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Journal Communications Reports Third Quarter 2010 Results

- Revenue of \$101.6 million, up 1.7% from Q3, 2009
- Television revenue up 22.3%, Radio revenue up 3.1% from Q3, 2009
- Operating earnings of \$11.0 million, up 172.4% from Q3, 2009
- Operating margin of 10.9%, up from 4.1% in Q3, 2009
- Diluted EPS from continuing operations of \$0.11, up from \$0.03 in Q3, 2009
- Cash provided by operating activities of \$47.9 million year-to-date compared to \$54.3 million for three quarters of 2009
- Notes payable to banks of \$112.4 million, down almost \$39.0 million from year end 2009

MILWAUKEE, WI – October 20, 2010 – Journal Communications, Inc. (NYSE:JRN) today announced results for its third quarter ended September 26, 2010.

“Operating earnings of \$11.0 million increased significantly in the third quarter compared to last year led by double digit revenue growth in Broadcast,” said Steven Smith, Chairman of the Board and Chief Executive Officer of Journal Communications. “The primary drivers of the Broadcast revenue increase were political and issue advertising of \$4.7 million and a 30.5% increase in automotive advertising. Publishing revenue was down 6.5%. Declines in publishing continue to moderate in key advertising categories including classifieds.

“We continue to use our cash to reduce debt, down \$5.4 million this quarter, while selectively investing in our people, local programming, promotional initiatives and capital projects.

“Our focus remains on growing revenue in our markets through expanded local content and enhanced sales initiatives. We will continue to emphasize local programming like Cool in Vegas in Broadcast and new sales initiatives like DealWatch in Publishing in order to grow audiences and build revenues.”

Third Quarter 2010 Results

Note that unless otherwise indicated, all comparisons are to the third quarter ended September 27, 2009.

For the third quarter, revenue from continuing operations of \$101.6 million increased 1.7% compared to \$100.0 million. Operating earnings of \$11.0 million increased 172.4% compared to \$4.1 million, which included a \$4.2 million charge for workforce reductions and a \$0.8 million increase in a sales and use tax reserve last year. Net earnings were \$6.3 million compared to \$1.8 million.

In the third quarter, basic and diluted net earnings per share of class A and B common stock were \$0.11 for both. This compared to basic and diluted net earnings per share of \$0.02 for both in 2009. Basic and diluted earnings per share of class A and B common stock from continuing operations were \$0.11 for both. This compared to basic and diluted earnings per share from continuing operations of \$0.03 for both in 2009. Basic and diluted loss per share of class A and B common stock from discontinued operations were \$0.01 for both in 2009.

The operating margin was 10.9% for the third quarter compared to 4.1%. EBITDA (net earnings (loss) excluding the gain/loss from discontinued operations, net; total other expense, net; provision (benefit) for income taxes; depreciation; amortization; and, if any, non-cash impairment charges) was \$17.6 million compared to \$11.0 million, an increase of 60.7%.

Consolidated and Segment Results

The following table presents our revenue and operating earnings (loss) by segment for the third quarters of 2010 and 2009.

	3Q 2010	3Q 2009	% Change
Revenue:			
Publishing	\$ 43.4	\$ 46.5	(6.5)
Broadcasting	48.5	42.5	14.2
Printing services	9.8	11.1	(11.2)
Corporate eliminations	(0.1)	(0.1)	--
Total Revenue	<u>\$ 101.6</u>	<u>\$ 100.0</u>	1.7
Operating earnings (loss):			
Publishing	\$ 3.1	\$ 1.6	93.0
Broadcasting	10.0	4.5	123.6
Printing services	(0.2)	(0.5)	62.8
Corporate	(1.8)	(1.5)	(22.2)
Total operating earnings (loss)	<u>\$ 11.0</u>	<u>\$ 4.1</u>	172.4

Overall, total expenses of \$90.6 million decreased 5.6% compared to \$95.9 million. Excluding \$1.5 million in cash bonuses paid this quarter to employees who were impacted by the wage reduction program implemented in 2009 and the \$4.2 million charge for workforce reductions and the \$0.8 million increase in a sales and use tax reserve in last year's third quarter, total expenses decreased 2.0%. The impact of many of the permanent cost saving initiatives implemented during 2009 have now been in place for over a year.

Publishing

For the third quarter, publishing revenue decreased 6.5% to \$43.4 million compared to \$46.5 million, largely due to continued decreases in the retail and classified advertising categories and circulation revenue, partially offset by an increase in commercial print and national advertising revenue. Operating earnings from publishing were \$3.1 million compared to \$1.6 million, an increase of 93.0%. Excluding a \$3.8 million charge for workforce reductions and a \$0.8 million increase in a sales and use tax reserve in the third quarter 2009, operating earnings would have been \$6.2 million in the third quarter 2009. Total newsprint and paper expense in publishing was \$4.4 million compared to \$3.5 million, a 25.3% increase primarily due to an increase in the price per ton of newsprint.

Revenue at the daily newspaper for the third quarter decreased 6.4% to \$35.9 million compared to \$38.4 million. Retail advertising revenue at the daily newspaper decreased 13.8%. Classified advertising revenue at the daily newspaper decreased 8.9% largely due to a decrease in the real estate advertising category. Interactive advertising revenue at the daily newspaper increased 17.1% to \$2.8 million compared to \$2.4 million, primarily due to an increase in retail sponsorships and national schedules. Circulation revenue decreased 5.0% due to decline in net paid circulation. Operating earnings from the daily newspaper were \$2.4 million compared to \$0.8 million, an increase of 185.5%. Excluding a \$3.8 million charge for workforce reductions and a \$0.8 million increase in a sales and use tax reserve last year, operating earnings would have been \$5.5 million. Daily newspaper operating expenses decreased 10.7%. Excluding the \$3.8 million charge for workforce reductions and \$0.8 million increase in a sales and use tax reserve last year, operating expenses at the daily newspaper increased by 1.9%. The increase in operating expenses was primarily due to a \$0.8 million increase in newsprint and paper expense.

Community newspapers and shoppers revenue for the third quarter decreased 7.1% to \$7.5 million compared to \$8.1 million. The decrease was primarily due to declines in automotive, retail and real estate advertising revenue. Operating earnings from community newspapers and shoppers were \$0.7 million compared to \$0.8 million, a decrease of 7.8%. Operating expenses were down 7.0%, primarily due to cost savings from previous workforce reductions and reduced expenses related to revenue declines.

Broadcasting

For the third quarter, broadcasting revenue increased 14.2% to \$48.5 million compared to \$42.5 million. National advertising revenue increased 23.5% primarily due to an increase in automotive advertising. Local advertising revenue, excluding political and issue advertising, was essentially flat. Total broadcast political and issue advertising revenue was \$4.7 million compared to \$0.6 million. Retransmission revenue was \$1.7 million compared to \$1.2 million. Broadcasting operating earnings of \$10.0 million increased 123.6% compared to \$4.5 million primarily due to the increase in revenue.

Revenue from television stations for the third quarter increased 22.3% to \$30.0 million compared to \$24.5 million. Television political and issue advertising revenue was \$4.3 million compared to \$0.5 million. Television automotive advertising increased \$1.7 million. Operating earnings were \$5.5 million compared to operating earnings of \$0.5 million. Television operating expenses increased 1.9%.

For the third quarter, revenue from radio stations increased 3.1% to \$18.5 million from \$18.0 million. Radio political and issue advertising revenue was \$0.4 million compared to \$0.1 million. Operating earnings from radio stations were \$4.5 million compared to \$4.0 million. Radio operating expenses increased 0.4%.

Printing Services

For the third quarter, revenue from printing services decreased 11.2% to \$9.8 million compared to \$11.1 million due to continued weakness in the printing industry and the previously anticipated reduction in revenue from certain printing customers. The operating loss of \$0.2 million compares to an operating loss of \$0.5 million.

Corporate

Revenue eliminations were \$0.1 million in each of the third quarters of 2010 and 2009. The operating loss was \$1.8 million compared to \$1.5 million primarily due to an increase in the accrual for annual incentive compensation related to the improvement in overall operating earnings of the company.

Discontinued Operations

There were no results from discontinued operations in the third quarter 2010. For the third quarter of 2009, the loss from the discontinued operations of PrimeNet Marketing Services was \$0.2 million.

Non-Operating Items

For the third quarter, other expense, which primarily consists of interest expense, was \$1.0 million compared to \$0.6 million. The interest expense increase reflects the increase in borrowing rates under our amended and extended credit agreement entered into on August 13, 2010.

The third quarter effective tax rate was 37.4% compared to 40.0%. The decrease in the effective tax rate is primarily due to the filing of certain amended federal tax returns.

Debt and Cash Flows

At quarter end, our debt was \$112.4 million. During the quarter and year-to-date, debt was reduced by \$5.4 million and \$39.0 million, respectively. Our consolidated funded debt ratio, as defined in our credit agreement, was 1.33 - to-1. Year-to-date cash from operating activities was \$47.9 million compared to \$54.3 million (which included income tax refunds of \$12.3 million). Year-to-date capital expenditures were \$7.8 million compared to \$5.5 million. Current year expenditures include \$1.4 million related to the Wichita tower replacement for which we have received insurance proceeds.

Fourth Quarter 2010 Outlook

For the fourth quarter of 2010, we anticipate that publishing and printing services segment revenues will continue to be down compared to the prior year period reflecting challenges with publishing advertising revenue and printing volumes. Broadcasting segment revenues are expected to be up compared to the prior year period due to increased political, local and national advertising.

Conference Call and Webcast

The company will hold an earnings conference call today at 10:00 a.m. Central Time (11:00 a.m. ET, 8:00 a.m. PT). To access the call, dial (888) 679-8034 (domestic) or (617) 213-4847

(international) at least 10 minutes prior to the scheduled start of the call. The access code for the conference call is 29810124. A live webcast of the third quarter conference call will be accessible through the Journal Communications' website at www.journalcommunications.com/investors, also beginning at 10:00 a.m. CT this morning. An archive of the webcast will be available on this site today through November 3, 2010. Replays of the conference call will be available October 20 through November 3, 2010. To hear the replay, dial (888) 286-8010 (domestic) or (617) 801-6888 (international) at least one hour after the completion of the call. The access code for the replay is 42068724. Pre-registration for the conference call is now available at www.journalcommunications.com/investors.

Forward-looking Statements

This press release contains certain forward-looking statements related to our businesses that are based on our current expectations. Forward-looking statements are subject to certain risks, trends and uncertainties, including changes in advertising demand and other economic conditions that could cause actual results to differ materially from the expectations expressed in forward-looking statements. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. Our written policy on forward-looking statements can be found in our most recent Quarterly Report on Form 10-Q, as filed with the Securities and Exchange Commission.

About Journal Communications

Journal Communications, Inc., headquartered in Milwaukee, Wisconsin, was founded in 1882. We are a diversified media company with operations in publishing, radio and television broadcasting, interactive media and printing services. We publish the *Milwaukee Journal Sentinel*, which serves as the only major daily newspaper for the Milwaukee metropolitan area, and several community newspapers and shoppers in Wisconsin and Florida. We own and operate 33 radio stations and 13 television stations in 12 states and operate an additional television station under a local marketing agreement. Our interactive media assets build on our strong publishing and broadcasting brands. We also provide a wide range of commercial printing services – including printing of publications, professional journals and documentation material.

Tables Follow