Lee Enterprises Reports 3rd Quarter Earnings

July 22, 2002

DAVENPORT, Iowa, Jul 22, 2002 (BUSINESS WIRE) -- Lee Enterprises, Incorporated (NYSE:LEE), reported today that diluted earnings per common share from continuing operations were 69 cents in its third quarter ended June 30, 2002, an increase of 92 percent from 36 cents a year ago.

The growth includes a positive contribution from newspapers that joined Lee April 1 through the acquisition of Howard Publications. Lee had previously announced that it did not expect the Howard acquisition to be accretive to earnings until the fiscal year ending September 2003. Strong operating results in the quarter from both existing and newly acquired businesses contributed to the improvement in results.

Two non-operating factors increased this year's earnings by 25 cents compared with the same quarter a year ago:

-- Non-recurring gains from the favorable resolution of tax issues reduced income tax expense by approximately $10 million, or 22 cents per share. As previously announced, Lee has favorably resolved one element of a federal tax claim related to the deductibility of losses on the 1997 sale of a business, which Internal Revenue Service regulations had previously disallowed. Due to the uncertainty of a favorable resolution at the time of sale, the amount claimed was reserved in the financial statements. The reversal has been recorded in results from continuing operations as a reduction of income tax expense. Additional elements of the claim remain open and, if resolved favorably, would result in additional reduction of tax expense in future periods.
-- Adoption of new accounting rules for intangible assets increased this year's earnings by 3 cents.

Last year, losses on sales of businesses reduced results 2 cents per share. Adjusted for the non-operating factors, diluted earnings per common share this year were 44 cents, an increase of 16 percent from the 2001 adjusted level of 38 cents.

EBITDA (earnings before interest, taxes, depreciation and amortization) increased 60.7 percent to $49.5 million. EBITDA margin improved to 30.3 percent, compared with 28.0 percent a year ago. Revenue increased 48.6 percent to $163.7 million, as acquisitions contributed $55 million in the current year. Operating expenses, excluding depreciation and amortization, increased 43.9 percent to $114.1 million, as lower newsprint prices, staff reductions and other cost controls were more than offset by costs of the acquired businesses. Operating income increased 62.4 percent to $37.3 million.

On a same-property operating basis, which excludes the impact of acquisitions and divestitures, total revenue for the quarter ended June 30, 2002, increased 0.9 percent, the first positive movement overall since the December 2000 quarter. Retail revenue increased 3.3 percent from last year, to $51.5 million. Classified advertising decreased 3.1 percent, to $32.7 million, as real estate advertising increased 4.8 percent and automotive revenue increased 1.0 percent, partially offsetting a decline in employment advertising of 15.7 percent. National advertising, a small category for Lee, increased 1.1 percent. Total advertising revenue increased 0.7 percent and circulation revenue increased 1.2 percent. Online revenue increased 27.5 percent.

Mary Junck, chairman and chief executive officer, said: "We've been waiting a year and a half for a quarter like this. With the exception of employment advertising, good news followed good news all quarter long. While we can't yet guess when the economy will actually begin turning around, we're very pleased with the results of our many actions to continue growing revenue and circulation. We're especially delighted with the performance of our new newspapers, which have met or exceeded our expectations in every way."

She added: "Let me also take this opportunity to speak to our stockholders, the investment community, and particularly to our employees about our view of the responsibility of public companies with regard to financial reporting and corporate governance. As I and our chief financial officer, Carl Schmidt, stated in our most recent annual report to the SEC, the management of Lee is responsible for the preparation and integrity of our financial statements. We are proud of Lee's record and strong oversight by Lee's independent directors, and we applaud initiatives by the SEC and the New York Stock Exchange to improve the quality of financial reporting and raise the standards of corporate governance. Additionally, as some companies already have done, we will treat future employee stock option grants as an expense. If currently outstanding stock options had been treated in the same manner, our diluted earnings per common share from continuing operations would have been reduced by 4 cents to $1.31 last year."

ACCOUNTING ESTIMATES

Because of the size and complexity of the acquisition, Lee has not yet completed the required determination of fair value of the assets and liabilities of Howard Publications and related allocation of the purchase price. The final determination of value could result in a significant increase or decrease in amortization expense in future periods from the amounts estimated for the quarter ended June 30, 2002, and reported results overall. Any changes from amounts previously estimated would not impact Lee cash flows. Amortization expense related to this acquisition for the quarter ended June 30, 2002, was $4.4 million.

DISCONTINUED OPERATIONS

In another favorable resolution of a tax issue, $4 million, or 9 cents per diluted common share, has been recorded in results from discontinued operations from changes in estimates related to state taxes on the sale of broadcasting operations. This amount is offset by inclusion of operating results, and the previously announced loss on the sale, of Lee's Flathead, Montana, weekly newspapers, which were used as partial consideration for the purchase of 50 percent of the stock of Sioux City Newspapers, a transaction that closed July 1. Overall, discontinued operations resulted in earnings of 3 cents per common share for the quarter.

YEAR TO DATE

For the nine months ended June 30, 2002, total revenue on a same-property basis decreased 1.9 percent. On a reported basis, revenue increased 13.6 percent, as acquisitions significantly impacted the most recent quarter. Operating expenses, excluding depreciation and amortization, increased

10.3 percent and EBITDA increased 22.1 percent. EBITDA margin improved to 29.5 percent, compared with 27.4 percent a year ago. Operating income increased 30.6 percent.

Diluted earnings per common share from continuing operations totaled $1.40, compared with $1.13 in the first three quarters a year ago. Non-operating factors decreased this year's earnings for the nine months by 12 cents per share in comparison with a year ago. The impact of lower interest rates and lower invested balances, exclusive of the effects of the acquisition of Howard Publications in April, reduced this year's earnings by 22 cents, while adoption of the new accounting rules for intangible assets increased this year's earnings by 10 cents. Last year, losses on sales of businesses reduced results 2 cents per share.

Tables follow.

Lee Enterprises is based in Davenport, Iowa. It owns 39 daily newspapers and a joint interest in six others, along with associated online services. Lee also owns more than 175 weekly newspapers, shoppers and classified and specialty publications. Its stock is traded on the New York Stock Exchange under the symbol LEE. More information about Lee Enterprises, including revenue statistics for June, is available at www.lee.net.

LEE ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME
Unaudited. (Thousands, Except Per Common Share Data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2002	2001	2002	2001
Operating revenue:		(3)		(3)
Advertising	$110,745	$ 71,613	$244,709	$211,973
Circulation	31,641	20,115	72,238	60,816
Other	18,427	16,770	49,990	50,761
Equity in net income of associated companies	2,867	1,647	6,796	5,531
	163,680	110,145	373,733	329,081
Operating expenses:				
Compensation	62,927	42,165	143,464	126,237
Newsprint and ink	13,386	11,166	31,559	32,071
Depreciation	6,389	3,882	13,946	12,181
Amortization of intangible assets(2)	5,866	3,997	9,614	11,707
Other	37,826	25,978	88,579	80,590
	126,394	87,188	287,162	262,786
Operating income	37,286	22,957	86,571	66,295
Non-operating (income) expense, net:				
Financial income	(470)	(6,470)	(5,705)	(24,412)
Financial expense	5,117	3,279	10,999	9,624
Loss on sales of assets	(9)	1,472	31	1,472
Other, net	-	213	268	844
	4,638	(1,506)	5,593	(12,472)
Income from continuing operations before income taxes	32,648	24,463	80,978	78,767
Income tax expense	1,841	8,675	18,920	28,760
Income from continuing operations	30,807	15,788	62,058	50,007
Discontinued operations	1,281	(86)	1,154	250,653
Net income	$ 32,088	$ 15,702	$ 63,212	$300,660
Earnings per common share:				
Basic:				
Continuing operations	$0.70	$0.36	$1.41	$1.14
Discontinued operations	.03	-	.03	5.74

Net income	$0.73	$0.36	$1.44	$6.88
Diluted:				
Continuing operations	$0.69	$0.36	$1.40	$1.13
Discontinued operations	.03	-	.03	5.69
Net income	$0.72	$0.36	$1.43	$6.82
Average outstanding shares:				
Basic	44,144	43,833	44,054	43,721
Diluted	44,474	44,118	44,349	44,041

SELECTED BALANCE SHEET INFORMATION

	June 30,	
	2002	2001
Cash and temporary cash investments	$ 72,710	$ 463,640
Total assets	1,400,576	991,118
Debt, including current maturities	425,799	173,400
Stockholders' equity	729,019	676,385

(1) Operating basis includes 100% of the revenue of Madison Newspapers, Inc. (MNI), which for financial reporting purposes is reported using the equity method of accounting. Lee owns 50% of the capital stock of MNI.
(2) Amortization of goodwill for the quarter and nine months ended June 30, 2001, was $1,991 and $5,973, respectively, including approximately $700 and $2,100, respectively, that is nondeductible for income tax purposes.
(3) Certain amounts as previously reported have been reclassified to conform with the current period presentation.

The Private Securities Litigation Reform Act of 1995 provides a "Safe Harbor" for forward-looking statements. This release contains information that may be deemed forward-looking and that is based largely on the Company's current expectations and is subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those anticipated. Among such risks, trends and other uncertainties are changes in advertising demand, newsprint prices, interest rates, labor costs, legislative and regulatory rulings and other results of operations or financial conditions, difficulties in integration of acquired business or maintaining employee and customer relationships and increased capital and other costs. The words "may," "will," "would," "could," "believes," "expects," "anticipates," "intends," "plans," "projects," "considers" and similar expressions generally identify forward-looking statements. Readers are cautioned not to place undue reliance on such forward-looking statements, which are made as of the date of this release. The Company does not publicly undertake to update or revise its forward-looking statements.

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