

Entertainment/ Things to Do

We have expanded our online local entertainment content, which is in high demand by our Internet audience and a strong draw for advertisers, both local and national. All of our newspaper and television Web sites offer an expanded searchable local entertainment database.

Internet Partnerships

We are cultivating strong Internet partnerships with companies like Yahoo! We are serving new customers in new ways through strategic Internet acquisitions, such as *DealTaker.com* and Blockdot. These new businesses have broadened our customer base outside of the traditional advertising model to include online shoppers and games.

Communities of Interest

We are developing new products and services targeted to a variety of communities of interest – geographic, demographic and topical. Approximately 160 new products were launched in 2008 across all markets, and new product initiatives represented nearly 10% of total revenues. Most of our new products have a Web component and are scalable across markets.

Maximizing Efficiencies

We are leveraging our resources and maximizing efficiencies in a rapidly developing digital world. We are research driven, we know our local markets, and our people are innovative. We will continue to anticipate customer needs and provide solutions they have not yet thought possible.



YAHOO! HOTJOBS



DealTaker



FINANCIAL HIGHLIGHTS

(in millions, except per share amounts)

For Fiscal Years Ended	Dec. 28, 2008	Dec. 30, 2007	% Change
Revenues	\$ 800.0	\$ 898.8	(11.0)
Operating cash flow	115.8	178.6	(35.2)
Goodwill and other asset impairment ¹	908.7	–	–
Depreciation and amortization	71.5	73.0	(2.1)
Operating income (loss)	(864.4)	105.6	–
Income (loss) from continuing operations	\$ (623.2)	\$ 9.3	–
Discontinued operations	(8.7)	1.4	–
Net income	(631.9)	10.7	–
Stockholders' equity	155.2	913.0	(83.0)
Total assets	1,334.3	2,471.1	(46.0)
Average shares outstanding - assuming dilution	22.1	22.8	(3.1)
Earnings (loss) per share - assuming dilution:			
Income (loss) from continuing operations	\$ (28.18)	\$ 0.41	–
Income (loss) from discontinued operations	(0.39)	0.06	–
Net income (loss)	(28.57)	0.47	–
Dividends per share	0.81	0.92	(12.0)
Stockholders' equity per share	6.81	40.38	(83.1)

¹ Additionally, \$3.3 million of investments were written down.

OPERATING HIGHLIGHTS

- \$38 million in Political revenues
- \$12.5 million in Olympics revenues
- New products nearly 10% of total revenues
- SP Newsprint and 4 television stations sold
- *DealTaker.com* exceeded targets
- Continuous news drove audience growth
- Internet partnerships strengthened

TO OUR SHAREHOLDERS:

The severe economic downturn in 2008 was disruptive for all American businesses, and it presented unprecedented challenges for the media industry. The downturn for our company began in late 2006 in Florida, continued in 2007 across other markets, and became a recession in 2008, further eroding advertiser spending each step of the way. At the same time we were dealing with rapid change in our business brought about by advertisers shifting into new arenas.

For Media General, the challenges of late 2006 and 2007 gave us an early start in preparing for an even more difficult 2008. Against a year of unpredictable headwinds, we reduced our debt by \$168 million, and generated cost reductions from performance improvements that will allow us to realize expense savings of approximately \$55 million in 2009. We also accelerated new revenue development, including more than \$65 million in revenues from new product offerings.

2008 Results

For 2008, we reported a loss of \$632 million, or \$28.57 per share, overwhelmingly due to non-cash impairment charges that we recorded, like most of our peers, to reflect a combination of challenging business conditions and the market's perception of the value of media stocks. After excluding the impairment and severance charges, income from continuing operations was about breakeven. The non-cash impairment charges do not impact our ability to operate, reduce debt or move forward with our ongoing transition to the digital world.

Total revenues of \$800 million decreased 11%, due to a decline in advertiser spending, especially in the Publishing Division.

Total operating costs in 2008 were down nearly 6%, excluding impairment and severance charges, and partially offset the revenue decline.

Division Performance

In the Broadcast Division, despite \$38 million in Political revenues and more than \$12 million of Olympics revenues, profits were down 2.5%. Revenue decreased 4% compared to the prior year, due to significantly lower National and Local transactional advertising. Divisional expenses decreased nearly 6%, excluding severance, because of our cost reduction initiatives.

Publishing Division revenue declined 17% and profit declined 62%, as a result of a steep drop in advertising in all markets. Nearly half of the profit decline came from Tampa. Publishing expenses decreased more than 8%, excluding severance, reflecting significant cost savings programs. All revenue categories were lower than 2007. Classified experienced the largest decrease at 32%. Circulation revenues declined less than 1% due to rate increases for home delivery and single copies.

The Interactive Media Division reported a loss of \$5.4 million, a 12% improvement over its 2007 loss, which included a \$3.4 million net write-down of investments. Local advertising increased 36%, due to more emphasis on direct sales, and the Division had \$5.7 million in revenues from *DealTaker.com*, which was acquired on March 31. These solid results, however, were more than offset by a lower volume of Classified spending, down 13%, reduced results from Blockdot, and by higher operating expenses as the Division grew its audience.

While we cannot be pleased with these results, we are even more displeased with

- Total Operating Costs -6%
- Publishing Expenses -8%
- Broadcast Expenses -6%
- Capital Spending Reduced
- Dividend Suspended

our stock price. Our stock performance was severely undermined by a large shareholder's concerted selling of our stock over a 40-day period in November and December 2008.

Debt Reduction

We are addressing our operating results in the short-term by reducing debt and improving performance and in the long-term by streamlining operations, initiating new revenues, and advancing digital strategies. We believe these combined efforts will produce lasting shareholder value. While we draw no comfort from the fact that our peers are suffering similarly, we know that we have embraced the ongoing structural changes in media usage and believe we are ahead of many in applying sound strategies to address the changes.

Media General's focus will remain long-term. We cannot fix the deep global recession, but we can weather the cyclical tumultuous conditions with smart actions, positioning ourselves for a brighter future.

In 2008, we reduced debt from \$898 million at the beginning of the year to \$730 million at year's end. Proceeds from divestitures contributed approximately \$135 million. The sale of non-core assets included our one-third interest in SP Newsprint and four television stations. The sale of a fifth station is expected to close in the first half of 2009. In late 2008, we modified our debt agreements to attain the flexibility we desire at a cost that will be manageable.

Performance Improvement

We reduced our employee count from 6,900 at the beginning of 2007 to 5,600 early in 2009. This 19% reduction provided more than \$55 million of annualized savings, and the full amount will be realized

in 2009. These permanent changes, plus other 2009 measures, have adapted our expense structure to the realities of lower revenue streams. We paid no executive bonuses for 2007 or 2008, and no profit sharing was awarded to employees for 2008. In 2009, we have instituted a 10-day furlough program for employees and suspended our 401(k) match. When our performance improves, we will reinstate the 401(k) match, and bonuses and profit sharing will again be earned.

In 2008, we limited capital spending to \$32 million, compared with \$78 million in 2007, by focusing only on mission critical projects. Our capital spending budget for 2009 is \$30 million. The Board of Directors cut the dividend approximately in half on September 25, 2008, and suspended it altogether on January 29, 2009, which should provide \$20 million for debt reduction in 2009.

We do not take lightly the suspension of the dividend nor the reductions in employee compensation, but in this unprecedented economic slowdown we believe these actions are in our best long-term interest.

Streamlining Operations

Challenging economic times require us to develop new ways to enhance the quality of our operations for the long-term. We have improved the overall efficiency and effectiveness of our operations, including outsourcing customer service and telemarketing at most of our newspapers, and centralizing various advertising and production operations.

We continued to consolidate printing facilities and have migrated from 25 to 10 sites, with nine of these consolidations occurring in the last three years. We are producing more products, more effectively at less cost and still meeting tighter delivery

■ Publishing Outsourcing and Centralization

■ Consolidated Printing Sites

■ Newsprint Conservation

■ Broadcast Centralization

deadlines for our customers. We have also optimized carrier routes and joined forces with other national and local newspaper companies for printing and delivery.

Despite an average increase of more than 13% in newsprint prices in 2008, we realized a 10% decrease in newsprint expense, due to reductions in consumption of more than 21%. This reduction resulted from lower advertising volumes and lower circulation, as well as from newsprint conservation efforts, including reducing our web-widths. All of our newspapers will have been converted to a new 44-inch size by the end of the third quarter of 2009.

In February 2009, we created a new production and distribution unit within the Publishing Division that has responsibility for the printing and distribution for our 24 daily newspapers and more than 250 weekly newspapers and niche publications. A key focus for this unit is to expand outside sales for commercial printing, including the pursuit of opportunities for high-speed offset web printing and co-distribution arrangements, primarily with other newspapers and specialty publications.

Moving printing and distribution into a separate unit allows our publishers and managers to focus on content, sales and new products. We expect this innovative approach to provide operating efficiencies both internally and for third-party customers.

We created a Central Graphics operation for our television stations, adding to the approach we have had in place for several years for Traffic and Master Control. These centralization projects have saved significant operating costs by reducing headcount across all stations. Today we produce 4 – 5 hours more content daily at each station with less staff. At the same time, our product quality has increased as a result of the consistency provided

by automation. Our Central Traffic system provides us with the capability of maximizing our saleable inventory.

Challenging economic times also foster innovation and new solutions. Cost reductions are successful for a short time, but sustained shareholder value is created by growing revenues.

Revenue Growth

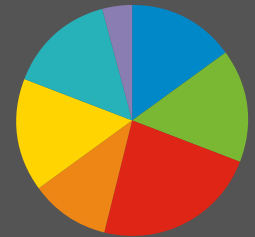
Four years ago, we set a goal to generate at least 5% of our annual revenues from new products and services. We are now approaching 10%. Many take the form of targeted print products aimed at specific communities of interest, often with a Web component. Our Publishing Division launched 73 new product initiatives in 2008 and generated revenues from these new products as well as those launched since 2004 of \$40 million. In 2009 this number is expected to grow to \$50 million.

Innovations in Broadcast include local morning variety shows and promotions themed to topics such as health and the environment. The Broadcast Division produced revenues from new products launched since 2004 of \$17 million in 2008 and this year that number is expected to grow to \$30 million.

The Broadcast Division also completed agreements on cable retransmission fees for the majority of its markets as of the end of 2008. Revenue from these contracts and the satellite retransmission deals that were already in place will generate more than \$16 million in 2009.

The Interactive Media Division generated \$9 million in revenues from new products launched since 2004, which represented approximately 22% of its total revenue. The Division launched about 40 new products in 2008.

2008 Online Revenues



- Classified (excl. Yahoo)
- Yahoo! Classifieds
- Local
- National/Regional
- Blockdot
- DealTaker
- Other

- Internal Innovation
- Local Morning Shows and Promotions
- Targeted Sales Campaigns
- Focus on Markets First

Our Interactive Media Division implemented focused sales campaigns in a number of key markets. These campaigns typically ran for several weeks and targeted customers with new products. Through this effort, we sold \$3 million in first-time Local online advertising and added 450 new customers. We have expanded this effort in 2009.

Digital Is Our Future

Media General's long-term strategies embrace the new digital frontier. We are aggressively building new audiences that advertisers want to reach. Our younger customers have moved to a digital environment, and we are going to be there for them.

Our early integration of online news and advertising gave us an understanding of the kinds of thinking that would prevail in the immediacy of today's media world.

Consumers are drawn to the Internet because it is easy to reach and the content is often free. We are also beginning to meaningfully monetize our valuable content. The Internet allows advertisers to target their messages to customers to a greater degree than ever since user behavior and preferences can be effectively tracked by new technology.

In 2008, total online page views were up 11%, visitor sessions grew 22% and unique visitors rose 28%.

Our Web-First/Continuous News initiative advanced significantly in 2008. Double-digit growth in local page views was the norm. Using the Web, we report news when it happens and update it frequently. We routinely combine our reports and photos with those contributed by users. We have found that Web-First/Continuous News does not replace our traditional

reports; rather, it builds the audience for them. Views of our local news pages were up 25% in 2008, and we expect additional growth in 2009.

We have redefined the role of our reporters and photographers and are equipping and training them to file and edit stories, video and photographs from the field.

We are pursuing mobile delivery in all our markets and have created mobile versions for most of our local Web sites, which draw about 1 million page views a month. More than 50,000 people have signed up to receive our text messages, and we expect to add many more in 2009. To accelerate our expansion of mobile services, we purchased a small company called NetInformer in late 2008, which specializes in short message system (SMS) marketing and in mobile coupons.

Internet partnerships are strong and productive and allow us to serve new customers in innovative ways.

Our Yahoo! partnership generated approximately \$7 million in revenues in 2008 and helped drive audience growth. In addition to employment listings, Yahoo! features Media General's headlines in appropriate places on its pages. Visitors followed the links back to our Web sites more than 5 million times during the year.

Late in 2008, Media General began selling behaviorally targeted advertising for exposure to Yahoo!'s large local audience in Tampa, Winston-Salem, Florence/Myrtle Beach and Richmond. This initiative allows us to target ads to audiences interested in specific products and the response exceeded our revenue expectations. In 2009, Yahoo!'s ad serving and management system will be introduced to all our newspaper and convergence markets and the Broadcast Division Web sites.



Local Online Advertising

+36%

Unique Visitors

+28%

Page Views

+11%



Marshall N. Morton
President and Chief
Executive Officer

J. Stewart Bryan III
Chairman

2009 Outlook

Media General faces an extremely tough business climate in 2009. We are managing our business and cash flow aggressively in the anticipation of continued revenue declines in nearly all traditional advertising categories and all markets.

We remain vigilant in our efforts to reduce our debt short-term while streamlining our operations with a focus on the long-term digital future. The solutions and business model in this new world are evolving, and we are adapting our business model to aggressively pursue new audience and revenue growth.

We are confident that our financial results and stock performance will improve over time, based on the clear and consistent initiatives we are executing and on the fundamental strengths of our assets and our region. We have been successful by recognizing early that the customer is in charge, and that we are a market-focused information company, not simply a publisher, broadcaster or Internet provider. Our Internet sites are compelling, and our newspapers and TV stations are leaders in their markets.

The credit for the progress and transforma-

tions we are achieving goes directly to our 5,600 employees who repeatedly demonstrate that they know our markets and live our values. They are due our sincere appreciation for their hard work and dedication. We also want to thank our advertisers and customers for their business and support, and we pledge to continue to offer exceptional service and value.

As we move forward, we will aggressively pursue the strategies we have discussed here to provide you, our shareholders, with the highest value for your investment in Media General.

Yours sincerely,

J. Stewart Bryan III
Chairman of the Board

Marshall N. Morton
President and Chief Executive Officer

February 24, 2009

BOARD OF DIRECTORS

J. Stewart Bryan III

70, Chairman of the Board since 1990; Chief Executive Officer 1990-2005; President 1990-2001. Director since 1974; Chairman of the Executive Committee.

Marshall N. Morton

63, President and Chief Executive Officer since 2005; Chief Financial Officer 1989-2005; Senior Vice President 1989-2001. Director since 1997; member of the Executive Committee.

O. Reid Ashe, Jr.

60, Executive Vice President since 2005; Chief Operating Officer since 2001. Director since 2002.

Diana F. Cantor

51, Richmond, Va. Director since 2005; member of the Audit and Nominating & Governance Committees. Managing Director, New York Private Bank & Trust. Director, Domino's Pizza, Inc.

Eugene I. Davis

54, Livingston, N.J. Director since 2008; member of the Audit Committee. Chairman and Chief Executive Officer Pirinate Consulting Group, LLC; Chairman, Atari, Inc., Atlas Air Worldwide Holdings, Inc., Hights Cross Communications, Inc., and Foamex International Inc. Director, American Commercial Lines Inc., Delta Air Lines, Inc., Footstar Inc., Knology Broadband, Inc., Pliant Corporation, Salton, Inc., SeraCare Life Sciences, Inc., Silicon Graphics, Inc. and Viskase Companies, Inc.

F. Jack Liebau, Jr.

45, Pasadena, Calif. Director since 2008; member of the Nominating & Governance Committee. President, Liebau Asset Management Co., LLC.

Thompson L. Rankin

68, Tampa, Fla. Director since 2001 and from 1985-1994; member of the Audit Committee. Former President and Chief Executive Officer Lykes Bros., Inc. Director, TECO Energy, Inc.

Rodney A. Smolla

55, Lexington, Va. Director since 2006; Chairman of the Nominating & Governance Committee; member of the Executive and Compensation Committees. Dean, Washington and Lee University School of Law.

J. Daniel Sullivan

57, Brentwood, Tenn. Director since 2008; member of the Compensation Committee. Consultant; former broadcast executive.

Walter E. Williams

72, Fairfax, Va. Director since 2001; Chairman of the Audit Committee; member of the Executive and Compensation Committees. Professor of Economics, George Mason University. Nationally known author, newspaper columnist and broadcast commentator.

Coleman Wortham III

63, Richmond, Va. Director since 2004; Chairman of the Compensation Committee; member of the Executive and Nominating & Governance Committees. President and Chief Executive Officer, Davenport & Company LLC.

Marshall N. Morton

President, Chief Executive Officer

Please see Board of Directors for biographical information.

O. Reid Ashe, Jr.

Executive Vice President, Chief Operating Officer

Please see Board of Directors for biographical information.

John A. Butler

51, Treasurer since 2008; Assistant Treasurer, 2005-2008.

Stephen Y. Dickinson

63, Chief Accounting Officer since 2005; Controller since 1993.

George L. Mahoney

56, Vice President since 2006; General Counsel and Secretary since 1993.

Timothy J. Mulvaney

40, Assistant Controller since 2005.

Lou Anne J. Nabhan

54, Vice President since 2001.

C. Kirk Read

39, Vice President and President of the Interactive Media Division since 2007.

John A. Schauss

53, Vice President - Finance and Chief Financial Officer since 2005; Treasurer, 2001-2008.

H. Graham Woodlief, Jr.

64, Vice President since 1989; President of the Publishing Division since 1998.

James F. Woodward

49, Vice President since 2005.

James A. Zimmerman

62, Vice President since 2001; President of the Broadcast Division since 1991.

CORPORATE OFFICERS