \$22 million during 2001 to \$128 million. After adjusting for the \$6.7 million positive effect of having a full-year of performance from units acquired in the previous year, most notably Thomson, as well as a \$4 million increase in the Company's share of The Denver Post's results, operating income decreased by \$33 million. Including the effect of one less week, revenue from operations owned in both years was down \$42 million (8%), while operating expenses were held below the prior year level by \$13 million. The Division felt the advertising weakness in virtually every category although Classified, down 12% due to soft employment and automotive, and Retail, down 8% due to weakness in most sectors, were most severely affected. The accompanying graph shows current-year declines in all major advertising categories and indicates, notably, that weakness in 2001 left Retail and Classified advertising levels lower than two-years ago.



The benefit of the Division's cost control measures, while substantial, could not overcome the severity of the advertising decline. Excluding acquisitions and aided by one less week in fiscal 2001, operating expenses were down \$13 million as compared to 2000. The measures included a hiring freeze, restricted travel and entertainment and restricted marketing and promotion expense. The Division's savings were also aided by \$2.5 million lower newsprint expense during the year. Although the \$522 average price per short ton paid during 2001 was \$35 per ton higher than 2000, reduced consumption more than offset the increased price. Consumption was reduced as a result of both lower levels of advertising and the Division's efforts at conservation, including part- and full-year effects of narrowing the width of all our daily newspapers.

The Company's 20% share of The Denver Post's results improved \$4 million during 2001 from a prior-year loss of \$932,000 to income of \$3.1 million. These results included several one-time items related to the formation of a Joint Operating Agreement (JOA) between The Denver Post and the Denver Rocky Mountain News in January 2001. The Company's share included a \$6.1 million gain resulting from an initial payment made by the Denver Rocky Mountain News partially offset by several million dollars of initial consulting and start-up costs. The operations of the newspapers themselves suffered depressed revenue and profits along with the rest of the industry.

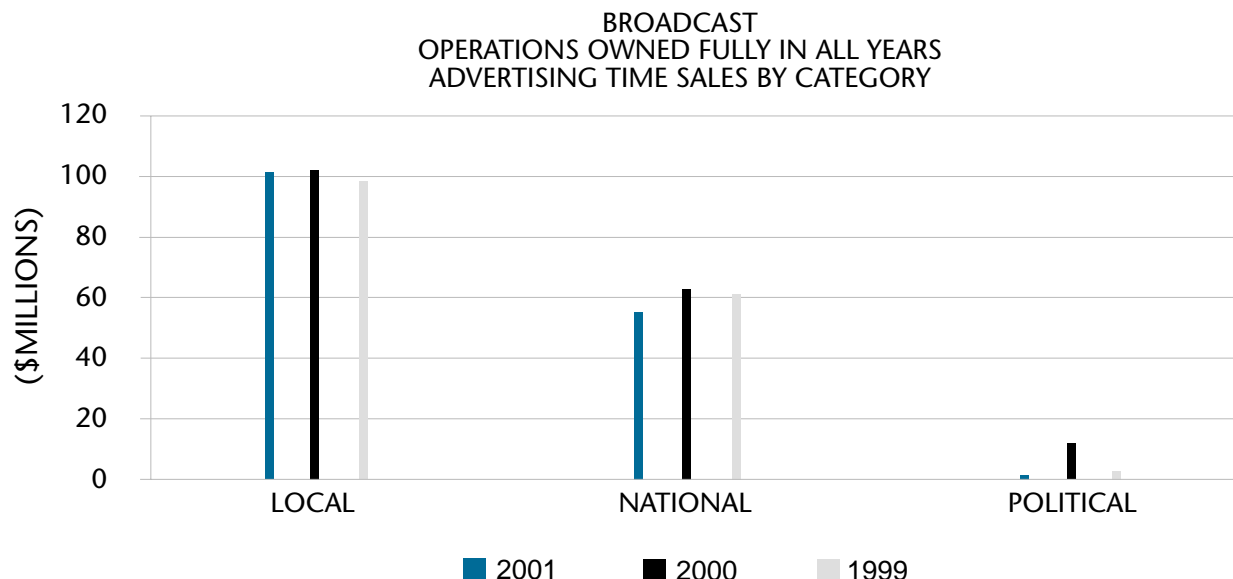
Operating income for the Publishing Division remained relatively flat in 2000, increasing less than \$1 million from 1999. Excluding the acquired Thomson properties, which contributed \$5.7 million of operating income in 2000, revenues increased \$23 million but were virtually offset by higher operating expenses. The previous graph illustrates improved revenues in all advertising categories from 1999

to 2000. Classified revenues showed the largest increase on the strength of automotive advertising; General advertising was up due to strong telecommunications advertising.

Comparing the operations owned in both years, Publishing operating expenses rose significantly due to a combination of factors. Employee compensation and benefit expense increased more than \$10 million in 2000 as a result of salary increases combined with staffing new positions. Newsprint expense rose \$5.4 million due to increased consumption, coupled with higher average cost per ton, up \$30 per short ton. Finally, other operating costs were up due to higher circulation, marketing and promotion, and occupancy costs. The Tampa Tribune incurred additional expense and rental costs related to moving its newsroom to the News Center, which also houses WFLA-TV and the Company's regional portal, *TBO.com*.

Broadcast

Operating income in the Broadcast Division decreased 27% to \$49 million in 2001. The decline was felt almost equally at the former Spartan stations, which were owned for twelve months in 2001 versus nine months in the prior year, and at the Company's remaining operations, which were fully owned in both years. Mirroring Publishing, revenue declines were the main reason, as fiscal 2001 did not benefit from major advertising for either the Olympics or political races. Additionally, the Division's revenues were adversely affected by one less week in fiscal 2001 and over four days of commercial-free air time due to nonstop news coverage in the wake of the attacks of September 11th. The accompanying graph reflects total gross time sales for Local, National, and Political advertising for the operations owned fully in all years.



National advertising, with the automotive and telecommunications categories being hardest hit, was down approximately 13%, and Political advertising was almost 90% lower than the prior year as anticipated in an odd-numbered year. The Broadcast Division's efforts to make up for National and Political advertising weakness were evident in Local advertising but fell just short of the prior year. The former Spartan stations showed similar trends.

Offsetting these revenue shortfalls were aggressive cost restraint measures. Operating expenses excluding the former Spartan stations were down almost 5% with savings coming from a hiring freeze, restricting travel and research spending, and the absence of political news coverage costs. Additional savings were achieved in programming expenses. These cost restraints remain in place as the Company enters 2002. During the second quarter of 2001, the Division also began the implementation of a new system that inserts advertisements into programming on a centralized basis for most of the Company's stations. This system requires fewer employees and allows the Division to better manage its receivables and available advertising time.

Broadcast operating income rose \$29 million in 2000 as compared to 1999; \$25 million of this increase was due to the second-quarter addition of Spartan. Excluding Spartan, revenues rose a solid \$14 million, while operating expenses increased \$10 million. In 2000, Political advertising revenues posted a very strong year-over-year increase as a result of the hotly contested presidential and congressional elections; National revenues rose on the strength of the automotive sector, and Local advertising improved due to vigor in the telecommunications and services sectors. Excluding Spartan, the small to mid-size stations posted nearly 50% of this total advertising revenue increase in 2000, while the Company's largest station, WFLA in Tampa, was responsible for the remainder.

During 2000, excluding Spartan, employee compensation and benefit expense rose 6.5% due to normal salary and benefit cost adjustments, while programming costs increased 4.5% as a result of enhanced programming. The Company's Tampa station was responsible for a large portion of these increased operating expenses for the reasons mentioned above as well as higher occupancy costs as WFLA moved into its new headquarters, the News Center, early in the year. The Division benefited from the investment made in previous years in its small to mid-market stations to invigorate their performance. In 2000, these stations combined to produce an 18% year-over-year increase in operating profits.

Interactive Media

The Interactive Media Division was launched January 1, 2001, to operate in conjunction with the Publishing and Broadcast Divisions for the purpose of fostering the Company's strategy of convergence. Prior-period amounts have been restated to reflect this launch. However, comparisons are difficult because critical aspects of the Division's infrastructure and management did not exist prior to 2001. The Division registered an operating loss of \$9.3 million during 2001, which was \$5.7 million worse than 2000 but did include an 11% increase in revenues. The increased revenues were attributable to a 76% rise in Banner advertising and a 28% rise in Classified advertising including a successful up-sell arrangement initiated in Tampa and being implemented across the Division. Under the up-sell arrangement, customers pay an additional fee to have their classified ad placed online, simultaneously with its publication in the newspaper.

With the rollout of the new Division, the Company anticipated increased losses for a two to three year period as new products were developed, new advertiser relationships were built, and the infrastructure to manage the Division was formed. Product development and relationship building are progressing nicely; strong divisional management has been put in place, and the core infrastructure to operate the Division has been set. As expected, these wholly owned portals and websites did show an increased operating loss of approximately \$1.6 million during the year. Additionally, Media General Financial Services' profits were down 18.5% due to expenses associated with the development of new databases that should begin generating revenue in 2002. The remainder of the increase in operating losses during the year related to investments in dot-com companies. These investments resulted in \$2.8 million of higher investment write-offs in 2001 and \$800,000 of additional losses from the Company's share of investments accounted for under the equity method. The Company is not expecting further write-offs of its remaining investments — which had a book value of approximately \$16 million at year end — in the coming year.

Operating losses for the Interactive Media Division increased from \$236,000 in 1999 to \$3.6 million in 2000. The biggest factors contributing to this increased loss were a \$1.4 million increase in the Company's share of the losses of PowerOne Media, Inc. (formerly Ad One, LLP) and a \$1.3 million write-off of an investment in a dot-com company. The Division's wholly owned operations including MGFS generated 70% more revenue during 2000 but lost an additional \$700,000 as websites and online operations were developed and expanded while still under the auspices of the Publishing and Broadcast Divisions.

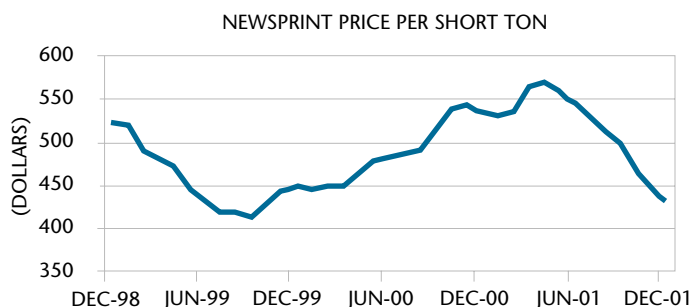


Newsprint

The Company's results are influenced by newsprint prices in two fundamental ways. First, the Company owns a one-third interest in SP Newsprint Company (SPNC), a domestic newsprint manufacturer with a capacity of one million short tons annually. Higher newsprint prices are beneficial to SPNC, and when they translate into higher profits, as they did in 2001, the Company's share of SPNC's income also increases. Second, a significant expense, 17% of total expenses in 2001, for the Publishing Division is the cost of newsprint as the Division uses approximately 140,000 short tons annually. As newsprint prices increase, the Publishing Division's production costs increase. These influences taken together result in the Company's being a net beneficiary of higher newsprint prices.

Concurrent with its completion of the third quarter 2000 sale of Garden State Paper Company (GSP), a former newsprint subsidiary, to Enron North America Corporation (Enron), the Company entered into a seven-year financial newsprint swap agreement with the buyer, under which the Company received a floating price per metric ton and paid a fixed price of \$596 per metric ton. With the adoption of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, at the beginning of 2001, a portion of the agreement was designated as a cash flow hedge. The objective of this hedge was to mitigate the variability of cash flows, due to changes in prices, in the Publishing Division's newsprint purchases.

In late November of 2001, the Company terminated the newsprint swap agreement for reasons including misrepresentations made by Enron at the time the agreement was signed. The Company believes that no further payments are due by either party under the agreement. Enron filed for bankruptcy shortly thereafter. As of year-end, the Company had received no communication from Enron with respect to the termination. The Company will continue to monitor and evaluate the situation which may result in non-cash income for the Company in future years.



Newsprint prices, as shown in the accompanying graph, declined through the first nine months of 1999 then began a gradual but fairly steady ascent through 2000 to just over \$570 per short ton near the end of the first quarter of 2001 and then rapidly descended to below \$450 per short ton at the end of 2001. The Company's income from SPNC over the three-year period reflects these prices with income of \$6.6 million in 1999 increasing slightly to \$7.7 million in 2000 and then jumping to \$19.3 million in 2001. Much of the current-year income at SPNC occurred early in the year, prior to the price declines; the Company is not expecting newsprint prices to rebound immediately, and thus results from SPNC in 2002 are expected to be significantly lower than 2001.

The declining prices and more importantly their effect on forecasted future newsprint prices also had an impact on the Company's newsprint swap valuation prior to its termination. The Company recorded net after-tax charges to Other Comprehensive Income (OCI) of \$19 million, representing the decline in estimated fair value of the derivative based on these forecasted newsprint prices. Additionally, the Company recorded a pre-tax, non-cash loss of approximately \$5.5 million in 2001 compared to income of \$1.5 million in 2000 related primarily to the decrease in the estimated fair value of that portion of the contract not designated as a hedge. A liquid market does not exist for a swap with this duration, so valuations were based on a discounted cash flow model that had as its core projected newsprint prices from an economic forecasting firm unrelated to either the Company or Enron. Prior to its termination, these valuations required significant judgment and were sensitive to changes in assumptions, most notably changes in future newsprint prices.

Intangibles Amortization Expense

Acquisition intangibles amortization expense increased from \$34 million in 1999 to \$53 million in 2000 and to \$60 million in 2001. These increases were due overwhelmingly to the inclusion of nine months of Spartan and five months of Thomson in 2000 and 12 months of both in 2001. Fiscal 2002 will be markedly different as the Company adopted SFAS No. 142, *Goodwill and Other Intangible Assets*, as of the beginning of the year. This Statement establishes new accounting for goodwill and certain other indefinite-lived intangible assets and establishes a new method of testing those assets for value impairment. It continues to require recognition of these items as assets, but amortization for certain intangible assets ceases upon adoption. The Company anticipates its acquisition intangibles amortization expense will range from \$11 million to \$17 million in 2002 compared to \$60 million in 2001. The new standard also requires that these intangible assets be separately tested for impairment annually using a fair-value-based approach.



The Company is in the process of studying and implementing the Statement's provisions, which are evolving and can be complex, particularly in light of the Company's significant acquisition activity in recent years. The impairment approach set forth by the new standard requires significant judgment by management and the use of assumptions and estimates at several different levels to determine the fair values and potential impairment. This testing is being done as of the beginning of fiscal 2002 but follows a very difficult advertising year which could impact the fair value. It is possible that a write-down of existing goodwill and intangible assets could result from applying the impairment provisions of the new standard.

Interest Income and Expense

Interest expense increased \$12 million to \$54 million during 2001. This increase was due to a \$225 million increase in average debt outstanding, the full-year impact of acquisitions financed with debt in 2000, partially offset by a decrease in the Company's effective interest rate, the result of interest rate cuts throughout 2001, to an average of less than 7%. Interest expense in 2000 decreased \$2.5 million from 1999 due primarily to a \$56 million reduction in average debt outstanding. This debt reduction was effected when a portion of the proceeds from the October 1999 sale of the Company's Cable operations was used to repay all bank debt then outstanding and to terminate the associated interest rate swaps. Acquisitions in 2000 increased the Company's debt; however, average debt outstanding still remained appreciably lower than the prior-year's level. The effective interest rate rose from just over 7% in 1999 to approximately 7.5% in 2000.

In October 1999, the Company invested certain proceeds, approximating \$665 million, from the Cable sale in prime-rated commercial paper and earned interest income of \$8.2 million in the first quarter of 2000 and \$9.4 million in the fourth quarter of 1999 on these investments.

Upon the adoption of the new accounting standard relating to derivatives at the beginning of 2001, the Company had four interest rate swaps with notional amounts totaling \$300 million. During the year the Company entered into two swaps totaling \$150 million in notional amount, and one swap with a \$75 million notional amount matured. Thus at year-end, the Company had five interest rate swap agreements with notional amounts totaling \$375 million and with maturities ranging from three to fifteen months. In accordance with the new standard, the fair value of these swaps was recorded as a \$13 million liability as of the end of the year with all offsetting amounts, net of deferred taxes, included in OCI.

These swaps are part of an overall risk management strategy designed to manage interest cost and risk associated with

variable interest rates, primarily short-term changes in LIBOR, not to trade such instruments for profit or loss. These interest rate swaps are cash flow hedges that effectively convert the covered portion of the Company's variable rate debt to fixed rate debt with a weighted average interest rate approximating 7.7%. Additionally, during the year the Company issued \$200 million in five-year senior notes with a fixed coupon rate of 6.95%. Because of the interest rate swaps, if short-term interest rates were to be either higher or lower by one percentage point throughout 2002, and assuming the senior notes were in place for the full year and the Company's interest rate swap agreements and other long-term debt levels were consistent with 2001, the Company's interest expense and income before taxes would change by only approximately \$2.6 million. This amount was determined by considering the impact of the hypothetical interest rates on the Company's borrowing cost, short-term investment balances, and interest rate swap agreements.

Income Taxes

The Company's effective tax rate on income from continuing operations was approximately 42%, 38%, and 39% in 2001, 2000 and 1999. The increase in 2001's tax rate was primarily due to non-deductible items that had a proportionately greater impact due to the year's lower pre-tax income. The slight dip in 2000's effective tax rate from 1999 was primarily due to a lower effective state tax rate precipitated by a reorganization of corporate entities following recent acquisitions and dispositions. It is expected that the Company's effective tax rate will drop in 2002 due to the adoption of the new standard on goodwill and intangible assets.

LIQUIDITY

The Company made a smooth transition during the year from a revolving credit facility that had served the Company admirably since 1996 to a new more flexible structure that should allow for the continued growth of the Company. The Company replaced its \$1.2 billion revolving credit facility with a similar five-year \$1 billion facility and a universal shelf registration which allows for combined public debt or equity totaling \$1.2 billion (together the "Facilities"). The Company is also in the process of renewing for five years a lease financing arrangement with an entity that borrowed funds and constructed buildings in Richmond and Tampa that the Company occupies and on which the Company has guaranteed recovery of a portion (88%) of the owner's approximate \$96 million cost (see Note 9 to the accompanying consolidated financial statements).



The Company has the following contractual obligations as of December 30, 2001:

(In millions)

| Contractual obligations | Total | Payments due by periods | | | |
|------------------------------------|-----------------|-------------------------|----------------|-----------------|---------------|
| | | Less than 1 year | 1-2 years | 3-4 years | After 4 years |
| Long-term debt | \$ 776.9 | \$ 27.0 | \$ --- | \$ 749.9 | \$ --- |
| Capital leases | 1.1 | 0.3 | 0.5 | 0.3 | --- |
| Operating leases ¹ | 15.0 | 4.7 | 5.0 | 2.4 | 2.9 |
| Broadcast film rights ² | 49.1 | 21.3 | 24.1 | 3.7 | --- |
| Total obligations | \$ 842.1 | \$ 53.3 | \$ 29.6 | \$ 756.3 | \$ 2.9 |

¹ Minimum commitments under leases with noncancelable terms in excess of one year.

² Includes film rights recorded on the balance sheet and commitments to purchase film rights not yet produced.

As mentioned, the Company issued \$200 million in senior notes due September 1, 2006, under the shelf registration. The senior notes are currently guaranteed by the Company's subsidiaries. The Facilities carry cross-default provisions and very similar covenants including an interest coverage ratio and a leverage ratio. A significant drop in the Company's EBITDA (a measure of cash earnings as defined in the agreements for the Facilities) or a large increase in the Company's debt level could make meeting the leverage ratio challenging. The Company was in compliance with all covenants at year-end and expects to remain in compliance with them going forward.

Despite weak operating results during 2001, net cash from operating activities of \$124 million provided funds to pay for capital expenditures (\$54 million), pay dividends (\$16 million), pay up-front costs related to the Facilities (\$12 million) as well as to reduce long-term debt outstanding by more than \$40 million. A significant portion of the increase in capital spending in 2001 was related to the Company's conversion to digital broadcasting including a new station being constructed in Charleston. The Company expects to make further investments of approximately \$50 million for this conversion over the next three years, a significant portion of which is expected in 2004. The Company anticipates income from continuing operations to be sufficient to fully utilize, over the next several years, net operating losses acquired from Spartan (see Note 6 to the accompanying consolidated financial statements).

With the new facilities in place and an expected improvement in operating results, the Company believes that internally generated funds provided by operations together with the Facilities are more than adequate to finance projected capital expenditures, dividends to stockholders and 2002 working capital needs. Additionally, the Company believes that the financial flexibility afforded by the Facilities will allow it to react quickly to opportunities that may arise if cross-ownership and duopoly regulations are eliminated or modified.

OUTLOOK FOR 2002

While 2001 was a very difficult year for our country in general with the recession and the terrorist attacks, and for the Company in particular with the severely depressed advertising environment, significant strides were made that auger well for 2002 and beyond. It may take some time for revenues to fully recover to their pre-2001 levels, but the establishment of the Interactive Media Division, the implementation of cost control measures, the creation of the Office of the Chief Executive, and burgeoning convergence initiatives will produce more meaningful results in 2002 across all our Divisions. The return of the Olympics and political spending will aid the Broadcast Division even further. But perhaps the most exciting prospect for 2002 and beyond is the potential for the Company to capitalize if and when the FCC eliminates or modifies its cross-ownership and duopoly regulations. This will greatly enhance the Company's ability to further its convergence strategy in the Southeast and provide long-term value to shareholders.

* * * * *

Certain statements in this annual report that are not historical facts are "forward-looking" statements, as that term is defined by the federal securities laws. Forward-looking statements include statements related to pending transactions, the impact of new accounting standards and the Internet, and expectations regarding newsprint prices, advertising levels and the effect of changes to FCC regulations. Forward-looking statements, including those which use words such as the Company "believes," "anticipates," "expects," "estimates," "intends" and similar words, are made as of the date of this filing and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements.

Some significant factors that could affect actual results include: changes in advertising demand, the availability and pricing of newsprint, changes in interest rates, regulatory rulings and the effects of acquisitions, investments and dispositions on the Company's results of operations and its financial condition.



MANAGEMENT'S STATEMENT OF RESPONSIBILITY

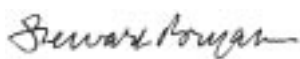
Primary responsibility for the integrity and objectivity of the Company's financial statements rests with Management. The financial statements report on Management's stewardship of Company assets. They are prepared in conformity with accounting principles generally accepted in the United States, and accordingly include amounts that are based on Management's informed estimates and judgments. Nonfinancial information included in the annual report has also been prepared by Management and is consistent with the financial statements.

Media General, Inc., maintains an accounting system and related controls designed to provide reasonable assurance that there is proper authorization and accounting for all transactions, that financial records are reliable for preparing financial statements, and that assets are safeguarded against loss or unauthorized use. The system is supported by written policies and guidelines, a program of internal audit and the selection and training of qualified personnel.

The Audit Committee of the Board of Directors, which is composed solely of outside directors, meets periodically with Management, internal auditors and the independent auditors to review their respective activities and the discharge of their responsibilities.

Media General operates under a strict Code of Ethics that all employees are required to follow without exception. The Code requires ethical standards in all of the Company's relationships, including those with customers, suppliers and government agencies.

January 29, 2002



J. Stewart Bryan III
Chairman and
Chief Executive Officer



Marshall N. Morton
Vice Chairman and
Chief Financial Officer



O. Reid Ashe Jr.
President and
Chief Operating Officer

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders Media General, Inc.

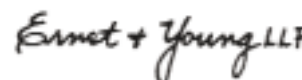
We have audited the accompanying consolidated balance sheets of Media General, Inc., as of December 30, 2001, and December 31, 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three fiscal years in the period ended December 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Media General, Inc., at December 30, 2001, and December 31, 2000, and the consolidated results of its operations and its cash flows for each of the three fiscal years in the period ended December 30, 2001, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 9 to the consolidated financial statements, in 2001 the Company changed its method of accounting for derivative instruments and hedging activities to comply with the accounting provisions of Statement of Financial Accounting Standards No. 133.

January 29, 2002
Richmond, Virginia



CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

| | Fiscal Years Ended | | |
|---|----------------------|------------------------------------|----------------------|
| | December 30, 2001 | December 31, 2000 (53 weeks) | December 26, 1999 |
| Revenues | \$ 807,176 | \$ 830,601 | \$ 692,902 |
| Operating costs: | | | |
| Production | 354,740 | 343,949 | 288,677 |
| Selling, general and administrative | 265,990 | 261,272 | 209,209 |
| Depreciation and amortization | 113,732 | 101,547 | 72,440 |
| Total operating costs | 734,462 | 706,768 | 570,326 |
| Operating income | 72,714 | 123,833 | 122,576 |
| Other income (expense): | | | |
| Interest expense | (54,247) | (42,558) | (45,014) |
| Investment income - unconsolidated affiliates | 19,949 | 5,131 | 9,067 |
| Gain on sale of Denver Newspapers, Inc. stock | — | — | 30,983 |
| Other, net | (7,470) | 16,520 | 12,637 |
| Total other income (expense) | (41,768) | (20,907) | 7,673 |
| Income from continuing operations before income taxes and extraordinary item | 30,946 | 102,926 | 130,249 |
| Income taxes | 13,022 | 39,369 | 51,431 |
| Income from continuing operations before extraordinary item | 17,924 | 63,557 | 78,818 |
| Discontinued operations: | | | |
| Income (loss) from discontinued operations (net of income tax benefit of \$2,471 in 2000 and income taxes of \$2,576 in 1999) | — | (4,350) | 5,107 |
| Gain (loss) on sale of operations (net of income taxes of \$160 in 2001, income tax benefit of \$2,604 in 2000 and income taxes of \$509,760 in 1999) | 280 | (5,488) | 798,719 |
| Extraordinary item from early redemption of debt (net of income tax benefit of \$800) | — | — | (1,328) |
| Net income | \$ 18,204 | \$ 53,719 | \$ 881,316 |
| Earnings per common share: | | | |
| Income from continuing operations before extraordinary item | \$ 0.79 | \$ 2.66 | \$ 2.97 |
| Income (loss) from discontinued operations | 0.01 | (0.41) | 30.33 |
| Extraordinary item | — | — | (0.05) |
| Net income | \$ 0.80 | \$ 2.25 | \$ 33.25 |
| Earnings per common share - assuming dilution: | | | |
| Income from continuing operations before extraordinary item | \$ 0.78 | \$ 2.63 | \$ 2.93 |
| Income (loss) from discontinued operations | 0.01 | (0.41) | 29.90 |
| Extraordinary item | — | — | (0.05) |
| Net income | \$ 0.79 | \$ 2.22 | \$ 32.78 |

Notes to Consolidated Financial Statements begin on page 30.



CONSOLIDATED BALANCE SHEETS

(In thousands, except shares and per share amounts)

ASSETS

| | December 30, 2001 | December 31, 2000 |
|--|----------------------|----------------------|
| Current assets: | | |
| Cash, cash equivalents and short-term investments | \$ 9,137 | \$ 10,404 |
| Accounts receivable (less allowance for doubtful accounts 2001 - \$8,085; 2000 - \$7,471) | 112,431 | 117,254 |
| Inventories | 4,860 | 7,168 |
| Other | 36,610 | 38,054 |
| Total current assets | 163,038 | 172,880 |
| Investments in unconsolidated affiliates | 114,588 | 90,739 |
| Other assets | 71,308 | 59,565 |
| Property, plant and equipment, at cost: | | |
| Land | 30,458 | 30,465 |
| Buildings | 168,625 | 157,504 |
| Machinery and equipment | 463,250 | 459,012 |
| Construction in progress | 29,125 | 6,795 |
| Accumulated depreciation | (305,542) | (273,826) |
| Net property, plant and equipment | 385,916 | 379,950 |
| Excess of cost over fair value of net identifiable assets of acquired businesses (less accumulated amortization 2001 - \$106,837; 2000 - \$80,817) | 933,957 | 958,443 |
| FCC licenses and other intangibles (less accumulated amortization 2001 - \$116,009; 2000 - \$81,555) | 865,252 | 899,705 |
| Total assets | \$ 2,534,059 | \$ 2,561,282 |

Notes to Consolidated Financial Statements begin on page 30.



LIABILITIES AND STOCKHOLDERS' EQUITY

| | December 30, 2001 | December 31, 2000 |
|---|----------------------|----------------------|
| Current liabilities: | | |
| Accounts payable | \$ 19,909 | \$ 27,203 |
| Accrued expenses and other liabilities | 80,588 | 87,338 |
| Total current liabilities | 100,497 | 114,541 |
| Long-term debt | 777,662 | 822,077 |
| Deferred income taxes | 350,854 | 351,491 |
| Other liabilities and deferred credits | 141,378 | 101,251 |
| Commitments and contingencies (Note 9) | | |
| Stockholders' equity: | | |
| Preferred stock (\$5 cumulative convertible), par value \$5 per share: Authorized 5,000,000 shares; none outstanding | | |
| Common stock, par value \$5 per share: Class A, authorized 75,000,000 shares; issued 22,420,065 and 22,158,070 shares | 112,100 | 110,790 |
| Class B, authorized 600,000 shares; issued 556,574 shares | 2,783 | 2,783 |
| Additional paid-in capital | 10,006 | --- |
| Accumulated other comprehensive income (loss): | | |
| Unrealized loss on equity securities | (1,953) | (3,481) |
| Unrealized loss on derivative contracts | (19,060) | --- |
| Unearned compensation | (6,780) | (2,145) |
| Retained earnings | 1,066,572 | 1,063,975 |
| Total stockholders' equity | 1,163,668 | 1,171,922 |
| | | |
| Total liabilities and stockholders' equity | \$ 2,534,059 | \$ 2,561,282 |

Notes to Consolidated Financial Statements begin on page 30.



CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except shares and per share amounts)

| | Class A Shares | Common Stock Class A | Class B | Additional Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Unearned Compensation | Retained Earnings | Total |
|--|-------------------|-------------------------|----------|----------------------------------|--|--------------------------|----------------------|--------------|
| Balance at December 27, 1998 | 26,214,721 | \$ 131,074 | \$ 2,783 | \$ 18,694 | \$ — | \$ (1,050) | \$ 325,848 | \$ 477,349 |
| Net income | — | — | — | — | — | — | 881,316 | 881,316 |
| Unrealized gain on equity securities (net of deferred taxes of \$4,454) | — | — | — | — | 7,392 | — | — | 7,392 |
| Comprehensive income | — | — | — | — | — | — | — | 888,708 |
| Cash dividends (\$0.60 per share) | — | — | — | — | — | — | (16,062) | (16,062) |
| Stock purchase and retirement | (580,456) | (2,902) | — | (23,546) | — | — | — | (26,448) |
| Exercise of stock options | 197,726 | 988 | — | 3,246 | — | — | — | 4,234 |
| Stock issuance under: | | | | | | | | |
| Restricted stock plan | 72,200 | 361 | — | 3,098 | — | (3,459) | — | — |
| Dividend reinvestment plan | 7,423 | 37 | — | 321 | — | — | — | 358 |
| Income tax benefits relating to restricted shares and exercised options | — | — | — | 1,227 | — | — | — | 1,227 |
| Amortization of unearned compensation | — | — | — | — | — | 1,536 | — | 1,536 |
| Balance at December 26, 1999 | 25,911,614 | 129,558 | 2,783 | 3,040 | 7,392 | (2,973) | 1,191,102 | 1,330,902 |
| Net income | — | — | — | — | — | — | 53,719 | 53,719 |
| Unrealized loss on equity securities (net of deferred tax benefit of \$6,346) | — | — | — | — | (10,873) | — | — | (10,873) |
| Comprehensive income | — | — | — | — | — | — | — | 42,846 |
| Cash dividends (\$0.64 per share) | — | — | — | — | — | — | (15,299) | (15,299) |
| Stock purchase and retirement | (3,890,136) | (19,451) | — | (7,819) | — | — | (165,547) | (192,817) |
| Exercise of stock options | 136,969 | 685 | — | 3,338 | — | — | — | 4,023 |
| Stock issuance under dividend reinvestment plan | 5,723 | 29 | — | 225 | — | — | — | 254 |
| Income tax benefits relating to restricted shares and exercised options | — | — | — | 1,478 | — | — | — | 1,478 |
| Amortization and forfeitures of unearned compensation | (6,100) | (31) | — | (262) | — | 828 | — | 535 |
| Balance at December 31, 2000 | 22,158,070 | 110,790 | 2,783 | — | (3,481) | (2,145) | 1,063,975 | 1,171,922 |
| Net income | — | — | — | — | — | — | 18,204 | 18,204 |
| Unrealized gain on equity securities (net of deferred taxes of \$871) | — | — | — | — | 1,528 | — | — | 1,528 |
| Unrealized loss on derivative contracts (net of deferred tax benefit of \$10,771) | — | — | — | — | (19,060) | — | — | (19,060) |
| Comprehensive income | — | — | — | — | — | — | — | 672 |
| Cash dividends (\$0.68 per share) | — | — | — | — | — | — | (15,607) | (15,607) |
| Exercise of stock options | 141,250 | 706 | — | 3,435 | — | — | — | 4,141 |
| Stock issuance under: | | | | | | | | |
| Restricted stock plan | 114,900 | 575 | — | 5,333 | — | (5,908) | — | — |
| Dividend reinvestment plan | 5,845 | 29 | — | 229 | — | — | — | 258 |
| Income tax benefits relating to restricted shares and exercised options | — | — | — | 1,009 | — | — | — | 1,009 |
| Amortization of unearned compensation | — | — | — | — | — | 1,273 | — | 1,273 |
| Balance at December 30, 2001 | 22,420,065 | \$ 112,100 | \$ 2,783 | \$ 10,006 | \$ (21,013) | \$ (6,780) | \$ 1,066,572 | \$ 1,163,668 |

Notes to Consolidated Financial Statements begin on page 30.



CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

| | Fiscal Years Ended | | |
|---|----------------------|------------------------------------|----------------------|
| | December 30, 2001 | December 31, 2000 (53 weeks) | December 26, 1999 |
| <i>Cash flows from operating activities:</i> | | | |
| Net income | \$ 18,204 | \$ 53,719 | \$ 881,316 |
| Adjustments to reconcile net income: | | | |
| Extraordinary item | — | — | 1,328 |
| Depreciation and amortization | 113,732 | 105,293 | 97,532 |
| Deferred income taxes | 1,340 | 3,327 | (5,484) |
| Provision for doubtful accounts | 7,966 | 4,751 | 4,676 |
| Investment income - unconsolidated affiliates | (19,949) | (5,131) | (10,333) |
| Distribution from unconsolidated affiliates | — | 3,400 | 30,372 |
| Write-off of investments | 4,151 | 1,310 | — |
| Gain on sale of Denver Newspapers, Inc. common stock | — | — | (30,983) |
| Net (gain) loss on disposition of Garden State Paper | (280) | 13,774 | — |
| Net gain on disposition of Cable operations | — | (8,286) | (798,719) |
| Net cash provided by operations | 125,164 | 172,157 | 169,705 |
| Change in assets and liabilities: | | | |
| Accounts receivable and inventories | (694) | (13,457) | (6,317) |
| Other current assets | 2,644 | (829) | (2,694) |
| Accounts payable, accrued expenses and other liabilities | (8,914) | (9,513) | (33,778) |
| Income taxes payable | 56 | (516,812) | 1,868 |
| Other, net | 6,053 | (4,152) | (5,765) |
| Net cash provided (used) by operating activities | 124,309 | (372,606) | 123,019 |
| <i>Cash flows from investing activities:</i> | | | |
| Capital expenditures | (54,373) | (42,873) | (60,829) |
| Purchase of businesses | (1,766) | (857,570) | — |
| Proceeds from disposition of Garden State Paper | — | 76,623 | — |
| Proceeds from disposition of Cable operations | — | 10,063 | 1,404,407 |
| Proceeds from sale of other businesses | — | 3,825 | 8,058 |
| Proceeds from sale of Denver Newspapers, Inc. common stock and redemption of preferred stock | — | — | 73,000 |
| Proceeds (purchases) of short-term investments - net | — | 390,748 | (390,748) |
| Other investments | (4,852) | (12,283) | (6,780) |
| Other, net | 4,420 | 255 | 1,198 |
| Net cash (used) provided by investing activities | (56,571) | (431,212) | 1,028,306 |
| <i>Cash flows from financing activities:</i> | | | |
| Increase in debt | 1,236,882 | 1,095,000 | 268,000 |
| Repayment of debt | (1,281,302) | (333,333) | (1,136,509) |
| Debt issuance costs | (12,211) | — | — |
| Stock repurchase | (2,120) | (192,692) | (22,743) |
| Cash dividends paid | (15,607) | (15,299) | (16,062) |
| Other, net | 5,353 | 5,248 | 3,650 |
| Net cash (used) provided by financing activities | (69,005) | 558,924 | (903,664) |
| Net (decrease) increase in cash and cash equivalents | (1,267) | (244,894) | 247,661 |
| <i>Cash, cash equivalents and short-term investments:</i> | | | |
| Cash and cash equivalents at beginning of year | 10,404 | 255,298 | 7,637 |
| Cash and cash equivalents at end of year | 9,137 | 10,404 | 255,298 |
| Short-term investments at end of year | — | — | 390,748 |
| Cash, cash equivalents and short-term investments at end of year | \$ 9,137 | \$ 10,404 | \$ 646,046 |

Notes to Consolidated Financial Statements begin on page 30.



Note 1: Principles of Consolidation

The accompanying financial statements include the accounts of Media General, Inc., and subsidiaries more than 50% owned (the Company). All significant intercompany balances and transactions have been eliminated. See Note 9 for a summary of the Company's accounting policies.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Certain prior-year financial information has been reclassified to conform with the current year's presentation.

The Company's fiscal year ends on the last Sunday in December. Results for 2001 and 1999 are for the 52-week periods ended December 30, 2001, and December 26, 1999, respectively; results for 2000 are for the 53-week period ended December 31, 2000.

Note 2: Acquisitions, Dispositions and Discontinued Operations

The Company has completed several acquisitions over the past few years. All of these transactions were accounted for as purchases and have been included in the Company's consolidated results of operations since their respective dates of acquisition. Purchase price has been allocated to the assets acquired based on appraisals of estimated fair values. The excess of the purchase price over the fair market value of the tangible net assets acquired was allocated to FCC licenses, other identifiable intangibles, and excess cost over net assets acquired and, through December 30, 2001, was being amortized on a straight-line basis over periods ranging from 3 to 40 years.

Effective at the beginning of fiscal 2002, the Company adopted SFAS No. 142, *Goodwill and Other Intangible Assets*. This Statement establishes a new accounting standard for goodwill and certain other indefinite-lived intangible assets acquired in a business combination. It also establishes a new method of testing those assets for value impairment. It continues to require recognition of these items as assets but amortization as previously required by APB Opinion No. 17, *Intangible Assets*, ceased upon adoption in fiscal 2002. It also requires that these assets be separately tested for impairment annually at the

reporting unit level using a fair-value-based approach. The provisions of this Statement apply not only to balances arising from acquisitions completed after June 30, 2001, but also to the unamortized balances at the date of adoption. Application and implementation of the Statement's provisions are evolving and can be complex, particularly in light of the Company's significant acquisition activity in recent years. The Company anticipates its intangibles amortization expense will decrease by an amount ranging from \$43 million to \$49 million in 2002 compared to that of the prior year. In accordance with the Statement, the Company reclassified its assembled workforce asset with an unamortized balance of \$4 million to goodwill at adoption. It is also possible that a write-down of existing goodwill and intangible assets could result from applying the impairment provisions of the new standard. If an initial write-down is required, it would be presented as a cumulative effect change of an accounting principle, net of tax, following income from continuing operations.

In March 2000 the Company acquired the common stock of Spartan Communications, Inc. (Spartan); the transaction included 12 network-affiliated television stations and one UPN affiliate which was operated under a local marketing agreement. The total consideration approximated \$610 million (net of approximately \$9 million of transaction costs and \$5 million cash received). Approximately \$500 million of the purchase price was funded with borrowings under a \$1.2 billion revolving credit facility which was in place at that time; concurrent with this acquisition, the Company entered into several new interest rate swap agreements as part of an overall risk management strategy (see Note 4). Approximately \$540 million of the purchase price was allocated to FCC licenses and other identifiable intangibles and \$129 million to excess cost over the net assets acquired.

The following summary presents the Company's unaudited pro forma consolidated results of operations for the year ended December 31, 2000, and December 26, 1999, as if the Spartan acquisition had been completed at the beginning of each period. Certain Spartan items have been reclassified to conform with Media General's presentation. The pro forma information is presented for comparative purposes only and does not purport to be indicative of what would have occurred had the acquisition actually been made at such date, nor is it necessarily indicative of future operating results:



(In thousands, except per share amounts)

| | Pro Forma Year Ended December 31, 2000 | Pro Forma Year Ended December 26, 1999 |
|---|---|---|
| Revenues | \$ 853,135 | \$ 804,834 |
| Income from continuing operations before extraordinary item | \$ 57,966 | \$ 50,005 |
| Discontinued operations | (9,838) | 803,826 |
| Extraordinary item | — | (1,328) |
| Net income | \$ 48,128 | \$ 852,503 |
| Income per common share: | | |
| Income from continuing operations before extraordinary item | \$ 2.42 | \$ 1.88 |
| Income (loss) from discontinued operations | (0.41) | 30.33 |
| Extraordinary item | — | (0.05) |
| Net income | \$ 2.01 | \$ 32.16 |
| Income per common share – assuming dilution: | | |
| Income from continuing operations before extraordinary item | \$ 2.40 | \$ 1.86 |
| Income (loss) from discontinued operations | (0.41) | 29.90 |
| Extraordinary item | — | (0.05) |
| Net income | \$ 1.99 | \$ 31.71 |

In August 2000 the Company acquired, for approximately \$238 million, the assets of certain newspaper groups of Thomson Newspapers, located in South Carolina and Alabama. This transaction was also funded with borrowings under the Company's \$1.2 billion revolving credit facility which was in place at that time. Additionally, in June 2000 the Company acquired a group of weekly newspapers in southwestern Virginia from Family Community Newspapers of Southwest Virginia, Inc., for approximately \$9 million. The portion of the purchase price for these acquisitions allocated to identifiable intangibles (principally subscriber lists) was \$6 million and to excess cost over the net assets acquired was \$223 million. Pro forma information for these acquisitions has not been provided because such information would not differ significantly from the results provided above.

In September 2000 the Company sold Garden State Paper (GSP) to an affiliate of Enron North America Corporation for approximately \$76.6 million, including working capital. The Company recorded a loss of \$13.8 million (net of income tax benefit of \$6.2 million in fiscal 2000); in the third quarter of

2001, a favorable adjustment resulted in a gain of \$280 thousand (net of income taxes of \$160 thousand) as no indemnity claims were filed by Enron within the stipulated one-year period. The transaction also included a seven-year, financial fixed-price newsprint swap agreement (see Note 10). Concurrent with the sale, the Company retired \$20 million of 7.125% municipal revenue bonds.

In October 1999 the Company sold its cable operations to Cox Communications, Inc., for approximately \$1.4 billion in cash, at which time the Company recorded a gain of \$799 million (net of income taxes of \$510 million). In the second quarter of 2000, final post-closing adjustments related to this sale resulted in an additional gain of \$8.3 million (net of income taxes of \$3.6 million). Immediately following the sale in 1999, approximately \$735 million of the proceeds were used to pay off all amounts then outstanding under the Company's revolving credit facility which was in place at that time and to terminate the associated interest rate swaps generating an extraordinary loss of \$1.3 million; the remaining proceeds of approximately \$665 million were invested, primarily in prime-rated commercial paper.

The following results of GSP and the Cable Segment have been presented as income (loss) from discontinued operations in the accompanying consolidated statements of operations:

| (In thousands) | Fiscal Years Ended | |
|--|----------------------|----------------------|
| | December 31, 2000 | December 26, 1999 |
| Revenues | \$ 55,656 | \$ 225,670 |
| Costs and expenses | 62,477 | 217,987 |
| Income (loss) before income taxes | (6,821) | 7,683 |
| Income taxes (benefit) | (2,471) | 2,576 |
| Income (loss) from discontinued operations | \$ (4,350) | \$ 5,107 |



Note 3: Investments in Unconsolidated Affiliates

The Company has a one-third partnership interest in SP Newsprint Company (SPNC), a domestic newsprint manufacturer which also pays licensing fees to the Company. In November 1999, SPNC acquired Smurfit Newsprint Corporation's Newberg, Oregon mill. The Company is committed to and has purchased approximately 40 thousand tons of newsprint from SPNC in each

of the past three years. These purchases, all at market prices, approximated 30% of the Company's newsprint needs and totaled \$22 million, \$22 million, and \$18 million in 2001, 2000 and 1999, respectively. Summarized financial information for the Company's investment in SPNC, accounted for by the equity method, follows:

SP Newsprint Company:

(In thousands)

| | 2001 | 2000 |
|------------------------|------------|------------|
| Current assets | \$ 113,916 | \$ 104,388 |
| Noncurrent assets | 529,756 | 497,566 |
| Current liabilities | 80,163 | 74,312 |
| Noncurrent liabilities | 255,579 | 284,695 |

(In thousands)

| | 2001 | 2000 | 1999 |
|--------------------------------|------------|------------|------------|
| Net sales | \$ 476,245 | \$ 381,710 | \$ 258,225 |
| Gross profit | 106,528 | 74,715 | 45,092 |
| Net income | 58,692 | 22,149 | 19,701 |
| Company's equity in net income | 19,269 | 7,677 | 6,567 |

The Company owns 20% of the Denver Post Corporation (formerly Denver Newspapers, Inc. or "DNI"), the parent company of The Denver Post (a Colorado daily newspaper). In January 2001 The Denver Post (Denver) and the Rocky Mountain News initiated a Joint Operating Agreement (JOA), under which the competing newspapers combined their advertising, circulation and production operations, while maintaining separate newsrooms. A one-time pretax gain of \$6.1 million was recorded by the Company in the first quarter of 2001 related to a cash payment received by Denver in conjunction with the formation of the JOA; it is included in the line item "Investment income (loss) - unconsolidated affiliates" on the accompanying Consolidated Statements of Operations. That line also includes the Company's share of start-up costs incurred by Denver related to the initial formation of the JOA.

In June 1999 the Company sold half of its then 40% investment in the outstanding common stock of DNI to MediaNews, Inc., for \$39 million, resulting in a \$19 million after-tax gain. If that stock is sold to a third party or publicly offered during the three-year period ending June 2002, the Company will share in any realized appreciation in value. Additionally, the Company's preferred

stock investment in DNI was redeemed in June 1999, for \$34 million plus \$19.2 million of accrued but unpaid dividends. Using the equity method, the Company recognized, on a one-month lag, 20% of Denver's net income or loss applicable to common stockholders in 2001, 2000 and 1999 (after the sale), and 40% of net income or loss applicable to common stockholders in 1999 (before the sale).

Retained earnings of the Company at December 30, 2001, included \$38.2 million related to undistributed earnings of unconsolidated affiliates. Additionally, the Company owns approximately 3.8% of PowerOne Media, Inc. (formerly AdOne, L.L.P.), a national online database of classified advertising and e-commerce, which is being accounted for under the equity method.

On a combined basis excluding SPNC, in 2001 the Company's unconsolidated affiliates' sales were \$49.8 million while gross profit was \$6.9 million; net loss was \$2.5 million for which the Company recognized income of \$0.7 million. Their combined current assets, noncurrent assets, current liabilities, and noncurrent liabilities were \$14.2 million, \$149.2 million, \$9.4 million and \$91.4 million, respectively, at the end of 2001.

Note 4: Long-Term Debt and Other Financial Instruments

Long-term debt at December 30, 2001, and December 31, 2000, was as follows:

(In thousands)

| | 2001 | 2000 |
|---|------------|------------|
| Revolving credit facility | \$ 550,000 | \$ 790,000 |
| 6.95% senior notes due in 2006, net of discount | 199,890 | — |
| 8.62% senior notes due in 2002 | 13,000 | 26,000 |
| Bank lines | 14,000 | 5,000 |
| Capitalized leases | 772 | 1,077 |
| Long-term debt | \$ 777,662 | \$ 822,077 |



In June 2001 the Company replaced its \$1.2 billion revolving credit facility with a five-year revolving credit facility committing a syndicate of banks to lend the Company up to \$1 billion. Interest rates under the new facility are based on the London Interbank Offered Rate (LIBOR) plus a margin ranging from 0.75% to 1.50% (1.325% at December 30, 2001), determined by the Company's debt leverage ratio, as defined. Under this new facility, the Company pays facility fees (0.3% at December 30, 2001) on the entire commitment of the facility at a rate also based on its leverage ratio. The Company's debt covenants require the maintenance of an interest coverage ratio in addition to the leverage ratio, as defined.

In August 2001 the Company filed a universal shelf registration for combined public debt or equity securities totaling up to \$1.2 billion and issued \$200 million of senior notes due September 1, 2006. The senior notes (sold at a slight discount) pay a coupon rate of 6.95% semi-annually in March and September. Covenants under these notes include limitations on liens, sale-leaseback transactions, and indebtedness. Additionally these notes are currently guaranteed by the Company's subsidiaries.

Concurrent with the completion of the third quarter 2000 sale of Garden State Paper Company (GSP), the Company retired \$20 million of 7.125% municipal revenue bonds.

Long-term debt maturities during the five years subsequent to December 30, 2001, aggregating \$777.7 million are as follows: 2002 - \$27 million; 2003 - \$0.3 million; 2004 - \$0.2 million; 2005 - \$0.2 million; 2006 - \$750 million.

At December 30, 2001, the Company had borrowings of \$14 million from bank lines and \$13 million of 8.62% senior notes due within one year classified as long-term debt in accordance with the Company's intention and ability to refinance these obligations on a long-term basis under existing facilities. The interest rate on the bank lines was 2.9% at December 30, 2001.

Upon the January 1, 2001 adoption of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (see Note 9), the Company had interest rate swap agreements, with notional amounts totaling \$300 million and having maturities ranging from less than three months to slightly more than two years, that were designated as cash flow hedges under the new standard. During 2001, the Company entered into additional interest rate swap agreements, with notional amounts totaling \$150 million and having maturities of two years, that also were designated as cash flow hedges; one swap agreement with a notional amount of \$75 million matured. The interest rate swaps effectively convert a portion of the Company's variable rate debt to fixed rate debt with a weighted average interest rate approximating 7.7% at December 30, 2001. The Company entered into these interest rate swap agreements to manage interest cost and cash flows associated with variable interest rates, primarily short-term changes in LIBOR; changes in cash flows of the interest rate swaps offset changes in the interest payments on the covered portion of the Company's revolving credit agreement. In connection with these interest rate swap agreements, the Company recorded an after-tax charge of \$4.7 million in Other Comprehensive Income (OCI) for 2001. There was no impact on net income due to ineffectiveness. If interest rates remain unchanged during 2002, the Company would expect to reclassify a charge of approximately \$7 million into earnings in the next twelve months associated with interest payments on LIBOR-based debt. Prior to the adoption of SFAS No. 133, the Company used the accrual method to account for all interest rate swap agreements and all amounts which were due to or from counterparties were recorded as an adjustment to interest expense in the periods in which they were accrued. The Company's exposure to credit loss on its interest rate swap agreements in the event of non-performance by the counterparties is believed to be remote due to the Company's requirement that the counterparties have a strong credit rating.

The table below includes information about the carrying values and estimated fair values of the Company's financial instruments at December 30, 2001 and December 31, 2000:

| (In thousands) | 2001 | | 2000 | |
|-------------------------------|------------------|------------|------------------|------------|
| | Carrying Amounts | Fair Value | Carrying Amounts | Fair Value |
| Assets: | | | | |
| Investments | \$ 14,300 | \$ 14,300 | \$ 13,318 | \$ 13,318 |
| Newsprint swap agreement | — | — | — | 11,991 |
| Liabilities: | | | | |
| Long-term debt: | | | | |
| Revolving credit facility | 550,000 | 550,000 | 790,000 | 790,000 |
| 6.95% senior notes | 199,890 | 196,474 | — | — |
| 8.62% senior notes | 13,000 | 13,266 | 26,000 | 26,478 |
| Bank lines | 14,000 | 14,000 | 5,000 | 5,000 |
| Interest rate swap agreements | 12,659 | 12,659 | — | 5,324 |



The Company's investments which have a readily determinable value and are classified as available-for-sale are carried at fair value, with unrealized gains or losses, net of deferred taxes, reported as a separate component of stockholders' equity. The Company's other investments which do not have readily determinable fair values are carried at cost which approximates fair value. The interest rate swaps are carried at fair value based on a discounted cash flow analysis of the estimated amounts the Company would have received or paid to terminate the swaps. The newsprint swap (see Note 10) prior to its termination was carried at its fair value determined in a manner similar to the interest rate swap. Fair values of the Company's long-term debt were estimated, in both years, using discounted cash flow analyses based on the Company's incremental borrowing rates for similar types of borrowings. The borrowings under the Company's revolving credit facility and bank lines approximated their fair value.

Note 5: Business Segments

The Company, located primarily in the southeastern United States, is a diversified communications company which has three operating segments: Publishing, Broadcast and Interactive Media. The Publishing Segment, the Company's largest based on revenue and segment profit, includes 25 daily newspapers and nearly 100 weekly newspapers and other publications, and the Company's 20% interest in Denver. The Broadcast Segment consists of 26

network-affiliated broadcast television stations and a provider of equipment and studio design services. The Interactive Media Segment, which was launched in January 2001, consists of all of the Company's online enterprises as well as Media General Financial Services, the Company's provider of financial information. Additionally, this Segment includes the Company's 3.8% interest in PowerOne Media (an online database of classified advertising), as well as investments in other Internet companies. Historically, the Company's online activities were reported and managed as a part of the Publishing and Broadcast Segments; as a result of the addition of Interactive Media as a third segment, all prior periods have been restated to reflect the change in the Company's reportable segments.

Management measures segment performance based on operating cash flow (operating income plus depreciation and amortization) as well as profit or loss from operations before interest, income taxes, and acquisition related amortization. Amortization of the excess of cost over fair value of net identifiable assets, as well as FCC licenses and other intangibles, is not allocated to individual segments although the intangible assets themselves are included in identifiable assets for each segment. Intercompany sales are accounted for as if the sales were at current market prices and are eliminated in the consolidated financial statements. The Company's reportable segments, which are managed separately, are strategic business enterprises that provide distinct products and services using diverse technology and production processes.

Information by segment is as follows:

| <i>(In thousands)</i> | Publishing | Broadcast | Interactive Media | Eliminations | Total |
|--|------------|--------------|----------------------|--------------|--------------|
| 2001 | | | | | |
| Consolidated revenues | \$ 542,100 | \$ 257,879 | \$ 8,808 | \$ (1,611) | \$ 807,176 |
| Segment operating cash flow | \$ 152,448 | \$ 69,631 | \$ (2,319) | | \$ 219,760 |
| Allocated amounts: | | | | | |
| Equity in net income (loss) of unconsolidated affiliates | 3,094 | | (2,414) | | 680 |
| Write-off of investments | | | (4,151) | | (4,151) |
| Depreciation and amortization | (27,858) | (20,708) | (463) | | (49,029) |
| Segment profit (loss) | \$ 127,684 | \$ 48,923 | \$ (9,347) | | 167,260 |
| Unallocated amounts: | | | | | |
| Interest expense | | | | | (54,247) |
| Investment income – SP Newsprint | | | | | 19,269 |
| Acquisition intangibles amortization | | | | | (60,475) |
| Corporate expenses | | | | | (34,304) |
| Other | | | | | (6,557) |
| Consolidated income from continuing operations before income taxes | | | | | \$ 30,946 |
| Segment assets | \$ 986,478 | \$ 1,361,673 | \$ 18,427 | | \$ 2,366,578 |
| Corporate | | | | | 167,481 |
| Consolidated assets | | | | | \$ 2,534,059 |
| Segment capital expenditures | \$ 7,658 | \$ 36,703 | \$ 980 | | \$ 45,341 |
| Corporate | | | | | 9,032 |
| Consolidated capital expenditures | | | | | \$ 54,373 |



| <i>(In thousands)</i> | Publishing | Broadcast | Interactive Media | Eliminations | Total |
|--|-------------------|------------------|----------------------|--------------|---------------------|
| 2000 | | | | | |
| Consolidated revenues | \$ 560,064 | \$ 262,845 | \$ 7,940 | \$ (248) | \$ 830,601 |
| Segment operating cash flow | \$ 176,864 | \$ 85,205 | \$ (360) | | \$ 261,709 |
| Allocated amounts: | | | | | |
| Equity in net loss of unconsolidated affiliates | (932) | | (1,614) | | (2,546) |
| Write-off of investment | | | (1,310) | | (1,310) |
| Depreciation and amortization | (25,972) | (18,617) | (328) | | (44,917) |
| Segment profit (loss) | <u>\$ 149,960</u> | <u>\$ 66,588</u> | <u>\$ (3,612)</u> | | 212,936 |
| Unallocated amounts: | | | | | |
| Interest expense | | | | | (42,558) |
| Investment income – SP Newsprint | | | | | 7,677 |
| Acquisition intangibles amortization | | | | | (52,501) |
| Corporate expenses | | | | | (35,093) |
| Other | | | | | 12,465 |
| Consolidated income from continuing operations before income taxes | | | | | <u>\$ 102,926</u> |
| Segment assets | \$ 1,029,702 | \$ 1,383,414 | \$ 22,169 | | \$ 2,435,285 |
| Corporate | | | | | 125,997 |
| Consolidated assets | | | | | <u>\$ 2,561,282</u> |
| Segment capital expenditures | \$ 18,096 | \$ 13,008 | \$ 481 | | \$ 31,585 |
| Discontinued Newsprint capital expenditures | | | | | 6,015 |
| Corporate | | | | | 5,273 |
| Consolidated capital expenditures | | | | | <u>\$ 42,873</u> |
| 1999 | | | | | |
| Consolidated revenues | \$ 519,426 | \$ 168,919 | \$ 4,594 | \$ (37) | \$ 692,902 |
| Segment operating cash flow | \$ 174,381 | \$ 47,989 | \$ 146 | | 222,516 |
| Allocated amounts: | | | | | |
| Equity in net loss of unconsolidated affiliates | (422) | | (251) | | (673) |
| Depreciation and amortization | (24,486) | (10,542) | (131) | | (35,159) |
| Segment profit (loss) | <u>\$ 149,473</u> | <u>\$ 37,447</u> | <u>\$ (236)</u> | | 186,684 |
| Unallocated amounts: | | | | | |
| Interest expense | | | | | (45,014) |
| Investment income – SP Newsprint | | | | | 6,567 |
| Acquisition intangibles amortization | | | | | (33,934) |
| Corporate expenses | | | | | (29,665) |
| Gain on sale of Denver Newspapers, Inc. common stock | | | | | 30,983 |
| Other | | | | | 14,628 |
| Consolidated income from continuing operations before income taxes and extraordinary item | | | | | <u>\$ 130,249</u> |
| Segment assets | \$ 795,513 | \$ 670,612 | \$ 12,448 | | \$ 1,478,573 |
| Discontinued Newsprint assets | | | | | 91,272 |
| Corporate | | | | | 770,529 |
| Consolidated assets | | | | | <u>\$ 2,340,374</u> |
| Segment capital expenditures | \$ 12,307 | \$ 14,389 | \$ 263 | | \$ 26,959 |
| Discontinued Cable and Newsprint capital expenditures | | | | | 30,902 |
| Corporate | | | | | 2,968 |
| Consolidated capital expenditures | | | | | <u>\$ 60,829</u> |



The substantial decrease in assets attributable to Corporate during 2000 was primarily due to the maturity of short-term investments that had been generated as a result of the sale of the Company's Cable operations in 1999. The investments were sold in 2000 to pay the income taxes related to that transaction, as well as to fund a portion of the Spartan acquisition.

Note 6: Taxes on Income

The Company accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*, which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this "liability" method, deferred tax liabilities and assets are determined based

on the temporary differences between the financial statement and tax bases of assets and liabilities by applying enacted statutory tax rates applicable to future years in which the differences are expected to reverse.

The Company's federal income tax returns have been examined by the Internal Revenue Service (IRS) through fiscal year 1998 and, with the exception of one issue relating to the Company's Corporate Owned Life Insurance (COLI) plan, all significant issues have been resolved. The COLI issue is the subject of a coordinated IRS initiative which has been asserted on a national level against many large corporate taxpayers with COLI plans. Various state returns are currently under examination by state tax authorities. The results of examinations are not expected to be material to the Company's results of operations, financial position or cash flow.

Significant components of income taxes from continuing operations are as follows:

| <i>(In thousands)</i> | 2001 | 2000 | 1999 |
|-----------------------|------------------|-----------|-----------|
| <i>Current:</i> | | | |
| Federal | \$ 392 | \$ 21,234 | \$ 45,895 |
| State | 648 | 2,551 | 7,620 |
| | 1,040 | 23,785 | 53,515 |
| <i>Deferred:</i> | | | |
| Federal | 11,513 | 18,339 | (1,927) |
| State | 469 | (2,755) | (157) |
| | 11,982 | 15,584 | (2,084) |
| | \$ 13,022 | \$ 39,369 | \$ 51,431 |

The Company's provision for state income taxes for the fiscal year 2000 reflects a \$3 million deferred state income tax benefit due to a reduction in the Company's effective state tax rate.

Temporary differences which gave rise to significant components of the Company's deferred tax liabilities and assets at December 30, 2001, and December 31, 2000, are as follows:

| <i>(In thousands)</i> | 2001 | 2000 |
|--|-------------------|------------|
| <i>Deferred tax liabilities:</i> | | |
| Difference between book and tax bases of intangible assets | \$ 307,803 | \$ 306,730 |
| Tax over book depreciation | 92,365 | 87,583 |
| Other | 9,612 | 15,645 |
| Total deferred tax liabilities | 409,780 | 409,958 |
| <i>Deferred tax assets:</i> | | |
| Employee benefits | (34,203) | (34,535) |
| Acquired net operating losses | (8,519) | (19,445) |
| Other comprehensive income items | (11,792) | (1,892) |
| Other | (13,347) | (10,928) |
| Total deferred tax assets | (67,861) | (66,800) |
| Deferred tax liabilities, net | 341,919 | 343,158 |
| Deferred tax assets included in other current assets | 8,935 | 8,333 |
| Deferred tax liabilities | \$ 350,854 | \$ 351,491 |



Reconciliation of income taxes computed at the federal statutory tax rate to actual income tax expense from continuing operations is as follows:

| <i>(In thousands)</i> | 2001 | 2000 | 1999 |
|---|------------------|------------------|------------------|
| Income taxes computed at federal statutory tax rate | \$ 10,831 | \$ 36,024 | \$ 45,587 |
| Increase (reduction) in income taxes resulting from: | | | |
| State income taxes, net of federal income tax benefit | 727 | (133) | 4,850 |
| Investment income – unconsolidated affiliates | (866) | 261 | (397) |
| Amortization of excess cost (goodwill) | 3,879 | 3,697 | 2,815 |
| Life insurance plans | 389 | 125 | (1,139) |
| Other | (1,938) | (605) | (285) |
| | \$ 13,022 | \$ 39,369 | \$ 51,431 |

Net of payments in 2001, the Company received refunds of \$1.5 million. Net of refunds in 2000 and 1999, the Company paid income taxes of \$531.9 million and \$52.1 million respectively. The significant increase in taxes in 2000 was attributable to the gain on the sale of the Company's Cable Operations in 1999.

As a result of an acquisition in 2000, the Company has a remaining federal net operating loss of approximately \$14 million at December 30, 2001 that will expire in the year 2014. The Company also has state net operating losses as a result of this acquisition.

Note 7: Common Stock and Stock Options

Holders of the Class A common stock are entitled to elect 30% of the Board of Directors and, with the holders of Class B common stock, also are entitled to vote on the reservation of shares for stock awards and on certain specified types of major corporate reorganizations or acquisitions. Class B common stock can be converted into Class A common stock on a share-for-share basis at the option of the holder. Both classes of common stock receive the same dividends per share.

Each non-employee member of the Board of Directors of the Company participates in the Directors' Deferred Compensation Plan. The plan provides that each non-employee Director shall receive half of his or her annual compensation for services to the Board in the form of Deferred Stock Units (DSU); each Director additionally may elect to receive the balance of his or her compensation in cash or DSU. Other than dividend credits, deferred stock units do not entitle Directors to any rights due to a holder of common stock. DSU account balances may be settled as of the Director's retirement date by a cash lump-sum payment, a single distribution of common stock, or annual installments of either cash or common stock over a period of up to ten years. The Company records expense annually based on the amount of compensation paid to each director as well as an adjustment for changes in the Company's stock price. Expense recognized in 2001 and 1999 under the plan was \$1,389,000 and \$456,000; a benefit of \$169,000 was recognized in 2000.

Stock-based awards are granted to key employees in the form of nonqualified stock options and restricted stock under the 1995 Long-Term Incentive Plan (LTIP). The plan is administered by the Compensation Committee of the Board of Directors. Grant prices of stock options are determined by the Committee and shall not be less than the fair market value on the date of grant. Options are exercisable during the continued employment of the optionee but not for a period greater than ten years and not for a period greater than one year after termination of employment, and they become exercisable at the rate of one-third each year from the date of grant. Restricted stock is awarded in the name of each of the participants; these shares have all the rights of other Class A shares, subject to certain restrictions and forfeiture provisions. In 2001 and 1999, 114,900 shares and 72,200 shares were granted under terms of the plan, respectively. Restrictions on the shares expire no more than ten years after the date of award, or earlier if pre-established performance targets are met. The pre-established performance targets were met for the 1997 award and of the 91,000 shares granted, 31,600 shares remained outstanding, but eligible for issue, under that award at December 30, 2001. The plan will continue until terminated by the Company.

Options to purchase Class A common stock were granted to key employees under the 1976 and 1987 nonqualified stock option plans prior to the 1995 LTIP. The Company will not make any future awards under these two former plans and past awards are not affected. Options outstanding under the plans are exercisable during the continued employment of the optionee, but not for a period greater than ten years after the date of grant for options granted subsequent to the 1991 amendment to the 1987 plan and for a period of not greater than three years after termination of employment.

Restricted shares of the Company's Class A common stock were granted to certain key employees under the 1991 restricted stock plan. The Company will not make any future awards under the plan and past awards are not affected. At December 30, 2001, 18,000 shares granted in 1995 remain restricted, but eligible for issue, under the terms of the plan. Shares were awarded in the name of each of the participants; these shares have all the



rights of other Class A shares, subject to certain restrictions and forfeiture provisions. Restrictions on the shares expire no more than ten years after the date of the award, or earlier if certain performance targets are met.

Unearned compensation was recorded at the date of the restricted stock awards based on the market value of the shares. Unearned compensation, which is shown as a separate component of stockholders' equity, is being amortized to expense over a vesting period (not exceeding ten years) based upon expectations of meeting certain performance targets. The amount amortized to expense in 2001, 2000 and 1999 was \$1.3 million, \$0.4 million and \$1.5 million, respectively.

In December 1999, the Board of Directors authorized a program to repurchase up to \$250 million of the Company's Class A common stock. The Company repurchased stock, at market prices, throughout 2000 and, at December 31, 2000, 4.1 million shares had been repurchased at a cost of \$204 million since the program's inception, including \$7.5 million from the Company's 401(k) plan; no shares were repurchased in 2001. Additionally, the Company entered into a stock redemption agreement in 1985, which was amended in 1988, and 1994, with the late D. Tennant Bryan, former Chairman Emeritus of the Company. In June 1999, the estate of D. Tennant Bryan exercised its option

under the 1994 stock redemption agreement to sell to the Company 15% of Mr. Bryan's ownership in Media General Class A Stock at the time of his death. This exercise resulted in the Company purchasing 326,897 shares from the estate at a 10% discount from average stock price, as defined, for \$13.6 million.

The following information is provided solely in connection with the disclosure requirements of SFAS No. 123, *Accounting for Stock-Based Compensation*. If the Company had elected to recognize compensation cost related to its stock options granted in 2001, 2000 and 1999 in accordance with the provisions of SFAS No. 123, earnings per share would have declined \$0.11, \$0.08 (\$0.07 assuming dilution) and \$0.05 (\$0.07 assuming dilution) in 2001, 2000 and 1999, and pro forma net income and earnings per share would have been \$15.7 million, \$52.0 million and \$880.1 million; and \$0.69 (\$0.68 assuming dilution), \$2.17 (\$2.15 assuming dilution) and \$33.20 (\$32.73 assuming dilution), respectively. The fair value for these options was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions for 2001, 2000 and 1999, respectively: risk-free interest rates of 5.25%, 6.71% and 4.72%; dividend yields of 1.26%, 1.26% and 1.31%; volatility factors of .481, .331 and .293; and an expected life of 8 years.

A summary of the Company's stock option activity, and related information for the years ended December 30, 2001, December 31, 2000 and December 26, 1999, follows:

| Options | 2001 | | 2000 | | 1999 | |
|--|---------------|---------------------------------|--------------|---------------------------------|--------------|---------------------------------|
| | Shares | Weighted-Average Exercise Price | Shares | Weighted-Average Exercise Price | Shares | Weighted-Average Exercise Price |
| Outstanding-beginning of year | 1,006,735 | \$ 36.61 | 986,773 | \$ 32.96 | 1,056,203 | \$ 28.96 |
| Granted | 244,800 | 51.41 | 176,500 | 52.06 | 136,000 | 47.91 |
| Exercised | (141,250) | 29.32 | (136,969) | 29.37 | (197,726) | 21.42 |
| Forfeited | (15,666) | 51.68 | (19,569) | 42.97 | (7,704) | 43.90 |
| Outstanding-end of year | 1,094,619 | 40.64 | 1,006,735 | 36.61 | 986,773 | 32.96 |
| Price range at end of year | \$ 2 to \$52 | | \$ 2 to \$52 | | \$ 2 to \$48 | |
| Price range for exercised shares | \$ 19 to \$48 | | \$ 2 to \$48 | | \$ 2 to \$48 | |
| Available for grant at end of year | 1,790,274 | | 319,408 | | 467,100 | |
| Exercisable at end of year | 713,869 | | 751,887 | | 749,558 | |
| Weighted-average fair value of options granted during the year | \$ 26.88 | | \$ 23.25 | | \$ 17.82 | |



The following table summarizes information about stock options outstanding at December 30, 2001:

| Options Outstanding | | | | Options Exercisable | |
|--------------------------|--------------------|---|---------------------------------|---------------------|---------------------------------|
| Range of Exercise Prices | Number Outstanding | Weighted-Average Remaining Contractual Life | Weighted-Average Exercise Price | Number Exercisable | Weighted-Average Exercise Price |
| \$ 2.50 | 12,700 | * | \$ 2.50 | 12,700 | \$ 2.50 |
| 18.81-20.19 | 73,750 | Less than 1 year | 19.08 | 73,750 | 19.08 |
| 27.63-31.81 | 314,568 | 4 years | 29.99 | 314,568 | 29.99 |
| 32.50-46.50 | 192,000 | ** | 41.95 | 192,000 | 41.95 |
| 47.91-52.06 | 501,601 | 8 years | 50.96 | 120,851 | 49.90 |
| 2.50-52.06 | 1,094,619 | | 40.64 | 713,869 | 34.96 |

* Exercisable during lifetime of optionee

** Exercisable during the continued employment of the optionee and for a three-year period thereafter with the exception of 99,367 options which were issued on 1/28/98 for \$46.38 with a remaining contractual life of six years

Note 8: Retirement Plans

The Company has a non-contributory defined benefit retirement plan which covers substantially all employees, and non-contributory unfunded supplemental executive retirement and

ERISA excess plans which supplement the coverage available to certain executives. The Company also provides certain health and life insurance benefits for retired employees. The previously mentioned plans are collectively referred to as the "Plans."

The assumptions used in the measurement of the Company's benefit obligation under the Plans follow:

| Weighted-average Assumptions at End of Year | Pension Benefits | | Other Benefits | |
|---|------------------|-------|----------------|-------|
| | 2001 | 2000 | 2001 | 2000 |
| Discount Rate | 7.25% | 7.50% | 7.25% | 7.50% |
| Expected return on plan assets | 10.00 | 10.50 | — | — |
| Rate of compensation increase | 4.25 | 4.50 | 4.25 | 4.50 |

For measurement purposes, an 8.25% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2001. The rate was assumed to decrease gradually each year to a rate of 5.25% for 2007 and remain at that level thereafter.

With the passage of time, actual experience differs from the assumptions used in determining the Company's pension and postretirement benefit obligations. These differences, coupled with external economic factors, cause periodic revision of the assumptions. The effects of actual versus assumed experience, as well as changes in assumptions, give rise to actuarial gains and

losses in the table that follows. These actuarial gains and losses represent differences in actual versus expected return on plan assets and other changes in assumptions and are recognized over the expected service period of active participants.

The following table provides a reconciliation of the changes in the Plans' benefit obligations and fair value of assets for the years ended December 30, 2001, and December 31, 2000, and a statement of the funded status at December 30, 2001, and December 31, 2000:



| <i>(In thousands)</i> | Pension Benefits | | Other Benefits | |
|--|------------------|-------------|----------------|-------------|
| | 2001 | 2000 | 2001 | 2000 |
| Change in benefit obligation: | | | | |
| Benefit obligation at beginning of year | \$ 243,861 | \$ 206,911 | \$ 35,542 | \$ 32,085 |
| Service cost | 8,298 | 8,012 | 349 | 356 |
| Interest cost | 17,753 | 17,558 | 2,320 | 2,575 |
| Participant contributions | — | — | 421 | 506 |
| Actuarial (gain) loss | (2,895) | 19,922 | (2,893) | 2,409 |
| Acquisitions | — | 4,677 | — | 439 |
| Benefit payments | (13,137) | (13,219) | (2,880) | (2,828) |
| Benefit obligation at end of year | 253,880 | 243,861 | 32,859 | 35,542 |
| Change in plan assets: | | | | |
| Fair value of plan assets at beginning of year | 232,637 | 239,571 | — | — |
| Actual return on plan assets | (13,234) | (972) | — | — |
| Acquisitions | — | 5,562 | — | — |
| Employer contributions | 1,320 | 1,695 | 2,459 | 2,322 |
| Participant contributions | — | — | 421 | 506 |
| Benefit payments | (13,137) | (13,219) | (2,880) | (2,828) |
| Fair value of plan assets at end of year | 207,586 | 232,637 | — | — |
| Funded status: | | | | |
| Plan assets less than benefit obligation | (46,294) | (11,224) | (32,859) | (35,542) |
| Unrecognized prior-service cost | 1,765 | 2,178 | — | — |
| Unrecognized actuarial (gain) loss | 20,605 | (14,668) | 3,100 | 5,993 |
| Accrued benefit cost | \$ (23,924) | \$ (23,714) | \$ (29,759) | \$ (29,549) |

The following table provides the components of net periodic benefit cost for the Plans for fiscal years 2001, 2000 and 1999:

| <i>(In thousands)</i> | Pension Benefits | | | Other Benefits | | |
|------------------------------------|------------------|----------|----------|----------------|----------|----------|
| | 2001 | 2000 | 1999 | 2001 | 2000 | 1999 |
| Service cost | \$ 8,298 | \$ 8,012 | \$ 7,618 | \$ 349 | \$ 356 | \$ 462 |
| Interest cost | 17,753 | 17,558 | 15,053 | 2,320 | 2,575 | 2,215 |
| Expected return on plan assets | (24,070) | (23,852) | (21,221) | — | — | — |
| Amortization of transition asset | — | (1,012) | (706) | — | — | — |
| Amortization of prior-service cost | 620 | 608 | 588 | — | — | — |
| Amortization of net (gain) loss | (1,070) | (1,200) | (53) | — | 123 | 114 |
| Multi-employer plans expense | — | 467 | 621 | — | — | — |
| Net periodic benefit cost | \$ 1,531 | \$ 581 | \$ 1,900 | \$ 2,669 | \$ 3,054 | \$ 2,791 |

The Company recorded a \$1.8 million curtailment gain in 1999 as a result of the sale of its Cable operations, which was included in the gain on disposal of that segment.

The Company's policy is to fund benefits under the supplemental executive retirement, excess, and postretirement benefits plans

as claims and premiums are paid. As of December 30, 2001, and December 31, 2000, the benefit obligation related to the supplemental executive retirement and ERISA excess plans included in the preceding tables was \$28.8 million and \$28.9 million, respectively.



Assumed health care cost rates have an effect on the amounts reported for the health care plans. A one percent change in assumed health care cost trend rates would have the following effects:

| <i>(In thousands)</i> | 1% Increase | 1% Decrease |
|---|-------------|-------------|
| Effect on total of service and interest cost components of net periodic postretirement health care benefit cost | \$ 83 | \$ (76) |
| Effect on the health care component of the accumulated postretirement benefit obligation | 1,220 | (1,130) |

The Company also sponsors a 401(k) plan covering substantially all employees; effective January 1, 2001, this plan was amended. As a result, the Company now matches 100% of participant contributions up to a maximum of 4% of the employee's salary; the plan no longer allows for after-tax contributions. Additionally, eligible account balances may now be rolled over from a prior employer's qualified retirement plan. In past years, Company contributions represented a partial matching of participant contributions up to a maximum of 3.3% of the employee's salary. Contributions charged to expense under the plan were \$7.4 million, \$5.3 million and \$5.5 million in 2001, 2000 and 1999, respectively.

Note 9: Other

Revenue recognition

The principal sources of revenue are the sale of advertising in newspapers, the sale of newspapers to individual subscribers and distributors and the sale of airtime on television stations. In addition, the sale of advertising on the Company's newspaper and television websites and portals, as well as revenues derived from the online sale of financial data by a specialized financial services company, are becoming increasingly important. Advertising revenue is recognized when advertisements are published, aired or displayed, or when related advertising services are rendered. Subscription revenue is recognized on a pro-rata basis over the term of the subscription. Revenue from the sale of online financial data is recognized pro-rata over the term of the contract, subject to adjustment in certain circumstances, for usage volume.

Depreciation and amortization

Plant and equipment are depreciated, primarily on a straight-line basis, over their estimated useful lives which are generally 40 years for buildings and range from 3 to 20 years for machinery and equipment. Depreciation deductions are computed by accelerated methods for income tax purposes. Internal use software is amortized on a straight-line basis over its estimated useful life, not to exceed 5 years.

With the fiscal 2002 adoption of SFAS No. 142, *Goodwill and Other Intangible Assets*, amortization of goodwill and certain other

indefinite-lived intangible assets acquired in a business combination ceased; additionally, these assets are separately tested for impairment annually at the reporting unit level (operating segment or one level below an operating segment) using a fair-value-based approach. See Note 2 for further explanation of the new standard.

Excess of cost over fair value of net identifiable assets of acquired businesses through 1970 (approximately \$32 million) is not amortized. Prior to adoption of SFAS No. 142, such excess cost incurred after 1970 was being amortized by the straight-line method over periods not exceeding 40 years; FCC licenses and other intangibles were being amortized by the straight-line method over periods ranging from 3 to 40 years. Amortization of the excess of cost over fair value of net identifiable assets of acquired businesses and FCC licenses and other intangibles was \$60.5 million, \$52.6 million and \$34.1 million in 2001, 2000 and 1999, respectively.

Management periodically evaluates the recoverability of long-lived tangible and amortizing intangible assets, where indicators of impairment are present, by reviewing current and projected profitability or undiscounted cash flows of such assets.

Interest

In 2001, 2000 and 1999, the Company's interest expense from continuing operations was \$54.2 million (net of \$0.6 million capitalized), \$42.6 million and \$45 million, respectively. Interest paid for all operations during 2001, 2000 and 1999, net of amounts capitalized, was \$52.4 million, \$42.8 million and \$50.9 million, respectively. In 2000 and 1999, the Company earned interest income of \$8.3 million and \$9.4 million on investments in highly-rated commercial paper and United States Government securities. These amounts are included in the line item "Other, net" on the Consolidated Statements of Operations.

Cash, cash equivalents and short-term investments

Cash in excess of current operating needs is invested in various short-term instruments carried at cost that approximates fair value. Those short-term investments having an original maturity of three months or less are classified in the balance sheet as cash equivalents.



Derivatives

Effective January 1, 2001, the Company adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*. These statements require that all derivatives be recognized as either assets or liabilities on the balance sheet at fair value. If a derivative is a hedge, depending upon the nature of the hedge, a change in its fair value is either offset against the change in the fair value of the hedged assets, liabilities, or firm commitments through earnings, or recognized in Other Comprehensive Income (OCI) until the hedged item is recognized in earnings. Any difference between fair value of the hedge and the item being hedged, known as the ineffective portion, is immediately recognized in earnings. At adoption, the standards resulted in a cumulative effect accounting change that had no impact on net income and an after-tax net increase to OCI of \$3.6 million.

For derivative instruments that are designated as cash flow hedges, the effective portion of the change in value of the derivative instrument is reported as a component of the company's OCI and reclassified into earnings (interest expense for the interest rate swaps and newsprint expense for the newsprint swap) in the same period or periods during which the hedged

transaction affects earnings. The remaining change in value of the derivative instrument (i.e., the ineffective portion) in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in the Company's current earnings in the line item "Other, net" during the period of change. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in the Company's current earnings during the period of change. Derivative instruments are carried at fair value on the Consolidated Balance Sheets in the applicable line item "Other assets" or "Other liabilities and deferred credits".

Inventories

Inventories consist principally of raw materials (primarily newsprint) and broadcast equipment, and are valued at the lower of cost or market. The value of newsprint inventories and broadcast equipment is determined by the first-in, first-out, and specific identification methods, respectively.

Other current assets

Other current assets included program rights of \$14.7 million and \$15.3 million at December 30, 2001, and December 31, 2000, respectively.

Accrued expenses and other liabilities

Accrued expenses and other liabilities consisted of the following:

| <i>(In thousands)</i> | 2001 | 2000 |
|--|-----------|-----------|
| Payroll and employee benefits | \$ 15,864 | \$ 18,767 |
| Program rights | 15,537 | 15,240 |
| Advances from unconsolidated newsprint affiliate | 6,667 | 6,667 |
| Unearned revenue | 17,343 | 17,007 |
| Interest | 7,555 | 1,685 |
| Other | 17,622 | 27,972 |
| Total | \$ 80,588 | \$ 87,338 |



Lease obligations

The Company rents certain facilities and equipment under operating leases. These leases extend for varying periods of time ranging from one year to more than twenty years and in many cases contain renewal options. Total rental expense amounted to \$11.4 million in 2001, \$16.9 million in 2000 and \$15.6 million in 1999. Minimum rental commitments under operating leases with noncancelable terms in excess of one year are as follows: 2002 - \$4.7 million; 2003 - \$2.9 million; 2004 - \$2.1 million; 2005 - \$1.5 million; 2006 - \$0.9 million; subsequent years - \$2.9 million.

Concentrations of credit risk

Media General is a diversified communications company which sells products and services to a wide variety of customers located principally in the southeastern United States. The Company's trade receivables result primarily from its publishing and

broadcast operations. The Company routinely assesses the financial strength of significant customers, and this assessment, combined with the large number and geographic diversity of its customer base, limits its concentration of risk with respect to trade receivables.

Comprehensive Income

The Company's comprehensive income consists of net income, unrealized gains and losses on certain investments in equity securities, and changes in the value of derivative contracts as well as the Company's share of OCI from its equity subsidiaries.

Earnings per share

The following chart is a reconciliation of the numerators and the denominators of the basic and diluted per share computations for income from continuing operations before extraordinary item, as presented in the Consolidated Statements of Operations.

| (In thousands, except per share amounts) | 2001 | | | 2000 | | | 1999 | | |
|---|--------------------|----------------------|------------------|--------------------|----------------------|------------------|--------------------|----------------------|------------------|
| | Income (Numerator) | Shares (Denominator) | Per Share Amount | Income (Numerator) | Shares (Denominator) | Per Share Amount | Income (Numerator) | Shares (Denominator) | Per Share Amount |
| Basic EPS | | | | | | | | | |
| Income from continuing operations available to common stockholders before extraordinary item | \$ 17,924 | 22,715 | \$ 0.79 | \$ 63,557 | 23,920 | \$ 2.66 | \$ 78,818 | 26,506 | \$ 2.97 |
| Effect of Dilutive Securities | | | | | | | | | |
| Stock options | | 125 | | | 172 | | | 253 | |
| Restricted stock and other | (69) | 116 | | (25) | 97 | | (34) | 126 | |
| Diluted EPS | | | | | | | | | |
| Income from continuing operations available to common stockholders plus assumed conversions before extraordinary item | \$ 17,855 | 22,956 | \$ 0.78 | \$ 63,532 | 24,189 | \$ 2.63 | \$ 78,784 | 26,885 | \$ 2.93 |



Commitments and contingencies

Over the next four years the Company is committed to purchase approximately \$30.8 million of program rights which currently are not available for broadcast, including programs not yet produced. If such programs are not produced, the Company's commitment would expire without obligation.

During 1997 and 1998, the Company entered into lease agreements whereby the owner, a third-party entity founded specifically for that purpose, borrowed money and constructed real estate facilities costing approximately \$96 million; the facilities are leased to the Company for a term of up to 5 years. The Company may cancel the leases by purchasing or arranging for the sale of the facilities. The Company has guaranteed recovery of a portion (88%) of the owner's cost. The Company made payments of \$4.6 million under these lease agreements in 2001. The Company expects to replace the existing lease agreements with similar agreements for an additional five years during the first half of 2002.

Note 10: Newsprint Swap

Concurrent with the completion of the third quarter 2000 sale of Garden State Paper Company (GSP), the Company entered into a seven-year financial newsprint swap agreement with Enron North America Corporation (Enron), under which the Company received a floating price per metric ton and paid a fixed price of \$596 per metric ton. A portion of the agreement was designated as a cash flow hedge under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Approximately 90% of the annual tonnage under the agreement was initially designated as

a hedge; beginning in the third quarter of 2001, this designation was lowered to just over 80% reflecting the Company's expectation of decreased newsprint usage. The objective of this hedge was to offset the variability of cash flows for purchases of newsprint due to changes in market prices; changes in cash flows of the newsprint swap were expected to be highly effective at offsetting changes in the cash flows related to the Company's purchases of newsprint.

In late November of 2001, the Company terminated the newsprint swap agreement for reasons including misrepresentations made by Enron at the time the contract was signed. The Company believes that no further payments are due by either party under the agreement. Enron filed for bankruptcy shortly thereafter. As of year-end, the Company had received no communication from Enron with respect to the termination. The Company will continue to monitor and evaluate the situation, which may result in non-cash income for the Company in future years.

During 2001 prior to the swap termination, the Company recorded net after-tax charges to OCI of \$19 million, representing the decline in estimated fair value of the derivative based on forecasted newsprint prices. There was no impact on net income due to ineffectiveness. Additionally, the Company recorded a pre-tax loss of approximately \$5.5 million in the line item "Other, net" related primarily to the decrease in fair value of that portion of the contract not designated as a hedge. The Company expects to reclassify a non-cash charge of approximately \$2.1 million from OCI into newsprint expense in the next twelve months associated with actual newsprint purchases.



QUARTERLY REVIEW

(In thousands, except per share amounts)

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|------------------|-------------------|------------------|-------------------|
| 2001 | | | | |
| Revenues | \$ 198,881 | \$ 205,747 | \$ 193,052 | \$ 209,496 |
| Operating income | 9,318 | 21,024 | 14,133 | 28,239 |
| Income (loss) from continuing operations | 3,350 | 7,696 | (1,016) | 7,894 |
| Discontinued operations | — | — | 280 | — |
| Net income (loss) | 3,350 | 7,696 | (736) | 7,894 |
| Income (loss) per share from continuing operations | 0.15 | 0.34 | (0.04) | 0.35 |
| Income (loss) per share from continuing operations – assuming dilution | 0.15 | 0.33 | (0.04) | 0.34 |
| Net income (loss) per share | 0.15 | 0.34 | (0.03) | 0.35 |
| Net income (loss) per share – assuming dilution | 0.15 | 0.33 | (0.03) | 0.34 |
| Shares traded | 4,180 | 2,343 | 1,987 | 2,606 |
| Stock price range | \$ 34.06-52.40 | \$ 44.41-53.50 | \$ 42.60-51.38 | \$ 41.06-51.74 |
| Quarterly dividend paid | \$ 0.17 | \$ 0.17 | \$ 0.17 | \$ 0.17 |
| 2000 | | | | |
| Revenues | \$ 172,458 | \$ 211,299 | \$ 201,865 | \$ 244,979 |
| Operating income | 23,552 | 35,670 | 20,400 | 44,211 |
| Income from continuing operations | 17,267 | 17,053 | 8,458 | 20,779 |
| Discontinued operations | (2,905) | (7,415) | — | 482 |
| Net income | 14,362 | 9,638 | 8,458 | 21,261 |
| Income per share from continuing operations | 0.67 | 0.71 | 0.37 | 0.91 |
| Income per share from continuing operations – assuming dilution | 0.66 | 0.70 | 0.36 | 0.91 |
| Net income per share | 0.56 | 0.40 | 0.37 | 0.93 |
| Net income per share – assuming dilution | 0.55 | 0.39 | 0.36 | 0.93 |
| Shares traded | 3,697 | 3,456 | 2,802 | 4,131 |
| Stock price range | \$ 49.13-54.75 | \$ 46.88-53.00 | \$ 47.00-53.50 | \$ 33.65-49.50 |
| Quarterly dividend paid | \$ 0.16 | \$ 0.16 | \$ 0.16 | \$ 0.16 |

- Media General, Inc., Class A common stock is listed on the New York Stock Exchange under the symbol MEG. The approximate number of equity security holders of record at March 3, 2002, was: Class A common – 1,930, Class B common – 12.
- The Company sold its Newsprint operation in the third quarter 2000 and reported a loss of \$13.5 million, net of a tax benefit of \$6.1 million; the loss was initially recognized in the second quarter of 2000 and includes small adjustments in the fourth quarter of 2000 and third quarter of 2001.
- The Company operated for fourteen weeks in the fourth quarter of 2000 and for thirteen weeks in the fourth quarter of 2001.
- The Company sold its Cable Television operations in the fourth quarter 1999 and reported a net gain of \$799 million, net of income taxes of \$510 million; in the second quarter of 2000, certain adjustments related to this sale resulted in an additional net gain of \$8.3 million, net of income taxes of \$3.6 million.



TEN-YEAR FINANCIAL SUMMARY

(In thousands, except per share amounts)

Certain of the following data were compiled from the consolidated financial statements of Media General, Inc., and should be read in conjunction with those statements and the financial review and management analysis which appear elsewhere in this report.

| | 2001 | 2000 | 1999 | 1998 |
|---|-------------------|-------------------|-------------------|-------------------|
| Summary of Operations | | | | |
| Operating revenues | \$ 807,176 | \$ 830,601 | \$ 692,902 | \$ 688,677 |
| Net income (loss) | \$ 18,204 | \$ 53,719 | \$ 881,316 | \$ 70,874 |
| Adjustments to reconcile to operating cash flow: | | | | |
| (Income) loss from discontinued operations (a) | — | 4,350 | (5,107) | (23,019) |
| Loss (gain) on sale of GSP Operations (a) | (280) | 13,774 | — | — |
| Gain on sale of Cable operations (a) | — | (8,286) | (798,719) | — |
| Extraordinary item (b) | — | — | 1,328 | — |
| Cumulative effect of changes in accounting principles (c) | — | — | — | — |
| Gain on sale of Denver Newspapers, Inc. common stock | — | — | (30,983) | — |
| Gain on sale of Garden State Newspapers investment | — | — | — | — |
| Investment (income) loss — unconsolidated affiliates | (19,949) | (5,131) | (9,067) | (22,193) |
| Other, net | 7,470 | (16,520) | (12,637) | 636 |
| Interest expense | 54,247 | 42,558 | 45,014 | 61,027 |
| Income taxes | 13,022 | 39,369 | 51,431 | 26,967 |
| Operating income | 72,714 | 123,833 | 122,576 | 114,292 |
| Depreciation and amortization | 113,732 | 101,547 | 72,440 | 69,055 |
| Operating cash flow | \$ 186,446 | \$ 225,380 | \$ 195,016 | \$ 183,347 |
| Per Share Data: (a) (b) (c) | | | | |
| Income (loss) from continuing operations | \$ 0.79 | \$ 2.66 | \$ 2.97 | \$ 1.80 |
| Discontinued operations | 0.01 | (0.41) | 30.33 | 0.87 |
| Extraordinary item | — | — | (0.05) | — |
| Cumulative effect of change in accounting principles | — | — | — | — |
| Net income (loss) | \$ 0.80 | \$ 2.25 | \$ 33.25 | \$ 2.67 |
| Per Share Data — assuming dilution: (a) (b) (c) | | | | |
| Income (loss) from continuing operations | \$ 0.78 | \$ 2.63 | \$ 2.93 | \$ 1.78 |
| Discontinued operations | 0.01 | (0.41) | 29.90 | 0.85 |
| Extraordinary item | — | — | (0.05) | — |
| Cumulative effect of change in accounting principles | — | — | — | — |
| Net income (loss) | \$ 0.79 | \$ 2.22 | \$ 32.78 | \$ 2.63 |
| Other Financial Data: | | | | |
| Total assets | \$ 2,534,059 | \$ 2,561,282 | \$ 2,340,374 | \$ 1,917,346 |
| Working capital | 62,541 | 58,339 | 167,546 | 29,129 |
| Capital expenditures | 54,373 | 42,873 | 60,829 | 49,480 |
| Total debt | 777,662 | 822,077 | 59,838 | 928,101 |
| Cash dividends per share | 0.68 | 0.64 | 0.60 | 0.56 |

(a) The Company sold its Garden State Paper operation in September 2000 and reported a loss of \$13.5 million (net of a tax benefit of \$6.1 million), including a small favorable adjustment in 2001, and sold its Cable Television operations in October 1999 and reported a gain of \$807 million (net of income taxes of \$513.6 million), including a small favorable adjustment in 2000. All prior periods have been restated to reflect these items as discontinued operations (net of tax).

(b) In 1999 the Company incurred a charge of \$1.3 million (net of a tax benefit of \$800 thousand), representing the cost associated with the termination of interest rate swaps, while in 1997 the Company incurred a charge of \$63 million (net of a tax benefit of \$38.6 million), representing the debt repayment premium and write-off of associated debt issuance costs related to the redemption of debt assumed in a January 1997 acquisition.



| 1997 | 1996 | 1995 | 1994 | 1993 | 1992 |
|--------------|--------------|--------------|------------|------------|------------|
| \$ 641,910 | \$ 491,235 | \$ 427,477 | \$ 394,531 | \$ 374,097 | \$ 363,752 |
| \$ (10,490) | \$ 70,498 | \$ 53,232 | \$ 117,009 | \$ 25,708 | \$ 19,000 |
| (14,019) | (14,953) | (14,614) | (8,394) | (11,545) | (6,792) |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| 63,000 | — | — | — | — | — |
| — | — | — | — | — | (687) |
| — | — | — | — | — | — |
| — | — | — | (91,520) | — | — |
| (21,037) | (27,188) | (19,034) | (2,935) | 990 | 4,926 |
| (1,798) | (1,979) | (6,292) | (2,300) | (3,838) | (6,635) |
| 59,131 | 12,680 | 3,858 | 4,118 | 8,343 | 3,950 |
| 25,516 | 30,335 | 18,837 | 21,001 | 5,782 | 4,232 |
| 100,303 | 69,393 | 35,987 | 36,979 | 25,440 | 17,994 |
| 65,936 | 32,571 | 27,765 | 26,577 | 27,308 | 25,212 |
| \$ 166,239 | \$ 101,964 | \$ 63,752 | \$ 63,556 | \$ 52,748 | \$ 43,206 |
| \$ 1.46 | \$ 2.11 | \$ 1.48 | \$ 4.17 | \$ 0.55 | \$ 0.44 |
| 0.53 | 0.57 | 0.56 | 0.33 | 0.44 | 0.26 |
| (2.39) | — | — | — | — | — |
| — | — | — | — | — | 0.03 |
| \$ (0.40) | \$ 2.68 | \$ 2.04 | \$ 4.50 | \$ 0.99 | \$ 0.73 |
| \$ 1.44 | \$ 2.09 | \$ 1.46 | \$ 4.13 | \$ 0.53 | \$ 0.44 |
| 0.53 | 0.56 | 0.55 | 0.32 | 0.45 | 0.26 |
| (2.37) | — | — | — | — | — |
| — | — | — | — | — | 0.03 |
| \$ (0.40) | \$ 2.65 | \$ 2.01 | \$ 4.45 | \$ 0.98 | \$ 0.73 |
| \$ 1,814,201 | \$ 1,025,484 | \$ 1,016,743 | \$ 787,165 | \$ 745,242 | \$ 787,425 |
| 34,716 | 13,373 | 22,938 | 14,833 | 9,551 | 9,657 |
| 41,599 | 28,510 | 29,076 | 56,919 | 32,837 | 92,319 |
| 900,140 | 276,318 | 327,235 | 173,144 | 262,550 | 321,487 |
| 0.53 | 0.50 | 0.48 | 0.44 | 0.44 | 0.44 |

(c) Includes the recognition, at the beginning of fiscal 1992, of the accumulated postretirement benefit obligation related to prior service costs of \$22.8 million (\$14.4 million after-tax; \$0.55 per share, basic and assuming dilution) as the cumulative effect of a change in accounting principle for the adoption of Statement of Financial Accounting Standards No. 106, *Employer's Accounting for Postretirement Benefits Other Than Pensions*, and the adoption of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, that increased 1992 net income by \$15.1 million (\$0.58 per share, basic and assuming dilution), which represented the net decrease in the Company's deferred tax liability at that date.



CORPORATE INFORMATION

CORPORATE WEB SITE

www.mediageneral.com

FORM 10-K

Stockholders who would like a copy of Form 10-K, the annual report to the Securities and Exchange Commission, may obtain one from the corporate Web site or by contacting:

Corporate Communications
Media General Inc.
P.O. Box 85333
Richmond, Va. 23293-0001
(804) 649-6059
etucker@mediageneral.com

ANNUAL MEETING

Stockholders of Media General Inc. are invited to attend the Annual Meeting on May 24, 2002, at 11:00 a.m. at the Richmond Times-Dispatch production facility, Atlee Station, 5555 Chamberlayne Road (U.S. 301), Mechanicsville, Va.

TRANSFER AGENT AND REGISTRAR

American Stock Transfer & Trust Co.
Corporate Trust Department
6201 Fifteenth Ave.
Brooklyn, N.Y. 11219
(800) 937-5449

AUTOMATIC DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

Media General Class A stockholders receive a 5 percent discount from the market price when they reinvest their dividends in additional Media General shares. Participants in the Plan also can make optional cash purchases of Class A common stock at market price and pay no brokerage commissions. To obtain the Plan prospectus and enrollment card, write or call the transfer agent.

OFFICERS

J. STEWART BRYAN III – 63, Chairman and Chief Executive Officer since 1990; President 1990-01; Chief Operating Officer 1989-90; Executive Vice President 1985-90; publisher of the Richmond Times-Dispatch since 1978; publisher of The Tampa Tribune 1976-78; executive vice president of The Tribune Co. 1971-76; vice president of The Tribune Co. 1968-71.

MARSHALL N. MORTON – 56, Vice Chairman since 2001 and Chief Financial Officer since 1989; Senior Vice President 1989-01; corporate vice president and controller of West Point-Pepperell Inc. and vice president of finance and administration for J.P. Stevens (a West Point-Pepperell subsidiary) 1986-88; treasurer of West Point-Pepperell 1981-86.

O. REID ASHE JR. – 53, President and Chief Operating Officer since 2001; president and publisher of The Tampa Tribune 1997-01; president and associate publisher of The Tampa Tribune 1996-97; president and publisher of The Wichita Eagle 1987-96.

H. GRAHAM WOODLIEF JR. – 57, Vice President since 1989; president of the Publishing Division; vice president and business manager of Richmond Newspapers Inc. 1984-89; treasurer 1987-89; controller 1973-84; assistant controller 1971-73; chief accountant 1969-71.

JAMES A. ZIMMERMAN – 55, Vice President since January 2001; president of the Broadcast Division since 1991; president and general manager of WFLA 1990-96; vice president of operations and finance for the Broadcast Division 1987-90.

NEAL F. FONDREN – 43, Vice President and president of the Interactive Media Division since January 2001; vice president of new media for E.W. Scripps Co. 1997-00; executive positions in Scripps' Cable Television Division 1982-97.

LOU ANNE J. NABHAN – 47, Vice President and director of corporate communications since January 2001; vice president of Reynolds Metals Co. 1998-00; director of corporate communications for Reynolds Metals 1993-00.

GEORGE L. MAHONEY – 49, General Counsel and Secretary since 1993; assistant general counsel for Dow Jones & Co. 1982-93; Satterlee & Stephens 1978-82.

STEPHEN Y. DICKINSON – 56, Controller since 1993; assistant controller 1989-92; director of corporate tax department 1983-89; principal Ernst & Young LLP 1979-83.

JOHN A. SCHAUSS – 46, Treasurer since February 2001; deputy treasurer of George Washington University 1998-01; chief operating officer and chief financial officer of Eastern College 1994-98; associate vice president for finance at George Washington University 1991-94.

DIRECTORS

J. STEWART BRYAN III – 63, Chairman and Chief Executive Officer since 1990; Director since 1974; member of the Executive Committee.

MARSHALL N. MORTON – 56, Vice Chairman since 2001 and Chief Financial Officer since 1989; Director since 1997; member of the Executive Committee.

CHARLES A. DAVIS – 53, New York, N.Y. Director since 1989; chairman of the Audit Committee; president and chief executive officer of Marsh & McLennan Capital Inc.; formerly limited partner in The Goldman Sachs Group LP; director of Merchants Bancshares Inc. and Progressive Corp.

WYNDHAM ROBERTSON – 64, Chapel Hill, N.C. Director since 1996; member of the Audit Committee; former vice president for communications, University of North Carolina; a former assistant managing editor of Fortune magazine.

HENRY L. VALENTINE II – 74, Richmond, Va. Director since 1991; member of the Executive and Audit Committees; chairman of Davenport & Co. LLC.

JOHN G. MEDLIN JR. – 68, Winston-Salem, N.C. Director since 1994; member of the Compensation Committee; chairman emeritus and former chairman and chief executive officer of Wachovia Corp.; director of BellSouth Corp., Burlington Industries Inc., R.J. Reynolds Tobacco Holdings Inc. and USAirways Group Inc.

ROBERT V. HATCHER JR. – 71, Richmond, Va. Director since 1991; chairman of the Compensation Committee; former chairman and chief executive officer of Johnson & Higgins.

THOMPSON L. RANKIN – 61, Tampa, Fla. Director since 2001 and from 1985 to 1994; member of the Audit Committee; former president and chief executive officer of Lykes Bros. Inc.; former chairman and chief executive officer of Lykes Energy Inc.; director of TECO Energy Inc.

WALTER E. WILLIAMS – 66, Fairfax, Va. Director since 2001; member of the Compensation Committee; professor of economics at George Mason University; former chairman of the Economics Department at George Mason University; nationally known newspaper columnist and broadcast commentator.

Left to right:
J. Stewart Bryan III,
Thompson L. Rankin,
Walter E. Williams,
Wyndham Robertson,
Charles A. Davis,
Henry L. Valentine II,
Robert V. Hatcher Jr.,
John G. Medlin Jr. and
Marshall N. Morton.





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