

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

- Quarterly Report Under Section 13 or 15(d) of the
Securities Exchange Act of 1934
For Quarter Ended December 31, 1994
OR
 Transition Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Commission File Number 1-6227

Lee Enterprises, Incorporated

A Delaware Corporation
215 N. Main Street, Davenport, Iowa 52801
Phone: (319) 383-2100

I.D. #42-0823980

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Class	Outstanding at December 31, 1994
Common Stock, \$2.00 par value	15,721,055
Class "B" Common Stock, \$2.00 par value	6,663,220

PART I. FINANCIAL INFORMATION

Item 1.

LEE ENTERPRISES, INCORPORATED

CONSOLIDATED STATEMENTS OF INCOME
(In Thousands Except Per Share Data)

	1994	1993
	(Unaudited)	
Three Months Ended December 31:		
Operating revenue:		
Newspaper:		
Advertising	\$ 37,721	\$ 35,008
Circulation	17,076	16,442

Other	11,461	9,330
Broadcasting	29,347	22,934
Media products and services	14,703	15,632
Equity in net income of associated companies	2,780	2,741
	\$113,088	\$102,087
Operating expenses:		
Compensation costs	\$ 36,254	\$ 34,103
Newsprint and ink	6,776	5,856
Depreciation	2,845	2,683
Amortization of intangibles	3,021	3,160
Other	33,932	31,246
	\$ 82,828	\$ 77,048
Operating income	\$ 30,260	\$ 25,039
Financial (income) expense, net:		
Financial (income)	\$ (811)	\$ (709)
Financial expense	3,256	3,732
	\$ 2,445	\$ 3,023
Income before taxes on income	\$ 27,815	\$ 22,016
Income taxes	10,989	8,699
Net income	\$ 16,826	\$ 13,317
Weighted average number of shares	22,908	23,462
Earnings per share	\$.73	\$.57
Dividends per share	\$.22	\$.21

LEE ENTERPRISES, INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands)

December 31, September 30,
1994 1994
(Unaudited)

ASSETS

Cash and cash equivalents	\$ 37,774	\$ 18,784
Temporary investments	30,473	38,859
Accounts receivable, net	53,202	48,339
Inventories	11,250	13,147
Film rights and other	14,753	16,578
Total current assets	\$147,452	\$135,707
Investments, associated companies	22,112	21,969
Property and equipment, net	82,482	82,164
Intangibles and other assets	234,711	234,861
	\$486,757	\$474,701

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities	\$112,217	\$ 99,730
Long-term debt, less current maturities	100,015	98,641
Deferred items	33,733	34,400
Stockholders' equity	240,792	241,930
	\$486,757	\$474,701

LEE ENTERPRISES, INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	1994	1993
	(Unaudited)	
Three Months Ended December 31:		
CASH PROVIDED BY OPERATIONS		
Net income	\$ 16,826	\$ 13,317
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	5,866	5,843
Distributions in excess of current earnings of associated companies	2,026	1,734
Other balance sheet changes	4,927	7,382
Net cash provided by operations	\$ 29,645	\$ 28,276
CASH PROVIDED BY (REQUIRED FOR) INVESTING ACTIVITIES		
Acquisitions	\$ (1,350)	\$ (2,370)
Purchase of temporary investments	-	(38,500)
Proceeds from maturities of temporary investments	8,386	21,900
Purchase of property and equipment	(3,081)	(4,015)
Net cash provided by (required for) investing activities	\$ 3,955	\$(22,985)
CASH (REQUIRED FOR) FINANCING ACTIVITIES		
Purchase of common stock	\$(13,901)	\$ (805)
Payment of debt	-	(9)
Other	(709)	(59)
Net cash (required for) financing activities	\$(14,610)	\$ (873)
Net increase in cash and cash equivalents	\$ 18,990	\$ 4,418
Cash and cash equivalents:		
Beginning	18,784	17,072
Ending	\$ 37,774	\$ 21,490

LEE ENTERPRISES, INCORPORATED

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

NOTE 1. BASIS OF PRESENTATION

The information furnished reflects all adjustments, consisting of normal recurring accruals, which are, in the opinion of management, necessary to a fair presentation of the financial position as of December 31, 1994 and the results of operations and cash flows for the three-month periods ended December 31, 1994 and 1993.

NOTE 2. INVESTMENT IN ASSOCIATED COMPANIES

Condensed operating results of unconsolidated associated companies are as follows:

	Three Months Ended December 31,	
	1994	1993
	(In Thousands)	
	(Unaudited)	
Revenues	\$ 26,891	\$ 25,864
Operating expenses, except depreciation and amortization	17,459	16,707
Depreciation and amortization	611	492
Operating income	8,821	8,665
Financial income	495	445
Income before income taxes	9,316	9,110
Income taxes	3,748	3,606
Net income	5,568	5,504

- a. Madison Newspaper, Inc. (50% owned)
- b. Journal-Star Printing Co. (49.75% owned)
- c. Quality Information Systems (50% owned)

NOTE 3. INVENTORIES

Inventories consist of the following:

	December 31,	September 30,
	1994	1994
	(In Thousands)	
	(Unaudited)	
Newsprint	\$ 776	\$ 2,343
Media products and services:		
Raw material	6,298	5,684
Finished goods	4,176	5,120
	\$ 11,250	\$ 13,147

LEE ENTERPRISES, INCORPORATED

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

NOTE 4. CASH FLOWS INFORMATION

The components of other balance sheet changes are:

	Three Months Ended December 31,	
	1994	1993
	(In Thousands)	
	(Unaudited)	
(Increase) in receivables	\$ (7,032)	\$ (3,133)
Decrease in inventories, film rights and other	2,107	2,300
Increase in accounts payable, accrued expenses and unearned income	1,047	833
Increase in income taxes payable	8,734	8,132
Other, primarily deferred items	71	(750)
	\$ 4,927	\$ 7,382

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Operating results:

	Three Months Ended December 31, 1994 1993 (Dollar Amounts in Thousands Except For Per Share Data)	
Revenue	\$113,088	\$102,087
Percent change	10.8%	
Operating expenses	82,828	77,048
Percent change	7.5%	
Operating income	30,260	25,039
Percent change	20.9%	
Net income	16,826	13,317
Percent change	26.3%	
Earnings per share	\$.73	\$.57
Percent change	28.1%	

Operations by line of business are as follows:

	Three Months Ended December 31, 1994 1993 (In Thousands)	
Revenue:		
Newspapers	\$ 69,051	\$ 63,468
Broadcasting	29,347	22,934
Media products and services	14,690	15,685
	\$113,088	\$102,087
Operating income:		
Newspapers	\$ 20,793	\$ 19,904
Broadcasting	11,618	5,806
Media products and services	1,712	2,832
Corporate and other	(3,863)	(3,503)
	\$ 30,260	\$ 25,039
Depreciation and amortization:		
Newspapers	\$ 2,734	\$ 2,659
Broadcasting	1,873	1,848
Media products and services	1,133	1,212
Corporate	126	124
	\$ 5,866	\$ 5,843
Capital expenditures:		
Newspaper	\$ 1,367	\$ 3,105
Broadcasting	1,673	844
Media products and services	41	66
	\$ 3,081	\$ 4,015

There were no significant non-recurring items during the quarter.

Newspapers:

Wholly-owned daily newspaper advertising revenue increased \$2,846,000, 8.1%. Advertising revenue from local merchants increased \$1,788,000, 8.1%. Local "run-of-press" advertising increased \$1,156,000 as a result of higher average rates and a 3.6% increase in advertising inches. Local preprint units were up 8.8% while revenue increased \$632,000, 9.4%. Classified advertising revenue increased \$1,173,000, 13.2% as a result of a 5.0% increase in units in the recruitment and private party segments which offset weakness in the automotive and real estate segments and higher average rates. Circulation revenue increased \$634,000, 3.9% as a result of higher rates which offset a .7% decrease in volume. Other revenue at daily newspapers increased \$1,225,000, 38.2% primarily as a result of increases in commercial printing, target marketing and other non-traditional products and services.

Wholly-owned daily newspaper compensation expense increased \$1,144,000, 6.0% due primarily to increases in average compensation. Newsprint and ink costs increased \$909,000, 15.8%. Higher unit costs represented 80% of the increase with the balance attributable to an increase in newsprint used by newspapers due to advertising and commercial printing volume increases. Other cash costs increased \$1,900,000, 15.5% which includes the costs of new non-traditional products and services.

Revenues from weekly newspapers, shoppers and specialty publications increased \$847,000, 21.4%. Revenue from properties acquired since the beginning of the first quarter of the last fiscal year accounted for substantially all of the increase.

Broadcasting:

Revenue for the quarter increased \$6,413,000, 28.0% as political advertising increased \$3,837,000, local/regional advertising increased \$845,000, 6.5% and national advertising increased \$1,244,000, 16.2%. Compensation costs increased \$449,000, 5.3% due primarily to an increase in average compensation and a 2.7% increase in the number of hours worked. Programming costs for the quarter declined \$212,000 primarily due to lower program acquisition costs. Other cash costs increased \$336,000, 6.8% for the quarter.

Media Products and Services:

Media products and services revenue decreased \$995,000, 6.3% as decreased unit volume from NAPP's letterpress plate business was only partially offset by higher selling prices and growth in the flexographic printing plate business. Letterpress customers reduced inventory levels and several customers completed conversion to offset or flexographic printing. Revenue from the letterpress business is expected to decrease each year as conversions continue. Operating income decreased \$1,120,000, 39.6% due to a lower level and some continuing new product initiatives.

Equity in Net Income of Associated Companies:

Equity in net income of associated companies decreased \$39,000. An increase in the net income of associated newspaper companies of \$105,000 was offset by a reduction in income earned by 50%-owned strategic alliances.

Financial Expense and Income Taxes:

Interest expense was reduced due to payments on long-term debt.

Income taxes were 39.5% of pretax income for the quarters ended December 31, 1994 and 1993.

Liquidity and Capital Resources:

Cash provided by operations, which is the Company's primary source of liquidity, generated \$29,645,000 for the quarter. Available cash balances and cash flow from operations provide adequate liquidity. Covenants related to the Company's credit agreements are not considered restrictive to operations and anticipated stockholder dividends.

PART II. OTHER INFORMATION

Item 5. Other Materially Important Events

A letter of intent was executed on February 6, 1995 for the acquisition by Lee Enterprises, Incorporated of 50.25% (3,015 shares) of the common stock of Journal-Star Printing Co., a Nebraska corporation, from Journal Limited Partnership, a Nebraska limited partnership. Journal-Star Printing Co. publishes the Lincoln Star, the Lincoln Journal, the Saturday Journal-Star, and the Sunday Journal and Star; owns all of the outstanding stock of Plattsmouth Journal Company, publisher of the Plattsmouth (Nebraska) Journal; and is engaged in the delivery of related printing and publishing products and services, all in Lincoln, Nebraska.

The acquisition will be accomplished by merger of Journal-Star Printing Co. into a subsidiary of Lee to be formed. In exchange for the shares of Journal-Star Printing Co. owned by Journal Limited Partnership, Lee will issue shares of its Common Stock having an approximate value of \$58.3 million. Journal-Star will also make certain nonmaterial payments to Journal Limited Partnership in exchange for the assignment or cancellation of certain outstanding contracts.

The transaction is subject to approval of the Federal Trade Commission and the United States Department of Justice pursuant to the requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. Subject to such approval, the parties contemplate closing of the transaction on March 31, 1995.

The transaction does not require the approval of Lee's stockholders. Common shares issued by Lee are presently authorized but unissued shares of the Company and will be "restricted shares" in the hands of Journal Limited Partnership until registration under the Securities Act of 1933 is requested.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit "A" - Computation of Earnings Per Share

(b) There were no reports on Form 8-K during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LEE ENTERPRISES, INCORPORATED

DATE

G.C. Wahlig, Chief Accounting Officer

PART I. EXHIBIT "A"

Computation of Earnings Per Common Share
(In Thousands Except Per Share Amounts)

	Three Months Ended December 31,	
	1994	1993
	(Unaudited)	
Net income applicable to common shares	\$ 16,826	\$ 13,317
Shares:		
Weighted average common shares outstanding	22,609	23,103
Dilutive effect of certain stock options	299	359
Average common shares outstanding as adjusted	22,908	23,462
Earnings per common share	\$.73	\$.57

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE DECEMBER 31, 1994 FINANCIAL STATEMENTS OF LEE ENTERPRISES INCORPORATED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS	SEP-30-1995	
	DEC-31-1994	
		68,247
		0
		53,202
		4,600
		11,250
	147,452	
		223,603
	141,121	
	486,757	
112,217		
		100,015
		44,769
	0	
		0
		196,023
486,757		
		110,308
	113,088	
		0
		82,828
		0
	3,256	
		27,815
		10,989
16,826		
		0
		0
		0
		16,826
		.73
		.73