

MEDIA GENERAL INC
Form 10-Q
August 05, 2004
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC. 20549

Form 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 27, 2004

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 1-6383

MEDIA GENERAL, INC.

(Exact name of registrant as specified in its charter)

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Commonwealth of Virginia
(State or other jurisdiction of

54-0850433
(I.R.S. Employer

incorporation or organization)

Identification No.)

333 E. Franklin St., Richmond, VA
(Address of principal executive offices)

23219
(Zip Code)

(804) 649-6000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year,
if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of August 1, 2004.

Class A Common shares:	23,171,157
Class B Common shares:	555,992

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MEDIA GENERAL, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(000 s except shares)

	(Unaudited) June 27, 2004	December 28, 2003
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,834	\$ 10,575
Accounts receivable - net	109,015	113,226
Inventories	7,039	6,171
Other	27,328	32,649
	<u> </u>	<u> </u>
Total current assets	153,216	162,621
	<u> </u>	<u> </u>
Investments in unconsolidated affiliates	89,804	89,994
Other assets	59,526	60,277
Property, plant and equipment - net	430,297	434,088
Excess of cost over fair value of net identifiable assets of acquired businesses - net	832,004	832,004
FCC licenses and other intangibles - net	799,553	807,771
	<u> </u>	<u> </u>
	<u>\$ 2,364,400</u>	<u>\$ 2,386,755</u>

See accompanying notes.

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MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

(000 s except shares)

	(Unaudited) June 27, 2004	December 28, 2003
	<u> </u>	<u> </u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 21,158	\$ 22,210
Accrued expenses and other liabilities	78,148	83,424
Income taxes payable	1,536	8,769
	<u> </u>	<u> </u>
Total current liabilities	100,842	114,403
	<u> </u>	<u> </u>
Long-term debt	513,952	531,969
Borrowings of consolidated variable interest entities	95,320	95,320
Deferred income taxes	374,493	362,769
Other liabilities and deferred credits	142,225	174,833
Stockholders' equity:		
Preferred stock (\$5 cumulative convertible), par value \$5 per share:		
Authorized 5,000,000 shares; none outstanding		
Common stock, par value \$5 per share:		
Class A, authorized 75,000,000 shares; issued 23,171,101 and 22,989,506 shares	115,855	114,947
Class B, authorized 600,000 shares; issued 555,992 shares	2,780	2,780
Additional paid-in capital	43,634	34,595
Accumulated other comprehensive loss	(50,037)	(50,984)
Unearned compensation	(10,539)	(11,670)
Retained earnings	1,035,875	1,017,793
	<u> </u>	<u> </u>
Total stockholders' equity	1,137,568	1,107,461
	<u> </u>	<u> </u>
	<u>\$ 2,364,400</u>	<u>\$ 2,386,755</u>

See accompanying notes.

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MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

(000 s except for per share data)

	Second Quarter Ended		Six Months Ended	
	June 27, 2004	June 29, 2003	June 27, 2004	June 29, 2003
Revenues	\$ 224,890	\$ 210,715	\$ 433,046	\$ 406,803
Operating costs:				
Production	92,608	87,455	185,704	177,520
Selling, general and administrative	79,614	71,515	154,881	144,931
Depreciation and amortization	16,303	16,576	33,571	33,649
Total operating costs	188,525	175,546	374,156	356,100
Operating income	36,365	35,169	58,890	50,703
Other income (expense):				
Interest expense	(7,557)	(7,985)	(15,528)	(17,853)
Investment loss - unconsolidated affiliates	(24)	(1,292)	(193)	(3,508)
Other, net	634	1,255	693	8,235
Total other expense	(6,947)	(8,022)	(15,028)	(13,126)
Income from continuing operations before income taxes	29,418	27,147	43,862	37,577
Income taxes	10,885	9,909	16,229	13,717
Income from continuing operations	18,533	17,238	27,633	23,860
Income from discontinued operations (net of tax)		267		656
Net income	\$ 18,533	\$ 17,505	\$ 27,633	\$ 24,516
Earnings per common share:				
Income from continuing operations	\$ 0.79	\$ 0.75	\$ 1.19	\$ 1.03
Discontinued operations		0.01		0.03
Net income	\$ 0.79	\$ 0.76	\$ 1.19	\$ 1.06
Earnings per common share - assuming dilution:				
Income from continuing operations	\$ 0.78	\$ 0.74	\$ 1.16	\$ 1.02
Discontinued operations		0.01		0.03
Net income	\$ 0.78	\$ 0.75	\$ 1.16	\$ 1.05

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Dividends paid per common share	\$ 0.20	\$ 0.19	\$ 0.40	\$ 0.38
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See accompanying notes.

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MEDIA GENERAL, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(000 s)

	Six Months Ended	
	June 27, 2004	June 29, 2003
Operating activities:		
Net income	\$ 27,633	\$ 24,516
Adjustments to reconcile net income:		
Depreciation and amortization	33,571	33,692
Deferred income taxes	15,727	6,191
Investment loss - unconsolidated affiliates	193	3,508
Gain on sale of investment		(5,746)
Change in assets and liabilities:		
Retirement plan contribution	(35,014)	
Income taxes payable	(7,202)	1,468
Reduction in advance from unconsolidated newsprint affiliate		(6,000)
Other, net	2,674	1,751
Net cash provided by operating activities	37,582	59,380
Investing activities:		
Capital expenditures	(19,604)	(14,490)
Proceeds from sale of investment		16,840
Other, net	(1,067)	(3,449)
Net cash used by investing activities	(20,671)	(1,099)
Financing activities:		
Increase in debt	172,000	130,000
Payment of debt	(190,017)	(180,994)
Dividends paid	(9,463)	(8,881)
Other, net	9,828	780
Net cash used by financing activities	(17,652)	(59,095)
Net decrease in cash and cash equivalents	(741)	(814)
Cash and cash equivalents at beginning of year	10,575	11,279
Cash and cash equivalents at end of period	\$ 9,834	\$ 10,465

Supplemental disclosures of cash flow information:

Cash paid during the period for:

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Interest (net of amount capitalized)	\$ 13,963	\$ 16,548
Income taxes	\$ 4,027	\$ 6,314

See accompanying notes.

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MEDIA GENERAL, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting, and with applicable quarterly reporting regulations of the Securities and Exchange Commission. They do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements and, accordingly, should be read in conjunction with the consolidated financial statements and related footnotes included in the Company's Annual Report on Form 10-K for the year ended December 28, 2003.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of interim financial information, have been included. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the full fiscal year. Certain prior-year financial information has been reclassified to conform with the current year's presentation.

2. Inventories are principally raw materials (primarily newsprint).

3. In March 2003, the Company sold its shares of Hoover's (a provider of business information) for \$16.8 million and reported a gain of \$5.7 million (\$3.7 million net of income taxes) which is included in the line item Other, net. Proceeds from the sale were used to repay debt.

4. The following table provides the components of net periodic benefit cost for the Company's benefit plans for the second quarter and six months ended 2004 and 2003:

<i>(In thousands)</i>	Second Quarter Ended			
	Pension Benefits		Other Benefits	
	June 27, 2004	June 29, 2003	June 27, 2004	June 29, 2003
Service cost	\$ 3,156	\$ 2,769	\$ 81	\$ 98
Interest cost	5,323	4,901	412	635
Expected return on plan assets	(6,053)	(5,489)		
Amortization of prior-service cost	(789)	111		
Amortization of net loss	2,102		(79)	99
Net periodic benefit cost	\$ 3,739	\$ 2,292	\$ 414	\$ 832

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<i>(In thousands)</i>	Six Months Ended			
	Pension Benefits		Other Benefits	
	June 27, 2004	June 29, 2003	June 27, 2004	June 29, 2003
Service cost	\$ 6,143	\$ 5,537	\$ 198	\$ 195
Interest cost	10,421	9,802	1,029	1,270
Expected return on plan assets	(12,309)	(10,978)		
Amortization of prior-service cost	176	222		
Amortization of net loss	2,102		84	198
Net periodic benefit cost	<u>\$ 6,533</u>	<u>\$ 4,583</u>	<u>\$ 1,311</u>	<u>\$ 1,663</u>

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In December of 2003 Congress passed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act). The Act reformed Medicare in such a way that the Company expects to receive subsidy payments beginning in 2006 for continuing retiree prescription drug benefits and expects a reduction in the rate of participation in the plan. In the second quarter, based on currently available guidance, the Company adopted (retroactive to the beginning of 2004) FASB Staff Position 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003*. Upon retroactive adoption of the Act, accumulated postretirement benefit obligation (APBO) was reduced by \$5.6 million, which resulted in a reduction in net periodic postretirement benefit cost of approximately \$195,000 for each of the first two quarters of 2004, with similar reductions anticipated for the last two quarters of the year. Certain definitions and interpretations, yet to be issued by the federal government, could require the Company to adjust future estimates.

5. The following table sets forth the Company's current and prior-year financial performance by segment for 2004:

<u>(In thousands)</u>	Interactive				Total
	Publishing	Broadcasting	Media	Eliminations	
Three Months Ended June 27, 2004					
Consolidated revenues	\$ 140,586	\$ 81,869	\$ 3,475	\$ (1,040)	\$ 224,890
Segment operating cash flow	\$ 37,791	\$ 28,882	\$ (1,139)		\$ 65,534
Allocated amounts:					
Equity in net income of unconsolidated affiliate	48				48
Depreciation and amortization	(5,929)	(4,551)	(360)		(10,840)
Segment profit (loss)	\$ 31,910	\$ 24,331	\$ (1,499)		54,742
Unallocated amounts:					
Interest expense					(7,557)
Investment loss - SP Newsprint					(72)
Acquisition intangibles amortization					(4,109)
Corporate expense					(11,284)
Other					(2,302)
Consolidated income before income taxes					\$ 29,418
Three Months Ended June 29, 2003					
Consolidated revenues	\$ 135,005	\$ 74,002	\$ 2,275	\$ (567)	\$ 210,715
Segment operating cash flow	\$ 37,895	\$ 25,512	\$ (1,302)		\$ 62,105
Allocated amounts:					
Equity in net income of unconsolidated affiliate	279				279
Depreciation and amortization	(6,523)	(5,505)	(436)		(12,464)
Segment profit (loss)	\$ 31,651	\$ 20,007	\$ (1,738)		49,920
Unallocated amounts:					
Interest expense					(7,985)
Investment loss - SP Newsprint					(1,571)
Acquisition intangibles amortization					(2,990)
Corporate expense					(8,549)
Other					(1,678)

Consolidated income from continuing operations before
income taxes

\$ 27,147

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<i>(In thousands)</i>	Publishing	Broadcasting	Interactive Media	Eliminations	Total
Six Months Ended June 27, 2004					
Consolidated revenues	\$ 276,234	\$ 152,126	\$ 6,484	\$ (1,798)	\$ 433,046
Segment operating cash flow	\$ 69,737	\$ 48,778	\$ (2,423)		\$ 116,092
Allocated amounts:					
Equity in net income of unconsolidated affiliate	148				148
Depreciation and amortization	(11,924)	(9,968)	(750)		(22,642)
Segment profit (loss)	\$ 57,961	\$ 38,810	\$ (3,173)		93,598
Unallocated amounts:					
Interest expense					(15,528)
Investment loss - SP Newsprint					(341)
Acquisition intangibles amortization					(8,218)
Corporate expense					(21,358)
Other					(4,291)
Consolidated income before income taxes					\$ 43,862
Six Months Ended June 29, 2003					
Consolidated revenues	\$ 265,372	\$ 138,134	\$ 4,412	\$ (1,115)	\$ 406,803
Segment operating cash flow	\$ 68,316	\$ 40,348	\$ (2,616)		\$ 106,048
Allocated amounts:					
Equity in net income of unconsolidated affiliate	176				176
Gain on sale of Hoover's common stock			5,746		5,746
Depreciation and amortization	(13,264)	(11,219)	(873)		(25,356)
Segment profit	\$ 55,228	\$ 29,129	\$ 2,257		86,614
Unallocated amounts:					
Interest expense					(17,853)
Investment loss - SP Newsprint					(3,684)
Acquisition intangibles amortization					(6,031)
Corporate expense					(18,099)
Other					(3,370)
Consolidated income from continuing operations before income taxes					\$ 37,577

6. The following table sets forth the computation of basic and diluted earnings per share from continuing operations:

<i>(In thousands, except per share amounts)</i>	Quarter Ended June 27, 2004	Quarter Ended June 29, 2003
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	<u>Income</u> <u>(Numerator)</u>	<u>Shares</u> <u>(Denominator)</u>	<u>Per Share</u> <u>Amount</u>	<u>Income</u> <u>(Numerator)</u>	<u>Shares</u> <u>(Denominator)</u>	<u>Per Share</u> <u>Amount</u>
<i>Basic EPS</i>						
Income from continuing operations available to common stockholders	\$ 18,533	23,364	\$ 0.79	\$ 17,238	23,044	\$ 0.75
<i>Effect of dilutive securities</i>						
Stock options		225			127	
Restricted stock and other	(7)	202		(15)	151	
<i>Diluted EPS</i>						
Income from continuing operations available to common stockholders plus assumed conversions	\$ 18,526	23,791	\$ 0.78	\$ 17,223	23,322	\$ 0.74

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<i>(In thousands, except per share amounts)</i>	Six Months Ended June 27, 2004			Six Months Ended June 29, 2003		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS						
Income from continuing operations available to common stockholders	\$ 27,633	23,308	\$ 1.19	\$ 23,860	23,041	\$ 1.03
Effect of dilutive securities						
Stock options		216			121	
Restricted stock and other	(16)	202		(31)	146	
Diluted EPS						
Income from continuing operations available to common stockholders plus assumed conversions	\$ 27,617	23,726	\$ 1.16	\$ 23,829	23,308	\$ 1.02

Options to purchase 344,500 shares of common stock at \$56.025 per share, granted on January 29, 2003, were not included in the computation of 2003's diluted EPS because the options' exercise price was greater than the average market price of the common shares at that time (i.e., anti-dilutive). The options, which expire on January 29, 2013, were still outstanding at the time of last year's EPS calculation on June 29, 2003.

7. The Company's comprehensive income consisted of the following:

<i>(In thousands)</i>	Quarter Ended		Six Months Ended	
	June 27, 2004	June 29, 2003	June 27, 2004	June 29, 2003
Net income	\$ 18,533	\$ 17,505	\$ 27,633	\$ 24,516
Unrealized gain on derivative contracts (net of deferred taxes)	1,256	261	2,239	2,219
Change in minimum pension liability		(176)	4	(570)
Unrealized holding gain (loss) on equity securities (net of deferred taxes)	39	873	(1,296)	873
Less: reclassification adjustment for gains included in net income (net of deferred taxes)				(3,607)
Comprehensive income	\$ 19,828	\$ 18,463	\$ 28,580	\$ 23,431

8. The Company accounts for its stock-based compensation utilizing the intrinsic value method in accordance with APB Opinion No. 25, *Accounting for Stock Issued to Employees*. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation. The fair value for these options was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for 2004 and 2003, respectively: risk-free interest rates of 3.8% and 3.7%; dividend yields of 1.4% and 1.4%; volatility factors of .48 and .40; and an expected life of 8 years.

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	Quarter Ended		Six Months Ended	
	June 27, 2004	June 29, 2003	June 27, 2004	June 29, 2003
<i>(In thousands, except per share amounts)</i>				
Net income, as reported	\$ 18,533	\$ 17,505	\$ 27,633	\$ 24,516
Deduct: total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	(1,346)	(1,114)	(2,524)	(2,153)
Pro forma net income	\$ 17,187	\$ 16,391	\$ 25,109	\$ 22,363
Earning per share:				
Basic as reported	\$ 0.79	\$ 0.76	\$ 1.19	\$ 1.06
Basic pro forma	\$ 0.74	\$ 0.71	\$ 1.08	\$ 0.97
Diluted as reported	\$ 0.78	\$ 0.75	\$ 1.16	\$ 1.05
Diluted pro forma	\$ 0.72	\$ 0.70	\$ 1.06	\$ 0.96

In March 2004, the FASB issued a proposed statement, *Share-Based Payment*, that would require that such transactions be accounted for using a fair-value-based method to recognize compensation expense. The Company continues to monitor the status of this proposed standard.

9. As part of the September 2000 sale of Garden State Paper Company, the Company entered into a financial newsprint swap agreement with Enron North America Corporation (Enron). In late November 2001, the Company terminated the newsprint swap agreement for reasons including misrepresentations made by Enron at the time the contract was signed. Enron filed for bankruptcy shortly thereafter. The Company believes that no further payments are due by either party under the agreement. Enron disputes the Company's position and, in late 2003, filed a claim for \$26.7 million plus interest and certain declaratory relief. The Company believes that its position is correct and has filed various motions to dismiss the claim or to remove it from the bankruptcy court. There was a mandatory mediation session held late in the second quarter. Additional sessions are possible but have not been scheduled. The Company does not believe that resolution of this matter will be material to its results of operations, financial position or cash flow.

10. In October 2003, the Company sold Media General Financial Services, Inc. (MGFS), a component of its Interactive Media Division, to CenterPoint Data, Inc. The Company recorded an after-tax gain of \$6.8 million (net of income taxes of \$3.9 million). The results of MGFS, which have been presented as income from discontinued operations in the accompanying consolidated statements of operations, were as follows for the second quarter and first six months of 2003: revenues of \$1.2 million and \$2.6 million, costs and expenses of \$.7 million and \$1.5 million, and income from discontinued operations of \$.3 million and \$.7 million (net of \$.2 million and \$.4 million in income taxes).

11. The Company has a one-third partnership interest in SP Newsprint Company (SPNC) which it accounts for under the equity method. The Company has agreed to contribute additional equity (up to \$4.7 million) if SPNC's liquidity, as defined, were to fall below a minimum threshold. This agreement terminates on December 31, 2005.

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12. In August 2001, the Company filed a universal shelf registration for combined public debt or equity securities totaling up to \$1.2 billion. The Company's subsidiaries are 100% owned except for certain VIEs; all subsidiaries except those in the non-guarantor column (which includes the VIEs and the Company's discontinued operations) currently guarantee the debt securities issued from the shelf. These guarantees are full and unconditional and on a joint and several basis. The following financial information presents condensed consolidating balance sheets, statements of operations, and statements of cash flows for the parent company, the Guarantor Subsidiaries, and the Non-Guarantor Subsidiaries, together with certain eliminations.

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Media General, Inc.

Condensed Consolidating Balance Sheets

As of June 27, 2004

(In thousands)

	<u>Media General Corporate</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Media General Consolidated</u>
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 6,394	\$ 3,440	\$	\$	\$ 9,834
Accounts receivable, net		109,015			109,015
Inventories	2	7,037			7,039
Other	42,223	46,376	264	(61,535)	27,328
Total current assets	48,619	165,868	264	(61,535)	153,216
Investments in unconsolidated affiliates	10,569	79,235			89,804
Investments in and advances to subsidiaries	1,679,247	953,903	5,721	(2,638,871)	
Other assets	35,661	22,741	1,124		59,526
Property, plant and equipment, net	20,858	330,545	81,294	(2,400)	430,297
Excess of cost over fair value of net identifiable assets of acquired businesses, net		832,004			832,004
FCC licenses and other intangibles, net		799,553			799,553
Total assets	\$ 1,794,954	\$ 3,183,849	\$ 88,403	\$ (2,702,806)	\$ 2,364,400
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Accounts payable	\$ 9,242	\$ 11,922	\$	\$ (6)	\$ 21,158
Accrued expenses and other liabilities	61,757	77,662	264	(61,535)	78,148
Taxes on income		1,536			1,536
Total current liabilities	70,999	91,120	264	(61,541)	100,842
Long-term debt	513,952		95,320		609,272
Deferred income taxes	(60,869)	435,362			374,493
Other liabilities and deferred credits	135,157	5,281		1,787	142,225
Stockholders' equity					
Common stock	118,635	4,872		(4,872)	118,635
Additional paid-in capital	43,634	2,027,288	4,187	(2,031,475)	43,634
Accumulated other comprehensive income (loss)	(52,062)	2,025			(50,037)
Unearned compensation	(10,539)				(10,539)
Retained earnings	1,036,047	617,901	(11,368)	(606,705)	1,035,875
Total stockholders' equity	1,135,715	2,652,086	(7,181)	(2,643,052)	1,137,568

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Total liabilities and stockholders equity	\$ 1,794,954	\$ 3,183,849	\$ 88,403	\$ (2,702,806)	\$ 2,364,400
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Media General, Inc.

Condensed Consolidating Balance Sheets

As of December 28, 2003

(In thousands)

	<u>Media General Corporate</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Media General Consolidated</u>
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 7,343	\$ 3,232	\$	\$	\$ 10,575
Accounts receivable, net		113,226			113,226
Inventories	2	6,169			6,171
Other	41,742	53,260	261	(62,614)	32,649
Total current assets	49,087	175,887	261	(62,614)	162,621
Investments in unconsolidated affiliates	10,418	79,576			89,994
Investments in and advances to subsidiaries	1,691,763	906,696	5,721	(2,604,180)	
Other assets	33,492	25,450	1,335		60,277
Property, plant and equipment, net	21,027	332,734	82,727	(2,400)	434,088
Excess of cost over fair value of net identifiable assets of acquired businesses, net		832,004			832,004
FCC licenses and other intangibles, net		807,771			807,771
Total assets	\$ 1,805,787	\$ 3,160,118	\$ 90,044	\$ (2,669,194)	\$ 2,386,755
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Accounts payable	\$ 9,352	\$ 12,864	\$	\$ (6)	\$ 22,210
Accrued expenses and other liabilities	60,497	85,281	261	(62,615)	83,424
Taxes on income		8,769			8,769
Total current liabilities	69,849	106,914	261	(62,621)	114,403
Long-term debt	531,969		95,320		627,289
Deferred income taxes	(66,494)	429,263			362,769
Other liabilities and deferred credits	166,238	6,808		1,787	174,833
Stockholders equity					
Common stock	117,727	4,872		(4,872)	117,727
Additional paid-in capital	34,595	2,027,288	4,187	(2,031,475)	34,595
Accumulated other comprehensive income (loss)	(54,304)	3,320			(50,984)
Unearned compensation	(11,670)				(11,670)
Retained earnings	1,017,877	581,653	(9,724)	(572,013)	1,017,793
Total stockholders equity	1,104,225	2,617,133	(5,537)	(2,608,360)	1,107,461

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Total liabilities and stockholders equity	\$ 1,805,787	\$ 3,160,118	\$ 90,044	\$ (2,669,194)	\$ 2,386,755
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Media General, Inc.

Condensed Consolidating Statements of Operations

Three Months Ended June 27, 2004

(In thousands)

	<u>Media General Corporate</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Media General Consolidated</u>
Revenues	\$ 42,624	\$ 254,681	\$	\$ (72,415)	\$ 224,890
Operating costs:					
Production		92,608			92,608
Selling, general and administrative	41,285	111,223		(72,894)	79,614
Depreciation and amortization	636	14,950	717		16,303
Total operating costs	41,921	218,781	717	(72,894)	188,525
Operating income (loss)	703	35,900	(717)	479	36,365
Operating income (expense):					
Interest expense	(7,016)	(2)	(539)		(7,557)
Investment income (loss) unconsolidated affiliates	48	(72)			(24)
Investment income (loss) consolidated affiliates	22,362			(22,362)	
Other, net	323	311	479	(479)	634
Total other income (expense)	15,717	237	(60)	(22,841)	(6,947)
Income (loss) before income taxes	16,420	36,137	(777)	(22,362)	29,418
Income tax expense (benefit)	(2,113)	12,998			10,885
Net income (loss)	18,533	23,139	(777)	(22,362)	18,533
Other comprehensive income (net of tax)	1,256	39			1,295