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 Quarter Ended June 30, 1995

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 I.D. #42-0823980
215 N. Main Street, Davenport, Iowa 52801
Phone: (319) 383-2100

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 [ ]

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 June 30, 1995 |
|---|---|
| Common Stock, $2.00 par value | 17,178,566 |
| Class "B" Common Stock, $2.00 par value | 6,595,965 |

## PART I. FINANCIAL INFORMATION

Item 1.

LEE ENTERPRISES, INCORPORATED

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

| | Three Months Ended June 30, 1995 | Three Months Ended June 30, 1994 | Nine Months Ended June 30, 1995 | Nine Months Ended June 30, 1994 |
|---|---|---|---|---|
| | (Unaudited) | | | |
| Operating revenue: | | | | |
| Newspaper: | | | | |
| Advertising | $ 42,740 | $ 35,027 | $112,403 | $100,229 |
| Circulation | 19,427 | 16,585 | 53,372 | 49,433 |
| Other | 12,383 | 10,233 | 36,278 | 29,594 |
| Broadcasting | 25,061 | 23,179 | 76,129 | 67,006 |
| Media products and services | 15,785 | 15,439 | 44,297 | 46,511 |
| Equity in net income of associated companies | 1,710 | 2,559 | 6,356 | 7,259 |
| | $117,106 | $103,022 | $328,835 | $300,032 |
| Operating expenses: | | | | |
| Compensation costs | $ 38,107 | $ 34,657 | $110,091 | $103,266 |
| Newsprint and ink | 8,567 | 6,113 | 21,710 | 16,828 |
| Depreciation | 3,270 | 2,692 | 9,090 | 8,024 |
| Amortization of intangibles | 3,553 | 3,130 | 9,578 | 9,463 |
| Other | 34,125 | 30,147 | 99,449 | 91,675 |
| | $ 87,622 | $ 76,739 | $249,918 | $229,256 |
| Operating income | $ 29,484 | $ 26,283 | $ 78,917 | $ 70,776 |
| Financial (income) expense, net: | | | | |
| Financial (income) | $ (901) | $ (760) | $ (2,334) | $ (2,009) |
| Financial expense | 2,917 | 3,219 | 8,837 | 10,314 |
| | $ 2,016 | $ 2,459 | $ 6,503 | $ 8,305 |
| Income before taxes on income | $ 27,468 | $ 23,824 | $ 72,414 | $ 62,471 |
| Income taxes | 11,033 | 9,457 | 28,037 | 25,223 |
| Net income | $ 16,435 | $ 14,367 | $ 44,377 | $ 37,248 |
| Weighted average number of shares | 24,182 | 23,413 | 23,238 | 23,445 |
| Earnings per share | $ .68 | $ .61 | $ 1.91 | $ 1.59 |
| Dividends per share | $ .22 | $ .21 | $ .66 | $ .63 |

# LEE ENTERPRISES, INCORPORATED

## CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands)

| | June 30, 1995 (Unaudited) | September 30, 1994 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 56,513 | $ 18,784 |
| Temporary investments | 200 | 38,859 |
| Accounts receivable, net | 55,447 | 48,339 |
| Inventories | 13,289 | 13,147 |
| Film rights and other | 12,208 | 16,578 |
| Total current assets | $137,657 | $135,707 |
| Investments, associated companies | $ 10,629 | $ 21,969 |
| Property and equipment, net | 93,488 | 82,164 |
| Intangibles and other assets | 285,164 | 234,861 |
| | $526,938 | $474,701 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities | $129,244 | $ 99,730 |
| Long-term debt, less current maturities | 52,842 | 98,641 |
| Deferred items | 38,747 | 34,400 |
| Stockholders' equity | 306,105 | 241,930 |
| | $526,938 | $474,701 |

LEE ENTERPRISES, INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

| | 1995 | 1994 |
|---|---|---|
| | (Unaudited) | |
| Nine Months Ended June 30: | | |
| CASH PROVIDED BY OPERATIONS | | |
| Net income | $ 44,377 | $ 37,248 |
| Adjustments to reconcile net income to net cash provided by operations: | | |
| Depreciation and amortization | 18,668 | 17,487 |
| Distributions in excess of earnings of associated companies | 1,769 | 785 |
| Other balance sheet changes | (1,725) | 8,671 |
| Net cash provided by operations | $ 63,089 | $ 64,191 |
| CASH PROVIDED BY (REQUIRED FOR) INVESTING ACTIVITIES | | |
| Acquisitions | $ 7,144 | $ (4,083) |
| Purchase of temporary investments | (200) | (102,003) |
| Proceeds from maturities of temporary investments | 38,859 | 100,728 |
| Purchase of property and equipment | (10,643) | (11,953) |
| Net cash provided by (required for) investing activities | $ 35,160 | $(17,311) |
| CASH (REQUIRED FOR) FINANCING ACTIVITIES | | |
| Purchase of common stock | $(26,450) | $ (2,118) |
| Cash dividends paid | (9,827) | (9,688) |
| Payment of debt | (25,000) | (27,267) |
| Other, primarily stock options exercised | 757 | 2,192 |
| Net cash (required for) financing activities | $(60,520) | $(36,881) |
| Net increase in cash and cash equivalents | $ 37,729 | $ 9,999 |
| Cash and cash equivalents: | | |
| Beginning | 18,784 | 17,072 |
| Ending | $ 56,513 | $ 27,071 |

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 June 30, 1995 and the results of operations for the three and nine month periods ended June 30, 1995 and 1994 and cash flows for the nine month periods ended June 30, 1995 and 1994.

NOTE 2. INVESTMENT IN ASSOCIATED COMPANIES

Condensed operating results of unconsolidated associated companies are as follows:

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 1995 | 1994 | 1995 | 1994 |
| | (In Thousands) (Unaudited) | | | |
| Revenues | $ 17,427 | $ 24,759 | $ 68,110 | $ 73,500 |
| Operating expenses, except depreciation and amortization | 11,502 | 16,236 | 46,276 | 49,405 |
| Depreciation and amortization | 444 | 428 | 1,708 | 1,352 |
| Operating income | 5,481 | 8,095 | 20,126 | 22,743 |
| Financial income | 312 | 438 | 1,212 | 1,323 |
| Income before income taxes | 5,793 | 8,533 | 21,338 | 24,066 |
| Income taxes | 2,339 | 3,406 | 8,579 | 9,538 |
| Net income | 3,454 | 5,127 | 12,759 | 14,528 |

a. Madison Newspaper, Inc. (50% owned)
b. Journal-Star Printing Co. (49.75% owned until March 31, 1995)
c. Quality Information Systems (50% owned)

NOTE 3. INVENTORIES

Inventories consist of the following:

| | June 30, 1995 | September 30, 1994 |
|---|---|---|
| | (In Thousands) (Unaudited) | |
| Newsprint | $ 2,821 | $ 2,343 |
| Media products and services: | | |
| Raw material | 5,765 | 5,684 |
| Finished goods | 4,703 | 5,120 |
| | $ 13,289 | $ 13,147 |

## NOTE 4. CASH FLOWS INFORMATION

The components of other balance sheet changes are:

| | Nine Months Ended June 30, 1995 | 1994 |
|---|---|---|
| | (In Thousands) (Unaudited) | |
| (Increase) in receivables | $ (6,128) | $ (4,623) |
| (Increase) in inventories, film rights and other | (428) | (406) |
| Increase in accounts payable, accrued expenses and unearned income | 4,877 | 9,098 |
| Increase in income taxes payable | 277 | 4,661 |
| Other, primarily deferred items | (323) | (59) |
| | $ (1,725) | $ 8,671 |

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

Operating results:

| | Three Months Ended June 30, 1995 | Three Months Ended June 30, 1994 | Nine Months Ended June 30, 1995 | Nine Months Ended June 30, 1994 |
|---|---|---|---|---|
| | (Dollar Amounts in Thousands Except For Per Share Data) | | | |
| Actual: | | | | |
| Revenue | $117,106 | $103,022 | $328,835 | $300,032 |
| Percent change | 13.7% | | 9.6% | |
| Operating expenses | 87,622 | 76,739 | 249,918 | 229,256 |
| Percent change | 14.2% | | 9.0% | |
| Operating income | 29,484 | 26,283 | 78,917 | 70,776 |
| Percent change | 12.2% | | 11.5% | |
| Net income | 16,435 | 14,367 | 44,337 | 37,248 |
| Percent change | 14.4% | | 19.1% | |
| Earnings per share | $ .68 | $ .61 | $ 1.91 | $ 1.59 |
| Percent change | 11.5% | | 20.1% | |

As if acquisition of Journal-Star Printing Co. had occurred on October 1, 1993.

| | Three Months Ended June 30, 1995 | Three Months Ended June 30, 1994 | Nine Months Ended June 30, 1995 | Nine Months Ended June 30, 1994 |
|---|---|---|---|---|
| Proforma: | | | | |
| Revenue | $117,106 | $109,776 | $342,937 | $319,802 |
| Percent change | 6.7% | | 7.2% | |
| Operating expenses | 87,622 | 82,377 | 260,725 | 246,240 |
| Percent change | 6.4% | | 5.9% | |
| Operating income | 29,484 | 27,399 | 82,212 | 73,562 |
| Percent change | 7.6% | | 11.8% | |
| Net income | 16,435 | 15,084 | 46,405 | 39,040 |
| Percent change | 9.0% | | 18.9% | |
| Earnings per share | $ .68 | $ .60 | $ 1.91 | $ 1.56 |
| Percent change | 13.3% | | 22.4% | |

Operations by line of business are as follows:

| | Three Months Ended June 30, 1995 | Three Months Ended June 30, 1994 | Nine Months Ended June 30, 1995 | Nine Months Ended June 30, 1994 |
|---|---|---|---|---|
| | (In Thousands) | | | |
| Revenue: | | | | |
| Newspapers | $ 76,274 | $ 64,398 | $208,452 | $186,398 |
| Broadcasting | 25,061 | 23,179 | 76,129 | 67,006 |
| Media products and services | 15,771 | 15,445 | 44,254 | 46,628 |
| | $117,106 | $103,022 | $328,835 | $300,032 |
| Operating income: | | | | |
| Newspapers | $ 21,666 | $ 19,672 | $ 58,164 | $ 55,940 |
| Broadcasting | 7,259 | 6,207 | 23,268 | 16,639 |
| Media products and services | 3,916 | 3,694 | 7,994 | 9,531 |
| Corporate and other | (3,357) | (3,290) | (10,509) | (11,334) |
| | $ 29,484 | $ 26,283 | $ 78,917 | $ 70,776 |

| | Three Months Ended June 30, 1995 | Three Months Ended June 30, 1994 | Nine Months Ended June 30, 1995 | Nine Months Ended June 30, 1994 |
|---|---|---|---|---|
| | (In Thousands) | | | |
| Depreciation and amortization: | | | | |
| Newspapers | $ 3,572 | $ 2,787 | $ 9,094 | $ 8,109 |
| Broadcasting | 1,994 | 1,786 | 5,788 | 5,558 |
| Media products and services | 1,122 | 1,117 | 3,391 | 3,446 |
| Corporate | 135 | 132 | 395 | 374 |
| | $ 6,823 | $ 5,822 | $ 18,668 | $ 17,487 |
| Capital expenditures: | | | | |
| Newspaper | $ 2,183 | $ 2,554 | $ 5,268 | $ 8,669 |
| Broadcasting | 1,870 | 746 | 5,066 | 2,983 |
| Media products and services | 15 | 33 | 61 | 167 |
| Corporate | 11 | 20 | 248 | 134 |
| | $ 4,079 | $ 3,353 | $ 10,643 | $ 11,953 |

There were no significant non-recurring items during the quarter ended June 30, 1995.

On March 31, 1995, the Company acquired the 50.25% interest in Journal-Star Printing Co. ("JSPC") not previously owned, making JSPC a wholly-owned subsidiary. In exchange the Company issued 1,646,643 shares of the Company's common stock and the transaction was accounted for as a purchase. The 49.75% interest previously owned by the Company is accounted for by the equity method through March 31, 1995.

As a result of the acquisition, deferred income taxes related to the undistributed income of the 49.75% interest in JSPC were recognized as a reduction of income tax expense and certain contract terminations, relocation or reorganization payments related to the 49.75% ownership interest were recognized as expense as of March 31, 1995. Without these one-time costs, operating income would have been $80,150,000 as compared to $70,776,000 in 1994, an increase of 13.2%. As a result of the $838,000 tax benefit, the total effect of these transactions was not significant to net income for the nine month period ended June 30, 1995.

On March 31, 1995, the Company also purchased the assets of KREZ-TV, a CBS affiliate in Durango, Colorado, for $1,750,000. The station will be operated as a satellite station of KRQE-TV in Albuquerque, New Mexico.

## QUARTER ENDED JUNE 30, 1995

Newspapers:

All comparisons are in a proforma basis as if the JSPC acquisition had been effective October 1, 1993. Wholly-owned daily newspaper advertising revenue increased $1,843,000, 4.5%. Advertising revenue from local merchants increased $734,000, 3.1%. Local "run-of-press" advertising increased $115,000 as a result of higher average rates which offset a 2.5% decrease in advertising inches. Local preprint units were up 9.7% while revenue increased $619,000, 8.5%. Classified advertising revenue grew by $839,000, 6.6% primarily as a result of higher average rates.

Circulation revenue increased $857,000, 4.6% as a result of higher rates which offset an .8% decrease in volume.

Other revenue increased $2,487,000, 25.1%. Higher editorial fees from an associated newspaper company contributed $322,000, 21.0%. Commercial printing, target marketing and other new media products revenues increased $1,138,000, 29.5%. Revenues from weekly newspapers, shoppers and specialty publications increased $1,027,000, 22.8%. Of the 22.8% increase, 11.8% relates to properties acquired since the beginning of the first quarter of the last fiscal year.

Compensation expense increased $1,203,000, 5.1% due primarily to increases in average compensation. Newsprint and ink costs increased $1,387,000, 19.3%. A 20.6% increase in average unit costs was partially offset by conservation efforts.

A 3.1% increase in newsprint used for commercial printing was more than offset by reduced newspaper consumption for a net decrease of 1.3%. Other costs increased $851,000, 5.2%.

Broadcasting:

Revenue for the quarter increased $1,882,000, 8.1%, primarily due to growth in the Albuquerque, Huntington and Portland markets. Increases in network compensation accounted for approximately 30% of the revenue increase. Strong advertising demand offset the loss of approximately $700,000 of political advertising revenue last year. Compensation costs increased $309,000, 3.6%. Film amortization for the quarter declined $226,000 primarily due to lower programming costs. Other cash costs increased $642,000, 13.7% due to increases in consulting and contract labor expenses.

Media Products and Services:

Revenue increased $346,000 and operating income increased $180,000, respectively, which came in large part from operations of NAPP Systems Inc. Higher flexographic plate and equipment sales, along with higher average selling prices for letterpress plates, more than offset reduced letterpress plate volume.

Equity in Net Income of Associated Companies:

Equity in net income of associated companies decreased $849,000 as operations of JSPC are now consolidated with operations of the Company.

Financial Expenses and Income Taxes:

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

Income taxes were 40.2% of pretax income for the quarter ended June 30, 1995 and 39.7% of pretax income in the quarter ended June 30, 1994.

## NINE MONTHS ENDED JUNE 30, 1995

Newspapers:

All comparisons are in a proforma basis as if the JSPC acquisition had been effective October 1, 1993. Wholly-owned daily newspaper advertising revenue increased $6,832,000, 5.8%. Advertising revenue from local merchants increased $3,244,000, 4.6%. Local "run-of-press" advertising increased $1,428,000, 2.9%. Higher average rates were realized and advertising inches were flat. Local preprint units were up 8.0% while revenue increased $1,816,000, 8.7%. Classified advertising revenue increased $3,401,000, 10.1% as a result of a 3.5% increase in units and higher average rates.

Circulation revenue increased $2,107,000, 3.8% as a result of higher rates which offset a .7% decrease in volume.

Other revenue increased $7,563,000, 26.5%. Editorial fees from associated newspaper companies increased $793,000, 16.1%. Commercial printing, target marketing and other new media products increased $3,514,000, 31.5%. Revenues from weekly newspapers, shoppers and specialty publications increased $3,256,000, 26.1%. Of the 26.1% increase, 17.6% came from properties acquired since the beginning of the first quarter of the last fiscal year.

Compensation expense increased $4,133,000, 6.0% due to an increase in average compensation and a 2.1% increase in the number of hours worked. Newsprint and ink costs increased $3,696,000, 18.3%, as higher prices accounted for 17.3% of the increase, with the balance due to an increase in newsprint used for commercial printing. Other costs increased $4,291,000, 8.9% which includes the effect of the other commercial printing costs and the development costs of new products.

Broadcasting:

Revenue for the nine months increased $9,123,000, 13.6% due to growth in local and national advertising and a $3,837,000 increase in political advertising in the first quarter. Compensation costs increased $1,134,000, 4.4% due to high average compensation costs and a 3.8% increase in the number of hours worked reflecting expanded news commitments. Programming costs declined $465,000, 9.1% due to lower program acquisition costs. Other costs increased $1,595,000, 11.3% for the nine month period due primarily to increases in sales and audience promotion and consulting and contract labor expenses.

Media Products and Services:

Media products and services revenue decreased $2,214,000, 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 $1,564,000, due to lower sales levels.

Equity in Net Income of Associated Companies:

Equity in net income of associated companies decreased $903,000. As operations of JSPC have been consolidated with operations of the Company since March 31, 1995.

Financial Expense and Income Taxes:

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

Income taxes were 38.7% of pretax income for the nine months ended June 30, 1995 and 40.4% of pretax income in the nine months ended June 30, 1994. The elimination of JSPC deferred income taxes discussed above decreased the 1995 effective tax rate by 1.2%.

Liquidity and capital resources:

Cash provided by operations, which is the Company's primary source of liquidity, generated $63,089,000 for the nine months ended June 30, 1995. Available cash balances and cash flow from operations provide adequate liquidity. Up to $50,000,000 in bank borrowings will be utilized to pay a portion of the $48,750,000 purchase price of NBC affiliates KSNW-TV and KSNT-TV in Wichita and Topeka, Kansas, respectively, to continue the Company's annual stock repurchase program, and to prepay $20,000,000 of long-term debt due on January 15, 1997. The acquisition is anticipated to close on or before August 23, 1995 following regulatory approval. The covenants related to the Cmpany's credit agreements are not considered restrictive to operations and anticipated stockholder dividends.

LEE ENTERPRISES, INCORPORATED

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit 11 - Computation of Earnings Per Share

(b) Reports on Form 8-K filed during the quarter for which this report is filed are as follows:

| Items Reported | Financial Statements Filed | Date of Report |
|---|---|---|
| Acquisition of 50.25% of Journal-Star Printing Co. | See Below | May 8, 1995 |

(1) Financial statements of the business acquired: Journal Star Printing Co.

Financial statements and independent auditors' report on the financial statements of Journal-Star Printing Co. as of September 30, 1994 and for the year then ended.

Unaudited financial statements of Journal-Star Printing Co. as of March 31, 1995 and for the six months ended March 31, 1994 and 1995.

(2) Proforma financial information of Lee Enterprises, Incorporated and subsidiaires.

Unaudited proforma consolidated statements of income for the year ended September 30, 1994 and for the six months ended March 31, 1994 and 1995.

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 7/28/95

/s/ G. C. Wahlig
G. C. Wahlig, Chief Accounting Officer

LEE ENTERPRISES, INCORPORATED

PART I. EXHIBIT 11

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

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 1995 | 1994 | 1995 | 1994 |
| | (Unaudited) | | | |
| Net income applicable to common shares | $ 16,435 | $ 14,367 | $ 44,377 | $ 37,248 |
| Shares: | | | | |
| Weighted average common shares outstanding | 23,807 | 23,129 | 22,902 | 23,112 |
| Dilutive effect of certain stock options | 375 | 284 | 336 | 333 |
| Average common shares outstanding as adjusted | 24,182 | 23,413 | 23,238 | 23,445 |
| Earnings per common share | $ .68 | $ .61 | $ 1.91 | $ 1.59 |

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FOR THE LEE ENTERPRISES JUNE 30, 1995 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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9-MOS
SEP-30-1995
JUN-30-1995
56,713
0
60,447
5,000
13,289
137,657
239,253
145,765
526,908
129,244
52,842
47,547
0
0
258,558
526,908
322,479
328,835
0
0
249,918
0
8,837
72,414
28,037
44,377
0
0
0
44,377
1.91
1.91