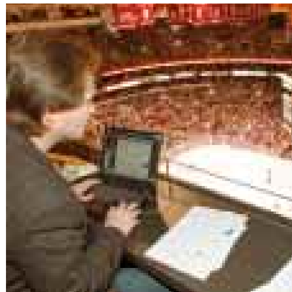
JOURNAL REGISTER COMPANY



2001 ANNUAL REPORT

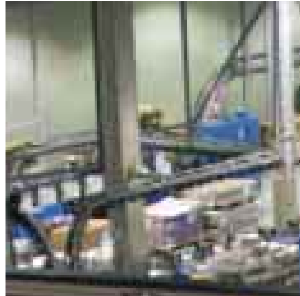
COMPANY PROFILE

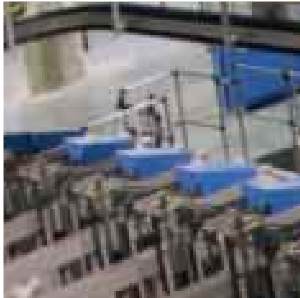
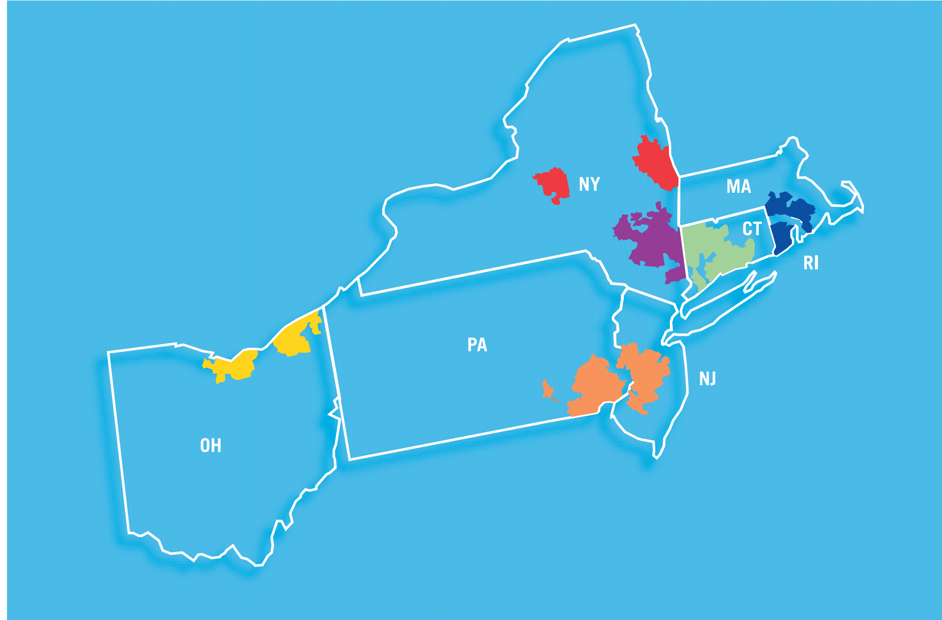
Journal Register Company (NYSE: JRC) is a leading U.S. newspaper publishing company that operates in six strategic geographic clusters, five in the Northeast and one in the greater Cleveland, Ohio, area. Headquartered in Trenton, New Jersey, the Company has approximately 4,800 employees in seven states.

Journal Register Company owns 23 daily newspapers with total daily circulation of approximately 561,000 and 206 non-daily publications with total non-daily distribution of approximately 3.4 million.

Journal Register Company operates 133 individual Web sites featuring the Company's daily newspapers and non-daily publications, which can be accessed at www.journalregister.com. The Company has an equity investment in PowerOne Media, Inc., a leading provider of online solutions for newspapers, which hosts the largest online newspaper network in the U.S.

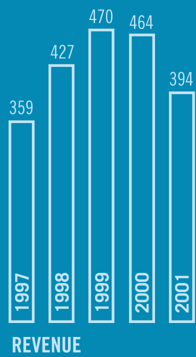
Journal Register Company, founded in July 1990, went public in May 1997.

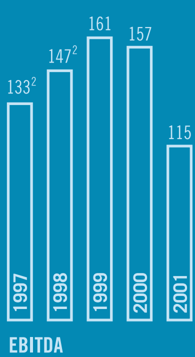


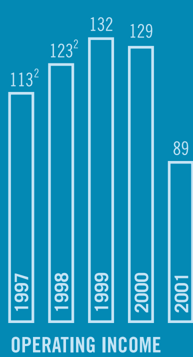



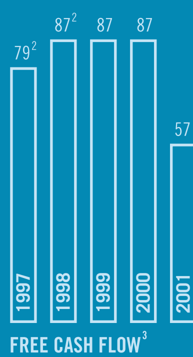
FINANCIAL HIGHLIGHTS[1]

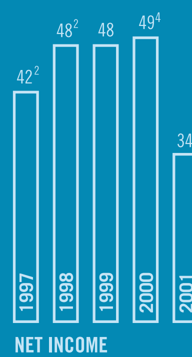
(IN MILLIONS OF DOLLARS)

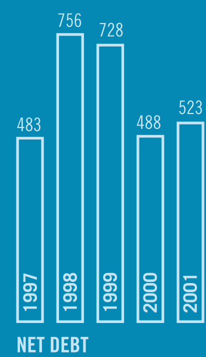












1. The results for 2000 and 2001 include through the dates of sale the results of the newspaper operations sold by the Company on August 10, 2000, October 24, 2000, and January 31, 2001.
2. Adjusted to exclude special charges and extraordinary items; see notes to Selected Financial Data.
3. Free Cash Flow is defined as EBITDA minus additions to Property, Plant and Equipment (excluding expenditures in connection with the Philadelphia plant project) and minus interest and cash taxes.
4. These results exclude the gains on sales and the reversal of certain tax accruals.

JOURNAL REGISTER OFFSET, OUR NEW PRINTING PLANT, WENT LIVE IN DECEMBER 2001

◀ OPEN FLAP

JOURNAL REGISTER COMPANY PUBLICATIONS

PUBLICATION	YEAR OF ORIGIN	COMMUNITY	DAILY CIRCULATION	SUNDAY CIRCULATION	NON-DAILY DISTRIBUTION
CONNECTICUT					
New Haven Register	1755	New Haven	99,043	105,974	
The Herald	1881	New Britain	17,478	35,954	
The Bristol Press	1871	Bristol	12,835		
The Register Citizen	1889	Torrington	10,839	10,060	
The Middletown Press	1884	Middletown	9,803		
Connecticut Magazine (2)	1938	Trumbull			686,271
Shore Line Newspapers (13)	1877	Guilford			146,330
Litchfield County Times Group (4)	1981	New Milford			111,856
Imprint Newspapers (12)	1880	Bristol			97,378
Elm City Newspapers (9)	1931	Milford			91,711
Gamer Publications (3)	1981	Bristol			57,250
Housatonic Publications (9)	1825	New Milford			57,211
Foothills Trader (3)	1965	Torrington			49,934
Connecticut's County Kids (2)	1989	Westport			40,200
Minuteman Newspapers (2)	1993	Westport			37,121
East Hartford Gazette	1885	East Hartford			17,950
Homefinder	1976	New Britain			17,503
Thomaston Express	1874	Thomaston			1,514
TMC Products (8)					213,967
			149,998	151,988	1,626,196
CENTRAL NEW ENGLAND					
The Herald News	1872	Fall River, MA	23,507	25,912	
The Call	1892	Woonsocket, RI	15,876	16,025	
The Times	1885	Pawtucket, RI	15,172		
Taunton Daily Gazette	1848	Taunton, MA	12,906	12,348	
Kent County Daily Times	1892	West Warwick, RI	4,761		
Hometown Newspapers (6)	1969	West Warwick, RI			46,411
Southern Rhode Island Newspapers (8)	1854	Wakefield, RI			39,922
County Kids (3)	1997	Fall River & Taunton, MA & Pawtucket, RI			51,287
Neighbors	1999	Pawtucket & Woonsocket, RI			19,000
TMC Products (4)					107,525
			72,222	54,285	264,145
GREATER CLEVELAND					
The News-Herald	1878	Willoughby	47,728	59,129	
The Morning Journal	1921	Lorain	34,137	37,702	
County Kids (2)	1997	Willoughby & Lorain			38,660
TMC Products (2)					74,473
			81,865	96,831	113,133

New Haven Register

WOMAN LEAPS TO SAFETY

The Herald News

Commuter train faces opposition

School candidates offer views

THE NEWS-HERALD

District considers net rules

Instant riot

2001 ACQUISITIONS • CHESAPEAKE PUBLICATIONS • MONTGOMERY NEWSPAPERS • ROE JAN INDEPENDENT PUBLISHING • THE REPORTER • THE LITCHFIELD COUNTY TIMES GROUP •

CHESAPEAKE PUBLICATIONS
ACQUIRED JANUARY 31, 2001
13 NON-DAILY PUBLICATIONS
KENNETT SQUARE, PA

MONTGOMERY NEWSPAPERS
ACQUIRED JUNE 7, 2001
24 NON-DAILY PUBLICATIONS
FORT WASHINGTON, PA

PUBLICATION	YEAR OF ORIGIN	COMMUNITY	DAILY CIRCULATION	SUNDAY CIRCULATION	NON-DAILY DISTRIBUTION
GREATER PHILADELPHIA					
The Trentonian	1945	Trenton, NJ	48,812	38,690	
Delaware County Daily and Sunday Times	1876	Primos, PA	48,392	44,992	
Daily Local News	1872	West Chester, PA	29,355	29,838	
The Mercury	1930	Pottstown, PA	25,566	26,580	
The Times Herald	1799	Norristown, PA	20,835	17,754	
The Reporter	1870	Lansdale, PA	18,622		
The Phoenix	1888	Phoenixville, PA	3,697		
Montgomery Newspapers (24)	1872	Ft. Washington, PA			282,889
InterCounty Newspaper Group (18)	1869	Newtown, PA			96,083
Town Talk Newspapers (7)	1964	Media & Ridley, PA			85,700
Chesapeake Publications (13)	1869	Kennett Square, PA			85,177
Acme Newspapers (4)	1930	Ardmore, PA			80,570
Penny Pincher Shoppers (6)	1988	Pottstown, PA			50,450
Lil' Book	2001	Trenton, NJ			40,000
Real Estate Today	1978	Pottstown, PA			34,900
Suburban Publications (3)	1885	Wayne, PA			32,429
Tri-County Record	1975	Morgantown, PA			19,370
The Homes Magazine	1988	West Chester, PA			19,355
Chester County Kids	2001	West Chester, PA			18,000
The Village News	1980	Downingtown, PA			18,000
Township Voice	1991	Phoenixville, PA			15,000
The Times Record	1980	Kennett Square, PA			9,000
Blue Bell Journal	1999	Blue Bell, PA			5,200
Chadds Ford Post	2001	Chadds Ford, PA			4,117
TMC Products (5)					106,020
			195,279	157,854	1,002,260
CAPITAL-SARATOGA REGION OF NEW YORK					
The Record	1896	Troy	21,912	23,433	
The Saratogian	1855	Saratoga Springs	10,856	12,696	
The Oneida Daily Dispatch	1850	Oneida	7,252		
Community News	1969	Clifton Park			27,622
Pennysaver (2)	1957	Oneida & Chittenango			23,085
TMC Products (2)					35,830
			40,020	36,129	86,537
MID-HUDSON REGION OF NEW YORK					
Daily Freeman	1871	Kingston	21,478	28,364	
Taconic Press (11)	1846	Millbrook			208,799
Wheels	2001	Kingston			38,988
Doorways	1983	Kingston			27,697
Roe Jan Independent Publishing (2)	1973	Hillsdale			25,240
			21,478	28,364	300,724
TOTAL JOURNAL REGISTER COMPANY			**560,862**	**525,451**	**3,392,995**

DAILY TIMES

'Freedom to fly'

RECORD

Fire hits Cohoes mill

AMERICA FIGHTS BACK

Daily Freeman

Family swindled elderly of $1M, prosecutors say

• **2001 ACQUISITIONS** • CHESAPEAKE PUBLICATIONS • MONTGOMERY NEWSPAPERS • ROE JAN INDEPENDENT PUBLISHING • THE REPORTER • THE LITCHFIELD COUNTY TIMES GROUP

DEAR SHAREHOLDERS,

Two thousand and one was a year that tested the talent and dedication of every Journal Register Company employee. The Company, as a whole, had been preparing for the slowing economy for some time, although no one anticipated that we were about to face the worst advertising environment since 1938. This advertising environment was exacerbated by the devastating events of September 11th.

In light of these events, I am pleased with Journal Register Company's financial results for 2001. The efforts of our talented employees produced one of the leading financial performances in the industry, on both the top and bottom lines, and one of the leading EBITDA margins in the industry, while continuing to deliver quality publications to our readers. These results were reflected in the 31% increase in our stock price in 2001, which was the second best performance in the industry and significantly better than the performance of the major stock market indices. Local newspapers continue to be a terrific investment – they have well-known brand names, proprietary content and strong readership.

Our results are a testament to the strength of our local franchises and the synergies produced by our clustering strategy. The revenue benefits and operational efficiencies, realized through tightly clustering our operations, contributed considerably to our 2001 accomplishments.

Net income per diluted share for the full year 2001 was $1.83, or $0.80 per diluted share on a continuing operations basis (excluding gains on sales, income resulting from the reversal of certain tax accruals and the operating results of sold properties). Our full year EBITDA was $114.9 million with an EBITDA margin of 29.1%; a very solid performance considering the economy and an increase in newsprint prices in excess of 9%, as compared to 2000.

We continue to generate substantial free cash flow, as evidenced by our 2001 free cash flow (defined as EBITDA less capital expenditures, excluding the Philadelphia plant expenditures, cash taxes and interest expense) of $57.1 million, or $1.34 per diluted share. On an unlevered basis, we generated free cash flow of $76.5 million, or $1.79 per diluted share, in 2001.

Advertising revenues, on a same-store, comparable-day basis, were down 6.0% for fiscal year 2001, which was also one of the better performances in the newspaper industry. On the same basis, retail advertising revenues were down 5.1% and classified advertising revenues were down 10.3%. This decline in classified advertising revenues, impacted by soft employment advertising, was considerably less than the 15.2% decline reported by the industry overall, according to the Newspaper Association of America. Classified advertising did have one bright spot in 2001, real estate revenues, which were strong throughout the year, increased 10.0% as compared to the prior year. National advertising revenues also performed very well, up 24.9% for the year, driven by excellent performance at our flagship, the *New Haven Register*, which was up 31.8% in national advertising revenues in 2001.

Recognizing that 2001 was a difficult year to grow organically, our management team worked diligently to capitalize on opportunities to grow our clusters, to strengthen our market position with five synergistic acquisitions and to successfully start-up our new centralized production facility in greater Philadelphia. All of the operations acquired are located within our clusters, in high-growth, affluent areas. We expect these 2001 accomplishments to play an important role in our future growth.

- In January 2001, we completed the acquisition of 13 non-daily Pennsylvania and New Jersey publications from Chesapeake Publishing Corporation. These publications, which reported annual revenues of approximately $5 million in 2000, expand and enhance our Greater Philadelphia Cluster, specifically in Chester County, Pennsylvania and southern New Jersey.
- In June 2001, we acquired Montgomery Newspapers, based in Fort Washington, Pennsylvania, which consists of 24 non-daily publications including *Main Line Life*, which has been named Best Suburban Newspaper in its classification four of the last six years. Montgomery Newspapers greatly enhances our position in Pennsylvania's fastest growing county, Montgomery County, and on the Main Line. In 2000, Montgomery Newspapers generated annual revenues of approximately $18 million.
- In August 2001, we acquired Hillsdale, New York-based Roe Jan Independent Publishing, Inc. Part of our Mid-Hudson cluster, the acquisition included two non-daily publications, which also complement the publications in our Capital-Saratoga and Connecticut clusters. Roe Jan Independent Publishing, Inc. had annual revenues of approximately $2 million for 2000.
- In September 2001, we acquired *The Reporter*, a 19,000-circulation daily newspaper based in Lansdale, Pennsylvania. This award-winning community newspaper further enhances our Greater Philadelphia Cluster and significantly strengthens our position in Montgomery County. *The Reporter* had total revenues of approximately $13 million in 2000.
- In October 2001, we acquired the Litchfield County Times Group, based in New Milford, Connecticut. The group includes a weekly newspaper, *The Litchfield County Times*, and three monthly lifestyle magazines. The group had approximately $2.5 million in total revenues for the fiscal year ended March 2001. This acquisition is an excellent fit with our existing Litchfield County publications.

2001 ACQUISITIONS • CHESAPEAKE PUBLICATIONS • MONTGOMERY NEWSPAPERS • ROE JAN INDEPENDENT PUBLISHING • THE REPORTER • THE LITCHFIELD COUNTY TIMES GROUP •

ROE JAN INDEPENDENT PUBLISHING
ACQUIRED AUGUST 1, 2001
2 NON-DAILY PUBLICATIONS
HILLSDALE, NY

THE REPORTER
ACQUIRED
SEPTEMBER 14, 2001
1 DAILY NEWSPAPER
LANSDALE, PA

In 2002, we look forward to further integrating these acquisitions into our clusters and capitalizing on additional synergistic acquisition opportunities.

Since Journal Register Offset, our new Philadelphia-area production facility, went live in December 2001, the production quality of many of our Greater Philadelphia Cluster newspapers has improved dramatically and there has been notable improvement in operating efficiencies within the cluster. At the heart of the 86,000 square-foot plant is a state-of-the-art, 42-couple, MAN Roland GEOMAN shaftless offset press. This five-story, tower-design press is configured in two press lines, each of which is capable of producing a total of 64 broadsheet newspaper pages per run with up to 24 full-process color pages and 32 single, spot-color pages, at speeds of up to 70,000 copies per hour. The quality of the newspapers produced by Journal Register Offset has been extremely well received by our readers and advertisers. This project, which is the single largest capital project that Journal Register Company has undertaken, was completed on time and on budget. We anticipate cash expense savings of $1.3 million, on an annualized basis, which will be phased in during 2002.

Journal Register Company continues to be committed to growing a complementary and profitable online business. In 2001, our online strategy produced strong results. Online revenues, on a same-store, comparable-day basis, were $3.5 million, up 15.5% from 2000, and generated $2.5 million of EBITDA. We continue to grow our 133 individual Web sites, with same-store page views increasing approximately 37% in 2001. Our Web sites are an integral part of our strategy of being the number one provider of local information both in print and online in the markets we serve.

The quality of our newspapers continues to be acknowledged by our peers, as evidenced by the numerous awards received in 2001. These are highlighted by:

- *The Morning Journal* in Lorain, Ohio, recognized as one of the top 10 newspapers in the country for sports special sections in the under 40,000 circulation category by the Associated Press Sports Editors;
- *New Haven Register* Staff Photographer Peter Casolino received the Second Annual *Editor & Publisher* Photo of the Year award in the 50,000 to 199,999 circulation category; and
- In Willoughby, Ohio, *The News-Herald* was named the best daily newspaper in the state in the under 100,000 circulation category by the Press Club of Cleveland. This represents the tenth year out of eleven that *The News-Herald* or *The Morning Journal* has won this award.

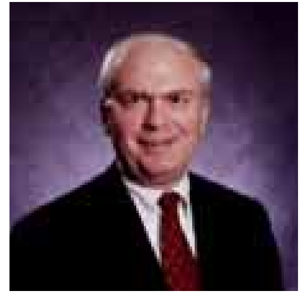
These awards acknowledge the teamwork and talent of Journal Register Company's 4,800 employees, each of whom, on and following September 11th, demonstrated their commitment and allegiance by setting aside their emotions and producing eleven extra editions to provide our readers with coverage of the tragic events of September 11th and the impact these events had on our readers and markets. Following the tragedies, we, like many individuals and businesses, wanted to do everything we could to help those impacted. Through the establishment of the Journal Register Company Foundation, and with the assistance of our employees, readers and advertisers, we contributed approximately $100,000 to the American Red Cross Disaster Relief Fund and related charities to aid the families of the victims, the heroic firefighters, police, rescue workers, and others affected by the September 11th terrorist attacks in New York City, Washington, D.C. and western Pennsylvania. We also made in-kind donations, which included sponsorships of blood drives and space in our newspapers.

The progress we achieved in 2001, in the face of significant challenges, underscores the commitment of Journal Register Company's employees and strength of our local franchises. Our local clustering strategy is working very well and we are a company committed to excellence, performance, growth and the enhancement of shareholder value. This winning combination makes us very confident going forward.

Robert M. Jelenic
Chairman, President and
Chief Executive Officer
March 2002

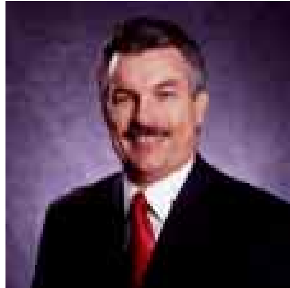
• **2001 ACQUISITIONS** • CHESAPEAKE PUBLICATIONS • MONTGOMERY NEWSPAPERS • ROE JAN INDEPENDENT PUBLISHING • THE REPORTER • THE LITCHFIELD COUNTY TIMES GROUP

THE LITCHFIELD COUNTY TIMES GROUP
ACQUIRED
OCTOBER 25, 2001
4 NON-DAILY PUBLICATIONS
NEW MILFORD, CT



SENIOR EXECUTIVE ▲
OFFICERS

OFFICERS ▶



BOARD OF
DIRECTORS ▶

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

OFFICERS (Middle: from left to right)
William J. Higginson, Vice President, Production; **Howard L. Griffin**, Vice President, Advertising; **Charles S. Pukanecz**, Vice President, News; **Edward J. Melando**, Vice President and Corporate Controller

BOARD OF DIRECTORS (Bottom: from left to right)
John R. Purcell, Chairman and Chief Executive Officer, Grenadier Associates, Ltd.; **Joseph A. Lawrence**, Private Investor; **Jean B. Clifton**, Executive Vice President, Chief Financial Officer and Secretary, Journal Register Company; **Robert M. Jelenic**, Chairman, President and Chief Executive Officer, Journal Register Company; **John L. Vogelstein**, Vice Chairman and President, Warburg Pincus LLC; **Errol M. Cook**, Private Investor and Consultant; Gary D. Nusbaum, Managing Director, Warburg Pincus LLC; and **Burton B. Staniar**, Chairman, Knoll, Inc.

2001 FINANCIAL REPORT

Financial Contents

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Cautionary Statement Regarding Forward-Looking Statements

Statements in this Annual Report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements regarding the Company's expectations, hopes, intentions or strategies regarding the future. Forward-looking statements include statements regarding the plans and objectives of the Company for future operations and trends affecting the Company's financial condition and results of operations. In addition, the words "anticipates," "projects," "plans," "intends," "estimates," "expects," "may," "believes" and similar words are intended to identify these forward-looking statements. All forward-looking statements in this Report are based on information available to the Company (as hereinafter defined) as of the date of this Report, and the Company assumes no obligation to update any such forward-looking statements, except as required by law. All forward-looking statements involve risks and uncertainties. Actual results may differ materially from those expressed or implied by such forward-looking statements as a result of certain factors including, but not limited to, the unavailability or a material increase in the price of newsprint, the success of the Company's acquisition strategy, dispositions, the ability of the Company to achieve cost reductions and integrate acquisitions, competitive pressures and general or regional economic conditions and advertising trends, among other things. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Certain Factors Which May Affect the Company's Future Performance." 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.

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 30, 2001	Year Ended December 31, 2000 [1]	Year Ended December 26, 1999 [2]	Year Ended December 31, 1998	Year Ended December 31, 1997
Dollars in thousands, except per share amounts and number of newspapers					
Statement of Income Data:					
Revenues:					
Advertising	**$ 287,859**	$ 343,130	$ 348,995	$ 312,908	$ 266,914
Circulation	**87,737**	96,852	96,783	89,388	80,211
Newspaper revenues	**375,596**	439,982	445,778	402,296	347,125
Commercial printing and other	**18,809**	23,987	23,787	24,484	12,282
	394,405	463,969	469,565	426,780	359,407
Operating expenses:					
Salaries and employee benefits	**140,522**	155,161	157,110	139,216	114,302
Newsprint, ink and printing charges	**37,741**	46,533	48,432	53,594	40,452
Selling, general and administrative	**47,810**	47,008	45,318	39,047	30,450
Depreciation and amortization	**26,317**	27,616	28,798	23,844	20,480
Other	**53,474**	58,395	57,975	52,012	40,783
Special charge [3]	**—**	—	—	—	31,899
	305,864	334,713	337,633	307,713	278,366
Operating income	**88,541**	129,256	131,932	119,067	81,041
Net interest and other expense	**(30,490)**	(48,020)	(52,347)	(45,321)	(42,288)
Gain on sale of newspaper properties	**32,212**	180,720	—	—	—
Income before provision for income taxes, equity interest and extraordinary item	**90,263**	261,956	79,585	73,746	38,753
Provision for income taxes	**10,818**	90,951	31,694	28,112	15,784
Income before extraordinary item and equity interest	**79,445**	171,005	47,891	45,634	22,969
Equity interest	**(1,313)**	(1,624)	(226)	—	—
Income before extraordinary item	**78,132**	169,381	47,665	45,634	22,969
Extraordinary item [4]	**—**	—	—	(4,495)	—
Net income	**$ 78,132**	$ 169,381	$ 47,665	$ 41,139	$ 22,969
Income before extraordinary item per common share:					
Basic	**$ 1.85**	$ 3.74	$ 1.02	$ .94	$ .51
Diluted	**$ 1.83**	$ 3.72	$ 1.02	$ .94	$ .51
Net income per common share:					
Basic	**$ 1.85**	$ 3.74	$ 1.02	$ .85	$ .51
Diluted	**$ 1.83**	$ 3.72	$ 1.02	$ .85	$ .51
Other Data:					
EBITDA [5, 6]	**$ 114,858**	$ 156,871	$ 160,730	$ 146,706	$ 133,420
EBITDA Margin [5, 6]	**29.1%**	33.8%	34.2%	34.4%	37.1%
Tangible net income, as adjusted [5, 6]	**$ 46,641**	$ 60,960	$ 58,887	$ 55,537	$ 46,042
Tangible net income, as adjusted, per common share [5, 6]	**$ 1.09**	$ 1.34	$ 1.26	$ 1.14	$ 1.02
Capital expenditures [7]	**$ 34,929**	$ 21,550	$ 18,081	$ 14,353	$ 9,727
Net cash provided by (used in):					
Operating activities	**$ 77,666**	$ 62,915	$ 90,595	$ 80,344	$ 66,030
Investing activities	**$ (58,107)**	$ 195,206	$ (32,727)	$ (354,213)	$ (19,447)
Financing activities	**$ (25,944)**	$ (254,716)	$ (63,320)	$ 274,228	$ (46,946)
Number of newspapers, end of period:					
Daily	**23**	24	25	24	18
Non-Daily	**206**	158	200	185	141

	Year Ended December 30, 2001	Year Ended December 31, 2000 [1]	Year Ended December 26, 1999 [2]	Year Ended December 31, 1998	1997
Dollars in thousands					
Balance Sheet Data:					
Total current assets	**$ 66,573**	$ 79,359	$ 88,397	$ 81,878	$ 77,833
Property, plant and equipment, net	**124,440**	104,178	107,522	99,978	92,620
Total assets	**711,171**	657,350	687,180	671,869	327,931
Total current liabilities, less current maturities of long-term debt	**62,877**	51,542	53,380	50,124	39,034
Total debt, including current maturities	**522,771**	494,635	731,467	765,000	490,774
Stockholders' deficit	**$ (36,198)**	$ (55,726)	$ (207,383)	$ (225,313)	$ (266,242)

(1) The Company's fiscal year ends on the nearest Sunday to the end of the calendar year, consequently, the Company's fiscal year ended December 31, 2000 consisted of 53 weeks.

(2) In 1999, the Company changed its fiscal year from a calendar year to a 52/53 week fiscal year ending on the nearest Sunday to the end of the calendar year.

(3) 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 a $28.4 million 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.

(4) 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.

(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, the integration of the acquired assets of the Goodson Newspaper Group, and an increase to certain receivable reserves and the extraordinary item ($4.5 million, net of tax) discussed in Note (4) 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 (3).

(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 accounting principles generally accepted in the United States ("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.

(7) Capital expenditures, excluding capitalized interest, associated with the Company's new Philadelphia printing facility (Journal Register Offset) were $22.8, $10.8 and $1.8 million in fiscal years 2001, 2000 and 1999, respectively. Capitalized interest associated with Journal Register Offset was $1.3 million and $601,000 in fiscal years 2001 and 2000, respectively. The plant began operating in December 2001.

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 30, 2001, the Company owned and operated 23 daily newspapers and 206 non-daily publications strategically clustered in six geographic areas: Connecticut; Greater Philadelphia; Greater Cleveland Area of Ohio; Central New England; and the Capital-Saratoga and Mid-Hudson, New York regions. As of December 30, 2001, the Company had total paid daily circulation of approximately 561,000, total paid Sunday circulation of approximately 525,000 and total non-daily distribution of approximately 3.4 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 2001, the Company successfully completed 22 strategic acquisitions, acquiring 14 daily newspapers, 172 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 of the Company's operation in six geographic clusters and a reduction in the Company's leverage. The proceeds were used to reduce the Company's outstanding debt, to purchase treasury shares and for strategic acquisitions.

On January 31, 2001, the Company completed the acquisition of the Pennsylvania and New Jersey newspaper operations from Chesapeake Publishing Corporation. Total non-daily distribution of the 13 publications acquired from Chesapeake Publishing Corporation is approximately 90,000. On June 7, 2001, the Company completed the acquisition of the weekly Montgomery Newspaper Group community newspaper operations, which are based in Fort Washington, Pennsylvania, from Metroweek Corporation. Total distribution of these 24 non-daily publications is approximately 283,000. On August 1, 2001, the Company completed the acquisition of Roe Jan Independent Publishing, Inc., which is based in Hillsdale, New York. Total distribution of the two non-daily publications included in this purchase is approximately 26,000. On September 14, 2001, the Company completed the acquisition of *The Reporter*, a 19,000-circulation daily newspaper based in Lansdale, Pennsylvania. On October 25, 2001, the Company completed the acquisition of *The Litchfield County Times*, a weekly newspaper based in New Milford, Connecticut, with circulation of approximately 15,000. The acquisition also included three lifestyle magazines serving Connecticut and New York, with total monthly distribution of approximately 90,000.

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 objective 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 30, 2001, the Company operated 133 Web sites featuring the Company's daily newspapers and non-daily publications.

In 1999, the Company elected to change its fiscal year from a calendar year end to a fiscal year ending on the nearest Sunday to the end of the calendar year. Accordingly, the Company's recent fiscal years ended on December 30, 2001, December 31, 2000, and December 26, 1999.

Year Ended December 30, 2001 Compared to the Year Ended December 31, 2000

For comparison purposes, where noted, the Company's fiscal years 2001 and 2000 results are presented on a same-store basis, which excludes the results of the Greater St. Louis cluster newspapers sold in 2000, the Ohio newspapers sold in 2001, and the Company's acquisitions completed in 2001. Also, where noted, the Company's results are presented on a comparable day basis, which reflects an adjustment to eliminate the estimated impact of the additional week included in the Company's 2000 results. In 2000, the Company had a 53-week fiscal year as compared to a 52-week fiscal year in 2001.

Summary. Net income for the year ended December 30, 2001 was $78.1 million, or $1.83 per diluted share, versus $169.4 million, or $3.72 per diluted share, for the year ended December 31, 2000. Excluding special items, earnings per diluted share were $0.80 and $1.07 for the years ended December 30, 2001 and December 31, 2000, respectively.

The special items reported in the 2001 and 2000 results include a $32.2 million pre-tax ($42.1 million after-tax) gain on the sale of the Company's Ohio operations in 2001, and a

$180.7 million pre-tax ($113.0 million after-tax) gain on the sale of the Company's St. Louis cluster operations in 2000, and reversals of certain tax accruals in both years.

Revenues. Reported revenues were $394.4 million for the year ended December 30, 2001 as compared to $464.0 million for the year ended December 31, 2000. The decline was mainly due to the sale of the Company's St. Louis cluster and Ohio operations, a 52-week fiscal year in 2001 versus a 53-week fiscal year in 2000, and lower advertising revenues resulting from a decline in the U.S. economy.

Same-store revenues. Same-store revenues decreased by 6.7% to $375.5 million or approximately 4.9% on a comparable day basis. On a same-store, comparable day basis, advertising revenues decreased 6.0%, circulation revenues decreased 1.4% and commercial print revenues decreased 4.3%. Online revenues on the same basis, included in advertising revenues, increased approximately 15.5% to $3.5 million.

Salaries and employee benefits. Salaries and employee benefit expenses were 35.6% of the Company's revenues for the year ended December 30, 2001, compared to 33.4% for the year ended December 31, 2000. Salaries and employee benefits decreased $14.6 million, or 9.4%, in 2001 to $140.5 million. Same-store salaries and employee benefits decreased $6.1 million, or 4.5%, primarily due to a reduction in headcount, lower cost of retiree benefits, and one less week in fiscal year 2001.

Newsprint, ink and printing charges. For the year ended December 30, 2001, newsprint, ink and printing charges were 9.6% of the Company's revenues, as compared to 10.0% for the year ended December 31, 2000. Newsprint, ink and printing charges decreased $8.8 million, or 18.9%, for the year ended December 30, 2001 as compared to the prior year due to the dispositions of certain newspaper properties. On a same-store, comparable day basis, newsprint, ink and printing charges increased approximately $1.2 million, or 3.6%, primarily due to an increase of approximately 9.2% in newsprint prices, offset partially by a decrease in newsprint consumption of approximately 7.0%.

Selling, general and administrative. Selling, general and administrative expenses were 12.1% and 10.1% of the Company's revenues for the years ended December 30, 2001 and December 31, 2000, respectively. On a same-store basis, selling, general and administrative expenses for the year ended December 30, 2001 increased $4.2 million from $40.7 million to $44.9 million, due primarily to increased promotional activity associated with the Company's focus on increasing revenues.

Depreciation and amortization. Depreciation and amortization expenses were 6.7% and 6.0% of the Company's revenues for the years ended December 30, 2001 and December 31, 2000, respectively. Depreciation and amortization expenses decreased $1.3 million, or 4.7%, to $26.3 million for the year ended December 30, 2001 primarily due to the dispositions of certain newspaper properties. On a same-store basis, depreciation and amortization expense was flat for the year ended December 30, 2001 as compared to the year ended December 31, 2000.

Other expenses. Other expenses were $53.5 million for the year ended December 30, 2001 as compared to $58.4 million for the year ended December 31, 2000. On a same-store basis, other expenses increased approximately $700,000, or 1.4%, to $50.7 million due in part to increases in promotional expenses.

Operating income. Operating income decreased $40.7 million, or 31.5%, for the year ended December 30, 2001 to $88.5 million as compared to $129.3 million in 2000. Same-store operating income decreased $26.2 million, or 23.1%, to $87.1 million.

Net interest and other expenses. Net interest and other expense decreased $17.5 million for the year ended December 30, 2001 as compared to the year ended December 31, 2000, principally due to a reduction in average net debt outstanding and lower weighted-average interest rates during 2001 as compared to 2000. The reduction in average net debt is due primarily to the sales of the St. Louis cluster and Ohio properties and strong free cash flow generated from operations, partially offset by funds used for share repurchases, acquisitions and the Philadelphia plant in 2001.

Gains on the sales 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). On January 31, 2001, the Company completed the sale of the assets of *The Times Reporter*, Dover/New Philadelphia, Ohio (including Midwest Offset, one of the Company's commercial printing companies co-located with *The Times Reporter*), and *The Independent*, Massillon, Ohio, and reported a pre-tax gain of $32.2 million ($42.1 million gain after-tax).

Provision for income taxes. The provision for income taxes was $10.8 million for the fiscal year ended December 30, 2001 as compared to $91.0 million for the fiscal year ended December 31, 2000. Included in the tax provision for fiscal year 2001 is a $9.9 million tax benefit on the gain on sale of the Company's Dover/New Philadelphia and Massillon properties, which was recorded due to the realization of previously unrecognized book/tax differences and a $1.8 million reversal of certain accruals which were determined to no longer be required. Included in the provision for fiscal 2000 is $67.7 million of income taxes provided for the sale of the St. Louis cluster partially offset by a $8.0 million reversal of certain accruals which were determined to be no longer required. Excluding these special items in each year, the Company's effective tax rate for fiscal years 2001 and 2000 were 38.9% and 38.4%, respectively.

Equity interest. The loss on equity interest of $1.3 million recorded for the year ended December 30, 2001 represents the Company's pro rata share (7.56%) 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 $1.6 million in the prior year.

Other information. Tangible net income for the year ended December 30, 2001 was $46.6 million, or $1.09 per share, as compared to $61.0 million, or $1.34 per share, for the year ended December 31, 2000.

Management's Discussion and Analysis of Financial Condition and Results of Operations. (continued)

Year Ended December 31, 2000 Compared to the 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 53-week fiscal year 2000 as compared to the 52-week fiscal year 1999.

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 2000 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. The 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.

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 and repurchase treasury shares 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 $77.7 million for the year ended December 30, 2001 as compared to $62.9 million in the prior year. Current assets were $66.6 million and current liabilities, excluding $30.3 million of current maturities of long-term debt, were $62.9 million as of December 30, 2001. The Company manages its working capital through the utilization of its Revolving Credit Facility; the outstanding balance on the Revolving Credit Facility is classified as a long-term liability.

Cash flows from investing activities. For the year ended December 30, 2001, net cash used in investing activities was $58.1 million. Cash used to fund the Company's acquisitions of five strategic newspaper properties further described in Note 10 to the Consolidated Financial Statements was partially offset by proceeds from the January 2001 sale of the assets of two of the Company's Ohio newspapers. In December 2001, the Company completed the construction of its new Philadelphia printing facility, Journal Register Offset. The total cost of the project, which was completed on budget and on time, was $35.4 million, excluding capitalized interest. Capital expenditures incurred in connection with Journal Register Offset were $22.8 million and $10.8 million in 2001 and 2000, respectively, excluding capitalized interest.

Net cash provided from investing activities was $195.2 million for the fiscal year ended December 31, 2000. Proceeds from the sale of the Company's St. Louis cluster were partially offset by capital investments in property, plant and equipment.

The Company has a capital expenditure program (excluding future acquisitions) of approximately $13.0 million in place for 2002, which includes spending on technology, including prepress and business systems, computer hardware and software, other machinery and equipment and vehicles. 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 $25.9 million in 2001 as compared to $254.7 million in 2000. The fiscal year 2001 and 2000 activity reflects expenditures of $54.3 million and $18.1 million, respectively, in connection with the Company's common stock repurchase program. The fiscal year 2000 activity also reflects $236.8 million for the repayment of senior debt.

Debt and derivative activity. On July 15, 1998, the Company entered into a credit agreement (the "Credit Agreement") with a group of banks and other financial institutions, led by J.P. Morgan Chase & Co. as administrative agent for the lenders thereunder. 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 purchase the Pennsylvania, New York and Ohio newspaper business of The Goodson Newspaper Group for approximately $300 million. 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 Term Loans mature on March 31, 2006 and September 30, 2006, and the Revolving Credit Facility matures on March 31, 2006. Under the terms of the Company's Credit Agreement net proceeds, as defined in the Credit Agreement, from the sale of newspaper properties which are not reinvested within 365 days must be used to prepay debt. Accordingly, the Company's excess borrowing capacity under the Term Loans was reduced in the first quarter of 2002 by approximately $30 million in connection with the Company's January 2001 asset sale.

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. Capitalized interest for the years ended December 30, 2001 and December 31, 2000 was $1.3 million and $601,000, respectively. There was no capitalized interest for the year ended December 26, 1999. The estimated fair value of the Term Loans and Revolving Credit Facility approximates their carrying value.

An annual commitment fee is incurred on the average daily-unused portion of the Revolving Credit Facility, payable quarterly in arrears, at a percentage that 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 30, 2001, the Company's commitment fee was 0.250%.

The terms of the Credit Agreement require the Company 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 due to fluctuations in the variable interest rates. The minimum requirement varies depending on the Company's Total Leverage Ratio (as defined in the Credit Agreement). To fulfill 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. IRPAs currently in place as of December 30, 2001

included SWAP agreements with notional principal amounts of $75 million and $175 million, which expire on January 29, 2002 and October 29, 2002, respectively. The fixed interest rates of these IRPAs at December 30, 2001 are approximately 5.85%.

The Company's weighted-average effective interest rate was approximately 6.25%. This interest rate includes a $3.6 million pre-tax charge realized and reported as a component of interest expense for the Interest Rate Protection Agreements in place during 2001.

In addition to IRPAs noted above, the Company entered into a no cost interest rate collar hedge ("the collar") on November 9, 2001. The collar establishes an interest rate ceiling ("CAP") and an interest rate floor at no cost to the Company. The CAP on the Company's collar is 6 percent and the floor averages approximately 2.66 percent and is based upon the 90-day LIBOR. In the event 90-day LIBOR rates exceed 6 percent, the Company will receive cash from the issuer to compensate for the rate in excess of the 6 percent CAP. If the 90-day LIBOR is lower than 2.66 percent, the Company will pay cash to the issuer to compensate for the rate below the floor. The collar is effective on October 29, 2002 beginning at a notional amount of $170 million. The collar amortizes over two years to a notional amount of $135 million and terminates on October 29, 2004.

From time to time, the Company may enter into additional IRPAs. Each IRPA will be designated for all or a portion of the principal balance and term of a specific debt obligation.

As of January 1, 2001, the Company adopted Financial Accounting Standard No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), as amended. Upon adoption of SFAS 133, the fair market value of the derivative is reported as a transition adjustment to Other Comprehensive Income/Loss ("OCI"). Accordingly, on January 1, 2001, the Company recorded a deferred pre-tax transition gain of $198,600 ($120,000 after-tax) as an adjustment to OCI. The interest rate swaps were fully effective in hedging the changes in cash flows related to the debt obligation during the year ending December 30, 2001. The total deferred loss reported in OCI as of December 30, 2001 was approximately $3.7 million (net of $2.0 million of deferred taxes).

As of December 30, 2001, the Company had outstanding indebtedness under the Credit Agreement, due and payable in installments through 2006, of $522.8 million, of which $131.2 million was outstanding under the Revolving Credit Facility and $391.6 was outstanding under the Term Loans. There was $101.3 million of unused and available Revolving Credit Facility funds subject to the terms of the Credit Agreement at December 30, 2001.

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.

Significant Accounting Policies and Estimates

General

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to bad debts, inventories, investments, remaining useful lives of long-lived assets, income taxes, pensions and other post-retirement benefits, and contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Accounts Receivable and Bad Debt

Accounts receivable consist primarily of amounts due to the Company from normal business activities. Allowances for doubtful accounts are reserves for the estimated loss from the inability of customers to make required payments. The Company uses historical experience as well as current market information in determining the estimate. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Long-Lived Assets

Goodwill associated with the excess purchase price over the fair value of assets acquired and other identifiable intangible assets, such as mastheads, customer lists, and covenants not to compete, were amortized on the straight-line method over their estimated useful lives for the years presented in the Company's consolidated financial statements. These assets are currently reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. See further discussions under *New Accounting Pronouncements* herein, of SFAS 141 and SFAS 142 issued in June 2001.

Revenue Recognition

Revenue is earned from the sale of advertising, circulation, commercial printing and other related activities and is recognized when advertisements are printed and products are delivered to customers.

New Accounting Pronouncements

On July 25, 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") 141, *Business Combinations*, and SFAS 142, *Goodwill and Other Intangible Assets*. SFAS 141 eliminates the

pooling-of-interest method of accounting for business combinations and clarifies the criteria to recognize intangible assets separately from goodwill. Under SFAS 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed annually, or more frequently if required for impairment. Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. The amortization provisions of SFAS 142 currently apply to goodwill and intangible assets acquired after June 30, 2001.

With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company is required to adopt SFAS 142 in its fiscal year 2002, which began on December 31, 2001. During fiscal 2002, the Company will perform the first of the required impairment tests of goodwill and intangible assets. Based on the Company's current estimates, the effect of this new standard, if applied to 2001 results, would have been to reduce amortization expense by approximately $12 million and to raise earnings per diluted share by approximately $0.23. The Company expects to realize a similar benefit in 2002.

In October 2001, the FASB issued SFAS No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*, and addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement is effective for fiscal years beginning after December 15, 2001. Adoption of this statement will not have a current impact on the Company's financial position or results of operations.

Information Relating to Forward-Looking Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this 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, which could cause results to differ materially, 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, but not limited to, the unavailability or a material increase in the price of newsprint, the success of the Company's acquisition strategy, dispositions, the ability of the Company to achieve cost reductions and integrate acquisitions, competitive pressures and general or regional economic conditions and advertising trends, among other things, and 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.

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 30, 2001, the consolidated indebtedness of the Company was $522.8 million, which represents a multiple of 4.6 times the Company's twelve months trailing EBITDA of approximately $114.9 million. As of December 30, 2001, the Company had a net stockholders' deficit of $36.2 million and total capitalization of $486.6 million, and, thus, the percentage of the Company's indebtedness to total capitalization was 107%. The Company may incur additional indebtedness to fund operations, capital expenditures, future acquisitions or share repurchases.

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 may restrict, among other things, the Company's ability to declare dividends, purchase treasury 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,

Management's Discussion and Analysis of Financial Condition and Results of Operations. (continued)

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.

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 available cash, sales of non-strategic properties, free cash flow, and borrowings. The Company anticipates that it will finance future acquisitions through these same resources. 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 cost (excluding paper consumed in the Company's commercial printing operations) was approximately $28 million in 2001, or approximately 7.3% of the Company's newspaper revenues. In 2001, the Company consumed approximately 47,000 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 2001, 2000 and 1999 was $585, $565 and $510, respectively, as reported by the trade publication *Pulp and Paper Weekly*. The Company purchases the majority of its newsprint through its central purchasing group, Journal Register Supply. The Company has no long-term contracts to purchase newsprint. Generally, Journal Register Supply purchases 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, and 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 9% for the fiscal year 2001, increased approximately 6% for the fiscal year 2000 and decreased approximately 13% for the fiscal year 1999. 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.

Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to market risk arising from changes in interest rates associated with its long-term debt obligations. The Company's long-term debt is at variable interest rates based on certain interest rate spreads applied to the LIBOR, the Prime Rate or the Federal Funds Rate, as defined in the Credit Agreement. To manage its exposure to fluctuations in interest rates and, as required by its Credit Agreement, the Company enters into certain IRPAs on a portion of its debt, which minimizes the effect of changes in variable interest rates. The Company's objective with respect to these agreements is for hedging activities and not for trading or speculative activity.

At December 30, 2001, the Company had in effect SWAP agreements for a notional amount of $250 million. In addition, the Company entered into a no-cost collar on November 9, 2001, for a notional amount of $170 million, which will become effective when the SWAP agreements expire in October 2002. The fair market value of the SWAP and the collar at December 30, 2001, had the SWAP and the collar been marked to market, would have resulted in a pre-tax loss of approximately $5.7 million. SWAP agreements in an aggregate notional amount of $400 million, which became effective January 29, 1999, reduced by $75 million each January beginning in January 2000. The final SWAP of $175 million expires on October 29, 2002. Assuming a 10% increase or reduction in interest rates for the year ended December 30, 2001, the effect on the Company's pre-tax earnings and cash flows would be approximately $1.3 million.

CONSOLIDATED BALANCE SHEETS

Dollars in thousands	**December 30, 2001**	December 31, 2000
Assets		
Current assets:		
Cash and cash equivalents	**$ 110**	$ 6,495
Accounts receivable, less allowance for doubtful accounts of $6,365 in 2001 and $3,443 in 2000	**49,920**	54,078
Inventories	**5,535**	9,104
Deferred income taxes	**3,962**	1,801
Other current assets	**7,046**	7,881
Total current assets	**66,573**	79,359
Property, plant and equipment:		
Land	**10,408**	8,380
Buildings and improvements	**69,448**	58,167
Machinery and equipment	**161,784**	142,849
Construction and equipment installation in progress	**3,373**	14,445
	245,013	223,841
Less accumulated depreciation	**(120,573)**	(119,663)
Property, plant and equipment, net	**124,440**	104,178
Intangible assets and other assets, net of accumulated amortization of $70,231 in 2001 and $56,792 in 2000	**520,158**	473,813
Total assets	**$ 711,171**	$ 657,350
Liabilities and Stockholders' Deficit		
Current liabilities:		
Current maturities of long-term debt	**$ 30,254**	$ 22,625
Accounts payable	**15,988**	10,758
Accrued interest	**3,791**	6,155
Deferred subscription revenue	**9,750**	8,529
Accrued salaries and vacation	**5,266**	4,984
Fair market value of hedges	**5,715**	—
Other accrued expenses and current liabilities	**22,367**	21,116
Total current liabilities	**93,131**	74,167
Senior debt, less current maturities	**492,517**	472,010
Deferred income taxes	**35,933**	29,756
Accrued retiree benefits and other liabilities	**12,114**	14,095
Income taxes payable	**113,674**	123,048
Commitments and contingencies		
Stockholders' deficit:		
Common stock, $.01 par value per share, 300,000,000 shares authorized, 48,437,581 issued at December 30, 2001 and December 31, 2000	**484**	484
Additional paid-in capital	**358,263**	358,268
Accumulated deficit	**(288,643)**	(366,775)
	70,104	(8,023)
Less treasury stock, shares at cost 2001 - 6,932,050; 2000 - 3,583,385	**(101,778)**	(47,703)
Accumulated other comprehensive loss, net of tax	**(4,524)**	—
Net stockholders' deficit	**(36,198)**	(55,726)
Total liabilities and stockholders' deficit	**$ 711,171**	$ 657,350

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

Fiscal Year Ended	**December 30, 2001**	December 31, 2000	December 26, 1999
In thousands, except per share data			
Revenues:			
Advertising	**$ 287,859**	$ 343,130	$ 348,995
Circulation	**87,737**	96,852	96,783
Newspaper revenues	**375,596**	439,982	445,778
Commercial printing and other	**18,809**	23,987	23,787
	394,405	463,969	469,565
Operating expenses:			
Salaries and employee benefits	**140,522**	155,161	157,110
Newsprint, ink and printing charges	**37,741**	46,533	48,432
Selling, general and administrative	**47,810**	47,008	45,318
Depreciation and amortization	**26,317**	27,616	28,798
Other	**53,474**	58,395	57,975
	305,864	334,713	337,633
Operating income	**88,541**	129,256	131,932
Other income (expense):			
Net interest expense and other	**(30,490)**	(48,020)	(52,347)
Gains on sales of newspaper properties	**32,212**	180,720	—
Income before provision for income taxes and equity interest	**90,263**	261,956	79,585
Provision for income taxes	**10,818**	90,951	31,694
Income before equity interest	**79,445**	171,005	47,891
Equity interest	**(1,313)**	(1,624)	(226)
Net income	**$ 78,132**	$ 169,381	$ 47,665
Net income per common share:			
Basic	**$ 1.85**	$ 3.74	$ 1.02
Diluted	**$ 1.83**	$ 3.72	$ 1.02
Weighted-average shares outstanding:			
Basic	**42,273**	45,302	46,821
Diluted	**42,654**	45,474	46,874

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

	Common Stock	Additional Paid-in Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Treasury Stock	Total Stockholders' Deficit
Dollars in thousands, except share data						
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)**
Net income				78,132		78,132
Minimum pension liability adjustment, net of tax of $572			(809)			(809)
Mark to market adjustment of fully effective hedge, net of tax of $2,000			(3,715)			(3,715)
Comprehensive income						$ 73,608
Purchase of 3,362,200 shares of treasury stock					(54,274)	(54,274)
Exercise of stock options for common stock		(5)			199	194
Balance as of December 30, 2001	**$ 484**	**$ 358,263**	**$ (4,524)**	**$ (288,643)**	**$ (101,778)**	**$ (36,198)**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Year Ended	**December 30, 2001**	December 31, 2000	December 26, 1999
Dollars in thousands			
Cash flows from operating activities			
Net income	**$ 78,132**	$ 169,381	$ 47,665
Adjustments to reconcile net income to net cash provided by operating activities, excluding effects of acquisitions and dispositions of businesses and newspaper properties:			
Provision for losses on accounts receivable	**4,585**	4,195	4,257
Depreciation and amortization	**26,317**	27,616	28,798
Net (gain) loss on disposal of property, plant and equipment	**(16)**	(345)	135
Loss on equity investment	**1,313**	1,624	266
Gains on sales of newspaper properties	**(32,212)**	(180,720)	—
Accrued retiree benefits and other non-current liabilities	**(2,052)**	(1,285)	(1,193)
Increase in deferred taxes	**6,588**	10,385	5,993
Changes in operating assets and liabilities:			
Accounts receivable	**1,542**	(1,483)	(10,726)
Income taxes payable	**(7,784)**	48,147	22,163
Other assets and liabilities	**1,253**	(14,600)	(6,763)
Net cash provided by operating activities	**77,666**	62,915	90,595
Cash flows from investing activities			
Additions to property, plant and equipment	**(34,929)**	(21,550)	(18,081)
Net proceeds from sale of property, plant and equipment	**49**	1,905	22
Proceeds from sale of newspaper properties	**54,601**	216,972	—
Purchases of businesses and equity investment	**(77,828)**	(2,121)	(14,668)
Net cash provided by (used in) investing activities	**(58,107)**	195,206	(32,727)
Cash flows from financing activities			
Proceeds from (payments of) long-term debt	**28,136**	(236,832)	(33,533)
Exercise of stock options for common stock	**194**	188	87
Purchase of treasury shares	**(54,274)**	(18,072)	(29,874)
Net cash used in financing activities	**(25,944)**	(254,716)	(63,320)
Increase (decrease) in cash and cash equivalents	**(6,385)**	3,405	(5,452)
Cash and cash equivalents, beginning of year	**6,495**	3,090	8,542
Cash and cash equivalents, end of year	**$ 110**	$ 6,495	$ 3,090
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest	**$ 32,870**	$ 50,081	$ 51,753
Income taxes	**$ 12,015**	$ 32,535	$ 3,574
Supplemental disclosures of non-cash activities:			
Comprehensive income (loss) – minimum pension liability and mark to market hedge adjustment, net of tax	**$ (4,524)**	$ 160	$ 52

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

The accompanying consolidated financial statements include Journal Register Company and all of its wholly owned subsidiaries (the "Company"). Journal Register Company primarily publishes daily and non-daily newspapers serving markets in Connecticut, Philadelphia and its surrounding areas, Greater Cleveland Area of Ohio, Central New England and the Capital-Saratoga and Mid-Hudson, New York regions. The Company also owns and manages commercial printing operations in Connecticut and Pennsylvania. The Company was incorporated on March 11, 1997 and became a publicly traded company in May of 1997.

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

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 but exerts significant influence are accounted for by the equity method. All significant intercompany activity has been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an on-going basis, the Company evaluates its estimates, including those related to bad debts, inventories, investments, remaining useful lives of long-lived assets, income taxes, pensions and other post-retirement benefits, and contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources; actual results could differ from those estimates.

Cash and Cash Equivalents

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.

Accounting for 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. Accordingly, the pro forma disclosures required by SFAS No. 123 are presented in Note 5 of these consolidated financial statements.

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, mastheads, and the excess of cost over the fair value of identifiable net assets of the companies acquired. These assets are carried at the lower of unamortized 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 30, 2001 and December 31, 2000 was comprised principally of debt issuance costs, subscriber lists, mastheads, and the excess cost over the fair value of identifiable net assets of companies acquired. These assets are being amortized using the straight-line method over a period of their useful life, up to 40 years (see *New Accounting Pronouncements*). 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.

New Accounting Pronouncements

On July 25, 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard 141, *Business Combinations*, and SFAS 142, *Goodwill and Other Intangible Assets*. SFAS 141 eliminates the pooling-of-interest method of accounting for business combinations and

2. Summary of Significant Accounting Policies (continued)

clarifies the criteria to recognize intangible assets separately from goodwill. Under SFAS 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed annually or more frequently, if required, for impairment. Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. The Company adopted the amortization provisions of SFAS 142 which currently apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company is required to adopt SFAS 142 in its fiscal year 2002, which began December 31, 2001. SFAS 141 was effective commencing July 1, 2001. Based on the Company's current estimates, the effect of this new standard, if applied to 2001 results, would have been to reduce pre-tax amortization expense by approximately $12 million and to raise earnings per diluted share by approximately $0.23. The Company expects to realize a similar benefit in 2002.

In October 2001, the FASB issued SFAS No. 144, *Accounting for Impairment or Disposal of Long-lived Assets*. SFAS No. 144 supersedes SFAS No. 121, *Accounting for the Impairment of Long-lived Assets and for Long-Lived Assets to be Disposed Of*, and addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement is effective for fiscal years beginning after December 15, 2001. Adoption of this statement will not have a current impact on the Company's financial position or results of operations.

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, printing and other related activities. Deferred subscription revenue arises from subscription payments made in advance of newspaper delivery and is recognized in the period in which newspaper delivery occurs.

Segment Reporting

As of December 30, 2001, the Company published 23 daily newspapers and 206 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. No one customer accounts for more than 1% of total revenue or 2% of accounts receivable.

Derivative Risk Management Policy and Strategy

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") as amended by SFAS No. 137 and No. 138 specifies the accounting and disclosure requirements for such instruments. In accordance with these pronouncements, as of January 1, 2001, all effective hedges, as defined, are recorded as an asset or liability with a corresponding offset to other comprehensive income in the equity section of the balance sheet. Any ineffective portion of a hedging instrument or trading derivatives is recorded as an asset or liability with a corresponding charge or credit to the income statement. 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.

Under the Company's current IRPAs, 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 multinational banks.

The Company currently designates its current IRPAs to be highly effective cash flow hedges. The Company measures the effectiveness of each IRPA quarterly. As specified in SFAS 133, any gain/loss on the effective portion of the IRPA is recorded in Other Comprehensive Income ("OCI") and the ineffective portion recorded directly to current earnings.

Amounts in accumulated OCI are 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 is recognized in the income statement coincident with the extinguishment.

3. Intangible and Other Assets

Intangible and other assets as of December 30, 2001 and December 31, 2000, net of accumulated amortization, are summarized as follows:

Dollars in thousands	**2001**	2000
Goodwill, mastheads, and subscriber lists	**$ 501,785**	$ 455,280
Prepaid pension cost	**11,800**	10,461
Other	**6,573**	8,072
	$ 520,158	$ 473,813

Included in other assets is the Company's investment in AdOne, LLC ("AdOne"), a provider of classified advertising on the Internet. As of December 30, 2001, the Company has a 7.56% interest in AdOne. The Company applied the equity method of accounting for this investment. In the ordinary course of business, the Company has related party sales with AdOne which amounted to $4.2 and $2.7 million for the years ended December 30, 2001, and December 31, 2000, respectively.

4. Long-Term Debt

The Company entered into a credit agreement in July 1998 with a group of lenders, led by J.P. Morgan Chase & Co. 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 acquisition of the Pennsylvania, New York, and Ohio newspaper businesses of The Goodson Newspaper Group (the "Goodson Acquisition") in July 1998. 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.

Under the terms of the Company's Credit Agreement, net proceeds, as defined in the Credit Agreement, from the sale of newspaper properties which are not reinvested within 365 days must be used to prepay debt. Accordingly, the Company's excess borrowing capacity under the Term Loans was reduced in the first quarter of 2002 by approximately $30 million in connection with the Company's January 2001 sale of two of its Ohio newspaper properties. The Company's long-term debt as of December 30, 2001 and December 31, 2000 was comprised of the following:

Dollars in thousands	**2001**	2000
Term Loan A	**$ 179,064**	$ 231,250
Term Loan B	**212,524**	249,250
Revolving Credit Facility	**131,183**	14,135
Total Long-term debt	**522,771**	494,635
Less Current Portion	**(30,254)**	(22,625)
	$ 492,517	$ 472,010

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:

Fiscal Year Dollars in thousands	
2002	$ 30,254
2003	35,599
2004	40,944
2005	69,915
2006	214,876

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, which may restrict among other things, the Company's ability to declare dividends, purchase treasury 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 (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

4. Long-Term Debt (continued)

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. Capitalized interest for the years ended December 30, 2001 and December 31, 2000 was $1.3 million and $601,000, respectively. There was no capitalized interest for the year ended December 26, 1999. The estimated fair value of the Term Loans and Revolving Credit Facility approximates their carrying value.

An annual commitment fee is incurred on the average daily-unused portion of the Revolving Credit Facility, payable quarterly in arrears, at a percentage that 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 30, 2001, the Company's commitment fee was 0.250%.

The terms of the Credit Agreement require the Company 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 due to fluctuations in the 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. To fulfill 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. IRPAs currently in place as of December 30, 2001 included SWAP agreements with notional principal amounts of $75 million and $175 million and expire on January 29, 2002 and October 29, 2002, respectively. The fixed interest rates of these IRPAs at December 30, 2001 are approximately 5.85%.

The Company's weighted-average effective interest rate was approximately 6.25% for fiscal year ended December 30, 2001. This interest rate includes a $3.6 million pre-tax charge realized and reported as a component of interest expense for the Interest Rate Protection Agreements in place during 2001.

In addition to IRPAs noted above, the Company entered into a no cost interest rate collar hedge ("the collar") on November 9, 2001. The collar establishes an interest rate ceiling ("CAP") and an interest rate floor at no cost to the Company. The CAP on the Company's collar is 6 percent and the floor averages approximately 2.66 percent and is based upon the 90-day LIBOR. In the event the 90-day LIBOR exceeds 6 percent, the Company will receive cash from the issuer to compensate for the rate in excess of the 6 percent CAP. If the 90-day LIBOR is lower than the 2.66 percent, the Company will pay cash to the issuer to compensate for the rate below the floor. The collar is effective on October 29, 2002 beginning at a notional amount of $170 million. The collar amortizes over two years to a notional amount of $135 million and terminates on October 29, 2004.

From time to time, the Company may enter into additional IRPAs. The Company expects that each IRPA will be designated for all or a portion of the principal balance and term of a specific debt obligation.

As of January 1, 2001, the Company adopted the Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), as amended. Upon adoption of SFAS 133, the fair market value of the derivative is reported as a transition adjustment to Other Comprehensive Income/Loss ("OCI"). Accordingly, on January 1, 2001, the Company recorded a deferred pre-tax transition gain of $198,600 ($120,000 after-tax) as an adjustment to OCI. The interest rate swaps were fully effective in hedging the changes in cash flows related to the debt obligation during the year ending December 30, 2001. The total deferred loss reported in OCI as of December 30, 2001 was approximately $3.7 million (net of $2.0 million of deferred taxes).

As of December 30, 2001, the Company had outstanding indebtedness under the Credit Agreement, due and payable in installments through 2006, of $522.8 million, of which $131.2 million was outstanding under the Revolving Credit Facility and $391.6 million was outstanding under the Term Loans. There were $101.3 million of unused and available Revolving Credit Facility funds subject to the terms of the Credit Agreement at December 30, 2001.

5. Stock Plans

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"). The 1997 Plan, as amended on March 27, 2001, authorizes the granting of up to 6,383,750 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. The following table summarizes the Company's stock option activity for the fiscal years presented:

	December 30, 2001		December 31, 2000		December 26, 1999	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding-beginning of year	**3,968,367**	**$17.28**	3,317,281	$18.00	2,587,167	$19.27
Granted	**726,075**	**$15.86**	874,950	$14.66	967,200	$14.72
Exercised	**13,535**	**$14.29**	18,933	$14.23	6,247	$14.00
Forfeited	**125,234**	**$17.23**	204,931	$17.47	230,839	$19.14
Outstanding-end of year	**4,555,673**	**$17.06**	3,968,367	$17.28	3,317,281	$18.00
Exercisable at end of year	**2,102,311**	**$17.93**	1,371,601	$18.30	786,616	$18.55
Weighted-average fair value of options granted during the year	**$5.76**		$8.33		$7.95	

Exercise prices for options outstanding as of December 30, 2001 ranged from $14.00 to $22.50 per share. The weighted-average remaining contractual life of those options is 7.1 years.

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 assuming a weighted-average risk-free interest rate of 5.32%, 5.16% and 6.51%, and expected common stock market price volatility factors of 0.19, 0.48 and 0.41 for the years 2001, 2000 and 1999, respectively. A seven-year weighted-average expected life of each option granted and no dividend yield was assumed.

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 30, 2001	December 31, 2000	December 26, 1999
In thousands, except per share amounts			
Net income attributable to common stockholder:			
As reported	**$78,132**	$169,381	$47,665
Pro forma	**73,905**	165,776	44,619
Net income per share:			
As reported:			
Basic	**$ 1.85**	$ 3.74	$ 1.02
Diluted	**1.83**	3.72	1.02
Pro forma:			
Basic	**$ 1.75**	$ 3.66	$ .95
Diluted	**1.73**	3.65	.95

Stock Rights Plan

Effective July 17, 2001, the Company adopted a Stockholder Rights Plan (the "Plan") and declared a dividend of one preferred share purchase right (the "Rights") on each outstanding share of the Company's common stock held by stockholders of record on July 27, 2001. The rights are exercisable if a person or group acquires 15% or more of the Company's common stock, or commences a tender offer with that goal. The rights will expire July 27, 2011.

6. Earnings Per Common Share

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

	December 30, 2001	December 31, 2000	December 26, 1999
In thousands			
Weighted-average shares for basic earnings per share	**42,273**	45,302	46,821
Effect of dilutive securities:			
Employee stock options	**381**	172	53
Adjusted weighted-average shares for diluted earnings per share	**42,654**	45,474	46,874

Options to purchase the Company's common stock that 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 during:

Fiscal Year	Options (In thousands)	Exercise Price Range
2001	1,497	$17.00 to $22.50
2000	1,533	$15.94 to $22.50
1999	1,615	$17.63 to $22.50

7. 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 employees compensation, primarily on career average pay. The Company's funding policy is to contribute annually an amount that can be deducted

7. Pension and Post-Retirement Plans (continued)

for federal income tax purposes using assumptions that differ 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 the value of pension plan assets and liabilities. Certain of the Company's subsidiaries provide retiree health and life insurance benefits. 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	
	2001	2000	**2001**	2000
Dollars in thousands				
Change in benefit obligation				
Benefit obligation at beginning of year	**$ 73,736**	$ 71,877	**$ 4,970**	$ 7,160
Service cost	**1,517**	1,755	**6**	16
Interest cost	**5,537**	5,304	**366**	538
Actuarial (gain) loss	**2,907**	(554)	**132**	(2,518)
Benefits paid	**(5,135)**	(4,615)	**(486)**	(477)
Curtailments/Divestitures/Other	**—**	(31)	**—**	251
Benefit obligation at end of year	**$ 78,562**	$ 73,736	**$ 4,988**	$ 4,970
Change in plan assets				
Fair value of plan assets at beginning of year	**$100,643**	$ 88,574	**$ —**	$ —
Actual return (loss) on plan assets	**(11,559)**	16,582	**—**	—
Employer contributions	**24**	102	**486**	477
Benefits paid	**(5,135)**	(4,615)	**(486)**	(477)
Fair value of plan assets at end of year	**$ 83,973**	$100,643	**$ —**	$ —
Reconciliation of funded status				
Funded status	**$ 5,411**	$ 26,907	**$ (4,988)**	$(4,970)
Unrecognized net:				
Transition (asset)/obligation	**(80)**	28	**N/A**	N/A
Prior service cost	**(1,816)**	(2,172)	**(345)**	(437)
(Gain) loss	**9,666**	(14,008)	**(2,538)**	(2,784)
Contributions after measurement date	**—**	12	**N/A**	N/A
Net amount recognized	**$ 13,181**	$ 10,767	**$ (7,871)**	$(8,191)
Amounts recognized in statement of financial position				
Prepaid benefit cost	**$ 12,859**	$ 10,815	**$ N/A**	$ N/A
Accrued benefit liability	**(1,059)**	(48)	**(7,871)**	(8,191)
Adjustment required to recognize minimum liability	**—**	—	**N/A**	N/A
Accumulated other comprehensive loss	**1,381**	—	**N/A**	N/A
Net amount recognized	**$ 13,181**	$ 10,767	**$ (7,871)**	$(8,191)
Separate disclosures for pension plans with accumulated benefit obligation in excess of plan assets				
Projected benefit obligation at end of year	**$ 8,260**	$ —	**N/A**	N/A
Accumulated benefit obligation at end of year	**$ 7,569**	$ —	**N/A**	N/A
Fair value of assets at end of year	**$ 6,511**	$ —	**N/A**	N/A
Components of net periodic benefit cost				
Service cost	**$ 1,517**	$ 1,755	**$ 6**	$ 16
Interest cost	**5,537**	5,304	**366**	538
Expected return on plan assets	**(8,856)**	(7,785)	**—**	—
Amortization of net:				
Transition obligation	**108**	108	**—**	—
Prior service cost	**(356)**	(355)	**(93)**	(92)
(Gain) loss	**(352)**	35	**(395)**	(39)
Net periodic benefit (income) expense	**$ (2,402)**	$ (938)	**$ (116)**	$ 423

	Pension Benefits		Post-Retirement Benefits	
	2001	2000	**2001**	2000
Dollars in thousands				
Actuarial assumptions (weighted average)				
Discount rate	**7.50%**	7.75%	**7.50%**	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	**N/A**	N/A	**6.50%**	6.50%
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**	$ 36
Post-retirement benefit obligation	**N/A**	N/A	**$ 452**	$ 450
Effect of a 1% decrease on:				
Total of service cost and interest cost	**N/A**	N/A	**$ (31)**	$ (29)
Post-retirement benefit obligation	**N/A**	N/A	**$ (386)**	$ (385)

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 $570,800, $668,300 and $706,000 in fiscal years 2001, 2000 and 1999, respectively. The Company contributes to various multi-employer union administered pension plans. Contributions to these plans amounted to approximately $180,300, $178,100 and $160,000 in fiscal years 2001, 2000 and 1999, respectively.

8. Income Taxes

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

	December 30, 2001	December 31, 2000	December 26, 1999
Current tax expense (benefit):			
Federal	**$ 4,484**	$ 73,851	$ 23,592
State	**(253)**	6,831	2,145
Total current	**4,231**	80,682	25,737
Deferred tax expense:			
Federal	**5,450**	6,577	5,244
State	**1,137**	3,692	713
Total deferred	**6,587**	10,269	5,957
Total provision for taxes	**$ 10,818**	$ 90,951	$ 31,694

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:

	December 30, 2001	December 31, 2000	December 26, 1999
Tax at U.S. statutory rates	**$ 31,592**	$ 91,685	$ 27,855
State taxes, net of federal tax benefit	**575**	6,840	1,858
Tax basis in excess of Book basis on sales	**(21,182)**	—	—
Reversal of excess tax accruals	**(1,825)**	(7,993)	—
Non-deductible goodwill amortization	**1,982**	2,003	1,976
Other	**(324)**	(1,584)	5
	$ 10,818	$ 90,951	$ 31,694

State net operating loss carryforwards were utilized as follows: $6.2 million in 2001, $235.0 million in 2000 and $12.4 million in 1999. At December 30, 2001, certain subsidiaries had net operating loss carryforwards available ranging from approximately $693,000 to $131.9 million in various state and local jurisdictions, which expire in various years through 2021. Substantial portions of the related deferred tax assets are offset by valuation allowances.

Deferred income taxes reflect the net effect 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:

	December 30, 2001	December 31, 2000
Deferred tax liabilities:		
Property, plant and equipment	**$ 12,948**	$ 12,212
Intangibles	**23,472**	18,592
Retiree benefits	**1,923**	892
Total deferred tax liabilities	**38,343**	31,696
Deferred tax assets:		
Net operating loss carryforwards	**5,155**	2,190
Other comprehensive income	**2,572**	—
Other	**3,640**	3,505
Total deferred tax assets	**11,367**	5,695
Valuation allowance	**(4,995)**	(1,954)
Net deferred tax assets	**6,372**	3,741
Net deferred tax liabilities	**$ 31,971**	$ 27,955

The Company's valuation allowances for deferred tax assets increased by $3.0 million in 2001, and decreased by $416,000 in 2000. The Company's federal income tax returns have not been examined by the Internal Revenue Service.

9. 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 noncancellable operating leases at December 30, 2001 are as follows:

In thousands

Year	Amount
2002	$ 2,117
2003	1,721
2004	1,348
2005	824
2006	256

Total rent expense was $3.1 million, $3.0 million and $3.3 million for the years ended December 30, 2001, December 31, 2000 and December 26, 1999, respectively.

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.

10. Acquisitions and Dispositions

The Company applies the purchase method of accounting for acquisitions. Acquisitions and dispositions of newspaper properties are subject to the finalization of customary purchase price adjustments and closing costs within one year from the date of acquisition or disposition. Proceeds from the sales of newspaper properties in 2001 and 2000 were used to reduce the Company's outstanding debt, purchase treasury shares, consummation of strategic acquisitions, and for general corporate purposes.

On October 25, 2001, the Company completed the acquisition of *The Litchfield County Times*, a weekly newspaper based in New Milford, Connecticut, with circulation of approximately 15,000. The acquisition also includes three lifestyle magazines serving Connecticut and New York, with total monthly distribution of approximately 90,000. On September 14, 2001, the Company completed the acquisition of the assets of *The Reporter*, a 19,000-circulation daily newspaper based in Lansdale, Pennsylvania. On August 1, 2001, the Company completed the acquisition of the assets of Roe Jan Independent Publishing, Inc., which is based in Hillsdale, New York. Total distribution of the two non-daily publications included in this purchase is approximately 26,000. On June 7, 2001, the Company completed the acquisition of the Montgomery Newspaper Group operations, which is based in Fort Washington, Pennsylvania, from Metroweek Corporation. Total distribution of these 24 non-daily publications is approximately 283,000. On January 31, 2001, the Company completed the acquisition of the Pennsylvania and New Jersey newspaper operations from Chesapeake Publishing Corporation's Mid-Atlantic Division. Total non-daily distribution of the 13 publications acquired is approximately 90,000.

On January 31, 2001, the Company completed the sale of the assets of *The Times Reporter*, Dover/New Philadelphia, Ohio (including Midwest Offset, one of the Company's commercial printing companies), and *The Independent*, Massillon, Ohio and reported a pre-tax gain of $32.2 million on the sale ($42.1 million gain after-tax).

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). 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 pre-tax gain of $141.1 million ($88.4 million after-tax).

11. Quarterly Results of Operations (unaudited)

The following is a summary of the quarterly results of operations for years ended December 30, 2001 and December 31, 2000:

In thousands, except per share data	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2001 [1, 2]				
Revenues	$ 94,937	$ 98,702	$ 97,618	$103,148
Operating income	20,861	25,256	19,596	22,828
Net income	49,405	10,394	8,867	9,466
Net income per common share:				
Basic	$ 1.12	$ 0.25	$ 0.21	$ 0.23
Diluted	1.12	0.25	0.21	0.23
2000 [1, 3]				
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

(1) The amounts reported above include operating results of acquisitions and dispositions for the period the operations were owned by the Company (see Note 10, Acquisitions and Dispositions).

(2) Net income and net income per common share for the first quarter include an after-tax gain of $42.1 million on the sale of The Times Reporter, *Dover/New Philadelphia, Ohio, and* The Independent, *Massillon, Ohio.*

(3) Net income and net income per common share 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.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

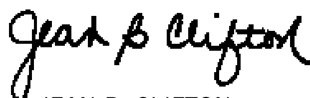
The preparation, accuracy and fair presentation of the Company's consolidated financial statements and related financial information presented in this annual report to shareholders are the responsibility of Journal Register Company management. The statements were prepared in accordance with generally accepted accounting principals and necessarily include certain amounts that are based on management's best estimates and judgments.

Ernst & Young LLP, independent auditors, audited the financial statements and their report appears on the following page of this Report. The Company believes that all representations made to the independent accountants during their audits were valid and appropriate.

The Company has established and maintains a system of internal controls which it believes is sufficient to provide reasonable assurance to Company management and the Board of Directors regarding the preparation of reliable published financial statements. The system of internal controls is periodically reviewed for effectiveness and adjusted when necessary. Each year, the Company's independent auditors conduct a review of internal accounting controls to the extent required by generally accepted auditing standards and perform such tests and related procedures as they deem necessary to arrive at an opinion on the fairness of the financial statements.

The Audit Committee of the Board of Directors is responsible for reviewing and monitoring the Company's financial reporting and accounting practices. The Audit Committee meets with representatives of management and the independent accountants to discuss financial reporting accounting and internal control matters. The Audit Committee consists of three independent directors. Ernst & Young LLP has direct access to the Audit Committee members.

ROBERT M. JELENIC
Chairman, President and Chief Executive Officer



JEAN B. CLIFTON
Executive Vice President,
Chief Financial Officer and Secretary

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Journal Register Company

We have audited the accompanying consolidated balance sheets of Journal Register Company as of December 30, 2001 and December 31, 2000, and the related consolidated statements of income, stockholders' deficit, and cash flows for each of the three years in the period ended December 30, 2001. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Journal Register Company, as of December 30, 2001 and December 31, 2000 and the consolidated results of its operations and its cash flows for each of the three fiscal years in the period ended December 30, 2001, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

MetroPark, New Jersey
February 4, 2002

Journal Register Company would like to thank all of its employees who helped make 2001 a successful year. We offer special thanks to those employees who contributed to the production of this annual report, including *Taunton Daily Gazette* Photographer Mike Gay, *New Haven Register* Photographer Arnold Gold and *Delaware County Daily and Sunday Times* Photographer Eric Hartline. We also thank all of the employees at Nittany Valley Offset who contributed to the printing of this report.

COVER PHOTOGRAPHY

FRONT COVER
Top (from left): Journal Register Offset (Exton, PA) went live in December 2001, as scheduled and on budget; JRC's flagship newspaper, the *New Haven* (CT) *Register*; Ms. Joy Crossman, local businesswoman and loyal *Taunton* (MA) *Daily Gazette* reader.

Bottom (from left): The award-winning *Daily Local News* (West Chester, PA); Rob Parent, *Delaware County* (PA) *Daily and Sunday Times* Sports Reporter; JRC's Greater Cleveland Cluster Internet portal, allaroundcleveland.com; *The Record* (Troy, NY) was honored by the Associated Press Sports Editors as one of the top 20 Sunday sports sections in the country in the under 40,000 circulation category; *The Ambler Gazette* is one of the 24 non-daily publications acquired by JRC in June 2001 as part of Montgomery Newspapers (Ft. Washington, PA).

BACK COVER
Top (from left): *The Pink Sheet* is published by *The Saratogian* (Saratoga Springs, NY) and is also distributed in *The Record*; The senior management team of the *New Haven Register* (left to right): Jeryl Parade, Mike Beatty, Ann Marie Brennan, Kevin Walsh, Phil Hudson (partially hidden), Jack Kramer, Jim Missett and John Collins.

Bottom (from left): Journal Register Offset machine operators Charles Holmes and Tamara Waring; JRC began publication of the *Chadds Ford* (PA) *Post* in October 2001.

PRINTING:
Nittany Valley Offset, State College, PA
A Journal Register company.

ADDITIONAL PHOTOGRAPHY:
Taylor Photo, Princeton, NJ
Ron Brello Jr. Photography, Carversville, PA

DESIGN:
Acme. A Marketing and Design Group, Newtown, PA

SHAREHOLDER INFORMATION

JOURNAL REGISTER COMPANY STOCK

Journal Register Company common shares are traded on the New York Stock Exchange under the symbol JRC.

The Company's transfer agent is the Bank of New York, Shareholder inquiries should be directed to:

Shareholder Relations Department
11E, P.O. Box 11258
Church Street Station
New York, NY 10286

Phone: 1-800-524-4458
e-mail: Shareholder-svcs@Email.bony.com

Certificates for transfer and address changes should be directed to:

Receive and Deliver Department
11W, P.O. Box 11002
Church Street Station
New York, NY 10286

FORM 10-K

Certain information provided by Journal Register Company in its Form 10-K annual report to the Securities and Exchange Commission has been incorporated in this Report. Copies of the complete Form 10-K may be obtained by sending your request via mail, email or facsimile to the attention of:

Melissa L. Capestro
Assistant Secretary
Journal Register Company
50 West State Street
Trenton, NJ 08608-1298
email: mcapestro@journalregister.com
Fax: 609-396-2292

ANNUAL MEETING

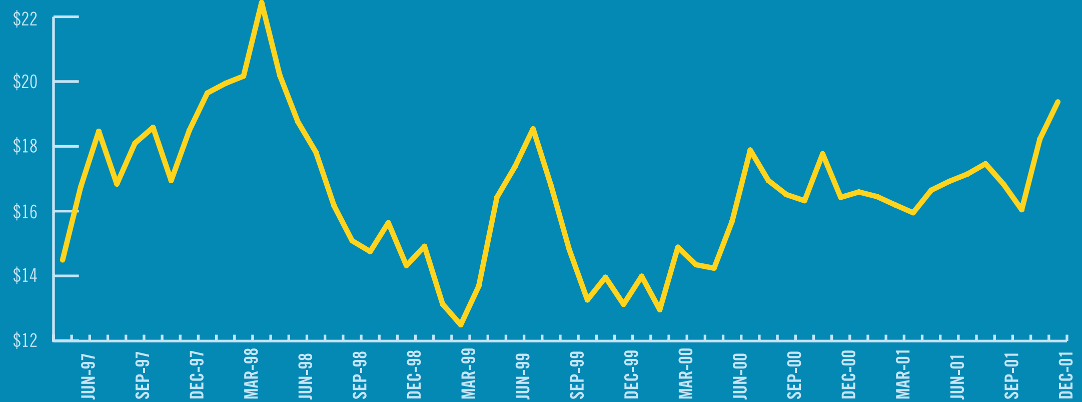
The Annual Meeting of Stockholders
will be held at
10:00 a.m., Tuesday
May 14, 2002 at
The War Memorial
West Lafayette Street
Trenton, NJ 08608

JOURNAL REGISTER COMPANY HEADQUARTERS

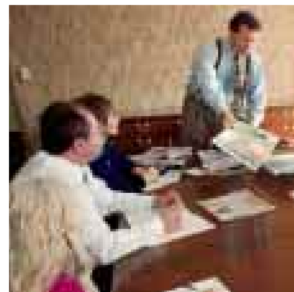
State Street Square
50 West State Street
Trenton, NJ 08608-1298
609-396-2200
www.journalregister.com

EARNINGS PER SHARE

1. These results include the results of sold properties only for periods owned. Properties were sold in three transactions on August 10, 2000, October 24, 2000 and January 31, 2001.
2. These results exclude the gains on sales and the reversal of certain tax accruals.
3. Pro forma to exclude the results of the sold properties.



SHARE PRICE PERFORMANCE



Journal Register
COMPANY

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