Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: **December 29, 2002**

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: **1-9824**

The McClatchy Company

(Exact name of registrant as specified in its charter)

Delaware	**52-2080478**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2100 "Q" Street, Sacramento, CA	**95816**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **916-321-1846**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: **None**

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. Based on the closing price of the Company's Class A Common Stock on the New York Stock Exchange on June 30, 2002: approximately $1,308,630,000. For purposes of the foregoing calculation only, as required by Form 10-K, the Registrant has included in the shares owned by affiliates the beneficial ownership of Common Stock of officers and directors of the Registrant and members of their families, and such inclusion shall not be construed as an admission that any such person is an affiliate for any purpose.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Shares outstanding as of February 25, 2003:

Class A Common Stock	19,487,346 Shares
Class B Common Stock	26,544,147 Shares

DOCUMENTS INCORPORATED BY REFERENCE

Definitive Proxy Statement for the Company's May 14, 2003 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 (incorporated in Part III to the extent provided in Items 10, 11, 12 and 13 hereof).

INDEX TO THE McCLATCHY COMPANY
2002 FORM 10-K

PART I

ITEM 1. BUSINESS

Available Information

The Company maintains a website which includes an investor relations page available to all interested parties at www.mcclatchy.com. All filings with the United States Securities and Exchange Commission, along with any amendments thereto, are available free of charge on our website at www.mcclatchy.com/investor/. In addition, paper copies of any such filings are available free of charge by contacting us at the address listed on the cover page of this filing. The contents of this website are not incorporated into this filing. Further, our reference to the URL for this website is intended to be an inactive textual reference only.

Overview

All references to the "Company" herein include McClatchy Newspapers, Inc., the predecessor in interest in which the Company was formed as a holding company owning McClatchy Newspapers, Inc. and Cowles Media Company.

The Company dates to the California Gold Rush era of 1857. The three California newspapers—*The Sacramento Bee, The Fresno Bee* and *The Modesto Bee*—were the core of the Company for more than a century. The Company began to diversify geographically outside of California in 1979 when it purchased two newspapers in the Northwest, the *Anchorage Daily News* and the *Tri-City Herald* in Southeastern Washington. In 1986, the Company purchased *The* (Tacoma) *News Tribune*. In the early and mid 1990s the Company expanded into the Carolinas when it purchased newspapers in South Carolina and The News and Observer Publishing Company in North Carolina, and into the Midwest with the 1998 acquisition of The Star Tribune Company.

The Company owns and publishes 22 newspapers in four regions of the country—Minnesota, California, the Carolinas and the Northwest (Alaska and Washington). These newspapers range from large dailies serving metropolitan areas to non-daily newspapers serving small communities. For the calendar year 2002, the Company had an average paid daily circulation of 1,392,745, Sunday circulation of 1,857,534 and non-daily circulation of 62,632.

The Company supplements its newspaper publishing with a growing array of niche products and direct marketing initiatives, including direct mail. The Company also operates leading local websites in each of its 11 daily newspaper markets offering users information, comprehensive news, advertising, e-commerce and other services.

Each of the Company's newspapers is largely autonomous in its business and editorial operations so as to meet most effectively the needs of the communities it serves. Publishers and editors of the newspapers make the day-to-day decisions and within limits are responsible for their own budgeting and planning. Policies on such matters as the amount and type of capital expenditures, key personnel changes, and strategic planning and operating budgets, including wage and pricing matters, are approved or established by the Company's senior management and/or Board of Directors.

Table of Contents

Each of the Company's 11 daily newspapers has the largest circulation of any newspaper servicing its particular community. The Company believes that this circulation advantage is of primary importance in attracting advertising, the principal source of revenues for the Company. Advertising revenues approximated 81% of consolidated net revenues in fiscal 2002 and fiscal 2001. Circulation revenues approximated 15% of consolidated net revenues in fiscal 2002 and 16% of consolidated net revenues in fiscal 2001.

The Company's newspaper business is somewhat seasonal, with peak revenues and profits generally occurring in the second and fourth quarters of each year as a result of increased advertising activity during the Easter holiday and spring advertising season, and the Thanksgiving and Christmas periods. The first quarter is historically the weakest quarter for revenues and profits.

Other businesses owned by the Company include Nando Media, the Company's national online publishing operation, and The Newspaper Network (TNN), a national sales and marketing company. In addition, the Company is a partner (13.5% interest) in Ponderay Newsprint Company, a general partnership that owns and operates a newsprint mill in Washington State.

When used in this Report, the words "believes," "expects," "anticipates," "estimates," and similar expressions are generally intended to identify forward looking statements. Such statements are subject to certain risks and uncertainties, including those discussed under the heading "Forward Looking Information" in Part II, Item 7 that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report.

Star Tribune

The *Star Tribune*, a morning newspaper serving Minneapolis-St. Paul and the surrounding metropolitan area, is the Company's largest newspaper, contributing 33.2% of fiscal 2002 revenues compared to 33.9% of fiscal 2001 revenues. The *Star Tribune's* daily average paid circulation in fiscal year 2002 increased 0.6% to 377,999 and Sunday average paid circulation increased 0.8% to 675,036 in fiscal year 2002. As of December 29, 2002, approximately 76% of the daily and 74% of Sunday circulation was home delivered. The *Star Tribune* competes in the eastern portion of its market with the *Pioneer Press*, which operates in St. Paul, Minnesota and whose circulation, according to the Audit Bureau of Circulations September 29, 2002 Publisher's Statement, is 189,994 daily and 251,956 Sunday.

The *Star Tribune's* advertising volumes for the fiscal years ended December 29, 2002 and December 30, 2001 are set forth in the following table:

	2002	2001
Full Run advertising linage in thousands of six-column inches	**1,904**	1,995
Preprints distributed in millions	**1,130**	1,042

The *Star Tribune's* fiscal 2002 net revenues decreased 1.9% to $359,100,000 from fiscal 2001.

California Newspapers

The California newspapers include the three "Bee" newspapers along with the *Clovis Independent*, a weekly newspaper that circulates in Clovis, California, a community east of Fresno, and two Spanish-language, non-daily newspapers. The net revenues and circulation of these newspapers are summarized below:

	2002 Circulation (1)		Net Revenues	
Newspaper	Daily/Weekly	Sunday	2002	2001
The Sacramento Bee	294,304	348,494	$224,212,000	$217,486,000
The Fresno Bee	161,657	191,548	$ 89,505,000	$ 89,018,000
The Modesto Bee (2)	85,723	92,362	$ 55,570,000	$ 54,701,000
Non-daily newspapers	6,321	N/A	$ 1,620,000	$ 1,653,000

(1) Based on fiscal year average paid circulation.
(2) Includes revenues of one non-daily Spanish-language newspaper

The California newspapers produced approximately 34.3% of total Company net revenues in fiscal 2002, compared to 33.6% in fiscal 2001. Fiscal 2002 net revenues at the California newspapers increased 2.2% from fiscal 2001.

The Sacramento Bee

The Sacramento Bee is a morning newspaper serving the California state capital and the surrounding region. In fiscal year 2002, *The Sacramento Bee's* average paid circulation increased 0.1% daily and was down 0.7% Sunday. As of December 29, 2002, approximately 84% of the daily, and 79% of the Sunday circulation was home delivered.

The Sacramento Bee's advertising volumes for the fiscal years ended December 29, 2002 and December 30, 2001 are set forth in the following table:

	2002	2001
Full Run advertising linage in thousands of six-column inches column inches	**2,490**	2,436
Preprints distributed in millions	**607**	548

The Sacramento Bee's fiscal 2002 net revenues increased 3.1% from fiscal 2001 revenues.

Table of Contents

The Fresno Bee

The Fresno Bee is a morning newspaper serving the Fresno, California metropolitan area. In 2002, *The Fresno Bee's* fiscal year 2002 average paid circulation increased 0.5% daily and increased 0.7% Sunday. As of December 29, 2002, approximately 90% of *The Fresno Bee's* daily and 88% of the Sunday circulation was home delivered.

The Fresno Bee's advertising volumes for the fiscal years ended December 29, 2002 and December 30, 2001 are set forth in the following table:

	2002	2001
Full Run advertising linage in thousands of six-column inches	**1,286**	1,259
Preprints distributed in millions	**288**	271

The Fresno Bee's fiscal 2002 net revenues increased 0.5% from 2001.

The Modesto Bee

The Modesto Bee is a morning newspaper that serves the Modesto, California metropolitan area, located between Sacramento and Fresno. *The Modesto Bee's* fiscal year 2002 average paid circulation increased 0.2% daily and 0.8% Sunday. As of December 29, 2002, approximately 83% of the daily and 82% of the Sunday circulation was home delivered.

The Modesto Bee's advertising volumes for the fiscal years ended December 29, 2002 and December 30, 2001, are set forth in the following table:

	2002	2001
Full Run advertising linage in thousands of six-column inches	**1,314**	1,246
Preprints distributed in millions	**158**	141

The Modesto Bee's fiscal 2002 net revenues increased 1.6% from fiscal 2001.

Carolinas Newspapers

The Carolinas newspapers include *The News & Observer*, the second largest newspaper in North Carolina, and three daily newspapers in South Carolina. The Company also operates eight non-daily newspapers in North and South Carolina strategically located near its daily newspapers.

The net revenues and circulation of the Carolinas newspapers are summarized below:

	2002 Circulation (1)		Net Revenues	
Newspaper	Daily/Weekly	Sunday	2002	2001
The News & Observer (Raleigh)	169,382	210,035	$130,073,000	$131,848,000
The Herald (Rock Hill)(2)	31,696	33,650	$ 14,683,000	$ 14,058,000
The Island Packet (Hilton Head)	17,900	18,958	$ 15,448,000	$ 15,138,000
The Beaufort Gazette	12,091	11,400	$ 6,466,000	$ 6,039,000
Non-daily newspapers (2)	42,758	N/A	$ 10,621,000	$ 10,468,000

(1) Based on fiscal year average paid circulation.
(2) Four South Carolina non-daily newspapers' revenues are consolidated with revenues of *The Herald*.

The Carolinas newspapers produced 16.4% of total Company net revenues in fiscal 2002 and 2001. Net revenues of the Carolinas newspapers declined 0.2% from fiscal 2001.

The News & Observer

The News & Observer, the Company's third largest newspaper, is a morning daily serving North Carolina's state capital, Raleigh, and the Research Triangle, which includes Raleigh, Durham and Chapel Hill, North Carolina.

The News & Observer's average paid circulation in fiscal year 2002 increased approximately 0.4% daily and 0.2% Sunday. As of December 29, 2002, approximately 80% of the daily and 76% of the Sunday circulation was home delivered.

The News & Observer's advertising volumes for the fiscal years ended December 29, 2002 and December 30, 2001 are set forth in the following table:

	2002	2001
Full Run advertising linage in thousands of six-column inches	**2,078**	2,033
Preprints distributed in millions	**351**	314

The News & Observer's fiscal 2002 net revenues decreased 1.3% from fiscal 2001.

The Herald

The Herald is a morning newspaper serving Rock Hill and surrounding communities in York County, South Carolina. Rock Hill is a community approximately 25 miles southwest of Charlotte, North Carolina. In 2002, *The Herald's* fiscal year 2002 average paid circulation increased 1.5% daily and 1.4% on Sunday from fiscal year 2001.

The Herald's main competitor is a zoned edition of the *Charlotte Observer*, whose circulation in *The Herald's* primary circulation area is estimated to be approximately a third of *The Herald's* circulation. As of

December 29, 2002, approximately 79% of the daily and 77% of the Sunday circulation of the Herald was home delivered.

Advertising volumes for the fiscal years ended December 29, 2002 and December 30, 2001 are set forth in the following table:

	2002	2001
Full Run advertising linage in thousands of six-column inches	**815**	775
Preprints distributed in millions	**54**	50

The Herald's fiscal 2002 net revenues increased 4.4% from fiscal 2001.

The Island Packet and The Beaufort Gazette

The Island Packet and *The Beaufort Gazette* serve Beaufort County in southeastern South Carolina. *The Island Packet* serves Hilton Head Island and the town of Bluffton where tourism, retirement communities and services are the economic mainstays. *The Gazette* serves the city of Beaufort and northern Beaufort County encompassing surrounding islands of Lady's, St. Helena, Fripp and Parris. In 2001, the management and many business functions of the two newspapers were combined to pursue regional strategies and operational synergies.

From fiscal year 2001 to fiscal year 2002, the average paid circulation increased 5.6% daily and Sunday at *The Island Packet*, and increased 0.7% daily and 2.6% Sunday at *The Gazette*.

As of December 29, 2002, approximately 66% of the daily and Sunday circulation of *The Packet* was home delivered. Comparable amounts for *The Gazette* were 59% daily and 63% Sunday.

Advertising volumes for the fiscal years ended December 29, 2002 and December 30, 2001 are set forth in the following table:

	2002	2001
Packet Full Run advertising linage in thousands of six-column inches	**908**	912
Packet Preprints distributed in millions	**20**	19
Gazette Full Run advertising linage in thousands of six-column inches	**378**	367
Gazette Preprints distributed in millions	**17**	15

The Packet's fiscal year 2002 net revenues increased 2.0% over fiscal 2001, and *The Gazette's* net revenues increased 7.1%.

Carolinas Non-daily Newspapers

The South Carolina non-daily newspapers include the *Clover Herald*, the *Yorkville Enquirer*, the *Lake Wylie Magazine* and the *Fort Mill Times*, and serve small communities in Chester and York counties. Their combined paid non-daily circulation is 8,611.

The North Carolina non-dailies are newspapers that serve communities generally surrounding Raleigh. They are: *Chapel Hill News*, *Cary News*, *Eastern Wake News*, and *Smithfield Herald*. Their combined paid non-daily circulation is 34,191.

Northwest Newspapers

The Company publishes five newspapers in Washington State and the largest daily newspaper in Alaska. The net revenues and circulation of these newspapers are summarized below:

	2002 Circulation (1)		Net Revenues	
Newspaper	Daily/Weekly	Sunday	2002	2001
The News Tribune	128,802	145,887	$77,893,000	$80,761,000
Anchorage Daily News	71,979	85,281	$56,629,000	$54,668,000
Tri-City Herald	41,210	44,884	$22,376,000	$21,260,000
Non-daily newspapers	13,509	N/A	$ 4,355,000	$ 3,945,000

(1) Based on fiscal year average paid circulation.

The Company's Northwest newspapers produced 14.9% of the Company's total net revenues in fiscal 2002 and 2001. Net revenues in fiscal 2002 at the Northwest newspapers increased 0.4% versus fiscal 2001.

The News Tribune

The News Tribune, a morning newspaper, primarily serves the Tacoma, Washington, metropolitan area in Pierce and South King Counties. It is the third largest newspaper in Washington State. Tacoma is approximately 30 miles south of Seattle. *The News Tribune* competes in the northernmost fringes of its market with the major Seattle daily newspapers. In fiscal year 2002, the average paid circulation of *The News Tribune* increased 0.1% daily and 0.2% Sunday. As of December 29, 2002, approximately 83% of the daily and Sunday circulation was home delivered.

The News Tribune's advertising volumes for the fiscal years ended December 29, 2002 and December 30, 2001 are set forth in the following table:

	2002	2001
Full Run advertising linage in thousands of six-column inches	**1,426**	1,420
Preprints distributed in millions	**233**	223

The News Tribune's fiscal 2002 net revenues decreased 3.6% from fiscal 2001.

Anchorage Daily News

The *Anchorage Daily News*, a morning newspaper, is Alaska's largest newspaper. The *Anchorage Daily News* circulates throughout the state of Alaska but its primary circulation is concentrated in the south central region of the state comprising metropolitan Anchorage, the Kenai Peninsula and the Matanuska-Susitna Valley.

The *Daily News'* average paid daily circulation increased 0.1% in fiscal year 2002, while Sunday circulation was flat. As of December 29, 2002, approximately 68% of the daily and 65% of the Sunday circulation was home delivered.

Advertising volumes for the fiscal years ended December 29, 2002 and December 30, 2001, are set forth in the following table:

	2002	2001
Full Run advertising linage in thousands of six-column inches	**973**	967
Preprints distributed in millions	**89**	85

Anchorage Daily News' fiscal 2002 net revenues increased 3.6% from fiscal 2001.

Tri-City Herald

The *Tri-City Herald* is a morning newspaper serving the Tri-Cities of Richland, Kennewick and Pasco in southeastern Washington. For fiscal year 2002, the *Tri-City Herald's* average paid circulation increased 0.1% daily and 0.7% Sunday. As of December 29, 2002, approximately 89% of the daily and 87% of the Sunday circulation was home delivered.

The *Tri-City Herald's* advertising volumes for the fiscal years ended December 29, 2002 and December 30, 2001 are set forth in the following table:

	2002	2001
Full Run advertising linage in thousands of six-column inches	**763**	757
Preprints distributed in millions	**88**	83

The *Tri-City Herald's* fiscal 2002 net revenues increased 5.2% from fiscal 2001.

Northwestern Non-daily Newspapers

The Company's other non-daily newspapers include the *Peninsula Gateway* in South Puget Sound and *The Puyallup Herald*, which circulates weekly in South Pierce County, near Tacoma.

Other Operations

The Newspaper Network, Inc. (TNN), a separate subsidiary, provides third-party placement service with state-of-the-art one-order, one-bill service for the distribution of preprinted advertising inserts and run-of-press advertising. It also offers its clients sophisticated marketing analysis to profile and target potential new customers.

The Company’s rapidly expanding Internet activities have produced robust local websites in each of its 11 daily newspaper markets. These efforts are supported by Nando Media, the Company’s interactive media operation. Nando Media serves as a technology partner to the Company and to other newspapers, providing hosting and programming.

Net revenues for all other operations in fiscal 2002, primarily TNN and Nando Media, were $13.3 million, an increase of 2.1% from fiscal 2001 and represent 1.2% of total net revenues in fiscal 2002.

Raw Materials

During fiscal 2002, the Company consumed approximately 243,900 metric tons of newsprint compared to 251,400 metric tons in fiscal 2001. The Company currently obtains its supply of newsprint from a number of suppliers under long-term contracts.

Newsprint expense accounted for 13.6% of operating expenses in fiscal 2002 compared to 15.9% in fiscal 2001. Management believes its newsprint sources of supply under existing arrangements are adequate for its anticipated current needs. Significant increases in the price of newsprint would adversely affect the operating results of the Company to the extent that it was not offset by advertising and circulation volume and/or rate increases.

The Company, through a wholly-owned subsidiary, Newsprint Ventures, Inc., and four other publishers and a major newsprint manufacturer are partners in Ponderay Newsprint Company, a general partnership, which owns and operates a newsprint mill located sixty miles northeast of Spokane, Washington. The mill became operational in late 1989 and has a production capacity in excess of 240,000 metric tons annually. The publisher partners have committed to take a total of 126,000 metric tons of this anticipated production with the balance to be sold on the open market. The Company’s annual commitment is 28,400 metric tons. See “Management’s Discussion and Analysis” and the financial statements and accompanying notes for further discussion of the impact of this investment on the Company’s business.

Competition

The Company’s newspapers, direct marketing programs and Internet sites compete for advertising revenues and readers’ time with television, radio, the Internet and other computer services, direct mail programs, free shoppers, suburban neighborhood and national newspapers and other publications, and billboard companies, among others. In some of its markets (primarily Minneapolis, Minnesota; Tacoma, Washington; and Rock Hill, South Carolina), the Company’s newspapers also compete with other newspapers published in nearby cities and towns. Competition for advertising is generally based upon circulation levels, readership demographics, price and advertiser results, while competition for circulation is generally based upon the content, journalistic quality, service and the price of the newspaper. The Company's major daily newspapers are ahead of their direct local newspaper competitors in both advertising linage and general circulation in their respective markets, and its Internet sites are leading local sites in each of the Company's 11 major daily newspaper markets, based upon various independent and Company research.

Employees – Labor

As of December 29, 2002, the Company had 9,332 full and part-time employees, of whom approximately 24% were represented by unions. Most of the Company's union-represented employees are currently working under labor agreements expiring in various years.

While the Company's newspapers have not had a strike since 1980 and they do not currently anticipate a strike occurring, the Company cannot preclude the possibility that a strike may occur at one or more of its newspapers when future negotiations occur. The Company believes that, in the event of a newspaper strike, it would be able to continue to publish and deliver to subscribers, a capability which is critical to retaining revenues from advertising and circulation.

ITEM 2. PROPERTIES

The corporate headquarters of the Company are located at 2100 "Q" Street, Sacramento, California. The Company has newspaper production facilities in 11 markets situated in six states. These facilities vary in size and in total, occupy about 4.0 million square feet. Approximately 800,000 of the total square footage are leased from others. The Company owns substantially all of its production equipment, although certain office equipment is leased.

The Company maintains its properties in good condition and believes that its current facilities are adequate to meet the present needs of its newspapers.

ITEM 3. LEGAL PROCEEDINGS

The Company becomes involved from time to time in claims and lawsuits incidental to the ordinary course of its business, including such matters as libel, invasion of privacy and wrongful termination actions, and complaints alleging discrimination. In addition, the Company is involved from time to time in governmental and administrative proceedings concerning employment, labor, environmental and other claims. Historically, such claims and proceedings have not had a material adverse effect upon the Company's consolidated results of operations or financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's Class A Common Stock is listed on the New York Stock Exchange (NYSE symbol—MNI). A small amount of Class A Stock is also traded on the Midwest Stock Exchange and the Pacific Stock Exchange. The Company's Class B Stock is not publicly traded. The following table lists per share dividends paid on Common Stock and the prices of the Company's Class A Common Stock as reported by these exchanges for fiscal 2002 and 2001:

	2002			2001		
	High	Low	Dividends	High	Low	Dividends
1st Quarter	**$61.10**	**$45.95**	**$0.10**	$42.66	$36.50	$0.10
2nd Quarter	**$65.55**	**$56.00**	**$0.10**	$43.22	$37.50	$0.10
3rd Quarter	**$64.20**	**$52.80**	**$0.10**	$44.70	$39.15	$0.10
4th Quarter	**$63.76**	**$54.60**	**$0.10**	$49.60	$41.06	$0.10

The Company's Board of Directors approved a 10% increase in the dividend for the first quarter of fiscal 2003 to $0.11 per share. The payment and amount of future dividends remain within the discretion of the Board of Directors and will depend upon the Company's future earnings, financial condition and requirements, and other factors considered relevant by the Board.

The number of record holders of Class A and Class B Common Stock at February 25, 2003 was 1,597 and 24, respectively.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

FIVE-YEAR FINANCIAL SUMMARY
(In thousands, except per share amounts)

	December 29, 2002	December 30, 2001	December 31, 2000	December 26, 1999	December 27, 1998
CONSOLIDATED INCOME STATEMENT DATA:					
REVENUES – NET:					
Advertising	$ 877,838	$ 871,375	$ 926,745	$ 875,299	$ 756,052
Circulation	166,050	168,462	175,429	175,638	162,433
Other	38,010	40,216	39,950	37,010	50,166
Total	1,081,898	1,080,053	1,142,124	1,087,947	968,651
OPERATING EXPENSES:					
Depreciation and amortization	73,558	109,330	109,487	106,884	93,786
Other costs and expenses	763,318	796,884	798,807	756,364	694,007
Total	836,876	906,214	908,294	863,248	787,793
OPERATING INCOME	245,022	173,839	233,830	224,699	180,858
Interest (expense) income—net	(26,094)	(43,522)	(63,619)	(65,043)	(62,169)
Other non-operating—net	(2,043)	(9,615)	809	605	3,414
INCOME BEFORE INCOME TAX PROVISION	216,885	120,702	171,020	160,261	122,103
Income tax provision	85,669	62,705	82,090	77,729	61,052
NET INCOME	131,216	$ 57,997	$ 88,930	$ 82,532	$ 61,051
EARNINGS PER COMMON SHARE:					
Basic	$ 2.87	$ 1.28	$ 1.97	$ 1.84	$ 1.41
Diluted	$ 2.84	$ 1.27	$ 1.97	$ 1.83	$ 1.41
DIVIDENDS PER COMMON SHARE	$ 0.40	$ 0.40	$ 0.40	$ 0.38	$ 0.38
CONSOLIDATED BALANCE SHEET DATA:					
Total assets	$1,980,651	$2,104,160	$2,165,658	$2,204,028	$2,248,430
Long-term bank debt	471,615	594,714	778,102	878,166	1,004,000
Stockholders' equity	1,057,329	998,165	958,851	879,666	807,005

In fiscal 2002 the Company adopted SFAS No. 142 and No. 144 and in accordance with these statements, eliminated the amortization of goodwill and recorded a pre-tax charge of $1.6 million to write down the value of certain land. Results in 2001 include pre-tax charges totaling $12.0 million to write down certain Internet investments and reserve for an environmental clean up. The financial information also gives effect to the acquisition of the *Star Tribune* in March 1998. This summary should be read in conjunction with the consolidated financial statements and notes thereto.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The Company owns and publishes 22 newspapers in four regions of the country—Minnesota, California, the Carolinas and the Northwest (Alaska and Washington). The newspapers range from large dailies serving metropolitan areas to non-daily newspapers serving small communities. For the year ended December 29, 2002, the Company had an average paid daily circulation of 1,392,745, Sunday circulation of 1,857,534 and non-daily circulation of 62,632. The Company also owns and operates Nando Media, a national online publishing operation, and The Newspaper Network (TNN), a national sales and marketing company. In addition, the Company is a partner (13.5% interest) in the Ponderay Newsprint Company (Ponderay), a general partnership that owns and operates a newsprint mill in Washington State.

The Company supplements its newspaper publishing with a growing array of niche products and direct marketing initiatives, including direct mail. The Company also operates leading local websites in each of its 11 daily newspaper markets offering readers information, comprehensive news, advertising, e-commerce and other services.

Critical Accounting Policies

The accompanying discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States (US GAAP). The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We base our estimates and judgments on historical experience and on various other assumptions that we believe are reasonable under the circumstances. However, future events are subject to change and the best estimates and judgments routinely require adjustment. The most significant areas involving estimates and assumptions are allowance for receivables, pension and post-retirement expenses, incentive compensation, insurance reserves, environmental reserves, the Company's tax provision, depreciation of fixed assets and amortization of intangibles.

We believe the following critical accounting policies, in addition to those described in Note 1 to our financial statements (beginning on page 31 of this filing), affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition—Advertising revenues are recorded when advertisements are placed in the newspaper and circulation revenues are recorded as newspapers are delivered over the subscription term. Circulation revenues are recorded net of direct delivery costs. Other revenue is recognized when the related product or service has been delivered. Revenues are recorded net of estimated incentive offerings including special pricing agreements, promotions and other volume-based incentives.

Revisions to these estimates are charged to income in the period in which the facts that give rise to the revision become known.

Bad Debt—The Company maintains a reserve account for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company uses a combination of the percentage of sales and the aging of accounts receivable to establish reserves for losses on accounts receivable.

Goodwill and Intangible Impairment—In assessing the recoverability of the Company's goodwill and other intangibles the Company must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. The Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002 and analyzes its goodwill and indefinite lived intangible assets for impairment. No impairment loss was recorded in fiscal 2002. See Note 2 to our consolidated financial statements for a more detailed explanation of the Company's intangible assets.

Pension and Post-retirement Benefits—The Company has significant pension and postretirement benefit costs and credits that are developed from actuarial valuations. Inherent in these valuations are key assumptions including discount rates and expected return on plan assets. For an explanation of these assumptions, see Note 5 to our consolidated financial statements and the discussion in Recent Events and Trends below. The Company is required to consider current market conditions, including changes in interest rates, in selecting these assumptions. Changes in the related pension and postretirement benefit costs or credits may occur in the future because of changes resulting from fluctuations in the Company's employee headcount and/or changes in the various assumptions.

Self-Insurance—The Company is self-insured for the majority of its group health insurance costs. The Company relies on claims experience and the advice of consulting actuaries and administrators in determining an adequate liability for self-insurance claims.

Recent Events and Trends

Employment classified advertising revenues and, to a lesser extent, national advertising revenues have seen significant declines over the last two years. However, employment trends, while still negative, improved in fiscal 2002. Employment advertising revenues declined only 7.5% in the fourth quarter of fiscal 2002 compared to the fourth quarter of fiscal 2001 and were down 18.7% in the full year, compared to a 27.8% decline in fiscal 2001. Also, these declines have been offset somewhat by growth in certain other advertising categories. Please see the revenue discussions in management's review of its results below.

Newsprint is the major component of the Company's cost of raw materials and represented 13.6% of the Company's overall operating expenses in fiscal 2002. Consequently, the Company's earnings are sensitive to changes in newsprint prices. All other things being equal, a hypothetical $10 per metric ton change in newsprint prices affects earnings per share by $.03 cents. Newsprint prices have remained below prior year levels throughout 2002, resulting in a favorable expense variance. However, an increase in newsprint prices was implemented in the fourth quarter of 2002. The Company's newsprint suppliers have announced a $50 per metric ton price increase for March 2003; however, at this time it is uncertain whether the price increase will be effective at the time or in the amount indicated by the announcement. The eventual timing and amount of any further changes in newsprint pricing is dependent on global demand and supply for newsprint. The impact of newsprint price expense on the Company's results of operations is discussed below.

Due to continued poor performance of the equity markets, the value of our pension fund assets declined in 2002. US GAAP requires the recognition of an additional liability if the market value of plan assets is less than the accumulated benefit obligation at the end of the plan year. Based on the plans' results, the Company increased its pension liabilities to record a total of $102.2 million of unfunded benefit obligations in 2002 and increased its comprehensive loss, which is a reduction to Stockholders' Equity on the Consolidated Balance Sheet, by $71.2 million after tax. The liability is largely recorded in Other Long-term Obligations, and the adjustment of comprehensive loss did not affect net income. During 2002 the Company made a voluntary cash contribution of $10 million to its defined benefit pension plans and made additional contributions of $38.6 million in early 2003. The Company may make additional voluntary contributions to the plans in 2003.

Given current economic conditions, the Company has reduced its discount rate to 6.75% from 7.50% used to value its benefit obligations at year-end 2001 to reflect current lower interest rates, and reduced the assumed long-term return on assets to 9.0% in 2002 from 9.5% used in 2001. The reduction in the return on asset rate was made after a review of historical returns of equity and fixed income indices over a 30 and 50 year history and given the roughly 70% equity and 30% fixed income mix of the Company's qualified pension plans assets, and consultation with the Company's actuaries. These changes are expected to increase retirement expenses in 2003 by an estimated $5 million to $6 million. Also, given the increase in medical costs, the Company anticipates that health care expenses could rise between $3 million and $5 million in 2003.

In fiscal 2002 the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which addresses the financial accounting and reporting standards for the acquisition of intangible assets outside of a business combination and for goodwill and other intangible assets subsequent to their acquisition. This accounting standard requires that goodwill be (1) separately disclosed from other intangible assets in the statement of financial position, (2) no longer amortized, and (3) tested for impairment on a periodic basis. The provisions of this accounting standard also require the completion of a transitional impairment test with any impairments identified treated as a cumulative effect of a change in accounting principle. No material adjustments to the consolidated financial statements were necessary as a result of this transitional impairment test.

The Company owns certain real property that was previously held for sale, which it now plans to retain and use for at least several years. Accordingly, in the fourth quarter of 2002, the Company recorded a charge of $1.6 million to record the property at its historical carrying value in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which was effective in 2002.

Table of Contents

RESULTS OF OPERATIONS

FISCAL 2002 COMPARED TO FISCAL 2001

Net income in the fiscal year 2002 was $131.2 million, up 126.2%, or $2.84 per share compared to the fiscal year 2001 earnings of $58.0 million, or $1.27 per share. Fiscal 2002 earnings included a pre-tax charge of $1.6 million to write down the value of certain real property (as discussed above). The fiscal year 2001 earnings would have been $2.03 per share with the application of SFAS No. 142 which would have eliminated goodwill amortization had it been in place during that year. See the discussion under operating expenses and income tax provision below, and Note 2 to the consolidated financial statements for a discussion of the impact of SFAS No. 142 on the Company's year-to-date expenses and financial position.

Operating Revenues—Net:

Net revenues in the fiscal year 2002 remained virtually flat at $1.08 billion, with advertising revenues up 0.7% to $877.8 million, and circulation revenues down 1.4% to $166.1 million. Within advertising revenues, retail grew by 3.7%, national declined 4.9% and classified decreased by 1.3%. Within classified advertising, employment declined by 18.7% being partially offset by a 14.9% gain in real estate and an 8.0% gain in automotive.

Operating revenue by region (in thousands):

	Fiscal 2002	Fiscal 2001	% Change
Minnesota newspaper	$ 359,100	$ 365,931	(1.9)%
California newspapers	370,907	362,858	2.2%
Carolinas newspapers	177,291	177,551	(0.2)%
Northwest newspapers	161,253	160,634	0.4%
Non-newspaper operations	13,347	13,079	2.1%
	$1,081,898	$1,080,053	0.2%

Minnesota—The *Star Tribune* generated 33.2% of the Company's net revenues. Total net revenues declined 1.9% from fiscal 2001, as did advertising revenue. The decline in advertising revenues was primarily attributable to a 5.4% decrease in classified advertising and a 5.9% decrease in national advertising. These declines were partially offset by a 5.3% increase in retail advertising revenues. Within the classified category, employment advertising declined by 24.6%, which was partially offset by a 23.6% increase in real estate advertising and a 4.5% increase in automotive.

California—The Company's California newspapers—*The Sacramento Bee*, *The Fresno Bee* and *The Modesto Bee*, along with one non-daily newspaper and two free distribution Spanish-language newspapers, generated 34.3% of the Company's net revenue. Total net revenues at the three California Bee newspapers were up 2.2% from fiscal 2001, with advertising revenue up 2.9%. The increase in advertising revenue was attributable to a 1.9% increase in classified advertising, 28.9% gain in online advertising and an 18.4% increase in direct marketing. Within the classified category, automotive grew by 11.5% and real estate rose by 10.0%. These gains were partially offset by an 11.8% decline in classified employment.

Carolinas – The Carolinas, which includes four daily and eight non-daily newspapers, generated 16.4% of the Company's net revenue. Total net revenue declined 0.2% from fiscal 2001 with advertising revenue down 0.4% from fiscal 2001. The decline in advertising revenue was attributable to a 3.3% decrease in classified advertising and a 5.5% decline in national advertising, offset by a 4.5% increase in retail. Within classified advertising, employment declined by 19.9%, which was partially offset by a 15.2% gain in real estate and a 3.9% increase in automotive.

The Northwest – The Northwest newspapers, which include three daily and two non-daily newspapers, generated 14.9% of the Company's net revenues. Total net revenue increased 0.4% from fiscal 2001, with advertising revenue up 3.1%. The increase in advertising revenue was attributable to a 2.5% increase in classified advertising and a 2.1% gain in retail advertising. Within classified advertising, real estate grew 11.6% and automotive increased 9.0%. These gains were partially offset by a 17.2% decline in employment advertising.

Non-Newspaper Operations – Net revenues were up 2.1% from fiscal 2001, largely due to a 21.4% increase in revenue at Nando Media. Total Internet revenues increased 11.8% in fiscal 2002 to $22.2 million, but are largely included in each newspaper's net revenues.

Operating Expenses:

Total operating expenses decreased 7.7% to $836.9 million in fiscal 2002. Depreciation and amortization decreased $35.8 million in large part due to the adoption of SFAS No. 142, which eliminated the amortization of goodwill. Other expenses, excluding depreciation and amortization, declined 4.2% despite an increase in compensation, which was up 2.6%, reflecting merit increases, incentive compensation increases and higher fringe benefit costs. Much of the decline in these expenses was due to lower newsprint costs. Newsprint and supplements declined by 20.8% with newsprint prices down 18.9% and newsprint consumption down 3.0%. Other operating expenses were down 5.0%. Excluding the $1.6 million charge to write down certain real property, other operating expenses were down 5.8%, reflecting company-wide cost controls.

Non-Operating (Expenses) Income – Net:

Interest expense was $26.4 million for fiscal year 2002. This is a 40.0% decrease from fiscal year 2001 as the Company continued to benefit from lower interest rates and debt repayment from the Company's cash flow. The Company also recorded $1.3 million as its share of Ponderay's loss in the fiscal year 2002 compared to $527,000 of income in the fiscal year 2001.

Income Taxes:

The Company's effective income tax rate was 39.5% versus 52.0% in fiscal year 2001. This decrease results primarily from the Company's adoption of SFAS No. 142 which eliminated the non-tax-deductible amortization of goodwill. See Note 2 to the consolidated financial statements.

FISCAL 2001 COMPARED TO FISCAL 2000

The Company's fiscal year included 52 weeks in 2001 versus 53 weeks in 2000, decreasing revenues and expenses. Management estimates that the additional week in fiscal 2000 had no material effect on net income. Net income in fiscal 2001 was $58.0 million, down 34.8%, or $1.27 per share, compared to 2000 earnings of $88.9 million, or $1.97 per share. The decline in earnings was primarily attributable to the fall off in advertising revenues, which impacted the newspaper industry throughout 2001.

*Operating Revenues - Net***:**

Net revenues in the fiscal year 2001 were $1.08 billion, down 5.4% from 2000, with advertising revenues down 6.0% to $871.4 million, and circulation revenues down 4.0% to $168.5 million. Excluding the 53rd week from 2000, management estimates that total net revenues declined 3.9% and that advertising revenues were down 4.5%. Within advertising revenue, classified employment declined an estimated 28.3%. Excluding classified employment, total advertising revenue would have increased approximately 1.6% for the fiscal year 2001, on a 52-week comparable basis. Circulation revenues declined an estimated 2.1% on a 52-week comparable basis, primarily reflecting increased revenue sharing with carriers who are independent contractors (recorded as a reduction to revenues).

Operating revenues by region (in thousands):

	Fiscal 2001	Fiscal 2000	% Change
Minnesota newspaper	$ 365,931	$ 402,907	(9.2)%
California newspapers	362,858	373,405	(2.8)%
Carolinas newspapers	177,551	189,230	(6.2)%
Northwest newspapers	160,634	163,956	(2.0)%
Non-newspaper operations	13,079	12,626	3.6%
	$1,080,053	$1,142,124	(5.4)%

Minnesota - The *Star Tribune* generated 33.9% of the Company's net revenues. Total net revenues at the *Star Tribune* declined 9.2%, with total advertising revenue down 10.3% from 2000. The decline in advertising revenues was primarily attributable to a 20.1% decrease in classified advertising and a 14.5% decrease in national advertising. Within the classified category, employment advertising declined 36.9%, which was partially offset by a 27.2% increase in real estate advertising. Excluding the 53rd week in 2000, total revenues decreased approximately 7.8% with advertising revenues down an estimated 9.0%.

California - The Company's California newspapers generated 33.6% of the Company's net revenue. Total net revenues were down 2.8%, with total advertising revenue down 2.6%. The decline in advertising revenue was attributable to a 5.2% decrease in classified advertising and a 3.7% decrease in retail advertising. These declines were partially offset by a 7.6% increase in national advertising. Within classified advertising, employment declined 15.1%, which was partially offset by an 11.2% gain in real estate advertising. Excluding the 53rd week in 2000, total revenues decreased approximately 1.2% with advertising revenues down an estimated 1.0%.

Carolinas - The Carolinas newspapers generated 16.4% of the Company's net revenue. Total net revenue declined 6.2% with advertising revenue down 7.4%. The decline in advertising revenue was attributable to a 14.8% decrease in classified advertising and a 1.8% decrease in retail advertising. Within classified advertising, employment declined 37.1%, which was partially offset by an 8.6% increase in real estate advertising. Excluding the 53rd week in 2000, total revenues decreased approximately 4.8% with advertising revenues down an estimated 6.0%.

The Northwest - The Northwest newspapers generated 14.9% of the Company's net revenues. Total net revenue declined 2.0%, with advertising revenue down 1.4%. The decline in advertising revenue is attributable to a 4.0% decrease in classified advertising and a 3.7% decrease in retail advertising. Within classified advertising, employment declined 10.8% in this region. Excluding the 53rd week in 2000, total revenues decreased approximately 0.2% while advertising revenue increased about 0.4%.

Non-Newspaper Operations – Net revenues were up 3.6%, largely due to an 8.0% increase in revenue at TNN. Revenue growth at TNN was partially offset by declines in national online revenues at Nando Media. Total Internet revenues increased 18.3% in fiscal 2001 to $19.9 million, but are largely included in each newspaper's net revenues. Excluding the 53rd week in 2000, total net revenues at the Company's non-newspaper operations increased approximately 5.5%.

Operating Expenses:

Total operating expenses decreased 0.2% to $906.2 million in 2001 and were up approximately 1.5% excluding the 53rd week in fiscal 2000. The largest increase in operating costs was in compensation, which was up 0.6%, and up approximately 2.5% on a 52-week comparison. Newsprint and supplements declined 2.4% (down approximately 0.6% on a 52-week comparable basis). Newsprint usage decreased 8.4% from 2000, and was down an estimated 6.8% on a 52-week comparable basis. The lower usage reflects a combination of lower advertising activity and the conversion to a narrower page size at nine of the Company's 11 daily newspapers. However, higher newsprint prices throughout most of 2001 offset much of the effect of lower newsprint usage.

Non-Operating (Expenses) Income - Net:

Interest expense decreased 31.9% to $44.0 million, compared to $64.7 million in fiscal 2000. This decrease reflects lower debt balances and falling interest rates. Non-operating expenses included a pre-tax charge of $10.6 million to write down certain Internet investments. The Company recorded $527,000 as its share of Ponderay income versus a $60,000 loss in fiscal 2000. See Note 1 to the consolidated financial statements for a discussion of the Company's investment in Ponderay.

Income Taxes:

The Company's effective tax rate was 52.0% versus 48.0% in fiscal 2000 and primarily reflects lower income before tax, relative to a fixed amount of non-deductible expenses each year. The higher effective tax rate caused the Company's earnings to decline 10 cents per share in fiscal 2001.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents were $5.4 million at December 29, 2002, versus $18.9 million at the end of fiscal 2001. The Company generated $169.5 million of cash from operating activities in fiscal 2002 and has generated an aggregate of $548.8 million over the last three years. The major non-operating uses of cash over the three-year period have been to repay debt, to purchase property, plant and equipment and to pay dividends. In fiscal 2002, the Company repaid $142.0 million of bank debt and has repaid $402.0 million over the last three years. The Company paid $18.3 million in dividends in fiscal 2002, while proceeds from issuing Class A stock under employee stock plans totaled $12.6 million. See the Company's Statement of Cash Flows on page 29.

In fiscal 2002, the Company made a voluntary contribution of $10 million to its defined benefit pension plans and made additional voluntary contributions of $38.6 million in early 2003. Returns on pension assets have declined over the last three years and, if returns do not improve, the Company may be required to, or may voluntarily opt to, make additional contributions to its pension plans.

The Company expended a total of $32.5 million in fiscal 2002 for capital projects and equipment to improve productivity, keep pace with new technology and maintain existing operations. Capital expenditures over the last three years have totaled $115.2 million and planned expenditures in fiscal 2003 are estimated to be $40 million at existing facilities.

See Notes 1 and 7 to the consolidated financial statements and the table of contractual obligations and commitments below for a discussion of the Company's commitments to Ponderay.

A syndicate of banks and financial institutions provided the bank debt financing for the 1998 acquisition of The Star Tribune Company under a Bank Credit Agreement (Credit Agreement). At December 29, 2002, the Company's bank debt includes term loans consisting of Tranche A of $265 million bearing interest at the London Interbank Offered Rate (LIBOR) plus 62.5 basis points, payable in increasing quarterly installments through March 21, 2005, and Tranche B of $119 million bearing interest at LIBOR plus 150 basis points and payable in semi-annual installments through September 19, 2007. A revolving credit line of up to $200 million, of which $112 million was outstanding at December 29, 2002, bears interest at LIBOR plus 62.5 basis points and is payable by March 19, 2005. Interest rates applicable to debt drawn down at December 29, 2002, ranged from 2.0% to 2.9%.

The terms of the Credit Agreement include certain operating and financial restrictions, such as limits on the Company's ability to incur additional debt, create liens, sell assets, engage in mergers, make investments and pay dividends. The debt is unsecured and is pre-payable without penalty.

At December 29, 2002, the Company had outstanding letters of credit totaling $15.2 million securing estimated obligations stemming from workers' compensation claims and other contingent claims. The Company had $72.8 million of available credit under its current Credit Agreement at December 29, 2002.

The Company does not have, nor does it intend to enter into, derivative contracts for trading purposes. The Company has not attempted to hedge fluctuations in the normal purchases of goods and services used to conduct its business operations. Currently there is no intent to hedge or enter into contracts with embedded derivatives for the purchase of newsprint, ink, and other inventories, leases of equipment and facilities, or business insurance contracts.

The Company utilizes interest rate protection agreements (swaps) to help maintain the overall interest rate risk parameters set by management. None of these agreements were entered into for trading purposes. The swap instruments were entered into to match the significant terms of the underlying debt in an effort to provide highly effective hedges. The Company has four interest rate swap agreements designated as cash flow hedges specifically designed to hedge interest rate fluctuations on $200 million of its variable rate bank debt through June 2003, and $100 million through June 2004. The effect of these agreements is to fix the LIBOR interest rate exposure at approximately 4.4% on that portion of the Company's term loans.

The following table summarizes the Company's contractual obligations and commercial commitments as of December 29, 2002 (in thousands of dollars):

	Payment Due by Period				
	Total	1 Year	1-3 Years	4-5 Years	After 5 Years
Contractual Obligations:					
Long-term debt	$496,000	$24,385	$362,160	$109,455	
Operating leases	16,140	6,064	7,068	2,668	$ 340
Total	$512,140	$30,449	$369,228	$112,123	$ 340
Other Commercial Commitments:					
Interest rate swaps (a)	$ 6,525	$ 3,228	$ 3,297		
Standby letters of credit (b)	15,222			$ 15,222	
Guarantees (c)	16,200	16,200			
Total	$ 37,947	$19,428	$ 3,297	$ 15,222	$ Nil

(a) Amounts reflect the fair value should the swaps be terminated; however, the Company does not currently intend to terminate its swaps prior to their normal maturity date.

(b) In connection with the Company's insurance program, letters of credit are required to support certain projected claims and obligations.

(c) The Company guarantees 13.5% of the debt of Ponderay. The Company also has purchase commitments that are more fully described in Note 1 to the consolidated financial statements.

While the Company expects that most of its cash generated from operations in the foreseeable future will be used to repay debt, management believes that the Company's operating cash flow and its credit facilities as described above are adequate to meet its liquidity needs, including currently planned capital expenditures, pension contributions and future investments.

APPROVAL OF AUDIT AND NON-AUDIT SERVICES

The Company's general policy is that all audit and non-audit services provided to the Company by Deloitte & Touche LLP, the Company's outside auditors, are reviewed and, if practicable and appropriate, pre-approved by the Audit Committee of our Board of Directors.

RISK FACTORS THAT COULD AFFECT OPERATING RESULTS

Forward-Looking Information:

This annual report on Form 10-K contains forward-looking statements regarding the Company's actual and expected financial performance and operations. These statements are based upon our current expectations and knowledge of factors impacting our business, including, without limitation, statements about return on pension plan assets and assumed salary increases, newsprint costs, amortization expense, use of derivative instruments, prepayment of debt, capital expenditures, sufficiency of capital resources and possible acquisitions. Such statements are subject to risks, trends and uncertainties. Forward-looking statements are generally preceded by, followed by or are a part of sentences that include the words "believes," "expects," "anticipates," "estimates," or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You should understand that the following important factors, in addition to those discussed elsewhere in this document and in the documents which we incorporate by reference, could affect the future results of McClatchy, and could cause those future results to differ materially from those expressed in our forward-looking statements: general economic, market or business conditions, especially in any of the markets where we operate newspapers; geo-political uncertainties including the risk of war, changes in newsprint prices and/or printing and distribution costs from anticipated levels; changes in interest rates; changes in pension assets and liabilities; increased competition from other forms of media in our principal markets; increased consolidation among major retailers in our newspaper markets or other events depressing the level of advertising; changes in our ability to negotiate and obtain favorable terms under collective bargaining arrangements with our employees; competitive actions by other companies; difficulties in servicing our debt obligations; other occurrences leading to decreased circulation and diminished revenues from both display and classified advertising; and other factors, many of which are beyond our control.

Additional Information Regarding Certain Risks:

Newsprint is the major component of our cost of raw materials. Newsprint accounted for 13.6% of McClatchy's operating expenses in fiscal 2002. Accordingly, our earnings are sensitive to changes in newsprint prices. We have not attempted to hedge fluctuations in the normal purchases of newsprint or enter into contracts with embedded derivatives for the purchase of newsprint. If the price of newsprint increases materially, our operating results could be adversely affected. For a discussion of the impact of a change in newsprint prices on the Company's earnings per share, please see the newsprint discussion above at "Recent Events and Trends."

If McClatchy experiences labor unrest, our ability to produce and deliver newspapers would be impaired. The results of future labor negotiations could harm our operating results. Our newspapers have not endured a labor strike since 1980. However, we cannot ensure that a strike will not occur at one or more of our newspapers in the future. As of December 29, 2002, approximately a quarter of our full- and part-time employees were represented by unions. Most of the Company's union-represented employees are currently working under labor agreements, which expire at various times. McClatchy faces collective bargaining upon the expirations of these labor agreements. Even if our newspapers do not suffer a labor strike, the Company's operating results could be harmed if the results of labor negotiations restrict our ability to maximize the efficiency of its newspaper operations.

Changes in the regulatory and technological environment are bringing about consolidation of media companies and convergence among various forms of media. These changes are expected to continue or accelerate as a result of anticipated loosening of regulatory constraints by the Federal Communications Commission. The Company faces competition with larger and more diversified entities for circulation and advertising revenues and further industry consolidation will likely increase this competition. Such consolidation could also affect the Company's opportunities to make acquisitions.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In addition to normal business risks discussed above, the Company utilizes interest rate protection agreements (swaps) to help maintain the overall interest rate risk parameters set by management. None of these agreements was entered into for trading purposes.

The Company has four interest rate swap agreements totaling $300 million designated as cash flow hedges specifically designed to hedge the variability in the expected cash flows that are attributable to interest rate fluctuations on $200 million of its variable rate bank debt through June 2003, and $100 million through June 2004. The effect of these agreements is to fix the London Interbank Offered Rate (LIBOR) interest rate exposure on these borrowings at approximately 4.4% on that portion of the Company's term loans.

All things being equal**,** a hypothetical 25 basis point change in LIBOR for a fiscal year would have a $0.01 per share increase or decrease in the Company's annual results of operations. It would also impact the fair values of its market risk-sensitive financial instruments, but would not materially affect the Company's financial position taken as a whole.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES

All other schedules are omitted as not applicable under the rules of Regulation S-X.

INDEPENDENT AUDITORS' REPORT

The McClatchy Company:

We have audited the accompanying consolidated balance sheets of The McClatchy Company and its subsidiaries as of December 29, 2002 and December 30, 2001, and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 29, 2002. Our audits also included the financial statement schedule listed in the Index to Financial Statements and Financial Statement Schedules at Item 8. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, such consolidated financial statements present fairly, in all material respects, the financial position of The McClatchy Company and its subsidiaries at December 29, 2002 and December 30, 2001 and the results of their operations and their cash flows for each of the three years in the period ended December 29, 2002, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, in 2002 the Company changed its method of accounting for goodwill and other intangible assets to conform to Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets".

Deloitte & Touche LLP
Sacramento, California
January 28, 2003

Table of Contents

CONSOLIDATED STATEMENT OF INCOME

(In thousands, except per share amounts)

	Year Ended		
	December 29, 2002	**December 30, 2001**	**December 31, 2000**
REVENUES – NET			
Newspapers:			
Advertising	**$ 877,838**	$ 871,375	$ 926,745
Circulation	**166,050**	168,462	175,429
Other	**24,663**	27,137	27,324
	1,068,551	1,066,974	1,129,498
Non-newspapers	**13,347**	13,079	12,626
	1,081,898	1,080,053	1,142,124
OPERATING EXPENSES			
Compensation	**439,776**	428,800	426,175
Newsprint and supplements	**130,841**	165,252	169,339
Depreciation and amortization	**73,558**	109,330	109,487
Other operating expenses	**192,701**	202,832	203,293
	836,876	906,214	908,294
OPERATING INCOME	**245,022**	173,839	233,830
NON-OPERATING (EXPENSES) INCOME			
Interest (expense) income – net	**(26,094)**	(43,522)	(63,619)
Other – net	**(2,043)**	(9,615)	809
	(28,137)	(53,137)	(62,810)
INCOME BEFORE INCOME TAX PROVISION	**216,885**	120,702	171,020
INCOME TAX PROVISION	**85,669**	62,705	82,090
NET INCOME	**$ 131,216**	$ 57,997	$ 88,930
NET INCOME PER COMMON SHARE:			
Basic	**$ 2.87**	$ 1.28	$ 1.97
Diluted	**$ 2.84**	$ 1.27	$ 1.97
WEIGHTED AVERAGE NUMBER OF COMMON SHARES:			
Basic	**45,795**	45,468	45,100
Diluted	**46,178**	45,616	45,243

See notes to consolidated financial statements.

Table of Contents

CONSOLIDATED BALANCE SHEET

(In thousands, except share amounts)

ASSETS	December 29, 2002	December 30, 2001
CURRENT ASSETS		
Cash and cash equivalents	**$ 5,357**	$ 18,883
Trade receivables (less allowances of $5,062 in 2002 and $5,228 in 2001)	**197,448**	187,273
Other receivables	**1,211**	3,444
Newsprint, ink and other inventories	**14,620**	14,127
Deferred income taxes	**20,706**	18,100
Other current assets	**8,859**	6,540
	248,201	248,367
PROPERTY, PLANT AND EQUIPMENT		
Buildings and improvements	**226,960**	222,429
Equipment	**516,703**	503,149
	743,663	725,578
Less accumulated depreciation	**(424,853)**	(383,070)
	318,810	342,508
Land	**53,229**	52,817
Construction in progress	**21,082**	16,682
	393,121	412,007
INTANGIBLE ASSETS:		
Identifiable intangibles – net	**105,020**	123,684
Goodwill – net	**1,218,047**	1,217,875
	1,323,067	1,341,559
OTHER ASSETS	**16,262**	102,227
TOTAL ASSETS	**$1,980,651**	$2,104,160

See notes to consolidated financial statements.

Table of Contents

LIABILITIES AND STOCKHOLDERS' EQUITY	December 29, 2002	December 30, 2001
CURRENT LIABILITIES		
Current portion of bank debt	**$ 24,385**	$ 43,286
Accounts payable	**103,956**	129,887
Accrued compensation	**62,459**	62,532
Income taxes	**—**	10,558
Unearned revenue	**39,863**	37,237
Carrier deposits	**2,668**	2,963
Other accrued liabilities	**17,509**	21,240
	250,840	307,703
LONG-TERM BANK DEBT	**471,615**	594,714
OTHER LONG-TERM OBLIGATIONS	**128,826**	92,985
DEFERRED INCOME TAXES	**72,041**	110,593
COMMITMENTS AND CONTINGENCIES (NOTE 7)		
STOCKHOLDERS' EQUITY		
Common stock $.01 par value:		
Class A – authorized 100,000,000 shares, issued 19,471,307 in 2002 and 18,944,566 in 2001	**195**	189
Class B – authorized 60,000,000 shares, issued 26,544,147 in 2002 and 26,648,647 in 2001	**266**	267
Additional paid-in capital	**313,320**	296,220
Retained earnings	**826,086**	713,201
Accumulated other comprehensive loss	**(82,538)**	(11,712)
	1,057,329	998,165
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$1,980,651**	$2,104,160

Table of Contents

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands)

	Year Ended		
	December 29, 2002	**December 30, 2001**	**December 31, 2000**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 131,216**	$ 57,997	$ 88,930
Reconciliation to net cash provided:			
Depreciation and amortization	**75,265**	111,803	112,013
Deferred income taxes	**6,060**	(11,683)	(4,319)
Partnership (income) losses	**1,341**	(527)	60
Changes in certain assets and liabilities—net	**(45,431)**	28,056	(15,732)
Other	**1,004**	11,305	1,462
Net cash provided by operating activities	**169,455**	196,951	182,414
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	**(32,460)**	(37,051)	(45,691)
Other—net	**(2,798)**	(2,231)	2,464
Net cash used by investing activities	**(35,258)**	(39,282)	(43,227)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of long-term debt	**(142,000)**	(141,000)	(119,000)
Payment of cash dividends	**(18,331)**	(18,197)	(18,053)
Other—principally stock issuances	**12,608**	9,757	7,279
Net cash used by financing activities	**(147,723)**	(149,440)	(129,774)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(13,526)**	8,229	9,413
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**18,883**	10,654	1,241
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 5,357**	$ 18,883	$ 10,654

See notes to consolidated financial statements.

Table of Contents

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(In thousands, except share and per share amounts)

	Par Value Class A	Par Value Class B	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Losses	Total
BALANCES, DECEMBER 26, 1999	$ 164	$ 285	$ 276,693	$ 602,524		$ 879,666
Net income				88,930		88,930
Dividends paid ($.40 share)				(18,053)		(18,053)
Conversion of 1,289 Class B shares to Class A	13	(13)				—
Issuance of 287 Class A shares under stock plans	3		7,276			7,279
Tax benefit from stock plans			1,029			1,029
BALANCES, DECEMBER 31, 2000	180	272	284,998	673,401		958,851
Net income				57,997		57,997
Fair value of swaps January 1, 2001 ($629 pre-tax)					$ (377)	
Change in fair value of swaps ($7,308 pre-tax)					(4,008)	
Minimum pension liability ($12,212 pre-tax)					(7,327)	
Other comprehensive loss					(11,712)	(11,712)
Total comprehensive income						46,285
Dividends paid ($.40 share)				(18,197)		(18,197)
Conversion of 551 Class B shares to Class A	5	(5)				—
Issuance of 349 Class A shares under stock plans	4		9,753			9,757
Tax benefit from stock plans			1,469			1,469
BALANCES, DECEMBER 30, 2001	189	267	296,220	713,201	(11,712)	998,165
Net income				131,216		131,216
Minimum pension liability ($118,715 pre-tax)					(71,229)	
Change in fair value of swaps ($1,197 pre-tax)					471	
Other ($113 pre-tax)					(68)	
Other comprehensive loss					(70,826)	(70,826)
Total comprehensive income						60,390
Dividends paid ($.40 share)				(18,331)		(18,331)
Conversion of 105 Class B shares to Class A	1	(1)				—
Issuance of 422 Class A shares under stock plans	5		12,603			12,608
Tax benefit from stock plans			4,497			4,497
BALANCES, DECEMBER 29, 2002	**$ 195**	**$ 266**	**$ 313,320**	**$ 826,086**	**$ (82,538)**	**$1,057,329**

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The McClatchy Company (the "Company") and its subsidiaries are engaged primarily in the publication of newspapers located in Minnesota, California, the Northwest (Washington and Alaska) and the Carolinas.

The consolidated financial statements include the Company and its subsidiaries. Significant inter-company items and transactions are eliminated. In preparing the financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition—Advertising revenues are recorded when advertisements are placed in the newspaper and circulation revenues are recorded as newspapers are delivered over the subscription term. Unearned revenues represent prepaid circulation subscriptions.

Cash equivalents are highly liquid debt investments with maturities of three months or less when acquired.

Concentrations of credit risks—Financial instruments which potentially subject the Company to concentrations of credit risks are principally cash and cash equivalents and trade accounts receivables. Cash and cash equivalents are placed with major financial institutions. Accounts receivable are with customers located primarily in the immediate area of each city of publication. The Company routinely assesses the financial strength of significant customers and this assessment, combined with the large number and geographic diversity of its customers, limits the Company's concentration of risk with respect to trade accounts receivable.

Inventories are stated at the lower of cost (based principally on the first-in, first-out method) or current market value.

Related party transactions—The Company owns a 13.5% interest in Ponderay Newsprint Company ("Ponderay") which owns and operates a newsprint mill in the State of Washington. The investment is accounted for using the equity method, under which the Company's share of earnings of Ponderay is reflected in income as earned. The Company guarantees certain bank debt used to construct the mill (see Note 7) and is required to purchase 28,400 metric tons of annual production on a "take-if-tendered" basis at prevailing market prices until the debt is repaid. The Company satisfies this obligation by direct purchase (2002: $12,546,000, 2001: $10,802,000 and 2000: $16,497,000) or reallocation to other buyers.

Property, plant and equipment are stated at cost. Major improvements, as well as interest incurred during construction, are capitalized.

Depreciation is computed generally on a straight-line basis over estimated useful lives of:

— 10 to 60 years for buildings
— 9 to 25 years for presses
— 3 to 15 years for other equipment

Intangibles and goodwill consist of the unamortized excess of the cost of acquiring newspaper operations over the fair values of the newspapers' tangible assets at the date of purchase. Identifiable intangible assets, consisting primarily of lists of advertisers and subscribers, covenants not to compete and commercial printing contracts, are amortized over three to forty years. Prior to the adoption of SFAS No. 142 in fiscal 2002, the excess of purchase prices over identifiable assets was amortized over forty years. Management periodically evaluates the recoverability of intangible assets by reviewing the current and projected cash flows of each of its newspaper operations. See Note 2.

Stock-based compensation—At December 29, 2002 the Company has six stock-based compensation plans, which are described more fully at Note 8. The Company accounts for stock-based awards to employees using the intrinsic value method in accordance with APB No. 25, "Accounting for Stock Issued to Employees". No material amounts of compensation have been recorded for these plans.

Had compensation costs for the Company's stock-based compensation plans been determined based upon the fair value at the grant dates for awards under those plans consistent with the method of SFAS Statement No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share amounts):

	2002	2001	2000
Net income:			
As reported	**$131,216**	$57,997	$88,930
Deduct stock-based compensation under SFAS No. 123, net of taxes	**(3,828)**	(2,416)	(2,411)
Pro forma	**$127,388**	$55,581	$86,519
Earnings per common share:			
As reported			
Basic	**$ 2.87**	$ 1.28	$ 1.97
Diluted	**$ 2.84**	$ 1.27	$ 1.97
Pro forma			
Basic	**$ 2.78**	$ 1.22	$ 1.92
Diluted	**$ 2.76**	$ 1.22	$ 1.91

Derivative instruments—The Company records its derivative instruments, primarily interest rate protection agreements (swaps), at fair value in its financial statements. See Notes 3 and 9.

Deferred income taxes result from temporary differences between amounts of assets and liabilities reported for financial and income tax reporting purposes. See Note 4.

Comprehensive income (loss) – The Company records changes in its net assets from non-owner sources in its Statement of Stockholders' Equity. Such changes relate primarily to valuing its pension liabilities and interest rate protection agreements, net of tax effects. The following summarizes the accumulated other comprehensive loss balances as of December 29, 2002 (in thousands):

	December 30, 2001	Current Period Change	December 29, 2002
Minimum pension liability adjustment	$ (7,327)	$(71,229)	$ (78,556)
Fair value of swaps	(4,385)	471	(3,914)
Other	—	(68)	(68)
Total comprehensive loss	$ (11,712)	$(70,826)	$ (82,538)

Segment reporting – The Company's primary business is the publication of newspapers. The Company aggregates its newspapers into a single segment because each has similar economic characteristics, products, customers and distribution methods.

Earnings per share (EPS)—Basic EPS excludes dilution and reflects income divided by the weighted average number of common shares outstanding for the period. Diluted EPS is based upon the weighted average number of outstanding shares of common stock and dilutive common stock equivalents (stock options — equivalents calculated using the treasury stock method, no adjustment to net income required) in the period. See Note 8.

NOTE 2. GOODWILL AND OTHER INTANGIBLE ASSETS

In fiscal 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets" which addresses the financial accounting and reporting standards for the acquisition of intangible assets outside of a business combination and for goodwill and other intangible assets subsequent to their acquisition. This accounting standard requires that goodwill be (1) separately disclosed from other intangible assets in the statement of financial position, (2) no longer amortized, and (3) tested for impairment on a periodic basis. The provisions of this accounting standard also require the completion of a transitional impairment test with any impairments identified treated as a cumulative effect of a change in accounting principle. No material adjustments to the consolidated financial statements were necessary as a result of this transitional impairment test.

Table of Contents

In accordance with SFAS No. 142, The Company discontinued the amortization of goodwill effective in its fiscal year beginning December 31, 2001. A reconciliation of previously reported net income and earnings per share to the amounts adjusted for the exclusion of goodwill amortization net of related income tax follows (in thousands):

	Twelve Months Ended		
	December 29, 2002 (As reported)	December 30, 2001 (Pro forma)	December 31, 2000 (Pro forma)
Income before income tax provision	**$ 216,885**	$ 120,702	$ 171,020
Add: goodwill amortization	—	34,735	35,418
Adjusted income before tax provision	**216,885**	155,437	206,438
Income tax provision	**85,669**	62,871	82,254
Adjusted net income	**$ 131,216**	$ 92,566	$ 124,184
Adjusted basic earnings per share	**$ 2.87**	$ 2.04	$ 2.75
Adjusted diluted earnings per share	**$ 2.84**	$ 2.03	$ 2.74

As required by the SFAS No. 142, intangible assets that do not meet the criteria for recognition apart from goodwill must be reclassified to goodwill. As a result of the Company's analysis, no reclassifications of intangible assets to goodwill were required as of December 29, 2002.

Information regarding the Company's identifiable intangible assets is as follows (in thousands):

	December 29, 2002			
	Average Useful Life	Carrying Amount	Accumulated Amortization	Net
Advertiser and subscriber lists	16 Years	$249,966	$ 162,193	$ 87,773
Other	8 Years	38,804	21,557	17,247
Identifiable intangible assets		$288,770	$ 183,750	$105,020

	December 30, 2001			
	Average Useful Life	Carrying Amount	Accumulated Amortization	Net
Advertiser and subscriber lists	16 Years	$249,990	$ 143,043	$106,947
Other	13 Years	36,314	19,577	16,737
Identifiable intangible assets		$286,304	$ 162,620	$123,684

Amortization expense for intangible assets was $ 19,604,000 for the fiscal year ended December 29, 2002. Estimated amortization expense related to intangible assets existing at December 29, 2002, for the five succeeding fiscal years, is as follows (in thousands):

	Estimated Amortization Expense
2003	$ 19,505
2004	17,841
2005	17,462
2006	7,146
2007	3,306

NOTE 3. LONG-TERM BANK DEBT AND OTHER LONG-TERM OBLIGATIONS

The Company's Credit Agreement includes term loans consisting of Tranche A of $265,000,000 bearing interest at the London Interbank Offered Rate (LIBOR) plus 62.5 basis points, payable in increasing quarterly installments through March 21, 2005, and Tranche B of $119,000,000 bearing interest at LIBOR plus 150 basis points and payable in semi-annual installments through September 19, 2007. A revolving credit line of up to $200,000,000 bears

Table of Contents

interest at LIBOR plus 62.5 basis points and is payable by March 19, 2005. Interest rates applicable to debt drawn down at December 29, 2002, ranged from 2.0% to 2.9%.

The terms of the Credit Agreement include certain operating and financial restrictions, such as limits on the Company's ability to incur additional debt, create liens, sell assets, engage in mergers, make investments and pay dividends. The debt is unsecured and is pre-payable without penalty.

At December 29, 2002 the Company had outstanding letters of credit totaling $15,222,000 securing estimated obligations stemming from workers' compensation claims and other contingent claims.

The Company does not have, nor does it intend to enter into, derivative contracts for trading purposes. The Company has not attempted to hedge fluctuations in the normal purchases of goods and services used to conduct its business operations. Currently there is no intent to hedge or enter into contracts with embedded derivatives for the purchase of newsprint, ink, and other inventories, leases of equipment and facilities, or its business insurance contracts.

The Company has four interest rate swap agreements designated as cash flow hedges specifically designed to hedge the variability in the expected cash flows that are attributable to interest rate fluctuations on $200,000,000 of its variable rate bank debt through June 2003, and $100,000,000 through June 2004. The effect of these agreements is to fix the LIBOR interest rate exposure at approximately 4.4% on that portion of the Company's term loans.

The swap instruments provide for payments of interest at the fixed rates and receipt of interest at variable rates, which are reset to three-month LIBOR rates quarterly. Net payments or receipts under such agreements are recorded as adjustments to interest expense. The swaps were entered into to match the significant terms of the underlying debt in an effort to provide highly effective hedges.

No gain or loss has been recorded in net income as a result of ineffectiveness of these hedges. Income, net of taxes, of $471,000 is recorded in comprehensive income related to these hedges—see the Company's Consolidated Statement of Stockholders' Equity. See Note 9 for a description of the fair value of the Company's interest rate swap agreements.

At the end of 2002 and 2001, long-term debt consisted of (in thousands):

	December 29, 2002	December 30, 2001
Term loans	**$ 384,000**	$ 585,000
Revolving credit line	**112,000**	53,000
Total indebtedness	**496,000**	638,000
Less current portion	**(24,385)**	(43,286)
Long-term indebtedness	**$ 471,615**	$ 594,714

Table of Contents

Long-term debt matures as follows (in thousands):

2004	$	155,692
2005		206,468
2006		26,727
2007		82,728
	$	471,615

Other long-term obligations consist of (in thousands):

	December 29, 2002	December 30, 2001
Pension obligations	**$ 101,346**	$ 66,819
Post-retirement benefits obligation	**12,467**	12,891
Deferred compensation and other	**15,013**	13,275
Total other long-term obligations	**$ 128,826**	$ 92,985

NOTE 4. INCOME TAXES

Income tax provisions consist of (in thousands):

	Year Ended		
	December 29, 2002	December 30, 2001	December 31, 2000
Current:			
Federal	**$ 68,843**	$ 60,924	$ 71,785
State	**10,767**	13,464	14,624
Deferred:			
Federal	**4,504**	(9,702)	(3,913)
State	**1,555**	(1,981)	(406)
Income tax provision	**$ 85,669**	$ 62,705	$ 82,090

The effective tax rate and the statutory federal income tax rate are reconciled as follows:

	Year Ended		
	December 29, 2002	**December 30, 2001**	**December 31, 2000**
Statutory rate	**35.0%**	35.0%	35.0%
State taxes, net of federal benefit	**4.2%**	6.4%	5.9%
Amortization of intangibles	**0.1%**	10.5%	7.1%
Other	**0.2%**	0.1%	—
Effective tax rate	**39.5%**	52.0%	48.0%

See Note 2 for a discussion of the impact of SFAS No. 142 on the amortization of non-deductible goodwill in 2002 and future years.

The components of deferred tax liabilities (benefits) recorded in the Company's Consolidated Balance Sheet on December 29, 2002 and December 30, 2001 are (in thousands):

	2002	2001
Depreciation and amortization	**$ 91,853**	$ 99,113
Partnership losses	**4,327**	1,701
State taxes	**12,532**	9,814
Deferred compensation	**(52,679)**	(13,618)
Mark-to-market of interest rate swaps	**(2,609)**	(2,923)
Other	**(2,089)**	(1,594)
Deferred tax liability (net of $20,706 in 2002 and $18,100 in 2001 reported as current assets)	**$ 51,335**	$ 92,493

NOTE 5. EMPLOYEE BENEFITS

The Company sponsors defined benefit pension plans (retirement plans) which cover a majority of its employees. Benefits are based on years of service and compensation. Contributions to the plans are made by the Company in amounts deemed necessary to provide benefits. Plan assets consist primarily of investments in marketable securities including common stocks, bonds and U.S. government obligations, and other interest bearing accounts. The Company contributed $1,964,000 in 2002, $1,999,000 in 2001 and $1,855,000 in 2000 to multi-employer retirement plans.

The Company also has a number of supplemental retirement plans to provide key employees with additional retirement benefits. The terms of the plans are generally the same as those of the retirement plans, except that the supplemental retirement plans are limited to key employees and benefits under them are reduced by benefits received under the retirement plans. These plans are funded on a pay-as-you-go basis and the accrued pension obligation is largely included in other long-term obligations.

The elements of pension costs are as follows (in thousands):

	December 29, 2002	December 30, 2001	December 31, 2000
Cost of benefits earned during the year	**$ 13,808**	$ 12,582	$ 11,796
Interest on projected benefit obligation	**28,983**	28,051	26,215
Expected return on plan assets	**(39,137)**	(40,533)	(39,126)
Prior service cost amortization	**739**	940	754
Actuarial loss (gain)	**37**	(1,381)	(2,305)
Transition amount amortization	**—**	(547)	(547)
Net pension expense (income)	**$ 4,430**	$ (888)	$ (3,213)

The Company also provides or subsidizes certain retiree health care and life insurance benefits under two plans, one for employees of McClatchy Newspapers, Inc. and one for The Star Tribune Company's employees. The elements of post-retirement expenses are as follows (in thousands):

	December 29, 2002	December 30, 2001	December 31, 2000
Service cost	**$ 622**	$ 442	$ 409
Interest cost	**1,052**	982	955
Actuarial gain	**(47)**	(775)	(852)
Net post-retirement benefit expense	**$ 1,627**	$ 649	$ 512

Table of Contents

A reconciliation of the plans' benefit obligations, fair value of assets, funded status and amounts recognized in the Company's Consolidated Balance Sheet at December 29, 2002 and December 30, 2001 are as follows (in thousands):

	Retirement Plans		Post-retirement Plans	
	2002	2001	2002	2001
Change in projected benefit obligations:				
Beginning of year	**$ 400,334**	$363,843	**$ 12,534**	$ 12,117
Service cost	**13,808**	12,582	**622**	442
Interest costs	**28,983**	28,051	**1,052**	982
Plan amendments	**790**	1,132	**—**	—
Actuarial loss	**40,213**	14,029	**3,455**	915
Participant contributions	**—**	—	**—**	321
Benefits paid	**(22,320)**	(19,303)	**(1,864)**	(2,243)
End of year	**461,808**	400,334	**15,799**	12,534
Change in fair market value of assets:				
Beginning of year	**361,713**	401,791	**—**	—
Return on assets	**(35,829)**	(21,892)	**—**	—
Contributions	**11,348**	1,117	**1,864**	2,243
Benefit payments	**(22,320)**	(19,303)	**(1,864)**	(2,243)
End of year	**314,912**	361,713	**—**	—
Funded status	**(146,896)**	(38,621)	**(15,799)**	(12,534)
Unrecognized net loss (gain)	**175,490**	60,344	**1,993**	(1,511)
Prior service costs	**5,276**	5,222	**(545)**	(657)
Prepaid (accrued) cost	**$ 33,870**	$ 26,945	**$(14,351)**	$(14,702)
Amounts recognized:				
Prepaid benefit cost	**$ 51,122**	$ 78,192	**—**	—
Accrued benefit liability	**(17,252)**	(51,246)	**$(14,351)**	$(14,702)
Additional liability	**(136,070)**	(14,964)	**—**	—
Intangible asset	**5,143**	2,751	**—**	—
Accumulated other comprehensive income	**130,927**	12,212	**—**	—
Net amount recognized	**$ 33,870**	$ 26,945	**$(14,351)**	$(14,702)

In fiscal 2002, the Company recorded an unfunded accumulated benefit obligation liability of $102.2 million, which is largely included in other long-term obligations. The Company had net prepaid pension costs of $33.9 million recorded prior to this adjustment. Accordingly, the Company recorded an additional minimum liability of $136.1 million, and a net after-tax loss in other comprehensive loss (a component of stockholders' equity) of $71.2 million.

Weighted average assumptions used for valuing benefit obligations were:

	2002	2001
Retirement and Post-retirement Plans:	6.75%	7.5%
Discount rate in determining benefit obligation		
Retirement Plans:	9.0%	9.5%
Expected long-term rate of return on assets		
Rates of compensation increase	3.0%-5.0%	3.0%-5.0%

For pension plans with accumulated benefit obligations in excess of plan assets, the projected benefit obligation, the accumulated benefit obligation and the fair value of plan assets were $461,808,000, $416,359,000 and $314,911,000, respectively, as of December 29, 2002 and $72,088,000, $67,606,000 and $45,286,000, respectively, as of December 30, 2001.

For the McClatchy Newspapers, Inc. post-retirement plan (benefit obligation of $4.4 million, expense of $248,000), the medical care cost trend rates are estimated to remain at 5.8% for the year 2003. A 1.0% change in the assumed health care cost trend rate would have changed the benefit obligation and the annual service cost only nominally. For the Star Tribune post-retirement plan, the medical cost trend rates are expected to decline from 9.0% in 2002 to 5.5% by the year 2007. For the Star Tribune's plan (benefit obligation of $11.4 million and expense of $1.3 million), a 1.0% change in the assumed health care cost trend rate would have increased the benefit obligation and expense by $1.2 million and $160,000, respectively, and decreased each by $1.1 million and $139,000, respectively.

The Company has deferred compensation plans (401(k) plans and other savings plans) which enable qualified employees to voluntarily defer compensation. The Company's mandatory matching contributions to the 401(k) plans were $6,768,000 in 2002, $6,494,000 in 2001 and $6,198,000 in 2000.

NOTE 6. CASH FLOW INFORMATION

Cash paid during the years ended December 29, 2002, December 30, 2001 and December 31, 2000 for interest and income taxes were (in thousands):

	2002	2001	2000
Interest paid (net of amount capitalized)	$ 26,384	$ 45,401	$ 62,590
Income taxes paid (net of refunds)	$ 88,082	$ 68,545	$ 91,144

Table of Contents

Cash provided or used by operations was affected by changes in certain assets and liabilities were as follows (in thousands):

	December 29, 2002	December 30, 2001	December 31, 2000
Increase (decrease) in assets:			
Trade receivables	$ 10,279	$ 2,959	$ 14,391
Inventories	493	(2,228)	1,579
Other assets	(83,394)	8,467	7,139
Total	(72,622)	9,198	23,109
Increase (decrease) in liabilities:			
Accounts payable	(25,931)	29,574	14,086
Accrued compensation	(84,554)	2,010	(3,048)
Income taxes	(10,558)	4,375	(5,764)
Other liabilities	2,990	1,295	2,103
Total	(118,053)	37,254	7,377
Net cash increase (decrease) from changes in certain assets and liabilities	$ (45,431)	$ 28,056	$ (15,732)

In 2002 the Company merged two of its pension plans and, at year-end, recorded an unfunded accumulated benefit obligation related to its plans of $102.2 million. These changes resulted in a reduction of $78.2 million in prepaid pension assets and a like amount in accrued compensation. See Note 5 for further discussion of this adjustment.

NOTE 7. COMMITMENTS AND CONTINGENCIES

The Company guarantees $16,200,000 of bank debt related primarily to its joint venture in the Ponderay newsprint mill. The guarantee amount represents the Company's pro rata portion of Ponderay debt, which is guaranteed by the general partners. The debt is secured by the assets of Ponderay and is payable on April 12, 2006.

The Company and its subsidiaries rent certain facilities and equipment under operating leases expiring at various dates through March 2010. Total rental expense amounted to $6,592,000 in 2002, $6,428,000 in 2001 and $5,714,000 in 2000.

Minimum rental commitments under operating leases with non-cancelable terms in excess of one year are (in thousands):

2003	$	6,064
2004		4,080
2005		2,989
2006		1,728
2007		940
Thereafter		339
Total	$	16,140

There are libel and other legal actions that have arisen in the ordinary course of business and are pending against the Company. From time to time, the Company is involved as a party in various governmental proceedings, including environmental matters. Management believes, after reviewing such actions with counsel, that the outcome of pending actions will not have a material adverse effect on the Company's consolidated results of operations or financial position.

NOTE 8. COMMON STOCK AND STOCK PLANS

The Company's Class A and Class B common stock participate equally in dividends. Holders of Class B common stock are entitled to one vote per share and to elect as a class 75% of the Board of Directors, rounded down to the nearest whole number. Holders of Class A common stock are entitled to one-tenth of a vote per share and to elect as a class 25% of the Board of Directors, rounded up to the nearest whole number. Class B common stock is convertible at the option of the holder into Class A common stock on a share-for-share basis.

At December 29, 2002, the Company has six stock-based compensation plans, which are described below. The Company applies APB Opinion 25 and related interpretations in accounting for its plans. No significant amounts of compensation costs have been recognized for its fixed stock option plans and its stock purchase plan.

The Company's Amended Employee Stock Purchase Plan (the Purchase Plan) reserved 1,875,000 shares of Class A common stock for issuance to employees. Eligible employees may purchase shares at 85% of "fair market value" (as defined) through payroll deductions. The Purchase Plan can be automatically terminated by the Company at any time. As of December 29, 2002, a total of 1,212,984 shares of Class A common stock have been issued under the Purchase Plan.

The Company has three stock option plans which reserve 4,812,500 Class A common shares for issuance to key employees—the 1987, 1994 and 1997 plans ("Employee Plans"). Terms of each of the Employee Plans are substantially the same. Options are granted at the market price of the Class A common stock on the date of grant. The options vest in installments over four years, and once vested are exercisable up to 10 years from the date of grant. Although the plans permit the Company, at its sole discretion, to settle unexercised options by granting stock appreciation rights, the Company does not intend to avail itself of this alternative.

The Company's two amended and restated stock option plans for outside directors (the 1990 Stock Option Plan and the 2001 Director Plan, together the "Directors' Plans") provide for the issuance of up to 687,500 shares of Class A stock. Under these plans each non-employee director is granted, at the conclusion of each regular annual meeting of stockholders, an option to purchase shares of Class A common stock at fair market value on the date of the grant. In 2002, each such director was granted an option to purchase 2,500 shares of Class A common stock.

Terms of the Directors' Plans are similar to the terms of the Employee Plans. Outstanding options are summarized as follows:

	Options	Weighted Average Exercise Price
Outstanding December 26, 1999	1,583,578	$ 29.88
Granted	513,000	$ 39.35
Exercised	(190,184)	$ 22.30
Forfeited	(63,312)	$ 34.42
Outstanding December 31, 2000	1,843,082	$ 33.14
Granted	574,500	$ 45.38
Exercised	(250,027)	$ 25.31
Forfeited	(111,500)	$ 38.38
Outstanding December 30, 2001	2,056,055	$ 37.23
Granted	588,000	$ 57.46
Exercised	(356,325)	$ 27.14
Forfeited	(37,250)	$ 39.78
Outstanding December 29, 2002	2,250,480	$ 44.07
Options exercisable:		
December 31, 2000	542,468	
December 30, 2001	612,055	
December 29, 2002	592,105	

The following tables summarize information about fixed stock options outstanding in the stock plans at December 29, 2002:

Range of Exercise Prices	Options Outstanding	Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$17.30 – $39.89	483,480	5.74	$30.87	375,105	$29.95
$40.38 – $40.38	630,750	7.49	$40.38	206,500	$40.38
$40.88 – $57.20	1,092,750	9.43	$51.38	10,500	$41.16
$60.23 – $63.00	43,500	9.43	$60.76	—	—

Pro forma compensation costs are calculated for the fair value of the employees' purchase rights, which was estimated using the Black-Scholes model with the following weighted average assumptions:

	2002	2001	2000
Dividend yield	**0.70**	1.15	1.15
Expected life	**5.34**	5.40	5.28
Volatility	**.2325**	.2691	.2732
Risk-free interest rate	**3.29**	4.40	5.36
Weighted average fair value of options	**$14.80**	$13.27	$12.18

See Note 1 for a description of the effect of the pro forma compensation expense derived using the fair value method on the Company's results.

NOTE 9. FAIR VALUE OF FINANCIAL INSTRUMENTS AND DERIVATIVE DISCLOSURES

The following estimates were developed using available market data for instruments held as of December 29, 2002 and December 30, 2001 (in thousands):

	2002		2001	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Cash and cash equivalents	**$ 5,357**	**$ 5,357**	$ 18,883	$ 18,883
Trade receivables	**197,448**	**197,448**	187,273	187,273
Accounts payable	**(103,956)**	**(103,956)**	(129,887)	(129,887)
Long-term debt	**(471,615)**	**(471,615)**	(594,715)	(594,715)
Interest rate swap agreements	**(6,524)**	**(6,524)**	(7,308)	(7,308)

The Company does not have, nor does it intend to enter into derivative contracts for trading purposes. The Company does not attempt to hedge fluctuations in the normal purchases of goods and services used to conduct its business operations. Hence, there is no intent to hedge or enter into contracts with embedded derivatives for the purchase of newsprint, ink and other inventories, leases of equipment and facilities, or its business insurance contracts.

The Company's four interest rate swap agreements (see Note 3) are designated as cash flow hedges and are specifically designed to hedge the variability in the expected cash flows that is attributable to interest rate fluctuations on $200,000,000 of its variable rate bank debt through June 2003, and an additional $100,000,000 through June 2004. The swaps were entered into to match the significant terms of the debt in an effort to provide highly effective hedges.

The Company does not expect any significant net gain or loss to be recognized in earnings as a result of ineffectiveness of its cash flow hedges, nor any significant impact to its consolidated statement of financial position to result from recording the fair value of its cash flow hedges in its consolidated financial statements.

NOTE 10. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The Company's business is somewhat seasonal, with peak revenues and profits generally occurring in the second and fourth quarters of each year as a result of increased advertising activity during the spring holiday and Christmas periods. The first quarter is historically the weakest quarter for revenues and profits. The Company's quarterly results are summarized as follows (in thousands, except per share amounts):

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2002				
Revenues - net	$252,567	$274,339	$267,120	$287,872
Operating income	47,584	67,473	59,973	69,992
Net income	23,296	36,225	32,649	39,046
Net income per common share	0.51	0.78	0.71	0.84
2001				
Revenues - net	$263,698	$275,790	$263,843	$276,722
Operating income	34,291	48,413	41,143	49,992
Net income	10,527	12,343	14,228	20,899
Net income per common share	0.23	0.27	0.31	0.46

In fiscal 2002 the Company adopted SFAS No. 142, eliminating the amortization of goodwill. Also in the fourth quarter of fiscal 2002, the Company recorded a charge to write down the value of certain real property, which reduced earnings by two cents per share.

Earnings in the second quarter of fiscal 2001 include charges related to the writedown of certain Internet investments and a reserve for an environmental clean up, which total 13 cents per share.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Biographical information for Class A Directors, Class B Directors and executive officers contained under the captions "Nominees for Class A Directors", "Nominees for Class B Directors" and "Other Executive Officers" under the heading "Election of Directors" in the definitive Proxy Statement for the Company's 2003 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information contained under the headings "Compensation", "Executive Compensation", "Stock Option Awards", "Option Exercises and Holdings", "Pension Plans" and "Employment Agreement" in the definitive Proxy Statement for the Company's 2003 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained under the heading "Principal Shareholders" and under the sub-heading "Securities Authorized for Issuance Under Equity Compensation Plans" of the section entitled "Compensation" in the definitive Proxy Statement for the Company's 2003 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information contained under the headings "Certain Relationships and Related Transactions" in the definitive Proxy Statement for the Company's 2003 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 14. CONTROLS AND PROCEDURES

During the 90-day period prior to the filing of this annual report, an evaluation was performed under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a - 14(c) and 15d - 14(c) under the Securities Exchange Act of 1934, as amended). Following that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective at that time. There have been no significant changes in the Company's internal controls, other factors that could significantly affect internal controls, or significant or material weaknesses with regard to the Company's internal controls identified by the Company subsequent to that evaluation.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

a) (1)&(2) Financial Statements and Financial Statement Schedules filed as a part of this Report are listed in the Index to Financial Statements and Financial Statement Schedules on page 24 hereof.

(3) Exhibits filed as part of this Report are listed in the Exhibit Index beginning on Page 58 hereof.

b) Reports on Form 8-K – None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) The McClatchy Company

By: /s/ Gary B. Pruitt
Gary B. Pruitt, Chairman, President and Chief Executive Officer
Date: February 25, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Principal Executive Officer:

By: /s/ Gary B. Pruitt
Gary B. Pruitt, Chairman of the Board, President, Chief Executive Officer and Director
Date: February 25, 2003

Principal Financial Officer:

By: /s/ Patrick J. Talamantes
Patrick J. Talamantes, Vice President, Finance and Chief Financial Officer
Date: February 25, 2003

Principal Accounting Officer:

By: /s/ Robert W. Berger
Robert W. Berger, Controller and Assistant Treasurer
Date: February 25, 2003

Directors:

By: /s/ Elizabeth Ballantine
Elizabeth Ballantine, Director
Date: February 25, 2003

Table of Contents

Directors (continued)

By:	/s/	Leroy T. Barnes
	Leroy T. Barnes, Director	
Date:	February 25, 2003	
By:	/s/	William K. Coblentz
	William K. Coblentz, Director	
Date:	February 25, 2003	
By:	/s/	Molly Maloney Evangelisti
	Molly Maloney Evangelisti, Director	
Date:	February 25, 2003	
By:	/s/	R. Larry Jinks
	R. Larry Jinks, Director	
Date:	February 25, 2003	
By:	/s/	Joan F. Lane
	Joan F. Lane, Director	
Date:	February 25, 2003	
By:	/s/	James B. McClatchy
	James B. McClatchy, Publisher and Director	
Date:	February 25, 2003	
By:	/s/	Kevin McClatchy
	Kevin McClatchy, Director	
Date:	February 25, 2003	
By:	/s/	William Ellery McClatchy
	William Ellery McClatchy, Director	
Date:	February 25, 2003	
By:	/s/	Theodore Reed Mitchell
	Theodore Reed Mitchell, Director	
Date:	February 25, 2003	

By: /s/ Erwin Potts
Erwin Potts, Director
Date: February 25, 2003

Directors (continued)

By: /s/ S. Donley Ritchey, Jr.
S. Donley Ritchey, Jr., Director
Date: February 25, 2003

By: /s/ Frederick R. Ruiz
Frederick R. Ruiz, Director
Date: February 25, 2003

By: /s/ Maggie Wilderotter
Maggie Wilderotter, Director
Date: February 25, 2003

CERTIFICATIONS

I, Gary B. Pruitt, Chief Executive Officer of The McClatchy Company, certify that:

1. I have reviewed this annual report on Form 10-K of The McClatchy Company;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
    c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Table of Contents

Date: February 25, 2003

By: /s/ GARY B. PRUITT

Gary B. Pruitt,
Chairman, President and
Chief Executive Officer

Table of Contents

CERTIFICATIONS

I, Patrick J. Talamantes, Chief Financial Officer of The McClatchy Company, certify that:

1. I have reviewed this annual report on Form 10-K of The McClatchy Company;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
    c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 25, 2003

/s/ Patrick J. Talamantes
Patrick J. Talamantes
Chief Financial Officer

SCHEDULE II

THE McCLATCHY COMPANY AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

For the Three Years Ended December 29, 2002
(in thousands)

		Additions			
	Balance Beginning of Period	Charged to Costs and Expenses (1)	Charged to Other Accounts	Deductions for purposes for which Accounts were set up	Balance at End of Period
Year Ended December 31, 2000:					
Deduct from assets to which they apply:					
Uncollectible accounts	$ (3,506)	$ (5,992)	—	$ 5,279	$ (4,219)
Year Ended December 30, 2001:					
Deduct from assets to which they apply:					
Uncollectible accounts	$ (4,219)	$ (7,952)	—	$ 6,943	$ (5,228)
Year Ended December 29, 2002:					
Deduct from assets to which they apply:					
Uncollectible accounts	$ (5,228)	$ (8,345)	—	$ 8,511	$ (5,062)

(1) Amounts written off net of bad debt recoveries.

Table of Contents

INDEX OF EXHIBITS

Exhibit	
3.1*	The Company's Restated Certificate of Incorporation dated March 18, 1998, included as Exhibit 3.1 in the Company's 1997 Form 10-K.
3.2	The Company's By-laws as amended on December 4, 2002.
10.1*	Credit Agreement dated March 10, 1998 between The McClatchy Company (formerly MNI Newco, Inc.), the lenders party thereto, Salomon Brothers, Inc., as Arranger and Syndication Agent and Bank of America National Trust and Savings Association as Swingline Lender, Administrative Agent and Collateral Agent, included as Exhibit 10.2 in the Company's 1997 Form 10-K.
10.2*	Ponderay Newsprint Company Partnership Agreement dated as of September 12, 1985 between Lake Superior Forest Products, Inc., Central Newsprint Company, Inc., Bradley Paper Company, Copley Northwest, Inc., Puller Paper Company, Newsprint Ventures, Inc., Wingate Paper Company, Tribune Newsprint Company and Nimitz Paper Company included in Exhibit 10.10 to McClatchy Newspapers, Inc. Registration Statement No. 33-17270 on Form S-1.
**10.3*	The McClatchy Company Management by Objective Plan Description included as Exhibit 10.4 in the Company's Report filed on Form 10-K for the Year ending December 31, 2000.
**10.4*	Amended and Restated Supplemental Executive Retirement Plan effective January 1, 2002 included as Exhibit 10.4 to the Company's 2001 Form 10-K.
**10.5*	Amended and Restated 1987 Stock Option Plan dated August 15, 1996 included as Exhibit 10.7 to the McClatchy Newspapers, Inc. 1996 Report on Form 10-K.
**10.6*	Amended and Restated 1994 Stock Option Plan dated February 1, 1998 included as Exhibit 10.15 to the Company's Report on Form 10-Q filed for the Quarter Ending on July 1, 2001.
**10.7	Amended and Restated 1997 Stock Option Plan.
**10.8*	Executive Performance Plan adopted on January 1, 1990 included in Exhibit 10.13 to McClatchy Newspapers, Inc. 1989 Report on Form 10-K.
**10.9*	The Company's Amended and Restated 1990 Directors' Stock Option Plan dated February 1, 1998 included as Exhibit 10.12 to the Company's 1997 Form 10-K.
**10.10*	Employment Agreement between the Company and Gary B. Pruitt dated June 1, 1996 included as Exhibit 10.13 to the McClatchy Newspapers, Inc. 1996 Report on Form 10-K.
**10.11*	The Company's Long-Term Incentive Plan, dated January 1, 1998 included as Exhibit 10.2 to the Company's Report on Form 10-Q for the Quarter Ending on June 30, 1998.

**10.12*	The Company's Chief Executive Bonus Plan, dated January 1, 1998 included as Exhibit 10.3 to the Company's Report on Form 10-Q for the Quarter Ending on June 30, 1998.
**10.13	The Company's Amended and Restated 2001 Director Option Plan.
21*	Subsidiaries of the Company.
23	Consent of Deloitte & Touche LLP.
99.1	Certifications of the Chief Executive Officer and Chief Financial Officer of The McClatchy Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Incorporated by reference

** Compensation plans or arrangements for the Company's executive officers and directors

EXHIBIT 3.2

BY-LAWS
OF
THE McCLATCHY COMPANY
(As Amended as of December 4, 2002)

ARTICLE I

The Board of Directors

Section I.1 Authority of the Board. The business and affairs of The McClatchy Company (herein called the "Company") shall be managed by or under the direction of the Board of Directors (the "Board") or, if authorized by the Board, by or under the direction of one or more committees thereof. Except as otherwise provided by law, the Company's Certificate of Incorporation or these By-Laws, the Board or such committee, the Board or any committee thereof may act by unanimous written consent or, at an authorized meeting at which a quorum is present, by the vote of the majority of the Directors present at the meeting.

Section I.2 Number of Directors; Vacancies. The authorized number of Directors who shall constitute the Board shall be fixed from time to time by resolution of the Board approved by at least a majority of the Directors then in office, provided that no such resolution other than a resolution to take effect as of the next election of Directors by the stockholders shall have the effect of reducing the authorized number of Directors to less than the number of Directors in office as of the effective time of the resolution.

Whenever there are fewer Directors in office than the authorized number of Directors, the Board may, by resolution approved by a majority of the Directors then in office, choose one or more additional Directors, each of whom shall hold office until the next annual meeting of stockholders and his successor is duly elected.

Section I.3 Authorized Meetings of the Board. The Board shall have authority to hold annual, regular and special meetings. The annual meeting of the Board shall be held immediately following the annual meeting of the stockholders at such place as may be determined by resolution of the Board. Regular meetings of the Board may be held at such times and places as may be determined from time to time by resolution of the Board. Special meetings of the Board may be held at such times and places as may be called by the Chairman of the Board, the Publisher, the President, or by at least three members of the Board. A special meeting of the Board shall be an authorized meeting only if the Directors receive reasonable notice of the time and place of the meeting; provided, however, that one day's notice shall be conclusively reasonable.

The Chairman of the Board shall preside over all Board meetings. If the Chairman of the Board is absent, the Publisher, President or a chairman chosen at the meeting shall preside over the meeting.

At all meetings of the Board, a majority of the Directors then in office shall constitute a quorum. If any meeting of the Board shall lack a quorum, a majority of the Directors present may adjourn the meeting from time to time, without notice, until a quorum is obtained.

Section I.4 Committees. The Board may by resolution establish committees of the Board with various powers, duties and rules of procedure. Unless the Board otherwise provides, each committee shall conduct its business in the same manner as the Board conducts its business pursuant to these By-Laws. Any such committee shall have a secretary and report its actions to the Board.

Section I.5 Compensation. Directors who are not also employees of the Company shall be entitled to such compensation for their service on the Board or any committee thereof as the Board may from time to time determine.

ARTICLE II

Officers

Section II.1 Designated Officers. The officers of the Company shall be elected by, and serve at the pleasure of, the Board and shall consist of a Chairman of the Board, a President and a Secretary, and such other officers, including, without limitation, a Publisher, a Treasurer, a Controller, one or more Vice Presidents, one or more Assistant Treasurers, one or more Assistant Secretaries, and such other officers as the Board may determine as appropriate.

Section II.2 Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board and shall have such other powers and perform such other duties as may from time to time be granted or assigned to him by the Board.

Section II.3 President. The President shall be the chief executive officer of the Company. In managing its operations, he shall report as appropriate to the Board and shall be subject to the instructions given to him by the Board. He shall have such other powers and perform such other duties as may from time to time be granted or assigned to him by the Board.

Section II.4 Publisher. The Publisher shall have responsibility for advising the Company regarding outside corporate relations and acquisitions, and shall have such other powers and perform such other duties as may from time to time be granted or assigned to him by the Board.

Section II.5 Vice Presidents. In the absence of the Chairman of the Board, the Publisher or the President, or in their inability or refusal to act, the Vice Presidents in the order designated by the Board shall act in their place. The Vice Presidents shall also have such other powers and perform such other duties as may from time to time be granted or assigned to them by the Board.

Section II.6 Treasurer. The Treasurer shall have custody of the Company's funds and deposit and shall deposit and pay out such funds in accordance with the direction of the Board.

The Treasurer shall also have such other powers and perform such other duties as may from time to time be granted or assigned by the Board.

Section II.7 Assistant Treasurers. The Assistant Treasurers shall assist the Treasurer in the performance of his duties and shall have such other powers and perform such other duties as may from time to time be granted or assigned to them by the Board.

Section II.8 Controller. The Controller shall be the chief accounting officer of the Company and shall have charge of the Company's books of accounts and records. He shall also have such other powers and perform such other duties as may from time to time be granted or assigned to him by the Board.

Section II.9 Secretary. The Secretary shall keep full and complete records of the proceedings of the Board, its committees, and the meetings of the stockholders; keep the seal of the Company and affix it to all instruments which may require it; have custody of and maintain the Company's stockholder records. The Secretary shall also have such other powers and perform such other duties as may from time to time be granted or assigned to him by the Board.

Section II.10 Assistant Secretaries. The Assistant Secretaries shall assist the Secretary in the performance of his duties, and shall have such other powers and perform such other duties as may from time to time be granted or assigned to them by the Board.

Section II.11 Other Officers. Any other elected officer shall have such powers and perform such duties as may from time to time be granted or assigned to him by the Board.

Section II.12 Powers of Attorney. Whenever an applicable statute, decree, rule or regulation requires a document to be subscribed by a particular officer of the Company, such document may be signed on behalf of such officer by a duly appointed attorney-in-fact, except as otherwise directed by the Board.

ARTICLE III

Offices

The Company shall have an office at 2100 "Q" Street, Sacramento, California, and shall also have offices at such other places as the Board may from time to time determine.

ARTICLE IV

Stock and Stock Certificates

Section IV.1 Common Stock. The Board may from time to time issue new shares of the Company's "Class A Common Stock" up to the limit of authorized shares of such class. The

Board may also authorize the purchase on behalf of the Company for its treasury of issued and outstanding shares of Class A or Class B Common Stock, and the resale, assignment or other transfer by the Company of any such treasury shares of Class A Common Stock.

Shares of Class A and Class B Common Stock shall be represented by certificates, which shall be registered upon the books of the Company.

Section IV.2 Form of Certificate. Every holder of Common Stock in the Company shall be entitled to have a certificate signed by or in the name of the Company by the Chairman of the Board of the President and by the Secretary. All such certificates shall bear the seal of the Company or a facsimile thereof, and shall be countersigned by a Transfer Agent and Registrar for the Common Stock.

Certificates of Common Stock signed by the Chairman of the Board or the President and the Secretary, if properly countersigned as set forth above by a Transfer Agent and the Registrar, and if regular in other respects, shall be valid, whether such officers hold their respective positions at the date of issue or not.

Any signature or countersignature on certificates of Common Stock may be an actual signature or a printed or engraved facsimile.

Section IV.3 Lost, Stolen or Destroyed Certificates. The Company may issue a new certificate of Common Stock in the place of any certificate issued by it, alleged to have been lost, stolen or destroyed; and the Company may require the owner of the lost, stolen or destroyed certificate to give the Company or its designated representative both an affidavit or affirmation of such loss, theft or destruction and a bond of indemnity or indemnity agreement covering the issuance of any replacement certificate.

Section IV.4 Stock Transfers. Transfer of shares of Common Stock shall be made on the books of the Company only upon the surrender of a valid certificate of Common Stock endorsed by the person named in the certificate or by an attorney lawfully constituted in writing. The Company may impose such additional conditions to the transfer of its stock as may be necessary or appropriate for compliance with applicable law or to protect the Company, a Transfer Agent or the Registrar from liability with respect to such transfer.

Section IV.5 Stockholders of Record. The Board may fix a time as a record date for the determination of stockholders entitled to receive any dividend or distribution declared to be payable on any shares of the Company; or to vote upon any matter to be submitted to the vote of any stockholders of the Company; or to be present or to be represented by proxy at any meeting of the stockholders of the Company, which record date in the case of a meeting of the stockholders shall be not more than sixty nor less than ten days before the date set for such meeting; and other stockholders of record as of the record date shall be entitled to receive such dividend or distribution, or to vote on such matter, or to be present or represented by proxy at such meeting.

Section IV.6 Registered Stockholders. The Company shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as owner. The Company shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, except as otherwise provided by federal or Delaware law.

ARTICLE V

Meetings of Stockholders

Section V.1 Annual Meetings of Stockholders. An annual meeting of stockholders to elect directors and transact such other business as may properly be presented to the meeting shall be held at the date, hour and place as the Board may from time to time fix. At the Annual Meeting, the holders of Class A Common Stock, voting as a separate class, shall elect that number of Directors which constitutes twenty-five percent (25%) of the authorized number of Directors, or if such twenty-five percent shall not be a whole number, then the nearest higher whole number of Directors. The remaining number of authorized Directors shall be elected by the holders of Class B Common Stock, voting as a separate class.

Section V.2 Special Meetings of Stockholders. Special meetings of the stockholders for any purpose or purposes, unless prohibited by law, may be called by the Board. Notice of a special meeting of stockholders shall state the purpose or purposes of the meeting, and no other business other than that stated in the notice shall be considered or transacted without the unanimous consent of all stockholders entitled to vote.

Section V.3 Notices of Meetings. Written notice of all meetings of the stockholders stating the place, date and hour of the meeting, shall be mailed, postage prepaid, not less than ten nor more than sixty days before such meeting to each stockholder entitled to notice of, or to vote at, any meeting of stockholders at the address of such stockholder as it appears on the records of the Company.

Section V.4 Conduct of Meetings. The Chairman of the Board, or such other officer as may preside at any meeting of the stockholders, shall have authority to establish, from time to time, such rules for the conduct of such meeting, and to take such action, as may in his judgment be necessary or proper for the conduct of the meeting and in the best interests of the Company and the stockholders in attendance in person or by proxy.

Section V.5 Quorum for Action by Stockholders, Voting. At all elections or votes for any purpose, there must be represented a number of shares sufficient to constitute a majority of the outstanding voting power of the Common Stock.

For the election of directors a plurality of the votes cast by the respective classes shall be sufficient to elect the Directors to be elected by each such class. With respect to other matters, unless otherwise provided by law, the Company's Certificate of Incorporation or these By-Laws, the affirmative vote of the holders of the majority of the voting power of the Common Stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Where a separate vote by class is required, the affirmative vote of the holders of a majority of the shares of each class of stock shall be the act of such class, except as otherwise provided by law, the Company's Certificate of Incorporation or these By-Laws.

Section V.6 Adjournments. Any meeting of stockholders may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the reconvened meeting the Company may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the reconvened meeting, a notice of the reconvened meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section V.7 Proxies. Any stockholder entitled to vote at a meeting of stockholders may be represented and have his shares voted by a proxy or proxies appointed by an instrument in writing executed by the stockholder of record; provided, however, that no such instrument may appoint more than three persons to act as proxies. If an instrument shall purport to appoint more than three persons to act as proxies, the Company shall recognize as proxies only the first three persons listed as appointed. No such instrument shall be valid except for the purposes expressly stated therein, and shall not be valid after the expiration of three years from the date of its execution, unless the person executing it specifies therein that the proxy shall continue for a longer period. Subject to the above, any written instrument appointing a proxy or proxies and duly executed by a stockholder of record shall, unless otherwise limited by its terms, continue in full force and effect until a written instrument bearing a later date is filed with the Secretary, which instrument by its terms either revokes the earlier appointment or creates a new appointment.

ARTICLE VI

Corporate Seal

The Company shall not have a corporate seal.

ARTICLE VII

Amendments

These By-Laws may be amended or repealed, and new by-laws adopted, by the Board; but the stockholders may adopt additional by-laws and may amend or repeal any by-law whether or not adopted by them.

EXHIBIT 10.7

THE MCCLATCHY COMPANY

1997 STOCK OPTION PLAN

(amended and restated February 1, 2001)

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

THE MCCLATCHY COMPANY
1997 STOCK OPTION PLAN
(amended and restated February 1, 2001)

SECTION 1. PURPOSE.

The purpose of the Plan is to offer selected employees an opportunity to acquire a proprietary interest in the success of the Company, or to increase such interest, to encourage such selected persons to remain in the employ of the Company and to attract new employees with outstanding qualifications by purchasing Shares of the Company's Class A Common Stock. The Plan provides for the grant of Options to purchase Shares. Options granted under the Plan are Nonstatutory Options. The Plan was adopted effective as of December 10, 1997 and amended and restated on February 1, 2001, as set forth herein.

SECTION 2. DEFINITIONS.

(a) "BOARD OF DIRECTORS" shall mean the Board of Directors of the Company, as constituted from time to time.

(b) "CODE" shall mean the Internal Revenue Code of 1986, as amended.

(c) "COMMITTEE" shall mean the committee appointed by the Board of Directors pursuant to Section 3(a).

(d) "COMPANY" shall mean The McClatchy Company, a Delaware corporation.

(e) "EMPLOYEE" shall mean any individual who is a common-law employee of the Company or of a Subsidiary, including officers and directors of the Company who are also employees.

(f) "EXERCISE PRICE" shall mean the amount for which one Share may be purchased upon exercise of an Option, as specified by the Committee in the applicable Stock Option Agreement.

(g) "FAIR MARKET VALUE" shall mean the fair market value of a Share as determined by Committee in good faith as follows:

(i) If the Share was trade on a stock exchange on the date in question, then the Fair Market Value shall be equal to the closing price reported by the applicable composite transactions report for such date; and

(ii) If the foregoing provision is not applicable, then the Fair Market Value shall be determined by the Committee on such basis as it deems appropriate.

(h) "NONSTATUTORY OPTION" shall mean an employee stock option that is not qualified under section 422 of the Code.

(i) "OPTION" shall mean Nonstatutory Option granted under the Plan and entitling the holder to purchase Shares.

(j) "OPTIONEE" shall mean an individual who holds an Option.

(k) "PLAN" shall mean The McClatchy Company 1997 Stock Option Plan.

(l) "SERVICE" shall mean service as an Employee. For purposes of this Plan, "Service shall continue if an Employee becomes a consultant to the Company or a Subsidiary.

(m) "SHARE" shall mean one share of Stock, as adjusted in accordance with Section 8 (if applicable).

(n) "STOCK" shall mean the Class A Common Stock of the Company, and such other stock as may be substituted therefor in accordance with the adjustment provisions of the Plan.

(o) "STOCK OPTION AGREEMENT" shall mean the agreement between the Company and an Optionee which contains the terms, conditions and restrictions pertaining to his or her Option.

(p) "SUBSIDIARY" shall mean any corporation, of which the Company and/or one or more other Subsidiaries own not less than 50 percent of the total combined voting power of all classes of outstanding stock of such corporation. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

SECTION 3. ADMINISTRATION.

(a) COMMITTEE MEMBERSHIP. The Plan shall be administered by the Committee which shall consist of not less than two directors appointed by the Board of Directors each of whom shall satisfy the requirements of Rule 16b-3, as amended of the Securities Exchange Act of 1933.

(b) COMMITTEE PROCEDURES. The Board of Directors shall designate one of the members of the Committee as chairperson. The Committee may hold meetings at such times and places as it shall determine. The acts of a majority of the Committee members present at meetings at which a quorum exists, or acts reduced to or approved in writing by all Committee members, shall be valid acts of the Committee.

(c) COMMITTEE RESPONSIBILITIES. Subject to the provisions of the Plan, the Committee shall have full authority and discretion to take the following actions:

(i) To interpret the Plan and to apply its provisions;

(ii) To adopt, amend or rescind rules, procedures and forms relating to the Plan;

(iii) To authorize any person to execute, on behalf of the Company, any instrument required to carry out the purposes of the Plan;

(iv) To determine when Options are to be granted under the Plan;

(v) To select the Optionees;

(vi) To determine the number of Shares to be made subject to each Option;

(vii) To prescribe the terms and conditions of each Option, including (without limitation) the Exercise Price and to specify the provisions of the Stock Option Agreement relating to such Option;

(viii) To amend or terminate any outstanding Stock Option Agreement;

(ix) To determine the disposition of an Option in the event of an Optionee's divorce or dissolution of marriage;

(x) To correct any defect, supply any omission, or reconcile any inconsistency in the Plan and any Option;

(xi) To prescribe the consideration for the grant of each Option under the Plan and to determine the sufficiency of such consideration; and

(xii) To take any other actions deemed necessary or advisable for the administration of the Plan.

Subject to the requirements of applicable law, the Committee may designate persons other than members of the Committee to carry out its responsibilities and may prescribe such conditions and limitations as it may deem appropriate, except that the Committee may not delegate its authority with regard to the selection for participation of or the granting of Options or other rights under the Plan to persons subject to Section 16 of the Exchange Act. All decisions, interpretations and other actions of the Committee shall be final and binding on all Offerees, all Optionees, and all persons deriving their rights from an Optionee. No member of the Committee shall be liable for any action that he has taken or has failed to take in good faith with respect to the Plan, any Option, or any right to acquire Shares under the Plan.

SECTION 4. ELIGIBILITY.

Only Employees shall be eligible for designation as Optionees by the Committee.

SECTION 5. STOCK SUBJECT TO PLAN.

(a) BASIC LIMITATION. Shares offered under the Plan shall be authorized but unissued Shares. The aggregate number of Shares which may be issued under the Plan (upon exercise of Options) shall not exceed 750,000 Shares, subject to adjustment pursuant to Section 8.

The number of Shares which are subject to Options outstanding at any time under the Plan shall not exceed the number of Shares which then remain available for issuance under the Plan. The Company, during the term of the Plan, shall at all times reserve and keep available sufficient Shares to satisfy the requirements of the Plan.

(b) ADDITIONAL SHARES. In the event that any outstanding Option for any reason expires or is canceled or otherwise terminated, the Shares allocable to the unexercised portion of such Option shall again be available for the purposes of the Plan.

SECTION 6. TERMS AND CONDITIONS OF OPTIONS.

(a) STOCK OPTION AGREEMENT. Each grant of an Option under the Plan shall be evidenced by a Stock Option Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions which are not inconsistent with the Plan and which the Committee deems appropriate for inclusion in a Stock Option Agreement. The provisions of the various Stock Option Agreements entered into under the Plan need not be identical.

(b) NUMBER OF SHARES. Each Stock Option Agreement shall specify the number of Shares that are subject to the Option and shall provide for the adjustment of such number in accordance with Section 8.

(c) EXERCISE PRICE. Each Stock Option Agreement shall specify the Exercise Price which shall be determined by the Committee in its sole discretion. The Exercise Price may be less than the Fair Market Value of a Share. The Exercise Price shall be payable in a form described in Section 7.

(d) WITHHOLDING TAXES. As a condition to the exercise of an Option, the Optionee shall make such arrangements as the Committee may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with such exercise. The Optionee shall also make such arrangements as the Committee may require for the satisfaction of any federal, state, local or foreign withholding tax obligations that may arise in connection with the disposition of Shares acquired by exercising an Option.

(e) EXERCISABILITY AND TERM. Each Stock Option Agreement shall specify the date when all or any installment of the Option is to become exercisable. The Stock Option Agreement shall also specify the term of the Option. The Committee in its sole discretion shall determine when all or any part of an Option is to become exercisable and when such Option is to expire.

(f) NONTRANSFERABILITY. Except as provided in the applicable Stock Option Agreement, no Option shall be transferable by the Optionee other than by will or by the laws of descent and distribution. An Option may be exercised during the lifetime of the Optionee only by him or by his guardian or legal representative. No Option or interest therein may be transferred, assigned, pledged or hypothecated by the Optionee during his lifetime, whether by operation of law or otherwise, or be made subject to execution, attachment or similar process.

(g) EXERCISE OF OPTIONS ON TERMINATION OF SERVICE. Each Option shall set forth the extent to which the Optionee shall have the right to exercise the Option following termination of the Optionee's Service with the Company and its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Options issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of employment.

(h) NO RIGHTS AS A SHAREHOLDER. An Optionee, or a transferee of an Optionee, shall have no rights as a shareholder with respect to any Shares covered by an Option until the date of the issuance of a stock certificate for such Shares.

(i) MODIFICATION, EXTENSION AND ASSUMPTION OF OPTIONS. Within the limitations of the Plan, the Committee may modify, extend or assume outstanding Options or may accept the cancellation of outstanding Options (whether granted by the Company or another issuer) in return for the grant of new Options for the same or a different number of Shares and at the same or a different Exercise Price or for other consideration.

(j) RESTRICTIONS ON TRANSFER OF SHARES. Any Shares issued upon exercise of an Option shall be subject to such rights of repurchase, rights of first refusal and other transfer restrictions as the Committee may determine. Such restrictions shall be set forth in the applicable Stock Option Agreement and shall apply in addition to any restrictions that may apply to holders of Shares generally.

(k) CHANGE OF CONTROL. With respect to any unexpired Option that is granted on or after January 12, 2001, and notwithstanding any contrary provision of the Plan or of any Stock Option Agreement, upon a "Change of Control," an Optionee shall be entitled to immediate 100% vesting of such Option.

"Change of Control" means (i) the sale, lease, conveyance or other disposition of all or substantially all of the Company's assets to any "person" (as such term is used in Section 13(d) of the Securities Exchange Act of 1934, as amended), entity or group of persons acting in concert; (ii) any "person" or group of persons (other than any member of the McClatchy family or any entity or group controlled by one or more members of the McClatchy family) becoming the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities; (iii) a merger or consolidation of the Company with any other corporation, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its controlling entity) at least 50% of the total voting power represented by the voting securities of the Company or such surviving entity (or its controlling entity) outstanding immediately after such merger or consolidation; (iv) a contest for the election or removal of members of the Board that results in the removal from the Board of at least 50% of the incumbent members of the Board, or (v) the occurrence of a “Rule 13e-3 transaction” as such term is defined in Rule 13e-3 promulgated under the Securities Exchange Act of 1934, as amended, or any similar successor rule.

SECTION 7. PAYMENT FOR SHARES.

(a) GENERAL RULE. The entire Exercise Price of Shares issued under the Plan shall be payable in lawful money of the United States of America at the time when such Shares are purchased, except as provided in Subsections (b) and (c) below.

(b) SURRENDER OF STOCK. To the extent that a Stock Option Agreement so provides, payment may be made all or in part with Shares which have already been owned by the Optionee or the Optionee’s representative for any time period specified by the Committee and which are surrendered to the Company in good form for transfer. Such Shares shall be valued at their Fair Market Value on the date when the new Shares are purchased under the Plan.

(c) CASHLESS EXERCISE. To the extent that a Stock Option Agreement so provides, payment may be made all or in part by delivery (on a form prescribed by the Committee) of an irrevocable direction to a securities broker to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate Exercise Price.

SECTION 8. ADJUSTMENT OF SHARES.

(a) GENERAL. In the event of a subdivision of the outstanding Stock, a declaration of a dividend payable in Shares, a declaration of a dividend payable in a form other than Shares in an amount that has a material effect on the value of Shares, a combination or consolidation of the outstanding Stock into a lesser number of Shares, a recapitalization, a reclassification or a similar occurrence, the Committee shall make appropriate adjustments in one or more of (i) the number of Shares available for future grants under Section 5, (ii) the number of Shares covered by each outstanding Option or (iii) the Exercise Price under each outstanding Option.

(b) REORGANIZATIONS. In the event that the Company is a party to a merger or reorganization, outstanding Options shall be subject to the agreement of merger or reorganization.

(c) RESERVATION OF RIGHTS. Except as provided in this Section 8, an Optionee shall have no rights by reason of (i) any subdivision or consolidation of shares of stock of any class, (ii) the payment of any dividend or (iii) any other increase or decrease in the number of shares of stock of any class. Any issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or Exercise Price of Shares subject to an Option. The grant of an Option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets.

SECTION 9. LEGAL REQUIREMENTS.

Shares shall not be issued under the Plan unless the issuance and delivery of such Shares complies with (or is exempt from) all applicable requirements of law, including (without limitation) the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange on which the Company's securities may then be listed.

SECTION 10. NO EMPLOYMENT RIGHTS.

No provision of the Plan, nor any Option granted under the Plan, shall be construed to give any person any right to become, to be treated as, or to remain an Employee. The Company and its Subsidiaries reserve the right to terminate any person's Service at any time and for any reason.

SECTION 11. DURATION AND AMENDMENTS.

(a) TERM OF THE PLAN. The Plan, as set forth herein, shall become effective on the date of its adoption by the Board of Directors. The Plan shall terminate automatically ten (10) years after its initial effective date of the Plan, and may be terminated on any earlier date pursuant to Subsection (b) below.

(b) RIGHT TO AMEND OR TERMINATE THE PLAN. The Board of Directors may amend, suspend or terminate the Plan at any time and from time to time. Rights and obligations under any Option granted before amendment of the Plan shall not be materially altered, or impaired adversely, by such amendment, except with consent of the person to whom the Option was granted. An amendment of the Plan shall be subject to the approval of the Company's stockholders only to the extent required by applicable laws, regulations or rules.

(c) EFFECT OF AMENDMENT OR TERMINATION. No Shares shall be issued or sold under the Plan after the termination thereof, except upon exercise of an Option granted prior to such termination. The termination of the Plan, or any amendment thereof, shall not affect any Option previously granted under the Plan.

SECTION 12. EXECUTION.

To record the adoption of the Plan by the Board of Directors, the Company has caused its authorized officer to execute the same as of 11th day of December, 1997.

THE McCLATCHY COMPANY

By /s/ KAROLE MORGAN-PRAGER

As Its SECRETARY

EXHIBIT 10.13

THE McCLATCHY COMPANY

2001 DIRECTOR OPTION PLAN

1. Purposes of the Plan. The purposes of this 2001 Director Option Plan are to attract and retain the best available personnel for service as Non-employee Directors (as defined herein) of the Company, to provide additional incentive to the Non-employee Directors of the Company to serve as Directors, and to encourage their continued service on the Board.

All Options granted hereunder shall be nonstatutory stock options.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Board" means the Board of Directors of the Company.

(b) "Change of Control" means (i) the sale, lease, conveyance or other disposition of all or substantially all of the Company's assets to any "person" (as such term is used in Section 13(d) of the Securities Exchange Act of 1934, as amended), entity or group of persons acting in concert; (ii) any "person" or group of persons (other than any member of the McClatchy/Maloney family or any entity or group controlled by one or more members of the McClatchy/Maloney family) becoming the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities; (iii) a merger or consolidation of the Company with any other corporation, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its controlling entity) at least 50% of the total voting power represented by the voting securities of the Company or such surviving entity (or its controlling entity) outstanding immediately after such merger or consolidation; (iv) a contest for the election or removal of members of the Board that results in the removal from the Board of at least 50% of the incumbent members of the Board, or (v) the occurrence of a "Rule 13e-3 transaction" as such term is defined in Rule 13e-3 promulgated under the Securities Exchange Act of 1934, as amended, or any similar successor rule.

(c) "Code" means the Internal Revenue Code of 1986, as amended.

(d) "Common Stock" means the Class A Common Stock of the Company.

(e) "Company" means The McClatchy Company, a Delaware corporation.

(f) "Director" means a member of the Board.

(g) "Disability" means that an Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which has lasted, or can be expected to last, for a continuous period of not less than six (6) months or which can be expected to result in death.

(h) "Employee" means any person, including officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. The payment of a Director's fee by the Company shall not be sufficient in and of itself to constitute "employment" by the Company.

(i) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(j) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day prior to the time of determination as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock for the last market trading day prior to the time of determination, as reported in *The Wall Street Journal* or such other source as the Board deems reliable; or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Board.

(k) "Non-employee Director" means a Director who is not an Employee.

(l) "Option" means a stock option granted pursuant to the Plan.

(m) "Optioned Stock" means the Common Stock subject to an Option.

(n) "Optionee" means a Director who holds an Option.

(o) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(p) "Plan" means this 2001 Director Option Plan.

(q) "Share" means a share of the Common Stock, as adjusted in accordance with Section 10 of the Plan.

(r) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Internal Revenue Code of 1986.

3. Stock Subject to the Plan. Subject to the provisions of Section 10 of the Plan, the maximum aggregate number of Shares which may be optioned and sold under the Plan is 500,000 Shares (the "Pool"). The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated). Shares that have actually been issued under the Plan shall not be returned to the Plan and shall not become available for future distribution under the Plan.

4. Administration and Grants of Options under the Plan.

(a) Procedure for Grants. All grants of Options to Non-employee Directors under this Plan shall be automatic and nondiscretionary and shall be made strictly in accordance with the following provisions; provided, however, that the Board shall have the authority to adjust the size of the Annual Option (defined below) as it deems appropriate in light of all surrounding circumstances:

(i) No person shall have any discretion to select which Non-employee Directors shall be granted Options.

(ii) Each Non-employee Director shall be automatically granted an Option to purchase 2,500 Shares (an "Annual Option") on the date of the Company's annual stockholder meeting each year.

(iii) Notwithstanding the provisions of subsections (ii) and (iii) hereof, any exercise of an Option granted before the Company has obtained shareholder approval of the Plan in accordance with Section 16 hereof shall be conditioned upon obtaining such shareholder approval of the Plan in accordance with Section 16 hereof.

(iv) The terms of an Annual Option granted hereunder shall be as follows:

(A) the term of the Annual Option shall be ten (10) years.

(B) the Annual Option shall be exercisable only while the Non-employee Director remains a Director of the Company, except as set forth in Sections 8 and 10 hereof.

(C) the exercise price per Share shall be 100% of the Fair Market Value per Share on the date of grant of the Annual Option.

(D) subject to Section 10 hereof, the Annual Option shall become exercisable as to 25% of the Shares subject to the Annual Option on the March 1 following its date of grant and 25% of the Shares subject to the Annual Option shall vest on each March 1 thereafter, provided that the Optionee continues to serve as a Director on such dates.

(v) Notwithstanding the foregoing vesting provisions, if an Optionee's service as a Director terminates due to death, Disability or retirement after attaining the age of 65, then 100% of the shares subject to each outstanding Option granted hereunder to such Optionee shall immediately vest and become exercisable.

(vi) In the event that any Option granted under the Plan would cause the number of Shares subject to outstanding Options plus the number of Shares previously purchased under Options to exceed the Pool, then the remaining Shares available for Option grant shall be granted under Options to the Non-employee Directors on a pro rata basis. No further grants shall be made until such time, if any, as additional Shares become available for grant under the Plan through action of the Board or the shareholders to increase the number of Shares which may be issued under the Plan or through cancellation or expiration of Options previously granted hereunder.

5. Eligibility. Options may be granted only to Non-employee Directors. All Options shall be automatically granted in accordance with the terms set forth in Section 4 hereof.

The Plan shall not confer upon any Optionee any right with respect to continuation of service as a Director or nomination to serve as a Director, nor shall it interfere in any way with any rights which the Director or the Company may have to terminate the Director's relationship with the Company at any time.

6. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the shareholders of the Company as described in Section 16 of the Plan. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 11 of the Plan.

7. Form of Consideration. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall consist of (i) cash, (ii) check, (iii) other shares which (x) in the case of Shares acquired upon exercise of an option, have been owned by the Optionee for more than twelve (12) months on the date of surrender, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised, (iv) consideration received by the Company under a cashless exercise program implemented by the Company in connection with the Plan, or (v) any combination of the foregoing methods of payment.

8. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted hereunder shall be exercisable at such times as are set forth in Section 4 hereof; provided, however, that no Options shall be exercisable until shareholder approval of the Plan in accordance with Section 16 hereof has been obtained.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may consist of any consideration and method of payment allowable under Section 7 of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. A share certificate for the number of Shares so acquired shall be issued to the Optionee as soon as practicable after exercise of the Option. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 10 of the Plan.

Exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Continuous Status as a Director. Subject to Section 10 hereof, in the event an Optionee's status as a Director terminates (other than upon the Optionee's death, Disability or retirement after the age of 65), the Optionee may exercise his or her Option, but only within ninety (90) days following the date of such termination, and only to the extent that the Optionee was entitled to exercise it on the date of such termination (but in no event later than the expiration of its ten (10) year term). To the extent that the Optionee was not entitled to exercise an Option on the date of such termination, and to the extent that the Optionee does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option shall terminate.

(c) Retirement. In the event Optionee's status as a Director terminates as a result of Optionee retiring after attaining the age of 65, the Optionee may exercise his or her Option, but only within three years following the date of such termination, and only to the extent that the Optionee was entitled to exercise it on the date of such termination (but in no event later than the expiration of its ten (10) year term). To the extent that the Optionee was not entitled to exercise an Option on the date of termination, or if he or she does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option shall terminate.

(d) Disability of Optionee. In the event Optionee's status as a Director terminates as a result of Disability, the Optionee may exercise his or her Option, but only within three years following the date of such termination, and only to the extent that the Optionee was entitled to exercise it on the date of such termination (but in no event later than the expiration of its ten (10) year term). To the extent that the Optionee was not entitled to exercise an Option on the date of termination, or if he or she does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option shall terminate.

(e) Death of Optionee. In the event of an Optionee's death, the executors or administrators of the Optionee's estate or a person who acquired the right to exercise the Option by bequest, inheritance or beneficiary designation may exercise the Option, but only within three years following the date of death, and only to the extent that the Optionee was entitled to exercise it on the date of death (but in no event later than the expiration of its ten (10) year term). To the extent that the Optionee was not entitled to exercise an Option on the date of death, and to the extent that the

Optionee's estate or a person who acquired the right to exercise such Option does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option shall terminate.

In the event that an Optionee dies after the termination of his or her status as a Director as provided in Sections 8(b), (c) and (d), but before the expiration of his or her Option(s), all or part of such Option(s) may be exercised (prior to the expiration) by the executors or administrators of the Optionee's estate or by any person who has acquired such Option(s) directly from him or her by bequest, inheritance or beneficiary designation under the Plan, but only to the extent that such Option(s) had become exercisable before his or her service as a Director terminated or became exercisable as a result of the termination.

9. Non-Transferability of Options. The Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

10. Adjustments Upon Changes in Capitalization, Dissolution, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of Shares covered by each outstanding Option, the number of Shares which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per Share covered by each such outstanding Option, and the number of Shares issuable pursuant to the automatic grant provisions of Section 4 hereof shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Option.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, to the extent that an Option has not been previously exercised, it shall terminate immediately prior to the consummation of such proposed action.

(c) Change of Control. In the event of a Change of Control, all outstanding and unexpired Options shall become fully vested and exercisable, including as to Shares for which it would not otherwise be exercisable.

Outstanding Options may be assumed or equivalent options may be substituted by the successor corporation or a Parent or Subsidiary thereof (the "Successor Corporation") or they may be settled for cash. If an Option is assumed or substituted for, the Option or equivalent option shall continue to be exercisable as provided in Section 4 hereof for so long as the Optionee serves as a Director or a director of the Successor Corporation. Following such assumption or substitution, if the Optionee's status as a Director or director of the Successor Corporation, as applicable, is terminated, the Option or option shall remain exercisable in accordance with Sections 8(b) through (e) above. If the Successor Corporation does not assume an outstanding Option or substitute for it an equivalent option or the Option is not settled for cash, the Board shall notify the Optionee at least thirty (30) days from the date of such notice, and upon the expiration of such period the Option shall terminate.

For the purposes of this Section 10(c), an Option shall be considered assumed if, following the Change of Control, the Option confers the right to purchase or receive, for each Share of Optioned Stock immediately prior to the Change of Control, the consideration (whether stock, cash, or other securities or property) received in the Change of Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares). If such consideration received in the Change of Control is not solely common stock of the Successor Corporation or its Parent, the Board may, with the consent of the Successor Corporation, provide for the consideration to be received upon the exercise of the Option, for each Share of Optioned Stock, to be solely common stock of the Successor Corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Change of Control.

11. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend, or discontinue the Plan, but no amendment, alteration, suspension, or discontinuation shall be made which would impair the rights of any Optionee under any grant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply with any applicable law, regulation or stock exchange rule, the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required.

(b) Effect of Amendment or Termination. Any such amendment or termination of the Plan shall not affect Options already granted and such Options shall remain in full force and effect as if this Plan had not been amended or terminated.

12. Time of Granting Options. The date of grant of an Option shall, for all purposes, be the date determined in accordance with Section 4 hereof.

13. Conditions Upon Issuance of Shares. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, state securities laws, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares, if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned relevant provisions of law.

Inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

14. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

15. Option Agreement. Options shall be evidenced by written option agreements in such form as the Board shall approve.

16. Shareholder Approval. The Plan shall be subject to approval by the shareholders of the Company within twelve (12) months after the date the Plan is adopted. Such shareholder approval shall be obtained in the degree and manner required under applicable state and federal law and any stock exchange rules.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in The McClatchy Company's Registration Statements No. 33-21704, No. 33-24096, No. 33-37300, No. 33-65104, No. 33-56717, No. 333-42903, No. 333-59811, and No. 333-61214 on Form S-8 and No. 333-47909 on Form S-3 of our report dated January 28, 2003, appearing in this Annual Report on Form 10-K of The McClatchy Company for the year ended December 29, 2002.

/s/ Deloitte & Touche LLP

Sacramento, California
February 25, 2003

EXHIBIT 99.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Gary B. Pruitt, Chief Executive Officer of The McClatchy Company (the “Registrant”), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Annual Report on Form 10-K of the Registrant, to which this certificate is attached as an exhibit (the “Report”), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: February 25, 2003

/s/ Gary B. Pruitt

Gary B. Pruitt
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Patrick J. Talamantes, Chief Financial Officer of The McClatchy Company (the “Registrant”), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Annual Report on Form 10-K of the Registrant, to which this certificate is attached as an exhibit (the “Report”), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: February 25, 2003

/s/ Patrick J. Talamantes

Patrick J. Talamantes
Chief Financial Office