April 5, 2002

Dear Fellow Shareholders:

The year 2001 will be remembered as one of extraordinary challenges in our personal lives as citizens of the United States, and in a business sense as well. It is disappointing, to be sure, to report sharp declines in revenues (−14%), cash flow (−29%), and earnings (−27%) for 2001 as compared to the record performance levels achieved in 2000. While it was anticipated that the year would be difficult as we endeavored to replace nearly $70 million in Olympic and political revenues, we certainly did not anticipate an advertising downturn—with its most dramatic effects being seen in the television sector—that was the most pronounced of our generation. But from this difficult year, numerous lessons were learned that will help us rebound as a company and optimize the still compelling business proposition of local television.

First, we are reminded daily of the importance and impact of our local news leadership. Each and every day our stations produce leading local news programs for their communities, chronicling the issues and stories that affect our viewers. The work of our dedicated news professionals in the aftermath of the September terrorist attacks was remarkable! Our East Coast stations were close at hand to the events of September 11 and contributed to the news coverage of our network partners. And we witnessed once again the reliance and trust that local viewers place in us for coverage of significant news events. News viewership in the weeks following 9-11 increased measurably, and our leading local stations increased audience share as a result of their extraordinary efforts covering this story that impacted every American.

The Hearst-Argyle stations are consistently rated among the best of local station affiliates of our networks. In November, three of the highest rated stations for prime time in ABC's network lineup were Hearst-Argyle television stations: WTAE-TV Pittsburgh, KMBC-TV Kansas City, and WISN-TV Milwaukee. WGAL-TV, our NBC station in Lancaster-Harrisburg, PA, achieved the number one share of all top 50 market television stations for morning, evening, and late news time periods. And our CBS affiliate in Des Moines, IA, KCCI-TV, consistently achieves the highest late news ratings at 10:00 p.m. as compared to any stations in the top 100 markets.

The quality and reliability of our local stations and their day-to-day engagement with their local communities are vital and indispensable elements that serve to define our highly attractive business model. The leadership of the Hearst-Argyle television stations, most of which are ranked number one or number two in their respective markets, is a decided business advantage. Our stations capture approximately 25% of the nearly $3 billion in television advertising spent in our markets. And we continue to convert print, radio and cable advertisers to the medium of broadcast television through innovative and effective marketing programs. Local television is a vital, durable and important media force for viewers and advertisers.

We are also reminded of the imperative of a strong capital structure, the likes of which enabled our Company to endure a dramatic downturn in advertising during 2001. Earnings pressure reached its most difficult period post 9-11 when our stations broadcast the news on a sustaining basis—first without commercials and then with only limited commercial time—at a cost in lost advertising of approximately $20 million. Our Company's commitment to maintain an investment grade credit rating, a manageable level of debt, and a disciplined cost management culture distinguishes Hearst-Argyle Television from numerous other media companies. Even in an unimaginably difficult year, our EBITDA margin was 38%—indicative of the underlying strength of our business model. We generated nearly $100 million in free cash flow of which $93 million was utilized for debt reduction. In addition, our liquidity and financial flexibility were greatly enhanced by the private placement of $200 million of convertible preferred securities to an investor group which included our largest shareholder, The Hearst Corporation. The support of The Hearst Corporation, and that of the Pulitzer family interests, allows us to operate with a strong balance sheet. Our quality capital structure, coupled with our adherence to rigorous and ethical financial management and corporate governance, serves the best interests of all our shareholders and positions us well to capitalize on attractive business opportunities.

Certainly there are challenging issues facing television broadcasters today, including ever-increasing competition for viewers and ad dollars. We are responding quite aggressively, transforming our processes, developing new sales, marketing and promotion initiatives, and realigning our cost structure as we capitalize on technology advances that enable central-casting opportunities and efficiencies. We are making good progress on all of these fronts. We continue to see a decided advantage in the scale we are creating and in the top-tier positions that our stations must hold to sustain and grow profitability.

In December, we sold WBOY-TV Clarksburg, West Virginia, a station we had acquired along with WMUR-TV in Manchester, New Hampshire. WBOY-TV was not a strategic asset for us, although it certainly was for the buyer. WMUR-TV, on the other hand, is of enormous strategic importance to us. This station now works in concert with our largest station, WCVB-TV Boston, creating an integrated duopoly presence in our largest market and further solidifying WCVB-TV's position as New England's most prominent station. Both WMUR-TV and WCVB-TV are already benefiting operationally from this regional partnership, and both stations anticipate meaningful growth in sales and profitability in the years ahead. Likewise, the duopoly dynamics of KCRA-TV and KQCA-TV in Sacramento serve as a strategic template as we focus on extending our presence within our largest markets.

We continue to be encouraged by another important strategic initiative: our investment partnership with Internet Broadcasting Systems (IBS). Last fall's addition of the NBC owned television stations to the IBS network certainly strengthens IBS and positions it to attract meaningful convergence advertising. The IBS station/network model holds real promise and is proving to be a smart and cost efficient way for our stations to participate in the Internet space at a lower risk level. Our primary goals with our IBS investment are threefold: build and extend our local news brand leadership; drive audience "bi-directionally" between our local Web sites and local television news programs; and develop new revenue streams by providing Internet advertising and marketing solutions for our clients. We feel we are making satisfactory progress with these efforts.

Our production and syndication joint venture with NBC Enterprises is also off to a healthy start. Our objective here is simple: to gain more control over, and potentially meaningful profits from, the syndicated programs we carry on our television stations. Today we are participating in the distribution profits from such shows as "Weakest Link" and "Rebecca's Garden," and we are looking ahead to September 2002 when a new John Walsh show debuts in syndication. Our alliance with the NBC stations and those of Gannett Broadcasting creates a strong broad-based platform for the launch of new syndication projects. This is a significant strategic initiative that capitalizes on the strong station distribution we've built to date.

In response to the difficult business conditions of 2001, we aggressively curtailed a good portion of our planned capital spending. However, we have proceeded with our DTV build-outs in order to meet the FCC's mandated completion schedules. We continue to be concerned with the slow pace of the digital television transition attributable in part, we believe, to the lack of a comprehensive policy mandate that would advance all channel receiver standards, cable carriage, and copy protection . . . all of which must be resolved to stimulate market acceptance of digital television.

We are encouraged by signs of economic recovery, which should contribute to organic revenue growth in 2002. Strong ad spending for the Olympics benefited our 10 NBC stations, and early political spending in key markets has helped get the year off to a more positive start. Our aggressive, innovative selling efforts and continued focus on cost containment and cost reduction initiatives, along with our sustained local ratings leadership, will be performance drivers in 2002. We are determined to convert most, if not all, of incremental revenue growth in 2002 to the bottom line.

The vision that we've articulated for the television business since our entry into the public marketplace nearly five years ago is unfolding before us. Expectations for heightened competition, consolidation, convergence, deregulation, and new alliances and partnerships are accelerating. And Hearst-Argyle Television is a company at the epicenter of the television industry. Our own expansion, important strategic initiatives, and our strong voice in the debates about new deregulatory policies underscore our leadership in the television industry. Our demonstrated ability to generate representative profits from our strong television station assets positions us well in this dynamic marketplace.

We are gratified by the support and confidence of our shareholders and of our very active Board of Directors. And we are deeply appreciative of the talented contributions of our employees at every single Hearst-Argyle station. Over the past year their hard work, sacrifice, innovation and leadership have distinguished us as a media company and demonstrated the importance and impact of local television. Every day Americans rely on local television as their major source for information, and more than five million loyal viewers are watching their local news on Hearst-Argyle Television stations across the country. I am extraordinarily proud of our people and the work they do, and I'm confident that their efforts will help us meet the challenges that lie ahead as we build a strong, vital growth company for our shareholders.

All best wishes,

David J. Barrett
President and Chief Executive Officer