

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

X Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 27, 1994  
or  
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 its charter)

Delaware 16-0442930  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization Identification No.)

1100 Wilson Boulevard, Arlington, Virginia 22234  
(Address of principal executive offices) (Zip Code)

(703) 284-6000  
(Registrant's telephone number, including area code)

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(Former name, former address and former fiscal year, if changed since last report)

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 X No \_\_\_\_

The number of shares outstanding of the issuer's Common Stock, Par Value \$1.00, as of March 27, 1994 was 147,170,645.

PART I. FINANCIAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

Operating Summary

Income from operations for the first quarter of 1994 rose \$22.3 million or 19%, reflecting significant performance gains by the Company's newspaper and broadcast divisions. For newspapers, stronger demand for classified advertising contributed to a 9% earnings gain. Improved broadcast earnings, which rose 134%, resulted principally from radio and television advertising revenue growth and lower costs. Broadcast earnings comparisons with 1993 were also favorably affected by the recent sale of four

radio stations and the Company's television station in Boston.

#### Newspapers

Newspaper publishing revenues rose \$31.7 million or 4% in the first quarter of 1994. Newspaper advertising revenue rose \$27.2 million or 6% in the quarter, reflecting continued gains in classified, particularly in the employment category. Pro forma advertising linage rose 4%. "Run-of-press" (ROP) advertising rose 3%, as classified and national linage each rose 7%. Local linage declined 2%, as demand by major retailers continued soft. Preprint linage rose 6% for the quarter.

The tables below provide, on a pro forma basis, further details of newspaper ad revenue and linage for the first quarters of 1994 and 1993:

#### Advertising revenue, in thousands of dollars (Pro Forma)

First quarter	1994	1993	% Change
Local	\$181,339	\$179,117	1
National	74,493	70,594	6
Classified	160,244	143,786	11
Total Run-of-Press	416,076	393,497	6
Preprint and other advertising	76,168	72,434	5
Total ad revenue	\$492,244	\$465,931	6

#### Advertising linage, in thousands of inches (Pro Forma)

First quarter	1994	1993	% Change
Local	7,228	7,340	(2)
National	501	468	7
Classified	7,285	6,790	7
Total Run-of-Press	15,014	14,598	3
Preprint	13,756	13,020	6
Total ad linage	28,770	27,618	4

Newspaper circulation revenues for the quarter rose \$2.1 million or 1%. Net paid daily and Sunday circulation for the Company's local newspapers fell slightly for the quarter. USA TODAY reported an average daily paid circulation of 2,025,250 in the ABC Publisher's statement for the six months ended March 27, 1994, which, subject to audit, was down less than 1% from the comparable period a year ago.

Operating costs in total for the newspaper segment rose \$20.1 million or 3% for the quarter. Newsprint costs declined slightly, reflecting lower prices from a year ago, partly offset by higher consumption. The Company expects newsprint prices to rise later in 1994. Payroll costs rose 2%. Other production related costs rose from prior year levels, and employee benefit costs were also higher, particularly for health care and pensions.

Newspaper operating income rose \$11.6 million or 9% for the first quarter, due principally to the improved ad revenue environment. Most of the Company's local newspapers reported improved ad revenues and operating income results, with the larger papers posting the strongest gains. At USA Today, operating results were lower for the quarter. Revenues were even while operating costs rose slightly.

#### Broadcast

Broadcast revenues rose \$1.1 million or 1% for the quarter, while operating costs declined \$11 million or 15%. On a pro forma basis, broadcast revenues increased 14% and operating costs declined 1%.

On a pro forma basis, local television revenues increased 12% while national revenues increased 15%. Winter Olympics advertising at the Company's two CBS affiliates contributed to the overall growth in television revenues. Pro forma radio revenues increased 27%.

Operating income rose \$12.1 million or 134%, reflecting strong gains at most of the Company's television stations and all of the Company's radio stations. Broadcast earnings were also favorably affected by the recent sale of four radio stations in Kansas City and St. Louis, Missouri and the Company's television station in Boston.

#### Outdoor

Outdoor revenues declined \$0.9 million or 2% for the quarter, while operating costs were down slightly. The Outdoor group reported a seasonal operating loss of \$4.7 million in the first quarter, compared to a loss of \$4.1 million in the first quarter of 1993.

#### Non-operating income and expense

Interest expense was up slightly for the first quarter, reflecting higher average interest rates, partially offset by lower average borrowings.

#### Net Income

Net income rose \$12.4 million or 19% for the quarter. Net income per share rose to \$0.54 from \$0.46 in 1993, an increase of 17%. The weighted average number of shares outstanding totaled 147,123,000 for the first quarter of 1994 compared with 145,789,000 for 1993. The increase in shares outstanding is due principally to the effect of shares issued in connection with the acquisition of the Honolulu Advertiser in 1993 and shares issued in connection with employee stock awards.

Liquidity and capital resources

Cash flow from operating activities totaled \$142 million for the first quarter of 1994 compared with \$164.8 million a year ago. Working capital at the end of the first quarter totaled \$169.3 million, down from \$302.8 million at the end of 1993, due mainly to payment of long-term debt, pension funding and expenditures for capital equipment and other investments.

Capital expenditures for the quarter totaled \$28.1 million, compared with \$32 million in 1993. The Company's long-term debt (commercial paper obligations) was reduced by \$109 million from operating cash flows in the first quarter of 1994. The Company's regular quarterly dividend of \$0.33 per share, totaling \$48.6 million, was declared in the first quarter and paid on April 1, 1994.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

ASSETS	March 27, 1994	Dec. 26, 1993
-----	-----	-----
Current Assets:		
Cash.....	\$ 16,716,000	\$ 32,461,000
Marketable securities.....	12,721,000	43,034,000
Trade receivables, less allowance (1994 - \$15,539,000; 1993 - \$13,915,000).....	403,568,000	449,063,000
Other receivables.....	110,274,000	135,036,000
Inventories (materials and supplies)	46,903,000	53,094,000
Prepaid expenses.....	48,926,000	45,269,000
	-----	-----
Total current assets.....	639,108,000	757,957,000
	-----	-----
Property, plant and equipment:		
Cost.....	2,817,436,000	2,794,610,000
Less accumulated depreciation.....	(1,354,086,000)	(1,316,341,000)
	-----	-----
Net property, plant and equipment..	1,463,350,000	1,478,269,000
	-----	-----
Intangible and other assets:		
Excess of cost of subsidiaries over net tangible assets acquired, less amortization (1994 - \$408,228,000; 1993 - \$396,915,000).....	1,489,530,000	1,501,102,000
Other assets.....	159,235,000	86,470,000
	-----	-----
Total intangible and other assets	1,648,765,000	1,587,572,000
	-----	-----
Total assets.....	\$ 3,751,223,000	\$ 3,823,798,000
	=====	=====

LIABILITIES & SHAREHOLDERS' EQUITY

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Current Liabilities:		
Current portion of long-term debt..	\$ 117,000	\$ 164,000
Accounts payable and current portion of film contracts payable.....	159,994,000	187,208,000
Compensation, interest and other accruals.....	136,240,000	140,457,000
Dividend payable.....	48,506,000	48,399,000
Income taxes.....	48,196,000	5,760,000
Deferred income.....	76,769,000	73,151,000

Total current liabilities.....	469,822,000	455,139,000
Deferred income taxes.....	197,180,000	205,314,000
Long-term debt, less current portion	741,748,000	850,686,000
Retiree medical and life insurance.	310,647,000	308,024,000
Other long-term liabilities.....	87,090,000	96,715,000
Total liabilities.....	1,806,487,000	1,915,878,000
Shareholders' Equity:		
Preferred stock of \$1 par value per share. Authorized 2,000,000 shares, issued - none		
Common stock of \$1 par value per share. Authorized 400,000,000 shares; issued 162,211,590 shares..	162,212,000	162,212,000
Additional paid-in capital.....	69,616,000	70,938,000
Retained earnings.....	2,395,344,000	2,366,246,000
Foreign currency translation adjustment.....	(12,590,000)	(9,442,000)
Total.....	2,614,582,000	2,589,954,000
Less treasury stock - 15,040,945 shares and 15,244,733 shares, respectively, at cost.....	(632,340,000)	(643,787,000)
Deferred compensation related to ESOP.....	(37,506,000)	(38,247,000)
Total shareholders' equity.....	1,944,736,000	1,907,920,000
Total liabilities and shareholders' equity.....	\$ 3,751,223,000	\$ 3,823,798,000

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Thirteen weeks ended	
	March 27, 1994	March 28, 1993
Net Operating Revenues:		
Newspaper advertising.....	\$492,244,000	\$465,072,000
Newspaper circulation.....	212,140,000	210,053,000
Broadcasting.....	84,007,000	82,876,000
Outdoor advertising.....	46,921,000	47,825,000
Other.....	41,313,000	38,904,000
Total.....	876,625,000	844,730,000
Operating Expenses:		
Cost of sales and operating expenses, exclusive of depreciation.....	516,424,000	509,377,000
Selling, general and administrative expenses, exclusive of depreciation	165,945,000	163,007,000
Depreciation.....	40,490,000	40,947,000
Amortization of intangible assets...	11,310,000	11,279,000
Total.....	734,169,000	724,610,000
Operating income.....	142,456,000	120,120,000
Non-operating income (expense):		
Interest expense.....	(11,168,000)	(11,045,000)
Other.....	1,023,000	1,492,000

Total.....	(10,145,000)	(9,553,000)
	-----	-----
Income before income taxes.....	132,311,000	110,567,000
Provision for income taxes.....	53,600,000	44,225,000
	-----	-----
Net income.....	\$ 78,711,000	\$ 66,342,000
	=====	=====
Net income per share.....	\$0.54	\$0.46
	=====	=====
Dividends per share.....	\$0.33	\$0.32
	=====	=====

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Thirteen Weeks Ended	
	March 27, 1994	March 28, 1993
Cash Flows From Operating Activities:		
Net income .....	\$78,711,000	\$66,342,000
Adjustments to reconcile net income to operating cash flows:		
Depreciation.....	40,490,000	40,947,000
Amortization of intangibles.....	11,310,000	11,279,000
Deferred income taxes.....	(4,134,000)	(1,418,000)
Gain on sale of assets .....	(56,000)	(479,000)
Changes in assets and liabilities, net of acquisitions:		
Decrease in receivables.....	40,499,000	56,036,000
(Increase) decrease in inventories.....	6,191,000	(13,824,000)
Increase in film broadcast rights, net of liabilities.....	(1,052,000)	(30,000)
Decrease in accounts payable.....	(22,785,000)	(10,957,000)
Increase in interest and taxes payable.....	35,228,000	22,023,000
Change in pension asset.....	(45,900,000)	
Other changes, net.....	3,804,000	(5,070,000)
	-----	-----
Net cash flow from operating activities....	142,306,000	164,849,000
	-----	-----
Cash Flows From Investing Activities:		
Purchase of property, plant and equipment..	(28,082,000)	(31,995,000)
Increase in other investments.....	(23,529,000)	
Proceeds from sale of assets.....	18,121,000	10,664,000
	-----	-----
Net cash used by investing activities.....	(33,490,000)	(21,331,000)
	-----	-----
Cash Flows From Financing Activities:		
Proceeds from long-term debt.....		274,125,000
Payments of long-term debt.....	(108,985,000)	(379,635,000)
Dividends paid.....	(48,457,000)	(46,202,000)
Proceeds from issuance of common shares....	2,298,000	3,488,000
	-----	-----
Net cash used for financing activities.....	(155,144,000)	(148,224,000)
	-----	-----
Effect of currency exchange rate change....	270,000	956,000
	-----	-----
Net decrease in cash and cash equivalents..	(46,058,000)	(3,750,000)
	-----	-----
Balance of cash and cash equivalents at beginning of year.....	75,495,000	73,329,000
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Balance of cash and cash equivalents at end of first quarter.....	\$29,437,000	\$69,579,000
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BUSINESS SEGMENT INFORMATION

Thirteen weeks ended  
 March 27, 1994      March 28, 1993  
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OPERATING REVENUES  
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NEWSPAPER PUBLISHING	\$	745,697,000	\$	714,029,000
BROADCASTING		84,007,000		82,876,000
OUTDOOR ADVERTISING		46,921,000		47,825,000
		-----		-----
	\$	876,625,000	\$	844,730,000
		=====		=====

OPERATING INCOME (NET OF DEPRECIATION AND AMORTIZATION)  
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NEWSPAPER PUBLISHING	\$	142,660,000	\$	131,054,000
BROADCASTING		21,173,000		9,036,000
OUTDOOR ADVERTISING		(4,729,000)		(4,061,000)
CORPORATE		(16,648,000)		(15,909,000)
		-----		-----
	\$	142,456,000	\$	120,120,000
		=====		=====

DEPRECIATION & AMORTIZATION  
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NEWSPAPER PUBLISHING	\$	37,573,000	\$	36,733,000
BROADCASTING		7,081,000		7,898,000
OUTDOOR ADVERTISING		4,572,000		4,731,000
CORPORATE		2,574,000		2,864,000
		-----		-----
	\$	51,800,000	\$	52,226,000
		=====		=====

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits.  
 See Exhibit Index for list of exhibits filed with this report. Management contracts and compensatory plans or arrangements are identified with asterisks on the Exhibit Index.
- (b) Reports on Form 8-K.  
 None.

SIGNATURES

Pursuant to the requirements 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.

GANNETT CO., INC.

Dated: May 10, 1994

s/ Larry F. Miller

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Larry F. Miller  
Senior Vice President/Financial  
Planning and Controller

Dated: May 10, 1994

s/ Thomas L. Chapple

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Thomas L. Chapple  
General Counsel and Secretary

EXHIBIT INDEX

Exhibit Number	Title or Description	Location
4-1	\$1,000,000,000 Revolving Credit Agreement among Gannett Co., Inc. and the Banks named therein.	Incorporated by reference to Exhibit 4-1 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 26, 1993.
4-2	\$500,000,000 Revolving Credit Agreement among Gannett Co., Inc. and the Banks named therein.	Incorporated by reference to Exhibit 4-2 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 26, 1993.
4-3	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.
4-4	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.
4-5	Rights Plan.	Incorporated by reference to Exhibit 1 to Gannett Co., Inc.'s Form 8-K filed on May 23, 1990.
11	Statement re computation of earnings per share.	Attached.

Gannett Co., Inc. agrees to furnish to the Securities and Exchange 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 registrant.





EXHIBIT 11

GANNETT CO., INC.

Calculation of Earnings per Share

	Thirteen Weeks Ended	
	March 27, 1994	March 28, 1993
Net Income .....	\$ 78,711,000	\$ 66,342,000
Weighted average number of common shares outstanding....	147,123,000	145,789,000
Net income per share.....	\$0.54	\$0.46