Lee Enterprises Reports Earnings for Third Fiscal Quarter

July 20, 2006

DAVENPORT, Iowa--(BUSINESS WIRE)--July 20, 2006--Lee Enterprises, Incorporated (NYSE:LEE), reported today that diluted earnings per common share were 50 cents for its third fiscal quarter ended June 30, 2006, compared with 41 cents a year ago, reflecting unusual costs in both years related to the acquisition of Pulitzer Inc. in June 2005.

Transition costs and a re-evaluation of intangible assets related to the acquisition of Pulitzer reduced diluted earnings per common share from continuing operations by 11 cents in the current year quarter. In 2005, transition costs and loss on early extinguishment of debt reduced earnings by 17 cents. Earnings in both the current and prior year reflect the impact of stock compensation expense, which Lee has been recognizing since October 2002.

Mary Junck, chairman and chief executive officer, said: "Exceptionally strong online advertising, niche product growth and an improved showing in retail allowed us to deliver another good quarter and meet earnings expectations, adjusted for some unusual events. Revenue growth continues to vary widely region by region in a still-uneven economic climate, but our audience growth advances across the board. We're driving larger online audiences while maintaining our solid circulation base, and in this past quarter 36 of our newspapers reported circulation gains. Meanwhile, a full year after the acquisition, we remain on course with Pulitzer and believe we've set the stage for future growth."

On a reported basis, which includes the addition of Pulitzer for the full quarter in the current year and one month of Pulitzer in the previous year, advertising revenue for the quarter increased 40.6 percent from a year ago to $234.4 million, with growth of 35.9 percent in retail, 36.6 percent in classified and 86.7 percent in national. Online advertising revenue increased 105.5 percent, and niche advertising rose 38.9 percent. Circulation revenue increased 36.3 percent. Total operating revenue increased 38.2 percent to $301.1 million.

On a same property (1) basis, which excludes the impact of Pulitzer and other acquisitions and divestitures made in the current or prior year, total advertising revenue for the quarter increased 1.8 percent from a year ago, with retail up 0.9 percent, classified down 0.4 percent, national down 8.0 percent and online advertising revenue up 44.3 percent. Circulation revenue increased 0.4 percent, and total operating revenue increased 1.3 percent.

Operating expenses, on a reported basis, excluding depreciation and amortization, increased 39.2 percent to $218.5 million for the quarter, also reflecting the acquisition of Pulitzer. Newsprint and ink expense increased 50.5 percent, compensation increased 32.2 percent, and other expenses increased 47.3 percent.

Same property expenses, excluding depreciation and amortization, increased 3.2 percent in the quarter, with newsprint and ink up 9.1 percent, compensation up 1.8 percent, and other operating expenses up 2.9 percent.

Operating cash flow (2) increased 35.5 percent to $82.6 million, including acquisitions and related costs. Operating income, which includes equity in earnings of associated companies and depreciation and amortization, increased 21.3 percent to $59.1 million. Non-operating expenses, which include financial expense related to Pulitzer, totaled $22.0 million, compared with $19.2 million a year ago. As a result, income before income taxes increased 25.8 percent to $37.1 million. Net income increased 21.5 percent to $22.7 million.

YEAR TO DATE

For the nine months ended June, diluted earnings per common share total $1.32, compared with $1.41 a year ago.

Transition costs, an early retirement program and a re-evaluation of intangible assets related to the acquisition of Pulitzer reduced diluted earnings per common share by 25 cents in the current year. In 2005, transition costs and loss on early extinguishment of debt related to Pulitzer reduced earnings by 17 cents.

On a reported basis, including acquisitions, advertising revenue for the nine months increased 58.1 percent to $682.4 million, and total operating revenue increased 54.1 percent to $879.5 million. Operating expenses, excluding depreciation and amortization, rose 59.6 percent to $660.1 million. On a same property basis, advertising revenue increased 1.6 percent, total operating revenue increased 0.8 percent, and operating expenses, excluding depreciation and amortization, increased 3.2 percent.

Operating cash flow increased 39.7 percent, to $219.5 million. Operating income rose 29.5 percent to $162.7 million. Income before income taxes decreased 5.3 percent to $96.0 million. Net income decreased 6.0 percent to $59.9 million.

INTANGIBLE ASSETS

The Company, based on its most recent analysis and in conjunction with its ongoing requirement to assess the estimated useful lives of intangible assets, has concluded that the period of economic benefit of certain identified intangible assets related to the Pulitzer acquisition has decreased. As a result, the weighted-average useful life of customer lists will be decreased prospectively from approximately 21 years to 17 years.

The change in estimated useful life of such assets resulted in recognition of additional amortization expense of $0.5 million in the three months ended June 30, 2006, of which $0.1 million reduced equity in earnings of associated companies. The Company expects amortization expense to increase by approximately $1.4 million in the three months ending September 2006 and $5.5 million in its fiscal year ending September 2007. This change in non-cash amortization expense has no impact on the Company's cash flows or debt covenants.

In the three months ended June 30, 2006, the Company also recorded a separate non-cash charge of $5.5 million to reduce the value of non-amortized masthead intangible assets of Pulitzer. Of that amount, $4.9 million is recorded in amortization expense and $0.6 million reduced equity in earnings of associated companies.

PULITZER COSTS

The following tables summarize the impact on earnings per diluted common share from unusual costs related to the Pulitzer acquisition:

	Three Months Ended June 30			
	2006		2005	
(Thousands, Except EPS Data)	Amount	Per Share	Amount	Per Share
Net income, as reported.........	$22,717	$0.50	$18,697	$0.41
Adjustments to net income:				
Reduction of value of identified intangible assets.	5,526		-	
Transition costs...............	1,677		1,439	
Loss on extinguishment of debt.	-		11,181	
	7,203		12,620	
Income tax benefit of adjustments, net..............	(1,984)		(4,922)	
	5,219	0.11	7,698	0.17
Net income, as adjusted.........	$27,936	$0.61	$26,395	$0.58

	Nine Months Ended June 30			
	2006		2005	
(Thousands, Except EPS Data)	Amount	Per Share	Amount	Per Share
Net income, as reported.........	$59,916	$1.32	$63,772	$1.41
Adjustments to net income:				
Early retirement program.......	8,654		-	
Reduction of value of identified intangible assets	5,526		-	
Transition costs...............	2,830		1,542	
Loss on extinguishment of debt.	-		11,181	
	17,010		12,723	
Income tax benefits of adjustments, net..............	(5,662)		(4,939)	
	11,348	0.25	7,784	0.17
Net income, as adjusted.........	$71,264	$1.57	$71,556	$1.58

Consolidated statements of income and selected balance sheet tables follow. Expanded tables with same property comparisons, as well as revenue statistics for June, are available at www.lee.net/financial.

Lee Enterprises is a premier publisher of local news, information and advertising in primarily midsize markets, with 52 daily newspapers and a joint interest in six others, rapidly growing online sites and more than 300 weekly newspapers and specialty publications in 23 states. Lee's newspapers have circulation of 1.7 million daily and 1.9 million Sunday, reaching more than four million readers daily. Lee's online sites reach more than two million users, and Lee's weekly publications have distribution of more than 4.5 million households. Lee's newspapers include such markets as Napa, Calif.; Bloomington, Ill.; Billings, Mont.; Madison, Wis.; and St. Louis, Mo. Lee is based in Davenport, Iowa, and its stock is traded on the New York Stock Exchange under the symbol LEE. For more information about Lee Enterprises, please visit www.lee.net.

LEE ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended June 30		
(Thousands, Except EPS Data)	2006	2005	%
Advertising revenue:			
Retail	$122,019	$89,778	35.9 %
National	13,875	7,432	86.7
Classified:			
Daily newspapers:			
Employment	24,041	16,858	42.6
Automotive	15,975	12,611	26.7
Real estate	16,513	12,199	35.4
All other	10,843	7,925	36.8
Other publications	16,103	11,497	40.1
Total classified	83,475	61,090	36.6
Online	10,464	5,091	105.5
Niche publications	4,608	3,318	38.9
Total advertising revenue	234,441	166,709	40.6
Circulation	51,849	38,040	36.3
Commercial printing	6,213	5,464	13.7
Online services & other	8,596	7,642	12.5
Total operating revenue	301,099	217,855	38.2
Operating expenses:			
Compensation	112,585	85,173	32.2
Newsprint and ink	32,324	21,478	50.5
Other operating expenses	71,939	48,845	47.3
Transition costs	1,677	1,439	16.5
Early retirement program	-	-	-
Operating expenses, excluding depreciation and amortization	218,525	156,935	39.2
Operating cash flow(2)	82,574	60,920	35.5
Depreciation	8,854	6,387	38.6
Amortization	19,437	9,067	114.4
Equity in earnings of associated companies:			
Tucson partnership	2,621	998	162.6
Madison Newspapers	2,226	2,278	(2.3)
Other	-	-	-
Operating income	59,130	48,742	21.3
Non-operating income:			
Financial income	1,579	1,009	56.5
Financial expense	(23,567)	(9,044)	160.6
Loss on early extinguishment of debt.	-	(11,181)	NM
Other, net	-	7	NM
	(21,988)	(19,209)	14.5

Income before income taxes	37,142	29,533	25.8
Income tax expense	14,056	10,691	31.5
Minority interest	369	145	NM
Net income	$22,717	$18,697	21.5 %
Earnings per common share:			
Basic	$0.50	$0.41	22.0 %
Diluted	0.50	0.41	22.0
Average common shares:			
Basic	45,488	45,156	
Diluted	45,602	45,374	

	Nine Months Ended June 30		
(Thousands, Except EPS Data)	2006	2005	%
Advertising revenue:			
Retail	$365,489	$241,882	51.1 %
National	45,687	19,689	132.0
Classified:			
Daily newspapers:			
Employment	66,984	39,942	67.7
Automotive	44,790	31,707	41.3
Real estate	46,817	30,174	55.2
All other	29,237	19,073	53.3
Other publications	44,335	28,225	57.1
Total classified	232,163	149,121	55.7
Online	26,433	11,667	126.6
Niche publications	12,662	9,251	36.9
Total advertising revenue	682,434	431,610	58.1
Circulation	154,790	102,298	51.3
Commercial printing	17,865	15,971	11.9
Online services & other	24,418	20,755	17.6
Total operating revenue	879,507	570,634	54.1
Operating expenses:			
Compensation	341,209	227,856	49.7
Newsprint and ink	93,716	54,371	72.4
Other operating expenses	213,646	129,767	64.6
Transition costs	2,830	1,542	83.5
Early retirement program	8,654	-	NM
Operating expenses, excluding depreciation and amortization	660,055	413,536	59.6
Operating cash flow(2)	219,452	157,098	39.7
Depreciation	25,450	16,497	54.3
Amortization	47,421	22,037	115.2
Equity in earnings of associated companies:			
Tucson partnership	10,309	998	933.0
Madison Newspapers	5,858	6,539	(10.4)
Other	-	(381)	NM

Operating income	162,748	125,720	29.5
Non-operating income:			
Financial income	4,545	1,476	207.9
Financial expense	(71,298)	(14,630)	387.3
Loss on early extinguishment of debt.	-	(11,181)	NM
Other, net	-	(58)	NM
	(66,753)	(24,393)	173.7
Income before income taxes	95,995	101,327	(5.3)
Income tax expense	35,187	37,410	(5.9)
Minority interest	892	145	NM
Net income	$59,916	$63,772	(6.0)%
Earnings per common share:			
Basic	$1.32	$1.41	(6.4)%
Diluted	1.32	1.41	(6.4)
Average common shares:			
Basic	45,380	45,090	
Diluted	45,509	45,311	

SELECTED BALANCE SHEET INFORMATION

	June 30	
(Thousands)	2006	2005
Cash	$11,288	$50,529
Restricted cash and investments	92,310	77,310
Debt (principal amount)	1,581,000	1,758,000

NOTES:

(1) Same property comparisons exclude acquisitions and divestitures made in the current and prior year. Same property revenue also excludes revenue of Madison Newspapers, Inc., in which Lee owns a 50% share. It is reported using the equity method of accounting. Same property comparisons also exclude corporate office costs.

(2) Operating cash flow, which is defined as operating income before depreciation, amortization and equity in earnings of associated companies, is a non-GAAP financial measure. A reconciliation of operating cash flow to operating income, the most directly comparable measure under accounting principles generally accepted in the United States (GAAP), is reflected in the tables accompanying this release.

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

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

The Private Securities Litigation Reform Act of 1995 provides a "Safe Harbor" for forward-looking statements. This release contains information that may be deemed forward-looking and that is based largely on the Company's current expectations and is subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those anticipated. Among such risks, trends and other uncertainties are changes in advertising demand, newsprint prices, energy costs, interest rates, labor costs, legislative and regulatory rulings and other results of operations or financial conditions, difficulties in integration of acquired businesses or maintaining employee and customer relationships and increased capital and other costs. The words "may," "will," "would," "could," "believes," "expects," "anticipates," "intends," "plans," "projects," "considers" and similar expressions generally identify forward-looking statements. Readers are cautioned not to place undue reliance on such forward-looking statements, which are made as of the date of this release. The Company does not publicly undertake to update or revise its forward-looking statements.

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

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Lee Enterprises, Incorporated