

# BELO

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

May 18, 2005

Dear Fellow Employees:

A number of positive developments about Belo and its operating companies were highlighted at last week's Annual Meeting, and I hope you've had an opportunity to view the meeting through the Webcast on [www.belo.com](http://www.belo.com) if you weren't able to attend in person. It is important that everyone is aware of the major points in my report to shareholders and the meeting's related events – thus, this letter. And, I want to address recent developments related to the circulation overstatement at *The Dallas Morning News* that I did not cover at the meeting.

## **Progress Made in 2004 and First Quarter 2005**

Belo made progress on important strategic initiatives in 2004 and had very good overall financial performance, taking into account the continuing impact of the war in Iraq, an uneven advertising climate nationally, and the relatively flat economy in our largest market, Dallas/Fort Worth. In 2004, 15 of Belo's 25 operating units achieved record revenue results and five others came very close. After three consecutive years of strong growth, Belo's stock price declined in 2004, but still outperformed our peer company index for the fourth consecutive year and is ahead of the peer group this year. Net earnings per share improved to \$1.13 in 2004 from \$1.11 the prior year.

Beginning in March 2004, Dunia Shive and I led an internal Strategy Project with the full engagement of the Board of Directors. The goal was to align Belo's human and financial resources with the business opportunities created by our great media assets. We are confident that Belo can continue to build significant shareholder value in an ever-changing external environment by focusing on strategy and running our existing businesses exceptionally well. *This is so important because the Company's continued financial success enables us to sustain the superb journalism that has always defined Belo.*

We've taken a number of decisive actions as a result of 2004's Strategy Project, which include:

- The commitment of an additional \$10 million annually to support marketing initiatives for our key operating companies in Dallas/Fort Worth, Houston, Seattle/Tacoma, Phoenix, Providence and Riverside.

Continued...

- The integration of Belo's interactive Web content and sales organizations into their legacy operating companies. This has given us significant competitive leverage that benefits both Belo and our advertisers.
- A commitment to fund long-term capital projects over the next five years in New Orleans, Riverside and Dallas that will strengthen Belo's infrastructure. This includes a new South Plant distribution and production center in Dallas, which was announced last week. All three projects will be major boosts to local economic development efforts as well.

First quarter 2005 results were positive, largely as a result of these and related actions. This is despite the absence of significant political revenue at Belo's television stations and the financial impact related to circulation matters at *The Dallas Morning News*. Reported first quarter EPS of \$0.20 per share was \$0.04 higher than the mean estimate of Wall Street analysts and \$0.03 higher than our internal plan. We also began a Shared Services feasibility study in late February to determine the most effective ways to provide finance, accounting and human resources support for our operating units.

#### **Belo Teams Received Several of Journalism's Highest Honors in 2004**

- WFAA-TV in Dallas/Fort Worth received three national recognitions for its investigative report "State of Denial," which brought about important reforms in the Texas workers' compensation system.
  - The Alfred I. duPont-Columbia University Silver Baton Award
  - The George Foster Peabody Award
  - The only television finalist for the 2005 Goldsmith Prize for Investigative Reporting by the Shorenstein Center on the Press, Politics and Public Policy at Harvard's Kennedy School of Government
- WCNC-TV in Charlotte also won an Alfred I. duPont-Columbia University Silver Baton Award, for its series "Medicaid Dental Care Investigation." WCNC and WFAA were the only local commercial television stations in the nation to receive Silver Baton awards in the past year.
- KING-TV in Seattle/Tacoma and WFAA each received a 2005 USC Annenberg Walter Cronkite Award for Excellence in Television Political Journalism.

Continued...

Belo Employees  
May 18, 2005  
Page Three

- WFAA, in collaboration with *The Dallas Morning News*, was recognized with a national Edward R. Murrow Award for best documentary for “War Stories,” a compilation of reporting done by both teams during the Iraq War.
- Belo television stations won 38 Murrow regional awards – a record number for the Company and more than any other television company nationwide.
- *The Providence Journal* was honored as “Newspaper of the Year” by the New England Newspaper Association for the fourth time in the last seven years.
- *The Dallas Morning News* received the 2004 Scripps Howard Foundation National Journalism Award for Distinguished Service to the First Amendment for its series of editorials pressuring Texas legislators to support recorded votes.
- *The Dallas Morning News* received several other national awards:
  - The education team won the Education Writers Association’s 2004 National Award for investigative reporting
  - *DallasNews.com* won the 2004 Scripps Howard Foundation National Journalism Award for Web Reporting
  - The daily and Sunday sports sections were named among the top 10 nationwide by the Associated Press Sports Editors for a record 22<sup>nd</sup> consecutive year. *The Morning News* also placed among the top 10 in the special section category to claim APSE’s “Triple Crown” for the 17<sup>th</sup> time in the last 22 years
  - The religion section was named the nation’s best by the Religion Communicators Council for the eighth time in nine years

#### **Glenn Wright Honored With 2005 William H. Seay Award**

This award is named in honor of Bill Seay, who served 22 years as a member of Belo’s Board of Directors. It is given annually to an individual who exemplifies Bill’s own example of integrity and personal standards that reflect Belo’s values. Glenn Wright, our senior vice president who has overseen the Northwest Television Group, was recognized at the Annual Meeting for his sales and marketing prowess, his innovation, his leadership, and his ability to build strong, successful teams. Glenn joined Belo when the Company acquired KIRO-TV in Seattle/Tacoma in 1995 and will be retiring at the end of this year after representing Belo so ably for the past decade.

Continued...

### **Ten Employees Recognized With Chairman's Awards**

Ten professionals – six individually and four in teams – were selected this year for Chairman's Awards, which honor the exceptional accomplishments of employees in all disciplines within Belo. The winners support 11 broadcast, print and online media operations around the country and work in areas ranging from news reporting to operations and finance.

- Jim Alvarez, WCNC-TV
- Sarah Hanan, *The Dallas Morning News*
- Don Hazen, WFAA-TV
- Mike Lopez, KTVK-TV/KASW-TV (Phoenix)
- Lou Medran, KMSB-TV/KTTU-TV (Tucson)
- Will Murphy, *The Dallas Morning News*
- Peter O'Connell, KING-TV
- Matt Tuggle, WWL-TV (New Orleans)
- Chris Finch, WWL-TV
- Aaron Weiss, KGW-TV (Portland)

Sarah, Don and Will were recognized in person at the Annual Meeting.

### **Stephen Hamblett Saluted Upon His Retirement as a Belo Director**

Steve Hamblett, who was chairman and CEO of the Providence Journal Company at the time of its merger with Belo in 1997 and publisher of *The Providence Journal*, retired from the Board at the Annual Meeting. Our Company is indebted to Steve for his role in joining these two great journalistic traditions, and in helping to shape Belo's future direction.

### **Update on Circulation Overstatement Matters**

Since August 2004, we have been implementing many important changes in how *The Dallas Morning News* distributes and counts newspapers. These changes will continue on an orderly schedule throughout 2005 and, when fully implemented, should result in a "best-in-class" system for distributing and counting newspapers. Last week, the Audit Bureau of Circulations issued *The Morning News'* audited circulation report for the March 2005 period. This is good news since this audit, along with the upcoming September 2005 audit, will establish the baseline from which to gauge the future circulation performance of *The Dallas Morning News*.

We're also working our way through a shareholder class-action lawsuit filed in U.S. District Court in Dallas in the wake of our announcement of the circulation overstatement last August. The original lawsuit was filed on August 23 and the Company issued a press

Continued...

Belo Employees  
May 18, 2005  
Page Five

release disclosing this action on August 24. We've subsequently updated investors and the public about the lawsuit in the Company's annual and quarterly filings with the Securities and Exchange Commission. Such lawsuits take months to develop, and various motions and amendments to the complaint are typical. The Company will seek to have the lawsuit dismissed soon; however, we have not yet filed a formal reply because it is not yet due. We believe the lawsuit is without merit and intend to defend vigorously against the claims asserted.

Last month, the complaint in the lawsuit was amended to include an allegation that I knew that *The Morning News* had been overstating circulation figures for more than a year before the public announcement of the circulation overstatement. This amendment occasioned several articles in the press and in industry publications. Here's what actually happened: in January 2003, I received a letter and a tape from an independent contractor for *The Morning News* working in an area outside the Dallas metropolitan market. The letter said that the contractor's supervisor had told the contractor to lie about the number of papers the contractor had sold. I immediately referred these materials to Belo's Legal Department, which coordinated a thorough investigation by Belo's corporate Human Resources Department and *Morning News* executives, including interviews of dozens of *Morning News* employees and contractors. This investigation was intended to determine what had happened with the one contractor and whether there were similar situations with other contractors.

Based on the results of this inquiry, several circulation managers were terminated. The information in the contractor letter dealt only with the one contractor, and the resultant investigation from January 2003 to February 2003 made us certain at that time that the issues raised had been comprehensively addressed and there wasn't a larger problem with respect to circulation at *The Morning News*. The allegations raised by this independent contractor and our responses were reviewed again and fully considered last August and September as part of the independent investigation of the circulation overstatement performed by a national law firm under the direction of the Audit Committee of Belo's Board of Directors. The 2004 independent investigation did not dispute or contradict the 2003 internal report on this matter.

In its report on the amended shareholder complaint recently, the *Fort Worth Star-Telegram* noted the fact that I sold shares of Belo stock in 2003 and 2004. What the story and the complaint did not say is that these sales were part of a formal trading plan that was publicly disclosed in a press release in November 2001. This plan provided for sales to be made on pre-scheduled trading dates and was administered by a third-party financial institution. The plan enabled my wife and me to utilize a sizeable, unused charitable

Continued...

Belo Employees  
May 18, 2005  
Page Six

deduction that arose when we funded a philanthropic foundation here in Dallas. It has been fully disclosed since 2001 and was terminated in March 2005.

As the Company continues to move through the legal process related to the shareholder lawsuit, we will keep Belo employees, shareholders and the public updated as appropriate. And, with your support, we will continue to adhere to Belo's longstanding values of integrity and excellence in everything the Company does.

Our successes as a Company reflect the significant contributions made by talented individuals and teams throughout Belo each and every day. We have a clear game plan for progress, guided by last year's enterprise-wide Strategy Project. By focusing on our audiences, superior journalism and community leadership, we expect 2005 to be another year of significant accomplishment. As always, I thank you for your continued dedication to Belo.

Sincerely,

A handwritten signature in black ink that reads "Robert Decker". The signature is written in a cursive style with a large, prominent "R" at the beginning.