UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[x] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarterly Period Ended December 31, 2001

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

(Exact name of Registrant as specified in its Charter)

Delaware	42-0823980
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

215 N. Main Street, Davenport, Iowa 52801

(Address of principal executive offices)

(563) 383-2100

(Registrant's telephone number, including area code)

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 [x] No [ ]

As of December 31, 2001, 33,958,289 shares of Common Stock and 10,179,725 shares of Class B Common Stock of the Registrant were outstanding.

LEE ENTERPRISES, INCORPORATED

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

LEE ENTERPRISES, INCORPORATED

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(Thousands, except per common share data)	Three Months Ended December 31 2001	2000
Operating revenue:		
Advertising	$ 72,852	$ 77,672
Circulation	20,592	21,173
Other	16,006	17,309
Equity in net income of associated companies	2,177	2,566
	111,627	118,720
Operating expenses:		
Compensation	40,780	43,554
Newsprint and ink	9,999	11,137
Depreciation	4,069	4,125
Amortization of intangible assets	1,922	3,902
Other	26,500	28,353
	83,270	91,071
Operating income	28,357	27,649
Nonoperating income (expenses), net:		
Financial income	2,767	9,511
Financial expense	(3,038)	(3,164)
Loss on sales of assets	(40)	--
Other, net	(268)	(405)
	(579)	5,942
Income from continuing operations before income taxes	27,778	33,591
Income tax expense	9,778	12,576
Income from continuing operations	18,000	21,015
Discontinued operations:		
Gain on disposition, net of income tax effect	--	250,887
Net income	$ 18,000	$ 271,902
Earnings per common share:		
Basic:		
Continuing operations	$ 0.41	$ 0.48
Discontinued operations	--	5.75
Net income	$ 0.41	$ 6.23
Diluted:		
Continuing operations	$ 0.41	$ 0.48
Discontinued operations	--	5.71
Net income	$ 0.41	$ 6.19
Dividends per common share	$ 0.17	$ 0.17

The accompanying Notes are an integral part of the Consolidated Financial Statements.

LEE ENTERPRISES, INCORPORATED

CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Thousands, except per share data)	December 31 2001	September 30 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 276,808	$ 272,169
Temporary cash investments	188,111	211,221
Accounts receivable, net	42,206	41,349
Receivable from associated companies	--	1,500
Inventories	3,680	3,997
Other	7,332	7,441
Total current assets	518,137	537,677
Investments	31,826	32,525
Property and equipment, net	117,321	119,061
Intangible and other assets	307,810	311,134
	$ 975,094	$1,000,397
LIABILITIES AND STOCKERHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 173,400	$ 11,600
Income taxes payable	21,625	57,281
Other	54,612	56,258
Total current liabilities	249,637	125,139
Long-term debt, less current maturities	--	161,800
Deferred items	31,389	31,514
Stockholders' equity:		
Serial convertible preferred: no par value; authorized 500 shares: none issued;	--	--
Common, $2 par value; authorized 60,000 shares; issued and outstanding: December 31, 2001 33,958 shares September 30, 2001 33,659 shares	67,917	67,318
Class B Common, $2 par value; authorized 30,000 shares; issued and outstanding: December 31, 2001 10,180 shares September 30, 2001 10,379 shares	20,359	20,758
Additional paid-in capital	51,227	48,164
Unearned compensation	(2,763)	(1,130)
Retained earnings	557,328	546,834
Total stockholders' equity	694,068	681,944
	$ 975,094	$1,000,397

The accompanying Notes are an integral part of the Consolidated Financial Statements.

LEE ENTERPRISES, INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended December 31	
(Thousands)	2001	2000
Cash provided by operating activities:		
Net income	$ 18,000	$ 271,902
Less: discontinued operations	--	(250,887)
Income from continuing operations	18,000	21,015
Adjustments to reconcile income from continuing operations to net cash provided by operating activities of continuing operations:		
Depreciation and amortization	5,991	8,043
Distributions in excess of current earnings of associated companies	1,950	2,489
Other, net	(1,462)	853
Net cash provided by operating activities	24,479	32,400
Cash provided by (required for) investing activities:		
Sales (purchases) of temporary cash investments, net	23,110	(479,190)
Purchases of property and equipment	(2,406)	(3,821)
Acquisitions, net	--	(3,335)
Proceeds from sales of assets	1,491	--
Other	(221)	(786)
Net cash required for investing activities	21,974	(487,132)
Cash provided by (required for) financing activities:		
Payments on short-term debt	--	(37,500)
Common stock transactions	(207)	(4,296)
Other	1,571	225
Net cash provided by (required for) financing activities	1,364	(41,571)
Net cash provided by (required for) discontinued operations	(43,178)	565,264
Net increase in cash and cash equivalents	4,639	68,961
Cash and cash equivalents		
Beginning of period	272,169	29,427
End of period	$ 276,808	$ 98,388

The accompanying Notes are an integral part of the Consolidated Financial Statements.

LEE ENTERPRISES, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1 Basis of Presentation

The consolidated financial statements included herein are unaudited. In the opinion of management, these statements contain all adjustments (consisting of only normal recurring items) necessary to present fairly the financial position of Lee Enterprises, Incorporated and subsidiaries (the Company) as of December 31, 2001 and the results of operations and cash flows for the periods presented. These consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company's 2001 Annual Report on Form 10-K.

Because of seasonal and other factors, the results of operations for the three months ended December 31, 2001 are not necessarily indicative of the results to be expected for the full year.

Certain amounts as previously reported have been reclassified to conform with the current period presentation.

2 Investment in Associated Companies

The Company has a 50% ownership interest in Madison Newspapers, Inc. (MNI), a company that publishes daily and Sunday newspapers, and other publications in Madison, three other daily newspapers and various other publications in Wisconsin; and also holds interests in Internet service ventures.

Summarized financial information of MNI is as follows:

	Three Months Ended December 31	
(Thousands)	2001	2000
Revenue	$26,470	$29,459
Operating expenses, except depreciation and amortization	18,325	19,651
Depreciation and amortization	1,004	1,161
Operating income	7,141	8,647
Net income	4,356	5,132

3 Income Taxes

The provision for income taxes includes deferred taxes and is based upon estimated annual effective tax rates in the tax jurisdictions in which the Company operates.

4 Earnings Per Common Share

The following table sets forth the computation of basic and diluted earnings per common share:

(Thousands, except per common share data)	Three Months Ended December 31 2001	2000
Income applicable to common stock:		
Continuing operations	$ 18,000	$ 21,015
Discontinued operations	--	250,887
Net income	$ 18,000	$271,902
Weighted average common shares outstanding	44,086	43,758
Less non-vested restricted stock	110	92
Basic average common shares	43,976	43,666
Dilutive stock options and restricted stock	265	295
Dilutive average common shares	44,241	43,961
Earnings per common share:		
Basic:		
Continuing operations	$ 0.41	$ 0.48
Discontinued operations	--	5.75
Net income	$ 0.41	$ 6.23
Diluted:		
Continuing operations	$ 0.41	$ 0.48
Discontinued operations	--	5.71
Net income	$ 0.41	$ 6.19

5 Sales of Assets

In December 2001, the Company sold all of the assets of its specialty publication in Klamath Falls, Oregon. In January 2002, the Company sold all of the operating assets of its specialty publications in Las Vegas, Nevada, Great Falls, Montana and St. George, Utah. Proceeds from the sales totaled approximately $3,560,000. The Company realized a net loss on the transactions. The estimated loss, which was recognized in the year ended September 2001, approximates the actual amount.

6 Stock Ownership Plans

A summary of stock option activity related to the Company's stock option plan is as follows:

(Thousands, except per common share data)	Shares	Weighted Average Exercise Price
Outstanding at September 30, 2001	967	$ 26.44
Granted	268	35.45
Exercised	(52)	26.40
Cancelled	(18)	27.62
Outstanding at December 31, 2001	1,165	$ 28.50

Options to purchase 1,397,000 shares of common stock with a weighted average exercise price of $24.32 per share were outstanding at December 31, 2000.

7 Impact of Recently Issued Accounting Standards

In July 2001, the FASB issued Statement No. 141, Business Combinations, and Statement No. 142, Goodwill and Other Intangible Assets. Statement 141 requires that the purchase method of accounting be used for all business combinations initiated or completed after June 30, 2001. Statement 141 also specifies criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. Statement 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually. Statement 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with Statement 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of.

In August 2001, FASB issued Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which supersedes FASB Statement No. 121, discussed above, but retains the fundamental provisions of Statement 121 with regard to recognition and measurement of impairment of long-lived assets.

The Company was required to adopt the provisions of Statement 141 immediately, except with regard to business combinations initiated prior to July 1, 2001, and Statements 142 and 144 effective no later than October 1, 2002. Furthermore, intangible assets determined to have an indefinite useful life and goodwill, that are acquired in a purchase business combination completed after June 30, 2001, will not be amortized. The Company elected to adopt Statements 141, 142 and 144 effective October 1, 2001.

Statement 141 requires, upon adoption of Statement 142, that the Company evaluate its existing intangible assets and goodwill that were acquired in a prior purchase business combination, and make any necessary reclassifications in order to conform with the new criteria for recognition apart from goodwill. Upon adoption of Statement 142, the Company reassessed the useful lives and residual values of all intangible assets acquired in purchase business combinations. In addition, the Company is required to test the intangible assets, identified as having an indefinite useful life and goodwill, for impairment in accordance with the provisions of Statement 142. There were no significant reclassifications or impairment losses identified as a result of adoption.

Changes in the carrying amount of goodwill are as follows:

	Three Months Ended December 31	
(Thousands)	2001	2000
Goodwill, beginning of period	$ 230,231	$ 241,960
Goodwill related to acquisitions	--	2,550
Goodwill related to sales of businesses	(1,478)	(1,455)
Amortization	--	(1,991)
Goodwill, end of period	$ 228,753	$ 241,064

The impact of adoption of these statements is as follows:

	Three Months Ended December 31	
(Thousands)	2001	2000
Income from continuing operations, as reported	$ 18,000	$ 21,015
Goodwill amortization, net of income tax benefit ...	--	1,488
Goodwill amortization of associated companies	--	59
Income from continuing operations, as adjusted	18,000	22,562
Discontinued operations	--	250,887

Net income, as adjusted	$ 18,000	$273,449

The earnings per common share impact related to the adoption of these statements is as follows:

	Three Months Ended December 31	
	2001	2000
Basic:		
Income from continuing operations, as reported	$ 0.41	$ 0.48
Goodwill amortization	--	0.04
Income from continuing operations, as reported	0.41	0.52
Discontinued operations	--	5.75
Net income, as adjusted	$ 0.41	$ 6.27
Diluted:		
Income from continuing operations, as reported	$ 0.41	$ 0.48
Goodwill amortization	--	0.04
Income from continuing operations, as adjusted	0.41	0.52
Discontinued operations	--	5.71
Net income, as adjusted	$ 0.41	$ 6.23

8 Subsequent Event

In February 2002, the Company reached a definitive agreement to acquire the stock of Howard Publications, Inc., a privately owned company comprised of 16 daily newspapers, one of which is jointly owned, and related specialty publications. The transaction is valued at $694,000,000 and will be paid for with approximately $440,000,000 in cash and temporary cash investments. New bank borrowing will fund the remainder of the purchase price. The sale is subject to applicable government approvals, with closing expected prior to June 30, 2002. Certain non-publishing businesses are not included in the transaction.

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

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a "Safe Harbor" for forward-looking statements. This presentation 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 presentation. The Company does not undertake to publicly update or revise its forward-looking statements.

CONTINUING OPERATIONS

Operating results, as reported in the Consolidated Financial Statements, are summarized below:

(Thousands, except per common share data)	Three Months Ended December 31 2001	2000	Percent Change
Operating revenue	$111,627	$118,720	(6.0)%
Income before interest, taxes, depreciation and amortization (EBITDA) (1)	34,348	35,676	(3.7)
Operating income	28,357	27,649	2.6
Nonoperating income (expense), net	579	5,942	N/M
Income from continuing operations	18,000	21,015	(14.3)
Earnings per common share:			
Basic	$ 0.41	$ 0.48	(14.6)
Diluted	0.41	0.48	(14.6)

(1) EBITDA is not a financial performance measurement under United States generally accepted accounting principles (GAAP), and should not be considered in isolation or as a substitute for GAAP performance measurements. EBITDA is also not reflected in the Consolidated Statements of Cash Flows, but it is a common and meaningful alternative performance measurement for comparison to other companies in the newspaper publishing industry. The computation also excludes other nonoperating items, primarily the gains and losses on sales of businesses and losses related to other ventures.

Revenue, as reported in the Consolidated Financial Statements, consists of the following:

(Thousands)	Three Months Ended December 31 2001	2000	Percent Change
Advertising:			
Retail	$ 46,900	$ 49,196	(4.7)%
National	2,674	3,054	(12.4)
Classified:			
Employment	5,119	7,300	(29.9)
Automotive	5,309	5,153	3.0
Real estate	3,884	3,916	(0.8)
All other	8,966	9,053	(0.9)
Total classified	23,278	25,422	(8.4)
Total advertising	72,852	77,672	(6.2)
Circulation	20,592	21,173	(2.7)
Other:			
Commercial printing	6,568	7,156	(8.2)
Internet/online	1,081	957	13.0
Niche publications and other	5,809	6,613	(12.2)
Editorial service contracts, Internet service fees and other	2,548	2,583	(1.4)
	16,006	17,309	(7.5)
Equity in net income of associated companies	2,177	2,566	(15.2)
Total operating revenue	$ 111,627	$ 118,720	(6.0)%

The following discussion of revenue and operating expenses is presented on an operations basis, which includes 100% of the revenue and expenses of MNI, which is owned 50% by the Company and accounted for in the Consolidated Financial Statements using the equity method. It is also exclusive of acquisitions and divestitures. The Company believes such comparisons provide the most meaningful information for an understanding of its business.

The three months ended December 31, 2001 had one fewer Sunday than the same period last year, which negatively impacts substantially all categories of revenue.

For the three months ended December 31, 2001, total advertising revenue decreased $6,075,000, or 6.3%. Retail revenue decreased $2,814,000, or 4.7%, while retail rates increased 2.6% during the same three-month period. Increased emphasis on rate discipline and new accounts helped offset declines in advertising volume caused by weak economic conditions.

Classified advertising revenue decreased approximately $2,732,000, or 8.5%, in 2001. Higher margin employment advertising at the daily newspapers accounted for substantially all of the decrease and declined 33.0% for the three-month period. The national help wanted index showed a 41% decline in employment advertising lineage for the same period. The automotive category increased 1.9% due to low-rate auto financing campaigns, and other categories were flat.

Circulation revenue decreased $773,000, or 2.9%. The Company's unaudited daily newspaper circulation increased 1.2% and Sunday circulation declined 0.1% for the three months ended December 31, 2001. The Company is focused on growing circulation units through a number of initiatives.

Other revenue decreased $1,442,000, or 6.9%. Internet/online revenue increased $77,000, or 6.9%, due to growth in advertising revenue and cross selling with the Company's newspapers, partially offsetting the overall decline.

The following table sets forth the percentage of revenue of certain operating expenses:

	Three Months Ended December 31	
	2001	2000
Compensation	36.1%	35.9%
Newsprint and ink	9.6	10.1
Other operating expenses	23.7	23.4
	69.4	69.4
EBITDA	30.6	30.6
Depreciation and amortization	5.1	6.3
Operating margin	25.5%	24.3%

Costs other than depreciation and amortization decreased $5,811,000, or 5.8%. Compensation expense decreased $2,745,000, or 5.3%, due to workforce reductions, delayed salary increases and changes in benefit programs. Overall, full-time equivalent personnel declined 4.0%. Newsprint and ink costs decreased $1,501,000, or 10.3%, as the result of continued price decreases in addition to a 4.8% decrease in consumption. Other operating costs, exclusive of depreciation and amortization, decreased $1,565,000, or 4.6%.

On October 1, 2001 the Company adopted the provisions of FASB Statements 141 and 142. As a result, goodwill acquired in a purchase business combination is no longer being amortized, but is tested for impairment annually. Amortization expense related to goodwill was $2,185,000 for the three months ended December 31, 2000.

Nonoperating Income and Income Taxes

Financial income decreased $6,744,000 to $2,767,000 in 2001, due to a significant decline in reinvestment rates in the Company's investment portfolio and, to a lesser extent, investment in tax-exempt securities. Further, the Company's invested balances have decreased due to required income tax payments, offset to some extent by funds generated from operations.

Income taxes were 35.2% and 37.4% of income from continuing operations before income taxes for the three months ended December 31, 2001 and 2000, respectively. Municipal income in the current year reduced the effective tax rate. In addition, the prior year effective tax rate included the effect of goodwill amortization that was not deductible for tax purposes.

Discontinued Operations

In March 2000, the Board of Directors of the Company made a determination to sell its broadcast properties. In May 2000 the Company entered into an agreement to sell substantially all of its broadcasting operations, consisting of eight network-affiliated and seven satellite television stations, to Emmis Communications Corporation and consummated the transaction in October 2000. The net proceeds of approximately $565,000,000 resulted in an after-tax gain for financial reporting purposes of approximately $251,000,000. The results for the broadcast properties have been classified as discontinued operations for all periods presented.

In July 2001, the Company completed the sale of its last broadcasting property. Net proceeds of the sale totaled approximately $7,000,000. The after-tax gain of approximately $4,000,000 on the sale is reflected in discontinued operations.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities of continuing operations was $24,479,000 for the three months ended December 31, 2001 and $32,400,000 for the same period in 2000.

The Company anticipates that funds necessary for capital expenditures, which are expected to total approximately $12,000,000 in 2002, and other requirements will be available from internally generated funds, its investment portfolio and, if necessary, by accessing the capital markets. The Company has substantial liquidity and unused borrowing capacity, including a $50,000,000 unsecured revolving credit agreement that expires in 2003.

Under the terms of its 1998 note purchase agreement, the Company will be required to repay the then outstanding balance of $161,800,000 on October 1, 2002, unless the Company reinvests the net proceeds of the sale of broadcast operations or obtains a waiver of that provision of the agreement. If the Company is required to repay the debt prior to the original maturity date, a prepayment penalty based on interest rates at the time of repayment will be required. If the debt is required to be repaid on October 1, 2002, the prepayment penalty would be approximately $12,437,000, based on interest rates at December 31, 2001. The acquisition described in Note 8 to the Consolidated Financial Statements is permitted under the terms of the agreement and will satisfy the obligation to reinvest the proceeds of the sale of broadcast operations. Other covenants under this agreement are not considered restrictive to normal operations or historical amounts of stockholder dividends.

OTHER FACTORS

The Company has not been significantly impacted by inflationary pressures over the last several years. The Company anticipates that changing costs of newsprint, its basic raw material, may impact future operating costs. Price increases (or decreases) for the Company's products are implemented when deemed appropriate by management. The Company continuously evaluates price increases, productivity improvements and cost reductions to mitigate the impact of inflation.

MARKET RISK MANAGEMENT

The Company is exposed to market risk stemming from changes in interest rates and commodity prices. Changes in these factors could cause fluctuations in earnings and cash flows. In the normal course of business, exposure to certain of these market risks is managed as described below.

Interest Rates

Interest rate risk in the Company's investment portfolio is managed by investing only in securities with a maturity at date of acquisition of 180 days or less. The average maturity of the investment portfolio is 49 days at December 31, 2001. Only high-quality investments are considered.

The Company's debt structure and interest rate risk are managed through the use of fixed and floating rate debt. The Company's primary exposure is to United States interest rates.

Commodities

Certain materials used by the Company are exposed to commodity price changes. The Company manages this risk through instruments such as purchase orders and non-cancelable supply contracts. The Company is also involved in continuing programs to mitigate the impact of cost increases through identification of sourcing and operating efficiencies. Primary commodity price exposures are newsprint and, to a lesser extent, ink.

A $10 per ton newsprint price increase would result in an annualized reduction in income from continuing operations before income taxes of approximately $672,000, excluding MNI.

Sensitivity to Changes in Value

The estimates that follow are intended to measure the maximum potential fair value or earnings the Company could lose in one year from adverse changes in market interest rates under normal market conditions. The calculations are not intended to represent actual losses in fair value or earnings that the Company expects to incur. The estimates do not consider favorable changes in market rates. The positions included in the calculations are temporary cash investments, which total $188,111,000 at December 31, 2001, and fixed-rate debt, which totals $173,400,000.

The table below presents the estimated maximum potential one-year loss in fair value and earnings before income taxes from a 100 basis point movement in interest rates on market risk sensitive instruments outstanding at December 31, 2001:

(Thousands)	Estimated Impact on Fair Value	Estimated Impact on Income from Continuing Operations Before Income Taxes
Temporary cash investments	$ (253)	$(1,628)
Fixed rate debt	(7,400)	--

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information with respect to this item is included in Management's Discussion and Analysis of Financial Condition and Results of Operations under the heading "Market Risk Management."

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

None

(b) Reports on Form 8-K:

No reports on Form 8-K were filed during the three months ended December 31, 2001.

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

/s/ Carl G. Schmidt DATE: February 14, 2002

- --

Carl G. Schmidt
Vice President, Chief Financial Officer,
and Treasurer