



MORE THAN MEETS THE EYE

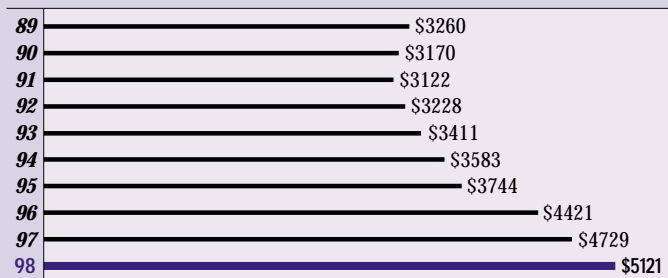
1998
ANNUAL
REPORT

FINANCIAL SUMMARY • 1998 AT A GLANCE

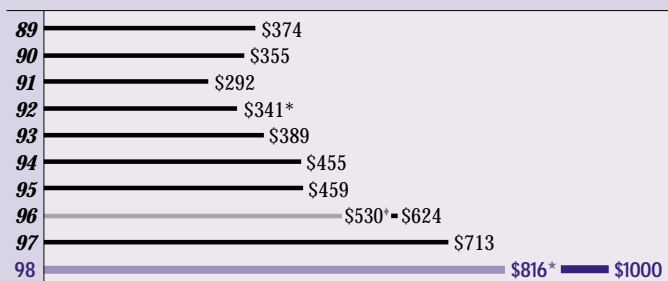
In thousands, except per share amounts

	1998	1997	Change
Operating revenues	\$ 5,121,291	\$4,729,491	8.3%
Operating income	1,443,502	1,316,268	9.7%
Income from continuing operations before net non-operating gain (1)	816,306	712,679	14.5%
Net income	999,913	712,679	40.3%
Income per share before net non-operating gain – basic (1)	2.88	2.52	14.3%
Income per share before net non-operating gain – diluted (1)	2.86	2.50	14.4%
Net income per share – basic	3.53	2.52	40.1%
Net income per share – diluted	3.50	2.50	40.0%
Operating cash flow (2)	1,753,708	1,617,341	8.4%
Working capital	178,418	146,057	22.2%
Long-term debt	1,306,859	1,740,534	(24.9%)
Total assets	6,979,480	6,890,351	1.3%
Capital expenditures (3)	242,815	219,627	10.6%
Shareholders' equity	3,979,824	3,479,736	14.4%
Dividends per share	.78	.74	5.4%
Average common shares outstanding – diluted	285,711	285,610	—

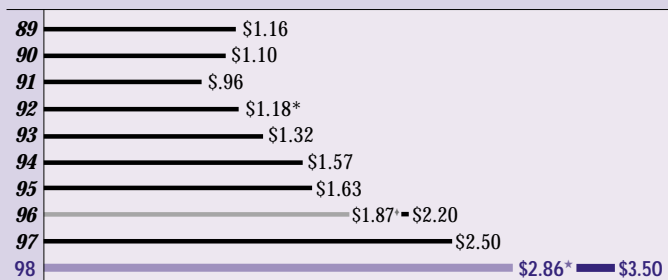
- (1) Excluding a 1998 net non-operating gain principally from the disposition of several businesses, including radio and alarm security, totaling \$307 million pre-tax and \$184 million on an after-tax basis (\$.65 per share–basic and \$.64 per share–diluted).
- (2) Represents operating income plus depreciation and amortization of intangible assets.
- (3) Excluding capitalized interest.



Operating revenues in millions



Income from continuing operations in millions



Income per share (diluted) from continuing operations +

* Before net non-operating gain principally from the disposition of several businesses, including radio and alarm security.

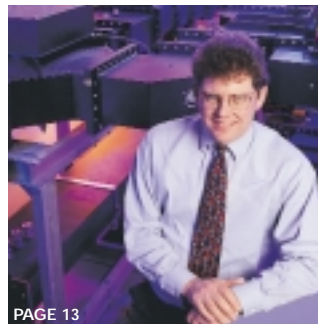
+ Before non-recurring gain from exchange of broadcast stations.

* Before effect of accounting principle changes.

+ Adjusted to reflect the two-for-one stock split effective on Oct. 6, 1997.

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Gannett Co., Inc. is a diversified news and information company that publishes newspapers, operates broadcasting stations and cable television systems, and is engaged in marketing, commercial printing, a newswire service, data services and news programming. Gannett is a nationwide company with headquarters in Arlington, Va., and operations in 45 states, the District of Columbia and Guam.

Gannett is the USA's largest newspaper group in terms of circulation. The company's 75 daily newspapers have a combined daily paid circulation of more than 6.7 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, including USA WEEK-END, a weekly newspaper magazine.



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The company owns and operates 21 television stations covering 16.7 percent of the USA and cable television systems in major U.S. markets.

Gannett was founded by Frank E. Gannett and associates in 1906 and incorporated in 1923. The company went public in 1967. Its nearly 280 million shares of common stock are held by more than 14,000 shareholders of record in all 50 states and abroad. The company has approximately 39,400 employees.

M O R E T H A N M E E T S T H E E Y E



Gannett Chairman and CEO
John J. Curley

Vice Chairman and President
Douglas H. McCorkindale



LETTER TO SHAREHOLDERS

For the seventh year in a row, Gannett achieved record revenues and profits in 1998. Buoyed by strong advertising demand across the board, operating revenues increased 8 percent to \$5.121 billion – exceeding the \$5 billion mark for the first time. Each of our business segments – newspaper publishing, television and cable – reported higher earnings for the year. As a result, Gannett's earnings advanced 15 percent to \$816 million. Those earnings exclude the non-operating after-tax gain

of \$184 million we realized, primarily from the sale of our five remaining radio stations in January and the sale of our alarm security business in March 1998.

Our operating cash flow in 1998 totaled \$1.75 billion, its highest level ever. In addition to the acquisitions described below, we also reduced debt by \$444 million and made capital investments of \$244 million. Our shareholders received \$219 million directly in dividends.

The economy entered its 95th month of the current

economic recovery in February 1999. For the last several years, the U.S. economy has enjoyed consistent growth rather than the sharp peaks and valleys that characterized previous periods. From our viewpoint, it's better to savor the steady duration of good economic times than to rejoice in the quicker spikes of the past. Looking forward, we recognize the uncertainty that surrounds the global and U.S. economies in 1999. Our tradition of managing for the long term and consistent fiscal restraint has served us well in


A QUICK LOOK

- Operating revenues increased 8 percent to \$5.121 billion – exceeding the \$5 billion mark for the first time.
- Operating cash flow in 1998 totaled \$1.75 billion, its highest level ever.
- USA TODAY had another solid year as advertising revenues gained 12 percent, on top of strong gains for the last few years. Circulation grew to a daily average of 2,271,767 copies.
- Over the last two years, our shareholders have enjoyed a 33 percent average annual return vs. 31 percent for the S&P 500.
- Our tradition of managing for the long term and consistent fiscal restraint has served us well in the past and will benefit us whichever way the economy goes in 1999.

the past and will benefit us whichever way the economy goes in 1999.

Over the long term our strategic goals have been to create and expand quality products and to make appropriate acquisitions in news, information and related fields. Our strategy doesn't change from year to year, but our opportunities do. Over the last several years, we have completed a number of acquisitions that have enhanced our growth rate and substantially benefited our shareholders.

Our newspapers enjoyed a record year benefiting from strong advertising demand, particularly in classified, as the economic expansion continued. We also enjoyed a substantially improved operating performance at The Detroit News. These gains more than offset the 18 percent increase in newsprint expense for the year. Gannett, the largest consumer of newsprint in the world, used 970,000 tons of newsprint in 1998. In 1999, we expect market supply and pricing conditions to favor us and we are already seeing newsprint prices begin to decline.

Our newspaper division expanded its presence in New Jersey, acquiring two dailies for a total of seven in the Garden State. The Daily Record in Morristown and the Ocean County Observer in Toms River joined our family in July. We were pleased to add

these fine properties to our New Jersey Newspaper Group, which also includes the Asbury Park Press and Home News Tribune of East Brunswick. The latter two newspapers came on board in October 1997 and their performance has exceeded expectations, adding to earnings in our first full year of ownership. The New Jersey Newspaper Group is headed by Robert T. Collins, who also is president and publisher of the Asbury Park Press, Home News Tribune and Ocean County Newspapers and was selected Gannett's Manager of the Year for 1998. He is pictured on page 4 along with other top company award winners.

We also sold five small daily newspapers in Ohio, Illinois and West Virginia and contributed our newspaper in Saratoga Springs, N.Y., to the Gannett Foundation. Subsequently, the Foundation sold the newspaper and will use the proceeds to fund its community grants. In 1998, the Foundation contributed more than \$8 million to qualified nonprofit organizations to improve the education, health and advancement of the people who live in communities where Gannett does business.

USA TODAY had another solid year as advertising revenues gained 12 percent, on top of strong gains for the last few years. Circulation grew to a daily average of 2,271,767 copies. Among new content for

readers in 1998: a Friday travel section in Life; a weekly health/behavior feature to complement a weekly science page; and more coverage of entrepreneurs and the global economy in the Money section. In 1999, USA TODAY will complete a press expansion project, which will help meet the increased demand for color from its advertisers.

1998 was a busy year for Gannett journalists. They covered a never-ending stream of major news stories, from presidential crises to pivotal elections to military maneuvers. And they chronicled the wonderful story of Mark McGwire and Sammy Sosa as they engaged in friendly battle to break baseball's single-season home-run record.

Throughout the year, our newspapers and television stations brought readers and viewers the important local news that affects their lives on a daily basis. In some instances, that meant providing life-saving tips and coping information to help communities weather the effects of devastating natural disasters. An extended drought sparked wildfires that destroyed dozens of homes and businesses and thousands of acres in Florida. For weeks, FLORIDA TODAY staffers provided comprehensive coverage and the newspaper started a disaster fund to help victims.

Whatever the topic – and however tight the deadline –



Among employees honored for their outstanding performances in 1998 were, from left: Elyse Salpeter, senior account executive/display sales for USA WEEKEND, Sales Executive of the Year; Robert Collins, group president of the New Jersey Newspaper Group and president and publisher of the Asbury Park Press, Home News Tribune at East Brunswick and Ocean County Newspapers, Manager of the Year; Donald Stinson, vice president/advertising in the Newspaper Division and president of the Gannett Retail Advertising Group, Corporate Staffer of the Year; and the Battle Creek (Mich.) Enquirer's Cynthia Spencer, human resources director, and Ellen Leifeld, president and publisher, who accepted the Diversity Award for the newspaper.

we continue to stress to our reporters, editors and producers that they get the facts right. In the

scramble to get the story, the basics of good journalism must not fall by the wayside. We cannot allow our integrity and credibility to be compromised by questionable reporting techniques.

Unfortunately, such was the case at The Cincinnati Enquirer in 1998. The newspaper published an apology and paid over \$10 million to Chiquita Brands International after it was discovered a reporter illegally obtained information for an investigative report on Chiquita. Needless to say, the reporter was fired immediately, and we have used this costly incident to further enforce our stance on journalistic ethics.

We continued to expand our online presence significantly in 1998. As of February 1999, 58 newspaper division publications and operations, plus USA TODAY, are online with more than 200 individual products. Several are profitable.

USATODAY.com is the most-visited newspaper Web site. USATODAY.com turned profitable in September and earned a small profit in the last quarter of 1998. We will continue to look for ways to increase e-commerce opportunities and expand content in the year ahead.

Our television stations also had another good year in 1998 despite a bumpy advertising environment. They benefited from Super Bowl and Winter Olympics-related advertising in early 1998 and strong political advertising in the fall. However, the General Motors strike tempered results in the summer and we experienced softer overall non-political television advertising demand in the last quarter of 1998.

Looking ahead, we expect increased revenues and earnings, though at a more moderate rate reflecting the absence of any special events such as Olympics or elections in 1999. Viewing alternatives continue to proliferate, further segmenting the television audience, but we believe our strong focus on local news programming will continue to serve us well. While still in its infancy, digital television may bring opportunities to expand our products and services in the future.

In 1998 we acquired three television stations: WCSH, the NBC affiliate in Portland, Maine; WLBZ, the NBC affiliate in Bangor, Maine; and WLTX, the CBS affiliate in Columbia, S.C. Today, we have 21 television stations covering 16.7 percent of U.S. households.

Our cable business, Multimedia Cablevision, expanded in August with the exchange of 128,000 subscribers in Kansas from

Tele-Communications, Inc. for 93,000 Multimedia Cablevision subscribers in suburban Chicago.

Multimedia Cablevision will launch digital cable service in Kansas and Oklahoma, helping us compete even more effectively with various direct satellite providers. Our cable division has also recently entered into an agreement with Roadrunner to provide high-speed Internet access to our cable subscribers in those markets. Both products are expected to produce additional profitable revenue streams in the future.

As the year progressed, we saw fewer and fewer acquisition opportunities at prices that would permit attractive long-term returns for our shareholders. In the fall, with the stock market declining as recession fears took hold on Wall Street, we found that the most compelling investment opportunity for us was to repurchase Gannett stock. Compared to other media transactions, and our long-term view of our company, we found the stock price extremely attractive. We repurchased approximately 6 million shares at a total cost of about \$329 million. We will continue to evaluate additional share buybacks in 1999, relative to acquisition opportunities and other financial considerations.

1998 was a year of mixed rewards for Gannett shareholders. Although revenues

G A N N E T T ' S B A S I C G A M E P L A N

and earnings reached new records, our stock price did not reflect these results. However, over the last two years, our shareholders have enjoyed a 33 percent average annual return vs. 31 percent for the S&P 500. Over the longer term, if you had bought 100 shares of Gannett stock for \$2,900 when the company went public in October 1967, those shares would have been worth \$366,000 at the end of February 1999.

In 1999, we will break ground on the new Gannett/USA TODAY headquarters facilities in Tysons Corner, Va. This project will provide definite long-term cost savings and more efficient space, especially for USA TODAY. We anticipate that the new facilities will meet our needs well into the future.

Some of you have asked about our readiness for the Year 2000 date change – the potential problems caused by computers unable to handle dates ending in “00.” In early 1995, Gannett began addressing these concerns, and we’ve taken the necessary steps to ensure Y2K readiness. You’ll find further details about our Y2K project in the

financial section of this report (see page 34).

The approach of the new millennium offers a unique opportunity for reflection. Gannett was founded in 1906 when Frank Gannett and his associates bought a half-interest in the Elmira (N.Y.) Gazette. As the 20th century progressed, so did Gannett, expanding beyond newspapers to become a diversified news and information leader – a company marked by innovation and enterprise. Even beyond our core business of newspapers, television and cable, today’s Gannett company offers more than meets the eye: We’re active players in the online industry; we’re among the pioneers entering the digital television era; and we’re using new technology to expand our cable services beyond traditional programming delivery.

As we look ahead to the promise of the future, we will continue to be faithful to the values and vision that have brought us so much success, while developing new ideas and strategies to enable us to better compete in a changing world.

Business Definition

Gannett is a \$5.1 billion news, information and communications company.

We operate with the belief that improving products and sound management will lead to higher profits for our shareholders.

The underlying theme in our ads is: “A world of different voices where freedom speaks.”

Our assets include:

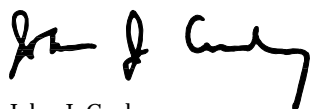
- USA TODAY;
- Daily and weekly community newspapers and specialty publications;
- Television stations and cable operations in many Top 25 and growth markets;
- Online news, information and advertising.

Strategic Vision

- Create and expand quality products through innovation;
- Make acquisitions in news, information and communications and related fields that make strategic and economic sense.

Operating Principles

- Provide effective leadership and efficient management.
- Achieve a positive return on new and acquired products and properties in a reasonable period of time, while recognizing those with high growth potential may take more time.
- Increase profitability and increase return on equity and investment over the long term.
- Enhance the quality and editorial integrity of our products, recognizing that quality products ultimately lead to higher profits.
- Guarantee respect for and fairness in dealing with employees.
- Offer a diverse environment where opportunity is based on merit.
- Show commitment and service to communities where we do business.
- Deliver customer satisfaction.
- Dispose of assets that have limited or no potential or where an offer has been made that the Board of Directors believes is in the best interest of the shareholders.
- In all activities, we show respect for the First Amendment and our responsibility to it.



John J. Curley
Chairman and
Chief Executive Officer



Douglas H. McCorkindale
Vice Chairman and President

D I V I S I O N A L H I G H L I G H T S

Consistent growth in all advertising categories led to another year of record revenues and operating profits for Gannett's newspaper division. Overall, pro forma ad revenue increased 6 percent in 1998, for a two-year gain of more than 13 percent. Classified remained especially strong, for the eighth consecutive year.

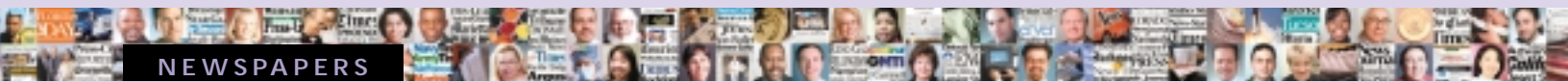
Retail advertising revenues increased 4 percent, despite soft results from our major advertisers. Store closings, bank mergers and the decision by some customers to move their advertising from inside-newspaper pages to pre-printed inserts impacted results. As expected, however, pre-print revenues and volume rose. More important, business from medium and smaller retail advertisers grew for the fifth consecutive year, with revenues up nearly 7 percent. This group continues to be a top priority in our strategy of expanding and diversifying our account base to reduce reliance on the major advertisers. Gannett newspapers are focusing on increasing ad frequency for advertisers by packaging several insertions of the same ad, at an attractive price, over a given period of time. As a result, ad count was up dramatically for the year.

Daily net paid circulation grew about 1 percent in 1998, a turnaround from 1997's slight decline, thanks to an increase in daily home-delivery volume. Circulation revenue finished up 2 percent.

The Battle Creek (Mich.) Enquirer in September converted to morning publication, a natural fit for an area known as Cereal City. The newspaper introduced a number of content improvements, including a zoned edition and more local and business news. In suburban New York City, we consolidated 10 newspapers into one larger, improved newspaper. (See story, page 8.) And in Nashville, The Tennessean expanded its reach after our partner in a joint operating agreement, the Nashville Banner, ceased publication in February 1998.

On the acquisition front, we welcomed two more New Jersey dailies, in Toms River and Morristown, for a total of seven in the Garden State. The tight cluster allows us to consolidate some business operations and team up in other ways. For example, our New Jersey newspapers work with our Atlantic Group newspapers on sports coverage of New York's professional sports teams. This enables all newspapers involved to take advantage of our best sports writing talent.

Bringing readers the best, most complete newspapers possible is our ongoing mission. During 1998, Gannett journalists made the most of an incredible news year that culminated one day in December with the U.S. House of Representatives voting to impeach the president while across the globe U.S. jets bombed Iraq. Our newspapers increased space and story count to bring



readers the sweeping developments and details; some produced Extra editions marking the historic impeachment.

As we compete to recruit and retain the best people in a full-employment economy, our focus on training and professional growth gives us an edge. In December, nearly 200 experienced reporters and mid-level editors from throughout the Gannett family gathered in Arlington, Va., for our first National Conference for Reporters and Editors. The conference focused on reporter-editor relationships and building expertise, with an eye toward reporting with greater depth, authority and sophistication.

We're bringing news and information to people in more ways than ever. In the past year, we've doubled the total number of products on our newspapers' Web sites. (See story, page 9.)

USA WEEKEND remains the country's fastest-growing newspaper magazine. Forty-three newspapers added the magazine in 1998; USA WEEKEND began 1999 with a circulation of 21.2 million in 541 newspapers. The magazine enjoyed another year of record response from readers: More than 3 million readers interacted through polls, surveys and Make A Difference Day. USA WEEKEND's national day of volunteering sparked 1.8 million people to help others on Oct. 24. A new partnership with the Wal-Mart Foundation and a continuing affiliation with Newman's Own contributed to \$2.5 million in charitable grants for projects.

In addition to USA WEEKEND, Gannett publishes about 200 other non-daily publications. Many, such as Nursing Spectrum and Army Times Publishing Co.'s military and defense publications, are aimed at specific niche markets. The Army Times military newspapers recently were redesigned, offering readers several new features and a more attractive look.

Gannett Media Technologies International, based in Cincinnati, continues to market and install computer systems that facilitate information management and real estate and auto advertising at Gannett and non-Gannett publications worldwide.

For more on the newspaper division's financial performance, see page 25.

A QUICK LOOK

- Circulation of Gannett's local daily newspapers is 4.5 million. Fifty-seven of our daily newspapers are published in the morning; 17 in the afternoon.

- From 1997 to 1998, the number of run-of-press (ROP) ads in Gannett newspapers grew by an average of 2,100 per day.

- Fifty-eight newspaper division publications and operations have Web sites, offering more than 200 products.

- Gannett Marketing Services Group, composed of Telematch, Gannett TeleMarketing and Gannett Direct Marketing Services, posted year-to-year revenue gains of 21 percent.

- Gannett Offset operates commercial printing plants in nine cities.

- The Gannett Color Xpress program, a single-sheet print and deliver program providing four-color reproduction on glossy stock, was launched in spring 1998. It generated more than \$1.6 million in 1998 sales, representing 29 million insert pieces.

- The Rochester (N.Y.) Democrat and Chronicle and the Montgomery (Ala.) Advertiser were two of 36 newspapers around the world, including 10 from the U.S., that were recognized in 1998 for an extraordinary job of printing color. They achieved membership in the International Newspaper Color Quality Club.

BEYOND BREAKING NEWS, PUBLIC SERVICE IS TOP PRIORITY

In newsrooms across Gannett, journalists continue their watch over government and institutions, informing readers of problems or concerns. There were hundreds of special reporting and editorial efforts in 1998. Many led to state and federal investigations, prompting significant changes. Many won national attention and awards.

Jerry Mitchell, a reporter at The Clarion-Ledger at Jackson, Miss., was honored for his persistence and courage by the national Anti-Defamation League at its annual dinner and concert at the Kennedy Center in Washington, D.C. His reports – over recent years and throughout 1998 – led to the new trials and murder convictions of two men responsible

for the deaths of civil rights leaders Medgar Evers and Vernon Dahmer. The two white supremacists had escaped justice for nearly 30 years.

The Detroit News published a three-day special report that showed how millions of Americans put their children at grave risk by using outdated and unsafe child car seats or improperly buckling their children in. The News also held safety checkpoints to which people could bring car seats for evaluation. Following the newspaper's report, the National Highway Traffic Safety Administration said it would revise its recall and testing procedures. Michigan state legislators called for changes in state regulation.

A series by The Tennessean at Nashville exposed unexplained health problems among workers at the Oak Ridge nuclear complex. The stories prompted

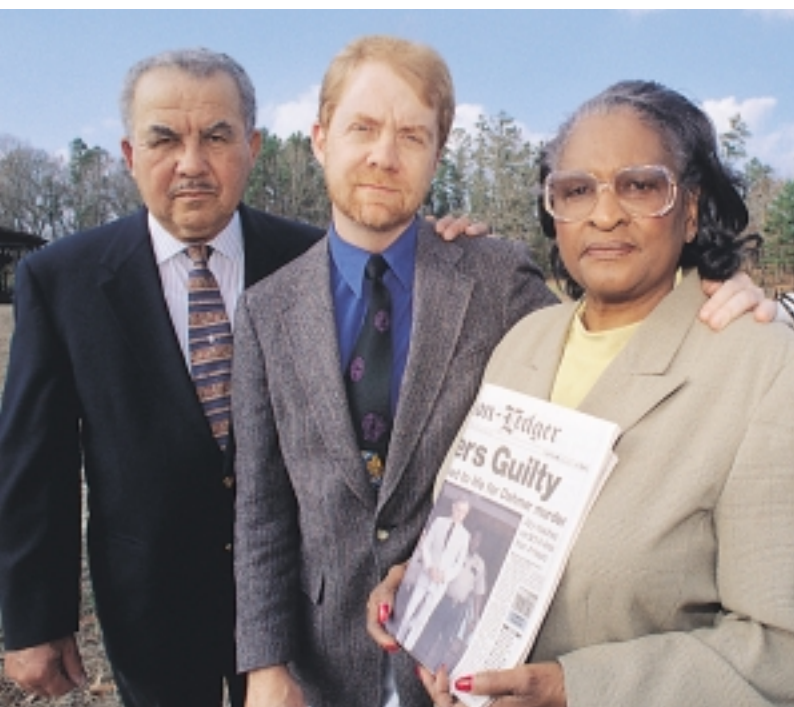
Tennessee's governor to halt the flow of toxic wastes from other states to an Oak Ridge incinerator. The Tennessean then found similar health



problems at 12 other nuclear sites across the USA. Federal investigations are under way.

In Kentucky, coal miners still are dying from black lung disease – more than a century after doctors learned that coal dust kills and 28 years after Congress enacted a law to address the problem. The Courier-Journal at Louisville discovered that the law had been circumvented by companies that cheat on air tests and by miners who allow cheating out of fear of losing their jobs. It also found that the federal government had largely ignored suspicious test results. After the reports, the U.S. Attorney General was

The Clarion-Ledger's Jerry Mitchell, center, Vernon Dahmer Jr. and Ellie Dahmer, widow of civil rights leader Vernon Dahmer Sr., stand where the Dahmers' grocery store used to be. The store and the Dahmer home were firebombed in 1966; Dahmer Sr. died as a result of the fire.





ASBURY PARK'S BREEN WINS PULITZER PRIZE

Steve Breen's wry and witty editorial cartoons capture the twists and turns of American life, from politics to social change.

They also captured the attention of Pulitzer Prize jurors. Breen, editorial cartoonist for the Asbury Park (N.J.) Press, won the 1998 Pulitzer Prize for editorial cartooning.

The Pulitzer was the first for the Press and the 42nd Pulitzer for news organizations currently owned by Gannett.

"With cartoons, you don't want to pull any punches. You just want to get your message out there as quickly and directly as possible," Breen says of his approach.

The Press first hired Breen in 1994 as a paginator, but he also did one editorial cartoon a week. He later divided illustration and editorial cartooning duties before landing a full-time editorial cartoonist position in late 1996.

It was, perhaps, Breen's kindergarten teacher back home in Huntington Beach, Calif., who first recognized his gift. "Steve is going to be fine," the teacher told

Breen's mother. "He just needs his quiet time to be by himself and draw." The oldest of seven children, Breen did caricatures of classmates. Their enthusiasm for his drawings spurred him on.

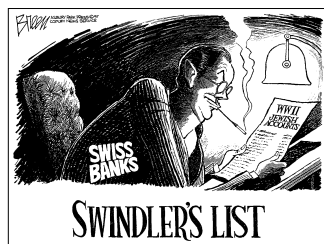
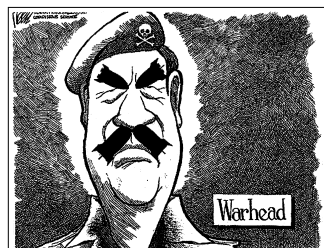
Today, Breen has a wider audience, whose appreciation of his work spurs him further. His cartoons also are published in Gannett's Home News Tribune in East Brunswick, N.J., and syndicated to hundreds of newspapers and magazines.

THE JOURNAL NEWS MAKES ITS DEBUT IN NEW YORK

For the first time, a single daily newspaper now serves the 861-square-mile, three-county region immediately north of New York City.

Gannett Suburban Newspapers on Oct. 12 began publishing a bigger, more complete daily newspaper printed under a single name – The Journal News.

The Journal News publishes four editions – three



Steve Breen's editorial cartoons poke fun at a variety of subjects. A portfolio of 20 cartoons, including those pictured above, won him the 1998 Pulitzer Prize.

asked to investigate, a Kentucky Legislature committee held hearings across the state and a U.S. senator called for congressional hearings.

The Pensacola (Fla.) News Journal told readers about the Brownsville Revival, an international religious phenomenon that had brought thousands of tourists to the area. It revealed that revival leaders misrepresented their backgrounds and the financial status of the multimillion-dollar enterprise. Ministers had lavish lifestyles, yet there was little of the promised help for the needy. The newspaper's coverage resulted in leaders paying more than \$60,000 in sales taxes and promising other reforms.

In Rochester, N.Y., Democrat and Chronicle Reporter Gary Craig uncovered new evidence in the 1973 murder conviction of Betty Tyson, New York's longest-held female prisoner. Throughout her trial and jail time, Tyson had maintained her innocence. Craig's reports led a judge to overturn the conviction and release her from prison. Tyson later got a \$1.25 million award from the city recognizing her wrongful arrest and conviction.



O N L I N E S I T E S A N D N E W T E C H N O L O G I E S G R O W

servicing Westchester and Putnam counties and one serving Rockland County – with home delivery by 6 a.m. weekdays. Previously, 10 newspapers with a total of 12 editions were published by Gannett in the area.

The six-section newspaper offers expanded local news and broadened business and sports coverage.

While the newspaper continues to focus on in-depth coverage of local news, it also provides coverage of major news stories from New York state and New York City, where a news bureau was opened in Manhattan. There's plenty of national and world news as well.

Graphically, the newspaper was redesigned in a contemporary style to make it better organized and easier to read. Along with the print publication's launch, The Journal News introduced a redesigned and improved Web site (www.nyjournalnews.com).

The new newspaper also keeps advertisers in mind. Four ad zones match the news coverage areas, making The Journal News highly effective as a sophisticated ad medium reaching one of the nation's highest income markets.

Left: Editor and Vice President/News Bob Ritter, left, and President and Publisher Gary Sherlock review the first edition of The Journal News in the newspaper's pressroom.

As the Internet continues to be a growing part of people's lives, more Gannett newspapers are jumping onto the World Wide Web. And the online pioneers continue to enhance content and add new products, including those stemming from Gannett's participation in Classified Ventures and CareerPath.com.

As leading information providers for their communities, our newspapers know fresh information is essential to success online. FLORIDA TODAY's Space Online (www.spaceonline.com), for instance, covers space shuttle launches literally as they blast off. Reporters with laptop computers file stories from the beach at Cape Canaveral, supplying live news online within moments of a launch.

Our newspapers recognize, too, that there is no one right approach to online publishing. Finding the right niche in our individual markets is crucial to success. The Asheville (N.C.) Citizen-Times (www.carolinamountains.com) and other newspapers capitalize on local tourism with sites highlighting area attractions. The Journal and Courier in Lafayette, Ind., knows basketball is king in the Hoosier state. Its Web site (www.jconline.com) follows the Purdue University Boilermakers. Army Times Publishing Co. developed a unique feature for its online military publications (such as www.armytimes.com): Databases allow subscribers to locate veterans and almost all active-duty personnel in the armed forces anywhere in the world.

Fifty-eight newspaper division publications and operations have Web sites, offering more than 200 products; more are on the way. This expansion has fueled revenue growth. Total online revenues, including advertising and Internet service provider (ISP) fees collected by our newspapers, grew 84 percent in 1998.

For journalists, the Internet is a powerful and speedy news-gathering tool. From government databases and phone directories to company home pages, the Internet is saving journalists time and giving their stories added depth. Gannett's corporate news department has compiled more than 170 Web resources for Gannett newsrooms on a special "Web Resources" database, and it continues to grow. Also available: a private e-mail service for newsroom employees interested in improving their expertise in such topics as business or education reporting by sharing ideas across the company.

New technologies also are being used to improve business operations and increase productivity at our newspapers. The installation of Genesys, a customized software package, is bringing together advertising and circulation customer databases, allowing cross-marketing, better reporting and more coordinated customer service. Nearly all of our newspapers are now running the new software, which in effect creates a universal customer pool at each newspaper.

Installation of CYBORG, the company's computerized human resource, payroll and benefits system, also is complete at most Gannett newspapers. It increases efficiency by giving Gannett newspapers better tools for budgeting and processing payroll, tracking salary and benefits administration, compiling reports, and verifying and analyzing data.

We continue to invest in our facilities and equipment. For example, in 1998 Gannett Offset's commercial printing plant in Springfield, Va., was renovated with a state-of-the-art mailroom. And all of our equipment has been assessed, and is being updated where needed, to ensure readiness for the year 2000.



D I V I S I O N A L H I G H L I G H T S

The Nation's Newspaper has been virtually unique over the past few years in its ability to add audience at a time when the media marketplace has become more fragmented. USA TODAY finished 1998 again at the top of major media in both advertising and audience growth.

Advertising revenues for 1998 were up 12 percent and ad pages grew 9 percent. Destinations and Diversions, a Friday travel section launched by the Life section in March 1998, offers more space for travel advertisers, the newspaper's largest ad category. (For more on USA TODAY's advertising success, see story on next page.)

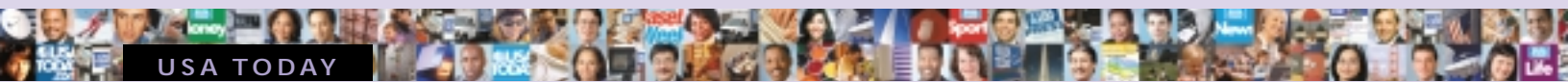
On the circulation side, revenues increased 3 percent and volume grew 2 percent to a daily average of 2,271,767 copies. USA TODAY's market share among the national newspapers reached a high of 44 percent.

In government and financial circles, among opinion-leaders nationwide and loyal everyday readers, USA TODAY has gained in credibility and reputation. The newspaper's reputation for fairness, balance and nonpartisanship was perhaps never more scrutinized than in coverage of the Clinton-Lewinsky controversy and the subsequent impeachment debate that embroiled the nation in 1998 and into 1999. The newspaper was credited with covering the story with discretion, as reporters and editors avoided the pitfalls of being misled by unreliable and unnamed sources.

USA TODAY readers also found important enterprise reports in 1998. Among issues brought to the forefront: potential wiring dangers in airplanes; the government's ignoring its own procedures for the testing of water nationwide; abuses in nursing homes and aggressive tactics by lawyers representing the elderly; and a lack of minorities or women among Supreme Court clerks. In addition, the newspaper named its first All-USA Teacher Team, complementing other All-USA teams recognizing students.

In 1999, the newspaper is strengthening key high-interest topics, especially in the areas of health, technology and personal finance. Other editorial enhancements on tap include more coverage of Latin America, a daily sports column on Page 3 of the popular Sports section, and more about participatory sports. A special series called The Countdown to 2000 examines the enormous gains made by women in the 20th century, and what people can expect in the decades ahead. A monthly series, Turning Points, delivers a decade-by-decade look at forgotten events and heroes who helped shape the last 100 years.

Behind the scenes in the newsroom, USA TODAY began implementing a PC-based, front-end system, facilitating an all-electronic publishing workflow. The final phase is scheduled to be completed in early 1999. Throughout the year, USA TODAY is



implementing additional infrastructure improvements designed to bring readers even more news and advertising, earlier.

The newspaper's electronic counterpart, USATODAY.com, became profitable in September and has secured its position as the largest newspaper site and one of the largest general-interest news sites on the World Wide Web. Over the course of a month, as many as 8.2 million different users log on to USATODAY.com for breaking news, sports scores, stock quotes, weather forecasts and other information. Advertising sales and transactional deals exploded in 1998, as more advertisers and e-commerce vendors were attracted to the high demographics and increasing number of USATODAY.com readers. In the case of e-commerce, shopping areas were incorporated into five key editorial sections popular with Web users – books, travel, technology, jobs and music – as USATODAY.com affiliated with Web pioneers Barnes & Noble, Preview Travel, Cyberian Outpost, CareerBuilder and Music Boulevard, among others. As USA TODAY approaches its fourth anniversary online, it's planning new content areas and exploring more ways to deepen the relationship between the print and electronic versions.

The home-run race between St. Louis slugger Mark McGwire and Chicago's Sammy Sosa brought new life to baseball in 1998 and helped spark readership of USA TODAY Baseball Weekly in the fall. A Special Collector's Issue published after McGwire broke Roger Maris' single-season home-run record sold 383,000 copies – placing it among the top three selling issues in the weekly magazine's eight-year history.

But it was more than home runs that drew readers. Before the season even began, readers snapped up a record 422,901 copies of the 1998 season preview issue. The magazine distinguished itself throughout the season with numerous enterprise reports, including an examination of baseball's battle to eliminate chewing tobacco and players' struggles to kick the habit.

For more on USA TODAY's financial performance, see page 25.

Ralph Lauren and Gap are among the many top retail advertisers promoting their wares in USA TODAY.



A QUICK LOOK

- USA TODAY is printed at 33 sites in the USA; 26 circulation offices coordinate distribution across the country. Three print sites and several circulation offices in Europe and Asia ensure the newspaper's availability in more than 60 countries.

- USA TODAY has the largest affluent audience of any daily publication – more than 5.3 million every day – according to research firm Monroe Mendelsohn. An Intelliquest survey confirmed that USA TODAY has more readers who influence the purchase of computers than any publication outside the computer trade.

- USATODAY.com in 1998 hit usage records of 92 million daily hits and 7 million daily page views.

- Online ad revenue in 1998 was double the 1997 level; revenue-sharing with e-commerce vendors brought in seven times as much money as the prior year.

- USA TODAY Baseball Weekly's circulation increased 12 percent to a weekly average of 296,000 copies. Advertising revenue hit a record high in 1998, increasing 18 percent over 1997.

TECHNOLOGY GIVES USA TODAY AN EDGE

Advances in technology gave USA TODAY the opportunity to bring readers more compelling and timely news from the far corners of the globe, from civil unrest in Africa to Science Writer Tim Friend's journey with American climbers up Mt. Everest.

During the Winter Olympics in Japan, standard computer technologies were custom-packaged for use by journalists to capture and transmit news, photos and information directly from event venues to editors in Nagano and Arlington, Va. Robert Deutsch's image of skier Picabo Street – shot with a digital camera, saved on a computer disk and transmitted by laptop and cell phone – arrived in Arlington within 18 minutes of her gold-medal Super G

run. The photo appeared in USA TODAY before U.S. audiences watched the race on TV. For the 2000 Summer Games in Sydney, Australia, photographers will use the latest generation of digital cameras as USA TODAY explores higher-speed data lines to further reduce photo transmission time.

On the business side, the circulation department deployed a Wide Area Network (WAN) across its 26 field offices. The WAN connects field employee computers to those at USA TODAY's National Customer Service Center and at local headquarters. These connections allow staffers to share critical customer information instantly. The WAN also allows national and field-based sales staffs to collaborate on nationwide sales programs via networked laptops. Circulation distributors use

palmtops to electronically forecast and collect sales information at the point of sale. In 1999, the WAN will be extended to all 33 USA TODAY print sites.

ADVERTISING MARKET SHARE GROWS

USA TODAY solidified its position as a top media buy, gaining market share in key advertising categories in 1998.

Among its major competitors, including The Wall Street Journal and eight magazines, the newspaper ranked No. 1 in market share in automotive, travel and entertainment; No. 2 in automotive after market, retail and sporting goods; No. 3 in telecommunications; No. 4 in credit cards and technology; No. 5 in pharmaceuticals; and No. 7 in financial.

Within USA TODAY, the retail category exploded, with revenues gaining 26 percent. It's now the fifth-largest category, behind travel, automotive, technology and entertainment. Targeting USA TODAY in 1998 and contributing to gains were upscale advertisers such as De Beers, Tiffany and Rado.

As Olympian Picabo Street whizzed by, Photographer Robert Deutsch snapped this photo with a digital camera, then gave the disk to Photo Editor Alexandra Korab (inset) for transmission of the image to editors.



D I V I S I O N A L H I G H L I G H T S

Gannett's television division posted a 6 percent revenue increase in 1998, despite a challenging advertising environment. Our sales staffs successfully navigated a winding road that began with early boosts from the Winter Olympics, the Super Bowl and increased tobacco industry spending, but later yielded soft auto business attributable to the General Motors strike. The movement of NFL programming from our 12 NBC stations to our six CBS affiliates affected results in the third and fourth quarters. Fortunately, political spending exceeded our expectations. In 1999, our priority will be to continue building new business in a year that brings no special events such as the Olympics or elections.

Gannett has more than doubled its number of television stations in the past five years, today reaching 16.7 percent of the USA. WLTX-TV at Columbia, S.C., became our 21st station in April 1998. In 1998, Gannett delivered the largest sign-on-to-sign-off audience of all non-network-owned television groups.

As new stations have joined the family, our viewers have benefited from a blend of Gannett's resources and quality-minded culture with the commitment to local news and community involvement already in place. Through our groupwide "Winning" training programs, employees interact with their counterparts at sister Gannett stations. Such opportunities to share knowledge and resources let our stations maximize the benefits of a large station group to strengthen their individual local products.

Local news, of course, is the foundation of our stations. Many are the news leaders in their markets. Three — KSDK-TV at St. Louis, KUSA-TV at Denver and KARE-TV at Minneapolis-St. Paul — consistently rank among the USA's five highest-rated Nielsen stations for late evening news among adults ages 25-54. This is the key demographic for advertisers. In most of our markets, the Gannett station ranks No. 1 or No. 2 in morning and late news with adults 25-54.

Our industry peers rate Gannett stations highly, too. KARE and WTLV-TV at Jacksonville, Fla., were among winners of the prestigious national Edward R. Murrow Awards. The two stations also were ranked among the top 10 for overall quality in a study of local newscasts by the Project for Excellence in Journalism. KUSA was named the National Press Photographers Association Station of the Year, while Jonathan Malat of KARE was named NPPA Photographer of the Year.

The National Safety Council honored Buffalo's WGRZ-TV with the Excellence in Public Service for Highway Safety Award for a series on car seat safety. This award illustrates that there's much more to Gannett television stations than reporting the news. We're proud corporate citizens, committed to making a difference for the people in our communities. (See story, page 14.)



KSDK now connects even more closely with viewers, thanks to its "Window on St. Louis" studio. The street-level studio takes its cue from the NBC "Today" show's "Window on the World" set. KSDK's expansive set lets people on the street see TV production up close and in person, and provides many opportunities for KSDK anchors and reporters to interact with the crowd.

As we head toward the new millennium, further fragmentation of the viewing spectrum and the erosion of network television's piece of the pie surely will change the way we do business. Historically a mass medium, local television is becoming more of a niche medium for viewers. Our challenge is to determine that niche by working closely with viewers. For advertisers, broadcast television remains a very efficient way to reach a large audience, and we expect business to remain solid. The introduction of digital television also has provided new challenges — and, more important, many exciting opportunities. (See story, next page.)

Our cable business, Multimedia Cablevision, faces a similar changing landscape. Faced with tough competition from satellite service providers, we continually evaluate our services, programming packages and pricing to hold our place as the overwhelming choice for multi-channel video services. Growing our basic subscriber base is a top priority in 1999.

Multimedia Cablevision continues to embrace technological developments as well. In 1999, we'll enter the arenas of high-speed Internet access and digital cable, bringing new revenue streams to the company.

Following a 1998 exchange with TCI that brought us additional subscribers and systems in Kansas for our suburban Chicago subscribers and systems, our operations are tightly clustered in three regions: Kansas, Oklahoma City and eastern North Carolina. This allows us to operate efficiently and to economically launch these new services to our customers. (See story, page 15.)

For more on the financial performances of our broadcasting and cable operations, see pages 28 and 29.

A QUICK LOOK

- Gannett's 21 TV stations cover 16.7 percent of the USA, the largest coverage of any non-network-owned television group.
- Gannett Television includes 12 NBC affiliates, six CBS affiliates, two ABC affiliates and one WB affiliate. Gannett has the largest affiliate groups for both NBC and CBS.
- Combined, Gannett stations produce 508.5 hours of local news programming weekly.
- Multimedia Cablevision serves 514,000 subscribers: 301,000 in Kansas; 119,000 in Oklahoma; and 94,000 in North Carolina.
- More than 85 percent of our cable systems have been upgraded with fiber-optics; by the end of 1999, more than 95 percent will be completed.
- In an independent survey, 70 percent of Multimedia Cablevision customers rated its overall performance as excellent or good; 94 percent said service calls had been satisfactorily completed. Multimedia employees won numerous awards from regional cable associations in 1998 for service excellence.

DIGITAL TV BRINGS NEW POSSIBILITIES

Digital TV has arrived.

On Nov. 1, Gannett's WUSA-TV at Washington, D.C., and WXIA-TV at Atlanta helped usher it in by joining 40 other stations across the USA in transmitting digital TV signals. Stations operate two channels during the transition: the existing analog channel as well as the new DTV channel.

How stations will eventually use digital signals is still being defined. This much is known: Digital television offers rich, wide-screen movie-theater-quality pictures and CD-quality sound. Viewers will never see the "snow," "ghosts" or other interference sometimes present on analog TV. Instead, viewers get a clear picture that has far more detail and life-like color.

Digital television also promises more programming

choices. Stations can "multicast," splitting one digital signal into as many as four channels to air multiple programs at once. Or, stations may opt to use the one high-quality signal exclusively for super-sharp high-definition television. (One HDTV signal fits the same airspace as several standard channels of digital television.)

The use of DTV technology opens television to the world of the Internet. Digital television can support interactive TV and digital services simultaneously with TV programming. By using the data transmission capability, broadcast stations will be able to send electronic newspapers, program schedules or virtually any other type of information.

Currently WUSA and WXIA are "passing through" programming specifically produced in HDTV by the



WUSA-TV's new digital/UHF antenna is hoisted to the top of the tower.

networks. This includes selected movies, series, sporting events and special events. The stations also "upconvert" analog programming to a high-definition digital format.

By Nov. 1, 1999, six more Gannett TV stations – in Cleveland, Tampa-St. Petersburg, Minneapolis-St. Paul, Phoenix, Denver and St. Louis – located in the top 30 markets are scheduled to begin digital transmissions. The rest of Gannett's broadcast stations are scheduled to be on the air with the DTV signal by May 1, 2002. The FCC hopes that traditional broadcast feeds will end by 2006, although the current analog broadcasts will continue until 85 percent of homes in the U.S. have DTV sets or converters.

WUSA-TV Director of Engineering David Jones in front of the station's DTV filter network. It shapes the digital signal to conform to FCC technical requirements.



COMMITMENT TO VIEWERS REMAINS STRONG

In 1998, Gannett stations continued their commitment to viewers. Through outreach programs, they spearheaded disaster relief, built homes for Habitat for Humanity, rebuilt playgrounds and ball parks, hosted "Listens" town-hall-style programs and saluted volunteer achievement with on-air telecasts and charitable grants.

KSDK-TV at St. Louis, which several years ago pioneered a telephone volunteer hot line concept to help charities find volunteers, saw its idea further catch on at stations nationwide. WTLV-TV at Jacksonville, Fla., and WBIR-TV at Knoxville, Tenn., also now hold hot lines weekdays all year long. They expanded the concept to include phone banks offering viewers tax return assistance,

During a WTLV-TV hot line, Anchor Jeannie Blaylock helped the Jacksonville Job Corps get the word out about its vocational training program.



financial counseling and other services.

For the second year, New York's WGRZ-TV, working with the county sheriff's department and a local supermarket chain, videotaped thousands of Buffalo-area children at the county fair – free. The station gave the tapes to parents to help identify kids should they ever be missing.

Just days after joining Gannett in January, WCSH-TV at Portland and WLBS-TV at Bangor, Maine, teamed up to cover "Ice Storm '98," the worst natural disaster in the state's history. To help viewers through it, they went live, opening phone lines, expanding newscasts and revamping local talk shows with reports on how to cope. Maine Gov. Angus King designated WCSH the exclusive and official emergency communications headquarters for the state. A week later, the stations aired special newscasts aimed at helping residents get back on their feet. Relief efforts were jump-started by a Gannett Foundation grant.

When hurricanes later swept through the Southeast, the Foundation and stations in Greensboro, N.C., Columbia, S.C., Atlanta, Washington, D.C., Tampa-St. Petersburg and Jacksonville were on the spot with help and relief funds. They also assisted their sister stations elsewhere, sharing coverage.

Other cooperative reporting efforts benefited viewers in multiple markets: News employees from stations in Atlanta, Minneapolis-St. Paul, St. Louis, Phoenix, Buffalo and Tampa-St. Petersburg joined those at Washington, D.C.'s WUSA-TV to cover the early days of the Clinton-Lewinsky scandal.

WTSP-TV at Tampa-St. Petersburg enlisted other Gannett stations and crossed company divisions to give area football fans the inside scoop on the NFL. Every week USA TODAY Sports Writer Jarrett Bell, who covers the NFL, appeared via satellite on WTSP's "First and 10" show. WUSA, across the Potomac River from USA TODAY's Arlington, Va., headquarters, provided the studio and satellite uplink for Bell's segments. Other stations provided uplinks when Bell was in their cities for games.

STATIONS FIND MORE WAYS TO REACH VIEWERS

Gannett TV stations are expanding their role as information providers by offering new avenues for people to receive important news.

Nine stations (with more to come) have interactive communication daily with viewers via the Internet, offering information geared to their local markets and local customers' needs. Web content includes news

TIGHT CLUSTERS PROMOTE CABLEVISION'S GROWTH

updates, programming information, guides to local events, recipes, health tips, lottery results and more.

KUSA-TV at Denver, for example, redesigned its Web site in 1998, adding additional content, such as "Consumer Corner" and "Money Matters." The station also improved navigation features and included more links for viewer interaction. In November, the KUSA site provided real-time election results.

To add more value to and cross-promote its broadcasts, the station plans to add video to its online site later in 1999.

One popular feature of KUSA's site has been its extensive weather information. With the Denver area's diverse climate, more travelers are turning to the site for up-to-the-minute forecasts. KUSA provides frame grabs, updated every few minutes throughout the day, from 10 separate Skycam cameras positioned in Denver, Boulder, Fort Collins, Vail and at the Continental Divide.

Georgia's WMAZ-TV provides visitors a view of Macon's weather, updated every five minutes, via its Skycam mounted at the station.

Some Gannett TV stations also partner with their networks to provide features such as city guides, chat forums and links to classified, job and real estate listings.

Multimedia Cablevision in 1998 became the major cable player in Kansas.

In August, the Wichita-based division completed its exchange of cable systems serving about 128,000 customers in Kansas from Tele-Communications, Inc. for cable systems serving 93,000 customers in suburban Chicago.

Multimedia Cablevision now serves 301,000 subscribers in Kansas, or 50 percent of all cable customers in the state. Excluding Kansas City and its immediate suburbs, it has systems in 18 of the largest 25 cities in Kansas.

Total Cablevision subscribers in the USA now number 514,000.

Having three tight clusters – in Kansas, Oklahoma City and eastern North Carolina – rather than many small, geographically diverse cable systems is key to Multimedia Cablevision's strategic plan of having a dominant presence in its cable markets, says President Mike Burrus.

The geographic clustering gives the division the opportunity to expand its advertising sales reach. "We're now more attractive to local and regional advertisers and in the future might attract interest from the national perspective. When markets are fragmented, you don't have that appeal," Burrus explains.

It also means improved customer service and operating efficiency as Multimedia Cablevision in 1999 rolls out two new projects: high-speed Internet service using cable modems and digital cable.

Cable modems link cable-TV lines to computers for Internet access at speeds of 100 to 1,000 times faster than telephone modems.

"If we had small cable systems scattered across the country vs. in fewer markets of significant size, we wouldn't even be looking at the modem project because of the large capital investment. It just wouldn't make sense," Burrus says.

Major Internet service providers, when bidding to partner with Multimedia Cablevision on the modem project, "made it obvious how much they covet the large types of clusters we have," Burrus adds.

With the digital cable project, which introduces digital video signals into subscribers' homes, Multimedia Cablevision can more strongly compete with satellite providers by offering new and better services. Customers will have more channels of programming, more pay-per-view movies and better quality audio and video. While Multimedia Cablevision will continue to carry most of its programming in an analog format, using digital technology allows it to deliver more services within the same bandwidth that it is currently using for analog signals.

With the TCI exchange, Multimedia Cablevision traded systems which had been upgraded with fiber optics and expanded bandwidth and received a number of systems for which upgrades have not yet been completed. More than 85 percent of Cablevision's total customer base is served by systems which have been upgraded. By the end of 1999, that figure will increase to 95 percent.



Anna Madden, customer support manager, and Mark Tucker, field support manager, for Multimedia's cable modem project use two PCs to demonstrate the high speed of a cable modem (left) for accessing the Internet. It's hundreds of times faster than a telephone modem.



CURLEY



HO

BROKAW



CLARK

LEWIS



BOARD OF DIRECTORS

JOHN J. CURLEY

Chairman and chief executive officer, Gannett Co., Inc.

Formerly: Chairman, president and chief executive officer, Gannett Co., Inc. (1989-1997). Age 60. (b,d,f,g)

MEREDITH A. BROKAW

Founder, Penny Whistle Toys, Inc., New York City, and author of children's books.

Other directorships: Conservation International, Washington, D.C.; Women's First Health Care. Age 58. (b,d,e)

PETER B. CLARK

Former chairman, president and chief executive officer, The Evening News Association (1969-86). Age 70. (e,g)

STUART T.K. HO

Chairman of the board and president, Capital Investment of Hawaii, Inc. *Other directorships:* Aloha Airgroup, Inc.; College Retirement Equities Fund; Capital Investment of Hawaii, Inc.; Pacific Century Financial Corporation. Age 63. (a,b,c)

DREW LEWIS

Former chairman and chief executive officer, Union Pacific Corporation. *Other directorships:* Aegis Communications; American Express Co.; FPL Group, Inc.; Gulfstream Aerospace; Lucent Technologies; Millennium Bank; Union Pacific Resources Group Inc. Age 67. (a,d)

A SPECIAL THANKS



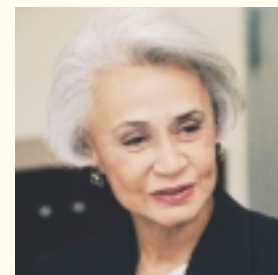
LOUIS



PALMISANO



REYNOLDS

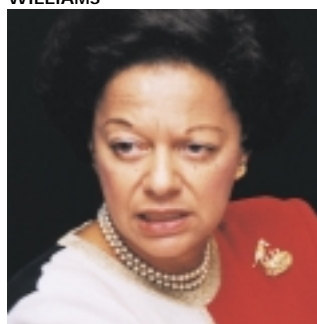


Dolores D. Wharton retired from the Gannett Board of Directors on April 28, 1998. Wharton, chairman and CEO, Fund for Corporate Initiatives, Inc., had served on the board since March 1, 1979.

McCORKINDALE



WILLIAMS

**JOSEPHINE P. LOUIS**

Chairman and chief executive officer, Eximious Inc., and Eximious Ltd. *Other directorships:* HDO Productions, Inc.; trustee, Chicago Horticultural Society; trustee, Chicago Historical Society. Age 68. (a,b,e)

DOUGLAS H. McCORKINDALE

Vice chairman and president, Gannett Co., Inc. *Formerly:* Vice chairman and chief financial and administrative officer, Gannett Co., Inc. (1985-1997).

Other directorships:

Continental Airlines, Inc.; Frontier Corporation; and funds which are part of the Prudential group of mutual funds. Age 59. (b,f,g)

SAMUEL J. PALMISANO

Senior vice president and group executive, IBM Global Services. Age 47.

THOMAS A. REYNOLDS JR.

Chairman emeritus of Chicago law firm of Winston & Strawn. *Other directorships:* Union Pacific Corporation. Age 70. (a,b,c)

KAREN HASTIE WILLIAMS

Partner of Washington, D.C., law firm of Crowell & Moring. *Other directorships:* Crestar Financial Services Corporation; Continental Airlines, Inc.; Fannie Mae; Washington Gas Light Company. Age 54. (a,c)

- (a) Member of Audit Committee.
- (b) Member of Executive Committee.
- (c) Member of Executive Compensation Committee.
- (d) Member of Management Continuity Committee.
- (e) Member of Public Responsibility and Personnel Practices Committee.
- (f) Member of Gannett Management Committee.
- (g) Member of Contributions Committee.

Gannett'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 and cable operations. The members of these three groups are identified at right and on the previous pages.

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.

At right are brief descriptions of the business experience during the last five years 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 two officers who serve as directors (John J. Curley and Douglas H. McCorkindale) can be found on pages 16-17.

CHRISTOPHER W. BALDWIN, Vice president, taxes. Age 55.

SARA M. BENTLEY, President, Gannett Northwest Newspaper Group, and president and publisher, Statesman Journal, Salem, Ore. *Formerly:* President and publisher, Statesman Journal (1988-1994). Age 47. ■

MICHAEL C. BURRUS, President, Multimedia Cablevision. *Formerly:* Vice president, Multimedia, Inc., and president, Multimedia Cablevision and Multimedia Security (1993-1995). Age 44. ♦

THOMAS L. CHAPPLE, Senior vice president, general counsel and secretary. *Formerly:* Vice president, general counsel and secretary (1991-1995). Age 51. •

RICHARD L. CLAPP, Senior vice president/human resources. *Formerly:* Vice president, compensation and benefits (1983-1995). Age 58. •

SUSAN CLARK-JOHNSON, Senior group president, Gannett Pacific Newspaper Group, and president and publisher, Reno (Nev.) Gazette-Journal. *Formerly:* President, Gannett West Newspaper Group, and president and publisher, Reno Gazette-Journal (1985-1994). Age 52. ■

MICHAEL J. COLEMAN, Senior group president, Gannett South Newspaper Group, and president and publisher, FLORIDA TODAY at Brevard County. *Formerly:* President, Gannett South Newspaper Group, and president and publisher, FLORIDA TODAY (1991-1994). Age 55. ■

ROBERT T. COLLINS, President, New Jersey Newspaper Group, and president and publisher, Asbury Park Press, Home News Tribune, East Brunswick, N.J., and Ocean County Newspapers. *Formerly:* President and publisher, Asbury Park Press and Home News Tribune (1997-1998); president and publisher, Courier-Post, Cherry Hill, N.J. (1993-1997). Age 55. ■

COMPANY & DIVISIONAL OFFICERS

Pictured on these pages are members of the Gannett Management Committee, Gannett Newspaper Operating Committee and Gannett Broadcasting Operating Committee.

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



BENTLEY ■



BALDWIN •



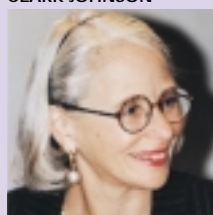
CHAPPLE •



COLLINS ■



BURRUS ♦



CLARK-JOHNSON ■



COLEMAN ■



J. CURLEY •

THOMAS CURLEY, Senior vice president, administration, and president and publisher, USA TODAY. *Formerly:* President and publisher, USA TODAY (1991-1998). Thomas Curley is the brother of John J. Curley. Age 50. •

PHILIP R. CURRIE, Senior vice president, news, Newspaper Division. *Formerly:* Vice president, news, Newspaper Division (1982-1995). Age 57. ■

ARDYTH R. DIERCKS, Senior vice president, Gannett Television. *Formerly:* President and general manager, KSDK-TV, St. Louis (1996-1998); president and general manager, KVUE-TV, Austin, Texas (1994-

1996); vice president and general manager, KVUE-TV (1992-1994). Age 44. ♦

CRAIG A. DUBOW, Executive vice president, Gannett Television. *Formerly:* President and general manager, WXIA-TV, Atlanta (1992-1996). Age 44. ♦

DANIEL S. EHRMAN JR., Vice president, planning and development. *Formerly:* Senior vice president, Gannett Broadcasting (1995-1997); vice president, finance and business affairs, Gannett Broadcasting (1984-1995). Age 52.

MILLICENT A. FELLER, Senior vice president, public affairs and government relations. Age 51. •

LAWRENCE P. GASHO, Vice president, financial analysis. Age 56.

GEORGE R. GAVAGAN, Vice president and controller. *Formerly:* Vice president, corporate accounting services (1993-1997). Age 52.

DENISE H. IVEY, President, Gannett Gulf Coast Newspaper Group, and president and publisher, Pensacola (Fla.) News Journal. *Formerly:* Vice president, Gannett South Newspaper Group, and president and publisher, Pensacola News Journal (1991-1994). Age 48. ■

JOHN B. JASKE, Senior vice president, labor relations and assistant general counsel. Age 54. •

RICHARD A. MALLARY, Senior vice president, Gannett Broadcasting. *Formerly:* Vice president, news, Gannett Broadcasting (1989-1995). Age 56. ♦

GRACIA C. MARTORE, Treasurer and vice president, investor relations. *Formerly:* Vice president, treasury services and investor relations (1996-1998); vice president, treasury services (1993-1996). Age 46.

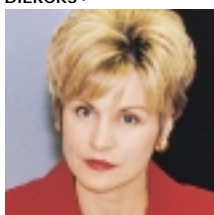
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T. CURLEY •



CURRIE ■



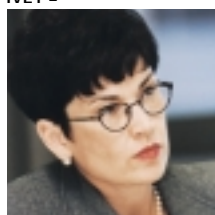
DIERCKS ♦



DUBOW ♦



FELLER •



IVEY ■



JASKE •



MALLARY ♦



MCCORKINDALE •

MYRON MASLOWSKY, Vice president, internal audit. *Formerly:* Director, internal audit (1989-1995). Age 44.

LARRY F. MILLER, Executive vice president and chief financial officer. *Formerly:* Senior vice president, financial planning and controller (1991-1997). Age 60. ♦

CRAIG A. MOON, President, Piedmont Newspaper Group, and president and publisher, The Tennessean, Nashville. *Formerly:* Vice president, Gannett South Newspaper Group, and president and publisher, The Tennessean (1991-1999). Age 49. ■

ROGER OGDEN, Vice president, Gannett Television, and president and general manager, KUSA-TV, Denver, Colo. Age 53. ♦

W. CURTIS RIDDLE, Senior group president, Gannett East Newspaper Group, and president and publisher, The News Journal, Wilmington, Del. *Formerly:* President, Gannett East Newspaper Group, and president and publisher, Lansing (Mich.) State Journal (1993-1994). Age 47. ■

CARLETON F. ROSENBURGH, Senior vice president, Gannett Newspaper Division. Age 59. ■

GARY F. SHERLOCK, President, Gannett Atlantic Newspaper Group, and president and publisher, The Journal News, Westchester County, N.Y. *Formerly:* Vice president, Gannett Metro Newspaper Group, and president and publisher, The Journal News (1990-1994). Age 53. ■

MARY P. STIER, President, Gannett Midwest Newspaper Group, and president and publisher, Rockford (Ill.) Register Star. Age 41. ■

WENDELL J. VAN LARE, Vice president, senior labor counsel. Age 53.

CECIL L. WALKER, President, Gannett Broadcasting Division. Age 62. ♦♦

BARBARA W. WALL, Vice president, senior legal counsel. Age 44.

GARY L. WATSON, President, Gannett Newspaper Division. Age 53. ■■

COMPANY & DIVISIONAL OFFICERS



MILLER ♦



MOON ■



OGDEN ♦



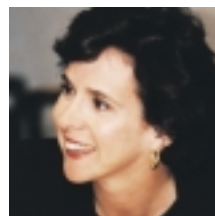
RIDDLE ■



ROSENBURGH ■



SHERLOCK ■



STIER ■



WALKER ♦♦



WATSON ■■

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GANNETT COMMON STOCK PRICES

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

88	— \$16.88 — \$19.75
	— \$14.69 — \$17.82
	— \$15.25 — \$17.13
	— \$16.19 — \$17.50
89	— \$17.32 — \$19.13
	— \$18.32 — \$24.25
	— \$21.82 — \$24.94
	— \$19.75 — \$22.63
90	— \$19.75 — \$22.19
	— \$17.75 — \$21.13
	— \$14.94 — \$18.75
	— \$15.32 — \$18.88
91	— \$17.88 — \$21.32
	— \$19.88 — \$22.19
	— \$19.69 — \$23.32
	— \$17.94 — \$21.13
92	— \$21.13 — \$23.94
	— \$20.75 — \$24.57
	— \$21.94 — \$24.13
	— \$23.00 — \$26.82
93	— \$25.32 — \$27.69
	— \$23.75 — \$27.38
	— \$23.88 — \$25.69
	— \$23.75 — \$29.07
94	— \$26.69 — \$29.19
	— \$25.32 — \$27.44
	— \$24.19 — \$25.82
	— \$23.38 — \$26.69
95	— \$25.07 — \$27.50
	— \$26.00 — \$27.88
	— \$26.50 — \$27.75
	— \$26.44 — \$32.19
96	— \$29.63 — \$35.38
	— \$32.25 — \$35.82
	— \$32.00 — \$35.07
	— \$34.75 — \$39.25
97	— \$35.81 — \$44.75
	— \$40.50 — \$50.66
	— \$48.00 — \$53.00
	— \$51.13 — \$61.81
98	— \$57.25 — \$69.94
	— \$65.13 — \$74.69
	— \$55.81 — \$73.56
	— \$48.94 — \$68.06
99	— \$62.00 — \$70.25 •

• Through Feb. 26, 1999

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 generally accepted accounting principles. 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 accountants, 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 control 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 on page 51.

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 five non-management directors, and meets to discuss audit and financial reporting matters with representatives of financial management, the internal auditors and the independent accountants. 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
Vice Chairman and President



Larry F. Miller
Executive Vice President
and Chief Financial Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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, the 11-year summary of operations and the Form 10-K information that appear in the following sections of this report.

The company's fiscal year ends on the last Sunday of the calendar year. The company's 1998 fiscal year ended on Dec. 27, 1998 and encompassed a 52-week period. The company's 1997 and 1996 fiscal years also encompassed 52-week periods.

Business acquisitions, exchanges and dispositions

1998

In the first quarter of 1998, the company sold its five remaining radio stations, its alarm security business and its newspaper in St. Thomas, Virgin Islands. The company also contributed its newspaper in Saratoga Springs, N.Y., to the Gannett Foundation. The company recorded a net non-operating gain of \$307 million (\$184 million after-tax), principally as a result of these transactions.

The company purchased television stations WCSH-TV (NBC) in Portland, Maine, and WLBZ-TV (NBC) in Bangor, Maine, early in the first quarter and WLTX-TV (CBS) in Columbia, S.C., in April 1998.

In the third quarter of 1998, the company sold five small-market daily newspapers in Ohio, Illinois and West Virginia and completed the acquisition of several newspapers in New Jersey, including The Daily Record in Morristown and the Ocean County Observer in Toms River. Also in the third quarter of 1998, the company completed a transaction with TCI Communications, Inc., under which it exchanged its subscribers and certain cable system assets in the suburban Chicago area (93,000 subscribers) for subscribers and certain cable system assets of TCI in Kansas (128,000 subscribers).

The aggregate purchase price for businesses and assets acquired in 1998 was approximately \$370 million in cash. The acquisitions, which were accounted for under the purchase method of accounting, did not materially affect reported results of operations for the year.

1997

In January 1997, the company exchanged WLWT-TV (NBC-Cincinnati) and KOCO-TV (ABC-Oklahoma City) for WZZM-TV (ABC-Grand Rapids/Kalamazoo/Battle Creek) and WGRZ-TV (NBC-Buffalo). This exchange was necessary to comply with Federal Communications Commission (FCC) cross-ownership rules and did not materially affect broadcast operating results.

In May 1997, the company acquired KNAZ-TV (NBC-Flagstaff, Ariz.), KMOH-TV (WB-Kingman, Ariz.) and Printed Media Companies (Minneapolis, Minn.). In July 1997, Mary Morgan, Inc., a printing business in Green Bay, Wis., was purchased, and in August 1997, the company acquired Army Times Publishing Company in Springfield, Va., which produces military newspapers and a monthly defense publication.

In October 1997, the company acquired New Jersey Press, Inc., which publishes two dailies, Asbury Park Press and the Home News Tribune of East Brunswick, and operates In Jersey, an Internet service.

The aggregate purchase price for businesses acquired in 1997 was approximately \$445 million in cash and liabilities assumed. The acquisitions were accounted for under the purchase method of accounting and did not materially affect reported results of operations for the year.

In January 1997, the company contributed the Niagara Gazette newspaper to the Gannett Foundation. In April 1997, the company sold its newspaper in Moultrie, Ga., and in November 1997, the company sold its newspapers in Tarentum and North Hills, Pa. These newspaper dispositions did not materially affect results of operations.

1996

In December 1996, the company acquired WTSP-TV (CBS-Tampa/St. Petersburg, Fla.) in exchange for radio stations in Los Angeles, San Diego and Tampa.

The company recorded the exchange as two simultaneous but separate events; that is, a sale of radio stations for which a non-cash gain was recognized, and the acquisition of the television station accounted for under the purchase method. The company reported a pre-tax, non-cash, non-operating gain of \$158 million on the exchange and the television station acquired was recorded at estimated fair value or \$170 million. On an after-tax basis, this accounting treatment resulted in a non-cash increase in earnings of \$93 million.

In August 1996, the company completed the sale of its outdoor advertising business for \$713 million in cash. The company recorded an after-tax gain of \$295 million. The gain and outdoor operating results for periods prior to the sale are reported as a discontinued operation.

In December 1996, the company sold its television entertainment programming business, Multimedia Entertainment, which had been acquired in December 1995 as part of the acquisition of Multimedia, Inc. ("Multimedia"). The selling price for this transaction approximated the value assigned to it by the company upon acquisition. Therefore, no gain was recognized on the sale. The operating results for Multimedia Entertainment for periods prior to the sale are reported as a discontinued operation.

RESULTS OF OPERATIONS

Consolidated summary

The company achieved record operating results in 1998 in all three of its business segments. A consolidated summary is presented below. Note that this summary separates from ongoing results the first quarter 1998 net non-operating gain of \$307 million (\$184 million after-tax) principally from the sale of the radio and alarm security businesses, and the fourth quarter 1996 non-cash gain of \$158 million (\$93 million after-tax) recorded on the exchange of radio stations for a television station.

In millions of dollars, except per share amounts

	1998	Change	1997	Change	1996	Change
Operating revenues	\$ 5,121	8%	\$ 4,729	7%	\$ 4,421	18%
Operating expenses	\$ 3,677	8%	\$ 3,413	2%	\$ 3,355	15%
Operating income	\$ 1,444	10%	\$ 1,316	23%	\$ 1,066	30%
Income from continuing operations, excluding gains on sale/exchange of properties	\$ 816	15%	\$ 713	34%	\$ 531	15%
After-tax gains on sale/exchange of properties	\$ 184				\$ 93	
Income from continuing operations, as reported	\$ 1,000	40%	\$ 713	14%	\$ 624	36%
Earnings per share from continuing operations, excluding gains on sale/exchange of properties						
Basic	\$ 2.88	14%	\$ 2.52	34%	\$ 1.88	15%
Diluted	\$ 2.86	14%	\$ 2.50	34%	\$ 1.87	15%
Earnings per share from gains on sale/exchange of properties						
Basic	\$.65				\$.33	
Diluted	\$.64				\$.33	
Earnings per share from continuing operations, as reported						
Basic	\$ 3.53	40%	\$ 2.52	14%	\$ 2.21	35%
Diluted	\$ 3.50	40%	\$ 2.50	14%	\$ 2.20	35%

A discussion of the operating results of each of the company's principal business segments and other factors affecting financial results follows. Operating cash flow amounts presented with business segment information represent operating income plus depreciation and amortization of intangible assets. Such cash flow amounts vary from net cash flow from operating activities presented in the Consolidated Statements of Cash Flows because cash payments for interest and taxes are not reflected therein, nor are the cash flow effects of non-operating items, discontinued operations or changes in certain operations-related balance sheet accounts.

Newspapers

In addition to its local newspapers, the company's newspaper publishing operations include USA TODAY, USA WEEKEND and Gannett Offset commercial printing. The newspaper segment in 1998 contributed 81% of the company's revenues and 77% of its operating income. Record earnings were achieved by the newspaper segment in 1998, driven by revenue gains in all major categories. Revenue and earnings gains were reported for newspapers at large, medium and small markets, and in most geographic regions. Improved results were reported at The Detroit News, which continued its rebound from the strike initiated in mid-1995.

The New Jersey newspapers acquired in October 1997 and July 1998 contributed to year-to-year earnings gains.

At USA TODAY, record revenues and earnings also were reported. Advertising revenues were very strong, up 12% over 1997.

Newsprint prices on average were 9% higher than in 1997. However, at the end of 1998, they were only slightly higher than year-ago levels.

Newspaper operating results were as follows:

In millions of dollars

	1998	Change	1997	Change	1996	Change
Revenues	\$ 4,159	10%	\$ 3,771	8%	\$ 3,502	7%
Expenses	\$ 3,050	10%	\$ 2,769	2%	\$ 2,716	6%
Operating income	\$ 1,109	11%	\$ 1,002	27%	\$ 786	12%
Operating cash flow	\$ 1,294	11%	\$ 1,170	23%	\$ 948	11%

Newspaper operating revenues: Newspaper operating revenues are derived principally from advertising and circulation sales, which accounted for 71% and 24%, respectively, of total newspaper revenues in 1998. Other newspaper publishing revenues are mainly from commercial printing businesses. The table below presents these components of reported revenues for the last three years.

Newspaper publishing revenues, in millions of dollars

	1998	Change	1997	Change	1996	Change
Advertising	\$ 2,943	12%	\$ 2,634	9%	\$ 2,418	9%
Circulation	\$ 1,010	7%	\$ 948	3%	\$ 918	6%
Commercial printing and other	\$ 206	9%	\$ 189	13%	\$ 166	(3%)
Total	\$ 4,159	10%	\$ 3,771	8%	\$ 3,502	7%

In the tables that follow, newspaper advertising lineage, circulation volume statistics and related revenue results are presented on a pro forma basis for newspapers owned at the end of 1998. Newspapers acquired in 1998 are included as if they were owned throughout the period covered by these comparisons.

Advertising revenues, in millions of dollars (pro forma)

	1998	Change	1997	Change	1996	Change
Local	\$ 936	4%	\$ 902	4%	\$ 865	1%
National	\$ 526	8%	\$ 489	10%	\$ 446	17%
Classified	\$ 1,035	7%	\$ 963	10%	\$ 874	6%
Total Run-of-Press	\$ 2,497	6%	\$ 2,354	8%	\$ 2,185	6%
Preprint and other advertising	\$ 458	8%	\$ 423	5%	\$ 402	(2%)
Total ad revenue	\$ 2,955	6%	\$ 2,777	7%	\$ 2,587	5%

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

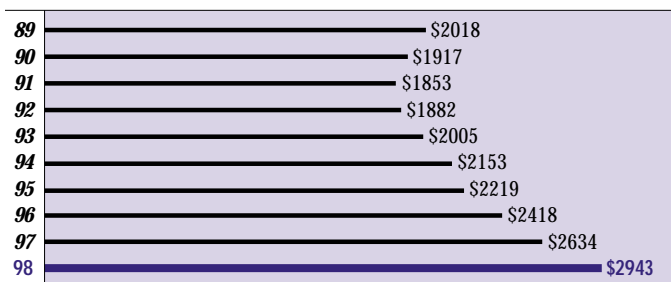
	1998	Change	1997	Change	1996	Change
Local	35.4	3%	34.3	5%	32.6	(4%)
National	3.1	7%	2.9	13%	2.5	6%
Classified	42.2	9%	38.7	8%	35.8	1%
Total Run-of-Press	80.7	6%	75.9	7%	70.9	(1%)
Preprint distribution (millions)	7,402	7%	6,923	3%	6,726	--

Reported newspaper advertising revenues for 1998 were \$309 million greater than in 1997, a 12% increase, while pro forma revenues presented above reflect a 6% increase. This reported/pro forma variance relates principally to newspaper acquisitions in 1997 and 1998.

Pro forma local ad revenues and lineage in 1998 rose 4% and 3%, respectively. Most local newspapers achieved gains in this category, particularly from medium and smaller accounts. Ad spending by major retailers was slightly lower in 1998. The overall gains in local revenues were spurred by enhanced sales and marketing efforts and by the strong economy.

Pro forma national ad revenues and lineage rose 8% and 7%, respectively, fueled principally by USA TODAY, which reported a 12% gain in total ad revenues and a 9% lineage gain. Ad revenue growth at USA TODAY in 1998 followed a 12% gain in 1997 and a 30% gain in 1996.

Pro forma classified revenues in 1998 rose 7% on a 9% lineage gain. Employment advertising revenue gains were the strongest, followed by real estate and automotive. Classified sales and marketing resources were expanded and refined in 1998, which, along with the strong economy and the tight labor market, were the key factors in these revenue gains.



Newspaper advertising revenues in millions, as reported

Looking to 1999, further ad revenue and volume growth is anticipated in all categories. Generally modest price increases are planned at most properties, and the company will continue to expand and refine sales and marketing efforts. Changes in national economic factors such as interest rates, employment levels and the rate of general economic growth will have an impact on revenues at all of the company's newspapers.

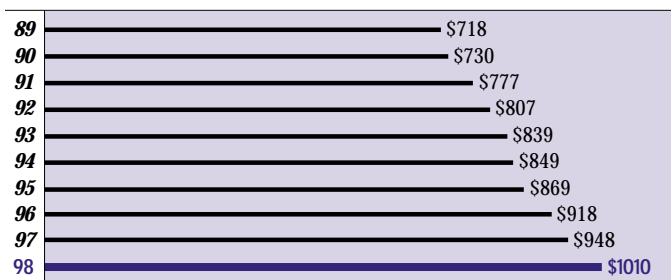
Newspaper circulation revenues rose \$62 million or 7% in 1998. Incremental revenue from the newspaper businesses acquired in 1997 and 1998 contributed significantly to the gains, although most of the company's local newspapers, along with USA TODAY and USA WEEKEND, reported higher circulation revenue as well.

For local newspapers, morning circulation accounts for approximately 82% of total daily volume, while evening represents 18%. On a pro forma basis, local morning circulation rose 1%. Of the company's local morning circulation newspapers, 31 of 57 achieved higher average volume for 1998. Average evening circulation was 1% lower, continuing the national trend. Average Sunday circulation was 1% lower in 1998.

During 1998, the Battle Creek (Mich.) Enquirer was converted from evening to morning publication, and the 10 daily Gannett Suburban Newspapers were consolidated into one morning and Sunday publication, The Journal News, based in Westchester County, N.Y.

Selected circulation price increases were implemented in 1998 at certain newspapers.

USA TODAY's average daily paid circulation for 1998 rose 2% to 2,271,767. USA TODAY reported an average daily paid circulation of 2,213,255 in the ABC Publisher's Statement for the six months ended Sept. 27, 1998, a 2% increase over the comparable period a year ago.



Newspaper circulation revenues in millions, as reported

The company expects modest circulation revenue growth at most of its newspaper properties in 1999. The company will continue its efforts to improve circulation single-copy sales through enhanced marketing and sales outlet selection. Circulation price increases are planned at certain newspapers in 1999.

Pro forma circulation volume for the company's local newspapers is summarized in the table below:

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

	1998	Change	1997	Change	1996	Change
Local Newspapers						
Morning	3,688	1%	3,634	1%	3,615	(1%)
Evening	787	(1%)	794	(4%)	825	(8%)
Total daily	4,475	1%	4,428	--	4,440	(3%)
Sunday	6,029	(1%)	6,111	(1%)	6,188	(4%)

Reported newspaper ad revenues for 1997 were \$216 million greater than in 1996, a 9% increase, while pro forma revenues reflect a 7% increase. This reported/pro forma variance relates to the 1997 acquisitions of Army Times Publishing Company and New Jersey Press, Inc.

Pro forma local ad revenues and lineage rose 4% and 5%, respectively. Most of the company's local newspapers achieved gains in this category.

Pro forma national ad revenues and lineage rose 10% and 13% in 1997, respectively. USA TODAY made a major impact here, reporting a 12% gain in total ad revenues and a 7% lineage gain.

USA WEEKEND's national revenues rose 16%, and local newspaper national revenues were up 13%.

Pro forma classified revenues rose 10% in 1997 on an 8% lineage gain. Employment advertising revenue gains were strongest, followed by real estate and automotive. Ad rates were higher at most newspapers for most key classified categories. Employment and classified advertising benefited from the strong economy and tight labor market and expanded sales staffing.

Newspaper circulation revenues rose \$30 million or 3% in 1997. Most local newspapers, along with USA TODAY and USA WEEKEND, contributed to the gain.

On a pro forma basis, local morning circulation rose 1% in 1997. Average evening circulation was 4% lower, continuing the national trend. Average Sunday circulation was 1% lower. At The Detroit News, daily and Sunday circulation rose for the year, reversing the effects of the strike initiated in 1995.

During 1997, the Bellingham (Wash.) Herald and the Iowa City Press-Citizen converted from evening to morning publication and the evening Rochester (N.Y.) Times-Union was consolidated with the morning publication, Democrat and Chronicle.

Selected price increases were implemented in 1997 at certain newspapers.

USA TODAY's average daily paid circulation in 1997 rose 3% to 2,234,474. USA TODAY reported an average daily paid circulation of 2,169,860 in the ABC Publisher's Statement for the six months ended Sept. 28, 1997, a 2% increase over the comparable period in 1996.

For 1996, reported newspaper ad revenues were \$198 million greater than in 1995, a 9% increase, while pro forma ad revenues reflect a 5% increase. The variance in the reported/pro forma percentage increase relates to the results of the Multimedia newspapers acquired at the end of 1995.

Pro forma local ad revenues rose 1% for 1996, while related lineage was off 4%. Local ad rate increases were implemented at most newspapers in 1996.

Strong gains in 1996 were achieved in pro forma national ad revenues, up 17%, driven by USA TODAY, which reported a 30% increase in ad revenues. USA TODAY's ad volume gains were buoyed by the Summer Olympics and to a lesser extent the fall political elections.

Pro forma classified revenues rose 6% in 1996 on a 1% gain in lineage. Revenue gains were achieved in the top three classified categories, automotive, employment and real estate. Employment was strongest, up 9%. Ad rates were higher in all categories.

Newspaper circulation revenues rose 6% or \$48 million in 1996, mainly because of added revenues from the Multimedia newspapers and gains at USA TODAY. Circulation revenues were lower in Detroit because of the strike.

On a pro forma basis for 1996, local morning circulation declined 1%, evening circulation declined 8% and Sunday circulation was down 4%. Most of the evening and Sunday circulation volume loss was attributable to the strike in Detroit.

USA TODAY's average daily paid circulation for 1996 rose 4% to 2,163,941 and its circulation revenues rose 4%. USA TODAY reported an average daily paid circulation of 2,130,847 in the ABC Publisher's Statement for the six months ended Sept. 29, 1996, a 3% increase over the comparable period in 1995.

Newspaper operating expense: Newspaper operating expense rose \$281 million or 10% in 1998. The increase was caused principally by incremental costs from newspaper properties acquired in 1997 and 1998. Newsprint expense for the year, including the effect of acquisitions, was 18% higher than in 1997. Both consumption and average prices were higher by approximately 9%.

While year-to-year newsprint prices were higher for all of 1998, at year-end they were only slightly higher than at the end of 1997. Newsprint prices have declined in early 1999, and it is expected that average prices for the year will be lower than in 1998.

Payroll costs for newspaper operations rose 9% in 1998, in part because of acquired properties but also because of increases in headcount, particularly in marketing and ad sales, and pay increases.

For 1999, pay increases are expected to be modest and headcount levels are not expected to change significantly. Ad sales payroll spending will, however, be increased further.

Newspaper operating expense rose \$53 million or 2% in 1997. The company benefited from lower average newsprint costs for the year. Newsprint expense for the year, including the effect of acquisitions, was 15% lower than in 1996. Consumption was higher by 8%, but average prices were down 21%.

Payroll costs for newspaper operations rose 7% in 1997, in part because of the acquired properties but also because of slight increases in headcount, particularly in ad sales, and modest pay increases.

Newspaper operating expense rose \$158 million or 6% for 1996. Most of this increase relates to the impact of the Multimedia newspapers and higher newsprint costs. Newsprint expense for the year, including the effect of Multimedia newspapers, rose 15%, reflecting greater consumption, up 4%, and higher average prices, up 11% from 1995.

Payroll costs rose 4% in 1996, reflecting the Multimedia purchase, partially offset by savings in Detroit. Year-end employment levels were down slightly from 1995. Strike-related costs in Detroit, principally security and property damage, were significantly lower for the full year of 1996 than they were for 1995.

Newspaper operating income: The company's newspapers produced record earnings in 1998. Operating profit rose \$107 million or 11%. While recently acquired newspaper properties contributed significant earnings, most of the company's local newspapers also reported higher profits. Earnings gains at Detroit and at USA TODAY were among the strongest.

For 1999, the company expects to achieve further operating income gains, fueled by broad-based revenue growth at its local newspapers and USA TODAY.

Newspapers produced sharply higher earnings in 1997; operating profit rose \$216 million or 27%. Nearly all local newspapers reported higher profits and significant gains were achieved in Detroit and other large-city markets, as well as at USA WEEK-END. At USA TODAY, operating results were sharply higher.

Operating income for the newspaper segment rose \$85 million or 12% for 1996, reflecting the incremental contribution of Multimedia newspapers and sharply improved results at USA TODAY and The Detroit News. Higher newsprint prices tempered these earnings gains for the full year of 1996.

Broadcasting

Early in the first quarter of 1998, the company sold its five remaining radio stations (in Chicago, Dallas and Houston) and purchased two television stations, WCSH-TV (NBC) in Portland, Maine, and WLBZ-TV (NBC) in Bangor, Maine. In late April 1998, the company purchased WLTX-TV (CBS) in Columbia, S.C. The company's broadcasting operations at the end of 1998 included 21 television stations reaching 16.7 percent 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

	1998	Change	1997	Change	1996	Change
Revenues	\$721	3%	\$704	2%	\$687	47%
Expenses	\$377	1%	\$376	(4%)	\$390	38%
Operating income	\$344	5%	\$328	10%	\$297	63%
Operating cash flow	\$404	5%	\$385	10%	\$349	64%

Total reported broadcasting revenues rose \$18 million or 3% in 1998. On a pro forma basis (for currently owned television stations), broadcasting revenues rose 6% for the year.

Pro forma local and national advertising revenues increased 6% and 8%, respectively, over 1997. This reflects strong advertising demand because of continued high ratings for NBC programming (12 of the stations owned are NBC affiliates) and overall growth in the economy. Early in 1998, advertising revenues benefited from the Super Bowl broadcast on the company's NBC stations and the Winter Olympics airing on its CBS stations. Strong political advertising contributed to the overall revenue growth as well. The stations in Minneapolis-St. Paul, Denver, Cleveland and Knoxville reported the strongest revenue gains. Revenue increases were tempered by the General Motors strike in the third quarter and overall softer demand for non-political advertising in the fourth quarter.

A summary of pro forma revenues for television stations owned at the end of 1998 follows:

Pro forma broadcast revenues, in millions of dollars

	1998	Change	1997	Change	1996	Change
Revenues	\$725	6%	\$682	3%	\$663	12%

Reported operating expenses for broadcast were up 1% compared to 1997. On a pro forma basis, operating expenses increased 2%, with payroll costs up 4% and program costs even with 1997.

For the fourth consecutive year, operating income from broadcasting reached a record high, climbing \$15 million to \$344 million in 1998. The 5% increase reflects continued strong demand for television advertising in most markets throughout the year and cost controls.

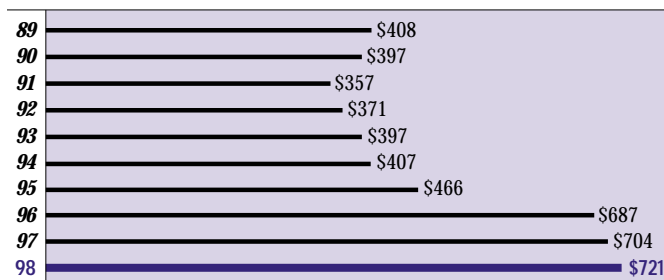
For 1999, increased revenues and operating earnings in television are expected. With the absence of the positive impact of the Winter Olympics and elections, however, gains will be tied closely to continued enhancement of locally produced news and information programming.

Reported broadcasting revenues rose \$17 million or 2% in 1997. On a pro forma basis, broadcasting revenues rose 3%. Pro forma television local and national advertising revenues increased 4% and 1%, respectively, over 1996. This reflects strong advertising demand because of high ratings for NBC programming and overall growth in the economy. The revenue increase was tempered by the absence of incremental revenues from 1996's Summer Olympics and political advertising.

Reported operating expenses for broadcast in 1997 declined \$14 million or 4%, mainly because of Olympics-related costs in 1996. On a pro forma basis, operating expenses declined 3%. Pro forma payroll increased 4%, while program expenses decreased 7%.

Total broadcasting revenues rose \$221 million or 47% in 1996, which includes the effect of the acquisition of five TV stations from Multimedia in December 1995. On a pro forma basis, broadcasting revenues rose 12% for the year.

For television, pro forma local and national advertising revenues increased 14% and 13%, respectively, over 1995. Revenues related to NBC's carriage of the 1996 Olympic Games in Atlanta contributed a significant portion of the growth, particularly at our NBC affiliate WXIA-TV in Atlanta. The incremental effect of political advertising also boosted revenues. Reported operating expenses for broadcast rose \$106 million or 38%, reflecting ownership of the Multimedia television stations for all of 1996.



Broadcasting revenues in millions, as reported

Cable and security

As part of the Multimedia purchase in December 1995, the company acquired cable television and alarm security operations, both headquartered in Wichita, Kan. In early March 1998, the company sold its alarm security business, previously reported with this segment, and in late August 1998, completed an exchange of its subscribers and certain cable system assets in the suburban Chicago area (93,000 subscribers) for TCI Communications, Inc. subscribers and certain cable system assets in Kansas (128,000 subscribers). At the end of 1998, the cable television business served 514,000 subscribers in three states. Reported operating results from cable television and alarm security over the last three years were as follows:

In millions of dollars

	1998	Change	1997	Change	1996
Revenues	\$241	(6%)	\$255	9%	\$233
Expenses	\$183	(9%)	\$201	8%	\$186
Operating income	\$58	7%	\$54	15%	\$47
Operating cash flow	\$114	(6%)	\$121	8%	\$112

On a pro forma basis, giving effect to the sale of the alarm security business, cable operating results were as follows:

In millions of dollars

	1998	Change	1997	Change	1996
Revenues	\$232	11%	\$210	8%	\$193
Expenses	\$176	9%	\$162	7%	\$150
Operating income	\$56	17%	\$48	11%	\$43
Operating cash flow	\$106	9%	\$98	2%	\$95

Cable revenue growth of 11% in 1998 reflects the increased subscriber base from the asset exchange, higher monthly subscription rates and an increase in advertising revenues. Pay revenues decreased 2% for the year, as the number of pay subscribers was lower during 1998 because of the change in customer mix associated with the TCI asset exchange. Pay-per-view revenue also declined 2% in 1998. Cable television operating expenses increased 9% in 1998, reflecting the higher subscriber base. Program costs rose 14%, and payroll costs were up 6%.

The company expects increased competition for its cable operations in the future, particularly from direct-to-home satellite providers. However, the company expects to increase its cable television revenues and earnings in 1999 from the additional subscribers from the TCI asset exchange and from new services.

Cable television revenues increased 8% in 1997, reflecting a 3% increase in basic subscribers and higher monthly subscription rates. While the number of pay subscribers increased 2%, associated revenue decreased by 5% because of the timing of promotional campaigns and an overall soft pay-TV market. All other

revenue categories, including advertising and pay-per-view, increased. Cable television operating expenses increased 7% in 1997. Program costs were up 16%, and payroll costs increased 9%.

On a pro forma basis, cable television revenues increased 10% in 1996, reflecting a 2% increase in basic subscribers and higher monthly subscription rates. The number of pay subscribers declined 1%. All revenue categories, including advertising and pay-per-view, increased. Cable television pro forma operating expenses increased 9% in 1996. Program costs were up 11%, and payroll costs increased 5%.

Consolidated operating expenses

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

Consolidated operating expenses, in millions of dollars

	1998	Change	1997	Change	1996	Change
Cost of sales	\$2,594	10%	\$2,369	—	\$2,368	12%
Selling, general and admin. expenses	\$774	4%	\$744	6%	\$699	13%
Depreciation	\$202	—	\$201	4%	\$193	34%
Amortization of intangible assets	\$109	9%	\$100	6%	\$94	91%

Cost of sales for 1998 increased \$225 million or 10%. Newsprint expense rose 18% for the year because of a 9% increase in consumption (including acquisitions) and 9% higher average newsprint prices. Other costs from businesses acquired in 1997 and 1998 also contributed to this increase.

Selling, general and administrative costs (SG&A) were up 4% for the year, mainly because of incremental newspaper advertising expenses from properties acquired in 1997 and 1998.

Depreciation expense in 1998 was even with the prior year. Increased depreciation expense from capital additions and newly acquired properties was offset by a reduction in depreciation expense from properties sold, particularly the alarm security business. Amortization of intangibles rose \$9 million or 9% because of costs associated with 1997 and 1998 acquisitions.

Cost of sales for 1997 was unchanged from 1996. Although newsprint consumption for 1997 increased 8% (including consumption by businesses acquired in 1997), newsprint expense declined 15% for the year because of lower newsprint prices. Newsprint savings were offset principally by the incremental costs of properties acquired in 1997.

SG&A rose \$44 million or 6% for 1997, primarily because of the effect of properties acquired in that year.

Depreciation expense rose \$8 million or 4% in 1997, while amortization of intangibles increased \$6 million or 6%. Both increases are attributable to newly acquired properties.

Cost of sales for 1996 rose \$258 million or 12%. Principal factors for the increase were incremental costs of Multimedia properties and higher average newsprint prices for the year. Newsprint expense rose 15% for the year, including the cost of Multimedia consumption. Total newsprint consumption for 1996 was 4% greater than in 1995. The overall increase in cost of goods sold in 1996 was tempered by lower strike-related costs in Detroit.

SG&A rose \$80 million or 13% for 1996. Most of this increase relates to incremental costs of Multimedia properties.

Depreciation expense rose \$49 million or 34% for 1996, while amortization of intangibles rose \$45 million or 91%. Both increases are primarily the result of incremental costs associated with the Multimedia properties.

Payroll 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.

	1998	1997	1996
Payroll and employee benefits	43.5%	43.0%	40.2%
Newsprint and other production material	20.4%	19.0%	21.4%

Non-operating income and expense

Interest expense for 1998 decreased \$19 million or 19%, reflecting the paydown of fixed-rate debt and commercial paper borrowings from operating cash flow and the proceeds from the sale of certain businesses. The company's financing activities are discussed further in the Financial Position section of this report.

Other non-operating income for 1998 includes the first quarter net non-operating gain of \$307 million principally from the sale of radio and alarm security businesses.

Interest expense for 1997 decreased \$37 million or 28%, reflecting the paydown of commercial paper borrowings from operating cash flow and the proceeds from the sale of the outdoor and entertainment businesses in 1996.

Interest expense for 1996 rose \$83 million or 160%, reflecting commercial paper borrowings in December 1995 to finance the acquisition of Multimedia. Other non-operating income includes the December 1996 non-cash gain of \$158 million upon the exchange of broadcast stations, which is discussed on page 24 of this report.

Provision for income taxes

The company's effective income tax rate for continuing operations was 40.1% in 1998, 41.1% in 1997 and 42.6% in 1996. The decrease in the effective tax rate in 1998 and 1997 reflects the diminished impact of the amortization of non-deductible intangible assets because of earnings gains.

Income from continuing operations/net income

The company reported net income of \$1 billion or \$3.50 per share (diluted) for 1998. However, this reflects the net non-operating gain principally from the sale of radio and alarm security businesses in the first quarter of the year. This net gain totaled \$307 million pre-tax (\$184 million after-tax or \$.64 per share – diluted).

In 1996, the company reported a non-operating gain on the exchange of radio stations for a television station in the amount of \$158 million pre-tax (\$93 million after-tax or \$.33 per share – diluted).

For purposes of evaluating the company's earnings progress, the earnings summary below excludes the effect of these non-operating gains from 1998 and 1996.

In millions of dollars, except per share amounts

Earnings summary excluding 1998 and 1996 non-operating gains

	1998	Change	1997	Change	1996	Change
Operating income	\$1,444	10%	\$1,316	23%	\$1,066	30%
Non-operating income (expense)						
Interest expense	(80)	(19%)	(98)	(28%)	(135)	160%
Other	(1)	(87%)	(9)	241%	(3)	—
Total	(81)	(25%)	(107)	(22%)	(138)	185%
Income before income taxes	1,363	13%	1,209	30%	928	20%
Provision for income taxes	547	10%	496	25%	398	27%
Income from continuing operations	\$ 816	15%	\$ 713	34%	\$ 530	15%
Earnings per share from continuing operations – diluted	\$ 2.86	14%	\$ 2.50	34%	\$ 1.87	15%

Excluding the non-operating gains discussed above, the company reported earnings and diluted earnings per share for 1998 of \$816 million and \$2.86, up 15% and 14%, respectively, both record highs. Operating income reached \$1.444 billion, an increase of \$128 million or 10%. Each of the company's business segments reported higher earnings for the year with record results at USA TODAY and strong improvement at The Detroit News. Lower interest costs and a lower effective tax rate also contributed.

Average basic shares outstanding for 1998 totaled 283,097,000 compared with 283,360,000 in 1997. Diluted shares totaled 285,711,000 for 1998 and 285,610,000 for 1997.

For 1997, the company reported earnings and diluted earnings per share from continuing operations of \$713 million or \$2.50 per share, both record highs, up 34% from record results in 1996.

The company's operating income reached \$1.316 billion in 1997, an increase of \$250 million or 23%. Each of the company's business segments reported higher earnings for the year, with record operating results at USA TODAY, a favorable year-to-year comparison at The Detroit News, lower interest costs and a lower effective tax rate.

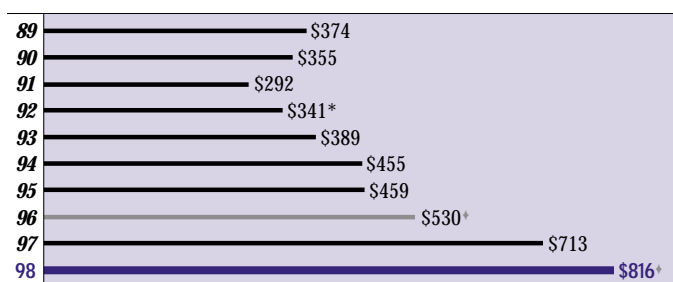
Excluding the non-recurring gain on the exchange of broadcast stations, earnings in 1996 from continuing operations totaled \$530 million or \$1.87 per diluted share, both record highs, up 15% from record results in 1995. Earnings from Multimedia properties, net of related amortization, interest and taxes, contributed to the gain. Strong results at USA TODAY and broadcast stations were also important factors, along with diminished strike-related effects in Detroit. Operating income reached \$1.066 billion in 1996, an increase of \$244 million or 30%.

The percentage return on equity for 1998 and 1996 declined from the prior years because non-recurring gains from the sale/exchange of businesses are included in shareholders' equity, but are excluded from the amount of earnings from continuing operations used in the calculation.

Discontinued operations

The company's outdoor advertising business, owned since 1979, and its television entertainment business, acquired with Multimedia in December 1995, were both sold in 1996. An after-tax gain, classified with discontinued operations, was recorded on the sale of outdoor, which totaled \$295 million or \$1.04 per diluted share. The selling price for the entertainment business approximated the value assigned to it upon acquisition and, therefore, no gain was recognized.

Earnings from these two businesses for the period prior to the date of sale also are reported as income from discontinued operations and collectively amounted to \$25 million or \$.09 per diluted share in 1996.

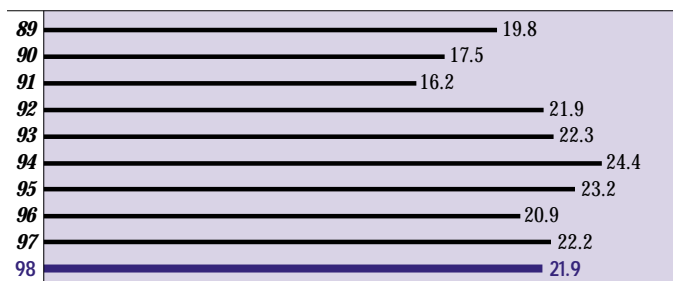


Income from continuing operations in millions

* Before non-recurring gains from sale/exchange of businesses

* Before effect of accounting principle changes

The company's return on shareholders' equity, based on earnings from continuing operations, is presented in the table below.



Return on shareholders' equity (before non-recurring gains and accounting principle changes) in percentages

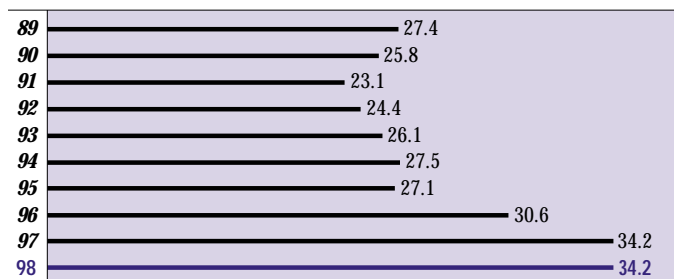
FINANCIAL POSITION

Liquidity and capital resources

The principal changes in the company's financial position for 1998 include the net paydown of debt by \$444 million and the purchase of treasury shares for \$329 million using operating cash flow and the proceeds from the sale of certain businesses. Newspaper and television station acquisitions with an aggregate cost of \$370 million also affected financial position.

Changes in property, plant and equipment in 1998 reflect capital spending of \$244 million plus amounts recorded in connection with acquired properties and retirements for businesses sold during the year. The increase in intangible assets reflects amounts recorded in connection with acquired properties. The increase in trade receivables results from revenue growth and amounts from newly acquired properties. Inventory balances declined because of lower quantities on hand.

The company's consolidated operating cash flow (defined as operating income plus depreciation and amortization of intangible assets) totaled \$1.754 billion in 1998 compared to \$1.617 billion in 1997 and \$1.354 billion in 1996. The cash flow increase of \$137 million or 8% in 1998 reflects operating improvements for each of the company's business segments, particularly for newspapers and broadcast. The table below presents operating cash flow as a percent of revenue over the last 10 years.



Operating cash flow, as a percent of revenue

Working capital, or the excess of current assets over current liabilities, totaled \$178 million at the end of 1998 and \$146 million at the end of 1997. Certain key measurements of the elements of working capital for the last three years are presented in the following chart:

	1998	1997	1996
Current ratio	1.2-to-1	1.2-to-1	1.1-to-1
Accounts receivable turnover	7.9	7.8	7.7
Newsprint inventory turnover	7.5	7.3	7.1

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 a revolving credit agreement 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 AA- by Standard & Poor's and A1 by Moody's Investors Service. The company has filed a shelf registration statement with the Securities and Exchange Commission under which up to \$1.5 billion of additional debt securities may be issued. The company's Board of Directors has established a maximum aggregate level of \$3.5 billion for amounts which may be raised through borrowings or the issuance of equity securities.

In the absence of additional major cash outlays for acquisitions or share repurchases, the company expects to repay a significant portion of its commercial paper obligations and other long-term debt from 1999 operating cash flow.

Note 4 to the company's financial statements on page 43 of this report provides further information concerning commercial paper transactions and the company's \$3.0 billion revolving credit agreement.

The company has a capital expenditure program (not including business acquisitions) of approximately \$280 million planned for 1999, including approximately \$52 million for land and buildings or renovation of existing facilities, \$212 million for machinery and equipment and cable systems, and \$16 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 1999 capital program will be funded from operating cash flow.

Capital stock

In the third quarter of 1998, the company announced an authorization to repurchase up to \$250 million of company stock. That authorization was substantially used by the end of the third quarter, and the Board approved an additional \$500 million authorization on Sept. 30. During 1998, the company repurchased a total of approximately 6 million shares of common stock at a cost of \$329 million. There were no share repurchases in 1997, and repurchases in 1996 were not significant. Certain of the shares previously acquired by the company have been reissued in settlement of employee stock awards.

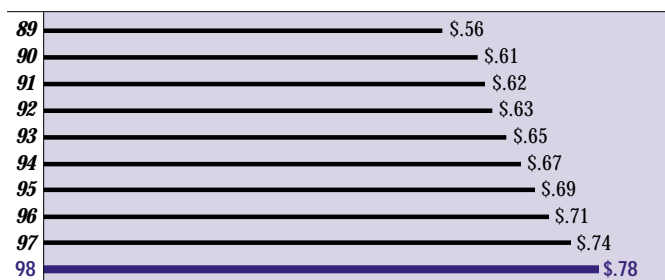
On Aug. 19, 1997, the company's Board of Directors approved a two-for-one stock split effective on Oct. 6, 1997, for shareholders of record on Sept. 12, 1997. In this report, all share and per-common-share amounts have been adjusted to reflect the stock split. In connection with the split, \$162.2 million was transferred from retained earnings to common stock to reflect the par value of additional shares issued.

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.

The company's common stock outstanding at Dec. 27, 1998 totaled 279,001,295 shares, compared with 283,874,479 shares at Dec. 28, 1997.

Dividends

Dividends declared on common stock amounted to \$221 million in 1998, compared with \$210 million in 1997, reflecting an increase in the dividend rate.



Dividends declared per share

In October 1998, the quarterly dividend was increased from \$.19 to \$.20 per share.

Cash dividends		Payment date	Per share
1998	4th Quarter	Jan. 2, 1999	\$.20
	3rd Quarter	Oct. 1, 1998	\$.20
	2nd Quarter	July 1, 1998	\$.19
	1st Quarter	April 1, 1998	\$.19
1997	4th Quarter	Jan. 2, 1998	\$.19
	3rd Quarter	Oct. 1, 1997	\$.19
	2nd Quarter	July 1, 1997	\$.18
	1st Quarter	April 1, 1997	\$.18

Effects of inflation and changing prices

The company's results of operations and financial condition have not been significantly affected by inflation and changing prices. In all 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.

Year 2000

General

The "Year 2000 Issue" is the result of computer programs that were written using two digits rather than four to define the applicable year. If the company's computer programs with date-sensitive functions are not Year 2000 compliant, they may recognize a date using "00" as the Year 1900 rather than the Year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, temporary stoppage of newspaper, broadcast and/or cable operations and the inability to process transactions, send invoices or engage in similar normal business activities.

Project

The company has developed a plan to ensure that all of its key computer and telecommunications systems will be Year 2000 compliant in advance of Dec. 31, 1999. The plan encompasses all operating properties, corporate headquarters and, where necessary, computer applications that directly interface elements of the company's business with business partners, customers, suppliers and service providers.

The plan structure includes several phases: inventory, assessment, detailed analysis, implementation/remediation, audit and contingency planning. The first three phases of inventory, assessment and detailed analysis are complete. At this time, the company's efforts are concentrated on implementation/remediation which essentially will be completed by the end of the first quarter of 1999.

Audit and contingency planning efforts are also under way and are expected to be completed in the first quarter of 1999, and will be refined and implemented up to the Year 2000.

The company has more than 125 business units which generally operate independently and therefore have separate computer systems and various production and administrative equipment with embedded computer systems. Much of the hardware and software used at the business unit level is standardized and supported centrally. For these systems, Year 2000 issues are being addressed by a centrally managed Information Technology Group. Other Year 2000 issues are being addressed by local personnel at the individual business units with guidance where necessary from headquarters staff or consulting specialists.

At the end of 1998, the company had achieved Year 2000 compliance in many critical systems areas.

The company's business systems (i.e., marketing, sales support, customer billing and accounts receivable, accounting, accounts payable and payroll) at the majority of its local operating properties and at its headquarters are already Year 2000 compliant. This has been achieved through a systematic roll-out of Year 2000 compliant software where it was necessary. At the end of 1998, more than 85% of these business applications were Year 2000 compliant. For those few properties which still operate business systems that are not Year 2000 compliant, the company has already purchased or developed the necessary software and will be installing it through the first three quarters of 1999 according to plan.

For newspaper operations, critical systems also include publishing systems (i.e., front-end editorial and classified, networks, press and mailroom/distribution systems) and other facility/administrative systems. At the end of 1998 more than 85% of such publishing systems were Year 2000 compliant. The remaining few newspapers will complete installation of publishing systems in the first half of 1999, apart from one to be completed in the third quarter of 1999. Facility/administrative systems for the newspaper group were Year 2000 compliant at the end of 1998, with the exception of a few isolated systems that will be made compliant in the first quarter of 1999.

The company's 21 television stations generally use standard purchased software and systems for production and broadcasting. Each station operates these systems independently on separate hardware platforms. Nearly all critical television station systems have been modified or upgraded as necessary for Year 2000 compliance. For the few remaining systems, compliance will be achieved at various points through the third quarter of 1999 when the desired technology becomes available for purchase and installation.

For the cable television business, most business applications and other critical systems for production, distribution and administration are now Year 2000 compliant, and the remainder will be made compliant during the first quarter of 1999.

The company has requested confirmation of compliance from its third party vendors and, in important cases, has or will run tests to verify compliance.

Costs

The company's efforts to address potential Year 2000 problems began within its central Information Technology Group in 1995 and were broadened to include all departments/operations in 1997. The costs specifically associated with efforts to achieve Year 2000 compliance are expected to be less than \$25 million in the aggregate (exclusive of software and hardware that has been or will be replaced or upgraded in the normal course of business), and approximately 90% of such costs have been incurred and reported through the end of 1998. Year 2000 compliance costs are not material to the company's financial position or to operating results for any of the years involved and compliance efforts have not significantly affected progress of other information technology plans or programs.

Risks

The business risks the company would face if it were unable to achieve Year 2000 compliance for its critical systems could vary significantly in degree of seriousness, depending on the system and the business unit affected. The company may be unable to publish certain of its newspapers, broadcast from certain of its television stations and/or deliver programming and other services in certain cable markets. If this occurred, it would most likely be due to Year 2000 related failure of the company's utility, telecommunications or content service providers, not from internal company system failure. The company continues to work directly with these vendors to evaluate risk levels.

If the company's operations were affected in this manner, revenue losses would result which would not be fully recovered when normal operations resumed. Incremental repair and start-up costs might also be incurred. Given the present state of its Year 2000 compliance program and its plans to complete it as described above, the company does not expect that a significant portion of its operations would be adversely impacted, and even if certain operations were so impacted, it would be only for a limited time. Consequently, management does not believe possible disruptions of this nature would have a material effect on the company's financial condition or results of operations.

While the company believes its Year 2000 plan will ensure functionality of all key systems, each business unit and corporate headquarters are also preparing contingency plans.

Certain factors affecting forward-looking statements

Certain statements in the company's 1998 Annual Report to Shareholders and its 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; and (i) the uncertainty associated with the impact of Year 2000 issues on the company, its customers, its vendors and others with whom it does business.

CONSOLIDATED BALANCE SHEETS

In thousands of dollars

Assets	Dec. 27, 1998	Dec. 28, 1997
Current assets		
Cash	\$ 60,103	\$ 45,059
Marketable securities, at cost, which approximates market	6,084	7,719
Trade receivables (less allowance for doubtful receivables of \$19,143 and \$18,020, respectively)	664,540	638,311
Other receivables	52,619	45,316
Inventories	87,176	101,080
Prepaid expenses	35,863	47,149
Total current assets	906,385	884,634
Property, plant and equipment		
Land	180,786	175,884
Buildings and improvements	839,210	840,157
Cable and security systems	413,059	548,219
Machinery, equipment and fixtures	2,123,468	2,140,148
Construction in progress	110,220	50,429
Total	3,666,743	3,754,837
Less accumulated depreciation	(1,602,960)	(1,562,795)
Net property, plant and equipment	2,063,783	2,192,042
Intangible and other assets		
Excess of acquisition cost over the value of assets acquired (less accumulated amortization of \$749,680 and \$664,666, respectively)	3,794,601	3,584,393
Investments and other assets (Note 5)	214,711	229,282
Total intangible and other assets	4,009,312	3,813,675
Total assets	\$ 6,979,480	\$ 6,890,351

CONSOLIDATED BALANCE SHEETS

In thousands of dollars

Liabilities and shareholders' equity	Dec. 27, 1998	Dec. 28, 1997
Current liabilities		
Current maturities of long-term debt (Note 4)	\$ 7,812	\$ 18,375
Accounts payable		
Trade	282,798	274,550
Other	29,485	25,710
Accrued liabilities		
Compensation	108,301	87,732
Interest	5,213	8,999
Other	114,708	137,944
Dividend payable	55,790	53,915
Income taxes (Note 7)	6,395	12,893
Deferred income	117,465	118,459
Total current liabilities	727,967	738,577
Deferred income taxes (Note 7)	442,359	402,254
Long-term debt (Note 4)	1,306,859	1,740,534
Postretirement medical and life insurance liabilities (Note 6)	308,145	312,082
Other long-term liabilities	214,326	217,168
Total liabilities	2,999,656	3,410,615
Shareholders' equity (Notes 4 and 8)		
Preferred stock, par value \$1: Authorized, 2,000,000 shares: Issued, none		
Common stock, par value \$1: Authorized, 400,000,000 shares: Issued, 324,420,732 shares, as to both years	324,421	324,421
Additional paid-in capital	126,045	104,366
Retained earnings	4,775,313	3,995,712
	5,225,779	4,424,499
Less Treasury stock, 45,419,437 shares and 40,546,253 shares, respectively, at cost	(1,223,077)	(916,708)
Deferred compensation related to ESOP (Note 8)	(22,878)	(28,055)
Total shareholders' equity	3,979,824	3,479,736
Commitments and contingent liabilities (Note 9)		
Total liabilities and shareholders' equity	\$ 6,979,480	\$ 6,890,351

CONSOLIDATED STATEMENTS OF INCOME

In thousands of dollars

<i>Fiscal year ended</i>	<i>Dec. 27, 1998</i>	<i>Dec. 28, 1997</i>	<i>Dec. 29, 1996</i>
Net operating revenues			
Newspaper advertising	\$ 2,942,995	\$ 2,634,334	\$ 2,417,550
Newspaper circulation	1,010,238	948,141	917,677
Broadcasting	721,298	703,558	686,936
Cable and security	240,600	255,263	232,500
All other	206,160	188,195	166,444
Total	5,121,291	4,729,491	4,421,107
Operating expenses			
Cost of sales and operating expenses, exclusive of depreciation	2,593,982	2,368,572	2,367,848
Selling, general and administrative expenses, exclusive of depreciation	773,601	743,578	699,484
Depreciation	201,683	201,100	193,011
Amortization of intangible assets	108,523	99,973	94,359
Total	3,677,789	3,413,223	3,354,702
Operating income	1,443,502	1,316,268	1,066,405
Non-operating income (expense)			
Interest expense	(79,412)	(98,242)	(135,563)
Interest income	19,318	6,517	6,727
Other (Note 2)	286,005	(15,564)	149,098
Total	225,911	(107,289)	20,262
Income before income taxes	1,669,413	1,208,979	1,086,667
Provision for income taxes	669,500	496,300	462,700
Income from continuing operations	999,913	712,679	623,967
Discontinued operations			
Income from the operation of discontinued operations, net of income taxes of \$17,940			24,540
Gain from the sale of discontinued operations, net of income taxes of \$195,000			294,580
Total income from discontinued operations			319,120
Net income	\$ 999,913	\$ 712,679	\$ 943,087
Earnings per share - basic			
Earnings from continuing operations	\$3.53	\$2.52	\$2.21
Earnings from discontinued operations:			
Discontinued operations, net of tax			.09
Gain from sale of discontinued operations, net of tax			1.05
Net income per share - basic	\$3.53	\$2.52	\$3.35
Earnings per share - diluted			
Earnings from continuing operations	\$3.50	\$2.50	\$2.20
Earnings from discontinued operations:			
Discontinued operations, net of tax			.09
Gain from sale of discontinued operations, net of tax			1.04
Net income per share - diluted	\$3.50	\$2.50	\$3.33

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of dollars

Fiscal year ended	Dec. 27, 1998	Dec. 28, 1997	Dec. 29, 1996
Cash flows from operating activities			
Net income	\$ 999,913	\$ 712,679	\$ 943,087
Adjustments to reconcile net income to operating cash flows			
Discontinued operations			(319,120)
Depreciation	201,683	201,100	193,011
Amortization of intangibles	108,523	99,973	94,359
Deferred income taxes	40,105	(14,244)	68,254
Other, net, including gains on sales	(360,944)	(20,166)	(117,854)
Increase in receivables	(29,732)	(41,684)	(50,046)
Decrease (increase) in inventories	11,054	(6,336)	16,489
Decrease (increase) in film broadcast rights	62	(644)	1,755
Decrease in accounts payable	(14,777)	(40,487)	(25,659)
Increase (decrease) in interest and taxes payable	7,951	(26,336)	20,784
Change in other assets and liabilities, net	6,697	17,202	(218,191)
Net cash flow from operating activities	970,535	881,057	606,869
Cash flows from investing activities			
Purchase of property, plant and equipment	(244,425)	(221,251)	(260,047)
Payments for acquisitions, net of cash acquired	(369,804)	(355,343)	
Change in other investments	(16,244)	(8,099)	(17,513)
Proceeds from sale of certain assets	665,001	40,859	778,716
Collection of long-term receivables	2,409	5,388	3,248
Net cash provided by (used for) investing activities	36,937	(538,446)	504,404
Cash flows from financing activities			
Payments of long-term debt	(470,207)	(144,903)	(954,924)
Dividends paid	(218,853)	(206,557)	(197,417)
Cost of common shares repurchased	(328,956)		(1,443)
Proceeds from issuance of common stock	23,953	30,425	26,964
Net cash used for financing activities	(994,063)	(321,035)	(1,126,820)
Effect of currency exchange rate change			(236)
Increase (decrease) in cash and cash equivalents	13,409	21,576	(15,783)
Balance of cash and cash equivalents at beginning of year	52,778	31,202	46,985
Balance of cash and cash equivalents at end of year	\$ 66,187	\$ 52,778	\$ 31,202

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of dollars

<i>Fiscal years ended December 29, 1996, December 28, 1997 and December 27, 1998</i>	<i>Common stock \$1 par value</i>	<i>Additional paid-in capital</i>	<i>Retained earnings</i>	<i>Foreign currency translation adjustment</i>	<i>Treasury stock</i>	<i>Deferred compensation related to ESOP</i>	<i>Total</i>
Balance: Dec. 31, 1995	\$ 162,210	\$ 76,811	\$ 2,923,752	\$ (12,258)	\$ (973,272)	\$ (31,595)	\$ 2,145,648
Net income, 1996			943,087				943,087
Dividends declared, 1996: \$.71 per share			(200,099)				(200,099)
Treasury stock acquired					(1,443)		(1,443)
Stock options exercised		585			26,225		26,810
Stock issued under incentive plan		552			5,881		6,433
Tax benefit derived from stock incentive plans		8,178					8,178
Compensation expense related to ESOP						2,005	2,005
Tax benefit from ESOP			435				435
Foreign currency translation adjustment/other			(12,494)	12,258			(236)
Balance: Dec. 29, 1996	\$ 162,210	\$ 86,126	\$ 3,654,681		\$ (942,609)	\$ (29,590)	\$ 2,930,818
Net income, 1997			712,679				712,679
Dividends declared, 1997: \$.74 per share			(209,867)				(209,867)
Stock options exercised		4,152			25,781		29,933
Stock issued under incentive plan		114			120		234
Tax benefit derived from stock incentive plans		13,974					13,974
Compensation expense related to ESOP						1,535	1,535
Tax benefit from ESOP			430				430
Par value of shares issued in 2-for-1 stock split effective Oct. 6, 1997	162,211		(162,211)				
Balance: Dec. 28, 1997	\$ 324,421	\$ 104,366	\$ 3,995,712		\$ (916,708)	\$ (28,055)	\$ 3,479,736
Net income, 1998			999,913				999,913
Dividends declared, 1998: \$.78 per share			(220,718)				(220,718)
Treasury stock acquired					(328,956)		(328,956)
Stock options exercised		4,870			19,285		24,155
Stock issued under incentive plan		(1,255)			3,302		2,047
Tax benefit derived from stock incentive plans		18,064					18,064
Compensation expense related to ESOP						5,177	5,177
Tax benefit from ESOP			406				406
Balance: Dec. 27, 1998	\$ 324,421	\$ 126,045	\$ 4,775,313		\$ (1,223,077)	\$ (22,878)	\$ 3,979,824

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 1998 fiscal year ended on Dec. 27, 1998, and encompassed a 52-week period. The company's 1997 and 1996 fiscal years also encompassed 52-week periods.

Consolidation: The consolidated financial statements include the accounts of the company and its subsidiaries after elimination of all significant intercompany transactions and profits. Certain prior-year information has been reclassified to conform with the current year presentation.

Operating agencies: Four of the company's newspaper subsidiaries were 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 includes its appropriate portion of the revenues and expenses generated by the operation of the agencies on a line-by-line basis in its statement of income.

Inventories: Inventories, consisting principally of newsprint, printing ink, plate material and production film for the company's newspaper publishing operations, are valued 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; machinery, equipment and fixtures and cable systems, 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.

Excess of acquisition cost over fair value of assets acquired: The excess of acquisition cost over the fair value of assets acquired represents the cost of intangible assets at the time the subsidiaries were purchased. In accordance with Opinion 17 of the Accounting Principles Board of the American Institute of Certified Public Accountants, the excess acquisition cost of subsidiaries arising from acquisitions accounted for as purchases since Oct. 31, 1970 (\$4.48 billion at Dec. 27, 1998) is being amortized generally over 40 years on a straight-line basis.

Valuation of Long-Lived Assets: The company evaluates the carrying value of long-lived assets to be held and used, including the excess of acquisition cost over fair value of assets acquired, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying value of a long-lived asset, including the excess of acquisition cost over fair value of assets acquired, is considered impaired when the projected undiscounted future cash flows from the related

business unit 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.

Other assets: 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.

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

Postretirement benefits other than pensions: 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.

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: In 1997, the company adopted Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share." Under SFAS No. 128, 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.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. Actual results could differ from these estimates.

New accounting pronouncements: In 1998, the company adopted the provisions of SFAS No. 130, "Reporting Comprehensive Income," which had no impact on the company's results of operations or financial position.

Also in 1998, the company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The management approach, as prescribed by SFAS No. 131, designates the internal organization that is used by management for making operating decisions and assessing

performance as the basis for determining the company's reportable segments. The adoption of SFAS No. 131 did not change the company's previously defined reportable segments.

The company also adopted SFAS No. 132, "Employers' Disclosure about Pensions and Other Postretirement Benefits" in 1998. The provisions of SFAS No. 132 revise employers' disclosures about retirement plans and other postretirement benefit plans but do not change the measurement and accounting recognition principles for these plans.

In June 1998, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" was issued. This standard is effective for fiscal periods beginning after June 15, 1999. The adoption of this standard is not expected to have a material effect on the company's results of operations or financial position.

NOTE 2

Acquisitions, exchanges and dispositions

1998: In the first quarter of 1998, the company sold its five remaining radio stations, its alarm security business and its newspaper in St. Thomas, Virgin Islands. It also contributed its newspaper in Saratoga Springs, N.Y., to the Gannett Foundation. The company recorded a net non-operating gain of \$307 million (\$184 million after-tax), principally as a result of these transactions.

The company purchased television stations WCSH-TV (NBC) in Portland, Maine, and WLBZ-TV (NBC) in Bangor, Maine, early in the first quarter and WLTX-TV (CBS) in Columbia, S.C., in April 1998.

In the third quarter of 1998, the company sold five small-market daily newspapers in Ohio, Illinois and West Virginia and completed the acquisition of several newspapers in New Jersey, including The Daily Record in Morristown and the Ocean County Observer in Toms River. Also in the third quarter of 1998, the company completed a transaction with TCI Communications, Inc., under which it exchanged its subscribers and certain cable system assets in the suburban Chicago area (93,000 subscribers) for subscribers and certain cable system assets of TCI in Kansas (128,000 subscribers).

The aggregate purchase price for businesses and assets acquired in 1998 was approximately \$370 million in cash. The acquisitions, which were accounted for under the purchase method of accounting, did not materially affect reported results of operations for the year.

1997: In January 1997, the company exchanged WLWT-TV (NBC-Cincinnati) and KOCO-TV (ABC-Oklahoma City) for WZZM-TV (ABC-Grand Rapids/Kalamazoo/ Battle Creek) and WGRZ-TV (NBC-Buffalo). This exchange was necessary to comply with FCC cross-ownership rules and did not materially affect broadcast operating results.

In May 1997, the company acquired KNAZ-TV (NBC-Flagstaff, Ariz.) and KMOH-TV (WB-Kingman, Ariz.). Also in May 1997, the company acquired Printed Media Companies.

In July, Mary Morgan, Inc., was purchased and in August 1997, the company acquired Army Times Publishing Company.

In October 1997, the company acquired New Jersey Press, Inc., which publishes two dailies, Asbury Park Press and the Home News Tribune of East Brunswick.

The aggregate purchase price for businesses acquired in 1997 was approximately \$445 million in cash and liabilities assumed. The acquisitions were accounted for under the purchase method of accounting, and they did not materially affect reported results of operations for the year.

In January 1997, the company contributed the Niagara Gazette newspaper to the Gannett Foundation. In April 1997, the company sold its newspaper in Moultrie, Ga., and in November 1997, the company sold its newspapers in Tarentum and North Hills, Pa. These dispositions did not materially affect results of operations.

1996: In December 1996, the company acquired WTSP-TV, the CBS affiliate in Tampa, Fla., in exchange for radio stations in Los Angeles, San Diego and Tampa.

For financial reporting purposes, the company recorded this exchange as two simultaneous but separate events; that is, a sale of radio stations for which a non-cash gain was recognized, and the acquisition of the television station accounted for under the purchase method. The company reported a pre-tax, non-cash, non-operating gain of \$158 million on the exchange, and the television station acquired was recorded at estimated fair value or \$170 million. On an after-tax basis, this accounting treatment resulted in a non-cash increase in income from continuing operations of \$93 million.

In August 1996, the company completed the sale of its outdoor advertising business for \$713 million in cash. The company recorded an after-tax gain of \$295 million. The gain and outdoor operating results for the period leading up to the sale are reported as discontinued operations in the company's financial statements.

In December 1996, the company sold its television entertainment programming business, Multimedia Entertainment, which had been acquired in December 1995 as part of the acquisition of Multimedia. The selling price approximated the value assigned to the business by the company upon acquisition. Therefore, no gain was recognized on the sale. The operating results for Multimedia Entertainment for the period prior to the sale are reported as discontinued operations in the company's financial statements.

Other properties sold in 1996 were radio stations WMAZ/WAYS-FM in Macon, Ga. (acquired in the Multimedia purchase), Louis Harris and Associates, Inc. and Gannett Community Directories. These dispositions did not have a material effect on the company's operating results or financial position.

An unaudited earnings summary of the company's income from continuing operations, excluding the net non-operating gains in 1998 and 1996 discussed above, is as follows:

In millions of dollars, except per share amounts (unaudited)

	1998	Change	1997	Change	1996	Change
Income from continuing operations	\$ 816	15%	\$ 713	34%	\$ 530	15%
Earnings per share from continuing operations						
- Basic	\$ 2.88	14%	\$ 2.52	34%	\$ 1.88	15%
- Diluted	\$ 2.86	14%	\$ 2.50	34%	\$ 1.87	15%

Pro forma results of operations, assuming the acquisitions, exchanges and dispositions noted above were made at the beginning of the year previous to the year in which the transactions were consummated, are not materially different from reported results of operations.

NOTE 3

Statement of cash flows

For purposes of this statement, 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.

Cash paid in 1998, 1997 and 1996 for income taxes and for interest (net of amounts capitalized) was as follows:

In thousands of dollars

	1998	1997	1996
Income taxes	\$626,409	\$506,209	\$555,642
Interest	\$ 84,808	\$102,228	\$142,395

In 1996, the company reported a \$93 million after-tax non-cash gain on the exchange of broadcast stations referred to in Note 2.

Liabilities assumed in connection with 1998 and 1997 acquisitions totaled approximately \$17 million and \$56 million, respectively.

In 1996, the company issued 272,874 shares in settlement of previously granted stock incentive rights and the \$9.9 million compensation liability for these rights was transferred to shareholders' equity. In early January 1998, 149,148 shares were issued in settlement of stock incentive rights granted for the four-year period 1994-1997, and the \$6 million compensation liability for these rights was transferred to shareholders' equity. In early January 1999, 161,646 shares were issued in settlement of stock incentive rights granted for the four-year period 1995-1998.

NOTE 4

Long-term debt

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

In thousands of dollars

	Dec. 27, 1998	Dec. 28, 1997
Unsecured promissory notes	\$ 1,003,328	\$ 1,198,695
Notes due 3/1/98, interest at 5.25%		274,920
Notes due 5/1/00, interest at 5.85%	249,884	249,787
Other indebtedness	61,459	35,507
	1,314,671	1,758,909
Less amount included in current liabilities	(7,812)	(18,375)
Total long-term debt	\$ 1,306,859	\$ 1,740,534

The unsecured promissory notes at Dec. 27, 1998 were due from Dec. 28, 1998 to Jan. 19, 1999 with rates varying from 4.82% to 5.21%.

The unsecured promissory notes at Dec. 28, 1997 were due from Dec. 31, 1997 to Jan. 27, 1998 with rates varying from 5.54% to 5.8%.

The maximum amount of such promissory notes outstanding at the end of any period during 1998 and 1997 was \$1.2 billion and \$1.3 billion, respectively. The daily average outstanding balance was \$1.047 billion during 1998 and \$1.154 billion during 1997. The weighted average interest rate was 5.5% for 1998 and 1997.

The other indebtedness at Dec. 27, 1998 has maturities ranging from 2000 to 2013 at interest rates ranging from 3.4% to 10%.

At Dec. 27, 1998, the company had \$3.0 billion of credit available under a revolving credit agreement. The agreement provides for a revolving credit period which permits borrowing from time to time up to the maximum commitment. The revolving credit period extends to July 1, 2003.

The commitment fee rate may range from .07% to .175%, depending on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt. The rate in effect at Dec. 27, 1998 was .07%. At the option of the company, the interest rate on borrowings under the agreement may be at the prime rate, at rates ranging from .13% to .35% above the London Interbank Offered Rate or at rates ranging from .255% to .50% above a certificate of deposit-based rate. The prime rate was 7.75% at the end of 1998 and 8.5% at the end of 1997. The percentages that will apply will be dependent on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt.

The revolving credit agreement contains restrictive provisions that require the maintenance of net worth of \$2.0 billion. At Dec. 27, 1998 and Dec. 28, 1997, net worth was \$4.0 billion and \$3.5 billion, respectively.

At Dec. 27, 1998, the unsecured promissory notes were supported by the \$3.0 billion revolving credit agreement and, therefore, are classified as long-term debt.

Approximate annual maturities of long-term debt, assuming that the company had used the \$3.0 billion revolving credit agreement as of the balance sheet date to refinance existing unsecured promissory notes and the notes due May 1, 2000, on a long-term basis, are as follows:

In thousands of dollars

1999	\$ 7,812
2000	
2001	
2002	
2003	1,271,594
Later years	35,265
Total	\$ 1,314,671

For financial instruments other than long-term debt, including cash and cash equivalents, trade and other receivables, current maturities of long-term debt and other long-term liabilities, the amounts reported on the balance sheet approximate fair value.

The company estimates the fair value of its long-term debt, based on borrowing rates available at Dec. 27, 1998, to be \$1.308 billion compared with the carrying amount of \$1.307 billion. At Dec. 28, 1997, the fair value of long-term debt was estimated to be \$1.740 billion, compared with the carrying amount of \$1.741 billion.

NOTE 5

Retirement plans

The company and its subsidiaries have various retirement plans, including plans established under collective bargaining agreements and separate plans for joint operating agencies, under which substantially all full-time employees are covered. The Gannett Retirement Plan is the company's principal retirement plan and covers most of the employees of the company and its subsidiaries. Benefits under the Gannett Retirement Plan are based on years of service and final average pay. The company's pension plan assets include marketable securities such as common stocks, bonds and U.S. government obligations and interest-bearing deposits.

The company's pension costs for 1998, 1997 and 1996 are presented in the following table:

In thousands of dollars

	1998	1997	1996
Service cost - benefits earned during the period	\$ 51,249	\$ 47,105	\$ 49,552
Interest cost on benefit obligation	94,171	85,033	80,300
Expected return on plan assets	(135,484)	(112,040)	(101,933)
Amortization of transition asset	(4,226)	(11,008)	(10,907)
Amortization of prior service (credit) cost	(3,773)	1,790	1,789
Amortization of actuarial loss	443		2,690
Pension expense for company-sponsored retirement plans	2,380	10,880	21,491
Union and other pension cost	5,357	4,135	3,244
Pension cost	\$ 7,737	\$ 15,015	\$ 24,735

The following table provides a reconciliation of benefit obligations, plan assets and funded status of the company's pension plans. The related amounts that are recognized in the Consolidated Balance Sheets for the company's retirement plans also are provided.

In thousands of dollars

	Dec. 27, 1998	Dec. 28, 1997
Change in benefit obligation		
Net benefit obligation at beginning of year	\$ 1,243,188	\$ 1,137,039
Service cost	51,249	47,105
Interest cost	94,171	85,033
Plan amendments	(3,791)	
Actuarial loss	57,550	70,379
Acquisitions/plan mergers	102,927	(44,768)
Gross benefits paid	(70,883)	(51,600)
Net benefit obligation at end of year	\$ 1,474,411	\$ 1,243,188
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 1,269,090	\$ 1,142,962
Actual return on plan assets	151,892	175,405
Employer contributions	3,813	2,323
Acquisitions/plan mergers	116,914	
Gross benefits paid	(70,883)	(51,600)
Fair value of plan assets at end of year	\$ 1,470,826	\$ 1,269,090
Funded status at end of year	\$ (3,585)	\$ 25,902
Unrecognized net actuarial loss	92,081	61,341
Unrecognized prior service credit	(39,790)	(41,651)
Unrecognized net transition asset	(1,214)	(3,948)
Net amount recognized at end of year	\$ 47,492	\$ 41,644
Amounts recognized in Consolidated Balance Sheet		
Prepaid benefit cost	\$ 110,531	\$ 96,572
Accrued benefit cost	\$ 63,039	\$ 54,928

The net benefit obligation was determined using an assumed discount rate of 6.75% and 7.125% at the end of 1998 and 1997, respectively. The assumed rate of compensation increase was 5% at the end of each of 1998 and 1997. The assumed long-term rate of return on plan assets used in determining pension cost was 10%. Pension plan assets include 1,239,800 shares of the company's common stock valued at \$80 million at the end of 1998 and 1,231,400 shares valued at \$76 million at the end of 1997.

NOTE 6

Postretirement benefits other than pensions

The company provides health care and life insurance benefits to certain retired employees. Employees become eligible for benefits after meeting certain age and service requirements. 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.

Postretirement benefit cost for health care and life insurance for 1998, 1997 and 1996 included the following components:

In thousands of dollars

	1998	1997	1996
Service cost - benefits earned during the period	\$ 3,118	\$ 3,416	\$ 3,212
Interest cost on net benefit obligation	14,378	15,342	14,586
Amortization of prior service credit	(5,578)	(5,303)	(5,303)
Amortization of actuarial loss (gain)	235	(171)	50
Net periodic postretirement benefit cost	\$ 12,153	\$ 13,284	\$ 12,545

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

In thousands of dollars

	Dec. 27, 1998	Dec. 28, 1997
Change in benefit obligation		
Net benefit obligation at beginning of year	\$ 231,565	\$ 224,336
Service cost	3,118	3,416
Interest cost	14,378	15,342
Plan participants' contributions	4,402	4,318
Plan amendments	(8,341)	(20,695)
Actuarial loss	13,798	14,694
Acquisitions/plan mergers		9,816
Gross benefits paid	(20,574)	(19,662)
Net benefit obligation at end of year	\$ 238,346	\$ 231,565
Change in plan assets		
Fair value of plan assets at beginning of year	--	--
Employer contributions	16,172	15,344
Plan participants' contributions	4,402	4,318
Gross benefits paid	(20,574)	(19,662)
Fair value of plan assets at end of year	--	--
Funded status at end of year	\$ 238,346	\$ 231,565
Unrecognized net actuarial (loss) gain	(6,154)	7,500
Unrecognized prior service credit	75,953	73,017
Accrued postretirement benefit cost	\$ 308,145	\$ 312,082

At Dec. 27, 1998, the accumulated postretirement benefit obligation was determined using a discount rate of 6.75% and a health care cost trend rate of 8% for pre-age 65 benefits, decreasing to 5% in the year 2005 and thereafter. For post-age 65 benefits, the health care cost trend rate used was 6%, declining to 5% in the year 2001 and thereafter.

At Dec. 28, 1997, the accumulated postretirement benefit obligation was determined using a discount rate of 7.125% and a health care cost trend rate of 8.5% for pre-age 65 benefits, decreasing to 5% in the year 2005 and thereafter. For post-age 65 benefits, the health care cost trend rate used was 6.5%, declining to 5% in the year 2001 and thereafter.

The company's policy is to fund the above-mentioned benefits as claims and premiums are paid.

The effect of a 1% increase in the health care cost trend rate used would result in increases of approximately \$15 million in the 1998 postretirement benefit obligation and \$1 million in the aggregate service and interest components of the 1998 expense. The effect of a 1% decrease in the health care cost trend rate used would result in decreases of approximately \$13 million in the 1998 postretirement benefit obligation and \$1 million in the aggregate service and interest components of the 1998 expense.

The company's retiree medical insurance plan limits the company's share of the cost of such benefits it will pay to future retirees. The company's share of these benefit costs also depends on employee retirement age and length of service.

NOTE 7

Income taxes

The company's reported income before taxes is virtually all from domestic sources.

The provision for income taxes on income from continuing operations consists of the following:

In thousands of dollars

1998	Current	Deferred	Total
Federal	\$ 545,878	\$ 34,783	\$ 580,661
State and other	83,517	5,322	88,839
Total	\$ 629,395	\$ 40,105	\$ 669,500

In thousands of dollars

1997	Current	Deferred	Total
Federal	\$ 443,334	\$ (12,060)	\$ 431,274
State and other	67,210	(2,184)	65,026
Total	\$ 510,544	\$ (14,244)	\$ 496,300

In thousands of dollars

1996	Current	Deferred	Total
Federal	\$ 333,200	\$ 63,255	\$ 396,455
State and other	61,246	4,999	66,245
Total	\$ 394,446	\$ 68,254	\$ 462,700

In addition to the income tax provision presented above for continuing operations, the company also recorded federal and state income taxes payable on discontinued operations of \$213 million in 1996 (including \$195 million on the gain on the sale of the outdoor business).

The provision for income taxes on continuing operations exceeds the U.S. federal statutory tax rate as a result of the following differences:

Fiscal year	1998	1997	1996
U.S. statutory tax rate	35.0%	35.0%	35.0%
Increase in taxes resulting from:			
State/other income taxes net of federal income tax benefit	3.5	3.5	4.0
Goodwill amortization not deductible for tax purposes	2.3	2.5	2.7
Other, net	(0.7)	0.1	0.9
Effective tax rate	40.1%	41.1%	42.6%

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 1998 and 1997:

In thousands of dollars

	Dec. 27, 1998	Dec. 28, 1997
Liabilities		
Accelerated depreciation	\$ 392,374	\$ 410,264
Accelerated amortization of deductible intangibles	109,807	106,498
Pension	16,211	16,883
Other	120,475	52,073
Total deferred tax liabilities	638,867	585,718
Assets		
Accrued compensation costs	(55,718)	(41,615)
Postretirement medical and life	(120,177)	(121,712)
Other	(20,613)	(20,137)
Total deferred tax assets	(196,508)	(183,464)
Net deferred tax liabilities	\$ 442,359	\$ 402,254

NOTE 8**Capital stock, stock options, incentive plans**

On Aug. 19, 1997, the company's Board of Directors approved a two-for-one stock split effective on Oct. 6, 1997, for shareholders of record on Sept. 12, 1997. In this report, all share and per-common-share amounts have been adjusted to reflect the stock split.

The company's earnings per share from continuing operations (basic and diluted) for 1998, 1997 and 1996 are presented below:

In thousands, except per share amounts

	1998	1997	1996
Income from continuing operations	\$999,913	\$712,679	\$623,967
Weighted average number of common shares outstanding (basic)	283,097	283,360	281,782
Effect of dilutive securities			
Stock options	2,197	1,768	1,024
Stock incentive rights	417	482	620
Weighted average number of common shares outstanding (diluted)	285,711	285,610	283,426
Earnings per share from continuing operations (basic)	\$3.53	\$2.52	\$2.21
Earnings per share from continuing operations (diluted)	\$3.50	\$2.50	\$2.20

The 1998 and 1997 diluted earnings per share amounts exclude the effects of 2,500,210 and 1,750,100 stock options outstanding, respectively, as their inclusion would be antidilutive.

In the third quarter of 1998, the company announced an authorization to repurchase up to \$250 million of company stock. That authorization was substantially used by the end of the third quarter, and the Board approved an additional \$500 million authorization on Sept. 30. During 1998, the company repurchased a total of approximately 6 million shares of common stock for \$329 million.

The company's 1978 Executive Long-term Incentive Plan (the Plan) provides for the granting of stock options, stock incentive rights and option surrender rights to executive officers and other key employees. During 1996, the Plan was amended to incorporate the following changes: (i) extend from the last day of the company's 1997 fiscal year to the last day of the company's 2007 fiscal year the time during which awards may be made; (ii) increase the maximum aggregate number of shares of Gannett common stock that may be issued by 24,000,000; (iii) restrict the granting of options to any participant in any fiscal year to no more than 350,000 shares of common stock; (iv) extend the exercise period for any stock options to be issued under the Plan from eight to 10 years after the date of the grant thereof; and (v) provide that shares of common stock subject to a stock option or other award that is canceled or forfeited again be available for issuance under the Plan.

Stock 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. The exercise period is eight years for

options granted prior to Dec. 10, 1996 and 10 years for options granted on that date and subsequent. The options become exercisable at 25% per year after a one-year waiting period.

Stock incentive rights entitle the employee to receive one share of common stock at the end of an incentive period, conditioned upon the employee's continued employment throughout the incentive period. The incentive period is normally four years. During the incentive period, the employee receives cash payments equal to the cash dividend the company would have paid had the employee owned the shares of common stock issuable under the incentive rights.

Under the Plan, all outstanding awards will be vested if there is a change in control of the company. Stock options become 100% exercisable immediately upon a change in control. Option surrender rights have been awarded, which relate one-for-one to all outstanding stock options. These rights are effective only upon a change in control and entitle the employee to receive cash for option surrender rights equal to 100% of the difference between the exercise price of the related stock option and the change-in-control price (which is the highest price paid for a share of stock as part of the change in control). The Plan also provides for the payment in cash of the value of stock incentive rights based on the change-in-control price.

A summary of the status of the company's stock option and stock incentive rights plans as of Dec. 27, 1998, Dec. 28, 1997 and Dec. 29, 1996 and changes during the years then ended is presented below and on the following page:

1998 Stock Options	Shares	Weighted average exercise price
Outstanding at beginning of year	9,234,421	\$36.00
Granted	2,514,210	65.00
Exercised	(931,604)	26.91
Canceled	(244,291)	40.49
Outstanding at end of year	10,572,736	43.59
Options exercisable at year end	5,365,913	31.93
Weighted average fair value of options granted during the year	\$17.32	

1997 Stock Options	Shares	Weighted average exercise price
Outstanding at beginning of year	8,866,658	\$29.64
Granted	1,789,460	59.20
Exercised	(1,237,089)	24.68
Canceled	(184,608)	31.28
Outstanding at end of year	9,234,421	36.00
Options exercisable at year end	4,557,488	27.90
Weighted average fair value of options granted during the year	\$14.71	

1996 Stock Options	Shares	Weighted average exercise price
Outstanding at beginning of year	7,932,084	\$25.92
Granted	2,482,960	37.26
Exercised	(1,298,838)	21.72
Canceled	(249,548)	28.18
Outstanding at end of year	8,866,658	29.64
Options exercisable at year end	4,019,854	25.23
Weighted average fair value of options granted during the year	\$8.93	

The following table summarizes information about stock options outstanding at Dec. 27, 1998:

Range of exercise prices	Number outstanding at 12/27/98	Weighted average remaining contractual life (yrs)	Weighted average exercise price	Number exercisable at 12/27/98	Weighted average exercise price
\$21-28	2,700,933	2.9	\$25.22	2,700,933	\$25.22
32-35	1,560,707	5.0	\$32.06	1,170,530	\$32.06
36-38	2,083,451	8.0	\$37.38	1,041,726	\$37.38
41-49	36,960	8.0	\$45.88	18,480	\$45.88
50-60	1,676,975	9.0	\$59.50	419,244	\$59.50
60-68	2,513,710	10.0	\$65.00	15,000	\$64.85
	10,572,736	6.6	\$43.59	5,365,913	\$31.93

Stock Incentive Rights

Awards made under the 1978 Plan for stock incentive rights were as follows:

	1998	1997	1996
Awards granted	168,785	173,325	258,340

Awards for 1996 are for the four-year period 1997-2000.

Awards for 1997 are for the four-year period 1998-2001. Awards for 1998 are for the four-year period 1999-2002.

In January 1999, 161,646 shares of common stock were issued in settlement of previously granted stock incentive rights for the incentive period ended December 1998.

Shares available: Shares available for future grants under the 1978 Plan totaled 19,974,278 at Dec. 27, 1998.

Pro forma results: 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 Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). The company has chosen to continue to report stock-based compensation in accordance with APB 25, and provides the following pro forma disclosure of the effects of applying the fair value method to all applicable awards granted. Under APB

Opinion 25 and related Interpretations, no compensation cost has been recognized for its stock options. The compensation cost that has been charged against income for its stock incentive rights was \$7 million for 1998 and \$8 million for 1997 and 1996. Those charges were based on the grant price of the stock incentive rights recognized over the four-year earnout periods. 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 net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	1998	1997	1996
Net income (in thousands)			
<i>As reported</i>	\$999,913	\$712,679	\$943,087
<i>Pro forma</i>	\$991,385	\$707,717	\$941,226
Earnings per share - basic			
<i>As reported</i>	\$3.53	\$2.52	\$3.35
<i>Pro forma</i>	\$3.50	\$2.50	\$3.34

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 1998, 1997 and 1996, respectively: dividend yield of 1.69%, 2.15% and 2.34%; expected volatility of 20.62%, 16.28% and 15.25%; risk-free interest rates of 4.66%, 5.87% and 5.95%; and expected lives of seven years each.

SFAS No. 123 applies to stock compensation awards granted in fiscal years that begin after Dec. 15, 1994. Options are granted by the company primarily in December and begin vesting over a four-year period. Options granted in December 1995 and thereafter are subject to the pronouncement. To calculate the pro forma amounts shown above, compensation cost was recognized over the four-year period of service during which the options will be earned. As a result, options granted in December of each year (beginning with December 1995) impact pro forma amounts for following years but not the year in which they were granted. Because the calculations do not take into consideration pro forma compensation expense related to grants made prior to 1995, the pro forma effect on net income shown for the years above is not representative of the pro forma effect on net income in future years.

401(k) Savings Plan

On July 1, 1990, the company established a 401(k) Savings Plan. Most 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 may elect to save up to 15% of compensation on a pre-tax basis subject to certain limits. Through 1997, the company matched, with company common stock, 25% of

the first 4% of employee contributions. Beginning Jan. 1, 1998, the company match increased to 50% of the first 6% of employee contributions. To fund the company's matching contribution, an Employee Stock Ownership Plan (ESOP) was formed in 1990 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, and the shares are pledged as collateral for the loan. The company makes monthly contributions to the ESOP equal to the ESOP's debt service requirements less dividends. All dividends received by the ESOP are used to pay debt service. As the debt is paid, shares are released as collateral and are available for allocation to participants.

The company follows the shares allocated method in accounting for its ESOP. The cost of shares allocated to match employee 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. 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 \$7.3 million in 1998, \$2.4 million in 1997 and \$2.8 million in 1996. The ESOP shares as of the end of 1998 and 1997 were as follows:

	1998	1997
Allocated shares	1,335,933	1,097,214
Shares released for allocation	40,950	14,470
Unreleased shares	1,103,117	1,388,316
Shares distributed to terminated participants	(40,454)	(23,993)
ESOP shares	2,439,546	2,476,007

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.

NOTE 9

Commitments and contingent liabilities

Litigation: The company and a number of its subsidiaries are defendants in 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 are as follows:

In thousands of dollars

1999	\$ 36,195
2000	34,265
2001	31,861
2002	17,595
2003	14,588
Later years	63,883
Total	\$ 198,387

Total minimum annual rentals have not been reduced for future minimum sublease rentals aggregating approximately \$4 million. Total rental costs reflected in continuing operations were \$45 million for 1998, \$43 million for 1997 and \$41 million for 1996.

Program broadcast contracts: The company has commitments under program broadcast contracts totaling \$53.8 million for programs to be available for telecasting in the future.

The company presently owns a 51% interest in WKYC-TV and National Broadcasting Company (NBC) owns a 49% interest. In December 1998, the company entered into a Put-Call agreement with NBC. Terms of the agreement permit (but don't require) either party to initiate a purchase/sale of some or all of NBC's shares in WKYC-TV over a four-year period. The company's maximum aggregate potential commitment under the agreement is approximately \$200 million.

In December 1990, the company adopted a Transitional Compensation Plan ("Plan") which 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 10***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; broadcasting (television), the second-largest component; and cable. Virtually all of the company's operations are in the U.S.

The newspaper segment at the end of 1998 consisted of 75 daily newspapers in 38 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 non-daily publications, a nationwide network of offset presses for commercial printing and several smaller businesses. Newsprint, which is the principal product used in newspaper publishing, has been and may continue to be subject to significant price changes from time to time.

The broadcasting segment's activities for 1998 include the operation of 21 television stations.

The cable segment (formerly cable and alarm security), which was acquired in connection with the Multimedia purchase, is headquartered in Wichita, Kan., and serves 514,000 cable television subscribers in three states.

Separate financial data for each of the company's three business segments is presented on page 55 under the heading "Business segment financial information." 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, 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. Corporate assets include cash and marketable securities, 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.

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of changes in shareholders' equity present fairly, in all material respects, the financial position of Gannett Co., Inc. and its subsidiaries at Dec. 27, 1998 and Dec. 28, 1997, and the results of their operations and their cash flows for each of the three years in the period ended Dec. 27, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards 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 the opinion expressed above.

PricewaterhouseCoopers LLP

Washington, D.C.

February 1, 1999

11-YEAR SUMMARY

In thousands of dollars, except per share amounts

	1998	1997	1996	1995
<i>Net operating revenues</i>				
Newspaper advertising	\$ 2,942,995	\$ 2,634,334	\$ 2,417,550	\$ 2,219,250
Newspaper circulation	1,010,238	948,141	917,677	869,173
Broadcasting	721,298	703,558	686,936	466,187
Cable and security	240,600	255,263	232,500	17,831
All other	206,160	188,195	166,444	171,426
Total (Notes a and b, see page 54)	5,121,291	4,729,491	4,421,107	3,743,867
<i>Operating expenses</i>				
Costs and expenses	3,367,583	3,112,150	3,067,332	2,728,868
Depreciation	201,683	201,100	193,011	143,739
Amortization of intangible assets	108,523	99,973	94,359	49,328
Total	3,677,789	3,413,223	3,354,702	2,921,935
Operating income	1,443,502	1,316,268	1,066,405	821,932
<i>Non-operating income (expense)</i>				
Interest expense	(79,412)	(98,242)	(135,563)	(52,175)
Other	305,323 (9)	(9,047)	155,825 (7)	3,754
Income before income taxes	1,669,413	1,208,979	1,086,667	773,511
Provision for income taxes	669,500	496,300	462,700	314,100
Income from continuing operations	999,913 (9)	712,679	623,967 (7)	459,411
<i>Discontinued operations:</i>				
Income from the operation of discontinued businesses (net of income taxes)			24,540	17,851
Gain on disposal of Outdoor business (net of income taxes)			294,580	
Total			319,120	17,851
Income before cumulative effect of accounting principle changes	999,913	712,679	943,087	477,262
<i>Cumulative effect on prior years of accounting principle changes for:</i>				
Income taxes				
Retiree health and life insurance benefits				
Net income	\$ 999,913	\$ 712,679	\$ 943,087	\$ 477,262
Operating cash flow (5)	\$ 1,753,708	\$ 1,617,341	\$ 1,353,775	\$ 1,014,999
<i>Per share amounts</i> (1)				
Income from continuing operations before cumulative effect of accounting principle changes: basic / diluted	\$3.53 / \$3.50 (9)	\$2.52 / \$2.50	\$2.21 / \$2.20 (7)	\$1.64 / \$1.63
Net income: basic / diluted	\$3.53 / \$3.50	\$2.52 / \$2.50	\$3.35 / \$3.33	\$1.70 / \$1.69
Dividends declared (2)	.78	.74	.71	.69
Weighted average number of common shares outstanding in thousands: basic/diluted (2)	283,097/285,711	283,360/285,610	281,782/283,426	280,312/282,323
<i>Financial position</i>				
Working capital	\$ 178,418	\$ 146,057	\$ 47,609	\$ 41,312
Long-term debt excluding current maturities	1,306,859	1,740,534	1,880,293	2,767,880
Shareholders' equity	3,979,824	3,479,736	2,930,818	2,145,648
Total assets	6,979,480	6,890,351	6,349,597	6,503,800
<i>Selected financial percentages and ratios</i>				
Percentage increase (decrease)				
Earnings from continuing operations, after tax (4)	14.5% (8)	34.3% (6)	15.5% (6)	0.9%
Earnings from continuing operations, after tax, per share: basic/diluted (4)	14.3%/14.4% (8)	34.0%/33.7% (6)	14.8%/14.7% (6)	3.8%/3.8%
Dividends declared per share	5.4%	4.2%	2.9%	3.0%
Return on equity (3)	21.9%	22.2%	20.9%	23.2%
<i>Credit ratios</i>				
Long-term debt to shareholders' equity	32.8%	50.0%	64.2%	129.0%
Times interest expense earned	22.0X	13.3X	9.0X	15.8X

- (1) Per share amounts have been based upon average number of shares outstanding during each year, giving retroactive effect to adjustment in (2).
- (2) Shares outstanding and dividends declared have been converted to a comparable basis by reflecting retroactively the 2-for-1 stock split effective Oct. 6, 1997.
- (3) Based upon average shareholders' equity (before non-recurring gains and accounting principle changes).
- (4) Before cumulative effect of accounting principle changes.
- (5) Operating cash flow represents operating income plus depreciation and amortization of intangible assets.

- (6) Before 1996 gain on exchange of broadcast stations of \$93 million or \$.33 per share.
- (7) Includes pre-tax gain on exchange of broadcast stations of \$158 million (after-tax gain of \$93 million or \$.33 per share).
- (8) Before 1998 \$184 million after-tax net non-operating gain principally from the disposition of the radio and alarm security businesses (\$.65 per share-basic and \$.64 per share-diluted).
- (9) Includes pre-tax net non-operating gain principally from the disposition of the radio and alarm security businesses of \$307 million (after-tax gain of \$184 million or \$.65 per share-basic and \$.64 per share-diluted).

1994	1993	1992	1991	1990	1989	1988
\$ 2,152,671	\$ 2,005,037	\$ 1,882,114	\$ 1,852,591	\$ 1,917,477	\$ 2,018,076	\$ 1,908,566
849,461	838,706	807,093	777,221	730,426	718,087	685,663
406,608	397,204	370,613	357,383	396,693	408,363	390,507
174,655	169,903	167,824	134,720	125,659	115,773	103,217
3,583,395	3,410,850	3,227,644	3,121,915	3,170,255	3,260,299	3,087,953
2,597,556	2,520,278	2,440,275	2,399,930	2,353,281	2,368,160	2,277,254
146,054	147,248	139,080	139,268	135,294	134,119	122,439
44,110	43,771	39,197	39,621	39,649	39,100	39,445
2,787,720	2,711,297	2,618,552	2,578,819	2,528,224	2,541,379	2,439,138
795,675	699,553	609,092	543,096	642,031	718,920	648,815
(45,624)	(51,250)	(50,817)	(71,057)	(71,567)	(90,638)	(88,557)
14,945	5,350	7,814	14,859	10,689	(18,364)	8,292
764,996	653,653	566,089	486,898	581,153	609,918	568,550
309,600	264,400	224,900	194,400	226,600	235,500	228,000
455,396	389,253	341,189	292,498	354,553	374,418	340,550
10,003	8,499	4,491	9,151	22,410	23,091	23,910
10,003	8,499	4,491	9,151	22,410	23,091	23,910
465,399	397,752	345,680	301,649	376,963	397,509	364,460
		34,000				
		(180,000)				
\$ 465,399	\$ 397,752	\$ 199,680	\$ 301,649	\$ 376,963	\$ 397,509	\$ 364,460
\$ 985,839	\$ 890,572	\$ 787,369	\$ 721,985	\$ 816,974	\$ 892,139	\$ 810,699
\$1.58 / \$1.57	\$1.33 / \$1.32	\$1.18 / \$1.18	\$.97 / \$.96	\$1.11 / \$1.10	\$1.16 / \$1.16	\$1.05 / \$1.05
\$1.61 / \$1.60	\$1.36 / \$1.35	\$.69 / \$.69	\$1.00 / \$.99	\$1.18 / \$1.17	\$1.23 / \$1.23	\$1.13 / \$1.13
.67	.65	.63	.62	.61	.56	.51
288,552/290,148	292,948/294,659	288,296/290,174	301,566/303,267	320,094/322,830	322,506/323,932	323,244/323,882
\$ 123,783	\$ 302,818	\$ 199,896	\$ 192,266	\$ 168,487	\$ 193,208	\$ 164,196
767,270	850,686	1,080,756	1,335,394	848,633	922,470	1,134,737
1,822,238	1,907,920	1,580,101	1,539,487	2,063,077	1,995,791	1,786,441
3,707,052	3,823,798	3,609,009	3,684,080	3,826,145	3,782,848	3,792,820
17.0%	14.1%	16.6%	(17.5%)	(5.3%)	9.9%	14.0%
18.8% / 18.9%	12.3% / 11.9%	22.0% / 22.9%	(12.4%) / (12.7%)	(4.6%) / (5.2%)	10.2% / 10.5%	14.0% / 14.1%
3.1%	3.2%	1.6%	2.5%	9.0%	8.8%	8.5%
24.4%	22.3%	21.9%	16.2%	17.5%	19.8%	20.1%
42.1%	44.6%	68.4%	86.7%	41.1%	46.2%	63.5%
17.8X	13.8X	12.1X	7.9X	9.1X	7.7X	7.4X

NOTES TO 11-YEAR SUMMARY

(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. Note 2 of the consolidated financial statements on page 42 contains further information concerning certain of these acquisitions.

(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. Note 2 of the consolidated financial statements on page 42 contains further information concerning certain of these dispositions.

Acquisitions 1988-1998

1988	
Feb. 1	WFMY-TV, Greensboro, N.C.
	WTLV-TV, Jacksonville, Fla.
July 1	New York Subways Advertising Co., Inc. and related companies
1989	
Oct. 31	Rockford Magazine
Nov. 6	Outdoor advertising displays merged into New Jersey Outdoor
1990	
March 28	Great Falls (Mont.) Tribune
May 17	Ye Olde Fishwrapper
June 18	The Shopper Advertising, Inc.
Sept. 7	Desert Community Newspapers
Dec. 27	North Santiam Newspapers
Dec. 28	Pensacola Engraving Co.
1991	
Feb. 11	The Add Sheet
April 3	New Jersey Publishing Co.
Aug. 30	The Times Journal Co., including The Journal Newspapers, The Journal Printing Co. (now Springfield Offset) and Telematch
Oct. 3	Gulf Breeze Publishing Co.
1992	
April 24	Graphic Publications, Inc.
1993	
Jan. 30	The Honolulu Advertiser
April 24	Tulare Advance-Register

1994	
May 2	Nursing Spectrum
June 9	Altoona Herald-Mitchellville Index and the Eastern ADvantage
Dec. 1	KTHV-TV, Little Rock
1995	
Dec. 4	Multimedia, Inc.
1996	
Dec. 9	WTSP-TV, Tampa-St. Petersburg, Fla.
1997	
Jan. 31	WZZM-TV, Grand Rapids, Mich.
Jan. 31	WGRZ-TV, Buffalo, N.Y.
May 5	Printed Media Companies
May 27	KNAZ-TV, Flagstaff, Ariz.
May 27	KMOH-TV, Kingman, Ariz.
July 18	Mary Morgan, Inc.
Aug. 1	Army Times Publishing Co., Inc.
Oct. 24	New Jersey Press, Inc.
1998	
Jan. 5	WCSH-TV, Portland, Maine
Jan. 5	WLBS-TV, Bangor, Maine
April 30	WLTX-TV, Columbia, S.C.
May 31	Classified Gazette, San Rafael, Calif.
July 7	Ocean County Observer, Toms River, N.J.
July 7	Daily Record, Morristown, N.J.
July 7	Manahawkin Newspapers, Manahawkin, N.J.
Aug. 31	TCI Cable Kansas
Aug. 31	New Castle County Shopper's Guide, Brandywine Valley Weekly and Autos plus, Wilmington, Del.

FORM 10-K INFORMATION

Business of the company

Gannett Co., Inc. is a diversified information company that operates primarily in the U.S. Approximately 99% of its revenues are from domestic operations. Its limited foreign operations are in certain European and Asian markets. Its corporate headquarters is in Arlington, Va., near Washington, D.C. It was incorporated in New York in 1923 and was reincorporated in Delaware in 1972.

The company reports three principal business segments: newspaper publishing, television broadcasting and cable television.

The company's newspapers make up the largest newspaper group in the U.S. in circulation. At the end of 1998, the company operated 75 daily newspapers, with a total average daily circulation of approximately 6.7 million for 1998, including USA TODAY. The company also publishes USA WEEKEND, a weekend newspaper magazine, and a number of non-daily publications.

On Dec. 27, 1998, the broadcasting division included 21 television stations in markets with more than 16.5 million households.

The cable business (Multimedia Cablevision) serves 514,000 subscribers in three states.

The company also owns the following: Gannett News Service, which provides news services for its newspaper operations; Gannett Retail Advertising Group, which represents the company's newspapers, other than USA TODAY, in the sale of advertising to national and regional retailers and service providers; and Gannett Offset, which is composed of the Gannett Offset print group and Gannett Marketing Services Group. The Gannett Offset print group includes seven non-heatset printing plants and two heatset printing facilities, including the recent acquisition of Printed Media Companies of Minneapolis, Minn., which offers seven web and three sheetfed presses. Gannett Offset's dedicated commercial printing plants are located in Atlanta, Ga.; Chandler, Ariz.; Minneapolis, Minn.; Miramar, Fla.; Nashville, Tenn.; Norwood, Mass.; Pensacola, Fla.; 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; Gannett Direct Marketing Services, a direct-marketing company with operations in Louisville, Ky.; and Gannett TeleMarketing, a telephone sales and marketing company. The company also owns USATODAY.com and other Internet services at many of its local newspapers and broadcast properties; Gannett Media Technologies International, which develops and markets software and other products for the publishing industry; Nursing Spectrum, publisher of biweekly periodicals specializing in advertising for nursing employment; and Army Times Publishing Company, which publishes military and defense newspapers.

Business segment financial information

Selected financial information for the company's business segments is presented below. For a description of the accounting policies related to this information, see Note 10 to the company's consolidated financial statements.

In thousands of dollars

<i>Business segment financial information</i>			
	1998	1997	1996
<i>Operating revenues</i>			
Newspaper publishing	\$ 4,159,393	\$ 3,770,670	\$ 3,501,671
Broadcasting	721,298	703,558	686,936
Cable and security	240,600	255,263	232,500
	\$ 5,121,291	\$ 4,729,491	\$ 4,421,107
<i>Operating income</i>			
Newspaper publishing	\$ 1,109,221	\$ 1,001,965	\$ 786,235
Broadcasting	343,512	328,311	297,332
Cable and security	57,688	54,026	47,127
Corporate (3)	(66,919)	(68,034)	(64,289)
	\$ 1,443,502	\$ 1,316,268	\$ 1,066,405
<i>Depreciation and amortization</i>			
Newspaper publishing	\$ 184,718	\$ 168,526	\$ 161,886
Broadcasting	60,023	56,459	51,561
Cable and security	56,743	67,368	64,606
Corporate (3)	8,722	8,720	9,317
	\$ 310,206	\$ 301,073	\$ 287,370
<i>Operating cash flow (4)</i>			
Newspaper publishing	\$ 1,293,939	\$ 1,170,491	\$ 948,121
Broadcasting	403,535	384,770	348,893
Cable and security	114,431	121,394	111,733
Corporate (3)	(58,197)	(59,314)	(54,972)
	\$ 1,753,708	\$ 1,617,341	\$ 1,353,775
<i>Identifiable assets</i>			
Newspaper publishing	\$ 3,682,839	\$ 3,593,932	\$ 3,151,385
Broadcasting	1,872,351	1,725,019	1,622,469
Cable and security	1,069,054	1,223,057	1,210,000
Corporate (3)	355,236	348,343	351,526
	\$ 6,979,480	\$ 6,890,351	\$ 6,335,380 (1)
<i>Capital expenditures</i>			
Newspaper publishing	\$ 164,479	\$ 123,343	\$ 114,114
Broadcasting	25,548	13,157	14,400
Cable and security	22,366	81,256	77,991
Corporate (3)	32,032	3,495	46,874
	\$ 244,425	\$ 221,251	\$ 253,379 (2)

(1) Excludes assets related to discontinued operations totaling \$14,217 in 1996.

(2) Excludes capital expenditures made for discontinued operations totaling \$6,668 for 1996.

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

(4) Operating cash flow amounts represent operating income plus depreciation and amortization of intangible assets. Such cash flow amounts in total vary from net cash flow from operating activities presented in the Consolidated Statements of Cash Flows.

Newspaper publishing

On Dec. 27, 1998, the company operated 75 daily newspapers, including USA TODAY, and a number of non-daily local publications, in 38 states and Guam. The Newspaper Division is headquartered in Arlington, Va., and on Dec. 27, 1998, it had approximately 34,700 full-time and part-time employees. Newspaper operating revenues accounted for 81% of the company's net operating revenues in 1998, 80% in 1997 and 79% in 1996.

During 1998, the company sold several of its smaller-market newspapers, including ones in the Virgin Islands, Ohio, West Virginia and Illinois, and contributed its newspaper in Saratoga Springs, N.Y., to the Gannett Foundation. The company acquired several newspapers in New Jersey, including dailies in Morristown and Toms River. These transactions did not significantly affect reported newspaper operations for 1998.

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 in the top 100 metropolitan markets in the U.S.

USA TODAY is produced at facilities in Arlington, Va., and is transmitted via satellite to offset printing plants around the country. It is printed at Gannett plants in 21 U.S. markets and under contract at offset plants in 12 other U.S. markets. It is sold at newsstands and vending machines generally at 50 cents a copy. Mail subscriptions are available nationwide and abroad, and home and office delivery is offered in many markets. Approximately 67% of its net paid circulation results from single-copy sales at newsstands or vending machines and the remainder is from home and office delivery, mail and other sales.

For 1998, USA TODAY's advertising revenues and volume rose 12% and 9%, respectively. Its circulation revenues and volume rose 3% and 2%, respectively. USA TODAY reported a solid improvement in operating income in 1998.

USA TODAY International is printed from satellite transmission under contract in London, Frankfurt and Hong Kong, and is distributed in Europe, the Middle East, Africa and Asia. It is available in more than 60 foreign countries.

The Gannett News Service (GNS) is headquartered in Arlington, Va., and has bureaus in nine other states (see page 72 for more information). GNS provides national and regional news coverage and sports, features, photo and graphic services to Gannett newspapers. GNS also is distributed by syndication to several non-Gannett newspapers, including ones in Chicago, Salt Lake City, Boston and Seattle.

The newspaper publishing segment also includes USA WEEK-END, which is distributed as a weekend newspaper supplement in 541 newspapers throughout the country, with a total circulation of 21.2 million at the end of 1998.

At the end of 1998, 58 of the company's daily newspapers, including USA TODAY, were published in the morning and 17 were published in the evening.

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 NEWS 2000, ADvance and ADQ, and their capacity to invest in new technology. Collectively, they form a powerful network to distribute news and advertising information across the nation.

News departments across Gannett emphasized coverage of critical areas of their markets – with considerable attention paid to suburban and rural communities surrounding the central cities. The newspapers also presented more coverage to help readers cope in an ever-changing society, and they provided many public-service news efforts, several of which were recognized with national awards.

The corporate NEWS 2000 program, aimed at meeting the changing needs of readers, concentrated on core journalistic values and blending newsroom efforts with overall strategic goals of the newspapers. Training seminars to improve writing were conducted across the company, and the first Gannett National Conference for Reporters and Editors was held in Arlington, Va. The session for nearly 200 participants focused on building reporter expertise and reporter-editor relationships to better serve readers.

In 1998, the company continued to implement strategies to increase its revenues from medium and smaller advertisers in each market it serves. Revenues from these types of advertisers increased 7% during the year on top of 5% growth in 1997. Numerous programs introduced by Gannett newspapers in 1998 accomplished these results. The initiatives focused on sales and rate management, among other areas. Sales management initiatives included allocating proper resources to increase the number and quality of sales calls, improving sales compensation and providing consistent sales training. Rate management programs focused on selling multiple advertising insertions and reviewing rates and rate structures to assure they match the opportunities in the market. The company regularly calculates market potential and develops strategic plans to capitalize on that potential. Significant efforts will continue to be taken in 1999 to make the company's personnel increasingly competitive in their leadership, strategic thinking and marketing skills.

The newspaper division's quality initiative, known as ADQ, produced for the fourth consecutive year improved ad and billing quality. With ROP ad count increasing 2% and total ad revenues up 6% in 1998 over 1997, Gannett newspapers produced higher volume, greater quality and reduced credit adjustments.

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

The senior executive of each newspaper is the publisher, and the newspapers have advertising, business, information systems, circulation, news, market development, human resources and production departments.

Technological advances in recent years have had an impact on the way newspapers are produced. Computer-based text editing systems capture drafts of reporters' stories and then are used to edit and produce type for transfer by a photographic process to printing plates. All of the company's daily newspapers are produced by this method. "Pagination" enables editors to create a newspaper page by computer, avoiding all or part of the manual "paste-up" of the page before it can be converted into a printing plate. The company uses pagination systems at 69 newspaper plants.

The Mobile Advertising Sales System, or MASS, is Gannett's sales force automation software. This laptop technology provides sales executives with up-to-date customer, contract and sales revenue information; productivity tools for managing their schedules; and software for sales presentations. MASS is currently installed at 54 newspapers, with more than 1,270 laptops deployed. In 1998, the company's newspapers began moving toward a more streamlined order entry process. Ad orders now can be electronically uploaded directly into the business billing system, rather than manually entered. This process is in place at one newspaper, and more will switch over in 1999.

Celebro Advertising Solutions, originally developed by the company in 1994 as AdLink, is a suite of software applications that enables major real estate agents to control the design, scheduling and content of their advertising in the newspaper and market their properties on the Internet, and with audio text/fax back. The Celebro Real Estate System has been installed at 28 Gannett newspapers and at an additional 16 non-Gannett newspapers by Gannett Media Technologies International (GMTI). Celebro auto advertising systems are installed at five Gannett and one non-Gannett newspaper.

The Digital Collections integrated text/photo archive system has been installed at 43 Gannett newspapers, including Rochester, Des Moines, Louisville, Honolulu, Wilmington and Tucson. The system stores, retrieves and distributes text, photos and full-page images of the newspaper in a digital form that can be searched using an easy-to-use interface. GMTI, licensed by DiGiCol, the U.S. subsidiary of Gannett and Digital Collections Verlagsges.mbH, sells and installs Digital Collections systems in North and South America. Non-Gannett customers include The Milwaukee Journal, America Online, O'Globo (Rio De Janiero, Brazil), Copesa (Santiago, Chile), The University of Missouri, Journal Newspapers (Virginia), Lance Newspapers (Rio De Janiero and Sao Paulo), Prensa Libre (Guatemala) and Kohla de Sao Paulo (Brazil). Installation of a "light" version employing a central server based at Gannett's Maryland Operations Center began at 17 Gannett sites in the last quarter of 1998.

The online effort at Gannett's newspapers involves a strategy that is consistent with the overall Gannett philosophy of serving our newspapers' communities. The role of the local newspaper is to serve the local reader and advertiser and its information products and services, including local online products, must be designed to serve their needs.

An aggressive approach is being taken to providing online information products that enable the company's local newspapers to maintain and grow their franchises as the leading information providers in their communities.

There is no single approach or model to online publishing. Different approaches and different levels of activity in various newspaper markets are used based on understanding the specific needs and opportunities in each market.

The company takes an intelligent business approach to all products and services, including Internet products. There are carefully prepared detailed business plans for these new activities to generate new revenue from new sources.

The main online achievement of 1998 was growth at an increasing rate. By Dec. 31, 1998, 58 newspaper division publications and operations had online projects. This is up from 33 at the end of 1997. Revenue grew 84% in 1998 and will grow significantly again in 1999.

Gannett newspapers are offering more than 200 separate online information products designed to offer deep specific information on important subjects in their markets. These products not only include local news but home buying guides, employment and job information, automotive guides, entertainment guides, tourism guides and other specialty products such as Space Online in Brevard County, Fla., or the Kentucky Derby in Louisville, Ky., that target specific community or market information needs or opportunities.

The company also is pursuing opportunities to develop national Internet businesses where this makes sense for Gannett. By partnering with other companies, and using the strength of its local franchises added to the efficiencies of the Internet to deliver information both locally and nationally, the company has unique opportunities to develop new national businesses. In addition, these partnerships enhance local efforts by providing additional content, advertising opportunities and technical resources that help Gannett's local newspapers improve the products and services they offer to their local customers.

For example, the company's CareerPath partnership offers the opportunity to build a strong national employment service. At the same time, CareerPath makes local employment sites richer for local users and allows local companies to broaden their employment searches by electronically distributing their advertisements to potential candidates that they cannot reach currently.

The partnership in Classified Ventures creates similar benefits in real estate and auto buying in local markets.

Our InfiNet partnership allows newspapers to have better, more reliable Internet hosting technology that they could not provide for themselves at the same cost, as well as additional services they can offer to enhance their local products.

The company's online activities and investments are not material in relation to its operations taken as a whole.

With respect to newspaper production, 56 daily newspaper plants print by the offset process, and 15 plants print using various letterpress processes. 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 per page. The company expects this trend to continue in 1999.

The principal sources of newspaper revenues are circulation and advertising.

Circulation: The table that follows summarizes the circulation volume and revenues of the newspapers owned by the company at the end of 1998. USA TODAY circulation is included in this table.

This table assumes that all newspapers owned by the company at the end of 1998 were owned during all years shown:

Circulation: newspapers owned on Dec. 27, 1998

	<i>Circulation revenues in thousands</i>	<i>Daily net paid circulation</i>	<i>Sunday net paid circulation</i>
1998	\$1,011,009	6,747,000	6,029,000
1997	\$992,143	6,662,000	6,111,000
1996	\$972,212	6,604,000	6,188,000
1995	\$942,165	6,639,000	6,466,000
1994	\$915,520	6,678,000	6,662,000

Thirty-eight of the company's local newspapers reported gains in daily circulation in 1998, and 17 increased Sunday circulation.

Home-delivery prices for the company's newspapers are established individually for each newspaper and range from \$1.50 to \$2.86 per week in the case of daily newspapers and from \$.71 to \$2.35 per copy for Sunday newspapers. The company implemented circulation price increases at 23 newspapers in 1998 and plans increases at additional newspapers in 1999.

Additional information about the circulation of the company's newspapers may be found on pages 26-27 and 70-72 of this annual report.

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 newspapers, other than USA TODAY, to national and regional retailers and service providers. The company also contracts with outside representative firms that specialize in the sale of national advertising. A detailed analysis of newspaper advertising revenues is presented on this page and on page 25 of this report.

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. 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 special publications.

Total newspaper ad revenues on a pro forma basis rose 6% in 1998. All major advertising classifications showed substantial year-over-year growth during 1998. Retail advertising revenues produced a strong performance, driven by medium and smaller advertisers. Revenues from these types of advertisers increased 7% during the year. Classified advertising revenues grew 7% on the strength of help wanted, real estate and automotive categories. Preprint revenues grew 8%.

For 1999, the company expects further advertising revenue growth at most of its newspaper properties because of enhanced sales and marketing activities. Changes in national economic factors such as interest rates, employment levels and the rate of general economic growth will have an impact on revenue at all of the company's newspaper operations.

The following chart summarizes the advertising lineage (in six-column inches) and advertising revenues of the newspapers owned by the company at the end of 1998. This chart assumes that all of the newspapers owned at the end of 1998 were owned throughout the years shown:

Advertising: newspapers owned on Dec. 27, 1998

	<i>Advertising revenues (RÖP) in thousands</i>	<i>Inches of advertising, excluding preprints</i>
1998	\$2,497,102	80,714,000
1997	\$2,354,096	75,872,000
1996	\$2,184,813	70,933,000
1995	\$2,063,710	71,800,000
1994	\$1,984,758	70,559,000

Competition: The company's newspapers compete with other media for advertising principally on the basis of their advertising rates and their performance in helping 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 and the World Wide Web, 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.

At the end of 1998, The Cincinnati Enquirer, The Detroit News, The Honolulu Advertiser 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.

Properties: Generally, the company owns the plants that house all aspects of the newspaper publication process. In the case of USA TODAY, at Dec. 27, 1998, 12 non-Gannett printers were used to print the newspaper in U.S. markets where there are no company newspapers with appropriate facilities. Three non-Gannett printers in foreign countries are used to print USA TODAY International. USA WEEKEND and Nursing Spectrum also are printed under contracts with commercial printing companies. Many of the company's newspapers also have outside news bureaus and sales offices, which generally are leased. In a few cities, 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 newspaper facilities have been completed or are at some stage of construction at 19 of the company's newspaper operations. Gannett continues to make significant investments in the renovation of existing or new facilities where the investment will help to improve the products for its readers and advertisers as well as improve productivity and operating efficiencies. The company's facilities are adequate for present operations.

Raw materials: Newsprint is the basic raw material used to publish newspapers. During 1998, the company's newsprint consumption was approximately 970,000 metric tons, including the company's portion of newsprint consumed at joint operating agencies, consumption by USA WEEKEND and USA TODAY tonnage consumed at non-Gannett print sites. Newsprint consumption was up 9% in 1998 because of incremental consumption by newspaper properties acquired during the year and generally higher page count throughout the newspaper group. The company

purchases newsprint from 28 North American and offshore suppliers under contracts, which expire at various times through 2010.

During 1998, all of the company's newspapers consumed some recycled newsprint. For the year, more than 75% of the company's newsprint purchases contained recycled content.

In 1998, 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 1998 increased 9% compared to the 1997 average cost. Newsprint prices, however, at the end of 1998 were only slightly higher than year-ago levels. The company expects newsprint prices on average to be lower in 1999 than in 1998.

Regulation: Gannett is committed to protecting the environment. The company's goal is to ensure its facilities comply with federal, state and local environmental laws and to incorporate appropriate environmental practices and standards in our newspaper, broadcast and cable operations. The company employs a corporate environmental manager responsible for overseeing not only regulatory compliance but also preventive measures. The company is one of the industry leaders in the use of recycled newsprint. The company increased its purchase of newsprint containing some recycled content from 42,000 metric tons in 1989 to 730,000 metric tons in 1998. The company's newspapers use inks, photographic chemicals, solvents and fuels. The use and disposal of these substances may be regulated by federal, state and local agencies. Through its environmental compliance plan, the company is taking effective measures to comply with environmental laws. Any release into the environment may create obligations to private and governmental entities under a variety of statutes and rules regulating the environment.

Several of the company's newspaper subsidiaries have been included among the potentially responsible parties in connection with the alleged disposal of ink or other chemical wastes at disposal sites which have been subsequently identified as inactive hazardous waste sites by the U.S. Environmental Protection Agency ("EPA") or comparable state agencies. At one of these sites, one of the company's subsidiaries settled a dispute with the EPA with a payment of \$270,000. Another subsidiary is a defendant in a case brought by the EPA where the amount in controversy is approximately \$160,000. The company believes its liability is substantially less and is defending the case. The company provides for costs associated with these matters in accordance with generally accepted accounting principles. The company does not believe that these matters will have any significant impact on its financial position or results of operations.

Additional information about the company's newspapers may be found on pages 70-73 of this report.

Broadcasting

On Dec. 27, 1998, the company's television division, headquartered in Arlington, Va., included 21 television stations in markets with a total of more than 16.5 million households. The company sold its last five radio stations in early 1998 and then acquired NBC-affiliated stations in Bangor and Portland, Maine. In April 1998, the CBS-affiliated station in Columbia, S.C., was purchased, bringing the company's complement of television stations to 21.

At the end of 1998, the broadcasting division had approximately 3,100 full-time and part-time employees. Broadcasting revenues accounted for 14% of the company's reported operating revenues in 1998, 15% in 1997 and 16% in 1996.

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; and 4) 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 primarily upon the station's ability to attract viewers, demographics and the number of television households in the area served by the station. 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.

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 and in some cases from cable operations. 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.

Properties: The company's broadcasting facilities are adequately equipped with the necessary television broadcasting equipment. The company owns transmitter sites in 22 locations and leases sites in seven others.

During the past five years, new broadcasting facilities or substantial improvements to existing facilities were completed in Austin, Greensboro, N.C., Little Rock, Phoenix, Jacksonville, Atlanta and Washington, D.C. Substantial remodeling is under way in Knoxville, and a new facility is being planned in Cleveland. The company's broadcast facilities are adequate for present purposes.

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 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.

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 a period 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 prohibit the common ownership or control of most communications media serving common market areas (for example, television and radio; television and daily newspapers; radio and daily newspapers; or television and cable television). These restrictions are subject to ongoing review by the FCC and, in some cases, by Congress. Pursuant to the Telecommunications Act of 1996 (the 1996 Act), permanent waivers can be sought for television and radio ownership in the top 50 markets, however. Also, the 1996 Act limits the television broadcast interests held by any person to assure that stations under common control do not exceed an aggregate national audience reach of 35 percent. Legislation is expected to be introduced in 1999 proposing an increase in this cap. Presently, the company's 21 television stations reach an aggregate of 16.7% of U.S. TV households.

The FCC's consent to the company's December 1995 acquisition of control of five television stations and two radio stations owned by Multimedia, Inc. was conditioned on the company's compliance (within 12 months) with various FCC rules. In addition to trading two television stations for two other television stations and selling the radio stations, on Nov. 12, 1996, the company filed a request to extend its existing waiver for ownership of both the Macon and Atlanta TV stations. The FCC granted an interim extension on July 30, 1997; however, the company believes that upon completion of the FCC's ongoing review of its ownership rules, the company will be able to maintain ownership of both the Macon and Atlanta TV stations.

The 1996 Act deregulated radio and television ownership rules to permit larger ownership groups and, in the top 50 television markets, more TV-radio combinations than were permitted under prior FCC rules. Also, competing applications will not be accepted at the time of license renewal, and will not be entertained at all unless the FCC first concludes that license renewal would not serve the public interest. FCC review of existing FCC Regulations to implement the 1996 Act continues as an ongoing process.

Additional information about the company's television stations may be found on page 73 of this annual report.

Cable

On Dec. 27, 1998, the company's cable division, headquartered in Wichita, Kan., operated cable television systems serving 514,000 subscribers in Kansas, Oklahoma and North Carolina. The cable division was acquired on Dec. 4, 1995 as part of the Multimedia purchase. In August 1998, Multimedia Cablevision exchanged cable systems and assets serving approximately 128,000 subscribers in Kansas from TCI Communications, Inc., for its cable systems and assets serving approximately 93,000 subscribers in suburban Chicago. At the end of 1998, the cable division had approximately 1,100 full-time and part-time employees.

Cable television is the distribution of a wide variety of television and special information programs over a network of fiber-optic and coaxial cable to subscribers within a community.

The principal sources of the company's cable division revenues are: 1) monthly fees paid by subscribers for primary services generally consisting of local and distant broadcast stations and public, educational and governmental channels required by local franchising authorities and a variety of satellite-delivered entertainment and information channels; 2) monthly and per-event fees paid by subscribers for premium television services which provide special programs such as recently released movies, entertainment programs or selected sports events. Subscribers can receive these programs on a designated channel of the cable system which is restricted with electronic security devices to isolate the pay television signal so that only subscribers to the service can receive it; and 3) local advertising revenues. It is expected that a significant part of future cable revenue growth will be generated from new services such as high-speed Internet access, digital cable service, video on demand pay-per-view and a variety of data transmission applications.

The company holds 171 franchises from local governing authorities which permit the company to operate cable systems in the granting communities. These franchises, which expire at varying dates ranging from one to 17 years, are generally non-exclusive and may be terminated for failure to comply with specified conditions. In most cases, the company is required to pay fees generally ranging from 3% to 5% of a system's revenues to the local governing authority granting a franchise. At the end of 1998, more than 75% of the company's subscribers were served under franchise agreements expiring in the year 2003 and beyond.

The following table shows certain cable division information as of the end of 1998, 1997 and 1996.

	1998	1997	1996
Homes passed	827,000	774,000	761,000
Basic subscribers	514,000	478,000	465,000
Pay subscribers	310,000	340,000	333,000
Basic penetration	62.2%	61.8%	61.1%
Pay-to-basic ratio	60.3%	71.1%	71.6%
Average monthly revenue per cable subscriber	\$38.85	\$37.31	\$35.00

The company's strategy is to develop clusters of cable television systems in suburban communities of major metropolitan markets and other areas with favorable demographics. Management believes clustering of cable systems produces operating, marketing and servicing efficiencies. Management believes that clustering also will enable the company to achieve efficiencies in the future deployment of new services such as video on demand and interactive multimedia.

Properties: The company's cable systems and facilities are adequately equipped with the necessary cable equipment. Prior to acquisition by the company, the cable division began a major rebuild program to install fiber-optic cable and upgrade the technical capabilities of its cable systems. The rebuild program enhances services through improved picture quality and reliability and provides the ability to offer additional services to subscribers. The core rebuild program was completed in 1998. However, for systems acquired from TCI in 1998, upgrades are still in progress and are scheduled for completion in 2000.

At Dec. 27, 1998, approximately 85% of the company's cable subscribers had advanced technical facilities (550MHZ to 750MHZ) capable of 80 and 110 channels of analog capacity, respectively. When the current rebuild program is completed, more than 98% of the company's customers will be served by advanced technical facilities. The rebuild plans include the future integration of digital compression and the installation of interactive converter boxes where they provide a direct financial return. The company estimates that approximately 50% of its subscribers might have the new converters within the next five years. The company believes its technological upgrades will prepare it for new competitors and potential revenue opportunities.

Competition: The company's cable division competes with other companies and individuals in the submission of applications for additional franchises, in the renewal of existing franchises and in seeking to acquire operating cable systems and under-developed franchises. Since franchises are granted on a non-exclusive basis, other applicants may obtain franchises in areas where the company presently operates systems or holds franchises.

The cable division competes with over-the-air television and radio broadcasting, newspapers, movie theaters, live entertainment and sporting events and home video products. Subscription television competition also includes expanding direct broadcast satellite services, multichannel, multipoint distribution services and private satellite master antenna television systems serving condominiums, apartment complexes and other private residential developments. The company's cable division competes for subscription revenues principally on the basis of quality of service, programming options and pricing. The cable division competes for advertising revenues principally on the basis of price and performance in helping sell the advertisers' products or services.

Regulation: The cable television industry is subject to extensive federal, local and, in some cases, state regulation. The Cable Communications Policy Act of 1984 (the 1984 Act) and its amendments (the 1992 Act and the 1996 Act) govern cable television. The FCC has the principal federal responsibility for regulating cable matters, including rates, customer service, ownership, carriage of broadcast signals and other programming, technical matters, leased access, franchises and consumer equipment standards.

FCC Regulations prohibit common ownership or control of a television station and a cable system in the station's Grade B signal coverage area.

The 1992 Act requires mandatory carriage of certain local over-the-air television stations ("must-carry" rules) and allows television stations to prohibit the carriage of their programs by cable systems absent consent ("retransmission consent"). Television stations may elect either must-carry or retransmission consent on local cable systems. The company's cable systems have accommodated those stations electing mandatory carriage and have entered into retransmission consent agreements with others.

The 1992 Act rate regulations apply to basic service (which includes broadcast signals) unless a cable system is subject to "effective competition." Most cable systems are subject to rate regulation. To regulate rates for basic service, local officials must follow detailed FCC guidelines and procedures. The 1992 Act also regulates non-basic (cable programming) rates. FCC rules also limit rates for consumer equipment. The rules permit cable companies periodic rate increases for inflation and certain external costs. Rates for per-channel or per-program premium services are not subject to regulation.

The 1984 Act requires a cable operator to obtain a franchise prior to instituting service, and state and local officials become involved in cable operator selection, system design and construction, safety, rates, consumer services and community programming issues. Franchising authorities may not award an exclusive franchise or unreasonably deny a competitive franchise. Local authorities may operate their own cable system, though, notwithstanding the existence of a cable franchise. The 1984 Act permits local authorities to charge up to 5% of revenues per year as a franchising fee and to require certain public cable channels.

The 1984 Act provides an incumbent cable operator with protections against denial of its franchise renewal, including the right to a fair hearing and a right of appeal. Nevertheless, franchise renewal is not assured. Upon renewal, new or more onerous requirements may occur, such as upgrading of facilities and services or higher franchising fees.

Cable systems are subject to federal copyright licensing in connection with the carriage of television signals, and they receive blanket permission to retransmit copyrighted material in exchange for royalty payments. The amount of the royalty payments varies.

While the present rate structure for basic tiers has been retained, the 1996 Act deregulates rates for non-basic services for the company's cable systems, effective March 31, 1999. However, Congress has indicated that this date may be revisited. Deregulation of rates also will occur immediately where a telephone company enters the cable franchising area and offers comparable video programming.

Telephone companies and cable operators in the same market are prohibited from entering into joint ventures to provide programming or telecommunication services directly to subscribers. Telephone companies and cable operators each are prohibited from acquiring more than a 10% financial interest, or any management interest, in the other's operations in its service area. For certain small and/or rural service areas, telephone or cable companies may acquire an interest in the other in its service area, however.

Corporate facilities

The company leases office space for its headquarters in Arlington, Va., and also owns data processing facilities in nearby Maryland. The capital expenditure program for 1996, 1997 and 1998 included amounts for leasehold improvements, land, building, furniture, equipment and fixtures for headquarters operations. Headquarters facilities are adequate for present operations. In September 1996, the company purchased 30 acres of land in Fairfax County, Va., for use as a future site for corporate headquarters. Building construction is scheduled to begin in 1999 and be completed in 2001.

Employee relations

At the end of 1998, the company and its subsidiaries had 39,400 full-time and part-time employees. On the basis of hours worked, the company employed the equivalent of 35,000 full-time employees. Four of the company's newspapers were published in 1998 together with non-company newspapers pursuant to joint operating agreements, and the employment numbers above include the company's pro-rata share of employees at those joint production and business operations.

Approximately 12% of those employed by the company and its subsidiaries are represented by labor unions. They are represented by 86 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 strives to maintain good relationships with its employees.

On July 13, 1995, approximately 2,500 workers from six unions began a strike against the company's largest local newspaper, The Detroit News, the Detroit Newspaper Agency and the Detroit Free Press, its agency partner. The strike was precipitated by unrealistic and excessive demands by the unions for wage increases and position levels. The strike ended in mid-February 1997 when the six striking unions made an unconditional offer to return to work. They continue to attempt a subscriber and advertiser boycott.

Throughout the strike and despite union efforts at stopping delivery of the newspapers through intimidation and frequent violence, the newspapers published every day. More than 800 of the original strikers have now returned to work and approximately 900 replacement workers have been employed to fill other necessary positions. Litigation before the National Labor Relations Board and in the federal courts concerning the strike and its aftermath continues. In February 1999, a 10-year agreement was reached with the Detroit Typographical Union, one of the unions previously on strike, under which its members will work at the Detroit Newspapers.

The company provides competitive group life and medical insurance programs for full-time 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 non-union employees.

Acquisitions and dispositions 1994-1998

The growth of the company has resulted from acquisitions of businesses, as well as from internal expansion. Its significant acquisitions since the beginning of 1994 are shown below. The company has disposed of several businesses during this period, which are presented on the following page.

Acquisitions 1994-1998

Year acquired	Name	Location	Publication times or business
1994	Nursing Spectrum	Various	Biweekly periodicals
	Altoona Herald – Mitchellville Index and the Eastern ADvantage	Altoona, Iowa	Weekly; Weekly advertising shopper
	KTHV-TV	Little Rock, Ark.	Television station
1995	Multimedia, Inc.	Greenville, S.C.	Ten daily newspapers, various non-dailies, five television stations, two radio stations, cable television franchises in five states, alarm security business, television entertainment programming
1996	WTSP-TV	Tampa-St. Petersburg, Fla.	Television station
1997	WZZM-TV	Grand Rapids, Mich.	Television station
	WGRZ-TV	Buffalo, N.Y.	Television station
	Printed Media Companies	Minneapolis, Minn.	Commercial printing
	KNAZ-TV	Flagstaff, Ariz.	Television station
	KMOH-TV	Kingman, Ariz.	Television station
	Mary Morgan, Inc.	Green Bay, Wis.	Commercial printing
	Army Times Publishing Co., Inc.	Springfield, Va.	Weekly and monthly periodicals
	New Jersey Press, Inc.	Asbury Park and East Brunswick, N.J.	Two daily newspapers
1998	WCSH-TV	Portland, Maine	Television station
	WLBZ-TV	Bangor, Maine	Television station
	WLTX-TV	Columbia, S.C.	Television station
	Ocean County Observer	Toms River, N.J.	Daily newspaper
	Daily Record	Morristown, N.J.	Daily newspaper
	Manahawkin Newspapers	Manahawkin, N.J.	Weekly newspapers
	Classified Gazette	San Rafael, Calif.	Semi-weekly newspaper
	New Castle County Shopper's Guide	Wilmington, Del.	Weekly advertising shopper
	Brandywine Valley Weekly	Wilmington, Del.	Weekly advertising shopper
	Autos plus	Wilmington, Del.	Weekly advertising shopper
	TCI Cable Kansas	Kansas	Cable television systems

Dispositions 1994-1998

Year disposed	Name	Location	Publication times or business
1994	The Stockton Record	Stockton, Calif.	Daily and Sunday
1995	The Add Sheet	Columbia, Mo.	Weekly advertising shopper
1996	WMAZ/WAYS-FM	Macon, Ga.	Radio stations
	Gannett Outdoor Group	Various major markets, U.S. and Canada	Outdoor advertising
	Multimedia Entertainment	New York, N.Y.	Television entertainment programming
	Louis Harris and Associates, Inc.	New York, N.Y.	Polling and research
	Gannett Community Directories	Paramus, N.J.	Community directories
	KIIS/KIIS-FM	Los Angeles, Calif.	Radio stations
	KSDO/KKBH-FM	San Diego, Calif.	Radio stations
	WDAE/WUSA-FM	Tampa, Fla.	Radio stations
1997	WLWT-TV	Cincinnati, Ohio	Television station
	KOCO-TV	Oklahoma City, Okla.	Television station
	Niagara Gazette	Niagara Falls, N.Y.	Daily newspaper
	The Observer	Moultrie, Ga.	Daily newspaper
	North Hills News Record	North Hills, Pa.	Daily newspaper
	Valley News Dispatch	Tarentum, Pa.	Daily newspaper
1998	The Virgin Islands Daily News	St. Thomas, V.I.	Daily newspaper
	WGCI/WGCI-FM	Chicago, Ill.	Radio stations
	KKBQ/KKBQ-FM	Houston, Texas	Radio stations
	KHKS-FM	Dallas, Texas	Radio station
	The Saratogian	Saratoga Springs, N.Y.	Daily newspaper
	Multimedia Security Service	Wichita, Kan.	Alarm security business
	Commercial-News	Danville, Ill.	Daily newspaper
	Chillicothe Gazette	Chillicothe, Ohio	Daily newspaper
	Gallipolis Daily Tribune	Gallipolis, Ohio	Daily newspaper
	The Daily Sentinel	Pomeroy, Ohio	Daily newspaper
	Point Pleasant Register	Point Pleasant, W.Va.	Daily newspaper
	Multimedia Cable Illinois	Suburban Chicago, Ill.	Cable television systems

QUARTERLY STATEMENTS OF INCOME

In thousands of dollars

Fiscal year ended December 27, 1998	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Net operating revenues					
Newspaper advertising	\$ 669,994	\$ 746,675	\$ 707,347	\$ 818,979	\$2,942,995
Newspaper circulation	254,079	252,762	251,534	251,863	1,010,238
Broadcasting	160,692	198,799	159,125	202,682	721,298
Cable and security	64,062	57,228	58,231	61,079	240,600
All other	51,083	48,673	49,825	56,579	206,160
Total	1,199,910	1,304,137	1,226,062	1,391,182	5,121,291
<i>Operating expenses</i>					
Cost of sales and operating expenses, exclusive of depreciation	642,980	646,755	648,320	655,927	2,593,982
Selling, general and administrative expenses, exclusive of depreciation	189,206	190,905	188,076	205,414	773,601
Depreciation	53,030	50,365	49,878	48,410	201,683
Amortization of intangible assets	26,451	26,253	27,122	28,697	108,523
Total	911,667	914,278	913,396	938,448	3,677,789
Operating income	288,243	389,859	312,666	452,734	1,443,502
<i>Non-operating (expense) income</i>					
Interest expense	(23,229)	(20,348)	(17,190)	(18,645)	(79,412)
Other	307,356 (2)	2,498	(877)	(3,654)	305,323 (2)
Total	284,127	(17,850)	(18,067)	(22,299)	225,911
Income before income taxes	572,370	372,009	294,599	430,435	1,669,413
Provision for income taxes	229,520	149,200	118,080	172,700	669,500
Net income	\$ 342,850 (2)	\$ 222,809	\$ 176,519	\$ 257,735	\$ 999,913 (2)
Net income per share - basic	\$1.21 (2)	\$.78	\$.62	\$.92	\$3.53 (2)
Net income per share - diluted (1)	\$1.20 (2)	\$.78	\$.62	\$.92	\$3.50 (2)

(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.

(2) Includes first quarter net gain on sale of certain businesses, including radio and alarm security (\$307 million pre-tax, \$184 million after tax, \$.65 per share-basic and \$.64 per share-diluted).

QUARTERLY STATEMENTS OF INCOME

In thousands of dollars

Fiscal year ended December 28, 1997	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
<i>Net operating revenues</i>					
Newspaper advertising	\$ 593,552	\$ 656,306	\$ 633,019	\$ 751,457	\$ 2,634,334
Newspaper circulation	233,370	232,237	235,439	247,095	948,141
Broadcasting	150,606	189,245	164,895	198,812	703,558
Cable and security	61,546	64,363	63,502	65,852	255,263
All other	37,683	45,676	49,235	55,601	188,195
Total	1,076,757	1,187,827	1,146,090	1,318,817	4,729,491
<i>Operating expenses</i>					
Cost of sales and operating expenses, exclusive of depreciation	566,522	575,646	602,418	623,986	2,368,572
Selling, general and administrative expenses, exclusive of depreciation	174,791	179,787	184,092	204,908	743,578
Depreciation	49,782	49,976	49,979	51,363	201,100
Amortization of intangible assets	24,842	24,898	24,900	25,333	99,973
Total	815,937	830,307	861,389	905,590	3,413,223
Operating income	260,820	357,520	284,701	413,227	1,316,268
<i>Non-operating (expense) income</i>					
Interest expense	(25,618)	(24,783)	(23,418)	(24,423)	(98,242)
Other	(5,088)	(1,004)	(1,573)	(1,382)	(9,047)
Total	(30,706)	(25,787)	(24,991)	(25,805)	(107,289)
Income before income taxes	230,114	331,733	259,710	387,422	1,208,979
Provision for income taxes	95,050	137,000	107,250	157,000	496,300
Net income	\$ 135,064	\$ 194,733	\$ 152,460	\$ 230,422	\$ 712,679
Net income per share - basic	\$.48	\$.69	\$.54	\$.81	\$ 2.52
Net income per share - diluted (1)	\$.48	\$.68	\$.53	\$.80	\$ 2.50

(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.

SCHEDULES TO FORM 10-K INFORMATION

In thousands of dollars

Property, plant and equipment

<i>Classification</i>	<i>Balance at beginning of period</i>	<i>Additions at cost</i>	<i>Retirements or sales</i>	<i>Other changes</i>	<i>Balance at end of period</i>
Dec. 29, 1996					
Land	\$ 138,601	\$ 47,982	\$ 11,067	\$ (678)	\$ 174,838
Buildings and improvements	739,510	54,419	28,455	4,982	770,456
Cable and security systems and advertising display structures	665,471	91,953	276,162	(209)	481,053
Machinery, equipment and fixtures	1,894,893	150,005	114,865	(3,975)	1,926,058
Construction in progress and deposits on contracts	121,191	(50,696)	(913)	(413)	70,995
	\$ 3,559,666	\$ 293,663 (A)(E)	\$ 429,636	\$ (293) (D)	\$ 3,423,400
Dec. 28, 1997					
Land	\$ 174,838	\$ 2,544	\$ 1,435	\$ (63)	\$ 175,884
Buildings and improvements	770,456	73,581	7,265	3,385	840,157
Cable and security systems	481,053	76,574	13,383	3,975	548,219
Machinery, equipment and fixtures	1,926,058	260,814	46,508	(216)	2,140,148
Construction in progress and deposits on contracts	70,995	3,637	17,122	(7,081)	50,429
	\$ 3,423,400	\$ 417,150 (B)(E)	\$ 85,713	\$ 0	\$ 3,754,837
Dec. 27, 1998					
Land	\$ 175,884	\$ 7,769	\$ 987	\$ (1,880)	\$ 180,786
Buildings and improvements	840,157	10,022	13,790	2,821	839,210
Cable and security systems	548,219	24,218	159,634	256	413,059
Machinery, equipment and fixtures	2,140,148	126,006	140,424	(2,262)	2,123,468
Construction in progress and deposits on contracts	50,429	58,859	133	1,065	110,220
	\$ 3,754,837	\$ 226,874 (C)(E)	\$ 314,968	\$ 0	\$ 3,666,743

Notes

(A) Includes assets at acquisition net of adjustments for prior years' acquisitions.	\$ 33,616
(B) Includes assets at acquisition net of adjustments for prior years' acquisitions.	\$ 195,899
(C) Includes assets at acquisition net of adjustments for prior years' acquisitions.	\$ (17,551)
(D) Principally the effect of current foreign currency translation adjustment.	
(E) Includes capitalized interest of \$3,643 in 1996, \$1,624 in 1997 and \$1,610 in 1998.	
(F) Generally the rates of depreciation range from 2.5% to 10% for buildings and improvements, 3.3% to 20% for cable and security systems and 4% to 30% for machinery, equipment and fixtures.	
(G) Includes depreciation expense reflected with earnings from discontinued operations of \$10,676 in 1996.	

SCHEDULES TO FORM 10-K INFORMATION

In thousands of dollars

Accumulated depreciation and amortization of property, plant and equipment

	Balance at beginning of period	Additions charged to costs and expenses	Retirements or sales	Other changes	Balance at end of period
Dec. 29, 1996					
Buildings and improvements	\$ 295,233	\$ 25,103	\$ 15,139	\$ (4,422)	\$ 300,775
Cable and security systems and advertising display structures	161,946	25,761	169,625	14,515	32,597
Machinery, equipment and fixtures	1,031,800	152,823	87,239	(1,416)	1,095,968
	\$ 1,488,979	\$ 203,687 (F)(G)	\$ 272,003	\$ 8,677 (D)	\$ 1,429,340
Dec. 28, 1997					
Buildings and improvements	\$ 300,775	\$ 24,396	\$ 5,148	\$ 4,057	\$ 324,080
Cable and security systems	32,597	60,377	5,976	(3,892)	83,106
Machinery, equipment and fixtures	1,095,968	116,327	56,521	(165)	1,155,609
	\$ 1,429,340	\$ 201,100 (F)	\$ 67,645	\$ 0	\$ 1,562,795
Dec. 27, 1998					
Buildings and improvements	\$ 324,080	\$ 25,434	\$ 12,941	\$ 9,318	\$ 345,891
Cable and security systems	83,106	31,134	36,369	(196)	77,675
Machinery, equipment and fixtures	1,155,609	145,115	112,208	(9,122)	1,179,394
	\$ 1,562,795	\$ 201,683 (F)	\$ 161,518	\$ 0	\$ 1,602,960

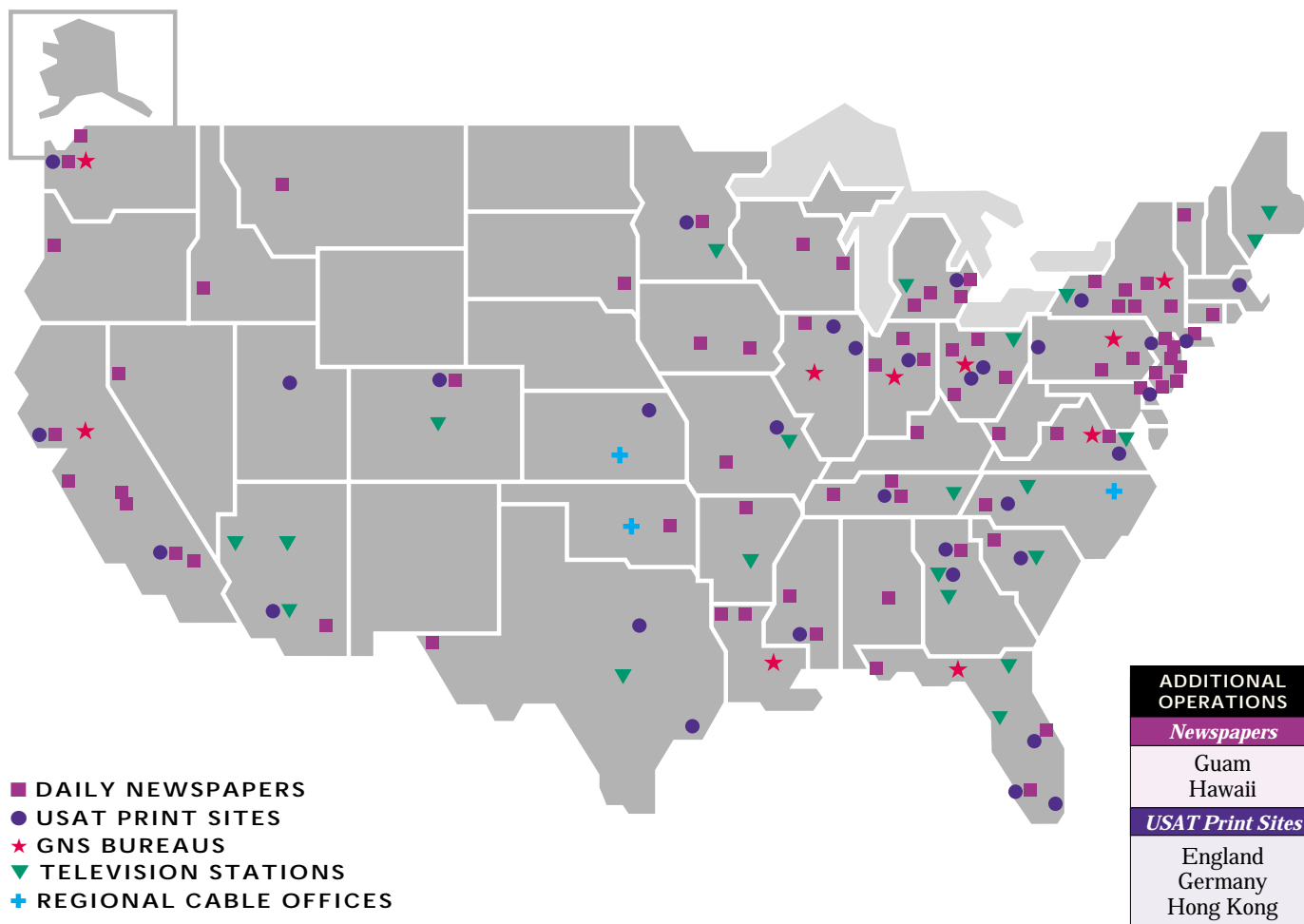
(D)(F) and (G) See page 68

Valuation and qualifying accounts

Allowance for doubtful receivables	Balance at beginning of period	Additions charged to costs and expenses	Additions/(reductions) for acquisitions/dispositions	Deductions from reserves	Balance at end of period
Year ended Dec. 29, 1996	\$22,182	\$22,847	\$ (1,706)	\$24,381	\$18,942
Year ended Dec. 28, 1997	\$18,942	\$22,333	\$ 618	\$23,873	\$18,020
Year ended Dec. 27, 1998	\$18,020	\$22,077	\$ (1,240)	\$19,714	\$19,143

Supplementary income statement information (from continuing operations)

Fiscal year ended	Dec. 27, 1998	Dec. 28, 1997	Dec. 29, 1996
Maintenance and repairs	\$ 48,511	\$50,631	\$47,879
Taxes other than payroll and income tax			
Property	\$24,474	\$20,426	\$19,344
Other	\$ 9,118	\$10,601	\$10,120
Total	\$33,592	\$31,027	\$29,464



MARKET WE SERVE

Newspapers and Newspaper Division

<i>Daily newspapers</i>							
State Territory	City	Newspaper	Circulation			Founded	Joined Gannett▲
			Morning	Afternoon	Sunday		
Alabama	Montgomery	The Montgomery Advertiser	56,310		71,436	1829	1995 (66)
Arizona	Tucson	Tucson Citizen		42,452		1870	1976 (32)
Arkansas	Mountain Home	The Baxter Bulletin	10,927			1901	1995 (67)
California	Marin County	Marin Independent Journal		40,906	41,756	1861	1980 (50)
	Palm Springs	The Desert Sun	50,240		52,584	1927	1986 (60)
	Salinas	The Californian	19,626			1871	1977 (38)
	San Bernardino	The San Bernardino County Sun*	78,505		86,228	1894	1969 (11)
	Tulare	Tulare Advance-Register		8,263		1882	1993 (65)
Colorado	Visalia	Visalia Times-Delta	22,033			1859	1977 (39)
	Fort Collins	Fort Collins Coloradoan	29,324		36,328	1873	1977 (40)
Connecticut	Norwich	Norwich Bulletin	31,656		37,738	1791	1981 (53)
Delaware	Wilmington	The News Journal	125,882		148,921	1871	1978 (45)

* On March 3, 1999, the company entered into an agreement to transfer The San Bernardino County Sun to a partnership of California newspapers in exchange for a partnership interest.

Daily newspapers							
State Territory	City	Newspaper	Circulation			Founded	Joined Gannett▲
			Morning	Afternoon	Sunday		
Florida	Brevard County	FLORIDA TODAY	88,752		112,418	1966	1966 (9)
	Fort Myers	News-Press	89,812		107,800	1884	1971 (25)
	Pensacola	Pensacola News Journal	62,919		83,613	1889	1969 (12)
Georgia	Gainesville	The Times		22,444	26,847	1947	1981 (52)
Guam	Agana	Pacific Daily News	24,307		23,708	1944	1971 (24)
Hawaii	Honolulu	The Honolulu Advertiser	106,870		190,366	1856	1993 (64)
Idaho	Boise	The Idaho Statesman	65,816		87,424	1864	1971 (17)
Illinois	Rockford	Rockford Register Star	72,858		84,994	1855	1967 (10)
Indiana	Lafayette	Journal and Courier	37,119		44,474	1829	1971 (18)
	Marion	Chronicle-Tribune	19,934		22,559	1867	1971 (21)
	Richmond	Palladium-Item		19,588	23,624	1831	1976 (31)
Iowa	Des Moines	The Des Moines Register	161,888		263,737	1849	1985 (57)
	Iowa City	Iowa City Press-Citizen	15,379			1860	1977 (42)
Kentucky	Louisville	The Courier-Journal	230,008		307,407	1868	1986 (62)
Louisiana	Monroe	The News-Star	38,125		42,926	1890	1977 (44)
	Shreveport	The Times	75,886		93,305	1871	1977 (43)
Michigan	Battle Creek	Battle Creek Enquirer	26,176		35,359	1900	1971 (19)
	Detroit	The Detroit News		242,915		1873	1986 (59)
		The Detroit News and Free Press			802,934		
	Lansing	Lansing State Journal	70,329		92,303	1855	1971 (16)
	Port Huron	Times Herald		31,143	42,794	1900	1970 (13)
Minnesota	St. Cloud	St. Cloud Times		28,406	38,218	1861	1977 (37)
Mississippi	Hattiesburg	Hattiesburg American		23,922	28,367	1897	1982 (55)
	Jackson	The Clarion-Ledger	106,793		126,479	1837	1982 (54)
Missouri	Springfield	Springfield News-Leader	65,278		97,928	1893	1977 (36)
Montana	Great Falls	Great Falls Tribune	33,835		39,779	1885	1990 (63)
Nevada	Reno	Reno Gazette-Journal	67,405		83,801	1870	1977 (33)
New Jersey	Asbury Park	Asbury Park Press	157,639		223,879	1879	1997 (72)
	Bridgewater	The Courier-News	43,667		43,957	1884	1927 (4)
	Cherry Hill	Courier-Post	86,467		99,597	1875	1959 (7)
	East Brunswick	Home News Tribune	73,236		79,991	1879	1997 (73)
	Morristown	Daily Record	49,457		54,755	1900	1998 (74)
	Toms River	Ocean County Observer	13,992		13,333	1850	1998 (75)
	Vineland	The Daily Journal		17,274		1864	1986 (61)
New York	Binghamton	Press & Sun-Bulletin	64,396		82,295	1904	1943 (6)
	Elmira	Star-Gazette	31,193		43,900	1828	1906 (1)
	Ithaca	The Ithaca Journal	19,207			1815	1912 (2)
	Poughkeepsie	Poughkeepsie Journal	42,752		57,101	1785	1977 (35)
	Rochester	Rochester Democrat and Chronicle	175,920		244,181	1833	1928 (5)
	Utica	Observer-Dispatch	48,969		59,489	1817	1922 (3)
	Westchester County	The Journal News	150,822		179,054	1829	1964 (8)
North Carolina	Asheville	Asheville Citizen-Times	60,264		72,459	1870	1995 (68)
Ohio	Cincinnati	The Cincinnati Enquirer	206,874		331,549	1841	1979 (46)
	Fremont	The News-Messenger		14,033		1856	1975 (29)
	Marietta	The Marietta Times		12,544		1864	1974 (28)
	Port Clinton	News Herald		5,994		1864	1975 (30)
Oklahoma	Muskogee	Muskogee Daily Phoenix and Times-Democrat	19,856		20,772	1888	1977 (41)

Daily newspapers							
State Territory	City	Newspaper	Circulation			Founded	Joined Gannett▲
			Morning	Afternoon	Sunday		
Oregon	Salem	Statesman Journal	61,047		68,438	1851	1974 (27)
Pennsylvania	Chambersburg	Public Opinion		21,474		1869	1971 (15)
	Lansdale	The Reporter		19,354		1870	1980 (51)
South Carolina	Greenville	The Greenville News	97,973		133,766	1874	1995 (69)
South Dakota	Sioux Falls	Argus Leader	52,007		73,344	1881	1977 (34)
Tennessee	Clarksville	The Leaf-Chronicle	20,776		25,283	1808	1995 (70)
	Jackson	The Jackson Sun	40,333		44,903	1848	1985 (58)
	Nashville	The Tennessean	180,531		272,221	1812	1979 (47)
Texas	El Paso	El Paso Times	81,683		98,950	1879	1972 (26)
Vermont	Burlington	The Burlington Free Press	51,661		62,864	1827	1971 (14)
Virginia	Arlington	USA TODAY	2,271,767			1982	1982 (56)
	Staunton	The Daily News Leader	18,324		21,933	1904	1995 (71)
Washington	Bellingham	The Bellingham Herald	27,226		34,155	1890	1971 (22)
	Olympia	The Olympian	39,704		46,510	1889	1971 (20)
West Virginia	Huntington	The Herald-Dispatch	38,790		44,463	1909	1971 (23)
Wisconsin	Green Bay	Green Bay Press-Gazette		60,990	86,194	1915	1980 (48)
	Wausau	Wausau Daily Herald		24,321	31,647	1903	1980 (49)

▲ Number in parentheses notes chronological order in which existing newspapers joined Gannett.

Army Times Publishing Co.

Headquarters: Springfield, Va.

Publications: Army Times, Navy Times, Marine Corps Times, Air Force Times, Federal Times, Defense News, Space News, Military Market

Nursing Spectrum

Offices: Falls Church, Va. (serving Washington, D.C./Baltimore); Barrington, Ill. (serving Illinois and Indiana); Ft. Lauderdale, Fla. (serving Ft. Lauderdale and Tampa); King of Prussia, Pa. (serving Philadelphia and the Delaware Valley); Westbury, N.Y. (serving New York and New Jersey); Lexington, Mass. (serving New England states)

Non-daily publications

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

USA WEEKEND

Circulation 21.2 million in 541 newspapers

Headquarters: Arlington, Va.

Advertising offices: Chicago; Detroit; Los Angeles; New York

Gannett Media Technologies International

Cincinnati, Ohio

Gannett Offset

Headquarters: Springfield, Va.

Offset sites: Atlanta; Chandler, Ariz.; Minneapolis, Minn.; Miramar, Fla.; Nashville, Tenn.; Norwood, Mass.; Olivette, Mo.; Pensacola, Fla.; Springfield, Va.

Gannett Offset Marketing Services Group

Gannett Direct Marketing Services, Inc.

Louisville, Ky.

Gannett TeleMarketing, Inc.

Headquarters: Springfield, Va.

Operations: Cincinnati, Ohio; Louisville, Ky.; Nashville, Tenn.; Silver Spring, Md.

Telematch

Springfield, Va.

Gannett Retail Advertising Group

Chicago

Gannett Satellite Information Network

Arlington, Va.

Gannett News Service

Headquarters: Arlington, Va.

Bureaus: Albany, N.Y.; Baton Rouge, La.; Columbus, Ohio; Harrisburg, Pa.; Indianapolis, Ind.; Olympia, Wash.; Sacramento, Calif.; Springfield, Ill.; Tallahassee, Fla.

USA TODAY**Headquarters:** Arlington, Va.**Print sites:** Arlington, Texas; Atlanta; Batavia, N.Y.; Brevard County, Fla.; Chandler, Ariz.; Chicago; Columbia, S.C.; Fort Collins, Colo.; Fort Myers, Fla.; Gainesville, Ga.; Hattiesburg, Miss.; Kankakee, Ill.; Lawrence, Kan.; Mansfield, Ohio; Marin County, Calif.; Miramar, Fla.; Nashville, Tenn.; Newark, Ohio; Norwood, Mass.; Olympia, Wash.; Pasadena, Texas; Port Huron, Mich.; Richmond, Ind.; Rockaway, N.J.; St. Cloud, Minn.; St. Louis; Salisbury, N.C.; Salt Lake City; San Bernardino, Calif.; Springfield, Va.; Tarentum, Pa.; White Plains, N.Y.; Wilmington, Del.**International print sites:** Frankfurt, Germany; Hong Kong; London, England**Regional offices:** Atlanta; Boston; Buffalo, N.Y.; Charlotte, N.C.; Chicago; Cincinnati; Cleveland; Columbus, Ohio; Dallas; Denver; Detroit; Houston; Indianapolis; Kansas City, Mo.; Los Angeles; Milwaukee; Minneapolis-St. Paul; Miramar, Fla.; Mountainside, N.J.; Nashville, Tenn.; New Orleans; Orlando, Fla.; Philadelphia; Phoenix, Ariz.; Pittsburgh; Port Washington, N.Y.; St. Louis; San Francisco; Seattle; Springfield, Va.**International offices:** Hong Kong; London, England; Paris, France; Singapore**Advertising offices:** Arlington, Va.; Atlanta; Chicago; Dallas; Detroit; London, England; Los Angeles; New York; San Francisco**USA TODAY Baseball Weekly** *Circulation 296,000***Editorial and advertising offices:** Arlington, Va.**USATODAY.com** Arlington, Va.**Broadcasting and Cable Divisions****Television stations**

<i>State</i>	<i>City</i>	<i>Station</i>	<i>Channel/Network</i>	<i>Weekly Audience •</i>	<i>Founded</i>	<i>Joined Gannett</i>
Arizona	Flagstaff	KNAZ-TV	Channel 2/NBC	63,000	1970	1997
	Kingman	KMOH-TV	Channel 6/WB	▲	1988	1997
	Phoenix	KPNX-TV	Channel 12/NBC	1,123,000	1953	1979
Arkansas	Little Rock	KTHV-TV	Channel 11/CBS	406,000	1955	1994
Colorado	Denver	KUSA-TV	Channel 9/NBC	1,233,000	1952	1979
District of Columbia	Washington	WUSA-TV	Channel 9/CBS	1,953,000	1949	1986
Florida	Jacksonville	WTLV-TV	Channel 12/NBC	463,000	1957	1988
	Tampa-St. Petersburg	WTSP-TV	Channel 10/CBS	1,211,000	1965	1996
Georgia	Atlanta	WXIA-TV	Channel 11/NBC	1,503,000	1948	1979
	Macon	WMAZ-TV	Channel 13/CBS	205,000	1953	1995
Maine	Bangor	WLBZ-TV	Channel 2/NBC	126,000	1954	1998
	Portland	WCSH-TV	Channel 6/NBC	345,000	1953	1998
Michigan	Grand Rapids	WZZM-TV	Channel 13/ABC	419,000	1962	1997
Minnesota	Minneapolis-St. Paul	KARE-TV	Channel 11/NBC	1,301,000	1953	1983
Missouri	St. Louis	KSDK-TV	Channel 5/NBC	1,050,000	1947	1995
New York	Buffalo	WGRZ-TV	Channel 2/NBC	499,000	1954	1997
North Carolina	Greensboro	WFMY-TV	Channel 2/CBS	575,000	1949	1988
Ohio	Cleveland	WKYC-TV	Channel 3/NBC	1,357,000	1948	1995
South Carolina	Columbia	WLTX-TV	Channel 19/CBS	260,000	1953	1998
Tennessee	Knoxville	WBIR-TV	Channel 10/NBC	411,000	1956	1995
Texas	Austin	KVUE-TV*	Channel 24/ABC	382,000	1971	1986

• Weekly audience is number of TV households reached, according to the November 1998 Nielsen book.

▲ Audience numbers fall below minimum reporting standards.

* On Feb. 25, 1999, Gannett announced an agreement with A.H. Belo Corporation to acquire KXTV at Sacramento/Stockton/Modesto, Calif., and to receive other consideration in exchange for KVUE-TV. The transaction is subject to FCC approval.

Multimedia Cablevision Co.**Headquarters:** Wichita, Kan.**Regional offices:** Edmond, Okla.; Rocky Mount, N.C.; Wichita, Kan.

Gannett on the Net

News and information about Gannett is available on our Web site, www.gannett.com.

The following Gannett properties also offer online services or informational sites on the Internet:

Newspapers and Newspaper Division	
USA TODAY	www.usatoday.com
USA WEEKEND	www.usaweekend.com
Asbury Park (N.J.) Press	www.injersey.com/app
Asheville (N.C.) Citizen-Times	www.carolinamountains.com
The Bellingham (Wash.) Herald	www.bellinghamherald.com
Press & Sun-Bulletin, Binghamton, N.Y.	www.pressconnects.com
FLORIDA TODAY, Brevard County	www.flatoday.com
The Courier-News, Bridgewater, N.J.	www.injersey.com/c-n
The Idaho Statesman, Boise	www.idahostatesman.com
The Burlington (Vt.) Free Press	www.burlingtonfreepress.com
Courier-Post, Cherry Hill, N.J.	www.courierpostonline.com
The Cincinnati Enquirer	enquirer.com
The Des Moines Register	www.dmregister.com
The Detroit News	detnews.com
Home News Tribune, East Brunswick, N.J.	www.injersey.com/hnt
Star-Gazette, Elmira, N.Y.	www.star-gazette.com
El Paso (Texas) Times	www.elpasotimes.com
Fort Collins Coloradoan	www.coloradoan.com
News-Press, Fort Myers, Fla.	www.southwestfloridaonline.com
Green Bay (Wis.) Press-Gazette	www.greenbaypressgazette.com
The Greenville (S.C.) News	greenvilleonline.com
The Honolulu Advertiser	www.surfhawaii.com
The Herald-Dispatch, Huntington, W.Va.	www.hdonline.com
The Clarion-Ledger, Jackson, Miss.	www.clarionledger.com
Journal and Courier, Lafayette, Ind.	www.jconline.com
Lansing (Mich.) State Journal	www.lansingstatejournal.com
The Courier-Journal, Louisville, Ky.	www.courier-journal.com
Marin (County, Calif.) Independent Journal	www.marinij.com
The Montgomery (Ala.) Advertiser	www.accessmontgomery.com
Daily Record, Morristown, N.J.	www.dailyrecord.com
The Tennessean, Nashville	www.tennessean.com
The Olympian, Olympia, Wash.	www.theolympian.com
The Desert Sun, Palm Springs, Calif.	www.desertsunonline.com
Pensacola (Fla.) News Journal	www.gulfcoastgateway.com
Poughkeepsie (N.Y.) Journal	www.pojonews.com

NevadaNet (Reno Gazette-Journal)	www.nevadanet.com
Rochester (N.Y.) Democrat and Chronicle	www.DemocratandChronicle.com
Rockford (Ill.) Register Star	www.rrstar.com
•The San Bernardino County (Calif.) Sun	www.sbcsun.com
Argus Leader, Sioux Falls, S.D.	www.argusleader.com
St. Cloud (Minn.) Times	www.sctimes.com
Statesman Journal, Salem, Ore.	www.statesmanjournal.com
The Times, Shreveport, La.	www.nwlouisiana.com
Springfield (Mo.) News-Leader	www.ozarksgateway.com
Ocean County Observer, Toms River, N.J.	www.injersey.com/app/ocean
Tucson (Ariz.) Citizen	www.tucsoncitizen.com
The Journal News, Westchester County, N.Y.	www.nyjournalnews.com
The News Journal, Wilmington, Del.	www.delawareonline.com
Army Times	www.armytimes.com
Navy Times	www.navytimes.com
Marine Corps Times	www.marinetimes.com
Air Force Times	www.airforcetimes.com
Federal Times	www.federaltimes.com
Defense News	www.defensenews.com
Space News	www.spacenews.com
Military City	www.militarycity.com
Nursing Spectrum	www.nursingspectrum.com
Gannett Direct Marketing Services	www.gdms.com
Gannett Media Technologies International	www.gmti.com

Broadcasting and Cable

WXIA-TV, Atlanta	www.11alive.com
*KVUE-TV, Austin, Texas	www.kvue.com
WLZ-TV, Bangor, Maine	www.wlbz.com
KUSA-TV, Denver	www.9news.com
WTLV-TV, Jacksonville, Fla.	www.wtlv.com
WMAZ-TV, Macon, Ga.	www.13wmaz.com
KARE-TV, Minneapolis-St. Paul	www.kare11.com
WTSP-TV, Tampa-St. Petersburg, Fla.	www.wtsp.com
WUSA-TV, Washington, D.C.	www.wusatv9.com
Multimedia Cablevision	www.mmckansas.com & www.mmcoklahoma.com

• On March 3, 1999, the company entered into an agreement to transfer The San Bernardino County Sun to a partnership of California newspapers in exchange for a partnership interest.

* On Feb. 25, 1999, Gannett announced an agreement with A.H. Belo Corporation to acquire KXTV at Sacramento/Stockton/Modesto, Calif., and to receive other consideration in exchange for KVUE-TV. The transaction is subject to FCC approval.

Presented below are definitions of certain key financial and operational terms that we hope will enhance your reading and understanding of Gannett's 1998 Annual Report.

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 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 as well as radio stations prior to 1998.

CABLE REVENUES – Consist primarily of amounts charged to cable subscribers for basic,

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.

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.

DISCONTINUED OPERATION –

A principal business that has been sold and is reported separately from continuing operations in the statement of income.

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.

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 –

Operating income adjusted for major non-cash expenses, depreciation and amortization of intangible assets.

PRO FORMA – A 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

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 INCENTIVE RIGHTS –

An award that gives key employees the right to receive shares of the company's stock

GLOSSARY OF FINANCIAL TERMS

premium and pay-per-view services, and amounts charged for commercial advertising aired on the company's cable programs.

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.

Charges vary from city to city and depend on the type of sale (i.e., subscription or single copy) and distributor arrangements.

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.

EXCESS OF ACQUISITION COST OVER FAIR VALUE OF ASSETS ACQUIRED –

In a business purchase, this represents the excess of amounts paid over fair value of tangible assets acquired (also referred to as intangible assets or goodwill). Generally this cost is written off against operations over periods of up to 40 years. (Also see "Purchase.")

(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, broadcast and cable and security).

without payment at the end of an incentive period, conditioned on their continued employment throughout the incentive period.

STOCK OPTION – An award that gives key employees the right to buy shares of the company's stock at the market price of the stock at the date of the award.

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 Norwest Bank Minnesota, N.A. General inquiries and requests for enrollment materials for the programs described below should be directed to Norwest's Shareowner Services, P.O. Box 64854, St. Paul, MN 55164-0854 or by telephone at 1-800-778-3299.

Gannett is pleased to offer the following shareholder services:

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.

FORM 10-K

Information provided by Gannett in its Form 10-K annual report to the Securities and Exchange Commission has been

SHAREHOLDER SERVICES

incorporated in this report. Copies of the complete Form 10-K annual report may be obtained by writing the Secretary, Gannett Co., Inc., 1100 Wilson Blvd., Arlington, VA 22234.

ANNUAL MEETING

The annual meeting of shareholders will be held at 10 a.m. Tuesday, May 4, 1999 at Gannett headquarters.

FOR MORE INFORMATION

News and information about Gannett is available on our Web site (www.gannett.com). Quarterly earnings information will be available around the middle of April, July and October 1999.

Shareholders who wish to contact the company directly about their Gannett stock should call Shareholder Services at Gannett headquarters, 703-284-6960.

GANNETT HEADQUARTERS

1100 Wilson Boulevard
Arlington, VA 22234
703-284-6000

THIS REPORT WAS WRITTEN AND PRODUCED BY EMPLOYEES OF GANNETT.

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Monroe Litho, Rochester, N.Y.

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