



“While the economic downturn continued to dominate

the national real estate landscape in 2009, we are proud of our forward focus.

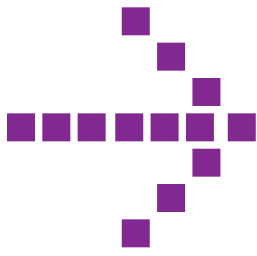
Not only is Hearst positioning itself for the inevitable market upturn, but

**WE HAVE BRANDED OUR
COMPANY AND PROPERTIES
AS INNOVATION LEADERS
IN GREEN AWARENESS,
CIVIC ENHANCEMENT AND
STRATEGIC DECISION MAKING.”**

RONALD DOERFLER

Senior Vice President
Finance & Administration
Hearst Corporation

HEARST *real estate & other operations*

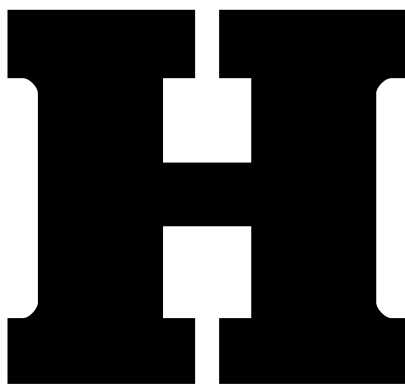


IN A YEAR THAT WILL LONG BE REMEMBERED AS BRUTAL FOR THE REAL ESTATE INDUSTRY,

Hearst saved on operating expenses, remained stable with existing tenants, expanded sustainability practices and increased its efficiency by upgrading and consolidating information technology.



Hearst Tower on West 57th Street continues to be one of the premier corporate headquarters in Manhattan, playing host to dignitaries, celebrities and advertisers from around the world who marvel at its architecture and Gold LEED certification. In fact, green energy efficiencies at the Tower exceed original estimates and continue to save Hearst significant dollars in operating expenses. Hearst is confident that once the economic climate for retail improves, acceptable ground-floor tenants will only enhance the property.



Hearst Realities continues to capture good returns on strategic property decisions made prior to the economic downturn.

The triple-net lease at 224 West 57th Street in New York City is returning substantial rents to Hearst while the property undergoes millions of dollars in renovation by its lessee.

Hearst's 11 East 57th Street property also continues to bring in high income from the long-term tenancy of Prada's Miu Miu brand. At 235 East 45th Street, headquarters for A&E Television

Networks, Hearst renewed the Netherlands Mission's tenancy for the top three floors. Hearst Realities is preparing to renovate the commercial component of the Sheffield condominium at 322 West 57th Street for possible Hearst occupancy.



FROM DESIGN TO CONSTRUCTION—AND NOW OPERATION—HEARST CORPORATION REMAINS COMMITTED TO MAKING HEARST TOWER A MODEL OF ENVIRONMENTAL LEADERSHIP IN NEW YORK CITY.



INNOVATION PROCESS, PRODUCTIVITY & PAYOFFS

THE HEARST SERVICE CENTER CONTINUES TO REFINE AND IMPROVE PROCESSES for everyday tasks WHILE ALSO TACKLING THE LARGER CHALLENGES.

SINCE 1991, THE HEARST SERVICE CENTER IN CHARLOTTE, N.C., HAS PROVIDED VALUE TO THE ENTIRE HEARST CORPORATION BY INNOVATING AND CREATING NEW PROCESSES TO INCREASE PRODUCTIVITY WHILE MINIMIZING COSTS. In 2009, the Service Center's achievements extended well beyond cost savings to strategic payoffs: enhanced reporting, increased internal control and transparency, and an improved ability to respond to customer needs and market conditions. Consolidation and centralization efforts in the accounting and information technology areas are providing measurable benefits to all Hearst businesses.

With more than 15,000 Hearst employees around the world and some 200 diverse businesses, the Service Center is tackling global initiatives that affect all Hearst employees and is also problem-solving with individual businesses on local challenges. Representatives across all Hearst Groups are working with the Service Center staff to establish the Service Center's strategic direction.

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In Southern California, the office market in the Woodland Hills area continues to deteriorate due to the recession and the real estate collapse stemming from the exodus of mortgage and banking companies from the area. In the meantime, Hollywood Locations uses the Hearst building for movie, television and commercial filming. Although the entertainment industry has also felt the recession's deep impact, activity picked up in late 2009 and Hearst has filming commitments booked into 2010.

In Southern California, Hearst and Hollywood Locations use available properties for movie, TV and commercial filming.



Hearst also continues to work with Hollywood Locations for film shoots in the historic *Los Angeles Herald Examiner* building. With its recently upgraded interior, the building is attracting more business. The property's revenue from both filming and parking helps offset its operational costs.



The Hearst Building in San Francisco had a vacancy rate of 4.8 percent at year's end, which compared favorably to that of other buildings in the city's Southern Financial Business District, where the vacancy rate hovered at 22 percent for Class B buildings. The prevailing strategy in the commercial office industry for lease renewals is to hold on to existing tenants. The retail segment of the Hearst Building

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INNOVATION CONTINUED

Among its distinctive achievements in 2009, the Hearst Service Center improved the Shared Services Group's enterprise financial applications and associated hardware, partnered with Hearst Newspapers to provide new backup services for some of the newspapers' applications, and worked with Hearst Magazines to consolidate the New York Microsoft Exchange environment in Charlotte.

In 2010, the Service Center will continue to refine and improve processes for everyday tasks—expense reporting, time sheet entry and invoice processing—while also tackling the larger challenges that a diversifying and expanding media company like Hearst faces in today's rapidly changing world.



remained stable with long-term tenants. The 400 Montgomery Street building was 91.7 percent leased at the end of 2009, an enviable 8.3 percent vacancy rate.

The Hearst Parking Center reflected the City of San Francisco's prevailing employment challenges, but maintained occupancy levels that were higher than those of comparable garages in the city. The retail segment of the property remains under long-term leases to stable tenants.

In 2009, U.S. wood product consumption fell to the lowest level in modern history. Production at wood product manufacturing facilities was down—an estimated 26 percent year over year—in all regions of the United States. The effort to balance log and lumber inventories with purchase orders is a continuing challenge. **Hearst is actively seeking “spot” sales opportunities to deliver a limited volume of fir logs to longtime clients.** This strategic approach helps the mills balance their special needs, provides work for Hearst’s logging contractors and provides Hearst with a modest cash flow.

In addition, Hearst is engaged in activities such as road construction, timber stand improvement treatments, and fuel hazard reduction that will improve overall fire safety. At the same time, timber harvest plan preparation and timber-marking activities continue. The intent of this strategy is to improve Hearst’s timberland infrastructure, allow healthy timber to grow and increase its future value, and position Hearst with the flexibility to respond quickly to market events and capture any significant increases that may occur in the local timber market.

In 2009, Jack Ranch actively put plans in place that address the poor economy. The Ranch has a three-pronged approach to business in these uncertain times: rebuilding the herd, increasing farming operations by extending alfalfa production to replace less efficient crops, and undertaking major livestock water projects to increase the carrying capacity of the ranch.

At Hearst’s San Simeon Ranch, business is moving forward on an expanded stocker program in which Hearst purchases outside cattle to grow and resell at a later date. San Simeon also continues to diversify into other avenues of ranch income, such as its avocado orchard and horses for breeding.

Hearst Ranch Beef refined its cattle-share program to feature 40-pound value packages that include a representative sampling of the prime cuts of beef produced by Hearst Ranch cattle. Hearst

leveraged wholesale programs with Heritage Foods USA and the Anaheim Convention Center as a platform for developing the cattle-share program, which debuted in September on HearstRanch.com. Hearst is also entering its third year as a Williams-Sonoma direct-to-customer vendor (a program that continues to boost the brand recognition of Hearst Ranch Beef) and is continuing to expand its Hearst Ranch Central Coast Fresh Beef Program, most recently working with Kaney Foods.

“Although nobody expects current economic conditions to ease in the very near future, we are continuing our deployment of innovations to create new successes today and position ourselves to take advantage of future opportunities as they arise,” Doerfler says.

JACK RANCH IS REBUILDING ITS
HERD. INCREASING FARMING
OPERATIONS AND UNDERTAKING
MAJOR LIVESTOCK WATER PROJECTS.

