



## Lee Enterprises Reports Earnings for Second Fiscal Quarter

May 8, 2014

DAVENPORT, Iowa--(BUSINESS WIRE)--May 8, 2014-- Lee Enterprises, Incorporated (NYSE: LEE), a major provider of local news, information and advertising in 50 markets, today reported preliminary<sup>(1)</sup> earnings of 3 cents per diluted common share for its second fiscal quarter ended March 30, 2014, compared with a loss of 12 cents a year ago. Excluding unusual matters, adjusted earnings per diluted common share<sup>(2)</sup> totaled 5 cents, compared with a loss of 5 cents a year ago.

Mary Junck, chairman and chief executive officer, said: "We continued 2014 with another good quarter. The market for digital advertising continues to expand, with digital advertising revenue growing at a double digit clip. Our business transformation initiatives continue to create efficiencies, driving cash costs<sup>(2)</sup> down almost 6% in the quarter and creating an increase in operating cash flow<sup>(2)</sup> over the prior year. We are now in a position to improve our full year guidance, once again, as we expect our cash costs to be down 3.0-3.5% in 2014."

She added: "With the refinancing announcement a few weeks ago, pushing our maturities out to 2022, we can continue to focus on driving operating results through our many revenue and business transformation initiatives. One of our key initiatives is our full-access subscription model, with our first two markets having launched in April. We are optimistic about the results and will continue the roll out of full-access subscriptions to more than half of our markets by the end of the year."

### SECOND QUARTER OPERATING RESULTS<sup>(3)</sup>

Operating revenue for the 13 weeks ended March 30, 2014 totaled \$154.1 million, a decrease of 4.1% compared with a year ago. Combined print and digital advertising and marketing services revenue decreased 4.3% to \$102.7 million, an improvement from recent trends, with retail advertising down 2.4%, classified down 10.7% and national up 9.9%. Retail preprint advertising decreased 1.3%. Combined print and digital classified employment revenue decreased 6.9%, while automotive decreased 17.0%, real estate decreased 6.8% and other classified decreased 10.5%. Digital advertising and marketing services revenue on a stand-alone basis increased 10.2% to \$17.4 million and now totals 16.9% of total advertising and marketing services revenue. Print advertising and marketing services revenue on a stand-alone basis decreased 6.8%. Subscription revenue decreased 4.3%.

Total digital revenue, including advertising, marketing services, subscriptions and digital businesses, totaled \$20.5 million in the quarter, up 13.1% compared with the quarter a year ago. Mobile advertising revenue increased 9.8%, to \$1.5 million.

Digital audiences continued to grow. Mobile, tablet, desktop and app page views increased 16.2% to 235.9 million, and monthly unique visitors increased 30.8% to 30.3 million for the month of March 2014. Increases from branded editions resulted in a 9.9% increase in Sunday circulation during the quarter. Daily circulation decreased 5.0%.

Cash costs decreased 5.7% for the 13 weeks ended March 30, 2014. Compensation decreased 8.0%, with the average number of full-time equivalent employees down 6.0%. Newsprint and ink expense decreased 12.9%, primarily a result of a reduction in newsprint volume of 13.5%. Other operating expenses decreased 1.0%.

For the full year, 2014 cash costs are now expected to decrease 3.0-3.5%, excluding the impact of a subscription-related expense reclassification as a result of moving to fee-for-service delivery contracts at several of our newspapers. This reclassification will increase both revenue and operating expenses, with no impact on operating cash flow or operating income. A table later in this release details the impact of the reclassification on revenue and cash costs.

Operating cash flow increased 2.4% from a year ago to \$32.7 million. Operating cash flow margin<sup>(2)</sup> was 21.2%, compared to 19.9% a year ago. Including equity in earnings of associated companies, depreciation and amortization, as well as unusual matters in both years, operating income increased 27.1% to \$23.7 million in the current year quarter, compared with \$18.7 million a year ago. Operating income margin increased to 15.4% up from 11.6% a year ago.

Non-operating expenses, primarily interest expense and debt financing costs, decreased 10.9%, due to a 10.4% reduction in interest expense. Lower debt balances and the refinancing of the Pulitzer Notes in May 2013 contributed to the interest expense reduction. Income attributable to Lee Enterprises, Incorporated for the quarter totaled \$1.5 million, compared with a loss of \$6.0 million a year ago.

### ADJUSTED EARNINGS AND EPS FOR THE QUARTER

The following table summarizes the impact from unusual matters on income (loss) attributable to Lee Enterprises, Incorporated and earnings per diluted common share. Per share amounts may not add due to rounding.

|  | 13 Weeks Ended |           |          |           |
|--|----------------|-----------|----------|-----------|
|  | March 30       |           | March 31 |           |
|  | 2014           |           | 2013     |           |
| <i>(Thousands of Dollars, Except Per Share Data)</i> | Amount         | Per Share | Amount   | Per Share |

|  |       |      |         |        |
|--|-------|------|---------|--------|
| Income (loss) attributable to Lee Enterprises, Incorporated, as reported | 1,486 | 0.03 | (5,995) | (0.12) |
| Adjustments:   |       |      |         |        |

|  |       |      |         |        |
|--|-------|------|---------|--------|
| Debt financing and reorganization costs                                  | 99    |      | 42      |        |
| Amortization of debt present value adjustment                            | 1,196 |      | 1,358   |        |
| Other, net   | 414   |      | 560     |        |
|  | 1,709 |      | 1,960   |        |
| Income tax effect of adjustments, net                                    | (567) |      | (689)   |        |
|  | 1,142 | 0.02 | 1,271   | 0.02   |
| Unusual matters related to discontinued operations                       | —     | —    | 2,181   | 0.04   |
| Income (loss) attributable to Lee Enterprises, Incorporated, as adjusted | 2,628 | 0.05 | (2,543) | (0.05) |

### YEAR-TO-DATE OPERATING RESULTS<sup>(3)</sup>

Operating revenue for the 26 weeks ended March 30, 2014 totaled \$331.5 million, a decrease of 4.0% compared with the 26 weeks ended March 31, 2013. Combined print and digital advertising and marketing services revenue decreased 4.7% to \$225.1 million, with retail advertising down 3.0%, classified down 10.0% and national increased 2.0%. Combined print and digital classified employment revenue decreased 6.6%, while automotive decreased 14.8%, real estate decreased 5.9% and other classified decreased 10.3%. Digital advertising and marketing services revenue on a stand-alone basis increased 10.0% to \$36.0 million. Print advertising and marketing services revenue on a stand-alone basis decreased 7.1%. Subscription revenue decreased 2.6%.

Total digital revenue, including advertising, marketing services, subscriptions and digital businesses, totaled \$42.1 million in the quarter, up 12.9% compared with a year ago. Mobile advertising revenue increased 22.9%, to \$3.3 million.

Increases from branded editions resulted in a 9.4% increase in Sunday circulation during the 26 weeks ended March 30, 2014, as audited by the Alliance for Audited Media. Audited daily circulation decreased 3.1% over the same six month period.

Cash costs for the 26 weeks ended March 30, 2014 decreased 4.7% compared to the same period a year ago. Compensation decreased 6.9%, with the average number of full-time equivalent employees down 5.9%. Newsprint and ink expense decreased 13.1%, a result of a reduction in newsprint volume of 11.7%. Other operating expenses increased 0.4%.

Operating cash flow decreased 1.7% from a year ago to \$82.0 million. Operating cash flow margin increased to 24.7% from 24.2% a year ago. Including equity in earnings of associated companies, depreciation and amortization, as well as unusual matters in both years, operating income increased 9.9% to \$63.9 million in the 26 weeks ended March 30, 2014, compared with \$58.2 million a year ago.

Non-operating expenses increased 4.5%, as a \$6.9 million gain on sale of an investment in the prior year was partially offset by a 10.8% decrease in interest expense in the current year due to lower debt balances and the refinancing of the Pulitzer Notes in May 2013. Income attributable to Lee Enterprises, Incorporated totaled \$13.4 million, compared to \$8.6 million a year ago.

### ADJUSTED EARNINGS AND EPS FOR THE YEAR TO DATE

The following table summarizes the impact from unusual matters on income (loss) attributable to Lee Enterprises, Incorporated and earnings (loss) per diluted common share. Per share amounts may not add due to rounding.

|   | 26 Weeks Ended |           |          |           |
|---|----------------|-----------|----------|-----------|
|   | March 30       |           | March 31 |           |
|   | 2014           |           | 2013     |           |
| <i>(Thousands of Dollars, Except Per Share Data)</i>              | Amount         | Per Share | Amount   | Per Share |
| Income attributable to Lee Enterprises, Incorporated, as reported | 13,378         | 0.25      | 8,575    | 0.17      |
| Adjustments:  |                |           |          |           |
| Gain on sale of investment, net                                   | —              |           | (6,909)  |           |
| Debt financing and reorganization costs                           | 203            |           | 89       |           |
| Amortization of debt present value adjustment                     | 2,394          |           | 2,716    |           |
| Other, net  | 577            |           | 1,626    |           |
|   | 3,174          |           | (2,478)  |           |
| Income tax effect of adjustments, net                             | (1,079)        |           | 865      |           |
|   | 2,095          | 0.04      | (1,613)  | (0.03)    |
| Unusual matters related to discontinued operations                | —              | —         | 1,014    | 0.02      |
| Income attributable to Lee Enterprises, Incorporated, as adjusted | 15,473         | 0.29      | 7,976    | 0.15      |

Certain results, excluding the impact of the subscription-related expense reclassification, are as follows:

|                               | 13 Weeks Ended |          |         | 26 Weeks Ended |          |         |
|-------------------------------|----------------|----------|---------|----------------|----------|---------|
|                               | March 30       | March 31 | Percent | March 30       | March 31 | Percent |
|                               | 2014           | 2013     | Change  | 2014           | 2013     | Change  |
| <i>(Thousands of Dollars)</i> |                |          |         |                |          |         |

|  |         |         |       |         |         |       |
|--|---------|---------|-------|---------|---------|-------|
| Subscription revenue, as reported                            | 42,098  | 43,970  | (4.3) | 87,648  | 90,026  | (2.6) |
| Adjustment for subscription-related expense reclassification | (400)   | —       | NM    | (400)   | —       | NM    |
| Subscription revenue, as adjusted                            | 41,698  | 43,970  | (5.2) | 87,248  | 90,026  | (3.1) |
| Total operating revenue, as reported                         | 154,093 | 160,603 | (4.1) | 331,478 | 345,258 | (4.0) |
| Adjustment for subscription-related expense reclassification | (400)   | —       | NM    | (400)   | —       | NM    |
| Total operating revenue, as adjusted                         | 153,693 | 160,603 | (4.3) | 331,078 | 345,258 | (4.1) |
| Total cash costs, as reported                                | 121,416 | 128,692 | (5.7) | 249,483 | 261,836 | (4.7) |
| Adjustment for subscription-related expense reclassification | (400)   | —       | NM    | (400)   | —       | NM    |
| Total cash costs, as adjusted                                | 121,016 | 128,692 | (6.0) | 249,083 | 261,836 | (4.9) |

## DEBT AND FREE CASH FLOW<sup>(2)</sup>

Debt was reduced \$20.0 million in the quarter and \$80.0 million in the last twelve months. The principal amount of debt totaled \$813.0 million at March 30, 2014.

As previously announced, on March 31, 2014, subsequent to the end of the quarter, we completed a comprehensive refinancing of our long-term debt, which includes the following:

- \$400 million aggregate principal amount of 9.5% senior secured notes due 2022;
- \$250 million first lien term loan due 2019 and \$40 million revolving facility (which was undrawn at closing); and
- \$150 million second lien term loan due 2022.

The new facilities enabled the Company to repay in full \$768 million outstanding under, and terminate, the previous 1<sup>st</sup> lien agreement and 2<sup>nd</sup> lien agreement. We also used the proceeds of the refinancing to pay fees and expenses totaling approximately \$32 million related to the refinancing. The Company's Pulitzer Notes debt, which totaled \$45 million at March 30, 2014, was not refinanced.

On a pro forma basis for the refinancing, the principal amount of debt at March 30, 2014 totaled \$845 million. Since the refinancing, \$15.25 million of debt has been repaid, and the remaining amount stands at \$829.75 million.

Free cash flow increased to \$12.7 million for the quarter, compared with \$10.4 million a year ago, and totaled \$85.0 million in the last twelve months. Liquidity at the end of the quarter totaled \$44.8 million, compared to required debt principal payments of \$27.4 million in the next twelve months, as adjusted for the refinancing.

## CONFERENCE CALL INFORMATION

As previously announced, we will hold an earnings conference call and audio webcast later today at 9 a.m. Central Daylight Time. The live webcast will be accessible at lee.net and will be available for replay two hours later. The call also may be monitored on a listen-only conference line by dialing (toll free) 877-407-3980 and entering a conference passcode of 13581947 at least five minutes before the scheduled start.

## ABOUT LEE

Lee Enterprises is a leading provider of local news and information, and a major platform for advertising, in its markets, with 46 daily newspapers and a joint interest in four others, rapidly growing digital products and nearly 300 specialty publications in 22 states. Lee's newspapers have circulation of 1.2 million daily and 1.5 million Sunday, reaching nearly four million readers in print alone. Lee's websites and mobile and tablet products attracted 30.3 million unique visitors in March 2014. Lee's markets include St. Louis, MO; Lincoln, NE; Madison, WI; Davenport, IA; Billings, MT; Bloomington, IL; and Tucson, AZ. Lee Common Stock is traded on the New York Stock Exchange under the symbol LEE. For more information about Lee, please visit lee.net.

**FORWARD-LOOKING STATEMENTS** — The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. This news release contains information that may be deemed forward-looking that is based largely on our 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, which in some instances are beyond our control, are our ability to generate cash flows and maintain liquidity sufficient to service our debt, comply with or obtain amendments or waivers of the financial covenants contained in our credit facilities, if necessary, to refinance our debt as it comes due, or that the warrants issued in our refinancing will not be exercised. Other risks and uncertainties include the impact and duration of continuing adverse conditions in certain aspects of the economy affecting our business, changes in advertising demand, potential changes in newsprint and other commodity prices, energy costs, interest rates, labor costs, legislative and regulatory rulings, difficulties in achieving planned expense reductions, maintaining employee and customer relationships, increased capital costs, maintaining our listing status on the NYSE, competition and other risks detailed from time to time in our publicly filed documents. Any statements that are not statements of historical fact (including statements containing the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "plan", "project", "estimate", "consider" and similar expressions) generally should be considered 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 Current Report on Form 8-K. We do not undertake to publicly update or revise our forward-looking statements.

## **CONSOLIDATED STATEMENTS OF OPERATIONS** (UNAUDITED)

|   | 13 Weeks Ended   |                  |                   | 26 Weeks Ended   |                  |                   |
|---|------------------|------------------|-------------------|------------------|------------------|-------------------|
| <i>(Thousands of Dollars and Shares, Except Per Share Data)</i> | March 30<br>2014 | March 31<br>2013 | Percent<br>Change | March 30<br>2014 | March 31<br>2013 | Percent<br>Change |
| Advertising and marketing services                              |                  |                  |                   |                  |                  |                   |
| Retail  | 64,821           | 66,387           | (2.4)             | 147,111          | 151,719          | (3.0)             |
| Classified:   |                  |                  |                   |                  |                  |                   |
| Employment  | 8,060            | 8,657            | (6.9)             | 15,269           | 16,341           | (6.6)             |
| Automotive  | 6,889            | 8,304            | (17.0)            | 15,017           | 17,622           | (14.8)            |
| Real estate   | 4,125            | 4,425            | (6.8)             | 8,544            | 9,077            | (5.9)             |
| All other   | 10,303           | 11,512           | (10.5)            | 20,756           | 23,142           | (10.3)            |
| Total classified  | 29,377           | 32,898           | (10.7)            | 59,586           | 66,182           | (10.0)            |
| National  | 6,094            | 5,544            | 9.9               | 13,611           | 13,339           | 2.0               |
| Niche publications and other                                    | 2,427            | 2,553            | (5.0)             | 4,802            | 5,041            | (4.7)             |
| Total advertising and marketing services revenue                | 102,719          | 107,382          | (4.3)             | 225,110          | 236,281          | (4.7)             |
| Subscription  | 42,098           | 43,970           | (4.3)             | 87,648           | 90,026           | (2.6)             |
| Commercial printing   | 2,992            | 3,121            | (4.1)             | 6,023            | 6,423            | (6.2)             |
| Digital services and other                                      | 6,284            | 6,130            | 2.5               | 12,697           | 12,528           | 1.3               |
| Total operating revenue   | 154,093          | 160,603          | (4.1)             | 331,478          | 345,258          | (4.0)             |
| Operating expenses:   |                  |                  |                   |                  |                  |                   |
| Compensation  | 59,071           | 64,209           | (8.0)             | 121,212          | 130,165          | (6.9)             |
| Newsprint and ink   | 9,334            | 10,712           | (12.9)            | 19,895           | 22,886           | (13.1)            |
| Other operating expenses  | 52,712           | 53,259           | (1.0)             | 107,870          | 107,470          | 0.4               |
| Workforce adjustments   | 299              | 512              | (41.6)            | 506              | 1,315            | (61.5)            |
|   | 121,416          | 128,692          | (5.7)             | 249,483          | 261,836          | (4.7)             |
| Operating cash flow   | 32,677           | 31,911           | 2.4               | 81,995           | 83,422           | (1.7)             |
| Depreciation  | 5,135            | 5,294            | (3.0)             | 10,411           | 10,796           | (3.6)             |
| Amortization  | 6,916            | 9,539            | (27.5)            | 13,809           | 19,093           | (27.7)            |
| Loss (gain) on sale of assets, net                              | (1,501)          | 150              | NM                | (1,635)          | 135              | NM                |
| Equity in earnings of associated companies                      | 1,593            | 1,733            | (8.1)             | 4,512            | 4,778            | (5.6)             |
| Operating income  | 23,720           | 18,661           | 27.1              | 63,922           | 58,176           | 9.9               |

#### CONSOLIDATED STATEMENTS OF OPERATIONS, continued

|  | 13 Weeks Ended   |                  |                   | 26 Weeks Ended   |                  |                   |
|--|------------------|------------------|-------------------|------------------|------------------|-------------------|
| <i>(Thousands of Dollars and Shares, Except Per Share Data)</i>                        | March 30<br>2014 | March 31<br>2013 | Percent<br>Change | March 30<br>2014 | March 31<br>2013 | Percent<br>Change |
| Non-operating income (expense):  |                  |                  |                   |                  |                  |                   |
| Financial income   | 101              | 5                | NM                | 221              | 85               | NM                |
| Interest expense   | (20,552)         | (22,933)         | (10.4)            | (41,379)         | (46,399)         | (10.8)            |
| Debt financing costs   | (99)             | (42)             | NM                | (203)            | (89)             | NM                |
| Other, net   | 27               | (61)             | NM                | 121              | 6,946            | (98.3)            |
|  | (20,523)         | (23,031)         | (10.9)            | (41,240)         | (39,457)         | 4.5               |
| Income (loss) before income taxes  | 3,197            | (4,370)          | NM                | 22,682           | 18,719           | 21.2              |
| Income tax expense (benefit)   | 1,492            | (808)            | NM                | 8,875            | 8,640            | 2.7               |
| Income (loss) from continuing operations   | 1,705            | (3,562)          | NM                | 13,807           | 10,079           | 37.0              |
| Discontinued operations, net of income taxes   | —                | (2,293)          | NM                | —                | (1,247)          | NM                |
| Net income (loss)  | 1,705            | (5,855)          | NM                | 13,807           | 8,832            | 56.3              |
| Net income attributable to non-controlling interests                                   | (219)            | (140)            | 56.4              | (429)            | (257)            | 66.9              |
| Income (loss) attributable to Lee Enterprises, Incorporated                            | 1,486            | (5,995)          | NM                | 13,378           | 8,575            | 56.0              |
| Income (loss) from continuing operations attributable to Lee Enterprises, Incorporated | 1,486            | (3,702)          | NM                | 13,378           | 9,822            | 36.2              |
| Earnings (loss) per common share:  |                  |                  |                   |                  |                  |                   |
| Basic:   |                  |                  |                   |                  |                  |                   |
| Continuing operations  | 0.03             | (0.07)           | NM                | 0.26             | 0.19             | 36.8              |

|                         |        |        |    |        |        |      |
|-------------------------|--------|--------|----|--------|--------|------|
| Discontinued operations | —      | (0.04) | NM | —      | (0.02) | NM   |
|                         | 0.03   | (0.12) | NM | 0.26   | 0.17   | 52.9 |
| Diluted:                |        |        |    |        |        |      |
| Continuing operations   | 0.03   | (0.07) | NM | 0.25   | 0.19   | 31.6 |
| Discontinued operations | —      | (0.04) | NM | —      | (0.02) | NM   |
|                         | 0.03   | (0.12) | NM | 0.25   | 0.17   | 47.1 |
| Average common shares:  |        |        |    |        |        |      |
| Basic                   | 52,223 | 51,796 |    | 52,151 | 51,795 |      |
| Diluted                 | 53,798 | 51,796 |    | 53,541 | 51,866 |      |

**SELECTED CONSOLIDATED FINANCIAL INFORMATION**  
(UNAUDITED)

|   | 13 Weeks Ended |                | 26 Weeks Ended |                | 52 Weeks Ended  |
|---|----------------|----------------|----------------|----------------|-----------------|
|   | March 30       | March 31       | March 30       | March 31       | March 30        |
| (Thousands of Dollars)                        | 2014           | 2013           | 2014           | 2013           | 2014            |
| Advertising and marketing services            | 102,719        | 107,382        | 225,110        | 236,281        | 449,369         |
| Subscription                                  | 42,098         | 43,970         | 87,648         | 90,026         | 174,733         |
| Other   | 9,276          | 9,251          | 18,720         | 18,951         | 36,859          |
| <b>Total operating revenue</b>                | <b>154,093</b> | <b>160,603</b> | <b>331,478</b> | <b>345,258</b> | <b>660,961</b>  |
| Compensation                                  | 59,071         | 64,209         | 121,212        | 130,165        | 245,880         |
| Newsprint and ink                             | 9,334          | 10,712         | 19,895         | 22,886         | 40,490          |
| Other operating expenses                      | 52,712         | 53,259         | 107,870        | 107,470        | 213,421         |
| Depreciation and amortization                 | 12,051         | 14,833         | 24,220         | 29,889         | 49,880          |
| Loss (gain) on sale of assets, net            | (1,501)        | 150            | (1,635)        | 135            | (1,683)         |
| Impairment of goodwill and other assets       | —              | —              | —              | —              | 171,094         |
| Workforce adjustments                         | 299            | 512            | 506            | 1,315          | 1,870           |
| <b>Total operating expenses</b>               | <b>131,966</b> | <b>143,675</b> | <b>272,068</b> | <b>291,860</b> | <b>720,952</b>  |
| Equity in earnings of associated companies    | 1,593          | 1,733          | 4,512          | 4,778          | 8,420           |
| <b>Operating income</b>                       | <b>23,720</b>  | <b>18,661</b>  | <b>63,922</b>  | <b>58,176</b>  | <b>(51,571)</b> |
| Adjusted to exclude:                          |                |                |                |                |                 |
| Depreciation and amortization                 | 12,051         | 14,833         | 24,220         | 29,889         | 49,880          |
| Loss (gain) on sale of assets, net            | (1,501)        | 150            | (1,635)        | 135            | (1,683)         |
| Impairment of intangible and other assets     | —              | —              | —              | —              | 171,094         |
| Equity in earnings of associated companies    | (1,593)        | (1,733)        | (4,512)        | (4,778)        | (8,420)         |
| <b>Operating cash flow</b>                    | <b>32,677</b>  | <b>31,911</b>  | <b>81,995</b>  | <b>83,422</b>  | <b>159,300</b>  |
| Add:  |                |                |                |                |                 |
| Ownership share of TNI and MNI EBITDA (50%)   | 2,031          | 2,332          | 5,952          | 6,541          | 11,189          |
| Adjusted to exclude:                          |                |                |                |                |                 |
| Stock compensation                            | 420            | 364            | 684            | 732            | 1,213           |
| <b>Adjusted EBITDA<sup>(2)</sup></b>          | <b>35,128</b>  | <b>34,607</b>  | <b>88,631</b>  | <b>90,695</b>  | <b>171,702</b>  |
| Adjusted to exclude:                          |                |                |                |                |                 |
| Ownership share of TNI and MNI EBITDA (50%)   | (2,031)        | (2,332)        | (5,952)        | (6,541)        | (11,189)        |
| Add:  |                |                |                |                |                 |
| Distributions from TNI and MNI                | 2,494          | 2,715          | 5,309          | 4,785          | 11,922          |
| Capital expenditures                          | (2,600)        | (2,626)        | (4,895)        | (4,699)        | (9,936)         |
| Pension contributions                         | (705)          | (275)          | (705)          | (275)          | (6,446)         |
| Cash income tax refunds (payments)            | (103)          | (93)           | (117)          | (333)          | 9,342           |
| <b>Unlevered free cash flow<sup>(2)</sup></b> | <b>32,183</b>  | <b>31,996</b>  | <b>82,271</b>  | <b>83,632</b>  | <b>165,395</b>  |
| Add:  |                |                |                |                |                 |
| Financial income                              | 101            | 5              | 221            | 85             | 436             |
| Interest expense settled in cash              | (19,356)       | (21,521)       | (38,984)       | (43,367)       | (79,629)        |
| Debt financing costs paid                     | (266)          | (100)          | (268)          | (100)          | (1,239)         |
| <b>Free cash flow</b>                         | <b>12,662</b>  | <b>10,380</b>  | <b>43,240</b>  | <b>40,250</b>  | <b>84,963</b>   |

**SELECTED LEE LEGACY<sup>(2)</sup> ONLY FINANCIAL INFORMATION**

(UNAUDITED)

|  | 13 Weeks Ended |                | 26 Weeks Ended |                | 52 Weeks Ended |
|--|----------------|----------------|----------------|----------------|----------------|
|  | March 30       | March 31       | March 30       | March 31       | March 30       |
| (Thousands of Dollars)                     | 2014           | 2013           | 2014           | 2013           | 2014           |
| Advertising and marketing services         | 72,055         | 74,625         | 155,263        | 161,976        | 310,448        |
| Subscription                               | 26,873         | 27,309         | 55,720         | 55,936         | 110,174        |
| Other                                      | 8,266          | 7,734          | 16,386         | 15,673         | 31,738         |
| <b>Total operating revenue</b>             | <b>107,194</b> | <b>109,668</b> | <b>227,369</b> | <b>233,585</b> | <b>452,360</b> |
| Compensation                               | 44,123         | 46,440         | 89,948         | 93,956         | 181,464        |
| Newsprint and ink                          | 6,733          | 7,364          | 14,070         | 15,768         | 28,497         |
| Other operating expenses                   | 28,633         | 28,453         | 57,754         | 57,864         | 112,658        |
| Depreciation and amortization              | 8,103          | 6,770          | 16,311         | 13,732         | 29,892         |
| Loss (gain) on sale of assets, net         | (1,512)        | 156            | (1,652)        | 150            | (1,691)        |
| Impairment of goodwill and other assets    | —              | —              | —              | —              | 523            |
| Workforce adjustments                      | 122            | 331            | 171            | 613            | 1,103          |
| <b>Total operating expenses</b>            | <b>86,202</b>  | <b>89,514</b>  | <b>176,602</b> | <b>182,083</b> | <b>352,446</b> |
| Equity in earnings of associated companies | 313            | 510            | 1,443          | 1,782          | 3,171          |
| <b>Operating income</b>                    | <b>21,305</b>  | <b>20,664</b>  | <b>52,210</b>  | <b>53,284</b>  | <b>103,085</b> |
| Adjusted to exclude:                       |                |                |                |                |                |
| Depreciation and amortization              | 8,103          | 6,770          | 16,311         | 13,732         | 29,892         |
| Loss (gain) on sale of assets, net         | (1,512)        | 156            | (1,652)        | 150            | (1,691)        |
| Impairment of intangible and other assets  | —              | —              | —              | —              | 523            |
| Equity in earnings of associated companies | (313)          | (510)          | (1,443)        | (1,782)        | (3,171)        |
| <b>Operating cash flow</b>                 | <b>27,583</b>  | <b>27,080</b>  | <b>65,426</b>  | <b>65,384</b>  | <b>128,638</b> |
| Add:                                       |                |                |                |                |                |
| Ownership share of MNI EBITDA (50%)        | 646            | 928            | 2,673          | 3,183          | 5,471          |
| Adjusted to exclude:                       |                |                |                |                |                |
| Stock compensation                         | 420            | 364            | 684            | 732            | 1,213          |
| <b>Adjusted EBITDA</b>                     | <b>28,649</b>  | <b>28,372</b>  | <b>68,783</b>  | <b>69,299</b>  | <b>135,322</b> |
| Adjusted to exclude:                       |                |                |                |                |                |
| Ownership share of MNI EBITDA (50%)        | (646)          | (928)          | (2,673)        | (3,183)        | (5,471)        |
| Add:                                       |                |                |                |                |                |
| Distributions from MNI                     | 1,250          | 900            | 2,750          | 2,150          | 5,850          |
| Capital expenditures                       | (2,082)        | (2,116)        | (4,245)        | (3,442)        | (8,516)        |
| Cash income tax refunds (payments)         | (103)          | (93)           | (117)          | (333)          | (149)          |
| Intercompany charges not settled in cash   | (2,099)        | (2,146)        | (4,198)        | (4,292)        | (8,302)        |
| Other                                      | —              | (2,000)        | —              | (2,000)        | —              |
| <b>Unlevered free cash flow</b>            | <b>24,969</b>  | <b>21,989</b>  | <b>60,300</b>  | <b>58,199</b>  | <b>118,734</b> |
| Add:                                       |                |                |                |                |                |
| Financial income                           | 101            | 5              | 221            | 85             | 436            |
| Interest expense settled in cash           | (18,206)       | (18,797)       | (36,561)       | (37,837)       | (73,365)       |
| Debt financing costs paid                  | (266)          | (100)          | (268)          | (100)          | (308)          |
| <b>Free cash flow</b>                      | <b>6,598</b>   | <b>3,097</b>   | <b>23,692</b>  | <b>20,347</b>  | <b>45,497</b>  |

**SELECTED PULITZER<sup>(2)</sup> ONLY FINANCIAL INFORMATION**

(UNAUDITED)

|                                    | 13 Weeks Ended |          | 26 Weeks Ended |          | 52 Weeks Ended |
|------------------------------------|----------------|----------|----------------|----------|----------------|
|                                    | March 30       | March 31 | March 30       | March 31 | March 30       |
| (Thousands of Dollars)             | 2014           | 2013     | 2014           | 2013     | 2014           |
| Advertising and marketing services | 30,664         | 32,757   | 69,847         | 74,305   | 138,921        |
| Subscription                       | 15,225         | 16,661   | 31,928         | 34,090   | 64,559         |
| Other                              | 1,010          | 1,517    | 2,334          | 3,278    | 5,121          |

|  |         |         |         |         |           |
|--|---------|---------|---------|---------|-----------|
| Total operating revenue                    | 46,899  | 50,935  | 104,109 | 111,673 | 208,601   |
| Compensation                               | 14,948  | 17,769  | 31,264  | 36,209  | 64,416    |
| Newsprint and ink                          | 2,601   | 3,348   | 5,825   | 7,118   | 11,993    |
| Other operating expenses                   | 24,079  | 24,806  | 50,116  | 49,606  | 100,763   |
| Depreciation and amortization              | 3,948   | 8,063   | 7,909   | 16,157  | 19,988    |
| Loss (gain) on sale of assets, net         | 11      | (6)     | 17      | (15)    | 8         |
| Impairment of goodwill and other assets    | —       | —       | —       | —       | 170,571   |
| Workforce adjustments                      | 177     | 181     | 335     | 702     | 767       |
| Total operating expenses                   | 45,764  | 54,161  | 95,466  | 109,777 | 368,506   |
| Equity in earnings of associated companies | 1,280   | 1,223   | 3,069   | 2,996   | 5,249     |
| Operating income                           | 2,415   | (2,003) | 11,712  | 4,892   | (154,656) |
| Adjusted to exclude:                       |         |         |         |         |           |
| Depreciation and amortization              | 3,948   | 8,063   | 7,909   | 16,157  | 19,988    |
| Loss (gain) on sale of assets, net         | 11      | (6)     | 17      | (15)    | 8         |
| Impairment of intangible and other assets  | —       | —       | —       | —       | 170,571   |
| Equity in earnings of associated companies | (1,280) | (1,223) | (3,069) | (2,996) | (5,249)   |
| Operating cash flow                        | 5,094   | 4,831   | 16,569  | 18,038  | 30,662    |
| Add:                                       |         |         |         |         |           |
| Ownership share of TNI EBITDA (50%)        | 1,385   | 1,404   | 3,279   | 3,358   | 5,718     |
| Adjusted EBITDA                            | 6,479   | 6,235   | 19,848  | 21,396  | 36,380    |
| Adjusted to exclude:                       |         |         |         |         |           |
| Ownership share of TNI EBITDA (50%)        | (1,385) | (1,404) | (3,279) | (3,358) | (5,718)   |
| Add:                                       |         |         |         |         |           |
| Distributions from TNI                     | 1,244   | 1,815   | 2,559   | 2,635   | 6,072     |
| Capital expenditures                       | (518)   | (510)   | (650)   | (1,257) | (1,420)   |
| Pension contributions                      | (705)   | (275)   | (705)   | (275)   | (6,446)   |
| Cash income tax refunds (payments)         | —       | —       | —       | —       | 9,491     |
| Intercompany charges not settled in cash   | 2,099   | 2,146   | 4,198   | 4,292   | 8,302     |
| Other                                      | —       | 2,000   | —       | 2,000   | —         |
| Unlevered free cash flow                   | 7,214   | 10,007  | 21,971  | 25,433  | 46,661    |
| Add:                                       |         |         |         |         |           |
| Interest expense settled in cash           | (1,150) | (2,724) | (2,423) | (5,530) | (6,264)   |
| Debt financing costs paid                  | —       | —       | —       | —       | (931)     |
| Free cash flow                             | 6,064   | 7,283   | 19,548  | 19,903  | 39,466    |

## REVENUE BY REGION

|                               | 13 Weeks Ended |          |         | 26 Weeks Ended |          |         |
|-------------------------------|----------------|----------|---------|----------------|----------|---------|
|                               | March 30       | March 31 | Percent | March 30       | March 31 | Percent |
|                               | 2014           | 2013     | Change  | 2014           | 2013     | Change  |
| <i>(Thousands of Dollars)</i> |                |          |         |                |          |         |
| Midwest                       | 94,702         | 99,875   | (5.2)   | 206,647        | 216,610  | (4.6)   |
| Mountain West                 | 30,419         | 31,561   | (3.6)   | 65,103         | 67,669   | (3.8)   |
| West                          | 10,144         | 10,470   | (3.1)   | 21,806         | 22,777   | (4.3)   |
| East/Other                    | 18,828         | 18,697   | 0.7     | 37,922         | 38,202   | (0.7)   |
| Total                         | 154,093        | 160,603  | (4.1)   | 331,478        | 345,258  | (4.0)   |

## SELECTED BALANCE SHEET INFORMATION

|                                | March 30 | March 31 |
|--------------------------------|----------|----------|
| <i>(Thousands of Dollars)</i>  | 2014     | 2013     |
| Cash                           | 14,878   | 22,446   |
| Debt <i>(Principal Amount)</i> | 813,000  | 893,000  |

## SELECTED STATISTICAL INFORMATION

|  | 13 Weeks Ended |          |         | 26 Weeks Ended |          |         |
|--|----------------|----------|---------|----------------|----------|---------|
|  | March 30       | March 31 | Percent | March 30       | March 31 | Percent |
|  | 2014           | 2013     | Change  | 2014           | 2013     | Change  |

|  |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|
| Capital expenditures ( <i>Thousands of Dollars</i> )               | 2,600  | 2,626  | (1.0)  | 4,895  | 4,699  | 4.2    |
| Newsprint volume ( <i>Tonnes</i> )                                 | 13,981 | 16,161 | (13.5) | 29,911 | 33,873 | (11.7) |
| Average full-time equivalent employees                             | 4,486  | 4,770  | (6.0)  | 4,551  | 4,838  | (5.9)  |
| Shares outstanding at end of period ( <i>Thousands of Shares</i> ) |        |        |        | 53,596 | 52,296 | 2.5    |

## NOTES

- (1) This earnings release is a preliminary report of results for the periods included. The reader should refer to the Company's Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K for definitive information.
- (2) The following are non-GAAP (Generally Accepted Accounting Principles) financial measures for which reconciliations to relevant GAAP measures are included in tables accompanying this release:
- *Adjusted EBITDA* is defined as operating income (loss), plus depreciation, amortization, impairment charges, stock compensation and 50% of EBITDA from associated companies, minus equity in earnings of associated companies and curtailment gains.
  - *Adjusted Income (Loss)* and *Adjusted Earnings (Loss) Per Common Share* are defined as income (loss) attributable to Lee Enterprises, Incorporated and earnings (loss) per common share adjusted to exclude both unusual matters and those of a substantially non-recurring nature.
  - *Cash Costs* are defined as compensation, newsprint and ink, other operating expenses and certain unusual matters, such as workforce adjustment costs. Depreciation, amortization, impairment charges, other non-cash operating expenses and other unusual matters are excluded.
  - *Operating Cash Flow* is defined as operating income (loss) plus depreciation, amortization and impairment charges, minus equity in earnings of associated companies and curtailment gains. *Operating Cash Flow margin* is defined as operating cash flow divided by operating revenue. The terms operating cash flow and EBITDA are used interchangeably.
  - *Unlevered Free Cash Flow* is defined as operating income (loss), plus depreciation, amortization, impairment charges, stock compensation, distributions from associated companies and cash income tax refunds, minus equity in earnings of associated companies, curtailment gains, cash income taxes, pension contributions and capital expenditures. Changes in working capital, asset sales, minority interest and discontinued operations are excluded. *Free Cash Flow* also includes financial income, interest expense and debt financing and reorganization costs.

We also present selected information for Lee Legacy and Pulitzer Inc. ("Pulitzer"). Lee Legacy constitutes the business of the Company excluding Pulitzer, a wholly-owned subsidiary of the Company.

No non-GAAP financial measure should be considered as a substitute for any related GAAP financial measure. However, the Company believes the use of non-GAAP financial measures provides meaningful supplemental information with which to evaluate its financial performance, or assist in forecasting and analyzing future periods. The Company also believes such non-GAAP financial measures are alternative indicators of performance used by investors, lenders, rating agencies and financial analysts to estimate the value of a publishing business and its ability to meet debt service requirements.

- (3) Certain amounts as previously reported have been reclassified to conform with the current period presentation. The prior periods have been adjusted for comparative purposes, and the reclassifications have no impact on earnings.

Results of *North County Times* operations and *The Garden Island* operations have been reclassified as discontinued operations for all periods presented.



Source: Lee Enterprises, Incorporated

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