

NEWSPAPERS

ADVERTISING AND SPECIALTY PUBLICATIONS
ONLINE SERVICES

Classic Images ▪ www.classicimages.com ▪ www.filmsofthegoldenage.com ▪ **Muscatine Journal** ▪ www.muscatinejournal.com ▪ **Southern Illinoisan** ▪ www.southernillinoisan.com ▪ Decatur Wheels For You ▪ The Extra ▪ **Herald & Review** ▪ www.herald-review.com ▪ **Quad-City Times** ▪ www.qctimes.com ▪ The Post ▪ Britt Tribune News ▪ **Globe-Gazette** ▪ www.globegazette.com ▪ Town & Country Advertiser ▪ Forest City Summit ▪ www.northiowanews.com ▪ Town & Country Shopper ▪ **Billings Gazette** ▪ www.billingsgazette.com ▪ Autofinder ▪ www.billingsthriftynickel.com ▪ Western Business ▪ **Montana Standard** ▪ www.montanastandard.com ▪ **Independent Record** ▪ www.helenair.com ▪ The Adit ▪ www.adit.com ▪ West Shore News ▪ www.hungryhorsenews.com ▪ **Missoulian** ▪ www.missoulian.com ▪ Post Script ▪ **Ravalli Republic** ▪ www.ravallineews.com ▪ Autofinder ▪ www.consumerspress.com ▪ Prairie Star ▪ www.theprairiestar.com ▪ **Beatrice Daily Sun** ▪ www.beatricedailysun.com ▪ Penny Press ▪ Plug Nickel ▪ www.emontneb.com ▪ **Columbus Telegram** ▪ www.columbustelegram.com ▪ **Lincoln Journal Star** ▪ www.journalstar.com ▪ www.discoverlincoln.com ▪ Express ▪ Stuff for You ▪ Wheels For You, Grand Island ▪ Wheels For You, Lincoln ▪ Wheels for You, N. Kansas ▪ Work for You, S.E. Nebraska ▪ www.midwestmessenger.com ▪ **The Bismarck Tribune** ▪ www.ndonline.com ▪ The Finder ▪ www.finderads.com ▪ Mandan News ▪ Minot Finder ▪ **Democrat-Herald** ▪ www.mvonline.com ▪ **Corvallis Gazette-Times** ▪ The Family Times ▪ Albany/Corvallis This Week ▪ **Ashland Daily Tidings** ▪ www.ashlanddailytidings.com ▪ Newspaper ▪ www.klamathfallsnickel.com ▪ Medford Nickel Want Ad Newspaper ▪ www.medfordnickel.com ▪ Redding Nickel Want Ad Newspaper ▪ www.springfieldnews.com ▪ Mighty Mailer ▪ **Nickel Ads** ▪ www.nickelads.com ▪ **Rapid City Journal** ▪ www.rapidcityjournal.com ▪ www.tucsoncarsandtrucks.com ▪ Dandy Dime ▪ www.dandydime.com ▪ Las Vegas Nifty Nickel ▪ www.niftynickel.com ▪ Albuquerque PennySaver ▪ www.albuquerquepennydeals.com ▪ Moses Lake Homes ▪ Moses Lake Nickel Saver ▪ www.nickelsaver.com ▪ Driveline ▪ Spokane Home Buyer's Guide ▪ Nickel Nik ▪ Wenatchee Nickel Ads ▪ **Chippewa Herald** ▪ www.chippewa.com ▪ Chippewa County Advertiser ▪ Your Family Shopper ▪ Dunn County News ▪ Crosse Home Buyer's Guide ▪ **La Crosse Tribune** ▪ www.lacrossetribune.com ▪ **Winona Daily News** ▪ www.winonadailynews.com ▪ Enterpriser ▪ www.journaltimes.com ▪ Racine Pennysaver ▪ www.racinepennysaver.com ▪ Sparta, Tomah, Viroqua Foxy Shopper ▪ www.spartafoxyshopper.com ▪ Economy Shopper ▪ **Baraboo News Republic** ▪ www.baraboo.scwn.com ▪ **Wisconsin State Journal** ▪ **Capital Times** ▪ www.madison.com ▪ Nursing Matters ▪ Oregon News ▪ Stoughton News ▪ Sun Prairie News ▪ Work for You Extra ▪ Juneau County Star-Times ▪ Wisconsin Reminder ▪ Press/Report ▪ Cent Saver ▪ **Portage Daily Register** ▪ www.scwn.com ▪ Shawano Leader ▪ www.shawanoleader.com ▪ Shawano Penny Saver ▪ www.shawanopenny.com ▪ Oak Creek Printing ▪ Platen Press ▪ William Street Press ▪ International Newspaper Network ▪ www.townnews.com ▪ Farcountry Press

Top Priorities

- ✓ Grow revenue more aggressively, creatively and rapidly.
- ✓ Emphasize strong local news.
- ✓ Build our online future.



In 2000, Lee Enterprises decided to sell its television stations in order to focus on growing in newspaper publishing and related online services.

Lee owns 23 daily newspapers and more than 100 weekly, classified, shopper and specialty publications, along with associated Internet services, primarily from the Midwest to the Pacific Northwest. Jointly with The Capital Times Co., Lee also owns five daily newspapers and more than a dozen other publications operated by Madison Newspapers Inc. in Wisconsin.

Lee has 5,100 employees, and its associated companies have another 800.

The Company's general offices are in Davenport, Iowa. Lee's stock is traded on the New York Stock Exchange under the symbol LEE.

TABLE OF CONTENTS

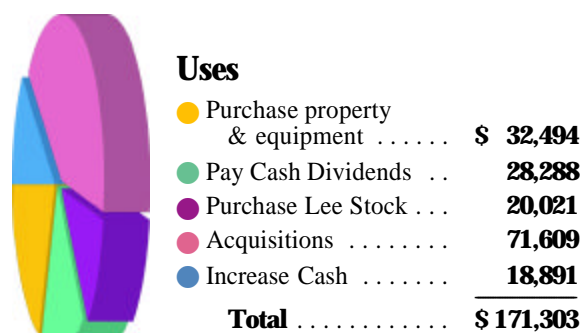
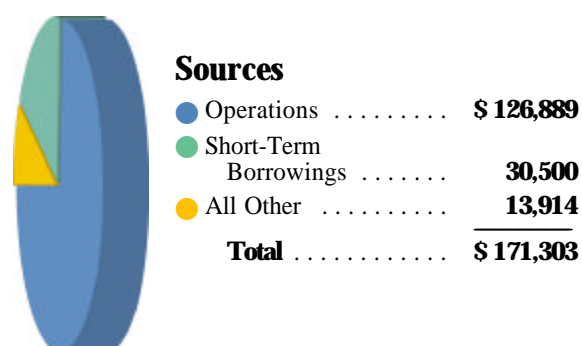
Two-Year Summary Highlights	1
Message to Shareholders, Employees and Friends	2-5
Operations and Markets	6-7
Financial Information:	
Six-Year Financial Performance	8-9
Management Discussion and Analysis	10-12
Consolidated Statements of Income	13
Consolidated Balance Sheets	14-15
Consolidated Statements of Stockholders' Equity	16
Consolidated Statements of Cash Flows	17
Notes to Consolidated Financial Statements	18-23
Independent Auditor's Report / Quarterly Results	24
Officers and Directors, Corporate Directory	Inside Back

TWO-YEAR SUMMARY HIGHLIGHTS

Lee Enterprises, Incorporated and Subsidiaries

(In Thousands Except Per Share Data)	2000	1999	% Change
For The Year			
Operating revenue	\$ 431,513	\$ 413,846	4.3%
Income before interest, taxes, depreciation and amortization (EBITDA)	131,793	124,955	5.5
Operating income	102,467	97,369	5.2
Gain on sale of publishing properties	18,439	738	N/M
Income from continuing operations	69,875	56,821	23.0
Discontinued operations	13,788	11,152	23.6
Net income	83,663	67,973	23.1
At Year End			
Assets	\$ 746,233	\$ 679,513	9.8%
Debt, including current maturities	222,932	204,625	8.9
Stockholders' equity	395,167	354,329	11.5
Per Share, Diluted			
Income from continuing operations	\$ 1.58	\$ 1.27	24.4%
Discontinued operations31	.25	24.0
Net income	1.89	1.52	24.3
Dividends64	.60	6.7
Return			
EBITDA as a percent of revenue	30.5%	30.2%	1.0%
Income from continuing operations as a percent of revenue ..	16.2%	13.7%	18.2%

SOURCES AND USES OF CASH FOR YEAR ENDED SEPTEMBER 30, 2000



TO SHAREHOLDERS, EMPLOYEES AND FRIENDS...

From the Chairman:

The transformation of Lee Enterprises has accelerated.

In 2000, we decided to exit broadcasting and refocus the company completely on expanding in newspaper publishing and related online and information services.

In 2001, we will change leadership at the top and, with a new management team, a dramatically improved sales capacity and an exceedingly strong balance sheet, speed up our plans for growing both internally and through strategic acquisitions.

At our board meeting in January 2001, I will retire as chief executive officer. I will continue as chairman until my current term expires in January 2002.

Our new chief executive officer will be Mary Junck, a remarkably talented leader who joined us as chief operating officer in 1999 and became president last January. As much as I am personally looking forward to my own retirement after 36 very gratifying years, including nine as CEO, I am even more excited about the future of Lee Enterprises under Mary. Our board and I are incredibly enthusiastic about her ability and plans to lead rapid change and take our company to greater heights.

Mary will outline those plans, as well as some of our many achievements over the last year, in her message beginning on the next page.

For my part, I would like to say two more things:

The first is that, as usual, the year that just ended was a good one for Lee shareholders. Our earnings in 2000 were \$1.89 per share vs. \$1.52 in 1999, a gain of 24.3%. Excluding the \$0.25 gain per share on the sale of certain publishing properties, EPS was \$1.64, an increase of 7.9% over 1999. As for stock performance, our total return (stock price



Gottlieb and Junck, announcing plans for the change in leadership.

Greg Boll / Quad-City Times

change plus dividends) was 8.0% vs. an increase of 0.3% for the Standard & Poor's Publishing-Newspapers Index.

Finally, as I have repeated many times in many places, I want to say that I am incredibly proud of the great number of talented and dedicated employees who enrich Lee Enterprises with their passion to serve their customers and communities. In the coming year as chairman, I will look forward to helping them and Mary as they reach for and achieve ever-higher goals. In the years afterward, I and my wife, Harriet, will look forward as shareholders to enjoying the fruits of their continued successes.

With best regards and thanks,

Richard D. Gottlieb
Chairman and Chief Executive Officer

December 15, 2000

From the President:

Under Dick Gottlieb's leadership, Lee Enterprises has grown to 28 daily newspapers and more than 100 other publications, along with related online services, from the Midwest to the Pacific Northwest. It's a good platform for continued growth.

Here are some of the things we accomplished in 2000 and are working on in 2001:

As Dick mentioned on the preceding page, we changed the strategic direction of the company to focus on our core strength. We sold our television stations for a very good price and will use the proceeds for newspaper acquisitions when the right opportunities occur.

We're interested in buying papers with circulation of 30,000 or more serving markets like ones we're already in — midsize communities with above-average growth, where we can build close relationships with our advertisers and readers.

We're also interested in smaller publishing acquisitions that advance our clustering strategy. In this past year, for example, we added six small dailies and three-dozen weeklies and other publications to complement our papers in Lincoln, Nebraska; Madison, Wisconsin; Mason City, Iowa; Missoula, Montana; and La Crosse, Wisconsin/Winona, Minnesota.

We're concentrating on three key priorities — revenue growth, strong local news and online development.

First, we want to grow revenue more aggressively, creatively and rapidly.

To do that, we have improved our sales and marketing capability. We recruited a high-caliber vice president, Michael Phelps. We are increasing the size of our advertising sales force by about 100 positions, or roughly 12%. We have revitalized our sales management training and conducted a



revenue summit for our publishers. We have reinvented our team sales efforts, matching a specially trained task force with local reps to blitz new and inactive accounts. We have instituted a better process for reviewing advertising rates company-wide. Also, we have rewritten incentive plans for publishers and key leaders to emphasize revenue growth along with the bottom line.

Our publishers and key leaders carry a business card that lists 10 revenue action steps to help us meet our goals. The other side of the card lists the three top priorities, as shown above.

Along with revenue growth, we're focusing on improving our local news content.

We believe strong local journalism is central to our company's success. It's why we're in business; it's where we draw our strength, and it's how we guarantee our future. We talk about it in board meetings, monthly reports, budget reviews and at just about every opportunity.

This past year, our editors developed a set of principles and practices for quality journalism. Our newsrooms used those principles and practices as the basis for self-audits to help plan product improvements in 2001. The plans include redesigns, new sections, new services and new

TO SHAREHOLDERS, EMPLOYEES AND FRIENDS (CONTINUED)...

areas of coverage. Our editors also began producing a bimonthly newsletter to share ideas and best practices. You can view the newsletters and the principles and practices at www.lee.net.

We are especially proud of the excellent coverage our Montana papers delivered, both in print and online, during the wildfires in late summer. In fact, the coverage earned the *Independent Record* in Helena and the *Missoulian* our company's top awards for excellence in journalism. Other President's Awards winners were the *Lincoln Journal Star* for a series on Hispanic migration and the *Wisconsin State Journal* for its wide range of investigative reporting.

Along with the other two top priorities, we are building our online future. We have created dominant local portals in each of our communities, and we are continuing to add services and features.

For two years in a row, our online revenue and page views have doubled, and we're expecting that trend to continue in 2001.

Online revenue at our wholly owned operations grew from \$1.6 million in 1999 to \$3.3 million in 2000, and page views grew from 7.5 million a month to 15 million. In addition, our online subsidiary, International Newspaper Network,

showed revenue growth from \$700,000 to \$1 million. INN provides online services for more than 350 small and midsize newspapers.

In 2001, we also strengthened Lee's top management.

Our new vice president for sales and marketing, Michael Phelps, brought a national reputation for developing both advertising and circulation sales strategies. Jim Hopson, formerly a vice president for Thomson Newspapers and a pioneer in creating strategic marketing groups of regional newspapers, joined us as vice president for publishing in Wisconsin. He also serves as publisher of our largest newspaper, the *Wisconsin State Journal*. Greg Veon, a vice president for publishing and one of our most experienced leaders, gained responsibility for 16 newspapers in the Midwest and West. John VanStrydonck, most recently publisher of the *Rapid City Journal*, became vice president for Pacific Northwest Publishing with additional responsibilities for production and newsprint.

We strengthened our publisher ranks, as well.

Linda Lindus, formerly a Thomson publisher, joined Lee as publisher of the *Southern Illinoisan*

Lee's Montana papers provided extensive coverage of the devastating wildfires, both in print and online, almost nonstop for more than two months. Our paper in Rapid City, S.D., also found its region threatened. Lee's newspapers in Montana also led a fund drive to assist victims, making an initial contribution of \$50,000 by the Lee Foundation. At year's end, total donations have topped \$1 million.



in Carbondale. Bill Masterson Jr., a successful publisher at a nearby paper in South Dakota, joined us to lead the *Rapid City Journal*.

Publisher promotions included Mike Gullidge to the *Billings Gazette* in Montana, Mike Jameson to the *La Crosse Tribune* in Wisconsin, Kevin Mowbray to *The Bismarck Tribune* in North Dakota, Heidi Wright to *The Montana Standard* in Butte, and Jim Santori to the *Herald & Review* in Decatur, Illinois. Other key promotions included Dan Adams to manage the *Nickel Ads* in Portland, Oregon, and Mike Kment to lead our publications in Spokane, Washington. All bring exceptional leadership ability.

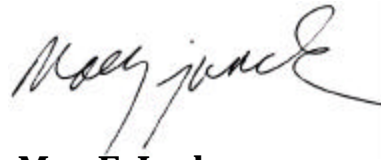
In 2001, the cost of newsprint will challenge us. Over the last couple years, our newsprint expense has been down slightly, but this year we expect prices to jump more than 20%. One price increase went into effect in September and another is expected this spring. Along with most of the industry, we reduced our page widths this past year. The savings in 2001 will offset about \$1 million of the increased newsprint expense.

Another challenge for the industry is circulation, which has declined in recent years. Fortunately for Lee Enterprises, we have a strong base. Our readership remains very high. Household

penetration at most of our papers is nearly 60% daily and higher on Sunday. Our goal is to protect that strong base by continuing to make our papers lively, relevant and well-written.

And we're very good at that already. In our markets — from the Midwest to the Great Plains to the Rocky Mountains to the Pacific Northwest — we have more local reporters and ad salespeople on the street than all our major competitors combined. People look to us for a wide range of information, and we deliver it quickly, accurately, and with far more detail than any other source. Like a good friend, we sometimes share happiness, sometimes bring comfort and sometimes must tell an awful truth that we'd rather wish away. Our readers and advertisers rely on us, and every day we work hard to earn their trust.

With warmest wishes for the new year,



Mary E. Junck
President and Chief Operating Officer

December 15, 2000



OPERATIONS AND MARKETS

Illinois

- **Southern Illinoisan**
Carbondale, Marion, Herin
Daily: 26,170 Sunday: 35,769
www.southernillinoisan.com
- **Flipside**
Carbondale
Thurs.: 11,000
- **Southern Hometown Shopper**
Carbondale region
Wed.: 35,100
- **Welcome Home**
Carbondale region
Monthly: 10,000
- **Herald & Review**
Decatur
Daily: 35,350 Sunday: 43,569
www.herald-review.com
- **The Extra**
Decatur
Tues.: 22,000
- **Prairie Shopper**
Decatur
Tues.: 44,200
www.theprairieshopper.com
- **Wheels For You**
Decatur
Bi-weekly: 12,000

Iowa

- **Quad-City Times**
Davenport
Daily: 50,299 Sunday: 77,280
www.qctimes.com
- **Bettendorf News**
Wed.: 7,800
- **Gateway Times**
Clinton
Sat.: 10,000
- **Quad-City Advertiser**
Davenport, Scott County
Wed.: 25,000
- **Thrifty Nickel**
Davenport and East Moline, Ill.
Thurs.: 11,700
www.gcthriftnickel.com
- **Thrifty Nickel Wheel Deals**
Davenport and East Moline, Ill.
Bi-weekly: 14,000
- **Muscatine Journal**
Daily: 8,200
www.muscatinejournal.com
- **Classic Images**
Muscatine
Monthly: 6,000
www.classicimages.com
- **Films of the Golden Age**
Muscatine
5,750
www.filmsofthegoldenage.com
- **The Post**
Muscatine
Tues.: 20,500
www.muscatinepost.com
- **Sunday Express**
Muscatine
Sun.: 4,300
- **Globe-Gazette**
Mason City
Daily: 19,304 Sunday: 23,331
www.globegazette.com
- **Globe Advertiser**
Mason City
Tues.: 5,800
- **Mason City Shopper**
Tues.: 28,200
www.masoncityshopper.com
- **Britt Tribune News**
Tues.: 1,750
www.northiowanews.com

- **Town & Country Advertiser**
Britt
Tues.: 4,700
- **Forest City Summit**
Wed.: 3,200
www.northiowanews.com
- **Summit Advertiser**
Forest City
Wed.: 7,500
- **Winnebago/Hancock Shopper**
Forest City
Mon.: 10,700
www.winnebago shopper.com
- **Mitchell County Press-News**
Osage
Wed.: 3,300
www.mcpress.com
- **Town & Country Shopper**
Osage
Wed.: 3,600

Montana

- **Billings Gazette**
Daily: 48,163 Sunday: 53,720
www.billingsgazette.com
- **Autofinder**
Billings
Bi-weekly: 10,000
- **Thrifty Nickel**
Billings
Thurs.: 30,000
www.billingsthriftnickel.com
- **Western Business**
Billings
Monthly: 6,000
- **Work For You**
Billings
Wed.: 4,000
Statewide with other Lee papers
Wed.: 10,000
- **Yellowstone Shopper**
Billings
Thurs.: 14,832
- **The Montana Standard**
Butte
Daily: 14,423 Sunday: 14,760
www.montanastandard.com
- **Mini Nickel**
Bozeman
Thurs.: 27,500
www.mininickel.com
- **Western Montana Shopper**
Deer Lodge
Thurs.: 3,500
- **Independent Record**
Helena
Daily: 13,091 Sunday: 13,834
TMC: 6,500
www.helenair.com
- **The Adit**
Helena
Wed.: 23,500
www.adit.com
- **Montana Magazine**
Helena
Bi-monthly: 42,000
www.montanamagazine.com
- **Missoulian**
Missoula
Daily: 30,446 Sunday: 36,896
www.missoulian.com
- **Autofinder**
Missoula
Weekly: 16,000
- **The Shopping News**
Missoula
Wed.: 15,500
- **Western Montana Messenger**
Missoula
Wed.: 33,000

- **Ravalli Republic**
Hamilton
Daily: 5,200
www.ravallineews.com
- **Post Script**
Hamilton
Wed.: 16,000
- **Bigfork Eagle**
Wed.: 1,600
www.bigforkeagle.com
- **Hungry Horse News**
Columbia Falls
Thurs.: 6,500
www.hungryhorsenews.com
- **West Shore News**
Lakeside
Wed.: 3,500
- **Clark Fork Valley Press**
Plains
Wed.: 1,500
- **Lake County Leader**
Polson
Thurs.: 5,600
- **The Advertiser**
Polson
Wed.: 28,000
- **Mineral County Independent**
Superior
Wed.: 11,000
- **Whitefish Pilot**
Thurs.: 4,000
- **Consumers Press**
Great Falls
Thurs.: 34,000
www.consumerspress.com
- **Prairie Star**
Great Falls
Bi-weekly: 18,000
www.theprairiestar.com

Nebraska

- **Beatrice Daily Sun**
Daily: 8,344
www.beatricedailysun.com
- **Penny Press**
Beatrice
Tues.: 18,500
- **Plug Nickel**
Beatrice
Wed.: 8,500
- **Sunland Weekend Extra**
Beatrice
Sat.: 15,000
- **Columbus Telegram**
Daily: 10,486 Sunday: 11,307
www.columbustelegram.com
- **Scout Shopper**
Columbus
Tues.: 13,500
- **Fremont Tribune**
Daily: 9,200
www.fremontneb.com
- **Homefront Buyers Guide**
Fremont
Fri.: 19,500
- **Tribune Marketplace**
Fremont
Tues.: 21,000
- **Lincoln Journal Star**
Daily: 74,424 Sunday: 82,926
www.journalstar.com
www.discoverlincoln.com
www.huskerfootball.com
- **Neighborhood Extra**
Lincoln
Sat.: 62,000
- **Real Estate**
Lincoln
Monthly: 7,500



North Dakota

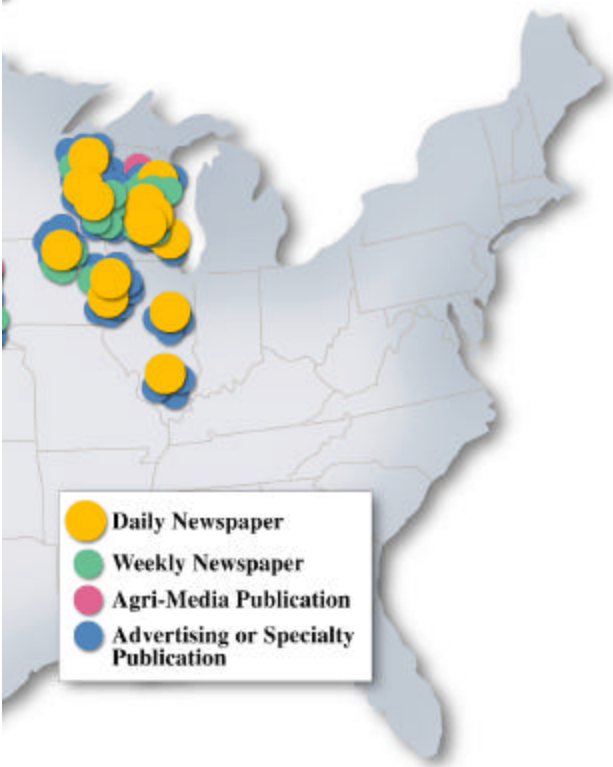
- **Rentals for You**
Lincoln
Bi-weekly: 7,500
- **Star Express**
Lincoln
Wed.: 30,000
- **Stuff for You**
Lincoln
Fri.: 5,000
- **Wheels For You**
Grand Island
Bi-weekly: 26,000
- **Wheels For You**
Lincoln
Bi-weekly: 27,500
- **Wheels For You**
North Kansas
Bi-weekly: 23,000
- **Work for You**
Southeast Nebraska
Tues.: 7,500
- **David City Banner Press**
Thurs.: 3,800
- **The Plattsmouth Journal**
Thurs.: 5,500
- **Consumer Connection**
Plattsmouth/Cass County
Tues.: 18,000
- **Schuyler Sun**
Thurs.: 2,950
- **Burt County Plaindealer**
Tekamah
Tues.: 2,000
- **Midwest Messenger**
Tekamah
Bi-weekly: 157,600
www.midwestmessenger.com

North Dakota

- **The Bismarck Tribune**
Daily: 29,617 Sunday: 32,364
www.ndonline.com
- **Tribune Extra**
Bismarck
Wed.: 15,000
- **Farm & Ranch Guide**
Bismarck
Bi-weekly: 36,000
www.farmandranchguide.com
- **The Finder**
Mandan
Wed.: 39,200
www.finderads.com
- **Mandan News**
Thurs.: 1,900
www.finderads.com
- **Minot Finder**
Wed.: 18,000
www.finderads.com
- **Pennysaver**
Dickinson
Wed.: 13,800
www.finderads.com

Oregon

- **Democrat-Herald**
Albany
Daily: 19,411
Mid-Valley Sunday: 34,714*
www.mvonline.com
- **Corvallis Gazette-Times**
Daily: 12,817
Mid-Valley Sunday: 34,714*
www.mvonline.com
**Joint publication*



- **Nifty Nickel**
Las Vegas, Nevada
Fri.: 50,000
www.niftynickel.com
- **PennySaver**
Albuquerque, New Mexico
Thurs.: 24,000
- **Quik Quarter/ Thrifty Nickel**
Albuquerque
Thurs.: 36,000
- **Pioneer Shopper**
St. George, Utah
Thurs.: 28,500
www.pioneershopper.com

Washington

- **Wheel Deals**
Kennewick, Tri-Cities
Fri.: 21,500
www.wheeldeals.com
- **Little Nickel**
Lynnwood
Wed.-Thurs.: 320,000
www.littlenickel.com
- **Homes**
Moses Lake
Monthly: 16,000
- **Nickel Saver**
Moses Lake
Thurs.: 21,500
www.nickelsaver.com
- **Driveline**
Spokane
Fri.: 25,000
- **Home Buyer's Guide**
Spokane
Monthly: 10,000
- **Nickel Nik**
Spokane
Fri.: 37,000
www.nickelnik.com
- **Nickel Nik's Wheel Deals**
Spokane
Fri.: 46,000
www.wheeldeals.com
- **Nickel Nik's RV/Truck Wheel Deals**
Spokane
Fri.: 35,000
www.wheeldeals.com
- **Buyline**
Walla Walla
Thurs.: 20,000
www.wheeldeals.com
- **Homes**
Wenatchee
Monthly: 10,000
- **Nickel Ads**
Wenatchee
Thurs.: 26,500

Wisconsin

- **Chippewa Herald**
Mon.-Thurs & Sat./Sun.: 7,096
www.chippewa.com
- **Chippewa County Advertiser**
Chippewa Falls
Sun.: 12,500
- **Your Family Shopper**
Chippewa Falls
Sat.: 31,800
- **Dunn County News**
Menomonee
Wed./Sun.: 4,400
www.dunnconnect.com
- **Dunn County Reminder**
Menomonee
Thurs.: 22,000
www.dunnconnect.com

South Dakota

- **Rapid City Journal**
Daily: 30,302 Sunday: 34,140
www.rapidcityjournal.com
- **Rapid City Advertiser**
Wed.: 28,000
- **Northern Hills Advertiser**
Spearfish
Wed.: 15,000
- **Tri-State Neighbor**
Sioux Falls
Bi-weekly: 29,000
www.tristateneighbor.com

Southwest

- **Cars & Trucks**
Tucson, Arizona
Thurs.: 10,500
www.tucsoncarsandtrucks.com
- **Dandy Dime**
Tucson
Fri.: 37,000
www.dandydime.com

- **Dunn County Shopper**
Menomonee
Sun.: 16,000
www.dunnconnect.com
- **Tradin' Post Buyer's Guide**
Eau Claire
Mon.: 27,000
- **La Crosse Tribune**
Daily: 32,255 Sunday: 40,305
www.lacrossetribune.com
- **Winona Daily News**
Winona, Minnesota
Daily: 12,259 Sunday: 12,967
www.winonadailynews.com
- **Enterpriser**
La Crosse
Monthly: 5,400
- **Foxy Shopper**
La Crosse
Tues.: 34,000
www.lacrossefoxy.com
- **Home Buyer's Guide**
La Crosse
Monthly: 10,500
- **Tribune Extra**
La Crosse
Wed.: 21,300
- **Wheels For You**
La Crosse
Monthly: 22,000
- **Foxy Shopper**
Sparta, Tomah, Viroqua
Tues.: 43,800
www.spartafoxyshopper.com
- **Tomah Journal/Monitor Herald**
Mon./Thurs.: 5,150
- **Tri-County Advertiser**
Tomah
Tues.: 12,150
- **Vernon County Broadcaster**
Viroqua
Thurs.: 5,400
- **Westby Times**
Thurs.: 1,600
- **Coulee News**
West Salem
Thurs.: 2,100
- **Economy Shopper**
West Salem
Tues.: 18,900
- **Neighbors Extra**
Winona
Sat.: 9,700
- **The JournalTimes**
Racine
Daily: 29,041 Sunday: 30,396
www.journaltimes.com
- **Pennysaver**
Racine
Mon.: 55,000
www.racinepennysaver.com

- **Ad World**
Madison
Bi-weekly: 15,000
- **AgriView**
Madison
Thurs.: 42,000
- **Apartment Showcase**
Madison and Milwaukee
www.apartmentshowcase.com
- **Business First**
Madison
Tues.: 10,000
www.business-first.net
- **Nursing Matters**
Madison
Monthly: 56,000
- **Work for You Extra**
Madison
Sun.: 40,000
- **Oregon News**
Thurs.: 5,000
- **Stoughton News**
Thurs.: 5,000
- **Sun Prairie News**
Thurs.: 9,000
- **Juneau County Star-Times**
Mauston
Wed./Sat.: 2,900
- **Wisconsin Reminder**
Mauston
Weekly: 18,500
- **Shopper Stopper**
Merimac
Tues.: 123,000
www.shopperstopper.com
- **Sauk Prairie Eagle**
Sauk City
Thurs.: 2,400
www.shopperstopper.com/shopper/eagle
- **Portage Daily Register**
Daily: 4,700
www.scwn.com
- **Cent Saver**
Portage
Weekly: 52,000
- **Reedsburg Times Press/Report**
Thurs./Sat.: 2,400
- **Shawano Leader**
Daily: 6,140
www.shawanoleader.com
- **Penny Saver**
Shawano
Wed./Sun.: 17,900
- **Wisconsin Dells Events**
Wed./Sat.: 1,800

Other

- **Broadwater Printing**
Townsend, Montana
- **Hawkeye Printing**
Davenport, Iowa
- **Little Nickel Quik Print**
Lynnwood, Washington
- **Maple Street Press**
Spokane, Washington
www.maplestreetpress.com
- **Oak Creek Printing**
Lincoln, Nebraska
- **Platen Press**
Deer Lodge, Montana
- **William Street Press**
Decatur, Illinois
- **International Newspaper Network***
Moline, Illinois
www.townnews.com
**Lee owns 81% of INN.*
- **Farcountry Press**
Helena, Montana

- **The Family Times**
Corvallis
Monthly: 16,000
- **This Week**
Albany/Corvallis
Wed.: 16,500
- **Ashland Daily Tidings**
Daily: 5,079
www.dailytidings.com
- **Ashland People**
Tues.: 6,000
- **Cottage Grove Sentinel**
Wed.: 4,500
www.cgsentinel.com
- **Goldmine**
Cottage Grove
Weekly: 14,500
- **NickelWant Ad Newspaper**
Klamath Falls
Thurs.: 19,000
www.klamathfallsnickel.com
- **NickelWant Ad Newspaper**
Medford
Thurs.: 27,500
www.medfordnickel.com
- **NickelWant Ad Newspaper**
Redding, California
Thurs.: 19,000
- **Lebanon Express**
Lebanon
Wed.: 3,500
www.mvonline.com
- **Newport News-Times**
Newport
Wed./Fri.: 10,000
www.newportnewstimes.com
- **This Week**
Newport
Tues.: 10,000

Wisconsin, MNI

Madison Newspapers Inc., publishes the *Wisconsin State Journal*, the *Capital Times*, the *Baraboo News Republic*, the *Portage Daily Register*, the *Shawano Leader* and 15 other publications in central Wisconsin. Lee Enterprises owns 50% of Madison Newspapers Inc. and supplies news and editorial content for the *Wisconsin State Journal*.

- **Baraboo News Republic**
Daily: 3,700
www.baraboo.scwn.com
- **Wisconsin State Journal and the Capital Times**
Madison
Daily: 107,168 Sun.: 156,929
www.madison.com

SIX-YEAR FINANCIAL PERFORMANCE

Lee Enterprises, Incorporated and Subsidiaries

(In Thousands Except Per Share Data)

Year Ended September 30, **2000** 1999 1998

Operations

Operating revenue	\$ 431,513	\$ 413,846	\$ 391,261
Income before depreciation and amortization, interest and taxes (EBITDA)	131,793	124,955	113,990
Depreciation and amortization	29,326	27,586	26,091
Operating income	102,467	97,369	87,899
Non-operating (income) expense, net	(7,748)	10,205	12,715
Income taxes	40,340	30,343	27,510
Income from continuing operations	69,875	56,821	47,674
Discontinued operations, net:			
NAPP	-	-	-
Broadcasting	13,788	11,152	14,559
	13,788	11,152	14,559
Net income	\$ 83,663	\$ 67,973	\$ 62,233

Per Share Amounts, Diluted

Weighted average shares	44,360	44,861	45,557
Income from continuing operations	\$ 1.58	\$ 1.27	\$ 1.05
Income from discontinued operations	.31	.25	.32
Net income	1.89	1.52	1.37
Dividends	.64	.60	.56

Selected Financial Percentages and Ratios

EBITDA as a percent of revenue	30.5%	30.2%	29.1%
Net income as a percent of revenue*	16.2	13.7	12.2
Growth percentages:			
Diluted earnings per share*	24.4	21.0	(1.0)
Dividends per share	6.7	7.1	7.7
Dividends per share, as a percent of prior year's diluted earnings* . .	50.4	57.1	52.8
Current ratio	2.1:1	1.3:1	1:1

Other Data

Selected cash flow information:			
Net cash provided by operations	\$ 126,889	\$ 97,852	\$ 100,739
Cash dividends paid	28,288	26,623	25,160
Purchase of property and equipment	32,494	32,431	26,725
Purchase of common stock	20,021	11,830	51,388
Principal payments on long-term borrowings	-	25,000	25,000
Total assets	746,233	679,513	660,585
Debt, including current maturities	222,932	204,625	219,481
Stockholders' equity	395,167	354,329	319,759

* Excludes discontinued operations

1997	1996	1995
\$ 326,197	\$ 309,572	\$ 283,154
98,534	87,220	77,794
16,645	15,432	13,323
81,889	71,788	64,471
2,929	7,039	8,198
29,081	24,386	20,001
49,879	40,363	36,272
1,485	(8,223)	6,227
12,866	13,307	15,960
14,351	5,084	22,187
\$ 64,230	\$ 45,447	\$ 58,459

47,243	47,899	46,873
\$ 1.06	\$.84	\$.78
.30	.11	.47
1.36	.95	1.25
.52	.48	.44

30.2%	28.2%	27.5%
15.2	13.0	12.8

26.2	7.7	11.4
8.3	9.1	4.8
61.9	61.5	62.9
.4:1	1.5:1	.9:1

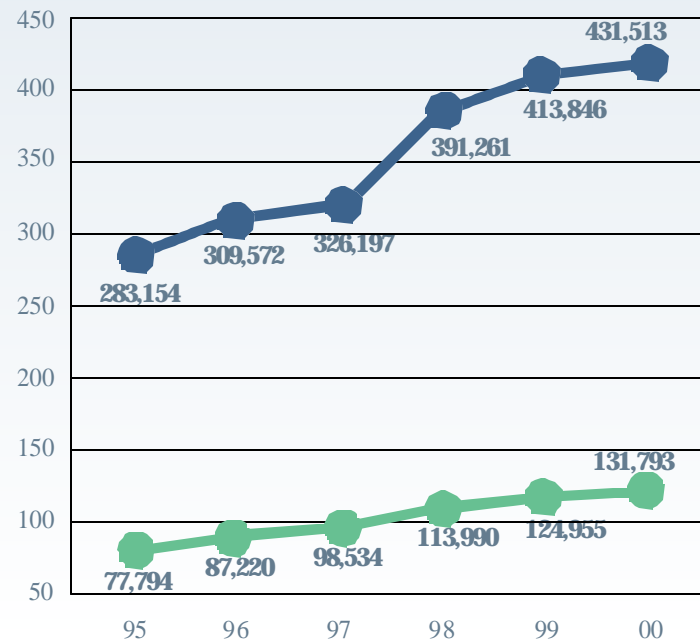
\$ 97,546	\$ 87,543	\$ 72,571
24,173	22,603	20,295
16,342	18,796	17,435
41,055	11,917	30,925
21,219	26,209	45,069
650,963	527,416	559,929
203,735	95,503	123,489
319,390	324,954	311,042

Operating Revenue

Earnings

Before Interest, Income Taxes, Depreciation and Amortization (EBITDA)

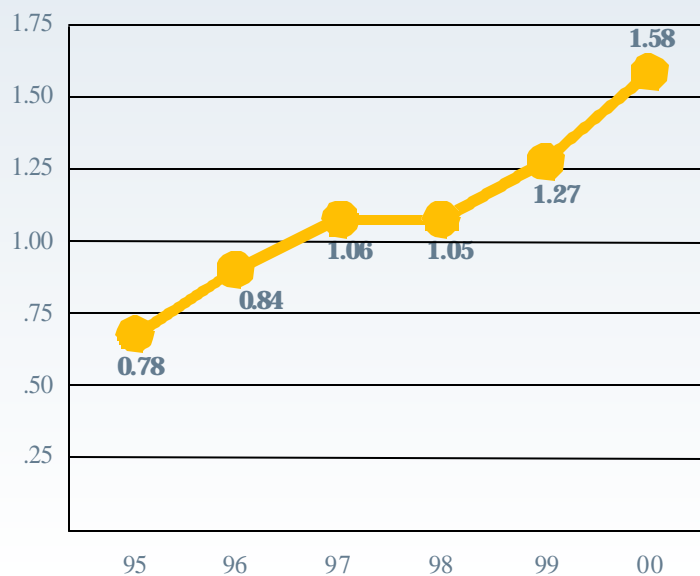
In Thousands of Dollars



Earnings Per Share

From Continuing Operations, Diluted

In Dollars



MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains certain forward-looking statements that are based largely on the Company's current expectations and are subject to certain risks, trends, and uncertainties that could cause actual results to differ materially from those anticipated. Among such risks, trends, and uncertainties are changes in advertising demand, newsprint prices, interest rates, and other economic conditions and the effect of acquisitions, investments, and dispositions on the Company's results of operations or financial condition. The words "believe," "expect," "anticipate," "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 as of the date of this report.

Operating results are summarized below:

	2000	1999	1998
	<i>(Dollars in Thousands, Except Per Share Data)</i>		
Operating revenue	\$ 431,513	\$ 413,846	\$ 391,261
Percent change	4.3%	5.8%	19.9%
Income before depreciation, amortization, interest and taxes (EBITDA)*	131,793	124,955	113,990
Percent change	5.5%	9.6%	15.7%
Operating income	102,467	97,369	87,899
Percent change	5.2%	10.8%	7.3%
Non-operating (income) expense, net	(7,748)	10,205	12,715
Income from continuing operations	69,875	56,821	47,674
Percent change	23.0%	19.2%	(4.4%)
Earnings per share, continuing operations			
Basic	1.59	1.29	1.07
Percent change	23.3%	20.6%	0.0%
Diluted	1.58	1.27	1.05
Percent change	24.4%	21.0%	(0.9%)

* EBITDA is not a financial performance measurement under generally accepted accounting principles (GAAP), and should not be considered in isolation or a substitute for GAAP performance measurements. EBITDA is also not reflected in the Company's consolidated statement of cash flows, but it is a common and meaningful alternative performance measurement for comparison to other companies in the newspaper industry. The computation excludes other non-operating items which are primarily the gain on sale of businesses.

Operating revenue consists of the following:

	2000	1999	1998
	<i>(Dollars in Thousands)</i>		
Advertising revenue:			
Retail advertising:			
Retail – "run-of-press"	\$ 110,996	\$ 108,203	\$ 106,889
Retail – preprint and other . .	48,944	46,344	44,477
Total retail advertising	159,940	154,547	151,366
Percent change	3.5%	2.1%	21.9%
National	9,318	8,737	7,613
Percent change	6.6%	14.8%	8.2%
Classified	101,061	95,854	87,622
Percent change	5.4%	9.4%	34.5%
Other	5,894	5,254	4,783
Percent change	12.2%	9.8%	26.4%
Total advertising	276,213	264,392	251,384
Percent change	4.5%	5.2%	25.6%
Circulation revenue	80,468	83,102	83,091
Percent change	(3.2%)	– %	2.8%
Other revenue	65,455	57,114	48,419
Percent change	14.6%	18.0%	29.2%

The following advertising and circulation revenue results are presented exclusive of acquisitions and dispositions.

Retail "run-of-press" advertising is advertising by merchants in the local community that is printed in the newspaper, rather than "preprints," which are printed separately by the Company or others and inserted into the newspaper. Retail revenue increased .5% in 2000, .4% in 1999, and decreased (.3%) in 1998. Retail revenue increases were caused primarily by an increase in volume as a result of the continuing emphasis on price incentives in return for larger or more frequent ads.

Total revenue realized from retail and national merchants includes preprints, which have lower-priced, higher-volume distribution rates. Preprint revenue increased 2.9% in 2000, 4.2% in 1999, and 4.4% in 1998.

Classified advertising revenue increased approximately 4.9% in 2000, 5.3% in 1999, and 8.1% in 1998. In 2000 growth in advertising revenue was in the employment and automotive categories. In 1999 growth in advertising revenue was in the automotive and to a lesser extent in the employment categories. This growth offset a decrease in real estate. In 1998 continued significant growth in employment and real estate advertising offset a small reduction in automotive.

In total, advertising revenue increased 3.1%, 3.2%, and 3.6%.

In 2000 circulation revenue decreased (2.4%) primarily as a result of a decrease in units. In 1999 circulation revenue decreased by (.3%) as a result of a decrease in volume offset by higher rates. In 1998 circulation revenue decreased (.8%) as a result of a decrease in volume.

Other revenue consists of revenue from commercial printing, products, and services delivered outside the newspaper (which include activities such as target marketing, special event production, and online service) and editorial service contracts with Madison Newspapers, Inc.

Other revenue by category is as follows:

	2000	1999	1998
	<i>(In Thousands)</i>		
Commercial printing	\$ 26,789	\$ 23,774	\$ 22,278
New revenue:			
Niche publications	13,929	10,702	5,500
Internet/online	3,250	1,597	924
Other	12,543	12,297	11,349
Total new revenue	29,722	24,596	17,773
Editorial service contracts . . .	8,944	8,744	8,368
	\$ 65,455	\$ 57,114	\$ 48,419

In 2000, 1999, and 1998, exclusive of the effects of acquisitions and dispositions, other revenue increased 6.2%, 16.5%, and 3.6%, respectively. Commercial printing increased (decreased) by (5.4%), 2.7%, and (4.3%), respectively, due primarily to changes in sales volumes. Niche publications revenue increased 24.6%, 95.3%, and 28.8%, respectively, with the introduction of new products. Internet/online revenue increased 103.7%, 73.8%, and 336.9%, respectively, due to growth in advertising revenue.

The following table sets forth the percentage of revenue of certain items.

	2000	1999	1998
Revenue	100.0%	100.0%	100.0%
Compensation costs	36.8	36.4	36.1
Newsprint and ink	9.0	9.0	10.5
Other operating expenses . . .	23.7	24.4	24.2
	69.5	69.8	70.8
Income before depreciation, amortization, interest and taxes	30.5	30.2	29.2
Depreciation and amortization	6.8	6.7	6.7
Operating margin wholly-owned properties	23.7%	23.5%	22.5%

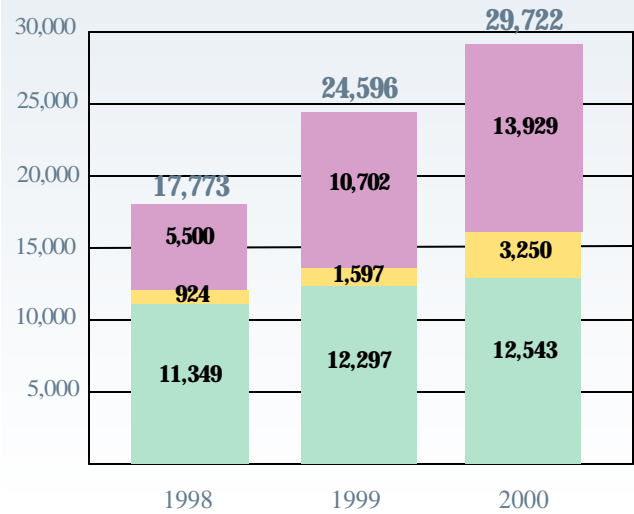
Exclusive of the effects of acquisitions and dispositions, in 2000 costs other than depreciation and amortization increased by 2.0%. Newsprint and ink costs decreased by (2.7%) due primarily to lower prices paid for newsprint in the first six months of the fiscal year. Compensation costs increased 4.0% primarily due to an increase in average compensation rates. Other operating costs increased .9%.

Exclusive of the effects of acquisitions, in 1999 costs other than depreciation and amortization increased by 2.7%. Newsprint

Growth in New Revenue

■ Niche Publications
 ■ Online
 ■ Other

In Thousands of Dollars



and ink costs decreased by (10.0%) due to lower prices for newsprint offset by a slight increase in usage. Compensation costs increased 5.2% due to an increase in average compensation and hours worked. Other operating costs increased 4.6%.

Exclusive of the effects of acquisitions, in 1998 costs other than depreciation and amortization increased 4.9%. Newsprint and ink costs increased 12.1% due to higher prices for newsprint and greater consumption. Compensation costs increased 5.0% due to an increase in average compensation and hours worked. Other operating costs increased 2.0%.

Non-Operating Income and Expense

Financial expense decreased by approximately \$(220,000) in 2000 primarily due to payments on long-term debt and increased capitalized interest of \$686,000 offset by interest on short-term borrowings and increased deferred compensation costs. Financial expense decreased by approximately \$(1,748,000) in 1999 primarily due to payments on long-term debt and a \$500,000 increase in capitalized interest offset by additional deferred compensation costs. Financial expense increased by approximately \$6,300,000 in 1998 due to borrowings to finance The Pacific Northwest Group acquisition. Interest on deferred compensation arrangements for executives and others is offset by financial income earned on the invested funds held in trust. Financial income and expense included \$858,000, \$501,000, and \$24,000 in 2000, 1999, and 1998, respectively, as a result of these arrangements.

In 2000, financial income increased by approximately

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

\$1,339,000 due primarily to an increase in income earned on short-term investments, notes receivable, and deferred compensation funds. Financial income remained relatively unchanged in 1999 and 1998.

In 2000, other non-operating income, net consists primarily of a \$18,439,000 gain from the sale of publishing properties and losses related to its 6.3% interest in Ad One, LLC, a provider of integrated online classified solutions for the newspaper industry. In 1999, other non-operating income, net represents the gain from the sale of a shopper publication.

Income Taxes

Income taxes were 36.6%, 34.8%, and 36.6% of pretax income in 2000, 1999, and 1998, respectively. In 1999 income taxes were reduced by \$1,500,000 due to a settlement of a contingency. Exclusive of the settlement, income taxes were 36.5% of pretax income.

Discontinued Operations

On October 1, 2000, the Company consummated the sale of substantially all of its broadcasting properties for approximately \$565,000,000, net of selling expenses. The results for the broadcast properties have been classified as discontinued operations for all periods presented. For additional information related to the disposition, see Note 2 of the Notes to Consolidated Financial Statements on Page 18.

Liquidity, Capital Resources and Commitments

Cash provided by operations totaled \$126,889,000 in 2000. The Company has a \$50,000,000 revolving credit arrangement with banks which expires in 2003. The major sources and uses of cash in 2000 were as follows:

Sources of cash:

Operations	\$126,889
Short-term borrowings	30,500
Proceeds from sale of properties	8,775
All other	5,139
	171,303

(In Thousands)

Uses of cash:

Acquisitions, net	\$ 71,609
Purchase of property and equipment	32,494
Cash dividends paid	28,288
Purchase of Lee Enterprises, Incorporated, stock	20,021
	152,412
Increase in cash	\$ 18,891

Capital expenditures for new and improved facilities and equipment are expected to be approximately \$12,000,000 in 2001.

The Company anticipates that funds necessary for capital expenditures and other requirements will be available from internally generated funds, net after-tax proceeds from the sale of its broadcast properties which are expected to be approximately \$390,000,000, and the Company's revolving credit agreements.

Under the terms of its senior note agreement, the Company will be required to repay the outstanding balance of \$173,400,000 on October 1, 2001, unless the Company reinvests the net proceeds of the broadcast sale or obtains a waiver of that provision of the agreement. Covenants under these agreements are not

considered restrictive to normal operations or anticipated stockholder dividends.

Dividends and Common Stock Prices

The current quarterly cash dividend is 17 cents per share, an annual rate of 68 cents.

During the fiscal year ended September 30, 2000, the Company paid dividends of \$28,288,000 or 33.8% of fiscal year 2000 net income. The Company will continue to review its dividend policy to assure that it remains consistent with its capital demands. Covenants under borrowing arrangements are not considered restrictive to payment of dividends. Lee Common Stock is listed on the New York Stock Exchange. The Company paid dividends of 16 cents, 15 cents and 14 cents in each quarter of fiscal 2000, 1999 and 1998, respectively. For a description of the relative rights of Common Stock, Class B Common Stock and Preferred Stock Purchase Rights, see Note 7 of the Notes to Consolidated Financial Statements. At September 30, 2000, the Company had 3,185 holders of Common Stock and 2,064 holders of Class B Common Stock.

Inflation

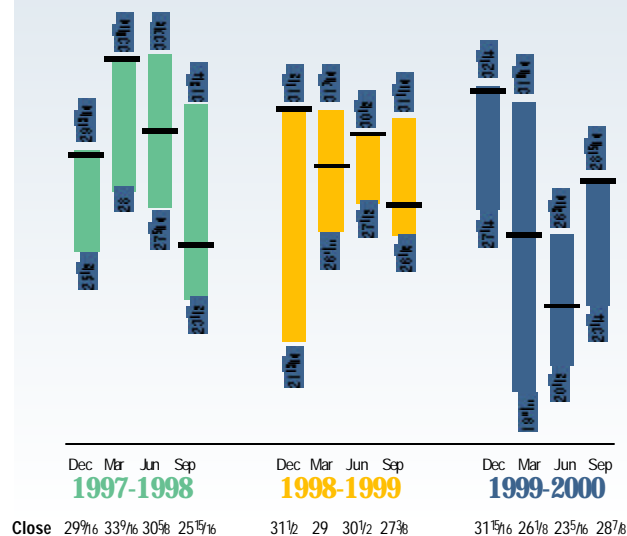
The net effect of inflation on operations has not been material in the last several years because of efforts by the Company to lessen the effect of rising costs through a strategy of improving productivity, controlling costs and, where conditions permit, increasing selling prices.

Quarterly Results

The Company's largest source of publishing revenue, retail run-of-press advertising, is seasonal and tends to fluctuate with retail sales in markets served. Historically, retail run-of-press advertising is higher in the first and third fiscal quarters. News-paper classified advertising revenue (which includes real estate and automobile ads) is lowest in January and February, which are included in the second fiscal quarter.

Quarterly results of operations are summarized on Page 24.

Quarterly Stock Prices



CONSOLIDATED STATEMENTS OF INCOME

Lee Enterprises, Incorporated and Subsidiaries

	Year Ended September 30,		
	2000	1999	1998
	<i>(In Thousands Except Per Share Data)</i>		
Operating revenue:			
Advertising	\$ 276,213	\$ 264,392	\$ 251,384
Circulation	80,468	83,102	83,091
Other	65,455	57,114	48,419
Equity in net income of associated companies	9,377	9,238	8,367
	431,513	413,846	391,261
Operating expenses:			
Compensation costs	158,884	150,462	141,261
Newsprint and ink	38,625	37,447	41,165
Depreciation	14,546	13,766	12,403
Amortization of intangibles	14,780	13,820	13,688
Other	102,211	100,982	94,845
	329,046	316,477	303,362
Operating income	102,467	97,369	87,899
Non-operating (income) expense, net:			
Financial expense	12,643	12,863	14,611
Financial (income)	(3,259)	(1,920)	(1,896)
Other, net	(17,132)	(738)	—
	(7,748)	10,205	12,715
Income from continuing operations before taxes on income	110,215	87,164	75,184
Income taxes	40,340	30,343	27,510
Income from continuing operations	69,875	56,821	47,674
Discontinued operations:			
Income from discontinued operations, net of income tax effect	4,738	11,152	14,559
Gain on disposition of discontinued operations, net of income tax effect	9,050	—	—
	13,788	11,152	14,559
Net income	\$ 83,663	\$ 67,973	\$ 62,233
Earnings per share:			
Basic:			
Income from continuing operations	\$ 1.59	\$ 1.29	\$ 1.07
Income from discontinued operations	0.31	0.25	0.32
Net income	\$ 1.90	\$ 1.54	\$ 1.39
Diluted:			
Income from continuing operations.....	\$ 1.58	\$ 1.27	\$ 1.05
Income from discontinued operations.....	0.31	0.25	0.32
Net income	\$ 1.89	\$ 1.52	\$ 1.37

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

Lee Enterprises, Incorporated and Subsidiaries

Assets	September 30,		
	2000	1999	1998
	<i>(Dollars In Thousands)</i>		
Current Assets:			
Cash and cash equivalents	\$ 29,427	\$ 10,536	\$ 16,941
Trade receivables, less allowance for doubtful accounts 2000 \$3,344; 1999 \$4,460; 1998 \$4,110	41,212	67,122	60,443
Receivables from associated companies	1,500	1,438	1,437
Inventories	4,280	3,625	3,878
Other	7,380	19,822	16,892
Net assets of discontinued operations	167,767	-	-
Total current assets	251,566	102,543	99,591
Investments:			
Associated companies	19,155	16,326	14,107
Other	15,021	15,819	12,364
	34,176	32,145	26,471
Property and Equipment:			
Land and improvements	11,473	14,103	13,856
Buildings and improvements	63,893	67,342	65,945
Equipment	172,366	246,484	219,491
	247,732	327,929	299,292
Less accumulated depreciation	120,376	188,726	170,920
	127,356	139,203	128,372
Intangibles and Other Assets:			
Intangibles	332,520	396,392	398,111
Other	615	9,230	8,040
	333,135	405,622	406,151
	\$ 746,233	\$ 679,513	\$ 660,585

See Notes to Consolidated Financial Statements

Liabilities and Stockholders' Equity

	September 30,		
	2000	1999	1998
	<i>(Dollars In Thousands)</i>		
Current Liabilities:			
Notes payable and current maturities of long-term debt ..	\$ 49,532	\$ 17,620	\$ 33,453
Accounts payable	14,242	11,764	14,277
Compensation and other accruals	27,603	26,551	26,966
Income taxes payable	7,799	5,378	6,475
Unearned income	18,451	18,135	16,890
Total current liabilities	117,627	79,448	98,061
Long-Term Debt, net of current maturities	173,400	187,005	186,028
Deferred Items:			
Retirement and compensation	13,418	13,781	13,117
Income taxes	46,621	44,950	43,620
	60,039	58,731	56,737
Stockholders' Equity:			
Capital stock:			
Serial convertible preferred, no par value; authorized 500,000 shares; issued none	-	-	-
Common, \$2 par value; authorized 60,000,000 shares; issued and outstanding 2000 33,070,000 shares	66,140	66,142	65,144
Class B, common, \$2 par value; authorized 30,000,000 shares; issued and outstanding 2000 10,740,000 shares	21,480	22,376	23,556
Additional paid-in capital	37,330	32,641	28,715
Unearned compensation	(1,227)	(961)	(650)
Retained earnings	271,444	234,131	202,994
	395,167	354,329	319,759
	\$ 746,233	\$ 679,513	\$ 660,585

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Lee Enterprises, Incorporated and Subsidiaries

	Year Ended September 30,					
	Amount			Shares		
	2000	1999	1998	2000	1999	1998
<i>(In Thousands Except Per Share Data)</i>						
Common Stock:						
Balance, beginning	\$ 66,142	\$ 65,144	\$ 66,719	33,071	32,572	33,359
Conversion from Class B Common Stock	770	1,116	649	385	558	325
Shares issued	478	286	286	239	143	143
Shares reacquired	(1,250)	(404)	(2,510)	(625)	(202)	(1,255)
Balance, ending	<u>\$ 66,140</u>	<u>\$ 66,142</u>	<u>\$ 65,144</u>	<u>33,070</u>	<u>33,071</u>	<u>32,572</u>
Class B Common Stock:						
Balance, beginning	\$ 22,376	\$ 23,556	\$ 24,298	11,188	11,778	12,149
Conversion to Common Stock	(770)	(1,116)	(649)	(385)	(558)	(325)
Shares reacquired	(126)	(64)	(93)	(63)	(32)	(46)
Balance, ending	<u>\$ 21,480</u>	<u>\$ 22,376</u>	<u>\$ 23,556</u>	<u>10,740</u>	<u>11,188</u>	<u>11,778</u>
Additional Paid-In Capital:						
Balance, beginning	\$ 32,641	\$ 28,715	\$ 25,629			
Shares issued	4,689	3,926	3,086			
Balance, ending	<u>\$ 37,330</u>	<u>\$ 32,641</u>	<u>\$ 28,715</u>			
Unearned Compensation:						
Balance, beginning	\$ (961)	\$ (650)	\$ (493)			
Restricted shares issued	(1,364)	(1,081)	(714)			
Restricted shares canceled	283	45	7			
Amortization	815	725	550			
Balance, ending	<u>\$ (1,227)</u>	<u>\$ (961)</u>	<u>\$ (650)</u>			
Retained Earnings:						
Balance, beginning	\$ 234,131	\$ 202,994	\$ 203,237			
Net income	83,663	67,973	62,233			
Cash dividends per share 2000 \$.64; 1999 \$.60; 1998 \$.56	(28,288)	(26,623)	(25,160)			
Shares reacquired	(18,062)	(10,213)	(37,316)			
Balance, ending	<u>\$ 271,444</u>	<u>\$ 234,131</u>	<u>\$ 202,994</u>			
Stockholders' Equity	<u>\$ 395,167</u>	<u>\$ 354,329</u>	<u>\$ 319,759</u>	<u>43,810</u>	<u>44,259</u>	<u>44,350</u>

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Lee Enterprises, Incorporated and Subsidiaries

	Year Ended September 30,		
	2000	1999	1998
	<i>(In Thousands)</i>		
Cash Provided by Operating Activities:			
Net income	\$ 83,663	\$ 67,973	\$ 62,233
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	41,263	39,748	37,576
Gain on sale of publishing properties	(18,439)	(738)	-
Distributions less than earnings of associated companies	(2,891)	(2,220)	(1,922)
Change in assets and liabilities, net of effects from business acquisitions:			
(Increase) decrease in receivables	3,727	(6,154)	(3,131)
(Increase) decrease in inventories and other	1,424	(749)	1,427
Increase (decrease) in accounts payable, accrued expenses and unearned income	7,831	(2,117)	2,370
Increase (decrease) in income taxes payable	2,421	(1,097)	1,721
Other, primarily deferred items	7,890	3,206	465
Net cash provided by operating activities ..	126,889	97,852	100,739
Cash (Required for) Investing Activities:			
Acquisitions, net	(71,609)	(15,416)	(11,944)
Purchase of property and equipment	(32,494)	(32,431)	(26,725)
Proceeds from sale of publishing properties	8,775	492	-
Other	929	(3,867)	(952)
Net cash (required for) investing activities ..	(94,399)	(51,222)	(39,621)
Cash (Required for) Financing Activities:			
Purchase of common stock	(20,021)	(11,830)	(51,388)
Cash dividends paid	(28,288)	(26,623)	(25,160)
Proceeds from long-term borrowings	-	-	185,000
Proceeds from (payments on) short-term notes payable, net	30,500	6,000	(145,000)
Principal payments on long-term borrowings	-	(25,000)	(25,000)
Other	4,210	4,418	3,208
Net cash (required for) financing activities ..	(13,599)	(53,035)	(58,340)
Net increase (decrease) in cash and cash equivalents	18,891	(6,405)	2,778
Cash and cash equivalents:			
Beginning	10,536	16,941	14,163
Ending	\$ 29,427	\$ 10,536	\$ 16,941

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:

Nature of Business and Significant Accounting Policies

Nature of business:

As of September 30, 2000, operating divisions and associated companies publish 28 daily newspapers and more than 100 other weekly, classified and specialty publications, and operate more than 75 Web sites.

Significant accounting policies:

Accounting estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of consolidation: The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany items have been eliminated.

Inventories: Newsprint inventories are priced at the lower of cost or market with cost being determined primarily by the last-in, first-out method. Newsprint inventories as of September 30, 2000, 1999, and 1998 were less than replacement cost by \$4,481,000, \$4,710,000, and \$4,815,000, respectively.

Investments: Investments in the common stock or joint venture capital of associated companies are reported at cost plus the Company's share of undistributed earnings since acquisition, less amortization of intangibles and share of losses.

Long-term loans to associated companies are included in investments in associated companies.

Other investments primarily consist of various marketable securities held in trust under a deferred compensation arrangement. These investments are classified as trading securities and carried at fair value with gains and losses reported in the consolidated statements of income.

Property and equipment: Property and equipment is carried at cost. Equipment, except for printing presses, is depreciated primarily by declining-balance methods. The straight-line method is used for all other assets. The estimated useful lives in years are as follows:

	<u>Years</u>
Buildings and improvements	5-25
Publishing:	
Printing presses	15-20
Other major equipment	3-11

The Company capitalizes interest as part of the cost of constructing major facilities.

Intangibles: Intangibles include covenants not to compete, consulting agreements, customer lists, newspaper subscriber lists, and the excess costs over fair value of net assets of businesses acquired.

The excess costs over fair value of net tangible assets include \$6,493,000 incurred prior to October 31, 1970, which is not being amortized. Excess costs related to specialty publications are being amortized over 10 to 15 year periods. Intangibles representing non-compete covenants, consulting agreements, customer lists, and newspaper subscriber lists are being amortized over periods of 3 to 40 years. The remaining costs are being amortized over a period of 40 years. All intangibles are amortized by the straight-line method.

The Company reviews its intangibles and other long-lived assets annually to determine potential impairment. In performing the review, the Company estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment is recognized. The amount of impairment is measured based upon projected discounted future cash flows using a discount rate reflecting the Company's average cost of funds.

Unearned income: Unearned income arises in the ordinary course of business from advance subscription payments for newspapers. Revenue is recognized in the period in which it is earned.

Advertising costs: Advertising costs, which are not material, are expensed as incurred.

Income taxes: Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Cash and cash equivalents: For the purpose of reporting cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less at date of acquisition to be cash equivalents.

Restricted stock: The Company amortizes as compensation cost the value of restricted stock, issued under a long-term incentive plan, by the straight-line method over the three-year restriction period.

Reclassification: Certain items on the consolidated statements of income for the years ended September 30, 1999 and 1998, have been reclassified, with no effect on income or earnings per share, to be consistent with the classifications adopted for the year ended September 30, 2000.

NOTE 2:

Discontinued Operations and Subsequent Event

On March 1, 2000, the Company decided to discontinue the operations of the Broadcast division. On May 7, 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 closed October 1, 2000. The net proceeds are approximately \$565,000,000, resulting in an after-tax gain for financial reporting purposes of approximately \$250,000,000. The results for the Broadcast operations have been classified as discontinued operations for all periods presented in the consolidated statements of income. The assets and liabilities of discontinued operations have been classified in the consolidated balance sheet as "net assets of discontinued operations" as of September 30, 2000.

The income from discontinued operations consists of the following:

	Year Ended September 30,		
	2000	1999	1998
	<i>(In Thousands)</i>		
Income from discontinued operations	\$ 23,620	\$ 19,371	\$ 24,948
Income taxes	9,832	8,219	10,389
	\$ 13,788	\$ 11,152	\$ 14,559

As of September 30, 2000, the assets and liabilities of the Broadcast division consisted of the following:

	<i>(In Thousands)</i>
Assets:	
Accounts receivable, net	\$ 23,493
Program rights and other	8,190
Property and equipment, net	29,775
Intangibles and other assets	122,310
	183,768
Liabilities:	
Current liabilities	13,072
Deferred items and other	2,929
	16,001
Net assets of discontinued operations	\$167,767

NOTE 3:

Acquisitions and Dispositions of Publishing Properties

On October 1, 1999, the Company acquired a daily newspaper and specialty publications in Beatrice, Nebraska, and received \$9,300,000 of cash in exchange for all the assets used in, and liabilities related to, the publication, marketing, and distribution of two daily newspapers and the related specialty and classified publications in Kewanee, Geneseo, and Aledo, Illinois, and Ottumwa, Iowa.

In addition, the Company acquired three daily newspapers, eleven weekly newspapers, and fifteen classified or specialty publications in 2000, one daily newspaper, two weekly, and four classified or specialty publications in 1999, and five classified or specialty publications and one commercial printer in 1998.

All acquisitions were accounted for as a purchase and the results of operations since the date of acquisition are included in the consolidated financial statements. These acquisitions and dispositions had the effect of increasing revenue and operating income by approximately \$8,300,000 and \$150,000, respectively, for the year ended September 30, 2000, as compared to the prior year.

The purchase price of business acquisitions was allocated as follows:

	Year Ended September 30,		
	2000	1999	1998
	<i>(In Thousands)</i>		
Noncash working capital operations	\$ 1,475	\$ (100)	\$ 377
Property and equipment	8,197	1,207	1,326
Intangibles	74,745	16,048	11,485
Other long-term assets	54	-	-
Issuance of note payable	(432)	(1,000)	(1,194)
Deferred items	(1,170)	(739)	(50)
	82,869	15,416	11,944
Less fair value of assets exchanged	11,260	-	-
Total cash purchase price	\$ 71,609	\$ 15,416	\$ 11,944

Proceeds of the sale of properties consisted of the following:

	Year Ended September 30, 2000
	<i>(In Thousands)</i>
Noncash working capital	\$ 111
Property and equipment	764
Intangible assets	721
	1,596
Gain recognized on sale of properties	18,439
	20,035
Less fair value of assets exchanged	11,260
Proceeds from sale of properties	\$ 8,775

NOTE 4:

Investments in Associated Companies

The Company has a 50% ownership interest in Madison Newspapers, Inc., a newspaper company that publishes daily, Sunday, and weekly publications in Madison and three other daily newspapers, seven weekly publications and various other classified publications in Wisconsin and interest in Internet service ventures.

Summarized financial information of Madison Newspapers, Inc., is as follows:

	2000	1999	1998
	<i>(In Thousands)</i>		
ASSETS			
Current assets	\$ 28,102	\$ 30,337	\$ 25,732
Investments and other assets	34,025	6,011	5,919
Property and equipment, net	14,044	9,531	9,997
	\$ 76,171	\$ 45,879	\$ 41,648

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	2000	1999	1998
	<i>(In Thousands)</i>		
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities	\$ 23,394	\$ 14,023	\$ 14,472
Long-term debt	16,000	-	-
Stockholders' equity	36,777	31,856	27,176
	\$ 76,171	\$ 45,879	\$ 41,648
Revenue	\$ 97,279	\$ 90,626	\$ 85,302
Income before depreciation amortization, interest and income taxes	32,482	31,920	29,439
Operating income	29,781	29,325	26,671
Net income	18,791	18,461	16,881

Current receivables from associated companies consist of dividends from Madison Newspapers, Inc. Certain information relating to Company investments in Madison Newspapers, Inc., is as follows:

	2000	1999	1998
	<i>(In Thousands)</i>		
Share of:			
Stockholders' equity	\$ 18,388	\$ 15,928	\$ 13,588
Undistributed earnings	18,164	15,704	13,364

NOTE 5:

Debt

The Company has a \$50,000,000 unsecured revolving loan agreement with a bank group that expires in 2003. Interest rates float at rates specified in the agreement. The Company has borrowings of \$37,500,000 and \$6,000,000 under this agreement as of September 30, 2000 and 1999, respectively.

The Company has long-term obligations, net of current maturities, as follows:

	September 30,		
	2000	1999	1998
	<i>(In Thousands)</i>		
Insurance companies senior notes payable, 6.14% to 6.64%, due in varying amounts from 2001 to 2013	\$173,400	\$185,000	\$185,000
Program contracts, noninterest bearing, due through 2002	-	2,005	1,028
	\$173,400	\$187,005	\$186,028

Aggregate maturities during the next five years are \$11,600,000, \$11,600,000, \$11,600,000, \$36,600,000, and \$11,600,000. Under terms of its senior note agreement, the Company will be required to repay the outstanding balance of \$173,400,000 on October 1, 2001, unless the Company reinvests the net proceeds of its broadcast sale or obtains a waiver of that provision of the agreement. Covenants under these agreements are not considered restrictive to normal operations or anticipated stockholder dividends.

NOTE 6:

Retirement and Compensation Plans

Substantially all the Company's employees are covered by a qualified defined contribution retirement plan. The Company has

other retirement and compensation plans for executives and others. Retirement and compensation plan costs, including interest on deferred compensation costs, charged to operations were \$10,400,000 in 2000, \$9,700,000 in 1999, and \$8,300,000 in 1998.

NOTE 7:

Common Stock, Class B Common Stock, and Preferred Share Purchase Rights

Class B Common Stock has ten votes per share on all matters and generally votes as a class with Common Stock (which has one vote per share). The transfer of Class B Common Stock is restricted; however, Class B Common Stock is at all times convertible into shares of Common Stock on a share-for-share basis. Common Stock and Class B Common Stock have identical rights with respect to cash dividends and upon liquidation. All outstanding Class B Common Stock converts to Common Stock when the shares of Class B Common Stock total less than 5,600,000 shares.

On May 7, 1998, the Board of Directors adopted a Shareholder Rights Plan ("Plan"). Under the Plan, the Board declared a dividend of one Preferred Share Purchase Right ("Right") for each outstanding Common and Class B Common share (collectively "Common Shares") of the Company. The Rights are attached to and automatically trade with the outstanding shares of the Company's Common Shares.

The Rights will become exercisable only in the event that any person or group of affiliated persons becomes a holder of 20% or more of the Company's outstanding Common Shares, or commences a tender or exchange offer which, if consummated, would result in that person or group of affiliated persons owning at least 20% of the Company's outstanding Common Shares. Once the Rights become exercisable, they entitle all other shareholders to purchase, by payment of a \$150 exercise price, one one-thousandth of a share of Series A Participating Preferred Stock, subject to adjustment, with a value of twice the exercise price. In addition, at any time after a 20% position is acquired and prior to the acquisition of a 50% position, the Board of Directors may require, in whole or in part, each outstanding Right (other than Rights held by the acquiring person or group of affiliated persons) to be exchanged for one share of Common Stock or one one-thousandth of a share of Series A Preferred Stock. The Rights may be redeemed at a price of \$0.001 per Right at any time prior to their expiration on May 31, 2008.

NOTE 8:

Stock Option, Restricted Stock, and Stock Purchase Plans

At September 30, 2000, the Company has three stock-based compensation plans, which are described below. As permitted under generally accepted accounting principles, grants under those plans are accounted for following APB Opinion No. 25 and related interpretations. Accordingly, no compensation cost has been recognized for grants under the stock option or the stock purchase plans. Had compensation costs for all of the stock-based compensation plans been determined based on the grant date fair

values of awards (the method described in FASB Statement No. 123), reported net income and earnings per common share would have been reduced to the pro forma amounts shown below:

	2000	1999	1998
	<i>(In Thousands, Except Per Share Data)</i>		
Net income:			
As reported	\$ 83,663	\$ 67,973	\$ 62,233
Pro forma	82,035	66,600	60,945
Earnings per share:			
Basic:			
As reported	\$ 1.90	\$ 1.54	\$ 1.39
Pro forma	1.86	1.50	1.36
Diluted:			
As reported	\$ 1.89	\$ 1.52	\$ 1.37
Pro forma	1.85	1.49	1.34

Stock option and restricted stock plans:

The Company has reserved 4,910,000 shares of Common Stock for issuance to key employees under an incentive and nonstatutory stock option and restricted stock plan approved by stockholders. Options have been granted at a price equal to the fair market value on the date of grant, and are exercisable in cumulative installments over a ten-year period. The fair value of each grant is estimated at the grant date using the Black-Scholes option-pricing model with the following weighted-average assumptions for grants in 2000, 1999, and 1998, respectively: dividend rates of 2.00% to 2.52%, 2.06%, and 1.95%; price volatility of 18.5% to 19.4%, 18.5%, and 14.5%; risk-free interest rates based upon the life of the option ranging from 6.03% to 6.72%, 4.84% to 6.03%, and 5.29% to 5.77%; and expected lives based upon the life of the option ranging from .7 to 8 years.

A summary of the stock option plan is as follows:

	Number of Shares		
	2000	1999	1998
	<i>(In Thousands)</i>		
Under option, beginning of year	1,258	1,491	1,509
Granted	282	185	190
Terminated and canceled	(26)	(21)	(5)
Exercised	(336)	(397)	(203)
Under option, end of year	1,178	1,258	1,491
Options exercisable, end of year	767	945	1,110
	Average Price		
	2000	1999	1998
	<i>(In Thousands)</i>		
Granted during the year	\$ 29.11	\$ 27.62	\$ 27.18
Exercised during the year	14.15	15.45	15.88
Under option, end of year	22.72	19.09	17.15
Weighted-average fair value per option of options granted	7.75	6.55	6.95

A further summary of options outstanding as of September 30, 2000, is as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding ('000s)	Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable ('000s)	Weighted-Average Exercise Price
\$11 to \$14	106	1.1	\$11.04	106	\$11.04
\$15 to \$20	371	3.8	17.38	371	17.38
\$20 to \$23	102	6.3	21.58	95	21.49
\$25 to \$30	582	7.9	28.16	178	27.01
\$31 to \$34	17	2.1	32.46	17	32.46
	<u>1,178</u>	5.8	22.72	<u>767</u>	19.58

Restricted stock is subject to an agreement requiring forfeiture by the employee in the event of termination of employment within three years of the grant date for reasons other than normal retirement, death or disability. In 2000, 1999, and 1998, the Company granted 46,000, 39,000, and 26,000 shares, respectively, of restricted stock to employees. As of September 30, 2000, 92,000 shares of restricted stock were outstanding.

At September 30, 2000, 3,732,000 shares were available for granting of stock options or issuance of restricted stock.

Stock purchase plan:

The Company has 1,072,000 shares of Common Stock available for issuance pursuant to an employee stock purchase plan. April 30, 2001 is the exercise date for the current offering. The purchase price is the lower of 85% of the fair market value at the date of the grant or the exercise date, which is one year from the date of the grant. The weighted-average fair values per share of purchase rights granted in 2000, 1999, and 1998 computed using the Black-Scholes option-pricing model were \$5.32, \$6.34, and \$6.65, respectively.

In 2000, 1999, and 1998 employees purchased 124,000, 97,000, and 95,000 shares, respectively, at a per share price of \$19.31 in 2000, \$24.78 in 1999, and \$20.98 in 1998.

NOTE 9:

Income Tax Matters

Components of income tax expense consist of the following:

	Year Ended September 30,		
	2000	1999	1998
	<i>(In Thousands)</i>		
Paid or payable on currently taxable income:			
Federal	\$ 36,036	\$ 30,633	\$ 29,943
State	6,612	5,652	5,525
Net increase due to deferred income taxes	7,524	2,277	2,431
	\$ 50,172	\$ 38,562	\$ 37,899

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The total tax provision has been allocated to the following financial statement items:

	Year Ended September 30,		
	2000	1999	1998
	<i>(In Thousands)</i>		
Income from continuing operations	\$ 40,340	\$ 30,343	\$ 27,510
Discontinued operations	9,832	8,219	10,389
	\$ 50,172	\$ 38,562	\$ 37,899

Income tax expense for the years ended September 30, 2000, 1999 and 1998, is different from the amounts computed by applying the U.S. federal income tax rate to income before income taxes. The reasons for these differences are as follows:

	% of Pretax Income		
	2000	1999	1998
	<i>(In Thousands)</i>		
Computed "expected" income tax expense	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	4.0	3.9	3.9
Net income of associated companies taxed at dividend rates	(1.9)	(2.7)	(2.6)
Goodwill amortization	1.3	1.6	1.7
Other	(0.9)	(1.6)	(0.2)
	37.5%	36.2%	37.8%

Foreign taxes are not material.

Net deferred tax liabilities consist of the following components as of September 30, 2000, 1999 and 1998:

	2000			1999			1998		
	<i>(In Thousands)</i>								
Deferred tax liabilities:									
Property and equipment . . .	\$ 10,190	\$ 8,863	\$ 8,334						
Equity in undistributed earnings of affiliates	1,457	1,267	1,096						
Deferred gain on sale of broadcast properties . . .	3,266	3,308	3,308						
Identifiable intangible assets	38,168	34,163	32,653						
Other	178	2,831	2,981						
	\$ 53,259	\$ 50,432	\$ 48,372						
Deferred tax assets:									
Accrued compensation	\$ 8,181	\$ 8,309	\$ 7,747						
Receivable allowance	1,341	1,060	728						
Loss carryforwards acquired	-	5,588	6,774						
Capital loss carryforward . . .	4,161	7,591	8,121						
Other	1,443	1,708	1,745						
	15,126	24,256	25,115						
Less valuation allowance . . .	4,161	13,179	15,325						
	10,965	11,077	9,790						
	\$ 42,294	\$ 39,355	\$ 38,582						

The components giving rise to the net deferred tax liabilities described above have been included in the accompanying balance sheets as of September 30, 2000, 1999, and 1998 as follows:

	2000			1999			1998		
	<i>(In Thousands)</i>								
Current assets	\$ 4,327	\$ 5,595	\$ 5,038						
Noncurrent liabilities	(46,621)	(44,950)	(43,620)						
	\$ (42,294)	\$ (39,355)	\$ (38,582)						

The Company provided a valuation allowance due to limitations imposed by the tax laws on the Company's ability to realize the benefit of capital loss and net operating loss carryforwards. During the year ended September 30, 2000, management determined the valuation allowance and tax contingency on the acquired loss carryforward of SJL of Kansas Corp, which was sold on October 1, 2000, should be reduced by \$1,155,000 and \$1,312,000, respectively, with a corresponding \$2,467,000 reduction to goodwill. The remaining net operating loss carryforwards of \$11,142,000 were transferred to the acquiror on October 1, 2000. Therefore, the deferred taxes for the net operating loss and the valuation allowance for \$4,433,000 have been eliminated. During the years ended September 30, 2000 and 1999, \$3,430,000 and \$2,146,000, respectively, of the valuation allowance was transferred to the tax contingency which is included in income taxes payable with no effect on tax expense.

NOTE 10:

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

The carrying amounts of cash and cash equivalents, temporary investments, receivables, and accounts payable approximate fair value because of the short maturity of those instruments. The carrying value of other investments consisting of debt and equity securities in a deferred compensation trust are carried at fair value based upon quoted market prices, and \$4,040,000 of equity securities, consisting primarily of the Company's 17% ownership of the nonvoting common stock of The Capital Times Company, which are carried at cost, as the fair value is not readily determinable. The remaining \$2,194,000 is an investment in debt and equity securities of Ad One, LLC (a 6.3% interest) which is being accounted for similar to the equity method.

The fair value of the Company's debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. The estimated fair values of the Company's debt instruments are as follows:

	Carrying Amount	Fair Value
	<i>(In Thousands)</i>	
September 30:		
2000	\$ 222,932	\$ 216,262
1999	204,625	202,047
1998	219,481	245,784

NOTE 11:**Earnings Per Share**

The following table sets forth the computation of basic and diluted earnings per share (in thousands except per share amounts):

	Year Ended September 30,		
	2000	1999	1998
Numerator:			
Income applicable to common shares:			
Income from continuing operations	\$ 69,875	\$ 56,821	\$ 47,674
Income from discontinued operations . .	13,788	11,152	14,559
	\$ 83,663	\$ 67,973	\$ 62,233
Denominator:			
Basic – weighted average common shares outstanding	44,005	44,273	44,829
Dilutive effect of employee stock options	355	588	728
Diluted outstanding shares . .	44,360	44,861	45,557
Basic earnings per share:			
Income from continuing operations	\$ 1.59	\$ 1.29	\$ 1.07
Income from discontinued operations	0.31	0.25	0.32
Net income	\$ 1.90	\$ 1.54	\$ 1.39
Diluted earnings per share:			
Income from continuing operations	\$ 1.58	\$ 1.27	\$ 1.05
Income from discontinued operations	0.31	0.25	0.32
Net income	\$ 1.89	\$ 1.52	\$ 1.37

NOTE 12:**Other Information**

Balance sheet information:

Other current assets consist of the following:

	September 30,		
	2000	1999	1998
	<i>(In Thousands)</i>		
Program rights	\$ –	\$ 9,650	\$ 8,140
Deferred income taxes	4,327	5,595	5,038
Other	3,053	4,577	3,714
	\$ 7,380	\$ 19,822	\$ 16,892

Intangibles consist of the following:

	September 30,		
	2000	1999	1998
	<i>(In Thousands)</i>		
Goodwill	\$ 296,130	\$ 345,937	\$ 332,821
Less accumulated amortization	54,170	71,503	63,584
	241,960	274,434	269,237
Noncompete covenants and consulting agreements	23,878	28,023	28,213
Less accumulated amortization	22,552	25,497	23,522
	1,326	2,526	4,691
Customer lists, broadcasting licenses and agreements, and newspaper subscriber lists . .	113,084	159,805	157,011
Less accumulated amortization	23,850	40,373	32,828
	89,234	119,432	124,183
	\$ 332,520	\$ 396,392	\$ 398,111

Compensation and other accruals consist of the following:

	September 30,		
	2000	1999	1998
	<i>(In Thousands)</i>		
Compensation	\$ 9,136	\$ 11,214	\$ 12,092
Vacation pay	4,695	5,402	4,384
Retirement and stock purchase plans	4,915	5,324	5,005
Interest	6,022	9	519
Other	2,835	4,602	4,966
	\$ 27,603	\$ 26,551	\$ 26,966

Cash flows information:

	Year Ended September 30,		
	2000	1999	1998
	<i>(In Thousands)</i>		
Cash payments for:			
Interest, net of capitalized interest 2000 \$1,389; 1999 \$703; 1998 \$169	\$ 6,630	\$ 13,373	\$ 15,731
Income taxes	\$ 42,345	\$ 39,528	\$ 33,747
Program rights were acquired by issuing long-term contracts as follows . .	\$ 7,794	\$ 12,417	\$ 9,017
Issuance of restricted common stock, net	\$ 1,081	\$ 1,006	\$ 682
Accounts payable for stock acquired	\$ (317)	\$ 317	\$ (10,926)
Note received in connection with sale of businesses	\$ –	\$ 525	\$ –
Capital expenditures related to broadcast properties	\$ 7,102	\$ 7,493	\$ 6,825

INDEPENDENT AUDITOR'S REPORT

To the Stockholders
Lee Enterprises, Incorporated and Subsidiaries
Davenport, Iowa

We have audited the accompanying consolidated balance sheets of Lee Enterprises, Incorporated and subsidiaries as of September 30, 2000, 1999, and 1998, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles

used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lee Enterprises, Incorporated and subsidiaries as of September 30, 2000, 1999, and 1998, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.


Davenport, Iowa
November 10, 2000

QUARTERLY RESULTS (UNAUDITED)

Lee Enterprises, Incorporated and Subsidiaries
(In Thousands Except Per Share Data)

	4th	3rd	2nd	1st
2000 Quarter:				
Operating revenue	\$ 111,928	\$ 109,925	\$ 100,973	\$ 108,687
Income from continuing operations	\$ 15,787	\$ 15,955	\$ 11,737	\$ 26,396
Income from discontinued operations	3,558	4,218	1,864	4,148
Net income	\$ 19,345	\$ 20,173	\$ 13,601	\$ 30,544
Earnings per share:				
Basic:				
Income from continuing operations	\$.36	\$.36	\$.27	\$.60
Income from discontinued operations	.08	.10	.04	.09
Net income	\$.44	\$.46	\$.31	\$.69
Diluted:				
Income from continuing operations	\$.36	\$.36	\$.27	\$.59
Income from discontinued operations	.08	.10	.04	.09
Net income	\$.44	\$.46	\$.31	\$.68
1999 Quarter:				
Operating revenue	\$ 105,622	\$ 105,163	\$ 96,524	\$ 106,537
Income from continuing operations	\$ 15,556	\$ 16,436	\$ 11,007	\$ 13,822
Income from discontinued operations	1,366	3,008	961	5,817
Net income	\$ 16,922	\$ 19,444	\$ 11,968	\$ 19,639
Earnings per share:				
Basic:				
Income from continuing operations	\$.35	\$.37	\$.25	\$.31
Income from discontinued operations	.03	.07	.02	.13
Net income	\$.38	\$.44	\$.27	\$.44
Diluted:				
Income from continuing operations	\$.35	\$.36	\$.25	\$.31
Income from discontinued operations	.03	.07	.02	.13
Net income	\$.38	\$.43	\$.27	\$.44
1998 Quarter:				
Operating revenue	\$ 100,315	\$ 100,544	\$ 90,398	\$ 100,004
Income from continuing operations	\$ 12,209	\$ 12,808	\$ 9,373	\$ 13,284
Income from discontinued operations	2,738	5,283	3,238	3,300
Net income	\$ 14,947	\$ 18,091	\$ 12,611	\$ 16,584
Earnings per share:				
Basic:				
Income from continuing operations	\$.27	\$.29	\$.21	\$.30
Income from discontinued operations	.06	.12	.07	.07
Net income	\$.33	\$.41	\$.28	\$.37
Diluted:				
Income from continuing operations	\$.27	\$.28	\$.21	\$.29
Income from discontinued operations	.06	.12	.07	.07
Net income	\$.33	\$.40	\$.28	\$.36

OFFICERS AND DIRECTORS

Richard D. Gottlieb

Chairman and Chief Executive Officer;
Director

Mary E. Junck

President and Chief Operating Officer;
Director

James W. Hopson

Vice President, Publishing;
Publisher, *Wisconsin State Journal*

Vytenis P. Kuraitis

Vice President, Human Resources

Gregory P. Schermer

Vice President, Interactive Media;
Director

John VanStrydonck

Vice President, Publishing

Greg Veon

Vice President, Publishing

Chris Wahlig

Vice President, Finance

Rance E. Crain

Director;
President, Crain Communications Inc.

J.P. Guerin

Director;
Investor

William E. Mayer

Director;
Partner, Development Capital, LLC

Andrew E. Newman

Director;
Chairman, Race Rock International

Gordon D. Prichett

Director;
Chairman of Mathematics, Statistics and
Information Sciences, Babson College

Ronald L. Rickman

Director;
Retired President, Publishing

Phyllis Sewell

Director;
Retired Senior Vice President,
Federated Department Stores

Mark Vittert

Director;
Private Investor

C.D. Waterman III

Board Secretary;
Partner, Lane & Waterman

CORPORATE DIRECTORY

General Office

Lee Enterprises, Incorporated

215 N. Main Street

Davenport, IA 52801-1924

(319) 383-2100

www.lee.net

Securities Market

New York Stock Exchange

Trading symbol: LEE

Annual Meeting

The annual meeting of shareholders will be held in the Company's General Offices, 400 Putnam Building, 215 North Main Street, Davenport, Iowa, at 9:00 a.m. on Tuesday, January 23, 2001.

Transfer Agent and Registrar

EquiServe Trust Company

P.O. Box 2500

Jersey City, NJ 07303-2500

(800) 446-2617

www.equiserve.com

For online access to your account:

<http://gateway.equiserve.com>

General Counsel

Lane & Waterman

220 N. Main Street, Suite 600

Davenport, IA 52801

Auditors

McGladrey & Pullen, LLP

220 N. Main Street, Suite 900

Davenport, IA 52801

Online information

www.lee.net

At www.lee.net you may access a wide range of the latest Lee Enterprises news and shareholder information, including monthly statistics, quarterly reports and Form 10-K for fiscal 2000, as filed with the Securities and Exchange Commission. You may request a printed copy of quarterly reports or Form 10-K by writing to or calling the corporate office.

At www.lee.net you also will find links to local, regional and national news, archives, reader services, advertising services and a wealth of classified and employment listings at Lee's daily, weekly and specialty publications.

Bettendorf News ■ Gateway Times ■ Quad-City Advertiser ■ Thrifty Nickel ■ www.qcthriftnickel.com ■ Thrifty Nickel Wheel Deals ■ www.southernillinoisan.com ■ Flipside ■ Southern Hometown Shopper ■ Welcome Home ■ Prairie Shopper ■ www.theprairieshopper.com ■ www.muscatinepost.com ■ Sunday Express ■ Films of the Golden Age ■ Globe Advertiser ■ Mason City Shopper ■ www.masoncityshopper.com ■ Summit Advertiser ■ Winnebago/Hancock Shopper ■ www.winnebagoshopper.com ■ Mitchell County Press-News ■ www.mcpress.com ■ Work For You, Montana ■ Yellowstone Shopper ■ Mini Nickel ■ www.mininickel.com ■ Western Montana Shopper ■ Thrifty Nickel ■ www.thriftynickel.com ■ Clark Fork Valley Press ■ Lake County Leader ■ The Advertiser ■ Bigfork Eagle ■ www.bigforkeagle.com ■ Hungry Horse News ■ The Shopping News ■ Western Montana Messenger ■ Mineral County Independent ■ Whitefish Pilot ■ Consumers Press ■ www.consumerspress.com ■ Sunland Weekend Extra ■ Homefront Buyers Guide ■ Scout Shopper ■ Tribune Marketplace ■ **Fremont Tribune** ■ www.fremonttribune.com ■ www.huskerfootball.com ■ Consumer Connection ■ Lincoln Real Estate ■ Neighborhood Extra ■ Lincoln Rentals for You ■ www.lincolnrnt.com ■ David City Banner Press ■ The Plattsmouth Journal ■ Schuyler Sun ■ Burt County Plaindealer ■ **Midwest Messenger** ■ www.midwestmessenger.com ■ Dickinson Pennysaver ■ Tribune Extra ■ www.farmandranchguide.com ■ Montana Magazine ■ www.montanamagazine.com ■ www.dailytidings.com ■ Ashland People ■ Cottage Grove Sentinel ■ www.cgsentinel.com ■ Goldmine ■ Klamath Falls Nickel Want Ad Network ■ www.virtualclassifieds.net ■ Lebanon Express ■ Newport News-Times ■ www.newportnewstimes.com ■ Newport This Week ■ The Springfield News ■ Rapid City Advertiser ■ Northern Hills Advertiser ■ Tri-State Neighbor ■ www.tristateneighbor.com ■ Tucson Cars & Trucks ■ www.tucsoncars.com ■ Quik Quarter/Thrifty Nickel ■ Pioneer Shopper ■ www.pioneershopper.com ■ **Little Nickel** ■ www.littlenickel.com ■ Wheel Deals ■ www.wheeldeals.com ■ www.nickelnik.com ■ Nickel Nik's Wheel Deals ■ www.wheeldeals.com ■ Nickel Nik's RV/Truck Wheel Deals ■ Buyline ■ Wenatchee Homes ■ www.dunnconnect.com ■ Dunn County Reminder ■ Dunn County Shopper ■ Tradin' Post Buyer's Guide ■ Farm & Ranch Guide ■ www.farmranch.com ■ Foxy Shopper ■ www.lacrossefoxy.com ■ Tribune Extra ■ La Crosse Wheels For You ■ Neighbors Extra ■ **The Journal Times** ■ www.journaltimes.com ■ Tomah Journal/Monitor Herald ■ Tri-County Advertiser ■ Vernon County Broadcaster ■ Westby Times ■ Coulee News ■ Madison Ad World ■ AgriView ■ Apartment Showcase ■ www.apartmentshowcase.com ■ Business First ■ www.business-first.net ■ www.shopperstopper.com ■ Shopper Stopper ■ www.shopperstopper.com ■ Sauk Prairie Eagle ■ www.shopperstopper.com/shopper/eagle ■ Reedsburg Times ■ Wisconsin Dells Events ■ Broadwater Printing ■ Hawkeye Printing ■ Little Nickel Quik Print ■ Maple Street Press ■ www.maplestreetpress.com