JOURNAL REGISTER COMPANY
2000 ANNUAL REPORT

WE DELIVER...

COMPANY PROFILE*

Journal Register Company (NYSE: JRC) is a leading U.S. newspaper publishing company that operates in six geographic clusters, five of which are located in the Northeast and one in the greater Cleveland, Ohio, area. Headquartered in Trenton, New Jersey, the Company has approximately 4,300 employees in seven states.

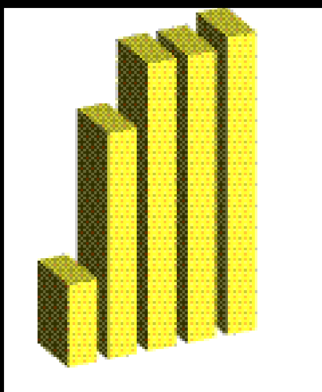
Journal Register Company owns 24 daily newspapers with total daily circulation of approximately 583,000 and 158 non-daily publications with total non-daily distribution of more than 2.2 million.

Journal Register Company operates 104 individual Web sites featuring the Company's daily newspapers and non-daily publications, which can be accessed at www.journalregister.com.

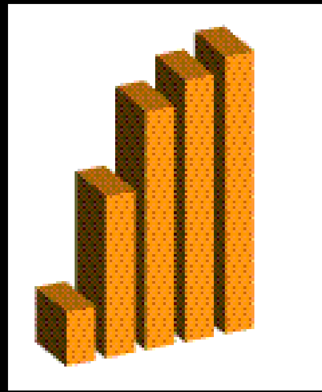
Journal Register Company was founded in July 1990 and went public in May 1997.

**As of December 31, 2000.*

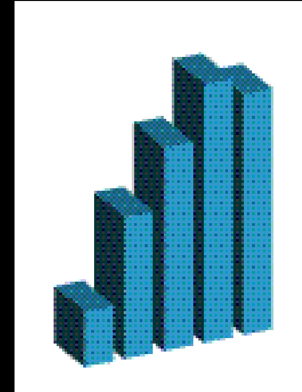
FINANCIAL HIGHLIGHTS *(In millions of dollars)*



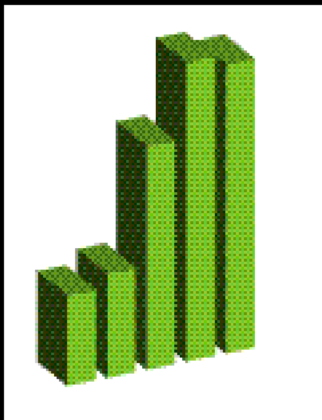
NET INCOME



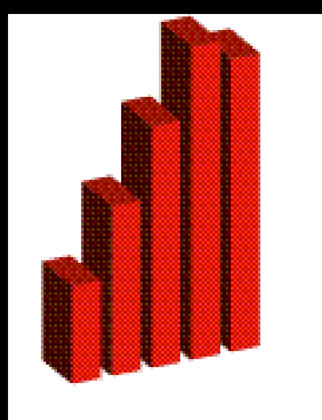
TANGIBLE NET INCOME



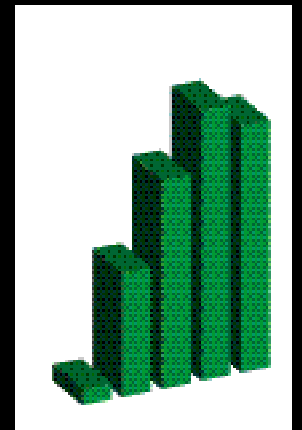
OPERATING INCOME



REVENUE



EBITDA



FREE CASH FLOW [4]

(1) Adjusted to exclude special charges and extraordinary items, see notes to Selected Financial Data.
(2) The results of the St. Louis cluster operations sold in two transactions in August and October 2000, are included through the dates of sale.
(3) These results exclude the gains on sales and the reversal of certain tax accruals.
(4) Free Cash Flow is defined as EBITDA minus net additions to Property, Plant and Equipment (excluding expenditures in connection with the Philadelphia plant project) and cash taxes.

...RESULTS.

BY CREATING A SUPERIOR PRODUCT.
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BY PROVIDING OPPORTUNITIES FOR OUR ADVERTISERS
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BY BUILDING SHAREHOLDER VALUE
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TO OUR SHAREHOLDERS

I am pleased to report that 2000 was another record year for Journal Register Company with reported net income of $3.72 per share or $1.07 per share excluding special items; both are records. Our EBITDA margin of 33.8% continued to be one of the best in the industry.

This excellent performance, achieved in a year that saw the end of the longest running economic expansion in history and a 6.2% increase in newsprint prices, is a testament to the value of newspapers as an effective information and advertising medium and, specifically, to the quality and strength of Journal Register Company's publications and management team. These results also demonstrate the benefits of the top line and operational synergies produced by our successful clustering strategy.

The Company sold five newspaper operations with daily circulation of 65,000 and non-daily circulation of 2.0 million, generating after-tax cash proceeds of approximately ten times EBITDA. These sales were completed between August 2000 and January 2001. Pro forma for the transactions and assuming all proceeds were used to repay debt, Journal Register Company would have had approximately $436 million of net debt. This reduces the Company's pro forma leverage (net debt to EBITDA) to approximately 3.1 times as of December 31, 2000. This is the lowest level in the history of Journal Register Company. We believe that these sales enhance the value of Journal Register Company and allow us to focus our resources on our current six clusters, five of which are located in the Northeast and one in greater Cleveland. They also provide the Company with increased financial flexibility, positioning us to further maximize shareholder value.

In December 2000, the Company's Board of Directors increased the annual maximum share repurchase authorization to $100 million. During 2000, we repurchased 1.2 million shares at a total cost of $18.1 million. We believe that the Company's underlying value is not currently reflected in its stock price, and we expect therefore to be an active purchaser of our shares in 2001.

In 2000, we continued to focus on being the number one provider of local information in the markets we serve, both in print and online. To that end, we redesigned our 104 individual Web sites, significantly improving content and functionality.

JOURNAL REGISTER COMPANY PUBLICATIONS

PUBLICATION	YEAR OF ORIGIN	COMMUNITY	DAILY CIRCULATION	SUNDAY CIRCULATION	NON-DAILY DISTRIBUTION
CONNECTICUT					
New Haven Register	1755	New Haven	100,049	104,541	
The Herald	1881	New Britain	17,169	35,322	
The Bristol Press	1871	Bristol	13,320		
The Register Citizen	1889	Torrington	10,581	9,820	
The Middletown Press	1884	Middletown	9,508		
Shore Line Newspapers (13)	1877	Guilford			126,069
Imprint Newspapers (12)	1880	Bristol			95,137
Elm City Newspapers (9)	1931	Milford			91,929
Connecticut Magazine	1938	Trumbull			86,820
Gamer Publications (3)	1981	Bristol			58,652
Housatonic Publications (9)	1825	New Milford			57,314
Foothills Trader (3)	1965	Torrington			50,000
Connecticut's County Kids (2)	1989	Westport			44,000
Minuteman Newspapers (2)	1993	Westport			36,981
East Hartford Gazette	1885	East Hartford			19,284
Homefinder	1976	New Britain			17,500
Thomaston Express	1874	Thomaston			1,220
TMC Products (7)					180,586
			150,627	**149,683**	**865,492**

Register
Yale to the Chief

PUBLICATION	YEAR OF ORIGIN	COMMUNITY	DAILY CIRCULATION	SUNDAY CIRCULATION	NON-DAILY DISTRIBUTION
CENTRAL NEW ENGLAND					
The Herald News	1872	Fall River, MA	24,406	26,891	
The Call	1892	Woonsocket, RI	15,959	16,082	
The Times	1885	Pawtucket, RI	13,947		
Taunton Daily Gazette	1848	Taunton, MA	13,369	12,917	
Kent County Daily Times	1892	West Warwick, RI	4,726		
Southern Rhode Island Newspapers (8)	1854	Wakefield, RI			49,098
Hometown Newspapers (4)	1969	West Warwick, RI			34,500
County Kids (3)	1997	Fall River & Taunton, MA & Pawtucket, RI			53,000
Neighbors	1999	Pawtucket & Woonsocket, RI			20,000
Classified Plus	1996	Fall River, MA			6,000
TMC Products (4)					93,900
			72,407	**55,890**	**256,498**

The Herald News
A hero's good-bye

PUBLICATION	YEAR OF ORIGIN	COMMUNITY	DAILY CIRCULATION	SUNDAY CIRCULATION	NON-DAILY DISTRIBUTION
OHIO					
The News-Herald	1878	Willoughby	48,033	59,506	
The Morning Journal	1921	Lorain	34,311	38,106	
*The Times Reporter**	1903	New Philadelphia	23,608	24,889	
*The Independent**	1871	Massillon	14,510	12,736	
County Kids (2)	1997	Willoughby & Lorain			38,500
TMC Products (4)					111,859
			120,462	**135,237**	**150,359**

*Sold on January 31, 2001.

The News-Herald
Sunday
TEEN KILLED IN ROBBERY

PUBLICATION	YEAR OF ORIGIN	COMMUNITY	DAILY CIRCULATION	SUNDAY CIRCULATION	NON-DAILY DISTRIBUTION
GREATER PHILADELPHIA					
The Trentonian	1945	Trenton, NJ	50,980	40,527	
Delaware County Daily and Sunday Times	1876	Primos, PA	48,258	44,914	
Daily Local News	1872	West Chester, PA	30,451	30,022	
The Mercury	1930	Pottstown, PA	25,350	26,173	
The Times Herald	1799	Norristown, PA	18,176	15,445	
The Phoenix	1888	Phoenixville, PA	3,561		
InterCounty Newspaper Group (18)	1869	Bristol, PA			105,000
Town Talk Newspapers (7)	1964	Media & Ridley, PA			85,700
Acme Newspapers (4)	1930	Ardmore, PA			78,780
Penny Pincher Shoppers (6)	1988	Pottstown, PA			58,400
Suburban Publications (3)	1885	Wayne, PA			32,802
Real Estate Today	1978	Pottstown, PA			38,400
Tri-County Record	1975	Morgantown, PA			21,353
The Homes Magazine	1988	West Chester, PA			18,000
The Village News	1980	Downingtown, PA			19,000
The Times Record	1980	Kennett Square, PA			9,000
Blue Bell Journal	1999	Blue Bell, PA			6,100
TMC Products (6)					127,000
			176,776	**157,081**	**599,535**
CAPITAL-SARATOGA REGION OF NEW YORK					
The Record	1896	Troy	22,291	23,908	
The Saratogian	1855	Saratoga Springs	11,205	13,123	
The Oneida Daily Dispatch	1850	Oneida	7,265		
Community News	1969	Clifton Park			27,100
Pennysaver (2)	1957	Oneida & Chittenango			23,796
TMC Products (2)					35,500
			40,761	**37,031**	**86,396**
MID-HUDSON REGION OF NEW YORK					
Daily Freeman	1871	Kingston	21,515	28,564	
Taconic Press (11)	1846	Millbrook			227,618
Doorways	1983	Kingston			26,400
			21,515	**28,564**	**254,018**
TOTAL JOURNAL REGISTER COMPANY			**582,548**	**563,486**	**2,212,298**

SUNDAY TIMES
Road to sainthood

RECORD
Outcome uncertain
First lady elected U.S. senator

Daily Freeman
STATE CHAMPS!

Number of publications in parenthesis.

Journal Register Company publications are distinguished by a remarkable commitment to the coverage of local news, sports and issues. Readers turn to our newspapers for local information unavailable anywhere else, packaged in a reader-friendly and consistent format.

Our opinion pages are a forum to discuss ongoing community issues and events. Local editorials help frame the issues and our Letters to the Editor sections present an opportunity for reader interaction and input. These features help position Journal Register Company newspapers as a force for community advancement, a role our newspapers embrace.

On local sports events, no other source matches our comprehensive and complete coverage. Our local "beat" coverage of high school and other local sporting events is complete with standings and statistical summaries. Journal Register Company newspapers highlight local athletes in their male and female Athlete of the Week features. When our markets host major events, such as the annual season of horse racing leading up to the Travers Cup in Saratoga Springs, our newspapers get fully involved with their communities by providing comprehensive local coverage for their readers and special advertising sections for their advertisers. Every day during racing season, *The Saratogian* and *The Record* team up to offer *The Pink Sheet,* which has been a traditional source of horse racing news and tips since the 1920's.

For professional sports coverage, Journal Register Company newspapers offer columns by some of the best writers in the market. For example, the exceptional New York Giants football coverage provided by *New Haven Register* award-winning sports columnist Dave Solomon is published in all nine of our Connecticut and New York daily newspapers.

Enhancing this outstanding coverage is the crisp and dynamic work of our graphic artists. State-of-the-art pagination systems at Journal Register Company newspapers provide for creative and captivating designs that attract reader attention. In Fall River, Massachusetts, for example, the New England Associated Press News Editors recognized *The Herald News* in 2000 for its outstanding feature
page design.

Journal Register Company coverage and commitment is also reflected in its ability to create online products. Local news and information is repurposed online to create compelling Web sites that complement and build brand awareness in local markets. Individual sites are leveraged into more extensive regional portal sites that expand functionality and reach. At Journal Register Company, quality content presented in a compelling package in print and online makes our newspapers and Web sites vital parts

CREATING A SUPERIOR

By tailoring publications to complement the character of the markets they serve.

"Our goal is to strengthen our position as the number one source of local information in the markets we serve by providing relevant, credible and well produced products to our readers and advertisers."

Kevin Haezebroeck
Publisher
The Saratogian
Saratoga Springs, NY

PRODUCT

"Every year, the New Haven Register *sponsors fund-raisers that enable dozens of inner-city youth to attend Fresh Air Fund summer camps."*

EDITORIAL EXCELLENCE

E&P Photo of the Year Contest 2000

Pottstown, PA: The Mercury *and Photographer Kevin Hoffman are the recipients of* Editor & Publisher's *first annual Photo of the Year Award*

NH Varsity

A MAN AMONG BOYS

THE MORNING JOURNAL

He's guilty

The Narragansett Times

Aftermath of a plane crash

Willoughby, OH: The News-Herald *is recognized among the top 10 in the country for Sports Special Sections (40,000-100,000 circulation) by the Associated Press Sports Editors*

Lorain, OH: The Morning Journal *is named best daily newspaper in the state (under 100,000 circulation) by the Press Club of Cleveland*

Wakefield, RI: The Narragansett Times *is honored First Place, General Excellence (under 10,000 weekly circulation) by the New England Press Association*

PROVIDING OPPORTUNITIES

We deliver customers in affluent, suburban markets. Our newspapers, special sections and specialty publications allow advertisers to target their message.

Journal Register Company's publications serve readers who have average household incomes substantially above the national average and, therefore, substantial buying power. Our newspapers produce regular daily sections, as well as numerous special sections, that create powerful advertising environments.

Journal Register Company's geographic clustering strategy provides advertisers with opportunities to expand their reach. For example, Journal Register Company's Suburban Philadelphia Newspapers Network delivers 1.9 million readers in greater Philadelphia's most affluent suburban markets. One meeting with a network representative gives advertisers access to six daily newspapers, 63 non-daily publications and 32 Web sites, including the Company's regional portal, *allaroundphilly.com.* The network also offers regional special sections, such as Employment Extravaganza, which reaches nearly 827,000 potential job candidates in the greater Philadelphia region.

Journal Register Company market penetration extends online, with Web sites that deliver local customers to advertisers on the Web. Our local publications – with brand names that date back to the 18th century – are positioned as the dominant source of local news and information in their markets online, as well as in print.

Our powerful combination of community newspapers, targeted sections, creative specialty publications and geographic focus offer advertisers a wide-range of opportunities to better utilize their advertising dollars. Whether through a network-wide buy or an order tailored to reach a market or demographic of choice, advertisers are well served by the diversity and success of our print and online products.

FOR OUR ADVERTISERS

"The New Haven Register *and Farricielli Auto World are a tradition in the New Haven Market. We've advertised weekly in the* Register *for many years and customers often come to the showroom with our ad in hand. We believe in newspaper advertising; it's helped our business grow."*

Vincent Farricielli
President/Owner, Farricielli Auto World
Branford, CT

"We have advertised on the front cover of the Marketplace *section for years, and I would never think of giving up our position. We are a high-end real estate company, and some of our best sales – properties worth millions of dollars – have come from people who saw our ad in* Marketplace.*"*

Douglas Pearson, President, Kurfiss Real Estate, Doylestown, PA

Journal Register Company has developed and perfected a geographic clustering strategy, which enables the Company to capitalize on top-line synergies and operating efficiencies. We believe Journal Register Company's success to date can be attributed to its enhancement of existing franchises, the implementation of creative new revenue streams and the assimilation of strategic acquisitions.

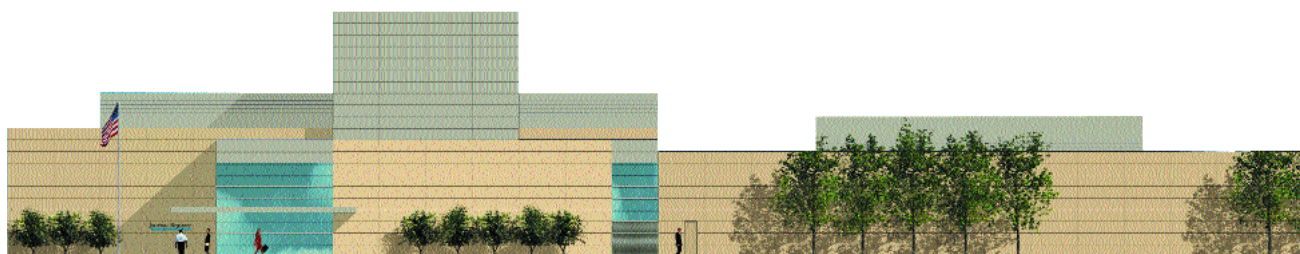
In 2000, the Company, committed to maximizing shareholder value, decided to sell its St. Louis and Ohio cluster operations. The successful completion of these sales positioned Journal Register Company for continued future growth. The sales were accomplished in three transactions completed in August and October of 2000 and January 2001 for after-tax cash proceeds of approximately ten times EBITDA (earnings before interest, taxes, depreciation and amortization).

Journal Register Company has also indicated high confidence in its future growth through the increase of the Company's share repurchase program in December of 2000 to an annual maximum of $100 million.

In 2000, Journal Register Company commenced the construction of its joint production and distribution facility in its Greater Philadelphia cluster. This project will facilitate additional regional efficiencies and accommodate additional growth in the Company's Greater
Philadelphia cluster.

Journal Register Company continues to pursue strategic acquisition opportunities. In January 2001, the Company completed the acquisition of Chesapeake Publishing Corporation's 13 non-daily New Jersey and Pennsylvania publications. These publications are an excellent complement to our Greater Philadelphia cluster, specifically to the *Daily Local News* in West Chester, Pennsylvania, and to the New Jersey operations of our InterCounty Newspaper Group. These are also an excellent addition to our Suburban Philadelphia Newspapers Network.

By focusing on its strategic clusters, capitalizing on opportunities in each of its markets and investing for the future, Journal Register Company delivers results



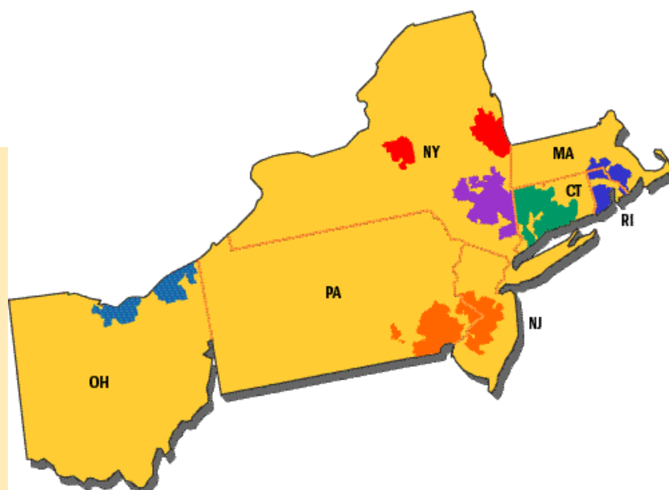
BUILDING SHAREHOLDER

Journal Register Company is committed to maximizing shareholder value.

AT A GLANCE*

- ***6 strategic geographic clusters***
- ***22 daily newspapers with 544,000 daily circulation***
- ***171 non-daily publications with 2.9 million distribution***
- ***103 Web sites featuring JRC newspapers***
- ***4,200 employees in 7 states***

**As of January 31, 2001.*

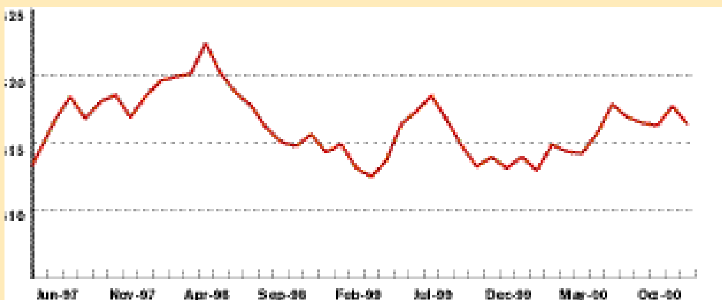


"Centrally located in Journal Register Company's Greater Philadelphia cluster, our new joint production and distribution facility will enable Journal Register Company to further capitalize on cluster synergies in our Greater Philadelphia cluster."

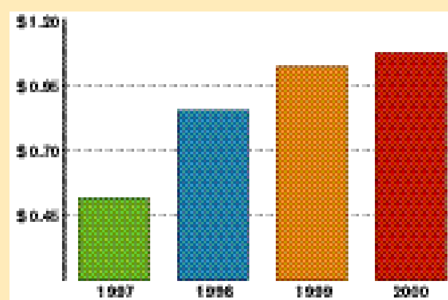
William Higginson, Vice President, Production
Journal Register Company

VALUE

SHARE PRICE PERFORMANCE

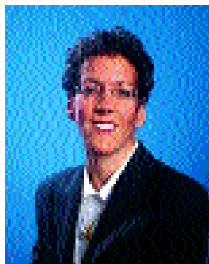


EARNINGS PER SHARE



BOARD OF DIRECTORS

Robert M. Jelenic
Chairman, President and Chief Executive Officer, Journal Register Company



Jean B. Clifton
Executive Vice President, Chief Financial Officer and Secretary, Journal Register Company

John L. Vogelstein
Vice Chairman and President, E.M. Warburg, Pincus & Co., LLC

Gary D. Nusbaum
Managing Director, E.M. Warburg, Pincus & Co., LLC

Douglas M. Karp
Managing Partner, Pacific Partners, LLC

John R. Purcell
Chairman and Chief Executive Officer, Grenadier Associates, Ltd.

Joseph A. Lawrence

SENIOR EXECUTIVE OFFICERS

(Left to right) Thomas E. Rice, *Senior Vice President, Operations*; W. Wilson Dorward, *Senior Vice President, Finance and Treasurer;* Robert M. Jelenic, *Chairman, President and Chief Executive Officer;* Jean B. Clifton, *Executive Vice President, Chief Financial Officer and Secretary;* Allen J. Mailman, *Senior Vice President, Technology*

SELECTED FINANCIAL DATA

The following selected financial data (except number of newspapers) has been derived from the audited financial statements of the Company and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and notes thereto included elsewhere in this report:

	Year Ended December 31, 2000	Year Ended December 26, 1999 [1]	Year Ended December 31, 1998	1997	1996
Dollars in thousands, except per share amounts					
Statement of Income Data:					
Revenues:					
Advertising	**$ 343,130**	$ 348,995	$ 312,908	$ 266,914	$ 256,971
Circulation	**96,852**	96,783	89,388	80,211	79,776
Newspaper revenues	**439,982**	445,778	402,296	347,125	336,747
Commercial printing and other	**23,987**	23,787	24,484	12,282	14,373
	463,969	469,565	426,780	359,407	351,120
Operating expenses:					
Salaries and employee benefits	**155,161**	157,110	139,216	114,302	111,626
Newsprint, ink and printing charges	**46,533**	48,432	53,594	40,452	50,110
Selling, general and administrative	**47,008**	45,318	39,047	30,450	30,993
Depreciation and amortization	**27,616**	28,798	23,844	20,480	20,525
Other	**58,395**	57,975	52,012	40,783	38,976
Special charge [2]	—	—	—	31,899	—
	334,713	337,633	307,713	278,366	252,230
Operating income	**129,256**	131,932	119,067	81,041	98,890
Net interest and other expense	**(48,020)**	(52,347)	(45,321)	(42,288)	(56,472)
Gain on sale of newspaper properties	**180,720**	—	—	—	—
Income before provision for income taxes, equity interest and extraordinary item	**261,956**	79,585	73,746	38,753	42,418
Provision for income taxes	**90,951**	31,694	28,112	15,784	14,309
Income before extraordinary item and equity interest	**171,005**	47,891	45,634	22,969	28,109
Equity interest	**(1,624)**	(226)	—	—	—
Income before extraordinary item	**169,381**	47,665	45,634	22,969	28,109
Extraordinary item [3]	—	—	(4,495)	—	—
Net income	**$ 169,381**	$ 47,665	$ 41,139	$ 22,969	$ 28,109
Income before extraordinary item per common share:					
Basic	**$ 3.74**	$ 1.02	$ .94	$ .51	$ —
Diluted	**$ 3.72**	$ 1.02	$ .94	$ .51	$ —
Net income per common share:					
Basic	**$ 3.74**	$ 1.02	$ .85	$ .51	$ —
Diluted	**$ 3.72**	$ 1.02	$ .85	$ .51	$ —
Proforma net income per common share [4]	**$ —**	—	—	—	.74
Other Data:					
EBITDA [5, 6]	**$ 156,871**	$ 160,730	$ 146,706	$ 133,420	$ 119,415
EBITDA Margin [6]	**33.8 %**	34.2 %	34.4 %	37.1 %	34.0 %
Tangible net income, as adjusted [5, 6]	**$ 60,960**	$ 58,887	$ 55,537	$ 46,042	$ 31,905
Tangible net income, as adjusted, per common share [5, 6]	**$ 1.34**	$ 1.26	$ 1.14	$ 1.02	$ —

	Year Ended December 31, 2000	Year Ended December 26, 1999 [1]	Year Ended December 31, 1998	1997	1996
Dollars in thousands, except per share amounts					
Other Data (continued):					
Capital expenditures	**$ 21,550**	$ 18,081	$ 14,353	$ 9,727	$ 7,675
Net cash provided by operating activities	**62,915**	90,595	80,344	66,030	60,065
Net cash provided by (used in) investing activities	**195,206**	(32,727)	(354,213)	(19,447)	(25,700)
Net cash provided by (used in) financing activities	**(254,716)**	(63,320)	274,228	(46,946)	(34,441)
Number of daily newspapers, end of period	**24**	25	24	18	18
Number of non-daily publications, end of period	**158**	200	185	141	118
Balance Sheet Data:					
Total current assets	**79,359**	88,397	81,878	77,833	66,035
Property, plant and equipment, net	**104,178**	107,522	99,978	92,620	91,713
Total assets	**657,350**	687,180	671,869	327,931	305,985
Total current liabilities, less current maturities of long-term debt	**51,542**	53,380	50,124	39,034	37,720
Total debt, including current maturities	**494,635**	731,467	765,000	490,774	654,825
Stockholders' deficit	**$ (55,726)**	$(207,383)	$(225,313)	$(266,242)	$(423,658)

(1) In 1999, the Company changed its fiscal year from a calendar year to a fiscal year ending on the last Sunday of the calendar year.

(2) The 1997 special charge of $31.9 million (before benefit for income taxes of $13.0 million) was incurred in connection with the Company's initial public offering and was comprised of $28.4 million for a management bonus and $3.5 million for the discontinuance of a management incentive plan. The management bonus was comprised of 1.1 million shares of Common Stock and a cash portion to satisfy the recipients' tax obligations arising from the management bonus.

(3) The 1998 extraordinary item represents a charge of $4.5 million (net of tax) related to the early extinguishment of debt in connection with the prior credit agreement.

(4) Pro forma net income per common share for 1996 was calculated reflecting the 37,962,500 shares which were issued and outstanding prior to the Company's initial public offering, but subsequent to December 31, 1996.

(5) The 1998 data excludes the effects of special charges ($3.8 million, before tax benefit, $3.2 million of which was recorded in selling, general and administrative, and approximately $630,000 in other expenses) related to the cancellation of the Company's convertible debt offering, integration of the Goodson Acquisition, and an increase to certain receivable reserves and an extraordinary item ($4.5 million, net of tax) as discussed in Note (3) above. The 1997 data excludes the effect of the special charge of $31.9 million (before benefit for income taxes of $13.0 million) as discussed above in Note (2).

(6) EBITDA is defined by the Company as operating income (loss) plus depreciation, amortization and other non-cash, special or non-recurring charges. Tangible net income is defined as net income, excluding equity interest, plus after-tax amortization. EBITDA and tangible net income are not intended to represent cash flow from operations and should not be considered as alternatives to operating or net income computed in accordance with generally accepted accounting principles ("GAAP") as indicators of the Company's operating performance, as alternatives to cash from operating activities (as determined in accordance with GAAP) or as measures of liquidity.

The Company believes that EBITDA is a standard measure commonly reported and widely used by analysts, investors and other interested parties in the media industry. Accordingly, this information has been disclosed herein to permit a more complete comparative analysis of the Company's operating performance relative to other companies in the industry. However, not all companies calculate EBITDA and tangible net income using the same methods; therefore, the EBITDA and tangible net income figures set forth above may not be comparable to EBITDA and tangible net income reported by other companies. Certain covenants contained in the Company's Credit Agreement are based upon EBITDA. See "Management's Discussion and Analysis of Financial Condition and Results of Operations." Tangible net income per share is calculated using the weighted-average shares outstanding on a diluted basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis should be read in conjunction with the historical consolidated financial statements and notes thereto and the other financial information appearing elsewhere in this Report.

GENERAL

The Company's business is publishing newspapers in the United States, where its publications are primarily daily and non-daily newspapers. The Company's revenues are derived primarily from advertising, paid circulation and commercial printing.

As of December 31, 2000, the Company owned and operated 24 daily newspapers and 158 non-daily publications strategically clustered in six geographic areas: Connecticut; Greater Philadelphia; Ohio; Central New England; and the Capital-Saratoga and Mid-Hudson, New York regions. As of December 31, 2000, the Company had total paid daily circulation of approximately 582,500, total paid Sunday circulation of approximately 565,000 and total non-daily distribution of approximately 2.2 million.

The Company's objective is to continue its growth in revenues, EBITDA and net income. The principal elements of the Company's strategy are to: (i) expand advertising revenues and readership, (ii) grow by acquisition, (iii) capture synergies from geographic clustering and (iv) implement consistent operating policies and standards. From 1993 through December 31, 2000, the Company successfully completed 17 strategic acquisitions, acquiring 13 daily newspapers, 126 non-daily publications and three commercial printing companies, two of which print a number of the non-daily publications; the third is a premium quality sheet-fed printing company.

The Company sold certain of its operations in the Greater St. Louis area in two transactions in August and October of 2000. The Company also sold two daily newspapers and a commercial printing operation in the south central part of Ohio on January 31, 2001. This sales process, which was announced in February 2000 and completed on January 31, 2001, resulted in a strategic repositioning in six geographic clusters and a substantial reduction in the Company's leverage. The proceeds were used to reduce the Company's outstanding debt, repurchase stock and for a strategic acquisition in the Company's Greater Philadelphia cluster.

The Company's management believes that its newspapers are effective in addressing the needs of local readers and advertisers. The Company's management believes that because its newspapers rely on a broad base of local retail and local classified advertising, rather than more volatile national and major account advertising, its advertising revenues tend to be relatively stable.

As part of the Company's strategy, the Company focuses on increasing advertising and circulation revenues and expanding readership at its existing and newly acquired properties. The Company has also developed certain operating policies and standards which it believes have resulted in significant improvements in the cash flow and profitability of its existing and acquired newspapers, including: (i) focusing on local content, (ii) maintaining and improving product quality, (iii) enhancing distribution and (iv) promoting community involvement.

In addition, the Company is committed to expanding its business through its Internet initiatives. The Company's online mission is to make journalregister.com Web sites the indispensable source of useful and reliable community news, sports and information in their markets by making its Web sites the local information portal for their markets. As of December 31, 2000, the Company operated 104 Web sites featuring the Company's daily newspapers and non-daily publications.

On November 9, 1999, the Company elected to change its fiscal year from a calendar year end to a fiscal year ending on the last Sunday in December. Accordingly, the Company's 2000 and 1999 fiscal years ended on December 31, 2000 and December 26, 1999, respectively.

Year Ended December 31, 2000 Compared to Year Ended December 26, 1999

For comparison purposes, where noted, the Company's fiscal years 2000 and 1999 results are presented on a pro forma basis, which excludes the results of the Greater St. Louis cluster newspapers sold in 2000. Also, where noted, the Company's results are presented on a comparable day basis, which adjusts for the estimated impact of the additional days resulting from the Company's change to a 52/53-week basis.

Summary. Net income for the year ended December 31, 2000 was $169.4 million, or $3.72 per diluted share, versus $47.7 million, or $1.02 per diluted share for the year ended December 26, 1999. Excluding special items, earnings per diluted share were $1.07 for the year ended December 31, 2000. EBITDA for the year ended December 31, 2000, on a pro forma basis, increased $3.8 million to $145.9 million as compared to the prior year.

The special items reported in the current year results include a $180.7 million pre-tax gain on the sale of the Company's St. Louis cluster operations and the reversal of certain tax accruals.

Revenues. Reported revenues were $464.0 million for the year ended December 31, 2000 as compared to $469.6 million for the year ended December 26, 1999. The decline was mainly due to the sale of St. Louis cluster, partially offset by increased revenues resulting from the Company's change to a fiscal 52/53-week year and higher advertising revenues.

Pro forma revenues. Pro forma revenues increased by 4.1% to $420.4 million or approximately 1.8% on a comparable day basis. On a comparable day basis, increases in advertising revenues of approximately 3.1% and commercial print revenues of 1.5% were partially offset by lower circulation revenues. Online revenues, included in advertising revenues, were approximately $3.3 million, an increase of approximately 30.0%.

Salaries and employee benefits. Salaries and employee benefit expenses were 33.4% of the Company's revenues for the year ended December 31, 2000 compared to 33.5% for the year ended December 26, 1999. Salaries and employee benefits decreased $1.9 million, or 1.2% in 2000 to $155.2 million. Pro forma salaries and employee benefits increased $3.4 million, or 2.5%, mainly due to the additional days in 2000 resulting from the Company's change to a fiscal 52/53-week year.

Newsprint, ink and printing charges. For the year ended December 31, 2000, newsprint, ink and printing charges were 10.0% of the Company's revenues, as compared to 10.3% for the year ended December 26, 1999. Newsprint, ink and printing charges decreased $1.9 million, or 3.9%, for the year ended December 31, 2000 as compared to the prior year due to the sale of the St. Louis cluster. Pro forma newsprint, ink and printing charges increased $2.0 million, or 5.6%, primarily due to an increase of approximately 6% in newsprint prices and the estimated impact of the additional days in 2000 as compared to 1999 resulting from the Company's change to a fiscal year, partially offset by a reduction in consumption.

Selling, general and administrative. Selling, general and administrative expenses were 10.1% and 9.7% of the Company's revenues for the years ended December 31, 2000 and December 26, 1999, respectively. On a pro forma basis, selling, general and administrative expenses for the year ended December 31, 2000 increased $4.1 million from $37.8 million to $41.9 million, due primarily to increased promotional activity associated with the Company's revenue growth and the estimated impact of the additional days in 2000 as compared to 1999 resulting from the Company's change to a fiscal year.

Depreciation and amortization. Depreciation and amortization expenses were 6.0% and 6.1% of the Company's revenues for the years ended December 31, 2000 and December 26, 1999, respectively. Depreciation and amortization expenses decreased $1.2 million, or 4.1%, to $27.6 million for the year ended December 31, 2000 primarily due to the sale of the St. Louis cluster. Goodwill amortization for the year ended December 31, 2000 was $12.5 million, including approximately $500,000 related to the operations sold in 2000 and 2001. On a pro forma basis, depreciation and amortization decreased $430,000, or 1.6%, to $26.6 million.

Other expenses. Other expenses were $58.4 million for the year ended December 31, 2000 as compared to $58.0 million for the year ended December 26, 1999. On a pro forma basis, other expenses increased to $3.3 million, or 6.7%, to $52.2 million due in part to increases in expenses associated with the Company's Internet operations and the estimated impact of the additional days in 2000 resulting from the Company's change to a fiscal year.

Operating income. Operating income decreased $2.7 million, or 2.0%, for the year ended December 31, 2000 to $129.3 million as compared to $131.9 million in 1999. Pro forma operating income increased $4.2 million, or 3.7%, to $119.4 million.

Net interest and other expenses. Net interest and other expense decreased $4.3 million from the year ended December 31, 2000 as compared to the year ended December 26, 1999, principally due to a reduction in average net debt outstanding during 2000 as compared to 1999. The reduction in average net debt is due primarily to the sale of the St. Louis cluster and cash flows from operations.

Gain on the sale of newspaper properties. On August 10, 2000, the Company completed its sale of substantially all of the assets of the Suburban Newspapers of Greater St. Louis and all of the issued and outstanding capital stock of The Ladue News, Inc. (collectively, "St. Louis") and reported a pre-tax gain of $141.1 million ($88.4 million after-tax) on the sale. On October 24, 2000, the Company sold substantially all the assets of its Alton, Illinois newspaper, *The Telegraph* ("Alton") and reported a pre-tax gain of $39.6 million on the sale ($24.6 million after-tax).

Provision for income taxes. The provision for income taxes increased by $59.3 million from December 26, 1999 to December 31, 2000, primarily due to $67.7 million of income taxes provided for the sale of the St. Louis cluster partially offset by an approximately $8.0 million reduction of income taxes due to the reversal of certain accruals which were determined to no longer be required.

Equity interest. The loss on equity interest of $1.6 million recorded for the year ended December 31, 2000 represents the Company's pro rata share (7.14%) of the net loss for the period of AdOne, LLC, a provider of classified advertising on the internet, and compares to a loss on equity interest of $226,000 in the prior year. Journal Register Company's investment interest in AdOne, LLC commenced in August 1999.

Other information. Tangible net income for the year ended December 31, 2000 was $61.0 million, or $1.34 per share, as compared to $58.9 million, or $1.26 per share, for the year ended December 26, 1999.

Year Ended December 26, 1999 Compared to Year Ended December 31, 1998

Reporting period. As stated above, in 1999 the Company changed its fiscal year and consequently ended the year on December 26, 1999. Therefore, unless specified otherwise, all comparisons to the 1998 reporting period are affected by the loss of days in the 1999 year-end period.

Revenues. In 1999, revenues increased $42.8 million, or 10.0%, to $469.6 million, primarily due to acquisitions. Newspaper revenues increased $43.5 million, or 10.8%, to $445.8 million in 1999, principally due to increased advertising revenue as a result of acquisitions. Circulation revenues increased approximately $7.4 million, or 8.3%, to $96.8 million in 1999. Commercial printing and other represented 5.1% of the Company's revenues in 1999, as compared to 5.7% in 1998. Online revenues, included in advertising revenues, increased 75% from the prior year period to $3.2 million. Revenues, including the five-day period ended

December 31, 1999, increased approximately $47.4 million, or 11.1%, from the prior year.

Salaries and employee benefits. Salaries and employee benefit expenses were 33.5% of the Company's revenues in 1999 and 32.6% in 1998. Salaries and employee benefits increased $17.9 million, or 12.9%, in 1999 to $157.1 million, primarily due to acquisitions and increased pension expense.

Newsprint, ink and printing charges. In 1999, newsprint, ink and printing charges were 10.3% of the Company's revenues, as compared to 12.6% in 1998. Newsprint, ink and printing charges decreased $5.2 million, or 9.6%, in 1999 as compared to 1998. During 1999, the average newsprint price per ton declined approximately 13% from the prior year. The decrease in newsprint expense attributable to reductions in unit price has been offset in part by volume increases related to the Company's acquisitions.

Selling, general and administrative. Selling, general and administrative expenses were 9.7% and 9.1% of the Company's revenues for 1999 and 1998, respectively. Selling, general and administrative expenses for 1999 increased $6.3 million, or 16.1%, to $45.3 million. During the third quarter of 1998, the Company recorded special charges of $3.2 million (see Note 5 to Selected Financial Data). Excluding the special charges, selling, general and administrative expenses for 1999 increased $9.5 million, or 26.3%, from the prior year, primarily due to acquisitions and promotion costs associated with the Company's revenue generating activities.

Depreciation and amortization. Depreciation and amortization expenses were 6.1% of the Company's revenues in 1999 as compared to 5.6% in 1998. Depreciation and amortization expenses increased $5.0 million, or 20.8%, to $28.8 million in 1999, primarily due to increased amortization resulting from the Company's acquisitions.

Other expenses. Other expenses accounted for 12.3% of the Company's revenues in 1999 as compared to 12.2% in 1998. Other expenses increased $6.0 million, or 11.5%, to $58.0 million in 1999, primarily due to acquisitions and increased promotion expenses. During the third quarter of 1998, the Company reported $630,000 in special charges (see Note 5 to Selected Financial Data). Excluding the $630,000 in special charges, other expenses for 1999 increased $6.6 million, or 12.8%, from the prior year primarily due to the Company's acquisitions and increased promotional expenses.

Operating income. Operating income increased $12.9 million in 1999 to $131.9 million from $119.1 million in 1998, which included special charges of $3.8 million as noted above. Excluding the effect of the special charges in 1998, operating income increased $9.1 million, or 7.4%, due to growth in the Company's advertising revenue, continued newsprint cost savings and the effect of acquisitions.

Net interest expense and other. Interest expense increased $6.8 million, or 15.0%, from 1998 to 1999 as a result of increased borrowing in connection with the Company's acquisitions, including the Goodson Acquisition completed in the third quarter of 1998, offset in part by 1999 debt repayments and a decrease in average borrowing rates.

Provision for income taxes. The Company reported effective tax rates of 39.8% and 38.1% for the years ended December 26, 1999 and December 31, 1998, respectively. The increase in the effective tax rate is primarily a result of the Company's acquisitions, particularly the Goodson Acquisition completed in the third quarter of 1998.

Extraordinary item. The Company recorded an extraordinary item related to the write-off of deferred financing charges in connection with the Company's prior credit agreement in the amount of $4.5 million (net of $2.8 million income tax benefit) in the third quarter of 1998.

Equity interest. During 1999, the Company purchased a 7.14% interest in AdOne, LLC ("AdOne"), a provider of classified advertising on the Internet. The loss recorded in 1999 represents the Company's pro rata share of AdOne's net loss since the date of the Company's investment.

Net income. Net income was $47.7 million in 1999, or $1.02 per share, basic and diluted, for 1999, as compared to $41.1 million, or $.85 per share, basic and diluted, for 1998, which reflects $6.8 million (net of $4.3 million of income tax benefit) of special charges and an extraordinary item.

Other information. EBITDA increased $14.0 million, or 9.6%, to $160.7 million from $146.7 million in 1998. Tangible net income in 1999 was $58.9 million, or $1.26 per share, as compared to $55.5 million or $1.14 per share in 1998.

Liquidity and Capital Resources

The Company's operations have historically generated strong positive cash flow. The Company believes cash flows from operations will be sufficient to fund its operations, capital expenditures and long-term debt obligations. The Company also believes that cash flows from operations and future borrowings and its ability to issue common stock as consideration for future acquisitions, will provide it with the flexibility to fund its acquisition strategy while continuing to meet its operating needs, capital expenditures and long-term debt obligations.

Cash flows from operating activities. Net cash provided from operating activities was $62.9 million for the year ended December 31, 2000 as compared to $90.6 million in the prior year. The decline in cash flow was primarily due to income taxes paid of $32.5 million, of which $20.3 million related to the sale of the Company's St. Louis cluster.

Cash flows from investing activities. For the year ended December 31, 2000, net cash provided from investing activities was a source of $195.2 million. Proceeds from the sale of the Company's St. Louis cluster were offset by capital investments in property, plant and equipment. For the fiscal year ended December 26, 1999, net cash from investing activities was a use of $32.7 million due to capital investments of $18.1 million and cash used for acquisitions of newspapers as further described in Note 11 to the financial statements.

The Company began the construction of its new Philadelphia printing facility in 2000. As of December 31, 2000, approximately $12.6 million of expenditures were made in connection with the facility, excluding capitalized interest. The total cost of the project, which is expected to be completed in the fourth quarter of 2001, is currently estimated to be $35.4 million, excluding capitalized interest. The Company expects to fund this construction project with cash flows from

operations and borrowings under its Revolving Credit Facility. The Company has a capital expenditure program (excluding future acquisitions) of approximately $15.0 million in place for 2001, which includes spending on technology, including prepress and business systems, computer hardware and software, other machinery and equipment and vehicles. The 2001 budget also includes approximately $22.8 million of capital expenditures associated with the Philadelphia plant. The Company believes its capital expenditure program is sufficient to maintain its current level and quality of operations. The Company reviews its capital expenditure program periodically and modifies it as required to meet current needs.

Cash flows from financing activities. Net cash used in financing activities was $254.7 million in 2000 as compared to $63.3 million in 1999. The fiscal year 2000 and 1999 activity reflects $18.1 million and $29.9 million, respectively, in connection with the Company's stock repurchase program and $236.8 million and $33.5 million, respectively, for the repayment of senior debt.

On July 15, 1998, the Company entered into a new credit agreement (the "Credit Agreement") with a group of banks and other financial institutions, led by The Chase Manhattan Bank as administrative agent for the lenders there under. The Credit Agreement provides for $500.0 million in term loans and a $400.0 million revolving credit facility. The proceeds from the Credit Agreement were used to repay amounts outstanding under the prior senior facilities and to fund the Goodson Acquisition. The term loans mature on March 31, 2006 and September 30, 2006, and the revolving credit facility matures on March 31, 2006.

The Credit Agreement also provides for an uncommitted, multiple draw term loan facility (the "Incremental Facility") in the amount of up to $500.0 million, as permitted by the administrative agent, to be repaid under conditions as defined in the Credit Agreement.

The amounts outstanding under the Credit Agreement bear interest at (i) 1 3/4% to 1/2% above LIBOR (as defined in the Credit Agreement) or (ii) 1/2% to 0% above the higher of (a) the Prime Rate (as defined in the Credit Agreement) or (b) 1/2% above the Federal Funds Rate (as defined in the Credit Agreement). The interest rate spreads ("the applicable margins") are dependent upon the ratio of debt to trailing four quarters Cash Flow (as defined in the Credit Agreement) and are reduced as such ratio declines.

The Company is required under the Credit Agreement to maintain interest rate protection agreements for a certain percentage of its outstanding debt, based upon the Total Leverage Ratio (as defined in the Credit Agreement). The agreements exchange a floating LIBOR interest rate for a fixed LIBOR interest rate. On January 29, 1999, the Company's new SWAP agreements became effective for an aggregate notional principal amount of $400.0 million, which reduce by $75.0 million per year beginning on January 31, 2000 and expire on October 29, 2002. In 1999, the Company entered into additional three-month SWAP agreements in an aggregate notional amount of $219.0 million, which matured on March 15, 2000.

Interest rate protection agreements ("IRPAs") relating to the Company's borrowings at December 31, 2000 included SWAP agreements with a notional principal amount of $325.0 million. As of December 31, 2000, if the SWAPs were marked to market, they would result in a net gain of approximately $198,600. The fixed LIBOR interest rates of the SWAP agreements are approximately 5.85%.

For the year ended December 31, 2000, the Company's weighted-average effective interest rate on its outstanding debt balance was approximately 7.0%, net of a $2.0 million pretax benefit realized on the IRPAs. This takes into account the interest rate protection agreements in effect during that period.

As of December 31, 2000, the Company had outstanding indebtedness under the Credit Agreement, due and payable in installments through 2006, of $494.6 million, of which $14.1 million was outstanding under the Revolving Credit Facility. There were $385.9 million of unused and available funds under the Revolving Credit Facility at December 31, 2000.

Inflation

The Company's results of operations and financial condition have not been significantly affected by inflation. Subject to normal competitive conditions, the Company generally has been able to pass along rising costs through increased advertising and circulation rates.

Recent Events

On February 21, 2001, the Company's Board of Directors authorized the granting of an additional 1,500,000 shares of Common Stock to be used under the Company's 1997 Stock Incentive Plan.

On each of December 20, 2000 and on February 8, 2001, an affiliate of Warburg Pincus distributed approximately 5.0 million shares, for a total of approximately 10 million shares of the Company's common stock to its partners. After giving effect to these distributions, affiliates of Warburg Pincus own approximately 25.2 million shares, or approximately 58.9%, of the Company's outstanding common stock.

On January 31, 2001, the Company completed the acquisition of the Pennsylvania and New Jersey region newspaper operations from Chesapeake Publishing Corporation's Mid-Atlantic Division. Total non-daily distribution of the 13 publications is approximately 90,000.

On January 31, 2001, the Company completed the sale of substantially all the assets of *The Times Reporter*, Dover-New Philadelphia (including Midwest Offset, one of the Company's commercial printing operations), and *The Independent*, Massillon, Ohio. Total daily circulation of the two newspapers is approximately 38,100.

On December 18, 2000, the Company's Board of Directors authorized an increase in the Journal Register Company Share Repurchase Program to $100.0 million per year for the repurchase of Common Stock. As of December 31, 2000, the Company had repurchased 3,608,735 shares.

As of March 27, 2001, the Company has repurchased 2,098,400 shares of the Company's stock in 2001. Shares under the program are to be repurchased at management's discretion, either in the open market or in privately negotiated transactions.

Information Relating to Forward-looking Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this annual report include forward-looking statements, which may be identified by use of terms such as "believes," "anticipates," "plans," "will," "likely," "continues," "intends" or "expects." These forward-looking statements relate to the plans and objectives of the Company for future operations. In light of the risks and uncertainties inherent in all future projections, the inclusion of forward-looking statements herein should not be regarded as a representation by the Company or any other person that the objectives or plans of the Company will be achieved. Many factors could cause the Company's actual results to differ materially from those in the forward-looking statements, including, among other things, the factors discussed below under "Certain Factors Which May Affect the Company's Future Performance." The following factors should not be construed as exhaustive. The Company undertakes no obligation to release publicly the results of any future revisions it may make to forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

New Accounting Pronouncement

In June of 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). Subsequently, in June 1999, the FASB issued SFAS No. 137, an amendment to defer the effective date of SFAS 133 to years beginning after June 15, 2000. In June 2000, the FASB issued SFAS No. 138, amending certain requirements under SFAS 133. The impact of adopting these statements on the Company's consolidated financial statements is expected to be immaterial. (See Note 2 of the "Notes to the Consolidated Financial Statements).

Certain Factors Which May Affect the Company's Future Performance

Newspaper industry competition. The Company's business is concentrated in newspapers and other publications located primarily in small metropolitan and suburban areas in the United States. Revenues in the newspaper industry primarily consist of advertising and paid circulation. Competition for advertising revenues and paid circulation comes from local, regional and national newspapers, shopping guides, television, radio, direct mail, online services and other forms of communication and advertising media. Competition for newspaper advertising revenues is based largely upon advertiser results, readership, advertising rates, demographics and circulation levels; while competition for circulation and readership is based largely upon the content of the newspaper, its price and the effectiveness of its distribution. Many of the Company's competitors are larger and have greater financial resources than the Company.

Dependence on local economies. The Company's advertising revenues and, to a lesser extent, circulation revenues are dependent on a variety of factors specific to the communities which the Company's newspapers serve. These factors include, among others, the size and demographic characteristics of the local population, local economic conditions in general, and the related retail segments in particular, and local weather conditions.

Capitalization. As of December 31, 2000, the consolidated indebtedness of the Company was approximately $494.6 million, which represents a multiple of 3.2 times the Company's twelve months trailing EBITDA of approximately $156.9 million. As of December 31, 2000, the Company had net stockholders' deficit of approximately $55.7 million and a total capitalization of $438.9 million, and, thus, the percentage of the Company's indebtedness to total capitalization was 112.7%. The Company may incur additional indebtedness to fund operations, capital expenditures or future acquisitions.

The Company's management believes that cash provided by operating activities will be sufficient to fund its operations and to meet payment requirements under its Term Loans and the Revolving Credit Facility of the Credit Agreement. However, a decline in cash provided by operating activities, which could result from factors beyond the Company's control, such as unfavorable economic conditions, an overall decline in advertising revenues or increased competition, could impair the Company's ability to service its debt. The Credit Agreement requires the maintenance of certain financial ratios and imposes certain operating and financial restrictions on the Company, which restrict among other things the Company's ability to declare dividends, redeem stock, incur indebtedness, create liens, sell assets, consummate mergers and make capital expenditures, investments and acquisitions.

Environmental matters. The Company's operations are subject to federal, state and local environmental laws and regulations pertaining to air and water quality, storage tanks and the management and disposal of waste at its facilities. To the best of the Company's knowledge, its operations are in material compliance with applicable environmental laws and regulations as currently interpreted. The Company cannot predict with any certainty whether future events, such as changes in existing laws and regulations or the discovery of conditions not currently known to the Company, may give rise to additional costs that could be material. Furthermore, actions by federal, state and local governments concerning environmental matters could result in laws or regulations that could have a material adverse effect on the financial condition or results of operations of the Company. The Company is not aware of any pending legislation by federal, state or local governments relating to environmental matters that, if enacted, would reasonably be expected to have a material adverse effect on the financial condition or results of operations of the Company. The Company is in the process of monitoring groundwater contamination that has been detected at one of the facilities which the Company acquired with the Goodson Acquisition in 1998. The Company's management believes the remediation of any such groundwater contamination, if required, will not have a material adverse effect on its financial condition or results of operations. The Company is fully indemnified for all costs and liabilities arising out of this issue by the seller as part of the Goodson Acquisition purchase agreement.

Acquisition strategy. The Company has grown through, and anticipates that it will continue to grow through, acquisitions of daily and non-daily newspapers and similar publications. Acquisitions may expose the Company to particular risks, including, without limitation, diversion of management's attention, assumption of unidentified liabilities, some or all of which could have a material adverse effect on the financial condition or results of operations of the Company. Depending on the value and nature of the consideration paid by the Company for acquisitions, such acquisitions may have a dilutive impact on the Company's earnings per share. In making acquisitions, the Company competes for acquisition targets with other companies, many of which are larger and have greater financial resources than the Company. There can be no assurance that the Company will continue to be successful in identifying acquisition opportunities, assessing the value, strengths and weaknesses of such opportunities, evaluating the costs of new growth opportunities at existing operations or managing the publications it owns and improving their operating efficiency. Historically, the Company has financed acquisitions through cash on hand and borrowings. The Company anticipates that it will finance future acquisitions through cash on hand, operating cash flow and borrowings and/or the issuance of Company stock. The Credit Agreement limits acquisitions to certain permitted investments and newspapers in the United States, and requires that acquisitions be financed through certain permitted sources. In addition, the financial covenants contained in the Credit Agreement may limit the Company's ability to make acquisitions.

Price and availability of newsprint. The basic raw material for newspapers is newsprint. The Company's newsprint consumption (excluding paper consumed in the Company's commercial printing operations) totaled approximately $34.2 million in 2000, which was approximately 7.8% of the Company's newspaper revenues. In 2000, the Company consumed approximately 64,400 metric tons of newsprint, excluding paper consumed in its commercial printing operations. The average price per metric ton of newsprint based on East Coast transactions prices in 2000, 1999 and 1998 was $565, $510 and $596, respectively, as reported by the trade publication *Pulp and Paper Weekly*. The Company has no long-term contracts to purchase newsprint. Generally, the Company has in the past and currently purchases all of its newsprint from two suppliers, although in the future the Company may purchase newsprint from other suppliers. Historically, the percentage of newsprint from each supplier has varied. The Company's management believes that concentrating its newsprint purchases in this way provides a more secure newsprint supply and lower per unit prices. The Company's management also believes that it purchases newsprint at price levels lower than those that are available to individually owned small metropolitan and suburban newspapers, consistent with price levels generally available to the largest newsprint purchasers. The available sources of newsprint have been, and the Company believes will continue to be, adequate to supply the Company's needs. The inability of the Company to obtain an adequate supply of newsprint in the future could have a material adverse effect on the financial condition and results of operations of the Company. Historically, the price of newsprint has been cyclical and volatile. The Company's average price per ton of newsprint increased approximately 6% in 2000, decreased approximately 13% in 1999 and increased approximately 8% in 1998. The Company believes that if any price decrease or increase is sustained in the industry, the Company will also be impacted by such change.

The Company seeks to manage the effects of increases in prices of newsprint through a combination of, among other things, technology improvements, including web-width reductions, inventory management and advertising and circulation price increases. The Company also has reduced fringe circulation in response to increased newsprint prices, as it is the Company's experience that such circulation does not provide adequate response for advertisers.

CONSOLIDATED BALANCE SHEETS

Dollars in thousands	December 31, 2000	December 26, 1999
Assets		
Current assets:		
Cash and cash equivalents	**$ 6,495**	$ 3,090
Accounts receivable, less allowance for doubtful accounts of $3,443 in 2000 and $6,293 in 1999	**54,078**	65,597
Inventories	**9,104**	9,899
Deferred income taxes	**1,801**	2,721
Other current assets	**7,881**	7,090
Total current assets	**79,359**	88,397
Property, plant and equipment:		
Land	**8,380**	9,018
Buildings and improvements	**58,167**	66,187
Machinery and equipment	**142,849**	171,631
Construction and equipment installation in progress	**14,445**	2,546
	223,841	249,382
Less accumulated depreciation	**(119,663)**	(141,860)
Property, plant and equipment, net	**104,178**	107,522
Intangible and other assets, net of accumulated amortization of $56,792 in 2000 and $42,751 in 1999	**473,813**	491,261
Total assets	**$ 657,350**	$ 687,180
Liabilities and Stockholders' Deficit		
Current liabilities:		
Current maturities of long-term debt	**$ 22,625**	$ 19,500
Accounts payable	**10,758**	14,617
Accrued interest	**6,155**	6,886
Deferred subscription revenue	**8,529**	8,896
Accrued salaries and vacation	**4,984**	5,647
Other accrued expenses and current liabilities	**21,116**	17,334
Total current liabilities	**74,167**	72,880
Senior debt, less current maturities	**472,010**	711,967
Deferred income taxes	**29,756**	20,291
Accrued retiree benefits and other liabilities	**14,095**	15,920
Income taxes payable	**123,048**	73,505
Commitments and contingencies		
Stockholders' deficit:		
Common stock, $.01 par value per share, 300,000,000 shares authorized, 48,437,581 issued at December 31, 2000 and December 26, 1999	**484**	484
Additional paid-in capital	**358,268**	358,244
Accumulated deficit	**(366,775)**	(536,156)
	(8,023)	(177,428)
Less treasury stock, shares at cost 2000 - 3,583,385; 1999 - 2,362,953	**(47,703)**	(29,795)
Accumulated other comprehensive loss, net of tax	**—**	(160)
Net stockholders' deficit	**(55,726)**	(207,383)
Total liabilities and stockholders' deficit	**$ 657,350**	$ 687,180

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

Fiscal Year Ended	**December 31, 2000**	December 26, 1999	December 31, 1998
Dollars in thousands, except per share data			
Revenues:			
Advertising	**$ 343,130**	$ 348,995	$ 312,908
Circulation	**96,852**	96,783	89,388
Newspaper revenues	**439,982**	445,778	402,296
Commercial printing and other	**23,987**	23,787	24,484
	463,969	469,565	426,780
Operating expenses:			
Salaries and employee benefits	**155,161**	157,110	139,216
Newsprint, ink and printing charges	**46,533**	48,432	53,594
Selling, general and administrative	**47,008**	45,318	39,047
Depreciation and amortization	**27,616**	28,798	23,844
Other	**58,395**	57,975	52,012
	334,713	337,633	307,713
Operating income	**129,256**	131,932	119,067
Other income (expense):			
Net interest expense and other	**(48,020)**	(52,347)	(45,321)
Gain on sale of newspaper properties	**180,720**	—	—
Income before provision for income taxes, equity interest and extraordinary item	**261,956**	79,585	73,746
Provision for income taxes	**90,951**	31,694	28,112
Income before equity interest and extraordinary item	**171,005**	47,891	45,634
Equity interest	**(1,624)**	(226)	—
Income before extraordinary item	**169,381**	47,665	45,634
Extraordinary item, net of tax of $2,755	—	—	4,495
Net income	**$ 169,381**	$ 47,665	$ 41,139
Income before extraordinary item per common share:			
Basic	**$ 3.74**	$ 1.02	$ .94
Diluted	**$ 3.72**	$ 1.02	$ .94
Net income per common share:			
Basic	**$ 3.74**	$ 1.02	$ .85
Diluted	**$ 3.72**	$ 1.02	$ .85
Weighted-average shares outstanding:			
Basic	**45,302**	46,821	48,437
Diluted	**45,474**	46,874	48,626

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

	Common Stock	Additional Paid-in Capital	Other Comprehensive Income	Accumulated Deficit	Treasury Stock	Total Stockholders' Deficit
Dollars in thousands						
Balance as of December 31, 1997	**$ 484**	**$ 358,234**	**$ —**	**$ (624,960)**	**$ —**	**$ (266,242)**
Net income				41,139		41,139
Minimum pension liability adjustment, net of tax benefit of $153			(212)			(212)
Comprehensive income						40,927
Exercise of stock options for common stock		2				2
Balance as of December 31, 1998	**484**	**358,236**	**(212)**	**(583,821)**	**—**	**(225,313)**
Net income				47,665		47,665
Minimum pension liability adjustment, net of tax of $37			52			52
Comprehensive income						47,717
Purchase of 2,369,200 shares of treasury stock				(29,874)		(29,874)
Exercise of stock options for common stock		8			79	87
Balance as of December 26, 1999	**484**	**358,244**	**(160)**	**(536,156)**	**(29,795)**	**(207,383)**
Net income				169,381		169,381
Minimum pension liability adjustment, net of tax of $116			160			160
Comprehensive income						169,541
Purchase of 1,239,535 shares of treasury stock				(18,072)		(18,072)
Exercise of stock options for common stock		24		164		188
Balance as of December 31, 2000	**$ 484**	**$ 358,268**	**$ —**	**$ (366,775)**	**$ (47,703)**	**$ (55,726)**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Year Ended	**December 31, 2000**	December 26, 1999	December 31, 1998
Dollars in thousands			
Cash flows from operating activities			
Net income	**$ 169,381**	$ 47,665	$ 41,139
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Provision for losses on accounts receivable	**4,195**	4,257	4,464
Depreciation and amortization	**27,616**	28,798	23,844
Net (gain) loss on disposal of property, plant and equipment	**(345)**	135	(1,074)
Loss on equity investment	**1,624**	266	—
Extraordinary loss on extinguishment of deferred debt costs	—	—	7,250
Gain on sale of newspaper properties	**(180,720)**	—	—
Accrued retiree benefits and other non-current liabilities	**(1,285)**	(1,193)	(6,877)
Increase in deferred taxes	**10,385**	5,993	7,928
Changes in operating assets and liabilities:			
Accounts receivable	**(1,483)**	(10,726)	(5,885)
Income taxes payable	**48,147**	22,163	15,570
Other assets and liabilities	**(14,600)**	(6,763)	(6,015)
Net cash provided by operating activities	**62,915**	90,595	80,344
Cash flows from investing activities			
Additions to property, plant and equipment	**(9,651)**	(17,438)	(12,914)
Additions to construction in progress	**(11,899)**	(643)	(1,439)
Net proceeds from sale of property, plant and equipment	**1,905**	22	1,487
Proceeds from sale of newspaper properties	**216,972**	—	—
Purchase of businesses and equity investment	**(2,121)**	(14,668)	(341,347)
Net cash provided by (used in) investing activities	**195,206**	(32,727)	(354,213)
Cash flows from financing activities			
Proceeds from debt issuance	—	—	808,000
Payments of long-term debt	**(236,832)**	(33,533)	(533,774)
Exercise of stock options for common stock	**188**	87	2
Purchase of treasury shares	**(18,072)**	(29,874)	—
Net cash provided by (used in) financing activities	**(254,716)**	(63,320)	274,228
Increase (decrease) in cash and cash equivalents	**3,405**	(5,452)	359
Cash and cash equivalents, beginning of year	**3,090**	8,542	8,183
Cash and cash equivalents, end of year	**$ 6,495**	$ 3,090	$ 8,542
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest	**$ 50,081**	$ 51,753	$ 44,158
Income taxes	**32,535**	3,574	1,719
Supplemental disclosures of non-cash investing and financing activities			
Comprehensive profit (loss) – minimum pension liability, net of tax	**$ 160**	$ 52	$ (212)

See accompanying notes.

Note 1. Organization and Basis of Presentation

The accompanying consolidated financial statements include Journal Register Company and all of its wholly owned subsidiaries (the "Company"). The Company was incorporated on March 11, 1997 and became a publicly traded company in May of 1997.

In March of 1997, certain entities (namely, JRC, LLC; JRNI and INSI) were combined and JRC, LLC was converted into a C corporation, Journal Register Company. Substantially all of the membership interests and equity securities of these entities were owned by affiliates of E.M. Warburg, Pincus & Co., LLC (collectively, "Warburg, Pincus"). Since the companies were under common control, this transaction was accounted for on a basis similar to a pooling of interests. The accompanying financial statements include the accounts and operations of JRC (or its predecessor, JRC, LLC), JRNI and INSI for all periods presented.

Journal Register Company (through its consolidated subsidiaries) primarily publishes daily and non-daily newspapers serving markets in Connecticut, greater Philadelphia, Ohio, central New England and the Capital-Saratoga and Mid-Hudson, New York regions; and as of December 31, 2000 had commercial printing operations in Connecticut, Ohio and Pennsylvania.

In 1999, the Company elected to change from a calendar year end to a fiscal year ending on the last Sunday of the calendar year. Accordingly, the Company's 2000 fiscal year ended on December 31, 2000 and the 1999 fiscal year ended on December 26, 1999.

The Company has authorized 1,000,000 shares of Preferred Stock, none of which were issued or outstanding during the periods presented.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its wholly owned subsidiaries. Investments over which the Company does not have voting control are accounted for by the equity method. All intercompany activity has been eliminated. Certain prior year amounts have been reclassified to conform to the current year presentation.

Use of Estimate

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Consolidated Statements of Cash Flows

For purposes of the accompanying consolidated statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The carrying value of cash equivalents approximates fair value due to the short-term maturity of these instruments.

Inventories

Inventories, consisting of newsprint, ink and supplies, are stated at the lower of cost (primarily first-in, first-out method) or market.

Stock Option Plan

As permitted under Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), the Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its employee stock options. Under APB 25, when the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Long-Lived Assets

In accordance with SFAS No. 121 "Accounting for the Impairment of Long Lived Assets and for Long-Lived Assets to be Disposed Of," the Company reviews the recoverability of intangibles and other long-lived assets whenever events and circumstances indicate that the carrying amount may not be recoverable. The carrying amount of the long-lived asset is reduced by the difference between the carrying amounts and estimated fair value with a corresponding charge to expense.

Property, plant and equipment are stated at cost less any required impairment reserve. Maintenance and repairs are charged to expense as incurred; costs of major additions and betterments are capitalized. Depreciation is provided for financial reporting purposes primarily on the straight-line method over the following estimated useful lives:

Buildings and improvements	5 to 30 years
Machinery and equipment	3 to 30 years

Intangible assets recorded in connection with the acquisition of newspapers generally consist of the values assigned to subscriber lists and the excess of cost over the value of identifiable net assets of the companies acquired. These assets are carried at the lower of amortized cost or the amount expected to be recovered by projected future operations after considering attributable general and administration expense and interest on debt allocated to the various newspapers. If, in the opinion of management, impairment in value occurs, any necessary write-downs will be charged to expense. The balance of intangible assets at December 31, 2000 and December 26, 1999 was comprised principally of subscriber lists and excess cost over the value of identifiable net assets of companies acquired. These assets are being amortized over a period of their useful life, up to 40 years, and are amortized by the straight-line method. Deferred financing cost associated with the Term Loans and the Revolving Credit Facility (as defined in Note 4, Long-Term Debt) is amortized over the terms of such loans.

Income Taxes
The Company uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities, and are measured using the currently enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Revenue Recognition
Revenue is earned from the sale of advertising, circulation and related activities. Deferred subscription revenue arises from subscription payments made in advance of newspaper delivery and is recognized in the period in which it was earned.

Segment Reporting
As of December 31, 2000, the Company published 24 daily newspapers and 158 non-daily publications in the United States. The Company maintains operations and local management in the markets that it serves. Newspapers are distributed through local distribution channels consisting of contract carriers and single copy outlets. The Company conducts business in one operating segment. The operating segment consists of individual operations that the executive management team reviews for purposes of assessing performance and making operational decisions. These individual operations have been aggregated into one segment because management believes it helps the users understand the Company's performance and is consistent with the manner in which the individual operations are managed. The combined operations have similar economic characteristics and each operation has similar products, services, customers, production processes and distribution systems.

Concentration of Credit Risk
Certain employees of the Company's newspapers are employed under collective bargaining agreements.

Derivative Risk Management Policy and Strategy
In June of 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). Subsequently, in June 1999, the FASB issued SFAS No. 137, an amendment to defer the effective date of SFAS 133 to years beginning after June 15, 2000. In June 2000, the FASB issued SFAS No. 138, amending certain requirements under SFAS 133. The impact of adopting these statements on the Company's consolidated financial statements is expected to be immaterial. The information below describes the Company's derivative risk management policy and strategy as required by SFAS 133, as amended.

In accordance with the requirements of its Credit Agreement (as defined in Note 4, Long-Term Debt) dated July 15, 1998, the Company is required to maintain certain Interest Rate Protection Agreements ("IRPAs") on a portion of its debt, to reduce the potential exposure of the Company's future cash flows to fluctuations in variable interest rates on which the interest on the outstanding debt is calculated. The minimum requirement varies depending on the Company's Total Leverage Ratio, as defined in the Credit Agreement. From time to time the Company may enter into additional IRPAs for nominal amounts on the outstanding debt that will, at a minimum, meet the requirements of the Credit Agreement. Each IRPA is designated for all or a portion of the principal balance and term of a specific debt obligation.

The Company pays or receives the differential between the variable interest rate and a fixed interest rate as determined by the IRPA. The IRPA is structured to coincide with interest payments made on the debt and is placed with large multi-national banks.

The Company currently designates its current IRPAs to be highly effective cash flow hedges based upon the following criteria:

- The notional amount of the IRPA and the proportional amount of the term loans are equal.
- The interest rate base for measuring interest variability is the same for both the term loans and the IRPA.
- The participating banks under the IRPA are also lenders under the term loans and are financially secure international banks.
- The fair value of the individual IRPA at the inception of the hedge is zero.
- Computation for net settlements under each IRPA is the same for each net settlement.

The Company will measure effectiveness of each IRPA quarterly. As specified in SFAS 133, any gain/loss on the effective portion of the IRPA will be recorded in Other Comprehensive Income (OCI) and the ineffective portion recorded directly to current earnings. Amounts in accumulated OCI will be reclassified into earnings in the same period in which the hedged forecasted transactions affect earnings. In the event of the early extinguishment of a designated debt obligation, any unrealized gain or loss included in OCI would be recognized in income coincident with the extinguishment.

Note 3. Intangible and Other Assets

Intangible and other assets as of December 31, 2000 and December 26, 1999, net of accumulated amortization, are summarized as follows:

Dollars in thousands	**2000**	1999
Excess of cost over the value of identifiable net assets purchased and subscriber lists	**$455,280**	$473,904
Prepaid pension cost	**10,461**	9,230
Other	**8,072**	8,127
	$473,813	$491,261

Included in other assets is the Company's investment in AdOne, LLC ("AdOne"). On August 20, 1999, the Company acquired a 7.14% interest in AdOne, a provider of classified advertising on the Internet. The Company applies the equity method of accounting for this investment. In addition, the Company holds a $1.2 million promissory note from AdOne. The note bears interest at 9.4% per annum and is payable in five equal installments commencing December 31, 2005.

Note 4. Long-Term Debt

The Company entered into a credit agreement in July 1998 with a group of lenders, led by The Chase Manhattan Bank as administrative agent (the "Credit Agreement"). The Credit Agreement provided for two secured term loan facilities ("Term Loan A" and "Term Loan B" or collectively the "Term Loans") each at a face amount of $250.0 million, and a secured revolving credit facility (the "Revolving Credit Facility") of $400.0 million. Proceeds under these loan facilities were used to repay existing debt and to fund the Goodson Acquisition (See Note 11, Acquisitions and Dispositions). The Credit Agreement also provides for an uncommitted, multiple draw term loan facility (the "Incremental Facility") in the amount of up to $500.0 million, as permitted by the administrative agent, to be repaid under conditions as defined in the agreement. To date, the Company has not drawn down on the Incremental Facility. The Company had $385.9 million and $168.5 million unused and available under the Revolving Credit Facility at December 31, 2000 and December 26, 1999, respectively. The Company's long-term debt as of December 31, 2000 and December 26, 1999 was comprised of the following:

Dollars in thousands	**2000**	1999
Term Loan A	**$ 231,250**	$ 250,000
Term Loan B	**249,250**	250,000
Revolving Credit Facility	**14,135**	231,467
	494,635	731,467
Less Current Portion	**(22,625)**	(19,500)
	$ 472,010	$ 711,967

The Term Loan A Facility matures on March 31, 2006 and is repayable in quarterly installments, which commenced on June 30, 2000. The Term Loan B Facility matures on September 30, 2006 and is repayable in quarterly installments, which commenced on June 30, 2000. The remaining aggregate annual maturities payable under the Term Loans are as follows:

Dollars in thousands	
2001	$ 22,625
2002	35,375
2003	41,625
2004	47,875
2005	81,750
Thereafter	251,250

The Revolving Credit Facility is available until March 31, 2006. Availability will be reduced by consecutive quarterly reductions, commencing on June 30, 2002 and ending on March 31, 2006, in an aggregate amount for each twelve-month period commencing on the dates set forth below, equal to the amount set forth opposite such date (with reductions during each such period being equal in amount):

Dollars in thousands	Principal Amount
June 30, 2002	$ 55,000
June 30, 2003	65,000
June 30, 2004	100,000
June 30, 2005	180,000

The Term Loans and Revolving Credit Facility are secured by substantially all of the assets of the Company and the common stock and assets of the Company's subsidiaries. The Term Loans and Revolving Credit Facility require compliance with certain covenants, which require, among other things, maintenance of certain financial ratios, and restricts the Company's ability to declare dividends, redeem stock, incur additional indebtedness, create liens, sell assets, consummate mergers and make capital expenditures, investments and acquisitions.

The amounts outstanding under the Credit Agreement bear interest at (i) 1 3/4% to 1/2% above LIBOR or (ii) 1/2% to 0% above the higher of (a) the Prime Rate or (b) 1/2% above the Federal Funds Rate. The interest rate spreads are dependent upon the ratio of debt to trailing four quarters Cash Flow (as defined in the Credit Agreement) and reduce as the ratio declines.

An annual commitment fee is incurred on the average daily-unused portion of the Revolving Credit Facility, payable quarterly in arrears, at a percentage which varies from 0.375% to 0.250% based on the quarterly calculation of the Total Leverage Ratio (as defined in the Credit Agreement). At December 31, 2000, the Company's commitment fee was 0.250%.

The Credit Agreement also requires the Company, in order to manage interest rate risk, to maintain IRPAs for a certain percentage of the outstanding debt, based upon the Total Leverage Ratio. In accordance with this requirement, the Company participates in certain IRPAs whereby the Company has assumed a fixed rate of interest and a counter party has assumed the variable rate (the "SWAP"). Pursuant to the SWAP agreement, the Company agrees to exchange with certain banks at specific dates the difference between the fixed rate in the SWAP agreement and the LIBOR floating rate applied to the notional principal amount.

On January 29, 1999, the Company's new SWAP agreements became effective for an aggregate notional principal amount of $400.0 million which reduce by $75.0 million per year, beginning on January 31, 2000 and expire on October 29, 2002. In 1999, the Company entered into additional three-month SWAP agreements in an aggregate notional amount of $219 million, which matured on March 15, 2000. IRPAs relating to the Company's borrowings at December 31, 2000 included SWAP agreements with a notional principal amount of $325.0 million.

As of December 31, 2000 and December 26, 1999, if the SWAPs were marked to market, they would have resulted in a net gain of approximately $198,600 and $6.1 million, respectively. The fixed LIBOR rates of the SWAP agreements are approximately 5.85%.

The Company's weighted-average effective interest rate net of the effect of the Company's IRPAs benefit for the year ended December 31, 2000 was approximately 7.2 A $2.0 million pretax benefit was realized on the IRPAs in the year ended December 31, 2000. Capitalized interest for the year ended December 31, 2000 was $601,000. There was no capitalized interest in the prior year. The estimated fair value of the Term Loans and Revolving Credit Facility approximates their carrying value.

Note 5. Stock Incentive Plan

During 1997, the Company's Board of Directors (the "Board") adopted and the stockholders approved the Company's 1997 Stock Incentive Plan (the "1997 Plan"). Subject to adjustment, as provided in the 1997 Plan, the 1997 Plan authorizes the granting of up to 4,843,750 shares of Common Stock through: (i) incentive stock options and non-qualified stock options (in each case, with or without stock appreciation rights) to acquire common stock; (ii) awards of restricted shares of Common Stock; and (iii) performance units to such directors, officers and other employees of, and consultants to, the Company and its subsidiaries and affiliates as may be designated by the Compensation Committee of the Board or such other committee of the Board as the Board may designate.

Incentive stock options are granted at no less than fair market value of the common stock on the date of grant. The option price per share of common stock for all other stock options is established by the Compensation Committee of the Board. Stock options are exercisable at cumulative intervals of 20% commencing on the first anniversary after issuance, continuing through the fifth anniversary, at which time 100% may be exercised. These options expire ten years after issuance.

As permitted under SFAS 123, the Company discloses pro forma net income and earnings per share determined as if the Company had accounted for its employee stock options under the fair value method of that statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for the years 2000, 1999 and 1998: risk-free interest rate of 5.16%, 6.51% and 5.49%, respectively; dividend yield of 0% for all years; volatility factor of the expected market price of the common stock of 0.48, 0.41 and 0.38, respectively; and a weighted-average expected life of each option granted of seven years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the vesting period for such options. The Company's fiscal year pro forma information, had compensation costs for the Company's stock option plans been determined in accordance with SFAS 123, are as follows:

	December 31, 2000	December 26, 1999	December 31, 1998
Dollars in thousands, except per share amounts			
Net income attributable to common stockholder:			
As reported	**$ 169,381**	$ 47,665	$ 41,139
Pro forma	**165,776**	44,619	39,135
Net income per share:			
As reported:			
Basic	**$ 3.74**	$ 1.02	$ .85
Diluted	**3.72**	1.02	.85
Pro forma:			
Basic	**$ 3.66**	$ .95	$ .81
Diluted	**3.65**	.95	.80

The following table summarizes the Company's stock option activity for the fiscal years presented:

	December 31, 2000		December 26, 1999		December 31, 1998	
	Options	**Weighted-Average Exercise Price**	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding-beginning of year	**3,317,281**	**$18.00**	2,587,167	$19.27	1,825,189	$17.50
Granted	**874,950**	**$14.66**	967,200	$14.72	925,700	$22.45
Exercised	**18,933**	**$14.23**	6,247	$14.00	5,174	$14.00
Forfeited	**204,931**	**$17.47**	230,839	$19.14	158,548	$17.59
Outstanding-end of year	**3,968,367**	**$17.28**	3,317,281	$18.00	2,587,167	$19.27
Exercisable at end of year	**1,371,601**	**$18.30**	786,616	$18.55	332,973	$17.51
Weighted-average fair value of options granted during the year	**$ 8.33**		$ 7.95		$ 11.13	

Exercise prices for options outstanding as of December 31, 2000 ranged from $14.00 to $22.50 per share. The weighted-average remaining contractual life of those options is 7.7 years.

Note 6. Extraordinary Item

In July 1998, in connection with the Credit Agreement, the Company expensed approximately $7.3 million of deferred financing costs associated with the extinguishment of the Company's prior credit facility, resulting in an extraordinary charge of $4.5 million, net of tax.

Note 7. Earnings Per Common Share

The following table sets forth the computation of weighted-average shares outstanding for calculating basic and diluted earnings per share:

Fiscal Year Ended	**December 31, 2000**	December 26, 1999	December 31, 1998
In thousands			
Weighted-average shares for basic earnings per share	**45,302**	46,821	48,437
Effect of dilutive securities:			
Employee stock options	**172**	53	189
Adjusted weighted-average shares for diluted earnings per share	**45,474**	46,874	48,626

Options to purchase 1.5 million, 1.6 million and 1.7 million shares of Common Stock at a range of $15.94 to $22.50, $17.63 to $22.50 and $18.00 to $22.50 were outstanding during 2000, 1999 and 1998, respectively, but were not included in the computation of the diluted earnings per share because the options' exercise price was greater than the average market price of the common shares.

Note 8. Pension and Post-Retirement Plans

The Company and its subsidiaries maintain defined benefit pension plans, certain of which are successors to prior plans. The benefits are based on years of service and primarily on the employees' career average pay. The Company's funding policy is to contribute annually an amount that can be deducted for federal income tax purposes under a different actuarial cost method and different assumptions from those used for financial reporting. Assets of the plans consist principally of short-term investments, annuity contracts, equity securities and corporate and U.S. Government obligations. The Company uses September 30 to measure pension plan assets and liabilities.

Note 8. Pension and Post-Retirement Plans (continued)

The following table sets forth the plans' funded status and the amount recognized in the Company's consolidated balance sheet:

	Pension Benefits		Post-Retirement Benefits	
	2000	1999	**2000**	1999
Dollars in thousands				
Change in benefit obligation				
Benefit obligation at beginning of year	**$ 71,877**	$ 74,278	**$ 7,160**	$ 7,291
Service cost	**1,755**	1,847	**16**	15
Interest cost	**5,304**	5,203	**538**	493
Actuarial gain	**(554)**	(5,100)	**(2,518)**	(210)
Benefits paid	**(4,615)**	(4,351)	**(477)**	(429)
Curtailments/Divestitures/Other	**(31)**	—	**251**	—
Benefit obligation at end of year	**$ 73,736**	$ 71,877	**$ 4,970**	$ 7,160
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 88,574**	$ 83,956	**$ N/A**	$ N/A
Actual return on plan assets	**16,582**	8,853	**N/A**	N/A
Employer contributions	**102**	116	**477**	429
Benefits paid	**(4,615)**	(4,351)	**(477)**	(429)
Fair value of plan assets at end of year	**$100,643**	$ 88,574	**$ —**	$ —
Reconciliation of funded status				
Funded status	**$ 26,907**	$ 16,697	**$ (4,970)**	$ (7,160)
Unrecognized net:				
Transition obligation	**28**	135	**N/A**	N/A
Prior service cost	**(2172)**	(2,712)	**(437)**	(530)
Gain	**(14,008)**	(4,438)	**(2,784)**	(580)
Contributions after measurement date	**12**	55	**N/A**	N/A
Net amount recognized	**$ 10,767**	$ 9,737	**$ (8,191)**	$ (8,270)
Amounts recognized in statement of financial position				
Prepaid benefit cost	**$ 10,815**	$ 10,104	**$ N/A**	$ N/A
(Accrued) benefit liability	**(48)**	(874)	**(8,191)**	(8,270)
Adjustment required to recognize minimum liability	**N/A**	231	**N/A**	N/A
Accumulated other comprehensive loss	**N/A**	276	**N/A**	N/A
Net amount recognized	**$ 10,767**	$ 9,737	**$ (8,191)**	$ (8,270)
Separate disclosures for pension plans with accumulated benefit obligation in excess of plan assets				
Projected benefit obligation at end of year	**N/A**	$ 2,085	**N/A**	N/A
Accumulated benefit obligation at end of year	**N/A**	2,022	**N/A**	N/A
Fair value of assets at end of year	**N/A**	1,728	**N/A**	N/A
Components of net periodic benefit cost				
Service cost	**$ 1,755**	$ 1,847	**$ 16**	$ 15
Interest cost	**5,304**	5,203	**538**	493
Expected return on plan assets	**(7,785)**	(7,376)	**—**	—
Amortization of net:				
Transition obligation	**108**	105	**—**	—
Prior service cost	**(355)**	(361)	**(92)**	(92)
(Gain)/loss	**35**	60	**(39)**	(18)
Other	**—**	(48)	**—**	—
Net periodic benefit (income) cost	**$ (938)**	$ (570)	**$ 423**	$ 398

Note 8. Pension and Post-Retirement Plans (continued)

Dollars in thousands	Pension Benefits 2000	Pension Benefits 1999	Post-Retirement Benefits 2000	Post-Retirement Benefits 1999
Actuarial assumptions				
Discount rate	**7.75%**	7.75%	**7.75%**	7.75%
Expected long-term return on plan assets	**9.00%**	9.00%	**N/A**	N/A
Rate of compensation increase	**3.00%**	3.00%	**3.00%**	3.00%
Rate of increase in health benefit costs:				
Immediate rate			**6.50%**	7.00%
Ultimate rate			**6.50%**	6.50%
Year ultimate rate reached			**2000**	2000
Effects of a change in the assumed rate of health benefit costs				
Effect of a 1% increase on:				
Total of service cost and interest cost	**N/A**	N/A	**$ 36**	$ 33
Post-retirement benefit obligation	**N/A**	N/A	**$ 450**	$ 394
Effect of a 1% decrease on:				
Total of service cost and interest cost	**N/A**	N/A	**$ (29)**	$ (27)
Post-retirement benefit obligation	**N/A**	N/A	**$ (385)**	$ (347)

The Company also has defined contribution plans covering certain employees. Company contributions to these plans are based on a percentage of participants' salaries and amounted to approximately $668,331, $706,000 and $377,000 in 2000, 1999 and 1998, respectively. The Company contributes to various multi-employer union administered pension plans. Contributions to these plans amounted to approximately $178,113, $160,000 and $110,000 in 2000, 1999 and 1998, respectively.

Note 9. Income Taxes

The annual provision for taxes on income before extraordinary item, in thousands, is as follows:

	2000	1999	1998
Current tax expense:			
Federal	**$73,851**	$23,592	$16,492
State	**6,831**	2,145	3,389
Total current	**80,682**	25,737	19,881
Deferred tax expense (benefit):			
Federal	**6,577**	5,244	10,157
State	**3,692**	713	(1,926)
Total deferred	**10,269**	5,957	8,231
Total provision for taxes	**$90,951**	$31,694	$28,112

The reconciliation of income taxes computed at the U.S. federal statutory tax rate to income tax expense, in thousands for the years presented, is as follows:

	2000	1999	1998
Tax at U.S. statutory rates	**$91,685**	$27,855	$25,811
State taxes, net of federal tax benefit	**6,840**	1,858	951
Reversal of excess tax accruals	**(7,993)**	—	—
Non-deductible goodwill amortization	**2,003**	1,976	—
Other	**(1,584)**	5	1,350
	$90,951	$31,694	$28,112

State net operating loss carryforwards were utilized as follows: $235.0 million in 2000, $12.4 million in 1999 and $13.5 million in 1998. At December 31, 2000, certain subsidiaries had net operating loss carryforwards available ranging from approximately $890,000 to $29.4 million in various state and local jurisdictions. Substantial portions of the related deferred tax assets are offset by valuation allowances. The carryforwards at December 31, 2000 expire in various years through 2014.

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets, in thousands, are as follows:

	2000	1999
Deferred tax liabilities:		
Property, plant and equipment	**$12,212**	$12,518
Intangibles	**18,592**	11,321
Retiree medical	**892**	259
Total deferred tax liabilities	**31,696**	24,098
Deferred tax assets:		
Net operating loss carryforwards	**2,190**	3,878
Other	**3,505**	5,020
Total deferred tax assets	**5,695**	8,898
Valuation allowance	**(1,954)**	(2,370)
Net deferred tax assets	**3,741**	6,528
Net deferred tax liabilities	**$27,955**	$17,570

As part of the acquisitions in 1999, the Company recorded net deferred tax liabilities of approximately $69,000. The Company's valuation allowances for deferred tax assets decreased by $416,000 in 2000, and increased by $1.3 million in 1999. The Company's federal income tax returns have not been examined by the Internal Revenue Service.

Note 10. Commitments and Contingencies

The Company leases office space and equipment under noncancellable operating leases. These leases contain several renewal options for periods up to five years. The Company's future minimum lease payments under operating leases at December 31, 2000 are as follows:

Dollars in thousands

2001	$ 1,816
2002	1,347
2003	1,153
2004	969
2005	505
Thereafter	—

Total rent expense was $3.0 million, $3.3 million and $3.1 million for the years ended December 31, 2000, December 26, 1999 and December 31, 1998, respectively.

In 1999, the Company began the planning phases for the construction of a new Philadelphia printing facility. In conjunction with the Philadelphia plant, the Company entered into agreements for the construction of a new building and printing press. The aggregate capital expenditures related to the production facility is approximately $35.4 million with an estimated in-service date in the fourth quarter of 2001.

The Company is involved in certain litigation matters that have arisen in the ordinary course of business. In the opinion of management, the outcome of these legal proceedings should not have a material adverse impact on the Company's financial position or results of operations.

Note 11. Acquisitions and Dispositions

On October 24, 2000, the Company sold substantially all the assets of its Alton, Illinois newspaper, *The Telegraph* ("Alton") and reported a pretax gain of $39.6 million on the sale ($24.6 million after-tax). Proceeds of the sale were used to reduce debt, repurchase shares, make a strategic acquisition in the Company's Greater Philadelphia cluster and for general corporate purposes.

On August 10, 2000, the Company completed its sale of substantially all of the assets of the Suburban Newspapers of Greater St. Louis and all of the issued and outstanding capital stock of The Ladue News, Inc. (collectively, "St. Louis"). The Suburban Newspapers of Greater St. Louis consisted of 38 free and 2 paid weekly newspapers with a non-daily distribution of approximately 1.6 million in the greater St. Louis area. The Ladue News published a weekly newspaper serving approximately 40,000 households in St. Louis. The Company reported a pretax gain of $141.1 million ($88.4 million after-tax), which is subject to the finalization of customary purchase price adjustments and closing costs related to the sale. All of the proceeds were used to reduce the Company's outstanding debt.

On June 7, 1999, the Company acquired certain assets and liabilities of *The Farmington Valley Post* in Avon, Connecticut, a suburban monthly newspaper. On July 13, 1999, the Company acquired certain assets and liabilities of *Town Talk Southern*, *Town Talk Eastern* and the *Delaware County Journal* in Ridley, Pennsylvania. On August 13, 1999, the Company acquired the stock of Hometown News, Inc. in West Warwick, Rhode Island, comprised of a daily, weekly and three non-daily publications. On September 1, 1999, the Company acquired certain assets and liabilities of *Connecticut Magazine* in Trumbull, Connecticut, a monthly publication. The Company applied the purchase method of accounting for these transactions.

Accordingly, the total acquisition cost was allocated to the tangible assets and liabilities based on their relative estimated fair value on the effective dates of the acquisitions of approximately $2.1 million and $800,000, respectively. In connection with these acquisitions, intangible assets of approximately $14.1 million were recorded for the excess of the purchase price over the value of identifiable net assets and are being amortized according to the Company's policy. The results of the acquired companies have been included in the consolidated financial statements since the acquisition dates.

On January 2, 1998, the Company acquired for approximately $3.8 million certain assets and liabilities of HVM, L.L.C. in New Milford, Connecticut, which publishes a group of newspapers, shoppers and monthly magazines. The Company applied the purchase method of accounting for this transaction.

On March 9, 1998, the Company acquired *The Saratogian*, a daily newspaper in Saratoga Springs, New York, and the *Community News*, a weekly newspaper serving Clifton Park, New York. The Company applied the purchase method of accounting for this transaction.

On July 15, 1998, the Company completed its acquisition of the Pennsylvania, New York and Ohio newspaper businesses of The Goodson Newspaper Group (including Mark Goodson Enterprises, Ltd.) for approximately $300 million in cash (the "Goodson Acquisition"). The Company applied the purchase method of accounting for this transaction. Accordingly, the total acquisition cost was allocated to the tangible assets and liabilities acquired based upon their estimated fair market value on the effective date of the acquisition, approximately $17.1 million and $7.9 million, respectively. Intangible assets of approximately $300 million were recorded for the subscriber lists and excess of the purchase price over the value of identifiable net assets and are being amortized in accordance with the Company's policy.

The following table presents the unaudited pro forma results of operations of the Company as though the Goodson Acquisition occurred as the beginning of the period presented:

Dollars in thousands, except per share amounts	December 31, 1998
Net revenues	$ 464,330
Income before extraordinary item	40,413
Net income	35,918
Net income per share (basic and diluted):	
Income before extraordinary item	$ .83
Net income	$ .74

The pro forma results are not necessarily indicative of what actually would have occurred if the acquisition had been in effect for the entire period presented and are not intended to be an indication of future results.

On September 21, 1998, the Company completed its acquisition of Taconic Media, Dutchess County, New York. The Company applied the purchase method of accounting for this transaction. Accordingly, the total acquisition cost was allocated to the assets and liabilities based on the relative estimated fair values on the effective date of the acquisition.

Intangible assets of $344.0 million related to the aforementioned 1998 acquisitions were recorded and are being amortized according to the Company's policy. The results of the acquired companies have been included in the consolidated financial statements since the acquisition dates.

Note 12. Subsequent Events (unaudited)

Since December 31, 2000 and as of March 27, 2001, the Company, in accordance with its stock repurchase program, has repurchased an additional 2,098,400 million shares of its Common Stock on the open market at a total cost of approximately $33.9 million. Shares under the program are to be repurchased at management's discretion, either in the open market or in privately negotiated transactions.

The decision to repurchase stock depends on price, market conditions and other factors. There is no minimum number of shares to be purchased under the program. Purchases under the program will be financed with the Company's free cash flow or borrowings under the Company's Revolving Credit Facility.

On January 31, 2001, the Company completed the sale of substantially all the assets of *The Times Reporter,* Dover/NewPhiladelphia (including Midwest Offset, one of the Company's commercial printing companies), and *The Independent*, Massillon, Ohio. Total daily circulation of the two newspapers is approximately 38,100.

On January 31, 2001, the Company completed the acquisition of the Pennsylvania and New Jersey region newspaper operations from Chesapeake Publishing Corporation's Mid-Atlantic Division. Total non-daily distribution of the 13 publications is approximately 90,000.

On February 21, 2001, the Company's Board of Directors authorized the granting of an additional 1,500,000 shares of Common Stock to be used under the Company's 1997 Stock Incentive Plan.

Note 13. Quarterly Results of Operations (unaudited)

The following is a summary of the quarterly results of operations for years ended December 31, 2000 and December 26, 1999:

Dollars in thousands, except per share data	March	June	September[1]	December[1,2]
2000				
Revenues	$ 113,207	$ 124,093	$ 112,943	$113,726
Operating income	$ 27,821	$ 37,470	$ 31,147	$ 32,818
Net income	$ 8,472	$ 14,285	$ 108,073	$ 38,551
Net income per common share:				
Basic	$ 0.19	$ 0.32	$ 2.39	$ 0.85
Diluted	$ 0.19	$ 0.32	$ 2.37	$ 0.85
1999				
Revenues	$ 109,902	$ 121,166	$ 119,545	$118,952
Operating income	$ 26,749	$ 35,982	$ 32,509	$ 36,692
Net income	$ 7,940	$ 13,852	$ 11,515	$ 14,358
Net income per common share:				
(basic and diluted)	$ 0.17	$ 0.30	$ 0.25	$ 0.31

(1) The amounts reported above include the operating results of St. Louis from January 1, 1999 through August 10, 2000, and Alton from January 1, 1999 through October 24, 2000. Net income and net income per common share also include after-tax gains of $88.4 million and $24.6 million on the sale of St. Louis and Alton in the third and fourth quarters of 2000, respectively (See Note 11, Acquisitions and Dispositions).

(2) The December 1999 quarterly results above reflect operations for the period October 1, 1999 through December 26, 1999.