

# BELO



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Belo is one of the nation's largest diversified media companies with a superior group of television broadcasting, newspaper publishing, cable news and interactive media assets. Belo enters the 21st Century with more than 157 years of experience in providing quality news and information to viewers and readers, and a long-standing commitment to community service and journalistic excellence.

the company

Belo is distinctively positioned as an industry leader in an ever-changing media environment. Committed to the standards of excellence that have shaped the Company's achievements, Belo is focused on the future and the technological advancements that continue to make ours the most exciting business in the world today.

# financial highlights

Year ended December 31 (in thousands, except per share amounts)

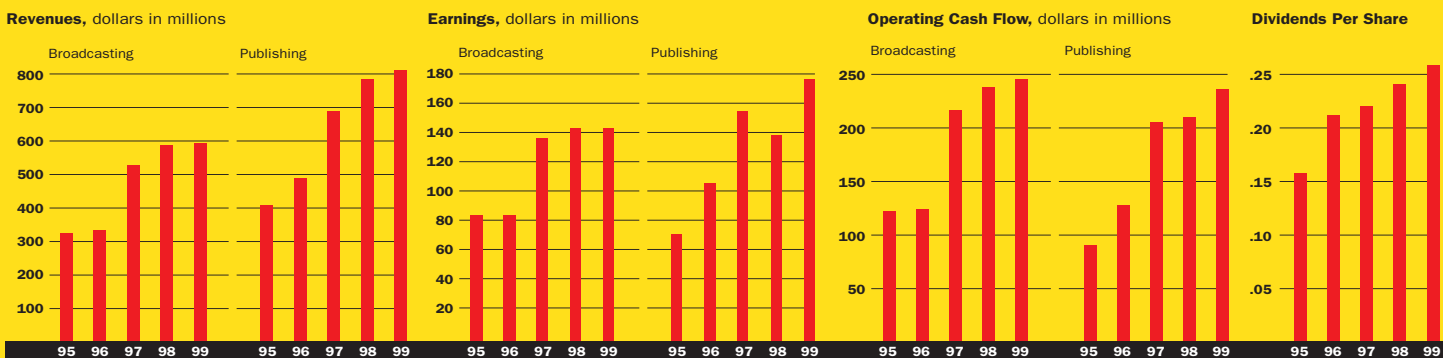
Revenues	1999	1998	1997
Broadcasting	\$ 598,637 <sup>(a)</sup>	\$ 593,426	\$ 522,560
Newspaper Publishing	816,976 <sup>(b)</sup>	784,327	693,777
Interactive Media	6,520	3,214	718
Other	11,849	10,736	17,149
<b>Net operating revenues</b>	<b>\$1,433,982</b>	<b>\$1,391,703</b>	<b>\$1,234,204</b>

Earnings	1999	1998	1997
Broadcasting	\$ 143,200 <sup>(a)</sup>	\$ 143,751 <sup>(a)</sup>	\$ 136,715
Newspaper Publishing	176,985 <sup>(b)</sup>	138,289 <sup>(c)</sup>	154,612
Interactive Media	(8,908)	(2,778)	(1,584)
Other	(7,726)	(5,212)	(9,237)
Corporate Expenses	(39,056)	(40,965)	(39,704)
<b>Earnings from operations</b>	<b>\$ 264,495</b>	<b>\$ 233,085</b>	<b>\$ 240,802</b>

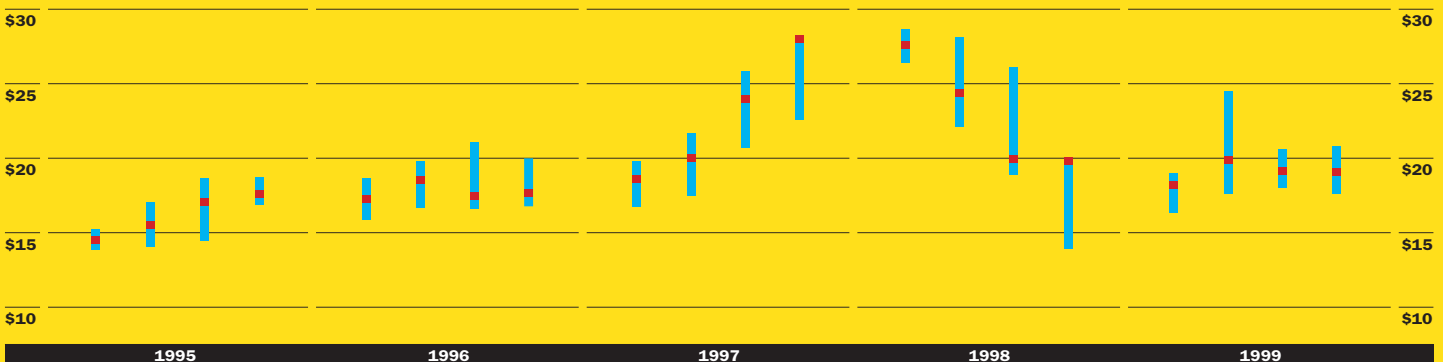
Operating Cash Flow	1999	1998	1997
Broadcasting	\$ 245,925	\$ 238,743	\$ 216,654
Newspaper Publishing	236,167	210,351 <sup>(f)</sup>	206,440
<b>Net earnings</b>	<b>\$ 178,306 <sup>(e)</sup></b>	<b>\$ 64,902 <sup>(e)</sup></b>	<b>\$ 82,972</b>
<b>Net earnings per share</b>	<b>\$ 1.50 <sup>(e)</sup></b>	<b>\$ 0.52 <sup>(e)</sup></b>	<b>\$ 0.71</b>
<b>Dividends per share</b>	<b>\$ 0.26</b>	<b>\$ 0.24</b>	<b>\$ 0.22</b>

Trading Price	1Q	2Q	3Q	4Q
High Trading Price	19 15/16	24 1/2	20 5/8	20 3/4
Low Trading Price	16 3/8	17 1/2	18 1/16	17 5/8
Closing Price	18 1/4	19 11/16	19 1/8	19 1/16

- (a) Operating results for 1999 reflect the June 1, 1999 exchange of KXTV (ABC) Sacramento, California for KVUE-TV (ABC) in Austin, Texas. In addition, Belo completed the acquisition of KTVK-TV, an independent station in Phoenix, Arizona, and rights to operate KASW-TV (WB) under a local marketing agreement on November 1, 1999. Belo sold stations KASA-TV (FOX) in Albuquerque, New Mexico and KHNL-TV (NBC) in Honolulu, Hawaii effective October 29, 1999.
- (b) Operating results for 1999 reflect the June 30, 1999 acquisition of Denton Publishing Company, publisher of the *Denton Record-Chronicle*.
- (c) During 1999, Belo recognized a non-cash gain on the KXTV/KVUE exchange of \$50,312 (\$49,060 net or 41 cents per share), a gain on the sale of KASA and KHNL of \$20,448 (\$16,348 net or 14 cents per share) and a gain of \$47,006 (\$28,489 net or 24 cents per share) on the sale of its investment in Falcon Communications.
- (d) Broadcasting earnings from operations include a non-recurring charge of \$6,996 for early retirement costs and other employee reduction initiatives.
- (e) Newspaper publishing earnings from operations include non-recurring charges for the write-down of a press at *The Dallas Morning News* (\$11,478) and early retirement costs of \$6,344.
- (f) Newspaper publishing operating cash flow excludes the effect of the non-cash charge of \$11,478 for the write-down of a press at *The Dallas Morning News*.
- (g) Net earnings and net earnings per share include non-recurring charges of \$26,157 (13 cents per share), comprised primarily of a write-down of a press at *The Dallas Morning News* (\$11,478) and early retirement costs and other employee reduction initiatives (\$14,229).



## Common Stock Price History



Blue lines indicate quarterly high and low trading prices, red areas indicate quarterly closing prices.

# Dear Fellow Shareholder:

Belo enters the 21st Century with one of the finest arrays of television broadcasting, newspaper publishing and electronic media assets in the United States. Our content is unmatched and our prospects for 2000 are outstanding.

New York and cellular phone service in South Carolina. \$1-billion sale. I am \$1 billion. I have a majority stake in the company. I paid the amount for the offering for PepsiCo. I am in a regulatory matter. I did not indicate in the bottling

## Letter from the Chairman

**ROBERT W. DECHERD**  
Chairman of the Board, President  
and Chief Executive Officer



The Company's prospects for growth are unprecedented because we've taken the necessary steps to thrive in today's complex media world. Our strategy has been to invest patiently and consistently in ongoing operations, which allows us to capitalize on the momentum that is evident in Belo's traditional business, then use free cash flow to seize opportunities in Internet applications. We have achieved positions of strength through the transformation of Belo's asset base over the past decade, beginning with the purchase of the *Dallas Times Herald* assets in 1991 and continuing through the formation of Belo Interactive, Inc. in 1999.

Through acquisitions and improved operating performance from 1991 through 1999, Belo's revenues have more than tripled; segment operating cash flow has increased five-fold, as has free cash flow; and our segment operating cash flow margin has grown to 34 percent from 22 percent. This has been accomplished without a significant increase in leverage ratios. At the end of 1999, the Company's market capitalization was \$2.3 billion and total assets were \$4.0 billion.

Yet while Belo's content is unmatched and our prospects are sterling, recent share price is a profound disappointment. Share price improvement is our single-most important priority in 2000.

The foundation for Belo's success in 2000 and beyond is to attain maximum performance from our operating companies and capitalize on Internet opportunities. For the full year 1999, before non-recurring items, Belo recorded after-tax cash flow per share of \$2.15 and diluted earnings per share of \$0.73, compared with \$1.91 and \$0.63, respectively, in 1998. On a pro forma basis and excluding non-recurring items, Belo generated \$449 million in consolidated operating cash flow, compared with \$432 million in 1998.

During 1999, we completed a series of transactions that solidified Belo's presence in three core geographies: Texas, the Pacific Northwest and Arizona. Contained within these geographies are the nation's 7th, 11th, 12th and 17th largest television markets, and in each market, Belo operates the first or second ranked station. And while Belo owns outstanding franchises throughout

12.91

Belo purchases assets of the *Dallas Times Herald* (Dallas, TX)



**JAMES M. MORONEY**  
President  
Belo Interactive, Inc.

**WARD L. HUEY, JR.**  
Vice Chairman of the Board  
President/Broadcast Division

**BURL OSBORNE**  
President/Publishing Division  
Publisher, *The Dallas Morning News*

the country, these three geographies are projected to grow at rates that exceed national averages. The advantages these concentrated properties possess are significant, including Belo Interactive's strategy of leveraging Belo's superior operating assets in each geography.

Today, Belo's Television Group reaches 14 percent of U.S. television households. Our newspapers are read by more than 2.5 million people daily. And, our Web sites generate more than 30 million page views per month. On any given day, Belo reaches a meaningful audience in almost every environment—at home, at work and in transit.

## Belo Interactive, Inc.

Belo Interactive was formed in May 1999 to accelerate the Company's existing Internet businesses and to create new ones. James M. Moroney, an executive vice president of the Company, was named Belo Interactive's president. All personnel, business activities and financial resources related to Belo's Internet presence were consolidated and placed under Jim's direction.

Belo Interactive was launched from one of the most attractive interactive platforms among group newspaper and television station owners. This is a business that has the potential to grow at above-average rates and produce significant returns on capital over the long term. In previous years, we have taken a measured approach to the Internet, focusing on developing a broad knowledge of interactive businesses and opportunities related to our newspapers and television stations. We developed significant expertise and competencies while limiting our financial commitment. At the same time, we created distinct interactive products such as GuideLive.com, the premier online entertainment guide in Dallas/Fort Worth. We embraced online opportunities for dissemination of Belo's news products, beginning in 1996 with dallasnews.com.

Today, we are taking this expertise and aggressively deploying a local and regional strategy. Belo's existing media franchises have the highest-quality local and regional content. We intend to use these franchises to drive traffic to our sites—traffic which translates to ad revenues and e-commerce transactions.

Belo Interactive's business strategy also includes forming alliances with companies that provide solutions for strategy implementation. Belo Interactive's activities over the past year have been impressive:

- Belo Interactive invested in AdOne, an online classified advertising company, as a way of extending the Company's classified advertising to the Internet. Belo and 10 other media companies have pooled their newspapers' databases to create one of the most extensive online classified products available at AdOne's ClassifiedWarehouse.com. This site will provide advertisers with a much broader audience and consumers with access to one of the largest selections of classified advertising online.
- Belo Interactive formed an alliance with, and made an equity investment in, Geocast Network Systems, Inc.. Geocast will use a portion of television broadcasters' spectrum as a broadband delivery system to the home. As such, it will provide a second return on investment opportunity for Belo's digital build-out.
- Belo Interactive is co-developing a new software product with CText, a developer and supplier of systems technology to the newspaper publishing industry. Adcommerce will be the first fully-integrated, fully-searchable classified advertising product and will be deployed in Belo's newspaper publishing classified Web sites. This product will allow us to bring to our newspaper classifieds all of the consumer features available through pure play Internet classified companies—and more.

6.94 WWL-TV (New Orleans, LA)

2.95  
KIRO-TV  
(Seattle/Tacoma, WA)

1.96

*Messenger-Inquirer*  
(Owensboro, KY)

*The Gleaner* (Henderson, KY) 3.97

2.97 The Providence Journal Company: 9 network-affiliated television stations,  
NorthWest Cable News and *The Providence Journal*.

6.97 KIRO-TV exchanged for KMDV-TV (St. Louis, MO)

KXTV exchanged for KVUE-TV (Austin, TX) 6.99

5.99

Formation of Belo Interactive, Inc.  
and Belo Enterprises

95

96

97

98

99

00

12.95 *The Press-Enterprise* (Riverside, CA) 7.97

*The Eagle*  
(Bryan/College Station, TX)

10.97 TVFN exchanged for KENS-TV (San Antonio, TX)

Denton Publishing Co.; *The Hemet News* and *The Valley Times* (Riverside, CA) 7.99

Phoenix assets acquired; KHNL-TV and KASA-TV sold 11.99

→ Belo Interactive has an agreement with the Sun-Netscape Alliance, an alliance between America Online, Inc. and Sun Microsystems, Inc., wherein Belo and Sun-Netscape will develop, design and build next-generation products that address Internet initiatives for media companies. The products will be mutually selected through a co-managed entity, the iMediaFoundry. Sun-Netscape brings systems, technology and go-to-market Internet skills to the iMediaFoundry, while Belo brings deep media experience and knowledge.

→ Belo Interactive signed a joint operating agreement with Strategy.com, a technology company with a hardware/software solution for providing personalized information to desktop and wireless devices. Belo Interactive will furnish this service with personalized local content such as news, weather, sports and finance.

→ Belo Interactive made an equity investment in DigitalConvergence.Com and will have the exclusive license to deploy its technology, :CONCERTO™ and :CAT™, in Belo's 16 television markets and in Belo's newspaper markets. Through this technology, desktop computers will be able to receive detailed news and information concerning content or advertising they see on television or read in newspapers. Advertisers that utilize this technology will maximize their marketing efforts by reaching interested consumers online with detailed, targeted information. This technology links traditional media to the Internet and provides Belo with new opportunities to grow revenues.

In Belo Interactive, we have the right corporate structure, the right management team, the right markets and the advantage of concentrated geographies. We are dedicated to building important new businesses that bring innovative interactive products and services to consumers and value to Belo shareholders.

## Broadcast Division

By overcoming 1998 non-repeating revenues from political, Olympics and Super Bowl advertising of more than \$40 million, Belo's combined local and national television revenue performance in 1999 was among the best of its peer group. Pro forma for 1999 acquisitions and dispositions, Belo's Broadcast Division revenue and operating cash flow advanced 1.6 percent and 2.5 percent, respectively.

Virtually all Belo television stations are consistently rated first or second in their respective markets in A. C. Nielsen ratings. In local news, our ratings are even stronger. These ratings are important, as they are the main criteria used by advertisers when choosing television stations on which to advertise. Belo's consistency in delivering a quality mass audience to advertisers within our core geographies is unsurpassed.

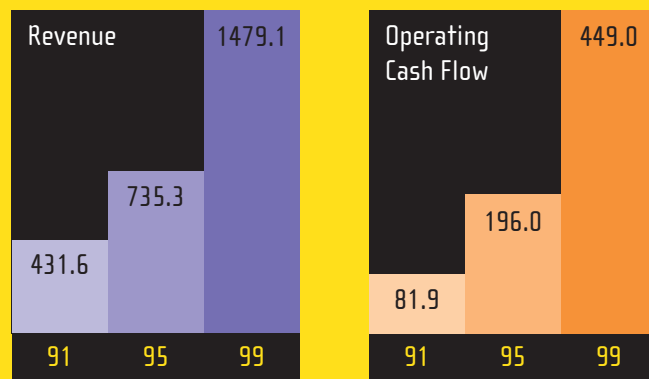
In 1999, the Company added to its Texas presence with the exchange of KXTV, the ABC affiliate in Sacramento, California, for KVUE-TV, the ABC affiliate in Austin, Texas. Belo now operates in the four principal Texas markets: Dallas/Fort Worth, Houston, San Antonio and Austin. In these four markets, the economic picture is robust, outperforming U.S. averages in all major indicators, and in some cases by large margins.

The Company significantly strengthened its presence in Arizona with the acquisition of the MAC America assets, which included KTVK-TV, the highly-rated independent station in Phoenix (the country's 17th-largest television market). The transaction also included the rights to operate KASW-TV, the Phoenix WB affiliate, through a local marketing agreement; a 50 percent interest in the Arizona News Channel, a cable news joint venture with Cox Cable; and, a 100 percent ownership of azfamily.com, a powerful Web site. Phoenix is an outstanding market, out-indexing U.S. growth rates in a number of key categories. KTVK's ratings are very strong. Combined with KMSB-TV, our Fox affiliate in Tucson, Belo now reaches 95 percent of television households in Arizona.

# growth following assimilation

numbers in millions  
pro forma 1999

Note: 1991 and 1995 revenue and cash flow are as reported.



In August, the Federal Communications Commission relaxed its rules generally prohibiting ownership of two or more television stations in a single market. As a result, Belo entered into agreements to acquire KONG-TV, an independent television station in Seattle/Tacoma, Washington and KASW-TV in Phoenix, both of which Belo operated under local marketing agreements. These stations were purchased on extremely favorable financial terms and fortify our geographic concentrations.

Given the current economic climate, we believe advertising demand will remain healthy in 2000. Belo's NBC television stations will carry the Olympics in September and our ABC stations aired the Super Bowl in January. The Company's television stations should once again secure a disproportionate share of political advertising dollars in 2000. The .com category has been strong in Belo's large markets and our franchises should continue to perform well in this category because the demographic characteristics of our markets favor Internet penetration. Overall, we are very optimistic about the operating prospects for Belo's Broadcast Division in 2000.

## Publishing Division

In Belo's Publishing Division, 1999 pro forma revenues were up 3.4 percent over 1998 and operating cash flow was up 12 percent. *The Providence Journal* and *The Press-Enterprise* had outstanding years in journalistic achievement and financial performance, each growing cash flow approximately 20 percent. While *The Dallas Morning News*' performance improved over 1998, slow demand in classified employment advertising continued to hamper overall results for the year. We have been aggressively addressing classified employment on a number of fronts. On the product side, we have changed the editorial content of *The Morning News*' Sunday employment section to include topical material from our news department to attract readers who are career-oriented and not

simply seeking jobs. Classified advertising is now a separate management activity and we recently hired a vice president of classified advertising. We've also established important interactive alliances to strengthen *The Morning News*' classified position on the Internet as detailed in the earlier Belo Interactive discussion. Reversing *The Morning News*' 1999 classified employment trends is the Publishing Division's highest priority for 2000.

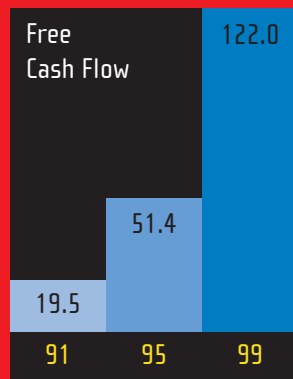
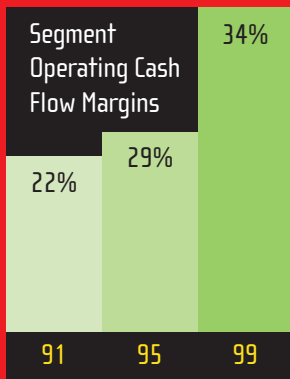
*The Dallas Morning News* is a truly distinguished newspaper in an exceptional market. In a 1999 *Columbia Journalism Review* survey of newspaper editors, *The Morning News* was ranked the fifth best newspaper in the country. In circulation, both daily and Sunday volumes were up for the six-month period ending September 30, 1999 and *The Morning News* should achieve circulation growth in the next reporting period as well. We are taking advantage of the dynamic growth in Dallas/Fort Worth and believe a stronger story will unfold going forward.

Belo completed two publishing acquisitions in 1999. In July, the Company acquired the *Denton Record-Chronicle*, serving Denton County, which abuts Dallas County. We also acquired *The Hemet News* and *The Valley Times*, two small newspapers that serve Riverside and nearby counties. These acquisitions bolster our market coverage while allowing us to extend relationships with our local communities.

## Other Business

In July, the Board of Directors elected Laurence E. Hirsch as a director of the Company. Larry is chairman of the board and chief executive officer of Centex Corporation, one of the nation's largest homebuilders, mortgage loan originators and general building contractors. He also serves as chairman of the board of Centex Construction Products, Inc., a public company of which Centex owns 62 percent. Larry is an accomplished corporate





**MARIAN SPITZBERG**  
Senior Vice President/Human Resources

**MICHAEL J. MCCARTHY**  
Executive Vice President/General Counsel/Secretary

**DUNIA A. SHIVE**  
Senior Vice President/Chief Financial Officer

executive and a distinguished leader in the Dallas community. We welcome him and look forward to benefiting from his expertise in many disciplines.

Stephen Hamblett, a director of the Company since May 1997, retired as publisher and chief executive officer of The Providence Journal Company in April. Steve played the critical role in the merger between The Providence Journal Company and Belo, which has created one of the premier media companies in the United States. Steve's tenure with The Journal Company spans more than 40 years. His leadership and keen insights have been instrumental to The Journal Company's success and helped perpetuate *The Providence Journal* as one of America's finest newspapers. We are fortunate that Steve will continue to serve as a director of Belo and chairman of the board of The Providence Journal Company. Howard G. Sutton, a 27-year veteran of *The Providence Journal* who has served as president and general manager since 1997 and assistant publisher since 1998, has succeeded Steve as publisher and chief executive officer.

In November, Ward L. Huey, Jr., Belo's vice chairman and president of the Broadcast Division, was inducted into the *Broadcasting & Cable* Hall of Fame for his outstanding achievements over a 39-year career at Belo. Ward has played the principal role in the growth and success of our Television Group, and this truly well-deserved honor recognizes his leadership for the entire broadcast industry.

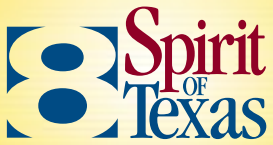
## The Future

I am very excited about the year ahead and believe that Belo will flourish in the year 2000 and beyond. The core media business remains strong. Current events are proving again that television and large-market newspapers are the most effective advertising

media in existence anywhere; we believe they will remain so for the foreseeable future. And, as more consumers go online, there is boundless potential in Belo's ability to leverage proprietary content via the Internet.

Belo's success is assured by the valuable initiatives of individuals at every level of the organization. My colleagues and I express our gratitude to the directors, shareholders and fellow employees who will define Belo's achievements in the years ahead.

**ROBERT W. DECHARD**  
Chairman of the Board,  
President and Chief Executive Officer



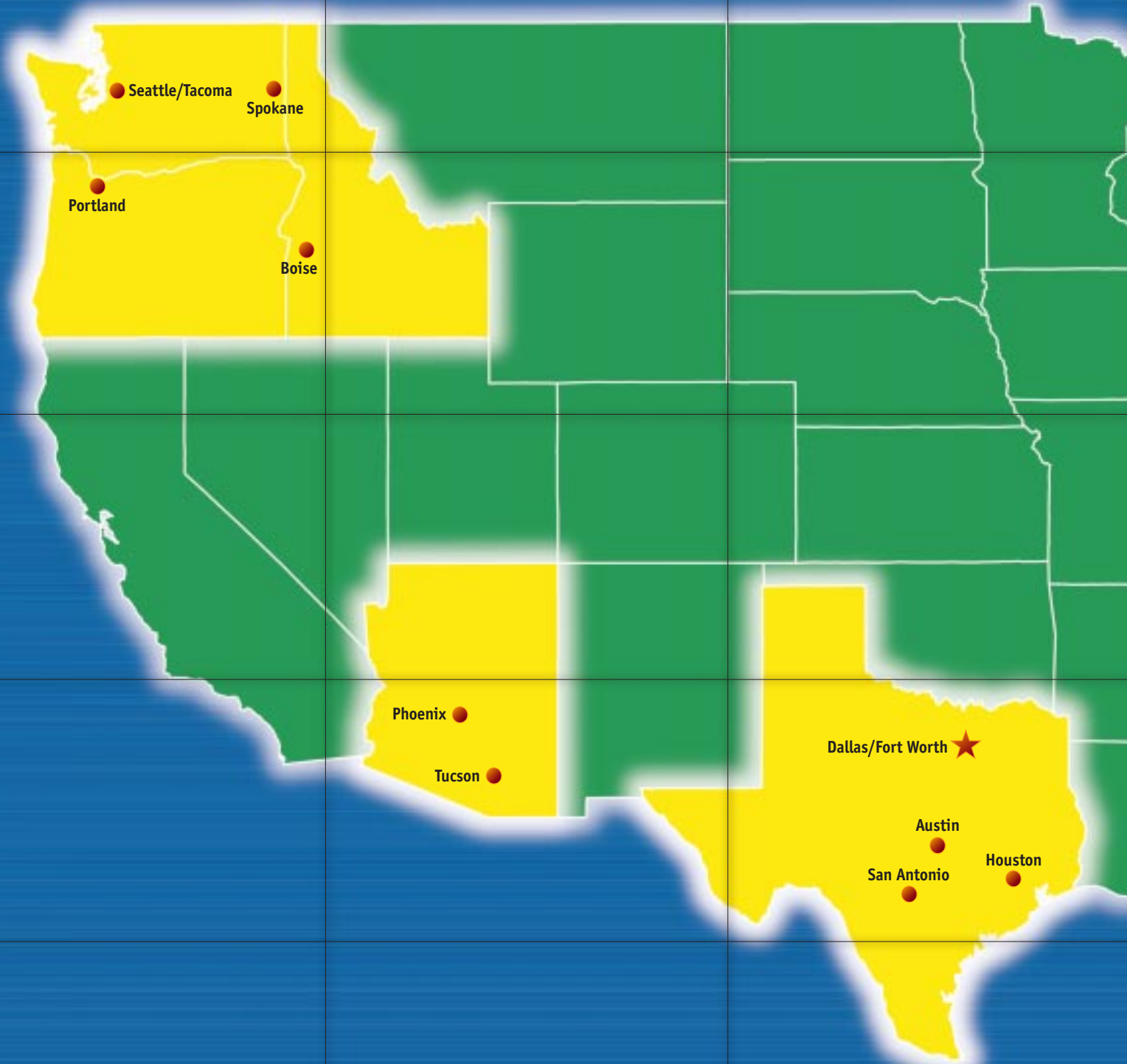
BELO owns 18 television stations reaching 14 percent of U.S. television households. Belo stations are in four of the top 17 television markets, seven of the top 30 and 11 of the top 50.



■ Belo has four ABC affiliates, six CBS affiliates, four NBC affiliates, two independent stations, one FOX affiliate and one WB affiliate. ■ Belo manages two stations through local marketing agreements and owns five local or regional cable news channels.





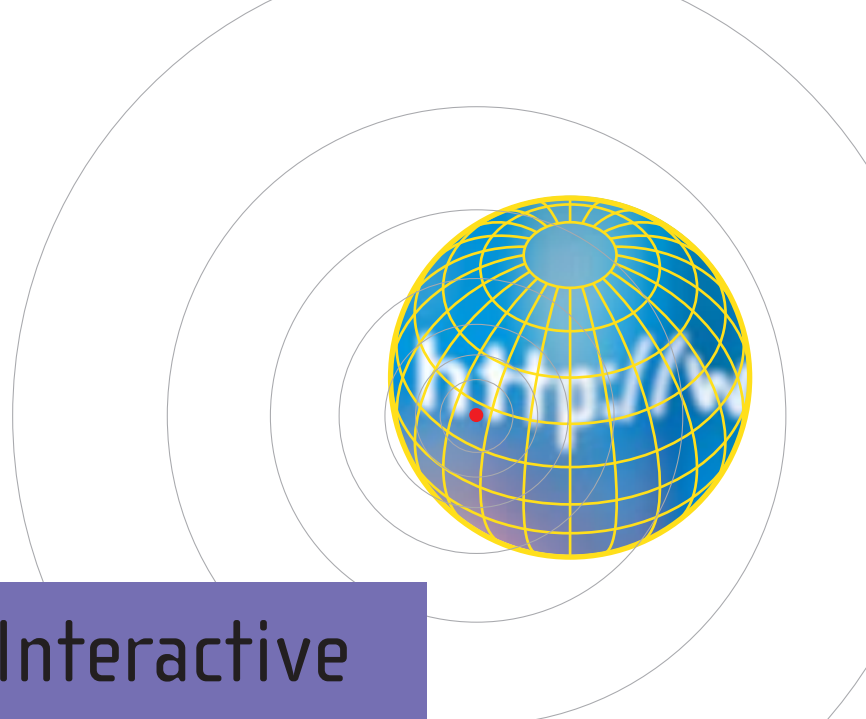


Belo achieves the benefits of much larger scale through our concentration of assets in Texas, the Pacific Northwest and Arizona. Belo is the strongest media player in each of these high-growth geographies.

Combine that strength with the innovative ways we are extending our superior local and regional content into the Internet space, and you can begin to see just how we are mapping out the Company's success.



Belo Interactive



Our mission at Belo Interactive is to provide **news and information** any time and any place to any device.

Belo Interactive, Inc. was launched in May 1999 to accelerate Belo's existing Internet business and create new ones. And Belo Interactive is doing just that, enhancing and expanding Belo's Web sites, creating new online services, and forging alliances and partnerships that will continue to advance Belo's presence in the Internet space exponentially.

The year 2000 promises to be even more exciting as Belo Interactive launches an array of products and services that are currently in development.

Belo Interactive, Inc., Belo's Internet subsidiary, includes the Web site operations of Belo's television stations and newspapers, interactive alliances and partnerships, and a broad range of Internet-based products and services. The Company's 40 Web sites produce more than 30 million page views and more than 6.7 million user sessions monthly.



**Traditional and interactive media are converging at a rapid pace. With a premier group of newspaper and broadcast properties, Belo is ideally positioned to capitalize on the Internet opportunities that lie ahead.**

The Internet is a vast, global landscape that holds innumerable possibilities. Belo Interactive is embracing these opportunities with a local and regional strategy, providing consumers with what they want most – news and information about their communities. Belo has built large, loyal audiences in its communities through a long-standing commitment to delivering the highest quality local and regional news. The quality of Belo’s content and the ability to deliver a mass audience will enhance the Company’s prospects for success in the Internet business as well as in all areas of our business.

One of the areas in which Belo Interactive is extending the Company’s newspaper product online is classified advertising. Belo Interactive is co-developing a new software product that will create the most comprehensive, fully searchable classified advertising database available online. In addition, Belo is one of several prominent media partners with AdOne, whose ClassifiedWarehouse.com is one of the largest networks of employment, automotive and real estate classified advertising in the nation.

In television broadcasting, Belo Interactive’s alliance with Geocast will provide a new, rich media content service to the desktop PC using Belo’s digital television broadcast spectrum. The result will be the ability to provide information and entertainment programming with full-motion video and CD-quality sound, personalized for the PC user.

Looking beyond the PC, Belo’s alliance with Strategy.com will provide a service that delivers Belo’s content to consumers via email, the Internet, facsimile, cellular telephone, pager or PDA.

One of the most significant new advancements in Internet-based technologies is :CONCERTO™; DigitalConvergence.Com’s proprietary software that instantly links broadcasting and print media to the Internet. We believe this technology will revolutionize the media industry, and Belo Interactive has acquired the license to deploy the software in Belo’s broadcasting and newspaper markets.

Some of the best ideas and products come from a collaboration of companies with diverse expertise, particularly in the complex world of the Internet. Belo is combining its deep understanding of how consumers and businesses use various forms of media with the software talents and e-commerce experience of the Sun-Netscape Alliance, an alliance between America Online, Inc. and Sun Microsystems, Inc.. The collaboration will take the form of a media foundry that will develop, design and build next-generation products to address the Internet initiatives of media companies. The new products will be deployed by Belo Interactive and marketed, distributed and sold by the Sun-Netscape Alliance.

Over the long term, e-commerce may prove to be one of the most important sources of Internet-based revenue. Belo Interactive is actively exploring the development of new products and services, singly and in conjunction with other companies, to meet the growing consumer demand.



Rank	Markets	1999 Internet Penetration	1999 Index
	Nationwide	43.7	100
3	Austin	55.5	127
4	Seattle/Tacoma	53.3	122
6	Dallas/Fort Worth	49.6	113
8	Houston	48.8	112
10	Hampton/Norfolk	48.5	111
11	Portland	48.1	110

Source: Scarborough Research Corporation

Belo Interactive has laid the foundation with an **Internet strategy** that leverages Belo's assets, provides consumers with relevant information and creates long-term value for Belo's shareholders.

kongtv.com whas11.com king5.com azfamily.com nwcn.com  
 krem.com kgw.com arlington.com inlandempireonline.com  
 kmsb.com dallasnews.com kotv.com wcnc.com kttu.com  
 mysanantonio.com archive.dallasnews.com ktvb.com dfw.com  
 GuideLive.com **belo.com** thegleaner.com  
 theeagle.com khou.com texas4u.com wfaa.com kmov.com  
 dentonrc.com texasautos.com wvec.com lewisville.com/news  
 txcn.com aggiesports.com wwl-tv.com projo.com kvue.com  
 messenger-inquirer.com archives.projo.com pilotonline.com/LNC



**TEXAS**





# Belo covers Texas through its four largest markets.

Texas is a truly outstanding market.

Belo has been delivering quality local and regional news to Texans since the first issue of *The Dallas Morning News* was published in 1885. Today, Belo is the largest media player in Texas, where a diversified economy and high quality of life make it a desirable place to live and work. Belo's television stations alone reach an audience of more than 4.5 million homes in Texas every day.

Dallas/Fort Worth is home to *The Dallas Morning News*, WFAA-TV (ABC), Belo Interactive, Inc. and Texas Cable News. Belo's other Dallas-area newspapers include the *Denton Record-Chronicle* and the *Arlington Morning News*. Belo also owns KHOU-TV (CBS) in Houston, KENS-TV (CBS) in San Antonio, KVUE-TV (ABC) in Austin, and *The Eagle* in Bryan/College Station.

Belo's Texas media franchises are as distinct and outstanding as the cities in which they operate. The common thread that runs through Belo's **broadcast, print, cable and interactive businesses** is quality local and regional news. It is the nexus of Belo's core competencies and one of the principal ways in which we influence our success.

## Dallas/Fort Worth

7th

US television market



## Houston

11th

US television market



Dallas/Fort Worth is a dynamic market. Dallas is one of the fastest-growing cities in the country and was recently named the best city for business by *Fortune* magazine. In television broadcasting, WFAA has been the indisputable news leader for more than a decade. That trend continues as WFAA's newscast ended 1999 winning each of its time periods in the November Nielsen household ratings and in all key demographic categories. WFAA recently celebrated its 50th anniversary and has given Dallas a number of firsts, including its first television station, first news helicopter, first political convention coverage, first computerized newsroom and first local HDIV newscast.

*The Dallas Morning News* is one of the most outstanding newspapers in the country, with a long list of journalistic awards, including six Pulitzer Prizes. Most recently, in a 1999 *Columbia Journalism Review* survey of newspaper editors throughout the United States, *The Dallas Morning News* was ranked the fifth best newspaper in the country. *The Morning News* has expanded online with several successful Web sites: [dallasnews.com](http://dallasnews.com), the online version of *The Morning News*; [GuideLive.com](http://GuideLive.com), an extension of the newspaper's weekend guide and the premier online entertainment guide for Dallas/Fort Worth; and [archive.dallasnews.com](http://archive.dallasnews.com), back issues of *The Morning News* online. The *Denton Record-Chronicle* in Denton, Texas, is Belo's most recent publishing addition.

Texas Cable News covers news from the State of Texas 24 hours a day, seven days a week. TXCN works with all Belo franchises in Texas to bring subscribers the latest news, sports and weather.

Houston is the country's fourth-largest city and the state's largest, with a thriving port, a diversified economy and a growing international citizenry. KHOU has its hand on the pulse of the city, recently opening the first local Mexico City Bureau to meet the needs of the Hispanic population. And when international news affected Texans, KHOU responded, earning national prominence with the first televised interview in the United States with Slobodan Milosevic during the crisis in the Balkans.

San Antonio's strong tourist industry and robust trade with Mexico exemplify the diversity of the economies in Texas' four largest cities. KENS broadcasts more local news than any other station in the market and the quality of the station's relationship with its local viewers was reflected in KENS' recent sweep of the 1999 *San Antonio Express-News* Readers' Choice Awards.

Austin, the seat of Texas government, home to the University of Texas and hub of the state's high-tech industry, supports a well-educated workforce and is the third "most wired" city in the country. In 1999, KVUE was the number one station in sign-on to sign-off audience delivery.

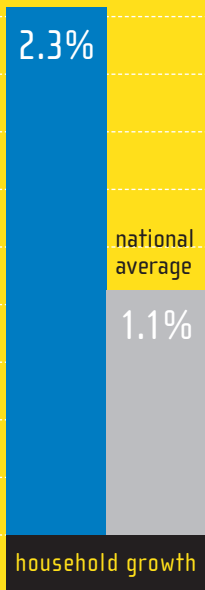
Bryan/College Station is a thriving market and home to Belo's daily newspaper *The Eagle*, Texas A&M University and the George Bush Presidential Library.

The Dallas Morning News txcn.com GuideLive.com  
 KENS-TV San Antonio Arlington Morning News Texas  
 Cable News WFAA-TV khou.com arlington.com  
 The Eagle **Belo's Texas Brands** Denton  
 Record-Chronicle dallasnews.com wfaa.com  
 texasautos.com Dallas/Ft. Worth texas4u.com  
 KVUE-TV Austin kens-tv.com KHOU-TV Houston



Belo's Texas markets **significantly exceed** U.S. growth rates in several categories.

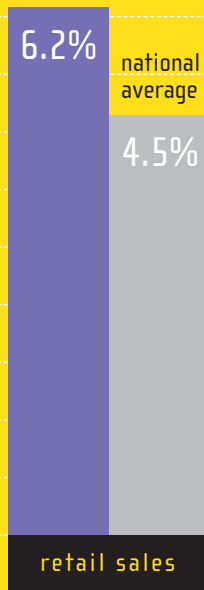
Belo's Texas markets



Belo's Texas markets

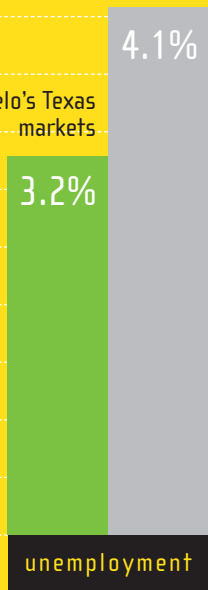


Belo's Texas markets

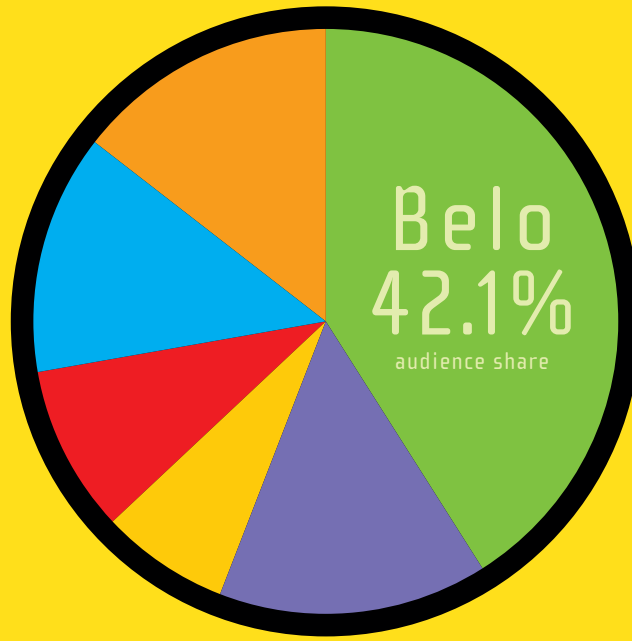


national average

Belo's Texas markets

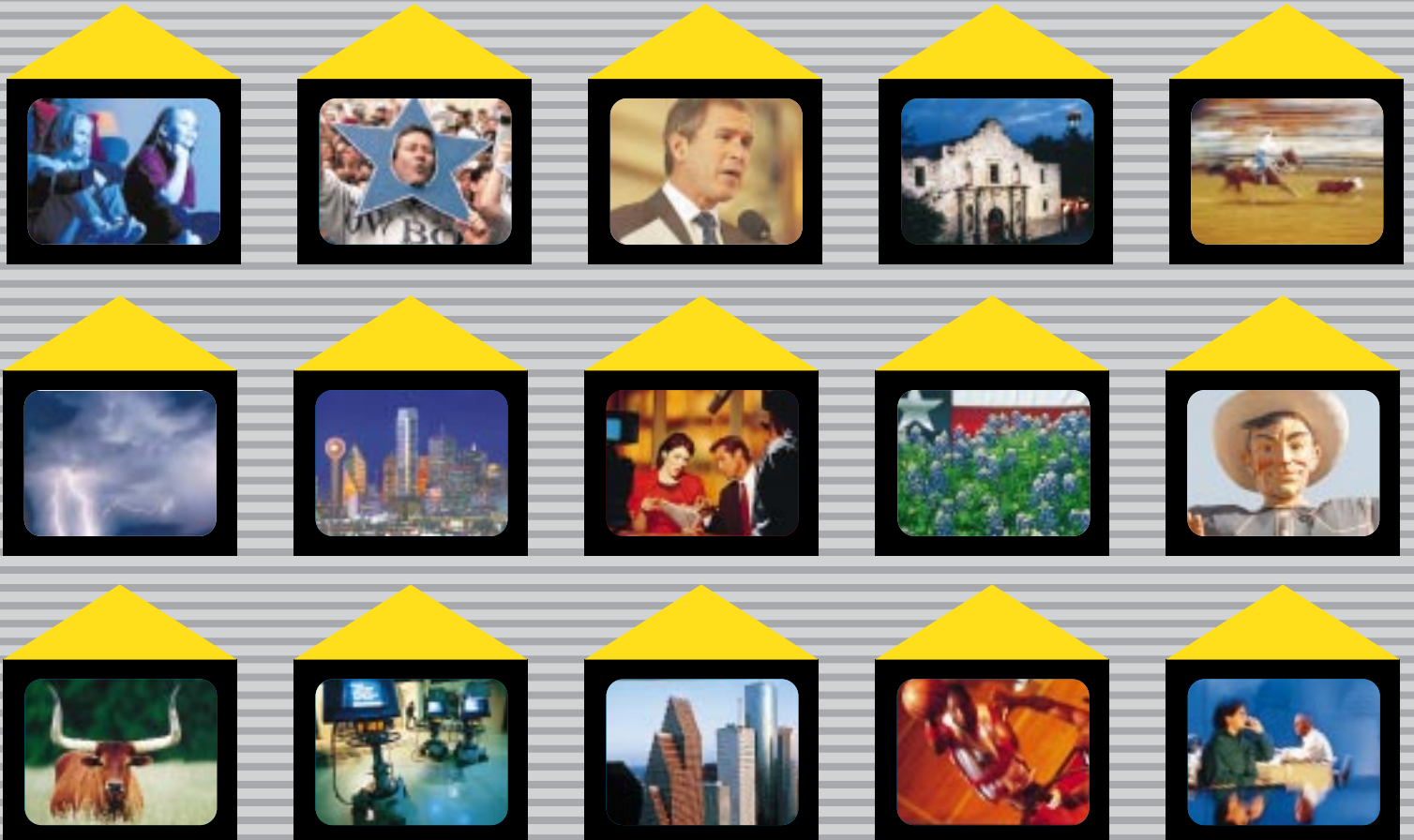


Belo's share of early evening news audience in Texas is unsurpassed.



Source: Derived From A.C.Nielsen

Belo reaches 67% of television households in Texas.





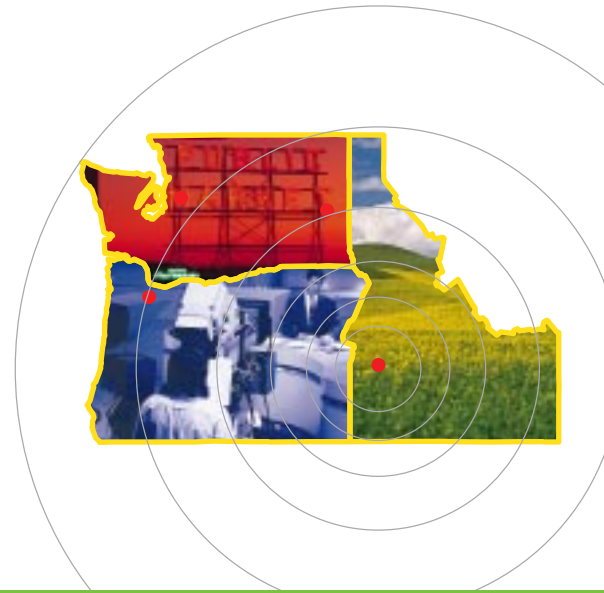
Belo's Texas publishing readership exceeds **one million daily**.

The Dallas Morning News Web site, [dallasnews.com](http://dallasnews.com), has 15 million page views per month.



Pacific Northwest





# Belo's viewers in the Pacific Northwest live in the **most vibrant** cities in the region.

**Easy access to the Pacific Rim through** two world-class ports in Seattle and Tacoma supports a thriving import and export business for the area's diverse economy. Add to that a unique natural beauty that makes the Pacific Northwest a prime location for those seeking an exciting career or an active outdoor life. Belo reaches 81 percent of television households in the area's four largest markets in a three-state area – Washington, Oregon and Idaho – and NorthWest Cable News has more than two million subscribers.

Belo's media properties in the Pacific Northwest include KING-TV (NBC) and KONG-TV (Ind.) in Seattle/Tacoma, KGW-TV (NBC) in Portland, KREM-TV (CBS) in Spokane and KTVB-TV (NBC) in Boise. The Company also operates KSKN-TV (UPN) in Spokane under a local marketing agreement. In addition, Belo owns NorthWest Cable News, based in Seattle.



From the scene of breaking news at KING to an all-digital newsroom at NorthWest Cable News, Belo's



In Portland, KGW broadcasts Trail Blazers basketball. In Seattle, the Seahawks pre-season games and the Sonics are televised on Belo stations.

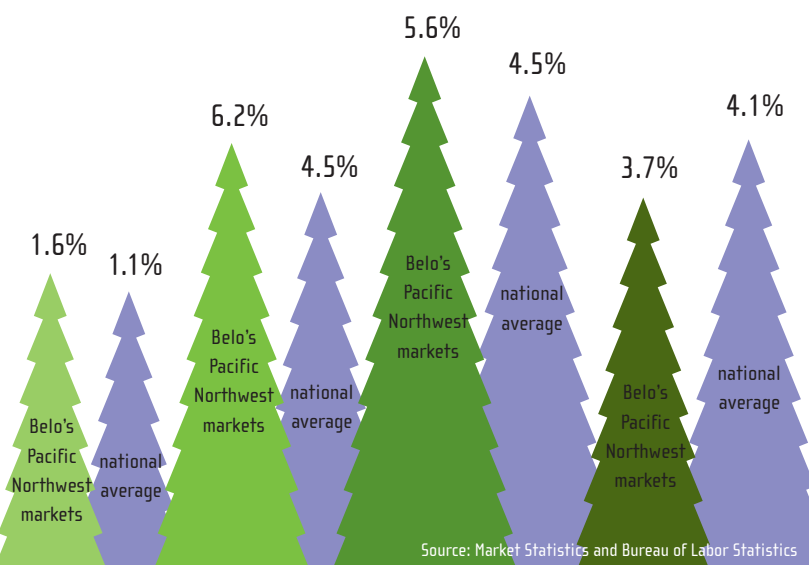


A major high-tech hub translates into a well-educated workforce, and gives Seattle the distinction as the 4th most wired market in the country.

The largest aerospace company in the world, the Boeing Company, is headquartered in Seattle.



Two world-class ports in Seattle and Tacoma open the Pacific Northwest to the Pacific Rim and the world.



The **strong economy** in the Pacific Northwest leads to above-average growth rates in several categories.

household growth    EBI growth    retail sales    unemployment



Pacific Northwest franchises deliver relevant local and regional news to their television audience.

Seattle/Tacoma is probably best known as the home of Microsoft and Starbucks Coffee, but the area is home to several *Fortune* 500 companies. KING has been serving Seattle since 1948, and currently produces more than 41 hours each week of regularly scheduled newscasts, whose ratings are consistently number one. KING is also known for its commitment to the community, acknowledged when the station celebrated its 50th anniversary. The governor of Washington and the mayor of Seattle declared November 1998 “KING-TV Month” in recognition of the station’s 50 years of outstanding public service.

Belo operated KONG under a local marketing agreement for three years and purchased the station in February 2000. KONG is currently producing its own evening newscast utilizing KING’s newsroom, capitalizing on the benefits of Belo’s ownership of two television stations in a market.

Portland’s economy is a blend of old and new – the area’s vast timberlands, which have been harvested since the 1850’s, and a growing high technology sector. KGW had a banner year in 1999 with respect to news, winning eight regional Associated Press awards, including “Best Newscast” in the state of Oregon, five regional Emmys, and two regional Edward R. Murrow Awards.

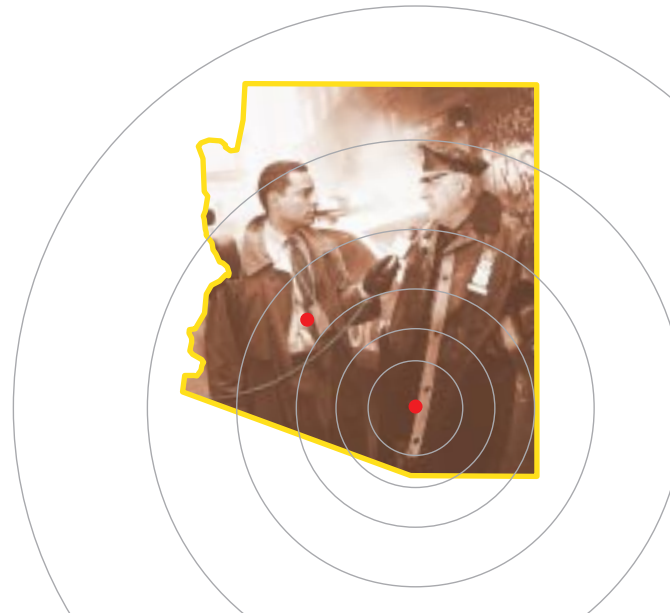
In Spokane, regional government operations and healthcare industries are significant employers with new jobs being created in genetics and biotechnology. Travelers Insurance and Safeco also moved to the region, adding more new workers to the area. KREM maintained its strong market position in the November 1999 Nielsen ratings, with first or second place rankings in all key newscasts. KSKN, operated under a local marketing agreement, added televised coverage of the Seattle Mariners and a 10 p.m. newscast.

KTVB is far and away the strongest television station in Boise. KTVB reaches as many viewers in sign-on to sign-off audience delivery as the CBS and ABC affiliates combined, and reaches five times the number of local news viewers each week as the second place station in the market.

NorthWest Cable News is a great example of how Belo can successfully extend its local news product – creating new businesses with growth potential using existing assets. NorthWest Cable News is the second-largest regional cable news channel as measured by household distribution.



arizona



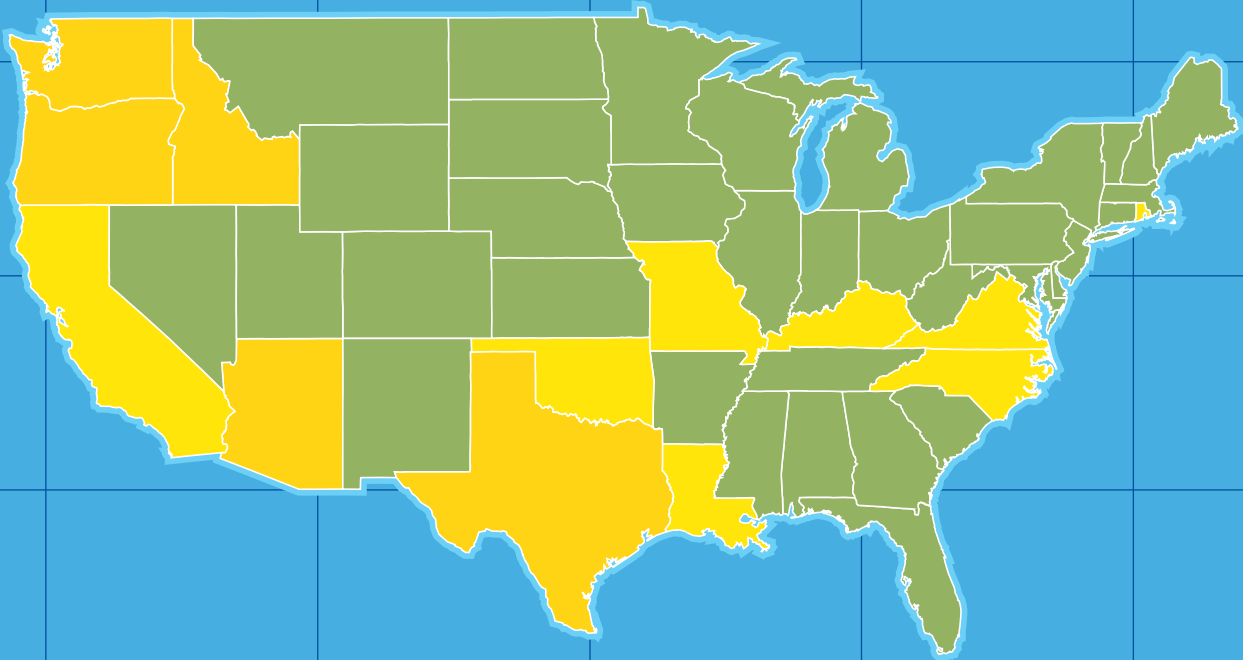
# Belo reaches 95% of Arizona television households.

**Phoenix is in the heart of the Sunbelt** and is one of the fastest-growing markets in the country. Belo's KTVK is a highly rated independent station whose news ratings consistently challenge and exceed those of the major network affiliates, proof of the results quality local news programming can achieve. Belo reaches an even greater share of this key market with the addition of KASW.

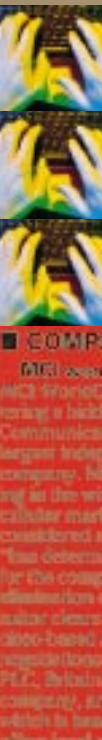
To the south, KMSB and KTTU in Tucson complement Belo's assets in Phoenix, and in 1999, KMSB's performance exceeded the average ratings among all FOX affiliates in households and key demographics.

Belo's Arizona properties include KTVK-TV (Ind.) and KASW-TV (WB) in Phoenix. Belo owns KMSB-TV (FOX) and operates KTTU-TV (UPN) in Tucson under a local marketing agreement. Belo also has a 50 percent interest in the Arizona News Channel, a cable news joint venture.

# Completing the picture at Belo



The value of these properties is reflected in their key market locations and achievements, which reflect Belo's commitment to the highest standards of journalism and community service.



Completing the picture at Belo is a group of television stations and newspapers whose performance characteristics and market size make them a key part of Belo's portfolio. The television markets are important, as they contribute to overall scale, which in turn benefits the Company in relationships with networks, syndicators and other partners.

St. Louis is home to the fourth-highest number of *Fortune* 500 companies in the country. Belo's KMOV serves more than one million television households in the nation's 21st television market. In 1999, KMOV won more regional Emmy Awards than all other stations in the market combined, and moved into a tie for number one in the all-important 10 p.m. newscast.

Charlotte is experiencing strong economic growth, and is quickly emerging as a major financial center in the Southeast. In 1999, WCNC outperformed its market in revenue growth, seizing the business opportunities in a growing environment. In addition, the Radio and Television News Directors Association of the Carolinas recognized WCNC's newscast as the "Best Newscast" in the market. The station received more first place awards than all other Charlotte television stations combined, won more regional Emmy Awards than any other station in its market and received a prestigious national Emmy for "Best Public Service Announcement."

New Orleans is one of the country's truly distinctive cities, whose economy stems from a steady stream of tourists and conventioners. WWL has the unrivaled distinction of being the number one station in its market for more than 25 years. WWL's long-standing commitment to the community is well known, and includes many hours of local programming and 30 hours of local news each week.

Hampton/Norfolk's coastal location makes it a popular tourist attraction, but it is also one of the world's busiest ports, supporting the nation's largest concentration of naval operations. The economic outlook for 2000 is upbeat, with the area expected to have its best business year in a decade. WVEC's news audience grew in every key time period in the 1999 November Nielsen ratings, and the station set a record for journalistic excellence in the market, winning five regional Emmy Awards on eight nominations.

Louisville is home to the Kentucky Derby, and was ranked 12th by *Inc.* magazine in "Hot Spots" for new and growing companies. WHAS is the market leader in news and local programming, winning more news time periods than any other station in the market in the November 1999 Nielsen ratings. WHAS was the second highest-rated ABC affiliate in the nation in a metered market in early morning news and the fourth-highest at 6 p.m.. Local programming is a priority, and WHAS is the official station of "Thunder Over Louisville," the all-day kickoff event for the Kentucky Derby. To the west of Louisville, Owensboro and Henderson, Kentucky are homes to the *Messenger-Inquirer* and *The Gleaner*, two of Belo's daily newspapers.

Tulsa's economy is traditionally anchored in agriculture and oil and gas, but is becoming increasingly diverse with growing telecommunications, financial services and aerospace sectors. For the fourth year in a row, KOITV swept its competitors to finish first in sign-on to sign-off in every sweeps period in the February, May and July 1999 Nielsen ratings. In recognition of the quality of its journalistic product, KOITV won three regional Edward R. Murrow Awards including "Best Newscast," and two national Edward R. Murrow Awards in 1999.

*The Providence Journal* and *The Press-Enterprise* are important on a stand-alone basis because of their outstanding journalistic products, excellent financial performance and their growth prospects.

Providence has a long and illustrious history, of which *The Providence Journal* has been a part since 1829. Today, Providence is planted firmly in today's economy with a revitalized downtown that recently added a major shopping mall. *The Journal's* financial performance and growth have been exceptional since Belo acquired *The Journal* as part of The Providence Journal Company merger in 1997.

Southern California's Riverside/San Bernadino area is the nation's 11th-largest metropolitan market, where *The Press-Enterprise* has been publishing since 1878. Today, *The Press-Enterprise* is the principal newspaper in the region, which is expected to be among the fastest growing in the country over the next decade. The newspaper has significantly expanded its market share and experienced dramatic growth since being acquired by Belo in 1997.

# Corporate Information

## DIRECTORS

John W. Bassett, Jr.<sup>2</sup>  
*Partner*  
*Bassett & Copple, LLP*

Henry P. Becton, Jr.<sup>1,4</sup>  
*President & General Manager*  
*WGBH Educational Foundation*

Judith L. Craven, M.D., M.P.H.<sup>2</sup>  
*Corporate Director*

Robert W. Decherd  
*Chairman of the Board*  
*President & Chief Executive Officer*

Roger A. Enrico<sup>1,3,4</sup>  
*Chairman & Chief Executive Officer*  
*PepsiCo, Inc.*

Stephen Hamblett  
*Chairman*  
*The Providence Journal Company*

Dealey D. Herndon<sup>3</sup>  
*President*  
*Herndon, Stauch & Associates*

Laurence E. Hirsch<sup>2</sup>  
*Chairman & Chief Executive Officer*  
*Centex Corporation*

Ward L. Huey, Jr.<sup>4</sup>  
*Vice Chairman of the Board*  
*President/Broadcast Division*

Arturo Madrid, Ph.D.<sup>1,2,4</sup>  
*Murchison Distinguished Professor*  
*of the Humanities*  
*Trinity University*

James M. Moroney, Jr.<sup>3</sup>  
*Former Chairman of the Board*

Burl Osborne  
*President/Publishing Division*  
*Publisher, The Dallas Morning News*

Hugh G. Robinson<sup>3</sup>  
*Chairman & Chief Executive Officer*  
*The Tetra Group, Inc.*

William T. Solomon<sup>3,4</sup>  
*Chairman & Chief Executive Officer*  
*Austin Industries, Inc.*

J. McDonald Williams<sup>2,3</sup>  
*Chairman*  
*Trammell Crow Company*

## OFFICERS

Robert W. Decherd  
*Chairman of the Board*  
*President & Chief Executive Officer*

Ward L. Huey, Jr.  
*Vice Chairman of the Board*  
*President/Broadcast Division*

Burl Osborne  
*President/Publishing Division*  
*Publisher, The Dallas Morning News*

Michael J. McCarthy  
*Executive Vice President/*  
*General Counsel/Secretary*

James M. Moroney  
*President*  
*Belo Interactive, Inc.*

Dunia A. Shive  
*Senior Vice President/*  
*Chief Financial Officer*

Marian Spitzberg  
*Senior Vice President/*  
*Human Resources*

Donald F. Cass, Jr.  
*Senior Vice President*

Janice E. Bryant  
*Vice President/Controller*

Carey P. Hendrickson  
*Vice President/Investor Relations*

A. Jeff Lamb III  
*Vice President/Administration*

Brenda C. Maddox  
*Vice President/Treasurer*

Jon Roe  
*Vice President/Information Technology*

Stephen E. Shelton  
*Vice President/Internal Audit*

Regina A. Sullivan  
*Vice President/Government and*  
*Public Affairs*

## INDEPENDENT AUDITORS

Ernst & Young LLP  
Dallas, Texas

## COMMON STOCK TRANSFER AGENT AND REGISTRAR

BankBoston, N.A.  
c/o EquiServe  
P. O. Box 8040  
Boston, MA 02266-8040  
1-800-736-3001  
Internet address:  
<http://www.EquiServe.com>

## INVESTOR INQUIRIES/ REQUESTS FOR INFORMATION

Carey P. Hendrickson  
*Vice President/Investor Relations*  
Phone: 214-977-6626  
Fax: 214-977-7655  
e-mail: [BLC@belo.com](mailto:BLC@belo.com)  
Internet address: [www.belo.com](http://www.belo.com)

## STOCK TRADING

The Company's Series A Common Stock is traded on the New York Stock Exchange and the Chicago Board Options Exchange under the trading symbol BLC.

## ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 9:30 a.m. on Wednesday, May 10, 2000, in the Dallas Museum of Art Horchow Auditorium, 1717 North Harwood Street, Dallas, Texas. A proxy statement and notice of the Annual Meeting have been sent to shareholders of record as of March 17, 2000.

<sup>1</sup> Member of Audit Committee

<sup>2</sup> Member of Compensation Committee

<sup>3</sup> Member of Directors Planning Committee

<sup>4</sup> Proposed for Re-election at Annual Meeting in May 2000

© Belo







## Market Data

The following table lists the high and low trading prices and the closing prices for Series A Common Stock as reported on the New York Stock Exchange for each of the quarterly periods in the last two years.

	HIGH	LOW	CLOSE	DIVIDEND
<b>1999</b>				
Fourth Quarter	\$20 <sup>3</sup> / <sub>4</sub>	\$17 <sup>5</sup> / <sub>8</sub>	\$19 <sup>1</sup> / <sub>16</sub>	\$.07
Third Quarter	\$20 <sup>5</sup> / <sub>8</sub>	\$18 <sup>1</sup> / <sub>16</sub>	\$19 <sup>1</sup> / <sub>8</sub>	\$.07
Second Quarter	\$24 <sup>1</sup> / <sub>2</sub>	\$17 <sup>1</sup> / <sub>2</sub>	\$19 <sup>11</sup> / <sub>16</sub>	\$.06
First Quarter	\$19 <sup>15</sup> / <sub>16</sub>	\$16 <sup>3</sup> / <sub>8</sub>	\$18 <sup>1</sup> / <sub>4</sub>	\$.06
<b>1998</b>				
Fourth Quarter	\$19 <sup>15</sup> / <sub>16</sub>	\$13 <sup>15</sup> / <sub>16</sub>	\$19 <sup>15</sup> / <sub>16</sub>	\$.06
Third Quarter	\$25 <sup>5</sup> / <sub>8</sub>	\$18 <sup>3</sup> / <sub>8</sub>	\$20	\$.06
Second Quarter	\$27 <sup>3</sup> / <sub>4</sub>	\$22 <sup>1</sup> / <sub>8</sub>	\$24 <sup>3</sup> / <sub>8</sub>	\$.06
First Quarter	\$28 <sup>15</sup> / <sub>32</sub>	\$26 <sup>3</sup> / <sub>16</sub>	\$27 <sup>1</sup> / <sub>2</sub>	\$.06

On February 29, 2000, the closing price for the Company's Series A Common Stock as reported on the New York Stock Exchange was \$12.875. The approximate number of shareholders of record of the Series A and Series B Common Stock at the close of business on such date was 10,225 and 615, respectively.

## Selected Financial Data

The following table presents selected financial data of the Company for each of the five years in the period ended December 31, 1999. For a more complete understanding of this selected financial data, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Consolidated Financial Statements" and "Notes to Consolidated Financial Statements." Certain prior year results have been reclassified to conform to current year presentation, including the reclassification of prior year data to reflect the results of the Interactive media segment.

IN THOUSANDS, EXCEPT PER SHARE AMOUNTS	1999	1998	1997	1996	1995
Broadcasting revenues <sup>(a)</sup>	\$ 598,637	\$ 593,426	\$ 522,560	\$ 333,396	\$ 322,642
Newspaper publishing revenues <sup>(b)</sup>	816,976	784,327	693,777	487,560	409,099
Interactive media revenues	6,520	3,214	718	-	-
Other revenues <sup>(c)</sup>	11,849	10,736	17,149	3,352	3,602
<b>Net operating revenues</b>	<b>\$ 1,433,982</b>	<b>\$ 1,391,703</b>	<b>\$ 1,234,204</b>	<b>\$ 824,308</b>	<b>\$ 735,343</b>
<b>Net earnings<sup>(d)</sup></b>	<b>\$ 178,306</b>	<b>\$ 64,902</b>	<b>\$ 82,972</b>	<b>\$ 87,505</b>	<b>\$ 66,576</b>

### PER SHARE AMOUNTS:

Basic earnings per share <sup>(d)</sup>	\$ 1.51	\$ .53	\$ .72	\$ 1.07	\$ .85
Diluted earnings per share <sup>(d)</sup>	\$ 1.50	\$ .52	\$ .71	\$ 1.05	\$ .84
Cash dividends paid	\$ .26	\$ .24	\$ .22	\$ .21	\$ .16

### SEGMENT DATA:

Operating cash flow: <sup>(e)</sup>					
Broadcasting <sup>(f)</sup>	\$ 245,925	\$ 238,743	\$ 216,654	\$ 122,837	\$ 121,716
Newspaper publishing <sup>(g)</sup>	\$ 236,167	\$ 210,351	\$ 206,440	\$ 127,945	\$ 90,915
Interactive media	\$ (8,365)	\$ (2,687)	\$ (1,542)	\$ -	\$ -
Other	\$ (4,990)	\$ (4,182)	\$ (7,672)	\$ (865)	\$ (3,941)
Operating cash flow margins:					
Broadcasting <sup>(f)</sup>	41.1%	40.2%	41.5%	36.8%	37.7%
Newspaper publishing <sup>(g)</sup>	28.9%	26.8%	29.8%	26.2%	22.2%
Interactive media	-	-	-	-	-
Other	-	-	-	-	-
<b>Total assets<sup>(a)(b)</sup></b>	<b>\$ 3,976,264</b>	<b>\$ 3,539,089</b>	<b>\$ 3,622,954</b>	<b>\$ 1,224,072</b>	<b>\$ 1,154,022</b>
<b>Long-term debt<sup>(h)</sup></b>	<b>\$ 1,849,490</b>	<b>\$ 1,634,029</b>	<b>\$ 1,614,045</b>	<b>\$ 631,857</b>	<b>\$ 557,400</b>

(a) The Company purchased KIRO in February 1995, nine television stations as part of the PJC acquisition in February 1997, KENS in October 1997 and KTVK in November 1999. KMOV was acquired in exchange for KIRO in June 1997 and KVUE was acquired in June 1999 in exchange for KXTV. Belo also sold KASA and KHNL in October 1999.

(b) The Company purchased The Eagle in December 1995, the Messenger-Inquirer in January 1996, The Providence Journal in February 1997, The Gleaner in March 1997, The Press-Enterprise in July 1997, and the Denton Record-Chronicle in June 1999.

(c) "Other" includes revenues associated with the Company's cable news operations (beginning in March 1997), television production subsidiary and a programming distribution partnership. The Company sold its interest in the partnership in February 1996 and the operations of the television production subsidiary were terminated in December 1998. From March 1997 through June 1997, "Other" also included a cable network acquired in connection with the PJC acquisition. The cable network was subsequently disposed of and its operations are excluded effective July 1, 1997.

(d) Net earnings in 1999 include the following after-tax gains for certain non-recurring transactions: 1) \$49,060 (41 cents per share) non-cash gain on the exchange of KXTV for KVUE; 2) \$16,348 (14 cents per share) gain on the sale of KASA and KHNL and 3) \$28,489 (24 cents per share) gain on the sale of Belo's investment in Falcon Communications.

(e) Operating cash flow is defined as segment earnings from operations plus depreciation and amortization. Operating cash flow is used in the broadcasting and publishing industries to analyze and compare companies on the basis of operating performance, leverage and liquidity. However, operating cash flow should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

(f) Broadcast operating cash flow in 1998 includes a non-recurring charge for a voluntary early retirement program and other employee reduction initiatives, totaling \$6,996.

(g) Newspaper publishing operating cash flow in 1998 includes certain voluntary early retirement charges of \$6,344 and excludes a non-cash charge of \$11,478 for the write-down of a press at TDMN.

(h) Long-term debt increased in 1997 and 1999 due to net borrowings of \$1,100,545 and \$298,796, respectively, to finance various acquisitions and in 1998 due to the repurchase of 6,727,400 shares of the Company's stock for \$129,786.

# Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company is an owner and operator of 16 television stations and publisher of seven daily newspapers. The following table sets forth the Company's major media assets by segment as of December 31, 1999:

## TELEVISION BROADCASTING

MARKET	MARKET RANK <sup>(a)</sup>	STATION	NETWORK AFFILIATION	STATUS	ACQUIRED
Dallas/Fort Worth	7	WFAA	ABC	Owned	March 1950
Houston	11	KHOU	CBS	Owned	February 1984
Seattle/Tacoma	12	KING	NBC	Owned	February 1997
Seattle/Tacoma	12	KONG	IND	LMA <sup>(c)</sup>	February 1997 <sup>(c)</sup>
Phoenix	17	KTVK	IND	Owned	November 1999
Phoenix	17	KASW	WB	LMA <sup>(c)</sup>	November 1999 <sup>(c)</sup>
St. Louis	21	KMOV	CBS	Owned	June 1997
Portland	23	KGW	NBC	Owned	February 1997
Charlotte	28	WCNC	NBC	Owned	February 1997
San Antonio	37	KENS	CBS	Owned	October 1997
New Orleans	41	WWL	CBS	Owned	June 1994
Hampton/Norfolk	42	WVEC	ABC	Owned	February 1984
Louisville	48	WHAS	ABC	Owned	February 1997
Tulsa	58	KOTV	CBS	Owned	February 1984
Austin	61	KVUE	ABC	Owned	June 1999
Tucson	72	KMSB	FOX	Owned	February 1997
Tucson	72	KTTU	UPN	LMA	February 1997
Spokane	78	KREM	CBS	Owned	February 1997
Spokane <sup>(b)</sup>	78	KSKN	UPN/WB	LMA	February 1997
Boise	125	KTVB	NBC	Owned	February 1997

## NEWSPAPER PUBLISHING

NEWSPAPER	LOCATION	ACQUIRED	DAILY CIRCULATION <sup>(e)</sup>	SUNDAY CIRCULATION <sup>(e)</sup>
<i>The Dallas Morning News ("TDMN")</i>	Dallas, TX	<sup>(d)</sup>	518,548	781,959
<i>The Providence Journal ("PJ")</i>	Providence, RI	February 1997	166,888	237,629
<i>The Press-Enterprise ("PE")</i>	Riverside, CA	July 1997	165,043	171,813
<i>Messenger-Inquirer</i>	Owensboro, KY	January 1996	31,764	34,574
<i>The Eagle</i>	Bryan-College Station, TX	December 1995	23,493	28,295
<i>Denton Record-Chronicle</i>	Denton, TX	June 1999	15,967	18,808
<i>The Gleaner</i>	Henderson, KY	March 1997	11,109	13,044

## OTHER

COMPANY	DESCRIPTION
Northwest Cable News ("NWCN")	Cable news network offering regional news distributed to approximately 2 million homes in the Pacific Northwest
Texas Cable News ("TXCN")	Cable news network offering regional news in Texas beginning January 1, 1999

(a) Market rank is based on the relative size of the television market, or Designated Market Area ("DMA"), among the 210 generally recognized DMAs in the United States, based on November 1999 Nielsen estimates.

(b) The primary affiliation is with UPN. The WB network is currently a secondary affiliation.

(c) Belo acquired KONG-TV and KASW-TV on March 1, 2000 for \$16,100 in cash.

(d) The first issue of The Dallas Morning News was published by Belo on October 1, 1885.

(e) Average paid circulation for the six months ended September 30, 1999, according to the Audit Bureau of Circulation's FAS-FAX report except for the Denton Record-Chronicle, for which circulation data is taken from the Certified Audit of Circulations Report for the twelve-month period ended December 31, 1999 (unaudited).

The Company depends on advertising as its principal source of revenues. As a result, the Company's operations are sensitive to changes in the economy, particularly in the Dallas/Fort Worth metropolitan area, where its two largest properties are located. The Company also derives revenues, to a much lesser extent, from the daily sale of newspapers and from compensation paid by networks to its television stations for broadcasting network programming.

All references to earnings per share represent diluted earnings per share. Current and prior year results have been reclassified for the presentation of the Interactive media segment.

Statements in "Management's Discussion and Analysis of Financial Position and Results of Operations" and "Market Risks" and elsewhere in this Annual Report to Shareholders concerning Belo's business outlook or future economic performance, anticipated profitability, revenues, expenses, capital expenditures or other financial items, and other statements that are not historical facts, are "forward-looking statements" as that term is defined under applicable Federal securities laws. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those statements. Such risks, uncertainties and factors include, but are not limited to, changes in advertising demand, interest rates and newsprint prices; technological changes; development of Internet commerce; industry cycles; changes in pricing or other actions by competitors and suppliers; regulatory changes; the effects of Company acquisitions and dispositions; and general economic conditions, as well as other risks detailed in Belo's filings with the Securities and Exchange Commission ("SEC"), and elsewhere in this Annual Report to Shareholders.

## Results of Operations

(dollars in thousands, except per share amounts)

### 1999 COMPARED WITH 1998

Results for 1999 include the effect of the following acquisitions and dispositions: The exchange of KXTV (ABC) in Sacramento, California for KVUE-TV(ABC) in Austin, Texas, effective June 1, 1999; the purchase of Denton Publishing Company, publisher of the *Denton Record-Chronicle* on June 30, 1999; the sale of stations KASA-TV (FOX) in Albuquerque, New Mexico and KHNL-TV (NBC) in Honolulu, Hawaii along with rights to operate KFVE-TV, also in Honolulu, under a local marketing agreement ("LMA"), effective October 29, 1999; and the purchase

of KTVK-TV (IND) in Phoenix, Arizona along with rights to operate KASW-TV (WB) under an LMA, effective November 1, 1999.

### Consolidated Results of Operations

Belo recorded net earnings of \$178,306 or \$1.50 per share in 1999 compared with net earnings of \$64,902 or 52 cents per share in 1998. Net earnings in 1999 include a gain on the exchange of KXTV for KVUE of \$50,312 (\$49,060 net of taxes or 41 cents per share), a gain on the sale of KASA and KHNL of \$20,448 (\$16,348 net of taxes or 14 cents per share) and a \$47,006 gain (\$28,489 net of taxes or 24 cents per share) on the sale of its investment in Falcon Communications. Net non-recurring charges of \$2,398 (2 cents per share) were also recorded in December 1999 for certain programming adjustments and early retirement charges. Net earnings in 1998 included non-recurring charges of \$26,157 (\$15,937 net of taxes or 13 cents per share), comprised of an \$11,478 non-cash charge for the write-down of a press at *The Dallas Morning News*, separation costs of \$14,229 associated with a voluntary early retirement program and other employee reduction initiatives and \$450 for severance and asset disposal costs related to the termination of operations of Belo's programming subsidiary. Also in 1998, Belo realized a net gain of two cents per share related to the disposition of its investment in Peapod, Inc. stock. Excluding non-recurring items and transaction gains in 1999 and 1998, comparable earnings per share in 1999 and 1998 were 73 cents and 63 cents, respectively.

Depreciation and amortization expense in 1999 was \$168,961, compared with \$159,442 in 1998, excluding the \$11,478 press write-down. The increase in 1999 is due primarily to depreciation expense for 1998 capital additions and amortization expense due to the incremental increase in intangibles from current year acquisitions and dispositions.

Interest expense in 1999 was \$110,608, an increase of 2.8 percent over 1998 expense of \$107,638. The increase is due to higher debt levels in 1999 as a result of acquisitions and share repurchases in the second half of 1998, slightly offset by the effect of weighted average interest rates that were slightly lower in 1999 compared with 1998.

The effective tax rate in 1999 was 35.5 percent, compared with 50.3 percent in 1998. The rate in 1998 was effected by lower pre-tax earnings and higher state tax rates while the 1999 effective rate was lower due to non-taxable gains on like-kind exchanges. Excluding the effect of these transactions, the 1999 effective rate would have been 45.1 percent.

YEAR ENDED DECEMBER 31,	AS ADJUSTED			AS REPORTED		
	1999	1998	% CHANGE	1999	1998	% CHANGE
<b>NET OPERATING REVENUES:</b>						
Broadcasting	\$637,293	\$627,010	1.6 %	\$598,637	\$593,426	0.9 %
Newspaper publishing	822,655	795,623	3.4 %	816,976	784,327	4.2 %
Interactive media	7,289	3,823	90.7 %	6,520	3,214	102.9 %
Other	11,849	10,736	10.4 %	11,849	10,736	10.4 %
<b>OPERATING CASH FLOW:</b>						
Broadcasting	\$257,111	\$250,796	2.5 %	\$245,925	\$238,743	3.0 %
Newspaper publishing <sup>(1)</sup>	236,543	211,219	12.0 %	236,167	210,351	12.3 %
Interactive media	(8,106)	(2,575)	(214.8)%	(8,365)	(2,687)	(211.3)%
Other	(4,990)	(4,182)	(19.3)%	(4,990)	(4,182)	(19.3)%

(1) Both as reported and as adjusted operating cash flow for newspaper publishing in 1998 exclude the effect of the \$11,478 non-cash charge to write down a press at TDMN.

### Segment Results of Operations

All references herein to segment operating cash flow refer to segment earnings from operations plus depreciation and amortization, as defined in "Selected Financial Data." Operating cash flow as defined should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

To enhance comparability of Belo's segment results of operations for the years ended December 31, 1999 and 1998, certain information above is presented on an "as adjusted" basis and takes into account the 1999 exchange of KXTV for KVUE, the acquisitions of the *Denton Record-Chronicle* and KTVK and the disposition of KASA and KHNL, as if each transaction had occurred at the beginning of 1998. The discussion that follows compares segment operations on an "as adjusted" basis only.

#### Broadcast Division

Broadcast revenues in 1999 were \$637,293, an increase of \$10,283 over 1998 broadcast revenues of \$627,010. This improvement came despite more than \$40,000 of political and Olympic related advertising revenues in 1998, which was an election year in many states, compared with \$10,550 in political advertising revenues in 1999. Revenues improved most significantly in the Dallas/Fort Worth, Seattle/Tacoma, Phoenix, Charlotte and Austin markets, primarily in the automotive and .com advertising categories. Revenues declined in Houston, St. Louis, Portland, Hampton/Norfolk, Louisville and Spokane due primarily to political advertising losses compared with 1998. Excluding political revenues in 1999 and 1998, spot adver-

tising revenues increased 6.1 percent in 1999 compared with 1998.

Broadcast operating cash flow of \$257,111 in 1999 was 2.5 percent better than operating cash flow of \$250,796 in 1998. The 1999 broadcast operating cash flow margin was 40.3 percent, compared with 40 percent in 1998. Cash expenses in 1999 were up 1.1 percent over 1998 cash expenses. Excluding the effect of a \$6,996 charge in 1998 for early retirement and other employee reduction initiatives and a \$2,632 charge in 1999 for programming write downs, operating cash flow increased .8 percent, the operating cash flow margin was 40.8 percent and 41.1 percent in 1999 and 1998, respectively, and cash expenses increased 2.3 percent. Excluding the charges, salaries, wages and employee benefits costs in 1999 were flat compared with 1998 and other production, distribution and operating costs increased 3.8 percent primarily due to higher programming costs. Outside services and sales project expenses were also higher in 1999 than 1998, offset somewhat by savings in communications expense.

#### Newspaper Publishing Division

Newspaper publishing revenues of \$822,655 for 1999 increased 3.4 percent over 1998 revenues of \$795,623. Revenues increased at each of Belo's major market newspapers, including 1.8 percent at *The Dallas Morning News*, 4.9 percent at *The Providence Journal* and 10 percent at *The Press-Enterprise*. Advertising revenues comprised 85 percent of total newspaper publishing revenues in 1999, circulation revenues accounted for 12 percent and commercial printing contributed most of the remainder.

Newspaper volume is measured in column inches. Volume for TDMN was as follows (in thousands):

YEAR ENDED DECEMBER 31,	1999	1998	% CHANGE
Full-run ROP inches <sup>(1)</sup>			
Classified	1,931	1,989	(2.9)%
Retail	1,351	1,376	(1.8)%
General	340	304	11.8 %
Total	3,622	3,669	(1.3)%

(1) Full-run ROP inches refers to the number of column inches of display and classified advertising that is printed and distributed in all editions of the newspaper.

TDMN classified advertising revenues declined 5.4 percent in 1999 compared with 1998 due to lower volumes in employment advertising, which has been down over the last 18 months due in part to low unemployment levels in the Dallas/Fort Worth metropolitan area. Real estate and automotive classified advertising volumes improved, partially offsetting the declines in the employment category. Retail advertising revenue at TDMN improved 3.3 percent overall, despite the 1.8 percent decline in full-run retail volume, due to higher average rates. Department store linage was flat in 1999 when compared with 1998 linage. General advertising revenues increased 24 percent as both average rates and volumes were higher in 1999 than in 1998. Circulation revenues at TDMN were up 1.6 percent over 1998 due to both slightly higher daily and Sunday circulation volumes, as well as the effect of a home delivery rate increase implemented at the end of 1998.

Revenues in all major advertising categories at PJ were higher in 1999 compared with 1998, with classified up 5.7 percent, retail up 8.4 percent and general advertising up 7.1 percent. The classified advertising revenue increase was primarily due to higher rates, particularly in the employment and automotive categories. The retail advertising revenue increase was due to both higher average rates and increased linage from the amusements, automotive and department store categories. The increase in general advertising revenues in 1999 compared with 1998 was due to volume gains in the automotive, tobacco and travel categories offset somewhat by lower average rates. Circulation revenues at PJ were flat in 1999 compared with 1998.

Total revenues at PE were up 10 percent in 1999 compared with 1998, led by substantial increases in classified and general advertising, which increased 11.3 percent and 12 percent, respectively. The increase in classified advertising was due to improved linage in employment, automotive and real estate combined with higher average rates. Higher general advertising revenue was due to increased linage in

the automotive and telecommunications categories, offset somewhat by lower average rates. Retail advertising improved 1.5 percent in 1999 compared with 1998 and circulation revenues were higher by 3.4 percent due to increased volume for daily and Sunday deliveries.

Newspaper operating cash flow for 1999 was \$236,543, an increase of 12 percent compared with \$211,219 in 1998. Operating cash flow margin was 28.8 percent in 1999 compared with 26.5 percent in 1998. Cash expenses in 1999 were up .3 percent over 1998. Excluding the effect of early retirement charges of \$690 and \$6,344 in the fourth quarters of 1999 and 1998, respectively, operating cash flow increased 9 percent, the operating cash flow margin improved from 27.3 percent to 28.8 percent and cash expenses increased 1.3 percent. Substantial savings in newsprint, ink and other supplies expense were realized in 1999 as the net average cost per metric ton of newsprint in 1999 was 14 percent lower than in 1998. Communications expense was also lower in 1999 compared with 1998. These savings were offset, however, by higher 1999 compensation and benefits expense, due to incentive bonuses and an increase in the number of employees, and higher outside services and advertising and promotion costs.

#### Interactive Media

Revenues in the interactive media segment, Belo Interactive ("BI"), for 1999 were \$7,289 compared with \$3,823 in 1998. BI's revenues in 1999 and 1998 were principally derived from advertising revenues on its various Web sites and fees generated from internet service provider subscriptions and data retrieval services. The revenue improvement is due to the increased focus placed on this newly emerging segment, particularly with the addition of a dedicated management team in mid-1999. The 1999 and 1998 cash flow deficits of \$8,106 and \$2,575, respectively, are the result of expenses exceeding revenues at the existing interactive operations and start-up spending at BI. BI is developing interactive businesses and alliances related to the Company's existing newspapers and television stations and creating distinct interactive products.

#### Other

Other revenues of \$11,849 in 1999 were 10.4 percent higher than 1998 revenues of \$10,736 due to an increase at Northwest Cable News and the start-up of Texas Cable News, which began broadcasting on January 1, 1999. The operating cash flow deficit in 1999 of \$4,990 was primarily due to start-up efforts at TXCN, as NWCN produced near break-even results for the first time since it began operations in 1995.



## 1998 COMPARED WITH 1997

Results for 1998 include a full year's operations for each of the following 1997 acquisitions: The Providence Journal Company ("PJC"), acquired February 28, 1997, *The Gleaner*, acquired March 31, 1997, *The Press-Enterprise*, acquired July 25, 1997 and KENS, acquired October 15, 1997. Also in 1997, TVFN, a cable network acquired in connection with PJC, was disposed of as a part of the acquisition of KENS. In addition, KIRO was exchanged for KMOV effective June 2, 1997.

### Consolidated Results of Operations

Belo recorded net earnings of \$64,902 or 52 cents per share for 1998, compared with \$82,972 or 71 cents per share in 1997. Results for 1998 include non-recurring charges of \$26,157, comprised of an \$11,478 non-cash charge for the write-down of a press at *The Dallas Morning News*, separation costs of \$14,229 associated with a voluntary early retirement program and other employee reduction initiatives and \$450 for severance and asset disposal costs related to the termination of operations of Belo's programming subsidiary. These charges resulted in a reduction in earnings per share of 13 cents in 1998. In addition, Belo realized a net gain of two cents per share related to the disposition of its investment in Peapod, Inc. stock, which was acquired in the PJC acquisition. Excluding these non-recurring items, earnings per share for 1998 were 63 cents compared with 71 cents for 1997.

Depreciation and amortization expense for 1998 was \$159,442, excluding the \$11,478 write-down of a press at

TDMN, compared with 1997 depreciation and amortization of \$134,993. The increase in 1998 is due to a full year's effect of the 1997 acquisitions.

Interest expense in 1998 was \$107,638, compared with \$90,778 in 1997. Average debt levels in 1998 were up 14.3 percent from 1997 average debt levels, due to a full year's effect of the debt incurred to finance 1997 acquisitions and 1998 share repurchases of \$129,786. The 1998 weighted average interest rate on total debt was 6.7 percent, compared with 6.6 percent in 1997. This increase was due to the conversion of \$1 billion of revolving debt to fixed-rate debt during the second and third quarters of 1997.

The effective tax rate in 1998 was 50.3 percent compared with 46.2 percent in 1997. The increase for 1998 was due primarily to lower pre-tax earnings and a full year's effect of non-deductible goodwill amortization expense.

### Segment Results of Operations

To enhance comparability of Belo's segment results of operations for the years ended December 31, 1998 and 1997, certain information below is presented on an "as adjusted" basis and takes into account the acquisitions of PJC, *The Gleaner*, *The Press-Enterprise* and KENS and reflects the KIRO/KMOV exchange as though each had occurred at the beginning of 1997. The "as adjusted" amounts exclude TVFN, which was acquired from PJC but subsequently disposed of in connection with the KENS acquisition. Adjusted results for 1998 and 1997 exclude consideration of all 1999 acquisitions and dispositions; accordingly, the 1998 "As Adjusted" results in the table below differ from those reflected in the 1999 versus 1998 table shown previously.

YEAR ENDED DECEMBER 31,	AS ADJUSTED			AS REPORTED		
	1998	1997	% CHANGE	1998	1997	% CHANGE
<b>NET OPERATING REVENUES:</b>						
Broadcasting	\$593,426	\$566,211	4.8%	\$593,426	\$522,560	13.6 %
Newspaper publishing	784,327	769,995	1.9%	784,327	693,777	13.1 %
Interactive media	3,214	718	347.6%	3,214	718	347.6 %
Other	10,736	9,185	16.9%	10,736	17,149	(37.4)%
<b>OPERATING CASH FLOW:</b>						
Broadcasting	\$238,743	\$235,375	1.4 %	\$238,743	\$216,654	10.2 %
Newspaper publishing <sup>(1)</sup>	210,351	219,470	(4.2)%	210,351	206,440	1.9 %
Interactive media	(2,687)	(1,542)	(74.3)%	(2,687)	(1,542)	(74.3)%
Other	(4,182)	(2,496)	(67.5)%	(4,182)	(7,672)	45.5 %

(1) Both as reported and as adjusted operating cash flow for newspaper publishing in 1998 exclude the effect of the \$11,478 non-cash charge to write down a press at TDMN.

The discussion that follows compares segment operations on an "as adjusted" basis only.

### Broadcast Division

Broadcast revenues in 1998 were \$593,426, an increase of 4.8 percent over 1997 revenues of \$566,211. Double-digit revenue increases were realized by several Belo television stations, including three stations in the top 25 markets (Sacramento, St. Louis and Portland). The majority of these revenue increases were attributable to political advertising revenues. Congressional and gubernatorial races in several states contributed to political advertising revenues of more than \$36,000 in 1998, compared with 1997 political advertising revenues of just over \$7,000. Local advertising revenues in 1998 increased by 1.8 percent over the prior year due to early gains in automotive advertising and broadcast of the Winter Olympics on Belo's six CBS stations. These gains were offset by lower national advertising revenues, which were down 3.8 percent compared with 1997. The decline was attributable to generally weak demand from national automobile advertisers during the General Motors strike.

During 1998, Belo's Television Group included four ABC affiliates, five NBC affiliates and six CBS affiliates, with the top three stations by market rank each affiliated with a different network (ABC in Dallas/Fort Worth, CBS in Houston and NBC in Seattle/Tacoma). This balance contributes to more stable revenues despite variations in network ratings performance, caused by factors such as prime time programming preferences and special events like the Olympics and the Super Bowl. Revenue increases by affiliate group in 1998 compared with 1997 were as follows: ABC, 4.6 percent; NBC, 4.2 percent; and CBS, 4.7 percent.

Broadcast operating cash flow increased 1.4 percent to \$238,743 during 1998 compared with 1997 broadcast operating cash flow of \$235,375. Broadcast operating cash flow margin of 40.2 percent was down from the 1997 margin of 41.6 percent. Excluding the effect of the fourth quarter 1998 charge for the voluntary early retirement program and other employee reduction initiatives totaling \$6,996, operating cash flow was \$245,739 and operating cash flow margin was 41.4 percent. Total cash expenses increased 7.2 percent in 1998, including the fourth quarter non-recurring charge. Excluding this charge, total cash expenses were up 5.1 percent, led by an increase in employee costs of 6 percent due to an increased number of employees (primarily in sales), normal merit adjustments, overtime

and higher benefit costs. Programming expenses were higher in 1998 by nearly 10 percent as programming content was improved at some of Belo's recently acquired stations. Other expenses were relatively flat when compared with 1997 as higher costs related to Olympic coverage were substantially offset by lower expenditures for advertising and promotion.

### Newspaper Publishing Division

Newspaper publishing revenues of \$784,327 increased 1.9 percent in 1998 compared with 1997 revenues of \$769,995. Revenues increased at all of Belo's newspapers, including .4 percent at *The Dallas Morning News*, 4.2 percent at *The Providence Journal* and 6.4 percent at *The Press-Enterprise*. Advertising revenues comprised 85 percent of total 1998 newspaper publishing revenues, circulation revenues accounted for 12 percent, and commercial printing contributed most of the remainder.

Newspaper volume is measured in column inches. Volume for TDMN was as follows (in thousands):

YEAR ENDED DECEMBER 31,	1998	1997	% CHANGE
Full-run ROP inches <sup>(1)</sup>			
Classified	1,989	2,053	(3.1)%
Retail	1,376	1,485	(7.3)%
General	304	327	(7.0)%
Total	3,669	3,865	(5.1)%

(1) Full-run ROP inches refers to the number of column inches of display and classified advertising that is printed and distributed in all editions of the newspaper.

While full-run ROP advertising linage decreased in all three major categories at TDMN in 1998 versus 1997, the newspaper instituted rate increases in all categories effective January 1, 1998. These rate increases ranged from 5 percent to 12.75 percent. The decline in classified advertising volume was primarily in the classified employment category. In 1997, TDMN had a year of record performance and classified employment linage reached a five-year high. However, low unemployment levels in North Texas contributed to an 11.1 percent decline in employment classified advertising volume during 1998. Despite the decline in employment classified volume, higher average rates and increased linage in the automotive and real estate categories contributed to an overall year-to-year increase in total classified advertising revenues. Retail volumes declined 7.3 percent while average rates increased 3.9 percent, resulting in a 3.8 percent decrease in retail revenue in 1998 versus

1997. The decrease in retail advertising was primarily due to a decline in department store linage. General advertising revenues were down 8.2 percent due to a volume decline of 7 percent and lower average rates. Circulation revenues were lower by 5 percent due to declines in both daily and Sunday volumes of 1 percent and 1.5 percent, respectively, and higher contractor rates.

Revenues for PJ were higher in 1998 versus 1997 due to gains in both retail and classified advertising. Higher rates contributed the majority of the increase in retail advertising revenue, with average rates during 1998 up 6.1 percent over the prior year. The 1998 classified advertising gain over the previous year was largely due to higher rates as volume gains in classified employment were offset by lower linage in automotive, rentals and merchandise classified advertising. General advertising volumes were down at PJ, primarily due to a decline in airline advertising. Circulation revenues were down .9 percent due to declines in daily and Sunday volume of 1.5 percent and 1.4 percent, respectively.

Advertising revenue at PE increased 7.5 percent in 1998 compared with 1997, due primarily to increases in classified advertising, which improved 15.8 percent. Classified volumes were up 3.5 percent, most significantly in employment advertising, and average rates were better by 3.9 percent. Advertising revenue improvement was also the result of the expansion of PE's total market coverage program and an increase in preprints. Circulation revenues for PE in 1998 were unchanged relative to 1997 as increased volume in daily circulation was offset by decreased Sunday circulation.

Newspaper publishing operating cash flow for 1998 was \$210,351, a decrease of 4.2 percent when compared with \$219,470 in 1997. Operating cash flow margin was 26.8 percent in 1998 compared to 28.5 percent in 1997. Excluding the effect of a \$6,344 non-recurring charge for early retirement costs in the fourth quarter, newspaper publishing operating cash flow for 1998 was \$216,695 and the margin was 27.6 percent. Total cash expenses for the publishing segment were up \$23,451 or 4.3 percent in 1998 compared with 1997, including the fourth quarter charge. Excluding the charge, cash expenses increased 3.1 percent. The largest contributing factor to the increase was newsprint, ink and other supplies expense, which was up 5.8 percent over 1997 as a result of higher newsprint prices. Employee costs for the publishing segment during 1998, excluding the early retirement charge, increased 2.6 percent

over the prior year. Other production, distribution and operating costs were 3.4 percent higher in 1998, due to higher distribution costs and advertising and promotion efforts.

#### **Interactive Media**

Interactive media revenues improved from 1997 to 1998 due to the addition of more interactive media products and services in 1998. Operating cash losses increased from 1997 to 1998 as start-up efforts resulted in incrementally more cash expenses than revenues.

#### **Other**

Other revenues in 1998 and 1997 included Belo's regional cable news operation and a programming subsidiary. The improvement in 1998 was due to increased revenues at Northwest Cable News, offset somewhat by slightly lower revenues at the programming subsidiary. Other operating cash flow declined due to start-up costs associated with Texas Cable News, a regional cable news operation that was launched on January 1, 1999. Other operating cash flow in 1998 also included a \$450 non-recurring charge for severance and asset disposition costs related to the termination of operations of the programming subsidiary.

## **Liquidity and Capital Resources**

*(dollars in thousands, except per share amounts)*

Net cash provided by operations, bank borrowings and term debt are Belo's primary sources of liquidity. On an as reported basis, 1999 net cash provided by operations was \$220,814, compared with \$234,872 in 1998. The timing of accounts receivable collections and payment of taxes in 1999 contributed to the decrease in cash provided by operations. Net cash provided by operations was sufficient to fund capital expenditures, share repurchases and common stock dividends. Total debt increased \$218,918 from December 31, 1998 due mainly to net borrowings of \$298,796 to complete acquisitions, partially offset by reductions in debt from cash provided by operations.

At December 31, 1999, Belo had \$1 billion in fixed-rate debt securities as follows: \$250,000 of 6 <sup>7</sup>/<sub>8</sub>% Senior Notes due 2002; \$300,000 of 7 <sup>1</sup>/<sub>8</sub>% Senior Notes due 2007; \$200,000 of 7 <sup>3</sup>/<sub>4</sub>% Senior Debentures due 2027; and \$250,000 of 7 <sup>1</sup>/<sub>4</sub>% Senior Debentures due 2027. The weighted average effective interest rate for these debt instruments is 7.3 percent. Belo also has \$500,000 of additional debt securities available for issuance under a shelf registration statement filed in April 1997. Future issues of debt may be used to refinance variable-rate debt in whole or in part or for other corporate needs as determined by management.

At December 31, 1999, Belo had a \$1 billion variable-rate revolving credit agreement with a syndicate of 24 banks under which borrowings were \$830,000. Borrowings under the agreement mature upon expiration of the agreement on August 29, 2002, with one year extensions possible through August 29, 2004, at the request of Belo and with the consent of the participating banks. Belo also had \$12,900 of short-term unsecured notes outstanding at December 31, 1999. These borrowings may be converted at Belo's option to revolving debt. Accordingly, such borrowings are classified as long-term in Belo's financial statements. Available borrowings under Belo's revolving credit agreement at December 31, 1999 was \$170,000. Belo is required to maintain certain financial ratios as of the end of each quarter, as defined in its revolving credit agreement. For the four quarters ended December 31, 1999, Belo's ratio of funded debt to pro forma operating cash flow, which is not to exceed 5.0, was 4.1. Belo's interest coverage ratio for the four quarters ended December 31, 1999 was 4.1 times, compared with a minimum coverage requirement of 2.5 times.

In June 1999, Belo acquired KVUE-TV (ABC) in Austin, Texas in an exchange for KXIV (ABC) in Sacramento, California and \$55,000 in cash. On October 29, 1999, Belo sold television stations KASA-TV (FOX) in Albuquerque, New Mexico and KHNL-TV (NBC) in Honolulu, Hawaii for approximately \$88,000. On November 1, 1999, Belo acquired KTVK-TV (IND) in Phoenix, Arizona, along with rights to operate KASW-TV (WB), also in Phoenix, under a local marketing agreement for \$315,000 in cash. On November 15, 1999, Belo sold its investment in Falcon Communications, a cable system operator, for estimated proceeds of approximately \$69,000. Estimated taxes due on this transaction of approximately \$36,500 will be paid in the first quarter of 2000.

During 1999, Belo purchased 1,187,300 treasury shares for an aggregate cost of \$21,793. These purchases were funded primarily through cash from operations. All treasury shares purchased during 1999 have been retired. Remaining authorization for the repurchase of shares as of December 31, 1999 was 2,759,044 shares.

During 1999, Belo paid dividends of \$30,772 or 26 cents per share on Series A and Series B Common Stock outstanding, compared with \$29,694 or 24 cents per share during 1998.

Total capital expenditures for 1999 were \$92,386. Belo's television stations spent \$40,859, primarily on new broadcast equipment, including \$16,852 for equipment to be used in the transmission of digital television ("DTV"). Newspaper publishing capital expenditures of \$40,036

included a \$15,220 installment payment for a new press at TDMN, and amounts for certain equipment and system replacements. Capital spending in 2000 is expected to be approximately \$115,000 and includes \$18,500 for additional DTV expenditures and \$21,000 to complete the installation of the new press at TDMN. The \$115,000 also includes approximately \$14,000 for system initiatives and other equipment at Belo Interactive. As of December 31, 1999, required future payments for capital projects in 2000 were \$29,025. Belo expects to finance future capital expenditures using cash generated from operations and, when necessary, borrowings under the revolving credit agreement.

During 1999, Belo Interactive made investments in certain companies that provide solutions for strategy implementation. Investments in these companies of approximately \$20,000 were funded during 1999 and \$8,000 was funded in February 2000. Belo expects to make additional strategic Internet investments during 2000. In addition, as BI continues in the start-up phase, its estimated 2000 operating cash flow deficit is expected to be approximately \$15,000.

During 1999, Belo acquired a 12.38 percent interest in the limited partnership that owns the Dallas Mavericks basketball team, along with a 6.19 percent non-voting interest in the entity that owns the arena that will become home to the Mavericks and the Dallas Stars hockey team. The total investment made in these interests in 1999 was approximately \$24,500.

The Company believes its current financial condition and credit relationships are adequate to fund both its current obligations as well as near-term growth.

## Other Matters

On March 1, 2000, Belo acquired KONG-TV in Seattle/Tacoma, Washington and KASW-TV in Phoenix, Arizona for \$16,100 in cash. Both stations were previously operated by Belo under local marketing agreements.

## Year 2000

In 1997, Belo began a program involving an enterprise-wide evaluation to assess the ability of its information technology ("IT") and non-IT systems to function properly and execute transactions relating to the year 2000. Belo completed its Year 2000 program on a timely basis and experienced no significant disruption to its operations as a result of internal or external system failures.

## Market Risks

The market risk inherent in Belo's financial instruments represents the potential loss arising from adverse changes in interest rates. Belo's strategy in managing its exposure to interest rate changes is to maintain a balance of fixed and variable-rate debt instruments. See Note 4 to the Consolidated Financial Statements for information concerning the contractual interest rates of Belo's debt. At December 31, 1999 and 1998, the fair value of Belo's fixed-rate debt was estimated to be \$948,435 and \$1,035,965, respectively, using quoted market prices and yields obtained through independent pricing sources, taking into consideration the underlying terms of the debt, such as the coupon rate and term to maturity. The carrying value of fixed-rate debt at December 31, 1999 and 1998 was \$1,000,000.

Various financial instruments issued by Belo are sensitive to changes in interest rates. Interest rate changes would result in gains or losses in the market value of Belo's fixed-rate debt due to differences between the current market interest rates and the rates governing these instruments. With respect to Belo's fixed-rate debt outstanding at December 31, 1999 and 1998, a 10 percent decline in interest rates would have resulted in no material effect on Belo's consolidated financial position, results of operations or cash flows. With respect to the floating-rate debt at December 31, 1999 and 1998, a 10 percent increase in interest rates would result in annual changes in Belo's pre-tax earnings and cash flows of \$5,530 and \$3,492, respectively.

In addition to interest rate risk, Belo has exposure to changes in the price of newsprint. The average price of newsprint is expected to be higher in 2000 than in 1999, although future prices for newsprint cannot be predicted with certainty. Belo believes the newsprint environment for 2000, giving consideration to both cost and supply, to be manageable through existing relationships and sources.

Belo has investments in other businesses, including those related to its Interactive media segment. The risk of market changes in the fair value of these investments is mitigated primarily by the diversity of such investments. A 10 percent change in market price of these investments would result in a change in fair value of approximately \$4,200.

# Report of Independent Auditors

The Board of Directors and Shareholders  
Belo

We have audited the accompanying consolidated balance sheets of Belo and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Belo and subsidiaries at December 31, 1999 and 1998, and the consolidated results of their operations and cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

*Dallas, Texas*  
*January 31, 2000*

# Consolidated Statements of Earnings

	YEARS ENDED DECEMBER 31,		
IN THOUSANDS, EXCEPT PER SHARE AMOUNTS	1999	1998	1997
<b>NET OPERATING REVENUES</b> (Note 3)			
Broadcasting	\$ 598,637	\$ 593,426	\$ 522,560
Newspaper publishing	816,976	784,327	693,777
Interactive media	6,520	3,214	718
Other	11,849	10,736	17,149
Total net operating revenues	1,433,982	1,391,703	1,234,204
<b>OPERATING COSTS AND EXPENSES</b>			
Salaries, wages and employee benefits (Notes 6 and 7)	482,256	455,526	391,726
Other production, distribution and operating costs (Note 8)	356,717	343,582	314,542
Newsprint, ink and other supplies	161,553	173,911	152,141
Depreciation	91,819	84,578	73,089
Amortization (Note 3)	77,142	74,864	61,904
Non-recurring charges (Note 2)	-	26,157	-
Total operating costs and expenses	1,169,487	1,158,618	993,402
Earnings from operations	264,495	233,085	240,802
<b>OTHER INCOME AND EXPENSE</b>			
Interest expense (Note 4)	(110,608)	(107,638)	(90,778)
Gains on the sale of subsidiaries and investments (Notes 3 and 10)	117,766	-	-
Other, net (Note 10)	4,800	5,013	4,098
Total other income and expense	11,958	(102,625)	(86,680)
<b>EARNINGS</b>			
Earnings before income taxes	276,453	130,460	154,122
Income taxes (Note 5)	98,147	65,558	71,150
Net earnings (Note 12)	\$ 178,306	\$ 64,902	\$ 82,972
Net earnings per share (Note 11):			
Basic	\$ 1.51	\$ .53	\$ .72
Diluted	\$ 1.50	\$ .52	\$ .71
Weighted average shares outstanding (Note 11):			
Basic	118,322	123,508	115,692
Diluted	119,177	124,836	117,122
Dividends per share	\$ .26	\$ .24	\$ .22

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Balance Sheets

	DECEMBER 31,	
IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS	1999	1998
<b>ASSETS</b>		
Current assets:		
Cash and temporary cash investments	\$ 45,593	\$ 19,451
Accounts receivable (net of allowance of \$6,881 and \$7,823 at December 31, 1999 and 1998, respectively)	245,949	211,428
Inventories	23,539	20,308
Deferred income taxes (Note 5)	13,288	11,742
Other current assets	23,589	12,852
<b>Total current assets</b>	<b>351,958</b>	<b>275,781</b>
Property, plant and equipment, at cost:		
Land	78,090	72,904
Buildings and improvements	280,244	266,426
Broadcast equipment	303,447	263,553
Newspaper publishing equipment (Note 2)	255,182	246,467
Other	176,985	144,236
Advance payments on plant and equipment expenditures (Note 8)	53,044	61,921
<b>Total property, plant and equipment</b>	<b>1,146,992</b>	<b>1,055,507</b>
Less accumulated depreciation	491,990	428,754
<b>Property, plant and equipment, net</b>	<b>655,002</b>	<b>626,753</b>
Intangible assets, net (Note 3)	2,853,192	2,543,143
Other assets (Note 6)	116,112	93,412
<b>Total assets</b>	<b>\$3,976,264</b>	<b>\$3,539,089</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 69,891	\$ 56,044
Accrued compensation and benefits	58,929	58,861
Other accrued expenses	50,395	32,485
Income taxes payable (Note 5)	45,038	-
Advance subscription payments	20,202	21,538
Accrued interest payable	15,383	11,820
<b>Total current liabilities</b>	<b>259,838</b>	<b>180,748</b>
Long-term debt (Note 4)	1,849,490	1,634,029
Deferred income taxes (Note 5)	422,465	439,240
Other liabilities	54,634	36,972
Commitments and contingent liabilities (Note 8)		
Shareholders' equity (Note 9):		
Preferred stock, \$1.00 par value. Authorized 5,000,000 shares; none issued.		
Common stock, \$1.67 par value. Authorized 450,000,000 shares		
Series A: Issued 99,515,495 and 100,028,891 shares at December 31, 1999 and 1998, respectively;	166,191	167,048
Series B: Issued 19,142,616 and 18,896,263 shares at December 31, 1999 and 1998, respectively.	31,968	31,557
Additional paid-in capital	885,522	879,856
Retained earnings	306,156	169,639
<b>Total shareholders' equity</b>	<b>1,389,837</b>	<b>1,248,100</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$3,976,264</b>	<b>\$3,539,089</b>

See accompanying Notes to Consolidated Financial Statements.



# Consolidated Statements of Shareholders' Equity

THREE YEARS ENDED DECEMBER 31, 1999

DOLLARS IN THOUSANDS	COMMON STOCK			ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TREASURY STOCK		DEFERRED COMPENSATION- RESTRICTED SHARES	TOTAL
	SHARES SERIES A	SHARES SERIES B	AMOUNT				SHARES SERIES A	AMOUNT		
Balance at December 31, 1996	35,404,850	9,177,133	\$74,452	\$302,737	\$301,316	\$ -	(8,321,700)	\$(306,146)	\$(1,876)	\$ 370,483
Exercise of stock options	416,446	110,239	880	11,046						11,926
Stock issued in acquisition of PJC	25,394,564		42,409	827,990						870,399
Restricted shares				672					1,104	1,776
Tax benefit from long-term incentive plan				4,560						4,560
Employer's matching contribution to Savings and Investment Plan		100,055	167	4,005						4,172
Unrealized holding gains on available-for-sale securities, net of tax						6,505				6,505
Reclassification of unrealized gains subsequently recognized in net earnings						(2,361)				(2,361)
Retirement of treasury stock	(8,321,700)		(13,897)	(135,665)	(156,584)		8,321,700	306,146		-
Net earnings					82,972					82,972
Cash dividends					(24,428)					(24,428)
Conversion of Series B to Series A	104,426	(104,426)								-
Balance at December 31, 1997	52,998,586	9,283,001	\$104,011	\$1,015,345	\$203,276	\$4,144	-	\$ -	\$ (772)	\$1,326,004
Exercise of stock options	298,185	169,557	781	8,173						8,954
Change in valuation of incentive plans				392						392
Restricted shares	(18,540)		(31)	(528)					772	213
Tax benefit from long-term incentive plan				3,900						3,900
Employer's matching contribution to Savings and Investment Plan		267,824	447	6,912						7,359
Reclassification of unrealized gains subsequently recognized in net earnings						(4,144)				(4,144)
Purchases and subsequent retirement of treasury stock	(6,727,400)		(11,235)	(49,706)	(68,845)					(129,786)
Two-for-one stock split	53,306,307	9,347,634	104,632	(104,632)						-
Net earnings					64,902					64,902
Cash dividends					(29,694)					(29,694)
Conversion of Series B to Series A	171,753	(171,753)								-
Balance at December 31, 1998	100,028,891	18,896,263	\$198,605	\$879,856	\$169,639	\$ -	-	\$ -	\$ -	\$1,248,100
Exercise of stock options	391,430	121,800	857	5,620						6,477
Change in valuation of incentive plans				166						166
Tax benefit from long-term incentive plan				1,466						1,466
Employer's matching contribution to Savings and Investment Plan		407,027	680	7,207						7,887
Purchases and subsequent retirement of treasury stock	(1,187,300)		(1,983)	(8,793)	(11,017)					(21,793)
Net earnings					178,306					178,306
Cash dividends					(30,772)					(30,772)
Conversion of Series B to Series A	282,474	(282,474)								-
Balance at December 31, 1999	99,515,495	19,142,616	\$198,159	\$885,522	\$306,156	\$ -	-	\$ -	\$ -	\$1,389,837

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements of Cash Flows

CASH PROVIDED (USED); DOLLARS IN THOUSANDS	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
<b>OPERATIONS</b>			
Net earnings	\$ 178,306	\$ 64,902	\$ 82,972
Adjustments to reconcile net earnings to net cash provided by operations:			
Net gain on sale of subsidiaries and investments	(93,897)	–	–
Depreciation and amortization	168,961	159,442	134,993
Deferred income taxes	(10,817)	1,705	(4,198)
Non-cash portion of non-recurring charges	–	11,764	–
Other non-cash expenses	16,107	12,303	7,950
Other, net	(10,099)	(2,037)	493
Net change in current assets and liabilities:			
Accounts receivable	(30,928)	9,560	(21,244)
Inventories and other current assets	(8,191)	575	(3,859)
Accounts payable	10,203	9,026	8,808
Accrued compensation and benefits	(93)	(10,782)	9,931
Other accrued liabilities	(3,673)	(4,080)	12,735
Income taxes payable	4,935	(17,506)	27,837
Net cash provided by operations	220,814	234,872	256,418
<b>INVESTMENTS</b>			
Capital expenditures	(92,386)	(102,927)	(83,317)
Acquisitions	(386,528)	–	(946,259)
Net proceeds from sale of subsidiaries and investments	155,266	7,995	3,045
Investments in interactive media	(20,006)	–	–
Other investments	(24,456)	–	–
Other, net	2,282	(4,999)	1,124
Net cash used for investments	(365,828)	(99,931)	(1,025,407)
<b>FINANCING</b>			
Net borrowings for acquisitions	298,796	–	1,100,545
Net proceeds from (payments on) revolving debt	(81,552)	23,184	(1,111,025)
Payments of dividends on stock	(30,772)	(29,694)	(24,428)
Net proceeds from exercise of stock options	6,477	8,954	11,926
Purchase of treasury stock	(21,793)	(129,786)	–
Refinancing of Providence Journal debt	–	–	(200,000)
Net proceeds from fixed-rate debt offerings	–	–	989,994
Net cash provided by (used for) financing	171,156	(127,342)	767,012
Net increase (decrease) in cash and temporary cash investments	26,142	7,599	(1,977)
Cash and temporary cash investments at beginning of year	19,451	11,852	13,829
Cash and temporary cash investments at end of year	\$ 45,593	\$ 19,451	\$ 11,852

## SUPPLEMENTAL DISCLOSURES (Note 13)

See accompanying Notes to Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

## Note 1: Summary of Significant Accounting Policies

A) *Principles of Consolidation* The consolidated financial statements include the accounts of A. H. Belo Corporation (the "Company" or "Belo") and its wholly-owned subsidiaries after the elimination of all significant intercompany accounts and transactions.

All dollar amounts are in thousands, except per share amounts, unless otherwise indicated. Certain amounts for prior years have been reclassified to conform to the current year presentation, including the reclassification of prior year data to reflect separate segment operations of the Interactive media segment and a change in presentation of revenue and expense with respect to certain programming transactions.

B) *Cash and Temporary Cash Investments* Belo considers all highly liquid instruments purchased with a remaining maturity of three months or less to be temporary cash investments. Such temporary cash investments are classified as available-for-sale and are carried at fair value.

C) *Accounts Receivable* Accounts receivable are net of a valuation reserve that represents an estimate of amounts considered uncollectible. Expense for such uncollectible amounts, which is included in other production, distribution and operating costs, was \$7,131, \$6,497 and \$9,273 in 1999, 1998 and 1997, respectively. Accounts written off during 1999, 1998 and 1997 were \$8,073, \$6,988 and \$9,988, respectively.

D) *Inventories* Inventories, consisting primarily of newsprint, ink and other supplies used in printing newspapers, are stated at the lower of average cost or market value.

E) *Property, Plant and Equipment* Depreciation of property, plant and equipment is provided principally on a straight-line basis over the estimated useful lives of the assets as follows:

	ESTIMATED USEFUL LIVES
Buildings and improvements	5-30 years
Broadcast equipment	5-15 years
Newspaper publishing equipment	5-20 years
Other	3-10 years

F) *Intangible Assets, Net* Intangible assets consists of excess cost over values assigned to tangible assets of purchased subsidiaries and is amortized primarily on a straight-line basis over 40 years. Accumulated amortization of intangible assets was \$339,744 and \$292,931 at December 31, 1999 and 1998, respectively. The carrying values of all intangible assets are periodically reviewed to determine whether impairment exists, and adjustments to net realizable value are made as needed. No such adjustments were required in any of the periods presented.

G) *Stock Options* Stock options granted to employees and outside directors are accounted for using the intrinsic value of the options granted. Because it is Belo's policy to grant stock options at the market price on the date of the grant, the intrinsic value is zero, and therefore no compensation expense is recorded.

H) *Revenue Recognition* Belo's primary sources of revenue are the sale of air time on its television stations, advertising space in published issues of its newspapers, and the sale of newspapers to distributors and individual subscribers. Broadcast revenue is recorded, net of agency commissions, when commercials are aired. Newspaper advertising revenue is recorded, net of agency commissions, when the advertisements are published in the newspaper. Proceeds from subscriptions are deferred and are included in revenue on a pro-rata basis over the term of the subscriptions.

I) *Advertising Expense* The cost of advertising is expensed as incurred. Belo incurred \$28,034, \$25,858 and \$25,557 in advertising and promotion costs during 1999, 1998 and 1997, respectively.

J) *Use of Estimates* 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.

## Note 2: Non-recurring Charges

Earnings from operations for 1998 include non-recurring charges of \$26,157 comprised primarily of an \$11,478 non-cash charge for the write-down of a press at *The Dallas Morning News* ("TDMN") and separation costs of \$14,229 associated with 189 employees who accepted a voluntary early retirement offer and 31 employees who were

terminated under other employee reduction initiatives. The workforce reduction initiatives were the result of the Company's ongoing review of its operations and organizational structure.

The press write-down followed a decision by TDMN to replace one of its less productive presses with a new \$36,000 WIFAG press that offers improved production capacity and greater flexibility. The write-down of the press resulted in a remaining estimated salvage value of \$2,000, which was included in Other current assets in the Company's Balance Sheet as of December 31, 1998. The salvage value was based upon a third-party estimate of current market rates for used press equipment. The press write-down resulted in lower annual depreciation expense of approximately \$900.

The \$14,229 charge for certain employee-related costs includes \$12,449 of cash payments made as of December 31, 1998, \$946 made in January 1999 and the remaining \$834 to be paid in monthly installments through December 31, 2001, under contractual arrangements.

### **Note 3: Acquisitions and Dispositions**

On June 1, 1999, Belo acquired ABC-affiliated KVUE-TV in Austin, Texas, in exchange for ABC-affiliated KXTV in Sacramento, California, and \$55,000 in cash consideration. The transaction was accounted for as a purchase and recorded based on the fair value of the assets exchanged, resulting in a gain on the transaction of \$50,312 (\$49,060 net of taxes). The preliminary purchase price allocation resulted in a net increase in intangible assets of \$108,110. The excess cost over values assigned to tangible assets of KVUE is being amortized on a straight-line basis over 40 years.

On October 29, 1999, Belo completed the sale of KASA-TV in Albuquerque, New Mexico, and KHNL-TV in Honolulu, Hawaii, along with its rights to operate KFVE-TV in Honolulu under a local marketing agreement, for \$88,000. A gain of \$20,448 (\$16,348 net of taxes) was recognized on the transaction.

On November 1, 1999, Belo completed the acquisition of independent television station KTVK-TV in Phoenix, Arizona, along with the rights to operate WB-affiliated KASW-TV in Phoenix through a local marketing agreement and an option to purchase KASW-TV. The acquisition also included a 50 percent interest in a cable news joint venture. The acquisition price was \$315,000 in cash and was partially funded with \$88,000 in proceeds from the sale of KASA and KHNL, with the remaining funding provided by

borrowings under Belo's revolving credit facility. The transaction was accounted for as a purchase and recorded based on the fair value of the assets acquired. The preliminary purchase price allocation resulted in an increase in intangible assets of \$317,306, which is being amortized on a straight-line basis over 40 years.

Results of 1999 acquisitions and dispositions have not been presented on a pro forma basis as the combined impact on results of operations was not material.

On February 28, 1997, Belo completed the acquisition of The Providence Journal Company ("PJC") by issuing 25,394,564 shares of Series A Common Stock (on a pre-split basis) and paying \$587,096 to former shareholders of PJC. Belo also incurred approximately \$100,000 in employee and transaction costs and refinanced \$200,000 of PJC debt. The acquisition was accounted for as a purchase. The Company's consolidated financial results for the year ended December 31, 1997 include the operations of PJC since March 1, 1997 and exclude the results of the Company's interest in America's Health Network ("AHN"), a cable network acquired as part of the PJC transaction, but subsequently disposed of effective July 31, 1997. The results of the Television Food Network ("TVFN"), also acquired as part of the PJC transaction, are excluded effective July 1, 1997, as a result of the Company's decision in June 1997 to divest its interest in TVFN.

As a result of the PJC acquisition, the Company initially owned two television stations in the Seattle/Tacoma, Washington market (KIRO and KING). To comply with FCC regulations that required the Company to divest one of these stations, the Company completed an exchange of assets among multiple parties on June 2, 1997, whereby KIRO was exchanged for CBS affiliate KMOV-TV in St. Louis, Missouri.

On July 25, 1997, the Company completed the acquisition of The Press-Enterprise Company ("PE"), publisher of a daily newspaper serving Riverside County and the inland southern California area.

On October 15, 1997, Belo exchanged its partnership interest in TVFN and \$75,000 in cash for CBS affiliate KENS-TV in San Antonio, Texas.

The pro forma financial results of operations that follow assume the PJC, PE and KENS acquisitions, the KIRO/KMOV exchange and the disposition of TVFN were completed as of January 1, 1997 and include adjustments for incremental interest costs, depreciation, amortization and taxes as they relate to the purchase price allocations of the transactions for the year ended December 31, 1997.

	1997
Net operating revenues	\$ 1,345,536
Net earnings (a)	\$ 83,910
Net earnings per share	\$ .67

(a) Net earnings for the year ended December 31, 1997 include a pre-tax gain of \$10,672 on the sale of an investment. Pro forma results exclude the effect of AHN and TVFN.

#### Note 4: Long-Term Debt

Long-term debt consists of the following at December 31, 1999 and 1998:

	1999	1998
6 <sup>7</sup> / <sub>8</sub> % Senior Notes Due June 1, 2002	\$ 250,000	\$ 250,000
7 <sup>1</sup> / <sub>8</sub> % Senior Notes Due June 1, 2007	300,000	300,000
7 <sup>3</sup> / <sub>4</sub> % Senior Debentures Due June 1, 2027	200,000	200,000
7 <sup>1</sup> / <sub>4</sub> % Senior Debentures Due September 15, 2027	250,000	250,000
Fixed-rate debt	1,000,000	1,000,000
Revolving credit agreement, including short-term unsecured notes classified as long-term	842,900	611,500
Other	13,357	25,839
Less: current maturities of long-term debt	(6,767)	(3,310)
Total	\$1,849,490	\$1,634,029

The Company's long-term debt maturities for the five years following December 31, 1999 are \$6,767 in 2000, \$110 in 2001, \$1,092,980 in 2002 and \$0 in 2003 and 2004. Of the amount due in 2002, \$830,000 represents revolving debt and \$12,900 represents short-term unsecured notes which could be converted, at the Company's option, to revolving debt.

At the end of 1999, Belo had a \$1 billion revolving credit facility. Loans under the revolving credit agreement bear interest at a rate based, at Belo's option, on the bank's alternate base rate, certificate of deposit rate, LIBOR or competitive bid. The rate obtained through competitive bid is either a Eurodollar rate or a rate agreed to by Belo and the bank. At December 31, 1999 and 1998, the weighted average interest rates for borrowings under the revolving credit agreement, which includes a facility fee of up to 0.15 percent on the total commitment, were 6.6 percent and 5.7 percent, respectively. Borrowings under the agreement

mature upon expiration of the agreement on August 29, 2002, with one year extensions possible through August 29, 2004, at the request of Belo and with the consent of the participating banks. The carrying value of borrowings under Belo's revolving credit agreement approximates fair value.

The revolving credit agreement contains certain covenants, including a requirement to maintain, as of the end of each quarter and measured over the preceding four quarters, (1) a Funded Debt to Pro Forma Operating Cash Flow ratio not exceeding 5.5 to 1.0, (2) a Funded Debt (excluding subordinated debt) to Pro Forma Operating Cash Flow ratio not exceeding 5.0 to 1.0, and (3) an Interest Coverage ratio of not less than 2.5 to 1.0, all as such terms are defined in the agreement. At December 31, 1999, Belo was in compliance with these requirements.

During 1999, Belo used various short-term unsecured notes as an additional source of financing. The weighted average interest rate on this debt was 6.0 percent and 5.9 percent at December 31, 1999 and 1998, respectively. Due to Belo's intent to renew the short-term notes and its continued ability to refinance these borrowings on a long-term basis through its revolving credit agreement, \$12,900 and \$31,500 of short-term notes outstanding at December 31, 1999 and 1998, respectively, have been classified as long-term.

During 1997, the Company issued \$1 billion in fixed-rate debt. The net proceeds from these debt offerings were used to retire debt previously outstanding under the Company's revolving credit facility. At December 31, 1999, the weighted average effective interest rate on the fixed-rate debt was 7.3 percent and the fair value was \$51,565 less than the carrying value. At December 31, 1998, the fair value of this same debt exceeded the carrying value by \$35,965. The fair value for both December 31, 1999 and 1998 was estimated using quoted market prices for those instruments publicly traded. In 1999, Belo made certain investments in other businesses, including those related to its Interactive media segment. At December 31, 1999, the fair value of these investments approximated the carrying value.

In 1999, 1998 and 1997, Belo incurred interest costs of \$113,160, \$109,318 and \$91,288, respectively, of which \$2,552, \$1,680 and \$510, respectively, were capitalized as components of construction cost.

At December 31, 1999, Belo had outstanding letters of credit of \$20,561 issued in the ordinary course of business.

## Note 5: Income Taxes

Belo uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Income tax expense for the years ended December 31, 1999, 1998 and 1997 consists of the following:

	1999	1998	1997
Current			
Federal	\$ 109,459	\$ 53,812	\$ 56,792
State	9,978	10,041	18,556
Total current	119,437	63,853	75,348
Deferred			
Federal	(25,183)	(2,200)	1,587
State	3,893	3,905	(5,785)
Total deferred	(21,290)	1,705	(4,198)
Total tax expense	\$ 98,147	\$ 65,558	\$ 71,150
Effective tax rate	35.5%	50.3%	46.2%

Income tax provisions for the years ended December 31, 1999, 1998 and 1997 differ from amounts computed by applying the applicable U.S. federal income tax rate as follows:

	1999	1998	1997
Computed expected income tax expense	\$ 96,759	\$ 45,661	\$ 53,943
Non-taxable gain on like-kind exchanges	(19,969)	-	-
Amortization of excess cost	11,415	11,533	9,645
State income taxes	9,016	9,065	8,301
Other	926	(701)	(739)
	\$ 98,147	\$ 65,558	\$ 71,150

The increase in current income tax expense is due primarily to a \$36,382 tax liability associated with the sale of Belo's investment in Falcon Communications. Because of a difference in the book and tax basis of this investment, this increase is partially offset by a reduction in deferred taxes of \$17,865.

Significant components of Belo's deferred tax liabilities and assets as of December 31, 1999 and 1998, are as follows:

	1999	1998
Deferred tax liabilities:		
Excess tax depreciation and amortization	\$ 461,764	\$ 458,022
Basis differences in investments	2,724	20,986
Expenses deductible for tax purposes in a year different from the year accrued	779	2,584
Other	3,855	4,277
Total deferred tax liabilities	469,122	485,869
Deferred tax assets:		
Deferred compensation and benefits	9,457	10,176
State net operating losses	3,979	6,938
State taxes	6,208	6,602
Expenses deductible for tax purposes in a year different from the year accrued	25,489	22,246
Other	14,812	12,409
Total deferred tax assets	59,945	58,371
Net deferred tax liability	\$ 409,177	\$ 427,498

State net operating loss carryforwards are generally associated with entities acquired in the PJC acquisition and have expiration dates ranging from 2001 through 2003.

## Note 6: Employee Retirement Plans

Belo sponsors a noncontributory defined benefit pension plan covering the majority of employees. The benefits are based on years of service and the average of the employee's five consecutive years of highest annual compensation earned during the most recently completed 10 years of employment.

The funding policy is to contribute annually to the plan an amount at least equal to the minimum required contribution for a qualified retirement plan, but not in excess of the maximum tax deductible contribution.

The following table sets forth the plan's funded status and prepaid pension costs (included in Other assets on the Consolidated Balance Sheets) at December 31, 1999 and 1998:

	1999	1998
Accumulated benefit obligation	\$(231,028)	\$(233,963)
Projected benefit obligation	\$(297,864)	\$(304,375)
Estimated fair value of plan assets	334,121	302,831
Funded status	36,257	(1,544)
Unrecognized net (gain) loss	(32,458)	12,494
Unrecognized prior service cost	407	188
Prepaid pension cost	\$ 4,206	\$ 11,138

Changes in plan assets for the years ended December 31, 1999 and 1998 were as follows:

	1999	1998
Fair value of plan assets at January 1,	\$302,831	\$274,903
Actual return on plan assets	44,492	39,273
Benefits paid	(13,202)	(11,345)
Fair value of plan assets at December 31,	\$334,121	\$302,831

Changes in plan benefit obligation for the years ended December 31, 1999 and 1998 were as follows:

	1999	1998
Benefit obligation as of January 1,	\$304,375	\$273,534
Actuarial (gains) losses	(27,359)	11,693
Service cost	12,652	11,089
Interest cost	21,398	19,404
Benefits paid	(13,202)	(11,345)
Benefit obligation as of December 31,	\$297,864	\$304,375

The net periodic pension cost for the years ended December 31, 1999, 1998 and 1997 includes the following components:

	1999	1998	1997
Service cost – benefits earned during the period	\$12,652	\$11,089	\$ 8,851
Interest cost on projected benefit obligation	21,398	19,404	16,555
Expected return on assets	(27,328)	(25,875)	(21,552)
Amortization of:			
Net asset	–	(371)	(1,233)
Unrecognized prior service cost	(220)	(220)	(376)
Unrecognized loss	430	311	1,723
Net periodic pension cost	\$ 6,932	\$ 4,338	\$ 3,968

Assumptions used in accounting for the defined benefit plan are as follows:

	1999	1998	1997
Discount rate in determining benefit obligation	7.75%	7.00%	7.25%
Discount rate in determining net periodic pension cost	7.00%	7.25%	7.50%
Expected long-term rate of return on assets	9.75%	10.25%	10.25%
Rate of increase in future compensation	5.50%	5.50%	5.50%

Belo sponsors defined contribution plans that cover substantially all of its employees. Subject to certain dollar limits, employees may contribute a percentage of their salaries to these plans, and Belo will match a portion of the employees' contributions primarily with shares of Belo's Series B Common Stock. Belo's contributions totaled \$9,556, \$8,267, and \$6,069 in 1999, 1998 and 1997, respectively.

Belo also sponsors non-qualified retirement plans for key employees. Expense for the plans recognized in 1999, 1998 and 1997 was \$901, \$1,316, and \$1,138, respectively.

#### Note 7: Long-Term Incentive Plan

Belo has a long-term incentive plan under which awards may be granted to employees in the form of incentive stock options, non-qualified stock options, restricted shares or performance units, the values of which are based on Belo's long-term performance. In addition, options may be accompanied by stock appreciation rights and limited stock appreciation rights. Rights and limited rights may also be issued without accompanying options. Cash-based bonus awards are also available under the plan.

The non-qualified options granted to employees under Belo's long-term incentive plan become exercisable in cumulative installments over periods of three to seven years and expire after 10 years. Shares of common stock reserved for future grants under the plan were 469,549 and 3,589,766 at December 31, 1999 and 1998, respectively.

Stock-based activity in the long-term incentive plan relates to non-qualified stock options and is summarized in the following table.

	1999		1998		1997	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE PRICE
Outstanding at January 1,	9,406,008	\$17.78	4,222,341	\$34.31	3,819,938	\$28.43
Two-for-one stock split	-	-	3,951,488	\$17.16	-	-
Granted	3,288,670	\$19.23	1,882,027	\$18.16	947,100	\$51.58
Exercised	(513,230)	\$12.62	(467,742)	\$11.47	(526,685)	\$22.64
Canceled	(168,453)	\$21.58	(182,106)	\$19.77	(18,012)	\$35.01
Outstanding at December 31,	12,012,995	\$18.35	9,406,008	\$17.78	4,222,341	\$34.31
Exercisable at December 31,	6,461,345		5,388,934		2,191,315	
Weighted average fair value of options granted		\$ 5.82		\$ 4.76		\$12.95

The following table summarizes information about non-qualified stock options outstanding at December 31, 1999:

RANGE OF EXERCISE PRICES	NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE REMAINING LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
\$ 7 - \$11	701,910 <sup>(a)</sup>	2.3	\$ 8.93	701,910	\$ 8.93
\$12 - \$15	1,313,892 <sup>(a)</sup>	4.0	\$12.99	1,313,892	\$12.99
\$17 - \$20	8,212,989 <sup>(b)</sup>	8.2	\$18.29	3,185,749	\$17.75
\$22 - \$27	1,784,204 <sup>(b)</sup>	7.7	\$26.24	1,259,794	\$26.42
\$ 7 - \$27	12,012,995	7.3	\$18.35	6,461,345	\$17.52

(a) Comprised of Series A Shares

(b) Comprised of Series B Shares

Pro forma information regarding net earnings and earnings per share has been determined as if Belo had accounted for its employee stock options under the fair value method of Statement of Financial Accounting Standards ("SFAS") No. 123. The fair value for those options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions for 1999, 1998 and 1997, respectively: risk-free interest rates of 6.4 percent, 4.62 percent and 5.56 percent; dividend yields of 1.35 percent, 1.33 percent, and .91 percent; volatility factors of the expected market price of Belo's common stock of .256, .243 and .228; and weighted average expected lives of the options of approximately 5, 5 and 4 years.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting periods. Because options vest over a period of several years and additional awards are generally made each year, the full effect of applying SFAS No. 123 for providing pro forma disclosure is first evident in 1998 upon the completion of one full vesting cycle. The pro forma information presented below is not necessarily indicative of the effects on reported or pro forma net earnings for

future years. The Company's pro forma information for the three years ended December 31, 1999 follows:

	1999	1998	1997
Pro forma net earnings	\$172,313	\$59,179	\$79,581
Pro forma net earnings per share	\$ 1.47	\$ .48	\$ .68

Belo's long-term incentive plan also provides for the grant of restricted shares of Series A Common Stock. These restricted shares generally vest over a four-year period and contain certain performance requirements for a portion of the shares. All restricted shares issued and outstanding became fully vested as of December 31, 1998. No additional restricted shares were granted in 1999. Restricted stock activity for the two years ended December 31, 1998 is summarized in the following table. Amounts shown in this table have not been retroactively restated to reflect the June 5, 1998 stock split.



	1998		1997	
	SHARES	PRICE PER SHARE	SHARES	PRICE PER SHARE
Outstanding at January 1,	85,392	\$27-\$56	212,309	\$15-\$35
Two-for-one stock split	84,332	\$13-\$28	-	-
Vested	(152,246)	\$13-\$28	(126,917)	\$15-\$56
Forfeited	(17,478)	\$13-\$28	-	-
Outstanding at December 31,	-	-	85,392	\$27-\$56

A provision for restricted shares is made ratably over the restriction period. Expense recognized under the plan for restricted shares was \$167 and \$1,776 in 1998 and 1997, respectively.

#### Note 8: Commitments and Contingent Liabilities

Belo is involved in certain claims and litigation related to its operations. In the opinion of management, liabilities, if any, arising from these claims and litigation would not have a material adverse effect on Belo's consolidated financial position, liquidity or results of operations.

Commitments for the purchase of future broadcast rights totaled approximately \$232,580, at December 31, 1999 for broadcasts scheduled through August 2006.

Advance payments on plant and equipment expenditures at December 31, 1999 primarily relate to newspaper production equipment, DTV equipment and construction projects. Required future payments for capital expenditures in 2000 are \$29,025 and include \$21,000 toward the purchase and installation of the new press at TDMN, \$2,150 for DTV equipment, \$2,061 for building projects and \$1,450 for interactive media software development.

Total lease expense for property and equipment was \$8,617, \$8,293, and \$8,342 in 1999, 1998 and 1997, respectively. Future minimum rental payments for operating leases at December 31, 1999, are as follows:

	OPERATING LEASES
2000	\$ 5,996
2001	4,583
2002	3,815
2003	2,306
2004	1,818
2005 & beyond	4,256
Total commitments	\$22,774

#### Note 9: Common and Preferred Stock

Belo has two series of common stock authorized, issued and outstanding, Series A and Series B, each with a par value of \$1.67 per share. The total number of authorized shares of common stock is 450,000,000 shares. The shares are identical except that Series B shares are entitled to 10 votes per share on all matters submitted to a vote of shareholders, while the Series A shares are entitled to one vote per share. Transferability of the Series B shares is limited to family members and affiliated entities of the holder. Series B shares are convertible at any time on a one-for-one basis into Series A shares. Shares of Belo's Series A Common Stock are traded on the New York Stock Exchange (NYSE symbol: BLC). There is no established public trading market for shares of Series B Common Stock.

Each outstanding share of common stock is accompanied by one preferred share purchase right, which entitles shareholders to purchase 1/200 of a share of Series A Junior Participating Preferred Stock. The rights will not be exercisable until a party either acquires beneficial ownership of 30 percent of Belo's common stock or makes a tender offer for at least 30 percent of its common stock. At such time, each holder of a right (other than the acquiring person or group) will have the right to purchase common stock of Belo with a value equal to two times the exercise price of the right, which is initially \$75 (subject to adjustment). In addition, if Belo is acquired in a merger or business combination, each right can be used to purchase the common stock of the surviving company having a market value of twice the exercise price of each right. Once a person or group has acquired 30 percent of the common stock but before 50 percent of the voting power of the common stock has been acquired, Belo may exchange each right (other than those held by the acquiring person or group) for one share of Company common stock (subject to adjustment). Belo may reduce the 30 percent threshold

or may redeem the rights. The number of shares of Series A Junior Participating Preferred Stock reserved for possible conversion of these rights is equivalent to 1/200 of the number of shares of common stock issued and outstanding plus the number of shares reserved for options outstanding and for grant under the 1995 Executive Compensation Plan and for options outstanding under Belo's predecessor plan. The rights will expire in 2006, unless extended.

As discussed in Note 3, on February 28, 1997, in connection with the acquisition of PJC, Belo issued 25,394,564 shares of Series A Common Stock, on a pre-split basis.

Belo has in place a stock repurchase program authorizing the purchase of up to \$2,500 of Company stock annually and, as of December 31, 1999, Belo has authority to purchase an additional 2,759,044 shares. During 1999, Belo purchased 1,187,300 shares of its Series A Common Stock at an aggregate cost of \$21,793. During 1998, Belo purchased 6,727,400 shares of its Series A Common Stock at an aggregate cost of \$129,786. No shares of stock were purchased during 1997. All shares were retired in the year of purchase.

#### Note 10: Other Income and Expense

In November 1999, Belo sold its investment in Falcon Communications, a cable system operator, for estimated proceeds of \$68,743. The gain on the sale was \$47,006

before taxes of \$18,517, for a net gain of \$28,489 or 24 cents per share.

In 1998, Belo sold 982,000 shares of Peapod, Inc. ("Peapod") common stock and donated 827,113 shares of Peapod common stock to the A. H. Belo Corporation Foundation. These transactions increased 1998 net earnings by \$2,042 as the \$6,244 charge for the charitable contribution was more than offset by the net gain on the disposition of shares and the tax benefit from the charitable contribution.

In 1997, Belo sold 220,000 shares of Gemstar International Group Limited ("Gemstar") common stock and donated 208,440 shares of Gemstar common stock to the A. H. Belo Corporation Foundation. These transactions did not have an effect on 1997 net earnings as the \$4,560 charge for the charitable contribution was offset by a net gain on the disposition of the shares and the tax benefit from the charitable contribution.

#### Note 11: Earnings Per Share

The following table sets forth the reconciliation between weighted average shares used for calculating basic and diluted earnings per share for the three years ended December 31, 1999 (in thousands, except per share amounts):

	1999	1998	1997
Weighted average shares for basic earnings per share	118,322	123,508	115,692
Effect of employee stock options	855	1,328	1,430
Weighted average shares for diluted earnings per share	119,177	124,836	117,122
Options excluded due to exercise price in excess of average market price			
Number outstanding	1,798	1,765	1,728
Exercise price	\$26.19	\$26.41	\$26.38

## Note 12: Comprehensive Income

For the years ended December 31, 1999, 1998 and 1997, total comprehensive income was comprised as follows:

	1999	1998	1997
Net earnings	\$178,306	\$64,902	\$82,972
Unrealized holding gains, net of taxes of \$596 in 1998 and \$3,503 in 1997	-	1,107	6,505
Less reclassification for gains included in net earnings, net of taxes of \$2,827 in 1998 and \$1,271 in 1997	-	(5,251)	(2,361)
Accumulated other comprehensive income (loss)	-	(4,144)	4,144
Total comprehensive income	\$178,306	\$60,758	\$87,116

## Note 13: Supplemental Cash Flow Information

Supplemental cash flow information and significant non-cash investing and financing activities for the three years ended December 31, 1999, are as follows:

	1999	1998	1997
Supplemental cash flow information			
Cash paid during the period for:			
Interest, net of amounts capitalized	\$107,045	\$107,763	\$81,676
Income taxes, net of refunds	\$90,869	\$84,407	\$54,436
Supplemental non-cash investing and financing activities:			
KXIV/KVUE asset exchange	\$112,098	\$-	\$-
Stock issued for PJC acquisition	\$-	\$-	\$870,399
KIRO/KMOV asset exchange	\$-	\$-	\$152,000
Non-cash consideration for KENS	\$-	\$-	\$125,000

## Note 14: Industry Segment Information

Belo operates in three primary segments: television broadcasting, newspaper publishing and interactive media. Operations in the broadcast industry involve the sale of air time for advertising and the broadcast of news, entertainment and other programming. Belo's television stations are located in Dallas, Houston, San Antonio and Austin, Texas; Seattle and Spokane, Washington; Phoenix and Tucson, Arizona; St. Louis, Missouri; Portland, Oregon; Charlotte, North Carolina; New Orleans, Louisiana; Norfolk, Virginia; Louisville, Kentucky; Tulsa, Oklahoma; and Boise, Idaho. Operations in the newspaper publishing industry involve the sale of advertising space in published issues, the sale of newspapers to distributors and individual subscribers and commercial printing. The Company's major publishing units are *The Dallas Morning News*, located in Dallas, Texas; *The Providence Journal*, located in Providence, Rhode Island;

and *The Press-Enterprise*, located in Riverside, California. The Company has other newspaper operations in Owensboro and Henderson, Kentucky and Bryan-College Station, Arlington and Denton, Texas. The operations of the interactive media segment are conducted from corporate headquarters in Dallas, Texas and at each of Belo's individual operating units. Revenues for the interactive media segment result primarily from the sale of advertising on Belo operating unit Web sites and fees generated from Internet service provider subscriptions and data retrieval services. The Company's other industry segment is comprised primarily of cable news operations, which are located in Seattle, Washington and Dallas, Texas. Revenues in the other segment are generated from the sale of advertising time and subscription fees from local cable company operators. Belo's various operating segments share content at no cost.

Selected segment data for the years ended December 31, 1999, 1998 and 1997 is as follows and includes reclassification of prior year results related to the Interactive media segment, which in previous years were primarily included with newspaper publishing operations:

	1999 (a)	1998	1997(b)
<b>NET OPERATING REVENUES</b>			
Broadcasting	\$ 598,637	\$ 593,426	\$ 522,560
Newspaper publishing	816,976	784,327	693,777
Interactive media	6,520	3,214	718
Other	11,849	10,736	17,149
	<b>\$1,433,982</b>	<b>\$1,391,703</b>	<b>\$1,234,204</b>
<b>EARNINGS FROM OPERATIONS</b>			
Broadcasting <sup>(c)</sup>	\$ 143,200	\$ 143,751	\$ 136,715
Newspaper publishing <sup>(d)</sup>	176,985	138,289	154,612
Interactive media	(8,908)	(2,778)	(1,584)
Other	(7,726)	(5,212)	(9,237)
Corporate expenses	(39,056)	(40,965)	(39,704)
	<b>\$ 264,495</b>	<b>\$ 233,085</b>	<b>\$ 240,802</b>
<b>DEPRECIATION AND AMORTIZATION</b>			
Broadcasting	\$ 102,725	\$ 94,992	\$ 79,939
Newspaper publishing <sup>(e)</sup>	59,182	72,062	51,828
Interactive media	543	91	42
Other	2,736	1,030	1,565
Corporate	3,775	2,745	1,619
	<b>\$ 168,961</b>	<b>\$ 170,920</b>	<b>\$ 134,993</b>
<b>OPERATING CASH FLOW<sup>(f)</sup></b>			
Broadcasting	\$ 245,925	\$ 238,743	\$ 216,654
Newspaper publishing	236,167	210,351	206,440
Interactive media	(8,365)	(2,687)	(1,542)
Other	(4,990)	(4,182)	(7,672)
Corporate	(35,281)	(38,220)	(38,085)
	<b>\$ 433,456</b>	<b>\$ 404,005</b>	<b>\$ 375,795</b>
<b>IDENTIFIABLE ASSETS</b>			
Broadcasting	\$2,665,186	\$ 2,310,002	\$2,345,602
Newspaper publishing	1,100,817	1,063,384	1,117,958
Interactive media	21,143	128	142
Other	23,525	23,922	3,412
Corporate	165,593	141,653	155,840
	<b>\$3,976,264</b>	<b>\$3,539,089</b>	<b>\$3,622,954</b>
<b>CAPITAL EXPENDITURES</b>			
Broadcasting	\$ 40,859	\$ 55,035	\$ 48,176
Newspaper publishing	40,036	25,847	23,224
Interactive media	124	-	-
Other	3,298	16,898	1,787
Corporate	8,069	5,147	10,130
	<b>\$ 92,386</b>	<b>\$ 102,927</b>	<b>\$ 83,317</b>

(a) Broadcasting results for 1999 include KXTV through May and KASA and KHNL through October. Results for KVUE are included beginning in June and KTVK results are reflected beginning in November. Publishing results include the operations of the Denton Record-Chronicle beginning in July.

(b) Segment results for 1997 include 10 months of operations of PJC, which Belo acquired on February 28, 1997. PJC operations include nine television stations, a daily newspaper, a cable news operation and a cable network. The cable network was subsequently disposed of and its operations are excluded effective July 1, 1997. 1997 broadcasting segment results also include two-and-one-half months of operations of KENS, which Belo acquired on October 15, 1997. 1997 newspaper publishing segment includes five months of operations of PE, acquired by Belo July 25, 1997. See Note 3.

(c) Broadcasting earnings from operations for 1998 include a \$6,996 charge for early retirement costs and other employee reduction initiatives.

(d) Newspaper publishing earnings from operations for 1998 include a non-cash charge for the write-down of a press at TDMN of \$11,478 and a charge of \$6,344 for certain early retirement costs.

(e) Newspaper publishing depreciation and amortization expense for 1998 includes the \$11,478 non-cash charge for the write-down of a press at TDMN.

(f) Operating cash flow is defined as segment earnings from operations plus depreciation and amortization. Operating cash flow is used in the broadcasting and publishing industries to analyze and compare companies on the basis of operating performance, leverage and liquidity.

## Note 15: Quarterly Results of Operations (unaudited)

Following is a summary of the unaudited quarterly results of operations for the years ended December 31, 1999 and 1998. Certain previously reported data has been reclassified to conform to the current year presentation, including a change in the presentation of revenue and expense with respect to certain programming transactions and the reclassification of both current and prior year data for the Interactive media segment:

	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
<b>1999</b>				
Net operating revenues				
Broadcasting <sup>(a)</sup>	\$ 131,255	\$ 157,885	\$ 138,374	\$ 171,123
Newspaper publishing <sup>(b)</sup>	191,344	204,708	202,038	218,886
Interactive media	1,259	1,448	1,884	1,929
Other	2,762	2,861	2,998	3,228
	\$ 326,620	\$ 366,902	\$ 345,294	\$ 395,166
Earnings (loss) from operations				
Broadcasting <sup>(a)</sup>	\$ 21,479	\$ 46,866	\$ 28,777	\$ 46,078
Newspaper publishing <sup>(b)</sup>	38,881	48,238	42,809	47,057
Interactive media	(1,244)	(1,576)	(2,163)	(3,925)
Other	(1,718)	(1,948)	(1,959)	(2,101)
Corporate expenses	(8,157)	(10,180)	(9,724)	(10,995)
	\$ 49,241	\$ 81,400	\$ 57,740	\$ 76,114
Net earnings <sup>(c)</sup>	\$ 12,590	\$ 79,763	\$ 16,588	\$ 69,365
Basic earnings per share <sup>(c)</sup>	\$ .11	\$ .68	\$ .14	\$ .59
Diluted earnings per share <sup>(c)</sup>	\$ .11	\$ .67	\$ .14	\$ .58
<b>1998</b>				
Net operating revenues				
Broadcasting	\$ 132,885	\$ 159,643	\$ 133,795	\$ 167,103
Newspaper publishing	189,572	200,044	191,429	203,282
Interactive media	797	746	847	824
Other	2,383	2,338	2,457	3,558
	\$ 325,637	\$ 362,771	\$ 328,528	\$ 374,767
Earnings (loss) from operations				
Broadcasting <sup>(d)</sup>	\$ 24,910	\$ 49,259	\$ 26,000	\$ 43,582
Newspaper publishing <sup>(e)</sup>	38,231	43,355	34,940	21,763
Interactive media	(312)	(580)	(831)	(1,055)
Other	(1,098)	(763)	(1,115)	(2,236)
Corporate expenses	(10,138)	(8,682)	(11,228)	(10,917)
	\$ 51,593	\$ 82,589	\$ 47,766	\$ 51,137
Net earnings	\$ 13,635	\$ 29,823	\$ 9,707	\$ 11,737
Basic earnings per share	\$ .11	\$ .24	\$ .08	\$ .10
Diluted earnings per share	\$ .11	\$ .24	\$ .08	\$ .10

(a) Beginning in the second quarter, broadcasting operating results reflect the exchange of KXTV (ABC) in Sacramento, California for KVUE (ABC) in Austin, Texas, effective June 1, 1999.

Fourth quarter 1999 results reflect the sale of KASA (FOX) in Albuquerque, New Mexico and KHNL (NBC) in Honolulu, Hawaii on October 29, 1999 and the acquisition of KTVK (IND) in Phoenix, Arizona on November 1, 1999.

(b) Beginning in third quarter 1999, newspaper publishing results include the operations of the Denton Record-Chronicle, which was acquired on June 30, 1999.

(c) Net earnings and earnings per share in the second quarter of 1999 include a gain of \$49,060 (41 cents) on the KXTV/KVUE exchange. Fourth quarter net earnings and earnings per share include a gain on the disposition of KASA and KHNL of \$16,348 (14 cents) and a \$28,489 (24 cents) gain on the sale of Belo's investment in Falcon Communications.

(d) Broadcasting earnings from operations in fourth quarter 1998 include a \$6,996 charge for early retirement costs and other employee reduction initiatives.

(e) Newspaper publishing earnings from operations in fourth quarter 1998 include a non-cash charge for the write-down of a press at TDMN of \$11,478 and a charge of \$6,344 for certain early retirement costs.

# Management's Responsibility for Financial Statements

The Management of Belo is responsible for the preparation of the consolidated financial statements, as well as for their integrity and objectivity. Those statements are prepared using generally accepted accounting principles, they include amounts that are based on our best estimates and judgments, and we believe they are not misstated due to material fraud or error. Management has also prepared the other information in the Annual Report and is responsible for its accuracy and its consistency with the financial statements.

Management maintains a system of internal control that is designed to provide reasonable assurance of the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition, and the prevention and detection of fraudulent financial reporting. This system of internal control provides for appropriate division of responsibility. Policies and procedures, as they relate to internal control, are updated as necessary and communicated to those employees having a significant role in the financial reporting process. Management continually monitors the system of internal control for compliance.

Management believes that as of December 31, 1999, Belo's system of internal control is adequate to accomplish the objectives described above. Management recognizes, however, that no system of internal control can ensure the elimination of all errors and irregularities, and it recognizes that the cost of the internal controls should not exceed the value of the benefits derived.

Finally, Management recognizes its responsibility for fostering a strong ethical climate within Belo according to the highest standards of personal and professional conduct, and this responsibility is delineated in Belo's written statement of business conduct. This statement of business conduct addresses, among other things, the necessity for due diligence and integrity, avoidance of potential conflicts of interest, compliance with all applicable laws and regulations, and the confidentiality of proprietary information.



Robert W. Dechard  
Chairman of the Board, President & Chief Executive Officer



Dunia A. Shive  
Senior Vice President/Chief Financial Officer

## Five-Year Financial Summary (Unaudited)

DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

	1999	1998	1997	1996	1995
<b>NET OPERATING REVENUES</b>					
Broadcasting	\$ 598,637	\$ 593,426	\$ 522,560	\$ 333,396	\$ 322,642
Newspaper publishing	816,976	784,327	693,777	487,560	409,099
Interactive media	6,520	3,214	718	-	-
Other	11,849	10,736	17,149	3,352	3,602
Total	\$1,433,982	\$ 1,391,703	\$1,234,204	\$ 824,308	\$ 735,343
<b>DEPRECIATION &amp; AMORTIZATION</b>					
Broadcasting	\$ 102,725	\$ 94,992	\$ 79,939	\$ 38,975	\$ 37,795
Newspaper publishing	59,182	72,062	51,828	25,072	20,916
Interactive media	543	91	42	-	-
Other	2,736	1,030	1,565	200	31
Corporate	3,775	2,745	1,619	936	705
Total	\$ 168,961	\$ 170,920	\$ 134,993	\$ 65,183	\$ 59,447
<b>EARNINGS FROM OPERATIONS</b>					
Broadcasting	\$ 143,200	\$ 143,751	\$ 136,715	\$ 83,862	\$ 83,921
Newspaper publishing	176,985	138,289	154,612	103,046	69,999
Interactive media	(8,908)	(2,778)	(1,584)	-	-
Other	(7,726)	(5,212)	(9,237)	(1,238)	(3,972)
Corporate expenses	(39,056)	(40,965)	(39,704)	(20,021)	(13,385)
Total	\$ 264,495	\$ 233,085	\$ 240,802	\$ 165,649	\$ 136,563
Earnings before income taxes and gains on asset sales	\$ 158,687	\$ 123,877	\$ 151,077	\$ 140,145	\$ 108,608
Gains on asset sales	117,766	6,583	3,045	3,895	2,406
Earnings before income taxes	\$ 276,453	\$ 130,460	\$ 154,122	\$ 144,040	\$ 111,014
Income taxes	98,147	65,558	71,150	56,535	44,438
<b>NET EARNINGS</b>	<b>\$ 178,306</b>	<b>\$ 64,902</b>	<b>\$ 82,972</b>	<b>\$ 87,505</b>	<b>\$ 66,576</b>
<b>PER SHARE AMOUNTS</b>					
Net earnings (diluted)	\$ 1.50	\$ 0.52	\$ 0.71	\$ 1.05	\$ 0.84
Cash dividends	\$ 0.26	\$ 0.24	\$ 0.22	\$ 0.21	\$ 0.16
Average shares outstanding (in thousands)	119,177	124,836	117,122	83,004	79,068
Total assets	\$3,976,264	\$3,539,089	\$3,622,954	\$1,224,072	\$1,154,022
Long-term debt	\$1,849,490	\$1,634,029	\$1,614,045	\$ 631,857	\$ 557,400
Shareholders' equity	\$1,389,837	\$1,248,100	\$1,326,004	\$ 370,483	\$ 388,464
Ratio of long-term debt to total capitalization	57.1%	56.7%	54.9%	63.0%	58.9%
Capital expenditures	\$ 92,386	\$ 102,927	\$ 83,317	\$ 49,800	\$ 40,830
Full-time employees	7,612	6,920	6,760	3,760	3,489
Closing market price at December 31	\$ 19 <sup>1</sup> / <sub>16</sub>	\$ 19 <sup>15</sup> / <sub>16</sub>	\$ 28 <sup>1</sup> / <sub>16</sub>	\$ 17 <sup>7</sup> / <sub>16</sub>	\$ 17 <sup>3</sup> / <sub>8</sub>
Highest close price during the year	\$ 23 <sup>7</sup> / <sub>16</sub>	\$ 28 <sup>3</sup> / <sub>8</sub>	\$ 28 <sup>1</sup> / <sub>16</sub>	\$ 20 <sup>3</sup> / <sub>4</sub>	\$ 18 <sup>3</sup> / <sub>8</sub>
Lowest close price during the year	\$ 16 <sup>3</sup> / <sub>8</sub>	\$ 14 <sup>9</sup> / <sub>16</sub>	\$ 16 <sup>3</sup> / <sub>4</sub>	\$ 15 <sup>13</sup> / <sub>16</sub>	\$ 14 <sup>1</sup> / <sub>32</sub>







**BELO**

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