# Lee Enterprises Reports Advertising Growth of 6.6% and Earnings Growth of 9.1% in Second Quarter

April 16, 2004

DAVENPORT, Iowa--(BUSINESS WIRE)--April 16, 2004--Lee Enterprises, Incorporated (NYSE:LEE), reported today that diluted earnings per common share from continuing operations were 36 cents for its second quarter ended March 31, 2004. The results represent an increase of 9.1 percent over earnings of 33 cents a year ago.

Advertising revenue increased 6.6 percent to $116.5 million, and total operating revenue increased 5.3 percent to $160.3 million. Operating expenses, excluding depreciation and amortization, rose 5.5 percent to $121.6 million, led by an increase of 10.7 percent for newsprint and ink. Operating cash flow(1) increased 4.7 percent to $38.8 million. Operating cash flow margin(1) was 24.2 percent, compared with 24.3 percent a year ago. Operating income, which includes equity in net income of associated companies and depreciation and amortization, rose 4.5 percent to $28.4 million. Income from continuing operations increased 11.4 percent to $16.3 million. Net income increased 8.1 percent to $15.8 million.

On a same property basis, which excludes the impact of acquisitions and divestitures made in the current or prior year, total advertising revenue for the quarter ended March 31, 2004, increased 5.9 percent from a year ago and total operating revenue increased 4.6 percent.

"Lee delivered another excellent quarter," said Mary Junck, chairman and chief executive officer. "Advertising and total revenue increased sharply against the strongest percentage growth quarter of last year, as we have continued to intensify our sales programs. Meanwhile, we've kept our focus, too, on circulation, strong local news, online growth and cost controls."

As previously announced, results for the quarter include a pretax charge of $550,000 to accrue for the prospect that Lee, among many others, will be required to refund critical vendor payments received from Kmart Corporation during its bankruptcy proceedings in 2002. The charge reduced earnings for the quarter by less than one cent per common share.

YEAR TO DATE

For the six months ended March 31, 2004, advertising revenue increased 5.4 percent to $245.6 million, and total operating revenue increased 4.3 percent to $333.3 million. Operating expenses, excluding depreciation and amortization, rose 4.2 percent to $243.7 million, led by an increase of 10.5 percent for newsprint and ink. Operating cash flow(1) increased 4.5 percent to $89.7 million. Operating cash flow margin(1) was 26.9 percent, compared with 26.8 percent a year ago. Operating income, rose 4.8 percent to $70.3 million. Income from continuing operations increased 10.1 percent to $40.7 million. Net income increased 8.7 percent to $40.3 million.

On a same property basis, total advertising revenue for the six months ended March 31, 2004, increased 5.0 percent from a year ago and total operating revenue increased 4.0 percent.

Tables follow.

Lee Enterprises is based in Davenport, Iowa, and is the premier publisher of daily newspapers in midsize markets. Lee owns 38 daily newspapers and a joint interest in six others, along with associated online services. Lee also publishes nearly 200 weekly newspapers, shoppers and classified and specialty publications. Lee stock is traded on the New York Stock Exchange under the symbol LEE. More information about Lee Enterprises, including revenue statistics for March, is available at www.lee.net.

LEE ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

| | Three Months Ended March 31 | | | Six Months Ended March 31 | | |
|---|---|---|---|---|---|---|
| (Thousands, Except EPS Data) | 2004 | 2003 | % | 2004 | 2003 | % |
| Operating revenue: | | | | | | |
| Advertising revenue: | | | | | | |
| Retail........ | $ 62,571 | $ 60,352 | 3.7% | $140,108 | $ 135,591 | 3.3% |
| National...... | 4,595 | 3,754 | 22.4 | 9,281 | 7,809 | 18.9 |
| Classified: | | | | | | |
| Daily newspapers: | | | | | | |
| Employment.. | 10,515 | 9,192 | 14.4 | 19,541 | 17,898 | 9.2 |
| Automotive.. | 9,445 | 9,620 | (1.8) | 19,381 | 19,745 | (1.8) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Real estate. | 8,287 | 7,573 | 9.4 | 16,493 | 14,794 | 11.5 |
| All other... | 6,443 | 6,130 | 5.1 | 13,249 | 12,891 | 2.8 |
| Other publications | 8,919 | 8,336 | 7.0 | 17,401 | 16,652 | 4.5 |
| Total classified... | 43,609 | 40,851 | 6.8 | 86,065 | 81,980 | 5.0 |
| Niche publications. | 3,018 | 2,411 | 25.2 | 5,113 | 3,997 | 27.9 |
| Online........ | 2,690 | 1,892 | 42.2 | 4,985 | 3,619 | 37.7 |
| Total advertising revenue....... | 116,483 | 109,260 | 6.6 | 245,552 | 232,996 | 5.4 |
| Circulation.... | 32,529 | 32,391 | 0.4 | 65,509 | 65,254 | 0.4 |
| Commercial printing...... | 4,777 | 4,404 | 8.5 | 9,502 | 9,374 | 1.4 |
| Online services & other....... | 6,555 | 6,235 | 5.1 | 12,765 | 11,960 | 6.7 |
| Total operating revenue....... | 160,344 | 152,290 | 5.3 | 333,328 | 319,584 | 4.3 |
| Operating expenses: | | | | | | |
| Compensation.. | 68,974 | 66,239 | 4.1 | 137,358 | 133,492 | 2.9 |
| Newsprint and ink.......... | 14,542 | 13,131 | 10.7 | 30,222 | 27,360 | 10.5 |
| Other operating expenses..... | 38,056 | 35,877 | 6.1 | 76,074 | 72,925 | 4.3 |
| Operating expenses, excluding depreciation and amortization.. | 121,572 | 115,247 | 5.5 | 243,654 | 233,777 | 4.2 |
| Operating cash flow(1)....... | 38,772 | 37,043 | 4.7 | 89,674 | 85,807 | 4.5 |
| Depreciation... | 5,062 | 4,741 | 6.8 | 9,622 | 9,079 | 6.0 |
| Amortization... | 6,909 | 6,697 | 3.2 | 13,665 | 13,452 | 1.6 |
| Operating income, before equity in net income of associated companies..... | 26,801 | 25,605 | 4.7 | 66,387 | 63,276 | 4.9 |
| Equity in net income of associated companies..... | 1,589 | 1,553 | 2.3 | 3,881 | 3,771 | 2.9 |
| Operating income........ | 28,390 | 27,158 | 4.5 | 70,268 | 67,047 | 4.8 |
| Non-operating income: | | | | | | |
| Financial income....... | 267 | 203 | 31.5 | 565 | 543 | 4.1 |
| Financial expense...... | (3,398) | (4,270) | (20.4) | (6,934) | (8,960) | (22.6) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Other, net.... | (266) | (43) | NM | (294) | (387) | (24.0) |
| | (3,397) | (4,110) | (17.3) | (6,663) | (8,804) | (24.3) |
| Income from continuing operations before income taxes.. | 24,993 | 23,048 | 8.4 | 63,605 | 58,243 | 9.2 |
| Income tax expense....... | 8,721 | 8,446 | 3.3 | 22,936 | 21,288 | 7.7 |
| Income from continuing operations.... | 16,272 | 14,602 | 11.4 | 40,669 | 36,955 | 10.1 |
| Discontinued operations.... | (458) | 22 | NM | (376) | 127 | NM |
| Net income..... | $ 15,814 | $ 14,624 | 8.1% | $ 40,293 | $ 37,082 | 8.7% |
| Earnings per common share: | | | | | | |
| Basic: | | | | | | |
| Continuing operations.. | $ 0.36 | $ 0.33 | 9.1% | $ 0.91 | $ 0.84 | 8.3% |
| Discontinued operations.. | (0.01) | - | NM | (0.01) | - | NM |
| Net income..... | $ 0.35 | $ 0.33 | 6.1% | $ 0.90 | $ 0.84 | 7.1% |
| Diluted: | | | | | | |
| Continuing operations.. | $ 0.36 | $ 0.33 | 9.1% | $ 0.90 | $ 0.83 | 8.4% |
| Discontinued operations.. | (0.01) | - | NM | (0.01) | - | NM |
| Net income..... | $ 0.35 | $ 0.33 | 6.1% | $ 0.90 | $ 0.84 | 7.1% |
| Average common shares: | | | | | | |
| Basic......... | 44,742 | 44,257 | | 44,658 | 44,239 | |
| Diluted....... | 45,050 | 44,405 | | 44,945 | 44,379 | |

SELECTED BALANCE SHEET INFORMATION

| | March 31 | |
|---|---|---|
| (Thousands) | 2004 | 2003 |
| Cash and temporary cash investments............ | $ 14,289 | $ 17,380 |
| Total assets.................................. | 1,408,520 | 1,436,608 |
| Debt, including current maturities............. | 263,600 | 357,200 |
| Stockholders' equity........................... | 837,015 | 768,179 |

NOTES:

(1) Operating cash flow, which is defined as operating income before depreciation, amortization and equity in net income of associated companies, and operating cash flow margin (operating cash flow divided by operating revenue) represent non-GAAP financial measures. A reconciliation of operating cash flow to operating income, the most directly comparable measure under accounting principles generally accepted in the United States (GAAP), is

reflected in the tables accompanying this release. The Company believes that operating cash flow and the related margin ratio are useful measures of evaluating its financial performance because of their focus on the Company's results from operations before depreciation and amortization. The Company also believes that these measures are several of the alternative financial measures of performance used by investors, rating agencies and financial analysts to estimate the value of a company and evaluate its ability to meet debt service requirements.

(2) Certain amounts as previously reported have been reclassified to conform with the current period presentation. Also, in order to report revenue statistics on a basis more consistent with peer newspaper companies and to recognize the growing importance of niche and online advertising revenue, several revenue categories have been reclassified. The prior period has been restated for comparative purposes, and the reclassifications have no impact on earnings.

(3) Same property comparisons exclude acquisitions and divestitures made in the current or prior year. Same property revenue also excludes revenue of Madison Newspapers, Inc., (MNI). Lee owns 50% of the capital stock of MNI, which for financial reporting purposes is reported using the equity method of accounting.

(4) The Company disclaims responsibility for updating information beyond the release date.

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.

CONTACT: Lee Enterprises, Incorporated, Davenport
Dan Hayes, 563-383-2100
dan.hayes@lee.net

SOURCE: Lee Enterprises, Incorporated