Lee Enterprises Reports Q3 Earnings

July 21, 2003

DAVENPORT, Iowa--(BUSINESS WIRE)--July 21, 2003--Lee Enterprises, Incorporated (NYSE:LEE), reported today that diluted earnings per common share from continuing operations were 48 cents for its third quarter ended June 30, 2003.

Last year's earnings of 68 cents per diluted common share from continuing operations included the favorable resolution of tax issues amounting to $10.0 million, or 22 cents. On an adjusted basis, this year's earnings represent an increase of 4.4 percent over 46 cents a year ago. Earnings in 2002 have been restated to include employee stock option expense.

Operating cash flow(2) increased 3.9 percent to $47.6 million, at a margin of 28.3 percent, compared with 28.7 percent a year ago. Revenue increased 5.5 percent to $168.2 million. Operating income, which includes equity in net income of associated companies, depreciation and amortization, increased 4.4 percent. Income from continuing operations declined 28.9 percent in comparison with a year ago, which included gains of $10.0 million resulting from favorable resolution of tax issues, as noted above.

Operating expenses, excluding depreciation and amortization, increased 6.1 percent to $120.7 million. Current year expenses were increased by the inclusion of $3.4 million of operating costs of Sioux City Newspapers (SCN). Adjusting for this factor, operating expenses, excluding depreciation and amortization, increased 3.1 percent. Expenses in the current year were further influenced by a 14.1% increase in newsprint costs (including SCN). Lee's purchase of Howard Publications in April 2002 included 15 daily newspapers and a 50 percent interest in SCN. Lee acquired the remaining 50 percent interest in SCN in July 2002.

On a same property basis, which excludes the impact of acquisitions and divestitures made in the current or prior year, total revenue for the quarter ended June 30, 2003, increased 1.0 percent from a year ago. Total advertising revenue decreased 0.5 percent. Retail increased 1.1 percent. Classified revenue decreased 2.9 percent, with employment advertising in the daily newspapers down 10.7 percent. National advertising, a small category for Lee, decreased 1.3 percent. Circulation revenue decreased 0.8 percent. Online revenue increased 28.8 percent.

At the 15 newspapers Lee acquired in their entirety in April 2002, revenue for the quarter increased 4.4 percent(3). Publishing revenue of the former Howard newspapers increased 14.9 percent on a reported basis, due to the inclusion of SCN in revenue in the current year.

Mary Junck, chairman and chief executive officer, said: "We continue to benefit from our acquisitions in 2002, and we remain fully focused on our five top priorities of driving revenue, improving readership and circulation, emphasizing strong local news, expanding our online services and carefully controlling our costs. As our performance shows, especially in comparison with a very strong quarter a year ago, we're doing the right things and doing them well in a tough economic environment."

YEAR TO DATE

For the nine months ended June 30, 2003, total revenue on a same property basis increased 2.1 percent. On a reported basis, revenue increased 36.0 percent. Operating expenses, excluding depreciation and amortization, increased 37.2 percent, and operating cash flow increased 32.8 percent. Operating cash flow margin(2) was 27.2 percent, compared with 27.8 percent a year ago. Operating income increased 24.7 percent.

Diluted earnings per common share from continuing operations totaled $1.32, compared with $1.36 a year ago, which included the 22 cents of tax benefits noted above.

EMPLOYEE STOCK OPTIONS

In 2003, Lee has begun expensing employee stock option grants and has chosen to restate prior years. This will reduce 2003 results 5 to 6 cents per diluted common share for the full year and had an impact of one cent per share in the June quarter. Year to date results in the prior year were reduced four cents per diluted common share from the previously reported amount of $1.43 cents.

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 more than 175 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 is available at www.lee.net.

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

	Three Months Ended June 30,			Nine Months Ended June 30,		
	2003	2002	%	2003	2002	%
Operating						

revenue:		(4)			(4)	
Advertising....	$115,099	$110,208	4.4	$336,983	$243,217	38.6
Circulation....	33,052	31,567	4.7	99,777	72,019	38.5
Other..........	20,098	17,771	13.1	57,369	48,178	19.1
	168,249	159,546	5.5	494,129	363,414	36.0
Operating expenses:						
Compensation...	67,884	63,280	7.3	203,790	144,362	41.2
Newsprint and ink...........	15,124	13,258	14.1	42,890	31,188	37.5
Other..........	37,680	37,216	1.2	113,286	86,822	30.5
Operating expenses excluding depreciation and amortization....	120,688	113,754	6.1	359,966	262,372	37.2
Operating cash flow............	47,561	45,792	3.9	134,163	101,042	32.8
Depreciation and amortization....	11,447	12,197	(6.1)	34,531	23,373	47.7
Operating income, before equity in net income of associated companies.......	36,114	33,595	7.5	99,632	77,669	28.3
Equity in net income of associated companies.......	1,962	2,867	(31.6)	5,733	6,796	(15.6)
Operating income	38,076	36,462	4.4	105,365	84,465	24.7
Non-operating income(expense), net:						
Financial income........	373	470	(20.6)	916	5,705	(83.9)
Financial expense.......	(4,072)	(5,117)	(20.4)	(13,032)	(10,999)	18.5
Other, net.....	(408)	9	NM	(795)	(299)	NM
	(4,107)	(4,638)	(11.4)	(12,911)	(5,593)	130.8
Income from continuing operations before income taxes....	33,969	31,824	6.7	92,454	78,872	17.2
Income tax expense	12,511	1,637	NM	33,894	18,404	84.2
Income from continuing operations......	21,458	30,187	(28.9)	58,560	60,468	(3.2)
Discontinued operations......	--	1,333	--	(20)	1,193	NM
Net income.......	$21,458	$31,520	(31.9)	$58,540	$61,661	(5.1)
Earnings per common share:						
Basic:						

Continuing operations....	$0.48	$0.68	(29.4)	$1.32	$1.37	(3.6)
Discontinued operations....	--	0.03		--	0.03	
Net income.....	$0.48	$0.71	(32.4)	$1.32	$1.40	(5.7)
Diluted:						
Continuing operations....	$0.48	$0.68	(29.4)	$1.32	$1.36	(2.9)
Discontinued operations....	--	0.03		--	0.03	
Net income.....	$0.48	$0.71	(32.4)	$1.32	$1.39	(5.0)
Average outstanding shares:						
Basic..........	44,351	44,144		44,277	44,054	
Diluted........	44,574	44,474		44,444	44,349	

SELECTED BALANCE SHEET INFORMATION	June 30,	
	2003	2002
Cash and temporary cash investments......	$ 20,960	$ 72,710
Total assets............................	1,436,029	1,400,576
Debt, including current maturities.......	331,200	425,799
Stockholders' equity....................	787,798	730,494

(1) Beginning in March 2003, same property revenue excludes revenue of Madison Newspapers, Inc., (MNI) in order to comply with newly issued SEC regulations related to disclosure of non-GAAP financial measures. Lee owns 50% of the capital stock of MNI, which for financial reporting purposes is reported using the equity method of accounting.

(2) 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 included 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.

(3) Same property revenue related to newspapers acquired from Howard Publications excludes revenue of Sioux City Newspapers (SCN). Lee owned 50% of the capital stock of SCN during the period from April through June 2002, which was accounted for using the equity method of accounting. Year to date same property revenue information is not meaningful due to the consummation of the acquisition at a date during the fiscal year. The following table reconciles Howard

acquisition revenue on a same property basis to revenue as reported.

(Thousands)	Three months ended June 30, 2003	2002	%
Howard acquisition revenue	$56,576	$54,193	4.4%
SCN	5,718	--	NM
Total publishing revenue	$62,294	$54,193	14.9%

(4) Certain amounts as previously reported have been reclassified to conform with the current period presentation. The presentation of equity in net income of associated companies has been revised to exclude those amounts from revenue. Fiscal 2002 amounts have been restated to include expense relating to employee stock options.

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.

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