Lee Enterprises Reports Earnings for 4th Quarter and Fiscal Year

November 11, 2002

DAVENPORT, Iowa--(BUSINESS WIRE)--Nov. 11, 2002--Lee Enterprises, Incorporated (NYSE:LEE), reported today that diluted earnings per common share from continuing operations were 43 cents for its fourth quarter ended Sept. 30, 2002, nearly doubling earnings of 22 cents a year ago.

The growth reflects major acquisition activity earlier this year, strong operating results from both newly acquired and existing newspapers, and non-recurring items in the prior year.

Adoption of new accounting rules for intangible assets increased this year's earnings by 3 cents. Losses from sales of assets, combined with other non-recurring items, reduced prior year results by 12 cents per share. Adjusted for these factors, diluted earnings per common share from continuing operations increased 16 percent from the 2001 adjusted level of 37 cents.

EBITDA (earnings before interest, taxes, depreciation and amortization) increased 73.7 percent to $44.7 million. EBITDA margin improved to 27.5 percent, compared with 24.4 percent a year ago. Revenue increased 53.8 percent to $162.5 million, as acquisitions contributed $59.4 million this year. Operating expenses, excluding depreciation and amortization, increased 47.4 percent to $117.7 million, a result of the acquisitions, offset by savings from lower newsprint prices and other cost controls. Operating income, which includes equity in net income of associated companies, increased 75.5 percent.

On a same-property operating basis (1), which excludes the impact of acquisitions and divestitures, total revenue for the quarter ended Sept. 30, 2002, decreased 0.5 percent from a year ago. The same quarter a year ago included an additional Sunday. Without the Sunday loss, the Company estimates revenue would have increased more than 1 percent against a strong prior year performance. Retail revenue this year increased 2.6 percent, to $48.5 million. Classified advertising decreased 4.6 percent, to $32.9 million, with employment advertising in the daily newspapers down 15.0 percent. National advertising, a small category for Lee, increased 9.2 percent. Total advertising revenue decreased 0.1 percent. Circulation revenue decreased 2.1 percent, with comparisons affected primarily by the loss of a Sunday. Online revenue increased 23.4 percent.

Circulation volume continued to rise for the third six-month ABC audit period in a row. Sept. 30, 2002, Audit Bureau of Circulations statistics reported same-property daily circulation up 1.0 percent with Sunday circulation flat.

As previously announced, Lee completed the sale of its Medford, Oregon, shopper in September 2002. Results of this business are classified as continuing operations for all periods presented. Proceeds of the transaction were used to reduce debt.

YEAR TO DATE

For the year ended Sept. 30, 2002, diluted earnings per common share from continuing operations totaled $1.83, compared with $1.36 in 2001. Several factors influenced earnings in the reported periods. Adjusted for these factors, diluted earnings per common share from continuing operations this year were $1.60, an increase of 10 percent from the 2001 adjusted level of $1.45.

The following table reconciles reported results to adjusted results:

	3 Months Ended September 30,		12 Months Ended September 30,	
	2002	2001	2002	2001
Diluted earnings per share from continuing operations, as reported................	$0.43	$0.22	$1.83	$1.36
Favorable resolution of tax issues.....................	--	--	(0.23)	--
Higher interest rates and higher invested balances in prior year, exclusive of the effect of funds used for acquisitions......	--	--	--	(0.18)
New accounting rules for amortization of intangible assets adopted in October 2001.......................	--	0.03	--	0.13
Losses on sales of assets and other non-recurring items..	--	0.12	--	0.14
Diluted earnings per share from continuing operations,				

as adjusted................	$0.43	$0.37	$1.60	$1.45

For the year ended Sept. 30, 2002, total revenue on a same-property basis decreased 1.9 percent compared with 2001. This year included one fewer Sunday than a year ago. On a reported basis, revenue increased 23.2 percent, with significant impact from acquisitions in the last six months. Operating expenses, excluding depreciation and amortization, increased 19.4 percent and EBITDA increased 34.0 percent. EBITDA margin improved to 28.1 percent, compared with 25.8 percent a year ago. Operating income, which includes equity in net income of associated companies increased 40.6 percent.

Mary Junck, chairman and chief executive officer, said: "Lee had an outstanding year. We completed the largest acquisition in our history, and, despite the slow ad environment, delivered excellent operating results. We continued to drive revenue, increase circulation and improve our news products and online sites. At the same time, we carefully controlled our expenses. We've continued to focus on our top priorities, and it's paying off. Also, we're ahead of schedule with our acquisition of Howard Publications, as our new newspapers have already made a positive contribution to 2002 operating results."

Looking ahead, she said: "With our growth strategies under way at our new newspapers, we believe we're in a strong position entering 2003. We'll need to remain careful with costs, however, as we're facing higher newsprint prices, health care costs and insurance premiums. In addition, some of our expense reduction in 2002 represents one-time savings."

She added: "We have undertaken a comprehensive review of our financial safeguards and management practices in light of new, or proposed, requirements of the New York Stock Exchange, the SEC and the Sarbanes-Oxley Act. In order to assure our full compliance, as well as to remain in the forefront of corporate responsibility and demonstrate the high standards already in place throughout our company, we have updated our procedures. In our case, the revisions are relatively minor, as Lee has a century-long history of sound accounting policies, along with strong corporate governance by independent directors. Our updated Code of Business Conduct and Ethics, as well as other corporate governance documents, is available at www.lee.net."

ACCOUNTING ESTIMATES

In July Lee reported that it had not yet completed the required determination of fair value of assets and liabilities of Howard Publications and the related allocation of the purchase price. That process has now been completed. As a result, depreciation and amortization expense for the quarter ended Sept. 30, 2002, totaled $11.7 million, compared to $12.3 million for the quarter ended June 30, 2002. Looking forward to 2003, depreciation and amortization should approximate $12-13 million per quarter.

DISCONTINUED OPERATIONS

As previously announced, Lee completed the sale of its Ashland, Oregon, daily newspaper in October 2002. Results of this business are classified as discontinued operations for all periods presented. The transaction resulted in a loss on sale of $0.3 million after tax, which is recorded in discontinued operations in the quarter ended Sept. 30, 2002. This enterprise accounted for revenue of $2.9 million and EBITDA of $0.3 million in the year ended Sept. 30, 2002. Proceeds of the transaction were used to reduce debt. Overall, discontinued operations resulted in a loss of 1 cent per diluted common share for the September quarter. For the full year, discontinued operations contributed 2 cents per share to earnings, as previously announced reductions in tax estimates more than offset losses on sales of businesses.

Tables follow.

Lee Enterprises is based in Davenport, Iowa. It owns 38 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 September, is available at www.lee.net.

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

	3 Months Ended September 30,		12 Months Ended September 30,	
	2002	2001	2002	2001
Operating revenue:		(3)		(3)
Advertising.................	$111,110	$ 69,237	$354,327	$279,954
Circulation	33,692	20,836	105,711	81,441
Other.......................	17,680	15,554	65,858	65,571
	162,482	105,627	525,896	426,966
Operating expenses:				
Compensation................	64,135	42,143	206,454	167,177
Newsprint and ink...........	12,539	10,419	43,727	42,009
Depreciation and amortization (2)...........	11,678	7,760	35,050	31,357
Other.......................	41,063	27,300	127,885	107,448

	129,415	87,622	413,116	347,991
Operating income, before equity in net income of associated companies.........	33,067	18,005	112,780	78,975
Equity in net income of associated companies.........	2,261	2,120	9,057	7,651
Operating income.............	35,328	20,125	121,837	86,626
Non-operating income (expense), net:				
Financial income	302	4,136	6,007	28,548
Financial expense...........	(4,778)	(2,339)	(15,777)	(11,963)
Loss on sales of assets	(513)	(5,149)	(544)	(6,622)
Other, net..................	(197)	(2,671)	(464)	(3,545)
	(5,186)	(6,023)	(10,778)	6,418
Income from continuing operations before income taxes	30,142	14,102	111,059	93,044
Income tax expense...........	11,134	4,403	30,030	33,215
Income from continuing operations..................	19,008	9,699	81,029	59,829
Discontinued operations.......	(247)	3,869	946	254,399
Net income...................	$ 18,761	$ 13,568	$ 81,975	$314,228
Earnings per common share:				
Basic:				
Continuing operations......	$0.43	$0.22	$1.84	$1.37
Discontinued operations....	(0.01)	0.09	0.02	5.81
Net income..................	$0.42	$0.31	$1.86	$7.18
Diluted:				
Continuing operations......	$0.43	$0.22	$1.83	$1.36
Discontinued operations....	(0.01)	0.09	0.02	5.77
Net income..................	$0.42	$0.31	$1.85	$7.13
Average outstanding shares:				
Basic.......................	44,187	43,974	44,087	43,784
Diluted.....................	44,357	44,234	44,351	44,089

SELECTED BALANCE SHEET INFORMATION

	September 30, 2002	2001
Cash and temporary cash investments......	$ 14,381	$ 483,390
Total assets............................	1,469,910	1,000,397
Debt, including current maturities.......	409,300	173,400
Stockholders' equity....................	741,252	681,944

(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 year ended September

30, 2001, was $1,981 and $7,954, respectively, including approximately $700 and $2,800, 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 presentation of equity in net income of associated companies has been revised to exclude those amounts from revenue.

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 businesses 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.

--30--ATR/se*

CONTACT: Lee Enterprises, Incorporated, Davenport
Dan Hayes, 563/383-2163
dan.hayes@lee.net