

THE MCCLATCHY COMPANY
Since 1857



2009 ANNUAL REPORT

THE McCLATCHY COMPANY is the third largest newspaper publisher in the United States, with 30 daily newspapers, 43 non-dailies, and direct marketing and direct mail operations. McClatchy also operates leading local websites in each of its markets which extend its audience reach. The websites offer users comprehensive news and information, advertising, e-commerce and other services. Together with its newspapers and direct marketing products, these interactive operations make McClatchy the leading local media company in each of its premium high growth markets. McClatchy-owned newspapers include *The Miami Herald*, *The Sacramento Bee*, the *Fort Worth Star-Telegram*, *The Kansas City Star*, *The Charlotte Observer*, and *The News & Observer* (Raleigh).

McClatchy also owns a portfolio of premium digital assets, including 14.4% of CareerBuilder, the nation's largest online job site, 25.6% of Classified Ventures, a newspaper industry partnership that offers two of the nation's premier classified websites: the auto website, cars.com, and the rental site, Apartments.com, and 33.3% of HomeFinder, LLC which operates the real estate website HomeFinder.com.

McClatchy is listed on the New York Stock Exchange under the symbol MNI.

FINANCIAL HIGHLIGHTS

in thousands except per share amounts	2009	2008	% change
For the Year			
Net revenues	\$1,471,584	\$1,900,456	-22.6%
Operating expenses	1,273,072	1,738,854	-26.8%
Income from continuing operations	60,264	2,807	NM
Income from continuing operations per share	0.72	0.03	NM
Operating cash flow from continuing operations ⁽¹⁾	369,976	409,053	-9.6%
At Year End			
Total assets	\$3,302,899	\$3,522,206	-6.2%
Long-term debt	1,896,436	2,037,776	-6.9%
Stockholders' equity	170,189	52,429	224.6%
Shares outstanding:			
Class A shares	59,667	57,515	3.7%
Class B shares	24,801	25,051	-1.0%

⁽¹⁾ Operating cash flow from continuing operations represents operating income (\$198,512,000 income in 2009 and \$161,602,000 in 2008) plus depreciation and amortization (\$142,889,000 in 2009 and \$142,948,000 in 2008), plus impairment charges (\$59,799,000 in 2008), plus severance charges (\$28,575,000 in 2009 and \$44,704,000 in 2008). The company believes operating cash flow is commonly used as a measure of performance for newspaper companies, however, it does not purport to represent cash provided by operating activities as shown in the company's statement of cash flows, nor is it meant as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

NM = Not Meaningful

LETTER TO SHAREHOLDERS

We own and operate the leading local media company in some of the best markets in the United States.



GARY B. PRUITT
*Chairman, President and
Chief Executive Officer*

Last year was arguably the most difficult year in the company's history. McClatchy was and continues to be engaged in battle on two fronts: We're managing through the deepest and most painful recession in generations and we're undergoing the unprecedented transformation of the news business brought about by the secular shift to the internet.

Even with the significant cyclical and secular challenges we face, McClatchy continues to manage from an enviable position of strength. We own and operate the leading local media company in some of the best markets in the United States.

And we have responded to these challenges by focusing on revenue initiatives and strategic restructuring to remake McClatchy into a hybrid print and online news and advertising company built to compete and prosper in the 21st century media environment.

Of late, we have been helped by an improving revenue trend, but that wasn't the case for most of last year. The difficult ad environment is reflected in our 2009 results.

FINANCIAL RESULTS

In 2009 our revenues were down 22.6%, with advertising revenues down 27.1%. The decline in ad revenues was partially offset by 4.8% growth in circulation revenues.

Income from continuing operations was \$60.3 million, or 72 cents per share, compared to \$2.8 million, or three cents per share, in 2008, which included the

effect of non-cash impairment charges. We restructured our business and reduced costs, and as a result generated \$370 million in operating cash flow in 2009 despite the dismal economy. Importantly, every McClatchy daily newspaper was profitable even in the depths of the recession.

We used our cash to repay debt and completed a bond exchange offer to take advantage of low bond prices to further reduce debt. By the end of 2009, our debt principal had declined nearly \$174 million to \$1.95 billion.

We believe improving revenue trends and stringent cost controls will yield better results in the coming year. We head into 2010 confident and optimistic about our future in the near and long term. Let me share with you the primary reasons for our optimism.

SUCCESSFUL DIGITAL OPERATIONS

A key contributor is the growing success of our digital business.

Our online audience grew by 18.6% in 2009 to more than 34 million unique visitors each month.

Our digital revenues returned to growth in the second half of the year and did so convincingly. In the last quarter of 2009, digital advertising revenues grew

14.9%. We finished the year with online ad revenues of \$185.5 million. McClatchy's online advertising revenue represented an industry-leading 16.2% of our total advertising revenue, up from 11.6% in 2008.

It's also significant that 43.7% of McClatchy's online advertising revenue in 2009 was online-only, meaning it wasn't tied or bundled with a print advertising buy. We believe this independent revenue stream bodes well for the future of our digital business.

Conventional wisdom holds that newspapers are being left behind as advertising migrates from print to the internet, but you can see by our results that this is not true at McClatchy. About one-third of our classified advertising revenue is now coming from online. Half of employment, more than one-third of automotive and almost a quarter of our real estate classified advertising revenue is online.

In one year, we've seen the percentage of digital retail advertising double. Helped by our affiliation with Yahoo, retail advertising today is our fastest growing digital category. Yahoo's ad technology allows us to behaviorally target and geographically target digital visitors to both McClatchy and Yahoo websites. This combination allows us to offer unprecedented precision to our advertisers.

Just what's driving McClatchy's industry-leading digital performance? It's the combination of our technology partnerships and investments and the unrivaled strengths of our newsrooms and advertising staffs.

McClatchy is the only newspaper company to offer leading classified digital products such as CareerBuilder, cars.com and Apartments.com and to be affiliated with Yahoo on retail efforts. Other newspaper companies have some of these products and partnerships, but only McClatchy has all of them. Importantly, we hold ownership stakes in these digital classified businesses and benefit from

their national scale, marketing and overall success. CareerBuilder is the nation's No. 1 jobs website and cars.com is the No. 2 auto website.

We're leveraging our sales forces, meanwhile, to effectively market and sell our growing portfolio of digital products. We've trained salespeople to market and sell our digital products, and we've reworked our sales commission programs to properly motivate and reward digital sales.

HIGH-QUALITY JOURNALISM

Our newsrooms are producing the compelling, high quality content that is growing our digital audience. McClatchy journalism is known and respected worldwide. It's our signature asset, a core competency and we view it as our social responsibility.

Our news industry peers continue to recognize McClatchy journalism with the highest honors possible. In April 2009, *The Charlotte Observer* won a Robert F. Kennedy Journalism Award for outstanding domestic newspaper reporting for an investigation into the deplorable working conditions in the poultry industry. Also in April, *The Miami Herald* won a Pulitzer Prize for breaking news photography. McClatchy Newspapers have won 52 Pulitzer Prizes over their histories, 13 of which were Gold Medals for Public Service.

McClatchy journalism is available on a wide variety of platforms and formats – from the daily newspaper to leading local websites; on Facebook and Twitter; on smart phones and on eReaders; on blogs and in niche publications and websites; in e-mail newsletters and RSS feeds.

CIRCULATION DECLINES IN CONTEXT

Print remains an important component in our hybrid business model. Print is an effective, profitable, premium product. It puts us in a unique position in our markets to offer the combination of print and digital, which gives advertisers more options.

It's true that in 2009 McClatchy's daily and Sunday print circulation declined. Much of McClatchy's decline, however, resulted from conscious decisions made by our individual newspapers.

Most of McClatchy's newspapers increased their single copy and subscription prices over the past year to better reflect the value and the quality of the newspapers we produce and to offset some of the advertising decline in this economy. These price increases have impacted circulation volume, but we are confident that we've retained the highest quality print customers – those most loyal and engaged with our newspapers. Those price increases also helped our circulation revenues, which were up 4.8% in 2009 to \$278.3 million.

Many of our newspapers also have cut back print delivery to outlying areas in their markets and dramatically reduced discount distribution programs. Some of these decisions were driven by economic necessity coupled with the fact many advertisers told us they weren't interested in participating in these programs.

These kinds of strategic reductions tend to have a lower impact on readership. Last year *The Charlotte Observer*, for instance, posted circulation declines on Sunday but readership, as measured by Scarborough Research, increased by 2.4%. Similarly, *The Miami Herald* has undertaken a tremendous amount of restructuring of its circulation and delivery operations. Yet its most recent readership study reported a readership loss of only 2% despite daily circulation declines in the 20% range.

As we've seen, McClatchy's digital audience continues to grow by double digits, which gives us unequalled market penetration. The Audit Bureau of Circulations (ABC) certifies audience reach where surveys are available – generally in larger markets. Even with the decline in circulation, our combined,

unduplicated audience reach for the 21 McClatchy markets measured by the ABC grew from March to September 2009 to nearly 70% of the adults in those markets. No other local media outlet in any of those markets can make that claim.

RESTRUCTURING COSTS

As we chart McClatchy's course for the future, we constantly ask ourselves the following question: "If we started a news company today, what would it look like?"

And that's the prism through which we remake our company for the future. McClatchy has taken a strategic approach to restructuring costs. These cost reductions are part of our plan for successful future operations and not just a response to today's economy. The combination of secular and cyclical pressures, however, has forced us to accelerate this restructuring process to keep the company safe and made it considerably more painful for everyone involved.

As a result of these efforts, McClatchy today is less vertically integrated than at any other time in our history. We're taking advantage of regional synergies. We're outsourcing non-core functions such as portions of our production, information technology, certain accounting functions and ad services. Eight of our newspapers are now printed at outside facilities.

We are putting our energy and focus on our most powerful assets and our core competencies: news, advertising and our digital business. In 2000, only one-third of our employees worked in news, advertising and digital operations. Today, half of our employees work in these core areas. McClatchy newspapers still have the largest newsgathering operations and sales forces by far in each of their markets.

While we've made tremendous progress in reengineering our company over the past few years, the dismal economy has masked many of our advances. Another reason we're confident about 2010 and beyond is that McClatchy now stands to benefit from even the slightest uptick in the economy.

IMPROVING ECONOMY

We've seen the first signs of an improving economy in classified advertising, which for us serves as an economic indicator of sorts. It's typically the first area of our business to suffer in a downturn – and also the first to rebound when things improve.

In the fourth quarter of 2009 we saw a 15.2 percentage point improvement in classified advertising compared to the prior nine months of 2009. Importantly, this improvement was reflected in every classified category and in every region of the country in both print and online. This development has us encouraged that we may see some economic recovery in our local markets.

FOCUS ON FINANCIAL STABILITY

McClatchy remains focused on reducing debt to strengthen our financial position. Our commitment to debt repayment is clear. Over the last three years we have reduced debt by \$1.4 billion, and it's our intent to maintain a sustainable capital structure by continuing to pay down debt and remove risk at every opportunity. And we saw such an opportunity at the beginning of 2010.

We issued \$875 million in bonds, which mature in 2017, and used the proceeds to eliminate most of our bank debt coming due in 2011. As a result, the company now has more time to recover from this deep recession with less near-term debt pressure.

THE HUMAN ELEMENT

Our success is directly attributable to the hard work, innovation and adaptability of our dedicated employees. Despite having to say goodbye to many colleagues as a result of the necessary restructuring, our employees worked tirelessly throughout this transition to produce high quality journalism and good financial results. They are the ones in the trenches every day executing this new, hybrid print and digital business model that is fundamental to McClatchy's success. We thank them for all they do.

Among the many dear friends and colleagues who left McClatchy in 2009 was Bill Coblenz. Bill retired last year after serving on our Board of Directors since 1979. We benefited tremendously from Bill's leadership over the decades. We thank him for his many contributions and wish him all the best in his retirement.

LOOKING FORWARD

In closing, I will mention again that we are weathering this tough recession and successfully transitioning to a hybrid print and online company that is well-prepared to compete in the 21st century. We're well on our way to positioning McClatchy for a long and prosperous future.



Gary B. Pruitt
Chairman, President and CEO
March 1, 2010

STOCKHOLDER INFORMATION

General Office

The McClatchy Company
2100 Q Street
Sacramento, CA 95816
(916) 321-1846

Transfer Agent and Registrar

Wells Fargo Shareowner Services
PO Box 64874
St. Paul, MN 55164-0874
www.shareowneronline.com
(800) 718-2377

Independent Auditor

Deloitte & Touche LLP
2868 Prospect Drive
Sacramento, CA 95670

Form 10-K

Upon request, the company will provide, without charge, a copy of its report on Form 10-K filed with the Securities and Exchange Commission. Requests should be made in writing to:

The McClatchy Company
Attention: Treasurer
P. O. Box 15779
Sacramento, CA 95852

Annual Meeting

The annual meeting of stockholders will be held on Wednesday, May 19, 2010 at 9 a.m. Pacific Time in the Capitol View Room on the 15th floor at the Hyatt Regency Sacramento, 1209 L Street, Sacramento, CA 95814.

Certifications of Officers

The company submitted its Annual CEO Certification for 2009 to the New York Stock Exchange on June 19, 2009. The company has filed with the Securities and Exchange Commission as Exhibits 31.3 and 31.2 to its Annual Report on Form 10-K for the fiscal year ended December 27, 2009, the Certifications of its Chief Executive Officer and Chief Financial Officer required in connection with that report by rules 13a-14(a) and 15-d-14(a) under the Securities Exchange Act.

Directors and Officers

Directors

Elizabeth A. Ballantine
President, EBA Associates

Leroy T. Barnes, Jr.
Former Vice President and
Treasurer, PG&E Corporation

Molly Maloney Evangelisti
Former Special Projects Coordinator,
The Sacramento Bee

Dr. Kathleen Foley Feldstein
President, Economics Studies, Inc.

Larry Jinks
Former Newspaper Executive,
Knight-Ridder, Inc.

Joan F. Lane
Special Assistant to the Board of Trustees,
Stanford University

Brown McClatchy Maloney
Owner and Publisher, Olympic View
Publishing and Owner, Radio Pacific

Kevin S. McClatchy
Former Managing General Partner
and Chief Executive Officer,
Pittsburgh Pirates

William B. McClatchy
Entrepreneur, Journalist and
Co-founder of Index Investing, LLC

Theodore R. Mitchell
President and Chief Executive Officer,
New Schools Venture Fund

Gary B. Pruitt
Chairman, President and
Chief Executive Officer,
The McClatchy Company

S. Donley Ritchey, Jr.
Former Chairman and
Chief Executive Officer,
Lucky Stores, Inc.

Frederick R. Ruiz
Chairman Emeritus and
Co-founder, Ruiz Foods, Inc.

Officers

Gary B. Pruitt
Chairman, President and
Chief Executive Officer

Heather Fagundes
Vice President, Human Resources

Christian A. Hendricks
Vice President, Interactive Media

Karole Morgan-Prager
Vice President, General Counsel
and Corporate Secretary

Patrick J. Talamantes
Vice President, Finance and
Chief Financial Officer

Robert J. Weil
Vice President, Operations

Frank R. J. Whittaker
Vice President Operations

R. Elaine Lintecum
Treasurer

Hai V. Nguyen
Controller



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www.mcclatchy.com