



SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

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

(Mark One)

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

For the fiscal year ended December 29, 2002

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

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

Commission file number 1-6961

**GANNETT CO., INC.**

(Exact name of registrant as specified in charter)

**Delaware**

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

**16-0442930**

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

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

(Address of principal executive offices)

**22107-0910**

(Zip Code)

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

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

Title of Each Class  
Common Stock, par value \$1.00 per share

Name of Each Exchange on Which Registered  
The New York Stock Exchange

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [X] No [ ]

The aggregate market value of the voting common equity held by non-affiliates of the registrant based on the closing sales price of the registrant's Common Stock as reported on The New York Stock Exchange on June 30, 2002, was approximately \$20,121,013,000. The registrant has no non-voting common equity.

As of March 10, 2003, 268,234,922 shares of the registrant's Common Stock were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

The definitive proxy statement relating to the registrant's Annual Meeting of Shareholders to be held on May 6, 2003, is incorporated by reference in Part III to the extent described therein.

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**2002 FORM 10-K**

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## PART I

### ITEM 1. BUSINESS

#### Company Profile

Gannett Co., Inc. is a diversified news and information company that publishes newspapers, operates broadcasting stations and is engaged in marketing, commercial printing, a newswire service, data services and news programming. Gannett is an international company operating primarily in the U.S. and the United Kingdom. Approximately 87% of its revenues are from domestic operations in 43 states, the District of Columbia, and Guam. It has foreign operations in the United Kingdom and in certain European and Asian markets. Its headquarters is in McLean, Va., near Washington, D.C.

Gannett was founded by Frank E. Gannett and associates in 1906 and incorporated in 1923. The company went public in 1967. It reincorporated in Delaware in 1974. Its nearly 268 million outstanding shares of common stock are held by approximately 13,100 shareholders of record in all 50 states and several foreign countries. The company has approximately 51,000 employees.

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

Gannett is the USA's largest newspaper group in terms of circulation. The company's 94 U.S. daily newspapers have a combined daily paid circulation of 7.6 million. They include USA TODAY, the nation's largest-selling daily newspaper, with a circulation of approximately 2.2 million. In addition, Gannett owns USA WEEKEND, a weekend newspaper magazine, and in excess of 400 non-daily publications in the United States.

Newsquest plc, a wholly owned Gannett subsidiary acquired in mid-1999 and expanded through further acquisitions since, is one of the largest regional newspaper publishers in the United Kingdom with a portfolio of more than 300 titles. Its publications include 15 daily newspapers with a combined circulation of approximately 550,000. Newsquest also publishes a variety of non-daily publications, including Berrow's Worcester Journal, the oldest continuously published newspaper in the world.

Total average daily circulation of the company's domestic and U.K. daily newspapers was approximately 8.2 million at the end of 2002.

In addition to newspaper publishing, the newspaper segment includes the following: Gannett News Service, which provides news services for its newspaper operations; Gannett Retail Advertising Group, which represents the company's local newspapers in the sale of advertising to national and regional retailers 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 currently includes five non-heatset printing plants and one heatset printing facility. Gannett Offset's dedicated commercial printing plants are located in Atlanta, Ga.; Minneapolis, Minn.; Miramar, Fla.; Norwood, Mass.; St. Louis, Mo.; and Springfield, Va. Gannett Marketing Services Group coordinates the sale of direct-marketing services through: Telematch, a database management and data enhancement company; 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 most of its local newspapers and television stations; 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; Army Times Publishing Company, which publishes military and defense newspapers; a 19.49% interest in California Newspapers Partnership, a partnership that includes 22 daily California newspapers; and a 13.5% interest in Ponderay Newsprint Company in California.

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

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

The company owns and operates 22 television stations covering 17.7 percent of the USA in markets with more than 18.9 million households.

#### Newspaper Publishing/United States

On Dec. 29, 2002, the company operated 94 U.S. daily newspapers, including USA TODAY, and more than 400 non-daily local publications in 40 states and Guam. The Newspaper Division is headquartered in McLean, Va., and on Dec. 29, 2002, it had approximately 39,000 full- and part-time employees.

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

USA TODAY is produced at facilities in McLean, Va., and is transmitted via satellite to offset printing plants around the country. It is printed at Gannett plants in 21 U.S. markets and under contract at offset plants in 15 other U.S. markets. It is sold at newsstands and vending machines generally at 50 cents a copy. Mail subscriptions are available nationwide and abroad, and home, hotel and office delivery is offered in many markets. Approximately 65% of its net paid circulation results from single-copy sales at newsstands or vending machines and the remainder is from home and office delivery, mail and other sales.

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

For domestic editions, USA TODAY is party to a contract with one satellite transmission service which runs through the end of 2004 and provides for the satellite transmissions of USA TODAY from the McLean, Va., office (or Silver Spring, Md., its back-up facility) to 36 domestic print sites across the USA.

For International editions, USA TODAY is party to a contract with a second satellite transmission provider which extends through the end of 2004 and provides for satellite transmissions to four contract print sites in Europe and one contract print site in Asia.



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

USATODAY.com, one of the most popular newspaper sites on the Web, had more than 30 million visits per month at the end of 2002.

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

The newspaper publishing segment also includes USA WEEKEND, which is distributed as a weekend newspaper magazine in 598 newspapers throughout the country, with a total circulation of 23.7 million as of January 2003, the second largest weekly magazine in circulation in the nation. The general interest magazine has a readership of 49 million.

Nursing Spectrum is a publisher of biweekly and monthly periodicals that advertise nursing employment. Nursing Spectrum's circulation reaches more than one million registered nurses in the top 50 metropolitan markets each month, or almost half of the registered nurses in the United States. By the end of 2002, Nursing Spectrum's award-winning Web site had about 800,000 unique visitors each month.

At the end of 2002, 68 of the company's domestic daily newspapers, including USA TODAY, were published in the morning and 26 were published in the evening.

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

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

In 2002, news departments across Gannett continued to emphasize coverage of local news as the key to successful news reporting. Under the Complete Community Coverage model developed in 2000, newsrooms expanded the amount of local news on their Web sites. The objective is to enhance our position as the primary source of local news and information, reaching more people interested in local news in more ways.

Added emphasis was placed on reaching younger readers, especially those in the 25- to 34-year-old age group, through stronger Web sites and more focused news and features coverage. Free weekly publications for this audience began at Gannett newspapers in Boise, Idaho, and Lansing, Mich. The Arizona Republic in Phoenix began a new publication, "YES" ("Your Essential Style") aimed at reaching women readers, especially younger ones. This publication was delivered in the newspaper and was made available at other selected locations. All three of these newspapers also enhanced their Web sites to advertise these publications and to expand on them.

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

Gannett News Service provided strong coverage of the 2002 national elections as well as many stories from Washington, D.C., on topics of local interest to Gannett newspapers. Coverage also was provided for newspaper Web sites.

In 2002, the company continued to emphasize increasing its revenue from medium and smaller advertisers in each market it serves. These efforts will continue throughout 2003. Initiatives have focused on sales and rate management and the construction of pre-packaged programs scalable to the company's largest and smallest markets. Sales management initiatives increased the number and quality of sales calls, improved sales compensation and enhanced consistent sales training. Rate management programs focused on selling multiple advertising insertions and reviewing rates and rate structures to ensure that they match the opportunities in the market. The company operates an extranet site to provide its advertising management with up-to-date information and sales programs 24 hours a day, seven days a week. The company regularly calculates market potential and adjusts its local strategic plans accordingly. Significant efforts will continue to be taken in 2003 to make the company's personnel increasingly competitive in their leadership, strategic thinking and marketing skills.

The Newspaper Division's advertising quality initiative, known as ADQ, produced its eighth consecutive year of improved ad and bill quality. ADQ has reduced credit costs significantly since its 1995 launch.

Three principles guide online strategy at Gannett's local newspapers. First, spending for the online business must be justified by additional revenues, additional customers and additional profits. Second, emphasis needs to be on serving our local markets. A key reason customers turn to a Gannett newspaper's online site is to find local news and information. The credibility of the local newspaper, the known and trusted information source, extends to the company's Web sites and thus differentiates Gannett from other Internet sites. This is a major factor that allows Gannett newspapers to compete successfully as Internet information providers. Third, the natural synergies between the local newspaper and local Web site should be utilized. The local content already available, the customer relationships, the news and advertising sales forces, and the promotional vehicle are all advantages for the newspaper. The company's strategy is to use these advantages to create strong and timely content, sell packaged advertising products that serve the advertisers, hold down costs, and leverage the known and trusted brand of the newspaper.

This strategy has served Gannett well in the development of our newspaper Internet efforts. The aggressive local focus, including advertising sales efforts, combined with effective use of national economies of scale and standardized technology resulted in solid results in 2002.

Online revenue for local newspaper Web sites increased by 25% in 2002, which followed a 35% increase in 2001. Recent traffic on our sites reached more than 14 million visitors and over 225 million page views per month.

In 2002, Gannett newsrooms continued to convert to digital photography, which enables our newspapers to provide photos with very late-breaking stories and to be more competitive on their Web sites. By the end of 2002, all of Gannett's news photo departments were 100 percent digital.

The Advertising Matrix sales program was implemented at 19 Gannett newspapers in 2002 and more newspapers will follow in 2003. The Matrix is a program for selling multiple ads across multiple product lines and packaging them into one buy for the customer. A typical Matrix package might include a retail display ad, a classified help wanted ad, a print-and-deliver insert targeted to specific zones, an online directory listing and an online coupon.

New online classified ad order entry software was installed in three additional newspapers in 2002, bringing the total implementations to six. The software allows customers to place their classified ad via the newspaper's Web site. It permits customers to build both their print and online ad using templates provided by the newspaper or to customize the ad to meet their specific requirements. The standard software includes six categories: employment, automotive, real estate, merchandise, obituaries and legal. It also facilitates upsell opportunities such as bolding, attention getters, and e-mail hyperlinks. When customers complete the design of their ads and select a product schedule, they receive a realtime price quote. Customers can then book their ads without further newspaper involvement. A larger rollout is planned for 2003.

Franchise XPress, a sales program operated by the Gannett Retail Advertising Group, sold 59 million newspaper-distributed single sheet inserts to hundreds of franchise retailers in Gannett markets during 2002. These inserts are typically distributed in areas close to the retailer's store. Insert Xpress, another newspaper-distributed single sheet sales program, sold 220 million inserts to local retail advertisers in 2002.

In 2002, Gannett began the rollout of its newest update to the company's legacy software. The update focuses primarily on advertising functionality. The highlight of the release is the new pricing engine that will permit the packaging and selling of multiple products across multiple mediums. This will improve the competitive position of Gannett's local newspapers in their marketplaces, and provide the flexibility to be more creative in meeting advertisers' changing needs.

Gannett Media Technologies International ("GMTI") continued to increase its installed base of Internet-based Celebro advertising systems. Celebro facilitates increased revenue opportunities through the creation of new advertising products and by making it easier for the advertisers to choose newspaper publications over the competition. Real estate companies and auto dealerships are now linked directly to GMTI's database servers where Celebro's HomesPlus and AutoChooser software allows them to send complete, digitized ad files to newspapers for pagination and printing. Newspapers are freed from most production requirements and advertisers replace time-consuming manual tasks with labor saving technology.

New, non-Gannett companies purchasing Celebro HomesPlus in 2002 included The Bergen (N.J.) Record, The Dallas Morning News, Dayton (Ohio) Daily News, The (Toledo) Blade, Naples (Fla.) Daily News, San Angelo (Texas) Standard-Times, Kenosha (Wis.) News, Allen Tate Realtors and Long & Foster Real Estate Company. At year-end, Celebro HomesPlus database included more than 600 publications maintaining data on more than 4,500 real estate companies. Of the 62 HomesPlus databases, 34 are Gannett newspapers, and 28 are non-Gannett newspapers, real estate companies, and multiple listing services.

GMTI's AutoChooser product provides newspapers with a complete vertical solution offering Web site creation/hosting and print advertising integration. AutoChooser is in production at 16 Gannett newspapers and 38 non-Gannett newspapers. Additionally, AutoChooser hosts auto dealer Web sites on behalf of its newspaper customers. Non-Gannett users of AutoChooser technology include The Washington Post, The Atlanta Journal-Constitution, Media News Group, the Bergen Record, and the San Diego Union-Tribune.

CelebroCityServer, GMTI's software for building online shopping and commerce guides on Web sites, went live at The Indianapolis Star and The Spectrum in St. George, Utah, bringing the number of Gannett newspaper users to 36.

GMTI increased its Digital Collections customer base to 109 system installations. Of these, 32 are non-Gannett installations. GMTI reached an agreement with Calkins Newspapers to install the Digital Collections digital asset management system at all Calkins newspapers. Each of these systems serves a multi-purpose role for pre-press photo production, capture and management of wire photos, archiving photos, stories, graphics and pages, and for news library research.

New orders for Digital Collections software were also received from The Day in New London, Conn., and the Monroe (Mich.) Evening News. Fifteen customers purchased system upgrades and another eleven ordered system software add-ons. New software will be introduced in 2003 to expand the system's range of capabilities for improving and tracking pre-press production workflow.

With respect to newspaper production, 69 domestic daily newspaper plants print by the offset process, and 11 plants print using various letterpress processes. To date, there are 84 newspapers that have converted to the 50-inch web width format. Readers have found this size to be easier to handle and use. The 50-inch format change can result in more than a seven percent savings in newsprint consumption. A few more of the company's newspapers are scheduled for web width reduction in 2004.

The company has been consolidating certain functions of its newspaper operations in a number of geographic areas in order to achieve greater marketing, administrative and production effectiveness and efficiencies. Consolidations of this type have been made in New Jersey, upstate New York, Louisiana, Wisconsin, Ohio, Michigan, California and the Pacific Northwest. Further consolidations of this type will be made in 2003.

In recent years, improved technology for all of the newspapers has resulted in greater speed and accuracy and in a reduction in the number of production hours worked. The company expects this trend to continue in 2003.

The principal sources of newspaper revenues are circulation and advertising.



**Circulation:** 40 of the company's local newspapers reported gains in daily circulation in 2002, and 27 increased Sunday circulation. Home-delivery prices for the company's newspapers are established individually for each newspaper and range from \$1.62 to \$3.11 per week for daily newspapers and from \$.71 to \$2.50 per copy for Sunday newspapers. Price increases for certain elements of local circulation volume were initiated at 6 newspapers in 2002.

Additional information about the circulation of the company's newspapers may be found on pages 10-13 and 20-21 of this Form 10-K.

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

Retail advertising is display advertising associated with local merchants, such as department and grocery stores. Classified advertising includes ads listed together in sequence by the nature of the ads, such as automobile sales, real estate sales and help wanted. National advertising is display advertising principally from advertisers who are promoting products or brand names nationally. Retail and national advertising may appear in the newspaper itself or in preprinted sections. 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.

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

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

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

At the end of 2002, The Cincinnati Enquirer, The Detroit News, and the Tucson (Ariz.) Citizen were published under joint operating agreements with non-Gannett newspapers located in the same cities. All of these agreements provide for joint business, advertising, production and circulation operations and a contractual division of profits. The editorial and reporting staffs of the company's newspapers, however, are separate and autonomous from those of the non-Gannett newspapers.

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

The company is one of the industry leaders in the use of recycled newsprint and increased its domestic purchases of newsprint containing some recycled content from 42,000 metric tons in 1989 to 779,000 metric tons in 2002. During 2002, all of the company's newspapers consumed some recycled newsprint. For the year, more than 72% of the company's domestic newsprint purchases contained recycled content.

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

Additional information about the company's newspapers may be found on pages 10-13 of this Form 10-K.

**Raw materials:** Newsprint, which is the basic raw material used to publish newspapers, has been and may continue to be subject to significant price changes from time to time. During 2002, the company's total newsprint consumption was 1,226,000 metric tons, including the company's portion of newsprint consumed at joint operating agencies, consumption by USA WEEKEND, USA TODAY tonnage consumed at non-Gannett print sites and consumption by Newsquest. Newsprint consumption was slightly higher than 2001, up 1%. Newsprint consumption savings were realized due to reduced advertising space and web width reductions at a number of the company's properties in the years 1999-2002. The company purchases newsprint from 21 domestic and global suppliers under contracts that expire at various times through 2010.

In 2002, 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 2002 decreased 20% compared to the 2001 average cost.

## Newspaper Publishing/United Kingdom

Altogether, Newsquest now publishes more than 300 titles in the United Kingdom, including 15 daily newspapers. Newsquest operates its newspaper publishing activities around geographic clusters to maximize the use of management, finance, printing and personnel resources. This approach enables the group to offer readers and advertisers a range of attractive products across the market. The clustering of titles and, usually, the publication of a free newspaper alongside a paid-for newspaper allows cross-selling of advertising among newspapers serving the same or contiguous markets, thus satisfying the needs of its advertisers and audiences. At the end of 2002, Newsquest had 16 such clusters in the United Kingdom. Newsquest's policy is to produce free and paid-for newspapers with an attractive level of quality local editorial content. Newsquest also distributes a substantial volume of advertising leaflets in the communities it serves and it offers a travel/vacation booking service.

Newsquest's revenues for 2002 were in excess of \$770 million. As with U.S. newspapers, advertising is the largest component of revenue, comprising approximately 80%. Circulation revenue represents 11% of revenues and printing activities account for much of the remainder. Compared to U.S. newspaper operations, advertising revenue at Newsquest is a greater percent of total revenue and circulation revenue is a lesser percent, reflecting the greater volume and importance of free weekly publications among Newsquest's titles.

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

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

At the end of 2002, Newsquest had approximately 8,500 full-time and part-time employees. Newsquest employees have local staff councils for consultation and communication with local Newsquest management. Newsquest provides the majority of its employees with the option to participate in a stock option linked savings plan, purchase Gannett shares through a share incentive plan and a retirement plan that incorporates life insurance.

## Broadcasting

On Dec. 29, 2002, the company's television division, headquartered in McLean, Va., included 22 television stations in markets with a total of more than 18.9 million households.

At the end of 2002, the broadcasting division had approximately 3,000 full-time and part-time employees. Broadcasting revenues accounted for approximately 12% of the company's reported operating revenues from continuing operations in 2002, 11% in 2001 and 13% in 2000.

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

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

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

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

**Programming:** The costs of locally produced and purchased syndicated programming are a significant portion of television operating expenses. Syndicated programming costs are determined based upon largely uncontrollable market factors, including demand from the independent and affiliated stations within the market 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.

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

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

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

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

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

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

The FCC rules permit common ownership of a number (depending on market size) of radio stations and television stations serving the same community but continue to prohibit a party from having attributable interests in television stations that collectively reach more than 35 percent of all U.S. television households. Presently, the company's 22 television stations reach an aggregate of 17.7% of U.S. TV households.

The FCC currently is examining possible modifications to all of its ownership restrictions, including the prohibition on common ownership of a daily newspaper and television station in the same market. A decision is expected in 2003, and if this restriction is removed or relaxed, it could present opportunities for the company to acquire additional properties in markets it currently serves.

Additional information about the company's television stations may be found on page 13 of this Form 10-K.

## **Employee relations**

At the end of 2002, the company and its subsidiaries had approximately 51,000 full-time and part-time employees. Three of the company's newspapers were published in 2002 together with non-company newspapers pursuant to joint operating agreements, and the employment total above includes the company's pro-rata share of employees at those joint production and business operations.

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

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

In 1990, the company established a 401(k) Savings Plan, which is available to most of its domestic non-union employees.

## MARKETS WE SERVE

### NEWSPAPERS AND NEWSPAPER DIVISION

#### Daily newspapers

State Territory	City	Newspaper	Morning	Circulation Afternoon	Sunday	Founded	Joined Gannett (a)
Alabama	Montgomery	Montgomery Advertiser	51,274		63,111	1829	1995(62)
Arizona	Phoenix Tucson	The Arizona Republic Tucson Citizen	469,459	36,056	576,468	1890 1870	2000(91) 1976(30)
Arkansas	Mountain Home	The Baxter Bulletin	11,143			1901	1995(63)
California	Palm Springs Salinas Tulare Visalia	The Desert Sun The Californian Tulare Advance-Register Visalia Times-Delta	52,423 18,974 21,656	8,029	55,234	1927 1871 1882 1859	1986(56) 1977(36) 1993(61) 1977(37)
Colorado	Fort Collins	Fort Collins Coloradoan	28,770		35,108	1873	1977(38)
Connecticut	Norwich	Norwich Bulletin	27,774		32,283	1791	1981(49)
Delaware	Wilmington	The News Journal	119,667		141,381	1871	1978(43)
Florida	Brevard County Fort Myers Pensacola	FLORIDA TODAY The News-Press Pensacola News Journal	87,819 91,188 64,041		107,704 108,793 81,633	1966 1884 1889	1966(9) 1971(24) 1969(11)
Georgia	Gainesville	The Times		20,025	23,720	1947	1981(48)
Guam	Hagatna	Pacific Daily News	21,721		20,203	1944	1971(23)
Hawaii	Honolulu	The Honolulu Advertiser	146,253		168,213	1856	1993(60)
Idaho	Boise	The Idaho Statesman	65,993		88,628	1864	1971(16)
Illinois	Rockford	Rockford Register Star	68,406		81,118	1855	1967(10)
Indiana	Indianapolis Lafayette Marion Muncie Richmond	The Indianapolis Star Journal and Courier Chronicle-Tribune The Star Press Palladium-Item	254,170 37,021 18,730 32,231	19,234	366,821 43,827 20,896 35,453 22,780	1903 1829 1867 1899 1831	2000(92) 1971(17) 1971(20) 2000(93) 1976(29)
Iowa	Des Moines Iowa City	The Des Moines Register Iowa City Press-Citizen	153,154 15,411		244,667	1849 1860	1985(53) 1977(40)
Kentucky	Louisville	The Courier-Journal	221,367		283,268	1868	1986(58)
Louisiana	Alexandria Lafayette Monroe Opelousas Shreveport	Alexandria Daily Town Talk The Daily Advertiser The News-Star Daily World The Times	36,221 45,875 36,705 67,760	10,505	41,564 54,589 41,504 12,014 82,597	1883 1865 1890 1939 1871	2000(94) 2000(72) 1977(42) 2000(95) 1977(41)
Maryland	Salisbury	The Daily Times	27,648		31,551	1900	2000(73)
Michigan	Battle Creek Detroit The Detroit News and Free Press Lansing Port Huron	Battle Creek Enquirer The Detroit News Lansing State Journal Times Herald	25,051 72,231	239,645 30,090	34,109 733,208 91,774 39,902	1900 1873 1855 1900	1971(18) 1986(55) 1971(15) 1970(12)
Minnesota	St. Cloud	St. Cloud Times	27,928		37,551	1861	1977(35)
Mississippi	Hattiesburg Jackson	Hattiesburg American The Clarion-Ledger	97,249	22,203	26,092 110,471	1897 1837	1982(51) 1982(50)

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Missouri	Springfield	Springfield News-Leader	63,076	91,488	1893	1977(34)
Montana	Great Falls	Great Falls Tribune	33,143	37,604	1885	1990(59)
Nevada	Reno	Reno Gazette-Journal	65,814	83,350	1870	1977(31)

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

(b) Became an edition of the Asbury Park Press in 2001.

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

**Daily newspapers**

State Territory	City	Newspaper	Morning	Circulation Afternoon	Sunday	Founded	Joined Gannett (a)
New Jersey	Asbury Park	Asbury Park Press	167,248		227,676	1879	1997(68)
	Bridgewater	Courier News	40,017		40,768	1884	1927(5)
	Cherry Hill	Courier-Post	80,490		96,334	1875	1959(7)
	East Brunswick	Home News Tribune	63,373		70,302	1879	1997(69)
	Morristown	Daily Record	43,596		46,205	1900	1998(70)
	Toms River	Ocean County Observer(b)				1850	1998(71)
	Vineland	The Daily Journal	17,843			1864	1986(57)
New York	Binghamton	Press & Sun-Bulletin	57,269		72,606	1904	1943(6)
	Elmira	Star-Gazette	28,973		40,241	1828	1906(1)
	Ithaca	The Ithaca Journal	18,834			1815	1912(2)
	Poughkeepsie	Poughkeepsie Journal	39,858		51,079	1785	1977(33)
	Rochester	Rochester Democrat and Chronicle	173,598		232,688	1833	1918(3)
	Utica	Observer-Dispatch	45,768		53,524	1817	1922(4)
	Westchester County	The Journal News	142,908		170,642	1829	1964(8)
North Carolina	Asheville	Asheville Citizen-Times	55,475		69,708	1870	1995(64)
Ohio	Bucyrus	Telegraph-Forum		7,230		1923	2000(74)
	Cincinnati	The Cincinnati Enquirer	196,639		310,095	1841	1979(44)
	Chillicothe	Chillicothe Gazette		16,395	16,260	1800	2000(75)
	Coshocton	Coshocton Tribune		7,161	7,546	1842	2000(76)
	Fremont	The News-Messenger		13,772		1856	1975(27)
	Lancaster	Lancaster Eagle-Gazette		15,367	15,516	1807	2000(77)
	Mansfield	News Journal		33,459	42,681	1885	2000(78)
	Marion	The Marion Star		14,320	14,743	1880	2000(79)
	Newark	The Advocate		21,816	22,815	1820	2000(80)
	Port Clinton	News Herald		5,923		1864	1975(28)
Zanesville	Times Recorder	21,128		20,763	1852	2000(81)	
Oklahoma	Muskogee	Muskogee Daily Phoenix and Times-Democrat	19,012		19,776	1888	1977(39)
Oregon	Salem	Statesman Journal	56,482		63,509	1851	1974(26)
Pennsylvania	Chambersburg	Public Opinion		18,707		1869	1971(14)
South Carolina	Greenville	The Greenville News	90,493		122,031	1874	1995(65)
South Dakota	Sioux Falls	Argus Leader	53,970		76,125	1881	1977(32)
Tennessee	Clarksville	The Leaf-Chronicle	22,448		26,195	1808	1995(66)
	Jackson	The Jackson Sun	35,300		40,898	1848	1985(54)
	Nashville	The Tennessean	183,967		254,823	1812	1979(45)
Texas	El Paso	El Paso Times	73,190		90,255	1879	1972(25)
Utah	St. George	The Spectrum	22,345		23,357	1963	2000(82)
Vermont	Burlington	The Burlington Free Press	49,469		59,306	1827	1971(13)
Virginia	McLean	USA TODAY	2,238,174			1982	1982(52)
	Staunton	The Daily News Leader	18,386		21,256	1904	1995(67)
Washington	Bellingham	The Bellingham Herald	24,337		31,134	1890	1971(21)
	Olympia	The Olympian	37,524		45,246	1889	1971(19)
West Virginia	Huntington	The Herald-Dispatch	35,224		40,177	1909	1971(22)
Wisconsin	Appleton	The Post-Crescent		52,789	69,672	1853	2000(83)
	Fond du Lac	The Reporter		20,027	20,226	1870	2000(84)
	Green Bay	Green Bay Press-Gazette	56,495		83,390	1915	1980(46)
	Manitowoc	Herald Times Reporter		16,300	16,839	1898	2000(85)
	Marshfield	Marshfield News-Herald		13,955		1927	2000(86)
	Oshkosh	Oshkosh Northwestern	21,843		25,328	1868	2000(87)
Sheboygan	The Sheboygan Press		24,156	26,291	1907	2000(88)	

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Stevens Point	Stevens Point Journal	12,802		1873	2000(89)
	Central Wisconsin Sunday		17,351		
Wausau	Wausau Daily Herald	22,741	29,849	1903	1980(47)
Wisconsin Rapids	Daily Tribune	13,438		1914	2000(90)

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**NEWSPAPERS AND NEWSPAPER DIVISION (continued)**

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**ARMY TIMES PUBLISHING CO.****Headquarters:** Springfield, Va.**Advertising offices:** New York; Chicago; Los Angeles; Detroit**Publications:** Army Times, Navy Times, Marine Corps Times, Air Force Times, Federal Times, Defense News, Armed Forces Journal, ISRJournal, Training and Simulation Journal

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**NURSING SPECTRUM****Offices:** Falls Church, Va. (serving Washington, D.C./Baltimore); Hoffman Estates, 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)

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**NON-DAILY PUBLICATIONS**

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

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

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**GANNETT MEDIA TECHNOLOGIES INTERNATIONAL, Cincinnati, Ohio**

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

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**GANNETT OFFSET MARKETING SERVICES GROUP****Gannett Direct Marketing Services, Inc.,** Louisville, Ky.**Gannett TeleMarketing, Inc.****Headquarters:** Springfield, Va.**Operations:** Cincinnati, Ohio; Columbia, Mo.; Louisville, Ky.; Nashville, Tenn.; Towson, Md.**Telematch,** Springfield, Va.

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**GANNETT RETAIL ADVERTISING GROUP, Chicago, Ill.**

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**GANNETT SATELLITE INFORMATION NETWORK, McLean, Va.**

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**GANNETT NEWS SERVICE****Headquarters:** McLean, Va.**Bureau:** Washington, D.C.**State bureaus:** Albany, N.Y.; Baton Rouge, La.; Columbus, Ohio; Indianapolis, Ind.; Newark, N.J.; Sacramento, Calif.; Springfield, Ill.; Tallahassee, Fla.

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**USA TODAY****Headquarters:** McLean, 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.; Lansing, Mich.; Las Vegas, Nev.; Lawrence, Kan.; Mansfield, Ohio; Marin County, Calif.; Miramar, Fla.; Nashville, Tenn.; Newark, Ohio; Norwood, Mass.; Olympia, Wash.; Pasadena, Texas; Port Huron, Mich.; Raleigh, N.C.; Richmond, Ind.; Rockaway, N.J.; St. Cloud, Minn.; St. Louis; Salisbury, N.C.; Salt Lake City; San Bernardino, Calif.; Springfield, Va.; Warrendale, Pa.; White Plains, N.Y.; Wilmington, Del.**International print sites:** Charleroi, Belgium; Frankfurt, Germany; Hong Kong; London, England; Milan, Italy**National offices:** Atlanta; Boston; Buffalo; Charlotte; Chicago; Cincinnati; Cleveland; Columbus; Dallas; Denver; Detroit; Houston; Indianapolis; Kansas City; Las Vegas; Los Angeles; Miami; Milwaukee; Minneapolis; Nashville; New Orleans; New York; North New Jersey; Orlando; Philadelphia; Phoenix; Pittsburgh; San Francisco; Seattle; St. Louis; Washington, D.C.**International offices:** Hong Kong; London, England; Paris, France; Singapore**Advertising offices:** McLean, Va.; Atlanta; Chicago; Dallas; Detroit; London, England; Los Angeles; New York; San Francisco

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

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**USATODAY.COM, McLean, Va.**

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## NEWSQUEST PLC

### Daily newspapers

City	Newspaper	Morning	Circulation Afternoon	Saturday	Founded	Joined Gannett
Basildon	Evening Echo		38,834		1969	1999
Blackburn	Lancashire Evening Telegraph		38,826	33,500	1886	1999
Bolton	Bolton Evening News		36,885	28,813	1867	1999
Bournemouth	Daily Echo		37,939*		1900	2000
Bradford	Telegraph & Argus		49,159	47,067	1868	1999
Brighton	The Argus		46,048	43,530	1880	1999
Colchester	Evening Gazette		27,010		1970	1999
Darlington	The Northern Echo	60,830*			1870	1999
Newport	South Wales Argus		30,715	26,559	1892	2000
Oxford	Oxford Mail		29,570	27,598	1928	1999
Swindon	Southern Daily Echo		46,725*		1888	2000
Swindon	Evening Advertiser		24,490	20,691	1854	1999
Weymouth	Dorset Echo		20,893*		1921	2000
Worcester	Worcester Evening News		21,824	18,625	1937	1999
York	Evening Press		41,875*		1882	1999

\* Monday-Saturday inclusive

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

### BROADCASTING

#### Television stations

State	City	Station	Channel/Network	Weekly Audience(a)	Founded	Joined Gannett
Arizona	Flagstaff	KNAZ-TV	Channel 2/NBC	(b)	1970	1997
	Kingman	KMOH-TV	Channel 6/NBC	(b)	1988	1997
	Phoenix	KPNX-TV	Channel 12/NBC	1,262,000	1953	1979
Arkansas	Little Rock	KTHV-TV	Channel 11/CBS	412,000	1955	1994
California	Sacramento	KXTV-TV	Channel 10/ABC	1,052,000	1955	1999
Colorado	Denver	KUSA-TV	Channel 9/NBC	1,266,000	1952	1979
District of Columbia	Washington	WUSA-TV	Channel 9/CBS	1,929,000	1949	1986
Florida	Jacksonville	WJXX-TV	Channel 25/ABC	392,000	1989	2000
		WTLV-TV	Channel 12/NBC	480,000	1957	1988
	Tampa-St. Petersburg	WTSP-TV	Channel 10/CBS	1,290,000	1965	1996
Georgia	Atlanta	WXIA-TV	Channel 11/NBC	1,684,000	1948	1979
	Macon	WMAZ-TV	Channel 13/CBS	216,000	1953	1995
Maine	Bangor	WLBZ-TV	Channel 2/NBC	125,000	1954	1998
	Portland	WCSH-TV	Channel 6/NBC	363,000	1953	1998
Michigan	Grand Rapids	WZZM-TV	Channel 13/ABC	401,000	1962	1997
Minnesota	Minneapolis-St. Paul	KARE-TV	Channel 11/NBC	1,406,000	1953	1983
Missouri	St. Louis	KSDK-TV	Channel 5/NBC	1,080,000	1947	1995
New York	Buffalo	WGRZ-TV	Channel 2/NBC	534,000	1954	1997
North Carolina	Greensboro	WFMY-TV	Channel 2/CBS	583,000	1949	1988
Ohio	Cleveland	WKYC-TV	Channel 3/NBC	1,343,000	1948	1995
South Carolina	Columbia	WLTX-TV	Channel 19/CBS	274,000	1953	1998
Tennessee	Knoxville	WBIR-TV	Channel 10/NBC	461,000	1956	1995

(a) Weekly audience is number of TV households reached, according to the November 2002 Nielsen book.

(b) Audience numbers fall below minimum reporting standards.

## GANNETT ON THE NET

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

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

### Gannett Corporate

Gannett Co., Inc.	<a href="http://www.gannett.com">www.gannett.com</a>
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### Newspapers and Newspaper Division

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

The Tennessean, Nashville	www.tennessean.com
The Advocate, Newark, Ohio	www.newarkadvocate.com
Newspaper Network of Central Ohio	www.centralohio.com
Norwich (Conn.) Bulletin	www.norwichbulletin.com
The Olympian, Olympia, Wash	www.theolympian.com
Daily World, Opelousas, La	www.dailyworld.com
Oshkosh (Wis.) Northwestern	www.wisinfo.com/northwestern
The Desert Sun, Palm Springs, Calif	www.thedesertsun.com
Pensacola (Fla.) News Journal	www.PensacolaNewsJournal.com
The Arizona Republic, Phoenix	www.azcentral.com
News Herald, Port Clinton, Ohio	www.portclintonnews herald.com
Times Herald, Port Huron, Mich	www.thetimesherald.com
Poughkeepsie (N.Y.) Journal	www.poughkeepsiejournal.com
Reno (Nev.) Gazette-Journal	www.rgj.com
Palladium-Item, Richmond, Ind	www.pal-item.com
Rochester (N.Y.) Democrat and Chronicle	www.DemocratandChronicle.com
Rockford (Ill.) Register Star	www.rstar.com
Statesman Journal, Salem, Ore	www.statesmanjournal.com
The Californian, Salinas	www.californianonline.com
The Daily Times, Salisbury, Md	www.delmarvanow.com
The Sheboygan (Wis.) Press	www.wisinfo.com/sheboyganpress
Argus Leader, Sioux Falls, S.D	www.argusleader.com
St. Cloud (Minn.) Times	www.sctimes.com
The Spectrum, St. George, Utah	www.thespectrum.com
The Times, Shreveport, La	www.shreveporttimes.com
Springfield (Mo.) News-Leader	www.springfieldnewsleader.com
The Daily News Leader, Staunton, Va	www.newsleader.com
Stevens Point (Wis.) Journal	www.wisinfo.com/journal
Tucson (Ariz.) Citizen	www.tucsoncitizen.com
Tulare (Calif.) Advance-Register	www.tulareadvanceregister.com
Observer-Dispatch, Utica, N.Y	www.uticaod.com
The Daily Journal, Vineland, N.J	www.thedailyjournal.com
Visalia (Calif.) Times-Delta	www.visaliatimesdelta.com
Wausau (Wis.) Daily Herald	www.wausaudailyherald.com
The Journal News, Westchester County, N.Y	www.nyjournalnews.com
The News Journal, Wilmington, Del	www.delawareonline.com
The Daily Tribune, Wisconsin Rapids, Wis	www.wisinfo.com/dailytribune
Times Recorder, Zanesville, Ohio	www.zanesvilletimesrecorder.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
Military City	www.militarycity.com
Nursing Spectrum	www.nursingspectrum.com
Gannett Offset	www.gannettoffset.com
Gannett Direct Marketing Services	www.gdms.com
Gannett Media Technologies International	www.gmti.com

## Newsquest PLC

Newsquest Media Group	www.newsquest.co.uk
Evening Echo, Basildon	www.thisisessex.co.uk
Lancashire Evening Telegraph, Blackburn	www.thisislancashire.co.uk
Bolton Evening News, Bolton	www.thisisbolton.co.uk
Daily Echo, Bournemouth	www.thisisdorset.net
Telegraph & Argus, Bradford	www.thisisbradford.co.uk
The Argus, Brighton	www.thisisbrightonandhove.co.uk
Evening Gazette, Colchester	www.thisisessex.co.uk
The Northern Echo, Darlington	www.thisisthenortheast.co.uk
South Wales Argus, Newport	www.thisisgwent.co.uk
Oxford Mail, Oxford	www.thisisoxfordshire.co.uk
Southern Daily Echo, Southampton	www.thisishampshire.net
Evening Advertiser, Swindon	www.thisiswiltshire.co.uk
Dorset Echo, Weymouth	www.thisisdorset.net
Worcester Evening News, Worcester	www.thisisworcestershire.co.uk
Evening Press, York	www.thisisyork.co.uk

## Broadcasting

WXIA-TV, Atlanta	www.11alive.com
WLBZ-TV, Bangor, Maine	www.wlbz.com
WGRZ-TV, Buffalo, N.Y	www.wgrz.com
WKYC-TV, Cleveland, Ohio	www.wkyc.com
WLTX-TV, Columbia, S.C	www.wltx.com

KUSA-TV, Denver	<a href="http://www.9news.com">www.9news.com</a>
WZZM-TV, Grand Rapids-Kalamazoo-Battle Creek, Mich	<a href="http://www.wzzm13.com">www.wzzm13.com</a>
WFMY-TV, Greensboro, N.C	<a href="http://www.wfmynews2.com">www.wfmynews2.com</a>
WTLV-TV/WJXX-TV, Jacksonville, Fla	<a href="http://www.firstcoastnews.com">www.firstcoastnews.com</a>
WBIR-TV, Knoxville, Tenn	<a href="http://www.wbir.com">www.wbir.com</a>
KTHV-TV, Little Rock, Ark	<a href="http://www.kthv.com">www.kthv.com</a>
WMAZ-TV, Macon, Ga	<a href="http://www.13wmaz.com">www.13wmaz.com</a>
KARE-TV, Minneapolis-St. Paul	<a href="http://www.kare11.com">www.kare11.com</a>
KPNX-TV, Phoenix, Ariz	<a href="http://www.12news.com">www.12news.com</a>
WCSH-TV, Portland, Maine	<a href="http://www.wcsh6.com">www.wcsh6.com</a>
KXTV-TV, Sacramento, Calif	<a href="http://www.kxtv.com">www.kxtv.com</a>
KSDK-TV, St. Louis, Mo	<a href="http://www.ksdk.com">www.ksdk.com</a>
WTSP-TV, Tampa-St. Petersburg, Fla	<a href="http://www.wtsp.com">www.wtsp.com</a>
WUSA-TV, Washington, D.C	<a href="http://www.wusatv9.com">www.wusatv9.com</a>

## **ITEM 2. PROPERTIES**

### **Newspaper Publishing/United States**

Generally, the company owns the plants that house all aspects of the newspaper publication process. In the case of USA TODAY, at Dec. 29, 2002, 15 non-Gannett printers were used to print the newspaper in U.S. markets where there are no company newspapers with appropriate facilities. Five non-Gannett printers in foreign countries are used to print USA TODAY International. USA WEEKEND and Nursing Spectrum are also printed under contracts with commercial printing companies. Many of the company's newspapers have outside news bureaus and sales offices, which generally are leased. In a few markets, two or more of the company's newspapers share combined facilities; and in certain locations, facilities are shared with other newspaper properties. The company's newspaper properties have rail siding facilities or access to main roads for newsprint delivery purposes and are conveniently located for distribution purposes.

During the past five years, new or substantial additions or remodeling of existing facilities have been completed or are at some stage of construction at 23 of the company's newspaper operations. Gannett continues to make significant investments in renovations of new facilities, where the investment improves the products for its readers and advertisers as well as productivity and operating efficiency. The company's facilities are adequate for present operations.

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

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

### **Broadcasting**

The company's broadcasting facilities are adequately equipped with the necessary television broadcasting equipment. The company owns transmitter sites in 19 locations and leases sites in eight others.

During the past five years, new broadcasting facilities or substantial improvements to existing facilities were completed in Phoenix, Jacksonville, Knoxville, Columbia and Cleveland. Technical facility expansion to accommodate DTV was completed at 21 sites between 1998 and 2002. The last station facility is scheduled to be converted to DTV in 2003. The company's broadcast facilities are adequate for present purposes.

### **Corporate facilities**

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

## **ITEM 3. LEGAL PROCEEDINGS**

Information regarding legal proceedings may be found on page 45 in Note 10 of the Notes to Consolidated Financial Statements.

### **Environmental**

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

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

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

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

Not applicable.

## PART II

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

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

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

#### Gannett Common stock prices

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

Year	Quarter	Low	High
1992	First	\$21.13	\$23.94
	Second	\$20.75	\$24.57
	Third	\$21.94	\$24.13
	Fourth	\$23.00	\$26.82
1993	First	\$25.32	\$27.69
	Second	\$23.75	\$27.38
	Third	\$23.88	\$25.69
	Fourth	\$23.75	\$29.07
1994	First	\$26.69	\$29.19
	Second	\$25.32	\$27.44
	Third	\$24.19	\$25.82
	Fourth	\$23.38	\$26.69
1995	First	\$25.07	\$27.50
	Second	\$26.00	\$27.88
	Third	\$26.50	\$27.75
	Fourth	\$26.44	\$32.19
1996	First	\$29.63	\$35.38
	Second	\$32.25	\$35.82
	Third	\$32.00	\$35.07
	Fourth	\$34.75	\$39.25
1997	First	\$35.81	\$44.75
	Second	\$40.50	\$50.66
	Third	\$48.00	\$53.00
	Fourth	\$51.13	\$61.81
1998	First	\$57.25	\$69.94
	Second	\$65.13	\$74.69
	Third	\$55.81	\$73.56
	Fourth	\$48.94	\$68.06
1999	First	\$61.81	\$70.25
	Second	\$61.81	\$75.44
	Third	\$66.81	\$76.94
	Fourth	\$68.81	\$79.31
2000	First	\$61.75	\$83.25
	Second	\$59.25	\$72.13
	Third	\$49.25	\$60.06
	Fourth	\$48.69	\$63.06
2001	First	\$56.50	\$67.74
	Second	\$59.58	\$69.38
	Third	\$55.55	\$69.11
	Fourth	\$58.55	\$71.10
2002	First	\$65.03	\$77.85
	Second	\$71.50	\$79.87
	Third	\$63.39	\$77.70
	Fourth	\$66.62	\$79.20
2003	First	\$68.22	\$75.10*





## ITEM 6. SELECTED FINANCIAL DATA

Selected financial data for the years 1998 through 2002 is contained under the heading "Selected Financial Data" on pages 47-49 and is derived from financial statements for those years which were audited by PricewaterhouseCoopers LLP, independent accountants. The information contained in the "Selected Financial Data" is not necessarily indicative of the results of operations to be expected for future years, and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 and the consolidated financial statements and related notes thereto included in Item 8 of this Form 10-K.

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

### Basis of reporting

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

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

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

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

The company's fiscal year ends on the last Sunday of the calendar year. The company's 2002 fiscal year ended on December 29, 2002. The company's 2002 and 2001 fiscal years encompassed a 52-week period. The company's 2000 fiscal year encompassed a 53-week period.

### Business acquisitions, exchanges, dispositions and investments

#### 2002

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

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

In December 2002, the company entered into an agreement to acquire the publishing business of Scottish Media Group plc (SMG) for approximately 216 million British pounds (U.S. \$346 million). The SMG publishing business consists of three Scottish regional newspapers; eleven specialty consumer and business-to-business magazine titles; and an online advertising and content business. The acquisition is subject to the approval of the Secretary of State for Trade and Industry in the U.K. Closing is expected in the second quarter of 2003.

#### 2001

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

## 2000

In June 2000, Gannett acquired the entire share capital of News Communications & Media plc (“Newscom”) for approximately 444 million British pounds (U.S. \$702 million). Gannett also financed the repayment of Newscom’s existing debt.

On July 21, 2000, the company acquired 19 daily newspapers as well as numerous weekly and niche publications from Thomson Newspapers Inc. for an aggregate purchase price of \$1.036 billion.

The company completed its acquisition of Central Newspapers, Inc. (“Central”), on Aug. 1, 2000, for an approximate cash purchase price of \$2.6 billion. The company also retired Central’s existing debt of approximately \$206 million.

In March 2000, the company completed the acquisition of WJXX-TV, the ABC affiliate in Jacksonville, Fla. Gannett continues to own and operate WTLV-TV, the NBC affiliate in Jacksonville.

The aggregate purchase price, including liabilities assumed, for businesses and assets acquired in 2000, including Newscom, Thomson, Central, WJXX-TV and certain smaller newspaper publishing operations, totaled approximately \$4.8 billion. The acquisitions were recorded under the purchase method of accounting.

The sale of the assets of the company’s cable division for \$2.7 billion was completed on Jan. 31, 2000. Upon closing, an after-tax gain of approximately \$745 million or \$2.77 per diluted share was recognized which, along with the cable segment operating results, is reported as discontinued operations in the company’s financial statements.

In the fourth quarter of 2000, the company contributed the assets of its newspapers, the Marin Independent Journal and the Classified Gazette, to the California Newspapers Partnership (a partnership that currently includes 22 daily California newspapers) in exchange for an increased ownership interest in the partnership.

## RESULTS OF CONTINUING OPERATIONS

### Consolidated summary

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

*In millions of dollars, except per share amounts*

	2002	Change	2001	Change	2000	Change
Operating revenues	\$6,422	2%	\$6,300	2%	\$6,184	22%
Operating expenses	\$4,496	(5%)	\$4,710	8%	\$4,367	25%
Operating income	\$1,926	21%	\$1,590	(12%)	\$1,817	16%
Income from continuing operations, as reported	\$1,160	40%	\$ 831	(15%)	\$ 972	6%
Earnings per share from continuing operations, as reported						
Basic	\$ 4.35	39%	\$ 3.14	(14%)	\$ 3.65	11%
Diluted	\$ 4.31	38%	\$ 3.12	(14%)	\$ 3.63	11%

A discussion of operating results of the company’s newspaper and broadcasting segments, along with other factors affecting net income, 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 audited 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 and discontinued operations.

At the beginning of 2002, the company adopted Statement of Financial Accounting Standard No. 142 (SFAS No. 142 or the “Statement”) “Goodwill and Other Intangible Assets,” which has a material impact on comparisons of 2002 reported results of operations with 2001 and 2000. If the Statement had been adopted at the beginning of 2000, defined as “comparable basis,” income from continuing operations and earnings per share amounts would have been as follows:

*In millions of dollars, except per share amounts*

	2002	2001	2000
Income from continuing operations, as reported	\$1,160	\$ 831	\$ 972
Add back: goodwill amortization, net of tax		216	160
Adjusted income from continuing operations	\$1,160	\$1,047	\$1,132
Earnings per share from continuing operations, as reported			
Basic	\$ 4.35	\$ 3.14	\$ 3.65
Add back: goodwill amortization, net of tax		.81	.60
Adjusted earnings per basic share from continuing operations	\$ 4.35	\$ 3.95	\$ 4.25

Earnings per share from continuing operations, as reported			
Diluted	\$ 4.31	\$ 3.12	\$ 3.63
Add back: goodwill amortization, net of tax		.80	.59
Adjusted earnings per diluted share from continuing operations	\$ 4.31	\$ 3.92	\$ 4.22

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

## Newspapers

In addition to its domestic local newspapers, the company's newspaper publishing operations include USA TODAY, USA WEEKEND, Newsquest, which publishes daily and non-daily newspapers in the United Kingdom, and Gannett Offset commercial printing. The newspaper segment in 2002 contributed 88% of the company's revenues and 84% of its operating income.

The reported financial results of the newspaper segment for 2002 were materially impacted by three principal factors. Results were favorably affected by the adoption of SFAS No. 142. In addition, newsprint expense decreased 19%, due to significantly lower prices, which on average were down 20%. Advertising revenue, however, particularly classified employment advertising, continued to be soft at most domestic newspapers in 2002, particularly in the first half of the year.

Newspaper operating results were as follows:

*In millions of dollars*

	2002	Change	2001	Change	2000	Change
Revenues	\$5,651	—	\$5,637	4%	\$5,395	24%
Expenses	\$4,035	(5%)	\$4,236	9%	\$3,873	27%
Operating income	\$1,616	15%	\$1,401	(8%)	\$1,522	18%
Operating cash flow	\$1,797	2%	\$1,770	(3%)	\$1,825	22%

**Newspaper operating revenues:** Newspaper operating revenues are derived principally from advertising and circulation sales, which accounted for 73% and 21%, respectively, of total newspaper revenues in 2002. Ad revenues also include those derived from advertising placed with newspaper Internet products. Other newspaper publishing revenues are mainly from commercial printing businesses and also include earnings from the company's 50% owned joint operating agencies in Detroit and Tucson. The table below presents these components of reported revenues for the last three years.

*Newspaper operating revenues, in millions of dollars*

	2002	Change	2001	Change	2000	Change
Advertising	\$4,123	—	\$4,120	4%	\$3,973	28%
Circulation	\$1,182	(1%)	\$1,188	10%	\$1,083	15%
Commercial printing and other	\$ 346	5%	\$ 329	(3%)	\$ 339	21%
<b>Total</b>	\$5,651	—	\$5,637	4%	\$5,395	24%

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

*Advertising revenues, in millions of dollars*

	2002	Change	2001	Change	2000	Change
Local	\$1,761	1%	\$1,750	9%	\$1,600	19%
National	\$ 678	(1%)	\$ 687	(9%)	\$ 758	27%
Classified	\$1,684	—	\$1,683	4%	\$1,615	38%
Total ad revenue	\$4,123	—	\$4,120	4%	\$3,973	28%

Reported advertising revenues in total for 2002 were even with year earlier amounts, reflecting a continued soft advertising environment. A higher foreign exchange rate for Newsquest operations favorably impacted revenue comparisons. The advertising environment was more positive in the last half of 2002 however, and all categories of advertising revenue during that period increased over 2001.

In the tables that follow, newspaper advertising lineage, circulation volume statistics and related revenue results are presented on a pro forma basis. Pro forma basis means that these results are presented as if all properties owned at the end of 2002 were owned throughout the periods presented.

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

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

	2002	Change	2001	Change	2000	Change
--	------	--------	------	--------	------	--------

Local	\$1,762	1%	\$1,748	(4%)	\$1,822	(1%)
National	\$ 677	(1%)	\$ 686	(15%)	\$ 804	18%
Classified	\$1,685	—	\$1,681	(8%)	\$1,835	7%
Total ad revenue	\$4,124	—	\$4,115	(8%)	\$4,461	5%

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

	<b>2002</b>	<b>Change</b>	<b>2001</b>	<b>Change</b>	<b>2000</b>	<b>Change</b>
Local	37.9	(1%)	38.1	(7%)	41.0	(1%)
National	3.8	6%	3.6	(14%)	4.2	8%
Classified	55.8	5%	52.9	(4%)	55.1	6%
Total Run-of-Press	97.5	3%	94.6	(6%)	100.3	3%
Preprint distribution (millions)	10,402	6%	9,804	(3%)	10,107	9%

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

Reported and pro forma national ad revenues were down 1% with pro forma lineage up 6%. National revenues at USA TODAY were down 6%, adversely affected by diminished demand for financial- and technology-related advertising and lower travel-related advertising. Travel-related advertising was stronger, however, during the last half of 2002.

Reported and pro forma classified revenues in 2002 increased slightly and pro forma lineage increased by 5%. This reflects higher automotive and real estate advertising partially offset by lower revenues from classified employment advertising. Employment advertising comparisons however improved in the last half of 2002.

Advertising and other revenue from Internet activities for the newspaper segment totaled approximately \$86 million in 2002, \$69 million in 2001 and \$62 million in 2000. The company has Web sites at most of its newspapers and other operating properties within the newspaper segment.

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

<b>98</b>	\$2773
<b>99</b>	\$3115
<b>00</b>	\$3973
<b>01</b>	\$4120
<b>02</b>	\$4123

Looking to 2003, modest ad revenue and volume growth are anticipated in most categories and in most newspaper markets. New products are being developed throughout the newspaper group and added resources are planned for sales and marketing initiatives. Some markets will also increase prices for certain ad products. Revenue results for 2003 will of course be affected by the general economic performance in the U.S. and the U.K., consumer confidence and the geopolitical environment.

Reported 2002 newspaper circulation revenues decreased \$6 million or less than 1% in 2002. On a pro forma basis, circulation revenues also declined less than 1%.

For local newspapers, morning circulation accounts for approximately 80% of total daily volume, while evening circulation accounts for 20%. On a pro forma basis, local morning and Sunday circulation volumes declined about 1% and evening circulation declined 2% from 2001. Selected circulation price increases were implemented in 2002 at certain newspapers.

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

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

<b>98</b>	\$ 937
<b>99</b>	\$ 942
<b>00</b>	\$1083
<b>01</b>	\$1188
<b>02</b>	\$1182

The company expects modest circulation revenue growth at its newspaper properties in 2003 with circulation price increases planned at a number of newspapers.

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

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

	<b>2002</b>	<b>Change</b>	<b>2001</b>	<b>Change</b>	<b>2000</b>	<b>Change</b>
Local Newspapers						
Morning	4,731	—	4,751	—	4,773	(1%)
Evening	1,205	(2%)	1,232	(2%)	1,263	(1%)
Total daily	5,936	(1%)	5,983	(1%)	6,036	(1%)
Sunday	6,976	(1%)	7,030	(2%)	7,146	(1%)

Reported newspaper advertising revenues for 2001 were \$147 million greater than in 2000, a 4% increase, while pro forma revenues presented above reflect an 8% decline. Reported newspaper ad revenues in 2001 are higher principally because of the major acquisitions in mid-2000. Pro forma revenues declined in all categories, reflecting a soft and very uncertain general U.S. economy which was worsened by the attacks of Sept. 11. In addition, both reported and pro forma newspaper revenue comparisons were negatively impacted by the additional 53rd week in 2000 and an overall decline in the exchange rate for sterling.

Pro forma local ad revenues were down 4% in 2001 with lineage down 7% for the full year. Ad spending by some of the largest retailers continued to decline in 2001, reflecting closings and consolidations. These revenue declines were partially offset by revenue increases from some small- and medium-sized advertisers through expanded sales and marketing efforts.

Pro forma national ad revenues and lineage were down 15% and 14%, respectively in 2001. Most of the national revenue loss was at USA TODAY, which reported a 22% decrease in revenues and a 24% decrease in lineage. Advertising revenues at USA TODAY were adversely affected by the absence of year-earlier Olympics-related ad spending, lower demand by dot-com advertisers and significantly lower demand for travel-related advertising following the terrorist attacks.

Pro forma classified revenues in 2001 decreased 8% on a 4% decrease in lineage. Employment ad revenues fell 21% for the year as job market conditions in the U.S. continued to worsen. The company's U.K. properties experienced stronger classified results than in the U.S., particularly in help-wanted. Advertising and

other revenue from Internet activities for the newspaper segment totaled approximately \$69 million in 2001.

Newspaper circulation revenues rose \$105 million or 10% in 2001, due to incremental circulation revenues from the 2000 acquisitions. On a pro forma basis, circulation revenues decreased 2% in 2001. For local newspapers, morning circulation accounted for approximately 79% of total daily volume, while evening circulation accounted for 21%. On a pro forma basis, local morning circulation was flat with 2000 while evening and Sunday circulation volumes declined 2%. Selected circulation price increases were implemented in 2001 at certain newspapers.

USA TODAY's average daily circulation for 2001 declined 1% to 2,255,348. USA TODAY reported an average daily paid circulation of 2,243,843 in the ABC Publisher's Statement for the six months ended Sept. 30, 2001, a 1% decrease over the comparable period the previous year.

Reported newspaper advertising revenues for 2000 were \$858 million greater than in 1999, a 28% increase, while pro forma revenues presented above reflect a 5% increase. The variance in these two comparisons relates principally to the full year effect of the Newsquest acquisition in 1999 and the Newscom, Thomson and Central acquisitions in 2000. Reported and pro forma newspaper revenue comparisons were positively impacted by the additional 53rd week in 2000.

Pro forma local ad revenues in 2000 were down 1% with lineage down 1%. Ad spending by some of the largest retailers declined in 2000, reflecting closings and consolidations. These revenue declines were partially offset by revenue increases from small- and medium-sized advertisers.

Pro forma national ad revenues for 2000 rose 18% with lineage up 8%, driven principally by USA TODAY, which reported a 12% gain in revenues on an 8% lineage gain. National ad revenue growth was also strong in Phoenix and at several other larger daily newspaper properties.

Pro forma classified revenues in 2000 rose 7% on a 6% lineage gain. Employment ad revenue gains were the strongest, followed by real estate and automotive. The continued strong economy throughout most of the year and tight labor market in the U.S. and the U.K. were key factors in these revenue gains.

Newspaper circulation revenues rose \$141 million or 15% in 2000, due to incremental circulation revenues from the 1999 and 2000 acquisitions. On a pro forma basis, circulation revenues increased 2% in 2000. For local newspapers, morning circulation accounted for approximately 79% of total daily volume, while evening circulation accounted for 21%. On a pro forma basis, local morning, evening and Sunday circulation volumes declined 1%. Selected circulation price increases were implemented in 2000 at certain newspapers.

USA TODAY's average daily circulation for 2000 rose 0.4% to 2,284,024. USA TODAY reported an average daily paid circulation of 2,257,774 in the ABC Publisher's Statement for the six months ended Sept. 24, 2000, a 1% increase over the comparable period the previous year.

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

The following table details the impact of SFAS No. 142 on newspaper operating cost comparisons of 2002, 2001 and 2000.

*Newspaper operating costs, in millions of dollars*

	2002	Change	2001	Change	2000	Change
As reported	\$4,035	(5%)	\$4,236	9%	\$3,873	27%
<i>Impact of SFAS No. 142:</i>						
Less: goodwill amortization, pre-tax			(191)	39%	(137)	90%
Adjusted	\$4,035	—	\$4,045	8%	\$3,736	26%

For 2003, newsprint consumption for presently owned properties is expected to increase modestly, and average prices are expected to be slightly higher.

Newspaper operating costs rose \$363 million, or 9%, in 2001. The increase was primarily due to incremental costs from the 2000 acquisitions and higher newsprint prices, which were 10% higher on average over 2000. Cost control efforts at all newspaper properties continued and employee reductions were achieved at most properties. As a result, on a pro forma basis, overall operating costs decreased 4 percent. Newsprint expense decreased 2% in 2001, due to lower consumption partially offset by higher average newsprint prices. The consumption added from acquisitions was tempered by a large number of newspapers converting to the 50-inch web width during 2001 and 2000 and an overall decline in advertising demand. Payroll costs for newspaper operations rose 8% in 2001, primarily due to newly acquired properties.

Newspaper operating costs rose \$827 million, or 27%, in 2000. The increase was primarily due to incremental costs from the 1999 and 2000 acquisitions. Newsprint expense for the year, including the effect of acquisitions, was 20% higher in 2000. Both consumption and average newsprint prices were higher by 17% and 3%, respectively. The increase in consumption was tempered by a large number of newspapers converting to the 50-inch web width. Payroll costs for newspaper operations rose 26% in 2000, primarily due to newly acquired properties and the impact of the 53rd week in 2000.

**Newspaper operating income:** Operating profit increased \$215 million or 15% over 2001. On a comparable accounting basis reflecting the adoption of SFAS No. 142, operating income increased \$24 million or 2%. The following table details the impact of SFAS No. 142 on newspaper operating income comparisons for 2002, 2001 and 2000.

*Newspaper operating income, in millions of dollars*

	2002	Change	2001	Change	2000	Change
As reported	\$1,616	15%	\$1,401	(8%)	\$1,522	18%
<i>Impact of SFAS No. 142:</i>						
Add back: goodwill amortization, pre-tax			191	39%	137	90%





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

For 2003, newspaper operating profits are expected to show modest growth, reflecting revenue gains, but partially offset by higher newsprint, payroll and benefit costs.

Operating profit decreased \$121 million or 8% in 2001, due to declining advertising revenues and higher newsprint prices for U.S. newspapers. Most of the company's domestic newspapers reported lower results in 2001.

Newsquest operating income improved but financial results were translated from British pounds to U.S. dollars using a weighted average rate of \$1.44 for 2001, as compared to \$1.50 in 2000, which mitigated some of the earnings growth in the U.K.

In 2000, operating profit rose \$230 million or 18%. The increase was due largely to contributions from the Newsquest, Newscom, Thomson and Central acquisitions. However, many other U.S. local newspapers reported earnings gains as well.

## Broadcasting

The company's broadcasting operations at the end of 2002 included 22 television stations in markets reaching 17.7 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*

	2002	Change	2001	Change	2000	Change
Revenues	\$771	16%	\$663	(16%)	\$789	8%
Expenses	\$400	(3%)	\$413	(4%)	\$429	10%
Operating income	\$371	48%	\$250	(31%)	\$360	7%
Operating cash flow	\$397	25%	\$317	(25%)	\$425	6%

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

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

The following table details the impact of SFAS No. 142 on broadcast operating cost comparisons of 2002, 2001 and 2000.

*Broadcast operating costs, in millions of dollars*

	2002	Change	2001	Change	2000	Change
As reported	\$400	(3%)	\$413	(4%)	\$429	10%
<i>Impact of SFAS No. 142:</i>						
Less: goodwill amortization, pre-tax			(42)	2%	(41)	8%
Adjusted	\$400	8%	\$371	(4%)	\$388	10%

For 2003, television revenue and earnings comparisons with 2002 levels will be challenging, as 2002 benefited significantly from political and issue advertising and the Winter Olympics. Broadcast results will of course be affected by the general economic performance in the U.S., consumer confidence and the geopolitical environment.

Total broadcast revenues declined \$126 million or 16% for 2001. The revenue decline reflected a generally soft broadcasting advertising environment and the absence of Olympic and political ad spending and the additional week in 2000. The third quarter of 2001 was also affected by several days of commercial-free coverage in the wake of the Sept. 11 attacks. The negative effects of Sept. 11 on advertising demand continued throughout the fourth quarter of 2001. Local and national advertising revenues decreased 10% and 25%, respectively, from 2000.

Reported operating expenses for 2001 were down by 4% due to cost controls. Headcount reductions were made at most properties. Payroll expense decreased 3% in 2001.

Total broadcast revenues rose \$60 million or 8% for 2000. Revenues were bolstered by political and issue advertising, revenues from the Summer Olympics in Australia on our NBC stations and the impact of the 53rd week. Local and national advertising revenues increased 2% and 19%, respectively, over 1999. Political and issue advertising in key states contributed to the increase in national revenues.

Reported operating expenses for broadcast were up 10% in 2000 due to the WJXX-TV acquisition and the full year impact of the 1999 Austin/Sacramento station exchange. On a pro forma basis, operating costs were up 7%. Pro forma payroll was up 6%.

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

<b>98</b>	\$721
<b>99</b>	\$729
<b>00</b>	\$789
<b>01</b>	\$663
<b>02</b>	\$771

**Consolidated operating expenses**

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

*Consolidated operating expenses, in millions of dollars*

	<b>2002</b>	<b>Change</b>	<b>2001</b>	<b>Change</b>	<b>2000</b>	<b>Change</b>
Cost of sales	\$3,254	(1%)	\$3,276	9%	\$3,019	24%
Selling, general and admin. expenses	\$1,019	3%	\$ 990	2%	\$ 972	23%
Depreciation	\$ 215	6%	\$ 202	4%	\$ 195	15%
Amortization of intangible assets	\$ 7	(97%)	\$ 241	34%	\$ 180	62%

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

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

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

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

For 2003, the company expects employee benefit costs to rise significantly. Medical costs are expected to increase along with the very high rate of medical cost inflation currently being experienced throughout the U.S. Pension costs are expected to rise as well.

Over the last two years the company's retirement plan assets have declined in market value, paralleling the trend in the principal equity and other investment markets in the U.S. and overseas. To compensate for this decline in pension plan market value, the company made tax-deductible contributions to the Gannett Retirement Plan, its principal domestic qualified plan, of \$330 million and \$300 million, in December 2002 and December 2001, respectively. At the end of 2002, the Gannett Retirement Plan and the company's plans in the U.K. were fully funded on an Accumulated Benefit Obligation measurement basis.

For 2003, pension costs are expected to be approximately \$50 million greater than in 2002. This reflects the use of a lower discount rate to value plan liabilities at the end of 2002, 6.75%, down from 7.25% at the end of 2001. The company will also lower its expected rate of return on plan assets from 9.5% used for its 2002 expense valuation to 8.75% for 2003.

For further information regarding the company's retirement plan, see Note 6 to the Financial Statements, beginning on page 40 of this report.

Cost of sales for 2001 increased \$257 million or 9%, reflecting the full-year effect of the Newscom, Thomson and Central acquisitions, and higher average newsprint prices which were up 10%. These cost increases were tempered by cost controls and the absence of a 53rd week in 2001. SG&A increased \$18 million or 2%, due primarily to the acquisitions completed in 2000.

Depreciation expense increased 4% in 2001 and amortization of intangibles increased 34%, primarily due to businesses acquired in 2000.

Cost of sales for 2000 was up \$588 million or 24%, reflecting the full-year effect of the 1999 Newsquest acquisition, increased costs from the Newscom, Thomson and Central acquisitions and the impact of an extra week in 2000 over 1999. Newsprint expense increased 20% due primarily to a 17% increase in consumption, principally from acquisitions. Average newsprint prices increased 3% compared to 1999.

SG&A was up 23% for 2000 also due primarily to new businesses acquired in 1999 and 2000 and the extra week in 2000.

Depreciation expense increased 15% during 2000 as a result of the Newsquest, Newscom, Thomson and Central acquisitions. Likewise, amortization of intangibles rose \$69 million or 62% due mainly to the 2000 acquisitions.

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

	2002	2001	2000
Payroll and employee benefits	47.6%	43.7%	44.1%
Newsprint and other production material	16.7%	18.5%	18.3%

#### **Non-operating income and expense**

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

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

The company's average borrowing rates are expected to be slightly higher in 2003.

Interest expense in 2001 rose \$3 million to approximately \$222 million. Most of the company's debt was in commercial paper for which the daily average outstanding balance was \$5.2 billion during 2001 and \$3.1 billion during 2000. The weighted average interest rate for commercial paper was 4.1% for 2001 and 6.5% for 2000. The decrease in the average interest rates almost entirely offset the increase in interest expense from the commercial paper borrowings to fund the Newscom acquisition in June 2000, the Thomson and Central acquisitions in the third quarter of 2000 and share repurchases in 2000. The company reduced its commercial paper balance by \$528 million during 2001.

Interest expense in 2000 increased \$125 million due to significant commercial paper borrowings to fund the 1999 and 2000 acquisitions and share repurchases. Higher interest rates in 2000, particularly in the second half of the year, also contributed to the increase. The increase, however, was tempered by the pay down of commercial paper borrowings from the net proceeds on the sale of the cable business in the first quarter of 2000 and from operating cash flows. Interest income in 2000 increased \$21 million over 1999 due primarily to interest earned on marketable securities from cable sale proceeds in the first half of the year.

In all years shown, non-operating income and expense includes costs associated with certain minority interest investments in online/new technology businesses.

## Provision for income taxes

The company's effective income tax rate for continuing operations was 34.3% in 2002, 39.4% in 2001 and 39.6% in 2000. The decrease in 2002's rate is due to the adoption of SFAS No. 142 (see discussion on page 18). Further, the decrease in the effective tax rate each year reflects generally lower state taxes and lower taxes related to foreign operations. The company does not expect its effective rate to change significantly in 2003 from 2002.

## Income from continuing operations

In 2002, the company reported income from continuing operations of \$1.160 billion or \$4.31 per diluted share, up 40% and 38%, respectively. Operating income from newspapers and broadcasting was higher in 2002 both on a reported basis and on a comparable basis for SFAS No. 142. Net non-operating costs were lower, principally due to lower interest expense.

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

In 2000, the company reported income from continuing operations of \$972 million or \$3.63 per diluted share. The company's operating income was \$1.817 billion for the year, an increase of \$254 million or 16%. Each of the company's segments reported higher earnings for the year, with interest expense up \$125 million over 1999.

### Income from continuing operations, in millions.

98	\$ 966*
99	\$ 919*
00	\$ 972
01	\$ 831
02	\$1160

\* Includes net non-recurring gains from sale/exchange of businesses totaling approximately \$184 million and \$33 million, in 1998 and 1999, respectively.

## Discontinued operations

As part of the Multimedia purchase in 1995, the company acquired cable television operations. On Jan. 31, 2000, the company completed the sale of its cable division for \$2.7 billion. Upon closing, an after-tax gain of approximately \$745 million or \$2.77 per diluted share was recognized, which, along with the cable segment operating results, are reported as discontinued operations in the company's financial statements.

After-tax earnings from the cable business for the period it was owned, up to the date of sale, are also reported as income from discontinued operations and amounted to \$2.4 million or \$.01 per diluted share in 2000.

## Net income

The company reported net income of \$1.16 billion or \$4.31 per diluted share in 2002.

Average diluted shares outstanding for 2002 totaled 269,286,000, compared to 266,833,000 in 2001. Basic shares totaled 266,885,000 for 2002 and 264,821,000 for 2001.

## FINANCIAL POSITION

### Liquidity and capital resources

The company's cash flow from operating activities was over \$1 billion in 2002, reflecting strong newspaper and television results and lower interest payments. Operating expenditures included a \$330 million tax deductible contribution to the Gannett Retirement Plan in late 2002, reflected on the balance sheet in investments and other assets. Cash used by the company for investing activities totaled \$386 million, primarily reflecting capital spending of \$275 million, \$98 million to acquire an interest in CareerBuilder, and \$35 million for several acquisitions. Cash used by the company for financing activities totaled \$702 million in 2002, reflecting the pay down of debt of \$539 million and dividends paid of \$248 million, offset by proceeds from the exercise of stock options.

In the discussion that follows, the term "operating cash flow" is used and is defined as operating income plus depreciation and amortization of intangible assets. Such cash flow amounts vary from net cash flow from operating activities determined in accordance with generally accepted accounting principles and 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. Such operating cash flow amounts are discussed herein and presented along with the business segment information because they are used by the company as an important measure of the financial strength of the company's operations.

The company's consolidated operating cash flow totaled \$2.149 billion in 2002 compared to \$2.034 billion in 2001 and \$2.193 billion in 2000. The 6% increase in operating cash flow for 2002 reflects the increase in earnings for newspapers and television. The table below presents operating cash flow as a percent of revenue over the last 5 years.

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

98	35.0
99	36.4
00	35.5
01	32.3

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

*Working capital measurements*

	2002	2001	2000
Current ratio	1.2-to-1	1.0-to-1	1.1-to-1
Accounts receivable turnover	7.9	7.5	7.4
Newsprint inventory turnover	6.2	5.9	6.1

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 revolving credit agreements equal to or in excess of any commercial paper outstanding. The company's commercial paper has been rated A-1 and P-1 by Standard &

Poor's and Moody's Investors Service, respectively. The company's senior unsecured long-term debt is rated A by Standard & Poor's and A2 by Moody's Investors Service. The company has a shelf registration statement with the Securities and Exchange Commission under which up to \$2.5 billion of additional debt securities may be issued. The company's Board of Directors has established a maximum aggregate level of \$7 billion for amounts which may be raised through borrowings or the issuance of equity securities.

### Long-term debt

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

*In thousands of dollars*

	Dec. 29, 2002	Dec. 30, 2001
Unsecured promissory notes	\$2,632,879	\$4,932,813
Unsecured global notes	1,792,887	—
Other indebtedness	121,499	147,212
<b>Total long-term debt</b>	<b>\$4,547,265</b>	<b>\$5,080,025</b>

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

The unsecured promissory notes at Dec. 30, 2001, were due from Jan. 3, 2002, to Feb. 1, 2002, with rates varying from 1.75% to 2.00%.

The maximum amount of such promissory notes outstanding at the end of any period during 2002 and 2001 was \$5.0 billion and \$5.4 billion, respectively. The daily average outstanding balance was \$3.1 billion during 2002 and \$5.2 billion during 2001 and the weighted average interest rate on commercial paper was 1.8% for 2002 and 4.1% for 2001. The weighted average interest rate on all debt was 3.0% for 2002 and 4.1% for 2001.

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

Other indebtedness includes the loan notes issued in the U.K. to the former shareholders of Newsquest and Newscom in connection with their acquisitions. The Newsquest and Newscom notes (\$15.2 million and \$89.5 million, respectively) bear interest at .5% below the Sterling London Interbank Offered Rate (LIBOR), subject to a cap of 6.5% and 6.75%, respectively. The Newsquest and Newscom notes are due on Dec. 31, 2006, and Dec. 31, 2007, respectively, but may be redeemed by the company on each interest payment date. The noteholders are entitled to require the company to repay all or part of the notes on any interest payment date by giving 30 days' written notice. The remaining other indebtedness at Dec. 29, 2002, consists primarily of industrial revenue bonds with maturities in 2008 and 2009 at variable interest rates (1.4% at Dec. 29, 2002).

In March 2002, the company canceled its \$1.53 billion 364-day facility, which was part of an overall \$3.06 billion revolving credit agreement. The facility was scheduled to expire in July 2002. The surviving part of the credit agreement consists of a \$1.53 billion 5-year facility. That facility extends to July 2005.

Concurrent with the cancellation of that 364-day facility, the company entered into a \$2.775 billion revolving credit agreement which consists of a \$1.41 billion 364-day facility which extends to March 2003, and a \$1.365 billion 5-year facility which extends to March 2007. At the end of the 364-day period, any borrowings outstanding under the 364-day credit facility are convertible into a one-year term loan at the company's option. The company recently renewed and downsized the 364-day facility to \$1.2 billion, and it now extends to March 2004, unless the term-out option is invoked. As a result of these two agreements, commercial paper is carried on the balance sheet as long-term debt.

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

At Dec. 29, 2002, the company had \$4.305 billion of credit available under two revolving credit agreements. At Dec. 30, 2001, the company had \$6.06 billion of credit available under two revolving credit agreements.

The commitment fee rates for the 2002 revolving credit agreement may range from .05% to .20%, depending on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt. The rates in effect on Dec. 29, 2002, were .06% for the 364-day facility and .08% for the 5-year facility. At the option of the company, the interest rate on borrowings under this agreement may be .17% to .55% above the prime rate, the Eurodollar base rate or the Federal Funds Effective Rate plus .50%. The percentages that apply depend on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt.

The commitment fee rates for the \$1.53 billion revolving credit agreement may range from .07% to .09%, depending on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt. The rate in effect on Dec. 29, 2002, was .07% for the 5-year facility. At the option of the company, the interest rate on borrowings under this agreement may be at .13% to .24% above the prime rate, the Eurodollar base rate or the Federal Funds Effective Rate plus .50%. The percentages that apply depend on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt.

The current revolving credit agreements contain restrictive provisions that require the maintenance of net worth of at least \$2.5 billion and an interest coverage ratio of 3:1. At Dec. 29, 2002, and Dec. 30, 2001, net worth was \$6.9 billion and \$5.7 billion, respectively. Interest coverage ratio for the year ended Dec. 29, 2002, was 14:1.

Under a shelf registration that became effective with the Securities and Exchange Commission in April 2002, an additional \$2.5 billion of unsecured debt securities can be issued. Proceeds from the sale of such securities may be used for general corporate purposes, including capital expenditures, working capital,



securities repurchase programs, repayment of long-term and short-term debt and financing of future acquisitions. The company may also invest borrowed funds that are not required immediately for other purposes in short-term marketable securities.

Approximate annual maturities of long-term debt, assuming that the company had used its \$4.305 billion of revolving credit agreements to refinance existing unsecured promissory notes on a long-term basis and assuming the company's other indebtedness was paid on its scheduled pay dates, are as follows:

*In thousands of dollars*

<b>2003</b>	\$ —
<b>2004</b>	—
<b>2005</b>	1,867,085
<b>2006</b>	15,245
<b>2007</b>	2,150,279
<b>Later years</b>	514,656
<b>Total</b>	<b>\$4,547,265</b>

The fair value of the company's total long-term debt, determined based on quoted market prices for similar issues of debt with the same remaining maturities and similar terms, totaled \$4.7 billion at Dec. 29, 2002, compared with a book value of \$4.5 billion.

At Dec. 29, 2002, and Dec. 30, 2001, the company estimates that the amount reported on the balance sheet for financial instruments, including cash and cash equivalents, trade and other receivables, and other long-term liabilities, approximates fair value.

The company has a capital expenditure program (not including business acquisitions) of approximately \$280 million planned for 2003, including approximately \$73 million for land and buildings or renovation of existing facilities, \$183 million for machinery and equipment, and \$24 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 2003 capital program will be funded from operating cash flow.

The company has a 13.5% general partnership interest in Ponderay Newsprint Company. The company, on a several basis, is a guarantor of 13.5% of the principal and interest on a term loan that totals \$120 million held by Ponderay.

#### Capital stock

In 2000, the Board approved an authorization for the repurchase of up to an additional \$1 billion in common stock, in addition to \$258 million remaining from a prior authorization. During 2000, the company repurchased approximately 14.7 million shares for \$967 million, leaving \$291 million available for future repurchases at Dec. 29, 2002. The company currently has no plans to repurchase additional shares. Certain of the shares previously acquired by the company have been reissued in settlement of employee stock awards.

An employee 401(k) Savings Plan was established in 1990, which includes a company matching contribution in the form of Gannett stock. To fund the company's matching contribution, an Employee Stock Ownership Plan (ESOP) was formed which acquired 2,500,000 shares of Gannett stock from the company for \$50 million. The stock purchase was financed with a loan from the company.

The company's common stock outstanding at Dec. 29, 2002, totaled 267,909,686 shares, compared with 265,797,212 shares at Dec. 30, 2001.

#### Dividends

Dividends declared on common stock amounted to \$251 million in 2002, compared with \$238 million in 2001, reflecting an increase in the dividend rate and an increase in shares outstanding.

#### Dividends declared per share.

<b>93</b>	\$.65
<b>94</b>	\$.67
<b>95</b>	\$.69
<b>96</b>	\$.71
<b>97</b>	\$.74
<b>98</b>	\$.78
<b>99</b>	\$.82
<b>00</b>	\$.86
<b>01</b>	\$.90
<b>02</b>	\$.94

On Oct. 1, 2002, the quarterly dividend was increased from \$.23 to \$.24 per share.

#### Cash dividends

		Payment date	Per share
<b>2002</b>	4th Quarter	Jan. 2, 2003	\$.24
	3rd Quarter	Oct. 1, 2002	\$.24
	2nd Quarter	July 1, 2002	\$.23
	1st Quarter	April 1, 2002	\$.23

<b>2001</b>	4th Quarter	Jan. 2, 2002	\$.23
	3rd Quarter	Oct. 1, 2001	\$.23
	2nd Quarter	July 2, 2001	\$.22
	1st Quarter	April 2, 2001	\$.22

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

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

The company is exposed to foreign exchange rate risk primarily due to its ownership of Newsquest, which uses the British pound as its functional currency which is then translated into U.S. dollars. The company's foreign currency translation adjustment, related to Newsquest and reported as part of shareholders' equity, totaled \$56 million at Dec. 29, 2002. This reflects an overall strengthening of the British pound against the U.S. dollar since the Newsquest acquisition. Newsquest's assets and liabilities were translated from British pounds to U.S. dollars at the Dec. 29, 2002, exchange rate of \$1.60. Refer to Item 7A on page 27 for additional detail.

**New accounting pronouncements:** In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 applies to all business combinations with a closing date after June 30, 2001. SFAS No. 141 also further clarifies the criteria for recognition of intangible assets separately from goodwill. There was no material effect upon adoption of SFAS No. 141. Refer to Note 3 for the disclosures relating to the adoption of SFAS No. 142.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 changes the criteria that have to be met to classify an asset as held-for-sale, and redefines the reporting of discontinued operations. The company adopted SFAS No. 144 on Dec. 31, 2001. There was no material effect upon adoption of this statement.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 generally requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. This pronouncement is effective for exit or disposal activities initiated after Dec. 31, 2002. The company does not believe adoption of the statement will have a material impact on its financial position or results of operations.

In December 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." The company's disclosure already conformed to requirements of this interpretation.

### **Reclassifications**

At the end of 2002, certain immaterial charges relating to sales promotions have been reclassified from cost of sales and operating expenses to a reduction of circulation revenue; the reclassification had no effect on operating income or net income for any period. Circulation revenue and cost of sales amounts in prior years have been reclassified to conform to the 2002 presentation.

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

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

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

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

The company is not subject to market risk associated with derivative commodity instruments, as the company is not a party to any such instruments. The company believes that its market risk from financial instruments, such as accounts receivable, accounts payable and debt, is not material. The company is exposed to foreign exchange rate risk primarily due to its operations in the United Kingdom, which use the British pound as their functional currency, which is then translated into U.S. dollars. Translation gains or losses affecting the Consolidated Statements of Income have not been significant in the past. If the price of Sterling against the U.S. dollar had been 10% less than the actual price, reported net income for 2002 would have decreased approximately 2%.

Because the company has \$2.6 billion in commercial paper obligations outstanding at Dec. 29, 2002, that have relatively short-term maturity dates, the company is subject to significant changes in the amount of interest expense it might incur. Assuming the current level of commercial paper borrowings, a 1/2% increase or decrease in the average interest rate for commercial paper would result in an increase or decrease in annual interest expense of \$13.2 million, respectively.

Refer to page 26 for information regarding the fair value of the company's long-term debt.

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

**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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

## REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Gannett Co., Inc. and its subsidiaries at Dec. 29, 2002 and Dec. 30, 2001, and the results of their operations and their cash flows for each of the three years in the period ended Dec. 29, 2002 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and the financial statement schedule are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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



PricewaterhouseCoopers LLP

McLean, Virginia  
February 6, 2003

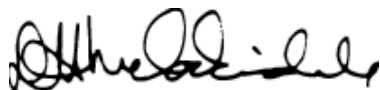
## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

The company's independent 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 controls and perform such tests and other procedures as they deem necessary to reach and express an opinion on the financial statements. The PricewaterhouseCoopers LLP report appears alongside.

The Audit Committee of the Board of Directors is responsible for reviewing and monitoring the company's financial reports and accounting practices to ascertain that they are appropriate in the circumstances. The Audit Committee consists of four non-management directors, and meets to discuss audit and financial reporting matters with representatives of financial management, the internal auditors and the independent 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  
Chairman, President and  
Chief Executive Officer



Gracia C. Martore  
Senior Vice President and  
Chief Financial Officer

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

*In thousands of dollars*

<b>Assets</b>	<b>Dec. 29, 2002</b>	<b>Dec. 30, 2001</b>
<i>Current assets</i>		
Cash and cash equivalents	\$ 90,374	\$ 140,629
Trade receivables (less allowance for doubtful receivables of \$36,610 and \$39,138, respectively)	827,398	805,746
Other receivables	52,700	65,923
Inventories	101,189	104,848
Prepaid expenses	61,418	61,052
<b>Total current assets</b>	<b>1,133,079</b>	<b>1,178,198</b>
<i>Property, plant and equipment</i>		
Land	240,515	237,485
Buildings and improvements	1,313,404	1,243,363
Machinery, equipment and fixtures	2,730,488	2,609,706
Construction in progress	138,360	116,520
<b>Total</b>	<b>4,422,767</b>	<b>4,207,074</b>
Less accumulated depreciation	(1,887,762)	(1,741,604)
<b>Net property, plant and equipment</b>	<b>2,535,005</b>	<b>2,465,470</b>
<i>Intangible and other assets</i>		
Goodwill	8,822,299	8,578,025
Other intangible assets, less accumulated amortization of \$10,993 and \$3,666, respectively	98,807	106,334
Investments and other assets	1,143,824	768,074
<b>Total intangible and other assets</b>	<b>10,064,930</b>	<b>9,452,433</b>
<b>Total assets</b>	<b>\$13,733,014</b>	<b>\$13,096,101</b>

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

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

*In thousands of dollars*

<b>Liabilities and shareholders' equity</b>	<b>Dec. 29, 2002</b>	<b>Dec. 30, 2001</b>
<i>Current liabilities</i>		
Accounts payable		
Trade	\$ 298,080	\$ 320,280
Other	29,662	34,342
Accrued liabilities		
Compensation	111,995	120,015
Interest	26,806	2,178
Other	149,072	112,900
Dividend payable	64,443	60,947
Income taxes	121,276	323,481
Deferred income	157,291	153,594
<b>Total current liabilities</b>	<b>958,625</b>	<b>1,127,737</b>
Deferred income taxes	678,541	503,397
Long-term debt	4,547,265	5,080,025
Postretirement medical and life insurance liabilities	378,855	409,052
Other long-term liabilities	257,933	239,968
<b>Total liabilities</b>	<b>6,821,219</b>	<b>7,360,179</b>
<i>Shareholders' equity</i>		
Preferred stock, par value \$1: Authorized, 2,000,000 shares: <i>Issued, none</i>		
Common stock, par value \$1: Authorized, 800,000,000 shares: Issued, 324,420,732 shares, as to both years	324,421	324,421
Additional paid-in capital	279,778	210,256
Retained earnings	8,498,015	7,589,069
Accumulated other comprehensive income (loss)	44,190	(103,287)
	9,146,404	8,020,459
Less Treasury stock, 56,511,046 shares and 58,623,520 shares, respectively, at cost	(2,231,557)	(2,275,737)
Deferred compensation related to ESOP	(3,052)	(8,800)
<b>Total shareholders' equity</b>	<b>6,911,795</b>	<b>5,735,922</b>
<b>Commitments and contingent liabilities (see Note 10)</b>		
<b>Total liabilities and shareholders' equity</b>	<b>\$13,733,014</b>	<b>\$13,096,101</b>

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



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

*In thousands of dollars*

<b>Fiscal year ended</b>	<b>Dec. 29, 2002</b>	<b>Dec. 30, 2001</b>	<b>Dec. 31, 2000</b>
<i>Net operating revenues</i>			
Newspaper advertising	\$4,122,685	\$4,119,773	\$3,972,936
Newspaper circulation	1,182,103	1,188,467	1,082,759
Broadcasting	771,303	662,652	788,767
All other	346,158	328,714	339,624
<b>Total</b>	<b>6,422,249</b>	<b>6,299,606</b>	<b>6,184,086</b>
<i>Operating expenses</i>			
Cost of sales and operating expenses, exclusive of depreciation	3,254,003	3,275,522	3,019,020
Selling, general and administrative expenses, exclusive of depreciation	1,019,493	990,472	971,895
Depreciation	215,117	202,456	195,428
Amortization of intangible assets	7,327	241,321	180,487
<b>Total</b>	<b>4,495,940</b>	<b>4,709,771</b>	<b>4,366,830</b>
<b>Operating income</b>	<b>1,926,309</b>	<b>1,589,835</b>	<b>1,817,256</b>
<i>Non-operating income (expense)</i>			
Interest expense	(146,359)	(221,854)	(219,228)
Interest income	3,448	8,493	23,226
Other non-operating items	(18,870)	(5,877)	(12,414)
<b>Total</b>	<b>(161,781)</b>	<b>(219,238)</b>	<b>(208,416)</b>
Income before income taxes	1,764,528	1,370,597	1,608,840
Provision for income taxes	604,400	539,400	636,900
<b>Income from continuing operations</b>	<b>1,160,128</b>	<b>831,197</b>	<b>971,940</b>
<i>Discontinued operations</i>			
Income from the operation of discontinued operations, net of income taxes of \$1,598			2,437
Gain on sale of cable business, net of income taxes of \$889,300			744,700
<b>Net income</b>	<b>\$1,160,128</b>	<b>\$ 831,197</b>	<b>\$1,719,077</b>
<i>Earnings per share — basic</i>			
Earnings from continuing operations	\$ 4.35	\$ 3.14	\$ 3.65
Earnings from discontinued operations:			
Discontinued operations, net of tax			.01
Gain on sale of cable business, net of tax			2.79
<b>Net income per share — basic</b>	<b>\$ 4.35</b>	<b>\$ 3.14</b>	<b>\$ 6.45</b>
<i>Earnings per share — diluted</i>			
Earnings from continuing operations	\$ 4.31	\$ 3.12	\$ 3.63
Earnings from discontinued operations:			
Discontinued operations, net of tax			.01
Gain on sale of cable business, net of tax			2.77
<b>Net income per share — diluted</b>	<b>\$ 4.31</b>	<b>\$ 3.12</b>	<b>\$ 6.41</b>

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

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

<i>In thousands of dollars</i>			
<b>Fiscal year ended</b>	<b>Dec. 29, 2002</b>	<b>Dec. 30, 2001</b>	<b>Dec. 31, 2000</b>
<i>Cash flows from operating activities</i>			
Net income	\$ 1,160,128	\$ 831,197	\$ 1,719,077
Adjustments to reconcile net income to operating cash flows			
Discontinued operations, net of tax			(747,137)
Income taxes on sale of cable business			(889,300)
Depreciation	215,117	202,456	195,428
Amortization of intangibles	7,327	241,321	180,487
Deferred income taxes	175,144	228,568	(169,290)
Pension contributions, net of pension expense	(300,707)	(309,099)	(22,356)
Other, net, including gains on sales	(5,671)	(9,461)	(4,484)
(Increase) decrease in receivables	(16,783)	67,035	39,850
Decrease (increase) in inventories	3,647	22,457	(16,091)
(Decrease) increase in accounts payable	(15,869)	(103,195)	8,833
(Decrease) increase in interest and taxes payable	(155,299)	177,950	186,133
Change in other assets and liabilities, net	(35,334)	(30,232)	21,177
<b>Net cash flow from operating activities</b>	<b>1,031,700</b>	<b>1,318,997</b>	<b>502,327</b>
<i>Cash flows from investing activities</i>			
Purchase of property, plant and equipment	(274,828)	(324,579)	(350,580)
Payments for acquisitions, net of cash acquired	(35,266)	(186,201)	(4,264,214)
Payments for investments	(126,270)	(63,791)	(93,979)
Proceeds from investments	45,262	21,154	15,448
Proceeds from sale of certain assets	5,450	38,539	2,714,362
<b>Net cash used for investing activities</b>	<b>(385,652)</b>	<b>(514,878)</b>	<b>(1,978,963)</b>
<i>Cash flows from financing activities</i>			
Proceeds of unsecured global notes, net of debt issuance fees	1,786,687		
(Payments of) proceeds from unsecured promissory notes and other indebtedness	(2,325,647)	(667,831)	2,799,161
Dividends paid	(247,721)	(235,472)	(228,391)
Cost of common shares repurchased			(967,242)
Proceeds from issuance of common stock	84,899	48,780	21,225
<b>Net cash (used for) provided by financing activities</b>	<b>(701,782)</b>	<b>(854,523)</b>	<b>1,624,753</b>
<b>Effect of currency exchange rate change</b>	<b>5,479</b>	<b>(2,163)</b>	<b>(1,081)</b>
(Decrease) increase in cash and cash equivalents	(50,255)	(52,567)	147,036
Balance of cash and cash equivalents at beginning of year	140,629	193,196	46,160
<b>Balance of cash and cash equivalents at end of year</b>	<b>\$ 90,374</b>	<b>\$ 140,629</b>	<b>\$ 193,196</b>

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



Dividends declared, 2002: \$.94 per share			(251,217)				(251,217)
Stock options exercised	42,210			42,378			84,588
Stock issued under incentive plan	3,461			1,802			5,263
Tax benefit derived from stock incentive plans	23,851						23,851
Compensation expense related to ESOP					5,748		5,748
Tax benefit from ESOP			35				35
<b>Balance: Dec. 29, 2002</b>	<b>\$324,421</b>	<b>\$279,778</b>	<b>\$8,498,015</b>	<b>\$ 44,190</b>	<b>\$(2,231,557)</b>	<b>\$ (3,052)</b>	<b>\$6,911,795</b>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1

#### Summary of significant accounting policies

**Fiscal year:** The company's fiscal year ends on the last Sunday of the calendar year. The company's 2002 fiscal year ended on Dec. 29, 2002, and encompassed a 52-week period. The company's 2001 fiscal year encompassed a 52-week period and its 2000 fiscal year encompassed a 53-week period.

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

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

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

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

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

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

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

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

**Goodwill and other intangible assets:** Intangible assets and the excess of acquisition cost over the fair value of assets acquired (goodwill) represent the cost of intangible assets at the time operating properties were purchased. On December 31, 2001, the company adopted Statement of Financial Accounting Standards No. 142 (SFAS No. 142) "Goodwill and Other Intangible Assets," which eliminated the amortization of goodwill and other intangibles with indefinite useful lives unless the intangible asset is deemed to be impaired. The company performed an impairment test of its goodwill and determined that no impairment of recorded goodwill existed at December 29, 2002. Intangible assets that have finite useful lives continue to be amortized over those useful lives. See additional detail in Note 3 on page 38.

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

**Investments and other assets:** Investments in non-public businesses in which the company does not have control are carried at cost and losses resulting from periodic evaluations of the carrying value of these investments are included as a non-operating expense. At both Dec. 29, 2002, and Dec. 30, 2001, such investments aggregated approximately \$20 million. Investments in public equity securities are classified as available for sale with related gains and losses included in equity as other comprehensive income.

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

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

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

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

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

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

*In thousands, except per share amounts*

	2002	2001	2000
<i>Net income</i>			
As reported	\$1,160,128	\$831,197	\$1,719,077
Less: compensation expense determined under SFAS 123, net of tax	(52,762)	(34,795)	(25,738)
Pro forma	\$1,107,366	\$796,402	\$1,693,339
<i>Income from continuing operations</i>			
As reported	\$1,160,128	\$831,197	\$ 971,940
Less: compensation expense determined under SFAS 123, net of tax	(52,762)	(34,795)	(25,738)
Pro forma	\$1,107,366	\$796,402	\$ 946,202
<i>Net income per share — basic</i>			
As reported	\$ 4.35	\$ 3.14	\$ 6.45
Pro forma	\$ 4.15	\$ 3.01	\$ 6.36
<i>Net income per share — diluted</i>			
As reported	\$ 4.31	\$ 3.12	\$ 6.41
Pro forma	\$ 4.11	\$ 2.98	\$ 6.32
<i>Income from continuing operations per share — basic</i>			
As reported	\$ 4.35	\$ 3.14	\$ 3.65
Pro forma	\$ 4.15	\$ 3.01	\$ 3.55
<i>Income from continuing operations per share — diluted</i>			
As reported	\$ 4.31	\$ 3.12	\$ 3.63
Pro forma	\$ 4.11	\$ 2.98	\$ 3.53

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 2002, 2001 and 2000, respectively: dividend yield of 1.34%, 1.33%, and 1.26%; expected volatility of 26.12%, 26.37% and 27.04%; risk-free interest rates of 3.89%, 4.60%, and 5.63%; and expected lives of seven years each.

SFAS No. 123 applies to stock compensation awards granted in fiscal years that began 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.

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

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

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

**Discontinued operations:** In connection with the sale of the cable business in early fiscal 2000, the cable operating results are presented in the consolidated statements of income and related discussions as discontinued operations.

**New accounting pronouncements:** In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 applies to all business combinations with a closing date after June 30, 2001. SFAS No. 141 also further clarifies the criteria for recognition of intangible assets separately from goodwill. There was no material effect upon adoption of SFAS No. 141. Refer to Note 3 for the disclosures relating to the adoption of SFAS No. 142.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 changes the criteria that have to be met to classify an asset as held-for-sale, and redefines the reporting of discontinued operations. The company adopted SFAS No. 144 on Dec. 31, 2001. There was no material effect upon adoption of this statement.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 generally requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. This pronouncement is effective for exit or disposal activities initiated after Dec. 31, 2002. The company does not believe that the adoption of the statement will have a material impact on its financial position or results of operations.

In December 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." The company's disclosure already conformed to requirements of this interpretation.

## Reclassifications

At the end of 2002, certain immaterial charges relating to sales promotions have been reclassified from cost of sales and operating expenses to a reduction of circulation revenue; the reclassification had no effect on operating income or net income for any period. Circulation revenue and cost of sales amounts in prior years have been reclassified to conform to the 2002 presentation.

## NOTE 2

### Acquisitions, exchanges, dispositions and investments

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

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

In December 2002, the company entered into an agreement to acquire the publishing business of Scottish Media Group plc (SMG) for approximately 216 million British pounds (U.S. \$346 million). The SMG publishing business consists of three Scottish regional newspapers; eleven specialty consumer and business-to-business magazine titles; and an online advertising and content business. The acquisition is subject to the approval of the Secretary of State for Trade and Industry in the U.K. Closing is expected in the second quarter of 2003.

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

**2000:** In June 2000, Gannett acquired the entire share capital of News Communications & Media plc ("Newscom") for approximately 444 million British pounds (U.S. \$702 million). Gannett also financed the repayment of Newscom's existing debt.

On July 21, 2000, the company acquired 19 daily newspapers as well as numerous weekly and niche publications from Thomson Newspapers Inc. for an aggregate purchase price of \$1.036 billion.



The company completed its acquisition of Central Newspapers, Inc. ("Central") on Aug. 1, 2000, for an approximate cash purchase price of \$2.6 billion. The company also retired Central's existing debt of approximately \$206 million.

In March 2000, the company completed the acquisition of WJXX-TV, the ABC affiliate in Jacksonville, Fla. Gannett continues to own and operate WTLV-TV, the NBC affiliate in Jacksonville.

The aggregate purchase price, including liabilities assumed, for businesses and assets acquired in 2000, including Newscom, Thomson, Central, WJXX-TV and certain smaller newspaper publishing operations, totaled approximately \$4.8 billion, of which \$4.4 billion represents identified intangible assets and goodwill. The acquisitions were recorded under the purchase method of accounting.

The sale of the assets of the company's cable division for \$2.7 billion was completed on Jan. 31, 2000. Upon closing, an after-tax gain of approximately \$745 million or \$2.77 per diluted share was recognized which, along with the cable segment operating results, is reported as discontinued operations in the company's financial statements.

In the fourth quarter of 2000, the company contributed the assets of its newspapers, the Marin Independent Journal and the Classified Gazette, to the California Newspaper Partnership (a partnership that currently includes 22 daily California newspapers) in exchange for an increased ownership interest in the partnership.

### NOTE 3

#### Goodwill and other intangible assets

Effective Dec. 31, 2001, the first day of the company's 2002 fiscal year, the company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which establishes financial accounting and reporting for acquired goodwill and other intangible assets. Under SFAS No. 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed at least annually for impairment. Recognized intangible assets that have finite useful lives will continue to be amortized over their useful lives and are subject to tests for impairment in accordance with the provisions of SFAS No. 121.

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

A reconciliation of the impact of adoption of SFAS No. 142 on net income, and basic and diluted earnings per share for the years ended Dec. 29, 2002, Dec. 30, 2001, and Dec. 31, 2000, is set forth below:

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

	2002	2001	2000
<b>Reported net income</b>	\$1,160,128	\$ 831,197	\$1,719,077
Add back: goodwill amortization, net of tax		215,688	160,332
<b>Adjusted net income</b>	<b>\$1,160,128</b>	<b>\$1,046,885</b>	<b>\$1,879,409</b>
<b>Basic earnings per share:</b>			
Reported net income	\$ 4.35	\$ 3.14	\$ 6.45
Add back: goodwill amortization, net of tax		.81	.60
<b>Adjusted net income</b>	<b>\$ 4.35</b>	<b>\$ 3.95</b>	<b>\$ 7.05</b>
<b>Diluted earnings per share:</b>			
Reported net income	\$ 4.31	\$ 3.12	\$ 6.41
Add back: goodwill amortization, net of tax		.80	.60
<b>Adjusted net income</b>	<b>\$ 4.31</b>	<b>\$ 3.92</b>	<b>\$ 7.01</b>

The following table displays the intangible assets that continue to be subject to amortization and intangible assets not subject to amortization as of Dec. 29, 2002, and Dec. 30, 2001:

*In thousands of dollars*

	Dec. 29, 2002		Dec. 30, 2001	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
<b>Amortized intangible assets:</b>				
Subscriber lists	\$ 109,800	\$10,993	\$ 110,000	\$ 3,666
<b>Unamortized intangible</b>				

assets:					
Goodwill	\$8,822,299	\$	—	\$9,758,081	\$1,180,056

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As of Dec. 29, 2002, newspaper goodwill was \$7.3 billion and television goodwill was \$1.5 billion. Net goodwill increased primarily due to the change in foreign currency exchange rates and because of the acquisition of certain small businesses during the year.

Amortization expense for subscriber lists was approximately \$7.3 million in 2002 and \$3.7 million in 2001. Subscriber lists are amortized on a straight-line basis over 15 years. For each of the next five years, amortization expense relating to the identified intangibles is expected to be approximately \$7.3 million.

## NOTE 4

### Consolidated statements of cash flows

Cash paid in 2002, 2001 and 2000 for income taxes and for interest (net of amounts capitalized) was as follows:

*In thousands of dollars*

	2002	2001	2000
Income taxes	\$722,034	\$138,688	\$1,454,465
Interest	\$121,697	\$223,691	\$209,240

Interest in the amount of \$2.1 million, \$8.6 million and \$11.1 million was capitalized in 2002, 2001 and 2000, respectively.

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

Income taxes paid in 2000 include amounts related to the company's gain on the sale of the cable business.

No significant liabilities were assumed in connection with the 2002 and 2001 acquisitions. Liabilities assumed in connection with 2000 acquisitions totaled \$578 million, with \$485 million related to Newscom and Central outstanding debt obligations.

In 2002 and 2001, the company issued 82,942 and 86,544 shares of common stock, respectively, in settlement of previously granted stock incentive rights for the four year period 1999-2002 and the compensation liability of \$7.7 million and \$7.0 million, respectively, for these rights was transferred to shareholders' equity.

## NOTE 5

### Long-term debt

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

*In thousands of dollars*

	Dec. 29, 2002	Dec. 30, 2001
Unsecured promissory notes	\$2,632,879	\$4,932,813
Unsecured global notes	1,792,887	—
Other indebtedness	121,499	147,212
Total long-term debt	\$4,547,265	\$5,080,025

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

The unsecured promissory notes at Dec. 30, 2001, were due from Jan. 3, 2002, to Feb. 1, 2002, with rates varying from 1.75% to 2.00%.

The maximum amount of such promissory notes outstanding at the end of any period during 2002 and 2001 was \$5.0 billion and \$5.4 billion, respectively. The daily average outstanding balance was \$3.1 billion during 2002 and \$5.2 billion during 2001 and the weighted average interest rate on commercial paper was 1.8% for 2002 and 4.1% for 2001. The weighted average interest rate on all debt was 3.0% for 2002 and 4.1% for 2001.

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

Other indebtedness includes the loan notes issued in the U.K. to the former shareholders of Newsquest and Newscom in connection with their acquisitions. The Newsquest and Newscom notes (\$15.2 million and \$89.5 million, respectively) bear interest at .5% below the Sterling London Interbank Offered Rate (LIBOR), subject to a cap of 6.5% and 6.75%, respectively. The Newsquest and Newscom notes are due on Dec. 31, 2006, and Dec. 31, 2007, respectively, but may be redeemed by the company on each interest payment date. The noteholders are entitled to require the company to repay all or part of the notes on any interest payment date by giving 30 days' written notice. The remaining other indebtedness at Dec. 29, 2002, consists primarily of industrial revenue bonds with maturities in 2008 and 2009 at variable interest rates (1.4% at Dec. 29, 2002).

In March 2002, the company canceled its \$1.53 billion 364-day facility, which was part of an overall \$3.06 billion revolving credit agreement. The facility was scheduled to expire in July 2002. The surviving part of the credit agreement consists of a \$1.53 billion 5-year facility. That facility extends to July 2005.

Concurrent with the cancellation of that 364-day facility, the company entered into a \$2.775 billion revolving credit agreement which consists of a \$1.41 billion 364-day facility which extends to March 2003, and a \$1.365 billion 5-year facility which extends to March 2007. At the end of the 364-day period, any borrowings outstanding under the 364-day credit facility are convertible into a one-year term loan at the company's option. The company recently renewed

and downsized the 364-day facility to \$1.2 billion, and it now extends to March 2004, unless the term-out option is invoked. As a result of these two agreements, commercial paper is carried on the balance sheet as long-term debt.

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

At Dec. 29, 2002, the company had \$4.305 billion of credit available under two revolving credit agreements. At Dec. 30, 2001, the company had \$6.06 billion of credit available under two revolving credit agreements.

The commitment fee rates for the 2002 revolving credit agreement may range from .05% to .20%, depending on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt. The rates in effect on Dec. 29, 2002, were .06% for the 364-day facility and .08% for the 5-year facility. At the option of the company, the interest rate on borrowings under this agreement may be .17% to .55% above the prime rate, the Eurodollar base rate or the Federal Funds Effective Rate plus .50%. The percentages that apply depend on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt.

The commitment fee rates for the \$1.53 billion revolving credit agreement may range from .07% to .09%, depending on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt. The rate in effect on Dec. 29, 2002, was .07% for the 5-year facility. At the option of the company, the interest rate on borrowings under this agreement may be at .13% to .24% above the prime rate, the Eurodollar base rate or the Federal Funds Effective Rate plus .50%. The percentages that apply depend on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt.

The current revolving credit agreements contain restrictive provisions that require the maintenance of net worth of at least \$2.5 billion and an interest coverage ratio of 3:1. At Dec. 29, 2002, and Dec. 30, 2001, net worth was \$6.9 billion and \$5.7 billion, respectively. Interest coverage ratio for the year ended Dec. 29, 2002, was 14:1.

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

Approximate annual maturities of long-term debt, assuming that the company had used its \$4.305 billion of revolving credit agreements to refinance existing unsecured promissory notes on a long-term basis and assuming the company's other indebtedness was paid on its scheduled pay dates, are as follows:

*In thousands of dollars*

<b>2003</b>	\$ —
<b>2004</b>	—
<b>2005</b>	1,867,085
<b>2006</b>	15,245
<b>2007</b>	2,150,279
<b>Later years</b>	514,656
<b>Total</b>	<b>\$4,547,265</b>

The fair value of the company's total long-term debt, determined based on quoted market prices for similar issues of debt with the same remaining maturities and similar terms, totaled \$4.7 billion at Dec. 29, 2002, compared with a book value of \$4.5 billion.

At Dec. 29, 2002, and Dec. 30, 2001, the company estimates that the amount reported on the balance sheet for financial instruments, including cash and cash equivalents, trade and other receivables, and other long-term liabilities, approximates fair value.

## NOTE 6

### Retirement plans

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

The company's pension costs, which include costs for its qualified, non-qualified and union plans, for 2002, 2001 and 2000 are presented in the following table:

*In thousands of dollars*

	<b>2002</b>	<b>2001</b>	<b>2000</b>
Service cost — benefits earned during the period	\$ 69,486	\$ 70,643	\$ 61,905
Interest cost on benefit obligation	152,534	150,935	129,601
Expected return on plan assets	(181,198)	(217,796)	(194,010)
Amortization of transition asset	(68)	(68)	(28)
Amortization of prior service credit	(19,594)	(18,908)	(9,498)
Amortization of actuarial loss (gain)	36,114	824	(4,306)
Pension expense for company- sponsored retirement plans	57,274	(14,370)	(16,336)
Union and other pension cost	7,150	6,404	7,432
Pension cost	\$ 64,424	\$ (7,966)	\$ (8,904)

In December 2002 and 2001, the company contributed \$330 million and \$300 million to the Gannett Retirement Plan, respectively. The company contributed approximately \$32 million in 2002 to its U.K. retirement plans.

At the end of 2002, the Gannett Retirement Plan and the company's plans in the U.K. were fully funded on an Accumulated Benefit Obligation measurement basis.

The following table provides a reconciliation of benefit obligations (on a Projected Benefit Obligation measurement basis), plan assets and funded status of the company's retirement 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. 29, 2002	Dec. 30, 2001
<b><i>Change in benefit obligation</i></b>		
Net benefit obligation at beginning of year	\$2,182,302	\$2,046,283
Service cost	69,486	70,643
Interest cost	152,534	150,935
Plan participants' contributions	7,604	6,559
Plan amendments	(8,662)	—
Actuarial loss	139,551	32,636
Acquisitions/plan mergers	—	4,308
Gross benefits paid	(140,429)	(129,062)
Net benefit obligation at end of year	\$2,402,386	\$2,182,302
<b><i>Change in plan assets</i></b>		
Fair value of plan assets at beginning of year	\$1,990,404	\$2,309,968
Actual return on plan assets	(201,707)	(511,625)
Plan participants' contributions	7,604	6,559
Employer contributions	366,119	308,015
Acquisitions/plan mergers	—	6,549
Gross benefits paid	(140,429)	(129,062)
Fair value of plan assets at end of year	\$2,021,991	\$1,990,404
Funded status at end of year	\$ (380,395)	\$ (191,898)
Unrecognized net actuarial loss	1,221,587	738,079
Unrecognized prior service credit	(171,171)	(176,799)
Unrecognized net transition asset	(78)	(146)
Net amount recognized at end of year	\$ 669,943	\$ 369,236
<b><i>Amounts recognized in Consolidated Balance Sheets</i></b>		
Prepaid benefit cost	\$ 768,800	\$ 461,743
Accrued benefit cost	\$ 98,857	\$ 92,507

The net benefit obligation was determined using an assumed discount rate of 6.75% and 7.25% at the end of 2002 and 2001, respectively. The assumed rate of compensation increase was 4.0% for both years. The assumed long-term rate of return on plan assets used in determining pension cost for 2002 and 2001 was 9.5% and 10%, respectively. Retirement plan assets include approximately 1,242,300 shares of the company's common stock valued at approximately \$89 million and \$84 million at the end of 2002 and 2001, respectively.

#### NOTE 7

##### Postretirement benefits other than pensions

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

Postretirement benefit cost for health care and life insurance for 2002, 2001 and 2000 included the following components:

*In thousands of dollars*

	2002	2001	2000
Service cost — benefits earned during the period	\$ 3,535	\$ 6,512	\$ 5,247
Interest cost on net benefit obligation	19,337	24,674	19,865
Amortization of prior service credit	(10,888)	(7,728)	(7,018)
Amortization of actuarial (gain)	—	(10)	(240)
Net periodic postretirement benefit cost	\$ 11,984	\$23,448	\$17,854

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

	Dec. 29, 2002	Dec. 30, 2001
<b><i>Change in benefit obligation</i></b>		
Net benefit obligation at beginning of year	\$324,331	\$363,767
Service cost	3,535	6,512
Interest cost	19,337	24,674
Plan participants' contributions	8,944	8,204
Plan amendment	—	(58,009)
Actuarial loss	10,247	13,095
Gross benefits paid	(34,580)	(33,912)
Net benefit obligation at end of year	\$331,814	\$324,331
<b><i>Change in plan assets</i></b>		
Fair value of plan assets at beginning of year	0	0
Employer contributions	25,636	25,708
Plan participants' contributions	8,944	8,204
Gross benefits paid	(34,580)	(33,912)
Fair value of plan assets at end of year	0	0
Benefit obligation at end of year	\$331,814	\$324,331
Unrecognized net actuarial (loss)	(48,277)	(18,949)
Unrecognized prior service credit	95,318	103,670
Accrued postretirement benefit cost	\$378,855	\$409,052



At Dec. 29, 2002, the accumulated postretirement benefit obligation was determined using a discount rate of 6.75% and a health care cost trend rate of 10% for pre-age 65 benefits, decreasing to 5% in the year 2008 and thereafter. For post-age 64 benefits, the health care cost trend rate used was 10%, declining to 5% in the year 2008 and thereafter.

At Dec. 30, 2001, the accumulated postretirement benefit obligation was determined using a discount rate of 7.25% and a health care cost trend rate of 7% for pre-age 65 benefits, decreasing to 5% in the year 2004 and thereafter. For post-age 64 benefits, the health care cost trend rate used was 10%, declining to 5% in the year 2005 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 \$33 million in the 2002 postretirement benefit obligation and \$2 million in the aggregate service and interest components of the 2002 expense. The effect of a 1% decrease in the health care cost trend rate used would result in decreases of approximately \$29 million in the 2002 postretirement benefit obligation and \$2 million in the aggregate service and interest components of the 2002 expense.

## NOTE 8

### Income taxes

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

*In thousands of dollars*

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

*In thousands of dollars*

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

*In thousands of dollars*

<b>2000</b>	<b>Current</b>	<b>Deferred</b>	<b>Total</b>
Federal	\$518,413	\$13,414	\$531,827
State and other	75,865	1,963	77,828
Foreign	25,041	2,204	27,245
<b>Total</b>	<b>\$619,319</b>	<b>\$17,581</b>	<b>\$636,900</b>

In addition to the income tax provision presented above for continuing operations, the company recorded federal and state income taxes payable on operations which were discontinued totaling \$891 million in 2000.

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

<b>Fiscal year</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
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	2.3	3.0	3.1
Goodwill amortization not deductible for tax purposes		3.8	2.2
Other, net	(3.0)	(2.4)	(0.7)
<b>Effective tax rate</b>	<b>34.3%</b>	<b>39.4%</b>	<b>39.6%</b>

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

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

Deferred tax liabilities and assets were composed of the following at the end of 2002 and 2001:

*In thousands of dollars*

	<b>Dec. 29, 2002</b>	<b>Dec. 30, 2001</b>
<i>Liabilities</i>		
Accelerated depreciation	\$ 345,285	\$ 338,941
Accelerated amortization of deductible intangibles	267,490	142,748
Pension	228,714	149,388
Other	89,898	134,577
<b>Total deferred tax liabilities</b>	<b>931,387</b>	<b>765,654</b>
<i>Assets</i>		
Accrued compensation costs	(49,798)	(59,724)
Postretirement medical and life	(142,069)	(156,770)
Other	(60,979)	(45,763)
<b>Total deferred tax assets</b>	<b>(252,846)</b>	<b>(262,257)</b>
<b>Net deferred tax liabilities</b>	<b>\$ 678,541</b>	<b>\$ 503,397</b>

## NOTE 9

### Capital stock, stock options, incentive plans

The company's earnings per share from continuing operations (basic and diluted) for 2002, 2001 and 2000 are presented below:

*In thousands, except per share amounts*

	2002	2001	2000
Income from continuing operations	\$1,160,128	\$831,197	\$971,940
Weighted average number of common shares outstanding (basic)	266,885	264,821	266,426
<i>Effect of dilutive securities</i>			
Stock options	2,221	1,761	1,557
Stock incentive rights	180	251	135
Weighted average number of common shares outstanding (diluted)	269,286	266,833	268,118
Earnings per share from continuing operations (basic)	\$ 4.35	\$ 3.14	\$ 3.65
Earnings per share from continuing operations (diluted)	\$ 4.31	\$ 3.12	\$ 3.63

The 2002, 2001 and 2000 diluted earnings per share amounts exclude the effects of approximately 2.4 million, 10.6 million and 5.4 million stock options outstanding, respectively, as their inclusion would be antidilutive.

In 2000, the Board approved an authorization for the repurchase of up to an additional \$1 billion in common stock, in addition to \$258 million remaining from a prior authorization. During 2000, the company repurchased approximately 14.7 million shares for \$967 million, leaving \$291 million available for future repurchases at Dec. 29, 2002.

In May 2000, the company's shareholders approved an amendment to the company's certificate of incorporation to increase the authorized number of shares to 802,000,000, of which 800,000,000 shares are common stock and 2,000,000 shares are preferred stock, both with a \$1 par value.

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

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

A Stock Appreciation Right (SAR) is a right to receive an amount in any combination of cash or common stock equal in value to the excess of the fair market value of the shares covered by such SAR on the date of exercise over the aggregate exercise price of the SAR for such shares. SARs may be granted in tandem with related options or freestanding. The exercise price of an SAR is equal to the fair market value of a share of common stock on the date the SAR is granted. No more than 1,000,000 shares of common stock may be granted in the form of SARs to any participant in any fiscal year. No SARs have been granted as of Dec. 29, 2002.

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

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



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

A summary of the status of the company's stock option awards as of Dec. 29, 2002, Dec. 30, 2001 and Dec. 31, 2000, and changes thereto during the years then ended is presented below:

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

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

<b>2000 Stock Option Activity</b>	<b>Shares</b>	<b>Weighted average exercise price</b>
Outstanding at beginning of year	12,406,841	\$52.57
Granted	5,714,830	55.07
Exercised	(846,478)	30.18
Canceled	(507,380)	64.44
Outstanding at end of year	16,767,813	54.19
Options exercisable at year end	7,478,603	45.85
Weighted average fair value of Options granted during the year		
	\$ 19.63	

Further information about stock options outstanding at Dec. 29, 2002, follows:

<b>Range of exercise prices</b>	<b>Number outstanding at 12/29/02</b>	<b>Weighted average remaining contractual life (yrs)</b>	<b>Weighted average exercise price</b>	<b>Number exercisable at 12/29/02</b>	<b>Weighted average exercise price</b>
\$32.00-40.00	2,002,947	2.8	\$35.30	2,002,947	\$35.30
\$41.00-50.00	19,400	4.0	\$46.10	19,400	\$46.10
\$54.00-59.50	5,769,639	7.3	\$55.79	3,262,774	\$56.50
\$60.00-69.50	7,762,305	8.2	\$68.11	3,546,275	\$66.83
\$70.00-74.50	8,286,938	9.1	\$71.48	1,935,209	\$74.28
	23,841,229	7.8	\$63.53	10,766,605	\$59.14

## **Stock Incentive Rights**

The company has not granted stock incentive rights since July 2000. Stock incentive rights awarded that year totaled 10,700 and are for the four-year incentive period ending 2003.

In 2002, 82,942 shares of common stock were issued in settlement of previously granted stock incentive rights for the incentive period ending December 2002.

The compensation cost has been charged against income for stock incentive rights. Those charges were based on the grant price of the stock incentive rights recognized over the four-year earnout periods.

## **401(k) Savings Plan**

In 1990, the company established a 401(k) Savings Plan (the Plan). Substantially all employees of the company (other than those covered by a collective bargaining agreement) who are scheduled to work at least 1,000 hours during each year of employment are eligible to participate in the Plan. Employees could elect to save up to 15% of compensation on a pre-tax basis subject to certain limits. This limit was increased to 20% in 2002. The company matches with company common stock 50% of the first 6% of employee contributions. Beginning in 2002, Plan participants were able to fully diversify their company matched stock at any time. 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 \$10.7 million in 2002, \$9.7 million in 2001 and \$9.1 million in 2000. The ESOP shares as of the end of 2002 and 2001 were as follows:

	2002	2001
Allocated shares	2,356,566	2,088,238
Shares released for allocation	41,051	43,650
Unreleased shares	102,383	368,112
Shares distributed to terminated participants	(102,254)	(87,346)
ESOP shares	2,397,746	2,412,654

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

### Preferred Share Purchase Rights

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

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

### NOTE 10

#### Commitments and contingent liabilities

**Litigation:** 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, primarily real estate related, are as follows:

*In thousands of dollars*

2003	\$ 41,397
2004	36,520
2005	32,604
2006	26,177
2007	22,167
Later years	82,456
<b>Total</b>	<b>\$241,321</b>

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 \$56 million for 2002, \$59 million for 2001 and \$57 million for 2000.

**Program broadcast contracts:** The company has commitments under program broadcast contracts totaling \$109.9 million for programs to be available for telecasting in the future.

**Guarantees:** The company has a 13.5% general partnership interest in Ponderay Newsprint Company. The company, on a several basis, is a guarantor of 13.5% of the principal and interest on a term loan that totals \$120 million held by Ponderay.

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

**NOTE 11****Business operations and segment information**

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

The newspaper segment at the end of 2002 consisted of 94 U.S. daily newspapers in 40 states and one U.S. territory, including USA TODAY, a national, general-interest daily newspaper; and USA WEEKEND, a magazine supplement for newspapers. The newspaper segment also includes Newsquest, which is a regional newspaper publisher in the United Kingdom with a portfolio of more than 300 titles that includes 15 paid-for daily newspapers, paid-for weekly newspapers, free weekly newspapers and other publications. The newspaper segment in the U.S. also includes over 400 non-daily publications, a nationwide network of offset presses for commercial printing, newspaper related online businesses and several smaller businesses.

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

The broadcasting segment's activities for 2002 include the operation of 22 U.S. television stations reaching 17.7 percent of U.S. television homes.

The company's foreign revenues in 2002, 2001 and 2000 totaled approximately \$805 million, \$773 million and \$694 million, respectively, principally from publications distributed in the United Kingdom. The company's long-lived assets in foreign countries, principally in the United Kingdom, totaled approximately \$2.6 billion, \$2.3 billion, and \$2.4 billion at Dec. 29, 2002, Dec. 30, 2001, and Dec. 31, 2000, respectively.

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

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

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

*In thousands of dollars*

**Business segment financial information**

	2002	2001	2000
<i>Operating revenues</i>			
Newspaper publishing	\$ 5,650,946	\$ 5,636,954	\$ 5,395,319
Broadcasting	771,303	662,652	788,767
	\$ 6,422,249	\$ 6,299,606	\$ 6,184,086
<i>Operating income</i>			
Newspaper publishing	\$ 1,615,664	\$ 1,400,609	\$ 1,522,350
Broadcasting	371,132	249,783	359,955
Corporate (1)	(60,487)	(60,557)	(65,049)
	\$ 1,926,309	\$ 1,589,835	\$ 1,817,256
<i>Depreciation and amortization</i>			
Newspaper publishing	\$ 181,669	\$ 369,044	\$ 302,544
Broadcasting	25,429	67,639	65,210
Corporate (1)	15,346	7,094	8,161
	\$ 222,444	\$ 443,777	\$ 375,915
<i>Operating cash flow (2)</i>			
Newspaper publishing	\$ 1,797,333	\$ 1,769,653	\$ 1,824,894
Broadcasting	396,561	317,422	425,165
Corporate (1)	(45,141)	(53,463)	(56,888)
	\$ 2,148,753	\$ 2,033,612	\$ 2,193,171
<i>Identifiable assets</i>			
Newspaper publishing	\$11,103,779	\$10,558,641	\$10,608,191
Broadcasting	2,051,328	2,004,486	1,923,422
Corporate (1)	577,907	532,974	448,798



	\$13,733,014	\$13,096,101	\$12,980,411
<i>Capital expenditures</i>			
Newspaper publishing	\$ 221,647	\$ 230,223	\$ 242,885
Broadcasting	40,383	21,602	49,829
Corporate (1)	12,798	72,754	57,866
	\$ 274,828	\$ 324,579	\$ 350,580

- (1) *Corporate amounts represent those not directly related to the company's two business segments.*
- (2) *Operating cash flow amounts represent operating income plus depreciation and amortization of intangible assets.*

## SELECTED FINANCIAL DATA

(See notes a and b on page 48)

<i>In thousands of dollars, except per share amounts</i>	2002	2001	2000	1999	1998
<b>Net operating revenues</b>					
Newspaper advertising	\$ 4,122,685	\$ 4,119,773	\$ 3,972,936	\$ 3,115,250	\$ 2,773,247
Newspaper circulation (4)	1,182,103	1,188,467	1,082,759	942,368	936,961
Broadcasting	771,303	662,652	788,767	728,642	721,298
All other	346,158	328,714	339,624	280,356	256,030
<b>Total</b>	<b>6,422,249</b>	<b>6,299,606</b>	<b>6,184,086</b>	<b>5,066,616</b>	<b>4,687,536</b>
<b>Operating expenses</b>					
Costs and expenses (4)	4,273,496	4,265,994	3,990,915	3,223,424	3,048,259
Depreciation	215,117	202,456	195,428	169,460	163,776
Amortization of intangible assets	7,327	241,321	180,487	110,631	89,687
<b>Total</b>	<b>4,495,940</b>	<b>4,709,771</b>	<b>4,366,830</b>	<b>3,503,515</b>	<b>3,301,722</b>
<b>Operating income</b>	<b>1,926,309</b>	<b>1,589,835</b>	<b>1,817,256</b>	<b>1,563,101</b>	<b>1,385,814</b>
<i>Non-operating (expense) income</i>					
Interest expense	(146,359)	(221,854)	(219,228)	(94,619)	(79,412)
Other, net	(15,422)	2,616	10,812	58,705(1)	305,323(2)
<b>Income before income taxes</b>	<b>1,764,528</b>	<b>1,370,597</b>	<b>1,608,840</b>	<b>1,527,187</b>	<b>1,611,725</b>
<b>Provision for income taxes</b>	<b>604,400</b>	<b>539,400</b>	<b>636,900</b>	<b>607,800</b>	<b>645,300</b>
<b>Income from continuing operations</b>	<b>\$ 1,160,128</b>	<b>\$ 831,197</b>	<b>\$ 971,940</b>	<b>\$ 919,387(1)</b>	<b>\$ 966,425(2)</b>
<b>Income from continuing operations: per basic/diluted share</b>	<b>\$ 4.35/\$4.31</b>	<b>\$ 3.14/\$3.12</b>	<b>\$ 3.65/\$3.63</b>	<b>\$ 3.29/\$3.26(1)</b>	<b>\$ 3.41/\$3.38</b>
<b>COMPARABLE BASIS REPORTING (3)</b>					
<b>Income from continuing operations, as reported</b>	<b>\$ 1,160,128</b>	<b>\$ 831,197</b>	<b>\$ 971,940</b>	<b>\$ 919,387(1)</b>	<b>\$ 966,425(2)</b>
Adjustment for SFAS No. 142: add back goodwill amortization, net of tax		215,688	160,332	109,831	78,242
<b>Adjusted income from continuing operations</b>	<b>\$ 1,160,128</b>	<b>\$ 1,046,885</b>	<b>\$ 1,132,272</b>	<b>\$ 1,029,218(1)</b>	<b>\$ 1,044,667(2)</b>
<b>Adjusted income from continuing operations: per basic/diluted share (3)</b>	<b>\$ 4.35/\$4.31</b>	<b>\$ 3.95/\$3.92</b>	<b>\$ 4.25/\$4.22</b>	<b>\$ 3.69/\$3.65(1)</b>	<b>\$ 3.69/\$3.66(2)</b>
<i>Other selected financial data</i>					
Dividends declared per share	\$ .94	\$ .90	\$ .86	\$ .82	\$ .78
Weighted average number of common shares outstanding in thousands:					
basic	266,885	264,821	266,426	279,048	283,097
diluted	269,286	266,833	268,118	281,608	285,711
<i>Financial position</i>					
Long-term debt, excluding current maturities	\$ 4,547,265	\$ 5,080,025	\$ 5,747,856	\$ 2,463,250	\$ 1,306,859
Shareholders' equity	\$ 6,911,795	\$ 5,735,922	\$ 5,103,410	\$ 4,629,646	\$ 3,979,824
Total assets	\$13,733,014	\$13,096,101	\$12,980,411	\$ 9,006,446	\$ 6,979,480
Return on equity (5)	18.3%	19.3%	23.3%	23.9%(1)	28.0%(2)
<i>Percentage increase (decrease)</i>					
As reported, earnings from continuing operations, after tax, per share:					
basic	38.5%	(14.0%)	10.9%	(3.5%)(1)	41.5%(2)
diluted	38.1%	(14.0%)	11.3%	(3.6%)(1)	41.4%(2)
Comparable basis earnings from continuing operations, after tax, per share (3):					
basic	10.1%	(7.1%)	15.2%	— (1)	37.7%(2)
diluted	9.9%	(7.1%)	15.6%	(0.3%)(1)	37.6%(2)
Dividends declared per share	4.4%	4.7%	4.9%	5.1%	5.4%
<i>Credit ratios</i>					
Long-term debt to shareholders' equity	65.8%	88.6%	112.6	53.2%	32.8%
Times interest expense earned	13.2X	7.2X	8.3X	17.1X	21.3X

- (1) Includes pre-tax net non-operating gain principally from the exchange of KVUE-TV for KXTV-TV of \$55 million (after-tax gain of \$33 million or \$.11 per share).
- (2) 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).
- (3) As if Statements of Financial Accounting Standards No. 142 (SFAS No. 142) had been adopted for all periods presented – see Note 3 on page 38.
- (4) At the end of 2002, certain immaterial charges relating to sales promotions have been reclassified from cost of sales and operating expenses to a reduction of circulation revenue. The reclassification had no effect on operating income or net income for any period. Circulation revenue and cost of sales amounts in prior years have been reclassified to conform to the 2002 presentation.
- (5) Calculated using income from continuing operations on a comparable basis. See Note 3 on page 38.

## NOTES TO SELECTED FINANCIAL DATA

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

(b) During the period, the company sold or otherwise disposed of substantially all of the assets or capital stock of certain other subsidiaries and divisions of other subsidiaries which are listed on page 49.

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

### Acquisitions and dispositions 1998-2002

The growth of the company has resulted from acquisitions of businesses, as well as from internal expansion. Its significant acquisitions since the beginning of 1998 are shown below. The company has disposed of several businesses during this period, which are presented on the following page.

#### Acquisitions 1998-2002

Year acquired	Name	Location	Publication times or business
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
1999	The Reporter	Melbourne, Fla.	Weekly newspaper
	Lehigh Acres News-Star	Lehigh Acres, Fla.	Weekly newspaper
	Dealer Magazine	Reno, Nev.	Weekly magazine
	KXTV-TV	Sacramento, Calif.	Television station
	Newsquest plc	United Kingdom	Daily and weekly newspapers
	Tucker Communications, Inc.	Westchester Co., N.Y.	Weekly newspaper
	Pennypower Shopping News	Branson & Springfield, Mo.	Weekly newspaper
2000	The Pioneer Republican and other publications	Des Moines, Iowa	Weekly newspapers
	Buyers' Digest	Franklin County, Vt.	Weekly newspaper
	The Clarion	Redcar, U.K.	Weekly newspaper
	WJXX-TV	Jacksonville, Fla.	Television station
	Mason Valley News, Fernley Leader-Dayton Courier	Lyon County, Nev.	Weekly newspapers
	Brevard Technical Journal	Brevard County, Fla.	Monthly magazine
	Dickson Shoppers	Middle Tennessee	Weekly newspapers
	Greenville Parent Magazine	Greenville County, S.C.	Monthly magazine
	News Communications & Media plc	United Kingdom	Daily and weekly newspapers and other publications
	Space Coast Press	Brevard County, Fla.	Weekly newspaper
	Certain assets of Thomson Newspapers Inc.	Wisconsin, Ohio, Louisiana, Maryland, Utah	19 daily and numerous weekly newspapers
	Central Newspapers, Inc.	Arizona, Indiana, Louisiana	6 daily newspapers; other related businesses
	Daily World	Opelousas, La.	Daily newspaper
	Windsor Beacon	Windsor, Colo.	Weekly newspaper
	50+ Lifestyles and other publications	Des Moines, Iowa	Monthly magazines

(continued on following page)

**Acquisitions 1998-2002 (continued)**

<b>Year acquired</b>	<b>Name</b>	<b>Location</b>	<b>Publication times or business</b>
<b>2001</b>	Shopping News	St. Cloud, Minn.	Weekly newspaper
	Gatwick Life, Horley Life	Surrey/Sussex, U.K.	Weekly newspapers
	The Bulletin Board	Montgomery, Ala.	Weekly newspaper
	The Dimpleby Newspapers	London, U.K.	Weekly newspapers
	PMP Company Ltd.	Honolulu, Hawaii	Monthly and bi-monthly publications
	AutoChooser	Tempe, Ariz.	Software product
	Honolulu Pennysaver	Honolulu, Hawaii	Weekly newspaper
	Buy and Sell Classifieds	Honolulu, Hawaii	Bi-weekly newspapers
<b>2002</b>	Consumer Press	Great Falls, Mont.	Weekly newspaper
	Pioneer Shopper	St. George, Utah	Weekly newspaper
	Action Advertising	Fond du Lac, Wis.	Commercial printing business
	Prairie Publications	Sioux Falls, S.D.	Weekly newspapers
	Armed Forces Journal International	McLean, Va.	Magazines

**Dispositions 1998-2002**

<b>Year disposed</b>	<b>Name</b>	<b>Location</b>	<b>Publication times or business</b>
<b>1998</b>	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 (1)	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
	<b>1999</b>	The San Bernardino County Sun (2)	San Bernardino, Calif.
KVUE-TV (3)		Austin, Texas	Television station
<b>2000</b>	Multimedia Cable	Kansas, Oklahoma, North Carolina	Cable television systems
	Marin Independent Journal (2)	Marin, Calif.	Daily newspaper
	Classified Gazette (2)	San Rafael, Calif.	Semi-weekly newspaper
	Space News	Springfield, Va.	Weekly newspaper
<b>2001</b>	The Marietta Times (1)	Marietta, Ohio	Daily newspaper
	The Reporter	Lansdale, Pa.	Daily newspaper
	Ocean Springs Record and Gautier Independent	Ocean Springs, Miss.	Weekly newspapers
<b>2002</b>	Vincennes Sun-Commercial (1)	Vincennes, Ind.	Daily newspaper

(1) These properties were contributed to the Gannett Foundation, a not-for-profit, private foundation.

(2) Contributed for an equity interest in the California Newspaper Partnership.

(3) Exchanged for KXTV-TV in Sacramento, Calif.

**QUARTERLY STATEMENTS OF INCOME (Unaudited)**
*In thousands of dollars*

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

(1) At the end of 2002, certain immaterial charges relating to sales promotions have been reclassified from cost of sales and operating expenses to a reduction of circulation revenue; the reclassification had no effect on operating income or net income for any period. Circulation revenue and cost of sales amounts in prior quarters have been reclassified to conform to the fourth quarter 2002 presentation.

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

**QUARTERLY STATEMENTS OF INCOME (Unaudited)**
*In thousands of dollars*

<b>Fiscal year ended December 30, 2001</b>	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>	<b>Total</b>
<i>Net operating revenues</i>					
Newspaper advertising	\$1,020,934	\$1,057,899	\$ 988,045	\$1,052,895	\$4,119,773
Newspaper circulation (1)	301,949	294,461	295,098	296,959	1,188,467
Broadcasting	155,613	178,692	148,229	180,118	662,652
All other	85,392	84,622	75,515	83,185	328,714
<b>Total</b>	<b>1,563,888</b>	<b>1,615,674</b>	<b>1,506,887</b>	<b>1,613,157</b>	<b>6,299,606</b>
<i>Operating expenses</i>					
Cost of sales and operating expenses, exclusive of depreciation (1)	828,487	812,472	813,798	820,765	3,275,522
Selling, general and administrative expenses, exclusive of depreciation	254,738	246,324	244,308	245,102	990,472
Depreciation	53,281	51,059	50,916	47,200	202,456
Amortization of intangible assets	59,343	59,457	61,267	61,254	241,321
<b>Total</b>	<b>1,195,849</b>	<b>1,169,312</b>	<b>1,170,289</b>	<b>1,174,321</b>	<b>4,709,771</b>
<b>Operating income</b>	<b>368,039</b>	<b>446,362</b>	<b>336,598</b>	<b>438,836</b>	<b>1,589,835</b>
<i>Non-operating (expense) income</i>					
Interest expense	(80,442)	(61,728)	(48,600)	(31,084)	(221,854)
Other	448	528	530	1,110	2,616
<b>Total</b>	<b>(79,994)</b>	<b>(61,200)</b>	<b>(48,070)</b>	<b>(29,974)</b>	<b>(219,238)</b>
Income before income taxes	288,045	385,162	288,528	408,862	1,370,597
Provision for income taxes	113,500	151,700	113,700	160,500	539,400
<b>Net income</b>	<b>\$ 174,545</b>	<b>\$ 233,462</b>	<b>\$ 174,828</b>	<b>\$ 248,362</b>	<b>\$ 831,197</b>
<b>Net income per share — basic</b>	<b>\$ .66</b>	<b>\$ .88</b>	<b>\$ .66</b>	<b>\$ .94</b>	<b>\$ 3.14</b>
<b>Net income per share — diluted (2)</b>	<b>\$ .66</b>	<b>\$ .88</b>	<b>\$ .66</b>	<b>\$ .93</b>	<b>\$ 3.12</b>

(1) At the end of 2002, certain immaterial charges relating to sales promotions have been reclassified from cost of sales and operating expenses to a reduction of circulation revenue; the reclassification had no effect on operating income or net income for any period. Circulation revenue and cost of sales amounts in prior years have been classified to conform to the 2002 presentation.

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

**SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS AND RESERVES**
*In thousands of dollars*

	<b>Balance at beginning of period</b>	<b>Additions charged to cost and expenses</b>	<b>Additions/(reductions) for acquisitions/dispositions</b>	<b>Deductions from reserves (1)</b>	<b>Balance at end of period</b>
<b>Allowance for doubtful receivables</b>					
Fiscal year ended Dec. 29, 2002	\$39,138	\$22,097	\$ (93)	\$(24,532)	\$36,610
Fiscal year ended Dec. 30, 2001	\$37,465	\$32,891	\$ (361)	\$(30,857)	\$39,138
Fiscal year ended Dec. 31, 2000	\$30,694	\$28,072	\$10,456	\$(31,757)	\$37,465

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

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

Not applicable.

## PART III

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

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

**Thomas L. Chapple**

Senior Vice President, General Counsel and Secretary (1995-present). Age 55.

**Richard L. Clapp**

Senior Vice President, Human Resources (1995-present). Age 62.

**Thomas Curley**

Senior Vice President, Administration, Gannett, and President and Publisher, USA TODAY (1998-present). Formerly: President and Publisher, USA TODAY (1991-1998). Age 54.

**Paul Davidson**

Chief Executive, Newsquest (2001-present). Formerly: Group Managing Director (1995-2001). Age 48. U.K. citizen.

**Craig A. Dubow**

President and CEO, Gannett Broadcasting (2001-present). Formerly: President, Gannett Television (2000-2001); Executive Vice President, Gannett Television (1996-2000). Age 48.

**Daniel S. Ehrman, Jr.**

Vice President, Planning & Development (1997-present). Age 56.

**Millicent A. Feller**

Senior Vice President, Public Affairs and Government Relations (1991-present). Age 55.

**George R. Gavagan**

Vice President and Controller (1997-present). Formerly: Vice President, Corporate Accounting Services (1993-1997). Age 56.

**John B. Jaske**

Senior Vice President, Labor Relations and Assistant General Counsel (1992-present). Age 58.

**Gracia C. Martore**

Senior Vice President and Chief Financial Officer (2003-present). Formerly: Senior Vice President, Finance and Treasurer (2001-2002); Treasurer and Vice President, Investor Relations (1998-2001); Vice President, Treasury Services and Investor Relations (1996-1998). Age 51.

**Douglas H. McCorkindale**

Chairman, President and Chief Executive Officer (2001-present). Formerly: President, Chief Executive Officer and Vice Chairman (2000-January, 2001); Vice Chairman and President (1997-2000); Vice Chairman and Chief Financial and Administrative Officer (1985-1997). Age 63.

**Larry F. Miller**

Executive Vice President, Operations (2003-present). Formerly: Executive Vice President, Operations, and Chief Financial Officer (2001-2002); Executive Vice President and Chief Financial Officer (1997-2001); Senior Vice President, Financial Planning and Controller (1991-1997). Age 64.

**Gary L. Watson**

President, Gannett Newspaper Division (1990-present). Age 57.

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

## **ITEM 11. EXECUTIVE COMPENSATION**

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

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

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

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

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

## **ITEM 14. CONTROLS AND PROCEDURES**

Based on their evaluation as of a date within 90 days of the filing of this Form 10-K, the company's Chairman, President and Chief Executive Officer and Senior Vice President and Chief Financial Officer have concluded the company's disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that the company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. There have been no significant changes in the company's internal controls or in other factors that could significantly affect those controls subsequent to the date of their evaluation.

## **PART IV**

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

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

(1) Financial Statements.

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

(2) Financial Statement Schedules.

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

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

(3) Pro Forma Financial Information.

Not Applicable.

(4) Exhibits.

See Exhibit Index on page 57 for list of exhibits filed with this Form 10-K. Management contracts and compensatory plans or arrangements are identified with asterisks on the Exhibit Index.

(b) Reports on Form 8-K.

None.



**SIGNATURES**

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

Dated: February 25, 2003

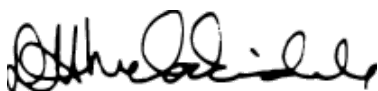
GANNETT CO., INC. (Registrant)

By: 

\_\_\_\_\_  
Gracia C. Martore,  
Senior Vice President  
and Chief Financial Officer

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

Dated: February 25, 2003



\_\_\_\_\_  
Douglas H. McCorkindale,  
Director, Chairman, President  
and Chief Executive Officer

Dated: February 25, 2003



\_\_\_\_\_  
Gracia C. Martore,  
Senior Vice President  
and Chief Financial Officer

Dated: February 25, 2003



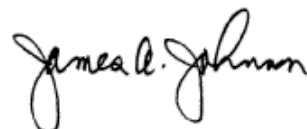
\_\_\_\_\_  
H. Jesse Arnelle, Director

Dated: February 25, 2003



\_\_\_\_\_  
Meredith A. Brokaw, Director

Dated: February 25, 2003



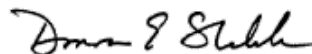
\_\_\_\_\_  
James A. Johnson, Director

Dated: February 25, 2003



\_\_\_\_\_  
Stephen P. Munn, Director

Dated: February 25, 2003



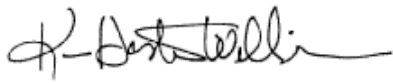
\_\_\_\_\_  
Donna E. Shalala, Director

Dated: February 25, 2003



\_\_\_\_\_  
Solomon D. Trujillo, Director

Dated: February 25, 2003



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Karen Hastie Williams, Director

## CERTIFICATIONS

I, Douglas H. McCorkindale, certify that:

1. I have reviewed this annual report on Form 10-K of Gannett Co., Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 18, 2003



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Douglas H. McCorkindale  
Chairman, President and  
Chief Executive Officer

I, Gracia C. Martore, certify that:

1. I have reviewed this annual report on Form 10-K of Gannett Co., Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 18, 2003



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Gracia C. Martore  
Senior Vice President and  
Chief Financial Officer

## EXHIBIT INDEX

Exhibit Number	Exhibit	Location
3-1	Second Restated Certificate of Incorporation of Gannett Co., Inc.	Incorporated by reference to Exhibit 3-1 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 26, 1993 ("1993 Form 10-K"). Amendment incorporated by reference to Exhibit 3-1 to the 1993 Form 10-K. Amendment dated May 2, 2000, incorporated by reference to Gannett Co., Inc.'s Form 10-Q for the fiscal quarter ended March 26, 2000.
3-2	By-laws of Gannett Co., Inc. (reflects all amendments through July 23, 2002).	Incorporated by reference to Exhibit 3-2 to Gannett Co., Inc.'s Form 10-Q for the fiscal quarter ended June 30, 2002.
4-1	Indenture dated as of March 1, 1983 between Gannett Co., Inc. and Citibank, N.A., as Trustee.	Incorporated by reference to Exhibit 4-2 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 29, 1985.
4-2	First Supplemental Indenture dated as of November 5, 1986 among Gannett Co., Inc., Citibank, N.A., as Trustee, and Sovran Bank, N.A., as Successor Trustee.	Incorporated by reference to Exhibit 4 to Gannett Co., Inc.'s Form 8-K filed on November 9, 1986.
4-3	Second Supplemental Indenture dated as of June 1, 1995, among Gannett Co., Inc., NationsBank, N.A., as Trustee, and Crestar Bank, as Trustee.	Incorporated by reference to Exhibit 4 to Gannett Co., Inc.'s Form 8-K filed on June 15, 1995.
4-4	Rights Plan.	Incorporated by reference to Exhibit 1 to Gannett Co., Inc.'s Form 8-K filed on May 23, 1990. Amendment incorporated by reference to Gannett Co., Inc.'s Form 8-K filed on May 2, 2000.
4-5	\$3,000,000,000 Competitive Advance and Revolving Credit Agreement among Gannett Co., Inc. and the Banks named therein.	Incorporated by reference to Exhibit 4-10 to Gannett Co., Inc.'s Form 10-Q filed on August 9, 2000.
4-6	Amendment Number One to \$3,000,000,000 Competitive Advance and Revolving Credit Agreement among Gannett Co., Inc. and the Banks named therein.	Incorporated by reference to Exhibit 4-11 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 31, 2000.
4-7	Amendment Number Two to \$3,000,000,000 Competitive Advance and Revolving Credit Agreement among Gannett Co., Inc. and the Banks named therein.	Incorporated by reference to Exhibit 4-12 to Gannett Co., Inc.'s Form 10-Q for the quarter ended July 2, 2001.
4-8	Form of 4.950% Note due 2005.	Incorporated by reference to Exhibit 4.13 to Gannett Co., Inc.'s Form 8-K filed on March 14, 2002.

4-9	Form of 5.500% Note due 2007.	Incorporated by reference to Exhibit 4.14 to Gannett Co., Inc.'s Form 8-K filed on March 14, 2002.
4-10	Form of 6.375% Note due 2012.	Incorporated by reference to Exhibit 4.15 to Gannett Co., Inc.'s Form 8-K filed on March 14, 2002.
4-11	Third Supplemental Indenture, dated as of March 14, 2002, between Gannett Co., Inc. and Wells Fargo Bank Minnesota, N.A., as Trustee.	Incorporated by reference to Exhibit 4.16 to Gannett Co., Inc.'s Form 8-K filed on March 14, 2002.
4-12	Competitive Advance and Revolving Credit Agreement dated as of March 11, 2002, among Gannett Co., Inc., the several lenders from time to time parties thereto, Bank of America, N.A., as Administrative Agent, JP Morgan Chase Bank and Bank One NA, as Co-Syndication Agents, and Barclays Bank PLC, as Documentation Agent (the "2002 Credit Agreement").	Incorporated by reference to Exhibit 10.11 to Gannett Co., Inc.'s Form 8-K filed on March 14, 2002.
4-13	First Amendment, dated as of February 28, 2003 and effective as of March 17, 2003 to the 2002 Credit Agreement.	Attached.
10-3	Gannett Co., Inc. 1978 Executive Long-Term Incentive Plan.*	Incorporated by reference to Exhibit 10-3 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 28, 1980. Amendment No. 1 incorporated by reference to Exhibit 20-1 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 27, 1981. Amendment No. 2 incorporated by reference to Exhibit 10-2 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 25, 1983. Amendments Nos. 3 and 4 incorporated by reference to Exhibit 4-6 to Gannett Co., Inc.'s Form S-8 Registration Statement No. 33-28413 filed on May 1, 1989. Amendments Nos. 5 and 6 incorporated by reference to Exhibit 10-8 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 31, 1989. Amendment No. 7 incorporated by reference to Gannett Co., Inc.'s Form S-8 Registration Statement No. 333-04459 filed on May 24, 1996. Amendment No. 8 incorporated by reference to Exhibit 10-3 to Gannett Co., Inc.'s Form 10-Q for the quarter ended September 28, 1997. Amendment dated December 9, 1997, incorporated by reference to Gannett Co., Inc.'s 1997 Form 10-K. Amendment No. 9 incorporated by reference to Exhibit 10-3 to Gannett Co., Inc.'s Form 10-Q for the quarter ended June 27, 1999. Amendment No. 10 incorporated by reference to Exhibit 10-3 to Gannett Co., Inc.'s Form 10-Q for the quarter ended June 25, 2000. Amendment No. 11 incorporated by reference to Exhibit 10-3 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 31, 2000.
10-4	Description of supplemental insurance benefits.*	Attached.
10-5	Gannett Supplemental Retirement Plan Restatement dated February 1, 2003.*	Attached.

10-6	Gannett Co., Inc. Retirement Plan for Directors.*	Incorporated by reference to Exhibit 10-10 to the 1986 Form 10-K. 1991 Amendment incorporated by reference to Exhibit 10-2 to Gannett Co., Inc.'s Form 10-Q for the quarter ended September 29, 1991. Amendment to Gannett Co., Inc. Retirement Plan for Directors dated October 31, 1996, incorporated by reference to Exhibit 10-6 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 29, 1996.
10-7	Gannett Co., Inc. Deferred Compensation Plan Restatement dated February 1, 2003.*	Attached.
10-8	Gannett Co., Inc. Transitional Compensation Plan.*	Incorporated by reference to Exhibit 10-8 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 30, 2001. Amendment dated December 3, 2002 attached.
10-9	Employment Agreement dated January 1, 2001 between Gannett Co., Inc. and Douglas H. McCorkindale.*	Incorporated by reference to Exhibit 10-9 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 31, 2000.
10-10	Omnibus Incentive Compensation Plan.*	Incorporated by reference to Exhibit No. 4 to Gannett Co., Inc.'s Registration Statement on Form S-8 (Registration No. 333- 60402). Amendment No. 1 incorporated by reference to Exhibit 10-10 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 30, 2001.
10-11	Gannett Co., Inc. Savings-Related Share Option Scheme for Employees of Gannett U.K. Limited and its Subsidiaries.*	Attached.
10-12	Gannett U.K. Limited Share Incentive Plan.*	Attached.
21	Subsidiaries of Gannett Co., Inc.	Attached.
23	Consent of Independent Accountants.	Attached.
99-1	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Attached.
99-2	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Attached.

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

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

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

## GLOSSARY OF FINANCIAL TERMS

Presented below are definitions of certain key financial and operational terms that we hope will enhance your reading and understanding of Gannett's 2002 Form 10-K.

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

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

**BROADCASTING REVENUES** - Primarily amounts charged to customers for commercial advertising aired on the company's television stations (as well as radio stations prior to 1999).

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

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

**COMPARABLE BASIS** - The company's operating results stated as if Statement of Financial Accounting Standard No. 142 "Goodwill and Other Intangible Assets" had been adopted at the beginning of 1997. See further discussion of accounting change on page 18 and Note 3 on page 38.

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

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

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

**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 OPERATIONS** - 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.

**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.

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

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

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

**OPERATING CASH FLOW** - 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 (i.e., results are compared for all periods but only for businesses presently owned).

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

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

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

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

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

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



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

FIRST AMENDMENT

FIRST AMENDMENT, dated as of February 26, 2003 and effective as of March 17, 2003 (this "Amendment"), to the Competitive Advance and Revolving Credit Agreement, dated as of March 11, 2002 and effective as of March 18, 2002 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among GANNETT CO., INC., a Delaware corporation ("Gannett"), the several banks and other financial institutions parties to the Credit Agreement prior to the date hereof (the "Existing Lenders"), the several banks and other financial institutions parties to this Amendment but not parties to the Credit Agreement prior to the date hereof (the "New Lenders" and, together with the Existing Lenders, the "Lenders") BANK OF AMERICA, N.A., as administrative agent (in such capacity, the "Administrative Agent"), JPMORGAN CHASE BANK and BANK ONE, NA, as co-syndication agents, and BARCLAYS BANK PLC, as Documentation Agent .

WITNESSETH:

WHEREAS, Gannett has requested certain amendments to the Credit Agreement;

WHEREAS, the parties are willing to consent to the requested amendments on the terms and conditions contained herein;

NOW THEREFORE, the parties hereto hereby agree as follows:

1. Defined Terms. Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

2. Amendment to Section 1.1. Section 1.1 of the Credit Agreement is hereby amended by deleting therefrom the definition of "364-Day Termination Date" and substituting in lieu thereof the following definition:

"364-Day Termination Date": the date which is 364 days after March 17, 2003; provided that if such date is not a Business Day, the 364-Day Termination Date shall be the Business Day immediately preceding such date.

3. Amendment to Section 1.1. Section 1.1 of the Credit Agreement is further amended by deleting therefrom the definition of "364-Day Commitment Period" and substituting in lieu thereof the following definition:

"364-Day Commitment Period": the period from and including March 17, 2003 to the 364-Day Termination Date.

4. Amendment to Schedule 1.1. Schedule 1.1 to the Credit Agreement is hereby amended by deleting the columns entitled "Lender" and "364-Day Commitment" where they appear in such Schedule and substituting in lieu thereof the columns entitled "Lender" and "364-Day Commitment" set forth on Schedule 1.1 attached hereto.

5. Amendment to Section 9.6(c). Section 9.6(c) is amended by deleting the first sentence and substituting in lieu thereof, the following sentence:

"Any Lender other than any Conduit Lender (an "Assignor") may, in accordance with applicable law, at any time and from time to time assign to any Lender or, with the consent of Gannett and the Administrative Agent (which, in each case, shall not be unreasonably withheld, delayed or conditioned; it being understood that Gannett's consent shall not be considered to be unreasonably withheld, delayed or conditioned if Gannett withholds, delays or conditions its consent because, among other factors, it is concerned about a potential Assignee's capital adequacy, liquidity or ability to perform its obligations under this Agreement), to any Lender

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Affiliate, an additional bank, financial institution or other entity (an “Assignee”) all or any part of its rights and obligations under this Agreement pursuant to an Assignment and Acceptance, executed by such Assignee, such Assignor and any other Person whose consent is required pursuant to this paragraph, and delivered to the Administrative Agent for its acceptance and recording in the Register; provided that, unless otherwise agreed by Gannett and the Administrative Agent, no such assignment to an Assignee (other than any Lender or any Lender Affiliate) shall be in an aggregate principal amount of less than \$10,000,000, in each case except in the case of an assignment of all of a Lender’s interests under this Agreement.”

6. Effectiveness. This Amendment shall become effective as of the date on which all of the following conditions precedent have been satisfied:

- (a) The Administrative Agent shall have received (i) counterparts hereof duly executed by Gannett and the Administrative Agent and (ii) an executed consent letter from each Existing Lender (other than any Existing Lender which is an Exiting Lender (as defined below)) and each New Lender authorizing the Administrative Agent to enter into this Amendment;
- (b) The Lenders shall have received (i) audited consolidated financial statements (the “Annual Financials”) of Gannett for the most recent fiscal year ended prior to the date hereof as to which such financial statements are available and (ii) unaudited interim consolidated financial statements (the “Quarterly Financials”) of Gannett for each quarterly period ended subsequent to the date of the latest financial statements delivered pursuant to clause (i) of this paragraph (b) as to which such financial statements are available;
- (c) The Administrative Agent shall have received a certificate from the Secretary of Gannett certifying, as of the date of this Amendment, to resolutions duly adopted by the Board of Directors of Gannett or a duly authorized committee thereof authorizing Gannett’s execution and delivery of this Amendment and the making of the Borrowings; and
- (d) The Lenders and the Administrative Agent shall have received all fees required to be paid on or before the date hereof in connection with this Amendment or the Credit Agreement.

7. Representations and Warranties. Gannett hereby represents and warrants on and as of the date hereof that, after giving effect to this Amendment:

- (a) No Default or Event of Default has occurred and is continuing;
- (b) Each of the representations and warranties of Gannett in the Credit Agreement and this Amendment is true and correct in all material respects, as if made on and as of the date hereof; and
- (c) The Annual Financials and the Quarterly Financials (including the related notes) fairly present Gannett’s consolidated financial condition as of their respective dates and the consolidated results of the operations of Gannett and its Subsidiaries for the periods then ended, and have been prepared in accordance with GAAP. Gannett and its Subsidiaries have no Material liabilities as of December 30, 2001 not reflected in the consolidated balance sheet as of December 30, 2001 or the related notes as of said date, and from that date to the date hereof there has been no Material change in the business or financial condition of Gannett and its Subsidiaries taken as a whole which has not been publicly disclosed.

8. New Lenders. By executing this Amendment, each New Lender:

- (a) Agrees to be bound by the provisions of the Credit Agreement, and agrees that it shall, on the date of this Amendment, become a “Lender” (as defined in the Credit Agreement) for all purposes of the Credit Agreement to the same extent as if originally a party thereto; and
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(b)(i) Represents and warrants that it is legally authorized to enter into this Amendment; (ii) confirms that it has received a copy of the Credit Agreement, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Amendment; (iii) agrees that it has made and will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement or any instrument or document furnished pursuant hereto or thereto; (iv) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement or any instrument or document furnished pursuant hereto or thereto as are delegated to the Administrative Agent by the terms thereof, together with such powers as are incidental thereto; and (v) agrees that it will be bound by the provisions of the Credit Agreement and will perform in accordance with its terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender including, without limitation, if it is organized under the laws of a jurisdiction outside the United States, its obligation pursuant to Section 2.15(d) of the Credit Agreement.

9. Exiting 364-Day Lenders. The 364-Day Commitment of each Lender whose name does not appear on Schedule 1.1 attached hereto (the “Exiting Lender”) will terminate on the date hereof upon repayment in full of all amounts, if any, owing to it under the Credit Agreement on the date hereof. On the date hereof, if necessary, Gannett shall effect such borrowings and repayments among the 364-Day Lenders (which, notwithstanding the provisions of subsection 2.13 of the Credit Agreement, need not be pro rata among the 364-Day Lenders) so that, after giving effect thereto, the respective principal amounts of the 364-Day Loans held by the 364-Day Lenders shall be pro rata according to their respective 364-Day Commitment Percentages, as amended hereby (Gannett being obligated to pay the amounts, if any, due pursuant to subsection 2.16 of the Credit Agreement in connection with such prepayments).

10. Continuing Effect. Except as expressly amended hereby, the Credit Agreement shall continue to be and shall remain in full force and effect in accordance with its terms. From and after the date hereof, all references in the Credit Agreement thereto shall be to the Credit Agreement as amended hereby.

11. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Amendment by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

12. Headings. Section headings used in this Amendment are for convenience of reference only, are not part of this Amendment and are not to affect the constructions of, or to be taken into consideration in interpreting, this Amendment.

13. GOVERNING LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

14. Expenses. Gannett agrees to pay or reimburse the Administrative Agent for all of its reasonable out-of-pocket costs and expenses incurred in connection with the preparation, negotiation and execution of this Amendment, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their duly authorized officers as of the date first written above.

GANNETT CO., INC.

By: /s/ Michael A. Hart

Name: Michael A. Hart

Title: Vice President & Treasurer

BANK OF AMERICA, N.A., as Administrative Agent

By: /s/ Thomas J. Kane

Name: Thomas J. Kane

Title: Principal

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<u>LENDER</u>	<u>364-DAY COMMITMENT</u>
BANK OF AMERICA, N.A.	\$150,000,000
JPMORGAN CHASE BANK	\$150,000,000
BANKONE, NA	\$150,000,000
BARCLAYS BANK PLC	\$150,000,000
CITIBANK N.A.	\$75,000,000
SUNTRUST BANK	\$75,000,000
BANK OF TOKYO-MITSUBISHI TRUST CO.	\$75,000,000
HSBC BANK USA	\$50,000,000
LLOYDS TSB BANK PLC	\$50,000,000
THE NORTHERN TRUST COMPANY	\$40,000,000
FIFTH THIRD BANK	\$37,500,000
WELLS FARGO BANK, NATIONAL ASSOCIATION	\$37,500,000
FLEET NATIONAL BANK	\$37,500,000
U.S. BANK NATIONAL ASSOCIATION	\$37,500,000
BANK OF HAWAII	\$25,000,000
UFJ BANK LIMITED	\$25,000,000
MELLON BANK, N.A.	\$12,500,000
ASSOCIATED BANK, NATIONAL ASSOCIATION	\$10,000,000
HIBERNIA NATIONAL BANK	\$10,000,000
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	\$1,197,500,000

**Description of Supplemental Insurance Benefits**

The Company provides life insurance coverage equal to two times salary and most recent bonus, plus \$200,000 to certain executives and \$300,000 to certain executives of the Company who are also on its Board of Directors. The Company provides additional travel accident insurance equal to three times salary and most recent bonus to certain executives, beyond the coverage provided to other employees. The Company provides additional health coverage to certain executives with a maximum annual benefit of up to \$25,000 per executive family.

GANNETT SUPPLEMENTAL RETIREMENT PLAN

Restatement dated February 1, 2003  
(Reflecting all amendments through December 3, 2002)

ARTICLE ONE

Definitions

- 1.1 “Plan” means this Gannett Supplemental Retirement Plan.
- 1.2 “Funded Plan” means the Gannett Retirement Plan as it may pertain to a particular Employee.
- 1.3 “Company” means Gannett Co., Inc. or any successor to its business and/or assets which assumes the Plan by operation of law or otherwise.
- 1.4 “Board” means the Board of Directors of the Company.
- 1.5 “Committee” means the Gannett Benefit Plans Committee.
- 1.6 “Effective Date” means January 1, 1978. The effective date of this restatement is February 1, 2003.
- 1.7 “Employee” means any employee of the Company who (1) is paid through the Company’s headquarters payroll system, operating as of the date of this restatement in Arlington, Virginia (“Corporate Payroll”), (2) is within “a select group of management or highly compensated employees” as this term is used in Title I of ERISA and (3) is designated by the Company’s Benefit Plans Committee as being an eligible participant in the Plan and listed on Appendix A, B or C.
- 1.8 “Monthly Benefit” means:
- for an Employee who began participating in the Plan on or before January 1, 1998 and who is listed in Appendix A, the Employee’s monthly benefit, expressed as a single life annuity payable for the Employee’s life, calculated using the formula set forth in Article VI of the Funded Plan but ignoring the benefit limitations in the Funded Plan required by Code Section 415 or the limitations on an Employee’s compensation under Code Section 401(a)(17) and taking into account all amounts deferred under the Gannett Co., Inc. Deferred Compensation Plan.
  - for an Employee who began participating in the Plan after January 1, 1998 and who is listed in Appendix A, the Employee’s monthly benefit, expressed as a
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single life annuity payable for the Employee's life, calculated using the formula under Article VI or Article VIA, whichever is used to calculate the Employee's benefit under the Funded Plan, but ignoring the benefit limitations in the Funded Plan required by Code Section 415 or the limitations on an Employee's compensation under Code Section 401(a)(17) and taking into account all amounts deferred under the Gannett Co., Inc. Deferred Compensation Plan.

- for an Employee who began participating in the Plan after January 1, 1998 and who is listed in Appendix B, the Employee's monthly benefit, expressed as a single life annuity payable for the Employee's life, calculated using the formula set forth in Article VI of the Funded Plan but ignoring the benefit limitations in the Funded Plan required by Code Section 415 or the limitations on an Employee's compensation under Code Section 401(a)(17) and taking into account all amounts deferred under the Gannett Co., Inc. Deferred Compensation Plan.
- for an Employee who formerly participated in the Central Newspapers, Inc. Retirement Plan (the "CNI Plan") and who is listed in Appendix C, the Employee's monthly benefit, expressed as a single life annuity payable for the Employee's life, calculated using the pension equity formula applicable to such Employee under the Funded Plan, but ignoring the benefit limitations in the Funded Plan required by Code Section 415 or the limitations on an Employee's compensation under Code Section 401(a)(17) and taking into account salary and bonuses deferred under the Gannett Co., Inc. Deferred Compensation Plan. Notwithstanding the foregoing, if the Employee's benefit under the Funded Plan is calculated using a grandfathered CNI Plan pension formula set forth in the Appendix to the Funded Plan, the Employee's "Monthly Benefit" under this Plan will be calculated in accordance with Exhibit A.

Notwithstanding the foregoing, prior to a Change in Control, for purposes of calculating a particular Employee's Monthly Benefit, the Board, or a committee of the Board acting on its behalf, may adjust an Employee's earnings, years of service or other factor used in calculating the Employee's Monthly Benefit in any manner the Board or such committee deems appropriate, provided such adjustment is memorialized in writing and provided that in no event will any such adjustment result in a reduction of the benefit accrued by the Employee as of the date the adjustment is made. The Board, or a committee of the Board acting on its behalf, may make such adjustment solely for a specified Employee or group of Employees and without regard to how other Employees are treated. No adjustments may be made pursuant to this provision following a Change in Control.

1.9 "Normal Retirement Date" and "Early Retirement Date" mean the relevant dates in the Funded Plan as they apply to a particular Employee.

- 1.10 “Code” means the Internal Revenue Code of 1986, as amended, and regulations thereunder.
- 1.11 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and regulations thereunder.
- 1.12 A “Change in Control” means the first to occur of the following:
- (i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the “Exchange Act”)) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (x) the then-outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (y) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that, for purposes of this Section, the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or one of its affiliates or (D) any acquisition pursuant to a transaction that complies with clauses (x), (y) and (z) of subparagraph (iii) below;
  - (ii) individuals who, as of January 1, 2003, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to such date whose election or nomination for election by the Company’s stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;
  - (iii) consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a “Business Combination”), in each case, unless, following such Business Combination, (x) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than

50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation or entity resulting from such Business Combination (including, without limitation, a corporation or entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (y) no Person (excluding any employee benefit plan (or related trust) of the Company or any corporation or entity resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation or entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation or entity, except to the extent that such ownership existed prior to the Business Combination, and (z) at least a majority of the members of the board of directors of the corporation or entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

- (iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

No Employee who participates in any group conducting a management buyout of the Company under the terms of which the Company ceases to be a public company may claim that such buyout is a Change in Control under this Plan for purposes of accelerating such Employee's vesting under this Plan.

1.13 "Cause" means:

- (i) any material misappropriation of funds or property of the Company or its affiliate by the Employee;
- (ii) unreasonable and persistent neglect or refusal by the Employee to perform his or her duties which is demonstrably willful and deliberate on the Employee's part, which is committed in bad faith or without reasonable belief that such breach is in the best interests of the Company and which is not remedied in a reasonable period of time after receipt of written notice from the Company specifying such breach; or
- (iii) conviction of the Employee of a felony involving moral turpitude.

Notwithstanding the foregoing, an Employee shall not be deemed to have been terminated for Cause after a Change in Control unless and until there shall have been delivered to the Employee a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the entire membership of the Board at a meeting of the Board (after reasonable notice to the Employee and an opportunity for the Employee, together with his or her counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Employee was guilty of conduct set forth above in this definition and specifying the particulars thereof in detail.

1.14 “Good Reason” means the occurrence after a Change in Control of any of the following circumstances without the Employee’s express written consent, unless such circumstances are fully corrected prior to the date of termination specified in the Notice of Termination given in respect thereof:

- (i) the assignment to the Employee of any duties inconsistent in any respect with his or her position (including status, offices, titles and reporting requirements), authority or responsibilities immediately prior to the Change in Control, or any other diminution in such position, authority or responsibilities, (whether or not occurring solely as a result of the Company becoming a subsidiary or a division of another entity or ceasing to be a publicly traded entity), excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and that is remedied by the Company or its affiliate promptly after receipt of notice thereof given by the Employee;
- (ii) a reduction by the Company or its affiliate in the Employee’s compensation and/or other benefits or perquisites as in effect on the date immediately prior to the Change in Control;
- (iii) the relocation of the Employee’s office from the location at which the Employee is principally employed immediately prior to the date of the Change in Control to a location 20 or more miles farther from the Employee’s residence immediately prior to the Change in Control, or the Company’s requiring the Employee to be based anywhere other than the Company’s offices at such location, except for required travel on the Company’s business to an extent substantially consistent with the Employee’s business travel obligations prior to the Change in Control;
- (iv) the failure by the Company or its affiliate to pay to the Employee any portion of the Employee’s compensation or to pay to the Employee any deferred compensation due under any deferred compensation or similar program of the Company or its affiliate within seven days of the date such payment is due;
- (v) the failure by the Company or its affiliate to continue in effect this Plan or any other compensation, benefit or perquisite plan or policy in which the

Employee participated immediately prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan or policy) has been made with respect to such plan or policy, or the failure by the Company or its affiliate to continue the Employee's participation therein (or in such substitute or alternative plan or policy), in each case, on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Employee's participation relative to other participants, as existed at the time of the Change in Control;

- (vi) (A) the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform the Plan, as required by Section 8.3, or (B) if the business of the Company for which the Employee's services are principally performed is sold at any time within 24 months after a Change in Control, the purchaser shall fail to provide the Employee with the same or a comparable position, duties, salary, bonus, benefits and perquisites as provided to the Employee by the Company immediately prior to the Change in Control;
- (vii) any refusal by the Company (or its affiliate) to continue to allow the Employee to attend to matters or engage in activities not directly related to the business of the Company that, prior to the Change in Control, the Employee was permitted to attend to or engage in; or
- (viii) any purported termination of the Employee's employment by the Company that is not effected pursuant to a Notice of Termination satisfying the requirements of the Plan.

For purposes of this definition, and notwithstanding any provision of the Plan to the contrary, any good faith determination of "Good Reason" made by the Employee shall be conclusive.

An Employee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

1.15 "Notice of Termination" means a written notice that (i) indicates the specific termination provision in the Plan relied upon, and (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated. The failure by the Employee or the Company to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Good Reason or Cause shall not waive any right of the Employee or the Company hereunder or preclude the Employee or the Company from asserting such fact or circumstance in enforcing the Employee's or the Company's rights hereunder.

1.16 "Independent Fiduciary" means the person or persons designated as such in Section 6.8 of the Plan.

1.17 “Rabbi Trust” means a trust or sub-trust established pursuant to Section 4.4 of the Plan.

ARTICLE TWO

Purpose of Plan

2.1 The purpose of this Plan is to provide supplemental retirement benefits on an unfunded basis to certain highly compensated employees.

ARTICLE THREE

Eligibility and Vesting

3.1 All Employees shall be eligible to participate in this Plan. The Benefit Plans Committee has full discretionary authority to add or delete individuals from participation in this Plan by amending Appendix A, B or C. If an individual’s name is removed from Appendix A, B or C, such individual shall have no rights to benefits under this Plan except for those benefits that have vested as of the date of removal or that will vest in the future, including benefits that will vest pursuant to the last paragraph of Section 4.2.

Plan benefits that a participant has accrued through December 31, 2002 shall vest pursuant to the same vesting schedule and vesting terms and conditions as are in effect from time to time under the Funded Plan. An individual who is a Plan participant as of December 31, 2002 shall not vest in any Plan benefit that is earned after December 31, 2002 until the date that the participant attains age 55 and is fully vested under the Funded Plan (i.e., the participant completes 5 years of service under the Funded Plan). Additionally, any individual who becomes a Plan participant on or after January 1, 2003 shall not vest in any Plan benefit until the date that the participant attains age 55 and is fully vested under the Funded Plan. In applying these rules and for purposes of calculating the Plan benefit that a participant has accrued through December 31, 2002, in the event that a participant vests in the benefit he has accrued as of December 31, 2002 but does not vest in any further Plan benefit, the maximum Plan benefit payable to the participant shall not exceed his benefit calculated under Article Four as of December 31, 2002, taking into account service and compensation through that date and not thereafter.

ARTICLE FOUR

Benefits

- 4.1 The Company shall pay the benefits due under this Plan commencing within 30 days of retirement, disability, death or any other event that entitles an Employee or the Employee's beneficiary to receive benefits under the Funded Plan. Notwithstanding the foregoing, no benefits shall commence prior to the date an Employee attains or would have attained Early Retirement Age under the Funded Plan.
- 4.2 The benefit payable under this Plan is determined by (i) calculating the Employee's Monthly Benefit and (ii) subtracting from such monthly amount the actual benefit to which the Employee is entitled under the Funded Plan. For purposes of calculating the offset under subsection (ii), if the Employee's benefit is determined under Article VIA of the Funded Plan, it shall be converted to an actuarially equivalent single life annuity, determined as follows:
- For those Employees who retire directly from active employment on or after their earliest Early Retirement Date, the Employee's benefit under the Funded Plan shall be converted to a single life annuity payable immediately at the Employee's retirement date.
  - For deferred vested Employees, the Employee's benefit under the Funded Plan shall be converted to a single life annuity payable at age 65.

To the extent that the amount of an Employee's monthly benefit under the Funded Plan is increased or decreased (due, e.g., to a change in the Code Section 401(a)(17) or 415 limits or otherwise), the amount payable from this Plan shall increase or decrease accordingly.

Notwithstanding the foregoing, an Employee's monthly benefit calculations under subsections (i) and (ii) above shall not take into account any of his or her service with Army Times, Asbury Park, Multimedia or their related businesses prior to the date that the Employee transfers to the Company's Corporate Payroll.

Except for those Employees who participated in the Central Newspapers, Inc. Unfunded Supplemental Retirement Plan (the "CNI SERP"), an Employee's monthly benefit calculations under subsections (i) and (ii) above shall not take into account any of the Employee's service or compensation earned before August 1, 2000 with Central Newspapers, Inc., or any entity that was a member of such company's controlled group before such date. For those Employees who participated in the CNI SERP, the monthly benefit calculations under subsections (i) or (ii) above shall not take into account any of the Employee's service or compensation prior to January 1, 1994.

If an Employee leaves the Company's Corporate Payroll, no further benefits shall accrue under this Plan, provided that service within the Company's controlled group will count for purposes of determining the vested portion of the benefit accrued to the date an Employee leaves the Company's Corporate Payroll.

- 4.3 The benefit payable under this Plan shall be payable in the same form as the form in which benefits are payable to the Employee under the Funded Plan, except that benefits under this Plan shall not be payable in the form of a "lump sum" distribution. If no timely election is made, or a timely election is not possible at the time benefits become payable (e.g., due to the death of a contingent annuitant or a change in marital status), the benefit payable to a single Employee will be paid in the form of a single life annuity and the benefit payable to a married Employee will be paid in the form of a joint and 100 percent spousal survivor annuity. In the case of a contingent annuitant annuity or any option other than a life-only annuity, the amount of the benefit shall be actuarially reduced to reflect that form of payment.

If an Employee's benefit commences prior to his or her Normal Retirement Date, the benefit from this Plan shall be reduced in the same manner as provided for in the Funded Plan. If an Employee dies after becoming vested but before the Employee's benefit commences, a spouse, if surviving, shall be entitled to receive a monthly lifetime benefit equal to the benefit that would have been received had the Employee terminated employment on his or her date of death and retired on the first day of the month on or following the later of the Employee's date of death or the date that would have been the Employee's earliest Early Retirement Date, and elected a 100 percent spousal survivor annuity, and then died.

Any actuarial adjustments required with respect to benefits payable under this Plan shall be accomplished by reference to the actuarial assumptions used in the Funded Plan.

Effective as of January 1, 2002, the CNI SERP shall be merged into this Plan and the CNI SERP shall have no independent existence apart from this Plan. Any benefit paid under this Plan to an Employee who accrued a benefit under the CNI SERP shall be in lieu of and in complete satisfaction of any benefit under the CNI SERP. Notwithstanding any provision in this Plan to the contrary, the following provisions apply to an Employee who had accrued a benefit under the CNI SERP, but only with respect to such benefit the Participant had accrued as of January 1, 2002 and disregarding all service and compensation earned after that date:

- The benefit that the Employee had accrued under the CNI SERP as of January 1, 2002 shall be paid in the form of a lump sum distribution or such other form that the Employee had elected under the CNI SERP within the first 30 days of becoming eligible to participate in such plan. Such distribution shall commence at the time specified under the terms of the CNI SERP, provided that it shall not commence before the Employee attains Early Retirement Age under the Funded Plan. Such benefit shall offset any benefit payable under this Plan.



- In lieu of the death benefit described in Section 4.3 of this Plan, an Employee shall be entitled to the death benefit provided in Section 3.01 of the CNI SERP with respect to the benefit that the Employee had accrued under the CNI SERP as of January 1, 2002. Such benefit shall be calculated and paid consistent with the terms set forth in the CNI SERP and the grandfathered CNI Plan provisions set forth in the Funded Plan's Appendix. Such benefit shall offset any benefit payable under this Plan.

4.4 The benefits payable under this Plan shall be paid by the Company each year out of assets which at all times shall be subject to the claims of the Company's creditors. The Company may in its discretion establish a Rabbi Trust in which to place assets from which such benefits are to be paid on behalf of all or some Employees, as determined by the Committee in its sole discretion, but neither the creation of such trust nor the transfer of funds to such trust shall render such assets unavailable to settle the claims of the Company's creditors. Such Rabbi Trust may be a sub-trust maintained as a separate account within a larger trust meeting the requirements of this provision that is also used to pay benefits under other Company-sponsored unfunded nonqualified plans.

Notwithstanding the establishment of a Rabbi Trust, the Company intends this Plan to be unfunded for tax purposes and for purposes of Title I of ERISA. In addition, despite the existence of this Plan or an associated Rabbi Trust to pay promised benefits, Employees have the status of general unsecured creditors of the Company and the Plan constitutes a mere promise to make benefit payments in the future.

## ARTICLE FIVE

### Change in Control Benefits

- 5.1 If a Change in Control occurs, each Employee who is participating in the Plan on the date of the Change in Control shall be entitled to continue participating in the Plan following the Change in Control until he or she ceases to be an Employee (without regard to the requirement in clause (3) of Section 1.7 that an Employee be designated by the Committee) or the Plan is terminated pursuant to Article Seven. Such an Employee may not be deleted from participation in the Plan pursuant to Section 3.1 or any other provision of the Plan. No new persons may be designated as eligible to participate in the Plan on or after a Change in Control.
- 5.2 If a Change in Control occurs, each Employee who is participating in the Plan on the date of the Change in Control shall vest in full in his or her accrued benefit under the Plan, to the extent not already vested, immediately upon the subsequent termination of the Employee's employment prior to the second anniversary of the Change in Control, unless such termination is (i) because of the Employee's death or disability (as determined under the Company's Long Term Disability Plan as in

effect immediately prior to the Change in Control), (ii) by the Company or its affiliate for Cause, or (iii) by the Employee other than for Good Reason. Benefits that vest on an accelerated basis under this provision shall be paid at the time and in the form provided under Sections 4.1 and 4.3 (subject to the provisions of the Company's Transitional Compensation Plan, to the extent applicable).

- 5.3 Anything in the Plan to the contrary notwithstanding, if a Change in Control occurs and if the Employee's employment with the Company terminated prior to the date on which the Change in Control occurs, and if it is reasonably demonstrated by the Employee that such termination of employment (i) was at the request of any third party participating in or causing the Change in Control or (ii) otherwise arose in connection with, in relation to, or in anticipation of a Change in Control, then the Employee shall be entitled to such benefits under the Plan as though the Employee had terminated his or her employment for Good Reason on the day after the Change in Control.
- 5.4 Any termination by the Company, or by the Employee for Good Reason, shall be communicated by Notice of Termination that meets the requirements of Section 1.15.
- 5.5 If there is any dispute between the Company and an Employee (i) in the event of any termination of the Employee's employment by the Company, as to whether such termination was for Cause, or (b) in the event of any termination of employment by the Employee, as to whether Good Reason existed, then, unless and until there is a final, nonappealable judgment by a court of competent jurisdiction declaring that such termination by the Company was for Cause or that the determination by the Employee of the existence of Good Reason was not made in good faith, the Company shall provide all benefits to the Employee that the Company would be required to provide pursuant to the Plan as though such termination were by the Company without Cause or by the Employee with Good Reason; provided, however, that the Company shall not be required to pay to an Employee or beneficiary any disputed amount except upon receipt of a written undertaking by or on behalf of the Employee or beneficiary to repay all such amounts to which the Employee or beneficiary is ultimately adjudged by such court not to be entitled.
- 5.6 If, with respect to any alleged failure by the Company to comply with any of the terms of this Plan following a Change in Control, other than any alleged failure relating to a matter within the control of the Independent Fiduciary and with respect to which the Company is acting pursuant to a determination or direction of the Independent Fiduciary, an Employee or beneficiary in good faith hires legal counsel or institutes any negotiations or institutes or responds to legal action to assert or defend the validity of, enforce his or her rights under, obtain benefits promised under or recover damages for breach of the terms of this Plan, then, regardless of the outcome, the Company shall pay, as they are incurred, the Employee's or beneficiary's actual expenses for attorneys' fees and disbursements, together with such additional payments, if any, as may be necessary so that the net

after-tax payments to the Employee or beneficiary equal such fees and disbursements.

- 5.7 If a Change in Control occurs, the Company shall make mandatory contributions to a Rabbi Trust established pursuant to Section 4.4, to the extent required by the provisions of such Rabbi Trust.

## ARTICLE SIX

### Administration

- 6.1 This Plan shall be administered by the Committee which shall possess all powers necessary to administer the Plan, including but not limited to the sole discretion to interpret the Plan and to determine eligibility for benefits, and the power to delegate its authority to one or more persons.
- 6.2 The Committee shall cause the benefits due each Employee from this Plan to be paid by the Company and/or trustee accordingly.
- 6.3 The Committee shall inform each Employee of any elections which the Employee may possess and shall record such choices along with such other information as may be necessary to administer the Plan.
- 6.4 The decisions made by, and the actions taken by, the Committee in the administration of this Plan shall be final and conclusive on all persons.
- 6.5 Notwithstanding the foregoing, following a Change in Control, the Plan shall be administered by the Independent Fiduciary. The Independent Fiduciary shall assume the following powers and responsibilities from the Committee, the Board and the Company:
- (i) The Independent Fiduciary shall assume all powers and responsibilities assigned to the Committee in the foregoing provisions of this Article Six and any other provisions of the Plan, including, without limitation, the sole power and discretion to:
    - (A) determine all questions arising in the administration and interpretation of the Plan, including factual questions and questions of eligibility to participate and eligibility for benefits;
    - (B) adjudicate disputes and claims for benefits;
    - (C) adopt rules relating to the administration of the Plan;
    - (D) determine the amount, timing and form of benefit payments;

- (E) direct the Company and the trustee of the Rabbi Trust on matters relating to benefit payments;
  - (F) engage actuaries, attorneys, accountants and other professional advisors (whose fees shall be paid by the Company), to assist it in performing its responsibilities under the Plan; and
  - (G) delegate to one or more persons selected by it, including outside vendors, responsibility for fulfilling some or all of its responsibilities under the Plan.
- (ii) The Independent Fiduciary shall have the sole power and discretion to (A) direct the investment of assets held in the Rabbi Trust, including the authority to appoint one or more investment managers to manage any such assets, and (B) remove the trustee of the Rabbi Trust and appoint a successor trustee in accordance with the terms of the trust agreement.

6.6 Notwithstanding any provision of the Plan to the contrary, following a Change of Control:

- (i) Any act, determination or decision of the Company (including its Board or any committee of its Board) with regard to the administration, interpretation and application of the Plan must be reasonable, as viewed from the perspective of an unrelated party and with no deference paid to the actual act, determination or decision of the Company. Furthermore, following a Change in Control, any decision by the Company shall not be final and binding on an Employee. Instead, following a Change in Control, if an Employee disputes a decision of the Company relating to the Plan and pursues legal action, the court shall review the decision under a “de novo” standard of review.
- (ii) Any act, determination or decision of the Independent Fiduciary with regard to the administration, interpretation and application of the Plan shall be final, binding, and conclusive on all parties.

6.7 Following a Change in Control, the Company shall cooperate with the Independent Fiduciary as may be necessary to enable the Independent Fiduciary to carry out its powers and responsibilities under the Plan and Rabbi Trust, including, without limitation, by promptly furnishing all information relating to Employees’ benefits as the Independent Fiduciary may reasonably request.

6.8 The Independent Fiduciary responsible for the administration of the Plan following a Change in Control shall be a committee composed of the individuals who constituted the Company’s Benefit Plans Committee immediately prior to the Change in Control and the Company’s chief executive officer immediately prior to the Change in Control.

If, following a Change in Control, any individual serving on such committee resigns, dies or becomes disabled, the remaining members of the committee shall continue to serve as the committee without interruption. A successor member shall be required only if there are less than three remaining members on the committee. If a successor member is required, the successor shall be an individual appointed by the remaining member or members of the committee who (i) is eligible to be paid benefits from the assets of the Rabbi Trust or the larger trust of which it is a part and (ii) agrees to serve on such committee.

If at any time there are no remaining members on the committee (including any successor members appointed to the committee following the Change in Control), the Trustee shall promptly submit the appointment of the successor member or members to an arbiter, the costs of which shall be borne fully by the Company, to be decided in accordance with the American Arbitration Association Commercial Arbitration Rules then in effect. The arbiter shall appoint three successor members to the committee who each meet the criteria for membership set forth above. Following such appointments by the arbiter, such successor members shall appoint any future successor members to the committee to the extent required above (i.e., if, at any time, there are less than three remaining members on the committee) and subject to the criteria set forth above.

If one or more successor members are required and there are no individuals remaining who satisfy the criteria for membership on the committee, the remaining committee members or, if none, the Trustee, shall promptly submit the appointment of the successor member or members to an arbiter, and the Company shall bear the costs of arbitration, as provided for in the preceding paragraph.

- 6.9 Except in the case of willful misconduct, no member of the Committee, person acting as the Independent Fiduciary, or employee or director of the Company shall be personally liable for any act done or omitted to be done by such person in connection with the operation and administration of this Plan. The Company shall indemnify, to the fullest extent permitted by law, each member of the Committee, each person acting as the Independent Fiduciary, and each employee and director of the Company, both past and present, to whom are or were delegated duties, responsibilities and authority with respect to the Plan, against any and all claims, losses, liabilities, fines, penalties and expenses (including, but not limited to, all legal fees relating thereto), reasonably incurred by or imposed upon such persons, arising out of any act or omission in connection with the operation and administration of the Plan, other than willful misconduct.
- 6.10 The Committee shall maintain procedures with respect to the filing of claims for benefits under the Plan, which shall provide for the following:
- (i) Any Employee or beneficiary (hereinafter called "claimant") whose claim for benefits under the Plan is denied shall receive written notice of such denial. The notice shall set forth:

- (A) the specific reasons for the denial of the claim;
- (B) a reference to the specific provisions of the Plan on which the denial is based;
- (C) any additional material or information necessary to perfect the claim and an explanation why such material or information is necessary; and
- (D) a description of the procedures for review of the denial of the claim and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under ERISA following a denial on review.

Such notice shall be furnished to the claimant within a reasonable period of time, but no later than 90 days after receipt of the claim by the Plan, unless the Committee determines that special circumstances require an extension of time for processing the claim. In no event shall such an extension exceed a period of 90 days from the end of the initial 90-day period. If such an extension is required, written notice thereof shall be furnished to the claimant before the end of the initial 90-day period, which shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render a decision.

- (ii) Every claimant whose claim for benefits under the Plan is denied in whole or in part by the Committee shall have the right to request a review of the denial. Review shall be granted if it is requested in writing by the claimant no later than 60 days after the claimant receives written notice of the denial. The review shall be conducted by the Committee.
- (iii) At any hearing of the Committee to review the denial of a claim, the claimant, in person or by duly authorized representative, shall have reasonable notice, shall have an opportunity to be present and be heard, may submit written comments, documents, records and other information relating to the claim, and may review documents, records and other information relevant to the claim under the applicable standards under ERISA. The Committee shall render its decision as soon as practicable. Ordinarily decisions shall be rendered within 60 days following receipt of the request for review. If the need to hold a hearing or other special circumstances require additional processing time, the decision shall be rendered as soon as possible, but not later than 120 days following receipt of the request for review. If additional processing time is required, the Committee shall provide the claimant with written notice thereof, which shall indicate the special circumstances requiring the additional time and the date by which the Committee expects to render a decision. If the

Committee denies the claim on review, it shall provide the claimant with written notice of its decision, which shall set forth (i) the specific reasons for the decision, (ii) reference to the specific provisions of the Plan on which the decision is based, (iii) a statement of the claimant's right to reasonable access to, and copies of, all documents, records and other information relevant to the claim under the applicable standards under ERISA, and (iv) and a statement of the claimant's right to bring a civil action under ERISA. The Committee's decision shall be final and binding on the claimant, and the claimant's heirs, assigns, administrator, executor, and any other person claiming through the claimant.

Notwithstanding the foregoing, following a Change in Control, the Independent Fiduciary shall be responsible for deciding claims and appeals pursuant to the procedures described above. Any decision on a claim by the Independent Fiduciary shall be final and binding on the claimant, and the claimant's heirs, assigns, administrator, executor, and any other person claiming through the claimant.

## ARTICLE SEVEN

### Amendment and Termination

- 7.1 While the Company intends to maintain this Plan for as long as necessary, the Board, or a committee of the Board acting on its behalf, reserves the right to amend and/or terminate it at any time for whatever reasons it may deem appropriate.
- 7.2 Notwithstanding the preceding Section, however, the Company hereby makes a contractual commitment to pay the benefits accrued under this Plan.

## ARTICLE EIGHT

### Miscellaneous

- 8.1 Nothing contained in this Plan shall be construed as a contract of employment between the Company and an Employee, or as a right of any Employee to be continued in the employment of the Company, or as a limitation of the right of the Company to discharge any of its Employees, with or without cause.
- 8.2 An Employee's rights to benefit payments under the Plan are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Employee or the Employee's beneficiary or contingent annuitant.

- 8.3 The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform the Plan in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.
- 8.4 To the extent not preempted by federal law, all questions pertaining to the construction, regulation, validity and effect of the provisions of the Plan shall be determined in accordance with the laws of the State of Illinois without regard to the conflict of laws principles thereof.



APPENDIX A  
List of Participants

Name

Date Participant Commenced  
Participating in the Plan

APPENDIX B

List of Participants

Name

Date Participant Commenced  
Participating in the Plan

APPENDIX C

List of Participants

Name

Date Participant Commenced  
Participating in the Plan

## Exhibit A

### Benefit Formula for Certain CNI Employees

For an Employee who formerly participated in the CNI Plan and whose benefit under the Funded Plan is calculated using a grandfathered CNI Plan pension formula set forth in the Appendix to the Funded Plan, "Monthly Benefit" shall equal:

the Company-provided monthly benefit that such Participant is entitled to receive under the provisions of the Funded Plan in effect with respect to that Participant on the date of his termination of employment (assuming his benefit payments under the Funded Plan are determined without regard to the limitations contained in Section 401(a)(17) and Section 415 of the Code and, after January 1, 2002, taking into account salary and bonuses the Employee defers under the Gannett Co., Inc. Deferred Compensation Plan) and based solely on his creditable service on and after the January 1, 1994.

When calculating the Funded Plan offset to the Employee's Monthly Benefit as set forth in subsection (ii) of Section 4.2, such offset shall equal:

the Company-provided monthly benefit that such Participant is entitled to receive under the provisions of the Funded Plan in effect with respect to that Participant on the date of his termination of employment (assuming his benefit payments under the Funded Plan commence on the date benefits commence hereunder) and based solely on his creditable service on and after the January 1, 1994.

To the extent applicable, for purposes of calculating an Employee's Company-provided Monthly Benefit and the offset set forth above, the Employee shall be deemed to have made the maximum voluntary non-deductible contributions for periods after January 1, 1994 under the Funded Plan (determined without regard to the limitations contained in Section 401(a)(17) and Section 415 of the Code) for purposes of calculating the Employee's Monthly Benefit) and to have elected to receive as of the date his benefit payments commence a refund of his deemed and actual voluntary non-deductible contributions for periods after January 1, 1994 plus interest, thereby resulting in the cancellation of his deemed and actual supplemental credits earned under the Funded Plan for periods after January 1, 1994.

## GANNETT CO., INC.

## DEFERRED COMPENSATION PLAN

Restatement dated February 1, 2003  
 (Reflecting all amendments through December 3, 2002)

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GANNETT CO., INC.  
DEFERRED COMPENSATION PLAN

Restatement dated February 1, 2003  
(Reflecting all amendments through December 3, 2002)

1.0 BACKGROUND

1.1. Introduction

The Gannett Co., Inc. Deferred Compensation Plan ("Plan") was adopted to provide the opportunity for Directors to defer to future years all or part of their fees and key employees to defer to future years all or part of their salary, bonus and/or shares of Gannett common stock issued pursuant to Stock Incentive Rights ("SIRs") under the Gannett Co., Inc. 1978 Long-Term Incentive Plan ("Compensation") payable by Gannett Co., Inc. ("Company") as part of their retirement and financial planning. The term "Compensation" also shall include (1) ordinary income that arises upon the exercise of a stock option as more fully described in Section 2.12; and (2) such other forms of taxable income derived from the performance of services for the Company as may be designated by the Committee and which may be deferred pursuant to such special terms and conditions as the Committee may establish.

1.2 Certain Definitions

This Plan shall apply to compensation earned under the 1978 Long-Term Incentive Plan, the 2001 Omnibus Incentive Compensation Plan, and successor plans. The term "SIRs" used in this Plan also includes restricted stock awards issued under any such plan. The term "Committee" used in this Plan mean the Benefit Plans Committee. The term "Company" means the Company as defined above in Section 1.1 and any successor to its business and/or assets which assumes the Plan by operation of law or otherwise. The term "Board" means the Board of Directors of the Company.

2.0 EXPLANATION OF PLAN

2.1 Effective Date

The Plan was initially effective July 1, 1987. This amendment and restatement is effective February 1, 2003 with respect to individuals who become Participants after January 31, 2003, and with respect to those Participants who were Participants on January 31, 2003,

and who have consented in the time and manner prescribed by the Committee to the changes made to this Plan pursuant to Board action on December 3, 2002, in accordance with Section 3.5 hereof. The Plan as in effect on January 31, 2003 shall continue to apply to all Participants on that date who do not so consent.

## 2.2 Eligibility

The Plan is available to (a) Directors of the Company and (b) officers and employees of the Company who reside in the United States and who are designated as eligible by the Committee. No employee may be designated as eligible unless the employee belongs to “a select group of management or highly compensated employees” as defined in Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

## 2.3 Interest in the Plan; Deferred Compensation Account

For each eligible person who elects to defer Compensation (“Participant”), one or more Deferred Compensation Accounts shall be established in accordance with Section 2.6(a). A Participant’s interest in the Plan shall be the Participant’s right to receive payments under the terms of the Plan. A Participant’s payments from the Plan shall be based upon the value attributable to the Participant’s Deferred Compensation Accounts.

## 2.4 Amount of Deferral

- (a) A Participant may elect to defer receipt of all or a part of his or her Compensation provided that the minimum deferral for any type of Compensation to be deferred must be \$5,000 for the year of deferral or, in the case of deferred SIRs, such minimum number of shares as the Committee may determine. In any year in which the percentage selected for deferral amounts to less than \$5,000 of the type of Compensation being deferred or fewer than the designated number of SIRs, there shall be no deferral of that type of Compensation for that year.
- (b) Notwithstanding the foregoing, Compensation shall not be deferred to the extent that the deferral would cause the Participant to have insufficient funds available to provide for all withholdings he or she has authorized to be made, or are required by law to be made, from his or her Compensation.

## 2.5 Time of Election of Deferral

- (a) An election to defer Compensation must be made before the Compensation is earned. In the case of salary and Directors’ fees, the election to defer must be made prior to the year in which the services to which the salary or Directors’ fees relate will be performed, or, if deferred during the year in which the services are



performed, at least six months prior to the month in which the services are performed. In the case of bonuses and SIRs, the election to defer must be made prior to the year in which the bonuses or SIRs will be paid.

Notwithstanding the foregoing, in his or her first year of eligibility an employee or Director may make a deferral election within 30 days of first becoming eligible. This initial deferral may relate only to Compensation attributable to the period following the deferral election.

- (b) Once made, an election to defer for a particular time period is irrevocable.

## 2.6 Accounts and Investments

- (a) Effective for deferrals on and after January 1, 1997, all Participant records, reports and elections after an initial election shall be maintained on the basis of Payment Commencement Dates (as defined in Section 2.9(b)), i.e., all amounts that have been elected to be paid in full, or to commence payment, in a designated calendar year shall be aggregated in a single Deferred Compensation Account for a Participant for purposes of subsequent recordkeeping and for elections that may be available with respect to the deferred amounts, such as investment elections and payment method elections. Deferrals prior to January 1, 1997, shall be accounted for in accordance with the accounts in effect on December 31, 1996.
- (b) The amount of Compensation deferred will be credited to the Participant's Deferred Compensation Account or Accounts as soon as practicable after the Compensation would have been paid had there been no election to defer.

The amounts credited in a Deferred Compensation Account will be deemed invested in the fund or funds designated by the Participant from among funds selected by the Committee, which may include the following or any combination of the following:

- (i) money market funds;
- (ii) bond funds;
- (iii) equity funds; and
- (iv) the Gannett stock fund.

Although the Plan is not subject to section 404(c) of ERISA, the funds available to Participants under the Plan shall, at all times, constitute a broad range of investment alternatives that would meet the standards pertaining to the range of

investments set forth in regulations promulgated by the Department of Labor under section 404(c) of ERISA, or any successor provision, as if that provision were applicable to the Plan. In the discretion of the Committee, funds may be added, deleted or substituted from time to time, subject to the preceding sentence.

Information on the specific funds permitted under the Plan shall be made available by the Committee to the Participants. If the Committee adds, deletes or substitutes a particular fund, the Committee shall notify Participants in advance of the change and provide Participants with the opportunity to change their allocations among funds in connection with such addition, deletion or substitution.

A Participant may allocate contributions to his or her Deferred Compensation Accounts among the available funds pursuant to such procedures and requirements as may be specified by the Committee from time to time. Participants shall have the opportunity to give investment directions with respect to their Accounts at least once in any three-month period.

- (c) All deferrals under this Plan and the earnings credited to them are fully vested at all times.
- (d) The right of any Participant to receive future payments under the provisions of the Plan shall be a contractual obligation of the Company but shall be subject to the claims of the creditors of the Company in the event of the Company's insolvency or bankruptcy as provided in the trust agreement described below.

Plan assets may, in the Company's discretion, be placed in a trust (the "Rabbi Trust") (which Rabbi Trust may be a sub-trust maintained as a separate account within a larger trust that is also used to pay benefits under other Company- sponsored unfunded nonqualified plans) but will nevertheless continue to be subject to the claims of the Company's creditors in the event of the Company's insolvency or bankruptcy as provided in the trust agreement. In any event, the Plan is intended to be unfunded under Title I of ERISA.

#### 2.7 Participant's Option to Reallocate Amounts

A Participant may elect to reallocate amounts in his or her Deferred Compensation Accounts among the available funds pursuant to such procedures and requirements as may be specified by the Committee from time to time consistent with the final sentence of Section 2.6(b).

#### 2.8 Reinvestment of Income

Income from a hypothetical fund investment in a Deferred Compensation Account shall be deemed to be reinvested in that fund as soon as practicable under the terms of that fund.

2.9 Payment of Deferred Compensation

- (a) No withdrawal may be made from the Participant's Deferred Compensation Accounts except as provided in this Section.
- (b) At the time a deferral election is made, the Participant shall choose the date on which payment of the amount credited to the Deferred Compensation Account is to commence, which date shall be either April 1 or October 1 of the year of the Participant's retirement, the year next following the Participant's retirement, or any other year specified by the Participant that is after the year for which the Participant is making the deferral ("Payment Commencement Date"). In the case of Director Participants, the Payment Commencement Date shall be no later than the first day of the month following the Participant's retirement from the Board. In the case of key employee Participants, the Payment Commencement Date shall be no later than October 1 of the year following the year during which the key employee reaches age 65.

Notwithstanding the foregoing paragraph: (i) for all elections to defer occurring on or after November 1, 1991, (ii) in the event that the Committee adds or substitutes a particular fund or funds, or (iii) if a Participant elects to reallocate amounts in his or her Deferred Compensation Accounts among available funds, the Committee shall have the right to fix Payment Commencement Dates and/or the date or dates upon which the value attributable to a Deferred Compensation Account is to be determined or paid, or modify such previously elected dates (but in no event to a date earlier than the date originally elected by the Participant) in order to comply with the requirements of the added, substituted or available fund or funds, pursuant to such procedures and requirements as may be specified by the Committee from time to time.

- (c) At the time the election to defer is made, the Participant may choose to receive payments either (i) in a lump sum, or (ii) if the Payment Commencement Date is during a year in which the Participant could have retired under a retirement plan of the Company, in up to ten annual installments. The method of paying a Deferred Compensation Account is the "Method of Payment." The amount of any payment under the Plan shall be the value attributable to the Deferred Compensation Account on the last day of the month preceding the month of the payment date, divided by the number of payments remaining to be made, including the payment for which the amount is being determined.

- (d) In the event of a Participant's death or disability before the Participant has received any payments from a Deferred Compensation Account, the value of the Account shall be paid to the Participant's designated beneficiary, in the case of death, or to the Participant, in the case of disability, at such time and in such form of payment as is set forth on the applicable deferral form signed by the Participant, or as the Committee determines, in its sole discretion. In the event of the Participant's death or disability after installment payments from a Deferred Compensation Account have commenced, the remaining balance of the Account shall be paid to the Participant or designated beneficiary, as applicable, over the installments remaining to be paid.

Beneficiary designations shall be submitted on the form specified by the Company. If a Participant so chooses, a separate beneficiary designation may be made for each Deferred Compensation Account. The filing of a new beneficiary designation shall automatically revoke any previous beneficiary designation. In the event a beneficiary designation has not been made, or the beneficiary was not properly designated (in the sole discretion of the Company), has died or cannot be found, all payments after death shall be paid to the Participant's estate. In case of disputes over the proper beneficiary, the Company reserves the right to make any or all payments to the Participant's estate.

- (e) A Participant may not change an initial Payment Commencement Date or Method of Payment for a Deferred Compensation Account after an election has been made except as provided in this subsection (e) as follows:
- (i) The Method of Payment elected by a Participant may be changed by the Participant's written election to the Committee at any time up to 36 months prior to the earlier of the Payment Commencement Date or the Participant's termination of employment, or, if the Participant has elected the year of, or the year next following, his or her retirement as the Payment Commencement Date, at any time no later than 6 months prior to the Participant's retirement and prior to the calendar year in which the retirement occurs. Any change of an earlier election that is made within 36 months of the earlier of the Payment Commencement Date or the Participant's termination, or, if the Participant has elected the year of, or the year next following, his or her retirement as the Payment Commencement Date, within 6 months of the Participant's retirement or in the year in which the Participant's retirement occurs, shall be disregarded by the Committee;
- (ii) The year initially elected by the Participant as the Payment Commencement Date may never be changed. However, at any time prior to the December 31 preceding such year, the Participant may change the exact date of payment in the payment year to the first day of any month in such year,

provided that the Participant gives the Committee notice of such change at least 90 days before the date benefit payments are to commence and provided that if the Participant has elected installment payments the total amount to be paid to the Participant during the payment commencement year shall be the same as the total amount that would have been paid in the absence of such election with each monthly installment in the Payment Commencement Year adjusted accordingly.

Restrictions on changing Payment Commencement Dates and Methods of Payment shall not prevent the Participant from choosing a different Payment Commencement Date and/or Method of Payment for amounts to be deferred in subsequent years.

- (f) Notwithstanding any Payment Commencement Date or Method of Payment selected by a Participant, if:
- (i) an employee Participant's employment with the Company terminates other than (1) at or after early or normal retirement pursuant to a retirement plan of the Company, (2) by reason of the Participant's death, or (3) by reason of the Participant's total disability, or
  - (ii) a director Participant's directorship terminates for any reason other than (1) at or after reaching the prescribed mandatory retirement age from the Board, (2) by reason of such Participant's death, or (3) by reason of such Participant's total disability,

the Committee, in its sole discretion, shall determine whether to distribute such Participant's benefits in the form of five annual installment payments or as a lump sum. In either case, such payment shall begin as soon as administratively practicable following the Participant's termination of employment.

- (g) If, in the discretion of the Committee, the Participant has a need for funds due to an unforeseeable emergency, benefits may be paid prior to the Participant's Payment Commencement Date. For this purpose, an unforeseeable emergency means an unanticipated emergency that is caused by an event beyond the control of the Participant or the Participant's beneficiary and that would result in severe financial hardship if early withdrawal were not permitted. A payment based upon financial hardship cannot exceed the amount required to meet the immediate financial need created by the hardship. The Participant requesting a hardship payment must supply the Committee with a statement indicating the nature of the need that created the financial hardship, the fact that all other reasonably available resources

are insufficient to meet the need, and any other information which the Committee decides is necessary to evaluate whether a financial hardship exists.

A Participant with a financial need that fails to meet the unforeseeable emergency standard may elect to withdraw funds from the Participant's Deferred Compensation Account prior to the date specified in the Participant's election form subject to the following conditions: (1) premature withdrawals may be made only in a lump sum and only in an amount in excess of \$10,000; (2) only one premature withdrawal may be made in a calendar year; (3) the Participant must suspend further deferrals for the remainder of the calendar year of the withdrawal; and (4) ten percent of the amount withdrawn shall be irrevocably forfeited to the Company.

- (h) In the Company's discretion, payments from the Plan may be made in cash or in the kind of property represented by the fund or funds selected by the Participant.
- (i) All contributions to the Plan and all payments from the Plan, whether made by the Company or the Trustee, shall be subject to all taxes required to be withheld under applicable laws and regulations of any governmental authorities.

2.10 Manner of Electing Deferral, Choosing Investments and Choosing Payment Options

- (a) In order to make any elections or choices permitted hereunder, the Participant must give written notice to the Committee. A notice electing to defer Compensation shall specify:
  - (i) the percentage and type of Compensation to be deferred;
  - (ii) the funds chosen by the Participant;
  - (iii) the Method of Payment to the Participant and the Method of Payment to the Participant's estate in the event of the Participant's death; and
  - (iv) the Payment Commencement Date.
- (b) An election by a Participant to defer Compensation shall apply only to Compensation deferred in the calendar year for which the election is effective. However, the designation of the Payment Commencement Date for this year will require that all deferrals from all years with the same Payment Commencement Date shall constitute a single Deferred Compensation Account and any other Plan elections such as investments, will apply to all assets held in this Deferred Compensation Account regardless of the year of deferral.

- (c) The Committee will provide election forms to permit Participants to defer Compensation to be earned during that calendar year.
- (d) The last form received by the Committee directing an allocation of amounts in a Deferred Compensation Account among the funds available shall govern until changed by the receipt by the Committee of a subsequent allocation form.

#### 2.11 Company Contributions

The Company may, in its sole discretion, make direct cash contributions to the accounts or subaccounts on behalf of any eligible Participant. The amount and timing of such contributions shall be subject to the approval of the Executive Compensation Committee of the Board and that Committee may impose vesting or other requirements on such accounts.

Except as otherwise provided in this Section, accounts so established shall be subject to the same terms, conditions, and elections as are applicable to other accounts under the Plan. The Company shall initially specify the time and method of payment of amounts from such accounts and may change the time and method of payment at any time, no later than twelve months before payments are scheduled to begin. The Company may accelerate payments at any time. The Company's decisions as to the time and method of payment need not fall within the provisions of the Plan applicable to other deferred compensation accounts, but shall be subject to the approval of the Executive Compensation Committee.

#### 2.12 Deferrals of Stock Option Compensation

A Participant, by authorization of, or pursuant to procedures established by, the Committee, may elect to defer ordinary income imputed to the Participant upon the exercise of a stock option issued pursuant to any Company-sponsored stock option plan in accordance with guidelines established by the Committee and the general terms of this Plan except as such general terms are modified as follows:

\* an election to defer stock option income shall be effective only if made at least six months prior to the exercise date of the option and in the calendar year preceding the year of the exercise date. An election to defer stock option income shall constitute an amendment of the exercise date of the option so that the option may not be exercised prior to the date six months subsequent to the date of the notice of deferral. Notwithstanding the foregoing, a Participant may elect to defer income on the exercise of any option in calendar year 1999 provided that such election is made within 30 days after the adoption of this Section 2.12 and is effective only with respect to option exercises that are made at least four months after the date of a participant's deferral election. An election to defer option

income in 1999 shall constitute an amendment of the Stock Option Agreement related to such option so that the option may not be exercised prior to the date four months subsequent to the date of the notice of deferral.

\* a deferral election with respect to any shares received upon a stock option exercise shall require the deferral of all income with respect to that exercise.

\* an election to defer stock option income shall be deemed to constitute a direction by the Participant to have the Company defer to this Plan the number of shares (carried to the nearest one ten thousandth of a share) equal in value to the income that would otherwise have been realized by the Participant pursuant to his stock option exercise with the ultimate payment of such deferred shares to be made in accordance with the terms of this Plan. All such deferrals shall be invested in the Gannett stock fund during the entire deferral period and shall be paid out in kind on the Payment Commencement Date.

\* if payments of deferred shares are made in installments, each installment payment shall be rounded as necessary to provide payment only of a whole number of shares except that any fractional shares payable in the final installment shall be paid in cash.

### 3.0 ADMINISTRATION OF THE PLAN

#### 3.1 Statement of Account

Statements setting forth the values of the funds deemed to be held in a Participant's Deferred Compensation Accounts will be sent to each Participant quarterly or more often as the Committee may elect. A Participant shall have two years from the date a statement has been sent to question the accuracy of the statement. If no objection is made to the statement, it shall be deemed to be accurate and thereafter binding on the Participant for all purposes.

#### 3.2 Assignability

The benefits payable under this Plan shall not revert to the Company or be subject to the Company's creditors prior to the Company's insolvency or bankruptcy, nor, except pursuant to will or the laws of descent and distribution, shall they be subject in any way to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind by the Participant, the Participant's beneficiary or the creditors of either, including such liability as may arise from the Participant's bankruptcy.

#### 3.3 Business Days



In the event any date specified herein falls on a Saturday, Sunday, or legal holiday, such date shall be deemed to refer to the next business day thereafter or such other date as may be determined by the Committee in the reasonable exercise of its discretion.

#### 3.4 Administration

This Plan shall be administered by the Committee. The Committee has sole discretion to interpret the Plan and to determine all questions arising in the administration, interpretation, and application of the Plan. The Committee's powers include the power, in its sole discretion and consistent with the terms of the Plan, to determine who is eligible to participate in this Plan, to determine the eligibility for and the amount of benefits payable under the Plan, to determine when and how amounts are allocated to a Participant's Deferred Compensation Account, to establish rules for determining when and how elections can be made, to adopt any rules relating to administering the Plan and to take any other action it deems appropriate to administer the Plan. The Committee may delegate its authority hereunder to one or more persons. Whenever the value of a Deferred Compensation Account is to be determined under this Plan as of a particular date, the Committee may determine such value using any method that is reasonable, in its discretion. Whenever payments are to be made under this Plan, such payments shall begin within a reasonable period of time, as determined by the Committee, and no interest shall be paid on such amounts for any reasonable delay in making the payments.

#### 3.5 Amendment

- (a) This Plan may at any time and from time to time be amended or terminated by the Board or the Compensation Committee of the Board. No amendment shall, without the consent of a Participant, adversely affect such Participant's interest in the Plan, i.e., the Participant's benefit accrued to the effective date of the amendment (hereinafter referred to as the "Protected Interest"), as determined by the Committee in its sole discretion.
- (b) An amendment shall be considered to adversely affect a Participant's interest in the Plan if it has the effect of:
  - (i) reducing the Participant's Protected Interest in his or Deferred Compensation Accounts;
  - (ii) eliminating or restricting a Participant's right to give investment directions with respect to the Participant's Protected Interest in his or her Deferred Compensation Accounts under Sections 2.6 and 2.7 of the Plan, except that a change in the number or type of funds available shall not be considered an amendment of the Plan as long as the funds available to Participants

following such change constitute a broad range of investment alternatives under the standards pertaining to the range of investments set forth in regulations promulgated by the Department of Labor under section 404(c) of ERISA or any successor provision;

- (iii) eliminating or restricting any timing or payment option available with respect to the Participant's Protected Interest in his or her Deferred Compensation Accounts, or the Participant's right to make and change payment elections with respect to such Protected Interest, under Section 2.9, 2.10 or any other provision of the Plan;
  - (iv) reducing or diminishing any of the change in control protections provided to the Participant under Section 3.7 or any other provision of the Plan; or
  - (v) reducing or diminishing the rights of the Participant under this Section 3.5 with respect to any amendment or termination of the Plan.
- (c) Notwithstanding any in the foregoing to the contrary, any amendment made for the purpose of protecting the favorable tax treatment of amounts deferred under the Plan following a change in applicable law, including for this purpose a change in statute, regulation or other agency guidance, shall not be considered to adversely affect a Participant's interest in the Plan.
- (d) If the Plan is terminated, compensation shall prospectively cease to be deferred as of the date of the termination. Each Participant will be paid the value of his or her Deferred Compensation Accounts, including earnings credited through the payment date based on the Participant's investment allocations, at the time and in the manner provided for in Sections 2.9 and 2.10.

### 3.6 Liability

- (a) Except in the case of willful misconduct, no Director or employee of the Company, or person acting as the independent fiduciary provided for in Section 3.7, shall be personally liable for any act done or omitted to be done by such person with respect to this Plan.
- (b) The Company shall indemnify, to the fullest extent permitted by law, members of the Committee, persons acting as the independent fiduciary and Directors and employees of the Company, both past and present, to whom are or were delegated duties, responsibilities and authority with respect to the Plan, against any and all claims, losses, liabilities, fines, penalties and expenses (including, but not limited to, all legal fees relating thereto), reasonably incurred by or imposed upon such persons, arising out of any act or omission in connection with the operation and administration of the Plan, other than willful misconduct.

### 3.7 Change in Control

- (a) Participation. If a change in control occurs, each eligible person who is participating in the Plan on the date of the change in control shall be entitled to continue participating in the Plan and to make additional deferrals under its terms following the change in control, until he or she ceases to meet the criteria for an “eligible person” specified in Section 2.2 hereof (without regard to designation by the Committee) or the Plan is terminated pursuant to Section 3.5. No new persons may be designated as eligible to participate in the Plan on or after a change in control.
- (b) Legal Expense. If, with respect to any alleged failure by the Company to comply with any of the terms of this Plan subsequent to a change in control, other than any alleged failure relating to a matter within the control of the independent fiduciary and with respect to which the Company is acting pursuant to a determination or direction of the independent fiduciary, a Participant or beneficiary hires legal counsel or institutes any negotiations or institutes or responds to legal action to assert or defend the validity of, enforce his rights under, obtain benefits promised under or recover damages for breach of the terms of this Plan, then, regardless of the outcome, the Company shall pay, as they are incurred, a Participant’s or beneficiary’s actual expenses for attorneys’ fees and disbursements, together with such additional payments, if any, as may be necessary so that the net after-tax payments to the Participant or beneficiary equal such fees and disbursements.
- (c) Mandatory Contributions to Rabbi Trust. If a change in control occurs, the Company shall make mandatory contributions to a Rabbi Trust established pursuant to Section 2.6(d), to the extent required by the provisions of such Rabbi Trust.
- (d) Powers of Independent Fiduciary. Following a change in control, the Plan shall be administered by the independent fiduciary. The independent fiduciary shall assume the following powers and responsibilities from the Committee and the Company:
  - (i) The independent fiduciary shall assume all powers and responsibilities assigned to the Committee under Section 3.4 and all other provisions of the Plan, including, without limitation, the sole power and discretion to:
    - (1) determine all questions arising in the administration and interpretation of the Plan, including factual questions and questions of eligibility to participate and eligibility for benefits;

- (2) adjudicate disputes and claims for benefits;
  - (3) adopt rules relating to the administration of the Plan;
  - (4) select the investment funds available to Participants under Section 2.6 of the Plan (subject to the requirement that, at all times, such funds constitute a broad range of investment alternatives under the standards pertaining to the range of investments set forth in regulations promulgated by the Department of Labor under section 404(c) of ERISA or any successor provision);
  - (5) determine the amount, timing and form of benefit payments;
  - (6) direct the Company and the trustee of the Rabbi Trust on matters relating to benefit payments;
  - (7) engage attorneys, accountants, actuaries and other professional advisors (whose fees shall be paid by the Company), to assist it in performing its responsibilities under the Plan; and
  - (8) delegate to one or more persons selected by it, including outside vendors, responsibility for fulfilling some or all of its responsibilities under the Plan.
- (ii) The independent fiduciary, and not the Company or the Executive Compensation Committee, shall have the sole authority to determine the time and method of payment of amounts attributable to contributions made by the Company prior to the change in control under Section 2.11, provided that the independent fiduciary may not accelerate the payment of such amounts to a Participant without the Participant's consent.
  - (iii) The independent fiduciary shall have the sole power and discretion to (1) direct the investment of assets held in the Rabbi Trust, including the authority to appoint one or more investment managers to manage any such assets and (2) remove the trustee of the Rabbi Trust and appoint a successor trustee in accordance with the terms of the trust agreement.
- (e) Review of Decisions.
- (i) Notwithstanding any provision in the Plan to the contrary, following a change of control, any act, determination or decision of the Company (including its Board or any committee of its Board) with regard to the administration, interpretation and application of the Plan must be

reasonable, as viewed from the perspective of an unrelated party and with no deference paid to the actual act, determination or decision of the Company. Furthermore, following a change in control, any decision by the Company shall not be final and binding on a Participant. Instead, following a change in control, if a Participant disputes a decision of the Company relating to the Plan and pursues legal action, the court shall review the decision under a “de novo” standard of review.

- (ii) Following a change in control, any act, determination or decision of the independent fiduciary with regard to the administration, interpretation and application of the Plan shall be final, binding, and conclusive on all parties.
- (f) Company’s Duty to Cooperate. Following a change in control, the Company shall cooperate with the independent fiduciary as may be necessary to enable the independent fiduciary to carry out its powers and responsibilities under the Plan and Rabbi Trust, including, without limitation, by promptly furnishing all information relating to Participants’ benefits as the independent fiduciary may reasonably request.
- (g) Appointment of Independent Fiduciary. The independent fiduciary responsible for the administration of the Plan following a change in control shall be a committee composed of the individuals who constituted the Company’s Benefit Plans Committee immediately prior to the change in control and the Company’s chief executive officer immediately prior to the change in control.

If, following a change in control, any individual serving on such committee resigns, dies or becomes disabled, the remaining members of the committee shall continue to serve as the committee without interruption. A successor member shall be required only if there are less than three remaining members on the committee. If a successor member is required, the successor shall be an individual appointed by the remaining member or members of the committee who (i) is eligible to be paid benefits from the assets of the Rabbi Trust or the larger trust of which it is a part and (ii) agrees to serve on such committee.

If at any time there are no remaining members on the committee (including any successor members appointed to the committee following the change in control), the Trustee shall promptly submit the appointment of the successor members to an arbiter, the costs of which shall be borne fully by the Company, to be decided in accordance with the American Arbitration Association Commercial Arbitration Rules then in effect. The arbiter shall appoint three successor members to the committee who each meet the criteria for membership set forth above. Following such appointments by the arbiter, such successor members shall appoint any future successor members to the committee to the extent required above (i.e., if, at any

time, there are less than three remaining members on the committee) and subject to the criteria set forth above.

If one or more successor members are required and there are no individuals remaining who satisfy the criteria for membership on the committee, the remaining committee members or, if none, the Trustee, shall promptly submit the appointment of the successor member or members to an arbiter, and the Company shall bear the costs of arbitration, as provided for in the preceding paragraph.

- (h) Change in Control Definition. As used in this Plan, a “change in control” means the first to occur of the following:
- (i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the “Exchange Act”)) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (1) the then-outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (2) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that, for purposes of this Section, the following acquisitions shall not constitute a change in control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or one of its affiliates or (D) any acquisition pursuant to a transaction that complies with clauses (1), (2) and (3) of Section 3.7(h)(iii) below;
  - (ii) Individuals who, as of January 1, 2003, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to such date whose election or nomination for election by the Company’s stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;
  - (iii) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company or

any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a "Business Combination"), in each case, unless, following such Business Combination, (1) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation or entity resulting from such Business Combination (including, without limitation, a corporation or entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (2) no Person (excluding any employee benefit plan (or related trust) of the Company or any corporation or entity resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation or entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation or entity, except to the extent that such ownership existed prior to the Business Combination, and (3) at least a majority of the members of the board of directors of the corporation or entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

- (iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

### 3.8 Claims

- (a) Claim Denials. The Committee shall maintain procedures with respect to the filing of claims for benefits under the Plan. Pursuant to such procedures, any Participant or beneficiary (hereinafter called "claimant") whose claim for benefits under the Plan is denied shall receive written notice of such denial. The notice shall set forth:

- (i) the specific reasons for the denial of the claim;

- (ii) a reference to the specific provisions of the Plan on which the denial is based;
- (3) any additional material or information necessary to perfect the claim and an explanation why such material or information is necessary; and
- (4) a description of the procedures for review of the denial of the claim and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under ERISA following a denial on review.

Such notice shall be furnished to the claimant within a reasonable period of time, but no later than 90 days after receipt of the claim by the Plan, unless the Committee determines that special circumstances require an extension of time for processing the claim. In no event shall such an extension exceed a period of 90 days from the end of the initial 90-day period. If such an extension is required, written notice thereof shall be furnished to the claimant before the end of the initial 90-day period, which shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render a decision.

- (b) Right to a Review of the Denial. Every claimant whose claim for benefits under the Plan is denied in whole or in part by the Committee shall have the right to request a review of the denial. Review shall be granted if it is requested in writing by the claimant no later than 60 days after the claimant receives written notice of the denial. The review shall be conducted by the Committee.
- (c) Decision of the Committee on Appeal. At any hearing of the Committee to review the denial of a claim, the claimant, in person or by duly authorized representative, shall have reasonable notice, shall have an opportunity to be present and be heard, may submit written comments, documents, records and other information relating to the claim, and may review documents, records and other information relevant to the claim under the applicable standards under ERISA. The Committee shall render its decision as soon as practicable. Ordinarily decisions shall be rendered within 60 days following receipt of the request for review. If the need to hold a hearing or other special circumstances require additional processing time, the decision shall be rendered as soon as possible, but not later than 120 days following receipt of the request for review. If additional processing time is required, the Committee shall provide the claimant with written notice thereof, which shall indicate the special circumstances requiring the additional time and the date by which the Committee expects to render a decision. If the Committee denies the claim on review, it shall provide the claimant with written notice of its



decision, which shall set forth (i) the specific reasons for the decision, (ii) reference to the specific provisions of the Plan on which the decision is based, (iii) a statement of the claimant's right to reasonable access to, and copies of, all documents, records and other information relevant to the claim under the applicable standards under ERISA, and (iv) a statement of the claimant's right to bring a civil action under ERISA. The Committee's decision shall be final and binding on the claimant, and the claimant's heirs, assigns, administrator, executor, and any other person claiming through the claimant.

- (d) Notwithstanding the foregoing, following a change in control, the independent fiduciary shall be responsible for deciding claims and appeals pursuant to the procedures described above. Any decision on a claim by the independent fiduciary shall be final and binding on the claimant, and the claimant's heirs, assigns, administrator, executor, and any other person claiming through the claimant.

### 3.9 Successors

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform the Plan in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

### 3.10 Governing Law

To the extent not preempted by federal law, all questions pertaining to the construction, regulation, validity and effect of the provisions of the Plan shall be determined in accordance with the laws of the State of Illinois without regard to the conflict of laws principles thereof.

## 4.0 EMPLOYEES OF PARTICIPATING AFFILIATES

### 4.1 Eligibility of Employees of Affiliated Companies

If the Committee allows it in any individual case, this Plan is also available to officers and employees of a corporation, partnership or other entity that is directly or indirectly controlled by the Company, provided that such officer or employee resides in the United States and is specifically designated as eligible by the Committee. An entity that is directly or indirectly controlled by the Company and employs an individual who is a Participant is hereinafter referred to as a "Participating Affiliate".

### 4.2 Compensation from Participating Affiliates

With respect to Participants who are employed by Participating Affiliates, "Compensation" as used in this Plan shall include all or part of their salary, bonus and/or shares of Gannett common stock issued pursuant to "SIRs", ordinary income that arises upon the exercise of a stock option as more fully described in Section 2.12, and such other forms of taxable income derived from the performance of services for the Company or any Participating Affiliate (as defined in Section 4.1) as may be designated by the Committee and which may be deferred pursuant to such special terms and conditions as the Committee may establish.

#### 4.3 Rights Subject to Creditors

The right of any Participant who is employed by a Participating Affiliate to receive future payments under the provisions of the Plan shall be a contractual obligation of the Company and the Participating Affiliate at the time the Participant elects to defer compensation. Such a Participant's right to receive future payments is subject to the claims of the creditors of the Company and the Participating Affiliates in the event of the Company's or any Participating Affiliate's insolvency or bankruptcy as provided in the trust agreement. Plan assets may, in the Committee's discretion, be placed in a trust but will nevertheless continue to be subject to the claims of the Company's and the Participating Affiliates' creditors in the event of the Company's or any Participating Affiliate's insolvency or bankruptcy as provided in the trust agreement. In any event, the Plan is intended to be unfunded under Title I of ERISA. If the Committee so permits, Participating Affiliates may also contribute assets to the Rabbi Trust in connection with their Plan obligations under this Article. If, at the election of the Committee, such contributions are not separately accounted for through subtrusts, segregated accounts, or similar arrangements, Plan assets held by the Rabbi Trust will be subject to the claims of the Participating Affiliates' creditors in the event of any Participating Affiliate's insolvency or bankruptcy as provided in the trust agreement.

#### 4.4 Certain Distributions

Notwithstanding any Payment Commencement Date or Method of Payment selected by a Participant employed by a Participating Affiliate, if such a Participant ceases to be employed by the Company or a Participating Affiliate other than (i) at or after early or normal retirement pursuant to a retirement plan of the Company, (ii) by reason of the Participant's death, or (iii) by reason of the Participant's total disability, the Committee, in its sole discretion, shall determine whether to distribute such Participant's benefits in the form of five annual installment payments, or as a lump sum. In either case, such payment shall begin within a reasonable period of time following the termination of employment.

#### 4.5 Assignability

The benefits payable under this Plan to an employee of a Participating Affiliate shall not revert to the Company or Participating Affiliate or be subject to the Company's or Participating Affiliate's creditors prior to the Company's or Participating Affiliate's insolvency or bankruptcy, nor, except pursuant to will or the laws of descent and distribution, shall they be subject in any way to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind by the Participant, the Participant's beneficiary or the creditors of either, including such liability as may arise from the Participant's bankruptcy.

**GANNETT CO., INC.**

**TRANSITIONAL COMPENSATION PLAN**

**Amendment dated December 3, 2002**

Pursuant to Section 17 of the Gannett Co., Inc. Transitional Compensation Plan (the "Plan"), the Executive Compensation Committee of the Board of Directors of Gannett Co., Inc. hereby amends the Plan as follows:

Effective as of December 3, 2002, Section 7(b)(i) is amended by replacing clause (C) with the following\*:

“(C) all compensation previously deferred by the Participant, accrued and unpaid vacation pay and all other amounts to which the Participant is entitled through the Date of Termination under any compensation or benefit plan (other than amounts under the 1978 Executive Long Term Incentive Plan, the 2001 Omnibus Incentive Compensation Plan, or any comparable or successor plan (collectively, the “Incentive Compensation Plan”), the Deferred Compensation Plan or any comparable or successor plan, or the Company’s retirement and 401(k) Plans, payment under which plans shall continue to be made in accordance with their terms) of the Company;”

(\*New language is underlined.)

IN WITNESS WHEREOF, Gannett Co., Inc. has caused this amendment to be executed by its duly authorized officer as of December 3, 2002.

GANNETT CO., INC.

By: /s/ Richard L. Clapp

Name: \_\_\_\_\_

Title: Richard L. Clapp  
Senior Vice President/  
Human Resources

**GANNETT CO., INC.**

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**THE RULES OF THE SAVINGS RELATED SHARE OPTION SCHEME FOR EMPLOYEES OF GANNETT  
U.K. LIMITED AND ITS SUBSIDIARIES**

**EMPLOYEE SHARESAVE SCHEME 20 00**

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**Adopted by the Company on 19 October 1999**

**Received formal approval under Schedule 9 to the Income and Corporation  
Taxes Act 1988 by the Board of Inland Revenue  
on 9 November 1999 under reference SRS2416**

PricewaterhouseCoopers  
Plumtree Court  
London  
EC4A 4HT

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GANNETT CO., INC.

EMPLOYEE SHARESAVE SCHEME 2000

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**GANNETT CO., INC.**

**EMPLOYEE SHARES AVE SCHEME 2000**

**RULES**

**1. INTERPRETATION AND CONSTRUCTION**

**Definitions**

(a) In the Rules of this Scheme unless the context otherwise requires the following words and expressions shall have the following meanings:

“Acquiring Company”	Any company which: <ul style="list-style-type: none"><li>(a) has obtained Control of the Company either:<ul style="list-style-type: none"><li>(i) as a result of making a Takeover Offer; or</li><li>(ii) in pursuance of a Compromise; or</li></ul></li><li>(b) becomes bound or entitled to acquire Scheme Shares on the terms of an offer contained in Section 429 Notice(s);</li></ul>
“Acquisition Price”	The amount payable in relation to the exercise of an Option, being the amount (after any adjustment pursuant to Rule 2(b)) of the Option Price multiplied by the number of Scheme Shares in respect of which the Option is exercised;
“Acting in Concert”	The meaning given to that expression in the City Code on Takeovers and Mergers in its present form or as amended from time to time;
the “Act”	The Income and Corporation Taxes Act 1988;
“Adoption Date”	The date on which this Scheme is adopted by the Company;

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” Approval Date”	The date on which this Scheme is approved by the Inland Revenue under Schedule 9 to ICTA 1988.
“Associated Company”	Associated Company as defined in Section 187(2) of the Act;
“Bonus”	Any sum payable by way of terminal bonus under a Savings Contract, being the additional payment made by the Savings Authority when repaying contributions made under a completed Savings Contract;
“Bonus Date”	In relation to any Employee’s Savings Contract the earliest date on which a Bonus is due;
“Committee”	A committee appointed by the board of directors of Gannett U.K. Limited;
the “Companies Act”	The Companies Act 1985;
the “Company”	Gannett Co., Inc;
“Control”	Control as defined in section 840 of the Act;
“Date of Announcement”	In respect of any Option grant, the date on which an announcement is made by the Committee pursuant to Rule 3(a);
“Date of Grant”	The date on which an Option is granted to an Eligible Employee, which shall be the date specified on the Option Agreement;
“Dealing Day”	A day on which transactions take place on the New York Stock Exchange ;
“Eligibility Date”	In respect of any Option grant, the date determined by the Executive Compensation Committee which in no circumstances shall be more than two years prior to the Date of Grant for that Option.
“Eligible Employee”	With respect to an Option grant, any person who: <ul style="list-style-type: none"> <li>(a) is not prohibited from participating in this Scheme by reason of the</li> </ul>

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provisions of paragraph 8 of Schedule 9 to the Act and who:

- (i) is an employee or director (other than a non-executive director) of a Group Company; and
- (ii) if a director, is contracted to work at least 25 hours a week (exclusive of meal breaks) for a Group Company; and

who in either case:

- (aa) is chargeable to tax in respect of his office or employment under Case I of Schedule E; and
  - (ab) was employed by a Group Company on the Eligibility Date for that Option grant; or
- (b) is any other director or employee of a Group Company who is not prohibited from participating by reason of paragraph 8 of Schedule 9 and, in the case of a director, who satisfies (a)(ii) above, whom the Committee in their sole discretion approve;

“Employees’ Share Scheme”

An employees’ share scheme as defined in section 743 of the Companies Act;

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“Executive Compensation Committee”	The Executive Compensation Committee of the Company or a committee of persons appointed thereby;
“Exercise Period”	Any period during which Options may be exercised as set out in Rules 6(a) to 6(f) and Rule 8;
“Group”	Gannett Co., Inc, and its Subsidiaries from time to time and the expression “member of the Group” shall be construed accordingly;
“Group Company”	A Subsidiary over which Gannett U.K. Limited has Control and which has been nominated by the Committee to participate for the time being in this Scheme;
“ICTA 1988”	The Income and Corporation Taxes Act 1998;
“Market Value”	In the case of Options granted under this Scheme, means: <ul style="list-style-type: none"> <li>(a) If at the relevant time shares which are of the same class as Scheme Shares are listed on the New York Stock Exchange the closing price of a Scheme Share as reflected in the consolidated trading tables of the Wall Street Journal or any other publication selected by the Committee on the Dealing Day immediately preceding the Date of Announcement;</li> <li>(b) if paragraph (a) above does not apply, the market value of a Scheme Share determined in accordance with Part VIII of the taxation of Chargeable Gains Act 1992, and agreed in advance with the Inland Revenue Shares Valuation Division, on the Date of Announcement or such earlier date or dates as may be agreed with the Board of Inland Revenue;</li> </ul> <p style="text-align: center;">and in any case divided by the United Kingdom Sterling Exchange Rate ;</p>

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“Normal Retirement Date”	The age at which an employee is due to retire in accordance with the terms of his contract of employment;
“Option”	A right to acquire Scheme Shares at the Acquisition Price granted to an Eligible Employee under the provisions of this Scheme and for the time being subsisting;
“Option Agreement”	The agreement in respect of a grant of an Option which shall be issued to an Option-holder in accordance with Rule 4 (f);
“Option-holder”	Any person who holds an Option, or (where the context admits) his legal personal representative(s);
“Option Price”	The price per Scheme Share determined by the Committee being not less than 85 per cent of the Market Value of such a Scheme Share on the Date of Announcement or on such earlier date or dates (the “Valuation Date”) as may be agreed in writing with the Board of Inland Revenue;
“Relevant Age”	The age of 65 years;
the “Rules”	The rules for the time being governing this Scheme;
“Savings Authority”	A building society or an institution authorised under the Banking Act 1987 to whom the Committee from time to time determines that contributions are payable under the terms of a Savings Contract;
“Savings Contract”	A contract under a certified contractual savings scheme (within the meaning of section 326 of the Act) which has been approved by the Committee for the purposes of this Scheme and by the Board of Inland Revenue for the purposes of Schedule 9 and under which an Eligible Employee contracts to make 36 monthly savings;
“Schedule 9”	Schedule 9 to the Act;

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“this Scheme”	The Gannett Co., Inc Savings Related Share Option Scheme for employees of Gannett U.K Limited and its Subsidiaries (“Employee Sharesave Scheme 2000”) in its present form or as from time to time amended in accordance with the provisions hereof;
“Scheme Shares”	Shares of common stock in the capital of the Company or any shares representing the same which satisfy the conditions specified in paragraphs 10 to 14 inclusive of Schedule 9;
“Subsidiary”	A company which is a subsidiary of the Company within the meaning of section 736 of the Companies Act;
“Takeover Offer”	<p>In relation to the Company, means either:</p> <p>(a) a general offer to acquire the whole of the issued shares of common stock of the Company which is made on a condition such that if it is satisfied the person making the offer will have Control of the Company; or</p> <p>(b) a general offer to acquire all the shares in the Company of the same class as the Scheme Shares</p> <p>in either case, other than shares already owned by the offeror or persons acting in concert with the offeror;</p>
“United Kingdom Sterling Exchange Rate	The highest buying price of the bid/offer spread for United Kingdom Sterling on the day on which the Market Value of a Scheme Share is determined as shown in the Financial Times;
“Valid Application”	An application made by an Eligible Employee on the application form provided by the date specified in an announcement made in accordance with Rule 3(a) as the latest date for applications in which the monthly contribution specified is permitted by Rule 4(a).

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## **Construction**

- (b) Words or expressions used herein shall where appropriate:
  - (i) when denoting the masculine gender include the feminine and vice versa;
  - (ii) when denoting the singular include the plural and vice versa;
  - (iii) unless otherwise defined herein or the context otherwise requires have the same meanings as in Schedule 9 as amended from time to time;
  - (iv) when referring to any enactment be construed as a reference to that enactment as for the time being consolidated, amended, re-enacted or replaced and shall include any regulations made thereunder; and
  - (v) be construed such that the headings and sub-headings are for ease of reference only, and do not affect the interpretation of any Rule.

Where under any of the provisions of these Rules it is provided that an Option shall lapse that Option shall cease to be exercisable thereafter notwithstanding any other provision of these Rules.

## **2. SHARE OF COMMON STOCK**

### **Availability of authorised share capital**

- (a) The Company may issue, and shall reserve for issuance up to 2,000,000 Scheme Shares for use pursuant to Options granted under this Scheme, which may be authorised and unissued or treasury Scheme Shares.

### **Variation of share capital and adjustment of options**

- (b) In the event of any capitalisation issue or rights issue, rights offer, or any reduction, sub-division or stock split, consolidation or other variation of the share capital of the Company, the number of Scheme Shares comprised in any Option and/or the Option Price and the number of Scheme Shares available for issue pursuant to Rule 2(a) may be adjusted by the Executive Compensation Committee (including retrospective adjustments where appropriate) in such manner as it considers to be in its opinion fair and reasonable provided always that no adjustment shall have effect after the date of adjustment for so long as the Scheme is approved by the Board of Inland Revenue, unless the Board of Inland Revenue has approved the adjustment. Notice of any such adjustment shall be given to the Option-holders affected by such adjustment by the Committee, who may call in Option Agreements for endorsement, cancellation or re-issue subsequent upon such adjustment.

## **3. APPLICATIONS FOR OPTIONS**

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- (a) Subject to the restrictions hereinafter contained, the Executive Compensation Committee may, at its discretion determine that this Scheme shall operate and thereafter the Committee shall announce to all Eligible Employees in whatever manner is determined by the Committee to be appropriate:
- (i) the maximum number (if any) of Scheme Shares over which Options are to be granted on the Date of Grant immediately following such announcement;
  - (ii) the Option Price;
  - (iii) the last date by which applications made pursuant to Rule 3(b) must be received (which shall be not earlier than 14 days nor later than 21 days after the Date of Announcement); and
  - (iv) whether the repayment under the Savings Contracts linked to those Options shall include any Bonus.
- (b) Each person who in relation to a grant of an Option is an Eligible Employee may, not later than the date specified in the announcement referred to in Rule 3(a) as the last date for receipt of applications, apply for an Option in respect of any of the Scheme Shares specified in any such announcement, by delivery of a duly completed Valid Application form complying with the requirements of this Rule to the secretary for the time being of the Company, or as specified on the application form.
- (c) Applications for Options shall be in writing in such form as the Committee may from time to time prescribe.

#### **4. GRANT OF OPTIONS**

##### **Contributions under the savings contract**

- (a) The monthly contribution payable by a participant under a Savings Contract shall be in multiples of £1 and shall not:
- (i) be less than £10; nor
  - (ii) when aggregated with the monthly contributions being paid under any other savings contract(s), certified pursuant to section 326 of the Act, entered into by that Eligible Employee in connection with the grant of any option under a savings-related share option scheme approved by the Board of the Inland Revenue under Schedule 9, exceed £250 or such maximum amount determined by the Committee and from time to time permitted under Schedule 9.

##### **Timing of grant**

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- (b) No Option shall be granted to any Eligible Employee if such grant shall be prohibited under the legislation from time to time in force governing the approval of savings-related share option schemes involving a certified contractual savings scheme. In any event, no Option shall be granted at any time before the later of the Adoption Date and the Approval Date.

#### **Grant of options**

- (c) The grant of an Option shall be conditional upon the Eligible Employee having submitted to the Committee (or at the Committee's direction) a Valid Application, prior to the grant of that Option, for entry into a Savings Contract. In making his application the Eligible Employee shall state inter alia the monthly contribution which he would like to make under the Savings Contract. Each such application shall be deemed to be in respect of the largest whole number of Scheme Shares which can be purchased with the expected repayment (including the Bonus applied for if this is to be included in accordance with Rule 3(a)(iv)) under the Savings Contract at the Bonus Date.
- (d) As soon as possible after the final date for the receipt of applications in relation to each grant of Options and within 30 days of the earliest of the dates on which the Market Value was taken for the purposes of determining the Option Price, the Company shall, subject to Rule 4(e), grant to each Eligible Employee who has submitted a Valid Application an Option in respect of the whole number of Scheme Shares for which he is deemed to have applied in accordance with Rule 3(c).
- (e) If Valid Applications are received such that the number of Scheme Shares the subject of all the Options applied for would exceed the maximum number of Scheme Shares determined by the Committee pursuant to Rule 3(a)(i), then subject to the provisions of Rule 4(a)(i) the following steps or such other arrangements approved by the Inland Revenue in advance shall be carried out in the following order to the extent necessary to eliminate the excess:
- (i) if the Bonus is included or is taken to be included then no Bonus shall be taken to be included;
  - (ii) the excess over £50, or such greater or lesser amount as the Committee may decide, of the monthly savings contribution chosen by each applicant shall be reduced pro rata to the extent necessary;
  - (iii) the excess over £10 of the monthly savings contribution chosen by each applicant shall be reduced pro-rata to the extent necessary;
  - (iv) applications will be selected by lot, each based on a monthly savings contribution of £10 and the exclusion of any Bonus in the repayment under the Savings Contract.
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As soon as possible after the final date for the receipt of applications in relation to each grant of Options and within 42 days of the earliest of the dates on which the Market Value was taken for the purposes of determining the Option Price, the Company shall grant to each Eligible Employee who has submitted a Valid Application, or where appropriate to those Eligible Employees selected by lot pursuant to this Rule 4(e), an Option in respect of the number of Scheme Shares for which he is deemed to have applied scaled down proportionately to the reduction made in his monthly contributions pursuant to this Rule 4(e).

#### **Option Agreements**

- (f) Subject to the Eligible Employee entering into a Savings Contract, as soon as possible after the Date of Grant each Eligible Employee shall be issued an Option Agreement in respect of his Option, specifying the Date of Grant, the number of Scheme Shares subject to the Option, the Option Price and the Acquisition Price.

#### **Restrictions on grant of options**

- (g) If the Committee or the Company are prevented at any time by statute, order, regulation or governmental directive from making an announcement pursuant to Rule 3(a) or from granting Options within the time limits imposed by these Rules, they may make such an announcement within 42 days after the lifting of such restrictions.

#### **Options only to be granted to employees and directors**

- (h) No Option shall be granted to any person who is no longer a director or employee of a Group Company on the date Options are granted under this Rule 4.

#### **Life of the scheme**

- (i) No Option may be granted more than ten years after the Adoption Date.

#### **5. NON-TRANSFERABILITY OF OPTIONS**

Save as provided in Rule 6(b) no Option nor any right thereunder shall be capable of being transferred, assigned, charged or otherwise disposed of. Any such purported transfer, assignment, charge or disposal shall result in the cancellation of the Option.

#### **6. RIGHTS TO EXERCISE OPTIONS**

##### **General**

- (a) (i) Save as provided in Rules 6(b), 6(c), 6(f), and 8, an Option may be exercised only during the period commencing with the Bonus Date under the relevant Savings Contract; and
-

- (ii) save as provided in Rule 6(b), an Option shall not be exercisable later than six months after such Bonus Date.

#### **Death**

- (b) If an Option-holder dies, his Option may be exercised by his legal personal representatives, but only:
  - (i) within 12 months after the date of his death if such death occurs before the Bonus Date; or
  - (ii) within 12 months after the Bonus Date in the event of his death within six months after such Bonus Date.

#### **Cessation of employment in special circumstances**

- (c) If an Option-holder shall cease to be employed by a Group Company by reason:
  - (i) of injury or disability (evidenced to the satisfaction of the directors) or redundancy within the meaning of the Employment Rights Act 1996; or
  - (ii) of retirement on reaching the Relevant Age or his Normal Retirement Date; or
  - (iii) that his office or employment is in a company of which the Company ceases to have Control; or
  - (iv) that his office or employment relates to a business or part of a business which is transferred to a person who is not a company of which the Company has Control

he may exercise all or any of his Options in whole or in part during the period ending six months after the date of such cessation (at the end of which period his Options will lapse to the extent unexercised).

- (d) No person shall be treated for the purposes of Rule 6(c) as ceasing to hold the office or employment by virtue of which he is an Eligible Employee until he ceases to hold any office or employment in the Company or in any Associated Company or any company over which the Company has Control.

#### **Cessation of employment after three years**

- (e) If an Option-holder ceases to hold the office or employment by virtue of which he is an Eligible Employee for reasons other than those set out in Rules 6(b) or 6(c) more than three years after the Date of Grant of an Option such Option may be exercised within six months after the Bonus Date for that Option.

#### **Reaching Relevant Age**

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- (f) If at the date of reaching the Relevant Age an Option-holder does not retire he may exercise his Option within the period of six months commencing with that date.

#### **Termination of savings contract**

- (g) If an Option-holder gives, or under the terms of the Savings Contract has or is deemed to have given, notice to the relevant Savings Authority that he intends to stop paying contributions under his Savings Contract then, unless the relevant Option is then exercisable under this Rule 6, it shall thereupon lapse.

#### **Bankruptcy**

- (h) If the Option-holder is adjudicated bankrupt, his Option shall thereupon lapse.

#### **Conditions to be satisfied at time of exercise**

- (i) No Option may be exercised by an Option-holder, or by the legal personal representatives of an Option-holder who is (or at the date of his death was):
- (i) not a director or employee of the Company or a Group Company unless the Option is to be exercised pursuant to Rules 6(b), 6(c) or 6(e); or
  - (ii) precluded from such exercise by paragraph 8 of Schedule 9.

#### **Exercise to be limited to repayment proceeds**

- (j) If an Option becomes exercisable under any provision of this Scheme then the maximum number of Scheme Shares over which it shall be exercisable shall be limited to the largest whole number of Scheme Shares that may be acquired at the Option Price out of the repayment including any interest or Bonus received under the relevant Savings Contract. For these purposes the repayment under the Savings Contract shall exclude the repayment of any contribution the due date for payment of which falls more than one month after the date on which repayment is made.

### **7. LOSS OF OFFICE OR EMPLOYMENT**

- (a) The grant of an Option does not form part of the Option-holder's entitlement to remuneration or benefits pursuant to his contract of employment nor does the existence of a contract of employment between an Eligible Employee and any company give such Eligible Employee any right or entitlement to have an Option granted to him in respect of any number of Scheme Shares or any expectation that an Option might be granted to him whether subject to any conditions or at all.
-

- (b) The rights and obligations of an Option-holder under the terms and conditions of his office or employment shall not be affected by his participation in the Scheme or any right he may have to participate in the Scheme.
- (c) An individual who participates in the Scheme waives all and any rights to compensation or damages in consequence of the termination of his office or employment with any company for any reason whatsoever in so far as those rights arise, or may arise, from his ceasing to have rights under or be entitled to exercise any Option under the Scheme as a result of such termination or from the loss or diminution of value of such rights or entitlements. By participating in this Scheme the Option holder agrees that, if necessary, his terms of employment shall be varied accordingly.

## **8 TAKEOVER, RECONSTRUCTION, AMALGAMATION OR WINDING UP OF COMPANY**

### **(a) General offer for Company**

Notwithstanding Rule 6(a)(i), if a person obtains Control of the Company as a result of making:

- (i) a general offer to acquire the whole of the issued ordinary share capital of the Company which is made on a condition such that if it is satisfied the person making the offer will have Control of the Company; or
  - (ii) a general offer to acquire all the shares in the Company of the same class as the Scheme Shares (in either case, other than any shares already held by him or a person Acting In Concert with him), all Options may be exercised at any time during the period of six months beginning with the time when the person making the offer has obtained Control of the Company and any condition subject to which the offer is made has been satisfied. If not so exercised, the Options shall lapse immediately unless the Committee determines otherwise, when the Options shall continue to exist.
-

(b) **Winding up of Company**

Notwithstanding Rule 6(a)(i), if notice is given of a resolution for the voluntary winding-up of the Company:

- (i) all Options (including, at the election of the Option-holder, an Option which has already become exercisable) may be exercised on terms that exercise is conditional on the passing of the resolution at any time during the period beginning with the date the notice is given and ending seven clear days before the resolution is passed or defeated or the general meeting is concluded or adjourned sine die;
- (ii) where exercise is permitted under this Rule 8(b), notice of exercise shall be in such form as may be prescribed by the Committee;
- (iii) if the resolution is passed, any Options not so exercised shall lapse immediately;
- (iv) if the resolution is not passed, any exercise of an Option under this Rule 8(b) shall be of no effect and the Option shall continue to exist;
- (v) the date of exercise of all Options exercised under this Rule 8(b) shall be deemed to be the date on which the resolution is passed; and
- (vi) an Option which has already become exercisable may be exercised unconditionally during the period referred to in Rule 8(b)(i) but such exercise shall be subject to Rule 8(b)(iii) (with appropriate modifications).

(c) **Shares subject to Options ceasing to be Scheme Shares**

If the rights carried by the shares subject to an Option are altered in such a way that the shares cease to satisfy the conditions in paragraphs 10 to 14 of Schedule 9 to ICTA 1988:

- (i) the definition of “Scheme Shares” shall be amended by the deletion of the words “which satisfy the conditions in paragraphs 10 to 14 of Schedule 9 to ICTA 1988”;
- (ii) the Option shall continue to exist; and
- (iii) the Scheme shall continue to exist but as a non Inland Revenue approved scheme.

(d) **Meaning of “obtains Control of the Company”**

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For the purpose of Rule 8, a person shall be deemed to have obtained Control of the Company if he and others Acting In Concert with him have together obtained Control of it.

(e) **Notification of Option-holders**

The Committee shall, as soon as reasonably practicable, notify each Option-holder of the occurrence of any of the events referred to in Rule 8 and explain how this affects his position under the Scheme.

9 **EXCHANGE OF OPTIONS ON TAKEOVER OF COMPANY**

(a) **Exchange of Options**

If the person referred to in Rule 8 is a company ("Acquiring Company"), an Option-holder may, at any time during the period of 6 months following the change of Control, by agreement with the Acquiring Company, release his Option in whole or in part in consideration of the grant to him of a new option ("New Option") which is equivalent to the Option but which relates to shares ("New Scheme Shares") in:

- (i) the Acquiring Company; or
- (ii) a company which has Control of the Acquiring Company; or
- (iii) a company which either is, or has Control of, a company which is a member of a consortium within the meaning of Section 187(7) of ICTA 1988 which owns either the Acquiring Company or a company having Control of the Acquiring Company.

(b) **Meaning of "equivalent"**

The New Option shall not be regarded for the purpose of this Rule 9 as equivalent to the Option unless:

- (i) the New Scheme Shares satisfy the conditions in paragraphs 10 to 14 of Schedule 9 to ICTA 1988; and
  - (ii) the New Option will be exercisable in the same manner as the Option and subject to the provisions of the Scheme as it had effect immediately before the release of the Option; and
  - (iii) the total market value, immediately before the release of the Option, of the Scheme Shares which were subject to the Option is equal to the total market value, immediately after the grant of the New Option, of the New Scheme Shares (market value being
-

determined for this purpose in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992); and

- (iv) the total amount payable by the Option-holder for the acquisition of the New Scheme Shares under the New Option is equal to the total amount that would have been payable by the Option-holder for the acquisition of the Scheme Shares under the Option.

(c) **Date of grant of New Option**

The date of grant of the New Option shall be deemed to be the same as the Date of Grant of the Option.

(d) **Application of Scheme to New Option**

In the application of the Scheme to the New Option, where appropriate, references to “Company” and “Scheme Shares” shall be read as if they were references to the company to whose shares the New Option relates and the New Scheme Shares, respectively, save that in the definition of “Committee” the reference to “Company” shall be read as if it were a reference to Gannett Co., Inc.

## 10. EXERCISE OF OPTIONS

### Procedures on exercise

- (a) Exercise of an Option, or of new rights under this Scheme, shall be effected by a notice in writing in a form prescribed from time to time by the Committee lodged with the Secretary of the Company or at its office as appropriate or with the Company’s duly appointed agent specifying the number of Scheme Shares in respect of which the Option is being exercised and accompanied by evidence of the termination of the related savings contract and a remittance for the Acquisition Price for the Scheme Shares concerned. Payment may be made by banker’s draft or cheque provided that if the cheque is not cleared the Eligible Employee shall be deemed never to have exercised his option and neither the company nor any other person will be under any obligation to provide any Scheme Shares for him. Notwithstanding anything to the contrary therein contained such notice shall (other than in the circumstances contained in the immediately preceding proviso and/or Rule 8(c)(iv) above) take effect upon receipt of notice and payment in full and such day shall, notwithstanding Rule 12(c) constitute for all purposes the date of exercise of such option and the Secretary of the Company shall procure that the said shares are issued or transferred within 28 days thereafter. The Option Agreement should also be lodged but failure to do so will not invalidate the exercise of the Option. The Company will keep a suitable form of notice available, so that an Option-holder desirous of exercising an Option may obtain copies thereof from the Secretary of the Company.
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- (b) All transfers and all allotments of Scheme Shares shall be subject to any necessary consents of HM Treasury or other authorities in the United Kingdom or elsewhere under enactments or regulations for the time being in force and it shall be the responsibility of the Option-holder to comply with any requirements to be fulfilled in order to obtain or obviate the necessity for any such consent.

#### **Rights attaching to Scheme Shares**

- (c) Scheme Shares transferred pursuant to this Scheme will be transferred without the benefit of any rights attaching thereto by reference to a record date preceding the date of exercise. Save as regards rights attaching to Scheme Shares by reference to a record date prior to the date on which the Scheme Shares are allotted and issued, Scheme Shares issued upon the exercise of Options shall be identical and rank pari passu in all respects with shares of the same class then in issue.

### **11. SCHEME AMENDMENTS AND TERMINATION**

#### **Amendments**

- (a) Notwithstanding the provisions of Rules 11(b) to 11(d) and 12(b), the Executive Compensation Committee may at any time make such alterations (including additions) to the Rules as are necessary to secure that the Rules receive initial approval from the Board of Inland Revenue under Schedule 9 and continue to be so approved.
  - (b) Subject to Rule 11(c) and 11(d) the Executive Compensation Committee may from time to time at its absolute discretion, amend any of the Rules.
  - (c) No amendment waiver or replacement to or of this Scheme (or any Rule) shall be made to the extent to which it would have the effect of abrogating or altering adversely any of the subsisting rights of Option-holders except with such consent on their part as would be required by the provisions of the Company's by-laws if the Scheme Shares to be issued or transferred on the exercise of the Options already granted and still subsisting were so issued or transferred and constituted a separate class of share capital and if such provisions applied mutatis mutandis thereto.
  - (d) So long as this Scheme remains approved under Schedule 9 no amendment to this Scheme shall take effect until after the date of amendment unless the Board of Inland Revenue has approved the amendment or the Scheme has become a non Inland Revenue Scheme in accordance with Rule 8(c). The Company shall notify the Board of Inland Revenue in writing immediately after the date of alteration in respect of each such amendment.
  - (e) Rule 11(c) shall not apply to any minor amendment to facilitate the administration of the Scheme or to any amendment which the Executive Compensation Committee considers is necessary or desirable to comply with or take account of the provisions of any proposed or existing legislation, including overseas securities
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legislation, or to take advantage of any changes to legislation, or to take account of any of the events mentioned in Rule 8, or to obtain or maintain favourable exchange control taxation or regulatory treatment of the Company, any Subsidiary or any Option-holder provided any such alteration does not affect the basic principles of this Scheme.

- (f) The Executive Compensation Committee shall have the power from time to time to make or vary regulations for the administration of this Scheme and to amend the terms or impose further conditions on the grant and exercise of Options to take account of overseas taxation, and securities or exchange control laws provided always that such regulations, terms and conditions shall not be inconsistent with the provisions of this Scheme and shall not cause any of the provisions of Schedule 9 relevant to this Scheme to cease to be satisfied.

#### **Termination**

- (g) Notwithstanding the provision contained in Rule 4(i), the Executive Compensation Committee may at any time resolve that no further Options be granted under this Scheme, and in such event no further Options will be granted but in all other respects the provisions of this Scheme shall remain in full force and effect.

## **12. ADMINISTRATION**

#### **Notice and documents**

- (a) Option-holders not otherwise entitled thereto may be sent copies of all relevant notices and other documents sent by the Company to its ordinary shareholders generally.
  - (b) Written notices of any amendment made in accordance with Rule 11 shall be given to those Option-holders affected by such amendment.
  - (c) Any notice or other document required to be given hereunder to any Option-holder shall be delivered to him or sent by First Class pre-paid post to him at his home address according to the records of the Company or such other address as may appear to the Company to be appropriate. Any notice or other document required to be given to the Company shall be delivered to it or sent by First Class pre-paid post to its registered office or such other address as may be determined by the Company to be appropriate. Notices sent by post shall be deemed to have been given on the fifth day following the date of posting.
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**Disputes**

- (d) The decision of the Executive Compensation Committee in any dispute or question relating to any Option shall be final and conclusive subject to the terms of this Scheme.

**Costs of the scheme**

- (e) The costs of introducing and administering this Scheme shall be borne by one or more Group Companies.

**Governing Law**

- (f) These Rules shall be governed by and construed in accordance with English Law.

**DATED: 22<sup>nd</sup> March 2002**

**GANNETT U.K. LIMITED**

**and**

**BARCLAYS BANK TRUST COMPANY LIMITED**

**TRUST DEED AND RULES**

**OF**

**THE GANNETT U.K. LIMITED**

**INLAND REVENUE APPROVED**

**SHARE INCENTIVE PLAN**

Approved by a Board resolution on: 21 February 2002

Approved by the Inland Revenue on: 18 April 2002

Inland Revenue reference no: A1444/SY

Prepared by Landwell  
on behalf of PricewaterhouseCoopers

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**THIS DEED of TRUST is made on 22<sup>nd</sup> March 2002**

**BETWEEN:**

- (1) Gannett U.K. Limited (incorporated in England and Wales under company number 3795655) whose registered office is situated at Newspaper House, 34-44 London Road, Morden, Surrey SM4 5BR (“the Company”);
- (2) Barclays Bank Trust Company Limited (incorporated in England and Wales under company number 920880) whose registered office is situated at 54 Lombard Street, London EC3P 3AH (“the Trustee”); and
- (3) the Participating Companies detailed in attached Schedule 2.

**PRELIMINARY:**

- (A) The Executive Compensation Committee and the Company wish to establish a share incentive plan approved in accordance with the provisions of Schedule 8 and constituting an Employees’ Share Scheme. The Executive Compensation Committee or its delegates will administer the Plan.
- (B) The Plan has been approved by the Board of Directors of Gannett Co., Inc. by a resolution passed at a meeting held on 21 February 2002.
- (C) The Trustee has agreed to act as the first trustee of the Plan.
- (D) The Trustee has received the sum of £50 from the Company as an initial contribution to the trusts established by this Trust Deed.

THE TRUST DEED WITNESSES as follows:

**1** INTERPRETATION

In this Trust Deed:

1.1 unless the context otherwise requires the definitions set out in Rule 1.1 of Schedule 1 shall apply and the following words and expressions shall have the following meanings:

<b>Beneficiary</b>	a bona fide employee or former employee of the Company, or a Subsidiary company;
<b>Charitable</b>	exclusively charitable under English law;
<b>Executive Compensation Committee</b>	The Executive Compensation Committee of Gannett Co., Inc. or a committee of persons (delegates) appointed thereby;
<b>Trust Deed</b>	this trust deed in its present form or as amended from time to time;
<b>Trust Period</b>	the period commencing on the date of this Trust Deed and ending on the expiry of 80 years from the date of this Trust Deed and so that the period of 80 years from the date of this Trust Deed shall be the perpetuity period for the purpose of section 1 of the Perpetuities and Accumulations Act 1964; and
<b>Trustee</b>	Barclays Bank Trust Company Limited and any additional or replacement trustee from time to time of the Plan.

1.2 Unless otherwise specified, the interpretation provisions of Rule 1.2 of Schedule 1 shall apply.

1.3 References to clauses are to clauses of this Trust Deed.

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## **OBJECT OF TRUST**

All Plan Shares held by the Trustee will be held UPON TRUST for the Beneficiaries respectively entitled to them under the Plan subject to the provisions set out below and to the power of the Trustee to transfer or cause to be transferred to the person beneficially entitled to them any Plan Shares in accordance with the Plan.

3

## **ACHIEVING OBJECT OF TRUST**

### **3.1 Monies received from Participating Companies**

Subject to the provisions set out below the Trustee shall apply monies it receives from the Participating Companies in the acquisition of Shares for Appropriation or for the purposes of clause 4.1 and to hold such Shares once Appropriated and all other trust property deriving from such Shares on trust for the Participants to whom such Shares have been Appropriated and to apply and deal with the same in accordance with the Plan provided always that:

- 3.1.1 the Trustee shall not dispose of a Participant's Free Shares during the Free Shares Holding Period, or Matching Shares during the Matching Shares Holding Period (whether by transfer to the Participant or otherwise) except as provided in the Rules;
- 3.1.2 the Trustee shall not (subject to the Rules) dispose of a Participant's Free Shares after the end of the Free Shares Holding Period or Matching Shares after the end of the Matching Shares Holding Period except pursuant to a direction validly given by or on behalf of the Participant or any person in whom the beneficial interest in those Shares is for the time being vested; and
- 3.1.3 the Trustee shall deal with any right attaching to Free Shares or Matching Shares to be allotted or to acquire other shares, securities or rights of any description only pursuant to a written direction given by or on behalf of the Participant or any person in whom the beneficial interest in such Free Shares or Matching Shares is for the time being vested.

### **3.2 Partnership Share Monies**

Subject to the provisions set out below the Trustee shall apply Partnership Share Money in the acquisition of Partnership Shares and shall hold such shares once acquired on trust for the Participants on whose respective behalf they have been acquired and apply and deal with the same in accordance with the Plan provided always that:



3.2.1 the Trustee shall not (subject to the Rules) dispose of a Participant's Partnership Shares (whether by transfer to the Participant or otherwise) except pursuant to a direction validly given by or on behalf of the Participant or any person in whom the beneficial interest in the Shares is for the time being vested; and

3.2.2 the Trustee shall deal with any right attaching to Partnership Shares to acquire other shares, securities or rights of any description only pursuant to a written direction given by or on behalf of the Participant or any person in whom the beneficial interest in the Partnership Shares is for the time being vested.

### **3.3 Dividend Shares**

Subject to the provisions set out below the Trustee shall hold Dividend Shares acquired on trust for the Participants on whose respective behalf they have been acquired and apply and deal with the same in accordance with the Plan provided always that:

3.3.1 the Trustee shall not dispose of a Participant's Dividend Shares during the Dividend Shares Holding Period (whether by transfer to the Participant or otherwise) except as provided by the Rules;

3.3.2 the Trustee shall not (subject to the Rules) dispose of a Participant's Dividend Shares (whether by transfer to the Participant or otherwise) except pursuant to a direction validly given by or on behalf of the Participant or any person in whom the beneficial interest in those Shares is for the time being vested; and

3.3.3 the Trustee shall deal with any right attaching to Dividend Shares to acquire other shares, securities or rights of any description only pursuant to a written direction given by or on behalf of the Participant or any person in whom the beneficial interest in the Dividend Shares is for the time being vested.

## **4 UNUSED FUNDS**

### **4.1 Trustee to apply unused funds for costs etc**

Where pursuant to the Plan the Trustee holds any monies, shares, securities or other assets which represent or represent income derived from:

4.1.1 any monies or assets received from the Participating Companies for the purposes of the Plan but which have not been applied and which are not required to be applied under the Plan in an Appropriation; or

- 4.1.2 any Capital Receipt of less than £3 which would be distributable to a Participant save for the provisions concerning such sums in the Rules; and
- 4.1.3 any assets relating to the Plan (including any amounts specifically paid to the Trustee as a contribution to any costs, charges and expenses incurred in connection with the establishment and operation of the Plan) which are not held for the benefit of a Participant in consequence of an Appropriation to him or any acquisition of Partnership Shares by him and which are not required to be applied under the Plan

then the Trustee may apply such assets or the sale proceeds thereof in or towards any reasonable costs, charges and expenses of the Plan and may during the Trust Period and subject to the law relating to accumulations accumulate any income thereon and hold the same for the general purposes of the Plan. The Trustee shall notify the Company on request of all amounts and assets held for such purposes.

#### **4.2 Trustee to account for monies upon termination of Plan**

If at any time the Plan is terminated the Trustee shall account to the Participating Companies for any unused monies then held on the trusts of clause 4.1. Notwithstanding such termination the Trustee shall continue to administer the Plan in accordance with the Trust Deed and the Rules. At the earlier of the expiry of the Trust Period and the third anniversary of the termination of the Plan the Trustee shall convert into money any trust property held subject to the trusts of the Plan declared in the Trust Deed and which are not either Partnership Shares or Dividend Shares nor Appropriated to Participants and shall pay such money to such one or more charitable organisations and if more than one in such proportions as the Trustee shall, in its absolute discretion determine. The receipt of the proper officer of the recipient charitable organisation shall be a valid discharge of the Trustee for the benefit received by it.

### **5 RIGHT TO DEAL WITH RECONSTRUCTIONS, ETC**

#### **5.1 Trustee to act on Participant's directions**

The Trustee may at any time on behalf of any Participant who has given a direction to the Trustee under the Rules (but not otherwise) enter into any compromise or arrangement with respect to or may release or forbear to exercise all or any of its rights as shareholder whether in connection with a scheme of reconstruction or amalgamation or otherwise and may accept in or towards satisfaction of all or any of such rights such consideration as such Participant shall direct whether in the form of cash, stock, shares, debentures, debenture stock or obligations or securities without the Trustee being in any way liable or responsible for any loss resulting from complying with any such direction or any liability or increased liability of such Participant to tax or in respect of any inadequacy or alleged inadequacy in the nature or amount of such consideration.

**5.2 Trustee to use reasonable endeavours to obtain directions**

The Trustee shall use reasonable endeavours to ensure that the directions of Participants are obtained in respect of any matters affecting the rights of holders of Plan Shares.

**5.3 No liability for acting on directions**

The Trustee shall not be liable or responsible for any loss or any liability or increased liability of a Participant to tax arising out of the failure of such Participant to give a direction to the Trustee or the failure of such Participant to give a direction to the Trustee within a particular time or if the Participant has directed the Trustee to use its discretion in any way arising out of the bona fide exercise by the Trustee of that discretion.

**6 ACCOUNTABILITY FOR PAYE AND OTHER DEDUCTIONS**

The Company, any Participating Company or the Trustee may account to the Inland Revenue or other authority concerned for any amounts deducted from payments made, or assets transferred, pursuant to the Plan in respect of income tax or any other deductions required by statute or regulations made thereunder.

**7 MAINTENANCE OF TRUST RECORDS**

**7.1 Trustee to procure preparation of Trust records**

The Trustee shall maintain all necessary accounts (including the accounts of individual employees) records and other documents necessary to carry out its obligations in connection with:

7.1.1 the proper administration of the Plan; and

7.1.2 the PAYE obligations of the employer company (as that expression is defined in paragraph 95 of Schedule 8) so far as they relate to the Plan.

**7.2 Duty to keep records of PAYE deductions**

The Trustee shall keep records of all PAYE deductions, including payments to the Participating Companies in respect of PAYE obligations.

**7.3 Trustee to submit Trust records to Company**

The Trustee shall submit to the Company such reports or other information as it may reasonably require for the purpose of ensuring that the Plan is properly administered and without prejudice to the generality of the foregoing the Trustee shall submit to the Company copies of all documents including the annual returns which have been supplied to the Board of Inland Revenue within twenty-one days of their being so supplied.

**7.4 Company's right to inspect Trust records**

The Company shall at all times be entitled on service of 3 days written notice or as otherwise agreed between the Company and the Trustee to inspect all accounts, documents and records maintained by the Trustee for the purposes of the Plan and may at any time and at its absolute discretion audit or cause to be audited those accounts, documents and records.

**8 SECURITIES AND TITLE**

**8.1 Securities may be placed in custody**

The Trustee may place the documents of title for the time being in its possession in any bank or safe deposit and shall not be responsible for any losses incurred by so doing.

**8.2 More than one Trustee may be registered proprietor**

At any time when there is more than one Trustee, the Trustee shall be entitled to procure that any one or more of them may be registered as proprietor of any property held by them upon the trusts of the Trust Deed.

**9 APPLICATION OF PLAN TO SUBSIDIARIES**

**9.1 Extension of Plan to Subsidiaries**

The Plan may with the consent of the Company be extended to any Subsidiary by a deed of adherence in a form approved by the Executive Compensation Committee executed by that Subsidiary and the Company.

**9.2 Circumstances where Plan may cease to apply to Subsidiary**

The Plan shall cease to extend to a Participating Company (other than the Company) when:

- 9.2.1 such Participating Company ceases to be a Subsidiary; or

- 9.2.2 a notice is served by the Company upon the Trustee and the Participating Company that the Plan shall cease to apply to that Participating Company; or
- 9.2.3 a Participating Company withdraws from the Plan on such conditions as may be agreed by the Company

but such cessation shall not affect the subsisting rights of Beneficiaries under the Plan which have arisen under the Plan prior to such cessation.

### **9.3 Trustee not liable to account to former Participating Companies**

Where the Plan ceases to extend to a Participating Company in accordance with clause 9.2 then the Trustee shall not be liable to account to such Participating Company for any unused monies then held on the trusts of clause 4.1.

## **10 DUTIES OF PARTICIPATING COMPANIES**

### **10.1 Duty to contribute sums and provide information**

If and so long as any company is a Participating Company it shall:

- 10.1.1 contribute and pay to the Trustee such sums as are required by the Trustee to purchase or subscribe for Shares to be Appropriated to Participants of that Participating Company together with a fair proportion of the sums required to meet:

10.1.1.1 the reasonable expenses of the Trustee in operating and administering the Plan; and

10.1.1.2 any remuneration payable to the Trustee

to the extent that such expenses and remuneration cannot be met out of such of the assets held by the Trustee as are applicable for that purpose

- 10.1.2 provide the Trustee with all information reasonably required from it for the purposes of the administration and operation of the Plan in such form as the Trustee may reasonably require.

### **10.2 Continuing liability of former Participating Companies**

Any company that ceases to be a Participating Company shall remain liable to meet its fair proportion of the expenses of the Trustee.

## **11** **PROTECTION OF THE TRUSTEE**

### **11.1 Limited liability for monetary obligations**

The Trustee shall not be liable to satisfy any monetary obligations under the Plan (including but without prejudice to the generality of the foregoing any monetary obligations to Eligible Employees) beyond the sums of money (including income) from time to time in its hands or under its control as Trustee of the Plan and properly applicable for that purpose.

### **11.2 Trustee to comply with Company's directions**

The Trustee shall comply with any directions given by the Company (including for the avoidance of doubt any person to whom any delegation under clause 18.1 has been made) under the Rules and shall not be under any liability in respect of such compliance to the Company (or such other person under clause 18.1) or to any Eligible Employee.

### **11.3 Indemnity**

Subject to any agreement to the contrary between the Company or any Participating Company and the Trustee, the Company, shall pay to or reimburse the Trustee all expenses properly incurred by it in connection with the Trust and shall fully indemnify the Trustee against all actions, claims, losses, demands, proceedings, charges, expenses, costs, damages, taxes, duties and other liabilities incurred by it in connection with the Trust or in connection with the proper administration and operation of the Plan provided that a Trustee shall not be paid, reimbursed or indemnified in respect of:

11.3.1 any sum which can under clause 4.1 be recovered by the Trustee either out of the assets held subject to the Plan or from other Participating Companies; and

11.3.2 any fraud, wilful misconduct, or in the case of a Trustee receiving remuneration for acting as a Trustee, negligence by it or any of its officers or employees.

In addition, the Trustee shall have the benefit of all indemnities conferred on trustees by the Trustee Act 1925 and generally by law.

### **11.4 No obligation to become involved in management**

The Trustee shall not be under any obligation to:

11.4.1 become a director or other officer, or interfere in the management or affairs, of any company, any of the shares, debentures, debenture stock or securities which are held on the trusts created by the Trust Deed or of any company

associated with any such company, notwithstanding that the Trustee may have (whether directly or indirectly) a substantial holding in, or control of, any such company; or

11.4.2 seek information about the affairs of any such company but may leave the conduct of the affairs of any such company to its directors, officers or other persons managing the company provided the Trustee has no actual notice of any act of dishonesty on the part of such persons in connection with the management of the company.

## 12 **ADDITIONAL POWERS**

### 12.1 **Additional powers of the Trustee**

In addition and without prejudice to the powers vested in it by the other provisions of the Trust Deed and by law, the Trustee shall have the following powers and discretions:

12.1.1 to agree with the Company all matters relating to the operation and administration of the trusts created by the Trust Deed and so that no person claiming an interest under the Trust shall be entitled to question the legality or correctness of any arrangement or agreement made between the Company and the Trustee in relation to such operation and administration;

12.1.2 from time to time in writing to authorise such other person or persons whether or not a Trustee, as the Trustee shall think fit to draw and endorse cheques and to give receipts and discharges for any monies or other property payable transferable or deliverable to the Trustee and every such receipt or discharge shall be as valid and effectual as if such receipt or discharge was given by the Trustee and the production of a written authority of the Trustee given under this clause shall be a sufficient protection to any person taking any such receipt or discharge and (unless that person shall have received express notice in writing of the revocation of the authority) he shall be entitled to assume and act upon the assumption that the authority remains unrevoked;

12.1.3 at any time, to borrow or raise money only for the purpose of subscribing for or purchasing Shares or any other purpose for which money may be applied under the Trust Deed. Any loan made by a Participating Company to the Trustee shall be on such terms as the Participating Company and the Trustee agree;

12.1.4 to make any payment to any Beneficiary into the Beneficiary's bank account and the Trustee shall be discharged from obtaining a receipt or seeing the application of any such payment; and

12.1.5 to pay any amount, whether income or capital, intended to be paid to, or applied for the benefit generally of, any minor to his or her parent or guardian, whose receipt shall be a valid discharge of the Trustee.

**12.2 Trustee's power to invest monies etc**

Subject to any provision to the contrary in the Rules the Trustee shall in respect of monies or other assets not held on trust for a Participant have the same full and unrestricted powers of investing and transposing investments and laying out monies in all respects as if it were absolutely entitled to them beneficially and without regard to any requirement as to diversification.

**12.3 Trustee's power of sale**

Subject to any provision to the contrary in the Rules the Trustee shall in respect of any assets not held on trust for a Participant have all the powers of sale of a beneficial owner in respect of such assets.

**13 PROCEEDINGS OF TRUSTEES**

**13.1 Scope of clause**

Unless a corporate trustee is the sole Trustee, the following provisions of this clause 13 shall govern the proceedings of the Trustees.

**13.2 Regulations for conduct of business**

The Trustees shall meet together and, subject to the following provisions of this clause 13, make such regulations for the conduct of their business as they determine.

**13.3 Quorum for meetings of Trustees**

The quorum for any meeting of the Trustees shall be two. A meeting of the Trustees at which a quorum is present shall be competent to exercise all the powers and discretions exercisable by the Trustees generally.

**13.4 Majority voting of Trustees**

At any meeting of the Trustees, all questions shall be decided by a majority of the votes of the Trustees present and voting thereon. In the event of an equality of votes, the chairman of the meeting, if any, shall have a second or casting vote. In the event of an equality of votes on the election of a chairman at any meeting, the chairman shall be chosen by lot.



**13.5 Written resolutions of Trustees**

A resolution in writing signed by all the Trustees shall be as valid and effective as if it had been passed at a meeting of the Trustees and the same may consist of two or more documents in similar form each signed by one or more of the Trustees.

**14 ADMINISTRATION**

**14.1 Delegation**

Where there is more than one Trustee, the Trustees may from time to time delegate any business to any one or more of their number.

**14.2 Trustee being a company**

A Trustee which is a company may in its capacity as a Trustee act by its officers and may by such officers have and exercise all powers trusts and discretions vested in it under the Trust Deed.

**14.3 Minutes of meetings**

The Trustee shall cause proper minutes to be kept and entered in a book provided for the purpose of all its resolutions and proceedings and any such minutes of any meeting of the Trustee, if purported to be signed by the chairman of such meeting or by the chairman of a subsequent meeting, shall be admissible as prima facie evidence of the matters stated in such minutes.

**14.4 Professional advice**

The Trustee may employ and act on the advice or opinion of any solicitor, accountant, or other person engaged in any profession or business whether such advice was obtained by the Trustee or by the Company. The Trustee shall not be responsible for any loss occasioned by its acting on that advice.

**14.5 Trustee's agents**

The Trustee may employ on such terms as the Company may agree as to remuneration any agent to transact any business in connection with the Plan and the Trustee shall not be liable for any loss arising by reason of the fraud or negligence of such agent.

**14.6 Trustee may execute deeds etc**

The Trustee may execute or authorise the execution or delivery by any agent of it of any trust, deeds, documents or other instruments by the impression of the Trustees' signatures (where there is more than one Trustee) or (in the case of a sole

corporate trustee) by the signature of two or more officers of the corporate trustee, in writing, printing, lithograph, photocopying and other modes of representing or reproducing words in a visible form and may authorise the delivery of such instruments on its behalf.

**15** **REMUNERATION AND INTERESTS OF THE TRUSTEES**

**15.1 Individual Trustees**

Any individual Trustee shall be entitled to receive and retain as remuneration for his services under the Trust Deed such sum or sums as a Participating Company may from time to time resolve to pay to him notwithstanding that he is also an officer or employee of a Participating Company and he shall not be disqualified from voting or taking part in any decision of the Trustees on any matter by virtue of any personal or beneficial interest (actual or prospective) therein.

**15.2 Professional Trustees**

Any Trustee who is a solicitor, accountant, or other person engaged in any profession or business shall be entitled to charge and be paid all normal and other charges for business transacted, services rendered or time spent personally or by the Trustee's firm in connection with the Plan, including acts which a Trustee not engaged in any profession or business could have done personally.

**15.3 Corporate Trustees**

Any Trustee which is a company shall be entitled to charge and be paid such reasonable remuneration or charges as shall from time to time be agreed in writing between the Company and such company and any such company (being a bank) shall be entitled subject to the written consent of the Company, to act as banker and perform any services in relation to the Plan on the same terms as would be made with a customer in the ordinary course of its business as a banker without accounting for any resultant profit including without prejudice to the generality of the foregoing retention of its customary share of brokerage commission.

**15.4 Right to be employed by Company**

Any Trustee or officer of a corporate trustee may be employed by, or be appointed an officer of, the Company or any Subsidiary and shall be entitled to keep for his benefit such remuneration or any other benefit as he may receive by virtue of such position and shall not be liable to account for any such benefit.

**PERMITTED DEALINGS OF TRUSTEES****16.1 Trustee permitted to hold shares etc**

No Trustee (nor any director or other officer of a company acting as a Trustee) shall be precluded from acquiring, holding or dealing with any shares, debentures, debenture stock or securities of Gannett Co., Inc., the Company or any other Participating Company or any other company in which the Trustee may be interested or from entering into any contract or other transaction with Gannett Co., Inc., the Company or any other Participating Company or any such other company or being interested in any such contract or transaction. No Trustee (nor any director or other officer of a company acting as a Trustee) shall be liable to account to any Beneficiary, Eligible Employee or Participant or, where there is more than one Trustee, to the other Trustees or the Company or any other Participating Company or such other company for any profits so made or benefits so obtained by him.

**16.2 No requirement to account for benefits**

The Trustee (and any director or other officer of a company acting as a Trustee) who is or becomes a Beneficiary may retain all benefits to which he becomes entitled under the Plan and shall not be liable to account for any such benefit.

**NUMBER, APPOINTMENT, RETIREMENT AND REMOVAL OF TRUSTEES****17.1 Minimum number of Trustees**

The minimum number of Trustees shall be:

17.1.1 in the case of a Trustee which is a company (whether or not a trust corporation), one; and

17.1.2 in any other case, three.

17.1.3 while the number of Trustees is below the minimum number, a continuing Trustee shall not be entitled to exercise any power or discretion under the Trust Deed.

17.1.4 if, after the removal, retirement or death of a Trustee, there are fewer than the minimum number of Trustees required by clause 17.1.2, the Company shall forthwith appoint a new Trustee in place of the removed, retiring or dead Trustee.

## **17.2 Statutory power to appoint new and additional Trustees**

The statutory power of appointing new and additional Trustees contained in section 36 of the Trustee Act 1925 shall be vested in the Company and may be exercised by a resolution of the Directors or in writing signed by a person duly authorised by a resolution of the Directors.

## **17.3 Power to appoint additional Trustees**

In addition to the statutory power of appointing new and additional Trustees, the Company shall have the power by a resolution of the Directors or in writing signed by a person duly authorised by a resolution of the Directors to appoint additional Trustees notwithstanding that the effect of such appointment would be to increase the number of Trustees beyond four.

## **17.4 Company ceasing to exist**

If the Company ceases to exist otherwise than in consequence of a reconstruction or amalgamation, all powers of appointing and removing Trustees shall become vested in the Trustee.

## **17.5 Removal of Trustees**

The Company may by a resolution of the Directors or in writing signed by a person duly authorised by a resolution of the Directors, notice of which, in either case, is given to the Trustee, and without assigning any reason therefor, remove a Trustee from office, but not so as to reduce the number of Trustees below that specified in clause 17.1. If no later date is specified in the notice, such removal shall take place immediately on the receipt of the notice by the Trustee. If a later date is specified in the notice, such removal shall take place on the later of the receipt of the notice by the Trustee and the date specified in the notice.

## **17.6 Retirement of Trustees**

A Trustee may retire by giving the Company written notice of his desire to retire but not so as to reduce the number of Trustees below that specified in clause 17.1.

If the requirements of clause 17.1 will continue to be satisfied such notice shall take effect at the expiry of three months or such other period as may be agreed in writing by the Company after the date of such notice.

If the requirements of clause 17.1 will not continue to be satisfied, the Company shall, within three months after the giving of such notice, appoint an additional Trustee. If the Company fails to do so within such period, the retiring Trustee may by deed appoint an additional Trustee and his retirement shall thereupon become effective.

**17.7 Transfer of trust property following removal or retirement**

Forthwith following his removal or retirement as a Trustee, the outgoing Trustee shall transfer all property held by him subject to the Plan and deliver all documents in his possession relating to the Plan to the remaining Trustees and shall execute all such documents and do all such things as may be necessary to give effect to his removal or retirement.

**17.8 Section 37 of the Trustee Act 1925**

Section 37(1)(c) of the Trustee Act 1925 shall apply to the Plan as if all references in that section to a trust corporation were references to any company authorised by its memorandum and articles to undertake trust business.

**17.9 Residence of Trustees**

The Company shall ensure that all the Trustees or any sole Trustee which is a company shall at all times be resident for tax purposes in the United Kingdom.

**18 DELEGATION OF ADMINISTRATION BY THE COMPANY AND OTHER MATTERS**

**18.1 Delegation of Administration**

The Company or the Executive Compensation Committee may at any time delegate in writing to the directors of any other Participating Company or to any Participating Company's duly authorised officers any of its powers and duties under the Trust Deed or any business including the exercise of any discretion provided always that the Company shall not delegate the duties imposed on it or the rights given to it under clauses 9.1, 11.3, 17.2, 17.3, 17.5 or 22.

**18.2 Exercise of powers**

Except as otherwise provided in the Trust Deed or in the Rules the powers and discretions exercisable by any Participating Company in relation to the Plan shall be exercisable in the case of the Company by the Executive Compensation Committee and otherwise by resolution of the directors of such Participating Company or by a duly authorised committee thereof and a copy of any resolution signed or purporting to be signed by the secretary or any director of such company shall be sufficient authority to the Trustee to act thereunder.

**18.3 Information supplied by Participating Company**

The Trustee shall be entitled, in the absence of manifest error, to rely without further enquiry on any information or advice supplied to them by any Participating Company in connection with the trust created by the Trust Deed.

**19** **DURATION AND WINDING UP OF THE PLAN**

**19.1** **Termination on expiry of the Trust Period**

The Plan shall terminate on the earlier of:

19.1.1 the expiry of the Trust Period; and

19.1.2 a plan termination notice validly issued under Rule 35 of the Plan

and references throughout the Trust Deed to a termination of the Plan shall be taken to be a termination as herein provided.

**19.2** **Outstanding liabilities**

On or after the termination of the Plan no further sums shall be paid to the Trustee by the Participating Companies save that all Participating Companies shall remain liable to pay their just proportion of the costs charges and expenses of the Plan.

**19.3** **Completion of obligations**

Following any termination of the Plan the Trustee shall remain responsible for the completion of its obligations under the Plan.

**20** **SUPREMACY OF TRUST DEED OVER RULES OF PLAN**

The Trustee's rights, duties and powers are regulated by the Trust Deed and by the Rules and in the case of inconsistency or conflict between the provisions of the Trust Deed and of the Rules the provisions of the Trust Deed shall prevail.

**21** **GOVERNING LAW AND JURISDICTION**

**21.1** **Governing Law**

The formation, existence, construction, performance, validity and all aspects whatsoever of the Trust Deed and the Rules or any term of the Trust Deed or any Rules shall be governed by English law.

**21.2** **Jurisdiction**

The English courts shall have jurisdiction to settle any dispute which may arise out of, or in connection with, the Trust Deed or the Rules.

### **21.3 Jurisdiction agreement for benefit of Company**

The jurisdiction agreement contained in this clause 21 is made for the benefit of the Company only, which accordingly retains the right to bring proceedings in any other court of competent jurisdiction.

### **21.4 Participant deemed to submit to such jurisdiction**

By accepting an Award and not renouncing it, a Participant is deemed to have agreed to submit to such jurisdiction.

## **22 AMENDMENT OF TRUST DEED AND RULES**

### **22.1 Amendment of Deed and Rules**

The Company may at any time and from time to time in the case of the Trust Deed by a supplemental deed and in the case of the Rules by resolution of the Executive Compensation Committee amend, modify, or alter the Plan in any respect (such amendment modification or alteration being referred to in this clause 22.1 as a “modification”) provided that:

- 22.1.1 no modification shall be made which would have the effect of conferring any advantage on any Eligible Employee without the approval of the Company in general meeting except for minor amendments to benefit the administration of the Plan to take account of a change in legislation and amendments to obtain or maintain favourable tax, exchange control or regulatory treatment for Eligible Employees or the Participating Companies;
- 22.1.2 no modification shall alter to the disadvantage of any Participant his rights which have accrued to him under the Plan before the date of such modification;
- 22.1.3 no modification shall modify or alter to the disadvantage of the Trustee the provisions for its protection and indemnity contained in the Plan without the written agreement of the Trustee;
- 22.1.4 no modification shall be made which would or might infringe any rule against perpetuities or which could result in the Plan ceasing to be an Employees’ Share Scheme; and
- 22.1.5 whilst the Plan is approved by the Board of Inland Revenue, no modification to any key feature (as defined in paragraph 118(3)(a) of Schedule 8) of the Plan shall take effect without the approval of the Board of Inland Revenue.

**22.2 Amendments to be binding**

Any modification made in accordance with the provisions of this clause 22 shall be binding upon all persons from time to time interested in the Plan including the Company and any other Participating Company.

**23 GENERAL PROVISIONS**

**23.1 Counterparts**

The Trust Deed may be executed in any number of counterparts, and by the parties on separate counterparts, each of which when so executed and delivered shall be an original, but all the counterparts will together constitute one and the same Trust Deed.

**23.2 Irrevocability**

Subject to the provisions of the Trust Deed, the trusts hereby declared are irrevocable.

EXECUTED by the parties as a deed and delivered on the date first mentioned above.

**SIGNED** as a deed by

**Gannett U.K. Limited**

acting by a director and its secretary/ two directors:

/s/ Paul Davidson

Director

/s/ Paul Hunter

Director/Secretary

The Common Seal of **Barclays Bank** Trust Company was hereunto affixed in execution of this deed in the presence of:

Authorised sealing officer



**SIGNED** as a deed by  
Newsquest (London) Limited  
acting by a director and its secretary/ two directors:

/s/ Paul Davidson Director

/s/ Paul Hunter Director/Secretary

**SIGNED** as a deed by  
Newsquest (Essex) Limited  
acting by a director and its secretary/ two directors:

/s/ Paul Davidson Director

/s/ Paul Hunter Director/Secretary

**SIGNED** as a deed by  
Newsquest (Midlands South) Limited  
acting by a director and its secretary/ two directors:

/s/ Paul Davidson Director

/s/ Paul Hunter Director/Secretary

**SIGNED** as a deed by  
Newsquest (Lancashire) Limited  
acting by a director and its secretary/ two directors:

/s/ Paul Davidson Director

/s/ Paul Hunter Director/Secretary

**SIGNED** as a deed by  
Newsquest (Oxfordshire) Limited  
acting by a director and its secretary/ two directors:

/s/ Paul Davidson Director

/s/ Paul Hunter Director/Secretary

**SIGNED** as a deed by  
Newsquest (Bradford) Limited  
acting by a director and its secretary/ two directors:

/s/ Paul Davidson Director

/s/ Paul Hunter Director/Secretary

**SIGNED** as a deed by  
Newsquest (North East) Limited  
acting by a director and its secretary/ two directors:

/s/ Paul Davidson Director

/s/ Paul Hunter Director/Secretary

**SIGNED** as a deed by  
Newsquest (Sussex) Limited  
acting by a director and its secretary/ two directors:

/s/ Paul Davidson Director

/s/ Paul Hunter Director/Secretary

**SIGNED** as a deed by  
Newsquest (Kendal)  
acting by a director and its secretary/ two directors:

/s/ Paul Davidson Director

/s/ Paul Hunter Director/Secretary

**SIGNED** as a deed by  
Newsquest (Wiltshire) Limited  
acting by a director and its secretary/ two directors:

/s/ Paul Davidson Director

/s/ Paul Hunter Director/Secretary

**SIGNED** as a deed by  
Newsquest (York) Limited  
acting by a director and its secretary/ two directors:

/s/ Paul Davidson Director

/s/ Paul Hunter Director/Secretary

**SIGNED** as a deed by  
Newsquest (Cheshire/Merseyside) Limited  
acting by a director and its secretary/ two directors:

/s/ Paul Davidson Director

/s/ Paul Hunter Director/Secretary

**SIGNED** as a deed by  
Newsquest Media Group Limited  
acting by a director and its secretary/ two directors:

/s/ Paul Davidson Director

/s/ Paul Hunter Director/Secretary

**SIGNED** as a deed by  
Newsquest Media (Southern) plc  
acting by a director and its secretary/ two directors:

/s/ Paul Davidson Director

/s/ Paul Hunter Director/Secretary

**SIGNED** as a deed by  
Newsquest Printing (Worcester) Limited  
acting by a director and its secretary/ two directors:

/s/ Paul Davidson Director

/s/ Paul Hunter Director/Secretary

**SIGNED** as a deed by  
Newsquest Printing (Lostock) Limited  
acting by a director and its secretary/ two directors:

/s/ Paul Davidson Director

/s/ Paul Hunter Director/Secretary

**SIGNED** as a deed by  
Newsquest Printing (Colchester) Limited  
acting by a director and its secretary/ two directors:

/s/ Paul Davidson Director

/s/ Paul Hunter Director/Secretary

**SIGNED** as a deed by  
Southern Binders Limited  
acting by a director and its secretary/ two directors:

/s/ Paul Davidson Director

/s/ Paul Hunter Director/Secretary

**SIGNED** as a deed by  
Southernprint (Web Offset) Limited  
acting by a director and its secretary/ two directors:

/s/ Paul Davidson Director

/s/ Paul Hunter Director/Secretary

**SIGNED** as a deed by  
Southern Magazines Limited  
acting by a director and its secretary/ two directors:

/s/ Paul Davidson Director

/s/ Paul Hunter Director/Secretary

**SCHEDULE 1**

**RULES OF THE GANNETT U.K. LIMITED INLAND REVENUE  
APPROVED SHARE INCENTIVE PLAN**

**1                    INTERPRETATION**

1.1            In this Schedule, unless the context otherwise requires, the following words and expressions have the following meanings:

- |                            |   |
|----------------------------|---|
| <b>Accounting Period</b>   | an accounting reference period of the Company within the meaning of section 224 of the Companies Act 1985 or a new accounting reference period of the Company within the meaning of section 225 of the Companies Act 1985;  |
| <b>Accumulation Period</b> | a period determined at the discretion of the Executive Compensation Committee, not exceeding 12 months which must be the same for all Participants;   |
| <b>Appropriate</b>         | to confer a beneficial interest in Free Shares or Matching Shares on a Participant, subject to the provisions of the Plan, and the expressions “Appropriation” and “Appropriated” shall be construed accordingly;   |
| <b>Associate</b>           | the meaning set out in paragraphs 20, 21 and 22 of Schedule 8;  |
| <b>Associated Company</b>  | in relation to two companies if:<br><br>(a)     one company has control of the other; or<br><br>(b)     both are under the control of the same person or persons<br><br>and for the purposes of this definition, “control” has the meaning set out in section 416 of ICTA 1988; |

<b>Award</b>	the Appropriation to Participants of Free Shares or Matching Shares or the acquisition of Partnership Shares on behalf of Participants, in accordance with the Plan;
<b>Capital Receipt</b>	a receipt by the Trustee of money or money's worth of the type defined in paragraph 79 of Schedule 8;
<b>Close Company</b>	the meaning set out in section 414 ICTA 1988;
<b>Company</b>	Gannett U.K. Limited incorporated in England & Wales under company number 3795655 or any company which results from the amalgamation or reconstruction of Gannett U.K. Limited (or, if there is more than one such company, the company to which the greater part of the undertaking of Gannett U.K. Limited passes as a result of the amalgamation or reconstruction) and this definition shall apply, with appropriate modifications, to any amalgamation or reconstruction of the Company from time to time;
<b>Connected Company</b>	<ul style="list-style-type: none"> <li>(a) a company which Controls or is controlled by the Company or which is controlled by a company which also Controls the Company;</li> <li>(b) a company which is a member of a consortium owning the Company or which is owned in part by the Company as a member of the consortium;</li> </ul>
<b>Control</b>	the meaning set out in section 840 ICTA 1988;
<b>Directors</b>	the board of directors of the Company or a duly authorised committee thereof;
<b>Dividend Shares</b>	Shares acquired with dividends paid in respect of Plan Shares as set out in Part IV;
<b>Dividend Shares</b>	the date on which the Trustee acquires

<b>Acquisition Date</b>	Dividend Shares pursuant to Rule 19.4;
<b>Dividend Shares Holding Period</b>	the period beginning on the Dividend Shares Acquisition Date and ending on the earlier of the third anniversary of that date and the date on which the Participant ceases to have any Relevant Employment;
<b>Eligible Employee</b>	<p>an individual who in the case of Free Shares at a Free Shares Appropriation Date, and in the case of Partnership Shares or Matching Shares:</p> <ul style="list-style-type: none"> <li>(a) if there is no Accumulation Period, at the time the money for the acquisition of such Partnership Shares is deducted; and</li> <li>(b) if there is an Accumulation Period, at the time of the first deduction of money for the acquisition of such Partnership Shares <ul style="list-style-type: none"> <li>(i) is an employee of a Participating Company and is not under notice; and</li> <li>(ii) has been such an employee (or has otherwise been an employee of a Qualifying Company) at all times during any Qualifying Period; and</li> <li>(iii) is chargeable to tax in respect of his office or employment with a Participating Company under Case I of Schedule E; and</li> <li>(iv) has not either himself or through any Associate and whether in either case alone or together with one or more Associates has not had within the preceding twelve months, a Material Interest in a Close Company whose shares may be</li> </ul> </li> </ul>

Appropriated or acquired under the Plan or a company which has Control of such a company or is a member of a consortium which owns such a company; and

(v) has not, in the same Year of Assessment participated in a share incentive plan approved under Schedule 8 (other than the Plan) established by the Company or a Connected Company (which for the avoidance of doubt shall include where an employee would have participated but for his failure to obtain a Performance Allowance) or, in relation to an Award of Free Shares has not in the same Year of Assessment participated in a profit sharing scheme approved under Schedule 9 to ICTA 1988 established by the Company or a Connected Company;

(c) an individual who at the relevant time satisfies the requirements above, excluding (iii), whom the Executive Compensation Committee have, in their absolute discretion determined should be included;

**Employees' Share Scheme**

the meaning set out in section 743 of the Companies Act 1985;

**Executive Compensation Committee**

the Executive Compensation Committee of Gannett Co., Inc. or a committee of persons (delegates) appointed thereby;

**Forfeiture Period**

the period(s) determined by the Executive Compensation Committee pursuant to Rules 4.3.7, 15.2.5 or 15.2.6, as appropriate, provided that the period(s) shall not exceed 3 years from the relevant date of Appropriation;



<b>Free Shares</b>	Shares entitlement to which is as set out in Part I;
<b>Free Shares Agreement</b>	an agreement issued by the Executive Compensation Committee under Rule 4;
<b>Free Shares Appropriation Date</b>	the date on which the Trustee Appropriates an Award of Free Shares;
<b>Free Shares Closing Date</b>	the date specified in the Free Shares Invitation by which the Free Shares Agreement must be received by the Company;
<b>Free Shares Holding Period</b>	the period beginning on the Free Shares Appropriation Date and ending on a date determined from time to time at the discretion of the Executive Compensation Committee, and being not earlier than the third anniversary nor later than the fifth anniversary of the Free Shares Appropriation Date or, if earlier, the date on which the Participant ceases to be in Relevant Employment and which period shall be the same for all Free Shares comprised in the same Award and shall not be increased at any time in respect of Free Shares already Appropriated;
<b>Free Shares Invitation</b>	an invitation to participate in an offer for Free Shares issued by the Executive Compensation Committee under Rule 4;
<b>ICTA 1988</b>	the Income and Corporation Taxes Act 1988;

**Initial Market Value**

the Market Value of a Share:

- (i) in the case of Free Shares, on the Free Shares Appropriation Date;
- (ii) in the case of Matching Shares, on the Matching Shares Appropriation Date; and
- (iii) in the case of Dividend Shares, on the Dividend Shares Acquisition Date;

**Market Value**

- (i) where the Shares are listed on the New York Stock Exchange the middle market quotation of a Share as derived from the Wall Street Journal for the dealing day immediately preceding the day in question (provided that in no case may the market value of a Share be determined by reference to a dealing day which falls within a Proscribed Period);
- (ii) where the shares are not listed on the New York Stock Exchange, the market value of a Share as determined in accordance with the provisions of Part VIII of the Taxation of Chargeable Gains Act 1992 and paragraph 125 of Schedule 8 and agreed for the purposes of the Plan with Inland Revenue Shares Valuation Division on or before that day;

**Matching Shares**

Shares entitlement to which is as set out in Part III which shall:

- (a) be shares of the same class and carry the same rights as the Partnership Shares to which they relate;
- (b) be Appropriated on the same day as the Partnership Shares to which they relate are Awarded; and
- (c) be Appropriated to all Participants on exactly the same basis;

<b>Matching Shares Appropriation Date</b>	the date on which the Trustee Appropriates an Award of Matching Shares;
<b>Matching Shares Holding Period</b>	the period beginning on the Matching Shares Appropriation Date and ending on a date determined from time to time at the discretion of the Executive Compensation Committee, and being not earlier than the third anniversary nor later than the fifth anniversary of the Matching Shares Appropriation Date or, if earlier, the date on which the Participant ceases to be in Relevant Employment, and which period shall be the same for all Matching Shares comprised in the same Award and shall not be increased at any time in respect of Matching Shares already Appropriated;
<b>Material Interest</b>	the meaning set out in paragraphs 17, 18 and 19 of Schedule 8;
<b>New York Stock Exchange</b>	the New York Stock Exchange or any successor body;
<b>Offer</b>	a general offer which is made to holders of shares of the same class as Plan Shares or of other shares in Gannett Co., Inc. and in either case which is made on condition that if satisfied the person making the offer will have Control of Gannett Co., Inc.;
<b>Participant</b>	an Eligible Employee to whom the Trustee has made an Appropriation or on whose behalf Partnership Shares or Dividend Shares have been acquired or, where the context permits, an Eligible Employee who has submitted a duly completed Free Shares Agreement or Partnership Shares Agreement in accordance with Rule 4.3.5 or 10.3.5 respectively;
<b>Participating Company</b>	the Company or a Subsidiary which is a party to the Trust Deed or has pursuant to clause 9 executed a deed of adherence;
<b>Partnership Shares</b>	Shares entitlement to which is as set out in Part II;

<b>Partnership Shares Acquisition Date</b>	in relation to each acquisition of Partnership Shares, the actual date on which the Trustees acquire such Partnership Shares in accordance with Rule 10.3.4;
<b>Partnership Shares Agreement</b>	an agreement issued by the Executive Compensation Committee under Rule 10.4;
<b>Partnership Shares Closing Date</b>	the date specified in the Partnership Shares Invitation by which the completed Partnership Shares Agreement must be received by the Company in order for the Eligible Employee to commence Salary deductions for the acquisition of Partnership Shares in the following month;
<b>Partnership Shares Invitation</b>	an invitation issued by the Executive Compensation Committee under Rule 10;
<b>Partnership Shares Market Value</b>	<p>in the case of a Partnership Shares Agreement with:</p> <ul style="list-style-type: none"> <li>(a) an Accumulation Period, the lower of the Market Value of a Share on: <ul style="list-style-type: none"> <li>(i) the first day of the Accumulation Period; and</li> <li>(ii) the Partnership Shares Acquisition Date;</li> </ul> </li> <li>(b) no Accumulation Period, the Market Value of a Share on the Partnership Shares Acquisition Date.</li> </ul>
<b>Partnership Share Money</b>	the meaning given to that term by Rule 10.5.2;
<b>Performance Allowance</b>	<p>an Appropriation of Free Shares where:</p> <ul style="list-style-type: none"> <li>(a) whether Free Shares are Appropriated or not; or</li> <li>(b) the number or value of Free Shares Appropriated</li> </ul>

is subject to the satisfaction of a Performance Target;

<b>Performance Target</b>	a performance target imposed by the Executive Compensation Committee under Rule 6;
<b>Performance Unit</b>	a group comprising one or more Participants to whom a Performance Target applies;
<b>Plan</b>	the Gannett U.K. Limited Inland Revenue Approved Share Incentive Plan as constituted by this Trust Deed and Rules in their present form or as amended from time to time;
<b>Plan Shares</b>	Free Shares, Partnership Shares, Matching Shares and Dividend Shares which have been Appropriated to a Participant or are held on his behalf by the Trustee;
<b>Proscribed Period</b>	any period during which dealings in Shares is proscribed due to the existence of unpublished price sensitive information, whether by the Company's own code on insider dealing, the Criminal Justice Act 1993, corresponding legislation of the United States of America, or otherwise;
<b>Qualifying Company</b>	the same meaning as in paragraph 14 of Schedule 8;
<b>Qualifying Corporate Bond</b>	the meaning set out in section 117 of the Taxation of Chargeable Gains Act 1992;
<b>Qualifying Period</b>	a period determined by the Executive Compensation Committee in relation to any Award of Shares under the Plan which may be different for different Awards provided that: <ul style="list-style-type: none"><li>(a) in the case of Free Shares it shall not exceed the period of 18 months before the Free Shares Appropriation Date;</li><li>(b) in the case of Partnership Shares and Matching Shares where there is an Accumulation Period it shall not</li></ul>

exceed the period of 6 months before the beginning of the Accumulation Period;

(c) in the case of Partnership Shares and Matching Shares where there is no Accumulation Period it shall not exceed the period of 18 months before the deduction of money for the acquisition of such Partnership Shares.

**Relevant Amount**

(a) in respect of Free Shares, £3,000 in any Year of Assessment;

(b) in respect of Partnership Shares, the lower of:

(i) £125 per month or if the Salary is not paid monthly such amount as bears to £125 the same proportion as the pay interval in question bears to one month; and

(ii) 10% of Salary which if there is no Accumulation Period shall mean 10% of the Salary payment concerned and if there is an Accumulation Period shall mean 10% of the total Salary of the Participant over that period;

(c) in respect of Dividend Shares, £1,500 in any Year of Assessment;

subject in each case to such amendment as may be made to that limit under Finance Act 2000 from time to time;

**Relevant Employment**

employment by the Company or any Associated Company;

**Retirement Age**

the age of 50;

**Rules**

these rules as from time to time amended;

<b>Salary</b>	such of the emoluments of the office or employment by virtue of which a Participant is eligible to participate in the Plan as are liable to be paid under deduction of tax pursuant to section 203 ICTA 1988 (or which would be if the individual were within the scope of Schedule E), after deducting amounts included by virtue of Chapter II Part V ICTA 1988 (or which would have been had the individual been within the scope of Schedule E), together with amounts that would be so liable apart from Schedule 8;
<b>Schedule 8</b>	Schedule 8 to the Finance Act 2000;
<b>Shares</b>	fully paid ordinary shares in the capital of Gannett Co., Inc. (or any shares representing the same) which satisfy the conditions in paragraphs 60 to 67 inclusive of Schedule 8;
<b>Subsidiary</b>	any company over which the Company,has Control;
<b>Year of Assessment</b>	a period commencing on 6 April in any year and ending on 5 April in the following year.

1.2 In the Plan, unless otherwise specified:

- 1.2.1 the contents, clause and Rule headings are inserted for ease of reference only and do not affect their interpretation;
- 1.2.2 references to clauses, Rules, Parts and Schedules are to clauses, rules, parts of, and schedules to the Plan;
- 1.2.3 a reference to writing includes any mode of reproducing words in a legible form and reduced to paper;
- 1.2.4 the singular includes the plural and vice-versa and the masculine includes the feminine;
- 1.2.5 a reference to a statutory provision includes any statutory modification, amendment or re-enactment thereof; and
- 1.2.6 the Interpretation Act 1978 applies to the Plan in the same way as it applies to an enactment.

2                    **PURPOSE OF THE PLAN**

The purpose of the Plan is to enable Eligible Employees of Participating Companies to acquire shares in Gannett Co., Inc. which give them a continuing stake in Gannett Co., Inc..

3                    **PARTICIPATION ON SAME TERMS**

On each occasion when an Award is to be made, subject to Rule 5 every Eligible Employee shall be invited to participate in an Award on the same terms and those who do actually participate must do so on the same terms.



## PART I – FREE SHARES

### **ISSUE OF INVITATIONS**

4

#### **4.1 Discretion of the Executive Compensation Committee**

The Executive Compensation Committee may in their absolute discretion determine that an Award of Free Shares may be made and, accordingly, issue Free Shares Invitations.

#### **4.2 Limit on individual participation**

In any Year of Assessment, the Initial Market Value of Free Shares Appropriated to a Participant shall not exceed the Relevant Amount.

#### **4.3 Contents of Free Shares Invitations**

Free Shares Invitations shall be in such form as the Executive Compensation Committee determine from time to time and shall state:

4.3.1 the Free Shares Closing Date;

4.3.2 the expected Free Shares Appropriation Date;

4.3.3 the Free Shares Holding Period;

4.3.4 that, by accepting the Free Shares Invitation, the Eligible Employee becomes bound in contract with the Company to observe the restrictions set out in the Free Shares Agreement;

4.3.5 that an Eligible Employee who wishes to accept the Free Shares under the Award shall submit to the Company, prior to the Free Shares Closing Date, a duly completed Free Shares Agreement;

4.3.6 that the individual shall only be entitled to an Appropriation of Free Shares if he remains an Eligible Employee at the Free Shares Appropriation Date;

4.3.7 that (as determined at the discretion of the Executive Compensation Committee) the provisions of either Rules 9.2 or 9.3 shall apply to the Award and, if Rule 9.3 applies, shall state what the applicable Forfeiture Period shall be; and

4.3.8 such additional information, not inconsistent with the Rules and the Trust Deed as the Executive Compensation Committee may from time to time determine.

#### **4.4 Free Shares Agreement and Free Shares Invitations**

Each Eligible Employee shall be sent a Free Shares Invitation and a Free Shares Agreement which shall be in such form as the Executive Compensation Committee may determine from time to time and shall require the Eligible Employee to contract with the Company as set out in Rule 8.

#### **4.5 Election to participate in any Award of Free Shares**

A Free Shares Agreement may include an election by a Participant to participate in any Award of Free Shares until such time as he notifies the Company that he no longer wishes to so participate. Where a Participant makes such an election he shall be deemed to have complied with Rule 4.3.5 in relation to each Award of Free Shares until the election is withdrawn.

### **5 ALLOCATION OF FREE SHARES BY REFERENCE TO PERFORMANCE**

#### **5.1 Free shares may be allocated by reference to performance**

The Company may stipulate that the number of Free Shares (if any) to be Appropriated to each Participant on a given occasion shall be determined by reference to Performance Allowances.

#### **5.2 Performance Allowances to apply to all**

If Performance Allowances are used, they shall apply to all Participants.

#### **5.3 Executive Compensation Committee to provide information**

If Performance Allowances are used the Executive Compensation Committee shall, as soon as reasonably practicable:

5.3.1 notify each Participant participating in the Award of the Performance Targets to be used to determine the number or value of Free Shares Appropriated to him; and

5.3.2 notify all Eligible Employees of any Participating Company, in general terms, of the Performance Targets to be used to determine the number or value of Free Shares to be Appropriated to each Participant under the Award (provided that the Executive Compensation Committee may exclude any information the disclosure of which, they reasonably consider would prejudice commercial confidentiality).

**5.4 Use of method 1 or method 2**

The Company shall determine the number of Free Shares (if any) to be Appropriated to each Participant by reference to performance using method 1 or method 2. The same method shall be used for all Participants for each Award.

**5.5 Performance Allowances: method 1**

By this method:

- 5.5.1 at least 20% of Free Shares Appropriated under any Award shall be Appropriated without reference to a Performance Target;
- 5.5.2 the remaining Free Shares shall be Appropriated by reference to a Performance Target; and
- 5.5.3 the highest Appropriation made to a Participant by reference to performance in any period shall be not more than four times the number of Free Shares Appropriated to an individual without reference to a Performance Target at the same time.

If this method is used:

- 5.5.4 the Free Shares Appropriated without reference to a Performance Target shall be Appropriated on the same terms as provided in Rule 5.7; and
- 5.5.5 the Free Shares Appropriated by reference to a Performance Target need not be Appropriated on the same terms as provided in Rule 5.7.

**5.6 Performance Allowances: method 2**

By this method:

- 5.6.1 some or all Free Shares shall be Appropriated by reference to performance;
- 5.6.2 the Appropriation of Free Shares to Participants who are members of the same Performance Unit shall be made on the same terms, as provided in Rule 5.7; and

Free Shares Appropriated for each Performance Unit shall be treated as separate Awards for the purposes of Rule 5.7 only.

## **5.7 Same terms basis for Free Shares Awards**

An Award of Free Shares on the same terms shall be on terms determined by the Executive Compensation Committee which may be directly proportional to any one or more separately of a Participant's:

- 5.7.1 remuneration from;
  - 5.7.2 length of service with;
  - 5.7.3 number of hours worked for;
- any Qualifying Companies.

## **6 PERFORMANCE TARGETS**

### **6.1 Imposition of Performance Targets**

The Executive Compensation Committee may impose one or more Performance Targets in order to determine the number of Shares (if any) subject to a Performance Allowance.

### **6.2 Nature of Performance Targets**

Any Performance Target imposed shall be:

- 6.2.1 based on business results or other objective criteria; and
- 6.2.2 a fair and objective measure of the performance of the Performance Unit(s) to which it applies.

### **6.3 Membership of Performance Unit**

No Participant shall be a member of more than one Performance Unit.

### **6.4 Substitution, variation or waiver of Performance Targets**

- 6.4.1 If an event occurs which causes the Executive Compensation Committee to consider that a Performance Target is no longer appropriate, the Executive Compensation Committee may substitute, vary or waive such Performance Target in such manner (and make such consequential amendments to the Rules) as:

- 6.4.1.1 is reasonable in the circumstances;

6.4.1.2 produces a fairer measure of performance and is neither materially more nor less difficult to satisfy; and

6.4.1.3 continues to comply with Rule 6.2.

6.4.2 The Executive Compensation Committee shall, as soon as reasonably practicable, notify each Participant affected of any such substitution, variation or waiver of the Performance Target.

## **7 APPROPRIATION OF FREE SHARES**

### **7.1 Provision of information by the Company to the Trustees**

As soon as practicable after the end of the period to which the Performance Target relates (in the case of Performance Allowances) or the Free Shares Closing Date the Company shall inform the Trustee of:

7.1.1 the name and address of each Participant to whom Free Shares are to be Appropriated, together with details of the Participating Company which employs the Participant;

7.1.2 the number of Free Shares to be Appropriated to each Participant on this occasion.

### **7.2 Appropriation**

On the expected Free Shares Appropriation Date, the Trustee shall appropriate to each Participant the number of Free Shares notified to the Trustee under Rule 7.1.

### **7.3 Notification of Appropriation to Participants**

As soon as practicable after the Free Shares Appropriation Date, the Trustee shall notify each Participant to whom Free Shares have been Appropriated of:

7.3.1 the number and description of Free Shares Appropriated to him;

7.3.2 the Free Shares Appropriation Date;

7.3.3 their Initial Market Value; and

7.3.4 the applicable Free Shares Holding Period.

**RESTRICTIONS ON DEALINGS IN, AND PERMITTED TRANSFERS OF FREE SHARES****8.1 Restrictions on disposals by Participants**

Subject to Rules 27 and 29 during the Free Shares Holding Period a Participant shall:

- 8.1.1 permit the Trustee to hold his Free Shares; and
- 8.1.2 not assign, charge or otherwise dispose of his beneficial interest in his Free Shares.

**8.2 Restrictions on disposals by the Trustee**

Subject to Rules 9, 27 and 31 the Trustee:

- 8.2.1 shall not dispose of any Free Shares, whether by transfer to the Participant or otherwise, during the Free Shares Holding Period;
- 8.2.2 shall not dispose of any Free Shares after the Free Shares Holding Period except in accordance with a direction given by or on behalf of the Participant; and
- 8.2.3 shall not deal with any right conferred in respect of a Participant's Free Shares to be allotted other shares, securities or other rights except pursuant to a direction given by or on behalf of the Participant or any person in whom the beneficial interest in his Free Shares is for the time being vested.

**8.3 Transfer of Free Shares after the Free Shares Holding Period**

- 8.3.1 A Participant may, at any time after the Free Shares Holding Period direct the Trustee by notice in writing to:
  - 8.3.1.1 transfer the Participant's Free Shares to the Participant; or
  - 8.3.1.2 transfer the Free Shares to some other person named by the Participant; or
  - 8.3.1.3 dispose of the Free Shares by way of sale for the best consideration in money that can reasonably be obtained at the time of sale and to account for the proceeds to the Participant or some other person named by the Participant.
- 8.3.2 Within 30 days after receipt of a notice referred to in Rule 8.3.1 the Trustee shall comply with the instructions set out in such notice.

**CESSATION OF RELEVANT EMPLOYMENT AND EARLY TRANSFER OF FREE SHARES****9.1 Trustee to be notified of cessation of Relevant Employment**

If a Participant ceases to be in Relevant Employment then the Company shall within 14 days inform the Trustee of such cessation and whether the provisions of Rule 9.2 or 9.3 apply.

**9.2 Early transfer of Free Shares**

Where the Trustee has been notified by the Executive Compensation Committee in accordance with Rule 9.1 that this Rule 9.2 applies then as soon as reasonably practicable after the receipt of such notification and in any event within 30 days after the cessation of the Relevant Employment the Trustee shall transfer the Free Shares to the Participant or as directed by him prior to the transfer, in accordance with Rules 8.3.1.2 or 8.3.1.3 provided always that the Trustee shall first comply with Rule 33.

**9.3 Forfeiture of Free Shares**

Where the Trustee has been notified by the Executive Compensation Committee in accordance with Rule 9.1 that this Rule 9.3 applies then, subject to Rules 9.4 and 9.5 the Participant's beneficial entitlement to his Free Shares shall lapse immediately on his ceasing to be in Relevant Employment before the end of the Forfeiture Period and he shall cease to have any rights to such Free Shares.

**9.4 Injury, disability, redundancy, retirement etc**

Notwithstanding Rule 9.3 if a Participant ceases to be in Relevant Employment by reason of:

- 9.4.1 injury or disability;
- 9.4.2 redundancy within the meaning of the Employment Rights Act 1996 or the Employment Rights (Northern Ireland) Order 1996;
- 9.4.3 a transfer of employment which is subject to the Transfer of Undertaking (Protection of Employment) Regulations 1981;
- 9.4.4 a change of Control or other circumstances giving rise to the Participant's employing company ceasing to be an Associated Company of any Participating Company;
- 9.4.5 retirement on or after reaching Retirement Age;

then the Trustee shall act in accordance with Rule 9.2.

**9.5 Death**

If a Participant ceases to be in Relevant Employment by reason of his death then the Trustee shall act in accordance with Rule 24.5.



## PART II – PARTNERSHIP SHARES

### 10 PARTNERSHIP SHARES INVITATIONS

#### 10.1 Issue of Partnership Shares Invitations

The Executive Compensation Committee may in their absolute discretion determine that an Award of Partnership Shares may be made and, accordingly, issue Partnership Shares Invitations.

#### 10.2 Timing of Partnership Shares Invitations

Partnership Shares Invitations must be issued before the commencement of any relevant Accumulation Period.

#### 10.3 Contents of Partnership Shares Invitations

Partnership Shares Invitations shall be in such form as the Executive Compensation Committee may determine from time to time and shall state:

10.3.1 the Partnership Shares Closing Date;

10.3.2 the maximum salary deduction permitted under the Partnership Shares Agreement (being the lesser of the Relevant Amount and such other amount (being a multiple of £1) as the Executive Compensation Committee may determine and specify);

10.3.3 the minimum salary deduction permitted determined by the Executive Compensation Committee which sum must be no greater than £10 per month (or such other amount as may be permitted from time to time under paragraph 37 of Schedule 8);

10.3.4 the expected Partnership Shares Acquisition Date being a date determined by the Trustee which:

10.3.4.1 where there is no Accumulation Period, shall be within 30 days after the last deduction from salary referred to in Rule 10.5.2 is made;

10.3.4.2 where there is an Accumulation Period shall be not more than 30 days after the end of the Accumulation Period.

10.3.5 that an Eligible Employee who wishes to accept Partnership Shares under the Award shall submit to the Company, prior to the Partnership Shares Closing Date, a duly completed Partnership Shares Agreement;

- 10.3.6 if applicable, the maximum number of Partnership Shares to be made subject to the Award on this occasion;
- 10.3.7 if appropriate, the commencement date (which may not commence later than the date of the first salary deduction to be made under the Participant's Partnership Shares Agreement) and length of the Accumulation Period.

**10.4 Partnership Shares Agreement and Partnership Shares Invitations**

Each Eligible Employee shall be sent a Partnership Shares Agreement and a Partnership Shares Invitation.

**10.5 Contents of Partnership Shares Agreement**

A Partnership Shares Agreement shall be in such form as the Executive Compensation Committee may determine from time to time and shall:

- 10.5.1 set out a notice in the form prescribed by regulations and pursuant to paragraph 38 of Schedule 8;
- 10.5.2 require the Eligible Employee to state the amount of salary deduction(s) being a multiple of £1 and not exceeding the maximum permitted under Rule 10.3.2 which he wishes to allocate for the purchase of Partnership Shares under the Partnership Shares Agreement ("Partnership Share Money"); and
- 10.5.3 state the intervals at which such amounts should be deducted; and
- 10.5.4 state that any excess amount remaining after the acquisition of Partnership Shares may, subject to the agreement of the Eligible Employee, be retained by the Trustee and added to the next Accumulation Period or where there is no next Accumulation Period, retained by the Trustee and added to the next Salary deduction, and in any other case must be paid over to the Eligible Employee as soon as possible;
- 10.5.5 state the commencement date (which may not commence later than the date of the first salary deduction to be made under the Participant's Partnership Shares Agreement) and length of the Accumulation Period, if applicable; and
- 10.5.6 if applicable, state the maximum number of Partnership Shares to be included in the Award on this occasion.

**10.6 Partnership Shares Agreement may be withdrawn**

A Partnership Shares Agreement shall take effect in relation to any Award of Partnership Shares until such time as a Participant notifies the Company that he no longer wishes to participate.

**10.7 Excess salary deductions**

Any amounts deducted in excess of the amounts permitted must be paid over to the Participant as soon as practicable.

**10.8 Scaling down**

If the Company receives applications for Partnership Shares in excess of any maximum specified in accordance with Rule 10.3.6 the amount of deduction of Partnership Share Money specified by each Participant shall be reduced pro rata.

**10.9 Partnership Share Money held for Eligible Employee**

Partnership Share Money must subject to rules 11.4 and 14.1 be:

10.9.1 paid to the Trustee as soon as practicable; and

10.9.2 held by the Trustee on behalf of a Participant (in an interest bearing account or otherwise) with:

10.9.2.1 an institution authorised under the Banking Act 1987;

10.9.2.2 a building society; or

10.9.2.3 a relevant European institution

until it is used to acquire Partnership Shares on a Participant's behalf.

**10.10 Interest on Partnership Share Money**

The Trustee must account to a Participant for any interest received on Partnership Share Money held on his behalf.

**11 INSTRUCTIONS GIVEN DURING ACCUMULATION PERIOD**

**11.1 Variation of salary deductions and intervals**

Subject to Rules 10.3.2, 10.3.3, 10.3.7, and notwithstanding Rule 10.5.5 a Participant may, with the prior agreement of the Company, vary the amount and or

the intervals of the salary deduction authorised under his Partnership Shares Agreement.

**11.2 Notice to suspend salary deductions**

A Participant may, at any time direct the Company by notice in writing to:

11.2.1 suspend the making of Salary deductions; or

11.2.2 recommence the making of Salary deductions

under his Partnership Shares Agreement provided always that:

11.2.3 the Participant may not permit the Company to make additional Salary deductions to make up for any Salary deductions which were missed; and

11.2.4 the Participant may only make a direction under Rule 11.2.2 once in any one Accumulation Period.

**11.3 Notice to terminate Partnership Shares Agreement**

A Participant may, at any time notify the Company in writing that he wishes to terminate his Partnership Shares Agreement.

**11.4 Company to give effect to notices**

11.4.1 Where the Company receives a notice to suspend or terminate deductions under Rule 11.2 or 11.3, it shall (unless a later date is specified in the notice) within 30 days of receipt of the notice give effect to the same, and shall:

11 11.4.1.1 cease all further deductions of Partnership Share Money under the Participant's Partnership Shares Agreement;

11.4.1.2 in the case of a notice under Rule 11.3 subject to first complying with Rule 32 pay over to that Participant as soon as practicable all Salary deductions that have been made under his Partnership Shares Agreement.

11.4.2 When the Company receives a notice to recommence salary deductions under Rule 11.2 it shall (unless a later date is specified in the notice) recommence deductions on the date of the first deduction due under the Partnership Shares Agreement following 30 days after receipt of the notice.

## **11.5 Partnership Shares Agreement to apply to new holding**

Where during an Accumulation Period a transaction occurs in relation to any of the shares to be acquired under a Partnership Shares Agreement which results in a new holding of Shares being equated with the original holding for the purposes of capital gains tax and the Participant gives his consent, the Partnership Shares Agreement shall have effect following that transaction as if it were an agreement for the purchase of Shares comprised in the new holding.

## **12 ACQUISITION OF PARTNERSHIP SHARES**

### **12.1 Acquisition of Shares by Trustees (no Accumulation Period)**

After the deduction of Partnership Share Money the Company shall calculate the number of Partnership Shares to be acquired on behalf of each Participant by dividing (as nearly as possible) each Participant's Partnership Share Money deducted under his Partnership Shares Agreement by the Partnership Shares Market Value, and notify the Trustee who shall acquire such shares on behalf of Participants within 30 days of such deduction.

### **12.2 Acquisition of Shares by Trustees (with Accumulation Period)**

12.2.1 After the expiry of the Accumulation Period the Company shall calculate the number of Partnership Shares to be acquired on behalf of each Participant by dividing (as nearly as possible) each Participant's aggregate Partnership Share Money being Salary deducted under his Partnership Shares Agreement during the Accumulation Period (together with any amount carried forward from a previous Accumulation Period by agreement with the Participant) by the Partnership Shares Market Value and notify the Trustee who shall acquire such Shares on behalf of Participants accordingly.

12.2.2 The Trustee shall within 30 days of the end of the Accumulation Period acquire the number of Shares notified to it in accordance with Rule 12.2.1 which shall be held on behalf of the respective Participant as Partnership Shares.

### **12.3 Notification of acquisition to Participants**

As soon as practicable after the Partnership Shares Acquisition Date, the Trustee shall notify each Participant on whose behalf Partnership Shares have been acquired of:

12.3.1 the number and description of Partnership Shares acquired on his behalf;

12.3.2 the Partnership Shares Acquisition Date;

- 12.3.3 the aggregate amount of the Participant's Partnership Share Money applied by the Trustee in acquiring the Partnership Shares; and
- 12.3.4 the Partnership Shares Market Value.

**12.4 Salary deductions not invested in Partnership Shares**

Any Partnership Share Money not used to acquire Partnership Shares shall be dealt with in accordance with the instructions of the Participant under Rule 10.5.4.

**13 TRANSFER OF PARTNERSHIP SHARES BY PARTICIPANT**

**13.1 Participants may request transfer of Partnership Shares**

A Participant may, at any time after the Partnership Shares Acquisition Date direct the Trustee by notice in writing to:

- 13.1.1 transfer his Partnership Shares to the Participant; or
- 13.1.2 transfer his Partnership Shares to some other person named by the Participant; or
- 13.1.3 dispose of those Partnership Shares by way of sale and to account for the proceeds to the Participant or some other person named by the Participant.

**13.2 Trustee to comply with request**

As soon as reasonably practicable, and in any event within 30 days after receipt of the notice, the Trustee shall comply with the instructions set out in such notice provided always that it shall first comply with Rules 32 and 33.

**14 CESSATION OF RELEVANT EMPLOYMENT**

**14.1 Cessation of Relevant Employment prior to the Partnership Shares Acquisition Date**

- 14.1.1 Where there is no Accumulation Period and a Participant ceases to be in Relevant Employment before the Partnership Shares Acquisition Date but after the deduction of Partnership Share Money he shall be treated as ceasing to be in Relevant Employment immediately after his Partnership Shares are Awarded to him.
- 14.1.2 Where there is an Accumulation Period and a Participant ceases to be in Relevant Employment during the Accumulation Period the Company shall, subject to first complying with Rule 32, pay over to that Participant as soon as reasonably practicable all Salary deductions that have been made under

his Partnership Shares Agreement.

14.1.3 Where there is an Accumulation Period and a Participant ceases to be in Relevant Employment after the final deduction of Partnership Share Money and before the Partnership Shares Acquisition Date he shall be treated as ceasing to be in Relevant Employment immediately after his Partnership Shares are Awarded to him.

**14.2 Trustee to be notified of cessation of Relevant Employment following the Partnership Shares Acquisition Date**

If a Participant ceases to be in Relevant Employment following the Partnership Shares Acquisition Date then the Company shall within 14 days inform the Trustee of such cessation.

**14.3 Transfer of Partnership Shares on cessation of Relevant Employment**

Where the Trustee receives a notification under Rule 14.2 then as soon as reasonably practicable after the receipt of such notification and in any event within 30 days after the cessation of the Relevant Employment the Trustee shall transfer the Partnership Shares to the Participant or as directed by him in writing prior to the transfer provided always that the Trustee shall first comply with Rule 33.

## PART III – MATCHING SHARES

### 15 NOTIFICATION OF MATCHING SHARES

#### 15.1 Relationship to Partnership Shares

Where the Executive Compensation Committee have exercised their discretion under Rule 10.1 they may in their absolute discretion also determine that an Award of Matching Shares shall be made to those Eligible Employees who enter into a Partnership Shares Agreement.

#### 15.2 Additional contents of Partnership Shares Agreement

Where the Executive Compensation Committee exercise their discretion under Rule 15.1 then in addition to the requirements set out in Rule 10.5 each Partnership Shares Agreement shall state:

- 15.2.1 the Matching Shares Appropriation Date (which shall be the same as the Partnership Shares Acquisition Date);
- 15.2.2 the ratio of Matching Shares to Partnership Shares for this Award of Partnership Shares which:
  - 15.2.2.1 shall not exceed a maximum of two Matching Shares for every Partnership Share acquired on behalf of the Participant; and
  - 15.2.2.2 shall be the same ratio for all Participants;
- 15.2.3 the circumstances and manner in which the ratio may be changed by the Company, and if the Company decides to alter the ratio of Matching Shares to Partnership Shares prior to the Partnership Share Acquisition Date they shall notify each Participant affected prior to the Partnership Shares Acquisition Date;
- 15.2.4 the Matching Shares Holding Period;
- 15.2.5 the Forfeiture Period applicable;
- 15.2.6 that (as determined at the discretion of the Executive Compensation Committee) the provisions of either Rules 18.3 or 18.4 shall apply to the Award;
- 15.2.7 that the individual shall only be entitled to Matching Shares if he remains an Eligible Employee at the Matching Shares Appropriation Date; and



15.2.8 such additional information not inconsistent with the Rules and the Trust Deed as the Executive Compensation Committee may from time to time determine.

## **16 APPROPRIATION OF MATCHING SHARES**

### **16.1 Provision of information by the Company to Trustee**

At the same time as the Company notifies the Trustee pursuant to Rule 12.1 or 12.2 it shall additionally notify the Trustee of the number of Matching Shares to be Appropriated to each Participant.

### **16.2 Appropriation of Matching Shares**

Subject to Rule 24.12 on the Matching Shares Appropriation Date the Trustee shall appropriate to each Participant the number of Matching Shares notified to it under Rule 16.1.

### **16.3 Notification of Appropriation to Participants**

At the same time as making a notification pursuant to Rule 12.3 the Trustee shall notify each Participant to whom Matching Shares have been Appropriated of:

16.3.1 the number and description of the Matching Shares Appropriated to him;

16.3.2 the Matching Shares Appropriation Date;

16.3.3 their Initial Market Value; and

16.3.4 the Matching Shares Holding Period.

## **17 RESTRICTIONS ON DEALINGS IN, AND PERMITTED TRANSFERS OF MATCHING SHARES**

The provisions of Rule 8 shall apply mutatis mutandis to Matching Shares during the Matching Shares Holding Period as they apply to Free Shares during the Free Shares Holding Period.

## **18 CESSATION OF RELEVANT EMPLOYMENT AND EARLY WITHDRAWAL OF PARTNERSHIP SHARES**

### **18.1 Trustee to be notified of cessation of Relevant Employment**

If a Participant ceases to be in Relevant Employment then the Company shall within 14 days inform the Trustee of such cessation and whether the provisions of Rule 18.3 or 18.4 apply.

**18.2 Early withdrawal of Partnership Shares**

Where the Trustee receives a notice under Rule 13.1 before the expiry of the applicable Forfeiture Period and it has been notified by the Company that this Rule 18.2 applies, the Trustee shall act in accordance with Rule 18.4.

**18.3 Early transfer of Matching Shares**

Where the Trustee has been notified by the Executive Compensation Committee that this Rule 18.3 applies then as soon as reasonably practicable after the receipt of such notification and in any event within 30 days after the cessation of the Relevant Employment the Trustee shall transfer the Matching Shares to the Participant or as directed by him in writing prior to the transfer provided always that the Trustee shall first comply with Rule 33.

**18.4 Forfeiture of Matching Shares**

Where the Trustee has been notified by the Executive Compensation Committee that this Rule 18.4 applies then subject to Rules 18.5 and 18.6 the Participant's beneficial entitlement to his Matching Shares shall lapse immediately on his ceasing to be in Relevant Employment before the end of the Forfeiture Period and he shall cease to have any rights to such Matching Shares.

**18.5 Injury, disability, redundancy, retirement etc**

Notwithstanding Rule 18.4 if a Participant ceases to be in Relevant Employment for a reason set out in Rule 9.4, the Trustee shall act in accordance with Rule 18.3.

**18.6 Death**

If a Participant ceases to be in Relevant Employment by reason of his death, the Trustee shall act in accordance with Rule 24.5.

## PART IV – DIVIDEND SHARES

### 19 PROVISION OF DIVIDEND SHARES

#### 19.1 Relationship to Plan Shares

The Executive Compensation Committee may in their absolute discretion direct that:

19.1.1 all cash dividends paid in respect of Plan Shares held on behalf of Participants must be used to acquire further shares on their behalf; or

19.1.2 all cash dividends paid in respect of Plan Shares held on behalf of Participants may at the election of Participants be used to acquire further shares on their behalf referred to as Dividend Shares.

#### 19.2 Direction revocable

The Executive Compensation Committee may at any time revoke any direction made pursuant to Rule 19.1.

#### 19.3 Dividend not invested in Dividend Shares

Where dividends paid in respect of Plan Shares are not required to be reinvested in Dividend Shares they must be paid over to Participants as soon as practicable.

#### 19.4 Timing of acquisition of Dividend Shares

The Trustee must use any dividends to be used to acquire Dividend Shares on behalf of Participants within 30 days of the date when they receive such dividend.

#### 19.5 Participants to be treated equally

In exercising its powers in relation to the acquisition of Dividend Shares the Trustee shall treat all Participants fairly and equally.

### 20 AMOUNT AND TYPE OF DIVIDEND SHARES

#### 20.1 Type of Shares to be used as Dividend Shares

Dividend Shares shall be of the same class, and carry the same rights as the Participant's Plan Shares in respect of which the relevant dividends were paid and must not be subject to any provision for forfeiture.

**20.2 Calculation of number of Dividend Shares**

- 20.2.1 Subject to Rule 20.2.3, the number of whole Shares to be acquired as Dividend Shares on behalf of each Participant on each occasion shall be calculated by taking the aggregate amount of the cash dividends paid on the Participant's Plan Shares (together with any amounts carried forward under Rule 20.3) and dividing this amount (as nearly as possible) by the Market Value of the Shares on the Dividend Shares Acquisition Date.
- 20.2.2 The basis for the calculation carried out under this Rule 20.2 shall be the same for all Participants who are to receive Dividend Shares on that occasion.
- 20.2.3 The maximum amount of Dividend Shares acquired pursuant to the Plan or any other share incentive plans established by the Company or a Connected Company and approved by the Inland Revenue under Schedule 8 may not exceed the Relevant Amount.

**20.3 Dividend amounts carried forward**

To the extent that a dividend paid in respect of a Participant's Plan Shares could not be used to acquire Dividend Shares under Rule 20 then such amount of the dividend may be retained by the Trustee and, subject to Rule 20.4, carried forward to be added to the amount of the next cash dividend to be used to acquire Dividend Shares (and for the purposes of this Rule 20 shall be treated as used to acquire Dividend Shares before an amount derived from a later cash dividend) and the Trustee shall keep records of such amounts to enable it to comply with Rule 20.4.

**20.4 Circumstances for payment of cash dividends**

Any amount retained by the Trustee pursuant to Rule 20.3 shall be paid in cash as soon as possible to the Participant where:

- 20.4.1 such amount has not been used to acquire Dividend Shares by the third anniversary of the date on which the dividend was paid; or
- 20.4.2 the Participant ceases to be in Relevant Employment provided always that the Trustee shall first comply with Rule 32; or
- 20.4.3 a plan termination notice is issued in respect of the Plan.

**21** **NOTIFICATION OF ACQUISITION OF DIVIDEND SHARES**

21.1 As soon as practicable after the Dividend Shares Acquisition Date, the Trustee shall notify each Participant for whom Dividend Shares have been acquired of:

- 21.1.1 the Dividend Shares Acquisition Date;
- 21.1.2 the number and description of Dividend Shares acquired on his behalf;
- 21.1.3 their Initial Market Value;
- 21.1.4 the Dividend Shares Holding Period; and
- 21.1.5 the amount of any dividend carried forward under Rule 20.3.

**22** **RESTRICTIONS ON DEALINGS IN AND PERMITTED TRANSFERS OF DIVIDEND SHARES**

The provisions of Rule 8 shall apply mutatis mutandis to Dividend Shares during the Dividend Shares Holding Period as they apply to Free Shares during the Free Shares Holding Period.

**23** **CESSATION OF RELEVANT EMPLOYMENT**

**23.1** **Trustee to be notified of cessation of Relevant Employment**

If a Participant ceases to be in Relevant Employment then the Company shall within 14 days inform the Trustee of such cessation.

**23.2** **Early transfer of Dividend Shares (except on death)**

When the Trustee receives a notification under Rule 23.1 (other than on death), and in any event within 30 days after the cessation of the Relevant Employment, the Trustee shall transfer the Dividend Shares to the Participant, or as the Participant has directed the Trustee in writing, received prior to the transfer.

**23.3** **Early Transfer of Dividend Shares (on death)**

If a Participant ceases to be in Relevant Employment by reason of his death then the Trustee shall act in accordance with Rule 24.5.

## PART V – GENERAL REQUIREMENTS

### 24 REQUIREMENTS GENERALLY APPLICABLE TO PLAN SHARES

#### 24.1 **Participants may elect not to participate**

Notwithstanding any other Rule, a Participant may direct that Shares are not to be Appropriated to him or acquired on his behalf, by giving written notice to the Company before the relevant Appropriation date or acquisition date.

#### 24.2 **Individuals eligible for Appropriation**

No Appropriation or acquisition shall be made to or on behalf of an individual who has ceased to be an Eligible Employee.

#### 24.3 **Shares not Appropriated or forfeited**

Shares which are not Appropriated nor acquired on behalf of the Participant or Free Shares or Matching Shares which have been forfeited under the Rules shall be retained by the Trustee for use under the Plan on future occasions.

#### 24.4 **Shares ceasing to qualify**

If shares which are held by the Trustee for the purposes of the Plan cease to be Shares, they shall not be used for the purposes of the Plan.

#### 24.5 **Death of Participant**

24.5.1 Following the death of a Participant, the Trustee shall, as soon as practicable, transfer the Participant's Plan Shares to or to the order of his legal personal representatives.

24.5.2 All references in the Plan to a Participant shall, where the context requires, be references to the legal personal representative of the Participant.

#### 24.6 **Funds to be provided by Participating Companies**

24.6.1 The Trustee shall acquire by subscription or purchase using monies paid to it by each relevant Participating Company as soon as practicable after receiving such monies, the number of Shares to be Appropriated to that Participating Company's Participants as Free Shares or Matching Shares; and

24.6.2 the Trustee shall, if so directed by the Executive Compensation Committee, acquire by subscription or purchase Shares at any time using monies paid to it by Participating Companies for future Appropriations of Shares to, or acquisitions of Shares on behalf of, Eligible Employees.

**24.7 Shares purchased off market by the Trustee**

Where the Trustee proposes to purchase Shares otherwise than through the New York Stock Exchange, the Trustee shall not purchase the Shares for a price in excess of that for which, in the opinion of the Company's brokers, it could purchase those Shares through the New York Stock Exchange.

**24.8 Subscription price**

Where Shares are subscribed for by the Trustee then the subscription price for each Share shall be determined by the Executive Compensation Committee but shall not be less than the higher of:

24.8.1 the Market Value of a Share on the day on which the Shares are allotted to the Trustee; and

24.8.2 the nominal value of a Share.

**24.9 Rights attaching to subscribed Shares**

Shares acquired by the Trustee by subscription shall, as to voting, dividend, transfer and other rights, including those arising on a liquidation of the Company, rank equally in all respects and as one class with other issued shares of the same class at the date of subscription save as regards any rights attaching to such Shares by reference to a record date prior to the date of such subscription.

**24.10 Shares with different rights**

If the Shares to be Appropriated to, or acquired on behalf of each Participant, do not carry the same rights as to dividends or otherwise, the shares appropriated to or acquired on behalf of each Participant shall (as nearly as possible) contain the same proportions of Shares with different rights.

**24.11 Foreign Dividends**

Where any foreign cash dividend is received in respect of Plan Shares held on behalf of a Participant, the Trustee shall give him notice of the amount of any foreign tax deducted from the dividend before it was paid.

**24.12 Timing of contributions to Trustee**

Monies to be paid by the Participating Companies to the Trustee for the purchase or subscription of Shares in respect of an Appropriation shall be paid not later than two dealing days immediately prior to such relevant Appropriation date.

**25** **LIMIT ON NUMBER OF SHARES AVAILABLE UNDER THE PLAN**

**25.1** **General**

The number of Shares which are to be available under the Plan shall be limited as set out in this Rule 25.

**25.2** **Limits**

The number of shares in Gannett Co., Inc. that may be issued, and shall be reserved for issuance pursuant to rights granted under the Plan is up to 1,000,000 shares of Gannett Co., Inc., which may be authorised and unissued or treasury shares. The number of shares of stock of Gannett Co., Inc. subject to the Plan may be adjusted by the Executive Compensation Committee for stock splits, consolidation and the like.

**25.3** **Computation**

For the purpose of the limit contained in Rule 25.2:

25.3.1 no account shall be taken of shares which are not new issue shares;

25.3.2 there shall be disregarded any shares subject to rights which have lapsed, been renounced or otherwise become incapable of being exercised;  
and

25.3.3 any shares issued on the exercise or vesting of rights shall be taken into account once only (when the rights are granted) and shall not fall out of account when the rights are exercised.]

**26** **LIMIT ON FUNDING OF PLAN**

The maximum amount of funds which may be made available under the Plan in respect of any Accounting Period shall be determined by the Executive Compensation Committee taking into account any factors which the Executive Compensation Committee consider relevant.



**27** **PERMITTED DEALINGS IN PLAN SHARES**

27.1 A Participant shall be entitled at any time to direct the Trustee:

27.1.1 to accept an offer for any of his Plan Shares if the acceptance will result in a new holding being equated with the original shares for the purposes of capital gains tax; or

27.1.2 to accept an offer of a Qualifying Corporate Bond, whether alone or with cash or other assets or both, for his Plan Shares if the offer forms part of a general offer as referred in Rule 27.1.3; or

27.1.3 to accept an offer of cash, with or without other assets, for his Plan Shares if the offer forms part of a general offer which is made to holders of shares of the same class as his Plan Shares or of shares in Gannett Co., Inc. and which is made in the first instance on a condition such that if it is satisfied the person making the offer will have control of Gannett Co., Inc. within the meaning of section 416 of ICTA 1988; or

27.1.4 to agree a transaction affecting his Plan Shares, or such of them as are of a particular class, if the transaction would be entered into pursuant to a compromise, arrangement or scheme applicable to or affecting:

27.1.4.1 all the ordinary share capital of Gannett Co., Inc. or, as the case may be, all the shares of the class in question; or

27.1.4.2 all the shares, or all the shares of the class in question, which are held by a class of shareholder identified otherwise than by reference to their employment or their participation in the Plan or any other approved share incentive plan.

**28** **RECEIPTS BY THE TRUSTEE**

Subject to Rule 32, the Trustee shall pay or transfer to a Participant any money or money's worth it receives in respect of, or by reference to, the Participant's Plan Shares unless it is a Capital Receipt which forms part of a new holding referred to in Rule 30, provided that the Trustee shall not distribute any Capital Receipt to a Participant if the amount payable to that Participant would be less than £3.

**EXERCISE OF VOTING RIGHTS ATTACHING TO PLAN SHARES****29.1 Trustee to notify Participants of resolutions**

In the event of a general meeting of the Company or any separate general meeting of the holders of shares which include Plan Shares the Trustee shall notify each Participant of any resolution of which the Trustee has received notification and shall invite each Participant to direct the Trustee how to vote.

**29.2 Participant to instruct Trustee how to vote**

Following notification pursuant to Rule 29.1, the Participant or other person in whom the beneficial interest in the Plan Shares is for the time being vested, may instruct the Trustee how to exercise the voting rights carried by the Plan Shares:

- 29.2.1 the Trustee shall not be obliged to attend the general meeting and may exercise the voting rights either personally or by proxy;
- 29.2.2 in the case of “any other business” at an annual general meeting of Gannett Co., Inc., the Trustee shall be entitled to vote (or refrain from voting) as it thinks fit;
- 29.2.3 on a show of hands, the Trustee shall not vote unless all directions received from the Participants concerned in respect of the particular resolution are identical; and
- 29.2.4 on a poll, the Trustee shall vote or lodge proxy cards only in accordance with the directions of each Participant, which directions must have been returned to the Trustee in accordance with the instructions accompanying the notification. In the absence of any such direction the Trustee shall abstain from voting.

**29.3 Notification of Participants’ directions to Trustee to be in writing**

Any direction given by a Participant to the Trustee pursuant to Rule 29.2 shall be in writing under the hand of the Participant and shall not be binding upon the Trustee unless it has been deposited at the registered office of the Company not less than 96 hours before the time for the holding of the meeting.

**30 COMPANY RECONSTRUCTIONS****30.1 New holdings of Shares**

Subject to Rule 30.2, where there occurs in relation to a Participant’s Plan Shares a company reconstruction which results in a new holding, or would result in a new

holding were it not for the fact that the new holding consists of or includes a Qualifying Corporate Bond:

- 30.1.1 the company reconstruction shall be treated as not involving a disposal of the Plan Shares comprised in the original holding;
- 30.1.2 references in the Rules to a Participant's Plan Shares shall be construed, after the date of the company reconstruction, as being references to the shares comprised in the new holding;
- 30.1.3 such new holding shall be deemed to have been Appropriated to or acquired on behalf of the Participant on the date the original holding was Appropriated to or acquired by him and shall be held by the Trustee on the same terms.

**30.2 Meaning of "new holding"**

For the purpose of Rule 30.1:

- 30.2.1 in the context of a new holding, any reference in this Rule 30 to shares includes a reference to securities and rights of any description which form part of the new holding for the purpose of Chapter II of Part IV to Taxation of Chargeable Gains Act 1992; and
- 30.2.2 an issue of shares of any of the following descriptions (in respect of which a charge to income tax arises) made as part of a company reconstruction shall not be treated as forming part of a new holding:
  - 30.2.2.1 redeemable shares or securities issued as mentioned in section 209(2)(c) ICTA 1988;
  - 30.2.2.2 share capital issued in circumstances such that section 210(1) ICTA 1988 applies;
  - 30.2.2.3 share capital to which section 249 ICTA 1988 applies.

**31 RIGHTS ISSUES**

**31.1 Application of rule**

This Rule 31 applies to rights attaching to a Participant's Plan Shares to be allotted, on payment, other shares, securities or rights of any description (together referred to as "Rights").

**31.2 Trustee to provide information to Participants**

The Trustee shall, inform each Participant of any Rights arising in respect of Plan Shares and shall either send the Participant a copy of the document relating to the Rights or sufficient details to enable the Participant to act in accordance with Rule 31.3.

**31.3 Participants to give written directions to Trustee**

The Trustee shall deal with the Rights only pursuant to a written direction given by, or on behalf of, the Participant or any person in whom the beneficial interest in the Plan Shares is for the time being vested. Such written direction must be received by the Trustee before the expiry of four days before the closing date for acceptance of the Rights offer or within such other time limit set at the absolute discretion of the Trustee, and may direct the Trustee:

- 31.3.1 to take up all or part of the Rights provided that such instruction is accompanied by payment in cash of the amount necessary to exercise such rights; or
- 31.3.2 to sell all of the Rights; or
- 31.3.3 to sell such part of the Rights as enables the Trustee to use the proceeds of sale to exercise entitlement to the remaining Rights of the Participant.

**31.4 Cash amounts arising to be dealt with by Trustee**

Any cash arising from the disposal of the Rights (except insofar as it is used to exercise such Rights in accordance with Rule 31.3.3) shall be dealt with by the Trustee in accordance with Rule 28.

**31.5 Failure by Participant to give any direction**

If a Participant fails to give any direction under Rule 31.3, or has not otherwise authorised the Trustee, or fails to pay any appropriate amount of cash, then the Trustee shall take no action in respect of the Rights associated with that Participant's Plan Shares.

**32 DUTY TO ACCOUNT FOR PAYE ON CASH AMOUNTS**

**32.1 Trustee to make payments**

The Trustee shall withhold from:

- 32.1.1 a Capital Receipt;
- 32.1.2 any monies returned to individuals under Rules 10, 11 and 12; and

32.1.3 the proceeds of a disposal of Plan Shares by the Trustee in accordance with a direction from a Participant (except in so far as the proceeds are used to take up Rights in accordance with Rule 31.3.3)  
an amount equal to any income tax and employee's national insurance contributions chargeable on such sum.

**32.2 Trustee to deal with PAYE deductions**

32.2.1 The Trustee shall if it is responsible for operating PAYE and deducting national insurance contributions in relation to such sum as is referred to in Rule 32.1, retain it, or if it is not so responsible pay such sum to one or more Participating Companies in proportion to their respective obligations to operate PAYE in relation to such sum.

32.2.2 If there is no Participating Company for the purposes of Rule 32.2.1 the Trustee shall deduct income tax at the basic rate for the time being in force and employees' national insurance contributions as if the Participant were a former employee of the Trustee.

**33 DUTY TO ACCOUNT FOR PAYE ON TRANSFERS OF ASSETS**

**33.1 Trustee to make PAYE deductions**

Where under any Rule the Trustee is to transfer to a Participant:

33.1.1 Free Shares prior to the fifth anniversary of the Free Shares Appropriation Date;

33.1.2 Partnership Shares prior to the fifth anniversary of the Partnership Shares Appropriation Date; or

33.1.3 Matching Shares prior to the fifth anniversary of the Matching Shares Appropriation Date

the Trustee shall unless otherwise provided with funds from the Participant to meet any liability for income tax and/or employee's national insurance contributions, dispose of a sufficient number of the Participant's Plan Shares ( for the best consideration in money that can reasonably be obtained at the time of sale), the proceeds of which shall (as far as possible) be equal to any income tax and/or employees' national insurance contributions chargeable on the Plan Shares to be transferred and for which the Trustee or a Participating Company is required to make a PAYE deduction.

**33.2 Trustee to deal with PAYE deductions**

The Trustee and/or a Participating Company shall account to the Board of Inland Revenue for any income tax and/or employees' national insurance contributions referred to in Rule 33.1 and shall pay over to the Participant the difference (if any) between the proceeds from the disposal of his Plan Shares under Rule 33.1 and the amount due.

**34 APPORTIONMENT OF CAPITAL RECEIPTS**

**34.1 Treatment of Capital Receipts**

If the Trustee receives any Capital Receipt in respect of, or by reference to, any Plan Shares held on behalf of more than one Participant, then, if and to the extent that such Capital Receipt cannot be precisely divided between such Participants in the appropriate proportions:

34.1.1 to the extent that it is money's worth, the Trustee shall sell it for the best possible consideration in money that can reasonably be obtained and shall divide the proceeds of sale (after deducting any expenses of sale and any taxation which may be payable by the Trustee) among the Participants in question; and

34.1.2 to the extent that it is money the Trustee's obligations under this Rule 34 shall be deemed to be discharged if the Trustee pays to each Participant the appropriate amount, rounded down to the nearest penny.

**34.2 Trustee to inform Participants**

The Trustee shall inform each Participant in respect of whose Plan Shares the Capital Receipt was received of the treatment thereof for income tax purposes.

**35 TERMINATION OF PLAN**

**35.1 Company may terminate Plan**

The Company (with approval by the Executive Compensation Committee) may at any time decide to terminate the Plan and if it does so must issue a plan termination notice in accordance with paragraph 120 of Schedule 8 copies of which shall be given without delay to:

35.1.1 the Inland Revenue;

35.1.2 the Trustee; and

35.1.3 each Participant.

### **35.2 Consequences of termination of Plan**

If the Company issues a plan termination notice in accordance with Rule 35.1:

- 35.2.1 no further Awards may be made under the Plan;
- 35.2.2 the Trustees shall remove any Plan Shares from the Plan in accordance with paragraph 121 of Schedule 8; and
- 35.2.3 any Partnership Share Money held on behalf of a Participant must be paid to him as soon as practicable thereafter.

### **35.3 Inland Revenue withdrawal of Plan approval**

If Inland Revenue approval of the Plan is withdrawn any Partnership Share Money held on behalf of an Participant must be paid to him as soon as practicable thereafter.

### **36 SHARES FROM QUALIFYING SHARE OWNERSHIP TRUSTS**

Where Shares are transferred to the Trustee in accordance with paragraph 76 of Schedule 8, they shall award such Shares only as Free and Matching Shares, and in priority to other available Shares.

### **37 NOTICES**

#### **37.1 Notice by Company, a Participating Company or the Trustee**

Any notice, document or other communication given by, or on behalf of the Company, a Participating Company or the Trustee to any person in connection with the Plan shall be deemed to have been duly given if delivered to him at his place of work, if he is employed by a Participating Company, or sent through the post in a pre paid envelope to the address last known to the Company to be his address and, if so sent, shall be deemed to have been duly given on the date of posting.

#### **37.2 Deceased Participant**

Any notice, document or other communication given to a Participant shall be deemed to have been duly given notwithstanding that such person is then deceased (and whether or not the Company or Trustee has notice of his death) except where his personal representatives have established their title to the satisfaction of the Company or Trustee as appropriate and supplied to the Company and the Trustee an address to which notices, documents and other communications are to be sent.

**37.3 Notice to Company or Trustee**

Any notice, document or other communication given to the Company, a Participating Company or the Trustee in connection with the Plan shall be delivered or sent through the post to the Company secretary at the Company's registered office or such other address as may from time to time be notified to Eligible Employees or Participants but shall not in any event be deemed to be duly given unless it is actually received at such address.

**37.4 Trustee to distribute Company documentation**

If the Trustee receives any annual or interim report, notice of meeting, circular, letter of offer or other documentation (excepting a dividend warrant or a document of title to shares, securities or rights) relating to any Plan Shares, the Trustee may, as soon as reasonably practicable, send, or procure the sending of, a copy of such document to each Participant on behalf of whom such Plan Shares are held.

**37.5 Notification of liability to income tax**

Where a Participant has become liable to income tax in relation to the Plan under any relevant provision of ICTA 1988 the Trustee shall, if so requested, inform the Participant of any fact material to determining that liability as soon as reasonably practicable.

**38 FRACTIONAL ENTITLEMENTS**

38.1 If, on a company reconstruction, the Trustee receives a share or other security fractions of which would be treated as comprised in two or more Participants' Plan Shares:

38.1.1 it shall not form part of any new holding for the purpose of Rule 30;

38.1.2 Rule 34 shall apply to it.

**39 PROTECTION OF THE TRUSTEE**

Any sale by the Trustee of shares, securities or rights which is effected through a member of the London Stock Exchange acting in the ordinary course of his business shall be presumed to have been made for the best consideration that could reasonably be obtained at the time of the sale.

**40 APPLICATION FOR LISTING OR ADMISSION TO TRADING OF PLAN SHARES**



While Shares are listed on the New York Stock Exchange Gannett Co., Inc. shall, at its expense, make application for, and use its reasonable endeavours to obtain listing on the New York Stock Exchange for Plan Shares.

**41** **RELATIONSHIP OF PLAN TO CONTRACT OF EMPLOYMENT**

41.1 Notwithstanding any other provision of this Plan:

41.1.1 the Plan or benefits available under the Plan shall not form part of any contract of employment between any Participating Company and an Eligible Employee;

41.1.2 unless expressly so provided in his contract of employment, an Eligible Employee has no right to an Appropriation;

41.1.3 the benefit to an Eligible Employee of participation in the Plan shall not form any part of his remuneration or count as his remuneration for any purpose and shall not be pensionable; and

41.1.4 if an Eligible Employee ceases to have a Relevant Employment, he shall not be entitled to compensation for the loss of any right or benefit or prospective right or benefit under the Plan whether by way of damages for unfair dismissal, wrongful dismissal, breach of contract or otherwise.

**42** **ALTERATIONS**

No modification, alteration, or amendment to these Rules shall be made except in accordance with clause 22 of the Trust Deed.

**SCHEDULE 2****LIST OF PARTICIPATING COMPANIES**

<b>Name</b>	<b>Registered Office</b>	<b>Company Number</b>
Newsquest Media (Southern) plc	Newspaper House, 34-44 London Road Morden, Surrey, SM4 5BR	1350
Newsquest (London) Limited	Newspaper House, 34-44 London Road Morden, Surrey, SM4 5BR	3105111
Newsquest (Essex) Limited	Newspaper House, 34-44 London Road Morden, Surrey, SM4 5BR	3102787
Newsquest (Midlands South) Limited	Newspaper House, 34-44 London Road Morden, Surrey, SM4 5BR	3104052
Newsquest (Lancashire) Limited	Newspaper House, 34-44 London Road Morden, Surrey, SM4 5BR	3102566
Newsquest (Oxfordshire) Limited	Newspaper House, 34-44 London Road Morden, Surrey, SM4 5BR	3223511
Newsquest (Bradford) Limited	Newspaper House, 34-44 London Road Morden, Surrey, SM4 5BR	3223515
Newsquest (North East) Limited	Newspaper House, 34-44 London Road Morden, Surrey, SM4 5BR	3223496
Newsquest (Sussex) Limited	Newspaper House, 34-44 London Road Morden, Surrey, SM4 5BR	3223499
Newsquest (Kendal)	Newspaper House, 34-44 London Road Morden, Surrey, SM4 5BR	3223761
Newsquest (Wiltshire) Limited	Newspaper House, 34-44 London Road Morden, Surrey, SM4 5BR	3223507
Newsquest (York) Limited	Newspaper House, 34-44 London Road Morden, Surrey, SM4 5BR	3223271
Newsquest (Cheshire/Merseyside) Limited	Newspaper House, 34-44 London Road Morden, Surrey, SM4 5BR	3103884
Newsquest Media Group Limited	Newspaper House, 34-44 London Road Morden, Surrey, SM4 5BR	1676637

Newsquest Printing (Worcester) Limited	Newspaper House, 34-44 London Road Morden, Surrey, SM4 5BR	3104055
Newsquest Printing (Lostock) Limited	Newspaper House, 34-44 London Road Morden, Surrey, SM4 5BR	3104061
Newsquest Printing (Colchester) Limited	Newspaper House, 34-44 London Road Morden, Surrey, SM4 5BR	3104066
Southernprint (Web Offset) Limited	Newspaper House, 34-44 London Road Morden, Surrey, SM4 5BR	01085192
Southern Binders Limited	Newspaper House, 34-44 London Road Morden, Surrey, SM4 5BR	01334245
Southern Magazines Limited	Newspaper House, 34-44 London Road Morden, Surrey, SM4 5BR	2231405

SUBSIDIARY LIST

<u>UNIT</u>	<u>STATE OF INCORPORATION</u>
THE ADVERTISER COMPANY	ALABAMA
ALEXANDRIA NEWSPAPERS, INC.	LOUISIANA
APP NEW JERSEY PUBLISHING CO., INC.	DELAWARE
ARKANSAS TELEVISION COMPANY	ARKANSAS
ASBURY PARK PRESS INC.	NEW JERSEY
BAXTER COUNTY NEWSPAPERS, INC	ARKANSAS
CALIFORNIA NEWSPAPERS, INC.	CALIFORNIA
CAPE PUBLICATIONS, INC.	KENTUCKY
CARANTIN & CO., INC.	ARIZONA
CENTRAL NEWSPAPERS, INC.	INDIANA
CHILDREN'S EDITION, INC.	KENTUCKY
CITIZEN PUBLISHING COMPANY	ARIZONA
COMBINED COMMUNICATIONS CORPORATION OF OKLAHOMA, INC.	OKLAHOMA
DES MOINES REGISTER AND TRIBUNE COMPANY	IOWA

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THE DESERT SUN PUBLISHING COMPANY	CALIFORNIA
THE DETROIT NEWS, INC.	MICHIGAN
DETROIT NEWSPAPER AGENCY	MICHIGAN
DIGICOL, INC.	DELAWARE
DIGIFARM, LLC	MINNESOTA
FEDERATED PUBLICATIONS, INC.	DELAWARE
FIRST COAST TOWER GROUP	FLORIDA
GANNETT DIRECT MARKETING SERVICES, INC.	KENTUCKY
GANNETT EL PASO PUBLISHING, INC.	DELAWARE
GANNETT GEORGIA L.P.	GEORGIA
GANNETT GEORGIA PUBLISHING, INC.	DELAWARE
GANNETT HAWAII, INC.	HAWAII
GANNETT HAWAII PUBLISHING, LLC	DELAWARE
GANNETT KENTUCKY LIMITED PARTNERSHIP	KENTUCKY
GANNETT MASSACHUSETTS SUPPLY CORP.	MASSACHUSETTS
GANNETT MISSOURI PUBLISHING, INC.	KANSAS
GANNETT MONTANA PUBLISHING LLC	MONTANA
GANNETT NEVADA PUBLISHING, INC.	NEVADA

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GANNETT NEW JERSEY PARTNERS L.P.	DELAWARE
GANNETT ON-LINE INVESTOR, INC.	DELAWARE
GANNETT ON-LINE PARTNER, LLC	DELAWARE
GANNETT PACIFIC CORPORATION	HAWAII
GANNETT RETAIL ADVERTISING GROUP, INC.	DELAWARE
GANNETT RIVER STATES PUBLISHING CORPORATION	ARKANSAS
GANNETT SATELLITE INFORMATION NETWORK, INC.	DELAWARE
GANNETT SUPPLY CORPORATION	DELAWARE
GANNETT TELEMARKETING, INC.	DELAWARE
GANNETT TEXAS L.P.	DELAWARE
GANNETT TEXAS PUBLISHING, INC.	DELAWARE
GANNETT U.K. LIMITED	UNITED KINGDOM
GANNETT VERMONT INSURANCE, INC.	VERMONT
GANNETT VERMONT PUBLISHING, INC.	DELAWARE
GANSAT NEW JERSEY PUBLISHING CO., INC.	DELAWARE
GUAM PUBLICATIONS, INCORPORATED	HAWAII
HAWAII TOURISM, LLC	DELAWARE
INDIANA NEWSPAPERS, INC.	INDIANA

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KXTV, INC.	MICHIGAN
LAKE CEDAR GROUP LLC	DELAWARE
MCCLURE NEWSPAPERS, INC.	DELAWARE
MCCORMICK GRAPHICS COMPANY, INC.	LOUISIANA
MULTIMEDIA, INC.	SOUTH CAROLINA
MULTIMEDIA OF CINCINNATI, INC.	OHIO
MULTIMEDIA ENTERPRISE, INC.	SOUTH CAROLINA
MULTIMEDIA GEORGIA BROADCASTING, INC.	SOUTH CAROLINA
MULTIMEDIA HOLDINGS CORPORATION	SOUTH CAROLINA
MULTIMEDIA KSDK, INC.	SOUTH CAROLINA
NEW JERSEY PRESS, INC.	NEW JERSEY
NEWSQUEST MEDIA (SOUTHERN) PLC	UNITED KINGDOM
NEWSQUEST PLC	UNITED KINGDOM
OKLAHOMA PRESS PUBLISHING COMPANY	OKLAHOMA
P&S GEORGIA BROADCASTING, INC.	DELAWARE
PACIFIC MEDIA, INC.	DELAWARE
PACIFIC AND SOUTHERN COMPANY, INC.	DELAWARE
PHOENIX NEWSPAPERS, INC.	ARIZONA

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PRESS BROADCASTING COMPANY	NEW JERSEY
PRESS-CITIZEN COMPANY INC.	IOWA
RENO NEWSPAPERS, INC.	NEVADA
SALEM COUNTY SAMPLER, INC.	NEW JERSEY
SALINAS NEWSPAPERS INC.	CALIFORNIA
THE SUN COMPANY OF SAN BERNARDINO, CALIFORNIA	CALIFORNIA
THE TIMES HERALD COMPANY	MICHIGAN
THE TIMES JOURNAL CO. FSC, INC.	VIRGIN ISLANDS
TIMES NEWS GROUP, INC.	DELAWARE
TNI PARTNERS	ARIZONA
TUCKER COMMUNICATIONS, INC.	DELAWARE
TUCKER COMMUNICATIONS, INC.	NEW YORK
TUCKER COMMUNICATIONS CONNECTICUT, INC.	NEW YORK
USA TODAY INTERNATIONAL CORPORATION	DELAWARE
VISALIA NEWSPAPERS INC.	CALIFORNIA
WFMY TELEVISION CORP.	NORTH CAROLINA
WKYC HOLDINGS, INC.	DELAWARE
WKYC-TV, INC.	DELAWARE

The company has omitted the names of 54 wholly-owned subsidiaries, which in the aggregate would not constitute a significant subsidiary of the company.



**Exhibit 23**

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-85430) and Form S-8 (Nos. 2-63038, 2-84088, 33-15319, 33-16790, 33-28413, 33-35305, 33-50813, 33-64959, 333-03941, 333-61859, 333-66051, 333-90309, 333-04459, 333-48202, 333-60402, and 333-83426) of Gannett Co., Inc. of our report dated February 6, 2003 relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

PRICEWATERHOUSECOOPERS LLP

McLean, Virginia  
March 18, 2003

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Gannett Co., Inc. ("Gannett") on Form 10-K for the year ended December 29, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Douglas H. McCorkindale, chairman, president and chief executive officer of Gannett, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Gannett.

/s/Douglas H. McCorkindale

Douglas H. McCorkindale  
Chairman, President and  
Chief Executive Officer

March 18, 2003

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Gannett Co., Inc. ("Gannett") on Form 10-K for the year ended December 29, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gracia C. Martore, senior vice president and chief financial officer of Gannett, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Gannett.

/s/Gracia C. Martore  
Gracia C. Martore  
Senior Vice President and  
Chief Financial Officer

March 18, 2003