

# Gannett

2003 ANNUAL REPORT

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Form 10-K

*Cover photograph of the Gannett/USA TODAY  
headquarters building in McLean, Va.,  
by Timothy Hursley*

## 2003 FINANCIAL SUMMARY

### Operating revenues in millions

99	\$5067
00	\$6184
01	\$6300
02	\$6422
03	\$6711

### Income from continuing operations, in millions

99	\$919
00	\$972
01	\$831
02	\$1160
03	\$1211

### Income per share (diluted) from continuing operations

99	\$3.26
00	\$3.63
01	\$3.12
02	\$4.31
03	\$4.46

*In thousands, except per share amounts*

	2003	2002	Change
Operating revenues	\$ 6,711,115	\$ 6,422,249	4.5%
Operating income	\$ 1,981,018	\$ 1,926,309	2.8%
Net income	\$ 1,211,213	\$ 1,160,128	4.4%
Net income per share – diluted	\$ 4.46	\$ 4.31	3.5%
Operating cash flow (1)	\$ 2,212,550	\$ 2,148,753	3.0%
Working capital	\$ 261,424	\$ 174,454	49.9%
Long-term debt	\$ 3,834,511	\$ 4,547,265	(15.7%)
Total assets	\$14,706,239	\$13,733,014	7.1%
Capital expenditures (2)	\$ 277,909	\$ 272,754	1.9%
Shareholders' equity	\$ 8,422,981	\$ 6,911,795	21.9%
Dividends per share	\$ .98	\$ .94	4.3%
Weighted average common shares outstanding – diluted	271,872	269,286	1.0%

(1) Represents operating income plus depreciation and amortization of intangible assets. This measure varies from amounts reported in the audited Consolidated Statements of Cash Flows.

(2) Excluding capitalized interest.

On Dec. 31, 2001, the company adopted Statement of Financial Accounting Standards No. 142 (SFAS No. 142) "Goodwill and Other Intangible Assets," which favorably affected comparisons of 2003 and 2002 results with prior years. Refer to the discussion in Note 3 to the company's financial statements on page 38 of the company's Form 10-K.

## COMPANY PROFILE

Gannett Co., Inc. is a diversified news and information company that publishes newspapers, operates broadcasting stations and is engaged in marketing, commercial printing, a newswire service, data services and news programming. Gannett is an international company with headquarters in McLean, Va., and operations in 43 states, the District of Columbia, Guam, the United Kingdom, Belgium, Germany, Italy and Hong Kong.

Gannett is the USA's largest newspaper group in terms of circulation. The company's 100 U.S. daily newspapers have a combined daily paid circulation of 7.6 million. They include USA TODAY, the nation's largest-selling daily newspaper, with a circulation of approximately 2.2 million. In addition, Gannett owns a variety of non-daily publications and USA WEEKEND, a weekly newspaper magazine.

Newsquest plc, a wholly owned Gannett subsidiary acquired in mid-1999, is one of the largest regional newspaper publishers in the United Kingdom with a portfolio of more than 300 titles. Its publications include 17 daily newspapers with a combined circulation of approximately 725,000. Newsquest also publishes a variety of non-daily publications, including Berrow's Worcester Journal, the oldest continuously published newspaper in the world.

Gannett owns and operates 22 television stations covering 17.8 percent of the USA.

Gannett is an Internet leader with sites sponsored by most of its TV stations and newspapers, including USATODAY.com, one of the most popular news sites on the Web.

Gannett was founded by Frank E. Gannett and associates in 1906 and incorporated in 1923. The company went public in 1967. Its more than 272 million outstanding shares of common stock are held by approximately 12,800 shareholders of record in all 50 states and several foreign countries. The company has approximately 53,000 employees.

## LETTER TO SHAREHOLDERS

**G**annett once again demonstrated its strength in 2003. We showed our stamina, our staying power and the quality of our management in the face of yet another year of lackluster advertising demand and a tepid economy.

We achieved record results: Operating revenues were \$6.7 billion; net income rose 4 percent to a record \$1.21 billion; operating cash flow advanced 3 percent to \$2.2 billion. Diluted earnings per share, on a GAAP basis, were a record \$4.46, compared with \$4.31 for 2002.

These terrific numbers are the result of hard work by Gannett employees. Gannett is a company that does well in good times, and really well in tough times. And 2003 was another tough year for the company, the industry and the nation. It was another chapter in the recession that wouldn't end.

There was the war in Iraq, which captured the nation's attention and turned it away from a recovery early in the year. Our newspapers, television stations and Internet sites produced some of their best journalism during the intense combat period: We had more than 40 journalists in the region – 23 of them embedded with the troops. We won a number of awards and recognition in the industry. But the home front struggled to keep the economy going and advertising suffered. It is only just now recovering.

As the worst of the fighting ended in the spring, we became hopeful that some long-sought changes in government regulations would help jump-start activity in the industry.

In June, the Federal Communications Commission finally voted to change the rules that bar ownership of a newspaper and television station in the same market. We believe this rule change will allow us to compete even more effectively with the rest of the fast-paced and growing media world.

Unfortunately, the changes were blocked almost immediately by court action and Congress. Acquisition discussions slowed and stopped.



**Douglas H. McCorkindale,**  
Chairman, President and CEO

# 2003

Congress eventually blessed a partial change, allowing companies to own stations that cover up to 39 percent of the country. But the cross-ownership part of the rule remains on hold by the courts. In the end, we believe the courts will come to the right conclusion, permit cross-ownership and allow us to enter more markets and continue to expand our businesses.

Then Congress enacted the Do Not Call Registry. This popular law impacted Gannett, since we traditionally have sold about half of our subscriptions through phone solicitation. But we responded in a classically Gannett way. We engaged our talent and creativity and devised new ways to appeal to subscribers. Among them: A pilot program underway in Jackson, Tenn., that took the all-out, “cold-turkey” approach – dropping all telemarketing efforts and seeking out other means of getting customers. Lessons learned are being offered throughout the Newspaper Division.

Another change by Congress, to the campaign-finance rules, left parties and candidates confused about what spending they could and could not do. While they are sorting it out, we are hoping the millions of dollars in political-ad spending that gave our television group a record year in 2002 will return in 2004.

That political-ad spending, coupled with revenues from the Winter Olympics in 2002, were a boon in 2002 (at about \$100 million in revenue) and a challenge to overcome in 2003. Comparisons to the 2002 numbers dogged the Broadcast group all year.

Those boom years have Gannett’s Broadcast group working to build strategies and budgets around the biannual bumps. Among the changes: stronger positioning of our stations in their markets to attract the ad dollars, new products on-air and online, and new business development.

For newspapers, a readership phenomenon that’s been building for years crested in 2003. The Newspaper Division was ready for it and provided some of Gannett’s good news for the year.

Younger adults have been going their own way in the information universe for some time. With so many media opportunities to grab their attention – cable TV, network TV, the Internet – newspapers were getting

Gannett’s Internet efforts were paying off in 2003 and added to the year’s upside. Online revenues overall were up 44 percent for the year, with local newspaper Web sites increasing by 45 percent and core revenues for USATODAY.com up by 41 percent.

## LETTER TO SHAREHOLDERS

lost in the shuffle. But research showed there is a way to win them over.

In 2002, we introduced two youth-oriented, free, weekly publications in Lansing, Mich., and Boise, Idaho. We watched closely and learned from those launches. In 2003's fourth quarter, using the experience gained and our strength in the markets, three new free weeklies were rolled out: CiN Weekly in Cincinnati; Velocity in Louisville, Ky.; and INtake in Indianapolis. Three more were launching in early 2004: Spark in Wilmington, Del.; Link in Greenville, S.C.; and InsideR in Rochester, N.Y.

Reaction has been terrific. Content emphasizing things to do, entertainment and lifestyle news are grabbing readers and advertisers alike. They are establishing audiences as well as driving traffic to our Web sites. Cincinnati, for example, reported a 40 percent increase in 2003 entertainment page views alone.

Meanwhile, Gannett's Internet efforts were paying off in 2003 and added to the year's upside. Online revenues overall were up 44 percent for the year, with local newspaper Web sites increasing by 45 percent and core revenues for USATODAY.com up by 41 percent. Traffic on Gannett sites each month reached more than 21 million visitors and more than 275 million page views.

And the Internet is being used in other ways to attract business to Gannett. CareerBuilder, owned jointly with Knight Ridder and Tribune, made significant gains in market share and revenue. Market revenue grew 48% in 2003. Deals with AOL and MSN have already resulted in significantly increased traffic.

Sales of online ads for Gannett can be handled on the Web, and a special, 24/7 intranet site provides advertising management with the latest information for sales teams. A number of Gannett newspapers have begun to take classified ads online, with more coming online in 2004.

Newsquest, where Internet expertise is second nature, was another bright light for Gannett in 2003. The U.K. branch of the company again proved to be troopers and delivered excellent results in both revenues and operating profits.

Among Newsquest's strengths is the speed with which it develops and

Three more Gannett newspapers jumped into the fray to appeal to 25- to 34-year-old readers with weekly publications: CiN Weekly in Cincinnati, Velocity in Louisville, Ky., and INtake in Indianapolis. More such publications are planned for 2004. The publications feature local content, with colorful presentation and many local faces, views and perspectives of young adults.



# 2003

delivers new publications to the marketplace. Again in 2003, Newsquest's regional papers launched a number of new titles, including the profitable-from-day-one Uckfield Leader, the smallest stand-alone free title in Newsquest's line. Also launched: Jobs Extra, maximizing recruitment classifieds; Press Zone, a guide to local services in York; and Fast Track, a marketing venture with Southampton Airport. Their nimble method was our inspiration stateside: in addition to the youth publications, the Newspaper Division in the U.S. launched 260 new publications, sections and ad vehicles in 2003.

In March 2003, we formed, with MediaNews Group, the Texas-New Mexico Newspapers Partnership. Gannett contributed its El Paso (Texas) Times and MediaNews contributed its New Mexico daily newspapers to the partnership. The deal raised to 100 the number of our U.S. daily newspapers.

Newsquest also was the site of a key acquisition in 2003. The Scottish Media Group's publishing arm became part of Newsquest in early 2003. The group consisted of three Scottish newspapers in Glasgow: The Herald, Sunday Herald and Evening Times; 11 specialty consumer and business-to-business magazine titles; and an online advertising and content business. Included was a state-of-the-art printing facility that's being worked into Newsquest's operations.

Toward the end of the year, we brought Clipper Magazine, Inc. into the Gannett fold. Clipper is one of the nation's largest independent direct-mail advertising magazine companies – it publishes more than 325 individual editions in 24 states. It's a wonderful company, with strong management by the founders and a great opportunity to grow.

All of the 2003 acquisitions are classic Gannett deals: companies with great potential that prove their worth from day one.

Quality is a key focus at all of our operations.

Broadcast continued the drive to be No. 1 or No. 2 in all of its markets through employee training and a commitment to service in the community.

Gannett extended the reach of Newsquest, its U.K. newspaper group, into Scotland when it acquired SMG Publishing in 2003. The acquisition included three Scottish regional newspapers (The Herald, Evening Times and the Sunday Herald); 11 specialty consumer and business-to-business magazine titles; and an online advertising and content business.



## LETTER TO SHAREHOLDERS

Becoming the leading source of local news draws respect from the community as well as advertising revenues. A great example of the quality initiative is WTSP-TV, the CBS affiliate in Tampa-St. Petersburg, Fla. WTSP went from third or fourth place in the market to first in news at noon and 6 p.m. and to a pitched battle for first at 11 p.m.

USA TODAY worked to attract and retain advertisers through a number of initiatives involving the paper and its Web site, USATODAY.com. By the end of the fourth quarter, the efforts were paying off with an ad-revenue uptick of 10 percent for the quarter.

In the Newspaper Division, a new effort to reach readers was launched, emphasizing local news and the newspapers' strong connections to their communities. "Real Life, Real News: Connecting with Readers' Lives" was introduced in September. The goal: to make news more relevant to readers. Strong, favorable responses from media critics and readers soon followed.

One sign of quality is the awards Gannett newspapers, TV stations, Web sites and employees win. In 2003, we took home more than 1,100 awards ranging from hundreds of local journalism honors and EMMYs to national prizes such as the Edward R. Murrow Awards, the National Press Photographers Association Awards, the Clarion Awards and, in the U.K., the Beacon Award for Delivering Business Excellence.

So, Gannett ended a tough year with some of the best numbers in the industry, hundreds of awards to attest to our quality and with the groundwork laid for a robust 2004. With our new publications, new ways to attract advertising, and with our continuing commitment to quality, we are looking forward to a great new year.



**Douglas H. McCorkindale,**  
Chairman, President and CEO

## BOARD OF DIRECTORS

- (a) Member of Audit Committee.
- (b) Member of Executive Committee.
- (c) Member of Executive Compensation Committee.
- (d) Member of Nominating and Public Responsibility Committee.
- (e) Member of Gannett Management Committee.

### Douglas H. McCorkindale

Chairman, president and chief executive officer, Gannett Co., Inc. *Formerly:* President, chief executive officer and vice chairman, Gannett Co., Inc. (2000-2001), Vice chairman and president, Gannett Co., Inc. (1997-2000). *Other directorships:* The Associated Press; Continental Airlines, Inc.; Lockheed Martin Corporation; and funds that are part of the Prudential group of mutual funds. Age 64. (b,e)

### H. Jesse Arnelle

Of counsel to Winston-Salem, N.C., law firm of Womble, Carlyle, Sandridge & Rice. *Other directorships:* FPL Group, Inc.; Textron Corporation; Eastman Chemical Co.; Armstrong World Industries; Waste Management, Inc.; and Metropolitan Life Series Fund. Age 70. (a,d)

### Louis D. Boccardi

Retired president and chief executive officer of The Associated Press; former executive editor, The Associated Press; former member and chairman of the Pulitzer Prize Board; and member of the Board of Visitors, the Graduate School of Journalism, Columbia University. Age 66. (c)

### Meredith A. Brokaw

Founder, Penny Whistle Toys, Inc., New York City, and author of children's books. *Other directorships:* Conservation International, Washington, D.C. Age 63. (d)

### James A. Johnson

Vice chairman, Perseus LLC. *Other directorships:* The Goldman Sachs Group, Inc.; Target Corporation; Temple-Inland Corporation; UnitedHealth Group; KB Home Corporation; chairman emeritus of the John F. Kennedy Center for the Performing Arts; and former chairman and honorary trustee of the Board of Trustees of The Brookings Institution. Age 60. (b,c)

### Stephen P. Munn

Chairman, Carlisle Companies, Inc. Age 61. (a,c)

### Donna E. Shalala

President, University of Miami. *Other directorships:* UnitedHealth Group; and Lennar Corporation. Age 63. (d)

### Solomon D. Trujillo

Chief executive officer and director, Orange S.A. *Other directorships:* PepsiCo, Inc.; and Target Corporation. Age 52. (a)

### Karen Hastie Williams

Partner of Washington, D.C., law firm of Crowell & Moring. *Other directorships:* The Chubb Corporation; Continental Airlines, Inc.; SunTrust Banks, Inc.; WGL Holdings, Inc., the parent company of Washington Gas Light Company; and trustee of the Fannie Mae Foundation and the Enterprise Foundation. Age 59. (a,b,c)



MCCORKINDALE



ARNELLE



BOCCARDI



BROKAW



JOHNSON



MUNN



SHALALA



TRUJILLO



HASTIE WILLIAMS

## COMPANY AND DIVISIONAL OFFICERS

**G**annett's principal management group is the Gannett Management Committee, which coordinates overall management policies for the company. The Gannett Newspaper Operating Committee oversees operations of the company's newspaper division. The Gannett Broadcasting Operating Committee coordinates management policies for the company's television stations. The members of these three groups are identified below.

The managers of the company's various local operating units enjoy substantial autonomy in local policy, operational details, news content and political endorsements.

Gannett's headquarters staff includes specialists who provide advice and assistance to the company's operating units in various phases of the company's operations.

Below is a listing of the officers of the company and the heads of its national and regional divisions. Officers serve for a term of one year and may be re-elected. Information about the officer who serves as a director (Douglas H. McCorkindale) can be found on page 7.

**Christopher W. Baldwin**, Vice president, taxes. Age 60.

**Lynn Beall**, Senior vice president, Gannett Television, and president and general manager, KSDK-TV, St. Louis, Mo. Age 43.♦

**José A. Berrios**, Vice president, human resources and diversity. Age 59.

**Thomas L. Chapple**, Senior vice president, chief administrative officer and general counsel. Age 56.♦

**Susan Clark-Johnson**, Chairman and CEO, Phoenix Newspapers, Inc., senior group president, Pacific Newspaper Group, and publisher and CEO, The Arizona Republic. Age 57.■

**Michael J. Coleman**, Senior group president, South Newspaper Group, and president and publisher, FLORIDA TODAY at Brevard County. Age 60.■

**Robert T. Collins**, Group president, New Jersey Newspaper Group, and president and publisher, Asbury Park Press. Age 61.■

**Philip R. Currie**, Senior vice president, news, Newspaper Division. Age 63.■

**Paul Davidson**, Chairman and chief executive officer, Newsquest. Age 49.♦

**Craig A. Dubow**, President and CEO, Gannett Broadcasting. Age 49.♦♦

**Daniel S. Ehrman, Jr.**, Vice president, planning and development. Age 57.

**Lawrence P. Gasho**, Vice president, financial analysis. Age 61.

**George R. Gavagan**, Vice president and controller. Age 57.

**Michael A. Hart**, Vice president and treasurer. Age 58.

**Barbara A. Henry**, Group president, Indiana Newspaper Group, and president and publisher, The Indianapolis Star. Age 51.■

**Roxanne V. Horning**, Vice president, compensation and benefits. Age 54.

**John B. Jaske**, Senior vice president, labor relations and assistant general counsel. Age 59.♦

**Richard A. Mallery**, Senior vice president, Gannett Television. Age 61.♦

**Gracia C. Martore**, Senior vice president and chief financial officer. Age 52.♦

**Todd A. Mayman**, Vice president, associate general counsel and secretary. Age 44.

**Mark S. Mikolajczyk**, Senior vice president, operations, Newspaper Division. Age 43.■

**Craig A. Moon**, President and publisher, USA TODAY. Age 54.♦

**Roger Ogden**, Senior vice president, Gannett Television, and president and general manager, KUSA-TV, Denver, Colo. Age 58.♦

**W. Curtis Riddle**, Senior group president, East Newspaper Group, and president and publisher, The News Journal, Wilmington, Del. Age 53.■

**Gary F. Sherlock**, Group president, Atlantic Newspaper Group, and president and publisher, The Journal News, Westchester County, N.Y. Age 58.■

**Mary P. Stier**, Senior group president, Midwest Newspaper Group, and president and publisher, The Des Moines Register. Age 47.■

**Donald M. Stinson**, Senior vice president, marketing, Newspaper Division. Age 48.■

**Wendell J. Van Lare**, Vice president and senior labor counsel. Age 59.

**Frank J. Vega**, President and CEO, Detroit Newspapers. Age 55.■

**Barbara W. Wall**, Vice president and senior legal counsel. Age 49.

**Gary L. Watson**, President, Gannett Newspaper Division. Age 58.♦■

**John A. Williams**, Senior vice president, diversified business and development, Newspaper Division. Age 53.■

- 
- ♦ Member of the Gannett Management Committee.
  - Member of the Gannett Newspaper Operating Committee.
  - ♦ Member of the Gannett Broadcasting Operating Committee.

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 28, 2003

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-6961

**GANNETT CO., INC.**

(Exact name of registrant as specified in charter)

**Delaware**

(State or Other Jurisdiction of Incorporation or Organization of Registrant)

**16-0442930**

(I.R.S. Employer Identification No.)

**7950 Jones Branch Drive, McLean, Virginia**

(Address of principal executive offices)

**22107-0910**

(Zip Code)

Registrant's telephone number, including area code: (703) 854-6000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$1.00 per share	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes  No

The aggregate market value of the voting common equity held by non-affiliates of the registrant based on the closing sales price of the registrant's Common Stock as reported on The New York Stock Exchange on June 27, 2003, was \$20,590,444,571. The registrant has no non-voting common equity.

As of February 20, 2004, 272,876,460 shares of the registrant's Common Stock were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

The definitive proxy statement relating to the registrant's Annual Meeting of Shareholders to be held on May 4, 2004, is incorporated by reference in Part III to the extent described therein.

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2003 FORM 10-K**

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## PART I

### ITEM 1. BUSINESS

#### Company Profile

Gannett Co., Inc. is a diversified news and information company that publishes newspapers, operates broadcasting stations, operates Web sites in connection with its newspaper and broadcast operations, and is engaged in marketing, commercial printing, a newswire service, data services and news programming. Gannett is an international company operating primarily in the U.S. and the United Kingdom (U.K.). Approximately 85% of its revenues are from domestic operations in 43 states, the District of Columbia, and Guam. It has foreign operations in the United Kingdom and in certain European and Asian markets. Its headquarters are in McLean, Va., near Washington, D.C., and is home to approximately 600 corporate employees.

Gannett was founded by Frank E. Gannett and associates in 1906 and incorporated in 1923. The company went public in 1967. It reincorporated in Delaware in 1974. Its more than 272 million outstanding shares of common stock are held by approximately 12,800 shareholders of record in all 50 states and several foreign countries. The company has approximately 53,000 employees.

The company has two principal business segments: newspaper publishing and broadcasting (television). Financial information for each of the company's reportable segments can be found in our financial statements, as discussed under Item 7 "Management's Discussion and Analysis" beginning on page 17, and as presented under Item 8 "Financial Statements and Supplementary Data" beginning on page 28 of this Form 10-K.

Gannett is the USA's largest newspaper group in terms of circulation. The company's 100 U.S. daily newspapers have a combined daily paid circulation of 7.6 million. They include USA TODAY, the nation's largest-selling daily newspaper, with a circulation of approximately 2.2 million. In addition, Gannett owns USA WEEKEND, a weekend newspaper magazine, and more than 500 non-daily publications in the United States.

Newsquest plc, a wholly owned Gannett subsidiary acquired in mid-1999 and expanded through further acquisitions since (including Scottish Media Group plc acquired in 2003), is the second largest regional newspaper publisher in the U.K. with a portfolio of more than 300 titles. Its publications include 17 daily newspapers with a combined circulation of approximately 725,000. Newsquest also publishes a variety of non-daily publications, including Berrow's Worcester Journal, the oldest continuously published newspaper in the world.

Total average daily circulation of the company's domestic and U.K. daily newspapers was approximately 8.3 million at the end of 2003.

The newspaper segment also includes: Nursing Spectrum, publisher of biweekly periodicals specializing in advertising for nursing employment; Army Times Publishing Co., which publishes military and defense newspapers; Clipper Magazine, a direct mail advertising magazine that publishes more than 325 individual editions in 24 states; a 19.49% interest in California Newspapers Partnership, a partnership that includes 28 daily California newspapers; a 66.2% interest in Texas-New Mexico Newspapers Partnership, a partnership that includes 6 daily newspapers in Texas and New Mexico; and a 13.5% interest in Ponderay Newsprint Company in California.

Certain of the company's newspaper subsidiaries are participants in joint operating agencies. Each joint operating agency performs the production, sales and distribution functions for the subsidiary and another newspaper publishing company under a joint operating agreement. The company's operating results in the Detroit and Tucson joint operating agencies are accounted for under the equity method, and are reported as a net amount in other operating revenues.

In addition to publishing, the newspaper segment includes the following: Gannett News Service, which provides news services for its newspaper operations; Gannett Retail Advertising Group, which represents the company's local newspapers in the sale of advertising to national and regional retailers, service providers and franchise businesses; and Gannett Offset, which is composed of the Gannett Offset print group and Gannett Marketing Services Group. The Gannett Offset print group currently includes five non-heatset printing plants and one heatset printing facility. Gannett Offset's dedicated commercial printing plants are located in Atlanta, Ga.; Minneapolis, Minn.; Miramar, Fla.; Norwood, Mass.; St. Louis, Mo.; and Springfield, Va. Gannett Marketing Services Group coordinates the sale of direct-marketing services through: Telematch, a database management and data enhancement company; and Gannett Direct Marketing Services, a direct-marketing company with operations in Louisville, Ky. The company also owns USATODAY.com and other Internet services at most of its local newspapers and television stations; and Gannett Media Technologies International, which develops and markets software and other products for the publishing industry.

The company also owns a one-third equity interest in CareerBuilder, LLC, an online service providing recruitment resources.

The company owns and operates 22 television stations covering 17.8 percent of the USA in markets with more than 19.3 million households.

#### Newspaper Publishing/United States

On Dec. 28, 2003, the company operated 100 U.S. daily newspapers, including USA TODAY, and more than 500 non-daily local publications in 41 states and Guam. The Newspaper Division is headquartered in McLean, Va., and on Dec. 28, 2003, it had approximately 40,000 full- and part-time employees.

USA TODAY was introduced in 1982 as the country's first national, general-interest daily newspaper. It is available in all 50 states and is available to readers on the day of publication throughout the U.S.

USA TODAY is produced at facilities in McLean, Va., and is transmitted via satellite to offset printing plants around the country. It is printed at Gannett plants in 20 U.S. markets and under contract at offset plants in 15 other U.S. markets. It is sold at newsstands and vending machines generally at 50 cents per copy. Mail subscriptions are available nationwide and abroad, and home, hotel and office delivery is offered in many markets. Approximately 65% of its net paid circulation results from single-copy sales at newsstands, vending machines or to hotel guests, and the remainder is from home and office delivery, mail, educational and other sales.

USA TODAY International is printed from satellite transmission under contract in London, Frankfurt, Hong Kong and Belgium, and is distributed in Europe, the Middle East, Africa and Asia. It is available in more than 50 foreign countries.

For domestic editions, USA TODAY is party to a contract with one satellite transmission service which runs through the end of 2004 and provides for the satellite transmissions of USA TODAY from the McLean, Va., office (or Silver Spring, Md., its back-up facility) to 35 domestic print sites across the USA.

For international editions, USA TODAY is party to a contract with a second satellite transmission provider which extends indefinitely (but is cancelable by either party with 60 days' notice) and provides for satellite transmissions to three contract print sites in Europe and one contract print site in Asia.

The company has adequate back-up for these transmission processes.

USATODAY.com, one of the most popular newspaper sites on the Web, had more than 35 million visits per month at the end of 2003.

Gannett News Service (GNS) is headquartered in McLean, Va., and operates bureaus in six other states and Washington, D.C. (see page 12 for more information). GNS provides national and regional news coverage and sports, features, photo and graphic services to Gannett newspapers. GNS is also syndicated to several non-Gannett newspapers.

The newspaper publishing segment also includes USA WEEKEND, which is distributed as a weekend newspaper magazine in 598 newspapers throughout the country, with a total circulation of 23.7 million as of January 2004, the second-largest weekly magazine in circulation in the nation.

Nursing Spectrum is a communications company that promotes the recognition and support of the nursing community by providing timely, relevant, and compelling information through its award-winning magazines, annual career guides and Web sites. On Feb. 2, 2004, the company acquired NurseWeek, an industry leader with print publications and an award-winning Web site focused on the nursing industry. Altogether, Nursing Spectrum will now publish 12 regional magazines and have a combined circulation of more than one million registered nurses in the top 50 metropolitan markets each month, or almost half of the registered nurses in the U.S. Nursing Spectrum's and NurseWeek's award-winning Web sites average more than 1.8 million page views per month.

At the end of 2003, 73 of the company's domestic daily newspapers, including USA TODAY, were published in the morning and 27 were published in the evening.

For local U.S. newspapers, excluding USA TODAY, morning circulation accounts for approximately 87% of total daily volume, while evening circulation accounts for 13%.

Individually, Gannett newspapers are the leading news and information source with strong brand recognition in their markets. Their durability lies in the quality of their management, their flexibility, their focus on such customer-directed programs as Complete Community Coverage in News, cross-branding of the daily newspaper, online, and weekly products, ADQ (described further below) continuous focus on customer service and quality, and their capacity to invest in new technology. Collectively, they form a powerful network to distribute news and advertising information across the nation.

In 2003, news departments across Gannett continued to emphasize coverage of local news as the key to successful news reporting. Under the Complete Community Coverage model developed in 2000, newsrooms expanded the amount of local news on their Web sites. Continued emphasis was placed on reaching younger

readers, especially those in the 25- to 34-year-old age group, through stronger Web sites and more focused news and features coverage.

In 2003, the Gannett Newspaper Division (News Department) worked with Gannett's community newspapers to launch a new effort to reach more readers. A program called "Real Life, Real News: Connecting with Readers' Lives" was developed and introduced to Gannett editors at a meeting in September. Each Gannett newspaper developed a plan for rollout of the approach in its community. The program focuses on making news more relevant to readers and capturing "Moments of Life" that are important in the lives of readers. The "Real Life, Real News" approach is being integrated into both print and online content.

For example, Gannett newspapers in Cincinnati, Indianapolis and Louisville launched free weekly publications aimed at reaching more young adults in their communities. The new publications joined weeklies already in place in Boise, Idaho, and Lansing, Mich. The publications feature information on entertainment opportunities in the communities.

All of the company's domestic daily newspapers receive Gannett News Service. In addition, all newspapers subscribe to The Associated Press, and some receive various supplemental news and syndicated features.

Gannett News Service provided strong coverage of topics of high interest to individual newspapers through its regional reporting. It also coordinated the work of local newspapers, the Army Times Publishing Co., USA TODAY, USATODAY.com, Gannett online operations and its own Washington bureau staff in providing extensive, converged coverage of the war in Iraq and related developments.

In 2003, the company continued to emphasize increasing its revenue from medium and smaller advertisers in each market it serves. These efforts will continue in 2004. Initiatives have focused on sales and rate management and the construction of pre-packaged programs scalable to the company's largest and smallest markets. Sales management initiatives increased the number and quality of sales calls, improved sales compensation and enhanced consistent sales training. Rate management programs focused on selling multiple advertising insertions and reviewing rates and rate structures to ensure that they match the opportunities in the market. The company operates an intranet site to provide its advertising management with up-to-date information and sales programs 24 hours a day, seven days a week. The company regularly calculates market potential and adjusts its local strategic plans accordingly. The company will continue in 2004 to make its personnel competitive and effective in their leadership, strategic thinking and marketing skills through such programs.

The Newspaper Division's advertising quality initiative, known as ADQ, produced its ninth consecutive year of improved ad quality. ADQ efforts are focused on accuracy and customer service in ad placement and billing functions. ADQ has reduced credit costs significantly since its 1995 launch.

Three principles guide online strategy at Gannett's local newspapers. First, spending for the online business must be justified by additional revenues, additional customers and additional profits. Second, emphasis needs to be on serving our local markets. A key reason customers turn to a Gannett newspaper's online site is to find local news and information. The credibility of the local newspaper, the known and trusted information source, extends to the company's Web sites and thus differentiates Gannett from other

Internet sites. This is a major factor that allows Gannett newspapers to compete successfully as Internet information providers. Third, the natural synergies between the local newspaper and local Web site should be utilized. The local content already available, the customer relationships, the news and advertising sales forces, and the promotional vehicle are all advantages for the newspaper. The company's strategy is to use these advantages to create strong and timely content, sell packaged advertising products that serve the advertisers, hold down costs, and leverage the known and trusted brand of the newspaper.

This strategy has served Gannett well in the development of our newspaper Internet efforts. The aggressive local focus, including advertising sales efforts, combined with effective use of national economies of scale and standardized technology, resulted in solid results in 2003.

Online revenue for local newspaper Web sites increased by 45% in 2003, which followed a 25% increase in 2002 and a 35% increase in 2001. Recent traffic on our sites reached more than 21 million visitors and over 275 million page views per month.

The Advertising Matrix sales program was implemented at 24 Gannett newspapers in 2003 and more newspapers will follow in 2004. The Matrix is a program for selling multiple ads across multiple product lines and packaging them into one buy for the customer. A typical Matrix package might include a retail display ad, a classified help wanted ad, a print-and-deliver insert targeted to specific zones, an online directory listing and an online coupon. The Bundle Wizard, which performs some of the functions of the Matrix on a more limited scale, is available to markets not using the Matrix.

The company also developed and implemented proprietary customer contact and relationship management software in some of its markets. The system is used to reach potential employment advertisers, and will be expanded to reach retailers and real estate agents.

Gannett has online classified ad order entry software installed in 13 locations. The software allows customers to place their classified ad via the newspaper's Web site. It permits customers to build both their print and online ad using templates provided by the newspaper or to customize the ad to meet their specific requirements. It also facilitates upsell opportunities such as bolding, attention-getters, photos and e-mail hyperlinks. When customers complete the design of their ads and select a product schedule, they receive a real-time price quote. Customers can then book their ads without further newspaper involvement. Gannett expects to expand these programs to 42 newspapers by the end of 2004.

Franchise XPress, a sales program operated by the Gannett Retail Advertising Group, sold 106 million newspaper-distributed single sheet inserts to hundreds of franchise retailers in Gannett markets during 2003. These inserts are typically distributed in areas close to the retailer's store. Insert Xpress, another newspaper-distributed single sheet sales program, sold more than 200 million inserts to local retail advertisers in 2003.

In 2003, Gannett continued to update its legacy software to provide additional advertising functionality. This latest release contains a new pricing engine that will permit the packaging and selling of multiple products across multiple mediums and support advertising initiatives such as the Matrix sales program. At the end of 2003, the release had been implemented at 15 newspapers with more implementations planned for 2004.

Advancements were also made in circulation technologies. A total of 58 newspapers now offer their customers seamless online services on their Web sites to start new subscriptions, make payments, schedule vacation stops and restarts or deliver complaints.

In addition, all newspapers offer the EZ-Pay system to subscribers so they can have their payments automatically charged to their credit card or deducted from their checking account. Use of the EZ-Pay system reduces billing and customer account administration costs and facilitates customer retention. At year end, 12% of all subscribers were using EZ-Pay.

Gannett Media Technologies International (GMTI) provides important technological support and products for the company's domestic newspapers in a number of big areas, including ad software and database management, editorial production and archiving, and Web site hosting. In addition, GMTI provides similar services to other newspaper companies. GMTI continued to increase its installed base of Internet-based Celebro advertising systems. Celebro facilitates increased revenue opportunities through the creation of new advertising products and by making it easier for the advertisers to choose newspaper publications over the competition. Real estate companies and auto dealerships are linked directly to GMTI's database servers where Celebro's HomesPlus and AutoChooser software allows them to send complete, digitized ad files to newspapers for pagination and printing. Newspapers are freed from most production requirements and advertisers replace time-consuming manual tasks with labor saving technology.

At year-end, GMTI maintained 65 HomesPlus databases, 33 of which are Gannett newspapers, and 32 are non-Gannett customers. AutoChooser is in production at 20 Gannett newspapers and 36 non-Gannett newspapers. Additionally, AutoChooser hosts auto dealer Web sites on behalf of some newspaper customers.

GMTI increased its Digital Collections customer base to 113 system installations. Of these, 30 are non-Gannett installations. Each of these systems serves a multi-purpose role for pre-press photo production, the capture and management of wire photos, archiving photos, stories, graphics and pages, and for news library research.

In 2003, Gannett acquired sole ownership of InfiNet, which previously had been a partnership with Knight Ridder, Inc., and Landmark Communications, Inc. InfiNet was an application service provider (ASP) where the main line of business was hosting Web services, including those of the partners. InfiNet was merged into GMTI and expanded the GMTI line of business into ASP services including Web hosting. GMTI now manages hosting for most Gannett newspaper Web sites, and continues to manage systems for Landmark, Knight Ridder and numerous other publishers.

With respect to newspaper production, 68 domestic daily newspaper plants print by the offset process, and 11 newspapers print using various letterpress processes. There are 84 newspapers that have converted to the 50-inch web-width format. Readers have found this size to be easier to handle and use. The 50-inch format change can result in more than a 7% savings in newsprint consumption. Two more of the company's newspapers are scheduled for web-width reduction in 2004.

During the past few years, the company has consolidated certain functions of its newspaper operations in a number of geographic areas in order to achieve greater marketing, administrative and production effectiveness and efficiencies. The company will continue to assess and consolidate certain functions where there are expected benefits.

In recent years, improved technology for all of the newspapers has resulted in greater speed and accuracy and in a reduction in the number of production hours worked. The company expects this trend to continue in 2004.

The principal sources of newspaper revenues are circulation and advertising.

**Circulation:** Detailed information about the circulation of the company's newspapers may be found on pages 10-13 and 20-21 of this Form 10-K. The 2% decline in the company's daily circulation is, in part, a result of the decision to raise home-delivery prices early in 2003 at 15 of the larger newspapers, including Phoenix, Detroit and Indianapolis. The 1% decline in Sunday circulation is consistent with the national pattern the industry has experienced for several years. Twenty-seven of the company's local newspapers reported gains in daily circulation in 2003, and 22 increased Sunday circulation. Home-delivery prices for the company's newspapers are established individually for each newspaper and range from \$1.62 to \$3.11 per week for daily newspapers and from \$0.71 to \$2.75 per copy for Sunday newspapers. Price increases for certain elements of local circulation volume were initiated at 10 newspapers in 2003.

**Advertising:** The newspapers have advertising departments that sell retail, classified and national advertising. The Gannett Retail Advertising Group also sells advertising on behalf of the company's local newspapers to national and regional retailers and service providers. The company also contracts with outside representative firms that specialize in the sale of national advertising. Analyses of newspaper advertising revenues are presented on pages 19-20 of this Form 10-K.

Retail advertising is display advertising associated with local merchants, such as department and grocery stores. Classified advertising includes ads listed together in sequence by the nature of the ads, such as automobile sales, real estate sales and help wanted. National advertising is display advertising principally from advertisers who are promoting products or brand names nationally. Retail and national advertising may appear in the newspaper itself or in preprinted sections. Ad revenues from newspaper Internet affiliates are reported along with revenue from publishing. Generally there are different rates for each category of advertising, and the rates for each newspaper are set independently, varying from city to city.

The newspapers have made continuing efforts to serve their readers and advertisers by introducing complete market coverage programs and by targeting specific market segments desired by many advertisers through the use of specially zoned editions and other specialty publications.

Continuing and comprehensive efforts are also underway to leverage Web site and newspaper marketing and advertising sales opportunities.

**Competition:** The company's newspapers compete with other media for advertising principally on the basis of their advertising rates and their performance in helping to sell the advertisers' products or services. They compete for circulation principally on the basis of their content and price. While most of the company's newspapers do not have daily newspaper competitors that are published in the same city, in certain of the company's larger markets, there is such direct competition. Most of the company's newspapers compete with other newspapers published in nearby cities and towns and with free-distribution and paid-advertising weeklies, as well as other print and non-print media.

The rate of development of opportunities in, and competition from, emerging electronic communications services, including those related to the Internet, is increasing. Through internal development programs, acquisitions and partnerships, the company's efforts to explore new opportunities in news, information and communications businesses have expanded and will continue to do so.

At the end of 2003, The Cincinnati Enquirer, The Detroit News and the Tucson (Ariz.) Citizen were published under joint operating agreements with non-Gannett newspapers located in the same cities. All of these agreements provide for joint business, advertising, production and circulation operations and a contractual division of profits. The editorial and reporting staffs of the company's newspapers, however, are separate and autonomous from those of the non-Gannett newspapers. In January 2004, the company provided notice to The E.W. Scripps Company, as required under the terms of the Joint Operating Agreement (JOA) involving The Cincinnati Enquirer, The Cincinnati Post and The Kentucky Post, that the JOA would not be renewed when it expires on Dec. 31, 2007.

**Environmental regulation:** Gannett is committed to protecting the environment. The company's goal is to ensure its facilities comply with federal, state, local and foreign environmental laws and to incorporate appropriate environmental practices and standards in its operations. The company retains a corporate environmental consultant who is responsible for overseeing regulatory compliance and taking preventive measures where appropriate.

The company is one of the industry leaders in the use of recycled newsprint and increased its purchases of newsprint containing some recycled content from 42,000 metric tons in 1989 to over 920,000 metric tons in 2003. During 2003, all of the company's newspapers consumed some recycled newsprint. For the year, nearly 75% of the company's newsprint purchases contained recycled content.

The company's newspapers use inks, photographic chemicals, solvents and fuels. The use, management, and disposal of these substances may be regulated by federal, state, local and foreign agencies. Some of the company's newspaper subsidiaries have been included among the potentially responsible parties in connection with the alleged disposal of ink or other wastes at disposal sites that have been subsequently identified as requiring remediation. Additional information about these matters can be found on page 15 of this Form 10-K. The company does not believe that these matters will have a material impact on its financial position or results of operations.

**Raw materials:** Newsprint, which is the basic raw material used to publish newspapers, has been and may continue to be subject to significant price changes from time to time. During 2003, the company's total newsprint consumption was 1,270,000 metric tons, including the company's portion of newsprint consumed at joint operating agencies, consumption by USA WEEKEND, USA TODAY tonnage consumed at non-Gannett print sites and consumption by Newsquest. Newsprint consumption was slightly higher than in 2002, up 4%, primarily due to recent acquisitions and growth in commercial printing activities. The company purchases newsprint from 23 domestic and global suppliers under contracts that expire at various times through 2010.

In 2003, newsprint supplies were adequate. The company believes that the available sources of newsprint, together with present inventories, will continue to be adequate to supply the needs of its newspapers.

The average cost per ton of newsprint consumed in 2003 increased 5% compared to the 2002 average cost.

### **Newspaper Publishing/United Kingdom**

In the second quarter of 2003, the company purchased the publishing business of Scottish Media Group plc (SMG), which consists of three Scottish regional newspapers; 11 specialty consumer and business-to-business magazine titles; and an online advertising and content business. Altogether, Newsquest now publishes more than 300 titles in the United Kingdom, including 17 daily newspapers.

Newsquest operates its newspaper publishing activities around geographic clusters to maximize the use of management, finance, printing and personnel resources. This approach enables the group to offer readers and advertisers a range of attractive products across the market. The clustering of titles and, usually, the publication of a free newspaper alongside a paid-for newspaper, allows cross-selling of advertising among newspapers serving the same or contiguous markets, thus satisfying the needs of its advertisers and audiences. At the end of 2003, Newsquest had 17 such clusters in the United Kingdom. Newsquest's policy is to produce free and paid-for newspapers with an attractive level of quality local editorial content. Newsquest also distributes a substantial volume of advertising leaflets in the communities it serves and it offers a travel/vacation booking service.

At the end of 2003, Newsquest (including SMG) had nearly 9,300 full-time and part-time employees. Newsquest's revenues for 2003 (including SMG, acquired in April 2003) were approximately \$970 million. As with U.S. newspapers, advertising is the largest component of revenue, comprising approximately 78%. Circulation revenue represents 12% of revenues and printing activities account for much of the remainder.

Newsquest is actively seeking to maximize the value of its local information expertise through development of opportunities offered by the Internet. Through internal growth and in partnership with other businesses, Newsquest has established a number of local and national Web sites that offer news and other information of special interest to its communities, as well as classified and retail advertising and shopping services.

Newsquest newspapers operate in competitive markets. Their principal competitors include other regional and national newspaper and magazine publishers, other advertising media such as radio and billboard, and Internet-based news, information and communication businesses.

### **Broadcasting**

On Dec. 28, 2003, the company's television division, headquartered in McLean, Va., included 22 television stations in markets with a total of more than 19.3 million households.

At the end of 2003, the broadcasting division had approximately 3,000 full-time and part-time employees. Broadcasting revenues accounted for approximately 11% of the company's reported operating revenues in 2003, 12% in 2002 and 11% in 2001.

The principal sources of the company's broadcasting revenues are: 1) local advertising focusing on the immediate geographic area of the stations; 2) national advertising; 3) compensation paid by the networks for carrying commercial network programs; 4) advertising on the stations' Web sites; and 5) payments by advertisers to television stations for other services, such as the production of advertising material. The advertising revenues derived from a station's local news programs make up a significant part of its total revenues.

Advertising rates charged by a television station are based on the ability of a station to deliver a specific audience to an advertiser. The larger a station's share in any particular daypart, the more leverage a station has in asking for a price advantage. As the market fluctuates with supply and demand, so does the station's rate card. Practically all national advertising is placed through independent advertising representatives. Local advertising time is sold by each station's own sales force.

Generally, a network provides programs to its affiliated television stations, sells commercial advertising announcements within the network programs and compensates the local stations by paying an amount based on the television station's network-affiliation agreement.

For all of its stations, the company is party to network-affiliation agreements. The company's three ABC affiliates have agreements which expire between 2005-2007. The agreements for its six CBS affiliates run through 2004-2005. The company's 13 NBC-affiliated stations have agreements that will expire in December 2005.

**Programming:** The costs of locally produced and purchased syndicated programming are a significant portion of television operating expenses. Syndicated programming costs are determined based upon largely uncontrollable market factors, including demand from the independent and affiliated stations within the market. In recent years, the company's television stations have emphasized their locally produced news and entertainment programming in an effort to provide programs that distinguish the stations from the competition and to better control costs.

**Competition:** In each of its broadcasting markets, the company's stations compete for revenues with other network-affiliated and independent television and radio broadcasters and with other advertising media, such as cable television, newspapers, magazines and outdoor advertising. The stations also compete in the emerging local electronic media space, which includes Internet or Internet-enabled devices and any digital spectrum opportunities associated with digital television (DTV). The company's broadcasting stations compete principally on the basis of their market share, advertising rates and audience composition.

Local news is most important to a station's success, and there is a growing emphasis on other forms of programming that relate to the local community. Network and syndicated programming constitute the majority of all other programming broadcast on the company's television stations, and the company's competitive position is directly affected by viewer acceptance of this programming. Other sources of present and potential competition for the company's broadcasting properties include pay cable, home video and audio recorders and video disc players, direct broadcast satellite and low-power television. Some of these competing services have the potential of providing improved signal reception or increased home entertainment selection, and they are continuing development and expansion.

Pursuant to the Satellite Home Viewer Improvement Act of 1999, a number of the company's television stations are currently being delivered by satellite carriers to subscribers within the stations' markets. The company has entered into retransmission consent agreements with satellite carriers that authorize such delivery that expire in mid-2004. The company anticipates these agreements will be renewed when they expire. This law also permits satellite carriers to retransmit distant network television stations into areas served by local television stations if it is determined, using FCC-approved signal strength measurement standards, that local stations do not deliver an acceptable viewing signal.

**Regulation:** The company's television stations are operated under the authority of the Federal Communications Commission (FCC) under the Communications Act of 1934, as amended (Communications Act), and the rules and policies of the FCC (FCC Regulations).

Television broadcast licenses are granted for periods of eight years. They are renewable by broadcasters upon application to the FCC and usually are renewed except in rare cases in which a conflicting application, a petition to deny, a complaint or an adverse finding as to the licensee's qualifications results in loss of the license. The company believes it is in substantial compliance with all applicable provisions of the Communications Act and FCC Regulations.

FCC Regulations also prohibit concentrations of broadcasting control and regulate network programming. FCC Regulations governing multiple ownership limit, or in some cases, prohibit the common ownership or control of most communications media serving common market areas (for example, television and radio; television and daily newspapers; or radio and daily newspapers). FCC rules permit common ownership of two television stations in the same market in certain circumstances provided that at least one of the commonly owned stations is not among the market's top four rated stations at the time of acquisition. It is under this standard that the company acquired a second television station in Jacksonville, Fla.

In 2003, the FCC substantially changed its ownership rules to allow greater media ownership opportunities, including 1) permitting common ownership of different properties in the same market (depending on market size) but retaining limitations in markets of three or fewer television stations where cross-ownership is prohibited; 2) permitting ownership of a number of television stations in a market (depending on market size); and 3) increasing the national TV ownership cap, covering the number of U.S. TV households one company is permitted to serve from 35% to 45%. In January, Congress passed legislation setting the national ownership cap figure at 39%. Presently the company's 22 television stations reach an aggregate of 17.8% of U.S. TV households.

Appeals of the 2003 FCC decision were filed and the new rules have not taken effect. Oral argument was held on Feb. 11, 2004, and a court decision is expected later in the year. If the 2003 FCC ruling is upheld, it could present opportunities for the company to acquire additional properties in markets it currently serves.

### **Employee relations**

At the end of 2003, the company and its subsidiaries had approximately 53,000 full-time and part-time employees. Three of the company's newspapers were published in 2003 together with non-company newspapers pursuant to joint operating agreements, and the employment total above includes the company's pro-rata share of employees at those joint production and business operations.

Approximately 13% of those employed by the company and its subsidiaries are represented by labor unions. They are represented by 96 local bargaining units affiliated with nine international unions under collective bargaining agreements. These agreements conform generally with the pattern of labor agreements in the newspaper and broadcasting industries. The company does not engage in industrywide or companywide bargaining. The company's U.K. subsidiaries bargain with three unions over working practices, wages and health and safety issues only.

The company provides competitive group life and medical insurance programs for full-time domestic employees at each location. The company pays a substantial portion of these costs and employees contribute the balance. Virtually all of the company's units provide retirement or profit-sharing plans which cover eligible full-time employees.

In 1990, the company established a 401(k) Savings Plan, which is available to most of its domestic employees and a small number of unionized employees.

Newsquest employees have local staff councils for consultation and communication with local Newsquest management. Newsquest provides the majority of its employees with 1) the option to participate in a stock option-linked savings plan; 2) the option to purchase Gannett shares through a share incentive plan; and 3) a retirement plan that incorporates life insurance.

The company strives to maintain good relationships with its employees.

**MARKETS WE SERVE**

**NEWSPAPERS AND NEWSPAPER DIVISION**

**Daily newspapers**

State Territory	City	Newspaper	Circulation			Founded	Joined Gannett (a)
			Morning	Afternoon	Sunday		
Alabama	Montgomery	Montgomery Advertiser	50,365		61,921	1829	1995 (62)
Arizona	Phoenix	The Arizona Republic	455,937		571,501	1890	2000 (90)
	Tucson	Tucson Citizen		33,370		1870	1976 (30)
Arkansas	Mountain Home	The Baxter Bulletin	11,235			1901	1995 (63)
California	Palm Springs	The Desert Sun	52,734		55,191	1927	1986 (56)
	Salinas	The Salinas Californian	18,826			1871	1977 (36)
	Tulare	Tulare Advance-Register		7,881		1882	1993 (61)
	Visalia	Visalia Times-Delta	21,600			1859	1977 (37)
Colorado	Fort Collins	Fort Collins Coloradoan	28,460		34,716	1873	1977 (38)
Connecticut	Norwich	Norwich Bulletin	28,015		32,176	1791	1981 (49)
Delaware	Wilmington	The News Journal	117,292		140,882	1871	1978 (43)
Florida	Brevard County	FLORIDA TODAY	87,743		106,810	1966	1966 (9)
	Fort Myers	The News-Press	90,585		108,653	1884	1971 (24)
	Pensacola	Pensacola News Journal	63,292		81,377	1889	1969 (11)
Georgia	Gainesville	The Times *		20,102	23,958	1947	1981 (48)
Guam	Hagatna	Pacific Daily News	23,255		21,695	1944	1971 (23)
Hawaii	Honolulu	The Honolulu Advertiser	144,502		166,483	1856	1993 (60)
Idaho	Boise	The Idaho Statesman	65,606		87,630	1864	1971 (16)
Illinois	Rockford	Rockford Register Star	66,763		79,808	1855	1967 (10)
Indiana	Indianapolis	The Indianapolis Star	251,374		367,700	1903	2000 (91)
	Lafayette	Journal and Courier	36,694		43,371	1829	1971 (17)
	Marion	Chronicle-Tribune	18,143		20,856	1867	1971 (20)
	Muncie	The Star Press	32,450		35,561	1899	2000 (92)
	Richmond	Palladium-Item		18,434	22,348	1831	1976 (29)
Iowa	Des Moines	The Des Moines Register	154,569		245,468	1849	1985 (53)
	Iowa City	Iowa City Press-Citizen	14,912			1860	1977 (40)
Kentucky	Louisville	The Courier-Journal	216,122		281,661	1868	1986 (58)
Louisiana	Alexandria	Alexandria Daily Town Talk	35,542		40,955	1883	2000 (93)
	Lafayette	The Daily Advertiser	45,983		56,525	1865	2000 (71)
	Monroe	The News-Star	36,047		40,309	1890	1977 (42)
	Opelousas	Daily World	9,986		11,692	1939	2000 (94)
	Shreveport	The Times	66,329		80,993	1871	1977 (41)
Maryland	Salisbury	The Daily Times	27,322		31,338	1900	2000 (72)
Michigan	Battle Creek	Battle Creek Enquirer	24,963		33,200	1900	1971 (18)
	Detroit	The Detroit News		225,616		1873	1986 (55)
		The Detroit News and Free Press			722,385		
	Lansing	Lansing State Journal	72,251		92,174	1855	1971 (15)
Port Huron	Times Herald		29,323	39,567	1900	1970 (12)	
Minnesota	St. Cloud	St. Cloud Times	27,894		37,357	1861	1977 (35)
Mississippi	Hattiesburg	Hattiesburg American		22,048	25,868	1897	1982 (51)
	Jackson	The Clarion-Ledger	96,952		109,702	1837	1982 (50)
Missouri	Springfield	Springfield News-Leader	61,844		90,417	1893	1977 (34)
Montana	Great Falls	Great Falls Tribune	33,499		37,264	1885	1990 (59)
Nevada	Reno	Reno Gazette-Journal	66,403		83,911	1870	1977 (31)
New Jersey	Asbury Park	Asbury Park Press	166,142		223,192	1879	1997 (68)
	Bridgewater	Courier News	39,861		40,901	1884	1927 (5)
	Cherry Hill	Courier-Post	78,751		94,744	1875	1959 (7)
	East Brunswick	Home News Tribune	61,597		68,206	1879	1997 (69)
	Morristown	Daily Record	42,212		44,510	1900	1998 (70)
	Vineland	The Daily Journal	17,566			1864	1986 (57)

(a) Number in parentheses notes chronological order in which existing newspapers joined Gannett.

\* On Feb. 16, 2004, Gannett exchanged The Times in Gainesville, Ga., for two daily newspapers in Tennessee.

**Non-daily publications:** see listing of U.S. non-daily locations on page 12.

**Daily newspapers**

State Territory	City	Newspaper	Circulation			Founded	Joined Gannett (a)	
			Morning	Afternoon	Sunday			
New Mexico	Alamogordo	Alamogordo Daily News†		6,957	8,383	1898	2003 (95)	
	Carlsbad	Carlsbad Current-Argus†	8,149		8,252	1889	2003 (96)	
	Deming	The Deming Headlight†	*			1881	2003 (97)	
	Farmington	The Daily Times†	17,860		19,504	1894	2003 (98)	
	Las Cruces	Las Cruces Sun-News†	25,057		24,778	1881	2003 (99)	
	Silver City	Silver City Sun-News†		*	*	1995	2003(100)	
New York	Binghamton	Press & Sun-Bulletin	55,534		70,376	1904	1943 (6)	
	Elmira	Star-Gazette	28,949		40,071	1828	1906 (1)	
	Ithaca	The Ithaca Journal	18,376			1815	1912 (2)	
	Poughkeepsie	Poughkeepsie Journal	40,146		50,794	1785	1977 (33)	
	Rochester	Rochester Democrat and Chronicle	170,850		231,643	1833	1918 (3)	
	Utica	Observer-Dispatch	45,261		52,272	1817	1922 (4)	
	Westchester County	The Journal News	142,511		168,868	1829	1964 (8)	
North Carolina	Asheville	Asheville Citizen-Times	56,300		70,477	1870	1995 (64)	
Ohio	Bucyrus	Telegraph-Forum		7,171		1923	2000 (73)	
	Chillicothe	Chillicothe Gazette		15,937	15,987	1800	2000 (74)	
	Cincinnati	The Cincinnati Enquirer	193,731		308,838	1841	1979 (44)	
	Coshocton	Coshocton Tribune		6,967	7,349	1842	2000 (75)	
	Fremont	The News-Messenger		13,483		1856	1975 (27)	
	Lancaster	Lancaster Eagle-Gazette		14,858	14,916	1807	2000 (76)	
	Mansfield	News Journal		33,044	41,765	1885	2000 (77)	
	Marion	The Marion Star		14,228	14,281	1880	2000 (78)	
	Newark	The Advocate		21,959	22,989	1820	2000 (79)	
	Port Clinton	News Herald		5,833		1864	1975 (28)	
Zanesville	Times Recorder	21,126		20,676	1852	2000 (80)		
Oklahoma	Muskogee	Muskogee Daily Phoenix and Times-Democrat	17,877		19,097	1888	1977 (39)	
Oregon	Salem	Statesman Journal	56,521		62,937	1851	1974 (26)	
Pennsylvania	Chambersburg	Public Opinion		18,342		1869	1971 (14)	
South Carolina	Greenville	The Greenville News	89,772		117,943	1874	1995 (65)	
South Dakota	Sioux Falls	Argus Leader	54,154		76,305	1881	1977 (32)	
Tennessee	Clarksville	The Leaf-Chronicle	22,613		26,931	1808	1995 (66)	
	Jackson	The Jackson Sun	35,359		40,997	1848	1985 (54)	
	Nashville	The Tennessean	174,868		248,728	1812	1979 (45)	
Texas	El Paso	El Paso Times†	73,196		90,322	1879	1972 (25)	
Utah	St. George	The Spectrum	22,551		23,918	1963	2000 (81)	
Vermont	Burlington	The Burlington Free Press	48,331		57,496	1827	1971 (13)	
Virginia	McLean	USA TODAY	2,251,035			1982	1982 (52)	
	Staunton	The Daily News Leader	18,050		21,141	1904	1995 (67)	
Washington	Bellingham	The Bellingham Herald	24,415		31,079	1890	1971 (21)	
	Olympia	The Olympian	35,513		43,263	1889	1971 (19)	
West Virginia	Huntington	The Herald-Dispatch	32,126		38,347	1909	1971 (22)	
Wisconsin	Appleton	The Post-Crescent		53,391	69,043	1853	2000 (82)	
	Fond du Lac	The Reporter		19,840	19,731	1870	2000 (83)	
	Green Bay	Green Bay Press-Gazette	56,689		83,399	1915	1980 (46)	
	Manitowoc	Herald Times Reporter		15,544	16,023	1898	2000 (84)	
	Marshfield	Marshfield News-Herald		13,815		1927	2000 (85)	
	Oshkosh	Oshkosh Northwestern	21,528		25,393	1868	2000 (86)	
	Sheboygan	The Sheboygan Press		23,724	25,748	1907	2000 (87)	
	Stevens Point	Stevens Point Journal		12,931		1873	2000 (88)	
			Central Wisconsin Sunday			18,926		
	Wausau	Wausau Daily Herald		22,862	29,297	1903	1980 (47)	
Wisconsin Rapids	The Daily Tribune		13,436		1914	2000 (89)		

\* Circulation figures included with Las Cruces Sun-News amounts.

† Newspapers are published by the Texas-New Mexico Newspapers Partnership, in which Gannett owns a 66.2% equity interest.

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**NEWSPAPERS AND NEWSPAPER DIVISION (continued)**

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**Army Times Publishing Co.****Headquarters:** Springfield, Va.**Advertising offices:** New York, N.Y.; Chicago, Ill.; Los Angeles, Calif.; Detroit, Mich.**Publications:** Army Times, Navy Times, Marine Corps Times, Air Force Times, Federal Times, Defense News, Armed Forces Journal, ISR Journal, Training and Simulation Journal

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**Clipper Magazine, Inc.****Headquarters:** Mountville, Pa.

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**Nursing Spectrum****Offices:** Dallas/Fort Worth, Texas (serving Texas and Louisiana); Falls Church, Va. (serving Washington, D.C./Baltimore, Md.); Hoffman Estates, Ill. (serving Illinois, Indiana, Michigan and Ohio); Ft. Lauderdale, Fla. (serving Ft. Lauderdale and Tampa); King of Prussia, Pa. (serving Philadelphia and the Delaware Valley); Lexington, Mass. (serving New England states); Sunnyvale, Calif. (serving California and the Western States); Westbury, N.Y. (serving New York and New Jersey)

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**Non-daily publications**

Weekly, semi-weekly, monthly or bimonthly publications in Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Guam, Hawaii, Idaho, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and Juarez, Mexico

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**USA WEEKEND***Circulation 23.7 million in 598 newspapers***Headquarters:** McLean, Va.**Advertising offices:** Chicago, Ill.; Detroit, Mich.; Los Angeles, Calif.; New York, N.Y.

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**Gannett Media Technologies International:** Cincinnati, Ohio; Norfolk, Va.; Tempe, Ariz.

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**Gannett Offset****Headquarters:** Springfield, Va.**Offset sites:** Atlanta, Ga.; Minneapolis, Minn.; Miramar, Fla.; Norwood, Mass.; St. Louis, Mo.; Springfield, Va.

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**Gannett Offset Marketing Services Group****Gannett Direct Marketing Services, Inc.:** Louisville, Ky.**Telematch:** Springfield, Va.

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**Gannett Retail Advertising Group:** Chicago, Ill.

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**Gannett Satellite Information Network:** McLean, Va.

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**Gannett News Service****Headquarters:** McLean, Va.**Bureau:** Washington, D.C.**State bureaus:** Albany, N.Y.; Baton Rouge, La.; Newark, N.J.; Sacramento, Calif.; Springfield, Ill.; Tallahassee, Fla.

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**USA TODAY****Headquarters and editorial offices:** McLean, Va.**Print sites:** Arlington, Texas; Atlanta, Ga.; Batavia, N.Y.; Brevard County, Fla.; Chandler, Ariz.; Chicago, Ill.; Columbia, S.C.; Fort Collins, Colo.; Fort Myers, Fla.; Hattiesburg, Miss.; Kankakee, Ill.; Lansing, Mich.; Las Vegas, Nev.; Lawrence, Kan.; Mansfield, Ohio; Marin County, Calif.; Minneapolis, Minn.; Miramar, Fla.; Nashville, Tenn.; Newark, Ohio; Norwood, Mass.; Olympia, Wash.; Pasadena, Texas; Port Huron, Mich.; Raleigh, N.C.; Richmond, Ind.; Rockaway, N.J.; St. Louis, Mo.; Salisbury, N.C.; Salt Lake City, Utah; San Bernardino, Calif.; Springfield, Va.; Warrendale, Pa.; White Plains, N.Y.; Wilmington, Del.**International print sites:** Frankfurt, Germany; Gosselies, Belgium; Hong Kong; London, England**National offices:** Atlanta, Ga.; Boston, Mass.; Buffalo, N.Y.; Charlotte, N.C.; Chicago, Ill.; Cincinnati, Ohio; Dallas, Texas; Denver, Colo.; Detroit, Mich.; Houston, Texas; Los Angeles, Calif.; Minneapolis, Minn.; Nashville, Tenn.; New York, N.Y.; Orlando, Fla.; Philadelphia, Pa.; Phoenix, Ariz.; San Francisco, Calif.; Seattle, Wash.; St. Louis, Mo.; Washington, D.C.**International offices:** Hong Kong; London, England; Singapore**Advertising offices:** McLean, Va.; Atlanta, Ga.; Chicago, Ill.; Dallas, Texas; Detroit, Mich.; London, England; Los Angeles, Calif.; New York, N.Y.; San Francisco, Calif.

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**USA TODAY SPORTS WEEKLY****Editorial offices:** McLean, Va.**Advertising offices:** Chicago, Ill.; McLean, Va.; New York, N.Y.

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**USATODAY.com****Headquarters and editorial offices:** McLean, Va.**Advertising offices:** Atlanta, Ga.; Chicago, Ill.; Dallas, Texas; Detroit, Mich.; Los Angeles, Calif.; McLean, Va.; New York, N.Y.; San Francisco, Calif.

## NEWSQUEST PLC

### Daily newspapers

City	Newspaper	Morning	Circulation		Founded	Joined Gannett
			Afternoon	Saturday		
Basildon	Evening Echo		40,019		1969	1999
Blackburn	Lancashire Evening Telegraph		37,448	32,004	1886	1999
Bolton	Bolton Evening News		36,181	28,113	1867	1999
Bournemouth	Daily Echo		37,481*		1900	2000
Bradford	Telegraph & Argus		48,363	45,841	1868	1999
Brighton	The Argus		44,514	43,166	1880	1999
Colchester	Evening Gazette		27,055		1970	1999
Darlington	The Northern Echo	58,194*			1870	1999
Glasgow	Evening Times		95,761	52,202	1876	2003
Glasgow	The Herald	85,932		85,850	1783	2003
Newport	South Wales Argus		31,376	27,758	1892	2000
Oxford	Oxford Mail		28,685	26,872	1928	1999
Southampton	Southern Daily Echo		49,301*		1888	2000
Swindon	Evening Advertiser		24,550	20,601	1854	1999
Weymouth	Dorset Echo		21,032*		1921	2000
Worcester	Worcester Evening News		21,066	18,072	1937	1999
York	Evening Press		37,881	36,733	1882	1999

\* Monday-Saturday inclusive

**Non-daily publications:** Essex, London, Midlands, North East, North West, South Coast, South East, South and East Wales, South West, Yorkshire

## BROADCASTING

### Television stations

State	City	Station	Channel/Network	Weekly	Founded	Joined Gannett
				Audience(a)		
Arizona	Flagstaff	KNAZ-TV	Channel 2/NBC	(b)	1970	1997
	Kingman	KMOH-TV*	Channel 6/NBC	(b)	1988	1997
	Phoenix	KPNX-TV	Channel 12/NBC	1,215,000	1953	1979
Arkansas	Little Rock	KTHV-TV	Channel 11/CBS	414,000	1955	1994
California	Sacramento	KXTV-TV	Channel 10/ABC	1,058,000	1955	1999
Colorado	Denver	KUSA-TV	Channel 9/NBC	1,236,000	1952	1979
District of Columbia	Washington	WUSA-TV	Channel 9/CBS	1,954,000	1949	1986
Florida	Jacksonville	WJXX-TV	Channel 25/ABC	414,000	1989	2000
		WTLV-TV	Channel 12/NBC	493,000	1957	1988
	Tampa-St. Petersburg	WTSP-TV	Channel 10/CBS	1,327,000	1965	1996
Georgia	Atlanta	WXIA-TV	Channel 11/NBC	1,711,000	1948	1979
	Macon	WMAZ-TV	Channel 13/CBS	199,000	1953	1995
Maine	Bangor	WLBZ-TV	Channel 2/NBC	120,000	1954	1998
	Portland	WCSH-TV	Channel 6/NBC	335,000	1953	1998
Michigan	Grand Rapids	WZZM-TV	Channel 13/ABC	414,000	1962	1997
Minnesota	Minneapolis-St. Paul	KARE-TV	Channel 11/NBC	1,434,000	1953	1983
Missouri	St. Louis	KSDK-TV	Channel 5/NBC	1,083,000	1947	1995
New York	Buffalo	WGRZ-TV	Channel 2/NBC	556,000	1954	1997
North Carolina	Greensboro	WFMY-TV	Channel 2/CBS	598,000	1949	1988
Ohio	Cleveland	WKYC-TV	Channel 3/NBC	1,318,000	1948	1995
South Carolina	Columbia	WLTX-TV	Channel 19/CBS	276,000	1953	1998
Tennessee	Knoxville	WBIR-TV	Channel 10/NBC	438,000	1956	1995

(a) Weekly audience is number of TV households reached, according to the November 2003 Nielsen book.

(b) Audience numbers fall below minimum reporting standards.

\* Gannett has an agreement to sell KMOH-TV. The closing is expected in the first half of 2004.

## GANNETT ON THE NET

News and information about Gannett is available on our Web site, [www.gannett.com](http://www.gannett.com). In addition to news and other information about our company, we provide access through this site to our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after we file or furnish them electronically with the Securities and Exchange Commission.

We also provide access on this Web site to our Principles of Corporate Governance, the charters of our Audit, Executive Compensation and Nominating and Public Responsibility Committees and other important governance documents and policies, including our Ethics and Inside Trading Policies. Copies of all of these corporate governance documents are available to any shareholder upon written request made to our Secretary at our headquarters address. In addition, we will disclose on this Web site changes to, or waivers of, our corporate Ethics Policy.

Gannett properties also offer online services or informational sites on the Internet as follows:

### Gannett Corporate

Gannett Co., Inc. . . . . [www.gannett.com](http://www.gannett.com)

### Newspapers and Newspaper Division

USA TODAY . . . . .	<a href="http://www.usatoday.com">www.usatoday.com</a>
USA WEEKEND . . . . .	<a href="http://www.usaweekend.com">www.usaweekend.com</a>
Alexandria (La.) Daily Town Talk . . . . .	<a href="http://www.thetowntalk.com">www.thetowntalk.com</a>
The Post-Crescent, Appleton, Wis. . . . .	<a href="http://www.postcrescent.com">www.postcrescent.com</a>
Asbury Park (N.J.) Press . . . . .	<a href="http://www.app.com">www.app.com</a>
Asheville (N.C.) Citizen-Times . . . . .	<a href="http://www.citizen-times.com">www.citizen-times.com</a>
Battle Creek (Mich.) Enquirer . . . . .	<a href="http://www.battlecreekenquirer.com">www.battlecreekenquirer.com</a>
The Bellingham (Wash.) Herald . . . . .	<a href="http://www.bellinghamherald.com">www.bellinghamherald.com</a>
Press & Sun-Bulletin, Binghamton, N.Y. . . . .	<a href="http://www.pressconnects.com">www.pressconnects.com</a>
The Idaho Statesman, Boise . . . . .	<a href="http://www.idahostatesman.com">www.idahostatesman.com</a>
Telegraph-Forum, Bucyrus, Ohio . . . . .	<a href="http://www.bucyrustelegraphforum.com">www.bucyrustelegraphforum.com</a>
FLORIDA TODAY, Brevard County . . . . .	<a href="http://www.floridatoday.com">www.floridatoday.com</a>
Courier News, Bridgewater, N.J. . . . .	<a href="http://www.c-n.com">www.c-n.com</a>
The Burlington (Vt.) Free Press . . . . .	<a href="http://www.burlingtonfreepress.com">www.burlingtonfreepress.com</a>
Public Opinion, Chambersburg, Pa. . . . .	<a href="http://www.publicopiniononline.com">www.publicopiniononline.com</a>
Courier-Post, Cherry Hill, N.J. . . . .	<a href="http://www.courierpostonline.com">www.courierpostonline.com</a>
Chillicothe (Ohio) Gazette . . . . .	<a href="http://www.chillicothe Gazette.com">www.chillicothe Gazette.com</a>
The Cincinnati Enquirer . . . . .	<a href="http://www.cincinnati.com">www.cincinnati.com</a>
The Leaf-Chronicle, Clarksville, Tenn. . . . .	<a href="http://www.theleafchronicle.com">www.theleafchronicle.com</a>
Coshocton (Ohio) Tribune . . . . .	<a href="http://www.coshoctontribune.com">www.coshoctontribune.com</a>
The Des Moines Register . . . . .	<a href="http://DesMoinesRegister.com">DesMoinesRegister.com</a>
The Detroit News . . . . .	<a href="http://www.detroitnews.com">www.detroitnews.com</a>
Home News Tribune, East Brunswick, N.J. . . . .	<a href="http://www.thnt.com">www.thnt.com</a>
Star-Gazette, Elmira, N.Y. . . . .	<a href="http://www.stargazette.com">www.stargazette.com</a>
El Paso (Texas) Times . . . . .	<a href="http://www.elpasotimes.com">www.elpasotimes.com</a>
The Reporter, Fond du Lac, Wis. . . . .	<a href="http://www.fdlreporter.com">www.fdlreporter.com</a>
Fort Collins Coloradoan . . . . .	<a href="http://www.coloradoan.com">www.coloradoan.com</a>
The News-Press, Fort Myers, Fla. . . . .	<a href="http://www.news-press.com">www.news-press.com</a>
The News-Messenger, Fremont, Ohio . . . . .	<a href="http://www.thenews-messenger.com">www.thenews-messenger.com</a>
The Times, Gainesville, Ga.* . . . .	<a href="http://www.gainesvilletimes.com">www.gainesvilletimes.com</a>
Great Falls (Mont.) Tribune . . . . .	<a href="http://www.greatfallstribune.com">www.greatfallstribune.com</a>
Green Bay (Wis.) Press-Gazette . . . . .	<a href="http://www.greenbaypressgazette.com">www.greenbaypressgazette.com</a>
The Greenville (S.C.) News . . . . .	<a href="http://www.greenvilleonline.com">www.greenvilleonline.com</a>
Pacific Daily News, Hagatna, Guam . . . . .	<a href="http://www.guampdn.com">www.guampdn.com</a>
Hattiesburg (Miss.) American . . . . .	<a href="http://www.hattiesburgamerican.com">www.hattiesburgamerican.com</a>
The Honolulu Advertiser . . . . .	<a href="http://www.honoluluadvertiser.com">www.honoluluadvertiser.com</a>
The Herald-Dispatch, Huntington, W.Va. . . . .	<a href="http://www.herald-dispatch.com">www.herald-dispatch.com</a>
The Indianapolis Star . . . . .	<a href="http://www.indystar.com">www.indystar.com</a>
Iowa City (Iowa) Press-Citizen . . . . .	<a href="http://www.press-citizen.com">www.press-citizen.com</a>
The Ithaca (N.Y.) Journal . . . . .	<a href="http://www.theithacajournal.com">www.theithacajournal.com</a>
The Clarion-Ledger, Jackson, Miss. . . . .	<a href="http://www.clarionledger.com">www.clarionledger.com</a>
The Jackson (Tenn.) Sun . . . . .	<a href="http://www.jacksonsun.com">www.jacksonsun.com</a>
Journal and Courier, Lafayette, Ind. . . . .	<a href="http://www.jconline.com">www.jconline.com</a>
The Daily Advertiser, Lafayette, La. . . . .	<a href="http://www.theadvertiser.com">www.theadvertiser.com</a>
Lancaster (Ohio) Eagle-Gazette . . . . .	<a href="http://www.lancastereaglegazette.com">www.lancastereaglegazette.com</a>
Lansing (Mich.) State Journal . . . . .	<a href="http://www.lansingstatejournal.com">www.lansingstatejournal.com</a>
The Courier-Journal, Louisville, Ky. . . . .	<a href="http://www.courier-journal.com">www.courier-journal.com</a>
Herald Times Reporter, Manitowoc, Wis. . . . .	<a href="http://www.htrnews.com">www.htrnews.com</a>
News Journal, Mansfield, Ohio . . . . .	<a href="http://www.mansfieldnewsjournal.com">www.mansfieldnewsjournal.com</a>
Chronicle-Tribune, Marion, Ind. . . . .	<a href="http://www.chronicle-tribune.com">www.chronicle-tribune.com</a>
The Marion (Ohio) Star . . . . .	<a href="http://www.marionstar.com">www.marionstar.com</a>
Marshfield (Wis.) News-Herald . . . . .	<a href="http://www.marshfieldnews-herald.com">www.marshfieldnews-herald.com</a>
The News-Star, Monroe, La. . . . .	<a href="http://www.thenewsstar.com">www.thenewsstar.com</a>
The Montgomery (Ala.) Advertiser . . . . .	<a href="http://www.montgomeryadvertiser.com">www.montgomeryadvertiser.com</a>
Daily Record, Morristown, N.J. . . . .	<a href="http://www.dailyrecord.com">www.dailyrecord.com</a>
The Baxter Bulletin, Mountain Home, Ark. . . . .	<a href="http://www.baxterbulletin.com">www.baxterbulletin.com</a>
The Star Press, Muncie, Ind. . . . .	<a href="http://www.thestarpress.com">www.thestarpress.com</a>
The Tennessean, Nashville . . . . .	<a href="http://www.tennessean.com">www.tennessean.com</a>
The Advocate, Newark, Ohio . . . . .	<a href="http://www.newarkadvocate.com">www.newarkadvocate.com</a>
Newspaper Network of Central Ohio . . . . .	<a href="http://www.centralohio.com">www.centralohio.com</a>
Norwich (Conn.) Bulletin . . . . .	<a href="http://www.norwichbulletin.com">www.norwichbulletin.com</a>
The Olympian, Olympia, Wash. . . . .	<a href="http://www.theolympian.com">www.theolympian.com</a>
Daily World, Opelousas, La. . . . .	<a href="http://www.dailyworld.com">www.dailyworld.com</a>

Oshkosh (Wis.) Northwestern . . . . .	<a href="http://www.thenorthwestern.com">www.thenorthwestern.com</a>
The Desert Sun, Palm Springs, Calif. . . . .	<a href="http://www.thedesertsun.com">www.thedesertsun.com</a>
Pensacola (Fla.) News Journal . . . . .	<a href="http://www.PensacolaNewsJournal.com">www.PensacolaNewsJournal.com</a>
The Arizona Republic, Phoenix . . . . .	<a href="http://www.azcentral.com">www.azcentral.com</a>
News Herald, Port Clinton, Ohio . . . . .	<a href="http://www.portclintonnews-herald.com">www.portclintonnews-herald.com</a>
Times Herald, Port Huron, Mich. . . . .	<a href="http://www.thetimesherald.com">www.thetimesherald.com</a>
Poughkeepsie (N.Y.) Journal . . . . .	<a href="http://www.poughkeepsiejournal.com">www.poughkeepsiejournal.com</a>
Reno (Nev.) Gazette-Journal . . . . .	<a href="http://www.rgj.com">www.rgj.com</a>
Palladium-Item, Richmond, Ind. . . . .	<a href="http://www.pal-item.com">www.pal-item.com</a>
Rochester (N.Y.) Democrat and Chronicle . . . . .	<a href="http://www.DemocratandChronicle.com">www.DemocratandChronicle.com</a>
Rockford (Ill.) Register Star . . . . .	<a href="http://www.rnstar.com">www.rnstar.com</a>
Statesman Journal, Salem, Ore. . . . .	<a href="http://www.statesmanjournal.com">www.statesmanjournal.com</a>
The Salinas Californian . . . . .	<a href="http://www.thecalifornian.com">www.thecalifornian.com</a>
The Daily Times, Salisbury, Md. . . . .	<a href="http://www.delmarvanow.com">www.delmarvanow.com</a>
The Sheboygan (Wis.) Press . . . . .	<a href="http://www.sheboygan-press.com">www.sheboygan-press.com</a>
Argus Leader, Sioux Falls, S.D. . . . .	<a href="http://www.argusleader.com">www.argusleader.com</a>
St. Cloud (Minn.) Times . . . . .	<a href="http://www.sctimes.com">www.sctimes.com</a>
The Spectrum, St. George, Utah . . . . .	<a href="http://www.the-spectrum.com">www.the-spectrum.com</a>
The Times, Shreveport, La. . . . .	<a href="http://www.shreveporttimes.com">www.shreveporttimes.com</a>
Springfield (Mo.) News-Leader . . . . .	<a href="http://www.news-leader.com">www.news-leader.com</a>
The Daily News Leader, Staunton, Va. . . . .	<a href="http://www.newsleader.com">www.newsleader.com</a>
Stevens Point (Wis.) Journal . . . . .	<a href="http://www.stevenspointjournal.com">www.stevenspointjournal.com</a>
Tucson (Ariz.) Citizen . . . . .	<a href="http://www.tucsoncitizen.com">www.tucsoncitizen.com</a>
Tulare (Calif.) Advance-Register . . . . .	<a href="http://www.tulareadvanceregister.com">www.tulareadvanceregister.com</a>
Observer-Dispatch, Utica, N.Y. . . . .	<a href="http://www.uticaod.com">www.uticaod.com</a>
The Daily Journal, Vineland, N.J. . . . .	<a href="http://www.thedailyjournal.com">www.thedailyjournal.com</a>
Visalia (Calif.) Times-Delta . . . . .	<a href="http://www.visaliatimesdelta.com">www.visaliatimesdelta.com</a>
Wausau (Wis.) Daily Herald . . . . .	<a href="http://www.wausaudailyherald.com">www.wausaudailyherald.com</a>
The Journal News, Westchester County, N.Y. . . . .	<a href="http://www.thejournalnews.com">www.thejournalnews.com</a>
The News Journal, Wilmington, Del. . . . .	<a href="http://www.delawareonline.com">www.delawareonline.com</a>
The Daily Tribune, Wisconsin Rapids, Wis. . . . .	<a href="http://www.wisconsinrapidstribune.com">www.wisconsinrapidstribune.com</a>
Times Recorder, Zanesville, Ohio . . . . .	<a href="http://www.zanesvilletimesrecorder.com">www.zanesvilletimesrecorder.com</a>
Army Times . . . . .	<a href="http://www.armytimes.com">www.armytimes.com</a>
Navy Times . . . . .	<a href="http://www.navytimes.com">www.navytimes.com</a>
Marine Corps Times . . . . .	<a href="http://www.marinetimes.com">www.marinetimes.com</a>
Air Force Times . . . . .	<a href="http://www.airforcetimes.com">www.airforcetimes.com</a>
Federal Times . . . . .	<a href="http://www.federaltimes.com">www.federaltimes.com</a>
Defense News . . . . .	<a href="http://www.defensenews.com">www.defensenews.com</a>
Military City . . . . .	<a href="http://www.militarycity.com">www.militarycity.com</a>
Nursing Spectrum . . . . .	<a href="http://www.nursingspectrum.com">www.nursingspectrum.com</a>
Gannett Offset . . . . .	<a href="http://www.gannettoffset.com">www.gannettoffset.com</a>
Gannett Direct Marketing Services . . . . .	<a href="http://www.gdms.com">www.gdms.com</a>
Gannett Media Technologies International . . . . .	<a href="http://www.gmti.com">www.gmti.com</a>
101 Things to Do Magazine . . . . .	<a href="http://www.101thingstodo.com">www.101thingstodo.com</a>
Clipper Magazine . . . . .	<a href="http://www.clippermagazine.com">www.clippermagazine.com</a>

### Newsquest PLC

Newsquest Media Group . . . . .	<a href="http://www.newsquest.co.uk">www.newsquest.co.uk</a>
Evening Echo, Basildon . . . . .	<a href="http://www.thisissex.co.uk">www.thisissex.co.uk</a>
Lancashire Evening Telegraph, Blackburn . . . . .	<a href="http://www.thisislancashire.co.uk">www.thisislancashire.co.uk</a>
Bolton Evening News, Bolton . . . . .	<a href="http://www.thisislancashire.co.uk">www.thisislancashire.co.uk</a>
Daily Echo, Bournemouth . . . . .	<a href="http://www.thisisdorset.net">www.thisisdorset.net</a>
Telegraph & Argus, Bradford . . . . .	<a href="http://www.thisisbradford.co.uk">www.thisisbradford.co.uk</a>
The Argus, Brighton . . . . .	<a href="http://www.thisisbrightonanddove.co.uk">www.thisisbrightonanddove.co.uk</a>
Evening Gazette, Colchester . . . . .	<a href="http://www.thisissex.co.uk">www.thisissex.co.uk</a>
The Northern Echo, Darlington . . . . .	<a href="http://www.thisisthenortheast.co.uk">www.thisisthenortheast.co.uk</a>
The Herald, Glasgow . . . . .	<a href="http://www.theherald.co.uk">www.theherald.co.uk</a>
Evening Times, Glasgow . . . . .	<a href="http://www.eveningtimes.co.uk">www.eveningtimes.co.uk</a>
South Wales Argus, Newport . . . . .	<a href="http://www.thisisgwent.co.uk">www.thisisgwent.co.uk</a>
Oxford Mail, Oxford . . . . .	<a href="http://www.thisisoxfordshire.co.uk">www.thisisoxfordshire.co.uk</a>
Southern Daily Echo, Southampton . . . . .	<a href="http://www.thisishampshire.net">www.thisishampshire.net</a>
Evening Advertiser, Swindon . . . . .	<a href="http://www.thisiswiltshire.co.uk">www.thisiswiltshire.co.uk</a>
Dorset Echo, Weymouth . . . . .	<a href="http://www.thisisdorset.net">www.thisisdorset.net</a>
Worcester Evening News, Worcester . . . . .	<a href="http://www.thisisworcestershire.co.uk">www.thisisworcestershire.co.uk</a>
Evening Press, York . . . . .	<a href="http://www.thisisyork.co.uk">www.thisisyork.co.uk</a>

### Broadcasting

WXIA-TV, Atlanta . . . . .	<a href="http://www.11alive.com">www.11alive.com</a>
WLBZ-TV, Bangor, Maine . . . . .	<a href="http://www.wlbz.com">www.wlbz.com</a>
WGRZ-TV, Buffalo, N.Y. . . . .	<a href="http://www.wgrz.com">www.wgrz.com</a>
WKYC-TV, Cleveland, Ohio . . . . .	<a href="http://www.wkyc.com">www.wkyc.com</a>
WLTX-TV, Columbia, S.C. . . . .	<a href="http://www.wltx.com">www.wltx.com</a>
KUSA-TV, Denver . . . . .	<a href="http://www.9news.com">www.9news.com</a>
WZZM-TV, Grand Rapids-Kalamazoo-Battle Creek, Mich. . . . .	<a href="http://www.wzzm13.com">www.wzzm13.com</a>
WFMY-TV, Greensboro, N.C. . . . .	<a href="http://www.wfmynews2.com">www.wfmynews2.com</a>
WTLV-TV/WJXX-TV, Jacksonville, Fla. . . . .	<a href="http://www.firstcoastnews.com">www.firstcoastnews.com</a>
WBIR-TV, Knoxville, Tenn. . . . .	<a href="http://www.wbir.com">www.wbir.com</a>
KTHV-TV, Little Rock, Ark. . . . .	<a href="http://www.kthv.com">www.kthv.com</a>
WMAZ-TV, Macon, Ga. . . . .	<a href="http://www.13wmaz.com">www.13wmaz.com</a>
KARE-TV, Minneapolis-St. Paul . . . . .	<a href="http://www.kare11.com">www.kare11.com</a>
KPNX-TV, Phoenix, Ariz. . . . .	<a href="http://www.azcentral.com">www.azcentral.com</a>
WCSH-TV, Portland, Maine . . . . .	<a href="http://www.wcsh6.com">www.wcsh6.com</a>
KXTV-TV, Sacramento, Calif. . . . .	<a href="http://www.news10.net">www.news10.net</a>
KSDK-TV, St. Louis, Mo. . . . .	<a href="http://www.ksdk.com">www.ksdk.com</a>
WTSP-TV, Tampa-St. Petersburg, Fla. . . . .	<a href="http://www.tampabay10.com">www.tampabay10.com</a>
WUSA-TV, Washington, D.C. . . . .	<a href="http://www.wusatv9.com">www.wusatv9.com</a>

\* On Feb. 16, 2004, Gannett exchanged The Times in Gainesville, Ga., for two daily newspapers in Tennessee.

## ITEM 2. PROPERTIES

### Newspaper Publishing/United States

Generally, the company owns the plants that house all aspects of the newspaper publication process. In the case of USA TODAY, at Dec. 28, 2003, 15 non-Gannett printers were used to print the newspaper in U.S. markets where there are no company newspapers with appropriate facilities. Four non-Gannett printers in foreign countries are used to print USA TODAY International. USA WEEKEND, Clipper Magazine and Nursing Spectrum are also printed under contracts with commercial printing companies. Many of the company's newspapers have outside news bureaus and sales offices, which generally are leased. In a few markets, two or more of the company's newspapers share combined facilities; and in certain locations, facilities are shared with other newspaper properties. The company's newspaper properties have rail siding facilities or access to main roads for newsprint delivery purposes and are conveniently located for distribution purposes.

During the past five years, new or substantial additions or remodeling of existing facilities have been completed or are at some stage of construction at 37 of the company's newspaper operations. Gannett continues to make significant investments in renovations of new facilities, where the investment improves the products for its readers and advertisers as well as productivity and operating efficiency. The company's facilities are adequate for present operations. A listing of newspaper publishing centers and key properties may be found on pages 10-12.

### Newspaper Publishing/United Kingdom

Newsquest owns certain of the plants where its newspapers are produced and leases other facilities. Its new headquarters is in Weybridge, Surrey. Substantial additions to Newsquest's printing capacity and color capabilities have been made since Gannett acquired Newsquest in 1999. All of Newsquest's properties are adequate for present purposes. A listing of Newsquest publishing centers and key properties may be found on page 13.

### Broadcasting

The company's broadcasting facilities are adequately equipped with the necessary television broadcasting equipment. The company owns transmitter sites in 26 locations and leases one site.

During the past five years, new broadcasting facilities or substantial improvements to existing facilities were completed in Jacksonville, Knoxville, Columbia, Cleveland and Tampa. Technical facility expansion to accommodate DTV was completed at 22 sites between 1998 and 2003. The company's broadcast facilities are adequate for present purposes. A listing of broadcasting stations may be found on page 13.

### Corporate facilities

The company's headquarters and USA TODAY are located in McLean, Va. The company also owns a data and network operations center in nearby Maryland. Headquarters facilities are adequate for present operations.

## ITEM 3. LEGAL PROCEEDINGS

Information regarding legal proceedings may be found on page 48 in Note 10 of the Notes to Consolidated Financial Statements.

### Environmental

Some of the company's newspaper subsidiaries have been identified as potentially responsible parties for cleanup of contaminated sites as a result of their alleged disposal of ink or other wastes at disposal sites that have been subsequently identified as requiring remediation. In three such matters, the company's liability could exceed \$100,000.

In September 2003, the USEPA notified Multimedia, Inc., a wholly owned Gannett subsidiary, that the company is considered a *de minimis* potentially responsible party for costs associated with the Operating Industries, Inc. Superfund Site in Monterey, Calif. The settlement offer amount is not yet known.

In July 2000, the state of New Jersey notified the Courier-Post in Cherry Hill that it was seeking to recover from the newspaper and other parties cleanup costs totaling approximately \$1.9 million. These costs were allegedly expended by the New Jersey Department of Environmental Protection to clean up discharges of hazardous substances at the Noble Oil Company site at 30 Cramer Road, Tabernacle, Burlington County, N.J. To date, the Courier-Post has not made any payments to New Jersey in connection with this matter, and no estimate of the newspaper's liability at the site is available.

In September 1995, The Greenville (S.C.) News, along with other parties, entered into Administrative Order on Consent Number 95-26-C with the USEPA, which obligated the signatories to fund a Remedial Investigation/Feasibility Study at the Aqua-Tech Environmental, Inc. Superfund Site five miles east of Greer, S.C. The Greenville News expects to be responsible for less than 1% of future cleanup costs; however, no estimate of such costs is available.

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Gannett Co., Inc. shares are traded on the New York Stock Exchange with the symbol GCI.

Information regarding outstanding shares, shareholders and dividends may be found on pages 1, 4 and 26 of this Form 10-K.

#### Gannett Common stock prices

High-low range by fiscal quarters based on NYSE-composite closing prices.

Year	Quarter	Low	High	Year	Quarter	Low	High
<b>1993</b>	First .....	\$25.32	\$27.69	<b>1999</b>	First .....	\$61.81	\$70.25
	Second .....	\$23.75	\$27.38		Second .....	\$61.81	\$75.44
	Third .....	\$23.88	\$25.69		Third .....	\$66.81	\$76.94
	Fourth .....	\$23.75	\$29.07		Fourth .....	\$68.81	\$79.31
<b>1994</b>	First .....	\$26.69	\$29.19	<b>2000</b>	First .....	\$61.75	\$83.25
	Second .....	\$25.32	\$27.44		Second .....	\$59.25	\$72.13
	Third .....	\$24.19	\$25.82		Third .....	\$49.25	\$60.06
	Fourth .....	\$23.38	\$26.69		Fourth .....	\$48.69	\$63.06
<b>1995</b>	First .....	\$25.07	\$27.50	<b>2001</b>	First .....	\$56.50	\$67.74
	Second .....	\$26.00	\$27.88		Second .....	\$59.58	\$69.38
	Third .....	\$26.50	\$27.75		Third .....	\$55.55	\$69.11
	Fourth .....	\$26.44	\$32.19		Fourth .....	\$58.55	\$71.10
<b>1996</b>	First .....	\$29.63	\$35.38	<b>2002</b>	First .....	\$65.03	\$77.85
	Second .....	\$32.25	\$35.82		Second .....	\$71.50	\$79.87
	Third .....	\$32.00	\$35.07		Third .....	\$63.39	\$77.70
	Fourth .....	\$34.75	\$39.25		Fourth .....	\$66.62	\$79.20
<b>1997</b>	First .....	\$35.81	\$44.75	<b>2003</b>	First .....	\$67.68	\$75.10
	Second .....	\$40.50	\$50.66		Second .....	\$70.43	\$79.70
	Third .....	\$48.00	\$53.00		Third .....	\$75.86	\$79.18
	Fourth .....	\$51.13	\$61.81		Fourth .....	\$77.56	\$88.93
<b>1998</b>	First .....	\$57.25	\$69.94	<b>2004</b>	First .....	\$84.50	\$90.01*
	Second .....	\$65.13	\$74.69				
	Third .....	\$55.81	\$73.56				
	Fourth .....	\$48.94	\$68.06				

\* Through February 24, 2004

## ITEM 6. SELECTED FINANCIAL DATA

Selected financial data for the years 1999 through 2003 is contained under the heading "Selected Financial Data" on pages 51-53 and is derived from financial statements for those years which were audited by PricewaterhouseCoopers LLP, independent auditors. The information contained in the "Selected Financial Data" is not necessarily indicative of the results of operations to be expected for future years, and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 and the consolidated financial statements and related notes thereto included in Item 8 of this Form 10-K.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Basis of reporting

Following is a discussion of the key factors that have affected the company's business over the last three fiscal years. This commentary should be read in conjunction with the company's financial statements, Selected Financial Data and the remainder of this Form 10-K.

**Critical accounting policies and the use of estimates:** The company prepares its financial statements in accordance with generally accepted accounting principles (GAAP) which require the use of estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent matters. The company bases its estimates on historical experience, actuarial studies and other assumptions, as appropriate, concerning the carrying values of its assets and liabilities and disclosure of contingent matters. The company re-evaluates its estimates on an ongoing basis. Actual results could differ from these estimates.

Critical accounting policies for the company involve its assessment of the recoverability of its long-lived assets, including goodwill and other intangible assets, which are based on such factors as estimated future cash flows and current fair value estimates of businesses. The company's accounting for pension and retiree medical benefits requires the use of various estimates concerning the work force, interest rates, plan investment return, and involves the use of advice from consulting actuaries. The company's accounting for income taxes in the U.S. and foreign jurisdictions is sensitive to interpretation of various laws and regulations therein, and to company policy and expectations as to the repatriation of earnings from foreign sources.

Please refer to page 35 of this Form 10-K for a more complete discussion of all of the company's significant accounting policies.

The company's fiscal year ends on the last Sunday of the calendar year. The company's 2003 fiscal year ended on Dec. 28, 2003, and encompassed a 52-week period. The company's 2002 and 2001 fiscal years also encompassed 52-week periods.

## Business acquisitions, exchanges, dispositions and investments

**2003:** In March 2003, the company completed a non-monetary transaction under which it contributed its newspaper in El Paso to a newly formed partnership, Texas-New Mexico Newspapers Partnership. The partnership includes the El Paso newspaper and five other daily newspapers in nearby New Mexico that were contributed by MediaNews Group. The company recorded this non-monetary transaction as two simultaneous but separate events; that is, a sale of 33.8% of its interest in the El Paso Times for which a non-operating gain was recognized, and the acquisition of a 66.2% interest in the partnership. The non-monetary gain from the partnership transaction is reflected in non-operating income.

In April 2003, the company completed the acquisition of the publishing business of Scottish Media Group plc (SMG). The SMG publishing business consists of three Scottish regional newspapers; 11 specialty consumer and business-to-business magazine titles; and an online advertising and content business. The company purchased 100% of the stock of the Scotland businesses.

In late August 2003, the company acquired the majority interest in The Ashland Media Group in Phoenix, Ariz. Ashland Media publishes TV y Más, La Voz and TV Shopper, which are weekly publications. Ashland Media also has a direct marketing business, AZ Mail.

On Oct. 31, 2003, the company acquired the assets of Clipper Magazine, Inc., one of the nation's largest direct-mail advertising magazine companies. The acquisition also includes several affiliated operations including a full-service advertising agency, an e-mail customer retention service, a direct-mail service to new movers and MyClipper.com, a companion Web site for the core direct-mail advertising offerings.

The company also purchased several small non-daily publications in the U.S. and in the U.K.

The acquisitions of SMG, Ashland Media, Clipper Magazine and non-daily publications, which had an aggregate purchase price of approximately \$483 million, were recorded under the purchase method of accounting. The company is in the process of finalizing valuations of the businesses, thus the allocation of the purchase price is preliminary.

**2002:** The company purchased several small non-daily publications in the U.S. and in the U.K., a commercial printing business in Wisconsin and a defense industry magazine in McLean, Va. These acquisitions, which had an aggregate purchase price of approximately \$35 million, were accounted for under the purchase method of accounting. The company contributed its Vincennes (Ind.) Sun-Commercial newspaper to the Gannett Foundation in July 2002. The Gannett Foundation is a not-for-profit, private foundation that makes charitable awards in the communities in which Gannett operates its newspapers and television stations. These business acquisitions and dispositions did not materially affect the company's financial position or results of operations.

In October 2002, the company acquired a one-third equity interest in CareerBuilder, LLC, an online service providing recruitment resources, for approximately \$98 million.

**2001:** During 2001, the company purchased the remaining 36% interest in WKYC-TV, Cleveland, that it did not previously own. Additionally, the company purchased several small non-daily publications in the U.S. and in the U.K. These acquisitions, which had an aggregate purchase price of approximately \$186 million, were accounted for under the purchase method of accounting. The company contributed its Marietta (Ohio) Times newspaper to the Gannett Foundation in May 2001. The company sold its daily newspaper in Lansdale, Pa., in September 2001. These business acquisitions and dispositions did not materially affect the company's financial position or results of operations.

## RESULTS OF OPERATIONS

### Consolidated summary

A consolidated summary of the company's results is presented below.

*In millions of dollars, except per share amounts*

	2003	Change	2002	Change	2001
Operating revenues . . . . .	\$6,711	4%	\$6,422	2%	\$6,300
Operating expenses . . . . .	\$4,730	5%	\$4,496	(5%)	\$4,710
Operating income . . . . .	\$1,981	3%	\$1,926	21%	\$1,590
Net income, as reported . . .	\$1,211	4%	\$1,160	40%	\$ 831
Earnings per share, as reported					
Basic . . . . .	\$ 4.49	3%	\$ 4.35	39%	\$ 3.14
Diluted . . . . .	\$ 4.46	3%	\$ 4.31	38%	\$ 3.12

A discussion of operating results of the company's newspaper and broadcasting segments, along with other factors affecting net income, follows. All references to "operating cash flow" are to a non-GAAP financial measure. Management believes that use of this measure allows investors and management to measure, analyze and compare the cash resources generated from its business segments in a meaningful and consistent manner. The focus on operating cash flow is appropriate given the consistent and generally predictable strength of cash flow generation by newspaper and television operations, and the short period of time it takes to convert new orders to cash. A reconciliation of these non-GAAP amounts to the company's operating income, which the company believes is the most directly comparable financial measure calculated and presented in accordance with GAAP in the company's consolidated statements of income, is presented in Note 11 "Business Segment Information" of the consolidated financial statements.

At the beginning of 2002, the company adopted Statement of Financial Accounting Standards No. 142 (SFAS No. 142 or the "Statement") "Goodwill and Other Intangible Assets," which has a material impact on comparisons of 2003 and 2002 reported results of operations with reported results for 2001. If the Statement had been adopted at the beginning of 2001, defined as "comparable basis," net income and earnings per share amounts would have been as follows:

*In millions of dollars, except per share amounts*

	2003	2002	2001
Net income, as reported . . . . .	\$1,211	\$1,160	\$ 831
Add back: goodwill amortization, net of tax . . . . .			216
Adjusted net income . . . . .	\$1,211	\$1,160	\$1,047
Earnings per share, as reported			
Basic . . . . .	\$4.49	\$4.35	\$3.14
Add back: goodwill amortization, net of tax . . . . .			.81
Adjusted earnings per basic share . . . . .	\$4.49	\$4.35	\$3.95
Earnings per share, as reported			
Diluted . . . . .	\$4.46	\$4.31	\$3.12
Add back: goodwill amortization, net of tax . . . . .			.80
Adjusted earnings per diluted share . . .	\$4.46	\$4.31	\$3.92

In the following discussions of newspaper and broadcasting results for 2002 as compared to 2001, the effect of this accounting change has been analyzed further. Note 3 to the consolidated financial statements also provides information on the accounting principle change.

The company's growth over the years has been through, in part, the acquisition of businesses. Certain operating results information discussed below is on a pro forma basis, which means that results are presented as if all properties owned at the end of 2003 were owned throughout the periods covered by the discussion. The company consistently uses, for individual businesses and for aggregated business data, pro forma reporting of operating results in its internal financial reports, because it enhances measurement of performance by permitting comparisons with prior period historical data. Likewise, the company uses this same pro forma data in its external reporting of key financial results and benchmarks.

### Newspapers

In addition to its domestic local newspapers, the company's newspaper publishing operations include USA TODAY, USA WEEKEND, Newsquest (including the SMG operations acquired in 2003), which publishes daily and non-daily newspapers in the United Kingdom, and Gannett Offset commercial printing. The newspaper segment in 2003 contributed 89% of the company's revenues and 86% of its operating income.

Record earnings were achieved by the newspaper segment in 2003, reflecting the results from the newly acquired SMG Publishing business, the newly formed Texas-New Mexico Newspapers Partnership and Clipper Magazine, Inc. and gains at most other U.S. and U.K. newspapers. In addition, a favorable currency exchange rate and growth in commercial printing activities positively impacted newspaper earnings. Newsquest's financial results (including SMG) were translated from British pounds to U.S. dollars using a weighted average rate of \$1.63 for 2003, as compared to \$1.50 for 2002.

Newspaper operating results were as follows:

*In millions of dollars*

	2003	Change	2002	Change	2001
Revenues .....	\$5,991	6%	\$5,651	—	\$5,637
Expenses .....	\$4,278	6%	\$4,035	(5%)	\$4,236
Operating income .....	\$1,713	6%	\$1,616	15%	\$1,401
Operating cash flow .....	\$1,903	6%	\$1,797	2%	\$1,770

**Newspaper operating revenues:** Newspaper operating revenues are derived principally from advertising and circulation sales, which accounted for 73% and 20%, respectively, of total newspaper revenues in 2003. Ad revenues also include those derived from advertising placed with newspaper Internet products. Other newspaper publishing revenues are mainly from commercial printing businesses, earnings from the company's 50% owned joint operating agencies in Detroit and Tucson and earnings from its 19.49% equity interest in the California Newspapers Partnership. The table below presents these components of reported revenues for the last three years.

*Newspaper operating revenues, in millions of dollars*

	2003	Change	2002	Change	2001
Advertising .....	\$4,397	7%	\$4,123	—	\$4,120
Circulation .....	\$1,213	3%	\$1,182	(1%)	\$1,188
Commercial printing and other .....	\$ 381	10%	\$ 346	5%	\$ 329
<b>Total .....</b>	<b>\$5,991</b>	<b>6%</b>	<b>\$5,651</b>	<b>—</b>	<b>\$5,637</b>

The table below presents the components of reported advertising revenues for the last three years.

*Advertising revenues, in millions of dollars*

	2003	Change	2002	Change	2001
Local .....	\$1,849	5%	\$1,761	1%	\$1,750
National .....	\$ 732	8%	\$ 678	(1%)	\$ 687
Classified .....	\$1,816	8%	\$1,684	—	\$1,683
Total ad revenue .....	\$4,397	7%	\$4,123	—	\$4,120

Reported advertising revenues for 2003 increased \$274 million or 7%, while pro forma revenues presented in a separate table below reflect a 5% increase. Pro forma basis means that these results are presented as if all properties owned at the end of 2003 were owned throughout the periods presented. The variance between reported amounts and pro forma amounts relates principally to the full-year effect of the Clipper Magazine acquisition on Oct. 31, 2003, the SMG Publishing acquisition completed in April 2003 and the establishment of the Texas-New Mexico Newspapers Partnership in March 2003.

In the tables that follow, newspaper advertising lineage, circulation volume statistics and related revenue results are presented on a pro forma basis.

For Newsquest, advertising and circulation revenues are fully reflected in the pro forma amounts below, as are daily paid circulation volumes. Advertising linage for Newsquest is not reflected, however.

*Advertising revenues, in millions of dollars (pro forma)*

	2003	Change	2002	Change	2001
Local	\$1,931	3%	\$1,868	1%	\$1,844
National	\$ 739	6%	\$ 697	(1%)	\$ 704
Classified	\$1,832	5%	\$1,741	—	\$1,738
Total ad revenue	\$4,502	5%	\$4,306	—	\$4,286

*Advertising linage, in millions of inches, and preprint distribution (pro forma)*

	2003	Change	2002	Change	2001
Local	37.9	(2%)	38.7	(2%)	39.4
National	4.1	8%	3.8	6%	3.6
Classified	58.7	3%	56.7	7%	52.9
Total Run-of-Press	100.7	2%	99.2	3%	95.9
Preprint distribution (millions)	11,374	9%	10,466	6%	9,885

The table below reconciles advertising revenues on a pro forma basis to advertising revenues on a GAAP basis.

*In millions of dollars*

	2003	2002	2001
Pro forma ad revenues	\$4,502	\$4,306	\$4,286
Add: Effect of dispositions	—	1	9
Less: Effect of acquisitions	(105)	(184)	(175)
As reported ad revenues	\$4,397	\$4,123	\$4,120

Reported local ad revenues were up \$88 million or 5% in 2003. Pro forma local ad revenues were up 3%, with pro forma linage down 2%. Local ad revenues benefited from growth in preprint ad demand and revenues from non-daily publications. Ad spending by some of the larger retailers declined in 2003.

Reported national ad revenues were up \$54 million or 8% in 2003. Pro forma national ad revenues increased 6% on an 8% pro forma volume increase. This reflects improvement at certain of the company's larger domestic newspapers, including USA TODAY, and the U.K. properties. National revenues at USA TODAY increased 4%, reflecting strong gains from automotive, telecommunications, retail and pharmaceutical-related advertising, which more than offset weakness in the technology and travel advertising categories.

Reported classified ad revenues increased \$132 million or 8%. On a pro forma basis, classified ad revenues increased 5%, with pro forma linage up 3%. Classified ad revenue gains were driven by strength in the automotive and real estate categories and online advertising at our local domestic and U.K. newspapers. Employment ad revenues continued to be adversely impacted by the weak U.S. labor market, however this category strengthened in

the fourth quarter. Overall, on a reported and pro forma basis, the company's classified results from Newsquest were stronger than its domestic results.

**Newspaper advertising revenues in millions, as reported.**

99	\$3115
00	\$3973
01	\$4120
02	\$4123
03	\$4397

Looking to 2004, modest ad revenue and volume growth are anticipated in most categories and in most newspaper markets. New products are being developed throughout the newspaper group and added resources are planned for sales and marketing initiatives. Revenue results for 2004 will, of course, be affected by the general economic performance in the U.S. and the U.K., consumer confidence, the strength of the job market, weakening or strengthening in the British pound-to-U.S. dollar exchange rate and the geopolitical environment.

Reported 2003 newspaper circulation revenues increased \$31 million or 3% in 2003 primarily as a result of the SMG and Texas-New Mexico transactions.

For local newspapers, morning circulation accounts for approximately 79% of total daily volume, while evening circulation accounts for 21%. On a pro forma basis, local morning and Sunday circulation volumes declined about 1% and evening circulation declined 3% from 2002. Selected circulation price increases were implemented in 2003 at certain newspapers.

USA TODAY's average daily circulation for 2003 increased 1% to 2,251,035. USA TODAY reported an average daily paid circulation of 2,243,142 in the ABC Publisher's Statement for the 26 weeks ended Sept. 28, 2003, a slight increase over the comparable period a year earlier.

**Newspaper circulation revenues in millions, as reported.**

99	\$942
00	\$1083
01	\$1188
02	\$1182
03	\$1213

Pro forma circulation volume for the company's local newspapers is summarized in the table below and includes data for the company's newspapers participating in joint operating agencies.

*Average net paid circulation volume, in thousands (pro forma)*

	2003	Change	2002	Change	2001
Local Newspapers					
Morning	4,812	(1%)	4,883	—	4,900
Evening	1,257	(3%)	1,297	(3%)	1,338
Total daily	6,069	(2%)	6,180	(1%)	6,238
Sunday	7,032	(1%)	7,092	(1%)	7,151

The actual number of people reading newspapers, in addition to net-paid circulation, is becoming increasingly important to advertisers as they decide where to place their advertising.

Readership numbers indicate that a typical newspaper's reach is greater than its paid circulation. That's attributed in part to "pass-along" readership, or those reading newspapers that they didn't subscribe to or purchase such as multiple adults reading the newspaper in a household, those reading restaurant copies or newspapers at work, in libraries, etc.

According to the Audit Bureau of Circulations (ABC), the independent auditing firm, there has been increased emphasis on readership as a meaningful circulation measurement tool within the U.S. newspaper industry.

The ABC Reader Profiles include the number of readers reading each newspaper sold, a "readers per copy" measure, for both weekday and Sunday editions. Based on data from ABC Reader Profiles reported for certain of the company's newspapers, an average of 2.39 adults read a typical copy of a weekday Gannett newspaper; on Sunday the average is 2.34.

For 2002, reported advertising revenues were even with year-earlier amounts, reflecting a continued soft advertising environment. A higher foreign exchange rate for Newsquest operations favorably impacted revenue comparisons.

Reported and pro forma local ad revenues were up 1% in 2002 with pro forma lineage down 2%. Ad spending by some of the largest retailers continued to be soft in 2002, reflecting closings and consolidations in an uncertain U.S. economy. Local revenue benefited however, from revenue gains from small- and medium-sized advertisers and new product developments.

Reported and pro forma national ad revenues for 2002 were down 1% with pro forma lineage up 6%. National revenues at USA TODAY were down 6%, adversely affected by diminished demand for financial-, technology- and travel-related advertising.

Reported and pro forma classified revenues in 2002 increased slightly and pro forma lineage increased by 7%. This reflects higher automotive and real estate advertising partially offset by lower revenues from classified employment advertising.

Reported 2002 newspaper circulation revenues decreased \$6 million or less than 1%. On a pro forma basis, local morning circulation volume was even with 2001. Evening and Sunday circulation volumes declined 3% and 1%, respectively, from 2001. Selected circulation price increases were implemented in 2002 at certain newspapers.

USA TODAY's average daily circulation for 2002 declined less than 1% to 2,238,174. USA TODAY reported an average daily paid circulation of 2,227,839 in the ABC Publisher's Statement for the six months ended Sept. 30, 2002, a 1% decrease over the comparable period in 2001.

**Newspaper operating expense:** Newspaper operating costs rose \$243 million, or 6%, in 2003 primarily as a result of the SMG, Clipper Magazine and Texas-New Mexico transactions, increased commercial printing volume, higher newsprint expense and higher insurance, pension and other employee benefit costs. Newspaper operating costs, excluding the SMG, Clipper Magazine

and Texas-New Mexico transactions, increased \$131 million or 3%. Benefit cost increases in 2003 were tempered by modifications to certain retiree and employee benefit programs. The higher foreign exchange rate in 2003 for Newsquest operations also adversely impacted expense comparisons. Newsprint expense increased 10% reflecting higher year-over-year prices and increased consumption due primarily to the aforementioned transactions and increased commercial printing activity. Newsprint expense, excluding the 2003 transactions mentioned above, increased 7%. Newsprint consumption increased 4%. Newspaper payroll costs were up 7% for the year again reflecting added costs from the 2003 acquisitions and the unfavorable impact of currency on expense comparisons.

For 2004, newsprint consumption for presently owned properties is expected to increase modestly, and average prices are also expected to increase.

The following table details the impact of SFAS No. 142 on newspaper operating cost comparisons of 2003, 2002 and 2001.

*Newspaper operating costs, in millions of dollars*

	2003	Change	2002	Change	2001
As reported . . . . .	\$4,278	6%	\$4,035	(5%)	\$4,236
<i>Impact of SFAS No. 142:</i>					
Less: goodwill amortization, pre-tax . . . . .					(191)
Adjusted . . . . .	\$4,278	6%	\$4,035	—	\$4,045

Newspaper operating costs declined \$201 million, or 5%, in 2002 mainly due to the decrease in goodwill amortization (see discussion of accounting change in Note 3 on page 38) and lower newsprint expense. On a comparable accounting basis for goodwill, newspaper operating costs declined \$10 million, or less than 1%. This reflects lower newsprint expense and cost controls, partially offset by increased pension and other employee benefit expenses, increased commercial printing volume and expense, and an increase in the average exchange rate for Sterling. Newsprint expense decreased 19%, due to significantly lower prices. Newsprint consumption increased about 1% for the year. Consumption in 2002 was tempered by the impact of web-width reductions implemented in 2001 and in 2002. Newspaper payroll costs were up 1% for the year.

**Newspaper operating income:** Operating income increased \$97 million or 6% over 2002. The operating income improvement was largely due to the positive impact of earnings from the SMG and Texas-New Mexico transactions, favorable foreign exchange rates and gains in advertising revenues. Earnings gains were tempered by overall increased employee benefit costs and newsprint expense.

Newsquest's financial results were translated from British pounds to U.S. dollars using a weighted average rate of \$1.63 for 2003, as compared to \$1.50 for 2002.

For 2004, newspaper operating income is expected to show continued growth, reflecting full-year results for the 2003 acquisitions and modest revenue gains, partially offset by higher newsprint, payroll and benefit costs.

Operating income increased \$215 million or 15% in 2002. On a comparable accounting basis reflecting the adoption of SFAS No. 142, operating income increased \$24 million or 2%. The following table details the impact of SFAS No. 142 on newspaper operating income comparisons.

*Newspaper operating income, in millions of dollars*

	2003	Change	2002	Change	2001
As reported .....	\$1,713	6%	\$1,616	15%	\$1,401
<i>Impact of SFAS No. 142:</i>					
Add back: goodwill amortization, pre-tax .....					191
Adjusted .....	\$1,713	6%	\$1,616	2%	\$1,592

Newspaper operating income improvement for 2002 reflects lower newsprint expense partially offset by increased pension and other employee benefit expenses. Newsquest's financial results were translated from British pounds to U.S. dollars using a weighted average rate of \$1.50 for 2002, as compared to \$1.44 for 2001.

**Broadcasting**

The company's broadcasting operations at the end of 2003 included 22 television stations in markets reaching 17.8% of U.S. television homes.

Over the last three years, reported broadcasting revenues, expenses, operating income and operating cash flows were as follows:

*In millions of dollars*

	2003	Change	2002	Change	2001
Revenues .....	\$720	(7%)	\$771	16%	\$663
Expenses .....	\$390	(3%)	\$400	(3%)	\$413
Operating income .....	\$330	(11%)	\$371	48%	\$250
Operating cash flow .....	\$356	(10%)	\$397	25%	\$317

Reported broadcast revenues declined \$51 million or 7% for 2003. The revenue decline reflects a challenging comparison with 2002, which benefited from approximately \$100 million in political and Olympic ad spending. Ad demand was negatively impacted by the hostilities overseas. Local and national advertising revenues decreased 1% and 15%, respectively, from 2002.

Reported operating expenses declined \$10 million or 3% in 2003 as lower programming and advertising sales costs were partially offset by increased news and employee benefit costs.

For 2004, television revenues and earnings are expected to improve with higher ad spending from political campaigns and the Summer Olympics on our NBC stations.

Total broadcast revenues rose \$108 million or 16% for 2002. Revenues benefited from very strong political and issue advertising and revenues from the Winter Olympics in Salt Lake City, Utah, on the company's NBC stations. Local and national advertising revenues increased 11% and 26%, respectively, over 2001. Political and issue advertising in key states contributed to the increase in broadcast revenues.

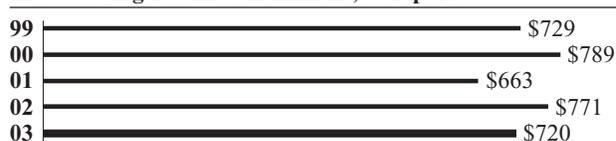
Reported operating expenses declined \$13 million, or 3%, in 2002 mainly due to the adoption of SFAS No. 142 and the resulting decrease in goodwill amortization expense. On a comparable accounting basis for goodwill, broadcast operating expenses increased \$29 million or 8%. Broadcast payroll costs were 4% higher for the year, principally due to selling costs associated with higher revenue levels in 2002 and higher pension and other employee benefit costs.

The following table details the impact of SFAS No. 142 on broadcast operating cost comparisons of 2003, 2002 and 2001.

*Broadcast operating costs, in millions of dollars*

	2003	Change	2002	Change	2001
As reported .....	\$390	(3%)	\$400	(3%)	\$413
<i>Impact of SFAS No. 142:</i>					
Less: goodwill amortization, pre-tax .....					(42)
Adjusted .....	\$390	(3%)	\$400	8%	\$371

**Broadcasting revenues in millions, as reported.**



**Consolidated operating expenses**

Over the last three years, the company's consolidated operating expenses were as follows:

*Consolidated operating expenses, in millions of dollars*

	2003	Change	2002	Change	2001
Cost of sales .....	\$3,454	6%	\$3,254	(1%)	\$3,276
Selling, general and admin. expenses .....	\$1,045	2%	\$1,019	3%	\$ 990
Depreciation .....	\$ 223	4%	\$ 215	6%	\$ 202
Amortization of intangible assets .....	\$ 8	13%	\$ 7	(97%)	\$ 241

Cost of sales for 2003 increased \$200 million or 6%, reflecting the effect of SMG and other businesses acquired during the year, higher newsprint expense, and increased pension and other employee benefit costs. Benefit cost increases were tempered by modifications to certain retiree and employee benefits. Average newsprint prices increased 5% in 2003.

SG&A increased in 2003 by \$26 million or 2% also due primarily to new businesses acquired in 2003 and generally higher newspaper advertising sales expenses.

Depreciation expense increased 4% in 2003 and amortization of intangibles increased 13%, primarily due to businesses acquired and the higher exchange rate.

For 2004, the company expects employee benefit costs to increase further, primarily in the medical area. Medical costs are expected to increase as the high rate of medical cost inflation continues throughout the U.S.

Cost of sales for 2002 decreased \$22 million or 1%. This reflected significantly lower newsprint expense and cost controls partially offset by increased pension and other employee benefit expenses.

SG&A increased \$29 million or 3% in 2002, due primarily to increased advertising sales expenses at newspapers and broadcast stations.

Depreciation expense increased 6% in 2002 primarily due to the new USA TODAY and Corporate headquarters facility, completed in the fourth quarter of 2001.

Amortization expense decreased \$234 million in 2002 due to the adoption of SFAS No. 142 (see discussion of accounting change on page 18).

Payroll, benefits and newsprint costs (along with certain other production material costs), the largest elements of the company's operating expenses, are presented below, expressed as a percentage of total pre-tax operating expenses.

	2003	2002	2001
Payroll and employee benefits . . . . .	49.5%	47.6%	43.7%
Newsprint and other production material . . . . .	17.2%	16.7%	18.5%

Payroll and employee benefits as a percentage of total pre-tax operating expenses, on a comparable basis for goodwill, was 46% in 2001. Newsprint and other production materials, on a comparable basis for goodwill, was 19.4% of total pre-tax operating expenses in 2001.

### Non-operating income and expense

Interest expense in 2003 decreased \$7 million or 5% due to lower average commercial paper balances outstanding and lower interest rates on commercial paper debt. The lower interest expense from commercial paper debt was partially offset by incremental interest expense in the first quarter of 2003 from the fixed-rate notes issued in March 2002 (discussed below). The company reduced its commercial paper borrowings by approximately \$705 million during 2003. The daily average outstanding balance of commercial paper was \$2.4 billion during 2003 and \$3.1 billion during 2002. The weighted average interest rate on commercial paper was 1.2% for 2003 and 1.8% for 2002.

The company's average borrowing rates are expected to be slightly higher in 2004.

Interest expense in 2002 declined \$75 million due to significantly lower interest rates and lower debt levels. Most of the company's debt was in commercial paper for which the daily average outstanding balance was \$3.1 billion during 2002 and \$5.2 billion during 2001. The weighted average interest rate on commercial paper was 1.8% for 2002 and 4.1% for 2001.

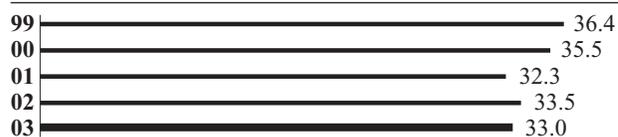
The company reduced its commercial paper borrowings by \$2.3 billion during 2002. In March 2002, the company issued \$1.8 billion aggregate principal amount of unsecured global notes. These notes consist of \$600 million aggregate principal amount of 4.95% notes due 2005, \$700 million aggregate principal amount of 5.50% notes due 2007 and \$500 million aggregate principal amount of 6.375% notes due 2012. The net proceeds of the offering were used to pay down commercial paper borrowings.

In all years shown, non-operating income and expense include costs associated with certain minority interest investments in online/new technology businesses. In 2003, other non-operating expense also includes the non-monetary gain on the company's sale of 33.8% of its interest in the El Paso Times (see further discussion on page 17) along with minority interest expense related to the Texas-New Mexico Newspapers Partnership and the Ashland Media partnership.

### Operating cash flow

The company's consolidated operating cash flow totaled \$2.213 billion in 2003 compared to \$2.149 billion in 2002 and \$2.034 billion in 2001. The 3% increase in operating cash flow for 2003 reflects the increase in earnings for newspapers and lower interest expense. The table below presents operating cash flow as a percent of revenue over the last 5 years.

#### Operating cash flow, as a percent of revenue.



### Provision for income taxes

The company's effective income tax rate was 34.2% in 2003, 34.3% in 2002 and 39.4% in 2001. The decrease in the effective tax rate each year reflects generally lower taxes related to foreign operations. The decrease in 2002's rate is also due to lower state taxes and the adoption of SFAS No. 142 (see discussion on page 18). The company does not expect its effective rate to change significantly in 2004 from 2003.

### Net income

In 2003, the company reported net income of \$1.21 billion or \$4.46 per diluted share, up 4% and 3%, respectively. Operating income from newspapers increased in 2003 while it declined for the broadcasting segment. Net non-operating costs were lower principally due to lower interest expense and a non-monetary gain recognized on the sale of the company's 33.8% interest in its El Paso newspaper in the first quarter of 2003. Average diluted shares outstanding for 2003 totaled 271,872,000, compared to 269,286,000 in 2002. Basic shares totaled 269,559,000 for 2003 and 266,885,000 for 2002.

In 2002, the company reported net income of \$1.16 billion or \$4.31 per diluted share, up 40% and 38%, respectively. Operating income from newspapers and broadcasting was higher in 2002 both on a reported basis and on a comparable basis for SFAS No. 142. Net non-operating costs were lower, principally due to lower interest expense.

In 2001, the company reported net income of \$831 million or \$3.12 per diluted share. Operating income from both business segments declined in 2001 and net non-operating costs were higher, principally because of greater interest expense.

### Income from continuing operations, in millions.

99	\$919
00	\$972
01	\$831
02	\$1160
03	\$1211

## FINANCIAL POSITION

### Liquidity and capital resources

The company's cash flow from operating activities was nearly \$1.5 billion in 2003, reflecting strong newspaper results and the absence of a pension contribution in 2003. Cash used by the company for investing activities totaled \$766 million, primarily reflecting capital spending of \$281 million, and \$483 million for several acquisitions. Cash used by the company for financing activities totaled \$738 million in 2003, reflecting the pay down of debt of \$713 million and dividends paid of \$261 million, offset by proceeds from the exercise of stock options.

There were no significant changes in the make up or level of the company's working capital accounts in 2003.

Certain key measurements of the elements of working capital for the last three years are presented in the following chart:

#### Working capital measurements

	2003	2002	2001
Current ratio	1.3-to-1	1.2-to-1	1.0-to-1
Accounts receivable turnover	7.7	7.9	7.5
Newsprint inventory turnover	6.3	6.2	5.9

The company's operations have historically generated strong positive cash flow, which, along with the company's program of issuing commercial paper and maintaining bank revolving credit agreements, has provided adequate liquidity to meet the company's requirements, including those for acquisitions.

The company regularly issues commercial paper for cash requirements and maintains revolving credit agreements equal to or in excess of any commercial paper outstanding. The company's commercial paper has been rated A-1 and P-1 by Standard & Poor's and Moody's Investors Service, respectively. The company's senior unsecured long-term debt is rated A by Standard & Poor's and A2 by Moody's Investors Service. The company has a shelf registration statement with the Securities and Exchange Commission under which up to \$2.5 billion of additional debt securities may be issued. The company's Board of Directors has established a maximum aggregate level of \$7 billion for amounts which may be raised through borrowings or the issuance of equity securities.

### Long-term debt

The long-term debt of the company is summarized below.

#### In thousands of dollars

	Dec. 28, 2003	Dec. 29, 2002
Unsecured promissory notes	\$ 1,927,500	\$ 2,632,879
Unsecured global notes	1,794,455	1,792,887
Other indebtedness	112,556	121,499
Total long-term debt	\$ 3,834,511	\$ 4,547,265

The unsecured promissory notes at Dec. 28, 2003, were due from Dec. 29, 2003, to Jan. 29, 2004, with rates varying from 1.04% to 1.08%.

The unsecured promissory notes at Dec. 29, 2002, were due from Jan. 2, 2003, to Jan. 24, 2003, with rates varying from 1.32% to 1.35%.

The maximum amount of such promissory notes outstanding at the end of any period during 2003 and 2002 was \$2.7 billion and \$5.0 billion, respectively. The daily average outstanding balance was \$2.4 billion during 2003 and \$3.1 billion during 2002 and the weighted average interest rate on commercial paper was 1.2% for 2003 and 1.8% for 2002. The weighted average interest rate on all debt was 3.1% for 2003 and 3.0% for 2002.

In March 2002, the company issued \$1.8 billion aggregate principal amount of unsecured global notes in an underwritten public offering. These notes consist of \$600 million aggregate principal amount of 4.95% notes due 2005, \$700 million aggregate principal amount of 5.50% notes due 2007 and \$500 million aggregate principal amount of 6.375% notes due 2012. The net proceeds of the offering were used to pay down commercial paper borrowings.

Other indebtedness includes the loan notes issued in the U.K. to the former shareholders of Newsquest and Newscom in connection with those acquisitions. The Newsquest and Newscom notes (\$15.4 million and \$80.5 million, respectively) bear interest at .5% below the Sterling London Interbank Offered Rate (LIBOR), subject to a cap of 6.5% and 6.75%, respectively. The Newsquest and Newscom notes are due on Dec. 31, 2006, and Dec. 31, 2007, respectively, but may be redeemed by the company on each interest payment date. The noteholders are entitled to require the company to repay all or part of the notes on any interest payment date by giving 30 days' written notice. The remaining other indebtedness at Dec. 28, 2003, consists primarily of industrial revenue bonds with maturities in 2008 and 2009 at variable interest rates (1.4% at Dec. 28, 2003).

At Dec. 28, 2003, the company had \$4.1975 billion of credit available under two revolving credit agreements. The agreements provide for revolving credit periods which permit borrowings from time-to-time to the maximum commitments. The 2000 \$1.53 billion agreement revolving credit period extends to July 2005. The 2002 \$2.6675 billion agreement consists of a \$1.3025 billion 364-day facility which extends to March 2004 and a \$1.365 billion 5-year facility which extends to March 2007. At the end of the 364-day period, any borrowings outstanding under the 364-day credit facility are convertible into a 1-year term loan at Gannett's option. The 364-day facility portion of the 2002 agreement was increased to \$1.3375 billion in early January 2004.

In February 2004, the company received commitments of \$2.66 billion from a number of banks to provide revolving credit facilities that have a 364-day facility, a 2-year facility and a 5-year facility to replace the \$1.3375 billion 364-day facility that matures in March 2004 and the \$1.53 billion 5-year facility that matures in July 2005. Concurrent with the effective date of the new revolving credit agreement, expected in March 2004, the company will terminate the \$1.3375 billion 364-day facility and the \$1.53 billion 5-year facility.

The revolving credit agreements provide backup for commercial paper and for general corporate purposes; therefore, the unsecured promissory notes and Newsquest and Newscom notes are classified as long-term debt.

The commitment fee rates for the 2002 revolving credit agreement may range from .05% to .20%, depending on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt. The rates in effect on Dec. 28, 2003, were .06%

for the 364-day facility and .08% for the 5-year facility. At the option of the company, the interest rate on borrowings under this agreement may be .17% to .55% above the prime rate, the Eurodollar base rate or the Federal Funds Effective Rate plus .50%. The percentages that apply depend on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt.

The commitment fee rates for the \$1.53 billion revolving credit agreement may range from .07% to .09%, depending on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt. The rate in effect on Dec. 28, 2003, was .07% for the 5-year facility. At the option of the company, the interest rate on borrowings under this agreement may be at .13% to .24% above the prime rate, the Eurodollar base rate or the Federal Funds Effective Rate plus .50%. The percentages that apply depend on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt.

The current revolving credit agreements contain restrictive provisions that require the maintenance of net worth of at least \$2.5 billion and an interest coverage ratio of 3:1. At Dec. 28, 2003, and Dec. 29, 2002, net worth was \$8.4 billion and \$6.9 billion, respectively. The interest coverage ratio for the year ended Dec. 28, 2003, was 15:1.

Under a shelf registration that became effective with the Securities and Exchange Commission in April 2002, an additional \$2.5 billion of unsecured debt securities can be issued. Proceeds from the sale of such securities may be used for general corporate purposes, including capital expenditures, working capital, securities repurchase programs, repayment of long-term and short-term debt and financing of future acquisitions. The company may also invest borrowed funds that are not required immediately for other purposes in short-term marketable securities.

Approximate annual maturities of long-term debt, assuming that the company had used its \$4.1975 billion of revolving credit agreements to refinance existing unsecured promissory notes on a long-term basis and assuming the company's other indebtedness was paid on its scheduled pay dates, are as follows:

<i>In thousands of dollars</i>	
<b>2004</b> .....	\$ —
<b>2005</b> .....	1,162,057
<b>2006</b> .....	15,351
<b>2007</b> .....	2,061,752
<b>2008</b> .....	87,475
<b>Later years</b> .....	507,876
<b>Total</b> .....	\$ 3,834,511

The fair value of the company's total long-term debt, determined based on quoted market prices for similar issues of debt with the same remaining maturities and similar terms, totaled \$4.0 billion at Dec. 28, 2003, compared with a book value of \$3.8 billion.

At Dec. 28, 2003, and Dec. 29, 2002, the company estimates that the amount reported on the balance sheet for financial instruments, including cash and cash equivalents, trade and other receivables, and other long-term liabilities, approximates fair value.

The company has a capital expenditure program (not including business acquisitions) of approximately \$280 million planned for 2004, including approximately \$48 million for land and buildings or renovation of existing facilities, \$209 million for machinery and equipment, and \$23 million for vehicles and other assets. Management reviews the capital expenditure program periodically and modifies it as required to meet current business needs. It is expected that the 2004 capital program will be funded from operating cash flow.

#### Off balance sheet arrangements and contractual obligations

The following table summarizes the expected cash outflows resulting from financial contracts and commitments. Information on our recurring purchases of materials for use in our daily operations are not included as these amounts are generally consistent from year to year and are not long-term in nature (less than three months).

Contractual obligations <i>In millions of dollars</i>	Total	Payments due by period			
		2004	2005-06	2007-08	Thereafter
Long-term debt . . . . .	\$3,835	\$ —	\$1,178	\$2,149	\$ 508
Operating leases . . . . .	304	45	77	61	121
Printing contracts . . . . .	368	51	84	71	162
Purchase obligations . . . . .	378	196	127	36	19
Other long-term liabilities . . . . .	512	122	76	81	233
Total . . . . .	\$5,397	\$ 414	\$ 1,542	\$2,398	\$1,043

The amounts above include amounts paid or expected to be paid into the company's retirement plans on a voluntary basis in 2004 and include expected amounts to be paid under postretirement benefit plans.

The company has a 13.5% general partnership interest in Ponderay Newsprint Company. The company, on a several basis, is a guarantor of 13.5% of the principal and interest on a term loan that totals \$98 million held by Ponderay.

In December 1990, the company adopted a Transitional Compensation Plan (the Plan). The Plan provides termination benefits to key executives whose employment is terminated under certain circumstances within two years following a change in control of the company. Benefits under the Plan include a severance payment of up to three years' compensation and continued life and medical insurance coverage.

#### Capital stock

In 2000, the Board approved an authorization for the repurchase of up to an additional \$1 billion in common stock, in addition to \$258 million remaining from a prior authorization. During 2000, the company repurchased approximately 14.7 million shares for \$967 million, leaving \$291 million available for future repurchases at Dec. 28, 2003. In February 2004, the company announced its plan to reactivate its existing share repurchase program. Certain of the shares previously acquired by the company have been reissued in settlement of employee stock awards.

An employee 401(k) Savings Plan was established in 1990, which includes a company matching contribution in the form of Gannett stock. To fund the company's matching contribution, an Employee Stock Ownership Plan (ESOP) was formed which acquired 2,500,000 shares of Gannett stock from the company for

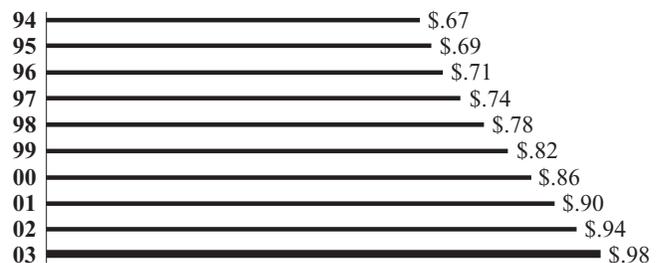
\$50 million. The stock purchase was financed with a loan from the company. In June of 2003, the debt was fully repaid and all of the shares had been fully allocated to participants. The company elected not to add additional shares to the ESOP and began funding future contributions in cash. The ESOP uses the cash match to purchase on the open market an equivalent number of shares of company stock on behalf of the participants.

The company's common stock outstanding at Dec. 28, 2003, totaled 272,417,046 shares, compared with 267,909,686 shares at Dec. 29, 2002.

#### Dividends

Dividends declared on common stock amounted to \$264 million in 2003, compared with \$251 million in 2002, reflecting an increase in the dividend rate and an increase in shares outstanding.

#### Dividends declared per share.



On Oct. 1, 2003, the quarterly dividend was increased from \$.24 to \$.25 per share.

	Cash dividends	Payment date	Per share
2003	4th Quarter . . . . .	Jan. 2, 2004	\$.25
	3rd Quarter . . . . .	Oct. 1, 2003	\$.25
	2nd Quarter . . . . .	July 1, 2003	\$.24
	1st Quarter . . . . .	April 1, 2003	\$.24
2002	4th Quarter . . . . .	Jan. 2, 2003	\$.24
	3rd Quarter . . . . .	Oct. 1, 2002	\$.24
	2nd Quarter . . . . .	July 1, 2002	\$.23
	1st Quarter . . . . .	April 1, 2002	\$.23

#### Effects of inflation and changing prices and other matters

The company's results of operations and financial condition have not been significantly affected by inflation and changing prices. In both of its principal businesses, subject to normal competitive conditions, the company generally has been able to pass along rising costs through increased selling prices. Further, the effects of inflation and changing prices on the company's property, plant and equipment and related depreciation expense have been reduced as a result of an ongoing capital expenditure program and the availability of replacement assets with improved technology and efficiency.

The company is exposed to foreign exchange rate risk primarily due to its ownership of Newsquest, which uses the British pound as its functional currency, which is then translated into U.S. dollars. The company's foreign currency translation adjustment, related to Newsquest and reported as part of shareholders' equity, totaled \$352 million at Dec. 28, 2003. This reflects an overall strengthening of the British pound against the U.S. dollar since the Newsquest acquisition. Newsquest's assets and liabilities were

translated from British pounds to U.S. dollars at the Dec. 28, 2003, exchange rate of \$1.78. Refer to Item 7A below for additional detail.

**2004 business transactions and other matters:** On Feb. 2, 2004, the company acquired NurseWeek, a multimedia company with print publications and an award-winning Web site focused on the recruitment, recognition and education of nurses. NurseWeek will continue to be published as a separate publication of Nursing Spectrum. Altogether, Nursing Spectrum will publish 12 regional magazines with a combined circulation of more than 1 million registered nurses. The two Web sites, [www.nurseweek.com](http://www.nurseweek.com) and [www.nursingspectrum.com](http://www.nursingspectrum.com), average more than 1.8 million page views per month.

The company has an agreement to sell its NBC affiliate in Kingman Ariz., KMOH-TV. Closing is expected in the first half of 2004.

On Feb. 16, 2004, the company exchanged its daily newspaper, The Times, in Gainesville, Ga., for two daily newspapers in Tennessee.

In late March 2003, the company entered into an agreement, conditional upon regulatory consent, with Independent News and Media Limited for the acquisition of its Greater London regional publishing business. On October 21, 2003, the Secretary of State for Trade and Industry in the U.K. approved the purchase by the company of the bulk of the titles owned by Independent News and Media Limited but did not approve the purchase of certain other titles, and the agreement therefore lapsed. The titles have subsequently been purchased by a third party.

**New accounting pronouncements:** In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51, which addresses consolidation by business enterprises. In December 2003, the FASB completed deliberations of proposed modifications to FIN 46 resulting in multiple effective dates in 2003 and 2004 based on the nature as well as the creation date of the variable interest entity. The adoption of the provisions of FIN 46 applicable to 2003 did not have, and the company believes that the provisions to be adopted in 2004 will not have, a material impact on its financial position or results of operations.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) became law in December 2003. The Act introduces a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Questions have arisen regarding whether an employer that provides postretirement prescription drug coverage (a plan) should recognize the effects of the Act on its accumulated postretirement benefit obligation and net postretirement benefit costs and, if so, when and how to account for those effects.

In response to these questions, the FASB issued FASB Staff Position 106-1 (FSP 106-1), which confirms that companies are required to account for changes in relevant laws. FSP 106-1, however, also recognized that the accounting for the federal subsidy was not explicitly addressed in the accounting literature and therefore allowed companies to defer accounting for the Act until guidance is issued. As permitted by FSP 106-1, the company has deferred accounting for the effects of the Act until the authoritative guidance is issued, which could require the company to change previously reported information.

#### **Certain factors affecting forward-looking statements**

Certain statements in this Annual Report on Form 10-K contain forward-looking information. The words “expect,” “intend,” “believe,” “anticipate,” “likely,” “will” and similar expressions generally identify forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties which could cause actual results and events to differ materially from those anticipated in the forward-looking statements.

Potential risks and uncertainties which could adversely affect the company’s ability to obtain these results include, without limitation, the following factors: (a) increased consolidation among major retailers or other events which may adversely affect business operations of major customers and depress the level of local and national advertising; (b) an economic downturn in some or all of the company’s principal newspaper or television markets leading to decreased circulation or local, national or classified advertising; (c) a decline in general newspaper readership patterns as a result of competitive alternative media or other factors; (d) an increase in newsprint or syndication programming costs over the levels anticipated; (e) labor disputes which may cause revenue declines or increased labor costs; (f) acquisitions of new businesses or dispositions of existing businesses; (g) a decline in viewership of major networks and local news programming; (h) rapid technological changes and frequent new product introductions prevalent in electronic publishing; (i) an increase in interest rates; (j) a weakening in the British-pound-to-U.S. dollar exchange rate; and (k) general economic, political and business conditions.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The company is not subject to market risk associated with derivative commodity instruments, as the company is not a party to any such instruments. The company believes that its market risk from financial instruments, such as accounts receivable, payable and debt, is not material. The company is exposed to foreign exchange rate risk primarily due to its operations in the United Kingdom, which use the British pound as their functional currency, which is then translated into U.S. dollars. Translation gains or losses affecting the Consolidated Statements of Income have not been significant in the past. If the price of Sterling against the U.S. dollar had been 10% less than the actual price, reported net income for 2003 would have decreased approximately 2%.

Because the company has \$1.9 billion in commercial paper obligations outstanding at Dec. 28, 2003, that have relatively short-term maturity dates, the company is subject to significant changes in the amount of interest expense it might incur. Assuming the current level of commercial paper borrowings, a 1/2% increase or decrease in the average interest rate for commercial paper would result in an increase or decrease in annual interest expense of \$9.6 million, respectively.

Refer to page 25 for information regarding the fair value of the company’s long-term debt.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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\* All other schedules prescribed under Regulation S-X are omitted because they are not applicable or not required.

## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders  
of Gannett Co., Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Gannett Co., Inc. and its subsidiaries at Dec. 28, 2003 and Dec. 29, 2002, and the results of their operations and their cash flows for each of the three years in the period ended Dec. 28, 2003 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and the financial statement schedule are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Notes 1 and 3, effective at the beginning of 2002 the company adopted Statement of Financial Accounting Standards No. 142, and, accordingly, changed its method of accounting for goodwill and other intangible assets.

  
PricewaterhouseCoopers LLP

McLean, Virginia  
February 2, 2004

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of the company has prepared and is responsible for the consolidated financial statements and related financial information included in this report. These financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. These financial statements necessarily include amounts determined using management's best judgments and estimates.

The company's accounting and other control systems provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the company. Underlying the concept of reasonable assurance is the premise that the cost of control not exceed the benefit derived. Management believes that the company's accounting and other control systems appropriately recognize this cost/benefit relationship.

The company's independent auditors, PricewaterhouseCoopers LLP, provide an independent assessment of the degree to which management meets its responsibility for fairness in financial reporting. They regularly evaluate the company's system of internal accounting controls and perform such tests and other procedures as they deem necessary to reach and express an opinion on the financial statements. The PricewaterhouseCoopers LLP report appears alongside.

The Audit Committee of the Board of Directors is responsible for reviewing and monitoring the company's financial reports and accounting practices to ascertain that they are appropriate in the circumstances. The Audit Committee consists of four non-management directors, and meets to discuss audit and financial reporting matters with representatives of financial management, the internal auditors and the independent auditors. The internal auditors and the independent accountants have direct access to the Audit Committee to review the results of their examinations, the adequacy of internal accounting controls and the quality of financial reporting.



Douglas H. McCorkindale  
Chairman, President and  
Chief Executive Officer



Gracia C. Martore  
Senior Vice President and  
Chief Financial Officer

**GANNETT CO., INC.**  
**CONSOLIDATED BALANCE SHEETS**

*In thousands of dollars*

<b>Assets</b>	<b>Dec. 28, 2003</b>	<b>Dec. 29, 2002</b>
<i>Current assets</i>		
Cash and cash equivalents . . . . .	\$ 67,188	\$ 90,374
Trade receivables (less allowance for doubtful receivables of \$41,530 and \$36,610, respectively) . . .	907,619	827,398
Other receivables . . . . .	66,348	52,700
Inventories . . . . .	115,924	101,189
Prepaid expenses . . . . .	66,182	61,418
<b>Total current assets</b> . . . . .	<b>1,223,261</b>	<b>1,133,079</b>
<i>Property, plant and equipment</i>		
Land . . . . .	239,437	240,515
Buildings and improvements . . . . .	1,382,861	1,313,404
Machinery, equipment and fixtures . . . . .	2,846,446	2,730,488
Construction in progress . . . . .	219,154	138,360
<b>Total</b> . . . . .	<b>4,687,898</b>	<b>4,422,767</b>
Less accumulated depreciation . . . . .	(2,005,630)	(1,887,762)
<b>Net property, plant and equipment</b> . . . . .	<b>2,682,268</b>	<b>2,535,005</b>
<i>Intangible and other assets</i>		
Goodwill . . . . .	9,601,767	8,822,299
Other intangible assets, less accumulated amortization of \$19,264 and \$10,993, respectively . . . . .	108,736	98,807
Investments and other assets . . . . .	1,090,207	1,143,824
<b>Total intangible and other assets</b> . . . . .	<b>10,800,710</b>	<b>10,064,930</b>
<b>Total assets</b> . . . . .	<b>\$ 14,706,239</b>	<b>\$ 13,733,014</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**GANNETT CO., INC.**  
**CONSOLIDATED BALANCE SHEETS**

*In thousands of dollars*

<b>Liabilities and shareholders' equity</b>	<b>Dec. 28, 2003</b>	<b>Dec. 29, 2002</b>
<i>Current liabilities</i>		
Accounts payable		
Trade .....	\$ 323,015	\$ 298,080
Other .....	29,807	29,662
Accrued liabilities		
Compensation .....	100,750	111,995
Interest .....	25,954	26,806
Other .....	150,890	149,072
Dividend payable .....	68,143	64,443
Income taxes .....	101,663	121,276
Deferred income .....	161,615	157,291
<b>Total current liabilities</b> .....	<b>961,837</b>	<b>958,625</b>
Deferred income taxes .....	743,975	678,541
Long-term debt .....	3,834,511	4,547,265
Postretirement medical and life insurance liabilities .....	337,989	378,855
Other long-term liabilities .....	312,507	257,933
<b>Total liabilities</b> .....	<b>6,190,819</b>	<b>6,821,219</b>
<b>Minority interests in consolidated subsidiaries</b> .....	<b>92,439</b>	<b>—</b>
<b>Commitments and contingent liabilities (see Note 10)</b>		
<i>Shareholders' equity</i>		
Preferred stock, par value \$1: Authorized, 2,000,000 shares: Issued, none .....		
Common stock, par value \$1: Authorized, 800,000,000 shares:		
Issued, 324,420,732 shares, as to both years .....	324,421	324,421
Additional paid-in capital .....	471,581	279,778
Retained earnings .....	9,444,791	8,498,015
Accumulated other comprehensive income .....	319,305	44,190
	10,560,098	9,146,404
Less Treasury stock, 52,003,686 shares and 56,511,046 shares, respectively, at cost .....	(2,137,117)	(2,231,557)
Deferred compensation related to ESOP .....	—	(3,052)
<b>Total shareholders' equity</b> .....	<b>8,422,981</b>	<b>6,911,795</b>
<b>Total liabilities, minority interests and shareholders' equity</b> .....	<b>\$ 14,706,239</b>	<b>\$ 13,733,014</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**GANNETT CO., INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**

*In thousands of dollars*

<b>Fiscal year ended</b>	<b>Dec. 28, 2003</b>	<b>Dec. 29, 2002</b>	<b>Dec. 30, 2001</b>
<i>Net operating revenues</i>			
Newspaper advertising .....	\$ 4,397,244	\$ 4,122,685	\$ 4,119,773
Newspaper circulation .....	1,212,891	1,182,103	1,188,467
Broadcasting .....	719,884	771,303	662,652
All other .....	381,096	346,158	328,714
<b>Total</b> .....	<b>6,711,115</b>	<b>6,422,249</b>	<b>6,299,606</b>
<i>Operating expenses</i>			
Cost of sales and operating expenses, exclusive of depreciation .....	3,453,769	3,254,003	3,275,522
Selling, general and administrative expenses, exclusive of depreciation .....	1,044,796	1,019,493	990,472
Depreciation .....	223,261	215,117	202,456
Amortization of intangible assets .....	8,271	7,327	241,321
<b>Total</b> .....	<b>4,730,097</b>	<b>4,495,940</b>	<b>4,709,771</b>
<b>Operating income</b> .....	<b>1,981,018</b>	<b>1,926,309</b>	<b>1,589,835</b>
<i>Non-operating income (expense)</i>			
Interest expense .....	(139,271)	(146,359)	(221,854)
Interest income .....	5,207	3,448	8,493
Other non-operating items .....	(6,641)	(18,870)	(5,877)
<b>Total</b> .....	<b>(140,705)</b>	<b>(161,781)</b>	<b>(219,238)</b>
Income before income taxes .....	1,840,313	1,764,528	1,370,597
Provision for income taxes .....	629,100	604,400	539,400
<b>Net income</b> .....	<b>\$ 1,211,213</b>	<b>\$ 1,160,128</b>	<b>\$ 831,197</b>
<b>Net income per share - basic</b> .....	<b>\$4.49</b>	<b>\$4.35</b>	<b>\$3.14</b>
<b>Net income per share - diluted</b> .....	<b>\$4.46</b>	<b>\$4.31</b>	<b>\$3.12</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**GANNETT CO., INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*In thousands of dollars*

<b>Fiscal year ended</b>	<b>Dec. 28, 2003</b>	<b>Dec. 29, 2002</b>	<b>Dec. 30, 2001</b>
<i>Cash flows from operating activities</i>			
Net income	\$ 1,211,213	\$ 1,160,128	\$ 831,197
Adjustments to reconcile net income to operating cash flows			
Depreciation	223,261	215,117	202,456
Amortization of intangibles	8,271	7,327	241,321
Provision for deferred income taxes	65,434	175,144	228,568
Pension contributions, net of pension expense	76,024	(300,707)	(309,099)
Other, net, including gains on sales	(47,253)	(5,671)	(9,461)
(Increase) decrease in receivables	(69,948)	(16,783)	67,035
(Increase) decrease in inventories	(14,153)	3,647	22,457
(Decrease) in accounts payable	(12,666)	(15,869)	(103,195)
Increase (Decrease) in interest and taxes payable	28,483	(155,299)	177,950
Change in other assets and liabilities, net	10,443	(35,334)	(30,232)
<b>Net cash flow from operating activities</b>	<b>1,479,109</b>	<b>1,031,700</b>	<b>1,318,997</b>
<i>Cash flows from investing activities</i>			
Purchase of property, plant and equipment	(281,264)	(274,828)	(324,579)
Payments for acquisitions, net of cash acquired	(482,650)	(35,266)	(186,201)
Payments for investments	(28,328)	(126,270)	(63,791)
Proceeds from investments	12,825	45,262	21,154
Proceeds from sale of certain assets	13,012	5,450	38,539
<b>Net cash used for investing activities</b>	<b>(766,405)</b>	<b>(385,652)</b>	<b>(514,878)</b>
<i>Cash flows from financing activities</i>			
Proceeds of unsecured global notes, net of debt issuance fees	—	1,786,687	—
Payments of unsecured promissory notes and other indebtedness	(712,754)	(2,325,647)	(667,831)
Dividends paid	(260,737)	(247,721)	(235,472)
Proceeds from issuance of common stock upon exercise of stock options	235,939	84,899	48,780
<b>Net cash used for financing activities</b>	<b>(737,552)</b>	<b>(701,782)</b>	<b>(854,523)</b>
<b>Effect of currency exchange rate change</b>	<b>1,662</b>	<b>5,479</b>	<b>(2,163)</b>
Decrease in cash and cash equivalents	(23,186)	(50,255)	(52,567)
Balance of cash and cash equivalents at beginning of year	90,374	140,629	193,196
<b>Balance of cash and cash equivalents at end of year</b>	<b>\$ 67,188</b>	<b>\$ 90,374</b>	<b>\$ 140,629</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**GANNETT CO., INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

*In thousands of dollars*

<b>Fiscal years ended December 30, 2001, December 29, 2002, and December 28, 2003</b>	<b>Common stock \$1 par value</b>	<b>Additional paid-in capital</b>	<b>Retained earnings</b>	<b>Accumulated other comprehensive income (loss)</b>	<b>Treasury stock</b>	<b>Deferred compensation related to ESOP</b>	<b>Total</b>
<b>Balance: Dec. 31, 2000</b>	<b>\$ 324,421</b>	<b>\$ 170,715</b>	<b>\$ 6,995,965</b>	<b>\$ (66,274)</b>	<b>\$ (2,307,793)</b>	<b>\$ (13,624)</b>	<b>\$ 5,103,410</b>
Net income, 2001			831,197				831,197
Foreign currency translation adjustment				(38,540)			(38,540)
Unrealized gain on securities, net of reclassification adjustments, net of taxes of \$933				1,527			1,527
<i>Total comprehensive income</i>							794,184
Dividends declared, 2001: \$.90 per share			(238,301)				(238,301)
Stock options exercised		17,751			30,278		48,029
Stock issued under incentive plan		2,937			1,778		4,715
Tax benefit derived from stock incentive plans		18,853					18,853
Compensation expense related to ESOP						4,824	4,824
Tax benefit from ESOP			208				208
<b>Balance: Dec. 30, 2001</b>	<b>\$ 324,421</b>	<b>\$ 210,256</b>	<b>\$ 7,589,069</b>	<b>\$ (103,287)</b>	<b>\$ (2,275,737)</b>	<b>\$ (8,800)</b>	<b>\$ 5,735,922</b>
Net income, 2002			1,160,128				1,160,128
Foreign currency translation adjustment				160,896			160,896
Unrealized loss on securities, net of tax benefit of \$1,548				(2,526)			(2,526)
Minimum pension liability adjustment, net of tax benefit of \$6,676				(10,893)			(10,893)
<i>Total comprehensive income</i>							1,307,605
Dividends declared, 2002: \$.94 per share			(251,217)				(251,217)
Stock options exercised		42,210			42,378		84,588
Stock issued under incentive plan		3,461			1,802		5,263
Tax benefit derived from stock incentive plans		23,851					23,851
Compensation expense related to ESOP						5,748	5,748
Tax benefit from ESOP			35				35
<b>Balance: Dec. 29, 2002</b>	<b>\$ 324,421</b>	<b>\$ 279,778</b>	<b>\$ 8,498,015</b>	<b>\$ 44,190</b>	<b>\$ (2,231,557)</b>	<b>\$ (3,052)</b>	<b>\$ 6,911,795</b>
Net income, 2003			1,211,213				1,211,213
Foreign currency translation adjustment				296,349			296,349
Carrying value adjustment for certain securities, net of taxes of \$544				932			932
Minimum pension liability adjustment, net of tax benefit of \$13,586				(22,166)			(22,166)
<i>Total comprehensive income</i>							1,486,328
Dividends declared, 2003: \$.98 per share			(264,437)				(264,437)
Stock options exercised		143,076			92,586		235,662
Stock issued under incentive plan		3,975			1,854		5,829
Restricted stock issued under incentive plan		115					115
Tax benefit derived from stock incentive plans		44,637					44,637
Compensation expense related to ESOP						3,052	3,052
<b>Balance: Dec. 28, 2003</b>	<b>\$ 324,421</b>	<b>\$ 471,581</b>	<b>\$ 9,444,791</b>	<b>\$ 319,305</b>	<b>\$ (2,137,117)</b>	<b>\$ —</b>	<b>\$ 8,422,981</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1

#### Summary of significant accounting policies

**Fiscal year:** The company's fiscal year ends on the last Sunday of the calendar year. The company's 2003 fiscal year ended on Dec. 28, 2003, and encompassed a 52-week period. The company's 2002 and 2001 fiscal years also encompassed 52-week periods.

**Consolidation:** The consolidated financial statements include the accounts of the company and its wholly and majority owned subsidiaries after elimination of all significant intercompany transactions and profits. Investments in entities for which the company does not have control, but has the ability to exercise significant influence over the operating and financial policies, are accounted for under the equity method. Accordingly, the company's share of net earnings and losses from these ventures is included in the Consolidated Statements of Income.

**Operating agencies:** Certain of the company's newspaper subsidiaries are participants in joint operating agencies. Each joint operating agency performs the production, sales and distribution functions for the subsidiary and another newspaper publishing company under a joint operating agreement. The company's operating results in the Detroit and Tucson joint operating agencies are accounted for under the equity method, reported as a net amount in other operating revenues. The company also owns a minority interest in a newspaper publishing partnership. Operating results for this partnership are accounted for under the equity method and reported as a net amount in other operating revenues.

**Critical accounting policies and the use of estimates:** The company prepares its financial statements in accordance with generally accepted accounting principles which require the use of estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent matters. The company bases its estimates on historical experience, actuarial studies and other assumptions, as appropriate, concerning the carrying values of its assets and liabilities and disclosure of contingent matters. The company re-evaluates its estimates on an ongoing basis. Actual results could differ from these estimates.

Critical accounting policies for the company involve its assessment of the recoverability of its long-lived assets, including goodwill and other intangible assets, which are based on such factors as estimated future cash flows and current fair value estimates of businesses. The company's accounting for pension and retiree medical benefits requires the use of various estimates concerning the work force, interest rates, plan investment return, and involves the use of advice from consulting actuaries. The company's accounting for income taxes in the U.S. and foreign jurisdictions is sensitive to interpretation of various laws and regulations therein, and to company policy and expectations as to the repatriation of earnings from foreign sources.

A more complete discussion of all of the company's significant accounting policies follows.

**Cash and cash equivalents:** The company considers its marketable securities, which are readily convertible into cash (with original maturity dates of less than 90 days) and consist of short-term investments in government securities, commercial paper and money market funds, as cash equivalents.

**Inventories:** Inventories, consisting principally of newsprint, printing ink, plate material and production film for the company's newspaper publishing operations, are valued primarily at the lower of cost (first-in, first-out) or market.

**Property and depreciation:** Property, plant and equipment is recorded at cost, and depreciation is provided generally on a straight-line basis over the estimated useful lives of the assets. The principal estimated useful lives are: buildings and improvements, 10 to 40 years; and machinery, equipment and fixtures, four to 30 years. Major renewals and improvements and interest incurred during the construction period of major additions are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

**Goodwill and other intangible assets:** Intangible assets and the excess of acquisition cost over the fair value of assets acquired (goodwill) represent the cost of intangible assets at the time operating properties were purchased. On Dec. 31, 2001, the company adopted Statement of Financial Accounting Standards No. 142 (SFAS No. 142) "Goodwill and Other Intangible Assets," which eliminated the amortization of goodwill and other intangibles with indefinite useful lives unless the intangible asset is deemed to be impaired. The company performed an impairment test of its goodwill and determined that no impairment of recorded goodwill existed at Dec. 28, 2003. Intangible assets that have finite useful lives continue to be amortized over those useful lives. See additional detail in Note 3 on page 38.

**Valuation of long-lived assets:** In accordance with SFAS No. 144, the company evaluates the carrying value of long-lived assets to be held and used whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the projected undiscounted future cash flows are less than its carrying value. The company measures impairment based on the amount by which the carrying value exceeds the fair market value. Fair market value is determined primarily using the projected future cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

**Investments and other assets:** Investments in non-public businesses in which the company does not have control or does not exert significant influence are carried at cost and losses resulting from periodic evaluations of the carrying value of these investments are included as a non-operating expense. At Dec. 28, 2003, and Dec. 29, 2002, such investments aggregated approximately \$23 million and \$20 million, respectively. Investments in public equity securities are classified as available for sale with related gains and losses included in equity as other comprehensive income.

The company's television stations are parties to program broadcast contracts. These contracts are recorded at the gross amount of the related liability when the programs are available for telecasting. Program assets are classified as current (as a prepaid expense) or noncurrent (as an other asset) in the Consolidated Balance Sheets, based upon the expected use of the programs in succeeding years. The amount charged to expense appropriately matches the cost of the programs with the revenues associated with them. The liability for these contracts is classified as current or noncurrent in accordance with the payment terms of the contracts. The payment period generally coincides with the period of telecast for the programs, but may be shorter.

**Revenue recognition:** The company's revenues include amounts charged to customers for space purchased in the company's newspapers, amounts charged to customers for commercial printing jobs, advertising broadcast on the company's television stations and for ads placed on its Internet Web sites. Newspaper revenues also include circulation revenues for newspapers purchased by readers or distributors reduced by the amount of discounts. Advertising revenues are recognized, net of agency commissions, in the period when advertising is printed or placed on Web sites or broadcast. Commercial printing revenues are recognized when the job is delivered to the customer. Circulation revenues are recognized when purchased newspapers are distributed. Amounts received from customers in advance of revenue recognition are deferred as liabilities.

**Retirement plans:** Pension costs under the company's retirement plans are actuarially determined. The company's policy is to fund costs accrued under its qualified pension plans.

The company recognizes the cost of postretirement medical and life insurance benefits on an accrual basis over the working lives of employees expected to receive such benefits.

**Stock-based employee compensation:** Stock-based compensation is accounted for by using the intrinsic value-based method in accordance with Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees." Under APB No. 25, because the exercise price of the company's employee stock options equals the market price of the underlying stock on the date of the grant, no compensation expense is recognized. As permitted, the company has elected to adopt the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation."

SFAS No. 123, "Accounting for Stock-Based Compensation," establishes a fair value-based method of accounting for employee stock-based compensation plans and encourages companies to adopt that method. However, it also allows companies to continue to apply the intrinsic value-based method currently prescribed under APB No. 25. The company has chosen to continue to report stock-based compensation in accordance with APB No. 25, and provides the following pro forma disclosure of the effects of applying the fair value method to all applicable awards granted. Under APB No. 25 and related interpretations, no compensation cost has been recognized for the company's stock options. Had compensation cost for the company's stock options been determined based on the fair value at the grant date for those awards as permitted (but not required) under the alternative method of SFAS No. 123, the company's results of operations and related per share amounts would have been reduced to the pro forma amounts indicated below:

*In thousands, except per share amounts*

	2003	2002	2001
<i>Net income</i>			
As reported . . . . .	\$1,211,213	\$1,160,128	\$ 831,197
Less: compensation expense determined under SFAS 123, net of tax . . . . .	(64,034)	(52,762)	(34,795)
Pro forma . . . . .	\$1,147,179	\$1,107,366	\$ 796,402
<i>Net income per share - basic</i>			
As reported . . . . .	\$4.49	\$4.35	\$3.14
Pro forma . . . . .	\$4.26	\$4.15	\$3.01
<i>Net income per share - diluted</i>			
As reported . . . . .	\$4.46	\$4.31	\$3.12
Pro forma . . . . .	\$4.22	\$4.11	\$2.98

The fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2003, 2002 and 2001, respectively: dividend yield of 1.33%, 1.34% and 1.33%; expected volatility of 19.16%, 26.12% and 26.37%; risk-free interest rates of 3.83%, 3.89% and 4.60%; and expected lives of seven years each.

**Income taxes:** The company accounts for certain income and expense items differently for financial reporting purposes than for income tax reporting purposes. Deferred income taxes are provided in recognition of these temporary differences.

**Per share amounts:** The company reports earnings per share on two bases, basic and diluted. All basic income per share amounts are based on the weighted average number of common shares outstanding during the year. The calculation of diluted earnings per share also considers the assumed dilution from the exercise of stock options and from stock incentive rights.

**Foreign currency translation:** The income statement of Newsquest operations has been translated to U.S. dollars using the average currency exchange rates in effect during the relevant period. Newsquest's balance sheet has been translated using the currency exchange rate as of the end of the accounting period. The impact of currency exchange rate changes on the translation of Newsquest's balance sheet is included in comprehensive income, and is classified as accumulated other comprehensive income (loss) in shareholders' equity.

**New accounting pronouncements:** In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51, which addresses consolidation by business enterprises. In December 2003, the FASB completed deliberations of proposed modifications to FIN 46 resulting in multiple effective dates in 2003 and 2004 based on the nature as well as the creation date of the variable interest entity. The adoption of the provisions of FIN 46 applicable to 2003 did not have, and the company believes that the provisions to be adopted in 2004 will not have, a material impact on its financial position or results of operations.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) became law in December 2003. The Act introduces a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Questions have arisen regarding whether an employer that provides postretirement prescription drug coverage (a plan) should recognize the effects of the Act on its accumulated postretirement benefit obligation and net postretirement benefit costs and, if so, when and how to account for those effects.

In response to these questions, the FASB issued FASB Staff Position 106-1 (FSP 106-1), which confirms that companies are required to account for changes in relevant laws. FSP 106-1, however, also recognized that the accounting for the federal subsidy was not explicitly addressed in the accounting literature and therefore allowed companies to defer accounting for the Act until guidance is issued. As permitted by FSP 106-1, the company has deferred accounting for the effects of the Act until the authoritative guidance is issued, which could require the company to change previously reported information.

**Reclassifications:** Certain prior year amounts have been reclassified to conform with the current year presentation.

## NOTE 2

### **Acquisitions, exchanges, dispositions and investments**

**2003:** In March 2003, the company completed a non-monetary transaction under which it contributed its newspaper in El Paso to a newly formed partnership, Texas-New Mexico Newspapers Partnership. The partnership includes the El Paso newspaper and six other daily newspapers in nearby New Mexico that were contributed by MediaNews Group. The company recorded this non-monetary transaction as two simultaneous but separate events; that is, a sale of 33.8% of its interest in the El Paso Times for which a non-operating gain was recognized, and the acquisition of a 66.2% interest in the partnership. The non-monetary gain from the partnership transaction is reflected in non-operating income.

In April 2003, the company completed the acquisition of the publishing business of Scottish Media Group plc (SMG). The SMG publishing business consists of three Scottish regional newspapers; 11 specialty consumer and business-to-business magazine titles; and an online advertising and content business. The company purchased 100% of the stock of the Scotland businesses.

In August 2003, the company acquired the majority interest in The Ashland Media Group in Phoenix, Ariz. Ashland Media publishes TV y Más, La Voz and TV Shopper, which are weekly publications. Ashland Media also has a direct marketing business, AZ Mail.

On Oct. 31, 2003, the company acquired the assets of Clipper Magazine, Inc., one of the nation's largest direct-mail advertising magazine companies. The acquisition also includes several affiliated operations including a full-service advertising agency, an e-mail customer retention service, a direct-mail service to new movers and MyClipper.com, a companion Web site for the core direct-mail advertising offerings.

The company also purchased several small non-daily publications in the U.S. and in the U.K.

The 2003 business acquisitions had an aggregate purchase price of approximately \$483 million and were recorded under the purchase method of accounting. The company is in the process of finalizing valuations of the businesses, thus the allocation of the purchase price is preliminary.

**2002:** The company purchased several small non-daily publications in the U.S. and in the U.K., a commercial printing business in Wisconsin and a defense magazine in McLean, Va. These acquisitions, which had an aggregate purchase price of approximately \$35 million, were accounted for under the purchase method of accounting. The company contributed its Vincennes (Ind.) Sun-Commercial newspaper to the Gannett Foundation in July 2002. The Gannett Foundation is a not-for-profit, private foundation that makes charitable awards in the communities in which Gannett operates its newspapers and television stations. These business acquisitions and dispositions did not materially affect the company's financial position or results of operations.

In October 2002, the company acquired a one-third equity interest in CareerBuilder, LLC, an online service providing recruitment resources, for approximately \$98 million.

**2001:** During 2001, the company purchased the remaining 36% interest in WKYC-TV, Cleveland, that it did not previously own. Additionally, the company purchased several small non-daily publications in the U.S. and in the U.K. In connection with the acquisition of several non-daily publications in the U.K. ("Dimbleby"), the company issued loan notes totaling approximately 12.7 million British pounds (U.S. \$18.3 million) to the shareholders of Dimbleby. These acquisitions, which had an aggregate purchase price of approximately \$186 million, were accounted for under the purchase method of accounting. The company contributed its Marietta (Ohio) Times newspaper to the Gannett Foundation in May 2001. The company sold its daily newspaper in Lansdale, Pa., in September 2001. These business acquisitions and dispositions did not materially affect the company's financial position or results of operations.

### NOTE 3

#### Goodwill and other intangible assets

Effective Dec. 31, 2001, the first day of the company's 2002 fiscal year, the company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which establishes financial accounting and reporting for acquired goodwill and other intangible assets. Under SFAS No. 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed at least annually for impairment. Recognized intangible assets that have finite useful lives will continue to be amortized over their useful lives and are subject to tests for impairment in accordance with the provisions of SFAS No. 144.

SFAS No. 142 required that goodwill be tested for impairment at the reporting unit level at adoption and at least annually thereafter. The company performed an impairment test of its goodwill upon adoption, at Dec. 29, 2002, and at Dec. 28, 2003, and determined that no impairment of goodwill existed.

A reconciliation of the impact of adoption of SFAS No. 142 on net income, and basic and diluted earnings per share for the years ended Dec. 28, 2003, Dec. 29, 2002, and Dec. 30, 2001, is set forth below:

*In thousands of dollars, except per-share amounts*

	2003	2002	2001
<b>Reported net income</b> . . . . .	\$1,211,213	\$1,160,128	\$ 831,197
Add back: goodwill amortization, net of tax . . . . .			215,688
<b>Adjusted net income</b> . . . . .	<b>\$1,211,213</b>	<b>\$1,160,128</b>	<b>\$1,046,885</b>
<b>Basic earnings per share:</b>			
Reported net income . . . . .	\$4.49	\$4.35	\$3.14
Add back: goodwill amortization, net of tax . . . . .			.81
<b>Adjusted net income</b> . . . . .	<b>\$4.49</b>	<b>\$4.35</b>	<b>\$3.95</b>
<b>Diluted earnings per share:</b>			
Reported net income . . . . .	\$4.46	\$4.31	\$3.12
Add back: goodwill amortization, net of tax . . . . .			.80
<b>Adjusted net income</b> . . . . .	<b>\$4.46</b>	<b>\$4.31</b>	<b>\$3.92</b>

The following table displays the intangible assets that are subject to amortization and intangible assets not subject to amortization as of Dec. 28, 2003, and Dec. 29, 2002:

*In thousands of dollars*

	Gross	Accumulated Amortization	Net
<b>Dec. 28, 2003</b>			
Goodwill .....	\$ 9,601,767	\$ —	\$ 9,601,767
Customer relationships ...	128,000	19,264	108,736
Total .....	\$ 9,729,767	\$ 19,264	\$ 9,710,503
<b>Dec. 29, 2002</b>			
Goodwill .....	\$ 8,822,299	\$ —	\$ 8,822,299
Subscriber lists .....	109,800	10,993	98,807
Total .....	\$ 8,932,099	\$ 10,993	\$ 8,921,106

Amortization expense was approximately \$8.3 million in 2003 and \$7.3 million in 2002. Customer relationships, which include subscriber lists and in 2003, advertiser relationships, are amortized on a straight-line basis over 15 years. For each of the next five years, amortization expense relating to the identified intangibles is expected to be approximately \$10 million.

*In thousands of dollars*

	Newspaper Publishing	Broadcasting	Total
<b>Goodwill, net</b>			
Balance at Dec. 30, 2001 ..	\$ 7,051,747	\$ 1,526,278	\$ 8,578,025
Acquisitions .....	28,317	—	28,317
Foreign currency exchange rate changes ....	215,957	—	215,957
Balance at Dec. 29, 2002 ..	\$ 7,296,021	\$ 1,526,278	\$ 8,822,299
Acquisitions .....	498,968	—	498,968
Foreign currency exchange rate changes ....	280,500	—	280,500
Balance at Dec. 28, 2003 ..	\$ 8,075,489	\$ 1,526,278	\$ 9,601,767

*In thousands of dollars*

	Newspaper Publishing	Broadcasting	Total
<b>Amortized intangible assets, net</b>			
Balance at Dec. 30, 2001 ..	\$ 106,334	\$ —	\$ 106,334
Dispositions .....	(200)	—	(200)
Amortization .....	(7,327)	—	(7,327)
Balance at Dec. 29, 2002 ..	\$ 98,807	\$ —	\$ 98,807
Acquisitions .....	18,200	—	18,200
Amortization .....	(8,271)	—	(8,271)
Balance at Dec. 28, 2003 ..	\$ 108,736	\$ —	\$ 108,736

#### NOTE 4

##### Consolidated statements of cash flows

Cash paid in 2003, 2002 and 2001 for income taxes and for interest (net of amounts capitalized) was as follows:

*In thousands of dollars*

	2003	2002	2001
Income taxes .....	\$ 555,039	\$ 722,034	\$ 138,688
Interest .....	\$ 140,097	\$ 121,697	\$ 223,691

Interest in the amount of \$3.4 million, \$2.1 million and \$8.6 million was capitalized in 2003, 2002 and 2001, respectively.

The income taxes paid by the company for 2001 are below typical levels. Internal Revenue Service Rule 2001-61 permitted the deferral of the company's third- and fourth-quarter 2001 estimated tax payments until Jan. 15, 2002.

##### Other

In connection with the establishment of the Texas-New Mexico Newspapers Partnership, the company recorded a minority interest liability totaling \$90 million. No other significant liabilities were assumed in connection with the 2003, 2002 and 2001 acquisitions.

In 2003 and 2002, the company issued 87,263 and 82,942 shares of common stock, respectively, in settlement of previously granted stock incentive rights for the four-year period 1999-2002 and the compensation liability of \$9.0 million and \$7.7 million, respectively, for these rights was transferred to shareholders' equity.

## NOTE 5

### Long-term debt

The long-term debt of the company is summarized below.

*In thousands of dollars*

	Dec. 28, 2003	Dec. 29, 2002
Unsecured promissory notes . . . . .	\$ 1,927,500	\$ 2,632,879
Unsecured global notes . . . . .	1,794,455	1,792,887
Other indebtedness . . . . .	112,556	121,499
Total long-term debt . . . . .	\$ 3,834,511	\$ 4,547,265

The unsecured promissory notes at Dec. 28, 2003, were due from Dec. 29, 2003, to Jan. 29, 2004, with rates varying from 1.04% to 1.08%.

The unsecured promissory notes at Dec. 29, 2002, were due from Jan. 2, 2003, to Jan. 24, 2003, with rates varying from 1.32% to 1.35%.

The maximum amount of such promissory notes outstanding at the end of any period during 2003 and 2002 was \$2.7 billion and \$5.0 billion, respectively. The daily average outstanding balance was \$2.4 billion during 2003 and \$3.1 billion during 2002 and the weighted average interest rate on commercial paper was 1.2% for 2003 and 1.8% for 2002. The weighted average interest rate on all debt was 3.1% for 2003 and 3.0% for 2002.

In March 2002, the company issued \$1.8 billion aggregate principal amount of unsecured global notes in an underwritten public offering. These notes consist of \$600 million aggregate principal amount of 4.95% notes due 2005, \$700 million aggregate principal amount of 5.50% notes due 2007 and \$500 million aggregate principal amount of 6.375% notes due 2012. The net proceeds of the offering were used to pay down commercial paper borrowings.

Other indebtedness includes the loan notes issued in the U.K. to the former shareholders of Newsquest and Newscom in connection with their acquisitions. The Newsquest and Newscom notes (\$15.4 million and \$80.5 million, respectively) bear interest at .5% below the Sterling London Interbank Offered Rate (LIBOR), subject to a cap of 6.5% and 6.75%, respectively. The Newsquest and Newscom notes are due on Dec. 31, 2006, and Dec. 31, 2007, respectively, but may be redeemed by the company on each interest payment date. The noteholders are entitled to require the company to repay all or part of the notes on any interest payment date by giving 30 days' written notice. The remaining other indebtedness at Dec. 28, 2003, consists primarily of industrial revenue bonds with maturities in 2008 and 2009 at variable interest rates (1.4% at Dec. 28, 2003).

At Dec. 28, 2003, the company had \$4.1975 billion of credit available under two revolving credit agreements. The agreements provide for revolving credit periods which permit borrowings from time-to-time to the maximum commitments. The 2000 \$1.53 billion agreement revolving credit period extends to July 2005. The 2002 \$2.6675 billion agreement consists of a \$1.3025 billion 364-day facility which extends to March 2004 and a \$1.365 billion 5-year facility which extends to March 2007. At the end of the 364-day period, any borrowings outstanding under the 364-day credit facility are convertible into a 1-year term loan at Gannett's option. The 364-day facility portion of the 2002 agreement increased to \$1.3375 billion in early January 2004.

The company is currently negotiating a new revolving credit agreement with a group of banks that will replace the \$1.3375 billion 364-day facility that matures in March 2004 and the \$1.53 billion 5-year facility that matures in July 2005. Concurrent with the effective date of the new revolving credit agreement, expected in March 2004, the company would terminate the \$1.3375 billion 364-day facility and the \$1.53 billion 5-year facility.

The company's revolving credit agreements provide backup for commercial paper and for general corporate purposes; therefore, the unsecured promissory notes and Newsquest and Newscom notes are classified as long-term debt.

The commitment fee rates for the 2002 revolving credit agreement may range from .05% to .20%, depending on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt. The rates in effect on Dec. 28, 2003, were .06% for the 364-day facility and .08% for the 5-year facility. At the option of the company, the interest rate on borrowings under this agreement may be .17% to .55% above the prime rate, the Eurodollar base rate or the Federal Funds Effective Rate plus .50%. The percentages that apply depend on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt.

The commitment fee rates for the \$1.53 billion revolving credit agreement may range from .07% to .09%, depending on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt. The rate in effect on Dec. 28, 2003, was .07% for the 5-year facility. At the option of the company, the interest rate on borrowings under this agreement may be at .13% to .24% above the prime rate, the Eurodollar base rate or the Federal Funds Effective Rate plus .50%. The percentages that apply depend on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt.

The current revolving credit agreements contain restrictive provisions that require the maintenance of net worth of at least \$2.5 billion and an interest coverage ratio of 3:1. At Dec. 28, 2003, and Dec. 29, 2002, net worth was \$8.4 billion and \$6.9 billion, respectively. The interest coverage ratio for the year ended Dec. 28, 2003, was 15:1.

Under a shelf registration that became effective with the Securities and Exchange Commission in April 2002, an additional \$2.5 billion of unsecured debt securities can be issued. Proceeds from the sale of such securities may be used for general corporate purposes, including capital expenditures, working capital, securities repurchase programs, repayment of long-term and short-term debt and financing of future acquisitions. The company may also invest borrowed funds that are not required immediately for other purposes in short-term marketable securities.

Approximate annual maturities of long-term debt, assuming that the company had used its \$4.1975 billion of revolving credit agreements to refinance existing unsecured promissory notes on a long-term basis and assuming the company's other indebtedness was paid on its scheduled pay dates, are as follows:

<i>In thousands of dollars</i>	
<b>2004</b> .....	\$ —
<b>2005</b> .....	1,162,057
<b>2006</b> .....	15,351
<b>2007</b> .....	2,061,752
<b>2008</b> .....	87,475
<b>Later years</b> .....	507,876
<b>Total</b> .....	\$ 3,834,511

The fair value of the company's total long-term debt, determined based on quoted market prices for similar issues of debt with the same remaining maturities and similar terms, totaled \$4.0 billion at Dec. 28, 2003, compared with a book value of \$3.8 billion.

At Dec. 28, 2003, and Dec. 29, 2002, the company estimates that the amount reported on the balance sheet for financial instruments, including cash and cash equivalents, trade and other receivables, and other long-term liabilities, approximates fair value.

## NOTE 6

### Retirement plans

The company and its subsidiaries have various retirement plans, including plans established under collective bargaining agreements, under which substantially all full-time employees are covered. The Gannett Retirement Plan is the company's principal retirement plan and covers most U.S. employees of the company and its subsidiaries. Benefits under the Gannett Retirement Plan are based on years of service and final average pay. The tables below also include the assets and obligations of Newsquest Retirement Plans in the U.K. The company uses a Dec. 31 measurement date for its retirement plans.

The company's pension costs, which include costs for its qualified, non-qualified and union plans, for 2003, 2002 and 2001 are presented in the following table:

<i>In thousands of dollars</i>	<b>2003</b>	<b>2002</b>	<b>2001</b>
Service cost - benefits earned during the period .....	\$ 77,378	\$ 69,486	\$ 70,643
Interest cost on benefit obligation ..	155,933	152,534	150,935
Expected return on plan assets .....	(170,099)	(181,198)	(217,796)
Amortization of transition asset ...	(68)	(68)	(68)
Amortization of prior service credit .....	(20,340)	(19,594)	(18,908)
Amortization of actuarial loss .....	72,026	36,114	824
Pension expense for company-sponsored retirement plans .....	114,830	57,274	(14,370)
Union and other pension cost .....	7,388	7,150	6,404
Pension cost .....	\$ 122,218	\$ 64,424	\$ (7,966)

The following table provides a reconciliation of benefit obligations (on a Projected Benefit Obligation measurement basis), plan assets and funded status of the company-sponsored retirement plans, along with the related amounts that are recognized in the Consolidated Balance Sheets.

*In thousands of dollars*

	Dec. 28, 2003	Dec. 29, 2002
<b>Change in benefit obligation</b>		
Net benefit obligation at beginning of year	\$ 2,402,386	\$ 2,182,302
Service cost	77,378	69,486
Interest cost	155,933	152,534
Plan participants' contributions	10,500	7,604
Plan amendments	(4,327)	(8,662)
Actuarial loss	192,701	105,580
Foreign currency translation	40,530	33,971
Gross benefits paid	(137,360)	(140,429)
Net benefit obligation at end of year	\$ 2,737,741	\$ 2,402,386
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	\$ 2,021,991	\$ 1,990,404
Actual return on plan assets	487,808	(236,209)
Plan participants' contributions	10,500	7,604
Employer contributions	35,091	366,119
Gross benefits paid	(137,360)	(140,429)
Foreign currency translation	35,014	34,502
Fair value of plan assets at end of year	\$ 2,453,044	\$ 2,021,991
Funded status at end of year	\$ (284,697)	\$ (380,395)
Unrecognized net actuarial loss	1,039,202	1,221,587
Unrecognized prior service credit	(160,576)	(171,171)
Unrecognized net transition asset	(10)	(78)
Net amount recognized at end of year	\$ 593,919	\$ 669,943
<b>Amounts recognized in Consolidated Balance Sheets</b>		
Prepaid benefit cost	\$ 702,656	\$ 768,800
Intangible assets	\$ 3,077	\$ 3,533
Accumulated other comprehensive loss related to minimum pension liability	\$ 23,144	\$ 17,569
Accrued benefit cost	\$ (134,958)	\$ (119,959)

**Pension costs:** The following assumptions were used to determine net pension costs.

	2003	2002	2001
Discount rate	6.75%	7.25%	7.625%
Expected return on plan assets	8.75%	9.50%	10.00%
Rate of compensation increase	4.00%	4.00%	4.50%

The expected return on asset assumption was determined based on the plan's asset allocations, a review of historic capital market performance, historical plan performance and a forecast of expected future asset returns. The company lowered its expected return on asset assumption from 9.5% in 2002 to 8.75% in 2003 due to changes in the capital markets. The company reviews this long-term assumption on a periodic basis. The company also lowered its discount rate from 7.25% at the end of 2001 to 6.75% at the end of 2002, and to 6.25% at the end of 2003.

**Benefit obligations and funded status:** The accumulated benefit obligation for all of the company-sponsored retirement plans was \$2.4 billion and \$2.1 billion at the end of 2003 and 2002, respectively. At the end of 2003, the Gannett Retirement Plan and the company's plans in the U.K. were fully funded on an Accumulated Benefit Obligation measurement basis. The Projected Benefit Obligation exceeds the fair value of plan assets for all of the company-sponsored retirement plans. The following assumptions were used to determine the year-end benefit obligation.

	2003	2002
Discount rate	6.25%	6.75%
Rate of compensation increase	4.00%	4.00%

The following table presents information for those company retirement plans for which assets exceed accumulated benefits:

*In thousands of dollars*

	2003	2002
Accumulated benefit obligation	\$2,264,172	\$2,007,783
Fair value of plan assets	2,453,044	2,021,991

The accumulated benefit obligation for the company's unfunded retirement plans was approximately \$135 million and \$120 million at Dec. 28, 2003 and Dec. 29, 2002, respectively.

The company did not contribute to the Gannett Retirement Plan in 2003, however, it contributed \$50 million to the plan in February 2004. In December 2002 and 2001 the company contributed \$330 million and \$300 million, respectively, to the Gannett Retirement Plan. The company contributed approximately \$30.4 million in 2003 and \$32 million in 2002 to its U.K. retirement plans.

Employer contributions and gross benefits paid reflected in the above tables include approximately \$4.7 million and \$4.4 million paid from company assets in 2003 and 2002, respectively.

**Plan assets:** The fair value of plan assets is approximately \$2.5 billion and \$2.0 billion at the end of 2003 and 2002, respectively. The expected long-term rate of return on these assets was 8.75% for 2003 and 9.50% for 2002. The asset allocation for company-sponsored pension plans at the end of 2003 and 2002, and target allocations for 2004, by asset category, are presented in the table below.

	Target Allocation	Allocation of Plan Assets	
	2004	2003	2002
Equity securities . . . . .	59%	63%	45%
Debt securities . . . . .	30	29	47
Real estate . . . . .	—	1	1
Other . . . . .	11	7	7
Total . . . . .	100%	100%	100%

The primary objective of company-sponsored retirement plans is to provide eligible employees with scheduled pension benefits: the “prudent man” guideline is followed with regard to the investment management of retirement plan assets. Consistent with prudent standards for preservation of capital and maintenance of liquidity, the goal is to earn the highest possible total rate of return while minimizing risk. The principal means of reducing volatility and exercising prudent investment judgment is diversification by asset class and by investment manager; consequently, portfolios are constructed to attain prudent diversification in the total portfolio, each asset class, and within each individual investment manager’s portfolio. Investment diversification is consistent with the intent to minimize the risk of large losses. All objectives are based upon an investment horizon spanning five years so that interim market fluctuations can be viewed with the appropriate perspective. The target asset allocation represents the long-term perspective. Retirement plan assets will be rebalanced at least annually to align them with the target asset allocations. Risk characteristics are measured and compared with an appropriate benchmark quarterly; periodic reviews are made of the investment objectives and the investment managers.

Retirement plan assets include approximately 1,242,300 shares of the company’s common stock valued at approximately \$111 million and \$89 million at the end of 2003 and 2002, respectively.

**Cash flows:** The company contributed \$50 million to the Gannett Retirement Plan in February 2004 and plans to contribute approximately \$34 million to its U.K. retirement plans in 2004. In addition, the company expects the plans to make the following benefit payments, which reflect expected future service, as appropriate:

*In thousands of dollars*

2004 . . . . .	\$ 139,004
2005 . . . . .	144,294
2006 . . . . .	152,371
2007 . . . . .	160,967
2008 . . . . .	170,030
2009-2013 . . . . .	1,016,310

**NOTE 7**

**Postretirement benefits other than pensions**

The company provides health care and life insurance benefits to certain retired employees who meet age and service requirements. Most of the company’s retirees contribute to the cost of these benefits and retiree contributions are increased as actual benefit costs increase. The cost of providing retiree health care and life insurance benefits is actuarially determined and accrued over the service period of the active employee group. The company’s policy is to fund benefits as claims and premiums are paid.

See discussion in “New Accounting Pronouncements” on page 37 regarding a new Medicare act.

Postretirement benefit cost for health care and life insurance for 2003, 2002 and 2001 included the following components:

*In thousands of dollars*

	2003	2002	2001
Service cost - benefits earned during the period . . . . .	\$ 3,132	\$ 3,535	\$ 6,512
Interest cost on net benefit obligation . . . . .	19,756	19,337	24,674
Amortization of prior service credit . . . . .	(11,839)	(10,888)	(7,728)
Amortization of actuarial loss (gain) . . . . .	1,589	—	(10)
Net periodic postretirement benefit cost . . . . .	\$ 12,638	\$11,984	\$23,448
Curtailment gain . . . . .	\$(30,710)		

In 2003, the company recognized a curtailment gain of \$30.7 million with respect to the elimination of postretirement medical and life insurance benefits for employees under 40 years of age on Jan. 1, 2004, and subsequent new hires.

The table below provides a reconciliation of benefit obligations and funded status of the company's postretirement benefit plans:

*In thousands of dollars*

	Dec. 28, 2003	Dec. 29, 2002
<b>Change in benefit obligation</b>		
Net benefit obligation at beginning of year	\$ 331,814	\$ 324,331
Service cost	3,132	3,535
Interest cost	19,756	19,337
Plan participants' contributions	6,392	8,944
Plan amendment	(73,930)	—
Actuarial loss	24,848	10,247
Gross benefits paid	(31,116)	(34,580)
Net benefit obligation at end of year	\$ 280,896	\$ 331,814
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	0	0
Employer contributions	24,724	25,636
Plan participants' contributions	6,392	8,944
Gross benefits paid	(31,116)	(34,580)
Fair value of plan assets at end of year	0	0
Benefit obligation at end of year	\$ 280,896	\$ 331,814
Unrecognized net actuarial loss	(69,588)	(48,277)
Unrecognized prior service credit	126,681	95,318
Accrued postretirement benefit cost	\$ 337,989	\$ 378,855

**Postretirement benefit costs:** The following assumptions were used to determine postretirement benefit cost:

	2003	2002	2001
Discount rate	6.75%	7.25%	7.625%
Health care cost trend on coverage – pre 65	10.00%	7.00%	8.00%
Health care cost trend on coverage – post 65	10.00%	10.00%	12.00%
Ultimate trend rate	5.00%	5.00%	5.00%
Year that ultimate trend rate is reached	2008	2005	2005

**Benefit obligations and funded status:** The following assumptions were used to determine the year-end benefit obligation:

	2003	2002
Discount rate	6.25%	6.75%
Health care cost trend rate assumed for next year	12.00%	10.00%
Ultimate trend rate	5.00%	5.00%
Year that ultimate trend rate is reached	2009	2008

A 12% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2004. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The effect of a 1% increase in the health care cost trend rate used would result in increases of approximately \$19 million in the 2003 postretirement benefit obligation and \$2 million in the aggregate service and interest components of the 2003 expense. The effect of a 1% decrease in the health care cost trend rate used would result in decreases of approximately \$17 million in the 2003 postretirement benefit obligation and \$2 million in the aggregate service and interest components of the 2003 expense.

**Cash flows:** The company expects to make the following benefit payments, which reflect expected future service, as appropriate:

*In thousands of dollars*

<b>2004</b>	\$ 35,389
<b>2005</b>	37,981
<b>2006</b>	39,936
<b>2007</b>	41,794
<b>2008</b>	43,460
<b>2009-2013</b>	228,142

The above table includes the participants' share of the benefit cost. The company's policy is to fund the above-mentioned benefits as claims and premiums are paid.

**NOTE 8**

**Income taxes**

The provision for income taxes consists of the following:

*In thousands of dollars*

<b>2003</b>	<b>Current</b>	<b>Deferred</b>	<b>Total</b>
Federal .....	\$458,871	\$ 42,390	\$ 501,261
State and other .....	70,990	5,860	76,850
Foreign .....	33,805	17,184	50,989
<b>Total</b> .....	<b>\$563,666</b>	<b>\$ 65,434</b>	<b>\$ 629,100</b>

*In thousands of dollars*

<b>2002</b>	<b>Current</b>	<b>Deferred</b>	<b>Total</b>
Federal .....	\$367,788	\$ 136,372	\$ 504,160
State and other .....	46,094	15,462	61,556
Foreign .....	15,374	23,310	38,684
<b>Total</b> .....	<b>\$429,256</b>	<b>\$ 175,144</b>	<b>\$ 604,400</b>

*In thousands of dollars*

<b>2001</b>	<b>Current</b>	<b>Deferred</b>	<b>Total</b>
Federal .....	\$241,713	\$ 200,065	\$ 441,778
State and other .....	34,437	28,504	62,941
Foreign .....	34,681	0	34,681
<b>Total</b> .....	<b>\$310,831</b>	<b>\$ 228,569</b>	<b>\$ 539,400</b>

The provision for income taxes varies from the U.S. federal statutory tax rate as a result of the following differences:

<b>Fiscal year</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
U.S. statutory tax rate .....	35.0%	35.0%	35.0%
Increase (decrease) in taxes resulting from:			
State/other income taxes net of federal income tax benefit .....	2.7	2.3	3.0
Earnings in jurisdictions taxed at rates different from the statutory U.S. federal rate .....	(3.2)	(2.5)	(1.6)
Goodwill amortization not deductible for tax purposes .....	—	—	3.8
Other, net .....	(0.3)	(0.5)	(0.8)
<b>Effective tax rate</b> .....	<b>34.2%</b>	<b>34.3%</b>	<b>39.4%</b>

The company has not provided for U.S. taxes on a portion of earnings from its U.K. operations which it considers permanently invested in those operations.

Deferred income taxes reflect temporary differences in the recognition of revenue and expense for tax reporting and financial statement purposes.

Deferred tax liabilities and assets were composed of the following at the end of 2003 and 2002:

*In thousands of dollars*

	<b>Dec. 28, 2003</b>	<b>Dec. 29, 2002</b>
<i>Liabilities</i>		
Accelerated depreciation .....	\$ 365,307	\$ 345,285
Accelerated amortization of deductible intangibles .....	301,776	267,490
Pension .....	196,956	228,714
Other .....	114,962	89,898
<b>Total deferred tax liabilities</b> .....	<b>979,001</b>	<b>931,387</b>
<i>Assets</i>		
Accrued compensation costs .....	(55,189)	(49,798)
Postretirement medical and life .....	(125,806)	(142,069)
Other .....	(54,031)	(60,979)
<b>Total deferred tax assets</b> .....	<b>(235,026)</b>	<b>(252,846)</b>
<b>Net deferred tax liabilities</b> .....	<b>\$ 743,975</b>	<b>\$ 678,541</b>

**NOTE 9**

**Capital stock, stock options, incentive plans**

The company's earnings per share from continuing operations (basic and diluted) for 2003, 2002 and 2001 are presented below:

*In thousands, except per share amounts*

	2003	2002	2001
Net income . . . . .	\$1,211,213	\$1,160,128	\$831,197
Weighted average number of common shares outstanding (basic) . . . . .	269,559	266,885	264,821
<i>Effect of dilutive securities</i>			
Stock options . . . . .	2,312	2,221	1,761
Stock incentive rights . . . . .	—	180	251
Restricted stock . . . . .	1	—	—
Weighted average number of common shares outstanding (diluted) . . . . .	271,872	269,286	266,833
Earnings per share (basic) . . . . .	\$4.49	\$4.35	\$3.14
Earnings per share (diluted) . . . . .	\$4.46	\$4.31	\$3.12

The 2003, 2002 and 2001 diluted earnings per share amounts exclude the effects of approximately 5.2 million, 2.4 million and 10.6 million stock options outstanding, respectively, as their inclusion would be antidilutive.

In 2000, the Board approved an authorization for the repurchase of up to an additional \$1 billion in common stock, in addition to \$258 million remaining from a prior authorization. During 2000, the company repurchased approximately 14.7 million shares for \$967 million, leaving \$291 million available for future repurchases at Dec. 28, 2003. In February 2004, the company announced its plan to reactivate its existing share repurchase program. Certain of the shares previously acquired by the company have been reissued in settlement of employee stock awards.

In May 2001, the company's shareholders approved the adoption of the Omnibus Incentive Compensation Plan (the Plan), which replaced the 1978 Long-Term Executive Incentive Plan (1978 Plan). The Plan, which is administered by the Executive Compensation Committee of the Board of Directors, provides for the issuance of up to 12 million shares of company common stock for awards granted on or after May 7, 2001. No more than 1,500,000 of the authorized shares may be granted in the aggregate in the form of Restricted Stock, Performance Shares and/or Performance Units. The Plan provides for the granting of stock options, stock appreciation rights, restricted stock and other equity-based and cash-based awards. Awards may be granted to employees of the company and members of the Board of Directors. The 1978 Plan did not provide for granting awards to members of the board. The Plan provides that shares of common stock subject to awards granted under the Plan become available again for issuance under the Plan if such awards are canceled or forfeited. A similar feature existed under the 1978 Plan but with the adoption of the Omnibus Plan, canceled or forfeited shares subject to grants under the 1978 Plan are permanently retired.

Stock options may be granted as either non-qualified stock options or incentive stock options. The options are granted to purchase common stock of the company at not less than 100% of the fair market value on the day the option is granted. Options are exercisable at such times and subject to such terms and conditions as the Executive Compensation Committee determines but generally the exercise period is 10 years and the options become exercisable at 25% per year after a one-year waiting period. Under the 1978 Plan, options issued prior to 1996 had an eight-year exercise period. The Plan restricts the granting of stock options to any participant in any fiscal year to no more than 1,000,000 shares. The limit under the 1978 Plan was 350,000 shares.

A Stock Appreciation Right (SAR) is a right to receive an amount in any combination of cash or common stock equal in value to the excess of the fair market value of the shares covered by such SAR on the date of exercise over the aggregate exercise price of the SAR for such shares. SARs may be granted in tandem with related options or freestanding. The exercise price of an SAR is equal to the fair market value of a share of common stock on the date the SAR is granted. No more than 1,000,000 shares of common stock may be granted in the form of SARs to any participant in any fiscal year. No SARs have been granted as of Dec. 28, 2003.

Restricted Stock is an award of common stock that is subject to restrictions and such other terms and conditions as the Executive Compensation Committee determines. Under the 1978 Plan, such awards could be issued in the form of Stock Incentive Rights (SIR). These rights entitle an employee to receive one share of common stock at the end of a four-year incentive period conditioned on the employee's continued employment with the company. The Plan continues to permit the issuance of such awards but also allows restrictions other than the incentive period. Additionally, under the Plan, no more than 500,000 restricted shares may be granted to any participant in any fiscal year. Under the 1978 Plan there was no limit. No restricted stock awards in the form of an SIR have been issued since July 2000 and all previously granted awards matured and were paid out in 2003.

During 2003, five members of the Board of Directors were awarded 6,992 shares of restricted stock in a form other than a SIR, as part of their compensation plans. These awards vest over three years and expense is recognized over the three-year earn-out period based on the grant price of the restricted stock. All vested shares will be issued to the directors when they leave the board.

Also during 2003, a restricted stock unit grant of \$150,000 was awarded to the company's Chairman, which was deferred under the Deferred Compensation Plan and converted into 1,913 shares of company common stock. The award was charged to expense when granted.

The Executive Compensation Committee may grant other types of awards that are valued in whole or in part by reference to or that are otherwise based on fair market value of the company's common stock or other criteria established by the Executive Compensation Committee and the achievement of performance goals. The maximum aggregate grant of performance shares that may be awarded to any participant in any fiscal year shall not exceed 500,000 shares of common stock. The maximum aggregate amount of performance units or cash-based awards that may be awarded to any participant in any fiscal year shall not exceed \$10,000,000.

In the event of a change in control as defined in the Plan, (1) all outstanding options and SARs will become immediately exercisable in full, (2) all restricted periods and restrictions imposed on non-performance based restricted stock awards will lapse, and (3) target payment opportunities attainable under all outstanding awards of performance-based restricted stock, performance units and performance shares will be paid on a prorated basis as specified in the Plan. The Plan does not provide for the grant of option surrender rights in tandem with stock options, as was the case under the 1978 Plan, and has eliminated the requirement under the 1978 Plan that awards that were accelerated as a result of a change in control could only be exercised during certain window periods.

A summary of the status of the company's stock option awards as of Dec. 28, 2003, Dec. 29, 2002, and Dec. 30, 2001, and changes thereto during the years then ended is presented below:

<b>2003 Stock Option Activity</b>	<b>Shares</b>	<b>Weighted average exercise price</b>
Outstanding at beginning of year . . . . .	23,841,229	\$63.53
Granted . . . . .	5,413,986	86.76
Exercised . . . . .	(4,363,284)	53.95
Canceled . . . . .	(678,869)	67.28
Outstanding at end of year . . . . .	24,213,062	70.34
Options exercisable at year end . . . . .	10,968,269	64.21
Weighted average fair value of		
Options granted during the year . . . . .	\$21.73	

<b>2002 Stock Option Activity</b>	<b>Shares</b>	<b>Weighted average exercise price</b>
Outstanding at beginning of year . . . . .	20,526,064	\$59.57
Granted . . . . .	5,813,750	70.24
Exercised . . . . .	(2,027,943)	42.41
Canceled . . . . .	(470,642)	64.62
Outstanding at end of year . . . . .	23,841,229	63.53
Options exercisable at year end . . . . .	10,766,605	59.14
Weighted average fair value of		
Options granted during the year . . . . .	\$21.48	

<b>2001 Stock Option Activity</b>	<b>Shares</b>	<b>Weighted average exercise price</b>
Outstanding at beginning of year . . . . .	16,767,813	\$54.19
Granted . . . . .	5,945,245	69.21
Exercised . . . . .	(1,438,807)	33.92
Canceled . . . . .	(748,187)	65.09
Outstanding at end of year . . . . .	20,526,064	59.57
Options exercisable at year end . . . . .	9,018,580	53.08
Weighted average fair value of		
Options granted during the year . . . . .	\$22.58	

Further information about stock options outstanding at Dec. 28, 2003, follows:

<b>Range of exercise prices</b>	<b>Number outstanding at 12/28/03</b>	<b>Weighted average remaining contractual life (yrs)</b>	<b>Weighted average exercise price</b>	<b>Number exercisable at 12/28/03</b>	<b>Weighted average exercise price</b>
\$32.00-40.00	571,715	3.0	\$37.38	571,715	\$37.38
\$41.00-50.00	16,400	3.0	\$45.68	16,400	\$45.68
\$54.00-59.50	4,327,280	6.3	\$55.72	3,155,498	\$56.04
\$60.00-69.50	6,514,615	7.3	\$68.21	3,921,124	\$67.52
\$70.00-79.00	7,612,102	8.2	\$71.47	3,303,532	\$72.82
\$80.00-89.00	5,170,950	10.0	\$87.33	—	
	24,213,062	7.9	\$70.34	10,968,269	\$64.21

#### Stock Incentive Rights

The company has not granted stock incentive rights since July 2000. In 2003, 87,263 shares of common stock were issued in settlement of all remaining stock incentive rights. The compensation cost for these rights has been charged against income based on the grant price of the rights spread over the four-year earnout periods.

#### 401(k) Savings Plan

In 1990, the company established a 401(k) Savings Plan (the Plan). Substantially all employees of the company (other than those covered by a collective bargaining agreement) who are scheduled to work at least 1,000 hours during each year of employment are eligible to participate in the Plan. Employees could elect to save up to 15% of compensation on a pre-tax basis subject to certain limits. This limit was increased to 20% in 2002. The company matches 50% of the first 6% of employee contributions. From inception through June 2003, the match was funded with company common stock issued through an Employee Stock Ownership Plan (ESOP) established in 1990 when the 401(k) plan was introduced. The ESOP acquired 2,500,000 shares of Gannett stock from the company for \$50 million. The stock purchase was financed with a loan from the company, and the shares were pledged as collateral for the loan. The company made monthly contributions to the ESOP equal to the ESOP's debt service requirements less dividends. All dividends received by the ESOP were used to pay debt service. As the debt was paid, shares were released as collateral and were available for allocation to participants. In June of 2003, the debt was fully repaid and all of the shares had been fully allocated to participants. The company elected not to add additional shares to the ESOP and began funding future contributions in cash. The ESOP uses the cash match to purchase on the open market an equivalent number of shares of company stock on behalf of the participants. Beginning in 2002, Plan participants were able to fully diversify their Plan investments. Previously, employees under age 55 could not sell the shares of Gannett common stock they received as the company-match portion of the 401(k) plan.

For the period during which the company funded the match with company stock, the company followed the shares allocated method in accounting for its ESOP. Under that method, the costs of shares allocated to match employees' contributions or to replace dividends that are used for debt service are accounted for as compensation expense. The cost of unallocated shares is reported as deferred compensation in the financial statements. The company, at its option, may repurchase shares from employees who leave the Plan. The shares are purchased at fair market value, and the difference between the original cost of the shares and fair market value is expensed at the time of purchase. The company has not repurchased any shares since June of 2003 and currently has no plans to do so in the future. All of the shares initially purchased by the ESOP are considered outstanding for earnings per share calculations. Dividends on allocated and unallocated shares are recorded as reductions of retained earnings. Compensation expense for the 401(k) match and repurchased shares was \$17.3 million in 2003, \$10.7 million in 2002 and \$9.7 million in 2001.

In 2002 the Board authorized 3,000,000 shares of common stock to be registered in connection with savings-related share option plans available to eligible employees of Newsquest.

**Preferred Share Purchase Rights**

In May 1990, the Board of Directors declared a dividend distribution of one Preferred Share Purchase Right (Right) for each common share held, payable to shareholders of record on June 8, 1990. The Rights become exercisable when a person or group of persons acquires or announces an intention to acquire ownership of 15% or more of the company's common shares. Holders of the Rights may acquire an interest in a new series of junior participating preferred stock, or they may acquire an additional interest in the company's common shares at 50% of the market value of the shares at the time the Rights are exercised. The Rights are redeemable by the company at any time prior to the time they become exercisable, at a price of \$.01 per Right.

In May 2000, the company announced that its Board of Directors approved an amendment to its Shareholder Rights Plan to extend the expiration date of the Rights to May 31, 2010, and increase the initial exercise price of each preferred stock purchase right to \$280.

**NOTE 10**

**Commitments and contingent liabilities**

**Litigation:** On December 31, 2003, two employees of the company's television station KUSA in Denver filed a purported class action lawsuit in the U.S. District Court for the District of Colorado against Gannett and the Gannett Retirement Plan (Plan) on behalf of themselves and other similarly situated individuals who participated in the Plan after Jan. 1, 1998, the date that certain amendments to the Plan took effect. The plaintiffs allege, among other things, that the current pension plan formula adopted in that amendment violated the age discrimination accrual provisions of the Employee Retirement Income Security Act. The plaintiffs seek to have their post-1997 benefits recalculated and seek other equitable relief. Gannett believes that it has valid defenses to the issues raised in the complaint and will defend itself vigorously. Due to the uncertainties of judicial determinations, however, it is not possible at this time to predict the ultimate outcome of this matter with respect to liability or damages, if any.

The company and a number of its subsidiaries are defendants in other judicial and administrative proceedings involving matters incidental to their business. The company's management does not believe that any material liability will be imposed as a result of these matters.

**Leases:** Approximate future minimum annual rentals payable under non-cancelable operating leases, primarily real estate-related, are as follows:

<i>In thousands of dollars</i>	
2004	\$ 44,815
2005	40,316
2006	36,325
2007	32,013
2008	28,537
Later years	121,536
<b>Total</b>	<b>\$ 303,542</b>

Total minimum annual rentals have not been reduced for future minimum sublease rentals aggregating approximately \$3 million. Total rental costs reflected in continuing operations were \$57 million for 2003, \$56 million for 2002 and \$59 million for 2001.

**Program broadcast contracts:** The company has commitments under program broadcast contracts totaling \$109.2 million for programs to be available for telecasting in the future.

**Guarantees:** The company has a 13.5% general partnership interest in Ponderay Newsprint Company. The company, on a several basis, is a guarantor of 13.5% of the principal and interest on a term loan that totals \$98 million held by Ponderay.

In December 1990, the company adopted a Transitional Compensation Plan (the Plan). The Plan provides termination benefits to key executives whose employment is terminated under certain circumstances within two years following a change in control of the company. Benefits under the Plan include a severance payment of up to three years' compensation and continued life and medical insurance coverage.

## NOTE 11

### **Business operations and segment information**

The company has determined that its reportable segments based on its management and internal reporting structure are newspaper publishing, which is the largest segment of its operations, and broadcasting (television).

The newspaper segment at the end of 2003 consisted of 100 U.S. daily newspapers in 41 states and one U.S. territory, including USA TODAY, a national, general-interest daily newspaper; and USA WEEKEND, a magazine supplement for newspapers. The newspaper segment also includes Newsquest, which is a regional newspaper publisher in the United Kingdom with a portfolio of more than 300 titles that includes 17 paid-for daily newspapers, paid-for weekly newspapers, free weekly newspapers and other publications. The newspaper segment in the U.S. also includes more than 500 non-daily publications, a nationwide network of offset presses for commercial printing, newspaper-related online businesses and several smaller businesses.

As discussed in Note 1, the company accounts for results from its 50% owned joint operating agencies in Detroit and Tucson on the equity method of accounting (as a net amount in other operating revenue for the newspaper segment). The newspaper segment also reflects minority interests in a newspaper publishing partnership and a newsprint production partnership.

The broadcasting segment's activities for 2003 include the operation of 22 U.S. television stations reaching 17.8 percent of U.S. television homes.

The company's foreign revenues in 2003, 2002 and 2001 totaled approximately \$983 million, \$788 million and \$755 million, respectively, principally from publications distributed in the United Kingdom. The company's long-lived assets in foreign countries, principally in the United Kingdom, totaled approximately \$3.3 billion, \$2.6 billion, and \$2.3 billion at Dec. 28, 2003, Dec. 29, 2002, and Dec. 30, 2001, respectively.

Separate financial data for each of the company's business segments is presented in the table that follows. The accounting policies of the segments are those described in Note 1. The company evaluates the performance of its segments based on operating income and operating cash flow. Operating income represents total revenue less operating expenses, including depreciation and amortization of intangibles. In determining operating income by industry segment, general corporate expenses, interest expense, interest income, and other income and expense items of a non-operating nature are not considered, as such items are not allocated to the company's segments. Operating cash flow represents operating income plus depreciation and amortization of intangible assets.

Beginning with fiscal year 2002, the company ceased amortizing goodwill. See Notes 1 and 3 for a further discussion of this accounting change.

Corporate assets include cash and cash equivalents, certain investments, long-term receivables and plant and equipment primarily used for corporate purposes. Interest capitalized has been included as a corporate capital expenditure for purposes of segment reporting.

In thousands of dollars

**Business segment financial information**

	2003	2002	2001
<i>Operating revenues</i>			
Newspaper publishing . . . .	\$ 5,991,231	\$ 5,650,946	\$ 5,636,954
Broadcasting . . . . .	719,884	771,303	662,652
.....	\$ 6,711,115	\$ 6,422,249	\$ 6,299,606
<i>Operating income</i>			
Newspaper publishing . . . .	\$ 1,713,163	\$ 1,615,664	\$ 1,400,609
Broadcasting . . . . .	330,054	371,132	249,783
Corporate (1) . . . . .	(62,199)	(60,487)	(60,557)
.....	\$ 1,981,018	\$ 1,926,309	\$ 1,589,835
<i>Depreciation and amortization</i>			
Newspaper publishing . . . .	\$ 189,805	\$ 181,669	\$ 369,044
Broadcasting . . . . .	26,394	25,429	67,639
Corporate (1) . . . . .	15,333	15,346	7,094
.....	\$ 231,532	\$ 222,444	\$ 443,777
<i>Operating cash flow (2)</i>			
Newspaper publishing . . . .	\$ 1,902,968	\$ 1,797,333	\$ 1,769,653
Broadcasting . . . . .	356,448	396,561	317,422
Corporate (1) . . . . .	(46,866)	(45,141)	(53,463)
.....	\$ 2,212,550	\$ 2,148,753	\$ 2,033,612
<i>Identifiable assets</i>			
Newspaper publishing . . . .	\$12,136,877	\$11,117,735	\$10,558,641
Broadcasting . . . . .	1,990,214	2,037,605	2,004,486
Corporate (1) . . . . .	579,148	577,674	532,974
.....	\$14,706,239	\$13,733,014	\$13,096,101
<i>Capital expenditures</i>			
Newspaper publishing . . . .	\$ 259,680	\$ 221,647	\$ 230,223
Broadcasting . . . . .	15,886	40,383	21,602
Corporate (1) . . . . .	5,698	12,798	72,754
.....	\$ 281,264	\$ 274,828	\$ 324,579

(1) Corporate amounts represent those not directly related to the company's two business segments.

(2) Operating cash flow amounts represent operating income plus depreciation and amortization of intangible assets.

The following is a reconciliation of operating cash flow amounts to operating income:

In thousands of dollars

	2003	2002	2001
<i>Newspaper publishing</i>			
Operating cash flow . . . . .	\$ 1,902,968	\$ 1,797,333	\$ 1,769,653
Less:			
Depreciation . . . . .	(181,534)	(174,342)	(169,931)
Amortization . . . . .	(8,271)	(7,327)	(199,113)
Operating income . . . . .	\$ 1,713,163	\$ 1,615,664	\$ 1,400,609
<i>Broadcasting</i>			
Operating cash flow . . . . .	\$ 356,448	\$ 396,561	\$ 317,422
Less:			
Depreciation . . . . .	(26,394)	(25,429)	(25,431)
Amortization . . . . .	—	—	(42,208)
Operating income . . . . .	\$ 330,054	\$ 371,132	\$ 249,783
<i>Corporate</i>			
Operating cash flow (1) . . .	\$ (46,866)	\$ (45,141)	\$ (53,463)
Less:			
Depreciation . . . . .	(15,333)	(15,346)	(7,094)
Amortization . . . . .	—	—	—
Operating income . . . . .	\$ (62,199)	\$ (60,487)	\$ (60,557)
<i>All segments</i>			
Operating cash flow . . . . .	\$ 2,212,550	\$ 2,148,753	\$ 2,033,612
Less:			
Depreciation . . . . .	(223,261)	(215,117)	(202,456)
Amortization . . . . .	(8,271)	(7,327)	(241,321)
Operating income . . . . .	\$ 1,981,018	\$ 1,926,309	\$ 1,589,835

## SELECTED FINANCIAL DATA

(See notes a and b on page 52)

<i>In thousands of dollars, except per share amounts</i>	2003	2002	2001	2000	1999
<i>Net operating revenues</i>					
Newspaper advertising	\$ 4,397,244	\$ 4,122,685	\$ 4,119,773	\$ 3,972,936	\$ 3,115,250
Newspaper circulation	1,212,891	1,182,103	1,188,467	1,082,759	942,368
Broadcasting	719,884	771,303	662,652	788,767	728,642
All other	381,096	346,158	328,714	339,624	280,356
<b>Total</b>	<b>6,711,115</b>	<b>6,422,249</b>	<b>6,299,606</b>	<b>6,184,086</b>	<b>5,066,616</b>
<i>Operating expenses</i>					
Costs and expenses	4,498,565	4,273,496	4,265,994	3,990,915	3,223,424
Depreciation	223,261	215,117	202,456	195,428	169,460
Amortization of intangible assets	8,271	7,327	241,321	180,487	110,631
<b>Total</b>	<b>4,730,097</b>	<b>4,495,940</b>	<b>4,709,771</b>	<b>4,366,830</b>	<b>3,503,515</b>
<b>Operating income</b>	<b>1,981,018</b>	<b>1,926,309</b>	<b>1,589,835</b>	<b>1,817,256</b>	<b>1,563,101</b>
<i>Non-operating (expense) income</i>					
Interest expense	(139,271)	(146,359)	(221,854)	(219,228)	(94,619)
Other, net	(1,434)	(15,422)	2,616	10,812	58,705 (1)
<b>Income before income taxes</b>	<b>1,840,313</b>	<b>1,764,528</b>	<b>1,370,597</b>	<b>1,608,840</b>	<b>1,527,187</b>
<b>Provision for income taxes</b>	<b>629,100</b>	<b>604,400</b>	<b>539,400</b>	<b>636,900</b>	<b>607,800</b>
<b>Income from continuing operations</b>	<b>\$ 1,211,213</b>	<b>\$ 1,160,128</b>	<b>\$ 831,197</b>	<b>\$ 971,940</b>	<b>\$ 919,387 (1)</b>
<b>Income from continuing operations: per basic/diluted share</b>	<b>\$4.49/\$4.46</b>	<b>\$4.35/\$4.31</b>	<b>\$3.14/\$3.12</b>	<b>\$3.65/\$3.63</b>	<b>\$3.29/\$3.26 (1)</b>

### Comparable Basis Reporting (2)

<b>Income from continuing operations, as reported</b>	<b>\$ 1,211,213</b>	<b>\$ 1,160,128</b>	<b>\$ 831,197</b>	<b>\$ 971,940</b>	<b>\$ 919,387 (1)</b>
Adjustment for SFAS No. 142: add back goodwill amortization, net of tax . . . .			215,688	160,332	109,831
<b>Adjusted income from continuing operations . .</b>	<b>\$ 1,211,213</b>	<b>\$ 1,160,128</b>	<b>\$ 1,046,885</b>	<b>\$ 1,132,272</b>	<b>\$ 1,029,218 (1)</b>
<b>Adjusted income from continuing operations: per basic/diluted share (2)</b>	<b>\$4.49/\$4.46</b>	<b>\$4.35/\$4.31</b>	<b>\$3.95/\$3.92</b>	<b>\$4.25/\$4.22</b>	<b>\$3.69/\$3.65 (1)</b>

### Other selected financial data

Dividends declared per share	\$ .98	\$ .94	\$ .90	\$ .86	\$ .82
Weighted average number of common shares outstanding in thousands:					
basic	269,559	266,885	264,821	266,426	279,048
diluted	271,872	269,286	266,833	268,118	281,608
<i>Financial position</i>					
Long-term debt, excluding current maturities . .	\$ 3,834,511	\$ 4,547,265	\$ 5,080,025	\$ 5,747,856	\$ 2,463,250
Shareholders' equity	\$ 8,422,981	\$ 6,911,795	\$ 5,735,922	\$ 5,103,410	\$ 4,629,646
Total assets	\$14,706,239	\$13,733,014	\$13,096,101	\$12,980,411	\$ 9,006,446
Return on equity (3)	15.8%	18.3%	19.3%	23.3%	23.9% (1)
<i>Percentage increase (decrease)</i>					
As reported, earnings from continuing operations, after tax, per share:					
basic	3.2%	38.5%	(14.0%)	10.9%	(3.5%) (1)
diluted	3.5%	38.1%	(14.0%)	11.3%	(3.6%) (1)
Comparable basis earnings from continuing operations, after tax, per share (2):					
basic	3.2%	10.1%	(7.1%)	15.2%	— (1)
diluted	3.5%	9.9%	(7.1%)	15.6%	(0.3%) (1)
Dividends declared per share	4.3%	4.4%	4.7%	4.9%	5.1%
<i>Credit ratios</i>					
Long-term debt to shareholders' equity	45.5%	65.8%	88.6%	112.6%	53.2%
Times interest expense earned	14.2X	13.2X	7.2X	8.3X	17.1X

(1) Includes pre-tax net non-operating gain principally from the exchange of KVUE-TV for KXTV-TV of \$55 million (after-tax gain of \$33 million or \$.11 per share).

(2) As if Statements of Financial Accounting Standards No. 142 (SFAS No. 142) had been adopted for all periods presented – see Note 3 on page 38.

(3) Calculated using income from continuing operations on a comparable basis. See Note 3 on page 38.

## NOTES TO SELECTED FINANCIAL DATA

(a) The company and its subsidiaries made the acquisitions listed below during the period. The results of operations of these acquired businesses are included in the accompanying financial information from the date of acquisition.

(b) During the period, the company sold or otherwise disposed of substantially all of the assets or capital stock of certain other subsidiaries and divisions of other subsidiaries which are listed on page 53.

Note 2 of the consolidated financial statements on pages 37-38 contains further information concerning certain of these acquisitions and dispositions.

### Acquisitions and dispositions 1999-2003

The growth of the company has resulted from acquisitions of businesses, as well as from internal expansion. Its acquisitions since the beginning of 1999 are shown below. The company has disposed of several businesses during this period, which are presented on the following page.

#### Acquisitions 1999-2003

Year acquired	Name	Location	Publication times or business
1999	The Reporter	Melbourne, Fla.	Weekly newspaper
	Lehigh Acres News-Star	Lehigh Acres, Fla.	Weekly newspaper
	Dealer Magazine	Reno, Nev.	Weekly magazine
	KXTV-TV	Sacramento, Calif.	Television station
	Newsquest plc	United Kingdom	Daily and weekly newspapers
	Tucker Communications, Inc.	Westchester Co., N.Y.	Weekly newspaper
	Pennypower Shopping News	Branson & Springfield, Mo.	Weekly newspaper
2000	The Pioneer Republican and other publications	Des Moines, Iowa	Weekly newspapers
	Buyers' Digest	Franklin County, Vt.	Weekly newspaper
	The Clarion	Redcar, U.K.	Weekly newspaper
	WJXX-TV	Jacksonville, Fla.	Television station
	Mason Valley News, Fernley Leader-Dayton Courier	Lyon County, Nev.	Weekly newspapers
	Brevard Technical Journal	Brevard County, Fla.	Monthly magazine
	Dickson Shoppers	Middle Tennessee	Weekly newspapers
	Greenville Parent Magazine	Greenville County, S.C.	Monthly magazine
	News Communications & Media plc	United Kingdom	Daily and weekly newspapers and other publications
	Space Coast Press	Brevard County, Fla.	Weekly newspaper
	Certain assets of Thomson Newspapers Inc.	Wisconsin, Ohio, Louisiana, Maryland, Utah	19 daily and numerous weekly newspapers
	Central Newspapers, Inc.	Arizona, Indiana, Louisiana	6 daily newspapers; other related businesses
	Daily World	Opelousas, La.	Daily newspaper
	Windsor Beacon	Windsor, Colo.	Weekly newspaper
50+ Lifestyles and other publications	Des Moines, Iowa	Monthly magazines	
2001	Shopping News	St. Cloud, Minn.	Weekly newspaper
	Gatwick Life, Horley Life	Surrey/Sussex, U.K.	Weekly newspapers
	The Bulletin Board	Montgomery, Ala.	Weekly newspaper
	The Dimpleby Newspapers	London, U.K.	Weekly newspapers
	PMP Company Ltd.	Honolulu, Hawaii	Monthly and bi-monthly publications
	AutoChooser	Tempe, Ariz.	Software product
	Honolulu Pennysaver	Honolulu, Hawaii	Weekly newspaper
	Buy and Sell Classifieds	Honolulu, Hawaii	Bi-weekly newspapers

(continued on following page)

**Acquisitions 1999-2003 (continued)**

<b>Year acquired</b>	<b>Name</b>	<b>Location</b>	<b>Publication times or business</b>
<b>2002</b>	Consumer Press	Great Falls, Mont.	Weekly newspaper
	Pioneer Shopper	St. George, Utah	Weekly newspaper
	Action Advertising	Fond du Lac, Wis.	Commercial printing business
	Prairie Publications	Sioux Falls, S.D.	Weekly newspapers
	Armed Forces Journal International	McLean, Va.	Magazines
<b>2003</b>	Texas-New Mexico Newspapers Partnership	Texas, New Mexico	Daily newspapers
	InfiNet	Norfolk, Va.	Internet publishing and information service
	SMG Publishing	United Kingdom	Daily newspapers, magazines and other related business
	Lettercatch Ltd.	United Kingdom	Weekly newspapers
	101 Things to Do	Hawaii	Magazines and Web site
	Kopitzke Corp.	Sister Bay, Wis.	Weekly newspaper, commercial printing, retail office supply business and Web site
	Cuarto Poder Publicaciones, LLC; Ashland Publishing, LLC; Ashland Printing and Mailing, LLC and AZ Mail	Phoenix, Ariz.	Weekly newspapers and direct marketing company
	RB Communications LLC	Las Vegas, Nev., Phoenix, Ariz.	Magazines
	Pensacola Business Journal	Pensacola, Fla.	Bi-monthly publication
	Clipper Magazine, Inc.	Lancaster, Pa.	Direct-mail advertising magazine company, advertising agency, email customer retention service and Web site

**Dispositions 1999-2003**

<b>Year disposed</b>	<b>Name</b>	<b>Location</b>	<b>Publication times or business</b>
<b>1999</b>	The San Bernardino County Sun (2)	San Bernardino, Calif.	Daily newspaper
	KVUE-TV (3)	Austin, Texas	Television station
<b>2000</b>	Multimedia Cable	Kansas, Oklahoma, North Carolina	Cable television systems
	Marin Independent Journal (2)	Marin, Calif.	Daily newspaper
	Classified Gazette (2)	San Rafael, Calif.	Semi-weekly newspaper
	Space News	Springfield, Va.	Weekly newspaper
<b>2001</b>	The Marietta Times (1)	Marietta, Ohio	Daily newspaper
	The Reporter	Lansdale, Pa.	Daily newspaper
	Ocean Springs Record and Gautier Independent	Ocean Springs, Miss.	Weekly newspapers
<b>2002</b>	Vincennes Sun-Commercial (1)	Vincennes, Ind.	Daily newspaper
<b>2003</b>	El Paso Times (4)	El Paso, Texas	Daily newspaper

- (1) These properties were contributed to the Gannett Foundation, a not-for-profit, private foundation.  
(2) Contributed for an equity interest in the California Newspaper Partnership.  
(3) Exchanged for KXTV-TV in Sacramento, Calif.  
(4) Contributed for a 66.2% equity interest in the Texas-New Mexico Newspapers Partnership.

**QUARTERLY STATEMENTS OF INCOME (Unaudited)**

*In thousands of dollars*

<i>Fiscal year ended December 28, 2003</i>	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>	<b>Total</b>
<i>Net operating revenues</i>					
Newspaper advertising .....	\$1,006,047	\$ 1,115,381	\$ 1,067,039	\$ 1,208,777	\$4,397,244
Newspaper circulation .....	302,431	303,180	300,277	307,003	1,212,891
Broadcasting .....	158,176	192,727	172,302	196,679	719,884
All other .....	85,591	93,995	91,665	109,845	381,096
<b>Total .....</b>	<b>1,552,245</b>	<b>1,705,283</b>	<b>1,631,283</b>	<b>1,822,304</b>	<b>6,711,115</b>
<i>Operating expenses</i>					
Cost of sales and operating expenses, exclusive of depreciation .....	836,622	856,972	849,088	911,087	3,453,769
Selling, general and administrative expenses, exclusive of depreciation .....	248,571	262,917	259,147	274,161	1,044,796
Depreciation .....	54,229	55,078	58,452	55,502	223,261
Amortization of intangible assets .....	1,830	2,174	2,134	2,133	8,271
<b>Total .....</b>	<b>1,141,252</b>	<b>1,177,141</b>	<b>1,168,821</b>	<b>1,242,883</b>	<b>4,730,097</b>
<b>Operating income .....</b>	<b>410,993</b>	<b>528,142</b>	<b>462,462</b>	<b>579,421</b>	<b>1,981,018</b>
<i>Non-operating (expense) income</i>					
Interest expense .....	(36,109)	(36,334)	(33,857)	(32,971)	(139,271)
Other .....	4,852	899	(4,573)	(2,612)	(1,434)
<b>Total .....</b>	<b>(31,257)</b>	<b>(35,435)</b>	<b>(38,430)</b>	<b>(35,583)</b>	<b>(140,705)</b>
Income before income taxes .....	379,736	492,707	424,032	543,838	1,840,313
Provision for income taxes .....	129,900	168,400	145,000	185,800	629,100
<b>Net income .....</b>	<b>\$ 249,836</b>	<b>\$ 324,307</b>	<b>\$ 279,032</b>	<b>\$ 358,038</b>	<b>\$1,211,213</b>
<b>Net income per share - basic .....</b>	<b>\$ .93</b>	<b>\$ 1.21</b>	<b>\$ 1.03</b>	<b>\$ 1.32</b>	<b>\$ 4.49</b>
<b>Net income per share - diluted (1) .....</b>	<b>\$ .93</b>	<b>\$ 1.20</b>	<b>\$ 1.03</b>	<b>\$ 1.31</b>	<b>\$ 4.46</b>

(1) As a result of rounding, the total of the four quarters' earnings per share does not equal the earnings per share for the year.

**QUARTERLY STATEMENTS OF INCOME (Unaudited)**

*In thousands of dollars*

<i>Fiscal year ended December 29, 2002</i>	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>	<b>Total</b>
<i>Net operating revenues</i>					
Newspaper advertising .....	\$ 969,803	\$ 1,045,938	\$ 1,006,923	\$ 1,100,021	\$ 4,122,685
Newspaper circulation .....	299,262	293,990	292,659	296,192	1,182,103
Broadcasting .....	167,186	191,299	184,039	228,779	771,303
All other .....	76,907	81,963	86,058	101,230	346,158
<b>Total .....</b>	<b>1,513,158</b>	<b>1,613,190</b>	<b>1,569,679</b>	<b>1,726,222</b>	<b>6,422,249</b>
<i>Operating expenses</i>					
Cost of sales and operating expenses, exclusive of depreciation .....	807,116	799,255	808,882	838,750	3,254,003
Selling, general and administrative expenses, exclusive of depreciation .....	248,331	254,534	253,735	262,893	1,019,493
Depreciation .....	53,369	53,362	54,572	53,814	215,117
Amortization of intangible assets .....	1,833	1,834	1,830	1,830	7,327
<b>Total .....</b>	<b>1,110,649</b>	<b>1,108,985</b>	<b>1,119,019</b>	<b>1,157,287</b>	<b>4,495,940</b>
<b>Operating income .....</b>	<b>402,509</b>	<b>504,205</b>	<b>450,660</b>	<b>568,935</b>	<b>1,926,309</b>
<i>Non-operating (expense) income</i>					
Interest expense .....	(28,754)	(41,101)	(39,709)	(36,795)	(146,359)
Other .....	(2,292)	(81)	(6,015)	(7,034)	(15,422)
<b>Total .....</b>	<b>(31,046)</b>	<b>(41,182)</b>	<b>(45,724)</b>	<b>(43,829)</b>	<b>(161,781)</b>
Income before income taxes .....	371,463	463,023	404,936	525,106	1,764,528
Provision for income taxes .....	127,900	159,100	139,300	178,100	604,400
<b>Net income .....</b>	<b>\$ 243,563</b>	<b>\$ 303,923</b>	<b>\$ 265,636</b>	<b>\$ 347,006</b>	<b>\$1,160,128</b>
<b>Net income per share - basic .....</b>	<b>\$ .92</b>	<b>\$ 1.14</b>	<b>\$ .99</b>	<b>\$ 1.30</b>	<b>\$ 4.35</b>
<b>Net income per share - diluted (1) .....</b>	<b>\$ .91</b>	<b>\$ 1.13</b>	<b>\$ .99</b>	<b>\$ 1.29</b>	<b>\$ 4.31</b>

(1) As a result of rounding, the total of the four quarters' earnings per share does not equal the earnings per share for the year.

**SCHEDULE II – Valuation and qualifying accounts and reserves**

*In thousands of dollars*

	<b>Balance at beginning of period</b>	<b>Additions charged to cost and expenses</b>	<b>Additions/(reductions) for acquisitions/dispositions</b>	<b>Deductions from reserves (1)</b>	<b>Balance at end of period</b>
<b>Allowance for doubtful receivables</b>					
Fiscal year ended Dec. 28, 2003 .....	\$ 36,610	\$ 17,893	\$ 6,552	\$(19,525)	\$ 41,530
Fiscal year ended Dec. 29, 2002 .....	\$ 39,138	\$ 22,097	\$ (93)	\$(24,532)	\$ 36,610
Fiscal year ended Dec. 30, 2001 .....	\$ 37,465	\$ 32,891	\$ (361)	\$(30,857)	\$ 39,138

(1) Consists of write-offs, net of recoveries and foreign currency translation adjustments in each year.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not applicable.

**ITEM 9A. CONTROLS AND PROCEDURES**

Based on their evaluation, the company's Chairman, President and Chief Executive Officer and Senior Vice President and Chief Financial Officer have concluded the company's disclosure controls and procedures are effective as of Dec. 28, 2003, to ensure that information required to be disclosed in the reports that the company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. There have been no significant changes in the company's internal controls or in other factors that have materially affected, or are reasonably likely to materially affect, the company's internal controls over financial reporting.

**PART III**

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

Below is a listing of the executive officers of the company. Executive officers serve for a term of one year and may be re-elected.

**Thomas L. Chapple**

Senior Vice President, Chief Administrative Officer and General Counsel (2003-present). Formerly: Senior Vice President, General Counsel and Secretary (1995-2003). Age 56.

**Paul Davidson**

Chairman and Chief Executive Officer, Newsquest (2003-present). Formerly: Chief Executive, Newsquest (2001-2003); Group Managing Director (1995-2001). Age 49. U.K. citizen.

**Craig A. Dubow**

President and CEO, Gannett Broadcasting (2001-present). Formerly: President, Gannett Television (2000-2001); Executive Vice President, Gannett Television (1996-2000). Age 49.

**Daniel S. Ehrman, Jr.**

Vice President, Planning & Development (1997-present). Age 57.

**George R. Gavagan**

Vice President and Controller (1997-present). Formerly: Vice President, Corporate Accounting Services (1993-1997). Age 57.

**John B. Jaske**

Senior Vice President, Labor Relations and Assistant General Counsel (1992-present). Age 59.

**Gracia C. Martore**

Senior Vice President and Chief Financial Officer (2003-present). Formerly: Senior Vice President, Finance and Treasurer (2001-2002); Treasurer and Vice President, Investor Relations (1998-2001); Vice President, Treasury Services and Investor Relations (1996-1998). Age 52.

**Douglas H. McCorkindale**

Chairman, President and Chief Executive Officer (2001-present). Formerly: President, Chief Executive Officer and Vice Chairman (2000-2001); Vice Chairman and President (1997-2000). Age 64.

**Craig A. Moon**

President and Publisher, USA TODAY (2003-present). Formerly: Executive Vice President, Gannett Newspaper Division (2002-2003); Group President, South Newspaper Group and President and Publisher, The Tennessean (1999-2002); President and Publisher, The Tennessean (1989-2002). Age 54.

**Gary L. Watson**

President, Gannett Newspaper Division (1990-present). Age 58.

Information concerning the Board of Directors of the company is incorporated by reference to the company's Proxy Statement pursuant to General Instruction G(3) to Form 10-K.

**ITEM 11. EXECUTIVE COMPENSATION**

Incorporated by reference to the company's Proxy Statement pursuant to General Instruction G(3) to Form 10-K.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Incorporated by reference to the company's Proxy Statement pursuant to General Instruction G(3) to Form 10-K.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Incorporated by reference to the company's Proxy Statement pursuant to General Instruction G(3) to Form 10-K.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Incorporated by reference to the company's Proxy Statement pursuant to General Instruction G(3) to Form 10-K.

**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K**

(a) Financial Statements, Financial Statement Schedules and Exhibits.

(1) Financial Statements.

As listed in the Index to Financial Statements and Supplementary Data on page 28.

(2) Financial Statement Schedules.

As listed in the Index to Financial Statements and Supplementary Data on page 28.

Note: All other schedules are omitted as the required information is not applicable or the information is presented in the consolidated financial statements or related notes.

(3) Pro Forma Financial Information.

Not Applicable.

(4) Exhibits.

See Exhibit Index on pages 61-63 for list of exhibits filed with this Form 10-K. Management contracts and compensatory plans or arrangements are identified with asterisks on the Exhibit Index.

(b) Reports on Form 8-K.

Current Report on Form 8-K furnished on October 15, 2003 pursuant to Item 12 on Form 8-K.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: February 24, 2004 GANNETT CO., INC. (Registrant)

By: Gracia C. Martore  
Gracia C. Martore,  
Senior Vice President  
and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Dated: February 24, 2004 Douglas H. McCorkindale  
Douglas H. McCorkindale,  
Director, Chairman, President  
and Chief Executive Officer

Dated: February 24, 2004 Gracia C. Martore  
Gracia C. Martore,  
Senior Vice President  
and Chief Financial Officer

Dated: February 24, 2004 H. Jesse Arnelle  
H. Jesse Arnelle, Director

Dated: February 24, 2004 Louis D. Boccardi  
Louis D. Boccardi, Director

Dated: February 24, 2004 Meredith A. Brokaw  
Meredith A. Brokaw, Director

Dated: February 24, 2004 James A. Johnson  
James A. Johnson, Director

Dated: February 24, 2004 Stephen P. Munn  
Stephen P. Munn, Director

Dated: February 24, 2004 Donna E. Shalala  
Donna E. Shalala, Director

Dated: February 24, 2004 Solomon D. Trujillo  
Solomon D. Trujillo, Director

Dated: February 24, 2004 Karen Hastie Williams  
Karen Hastie Williams, Director

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## EXHIBIT INDEX

<b>Exhibit Number</b>	<b>Exhibit</b>	<b>Location</b>
3-1	Second Restated Certificate of Incorporation of Gannett Co., Inc.	Incorporated by reference to Exhibit 3-1 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 26, 1993 ("1993 Form 10-K"). Amendment incorporated by reference to Exhibit 3-1 to the 1993 Form 10-K. Amendment dated May 2, 2000, incorporated by reference to Gannett Co., Inc.'s Form 10-Q for the fiscal quarter ended March 26, 2000.
3-2	By-laws of Gannett Co., Inc.	Incorporated by reference to Exhibit 3-2 to Gannett Co., Inc.'s Form 10-Q for the fiscal quarter ended June 29, 2003.
3-3	Form of Certificate of Designation, Preferences and Rights setting forth the terms of the Series A Junior Participating Preferred Stock, par value \$1.00 per share, of Gannett Co., Inc.	Incorporated by reference to Exhibit 1 to Gannett Co., Inc.'s Form 8-A filed on May 23, 1990.
4-1	Indenture dated as of March 1, 1983 between Gannett Co., Inc. and Citibank, N.A., as Trustee.	Incorporated by reference to Exhibit 4-2 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 29, 1985.
4-2	First Supplemental Indenture dated as of November 5, 1986 among Gannett Co., Inc., Citibank, N.A., as Trustee, and Sovran Bank, N.A., as Successor Trustee.	Incorporated by reference to Exhibit 4 to Gannett Co., Inc.'s Form 8-K filed on November 9, 1986.
4-3	Second Supplemental Indenture dated as of June 1, 1995, among Gannett Co., Inc., NationsBank, N.A., as Trustee, and Crestar Bank, as Trustee.	Incorporated by reference to Exhibit 4 to Gannett Co., Inc.'s Form 8-K filed on June 15, 1995.
4-4	Third Supplemental Indenture, dated as of March 14, 2002, between Gannett Co., Inc. and Wells Fargo Bank Minnesota, N.A., as Trustee.	Incorporated by reference to Exhibit 4.16 to Gannett Co., Inc.'s Form 8-K filed on March 14, 2002.
4-5	Rights Agreement, dated as of May 21, 1990, between Gannett Co., Inc. and First Chicago Trust Company of New York, as Rights Agent.	Incorporated by reference to Exhibit 1 to Gannett Co., Inc.'s Form 8-A filed on May 23, 1990.
4-5-1	Amendment No. 1 to Rights Agreement, dated as of May 2, 2000, between Gannett Co., Inc. and Norwest Bank Minnesota, N.A., as successor rights agent to First Chicago Trust Company of New York.	Incorporated by reference to Exhibit 2 to Gannett Co., Inc.'s Form 8-A/A filed on May 2, 2000.
4-6	Form of Rights Certificate.	Incorporated by reference to Exhibit 1 to Gannett Co., Inc.'s Form 8-A filed on May 23, 1990.
4-7	Specimen Certificate for Gannett Co., Inc.'s common stock, par value \$1.00 per share.	Incorporated by reference to Exhibit 2 to Gannett Co., Inc.'s Form 8-B filed on June 14, 1972.
10-1	\$3,000,000,000 Competitive Advance and Revolving Credit Agreement among Gannett Co., Inc. and the Banks named therein.	Incorporated by reference to Exhibit 4-10 to Gannett Co., Inc.'s Form 10-Q filed on August 9, 2000.
10-1-1	Amendment Number One to \$3,000,000,000 Competitive Advance and Revolving Credit Agreement among Gannett Co., Inc. and the Banks named therein.	Incorporated by reference to Exhibit 4-11 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 31, 2000.
10-1-2	Amendment Number Two to \$3,000,000,000 Competitive Advance and Revolving Credit Agreement among Gannett Co., Inc. and the Banks named therein.	Incorporated by reference to Exhibit 4-12 to Gannett Co., Inc.'s Form 10-Q for the quarter ended July 2, 2001.

10-2	Competitive Advance and Revolving Credit Agreement dated as of March 11, 2002, among Gannett Co., Inc., the several lenders from time to time parties thereto, Bank of America, N.A., as Administrative Agent, JP Morgan Chase Bank and Bank One NA, as Co-Syndication Agents, and Barclays Bank PLC, as Documentation Agent (the “2002 Credit Agreement”).	Incorporated by reference to Exhibit 10.11 to Gannett Co., Inc.’s Form 8-K filed on March 14, 2002.
10-2-1	First Amendment, dated as of February 28, 2003 and effective as of March 17, 2003 to the Competitive Advance and Revolving Credit Agreement dated as of March 11, 2002 among Gannett Co., Inc., the several lenders from time to time parties thereto, Bank of America, N.A., as Administrative Agent, JP Morgan Chase Bank and Bank One NA, as Co-Syndication Agents, and Barclay Bank PLC, as Documentation Agent.	Incorporated by reference to Exhibit 4-13 to Gannett Co., Inc.’s Form 10-K for the fiscal year ended December 29, 2002.
10-3	Gannett Co., Inc. 1978 Executive Long-Term Incentive Plan.*	Incorporated by reference to Exhibit 10-3 to Gannett Co., Inc.’s Form 10-K for the fiscal year ended December 28, 1980. Amendment No. 1 incorporated by reference to Exhibit 20-1 to Gannett Co., Inc.’s Form 10-K for the fiscal year ended December 27, 1981. Amendment No. 2 incorporated by reference to Exhibit 10-2 to Gannett Co., Inc.’s Form 10-K for the fiscal year ended December 25, 1983. Amendments Nos. 3 and 4 incorporated by reference to Exhibit 4-6 to Gannett Co., Inc.’s Form S-8 Registration Statement No. 33-28413 filed on May 1, 1989. Amendments Nos. 5 and 6 incorporated by reference to Exhibit 10-8 to Gannett Co., Inc.’s Form 10-K for the fiscal year ended December 31, 1989. Amendment No. 7 incorporated by reference to Gannett Co., Inc.’s Form S-8 Registration Statement No. 333-04459 filed on May 24, 1996. Amendment No. 8 incorporated by reference to Exhibit 10-3 to Gannett Co., Inc.’s Form 10-Q for the quarter ended September 28, 1997. Amendment dated December 9, 1997, incorporated by reference to Gannett Co., Inc.’s 1997 Form 10-K. Amendment No. 9 incorporated by reference to Exhibit 10-3 to Gannett Co., Inc.’s Form 10-Q for the quarter ended June 27, 1999. Amendment No. 10 incorporated by reference to Exhibit 10-3 to Gannett Co., Inc.’s Form 10-Q for the quarter ended June 25, 2000. Amendment No. 11 incorporated by reference to Exhibit 10-3 to Gannett Co., Inc.’s Form 10-K for the fiscal year ended December 31, 2000.
10-4	Description of supplemental insurance benefits.*	Incorporated by reference to the same-numbered Exhibit to Gannett Co., Inc.’s Form 10-K for the fiscal year ended December 29, 2002.
10-5	Gannett Supplemental Retirement Plan Restatement dated February 1, 2003.*	Incorporated by reference to Exhibit 10-1 to Gannett Co., Inc.’s Form 10-Q for the quarter ended June 29, 2003.
10-6	Gannett Co., Inc. Retirement Plan for Directors.*	Incorporated by reference to Exhibit 10-10 to the 1986 Form 10-K. 1991 Amendment incorporated by reference to Exhibit 10-2 to Gannett Co., Inc.’s Form 10-Q for the quarter ended September 29, 1991. Amendment to Gannett Co., Inc. Retirement Plan for Directors dated October 31, 1996, incorporated by reference to Exhibit 10-6 to Gannett Co., Inc.’s Form 10-K for the fiscal year ended December 29, 1996.

10-7	Gannett Co., Inc. Deferred Compensation Plan Restatement dated February 1, 2003 (reflects all amendments through October 20, 2003).*	Incorporated by reference to Exhibit 10.1 to Gannett Co., Inc.'s Form 10-Q for the quarter ended September 28, 2003.
10-8	Gannett Co., Inc. Transitional Compensation Plan.*	Incorporated by reference to Exhibit 10-8 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 30, 2001. Amendment dated December 3, 2002 incorporated by reference to the same-numbered Exhibit to Gannett Co., Inc.'s Form 10-K for the year ended December 29, 2002.
10-9	Employment Agreement dated July 21, 2003 between Gannett Co., Inc. and Douglas H. McCorkindale.*	Incorporated by reference to Exhibit 10-3 to Gannett Co., Inc.'s Form 10-Q for the quarter ended September 28, 2003.
10-10	Omnibus Incentive Compensation Plan.*	Incorporated by reference to Exhibit No. 10.1 to Gannett Co., Inc.'s Registration Statement on Form S-8 (Registration No. 333-105029).
10-11	Gannett Co., Inc. Savings-Related Share Option Scheme for Employees of Gannett U.K. Limited and its Subsidiaries.*	Incorporated by reference to the same-numbered Exhibit to Gannett Co., Inc.'s Form 10-K for the year ended December 29, 2002.
10-12	Gannett U.K. Limited Share Incentive Plan.*	Incorporated by reference to the same-numbered Exhibit to Gannett Co., Inc.'s Form 10-K for the year ended December 29, 2002.
10-13	Service Agreement, dated as of July 23, 2001, by and between Newsquest Media Group Limited and Paul Davidson.*	Attached.
21	Subsidiaries of Gannett Co., Inc.	Attached.
23	Consent of Independent Accountants.	Attached.
31-1	Certification Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.	Attached.
31-2	Certification Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.	Attached.
32-1	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Attached.
32-2	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Attached.

For purposes of the incorporation by reference of documents as Exhibits, all references to Form 10-K or 10-Q of Gannett Co., Inc. refer to Forms 10-K and 10-Q filed with the Commission under Commission file number 1-6961.

The company agrees to furnish to the Commission, upon request, a copy of each agreement with respect to long-term debt not filed herewith in reliance upon the exemption from filing applicable to any series of debt which does not exceed 10% of the total consolidated assets of the company.

\* Asterisks identify management contracts and compensatory plans or arrangements.

## GLOSSARY OF FINANCIAL TERMS

Presented below are definitions of certain key financial and operational terms that we hope will enhance your reading and understanding of Gannett's 2003 Form 10-K.

**ADVERTISING LINAGE** - Measurement term for the volume of space sold as advertising in the company's newspapers; refers to number of column inches, with each newspaper page composed of five to six columns.

**BALANCE SHEET** - A summary statement that reflects the company's assets, liabilities and shareholders' equity at a particular point in time.

**BROADCASTING REVENUES** - Primarily amounts charged to customers for commercial advertising aired on the company's television stations.

**CIRCULATION** - The number of newspapers sold to customers each day ("paid circulation"). The company keeps separate records of morning, evening and Sunday circulation.

**CIRCULATION REVENUES** - Amounts charged to newspaper readers or distributors reduced by the amount of discounts. Charges vary from city to city and depend on the type of sale (i.e., subscription or single copy) and distributor arrangements.

**COMPARABLE BASIS** - The company's operating results stated as if Statement of Financial Accounting Standard No. 142 "Goodwill and Other Intangible Assets" had been adopted at the beginning of 1998. See further discussion of accounting change on page 18 and in Note 3 on page 38.

**COMPREHENSIVE INCOME** - The change in equity (net assets) of the company from transactions and other events from non-owner sources. Comprehensive income comprises net income and other items previously reported directly in shareholders' equity, principally the foreign currency translation adjustment.

**CURRENT ASSETS** - Cash and other assets that are expected to be converted to cash within one year.

**CURRENT LIABILITIES** - Amounts owed that will be paid within one year.

**DEFERRED INCOME** - Revenue derived principally from advance subscription payments for newspapers. Revenue is recognized in the period in which it is earned.

**DEPRECIATION** - A charge against the company's earnings that allocates the cost of property, plant and equipment over the estimated useful lives of the assets.

**DIVIDEND** - Payment by the company to its shareholders of a portion of its earnings.

**EARNINGS PER SHARE (basic)** - The company's earnings divided by the average number of shares outstanding for the period.

**EARNINGS PER SHARE (diluted)** - The company's earnings divided by the average number of shares outstanding for the period, giving effect to assumed dilution from outstanding stock options and stock incentive rights.

**GAAP** - Generally accepted accounting principles.

**GOODWILL** - In a business purchase, this represents the excess of amounts paid over fair value of tangible and other identified intangible assets acquired. The company adopted a new accounting standard on Dec. 31, 2001, the first day of fiscal 2002, under which goodwill is only written off if it is considered to be impaired. (Also see "Purchase.")

**INVENTORIES** - Raw materials, principally newsprint, used in the business.

**NEWSPAPER ADVERTISING REVENUES** - Amounts charged to customers for space ("advertising linage") purchased in the company's newspapers. There are three major types of advertising revenue: retail ads from local merchants, such as department stores; classified ads, which include automotive, real estate and "help wanted"; and national ads, which promote products or brand names on a nationwide basis.

**OPERATING CASH FLOW** - A non-GAAP measure of operating income adjusted for depreciation and amortization of intangible assets.

**PRO FORMA** - A non-GAAP manner of presentation intended to improve comparability of financial results; it assumes business purchases/dispositions were completed at the beginning of the earliest period discussed (i.e., results are compared for all periods but only for businesses presently owned).

**PURCHASE** - A business acquisition. The acquiring company records at its cost the acquired assets less liabilities assumed. The reported income of an acquiring company includes the operations of the acquired company from the date of acquisition.

**RESULTS OF CONTINUING OPERATIONS** - A key section of the statement of income which presents operating results for the company's principal ongoing businesses (newspaper and broadcasting).

**RETAINED EARNINGS** - The earnings of the company not paid out as dividends to shareholders.

**STATEMENT OF CASH FLOWS** - A financial statement that reflects cash flows from operating, investing and financing activities, providing a comprehensive view of changes in the company's cash and cash equivalents.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY** - A statement that reflects changes in the common stock, retained earnings and other equity accounts.

**STATEMENT OF INCOME** - A financial statement that reflects the company's profit by measuring revenues and expenses.

**STOCK OPTION** - An award that gives key employees the right to buy shares of the company's stock, pursuant to a vesting schedule, at the market price of the stock on the date of the award.

## SHAREHOLDERS SERVICES

### **Gannett Stock**

Gannett Co., Inc. shares are traded on the New York Stock Exchange with the symbol GCI.

The company's transfer agent and registrar is Wells Fargo Bank, N.A. General inquiries and requests for enrollment materials for the programs described below should be directed to Wells Fargo Shareowner Services, P.O. Box 64854, St. Paul, MN 55164-0854 or by telephone at 1-800-778-3299 or at [www.wellsfargo.com/shareownerservices](http://www.wellsfargo.com/shareownerservices).

### **Dividend reinvestment plan**

The Dividend Reinvestment Plan (DRP) provides Gannett shareholders the opportunity to purchase additional shares of the company's common stock free of brokerage fees or service charges through automatic reinvestment of dividends and optional cash payments. Cash payments may range from a minimum of \$10 to a maximum of \$5,000 per month.

### **Automatic cash investment service for the DRP**

This service provides a convenient, no-cost method of having money automatically withdrawn from your checking or savings account each month and invested in Gannett stock through your DRP account.

### **Direct deposit service**

Gannett shareholders may have their quarterly dividends electronically credited to their checking or savings accounts on the payment date at no additional cost.

### **Annual meeting**

The annual meeting of shareholders will be held at 10 a.m. Tuesday, May 4, 2004, at Gannett headquarters.

### **For more information**

News and information about Gannett is available on our Web site ([www.gannett.com](http://www.gannett.com)). Quarterly earnings information will be available around the middle of April, July and October 2004.

We have posted on this site our principles of corporate governance, ethics policy and the charters for the audit, nominating and public responsibility and executive compensation committees of our board of directors, and we intend to post updates to these corporate governance materials promptly if any changes (including through any amendments or waivers of the ethics policy) are made. This site also provides access to our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K as filed with the SEC. Complete copies of our corporate governance materials and our Form 10-K may be obtained by writing the Secretary, Gannett Co., Inc., 7950 Jones Branch Drive, McLean, VA 22107.

Shareholders who wish to contact the company directly about their Gannett stock should call Shareholder Services at Gannett headquarters, 703-854-6960.

### **Gannett Headquarters**

7950 Jones Branch Drive  
McLean, VA 22107  
703-854-6000

**THIS REPORT WAS WRITTEN  
AND PRODUCED BY EMPLOYEES  
OF GANNETT.**

*Vice President and Controller*  
George Gavagan

*Assistant Controller*  
Frank Spasoff

*Director/Consolidation Accounting  
and Financial Reporting*  
Leslie Sears

*Vice President/Corporate  
Communications*  
Tara Connell

*Senior Manager/Publications*  
Laura Dalton

*Creative Director/Designer*  
Michael Abernethy

*Printing*  
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MCLEAN, VA 22107**

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