

Exhibit Index begins  
on page 11

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

(Mark One)

- X Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [No Fee Required] for the fiscal year ended December 29, 1996 or  
\_\_\_\_ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [No Fee Required] for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 1-6961

GANNETT CO., INC.  
(Exact name of registrant as specified in its charter)

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

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

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

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

| Title of each class            | Name of each exchange<br>on which registered |
|--------------------------------|--|
| Common Stock, Par Value \$1.00 | New York Stock Exchange                      |

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

None  
(Title of Class)

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 \_\_\_

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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. [ X ]

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 14, 1997 was in excess of \$11,875,782,398.

The number of shares outstanding of the registrant's Common Stock, Par Value \$1.00, as of March 14, 1997 was 141,492,862.

Documents incorporated by reference.

(1) Portions of the registrant's Annual Report to Shareholders for the fiscal year ended December 29, 1996 in Parts I, II and III.

(2) Portions of the registrant's Proxy Statement issued in connection

with its Annual Meeting of Shareholders to be held on May 6, 1997.

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#### CROSS REFERENCE SHEET

The information required in Parts I, II and III of the Form 10-K is incorporated by reference to sections of the Company's 1996 Annual Report to Shareholders ("Annual Report") and its definitive Proxy Statement for the Annual Meeting of Shareholders to be held May 6, 1997 ("Proxy Statement") as described below:

##### Part I

- |         |  |  |
|---------|--|--|
| Item 1. | Business.  | Form 10-K Information (Annual Report pp. 53-62); Note 10 - Business Segment Information (Annual Report p. 48).                             |
| Item 2. | Properties.  | Properties (Annual Report pp. 57, 58, 60, and 61); Corporate Facilities (Annual Report p. 62); Markets We Serve (Annual Report pp. 68-72). |
| Item 3. | Legal Proceedings.                                   | Note 9 - Commitments, Contingent Liabilities and Other Matters (Annual Report p. 47); Regulation (Annual Report pp. 57-58, 58-59, 60-61).  |
| 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 Shareholder Services (Annual Report, p. 73); Company Profile (Annual Report, p. 1); Gannett Common Stock Prices (Annual Report p. 23); Dividends (Annual Report p. 33).   |
| Item 6. | Selected Financial Data.   | Eleven-Year Summary and Notes to Eleven-Year Summary (Annual Report pp. 50-52).   |
| Item 7. | Management's Discussion and Analysis of Financial Condition and Results of Operations. | Management's Discussion and Analysis of Results of Operations and Financial Position (Annual Report pp. 24-33).   |
| Item 8. | Financial Statements and Supplementary Data.   | Consolidated Financial Statements and Notes to Consolidated Financial Statements (Annual Report pp. 34-48). Effects of inflation and changing prices (Annual Report p. 33); Quarterly Statements of Income (Annual Report pp. 64-65). |
| Item 9. | Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.  | None.   |

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##### Part III

- |          |   |   |
|----------|---|---|
| Item 10. | Directors and Executive Officers of the Registrant. | Executive Officers of the Company are listed below: |
|----------|---|---|

Denise H. Bannister - Group President, Gannett Gulf Coast Newspaper Group, and President and Publisher, Pensacola News Journal.

Sara M. Bentley - Group President, Gannett Northwest Newspaper Group, and President and Publisher, Statesman Journal.

Michael C. Burrus - President, Multimedia Cablevision, Inc. and Multimedia Security Service, Inc.

Thomas L. Chapple - Senior Vice President, General Counsel, and Secretary.

Richard L. Clapp - Senior Vice President, Personnel.

Susan Clark-Johnson - Senior Group President, Gannett Pacific Newspaper Group, and President and Publisher, Reno (Nev.) Gazette-Journal.

Michael J. Coleman - Senior Group President, Gannett South Newspaper Group, and President and Publisher, FLORIDA TODAY at Brevard County.

John J. Curley - Chairman, President, and Chief Executive Officer.

Thomas Curley - President and Publisher, USA TODAY.

Philip R. Currie - Senior Vice President, News, Gannett Newspaper Division.

Millicent A. Feller - Senior Vice President, Public Affairs and Government Relations.

Lawrence P. Gasho - Vice President, Financial Analysis.

George R. Gavagan - Vice President, Corporate Accounting Services.

John B. Jaske - Senior Vice President, Labor Relations and Assistant General Counsel.

Gracia C. Martore - Vice President, Treasury Services and Investor Relations.

Douglas H. McCorkindale - Vice Chairman, and Chief Financial and Administrative Officer.

Bern Mebane - Senior Group President, Gannett Piedmont Newspaper Group.

Larry F. Miller - Senior Vice President, Financial Planning, and Contoller.

W. Curtis Riddle - Senior Group President, Gannett East Newspaper Group, and President and Publisher, Wilmington (Delaware) News Journal.

Carleton F. Rosenburgh - Senior Vice President, Gannett Newspaper Division.

Gary F. Sherlock - Group President, Gannett Atlantic Newspaper Group, and President and Publisher, Gannett Suburban Newspapers.

Mary P. Stier - Group President, Gannett Midwest Newspaper Group, and President and Publisher, Rockford Register Star.

Jimmy L. Thomas - Senior Vice President, Financial Services and Treasurer.

Cecil L. Walker - President and Chief Executive Officer, Gannett Broadcasting.

Gary L. Watson - President, Gannett Newspaper Division.

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Information concerning the Executive Officers of the Company is included in the Annual Report on pages 18 through 20. 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.

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|----------|---|---|
| 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. | 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. |

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Part IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

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

(1) Financial Statements.

The following financial statements of the Company and the accountants' report thereon are included on pages 34 through 49 of the Company's 1996 Annual Report to Shareholders and are incorporated herein by reference:

Consolidated Balance Sheets as of December 29, 1996 and December 31, 1995.

Consolidated Statements of Income - Fiscal Years Ended December 29, 1996, December 31, 1995, and December 25, 1994.

Consolidated Statements of Cash Flows - Fiscal Years Ended December 29, 1996, December 31, 1995, and December 25, 1994.

Consolidated Statements of Changes in Shareholders' Equity - Fiscal Years Ended December 29, 1996, December 31, 1995, and December 25, 1994.

Notes to Consolidated Financial Statements.

Report of Independent Accountants.

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(2) Financial Statement Schedules.

The following financial statement schedules are incorporated by reference to "Schedules to Form 10-K Information" appearing on pages 66 through 67 of the Company's 1996 Annual Report to Shareholders:

Schedule V - Property, Plant and Equipment.

Schedule VI - Accumulated Depreciation and Amortization of Property, Plant and Equipment.

Schedule VIII - Valuation and Qualifying Accounts.

Schedule X - Supplementary Income Statement Information.

The Report of Independent Accountants on Financial Statement Schedules appears on page 8 of this Annual Report on Form 10-K.

Note: Financial statements of the registrant are omitted as the registrant is primarily an operating company and the aggregate of the minority interest in and the debt of consolidated subsidiaries is not material in relation to total consolidated assets. 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 for list of exhibits filed with this Annual Report on 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.

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REPORT OF INDEPENDENT ACCOUNTANTS ON  
FINANCIAL STATEMENT SCHEDULES

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

Our audits of the consolidated financial statements referred to in our report dated February 4, 1997 appearing on page 49 of the 1996 Annual Report to Shareholders of Gannett Co., Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedules listed in Item 14(a) of this Form 10-K. In our opinion, these Financial Statement Schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ Price Waterhouse LLP

PRICE WATERHOUSE LLP

Washington, D.C.  
February 4, 1997

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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, 1997 GANNETT CO., INC. (Registrant)

By /s/Douglas H. McCorkindale  
-----  
Douglas H. McCorkindale,  
Vice Chairman, and Chief Financial and  
Administrative 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, 1997 /s/John J. Curley  
-----  
John J. Curley,  
Director, and Chairman, President and  
Chief Executive Officer

Dated: February 25, 1997 /s/Douglas H. McCorkindale  
-----  
Douglas H. McCorkindale,

Director, and Vice Chairman, and Chief  
Financial and Administrative Officer

Dated: February 25, 1997

/s/Larry F. Miller  
-----

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

Dated: February 25, 1997

/s/Andrew F. Brimmer  
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Andrew F. Brimmer, Director

Dated: February 25, 1997

/s/Meredith A. Brokaw  
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Meredith A. Brokaw, Director

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Dated: February 25, 1997

/s/Rosalynn Carter  
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Rosalynn Carter, Director

Dated: February 25, 1997

/s/Peter B. Clark  
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Peter B. Clark, Director

Dated: February 25, 1997

/s/Stuart T.K. Ho  
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Stuart T.K. Ho, Director

Dated: February 25, 1997

/s/Drew Lewis  
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Drew Lewis, Director

Dated: February 25, 1997

/s/Josephine P. Louis  
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Josephine P. Louis, Director

Dated: February 25, 1997

/s/Rollan D. Melton  
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Rollan D. Melton, Director

Dated: February 25, 1997

/s/Thomas A. Reynolds, Jr.  
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Thomas A. Reynolds, Jr., Director

Dated: February 25, 1997

/s/Dolores D. Wharton  
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Dolores D. Wharton, Director

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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 to Restated Certificate of Incorporation.   | Incorporated by reference to Exhibit 3-1 to the 1993 Form 10-K.  |
| 3-2    | Amended By-laws of Gannett Co., Inc.  | Attached.  |
| 4-1    | \$1,000,000,000 Revolving Credit Agreement among Gannett Co., Inc. and the Banks named therein.   | Incorporated by reference to Exhibit 4-1 to the 1993 Form 10-K.  |
| 4-2    | Amendment Number One to \$1,000,000,000 Revolving Credit Agreement among Gannett Co., Inc. and the Banks named therein.                                     | Incorporated by reference to Exhibit 4-2 to Gannett Co., Inc.'s Form 10-Q for the fiscal quarter ended June 26, 1994.  |
| 4-3    | Amendment Number Two to \$1,500,000,000 Revolving Credit Agreement among Gannett Co., Inc. and the Banks named therein.                                     | Incorporated by reference to Exhibit 4-3 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 31, 1995.   |
| 4-4    | Amendment Number Three to \$3,000,000,000 Revolving Credit Agreement among Gannett Co., Inc. and the Banks named therein.                                   | Incorporated by reference to Exhibit 4-4 to Gannett Co., Inc.'s Form 10-Q for the fiscal quarter ended September 29, 1996.   |
| 4-5    | 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.   |
| 4-6    | 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.  |
| 4-7    | Rights Plan.  | Incorporated by reference to Exhibit 1 to Gannett Co., Inc.'s Form 8-K filed on May 23, 1990.  |
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| 10-1   | Employment Agreement dated December 7, 1992 between Gannett Co., Inc. and John J. Curley.*  | Incorporated by reference to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 27, 1992 ("1992 Form 10-K").   |
| 10-2   | Employment Agreement dated December 7, 1992 between Gannett Co., Inc. and Douglas H. McCorkindale.*   | Incorporated by reference to the 1992 Form 10-K.   |
| 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.

|      |   |  |
|------|---|--|
| 10-4 | Description of supplemental insurance benefits.*                          | Incorporated by reference to Exhibit 10-4 to the 1993 Form 10-K.   |
| 10-5 | Gannett Co., Inc. Supplemental Retirement Plan, as amended.*              | Incorporated by reference to Exhibit 10-8 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 27, 1986 ("1986 Form 10-K").   |
| 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, attached. |
| 10-7 | Amended and Restated Gannett Co., Inc. 1987 Deferred Compensation Plan.*  | Incorporated by reference to Exhibit 10-1 to Gannett Co., Inc.'s Form 10-Q for the fiscal quarter ended September 29, 1996.  |
| 10-8 | Gannett Co., Inc. Transitional Compensation Plan.*                        | Incorporated by reference to Exhibit 10-13 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 30, 1990.   |
| 11   | Statement re computation of earnings per share.                           | Attached.  |
| 13   | Portions of 1996 Annual Report to Shareholders incorporated by reference. | Attached.  |
| 21   | Subsidiaries of Gannett Co., Inc.   | Attached.  |
| 23   | Consent of Independent Accountants.                                       | Attached.  |
| 27   | Financial Data Schedule   | Attached.  |

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.



BY-LAWS  
OF  
GANNETT CO., INC.

as amended  
through  
February 25, 1997

ARTICLE I.

Meetings of Stockholders

Section 1. Annual Meetings: The annual meeting of the stockholders for the election of directors and for the transaction of such other business as may come before the meeting shall be held on such date and at such hour as shall each year be fixed by the Board of Directors.

Section 2. Special Meetings: Except as otherwise required by law and subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, special meetings of the stockholders may be called only by the Chairman of the Board or by the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors.

Section 3. Place of Meeting: Meetings of stockholders of the Corporation shall be held at such place, either within or without the State of Delaware, as shall be fixed by the Board of Directors in the case of meetings called by the Board, or by the Chairman of the Board in the case of meetings called by the Chairman, and specified in the notice of said meeting.

Section 4. Notice of Meetings: Except as otherwise permitted or provided by law or these By-laws, written notice of each meeting of the stockholders shall be given to each stockholder of record entitled to vote at such meeting, whether annual or special, not less than ten (10) nor more than sixty (60) days before the day on which the meeting is to be held. A written waiver of notice of any meeting of stockholders, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Notice of any adjourned meeting of stockholders shall not be required to be given, except where expressly required by law.

Section 5. Organization: At each meeting of the stockholders, the Chairman of the Board, or in his absence, the Vice Chairman, or in the absence of both officers, an officer selected by the Chairman of the Board, or if the Chairman of the Board has made no selection, an officer selected by the Board, shall act as chairman of the meeting and the Secretary or, in his absence, an Assistant Secretary, if one be appointed, shall act as secretary of the meeting. In case at any meeting none of the officers who have been designated to act as chairman or secretary of the meeting, respectively, shall be present, a chairman or secretary of the meeting, as the case may be, shall be chosen by the vote of a majority in interest of the stockholders of the Corporation present in person or by proxy and entitled to vote at such meeting.

Section 6. Quorum: At each meeting of the stockholders, except where otherwise provided by law, the holders of a majority of the issued and outstanding shares

of each class of stock of the Corporation entitled to vote at such meeting shall constitute a quorum for the transaction of business and a majority in amount of such quorum shall decide any questions that may come before the meeting. In the absence of a quorum, a majority in interest of the stockholders of the Corporation present in person or by proxy and entitled to vote, or, if no stockholder entitled to vote is present, any officer entitled to preside at, or act as secretary of, such meeting, shall have the power to adjourn the meeting from time to time until stockholders holding the requisite amount of stock shall be present or represented. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally called.

#### Section 7. Voting.

(a) At each meeting of stockholders every stockholder of record of the Corporation entitled to vote at such meeting shall be entitled to one vote for each share of stock of the Corporation registered in his name on the books of the Corporation on the record date for such meeting. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by proxy. Such proxy shall be appointed by an instrument in writing, subscribed by such stockholder or by his attorney thereunto authorized and delivered to the secretary of the meeting, or shall otherwise be executed and transmitted as may be permissible under applicable law; provided, however, that no proxy shall be voted on after three years from its date unless said proxy provides for a longer period. At all meetings of the stockholders, all matters (except where other provision is made by statute, by the Certificate of Incorporation or by these By-laws) shall be decided by the vote of a majority of the stock present in person or by proxy and entitled to vote at the meeting. At each meeting of stockholders for the election of Directors, the voting for Directors need not be by ballot unless the chairman of the meeting or the holders, present in person or by proxy, of a majority of the stock of the Corporation entitled to vote at such meeting shall so determine.

(b) The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting. No ballot, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the inspectors after the closing of the polls unless a proper court upon application by a stockholder shall determine otherwise.

(c) The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability.

(d) The inspectors shall (i) ascertain the number of shares outstanding and the voting power of each, (ii) determine the shares represented at a meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, (v) certify their determination of the number of shares represented at the meeting and their count of all votes and ballots, and (vi) perform such other duties as may be required by law or designated by the Secretary of the Corporation. In performing their duties, the inspectors of election shall follow applicable law and the instructions of the Secretary.

Section 8. List of Stockholders: It shall be the duty of the Secretary or other officer of the Corporation who shall have charge of its stock ledger, either directly or through another officer of the Corporation designated by him or through a transfer agent or transfer clerk appointed by the Board of Directors, to prepare and make, at least ten (10) days before every meeting of the stockholders, a complete list of the stockholders entitled to vote thereat, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for said ten (10) days, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of meeting, or, if not so specified, at the place where said meeting is to be held. The list shall be produced and kept at the time and place of said meeting during the whole time thereof and subject to the inspection of any stockholder who shall be present thereat. The original or duplicate stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, such list or the books of the Corporation, or to vote in person or by proxy at such meeting.

Section 9. Stockholder Action: Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders.

## ARTICLE II.

### Board of Directors

Section 1. General Power: The property, business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

Section 2. Number and Terms: Except as otherwise fixed pursuant to the provisions of Article FOURTH of the Certificate of Incorporation relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, the number of the directors of the Corporation shall be fixed from time to time by majority vote of the entire Board of Directors. The directors, other than those who may be elected by the holders of any class or series of stock having preference over the Common Stock as to dividends or upon liquidation, shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as

determined by the Board of Directors, one class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1986, another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1987, and another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1988, with the members of each class to hold office until their successors are elected and qualified. At each annual meeting of the stockholders of the Corporation, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

Section 3. Qualifications of Directors: No one shall be eligible to serve as a member of the Board of Directors after the first annual meeting of shareholders following his or her seventieth birthday, or, in the case of anyone who has at any time served as an executive of this Corporation, after the first annual meeting of shareholders following his or her sixty-fifth birthday or the date on which he or she retires under the Corporation's retirement plan, whichever occurs first. Every person who is elected a director of this Corporation at the 1989 annual meeting of shareholders of this Corporation or thereafter shall at the time of his or her election to the Board, and at all times during his or her tenure as a director, own, directly or beneficially (beneficial ownership to be determined in accordance with the Securities Exchange Act of 1934), at least one thousand shares of the common stock of this Corporation.

Section 4. Nominations: Subject to the rights of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, nominations for the election of directors may be made by the Board of Directors or a committee appointed by the Board of Directors or by any stockholder entitled to vote in the election of directors generally. However, any stockholder entitled to vote in the election of directors generally may nominate one or more persons for election as director at a meeting only if written notice of such stockholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than (i) with respect to an election to be held at an annual meeting of stockholders, 90 days in advance of such meeting, and (ii) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the tenth day following the date on which notice of such meeting is first given to stockholders. Each such notice shall set forth: (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the Board of Directors; and (e) the consent of each nominee to serve as a director of the Corporation if so elected. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

Section 5. Notice of Stockholder Business: At an annual meeting of the stockholders, only such business shall

be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, not less than 90 days prior to the meeting. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, (c) the class and number of shares of the Corporation which are beneficially owned by the stockholder, and (d) any material interest of the stockholder in such business. Notwithstanding anything in the By-laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 5. The chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Section 5 and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

Section 6. Election: At each annual meeting of stockholders, Directors shall, except as otherwise required or provided by law or by the Certificate of Incorporation, be elected by a plurality of the votes cast at such meeting by the holders of stock entitled to vote in the election. Each Director shall hold office until his successor shall be elected and qualified, or until his death, or until he shall resign or shall have been removed in the manner hereinafter provided, or until he shall cease to qualify.

Section 7. Resignation: Any Director of the Corporation may resign at any time by giving written notice to the Corporation. The resignation of any Director shall take effect at the time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 8. Removal of Directors: Any Director may be removed from office, with cause, by the affirmative vote of the holders of record of a majority of the combined voting power of the outstanding shares of Stock entitled to vote generally in the election of directors, voting together as a single class and without cause, only by the affirmative vote of the holders of 80% of the combined voting power of the then outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class.

Section 9. Newly Created Directorships and Vacancies: Except as otherwise fixed pursuant to the provisions of Article FOURTH of the Certificate of Incorporation relating to the rights of the holders of any class or series of stock having preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a

quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 10. First Meeting: After each annual election of Directors and on the same day, the Board of Directors may meet for the purpose of organization, the election of officers and the transaction of other business at the place where regular meetings of the Board of Directors are held. Notice of such meeting need not be given. Such meeting may be held at any other time or place which shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors or in a consent and waiver of notice thereof signed by all the Directors.

Section 11. Regular Meetings: Regular meetings of the Board of Directors shall be held at such places and at such times as may from time to time be fixed by the Board. Notice of regular meetings need not be given.

Section 12. Special Meetings: Special meetings of the Board of Directors shall be held at any time upon the call of the Chairman of the Board or any two of the Directors. Notice of each such meeting shall be mailed to each Director, addressed to him at his residence or usual place of business, at least three days before the day on which the meeting is to be held, or shall be sent to him by telegraph, cable or wireless so addressed or shall be delivered personally or by telephone at least 24 hours before the time the meeting is to be held. Each notice shall state the time and place of the meeting but need not state the purposes thereof, except as otherwise herein expressly provided. Notice of any meeting of the Board of Directors need not, however, be given to any Director, if waived by him in writing or by telegraph, cable, wireless or other form of recorded communication or if he shall be present at such meeting; and any meeting of the Board shall be a legal meeting without any notice thereof having been given if all of the Directors of the Corporation then in office shall be present thereat.

Members of the Board of Directors, or any committee designated by such Board, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

Section 13. Quorum and Manner of Acting: Except as otherwise provided by statute or by these By-laws, a majority of the authorized number of Directors shall be required to constitute a quorum for the transaction of business at any meeting, and the affirmative vote of a majority of the Directors present at the meeting shall be necessary for the adoption of any resolution or the taking of any other action. In the absence of a quorum, the Director or Directors present may adjourn any meeting from time to time until a quorum be had. Notice of any adjourned meeting need not be given.

Section 14. Written Consent: Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all members of the Board consent thereto in writing and such writing or writings are filed with the minutes of proceedings of the Board.

Section 15. Compensation: The Board of Directors shall have the authority to fix the compensation of

Directors for services in any capacity and to provide that the Corporation shall reimburse each Director for any expenses paid to him on account of his attendance at any regular or special meeting of the Board. Nothing herein contained shall be construed so as to preclude any Director from serving the Corporation in any other capacity, or from serving any of its stockholders, subsidiaries or affiliated corporations in any capacity and receiving proper compensation therefor.

Section 16. Executive and Other Committees: The Board of Directors may in its discretion by resolution passed by a majority of the Directors present at a meeting at which a quorum is present designate an Executive Committee and one or more other committees, each consisting of one or more of the Directors of the Corporation, and each of which, to the extent provided in the resolution and the laws of the State of Delaware, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it; provided, however, that no such committee shall have power or authority as to the following matters:

- (1) The amendment of the Certificate of Incorporation of the Corporation (except as provided under the Delaware General Corporation Law);
- (2) The amendment of the By-laws of the Corporation;
- (3) Approval or recommending to stockholders any action which must be submitted to stockholders for approval under the Delaware General Corporation Law.

Unless a greater proportion is required by the resolution designating a committee of the Board of Directors, a majority of the entire authorized number of members of such committee shall constitute a quorum for the transaction of business, and the act of a majority of the members voting on any item of business, if a quorum votes, shall be the act of such committee. Any action required, or permitted to be taken at any meeting of a committee of the Board of Directors, may be taken without a meeting if all members of such committee consent thereto in writing and the writing or writings are filed with the minutes of proceedings of such committee.

#### Section 17. Indemnification.

(a) Each person (including, here and hereinafter, the heirs, executors, administrators, or estate of such person) (1) who is or was a Director or officer of the Corporation, (2) who is or was an agent or employee of the Corporation other than an officer and as to whom the Corporation has agreed to grant such indemnity, or (3) who is or was serving at the request of the Corporation as its representative in the position of a director or officer of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified by the Corporation as of right to the full extent permitted or authorized by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended against any fine, liability, cost or expense asserted against him or incurred by him in his capacity as such director, officer, agent, employee, or representative, or arising out of his status as such director, officer, agent, employee, or representative. The Corporation may maintain insurance, at its expense, to protect itself and any such person

against any such fine, liability, cost or expense, whether or not the Corporation would have the power to indemnify him against such liability under the General Corporation Law of the State of Delaware.

(b) The right to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in connection with any matter covered by paragraph (a) of this Section 17 in advance of its final disposition (hereinafter an "advance payment of expenses"). If the Delaware General Corporation Law requires, however, an advance payment of expenses incurred by an indemnitee in his or her capacity as a director or officer shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision that such indemnitee is not entitled to be indemnified for such expenses. Such expenses incurred by other employees, agents, or representatives, or by directors or officers who become the subject of a lawsuit by reason of actions other than in their capacity as a director or officer, may be so paid upon such terms and conditions as the Board of Directors deems appropriate.

(c) If a request for indemnification is not paid in full within sixty days, or if a request for advance payment of expenses is not paid in full within twenty days, after receipt by the Corporation of the written request, the indemnitee may at any time thereafter, prior to such payment, bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in such suit, the indemnitee shall be entitled also to recover from the Corporation the expenses reasonably incurred in prosecuting the claim. Neither the failure of the Board of Directors, legal counsel, or the stockholders of the Corporation to make a determination that the indemnitee is entitled to indemnification, nor a determination by any of them that the indemnitee is not entitled to indemnification, for whatever reason, shall create a presumption in such a suit that the indemnitee has not met the applicable standard of conduct, nor shall it be a defense to such suit. In any such suit the burden of establishing that the indemnitee is not entitled to indemnification or an advance payment of expenses shall be on the Corporation.

(d) The rights to indemnification and advance payment of expenses hereunder shall be in addition to any other right which any director, officer, employee, agent, or representative may have under any statute, provision of the Certificate of Incorporation, By-law, agreement, vote of stockholders or directors, or otherwise.

### ARTICLE III.

#### Officers

Section 1. Officers Enumerated: The Board of Directors, as soon as may be practicable after the annual election of Directors, shall elect a Chairman of the Board, a President and Chief Executive Officer, a Vice Chairman, one or more Vice Presidents (one or more of whom may be



designated Executive Vice President or Senior Vice President), a Secretary, a Treasurer, and a Controller and from time to time may elect or appoint such other officers as it may determine. Any two or more offices may be held by the same person.

Section 2. Term of Office: Each officer shall hold office for the term for which he is elected or appointed and until his successor has been elected or appointed and qualified or until his death or until he shall resign or until he shall have been removed in the manner hereinafter provided.

Section 3. Powers and Duties: The officers of the Corporation shall each have such powers and authority and perform such duties in the management of the property and affairs of the Corporation as from time to time may be prescribed by the Board of Directors and, to the extent not so prescribed, they shall each have such powers and authority and perform such duties in the management of the property and affairs of the Corporation, subject to the control of the Board, as generally pertain to their respective offices.

Without limitation of the foregoing:

- (a) Chairman of the Board: The Chairman of the Board shall preside at all meetings of the Board and of the Executive Committee of the Board and at all meetings of stockholders. He shall be a director of the Corporation. He shall be an ex officio member of all committees of the Board, except the Executive Compensation and the Audit Committees.
- (b) President and Chief Executive Officer: The President shall be the chief executive officer of the Corporation and shall be a director of the Corporation.
- (c) Vice Chairman: The Vice Chairman shall be the chief financial and administrative officer of the Corporation and shall be a director of the Corporation. In the event of the death, resignation, removal, disability or absence of the Chairman or the President, he shall possess the powers and perform the duties of such officer.
- (d) Vice Presidents: The Board of Directors shall determine the powers and duties of the respective Vice Presidents and may, in its discretion, fix such order of seniority among the respective Vice Presidents as it may deem advisable.
- (e) Secretary: The Secretary shall issue notices of all meetings of the stockholders and Directors where notices of such meetings are required by law or these By-laws and shall keep the minutes of such meetings. He shall sign such instruments and attest such documents as require his signature of attestation and affix the corporate seal thereto where appropriate.
- (f) Treasurer: The Treasurer shall have custody of all funds and securities of the Corporation and shall sign all instruments and documents as require his signature. He shall perform all acts incident to the position of Treasurer, subject to the control of the Board of Directors.
- (g) Controller: The Controller shall be in charge of the accounts of the Corporation and he shall have such powers and perform such duties as may be assigned to him by the Board of Directors.
- (h) General Counsel: The General Counsel shall have

general control of all matters of legal import concerning the Corporation.

Section 4. Temporary Absence: In case of the temporary absence or disability of any officer of the Corporation, except as otherwise provided in these By-laws, the Chairman of the Board, the President, the Vice Chairman, any Vice President, the Secretary or the Treasurer may perform any of the duties of any such other officer as the Board of Directors or Executive Committee may prescribe.

Section 5. Resignations: Any officer may resign at any time by giving written notice of his resignation to the Corporation. Any such resignation shall take effect at the time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Removal: Any officer may be removed, either with or without cause, at any time by action of the Board of Directors.

Section 7. Vacancies: A vacancy in any office because of death, resignation, removal or any other cause may be filled by the Board of Directors.

Section 8. Compensation: The salaries of the officers shall be fixed from time to time by the Board of Directors. Nothing contained herein shall preclude any officer from serving the Corporation in any other capacity, including that of director, or from serving any of its stockholders, subsidiaries or affiliated corporations in any capacity and receiving a proper compensation therefor.

Section 9. Contracts, Checks, etc.: All contracts and agreements authorized by the Board of Directors, and all checks, drafts, bills of exchange or other orders for the payment of money, notes or other evidences of indebtedness, issued in the name of the Corporation, shall be signed by such person or persons and in such manner as may from time to time be designated by the Board of Directors, which designation may be general or confined to specific instances.

Section 10. Proxies in Respect of Securities of Other Corporations: Unless otherwise provided by resolution adopted by the Board of Directors, the Chairman of the Board, the President and Chief Executive Officer, the Vice Chairman, a Vice President, or the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer, or any one of them, may exercise or appoint an attorney or attorneys, or an agent or agents, to exercise in the name and on behalf of the Corporation the powers and rights which the Corporation may have as the holder of stock or other securities in any other corporation to vote or to consent in respect of such stock or other securities; and the Chairman of the Board, the President and Chief Executive Officer, the Vice Chairman, a Vice President, or the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer may instruct the person or persons so appointed as to the manner of exercising such powers and rights and the Chairman of the Board, the President and Chief Executive Officer, the Vice Chairman, a Vice President, or the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, all such ballots, consents, proxies, powers of attorney or other written instruments as they or either of them may deem necessary in order that the Corporation may exercise such powers and rights. Any stock or other securities in any other corporation which may from time to time be owned by or stand in the name of the Corporation may, without further action, be endorsed for sale or transfer or sold or transferred by the Chairman of the Board, the President and Chief Executive Officer, the

Vice Chairman, or a Vice President, or the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer of the Corporation or any proxy appointed in writing by any of them.

#### ARTICLE IV.

##### Shares and Their Transfer

Section 1. Certificates of Stock: Every stockholder shall be entitled to have a certificate certifying the number of shares of stock of the Corporation owned by him signed by, or in the name of, the Corporation by the Chairman of the Board, or the President and Chief Executive Officer, the Vice Chairman, or a Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Corporation. Any of or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar.

Section 2. Transfers: Certificates shall be registered for transfer on the stock books of the Corporation in person or by attorney, but, except as hereinafter provided in the case of loss, destruction or mutilation of certificates, no transfer of stock shall be entered until the previous certificate, if any, given for the same shall have been surrendered and canceled.

Section 3. Lost, Destroyed or Mutilated Certificates: The Corporation may issue a new certificate of stock of the same tenor and same number of shares in place of a certificate theretofore issued by it which is alleged to have been lost, stolen or destroyed; provided, however, the Board of Directors or the Executive Committee or the Secretary of the Corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the Corporation a bond of indemnity, in form and with one or more sureties satisfactory to the Board or the Executive Committee, sufficient to indemnify it against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

Section 4. Record Date: The Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action, as a record date for the determination of the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights with respect to any change, conversion or exchange of stock or for the purpose of any other lawful action. If no record date is fixed, (a) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day upon which the meeting is held, and (b) the date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however,

that the Board of Directors may fix a new record date for the adjourned meeting.

Section 5. Books and Records: The books and records of the Corporation may be kept at such places within or without the State of Delaware as the Board of Directors may from time to time determine.

ARTICLE V.

Seal

The Board of Directors shall provide a corporate seal, which shall be in the form of a circle and shall bear the name of the Corporation, the year in which the Corporation was incorporated (1971) and the words "Corporate Seal - Delaware" and such other words or figures as the Board of Directors may approve and adopt.

ARTICLE VI.

Amendments

Except as otherwise provided by these By-laws, the Certificate of Incorporation, or by operation of law, the By-laws of the Corporation may be made, altered or repealed by vote of the stockholders at any annual or special meeting of stockholders called for that purpose or by the affirmative vote of a majority of the directors then in office given at any regular or special meeting of the Board of Directors.

GANNETT CO., INC.

RETIREMENT PLAN FOR DIRECTORS

Amendment No. 4

GANNETT CO., INC. ("Gannett") hereby amends its Retirement Plan for Directors (the "Plan") to close the Plan after October 31, 1996.

Section 1 of the Plan, which currently provides as follows:

Section 1. Eligibility: Each Director of Gannett (including each current Director) who is not an employee of Gannett shall be eligible to participate in this Plan upon election to the Board of Directors of Gannett.

is hereby amended to read as follows:

Section 1. Eligibility: Each Director of Gannett who is not an employee of Gannett shall be eligible to participate in this Plan, provided such person was a Director on October 31, 1996. Directors who are active Plan participants on October 31, 1996, shall be eligible to continue participation in accordance with the terms of the Plan, as the Plan may be amended from time to time.

IN WITNESS WHEREOF, Gannett has caused its duly authorized officer to execute this Amendment, which shall be effective on October 31, 1996.

GANNETT CO., INC.

By: s/ Thomas L. Chapple

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Thomas L. Chapple  
Secretary

Calculation of Earnings Per Share

|   | Fiscal Year Ended    |                      |                      |
|---|----------------------|----------------------|----------------------|
|   | December 29,<br>1996 | December 31,<br>1995 | December 25,<br>1994 |
| Net Income  | \$943,087,000        | \$477,262,000        | \$465,399,000        |
| Net income per share                                    | \$6.69               | \$3.41               | \$3.23               |
| Weighted average number of<br>common shares outstanding | 140,891,000          | 140,156,000          | 144,276,000          |

## Company Profile

Gannett Co., Inc. is a diversified news and information company that publishes newspapers, operates broadcasting stations and cable television systems, and is engaged in marketing, commercial printing, a newswire service, data services, news programming and alarm security services. The company has operations in 44 states, the District of Columbia, Guam and the U.S. Virgin Islands.

Gannett is the largest U.S. newspaper group in terms of circulation, with 91 daily newspapers, including USA TODAY, a variety of non-daily publications and USA WEEKEND, a weekly newspaper magazine. Total average paid daily circulation of Gannett's daily newspapers is approximately 6.5 million.

Gannett owns and operates 16 television stations and three FM and two AM radio stations in major markets. Gannett's cable division serves 465,000 subscribers in five states.

Gannett was founded by Frank E. Gannett in 1906 and incorporated in 1923. The company went public in 1967. Its more than 140 million shares of common stock are held by more than 14,000 shareholders of record in all 50 states and abroad. The company has 37,200 employees. Corporate headquarters is located at Arlington, Va.

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## Board of Directors

John J. Curley  
Chairman, president and chief executive officer, Gannett Co., Inc. Age 58. (b,d,g,h)

Andrew F. Brimmer  
President, Brimmer & Company, Inc., and chairman, District of Columbia Financial Responsibility and Management Assistance Authority. Other directorships: Airborne Express; BankAmerica Corporation and Bank of America NT&SA; BlackRock Investment Income Trust, Inc. (and other Funds); Brimmer & Company, Inc.; CarrAmerica Corporation; E.I. duPont de Nemours & Company; Navistar International Corporation; PHH Corporation. Age 70. (a,f)

Meredith A. Brokaw  
Founder, Penny Whistle Toys, Inc., New York City, and author of children's books. Other directorships: Conservation International, Washington, D.C. Age 56. (b,d,f)

Rosalynn Carter  
Author and businesswoman. Other directorships: Carter Presidential Center; Rosalynn Carter Institute of Georgia Southwestern State University; Friendship Force International; adviser, Habitat for Humanity, Inc.; trustee, The Menninger Foundation. Age 69. (b,e,h)

Peter B. Clark  
Former chairman, president and chief executive officer, The Evening News Association (1969-86). Age 68. (f,h)

Stuart T.K. Ho  
Chairman of the board and president, Capital Investment of Hawaii, Inc. Other directorships: Aloha Airgroup, Inc.; Bancorp Hawaii, Inc.; College Retirement Equities Fund; Capital Investment of Hawaii, Inc. Age 61. (a,b,c)

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Drew Lewis  
Former chairman and chief executive officer, Union Pacific Corporation. Other directorships: American Express Co.; Ford Motor Co.; FPL Group, Inc.; Gulfstream Aerospace; Lucent Technologies; Mafco Consolidated; Union Pacific Resources Group Inc. Age 65. (a,d)

Josephine P. Louis  
Chairman and chief executive officer, Eximious Inc., and Eximious Ltd. Other directorships: HDO Productions, Inc.; trustee,

Chicago Horticultural Society; trustee, Chicago Historical Society. Age 66. (a,b,e)

Douglas H. McCorkindale  
Vice chairman and chief financial and administrative officer, Gannett Co., Inc. Other directorships: Continental Airlines, Inc.; Frontier Corporation; and funds which are part of the Prudential group of mutual funds. Age 57. (b,g,h)

Rollan D. Melton  
Chairman and chief executive officer, Speidel Newspapers Inc., and columnist, Reno (Nev.) Gazette-Journal. Other directorships: National Judicial College; John Ben Snow Trust and Foundation. Age 65. (e,h)

Thomas A. Reynolds Jr.  
Chairman emeritus of Chicago law firm of Winston & Strawn. Other directorships: Jefferson Smurfit Group; Union Pacific Corporation. Age 68. (a,b,c)

Dolores D. Wharton  
Chairman and CEO, Fund for Corporate Initiatives, Inc. Other directorships: Capital Bank & Trust Co.; COMSAT Corporation; Kellogg Company. Age 69. (c,h)

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

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#### Company and Divisional Officers

Gannett's principal management group is the Gannett Management Committee, which coordinates overall management policies for the Company. The members are identified below and on the previous pages. The managers of the Company's various local operating units enjoy substantial autonomy in local policy, operational details, news content and political endorsements.

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

Below are brief descriptions of the business experience during the last five years of the officers of the Company and the heads of its national and regional divisions. Officers serve for a term of one year and may be re-elected. Information about the two officers who serve as directors (John J. Curley and Douglas H. McCorkindale) can be found on pages 16-17.

Christopher W. Baldwin, Vice president, taxes. Formerly: Director, taxes (1979-1993). Age 53.

Denise H. Bannister, President, Gannett Gulf Coast Newspaper Group, and president and publisher, Pensacola (Fla.) News Journal. Formerly: Vice president, Gannett South Newspaper Group, and president and publisher, Pensacola News Journal (1991-1994). Age 46.

Sara M. Bentley, President, Gannett Northwest Newspaper Group, and president and publisher, Statesman Journal, Salem, Ore. Formerly: President and publisher, Statesman Journal (1988-1994). Age 45.

Michael C. Burrus, President, Multimedia Cablevision and Multimedia Security. Formerly: Vice president, Multimedia, Inc., and president, Multimedia Cablevision and Multimedia Security (1993-1995); executive vice president, Multimedia Cablevision (1992-1993); vice president, operations and finance, Multimedia Cablevision (1985-1992). Age 42.

Thomas L. Chapple, Senior vice president, general counsel and secretary. Formerly: Vice president, general counsel and secretary (1991-1995).



Age 49.\*

Richard L. Clapp, Senior vice president/personnel. Formerly: Vice president, compensation and benefits (1983-1995). Age 56.\*

Susan Clark-Johnson, Senior group president, Gannett Pacific Newspaper Group, and president and publisher, Reno (Nev.) Gazette-Journal. Formerly: President, Gannett West Newspaper Group, and president and publisher, Reno Gazette-Journal (1985-1994). Age 50.

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Michael J. Coleman, Senior group president, Gannett South Newspaper Group, and president and publisher, FLORIDA TODAY at Brevard County. Formerly: President, Gannett South Newspaper Group, and president and publisher, FLORIDA TODAY (1991-1994). Age 53.

Thomas Curley, President and publisher, USA TODAY. Thomas Curley is the brother of John J. Curley. Age 48.\*

Philip R. Currie, Senior vice president, news, Newspaper Division. Formerly: Vice president, news, Newspaper Division (1982-1995). Age 55.

Millicent A. Feller, Senior vice president, public affairs and government relations. Age 49.\*

Lawrence P. Gasho, Vice president, financial analysis. Age 54.

George R. Gavagan, Vice president, corporate accounting services. Formerly: Assistant controller (1986-1993). Age 50.

Dale Henn, Assistant treasurer. Formerly: Director, capital appropriations (1987-1994). Age 45.

John B. Jaske, Senior vice president, labor relations and assistant general counsel. Age 52.\*

Kristin H. Kent, Vice president, senior legal counsel and assistant secretary. Formerly: Vice president, senior legal counsel (1993-1995); senior legal counsel (1986-1993). Age 46.

Gracia C. Martore, Vice president, treasury services and investor relations. Formerly: Vice president, treasury services (1993-1996); assistant treasurer (1985-1993). Age 44.

Myron Maslowsky, Vice president, internal audit. Formerly: Director, internal audit (1989-1995). Age 42.

Bern Mebane, Senior group president, Gannett Piedmont Newspaper Group, and president and publisher, The Greenville (S.C.) News. Formerly: Senior group president, Gannett Piedmont Newspaper Group (1995-1997); president, Multimedia Newspaper Company (1989-1995). Age 47.

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William Metzfield, President, Gannett Supply Corp., and vice president, purchasing, Gannett Co., Inc. Age 55.

Larry F. Miller, Senior vice president, financial planning and controller. Age 58.\*

W. Curtis Riddle, Senior group president, Gannett East Newspaper Group, and president and publisher, The News Journal, Wilmington, Del. Formerly: President, East Newspaper Group, and president and publisher, Lansing (Mich.) State Journal (1993-1994); president, Gannett Central Newspaper Group (1991-1993), and president and publisher, Lansing State Journal (1990-1993). Age 45.

Carleton F. Rosenburgh, Senior vice president, Gannett Newspaper Division. Age 57.

Gary F. Sherlock, President, Gannett Atlantic Newspaper Group, and

president and publisher, Gannett Suburban Newspapers. Formerly: Vice president, Gannett Metro Newspaper Group, and president and publisher, Gannett Suburban Newspapers (1990-1994). Age 51.

Mary P. Stier, President, Gannett Midwest Newspaper Group, and president and publisher, Rockford (Ill.) Register Star. Formerly: Vice president, Gannett Central Newspaper Group (1990-1993), and president and publisher, Rockford Register Star (1991-1993). Age 39.

Jimmy L. Thomas, Senior vice president, financial services and treasurer. Age 55.\*

Wendell J. Van Lare, Vice president, senior labor counsel. Formerly: Director, labor relations (1980-1993). Age 51.

Cecil L. Walker, President, Gannett Broadcasting Division. Age 60.\*

Barbara W. Wall, Vice president, senior legal counsel. Formerly: Senior legal counsel (1990-1993). Age 42.

Gary L. Watson, President, Gannett Newspaper Division. Age 51.\*

\* Member of the Gannett Management Committee.

Gannett common stock prices

Restated to reflect the 2-for-1 stock split effective January 6, 1987. High-low range by quarters based on NYSE-composite closing prices.

| Year | Quarter | Low     | High    |
|------|---------|---------|---------|
| --   | ----    | ----    | -----   |
| 1986 | first   | \$29.63 | \$37.00 |
|      | second  | \$34.25 | \$43.56 |
|      | third   | \$33.19 | \$42.75 |
|      | fourth  | \$33.88 | \$38.25 |
| 1987 | first   | \$35.94 | \$49.63 |
|      | second  | \$43.75 | \$54.88 |
|      | third   | \$48.50 | \$55.25 |
|      | fourth  | \$31.75 | \$52.75 |
| 1988 | first   | \$33.75 | \$39.50 |
|      | second  | \$29.38 | \$35.63 |
|      | third   | \$30.50 | \$34.25 |
|      | fourth  | \$32.38 | \$35.00 |
| 1989 | first   | \$34.63 | \$38.25 |
|      | second  | \$36.63 | \$48.50 |
|      | third   | \$43.64 | \$49.88 |
|      | fourth  | \$39.50 | \$45.25 |
| 1990 | first   | \$39.50 | \$44.38 |
|      | second  | \$35.50 | \$42.25 |
|      | third   | \$29.88 | \$37.50 |
|      | fourth  | \$30.63 | \$37.75 |
| 1991 | first   | \$35.75 | \$42.63 |
|      | second  | \$39.75 | \$44.38 |
|      | third   | \$39.38 | \$46.63 |
|      | fourth  | \$35.88 | \$42.25 |
| 1992 | first   | \$42.25 | \$47.88 |
|      | second  | \$41.50 | \$49.13 |
|      | third   | \$43.88 | \$48.25 |
|      | fourth  | \$46.00 | \$53.63 |
| 1993 | first   | \$50.63 | \$55.38 |
|      | second  | \$47.50 | \$54.75 |
|      | third   | \$47.75 | \$51.38 |
|      | fourth  | \$47.50 | \$58.13 |
| 1994 | first   | \$53.38 | \$58.38 |
|      | second  | \$50.63 | \$54.88 |
|      | third   | \$48.38 | \$51.63 |
|      | fourth  | \$46.75 | \$53.38 |
| 1995 | first   | \$50.13 | \$55.00 |
|      | second  | \$52.00 | \$55.75 |

|      |        |         |           |
|------|--------|---------|-----------|
|      | third  | \$53.00 | \$55.50   |
|      | fourth | \$52.88 | \$64.38   |
| 1996 | first  | \$59.25 | \$70.75   |
|      | second | \$64.50 | \$71.63   |
|      | third  | \$64.00 | \$70.13   |
|      | fourth | \$69.50 | \$78.50   |
| 1997 | first  | \$71.63 | \$83.25 * |

\* through February 19, 1997

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#### Management's responsibility for financial statements

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

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

The Company's independent accountants, Price Waterhouse LLP, provide an independent assessment of the degree to which management meets its responsibility for fairness in financial reporting. They regularly evaluate the Company's system of internal accounting control and perform such tests and other procedures as they deem necessary to reach and express an opinion on the financial statements. The Price Waterhouse LLP report appears on page 49.

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

|                         |                                |
|-------------------------|--------------------------------|
| John J. Curley          | Douglas H. McCorkindale        |
| Chairman, President and | Vice Chairman, Chief Financial |
| Chief Executive Officer | and Administrative Officer     |

#### Management's discussion and analysis of results of operations and financial position

##### Basis of reporting

Following is a discussion of the key factors which have affected the Company's business over the last three years. This commentary should be read in conjunction with the Company's financial statements, the 11-year summary of operations and the Form 10-K information that appear in the following sections of this report.

The Company's fiscal year ends on the last Sunday of the calendar year. The Company's 1996 fiscal year ended on December 29, 1996 and encompassed a 52-week period. The Company's 1995 fiscal year encompassed a 53-week period, and its 1994 year encompassed a 52-week period.

#### Business acquisitions, exchanges and dispositions

##### Exchange of radio stations for television station

On December 9, 1996, the Company concluded a transaction to acquire WTSP-TV, the CBS affiliate in Tampa-St. Petersburg, Fla., in exchange for radio stations KIIS/KIIS-FM in Los Angeles, KSDO/KKBH-FM in San Diego and WDAE/WUSA-FM in Tampa. This transaction was completed under the

terms of an asset exchange agreement.

For financial reporting purposes, the Company recorded the exchange as two simultaneous but separate events; that is, a sale of radio stations for which a non-cash gain was recognized, and the acquisition of the television station accounted for under the purchase method. The gain reported on the exchange was measured by the difference between the estimated current fair value of the assets exchanged over the Company's carrying value or basis in the properties it exchanged. The Company estimated the fair value of the assets exchanged to be \$170 million, while its carrying value or basis in the radio stations was approximately \$12 million. In the fourth quarter of 1996, therefore, for financial reporting purposes, the Company reported a pre-tax, non-cash, non-operating gain of \$158 million on the exchange. The television station acquired in the exchange was recorded at estimated fair value or \$170 million.

On an after-tax basis, this accounting treatment results in a non-cash increase in earnings of \$93 million and earnings per share of \$.66 for the fourth quarter of 1996.

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#### Sale of outdoor advertising business

In August 1996, the Company completed the sale of its outdoor advertising business to Outdoor Systems, Inc. for a selling price of \$713 million in cash. The Company recorded an after-tax gain of \$295 million or \$2.09 per share on this sale. The gain and outdoor operating results for the period leading up to the sale, are reported as a discontinued operation in the Company's financial statements.

#### Sale of Multimedia Entertainment

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

The operating results for Multimedia Entertainment for the period leading up to the sale are reported as a discontinued operation in the Company's financial statements.

#### Other dispositions

In May 1996, the Company sold radio stations WMAZ/WAYS-FM in Macon, Ga., which were acquired in 1995 as part of the Multimedia purchase. Also in 1996, the Company sold Louis Harris and Associates, Inc., a polling and research business, and Gannett Community Directories, a community telephone directory business. The sale of these businesses did not materially affect the Company's results of operations or financial position.

Restatement of financial statements and business segment information  
The Company's previously issued financial statements for 1996 and prior years have been restated to reflect the classification of the outdoor and entertainment businesses as discontinued operations.

Prior to their sale, the operating results of the outdoor and entertainment businesses were reported within the Company's "Other Businesses" segment. These two businesses were the largest within that segment and are now reported as discontinued operations and, therefore, are no longer reported with business segment information.

The "Other Businesses" segment also included the alarm security business, acquired in the Multimedia, Inc. purchase, and certain other smaller businesses, including Telematch, Gannett Direct Marketing Services and Gannett TeleMarketing. In the aggregate, these remaining businesses are not material in relation to the Company's consolidated operating results or financial condition (less than 1%). Accordingly, the Company has elected to change its business segment reporting to eliminate this "Other Businesses" segment. The alarm security business is now reported with the cable business (cable and security segment) with which it is headquartered and managed. The other smaller businesses mentioned above are now reported in the newspaper publishing segment with which they are managed. The accompanying Business Segment Information for 1994, 1995 and 1996 has been restated to reflect these changes.

#### Prior-year transactions

In December 1995, the Company completed the acquisition of Multimedia.

Multimedia's principal business operations included 10 local daily newspapers, five television stations, two radio stations (sold in 1996), a cable television division, television entertainment programming (sold in 1996) and an alarm security company.

The consideration paid for Multimedia totaled \$1.8 billion, and the assumption of Multimedia liabilities of approximately \$0.5 billion. This acquisition was accounted for under the purchase method of accounting and Multimedia's results of operations are included in the Company's financial statements from the acquisition date.

In May 1994, the Company purchased Nursing Spectrum, which publishes a group of biweekly periodicals specializing in advertising for nursing employment. In December 1994, the Company purchased television station KTHV-TV in Little Rock, a CBS affiliate. These acquisitions were accounted for under the purchase method of accounting, and consideration paid included cash and shares of the Company's common stock. The acquisitions were not material to the Company's financial position or results of operations.

In November 1994, the Company sold its newspaper in Stockton, Calif., and realized a gain which is reflected in non-operating income.

Results of operations  
Consolidated summary

In millions of dollars, except per share amounts

|   | 1996    | Change | 1995    | Change | 1994    | Change |
|---|---------|--------|---------|--------|---------|--------|
|   | -----   | -----  | -----   | -----  | -----   | -----  |
| Operating revenues  | \$4,421 | 18%    | \$3,744 | 4%     | \$3,583 | 5%     |
| Operating expenses  | \$3,355 | 15%    | \$2,922 | 5%     | \$2,787 | 3%     |
| Operating income  | \$1,066 | 30%    | \$ 822  | 3%     | \$ 796  | 14%    |
| Income from continuing operations, excluding gain on exchange of broadcast stations             | \$ 531  | 15%    | \$ 459  | 1%     | \$ 455  | 17%    |
| After-tax gain on exchange of broadcast stations  | \$ 93   | ---    | 0       | ---    | 0       | ---    |
| Income from continuing operations, as reported  | \$ 624  | 36%    | \$ 459  | 1%     | \$ 455  | 17%    |
| Earnings per share from continuing operations, excluding gain on exchange of broadcast stations | \$ 3.77 | 15%    | \$ 3.28 | 4%     | \$ 3.16 | 19%    |
| Earnings per share from gain on exchange of broadcasting stations                               | \$ .66  | ---    | 0       | ---    | 0       | ---    |
| Earnings per share from continuing operations, as reported                                      | \$ 4.43 | 35%    | \$ 3.28 | 4%     | \$ 3.16 | 19%    |

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

Newspapers

In addition to its local newspapers, the Company's newspaper publishing operations include USA TODAY, USA WEEKEND and Gannett Offset commercial printing. The reported financial results of the newspaper segment for 1996 were materially impacted by the incremental earnings contributions of the 10 newspapers acquired in the Multimedia purchase in December 1995. Newspaper results for 1996 include a full year of

operations for these properties, compared with just one month in 1995.

A second important factor in the year-to-year improvement was the dramatic growth in revenues and profits at USA TODAY. Ad revenues at USA TODAY rose 30% for the year.

Newspaper earnings were also favorably affected in 1996 by reduced losses at The Detroit News, where the impact of the strike, in its second year, was dramatically lower. In the fourth quarter of 1996, The Detroit News reported a profit, compared with a substantial loss a year ago. The Company expects continued improvement in operating results from Detroit in 1997.

The cost of newsprint in 1996 was again an important factor in operating results. Prices peaked in early 1996, after climbing for 20 consecutive months. In March a decline began that continued through the end of the year. For the full year, newsprint prices were 11% higher than in 1995, but in the fourth quarter of 1996, prices were 20% below 1995 levels.

Newspaper operating revenue and earnings gains were tempered by the shorter reporting period in 1996 (52 weeks vs. 53 weeks).

Newspaper operating results were as follows:

In millions of dollars

|                     | 1996    | Change | 1995    | Change | 1994    | Change |
|---------------------|---------|--------|---------|--------|---------|--------|
| Revenues            | \$3,502 | 7%     | \$3,260 | 3%     | \$3,177 | 5%     |
| Expenses            | \$2,716 | 6%     | \$2,558 | 5%     | \$2,443 | 5%     |
| Operating income    | \$ 786  | 12%    | \$ 702  | (4%)   | \$ 734  | 8%     |
| Operating cash flow | \$ 948  | 11%    | \$ 851  | (4%)   | \$ 885  | 7%     |

Newspaper operating revenues: Newspaper operating revenues are derived principally from advertising and circulation sales, which accounted for 69% and 26%, respectively, of total newspaper revenue in 1996. Other newspaper publishing revenues are mainly from commercial printing businesses. The table below presents these components of reported revenue for the last three years. In this comparison of newspaper advertising revenues and volume and circulation revenues, changes from 1995 to 1996 are impacted by the shorter reporting period in 1996.

Newspaper publishing revenues, in millions of dollars

|                               | 1996    | Change | 1995    | Change | 1994    | Change |
|-------------------------------|---------|--------|---------|--------|---------|--------|
| Advertising                   | \$2,418 | 9%     | \$2,219 | 3%     | \$2,153 | 7%     |
| Circulation                   | \$ 918  | 6%     | \$ 869  | 2%     | \$ 849  | 1%     |
| Commercial printing and other | \$ 166  | (3%)   | \$ 172  | (2%)   | \$ 175  | 3%     |
| Total                         | \$3,502 | 7%     | \$3,260 | 3%     | \$3,177 | 5%     |

In the tables that follow, newspaper advertising lineage, circulation volume statistics and related revenue results are presented on a pro-forma basis for newspapers owned at the end of 1996. The Multimedia newspapers acquired in December 1995 are included as if they were owned throughout the period covered by these comparisons.

Advertising revenue, in millions of dollars (pro forma)

|                                | 1996    | Change | 1995    | Change | 1994    | Change |
|--------------------------------|---------|--------|---------|--------|---------|--------|
| Local                          | \$ 839  | --     | \$ 837  | 1%     | \$ 835  | 2%     |
| National                       | \$ 394  | 16%    | \$ 341  | 5%     | \$ 324  | 11%    |
| Classified                     | \$ 814  | 5%     | \$ 773  | 7%     | \$ 720  | 14%    |
| Total Run-of-Press             | \$2,047 | 5%     | \$1,951 | 4%     | \$1,879 | 8%     |
| Preprint and other advertising | \$ 368  | (2%)   | \$ 374  | 3%     | \$ 354  | 4%     |
| Total ad revenue               | \$2,415 | 4%     | \$2,325 | 4%     | \$2,233 | 7%     |

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

|                                     | 1996  | Change | 1995  | Change | 1994  | Change |
|-------------------------------------|-------|--------|-------|--------|-------|--------|
| Local                               | 33.0  | (4%)   | 34.4  | (4%)   | 36.0  | --     |
| National                            | 2.4   | 5%     | 2.3   | (1%)   | 2.3   | 8%     |
| Classified                          | 35.8  | 1%     | 35.5  | 3%     | 34.5  | 8%     |
| Total Run-of-Press                  | 71.2  | (1%)   | 72.2  | (1%)   | 72.8  | 4%     |
| Preprint distribution<br>(millions) | 6,402 | (1%)   | 6,495 | 3%     | 6,290 | 3%     |

Reported newspaper ad revenues for 1996 were \$198.3 million greater than in 1995, a 9% increase, while pro-forma ad revenues presented above reflect a 4% increase. The variance in the percentage increase relates to the results of the Multimedia newspapers.

Pro-forma local ad revenues were down less than 1% for the year, while related linage was off 4%. Local ad rate increases were implemented at most newspapers in 1996. Trends in both local revenue and linage improved over the second half of 1996.

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Strong gains were achieved in pro-forma national ad revenues and volume, up 16% and 5%, respectively, driven by USA TODAY, which reported a 30% increase in ad revenues and linage for the year.

While USA TODAY's ad volume gains were buoyed by the Summer Olympics and to a lesser extent the fall political elections, it achieved volume improvement throughout the year and in most major advertising categories, including travel, financial, retail, telecommunications and technology.

Pro-forma classified revenues rose 5% on a 1% gain in linage. Revenue gains were achieved in the top three classified categories, automotive, employment and real estate. Of these, employment was strongest, up 9%. Ad rates were higher in all categories.

Looking to 1997, the Company expects further growth in ad revenues, to be led by gains in classified at most properties, as well as continued overall revenue improvement in Detroit. Changes in national economic factors such as interest rates, employment levels and the rate of general economic growth will have an impact on revenues at all of the Company's newspaper operations.

Newspaper circulation revenues rose 6% or \$48.5 million in 1996, mainly because of added revenues from the Multimedia newspapers and gains at USA TODAY. Circulation revenues were lower in Detroit because of the strike.

On a pro-forma basis, local morning circulation declined 1%. Of the Company's local morning circulation newspapers, 15 of 58 achieved higher volume for 1996. Evening circulation continued to decline, reflecting the national trend. In total, evening circulation was off 8%, as 28 of 34 newspapers reported lower volume. The Company has plans to change publication cycles from evening to morning for one or more newspapers in 1997 and also plans to consolidate the evening Rochester Times-Union with the morning publication, Democrat and Chronicle.

For the Company's Sunday newspapers, total circulation was down 4%. Most of the evening and Sunday circulation volume loss was attributable to the strike in Detroit. The Company expects circulation volume in Detroit to stabilize in 1997.

USA TODAY's average daily paid circulation for 1996 rose 4% to 2,163,941. Circulation revenues at USA TODAY rose 4%. USA TODAY reported an average daily paid circulation of 2,130,847 in the ABC Publisher's Statement for the six months ended September 29, 1996, which, subject to audit, is a 3% increase for the comparable period a year ago.

Circulation volume at certain of the Company's newspapers was affected by management efforts to reduce less valuable outstate or fringe circulation, which is costly to deliver.

In 1997, efforts will be continued to better manage the quality of the circulation base and related costs. Management also plans further circulation price increases. Over the three-year period 1995-1997, price increases will have been implemented at most of the Company's newspapers. Circulation volume and revenues at Detroit are recovering from the impact of the strike and are expected to continue to do so. The Company expects

further circulation revenue growth at most of its newspaper properties in 1997.

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

Average net paid circulation, in thousands (pro forma)

|                  | 1996  | Change | 1995  | Change | 1994  | Change |
|------------------|-------|--------|-------|--------|-------|--------|
|                  | ----- | -----  | ----- | -----  | ----- | -----  |
| Local Newspapers |       |        |       |        |       |        |
| Morning          | 3,338 | (1%)   | 3,385 | --     | 3,389 | 1%     |
| Evening          | 1,011 | (8%)   | 1,098 | (8%)   | 1,192 | (5%)   |
|                  | ----- | -----  | ----- | -----  | ----- | -----  |
| Total daily      | 4,349 | (3%)   | 4,483 | (2%)   | 4,581 | (1%)   |
| Sunday           | 5,929 | (4%)   | 6,207 | (3%)   | 6,394 | (1%)   |

For 1995, reported advertising revenues were \$66.6 million greater than in 1994, a 3% increase, while pro-forma advertising revenues reflect a 4% increase.

The strongest growth in 1995 was in classified, reflecting gains in employment and automotive advertising, which were experienced at most of the Company's local newspapers. National advertising revenues reflect significant improvement also, principally from gains at USA TODAY. USA TODAY advertising lineage grew 3% and advertising revenues rose 7%.

Local advertising lineage was down slightly in 1995, reflecting the impact of the strike in Detroit and generally soft conditions for the retail industry.

The Company increased advertising rates at certain newspapers in 1995 and ad revenue was also favorably impacted by the additional week in the 1995 fiscal year. Advertising revenue growth was adversely impacted by the strike in Detroit.

In millions, as reported

| Year  | Newspaper advertising<br>revenues |
|-------|-----------------------------------|
| ----- | -----                             |
| 1987  | \$1,787                           |
| 1988  | \$1,909                           |
| 1989  | \$2,018                           |
| 1990  | \$1,917                           |
| 1991  | \$1,853                           |
| 1992  | \$1,882                           |
| 1993  | \$2,005                           |
| 1994  | \$2,153                           |
| 1995  | \$2,219                           |
| 1996  | \$2,418                           |

Newspaper circulation revenues rose 2% or \$19.7 million in 1995, reflecting added revenues in December from Multimedia newspapers, the favorable impact of the 53rd week in fiscal year 1995 and circulation price increases at certain newspapers. Circulation revenues were adversely affected by the strike in Detroit. On a pro-forma basis, morning circulation rose 0.3%, reflecting gains at 17 of 57 newspapers. Evening newspaper circulation continued to decline, reflecting the national trend. In total, evening circulation was off nearly 6%, as 29 of 35 newspapers reported lower volume. For the Company's Sunday newspapers, total circulation was down 3%. Most of the evening and Sunday circulation volume loss was attributable to the strike in Detroit.

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USA TODAY reported an average daily paid circulation of 2,059,017 in the ABC Publisher's Statement for the six months ended September 24, 1995, a 2% increase from the comparable period in 1994. For the full year of 1995, USA TODAY circulation volume and revenue rose 2% and 3%, respectively.

In 1994, newspaper advertising revenues rose \$148 million or 7%. Classified lineage growth of 8% was broad-based and translated to a 14% increase in revenues. In the classified category, gains in employment advertising were strongest, followed by automotive.

National ROP advertising volume rose 8% in 1994 and related revenues increased 11%, reflecting gains at USA TODAY, USA WEEKEND and at most of the Company's local newspapers, with strong improvement in the South and Gulf Coast groups, which benefited from advertising related to new casino



operations.

For local ROP advertising, 1994 linage was even with 1993, while revenues rose 2%.

Newspaper circulation revenues rose \$11 million or 1% in 1994. Morning newspaper circulation in total rose 1% for the year, reflecting gains at 28 of 49 newspapers. Evening circulation was off 5% as 19 of 32 newspapers reported lower volume. For the Company's 66 Sunday newspapers, total circulation was 1% lower compared to 1993, as 25 newspapers reported gains and 41 reported lower volume.

USA TODAY reported an average daily paid circulation of 2,009,523 in the ABC Publisher's Statement for the six months ended September 25, 1994. For the full year 1994, USA TODAY circulation volume and revenue increased 1%.

In millions, as reported

| Year | Newspaper circulation<br>revenues |
|------|-----------------------------------|
| 1987 | \$645                             |
| 1988 | \$686                             |
| 1989 | \$718                             |
| 1990 | \$730                             |
| 1991 | \$777                             |
| 1992 | \$807                             |
| 1993 | \$839                             |
| 1994 | \$849                             |
| 1995 | \$869                             |
| 1996 | \$918                             |

Newspaper operating expenses: Newspaper operating expenses rose \$157.2 million or 6% for 1996. Most of this increase relates to the impact of the Multimedia newspapers and higher newsprint costs. Newsprint expense for the year, including the effect of Multimedia newspapers, rose 15%, reflecting greater consumption, up 4%, and higher average costs per ton, up 11% from 1995. Newsprint prices peaked in early 1996 and then declined steadily through the end of the year. For the fourth quarter, newsprint prices were below that of 1995.

Some suppliers have announced plans to increase newsprint prices in 1997, however, it is not certain at this time if market conditions will support these plans. In the absence of any newsprint price changes in 1997, the Company's average cost per ton will be approximately 25% lower in 1997 because of the carryover effect of 1996 price reductions.

Payroll costs for newspaper operations rose 4% in 1996, reflecting the Multimedia purchase, partially offset by savings in Detroit. Year-end employment levels were down slightly from a year ago. Salary and wage increases for 1997 are expected to be modest and headcount levels are not expected to change significantly.

Strike-related costs in Detroit, principally security and property damage, were significantly lower for the full year of 1996 than they were for the last six months of 1995 which were affected by the strike. Further cost savings are expected in Detroit for 1997, particularly in the first half of the year.

Newspaper operating expenses rose \$115 million or 5% in 1995. The impact of newsprint price increases had a dramatic effect on costs. In total, newsprint expense rose 33%. The average cost per ton of newsprint consumed in 1995 rose more than 40% from 1994's average cost. For 1995, the Company's consumption declined nearly 5%.

Payroll costs for newspaper operations rose 2% in 1995. Year-end employment levels were down slightly, principally because of reduced staffing requirements at the Detroit operations, reflecting efficiencies of the replacement worker group.

Newspaper costs were also affected significantly in 1995 by incremental costs in Detroit related to the strike, including security costs, repair costs from strike-related damage and costs for employees "loaned" to Detroit from other newspapers to assist in publishing operations.

Newspaper operating expenses rose \$107 million or 5% in 1994. Newsprint costs rose 1%, which reflected increased consumption and slightly lower average prices. Payroll costs for newspaper operations rose 3% in 1994. Employment levels were down slightly, in part because of the sale of the Company's newspaper in Stockton, Calif.

Newspaper operating income: Operating income for the newspaper segment rose \$84.7 million or 12% for 1996, reflecting the incremental contribution of Multimedia newspapers and sharply improved results at USA TODAY and The Detroit News. Higher newsprint prices and the shorter reporting period

tempered these earnings gains for the full year of 1996. For 1997, the Company expects earnings growth to be favorably affected by lower newsprint prices, as well as further improvement at Detroit. Additionally, the Company expects broad-based revenue growth throughout its local newspaper group in 1997 from improved volume and pricing initiatives. These higher revenues, coupled with lower newsprint costs and only modest increases in non-newsprint costs, should drive newspaper earnings significantly above 1996 levels.

Operating income for the newspaper segment declined \$32 million in 1995, primarily because of sharply higher newsprint costs and the effect of the strike in Detroit. With the principal exception of Detroit, most of the Company's other local newspapers reported improved operating income, as advertising and circulation revenue gains, coupled with cost controls, more than offset the impact of newsprint price increases. At USA TODAY, earnings declined as newsprint expense increased more than 40%.

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Operating income for the newspaper segment rose \$57 million or 8% in 1994. Advertising revenue gains at virtually all of the Company's newspaper operations, led principally by classified advertising, provided the impetus for the profit gains. Most of the Company's local newspapers reported higher earnings in 1994. USA TODAY earnings rose on an advertising revenue increase of 7%.

#### Broadcasting

Broadcasting operations at the end of 1996 included 16 television stations and five radio stations. This reflects the December 9, 1996 trade of six radio stations for one television station (discussed on page 24).

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

In millions of dollars

|                     | 1996   | Change | 1995   | Change | 1994   | Change |
|---------------------|--------|--------|--------|--------|--------|--------|
|                     | -----  | -----  | -----  | -----  | -----  | -----  |
| Revenues            | \$ 687 | 47%    | \$ 466 | 15%    | \$ 407 | 2%     |
| Expenses            | \$ 390 | 38%    | \$ 283 | 2%     | \$ 278 | (11%)  |
|                     | -----  | -----  | -----  | -----  | -----  | -----  |
| Operating income    | \$ 297 | 63%    | \$ 183 | 42%    | \$ 129 | 49%    |
|                     | =====  | =====  | =====  | =====  | =====  | =====  |
| Operating cash flow | \$ 349 | 64%    | \$ 213 | 35%    | \$ 158 | 34%    |

Total broadcasting revenues rose \$220.7 million or 47% in 1996. This increase includes the effect of the December 1995 acquisition of five television stations from Multimedia. On a pro-forma basis, broadcasting revenues rose 12% for the year.

For television, pro-forma local and national advertising revenues both increased 14% over 1995. Nine of the Company's television stations are NBC affiliates and revenues related to NBC's carriage of the 1996 Olympic Games in Atlanta, where the Company owns the NBC affiliate, contributed a significant portion of the growth. The incremental effect of political advertising also enhanced revenue performance. Total broadcasting revenues at the Company's other seven affiliates increased slightly on a pro-forma basis.

For the Company's five radio stations, pro-forma revenues rose 5%. Local and national sales increased in all three markets. A summary of pro-forma revenues for broadcasting stations owned at the end of 1996 is as follows:

Pro-forma broadcast revenues, in millions of dollars

|          | 1996   | Change | 1995   | Change | 1994   | Change |
|----------|--------|--------|--------|--------|--------|--------|
|          | -----  | -----  | -----  | -----  | -----  | -----  |
| Revenues | \$ 685 | 12%    | \$ 610 | 9%     | \$ 559 | 14%    |

Reported operating costs for broadcast rose \$106 million or 38%, reflecting ownership of the Multimedia television stations for all of 1996. On a pro-forma basis, operating costs rose 3%. Pro-forma

payroll costs were up 3% and program amortization decreased 2%.

For the second year in a row, operating income from broadcasting reached a record high, climbing to \$297.3 million in 1996. The 63% increase reflects the full year's operating results from the Multimedia acquisition in December 1995, an overall strong revenue performance in most markets throughout the year, augmented by the impact of the Summer Olympics, strong political advertising and continued emphasis on cost control. Broadcast earnings comparisons were tempered by the shorter reporting period in 1996.

For 1997, the Company expects increased revenues and operating earnings in broadcasting. In early 1997, to comply with FCC conditions related to the Multimedia acquisition, the Company exchanged its television stations in Cincinnati and Oklahoma City for television stations in Buffalo and Grand Rapids, which reduced the number of television households available to the Company. This reduction in available households, along with the absence of incremental revenues generated from the Summer Olympics and political advertising in 1996, will result in much more moderate revenue and earnings increases for 1997.

Total broadcasting revenues rose \$60 million or 15% in 1995, which reflects the December 1995 acquisition of five television stations and two radio stations from Multimedia, along with the December 1994 acquisition of a television station. On a pro-forma basis, broadcasting revenues rose 9%.

For television, pro-forma local and national advertising revenues rose 13% and 6%, respectively. Television revenues were favorably impacted by the strength of NBC programming and improved late local news ratings in a number of markets. Pro-forma radio station revenues improved 8%, reflecting generally strong advertising demand.

Reported operating costs for broadcast rose just \$6 million or 2% in 1995. Programming and promotion costs were down for the year. The improvement in broadcast earnings for 1995 reflects earnings gains at all but two television stations and two radio stations, the additional week in fiscal 1995 and the Multimedia acquisition in December 1995.

Total broadcasting revenues rose \$10 million or 2% for 1994, which reflects the sale of four radio stations and the Company's television station in Boston in 1993. On a pro-forma basis, radio station revenues rose 20%. For television, pro-forma local and national ad revenues rose 12% and 16%, respectively. Television revenue results for 1994 were favorably affected by the Winter Olympics, political advertising and a stronger economy. The improvement in operating earnings for 1994 reflects earnings gains at all but one of the Company's smaller broadcast markets, as well as the positive effect of the sale of four radio stations and the Boston television station in 1993.

In millions, as reported

| Year | Broadcast revenues |
|------|--------------------|
| 1987 | \$357              |
| 1988 | \$391              |
| 1989 | \$408              |
| 1990 | \$397              |
| 1991 | \$357              |
| 1992 | \$371              |
| 1993 | \$397              |
| 1994 | \$407              |
| 1995 | \$466              |
| 1996 | \$687              |

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#### Cable and security

As part of the Multimedia purchase, the Company acquired a cable television business and an alarm security business, both headquartered in Wichita, Kan. At the end of 1996, the cable television business served 465,000 subscribers in five states and the alarm security business served approximately 111,000 customers primarily in 10 states. Operating results from the cable television and alarm security businesses for the full year of 1996 and the month of December 1995 were as follows:

In millions of dollars

| 1996 | 1995 |
|------|------|
|------|------|

|                     |       |       |
|---------------------|-------|-------|
|                     | ----  | ----  |
| Revenues            | \$233 | \$ 18 |
| Expenses            | \$186 | \$ 13 |
|                     | ----  | ----  |
| Operating income    | \$ 47 | \$ 5  |
|                     | ====  | ====  |
| Operating cash flow | \$112 | \$ 9  |

On a pro-forma basis, cable television revenues increased 10% in 1996. This revenue increase reflects a 2% increase in basic subscribers and higher monthly subscription rates. The number of pay subscribers declined 1%. All revenue categories, including advertising and pay-per-view, increased. On a pro-forma basis, alarm security revenues increased 37% in 1996, reflecting the December 1995 purchase of approximately 18,000 accounts, additional account installations and purchases (net of account disconnects), and an increase in average monitoring revenue per account.

Cable television pro-forma operating costs increased 9%. Program costs were up 11% and payroll costs increased 5% in 1996. Alarm security costs increased 29% on a pro-forma basis.

Multichannel television systems will continue, and may increase, competitive pressure on the Company's cable television operations. However, in 1997 the Company expects to increase cable television revenues and operating earnings. The alarm security business is also expected to increase both revenues and earnings in 1997.

#### Consolidated operating expenses

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

#### Consolidated operating expenses, in millions of dollars

|   | 1996    | Change | 1995    | Change | 1994    | Change |
|---|---------|--------|---------|--------|---------|--------|
|   | -----   | -----  | -----   | -----  | -----   | -----  |
| Cost of sales                           | \$2,368 | 12%    | \$2,110 | 7%     | \$1,968 | 2%     |
| Selling, general<br>and admin. expenses | \$ 699  | 13%    | \$ 619  | (2%)   | \$ 630  | 6%     |
| Depreciation                            | \$ 193  | 34%    | \$ 144  | (2%)   | \$ 146  | (1%)   |
| Amortization of<br>intangible assets    | \$ 94   | 91%    | \$ 49   | 12%    | \$ 44   | 1%     |

Cost of sales for 1996 rose \$258.1 million or 12%. Principal factors contributing to the increase were the incremental costs of Multimedia properties and higher average newsprint prices for the year. Newsprint expense rose 15% for the year, including the cost of Multimedia consumption. Total newsprint consumption for 1996 was 4% greater than in 1995.

The overall increase in cost of goods sold was tempered by the favorable impact of lower strike-related costs in Detroit and the shorter (by one week) reporting period in 1996.

Selling, general and administrative costs (SG&A) rose \$80.4 million or 13% for 1996. Most of this increase relates to incremental costs of Multimedia properties.

Depreciation expense rose \$49.3 million or 34% for 1996, while amortization of intangibles rose \$45 million or 91%. Both increases are primarily the result of incremental costs associated with the Multimedia properties.

For 1997, changes in all cost categories are expected to return to more traditional levels, however, cost of goods sold is expected to be favorably affected by lower newsprint prices.

Cost of sales for 1995 rose \$141.7 million or 7%. The principal factor contributing to this increase was the dramatic rise in newsprint prices, which began in 1994. Newsprint expense rose 33% for the year as the average cost per ton consumed was 40% higher than in 1994. Newsprint consumption in 1995 was reduced by 5%. Other factors contributing to the increase include strike-related costs in Detroit, the additional week in the 1995 fiscal year and the operating results for Multimedia businesses for December 1995.

SG&A declined \$10.4 million or 2% in 1995, as reduced charitable contributions (\$20 million lower than in 1994) more than offset modest increases in other SG&A costs. Promotion costs were also lower in 1995, particularly for broadcasting.

Depreciation expense declined \$2 million or 2% in 1995, principally because certain assets from previous acquisitions became fully depreciated.

Amortization of intangible assets was \$5 million or 12% higher in 1995 because of amortization for December of the intangible assets recorded in connection with the Multimedia acquisition.

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Cost of sales for 1994 rose \$40 million or 2%, reflecting increases in newsprint and payroll expenses for newspapers and lower television programming costs (principally because of the sale at the end of 1993 of the Company's station in Boston). The increase in SG&A costs of \$37 million or 6% is attributed to generally higher sales and promotion costs and higher charitable contributions.

Payroll and newsprint costs, the largest elements of the Company's operating expenses, are presented below, expressed as a percentage of total pre-tax operating expenses.

|   | 1996  | 1995  | 1994  |
|---|-------|-------|-------|
|   | ----- | ----- | ----- |
| Payroll and employee benefits           | 40.2% | 43.7% | 45.1% |
| Newsprint and other production material | 21.4% | 21.6% | 18.7% |

#### Non-operating income and expense

Interest expense for 1996 rose \$83.4 million or 160%, reflecting commercial paper borrowings in December 1995 to finance the acquisition of Multimedia. Interest expense for 1997 is expected to be substantially lower because of the pay down of these borrowings. The Company's financing activities are discussed further in the Financial Position section of this report.

Other non-operating income includes a December 1996 pre-tax gain of \$158 million upon the exchange of broadcast stations, which is more fully discussed on page 24 of this report.

Interest expense for the full year of 1995 rose \$7 million or 14%. For the period prior to the Multimedia acquisition, the Company's interest expense was below year-ago levels as outstanding debt had been reduced substantially. For December, interest expense rose sharply because of commercial paper borrowings to finance the acquisition.

Interest expense declined \$6 million or 11% in 1994, reflecting lower average borrowings, partially offset by higher average borrowing rates.

Other non-operating income for 1995 was below 1994. Amounts reported for 1994 reflect a gain on the sale of the Company's newspaper in Stockton, Calif.

#### Provision for income taxes

The Company's effective income tax rate for continuing operations was 42.6% in 1996, 40.6% in 1995 and 40.5% in 1994. The increase in the effective tax rate for 1996 is attributable to amortization of non-deductible intangible assets recorded in connection with the Multimedia acquisition. The Company expects its effective tax rate to decline in 1997, as incremental earnings will be taxed at the lower, statutory rate.

#### Income from continuing operations

Excluding the non-recurring gain on the exchange of broadcast stations, the Company reported earnings and earnings per share from continuing operations of \$530.5 million or \$3.77 per share, both record highs, up 15% from record results in 1995. Earnings from Multimedia properties, net of related amortization, interest and taxes, contributed to the gain. Strong results at USA TODAY and other broadcast stations were also important factors, along with diminishing strike-related effects in Detroit. The Company's operating income, which excludes interest expense and other non-operating items, reached \$1.066 billion in 1996, an increase of \$244 million or 30%.

The average number of shares outstanding for 1996 totaled 140,891,000, slightly higher than in 1995, reflecting shares issued for employee stock awards.

In 1995, earnings from continuing operations totaled \$459.4 million or \$3.28 per share. Average shares outstanding for 1995 totaled 140,156,000, nearly 3% lower than in 1994. Earnings progress in 1995 was fueled by strong broadcast results, which helped offset the impact of higher newsprint prices and the strike in Detroit.

For 1994, earnings from continuing operations totaled \$455.4 million (up 17%) or \$3.16 per share (up 19%). Average shares outstanding for

1994 totaled 144,276,000, 1.5% lower than in 1993. Significant earnings progress from newspaper and broadcast operations contributed to the gain.

Discontinued operations

The Company's outdoor advertising business, owned since 1979, and its television entertainment business, acquired with Multimedia in December 1995, were both sold in 1996. An after-tax gain, classified with discontinued operations, was recorded on the sale of outdoor, which totaled \$295 million or \$2.09 per share. The selling price for the entertainment business approximated the value assigned to it upon acquisition and, therefore, no gain was recognized.

Earnings from these businesses for the period they were owned leading up to the date of sale, are also reported as income from discontinued operations and collectively amounted to \$24.5 million or \$.17 per share in 1996, compared with \$17.9 million or \$.13 per share in 1995 and \$10.0 million or \$.07 per share in 1994. The increase for 1996 relates principally to nearly a full year of ownership of the entertainment business, compared with only one month in 1995.

The financial statements for prior periods have been restated to separate earnings from these businesses from the Company's continuing operations.

In millions

| Year      | Income from<br>Continuing Operations |
|-----------|--------------------------------------|
| - - - - - | -----                                |
| 1987      | \$299                                |
| 1988      | \$341                                |
| 1989      | \$374                                |
| 1990      | \$355                                |
| 1991      | \$292                                |
| 1992      | \$341                                |
| 1993      | \$389                                |
| 1994      | \$455                                |
| 1995      | \$459                                |
| 1996      | \$530*, \$624                        |

\*Before non-recurring gain from exchange of broadcast stations

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Net income

Net income for 1996 totaled \$943.1 million or \$6.69 per share, compared with \$477.3 million or \$3.41 per share in 1995. Results in 1996 include after-tax earnings from discontinued operations of \$319.1 million or \$2.26 per share, plus an after-tax gain of \$93 million or \$.66 per share on the exchange of broadcast stations.

In 1995, net income rose \$12 million or 3% to \$477 million and earnings per share reached \$3.41, up 6% from \$3.23 in 1994.

Net income rose \$68 million or 17% in 1994. On a per share basis, net income reached \$3.23, up 19% from \$2.72 in 1993.

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

In percentages, before non-recurring gains and accounting principle changes

| Year      | Return on shareholder's<br>equity |
|-----------|-----------------------------------|
| - - - - - | -----                             |
| 1987      | 19.6                              |
| 1988      | 20.1                              |
| 1989      | 19.8                              |
| 1990      | 17.5                              |
| 1991      | 16.2                              |
| 1992      | 21.9                              |
| 1993      | 22.3                              |
| 1994      | 24.4                              |
| 1995      | 23.2                              |
| 1996      | 20.9                              |

The percentage return on equity shown above for 1996 declined from

1995 because the results of discontinued operations, including the gain on the sale of outdoor, and the gain on the exchange of broadcast stations are included in shareholders' equity, but are excluded from the amount of earnings from continuing operations used in the calculation.

Other matters

Federal Communications Commission Rules restrict ownership of newspapers, broadcast and cable businesses in the same market. In conjunction with the Multimedia acquisition, the Company obtained temporary waivers with respect to these rules. (This and other regulatory matters are more fully discussed in the 10-K section of this report on pages 57-61.)

To comply with these rules, the Company completed an exchange transaction in January 1997, with Argyle Television, Inc., to acquire WZZM-TV (ABC-Grand Rapids/Kalamazoo/Battle Creek) and WGRZ-TV (NBC-Buffalo) in exchange for WLWT-TV (NBC-Cincinnati) and KOCO-TV(ABC-Oklahoma City). This transaction has no impact on the Company's 1996 financial statements and will be recorded in the first quarter of 1997.

Also in January 1997, the Company entered into an agreement to acquire KNAZ-TV (NBC-Flagstaff, Ariz.) and KMOH-TV (WB-Kingman, Ariz.).

Financial Position

Liquidity and capital resources

The principal changes in the Company's financial position for 1996 include the paydown of debt by \$955 million from operating cash flow and the after-tax proceeds from the sale of the outdoor and entertainment businesses.

The increase in property, plant and equipment in 1996 reflects capital spending of \$260 million plus amounts recorded in connection with the exchange of broadcast stations. This exchange also contributed to an increase in intangible assets. Property, plant and equipment and intangible assets also reflect declines because of the sale of the outdoor and entertainment businesses.

The Company's consolidated operating cash flow (defined as operating income plus depreciation and amortization of intangible assets) totaled \$1.354 billion in 1996 compared with \$1.015 billion in 1995 and \$986 million in 1994. The increase of \$339 million or 33% in 1996 reflects the contribution of Multimedia properties along with the operating improvement for broadcast, USA TODAY and Detroit. The table below presents operating cash flow as a percent of sales over the last 10 years.

| Year | Operating cash flow<br>as a percent of sales |
|------|--|
| 1987 | 26.8   |
| 1988 | 26.3   |
| 1989 | 27.4   |
| 1990 | 25.8   |
| 1991 | 23.1   |
| 1992 | 24.4   |
| 1993 | 26.1   |
| 1994 | 27.5   |
| 1995 | 27.1   |
| 1996 | 30.6   |

Working capital, or the excess of current assets over current liabilities, totaled \$47.6 million at the end of 1996 and \$41.3 million at the end of 1995. Certain key measurements of the elements of working capital for the last three years are presented in the following chart:

|                              | 1996     | 1995     | 1994     |
|------------------------------|----------|----------|----------|
| Current ratio                | 1.1-to-1 | 1.1-to-1 | 1.2-to-1 |
| Accounts receivable turnover | 7.7      | 7.2      | 7.9      |
| Newsprint inventory turnover | 7.1      | 7.6      | 9.6      |

A summary of debt transactions in 1996 follows:

In millions of dollars

|                                |         |
|--------------------------------|---------|
| Long-term debt at end of 1995* | \$2,859 |
| Payments in 1996               | (955)   |

Long-term debt at end of 1996\* \$1,904

\*including current portion

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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 requirements for acquisitions.

The Company regularly issues commercial paper for cash requirements and maintains a revolving credit agreement equal to or in excess of any commercial paper outstanding. The Company's commercial paper has been rated A-1 and P-1 by Standard & Poor's Corporation and Moody's Investors Service, Inc., respectively. Further, the Company has filed a shelf registration statement with the Securities and Exchange Commission under which up to \$1.5 billion of additional debt securities may be issued. The Company's Board of Directors has established a maximum aggregate level of \$3.5 billion for amounts which may be raised through borrowings or the issuance of equity securities.

In the absence of major cash outlays for acquisitions, the Company expects to repay a significant portion of its commercial paper obligations and other long-term debt from 1997 operating cash flow.

Note 4 to the Company's financial statements on page 41 of this report provides further information concerning commercial paper transactions and the Company's revolving credit agreements.

The Company has a capital expenditure program (not including business acquisitions) of approximately \$258 million planned for 1997, including approximately \$25 million for land and buildings or renovation of existing facilities, \$216 million for machinery and equipment and cable and alarm security systems, and \$17 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 1997 capital program will be funded from operating cash flow.

#### Capital stock

In 1994, the Company purchased 8 million shares of its common stock under a previously authorized program, at a cost of \$399 million. Share repurchases were not significant in 1995 or 1996.

Certain of the shares acquired by the Company have been reissued for acquisitions or in settlement of employee stock awards. The remaining shares are held as treasury stock.

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 1,250,000 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 December 29, 1996 totaled 141,317,705 shares, compared with 140,564,645 shares at December 31, 1995.

#### Dividends

Dividends declared on common stock amounted to \$200.1 million in 1996, compared with \$193.4 million in 1995, reflecting an increase in the dividend rate and a greater number of shares outstanding.

| Year      | Dividends declared<br>per share |
|-----------|---------------------------------|
| - - - - - | -----                           |
| 1987      | \$ .94                          |
| 1988      | \$1.02                          |
| 1989      | \$1.11                          |
| 1990      | \$1.21                          |
| 1991      | \$1.24                          |
| 1992      | \$1.26                          |
| 1993      | \$1.30                          |
| 1994      | \$1.34                          |
| 1995      | \$1.38                          |
| 1996      | \$1.42                          |

In October 1996, the quarterly dividend was increased from \$.35 to \$.36 per share.



| Cash dividends |             | Payment date  | Per share |
|----------------|-------------|---------------|-----------|
|                |             | -----         | -----     |
| 1996           | 4th Quarter | Jan. 2, 1997  | \$.36     |
|                | 3rd Quarter | Oct. 1, 1996  | \$.36     |
|                | 2nd Quarter | July 1, 1996  | \$.35     |
|                | 1st Quarter | April 1, 1996 | \$.35     |
| 1995           | 4th Quarter | Jan. 2, 1996  | \$.35     |
|                | 3rd Quarter | Oct. 2, 1995  | \$.35     |
|                | 2nd Quarter | July 1, 1995  | \$.34     |
|                | 1st Quarter | April 1, 1995 | \$.34     |

#### Effects of inflation and changing prices

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

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#### CONSOLIDATED BALANCE SHEETS

In thousands of dollars

|   | Dec. 29, 1996 | Dec. 31, 1995 |
|---|---------------|---------------|
|   | -----         | -----         |
| ASSETS  |               |               |
| Current assets  |               |               |
| Cash  | \$ 27,179     | \$ 46,962     |
| Marketable securities, at cost  |               |               |
| which approximates market   | 4,023         | 23            |
| Trade receivables (less allowance for doubtful receivables of \$18,942 and \$22,182, respectively)                        | 569,095       | 587,896       |
| Other receivables   | 47,850        | 33,663        |
| Inventories   | 73,621        | 111,653       |
| Prepaid expenses  | 44,837        | 73,887        |
| Total current assets  | 766,605       | 854,084       |
| Property, plant and equipment:  |               |               |
| Land  | 174,838       | 138,601       |
| Buildings and improvements  | 770,456       | 739,510       |
| Cable and security systems and outdoor advertising structures   | 481,053       | 665,471       |
| Machinery, equipment and fixtures   | 1,926,058     | 1,894,893     |
| Construction in progress  | 70,995        | 121,191       |
| Total   | 3,423,400     | 3,559,666     |
| Less accumulated depreciation   | (1,429,340)   | (1,488,979)   |
| Net property, plant and equipment   | 1,994,060     | 2,070,687     |
| Intangible and other assets:  |               |               |
| Excess of acquisition cost over the value of assets acquired (less amortization of \$569,527 and \$491,743, respectively) | 3,393,931     | 3,386,600     |
| Investments and other assets (Note 5)   | 195,001       | 192,429       |
| Total intangible and other assets   | 3,588,932     | 3,579,029     |
| Total assets  | \$ 6,349,597  | \$ 6,503,800  |
|   | =====         | =====         |

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CONSOLIDATED BALANCE SHEETS  
In thousands of dollars

|  | Dec. 29, 1996<br>----- | Dec. 31, 1995<br>----- |
|--|------------------------|------------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY   |                        |                        |
| Current liabilities:   |                        |                        |
| Current maturities of long-term debt (Note 4)  | \$ 23,302              | \$ 90,751              |
| Accounts Payable   |                        |                        |
| Trade  | 236,560                | 255,864                |
| Other  | 25,278                 | 23,730                 |
| Accrued liabilities  |                        |                        |
| Compensation   | 93,165                 | 80,554                 |
| Interest   | 11,361                 | 13,355                 |
| Other  | 126,832                | 182,386                |
| Dividend payable   | 51,890                 | 49,208                 |
| Income taxes (Note 7)  | 46,098                 | 15,071                 |
| Deferred income  | 104,510                | 101,853                |
|  | -----                  | -----                  |
| Total current liabilities  | 718,996                | 812,772                |
|  | -----                  | -----                  |
| Deferred income taxes (Note 7)   | 396,170                | 327,916                |
| Long-term debt (Note 4)  | 1,880,293              | 2,767,880              |
| Postretirement medical and life insurance liabilities (Note 6)   | 301,729                | 305,700                |
| Other long-term liabilities  | 121,591                | 143,884                |
|  | -----                  | -----                  |
| Total liabilities  | 3,418,779              | 4,358,152              |
|  | -----                  | -----                  |
| Shareholders' equity (Notes 4 and 8):  |                        |                        |
| Preferred stock, par value \$1: Authorized 2,000,000 shares: Issued, none                                |                        |                        |
| Common stock, par value \$1: Authorized 400,000,000 shares: Issued, 162,210,366 shares, as to both years | 162,210                | 162,210                |
| Additional paid-in capital   | 86,126                 | 76,811                 |
| Retained earnings  | 3,654,681              | 2,923,752              |
| Foreign currency translation adjustment  |                        | (12,258)               |
|  | -----                  | -----                  |
|  | 3,903,017              | 3,150,515              |
| Less Treasury stock, 20,892,661 shares and 21,645,721 shares, respectively, at cost                      | (942,609)              | (973,272)              |
| Deferred compensation related to ESOP (Note 8)   | (29,590)               | (31,595)               |
|  | -----                  | -----                  |
| Total shareholders' equity   | 2,930,818              | 2,145,648              |
|  | -----                  | -----                  |
| Commitments and contingent liabilities (Note 9)  |                        |                        |
|  | -----                  | -----                  |
| Total liabilities and shareholders' equity   | \$ 6,349,597           | \$ 6,503,800           |
|  | =====                  | =====                  |

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CONSOLIDATED STATEMENTS OF INCOME  
In thousands of dollars

| Fiscal year ended   | Dec. 29, 1996<br>----- | Dec. 31, 1995<br>----- | Dec. 25, 1994<br>----- |
|---|------------------------|------------------------|------------------------|
| Net operating revenues:   |                        |                        |                        |
| Newspaper advertising   | \$ 2,417,550           | \$ 2,219,250           | \$ 2,152,671           |
| Newspaper circulation   | 917,677                | 869,173                | 849,461                |
| Broadcasting  | 686,936                | 466,187                | 406,608                |
| Cable and Security  | 232,500                | 17,831                 | 0                      |
| All other   | 166,444                | 171,426                | 174,655                |
|   | -----                  | -----                  | -----                  |
| Total   | 4,421,107              | 3,743,867              | 3,583,395              |
|   | -----                  | -----                  | -----                  |
| Operating expenses:   |                        |                        |                        |
| Cost of sales and operating expenses, exclusive of depreciation         | 2,367,848              | 2,109,743              | 1,968,021              |
| Selling, general and administrative expenses, exclusive of depreciation | 699,484                | 619,125                | 629,535                |

|   |            |            |            |
|---|------------|------------|------------|
| Depreciation  | 193,011    | 143,739    | 146,054    |
| Amortization of intangible assets   | 94,359     | 49,328     | 44,110     |
| Total   | 3,354,702  | 2,921,935  | 2,787,720  |
| Operating income  | 1,066,405  | 821,932    | 795,675    |
| Non-operating income (expense):   |            |            |            |
| Interest expense  | (135,563)  | (52,175)   | (45,624)   |
| Interest income   | 6,727      | 7,514      | 3,239      |
| Other   | 149,098    | (3,760)    | 11,706     |
| Total   | 20,262     | (48,421)   | (30,679)   |
| Income before income taxes  | 1,086,667  | 773,511    | 764,996    |
| Provision for income taxes  | 462,700    | 314,100    | 309,600    |
| Income from continuing operations   | 623,967    | 459,411    | 455,396    |
| Discontinued operations:  |            |            |            |
| Income from the operation of discontinued operations, net of income taxes of \$17,940, \$12,100 and \$7,100, respectively | 24,540     | 17,851     | 10,003     |
| Gain from the sale of discontinued operations, net of income taxes of \$195,000   | 294,580    |            |            |
| Total income from discontinued operations   | 319,120    | 17,851     | 10,003     |
| Net income  | \$ 943,087 | \$ 477,262 | \$ 465,399 |
| Earnings per share:   |            |            |            |
| Earnings per share from continuing operations   | \$4.43     | \$3.28     | \$3.16     |
| Earnings from discontinued operations:  |            |            |            |
| Discontinued operations, net of tax   | \$0.17     | \$0.13     | \$0.07     |
| Gain from sale of discontinued operations, net of tax   | \$2.09     |            |            |
| Net income per share  | \$6.69     | \$3.41     | \$3.23     |

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CONSOLIDATED STATEMENTS OF CASH FLOWS  
In thousands of dollars

| Fiscal year ended   | Dec. 29, 1996 | Dec. 31, 1995 | Dec. 25, 1994 |
|---|---------------|---------------|---------------|
| Cash flows from operating activities:                       |               |               |               |
| Net Income  | \$ 943,087    | \$ 477,262    | \$ 465,399    |
| Adjustments to reconcile net income to operating cash flows |               |               |               |
| Discontinued operations                                     | (319,120)     | (17,851)      | (10,003)      |
| Depreciation  | 193,011       | 143,739       | 146,054       |
| Amortization of intangibles                                 | 94,359        | 49,328        | 44,110        |
| Deferred income taxes                                       | 68,254        | 23,636        | (40,623)      |
| Other, net  | (117,854)     | 40,775        | 42,933        |
| Increase in receivables                                     | (50,046)      | (23,093)      | (49,978)      |
| Decrease (increase) in inventories                          | 16,489        | (46,998)      | (140)         |
| Decrease (increase) in film broadcast rights                | 1,755         | 5,910         | (1,008)       |
| (Decrease) increase in accounts payable                     | (25,659)      | 33,561        | 29,368        |
| Increase (decrease) in interest and taxes payable           | 20,784        | (14,053)      | 35,374        |
| Change in other assets and liabilities, net                 | (218,191)     | (68,755)      | 52,811        |
| Net cash flow from operating activities                     | 606,869       | 603,461       | 714,297       |
| Cash flows from investing activities:                       |               |               |               |
| Purchase of property, plant and equipment                   | (260,047)     | (183,536)     | (144,854)     |
| Payments for acquisitions, net of cash acquired             |               | (1,834,862)   | (28,258)      |
| Change in other investments                                 | (17,513)      | (3,326)       | (23,500)      |
| Proceeds from sale of certain assets                        | 778,716       | 2,324         | 130,387       |
| Collection of long-term receivables                         | 3,248         | 5,030         | 1,658         |
| Net cash provided by (used for) investing activities        | 504,404       | (2,014,370)   | (64,567)      |
| Cash flows from financing activities:                       |               |               |               |
| Proceeds from long-term debt                                |               | 2,054,000     |               |
| Payments of long-term debt                                  | (954,924)     | (464,973)     | (85,265)      |
| Dividends paid  | (197,417)     | (191,947)     | (194,465)     |

|   |             |           |           |
|---|-------------|-----------|-----------|
| Cost of common shares repurchased                         | (1,443)     |           | (399,336) |
| Proceeds from issuance of common stock                    | 26,964      | 16,200    | 4,219     |
|   | -----       | -----     | -----     |
| Net cash (used for) provided by financing activities      | (1,126,820) | 1,413,280 | (674,847) |
|   | -----       | -----     | -----     |
| Effect of currency exchange rate change                   | (236)       | 362       | (6,126)   |
| (Decrease) increase in cash and cash equivalents          | (15,783)    | 2,733     | (31,243)  |
| Balance of cash and cash equivalents at beginning of year | 46,985      | 44,252    | 75,495    |
|   | -----       | -----     | -----     |
| Balance of cash and cash equivalents at end of year       | \$ 31,202   | \$ 46,985 | \$ 44,252 |
|   | =====       | =====     | =====     |

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of dollars  
Fiscal years ended  
December 25, 1994  
December 31, 1995  
and December 29, 1996

|   | Common stock<br>\$1 par<br>value | Additional<br>paid-in<br>capital | Retained<br>earnings | Foreign<br>currency<br>translation<br>adjustment | Treasury<br>stock | Deferred<br>compensation<br>related<br>to ESOP | Total       |
|---|----------------------------------|----------------------------------|----------------------|--|-------------------|--|-------------|
|   | -----                            | -----                            | -----                | -----  | -----             | -----  | -----       |
| Balance: Dec. 26, 1993                            | \$162,212                        | \$70,938                         | \$2,366,246          | \$(9,442)  | \$(643,787)       | \$(38,247)                                     | \$1,907,920 |
| Net income, 1994                                  |                                  |                                  | 465,399              |  |                   |  | 465,399     |
| Dividends declared, 1994:<br>\$1.34 per share     |                                  |                                  | (192,696)            |  |                   |  | (192,696)   |
| Treasury stock acquired                           |                                  |                                  |                      |  | (399,336)         |  | (399,336)   |
| Stock options exercised                           |                                  | (924)                            |                      |  | 8,014             |  | 7,090       |
| Stock issued under<br>incentive plan              |                                  | (692)                            |                      |  | 5,636             |  | 4,944       |
| Tax benefit derived from<br>stock incentive plans |                                  | 2,996                            |                      |  |                   |  | 2,996       |
| Stock issued in connection<br>with acquisition    |                                  | 4,286                            |                      |  | 21,274            |  | 25,560      |
| Compensation expense<br>related to ESOP           |                                  |                                  |                      |  |                   | 3,322  | 3,322       |
| Tax benefit from ESOP                             |                                  |                                  | 491                  |  |                   |  | 491         |
| Foreign currency<br>translation adjustment        |                                  |                                  |                      | (3,452)  |                   |  | (3,452)     |
| Balance: Dec. 25, 1994                            | \$162,212                        | \$76,604                         | \$2,639,440          | \$(12,894)                                       | \$(1,008,199)     | \$(34,925)                                     | \$1,822,238 |
| Net income, 1995                                  |                                  |                                  | 477,262              |  |                   |  | 477,262     |
| Dividends declared, 1995:<br>\$1.38 per share     |                                  |                                  | (193,415)            |  |                   |  | (193,415)   |
| Stock options exercised                           |                                  | (2,042)                          |                      |  | 21,931            |  | 19,889      |
| Stock issued under<br>incentive plan              |                                  | (2,380)                          |                      |  | 12,996            |  | 10,616      |
| Tax benefit derived from<br>stock incentive plans |                                  | 4,629                            |                      |  |                   |  | 4,629       |
| Compensation expense<br>related to ESOP           |                                  |                                  |                      |  |                   | 3,330  | 3,330       |
| Tax benefit from ESOP                             |                                  |                                  | 465                  |  |                   |  | 465         |
| Foreign currency<br>translation adj./other        | (2)                              |                                  |                      | 636  |                   |  | 634         |
| Balance: Dec. 31, 1995                            | \$162,210                        | \$76,811                         | \$2,923,752          | \$(12,258)                                       | \$(973,272)       | \$(31,595)                                     | \$2,145,648 |
| Net income, 1996                                  |                                  |                                  | 943,087              |  |                   |  | 943,087     |
| Dividends declared, 1996:<br>\$1.42 per share     |                                  |                                  | (200,099)            |  |                   |  | (200,099)   |
| Treasury stock acquired                           |                                  |                                  |                      |  | (1,443)           |  | (1,443)     |
| Stock options exercised                           |                                  | 585                              |                      |  | 26,225            |  | 26,810      |
| Stock issued under<br>incentive plan              |                                  | 552                              |                      |  | 5,881             |  | 6,433       |
| Tax benefit derived from<br>stock incentive plans |                                  | 8,178                            |                      |  |                   |  | 8,178       |
| Compensation expense<br>related to ESOP           |                                  |                                  |                      |  |                   | 2,005  | 2,005       |
| Tax benefit from ESOP                             |                                  |                                  | 435                  |  |                   |  | 435         |
| Foreign currency<br>translation adj./other        |                                  |                                  | (12,494)             | 12,258   |                   |  | (236)       |
| Balance: Dec. 29, 1996                            | \$162,210                        | \$86,126                         | \$3,654,681          |  | \$(942,609)       | \$(29,590)                                     | \$2,930,818 |

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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 1996 fiscal year ended on December 29, 1996,

and encompassed a 52-week period. The Company's 1995 fiscal year encompassed a 53-week period, and its 1994 year encompassed a 52-week period.

**Consolidation:** The consolidated financial statements include the accounts of the Company and its subsidiaries after elimination of all significant intercompany transactions and profits.

**Operating agencies:** Six of the Company's 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 includes its appropriate portion of the revenues and expenses generated by the operation of the agencies on a line-by-line basis in its statement of income.

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

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

**Excess of acquisition cost over fair value of assets acquired:** The excess of acquisition cost over the fair value of assets acquired represents the cost of intangible assets at the time the subsidiaries were purchased. In accordance with Opinion 17 of the Accounting Principles Board of the American Institute of Certified Public Accountants, the excess acquisition cost of subsidiaries arising from acquisitions accounted for as purchases since October 31, 1970 (\$3.89 billion at December 29, 1996) is being amortized over periods ranging from 10 to 40 years on a straight-line basis. Management continually reviews the appropriateness of the carrying value of the excess acquisition cost of its subsidiaries and the related amortization periods.

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

**Retirement plans:** Pension costs under the Company's retirement plans are actuarially computed. It is the policy of the Company to fund costs accrued under its qualified pension plans.

**Postretirement benefits other than pensions:** The Company recognizes the cost of postretirement medical and life insurance benefits on an accrual basis over the working lives of employees expected to receive such benefits.

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

**Per share amounts:** All income per share amounts are based on the weighted average number of common shares outstanding during the year.

**Foreign currency translation:** The income statement of Mediacom, the Company's Canadian outdoor advertising operation (sold in 1996), has been translated to U.S. dollars using the average currency exchange rates in effect during each year. Mediacom'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 Mediacom's balance sheet has been charged directly to shareholders' equity.

**Minority interest:** The Company owns a 51% interest in WKYC-TV in Cleveland, Ohio, and NBC owns a 49% interest. The financial statements of WKYC-TV are included in the Company's financial statements. The minority interest in operating results is reflected as

an element of non-operating expense in the Consolidated Statements of Income and the minority interest in the equity of WKYC-TV is reflected with other long-term liabilities on the Consolidated Balance Sheet.

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

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#### Note 2

##### Acquisitions, exchanges and dispositions

1996: On December 9, 1996, the Company concluded a transaction to acquire WTSP-TV, the CBS affiliate in Tampa, Fla., in exchange for radio stations KIIS/KIIS-FM in Los Angeles, KSDO/KKBH-FM in San Diego and WDAE/WUSA-FM in Tampa. This transaction was completed under the terms of an asset exchange agreement.

For financial reporting purposes, the Company recorded the exchange as two simultaneous but separate events; that is, a sale of radio stations for which a non-cash gain was recognized, and the acquisition of the television station to be accounted for under the purchase method. The gain reported on the exchange was measured by the difference between the estimated current fair value of the assets exchanged over the Company's carrying value or basis in the properties it exchanged. The Company has estimated the fair value of the assets exchanged to be \$170 million, while its carrying value or basis in the radio stations was approximately \$12 million. In the fourth quarter of 1996, therefore, for financial reporting purposes, the Company reported a pre-tax, non-cash, non-operating gain of \$158 million on the exchange. The television station acquired in the exchange was recorded at estimated fair value or \$170 million.

On an after-tax basis, this accounting treatment results in a non-cash increase in earnings from continuing operations of \$93 million or \$.66 per share.

In August 1996, the Company completed the sale of its outdoor advertising business for \$713 million in cash. The Company recorded an after-tax gain of \$295 million or \$2.09 per share on this sale. The gain and outdoor operating results for the period leading up to the sale are reported as discontinued operations in the Company's financial statements.

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

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

The following table summarizes, on an unaudited, pro-forma basis, the estimated combined results of operations of the Company and its subsidiaries as though the acquisitions, exchanges and dispositions noted above (except the minor dispositions noted in the preceding paragraph) were made at the beginning of the year previous to the year in which the transactions were consummated. On this basis, these transactions would have resulted in a pro-forma decrease in net income per share from continuing operations of \$.55, primarily because of the elimination of the non-recurring after-tax gain of \$93 million or \$.66 per share recorded on the exchange of broadcast stations. However, this pro-forma combined statement does not necessarily reflect the results of operations as they would have been if the combined companies had constituted a single entity during those years.

In millions, except per share amounts (pro forma and unaudited)

| Fiscal Year          | 1996    | 1995    |
|----------------------|---------|---------|
| Operating revenues*  | \$4,419 | \$4,218 |
| Income before taxes* | \$ 957  | \$ 741  |
| Income*              | \$ 547  | \$ 423  |

Income per share\* \$ 3.88 \$ 3.02

\*from continuing operations

1995: In December 1995, the Company acquired Multimedia, which was accounted for under the purchase method of accounting. Consideration paid totaled \$1.8 billion, plus the assumption of liabilities of approximately \$0.5 billion.

1994: In May 1994, the Company purchased Nursing Spectrum, which publishes a group of biweekly periodicals specializing in advertising for nursing employment. In December 1994, the Company purchased television station KTHV-TV in Little Rock, a CBS affiliate. These acquisitions were accounted for under the purchase method of accounting, and consideration paid included cash and shares of the Company's common stock. The acquisitions were not material to the Company's financial position or results of operations.

In November 1994, the Company sold its newspaper in Stockton, Calif., and realized a gain which is reflected in non-operating income.

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Note 3

Statement of cash flows

For purposes of this statement, the Company considers its marketable securities, which are readily convertible into cash (with original maturity dates of less than 90 days) and consist of short-term investments in government securities, commercial paper and money market funds, as cash equivalents.

Cash paid in 1996, 1995 and 1994 for income taxes and for interest (net of amounts capitalized) was as follows:

In thousands of dollars

|              | 1996      | 1995      | 1994      |
|--------------|-----------|-----------|-----------|
|              | -----     | -----     | -----     |
| Income taxes | \$555,642 | \$316,698 | \$264,601 |
| Interest     | \$142,395 | \$ 52,094 | \$ 45,740 |

Higher income tax paid in 1996 reflects improved operating results as well as tax on the gain on the sale of outdoor. Higher interest payments relate to borrowings associated with the Multimedia acquisition.

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

In 1995, the Company assumed net liabilities of approximately \$0.5 billion in connection with the Multimedia acquisition.

In 1994, the Company issued 506,000 shares of its common stock from treasury valued at approximately \$26 million in connection with the acquisition of KTHV-TV in Little Rock.

In 1996, 1995 and 1994, the Company issued 136,437 shares, 297,201 shares and 134,243 shares, respectively, in settlement of previously granted stock incentive rights. The compensation liability for these rights of \$9.9 million for 1996, \$17 million in 1995 and \$8 million in 1994 was transferred to shareholders' equity at the time the shares were issued.

Note 4

Long-term debt

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

In thousands of dollars

|                                     | Dec. 29, 1996 | Dec. 31, 1995 |
|-------------------------------------|---------------|---------------|
|                                     | -----         | -----         |
| Unsecured promissory notes          | \$ 1,339,078  | \$ 2,197,358  |
| Notes due 2/1/96, interest at 9.55% | --            | 17,260        |
| Notes due 3/12/96, interest at 9.5% | --            | 42,200        |
| Notes due 12/26/97, interest at 10% | 23,275        | 29,890        |
| Notes due 3/1/98, interest at 5.25% | 274,401       | 273,883       |
| Notes due 5/1/00, interest at 5.85% | 249,695       | 249,603       |
| Series notes                        | --            | 31,000        |
| Unsecured obligations               | 16,725        | 16,725        |
| Other indebtedness                  | 421           | 712           |
|                                     | -----         | -----         |

|  |              |              |
|--|--------------|--------------|
|  | 1,903,595    | 2,858,631    |
| Less amount included in<br>current liabilities | (23,302)     | (90,751)     |
|  | -----        | -----        |
| Total long-term debt                           | \$ 1,880,293 | \$ 2,767,880 |

The unsecured promissory notes at December 29, 1996 were due from December 30, 1996 to January 23, 1997 with rates varying from 5.35% to 5.65%.

The unsecured promissory notes at December 31, 1995 were due from January 2, 1996 to January 26, 1996 with rates varying from 5.65% to 5.95%.

The maximum amount of such promissory notes outstanding at the end of any period during 1996 and 1995 was \$2.2 billion. The daily average outstanding balance was \$1.873 billion during 1996 and \$228 million during 1995. The weighted average interest rate was 5.4% for 1996 and 5.9% for 1995.

The series notes were assumed in 1995 in connection with the acquisition of Multimedia as discussed in Note 2. These notes, which were due in varying annual installments from June 1996 to June 2005 with interest rates ranging from 10.36% to 10.92%, were prepaid by the Company in January 1996.

The unsecured obligations are due in 2008 to 2009 and bear interest at the PSA Municipal Index plus .25%. At December 29, 1996 and December 31, 1995 the weighted average interest rates were 4.4% and 5.3%, respectively.

At December 29, 1996, the Company had \$3.0 billion of credit available under a revolving credit agreement. The agreement provides for a revolving credit period which permits borrowing from time to time up to the maximum commitment. The revolving credit period extends to November 12, 2000.

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The commitment fee rate may range from 0.07% to 0.175%, depending on Standard & Poor's or Moody's credit rating of the Company's senior unsecured long-term debt. The rate in effect at December 29, 1996 was 0.09%. At the option of the Company, the interest rate on borrowings under the agreement may be at the prime rate, at rates ranging from 0.13% to 0.35% above the London Interbank Offered Rate or at rates ranging from 0.255% to 0.50% above a certificate of deposit-based rate. The prime rate was 8.25% and 8.5% at the end of 1996 and 1995, respectively. The percentages that will apply will be dependent on Standard & Poor's or Moody's credit rating of the Company's senior unsecured long-term debt.

The revolving credit agreement contains restrictive provisions that relate primarily to the maintenance of net worth of \$1.2 billion. At December 29, 1996 and December 31, 1995, net worth was \$2.9 billion and \$2.1 billion, respectively.

At December 29, 1996, the unsecured promissory notes are supported by the \$3.0 billion revolving credit agreement and, therefore, are classified as long-term debt.

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

In thousands of dollars

|             |              |
|-------------|--------------|
| 1997        | \$ 23,302    |
| 1998        | 274,413      |
| 1999        | 0            |
| 2000        | 1,588,772    |
| 2001        | 0            |
| Later years | 17,108       |
|             | -----        |
| Total       | \$ 1,903,595 |
|             | =====        |

Note 5

Retirement plans

The Company and its subsidiaries have various retirement and profit



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

The Company's pension cost for 1996, 1995 and 1994 is presented in the following table:

In thousands of dollars

|  | 1996      | 1995      | 1994      |
|--|-----------|-----------|-----------|
|  | -----     | -----     | -----     |
| Service cost-benefits earned during the period         | \$ 49,552 | \$ 32,003 | \$ 42,070 |
| Interest cost on projected benefit obligation          | 80,300    | 67,882    | 65,365    |
| Actual return on plan assets                           | (148,767) | (204,239) | 41,287    |
| Net amortization and deferral of actuarial gains       | 40,406    | 117,967   | (127,176) |
|  | -----     | -----     | -----     |
| Pension expense for Company-sponsored retirement plans | 21,491    | 13,613    | 21,546    |
| Union and other pension cost                           | 3,244     | 6,550     | 7,061     |
|  | -----     | -----     | -----     |
| Pension cost   | \$ 24,735 | \$ 20,163 | \$ 28,607 |
|  | =====     | =====     | =====     |

The majority of the Company's pension plans, including the Gannett Retirement Plan, have plan assets that exceed accumulated benefit obligations. There are certain plans, however, with accumulated benefit obligations which exceed plan assets. The tables on the following page summarize the funded status of the Company's pension plans and the related amounts that are recognized in the consolidated balance sheet:

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In thousands of dollars

|   | Plans for which assets exceed accumulated benefits | Plans for which accumulated benefits exceed assets |
|---|--|--|
|   | -----  | -----  |
| December 29, 1996   |  |  |
| Actuarial present value of benefit obligations:                   |  |  |
| Vested benefit obligation   | \$ 793,913   | \$ 37,133  |
|   | =====  | =====  |
| Accumulated benefit obligation                                    | \$ 845,962   | \$ 38,937  |
|   | =====  | =====  |
| Projected benefit obligation                                      | \$(1,076,930)                                      | \$ (60,109)  |
| Plan assets at market value                                       | 1,142,962  | ---  |
|   | -----  | -----  |
| Projected benefit obligation less than (greater than) plan assets | 66,032   | (60,109)   |
| Unrecognized net loss   | 42,980   | 11,365   |
| Unrecognized prior service cost                                   | 6,481  | (1,575)  |
| Unrecognized net (asset) obligation at year-end                   | (15,323)   | 463  |
|   | -----  | -----  |
| Pension asset (liability) reflected in consolidated balance sheet | \$ 100,170   | \$ (49,856)  |
|   | =====  | =====  |

In thousands of dollars

|                   | Plans for which assets exceed accumulated benefits | Plans for which accumulated benefits exceed assets |
|-------------------|--|--|
| December 31, 1995 |  |  |

|   |              |             |
|---|--------------|-------------|
| Actuarial present value of benefit obligations:                   |              |             |
| Vested benefit obligation   | \$ 726,834   | \$ 34,777   |
| Accumulated benefit obligation                                    | \$ 774,928   | \$ 36,438   |
| Projected benefit obligation                                      | \$ (995,182) | \$ (61,011) |
| Plan assets at market value                                       | 961,492      | ---         |
| Projected benefit obligation greater than plan assets             | (33,690)     | (61,011)    |
| Unrecognized net loss   | 150,630      | 14,291      |
| Unrecognized prior service cost                                   | 9,989        | 1,433       |
| Unrecognized net (asset) obligation at year-end                   | (22,768)     | 1,024       |
| Pension asset (liability) reflected in consolidated balance sheet | \$ 104,161   | \$ (44,263) |

The projected benefit obligation was determined using an assumed discount rate of 7.5% and 7.125% at the end of 1996 and 1995, respectively. The assumed rate of compensation increase was 5% at the end of 1996 and 1995. The assumed long-term rate of return on plan assets used in determining pension cost was 10%. Pension plan assets include 700,700 shares of the Company's common stock valued at \$53 million at the end of 1996 and \$43 million at the end of 1995. The Company made contributions to the Gannett Retirement Plan of \$11 million in 1996 and \$45 million in 1995.

#### Note 6

##### Postretirement benefits other than pensions

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

The cost of providing retiree health care and life insurance benefits is actuarially determined and accrued over the service period of the active employee group.

The table below sets forth the amounts included in the Consolidated Balance Sheet at December 29, 1996 and December 31, 1995 for postretirement medical and life insurance liabilities:

In thousands of dollars

|  | Dec. 29, 1996 | Dec. 31, 1995 |
|--|---------------|---------------|
| Accumulated postretirement benefit obligation: |               |               |
| Retirees                                       | \$ (144,644)  | \$ (162,654)  |
| Fully eligible active plan participants        | (16,313)      | (17,517)      |
| Other active plan participants                 | (63,379)      | (70,066)      |
|  | (224,336)     | (250,237)     |
| Unrecognized net (gain) loss                   | (23,710)      | 3,590         |
| Unrecognized prior service credit              | (53,683)      | (59,053)      |
| Accrued postretirement benefit cost            | \$ (301,729)  | \$ (305,700)  |

Postretirement benefit cost for health care and life insurance for the years ended December 29, 1996, December 31, 1995 and December 25, 1994 included the following components:

In thousands of dollars

|  | 1996      | 1995      | 1994      |
|--|-----------|-----------|-----------|
| Service costs - benefits earned during the period              | \$ 3,212  | \$ 2,567  | \$ 4,125  |
| Interest cost on accumulated postretirement benefit obligation | 14,586    | 15,722    | 16,133    |
| Net amortization and deferral                                  | (5,253)   | (6,118)   | (4,818)   |
| Net periodic postretirement benefit cost                       | \$ 12,545 | \$ 12,171 | \$ 15,440 |

At December 29, 1996, the accumulated postretirement benefit obligation was determined using a discount rate of 7.5% and a health care cost trend rate of 9% for pre-age 65 benefits, decreasing to 5% in the year 2005 and thereafter. For post-age 65 benefits, the health care cost trend rate used was 7%, declining to 5% in the year 2001 and thereafter.

At December 31, 1995, the accumulated postretirement benefit obligation was determined using a discount rate of 7.125% and a health care cost trend rate of 11.5% for pre-age 65 benefits, decreasing to 5.5% in the year 2007 and thereafter. For post-age 65 benefits, the health care cost trend rate used was 9.5%, declining to 5.5% in the year 2003 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 \$13 million in the 1996 accumulated postretirement benefit obligation and \$1 million in the aggregate service and interest components of the 1996 expense.

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

Note 7

Income taxes

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

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

In thousands of dollars

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

In thousands of dollars

| 1995            | Current   | Deferred  | Total     |
|-----------------|-----------|-----------|-----------|
|                 | -----     | -----     | -----     |
| Federal         | \$243,692 | \$ 19,809 | \$263,501 |
| State and other | 46,772    | 3,827     | 50,599    |
|                 | -----     | -----     | -----     |
| Total           | \$290,464 | \$ 23,636 | \$314,100 |
|                 | =====     | =====     | =====     |

In thousands of dollars

| 1994            | Current   | Deferred    | Total     |
|-----------------|-----------|-------------|-----------|
|                 | -----     | -----       | -----     |
| Federal         | \$296,179 | \$ (33,652) | \$262,527 |
| State and other | 54,044    | (6,971)     | 47,073    |
|                 | -----     | -----       | -----     |
| Total           | \$350,223 | \$ (40,623) | \$309,600 |
|                 | =====     | =====       | =====     |

In addition to the income tax provision presented above for continuing operations, the Company has also recorded currently payable federal and state income taxes on discontinued operations of \$212.9 million in 1996 (including \$195 million on the gain on the sale of the outdoor business), \$12.1 million in 1995 and \$7.1 million in 1994.

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

| Fiscal year: | 1996  | 1995  | 1994  |
|--------------|-------|-------|-------|
|              | ----- | ----- | ----- |

|  |       |       |       |
|--|-------|-------|-------|
| 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 | 4.0   | 3.9   | 3.4   |
| Goodwill amortization not deductible for tax purposes      | 2.7   | 1.7   | 1.5   |
| Other, net   | 0.9   | ---   | 0.6   |
|  | ----- | ----- | ----- |
| Effective tax rate   | 42.6% | 40.6% | 40.5% |
|  | ===== | ===== | ===== |

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 1996 and 1995:

In thousands of dollars

|  | Dec. 29, 1996 | Dec. 31, 1995 |
|--|---------------|---------------|
|  | -----         | -----         |
| Liabilities:                                       |               |               |
| Accelerated depreciation                           | \$ 378,685    | \$ 404,560    |
| Accelerated amortization of deductible intangibles | 102,651       | 100,735       |
| Pension  | 19,405        | 23,148        |
| Other  | 75,911        | 32,351        |
|  | -----         | -----         |
| Total deferred tax liabilities                     | 576,652       | 560,794       |
|  | -----         | -----         |
| Assets:  |               |               |
| Accrued compensation costs                         | (35,665)      | (36,725)      |
| Postretirement medical and life                    | (119,649)     | (119,449)     |
| Other  | (25,168)      | (76,704)      |
|  | -----         | -----         |
| Total deferred tax assets                          | (180,482)     | (232,878)     |
|  | -----         | -----         |
| Net deferred tax liabilities                       | \$ 396,170    | \$ 327,916    |
|  | =====         | =====         |

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#### Note 8

##### Capital stock, stock options, incentive plans

The weighted average number of common shares outstanding used in the computation of earnings per share was 140,891,000 in 1996, 140,156,000 in 1995 and 144,276,000 in 1994.

The Company's 1978 Executive Long-term Incentive Plan (the Plan) provides for the granting of stock options, stock incentive rights and option surrender rights to executive officers and other key employees. During 1996, the Plan was amended to incorporate the following changes: (i) extend from the last day of the Company's 1997 fiscal year to the last day of the Company's 2007 fiscal year the time during which awards may be made; (ii) increase the maximum aggregate number of shares of Gannett common stock that may be issued by 12,000,000; (iii) restrict the granting of options to any participant in any fiscal year to no more than 175,000 shares of common stock; (iv) extend the exercise period for any stock options to be issued under the Plan from eight to 10 years after the date of the grant thereof; and (v) provide that shares of common stock subject to a stock option or other award that is canceled or forfeited be again made available for issuance under the Plan.

Stock options are granted to purchase common stock of the Company at not less than 100% of the fair market value on the day the option is granted. The exercise period is eight years for options granted prior to December 10, 1996 and 10 years for options granted on that date and subsequent. The options become exercisable at 25% per year after a one-year waiting period.

Stock incentive rights entitle the employee to receive for each such right, without payment, one share of common stock at the end of an incentive period, conditioned upon the employee's continued employment throughout the incentive period. The incentive period is normally four years. During the incentive period, the employee receives cash payments for each incentive right equivalent to the cash dividend the Company

would have paid had the employee owned the shares of common stock issuable under the incentive rights.

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

A summary of the status of the Company's stock option and stock incentive rights plans as of December 29, 1996, December 31, 1995 and December 25, 1994 and changes during the years ended on those dates is presented below:

| 1996 Stock Options:  | Shares    | Weighted average exercise price |
|--|-----------|---------------------------------|
|  | -----     | -----                           |
| Outstanding at beginning of year                               | 3,966,042 | \$51.83                         |
| Granted  | 1,241,480 | 74.51                           |
| Exercised  | (649,419) | 43.44                           |
| Canceled   | (124,774) | 56.35                           |
| Outstanding at end of year                                     | 4,433,329 | 59.28                           |
| Options exercisable at year end                                | 2,009,927 | 50.46                           |
| Weighted average fair value of options granted during the year | \$17.85   |                                 |

| 1995 Stock Options:  | Shares    | Weighted average exercise price |
|--|-----------|---------------------------------|
|  | -----     | -----                           |
| Outstanding at beginning of year                               | 3,521,874 | \$46.29                         |
| Granted  | 1,032,540 | 63.86                           |
| Exercised  | (519,745) | 38.77                           |
| Canceled   | (68,627)  | 47.56                           |
| Outstanding at end of year                                     | 3,966,042 | 51.83                           |
| Options exercisable at year end                                | 1,829,229 | 46.03                           |
| Weighted average fair value of options granted during the year | \$12.37   |                                 |

| 1994 Stock Options:              | Shares    | Weighted average exercise price |
|----------------------------------|-----------|---------------------------------|
|                                  | -----     | -----                           |
| Outstanding at beginning of year | 3,041,392 | \$45.37                         |
| Granted                          | 726,450   | 47.29                           |
| Exercised                        | (235,884) | 37.27                           |
| Canceled                         | (10,084)  | 49.69                           |
| Outstanding at end of year       | 3,521,874 | 46.29                           |
| Options exercisable at year end  | 1,690,704 | 45.45                           |

The following table summarizes information about stock options outstanding at December 29, 1996:

| Range of exercise prices | Number outstanding at 12/29/96 | Weighted average contractual life (yrs) | Weighted average exercise price | Number exercisable at 12/29/96 | Weighted average exercise price |
|--------------------------|--------------------------------|---|---------------------------------|--------------------------------|---------------------------------|
| -----                    | -----                          | -----                                   | -----                           | -----                          | -----                           |
| \$36-40                  | 192,313                        | 2.0                                     | \$36.16                         | 192,313                        | \$36.16                         |
| 41-45                    | 385,877                        | 2.3                                     | 44.37                           | 385,877                        | 44.37                           |
| 46-48                    | 634,626                        | 6.0                                     | 47.25                           | 318,851                        | 47.25                           |
| 49-54                    | 403,182                        | 4.1                                     | 51.38                           | 396,120                        | 51.36                           |
| 55-56                    | 624,887                        | 5.0                                     | 55.50                           | 468,525                        | 55.50                           |
| 64-69                    | 992,964                        | 7.0                                     | 64.15                           | 248,241                        | 64.15                           |
| 74-75                    | 1,199,480                      | 10.0                                    | 74.75                           | --                             | --                              |
| -----                    | -----                          | -----                                   | -----                           | -----                          | -----                           |

|           |       |       |           |       |
|-----------|-------|-------|-----------|-------|
| 4,433,329 | 6.5   | 59.28 | 2,009,927 | 50.46 |
| =====     | ===== | ===== | =====     | ===== |

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Stock Incentive Rights

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

|                                       | 1996    | 1995    | 1994    |
|---------------------------------------|---------|---------|---------|
|                                       | -----   | -----   | -----   |
| Awards granted                        | 129,170 | 152,650 | 177,977 |
| Weighted average fair value of awards | \$17.85 | \$12.37 |         |

Awards for 1994 are for the four-year period 1995-1998. Awards for 1995 are for the four-year period 1996-1999. Awards for 1996 are for the four-year period 1997-2000.

In December 1996, 136,437 shares of common stock were issued in settlement of previously granted stock incentive rights for the incentive period ended that month.

Shares available: Shares available for future grants under the 1978 Plan totaled 12,060,506 at December 29, 1996.

Pro-forma results: Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), establishes a fair value-based method of accounting for employee stock-based compensation plans, and encourages companies to adopt that method. However, it also allows companies to continue to apply the intrinsic value-based method currently prescribed under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). The Company has chosen to continue to report stock-based compensation in accordance with APB 25, and beginning this year, provides the following pro-forma disclosure of the effects of applying the fair value method to all applicable awards granted. Under APB Opinion 25 and related Interpretations, no compensation cost has been recognized for its stock options. The compensation cost that has been charged against income for its stock incentive rights was \$8 million for 1996, \$10 million for 1995 and \$13 million for 1994. Those charges were based on the grant price of the stock incentive rights recognized over the four-year earnout periods. Had compensation cost for the Company's stock options been determined based on the fair value at the grant date for those awards as permitted (but not required) under the alternative method of SFAS 123, the Company's net income and earnings per share would have been reduced to the pro-forma amounts indicated below:

|                            | 1996       |
|----------------------------|------------|
|                            | -----      |
| Net income (in thousands)  |            |
| As reported                | \$ 943,087 |
| Pro forma                  | \$ 941,226 |
| Primary earnings per share |            |
| As reported                | \$ 6.69    |
| Pro forma                  | \$ 6.68    |

The fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing module with the following weighted-average assumptions used for grants in 1996 and 1995, respectively: dividend yield of 2.34% and 2.5%, expected volatility of 15.25% and 15.86%, risk-free interest rates of 5.95% and 5.39% and expected lives of 7 years and 5.6 years.

SFAS 123 is applicable to stock compensation awards granted in fiscal years that begin after December 15, 1994. Options are granted by the Company primarily in December and begin vesting over a four-year period. Options granted in December 1995 are the first significant grants 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 1995 impact the 1996 pro-forma amounts but have no material effect on the 1995 pro-forma amounts. Similarly, options granted in December 1996 have no material effect on the 1996 pro-forma amounts. Because the calculations do not take into consideration pro-forma compensation expense related to grants made prior to 1995, the pro-forma effect on net income shown for 1996 is not representative of the pro-forma effect on net income in future years.

On July 1, 1990, the Company established a 401(k) Savings Plan. Most employees of the Company (other than those covered by a collective bargaining agreement) who are scheduled to work at least 1,000 hours during each year of employment are eligible to participate in the Plan.

Employees may elect to save up to 15% of compensation on a pre-tax basis subject to certain limits. The Company matches, with Company common stock, 25% of the first 4% of employee contributions. To fund the Company's matching contribution, an Employee Stock Ownership Plan (ESOP) was formed which acquired 1,250,000 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.

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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 may, at its option, 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 \$2.8 million in 1996 and 1995 and \$2.6 million in 1994. The ESOP shares as of the end of 1996 and 1995 were as follows:

|   | 1996      | 1995      |
|---|-----------|-----------|
|   | -----     | -----     |
| Allocated shares                              | 510,237   | 459,919   |
| Shares released for allocation                | 9,525     | 7,325     |
| Unreleased shares                             | 730,188   | 782,756   |
| Shares distributed to terminated participants | (8,604)   | (6,192)   |
|   | -----     | -----     |
| ESOP shares                                   | 1,241,396 | 1,243,808 |
|   | =====     | =====     |

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

Note 9

Commitments, contingent liabilities and other matters

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

Leases: Approximate future minimum annual rentals payable under non-cancelable operating leases are as follows:

In thousands of dollars

|             |           |
|-------------|-----------|
| 1997        | \$ 31,806 |
| 1998        | 30,538    |
| 1999        | 28,404    |
| 2000        | 26,457    |
| 2001        | 24,920    |
| Later years | 62,146    |

Total                   -----  
                          \$204,271  
                          =====

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 \$41 million for 1996, \$40 million for 1995 and \$44 million for 1994.

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

Other matters: Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments," requires the Company to disclose the estimated fair value of its financial instruments.

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

The Company estimates the fair value of its long-term debt, based on borrowing rates available at December 29, 1996, to be \$1.877 billion, compared with the carrying amount of \$1.880 billion.

Statement of Financial Accounting Standards No. 121, "Impairment of Long-lived Assets" (SFAS 121), requires the Company to review for possible impairment, assets to be held for use and assets held for disposal, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and in such event, to record an impairment loss. The Company adopted SFAS 121 in 1996 and evaluated the recoverability of long-lived assets at its properties. Adoption of SFAS 121 in 1996 did not have a material impact on the Company's financial condition or results of operations.

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#### Note 10

##### Business operations and segment information

The Company's primary business activities include newspaper publishing, which is the largest segment of its operations; television and radio broadcasting (16 television stations and five radio stations), the second-largest component; and cable television and alarm security businesses. Newsprint, which is the principal product used in the newspaper publishing business, has been and may continue to be subject to significant price changes from time to time. Virtually all of the Company's operations are in the U.S.

For financial reporting purposes, the Company has established three separate business segments: newspapers; broadcasting (television and radio); and cable and security. Previously, the Company's operations were reported in four segments: newspapers; broadcasting; cable; and a segment for all other business operations.

Concurrent with the sale of the outdoor and entertainment businesses, which were the largest within the "Other Businesses" segment and which now are reported as discontinued operations, the Company eliminated this segment. The alarm security business previously reported in this segment is now reported with the cable business (cable and security segment) with which it is headquartered and managed. The other smaller businesses previously reported in the "Other Businesses" segment, including Telematch, Gannett Direct Marketing and Gannett TeleMarketing, are now reported in the newspaper publishing segment with which they are managed. The accompanying Business Segment Information for 1994, 1995 and 1996 has been restated to reflect these changes.

The newspaper segment at the end of 1996 consisted of 92 daily newspapers in 38 states and two U.S. territories, including USA TODAY, a national, general-interest daily newspaper; and USA WEEKEND, a magazine supplement for newspapers. The newspaper segment also includes non-daily publications, a nationwide network of offset presses for commercial printing, and several smaller businesses.

The broadcasting segment's activities include the operation of television and radio stations. At the end of 1996, the Company owned 16 television stations and five radio stations.

The cable and security segment, which was acquired in connection with the Multimedia purchase, is headquartered in Wichita, Kan., and serves



465,000 cable television subscribers in five states and approximately 111,000 alarm security customers primarily in 10 states.

Separate financial data for each of the Company's three business segments is presented on page 54. Operating income represents total revenue less operating expenses, depreciation and amortization of intangibles. In determining operating income by industry segment, general corporate expenses, interest expense and other income and expense items of a non-operating nature are not considered. Corporate assets include cash and marketable securities, certain investments, long-term receivables and plant and equipment primarily used for corporate purposes. Interest capitalized has been included as a corporate capital expenditure for purposes of segment reporting.

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Report of independent accountants

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of changes in shareholders' equity present fairly, in all material respects, the financial position of Gannett Co., Inc. and its subsidiaries at December 29, 1996 and December 31, 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 29, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP  
Washington, D.C.  
February 4, 1997

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11-Year Summary  
In thousands of dollars,  
except per share amounts

|  | 1996        | 1995        | 1994        | 1993        | 1992        | 1991        |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Net operating revenues:  |             |             |             |             |             |             |
| Newspaper advertising  | \$2,417,550 | \$2,219,250 | \$2,152,671 | \$2,005,037 | \$1,882,114 | \$1,852,591 |
| Newspaper circulation  | 917,677     | 869,173     | 849,461     | 838,706     | 807,093     | 777,221     |
| Broadcasting   | 686,936     | 466,187     | 406,608     | 397,204     | 370,613     | 357,383     |
| Cable and security   | 232,500     | 17,831      | 0           | 0           | 0           | 0           |
| All other  | 166,444     | 171,426     | 174,655     | 169,903     | 167,824     | 134,720     |
| Total (Notes a and b, see page 52)   | 4,421,107   | 3,743,867   | 3,583,395   | 3,410,850   | 3,227,644   | 3,121,915   |
| Operating expenses:  |             |             |             |             |             |             |
| Costs and expenses   | 3,067,332   | 2,728,868   | 2,597,556   | 2,520,278   | 2,440,275   | 2,399,930   |
| Depreciation   | 193,011     | 143,739     | 146,054     | 147,248     | 139,080     | 139,268     |
| Amortization of intangible assets  | 94,359      | 49,328      | 44,110      | 43,771      | 39,197      | 39,621      |
| Total  | 3,354,702   | 2,921,935   | 2,787,720   | 2,711,297   | 2,618,552   | 2,578,819   |
| Operating income   | 1,066,405   | 821,932     | 795,675     | 699,553     | 609,092     | 543,096     |
| Non-operating income (expense):  |             |             |             |             |             |             |
| Interest expense   | (135,563)   | (52,175)    | (45,624)    | (51,250)    | (50,817)    | (71,057)    |
| Other  | 155,825     | 3,754       | 14,945      | 5,350       | 7,814       | 14,859      |
| Income before income taxes   | 1,086,667   | 773,511     | 764,996     | 653,653     | 566,089     | 486,898     |
| Provision for income taxes   | 462,700     | 314,100     | 309,600     | 264,400     | 224,900     | 194,400     |
| Income from continuing operations  | 623,967 (7) | 459,411     | 455,396     | 389,253     | 341,189     | 292,498     |
| Discontinued operations:   |             |             |             |             |             |             |
| Income from the operation of discontinued businesses (net of income taxes) | 24,540      | 17,851      | 10,003      | 8,499       | 4,491       | 9,151       |

|   |             |             |           |           |           |           |
|---|-------------|-------------|-----------|-----------|-----------|-----------|
| Gain on disposal of Outdoor business<br>(net of income taxes)                                     | 294,580     | 0           | 0         | 0         | 0         | 0         |
| Total   | 319,120     | 17,851      | 10,003    | 8,499     | 4,491     | 9,151     |
| Income before cumulative effect of<br>accounting principle changes                                | 943,087     | 477,262     | 465,399   | 397,752   | 345,680   | 301,649   |
| Cumulative effect on prior years of<br>accounting principle changes for:                          |             |             |           |           |           |           |
| Income taxes  | 0           | 0           | 0         | 0         | 34,000    | 0         |
| Retiree health and life insurance   | 0           | 0           | 0         | 0         | (180,000) | 0         |
| Net income  | \$943,087   | \$477,262   | \$465,399 | \$397,752 | \$199,680 | \$301,649 |
| Operating cash flow (6)   | \$1,353,775 | \$1,014,999 | \$985,839 | \$890,572 | \$787,369 | \$721,985 |
| Per share amounts (1)   |             |             |           |           |           |           |
| Income from continuing operations<br>before cumulative effect of<br>accounting principle changes  | \$4.43 (7)  | \$3.28      | \$3.16    | \$2.66    | \$2.37    | \$1.94    |
| Net income  | \$6.69      | \$3.41      | \$3.23    | \$2.72    | \$1.39    | \$2.00    |
| Dividends declared  | 1.42        | 1.38        | 1.34      | 1.30      | 1.26      | 1.24      |
| Shareholders' equity (3)  | 20.74       | 15.26       | 13.04     | 12.98     | 10.94     | 10.71     |
| Weighted average number of common<br>and common equivalent shares<br>outstanding in thousands (2) | 140,891     | 140,156     | 144,276   | 146,474   | 144,148   | 150,783   |
| Financial position:   |             |             |           |           |           |           |
| Current assets  | \$766,605   | \$854,084   | \$650,837 | \$757,957 | \$631,447 | \$636,101 |
| Current liabilities   | 718,996     | 812,772     | 527,054   | 455,139   | 431,551   | 443,835   |
| Working capital   | 47,609      | 41,312      | 123,783   | 302,818   | 199,896   | 192,266   |
| Long-term debt excluding current<br>maturities  | 1,880,293   | 2,767,880   | 767,270   | 850,686   | 1,080,756 | 1,335,394 |
| Shareholders' equity  | 2,930,818   | 2,145,648   | 1,822,238 | 1,907,920 | 1,580,101 | 1,539,487 |
| Total assets  | 6,349,597   | 6,503,800   | 3,707,052 | 3,823,798 | 3,609,009 | 3,684,080 |
| Selected financial percentages and ratios   |             |             |           |           |           |           |
| Percentage increase (decrease):   |             |             |           |           |           |           |
| Earnings from continuing operations,<br>after tax (4)   | 15.5% (5)   | 0.9%        | 17.0%     | 14.1%     | 16.6%     | (17.5%)   |
| Earnings from continuing operations,<br>after tax, per share (4)                                  | 14.8% (5)   | 3.8%        | 18.8%     | 12.3%     | 22.0%     | (12.4%)   |
| Dividends declared per share  | 2.9%        | 3.0%        | 3.1%      | 3.2%      | 1.6%      | 2.5%      |
| Book value per share (3)  | 35.9%       | 17.0%       | 0.5%      | 18.6%     | 2.1%      | (17.5%)   |
| Credit ratios:  |             |             |           |           |           |           |
| Long-term debt to shareholders' equity  | 64.2%       | 129.0%      | 42.1%     | 44.6%     | 68.4%     | 86.7%     |
| Times interest expense earned   | 9.0x        | 15.8x       | 17.8x     | 13.8x     | 12.1x     | 7.9x      |

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|  | 1990        | 1989        | 1988        | 1987        | 1986        |
|--|-------------|-------------|-------------|-------------|-------------|
| Net operating revenues:  |             |             |             |             |             |
| Newspaper advertising  | \$1,917,477 | \$2,018,076 | \$1,908,566 | \$1,787,077 | \$1,588,985 |
| Newspaper circulation  | 730,426     | 718,087     | 685,663     | 645,356     | 575,806     |
| Broadcasting   | 396,693     | 408,363     | 390,507     | 356,815     | 351,133     |
| Cable and security   | 0           | 0           | 0           | 0           | 0           |
| All other  | 125,659     | 115,773     | 103,217     | 88,428      | 75,001      |
| Total (Notes a and b, see page 52)   | 3,170,255   | 3,260,299   | 3,087,953   | 2,877,676   | 2,590,925   |
| Operating expenses:  |             |             |             |             |             |
| Costs and expenses   | 2,353,281   | 2,368,160   | 2,277,254   | 2,107,035   | 1,911,377   |
| Depreciation   | 135,294     | 134,119     | 122,439     | 110,727     | 98,162      |
| Amortization of intangible assets  | 39,649      | 39,100      | 39,445      | 35,974      | 31,324      |
| Total  | 2,528,224   | 2,541,379   | 2,439,138   | 2,253,736   | 2,040,863   |
| Operating income   | 642,031     | 718,920     | 648,815     | 623,940     | 550,062     |
| Non-operating income (expense):  |             |             |             |             |             |
| Interest expense   | (71,567)    | (90,638)    | (88,557)    | (85,681)    | (79,371)    |
| Other  | 10,689      | (18,364)    | 8,292       | 15,013      | 23,076      |
| Income before income taxes   | 581,153     | 609,918     | 568,550     | 553,272     | 493,767     |
| Provision for income taxes   | 226,600     | 235,500     | 228,000     | 254,500     | 240,700     |
| Income from continuing operations  | 354,553     | 374,418     | 340,550     | 298,772     | 253,067     |
| Discontinued operations:   |             |             |             |             |             |
| Income from the operation of<br>discontinued businesses (net of<br>income taxes) | 22,410      | 23,091      | 23,910      | 20,623      | 23,337      |
| Gain on disposal of Outdoor business<br>(net of income taxes)                    | 0           | 0           | 0           | 0           | 0           |
| Total  | 22,410      | 23,091      | 23,910      | 20,623      | 23,337      |
| Income before cumulative effect of<br>accounting principle changes               | 376,963     | 397,509     | 364,460     | 319,395     | 276,404     |
| Cumulative effect on prior years of<br>accounting principle changes for:         |             |             |             |             |             |
| Income taxes   | 0           | 0           | 0           | 0           | 0           |
| Retiree health and life insurance  | 0           | 0           | 0           | 0           | 0           |
| Net income   | \$376,963   | \$397,509   | \$364,460   | \$319,395   | \$276,404   |
| Operating cash flow (6)  | \$816,974   | \$892,139   | \$810,699   | \$770,641   | \$679,548   |
| Per share amounts (1)  |             |             |             |             |             |
| Income from continuing operations<br>before cumulative effect of                 |             |             |             |             |             |

|   |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|
| accounting principle changes  | \$2.22    | \$2.32    | \$2.11    | \$1.85    | \$1.57    |
| Net income  | \$2.36    | \$2.47    | \$2.26    | \$1.98    | \$1.71    |
| Dividends declared  | 1.21      | 1.11      | 1.02      | 0.94      | 0.86      |
| Shareholders' equity (3)  | 12.98     | 12.40     | 11.09     | 9.94      | 8.88      |
| Weighted average number of common and common equivalent shares outstanding in thousands (2) | 160,047   | 161,253   | 161,622   | 161,704   | 161,380   |
| Financial position:   |           |           |           |           |           |
| Current assets  | \$668,690 | \$671,030 | \$665,031 | \$601,220 | \$570,589 |
| Current liabilities   | 500,203   | 477,822   | 500,835   | 474,775   | 432,327   |
| Working capital   | 168,487   | 193,208   | 164,196   | 126,445   | 138,262   |
| Long-term debt excluding current maturities   | 848,633   | 922,470   | 1,134,737 | 1,094,321 | 1,201,370 |
| Shareholders' equity  | 2,063,077 | 1,995,791 | 1,786,441 | 1,609,394 | 1,433,781 |
| Total assets  | 3,826,145 | 3,782,848 | 3,792,820 | 3,510,259 | 3,365,903 |
| Selected financial percentages and ratios   |           |           |           |           |           |
| Percentage increase (decrease):   |           |           |           |           |           |
| Earnings from continuing operations, after tax (4)  | (5.3%)    | 9.9%      | 14.0%     | 18.1%     | 11.7%     |
| Earnings from continuing operations, after tax, per share (4)                               | (4.6%)    | 10.2%     | 14.0%     | 17.8%     | 11.0%     |
| Dividends declared per share  | 9.0%      | 8.8%      | 8.5%      | 9.3%      | 12.4%     |
| Book value per share (3)  | 4.7%      | 11.8%     | 11.6%     | 11.9%     | 11.7%     |
| Credit ratios:  |           |           |           |           |           |
| Long-term debt to shareholders' equity  | 41.1%     | 46.2%     | 63.5%     | 68.0%     | 83.8%     |
| Times interest expense earned   | 9.1x      | 7.7x      | 7.4x      | 7.5x      | 7.2x      |

- (1) Per share amounts have been based upon average number of shares outstanding during each year, giving retroactive effect to adjustment in (2).
- (2) Shares outstanding have been converted to a comparable basis by reflecting retroactively shares issued for a 2-for-1 stock split effective January 6, 1987.
- (3) Based upon year-end shareholders' equity and shares outstanding.
- (4) Before cumulative effect of accounting principle changes.
- (5) Before gain on exchange of broadcasting stations of \$93 million or \$.66 per share.
- (6) Operating cash flow represents operating income plus depreciation and amortization of intangible assets.
- (7) Includes gain on exchange of broadcast stations of \$93 million or \$.66 per share.

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#### Notes to 11-year summary

(a) The Company and its subsidiaries made the acquisitions listed at right during the period. The results of operations of these acquired businesses are included in the accompanying financial information from the date of purchase. Note 2 of the consolidated financial statements on page 40 contains further information concerning certain of these acquisitions.

(b) During the period, the Company sold substantially all of the assets or capital stock of certain other subsidiaries and divisions of other subsidiaries. Note 2 of the consolidated financial statements on page 40 contains further information concerning certain of these dispositions.

#### Acquisitions 1986-1996

##### 1986

Jan. 3 KTKS-FM now KHKS-FM, Dallas  
Feb. 18 The Evening News Association  
July 14 The Courier-Journal and Louisville Times Company  
July 29 KCMO-AM and KBKC-FM, Kansas City  
Sept. 16 KHIT-FM, Seattle  
Dec. 1 Arkansas Gazette Company

##### 1987

July 15 Gannett Direct Marketing Services, Inc.

##### 1988

Feb. 1 WFMY-TV, Greensboro, N.C.  
WTLV-TV, Jacksonville, Fla.  
July 1 New York Subways Advertising Co., Inc. and related companies

##### 1989

Oct. 31 Rockford Magazine  
Nov. 6 Outdoor advertising displays merged into New Jersey Outdoor

##### 1990

March 28 Great Falls (Mont.) Tribune  
May 17 Ye Olde Fishwrapper  
June 18 The Shopper Advertising, Inc.  
Sept. 7 Desert Community Newspapers

Dec. 27 North Santiam Newspapers  
Dec. 28 Pensacola Engraving Co.

1991  
Feb. 11 The Add Sheet  
April 3 New Jersey Publishing Co.  
Aug. 30 The Times Journal Co., including The Journal Newspapers,  
The Journal Printing Co. (now Springfield Offset) and  
Telematch  
Oct. 3 Gulf Breeze Publishing Co.

1992  
April 24 Graphic Publications, Inc.

1993  
Jan. 30 The Honolulu Advertiser  
April 24 Tulare Advance-Register

1994  
May 2 Nursing Spectrum  
June 9 Altoona Herald-Mitchellville Index and the  
Eastern Advantage  
Dec. 1 KTHV-TV, Little Rock

1995  
Dec. 4 Multimedia, Inc.

1996  
Dec. 9 WTSP-TV, Tampa-St. Petersburg, Fla.

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Form 10-K information

Business of the company

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

On December 9, 1996, the Company concluded a transaction to acquire WTSP-TV, the CBS affiliate in Tampa-St. Petersburg, Fla., in exchange for radio stations KIIS/KIIS-FM in Los Angeles, KSDO/KKBH-FM in San Diego and WDAE/WUSA-FM in Tampa. This transaction was completed under the terms of an asset exchange agreement.

For financial reporting purposes, the Company recorded the exchange as two simultaneous but separate events; that is, a sale of radio stations for which a non-cash gain was recognized, and the acquisition of the television station accounted for under the purchase method.

In August 1996, the Company completed the sale of its outdoor advertising business to Outdoor Systems, Inc. for a purchase price of \$713 million in cash. The Company recorded an after-tax gain of \$295 million or \$2.09 per share on this sale.

In December 1996, the Company sold its television entertainment programming business, Multimedia Entertainment, which had been acquired in December 1995 as part of the acquisition of Multimedia, Inc.

Concurrent with the sale of the outdoor and entertainment businesses, the Company established three principal business segments: newspaper publishing, broadcasting, and cable television and alarm security.

The Company's newspapers make up the largest newspaper group in the U.S. in circulation. At the end of 1996, the Company operated 92 daily newspapers, with a total average daily circulation of approximately 6.5 million for 1996, including USA TODAY. The Company also publishes USA WEEKEND, a weekend newspaper magazine, and a number of non-daily publications.

On December 29, 1996, the broadcasting division included 16 television stations in markets with more than 15 million households and five radio stations in markets with a listening population of almost 15 million.

The cable business serves 465,000 subscribers in five states.

The alarm security business, Multimedia Security Service, provides alarm services to 111,000 customers primarily in 10 states.

The Company also owns the following: Gannett News Service, which

provides news services for its newspaper operations; Gannett National Newspaper Sales, which markets the Company's nationwide newspaper advertising resources; Gannett Offset, which includes seven non-heatset printing plants and one heatset printing facility, and coordinates the sale, marketing and production of regional and national commercial offset printing. To offer a nationwide network, Gannett Offset can call on the resources of Gannett newspapers with offset presses to join the Company's dedicated commercial printing plants in Atlanta, Ga.; Chandler, Ariz.; Miramar, Fla.; Nashville, Tenn.; Norwood, Mass.; Pensacola, Fla.; St. Louis, Mo.; and Springfield, Va. The Company also owns: electronic information services, including the USA TODAY Information Network; Gannett Media Technologies International, which develops and markets software and other products for the publishing industry; Gannett Direct Marketing Services, a direct marketing company with operations in Louisville, Ky.; Telematch, a telephone number appending, data enhancement and data processing service bureau; Nursing Spectrum, publisher of biweekly periodicals specializing in advertising for nursing employment; Gannett Digital Xpress, a personalized audio, fax and text information service; and Gannett TeleMarketing, a telephone sales and marketing business.

Business segment financial information

Selected financial information for the Company's business segments is presented on the following page. For a description of the accounting policies related to this information, see Note 10 to the Company's Consolidated Financial Statements. Operating cash flow amounts represent operating income plus depreciation and amortization of intangible assets.

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In thousands of dollars  
Business segment financial information

|                                | 1996            | 1995            | 1994            |
|--------------------------------|-----------------|-----------------|-----------------|
|                                | -----           | -----           | -----           |
| Operating revenues:            |                 |                 |                 |
| Newspaper publishing           | \$3,501,671     | \$3,259,849     | \$3,176,787     |
| Broadcasting                   | 686,936         | 466,187         | 406,608         |
| Cable and Security             | 232,500         | 17,831          | 0               |
|                                | -----           | -----           | -----           |
|                                | \$4,421,107     | \$3,743,867     | \$3,583,395     |
|                                | -----           | -----           | -----           |
| Operating income:              |                 |                 |                 |
| Newspaper publishing           | \$ 786,235      | \$ 701,569      | \$ 733,925      |
| Broadcasting                   | 297,332         | 182,865         | 128,863         |
| Cable and Security             | 47,127          | 4,801           | 0               |
| Corporate                      | (64,289)        | (67,303)        | (67,113)        |
|                                | -----           | -----           | -----           |
|                                | \$1,066,405     | \$ 821,932      | \$ 795,675      |
|                                | -----           | -----           | -----           |
| Depreciation and amortization: |                 |                 |                 |
| Newspaper publishing           | \$ 161,886      | \$ 148,932      | \$ 150,676      |
| Broadcasting                   | 51,561          | 30,107          | 29,089          |
| Cable and Security             | 64,606          | 4,407           | 0               |
| Corporate                      | 9,317           | 9,621           | 10,399          |
|                                | -----           | -----           | -----           |
|                                | \$ 287,370      | \$ 193,067      | \$ 190,164      |
|                                | -----           | -----           | -----           |
| Operating cash flow:           |                 |                 |                 |
| Newspaper publishing           | \$ 948,121      | \$ 850,501      | \$ 884,601      |
| Broadcasting                   | 348,893         | 212,972         | 157,952         |
| Cable and Security             | 111,733         | 9,208           | 0               |
| Corporate                      | (54,972)        | (57,682)        | (56,714)        |
|                                | -----           | -----           | -----           |
|                                | \$1,353,775     | \$1,014,999     | \$ 985,839      |
|                                | -----           | -----           | -----           |
| Identifiable assets:           |                 |                 |                 |
| Newspaper publishing           | \$3,151,385     | \$3,210,275     | \$2,574,415     |
| Broadcasting                   | 1,622,469       | 1,502,342       | 643,157         |
| Cable and Security             | 1,210,000       | 1,188,536       | 0               |
| Corporate                      | 351,526         | 325,134         | 256,256         |
|                                | -----           | -----           | -----           |
|                                | \$6,335,380 (1) | \$6,226,287 (1) | \$3,473,828 (1) |

|                       | -----         | -----         | -----         |
|-----------------------|---------------|---------------|---------------|
| Capital expenditures: |               |               |               |
| Newspaper publishing  | \$ 114,114    | \$ 128,256    | \$ 109,997    |
| Broadcasting          | 14,400        | 19,923        | 11,673        |
| Cable and Security    | 77,991        | 17,447        | 0             |
| Corporate             | 46,874        | 7,324         | 17,392        |
|                       | -----         | -----         | -----         |
|                       | \$ 253,379(2) | \$ 172,950(2) | \$ 139,062(2) |
|                       | -----         | -----         | -----         |

- (1) Excludes assets related to discontinued operations totaling \$14,217 in 1996, \$276,973 in 1995 and \$233,224 in 1994
- (2) Excludes capital expenditures made for discontinued operations totaling \$6,668 for 1996, \$10,586 for 1995 and \$5,792 for 1994

#### Newspaper publishing

On December 29, 1996, the Company operated 92 daily newspapers, including USA TODAY, and a number of non-daily local publications, in 38 states, Guam and the U.S. Virgin Islands. The Newspaper Division is headquartered in Arlington, Va., and on December 29, 1996, it had approximately 32,400 full-time and part-time employees. Newspaper operating revenues accounted for approximately 89% of the Company's net operating revenues in 1994, 87% in 1995 and 79% in 1996.

USA TODAY was introduced in 1982 as the country's first national, general-interest daily newspaper. It is available in all 50 states and is available to readers on the day of publication in the top 100 metropolitan markets in the U.S.

USA TODAY is produced at facilities in Arlington, Va., and is transmitted via satellite to offset printing plants around the country. It is printed at Gannett plants in 21 U.S. markets and under contract at offset plants in 12 other U.S. markets. It is sold at newsstands and vending machines generally at 50 cents a copy. Mail subscriptions are available nationwide and abroad, and home and office delivery is offered in many markets. Approximately 63% of its net paid circulation results from single-copy sales at newsstands or vending machines and the remainder is from home and office delivery, mail and other sales.

For 1996, USA TODAY's advertising revenues and volume each rose 30%, and circulation revenues and volume each rose 4%. USA TODAY's operating income rose dramatically in 1996.

USA TODAY International is printed from satellite transmission under contract in London, Frankfurt and Hong Kong, and is distributed in Europe, the Middle East, Africa and Asia. It is available in more than 90 foreign countries.

The Gannett News Service is headquartered in Arlington, Va., and has bureaus in nine other states (see page 71 for more information). Gannett News Service provides national and regional news coverage and sports, features, photo and graphic services to Gannett newspapers.

The newspaper publishing segment also includes USA WEEKEND, which is distributed as a weekend newspaper supplement in 489 newspapers throughout the country, with a total circulation of 20 million at the end of 1996.

At the end of 1996, 59 of the Company's daily newspapers, including USA TODAY, were published in the morning and 33 were published in the evening.

Individually, Gannett newspapers are the leading news and information source with strong brand recognition in their markets. Their durability lies in the quality of their management, their flexibility, their focus on such customer-directed programs as NEWS 2000, ADvance and ADQ, and their capacity to invest in new technology. Collectively, they form a powerful network to distribute news and advertising information across the nation.

Faced with newsprint-cost pressure, editors combined sharp editing skills to deliver more information in the same or less amount of space with expanded public-journalism efforts (including many election-related programs) which had strong impact in the communities. The Company's NEWS 2000 program, designed to meet the changing needs of readers, prompted greater coverage of key reader-interest topics at each site.

In 1996, the Company continued to implement strategies to increase its revenues from medium and small advertisers in each market it serves as part of its ADvance program. Revenues from these types of advertisers

increased 9% during the year. Introduced in 1992, ADvance is a program designed to increase the number of advertisers in the Company's newspapers and develop marketing partnerships with advertisers. Significant efforts will continue to be taken to further implement the ADvance concepts in 1997 to make the Company's personnel increasingly competitive in their leadership, strategic thinking and marketing skills.

The Newspaper Division's quality initiative, started in 1995 and known as ADQ, had a positive impact on our advertising customers and on the division's financial performance. The quality of ads, proofs and bills improved, producing cost efficiencies and revenue gains throughout the group.

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

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

Technological advances in recent years have had an impact on the way newspapers are produced. Computer-based text editing systems capture drafts of reporters' stories and are then used to edit and produce type for transfer by a photographic process to printing plates. All of the Company's daily newspapers are produced by this method.

"Pagination" enables editors to create a newspaper page by computer, avoiding all or part of the manual "paste-up" of the page before it can be converted into a printing plate. The Company uses pagination systems at 69 newspaper plants.

MASS, the Mobile Advertising Sales System, which provides customer and sales information to sales reps with laptop computers, was installed at nine additional newspapers in 1996. There are now 45 Gannett newspapers installed with MASS and approximately 670 sales reps equipped with laptops. Deployment will continue in 1997 with 14 newspapers slated to receive the system. Newspapers currently installed with MASS will add another 320 laptops, fully outfitting the sales staffs at 35 newspapers.

Celebro Advertising Solutions, originally developed by the Company in 1994 as AdLink, is a suite of software applications that offers major Realtors the capability to control the design, scheduling and content of their advertising in the newspaper, on the Internet, and with audio text-fax back. The Celebro Real Estate System has been installed at 19 Gannett newspapers and at an additional seven non-Gannett newspapers by Gannett Media Technologies International (GMTI). A pilot Celebro Auto System will be tested in early 1997.

The Digital Collections integrated text-photo archive system has been installed at 20 Gannett newspapers, including Rochester, Des Moines, Louisville, Honolulu, Wilmington and Tucson. The system stores, retrieves and distributes text, photos and full-page images of the newspaper in a digital form that can be searched using an easy-to-use interface. GMTI, licensed by DiGiCol, the U.S. subsidiary of Gannett and Digital Collections Verlagsges.mBh, sells and installs Digital Collections systems in North and South America. Installation at Gannett newspapers will continue in 1997.

At the end of 1996, Gannett had 15 of its newspaper properties, including USA TODAY, offering products on the Internet. The Company expects to have as many as 30 sites with Internet projects by the end of 1997. All newspapers experimenting on the Internet in 1995 started new products in 1996 targeted at different customers.

In 1996, Gannett moved to position itself for faster online product implementation, as well as for national marketing, in several joint ventures. Our partnerships in InfiNet with Knight-Ridder and Landmark Communications, New Century Network with eight major media companies, and CareerPath.com with seven major media companies, are intended to give Gannett quality technology support, national advertising sales networked with other online services, and national distribution of locally developed online content.

A major part of Gannett's strategy is to create products that specifically serve online customers with information and services designed for delivery in the new interactive medium. Newspapers have a major opportunity to serve online users' information needs in their communities, but because it is a different medium, we will not capture this opportunity by simply replicating the newspaper in its current print form.

Much of 1996's activity was intended to understand differences in online customer preferences, the medium, and how to develop and create revenue for online services in various product categories.

We believe that specific products should reflect the specific customer needs of a market. Thus, newspapers will offer different

combinations of news, classified, real estate, employment, automotive, sports, entertainment, tourism and community information services, among others.

In the short term, the Company's activities in the online environment are not expected to be profitable, however, that is, of course, the longer-term goal. The Company's spending in these areas is not material to the results of operations.

Sixty daily newspaper plants print by the offset process, and 19 plants print using various letterpress processes.

In recent years, improved technology for all of the newspapers has resulted in greater speed and accuracy and in a reduction in the number of production hours worked per page.

The principal sources of newspaper revenues are circulation and advertising.

Circulation: The table on the following page summarizes the circulation volume and revenues of the newspapers owned by the Company at the end of 1996. USA TODAY circulation is included in this table.

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This table assumes that all newspapers owned by the Company at the end of 1996 were owned during all years shown:

Circulation: newspapers owned on Dec. 29, 1996

|      | Circulation<br>revenues<br>in thousands<br>----- | Daily<br>net paid<br>circulation<br>----- | Sunday<br>net paid<br>circulation<br>----- |
|------|--|---|--|
| 1996 | \$917,677  | 6,513,000                                 | 5,929,000                                  |
| 1995 | \$901,537  | 6,556,000                                 | 6,207,000                                  |
| 1994 | \$877,684  | 6,607,000                                 | 6,394,000                                  |
| 1993 | \$863,927  | 6,610,000                                 | 6,462,000                                  |
| 1992 | \$840,817  | 6,605,000                                 | 6,438,000                                  |

Market conditions forced newsprint prices dramatically higher in 1995 and in the first few months of 1996. Newspaper conservation programs held the newsprint consumption increase to 4%, which includes the added consumption of Multimedia newspapers. The strike in Detroit resulted in a loss of circulation volume, which tempered the increase in newsprint consumption.

Twenty-one of the Company's local newspapers reported gains in daily circulation during 1996, and 11 increased Sunday circulation.

Home-delivery prices for the Company's newspapers are established individually for each newspaper and range from \$1.25 to \$3.60 per week in the case of daily newspapers and from \$.64 to \$2.50 per copy for Sunday newspapers. The Company implemented circulation price increases at 48 newspapers in 1996 and plans increases at 42 newspapers in 1997.

Additional information about the circulation of the Company's newspapers may be found on pages 27-28 and 68-70 of this annual report.

Advertising: The newspapers have advertising departments that solicit retail, classified and national advertising. Gannett National Newspaper Sales (GNNS) also solicits national advertisers and certain national and regional retail advertisers, marketing the Company's nationwide newspaper advertising resources. A detailed analysis of newspaper advertising revenues is presented below and on page 26 of this report.

Retail advertising is display advertising associated with local merchants, such as department and grocery stores. Classified advertising includes the 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 on a nationwide basis. Retail and national advertising may appear in the newspaper itself or in preprinted sections. Generally there are different rates for each category of advertising, and the rates for each newspaper are set independently, varying from city to city.

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

Total newspaper ad revenues on a pro-forma basis rose 4%. This increase



was tempered by the shorter reporting period in 1996.

Classified advertising revenues produced a strong performance in 1996, particularly in the help wanted, real estate and rentals' categories. The number of medium and small retail advertisers also grew during the year. Preprint revenues were affected by reductions in both the number of pages and quantity of inserts as a result of increased newsprint costs in the first part of the year.

For 1997, the Company expects further advertising revenue growth at most of its newspaper properties as a result of increased sales and marketing activities and planned rate increases. The effects of the strike in Detroit are expected to further diminish in 1997. Changes in national economic factors such as interest rates, employment levels and the rate of general economic growth will have an impact on revenues at all of the Company's newspaper operations.

During 1996, Gannett commissioned and published a Media Effectiveness Survey covering all newspapers, Gannett and non-Gannett alike. The key finding was that daily newspapers are, by a wide margin, the medium of choice as consumers' primary advertising/information source for a wide variety of products. The Media Effectiveness Survey was presented as "Newspapers, The Welcome Medium" and was promoted through a series of ads in Gannett newspapers, trade publications and some non-Gannett newspapers.

The following chart summarizes the advertising lineage (in six-column inches) and advertising revenues of the newspapers owned by the Company at the end of 1996. This chart assumes that all of the newspapers owned at the end of 1996 were owned throughout the years shown:

Advertising newspapers owned on Dec. 29, 1996

|      | Advertising<br>revenues<br>in thousands<br>----- | Inches of<br>advertising<br>excluding preprints<br>----- |
|------|--|--|
| 1996 | \$2,415,205                                      | 71,245,000   |
| 1995 | \$2,325,523                                      | 72,239,000   |
| 1994 | \$2,223,426                                      | 72,740,000   |
| 1993 | \$2,083,629                                      | 70,154,000   |
| 1992 | \$2,000,117                                      | 69,269,000   |

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

The rate of development of opportunities in and competition from emerging electronic communications services, including those related to the Internet and the World Wide Web, is increasing. Through internal development programs, acquisitions and partnerships, the Company's efforts to explore new opportunities in news, information and communications businesses have been expanded.

At the end of 1996, The Cincinnati Enquirer, The Detroit News, the El Paso (Texas) Times, The Honolulu Advertiser, The Tennessean at Nashville and the Tucson (Ariz.) Citizen were published under joint operating agreements with non-Gannett newspapers located in the same cities. All of these agreements provide for joint business, advertising, production and circulation operations and a contractual division of profits. The editorial and reporting staffs of the Company's newspapers, however, are separate and autonomous from those of the non-Gannett newspapers.

Properties: Generally, the Company owns the plants that house all aspects of the newspaper publication process. In the case of USA TODAY, at December 29, 1996, 12 non-Gannett printers were used to print the newspaper in the U.S. in markets where there are no Company newspapers with appropriate facilities. Three non-Gannett printers in foreign countries are used to print USA TODAY International. USA WEEKEND and

Nursing Spectrum are also printed under contracts with commercial printing companies. Many of the Company's newspapers also have outside news bureaus and sales offices, which generally are leased. In a few cities, two or more of the Company's newspapers share combined facilities; and in two locations, facilities are shared with other newspaper properties under joint operating agreements. The Company's newspaper properties have rail siding facilities or access to main roads for newsprint delivery purposes and are conveniently located for distribution purposes.

During the past five years, new or substantial additions or remodeling of existing newspaper facilities have been completed or are at some stage of construction at 13 of the Company's newspaper operations. As part of the Company's annual capital expenditure program, its properties are improved or upgraded on a regular basis. The Company's facilities are adequate for present operations.

Raw materials: Newsprint is the basic raw material used to publish newspapers. During 1996, the Company's newsprint consumption was approximately 825,000 metric tons, including the Company's portion of newsprint consumed at joint operating agencies, consumption by USA WEEKEND and USA TODAY tonnage consumed at non-Gannett print sites. Newsprint consumption was up 4% in 1996 primarily because of incremental consumption by Multimedia newspapers. The Company purchases newsprint from 29 North American and offshore suppliers under contracts which expire at various times through 2010.

During 1996, all of the Company's newspapers consumed some recycled newsprint. For the year, approximately 81% of the Company's newsprint consumption contained recycled content.

In 1996, 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 1996 rose 11% compared to the 1995 average cost. In the first and second quarters of 1996, the average cost of newsprint consumed was substantially higher than the prior year. But, as a result of excess newsprint supply on the world market, the market price for newsprint peaked in the first quarter and then declined through the end of the year. Some suppliers have announced plans to increase prices in 1997. However, it is not certain if market conditions will support those plans. In the absence of any newsprint price changes in 1997, the Company's average cost per ton consumed will be approximately 25% less in 1997 than in 1996 because of the carryover effect of newsprint price reductions in 1996.

Regulation: Gannett is committed to protecting the environment. Our goal is to ensure that Gannett facilities are in compliance with federal, state and local environmental laws and to incorporate appropriate environmental practices and standards in our newspaper, broadcast and cable and security operations. The Company employs a corporate environmental manager responsible for oversight not only of regulatory compliance but also of preventive measures. The Company is one of the industry leaders in the use of recycled newsprint. The Company increased usage of newsprint containing recycled content from 42,000 metric tons in 1989 to more than 666,000 metric tons in 1996. The Company's newspapers use inks, photographic chemicals, solvents and fuels. The use and disposal of these substances may be regulated by federal, state and local agencies. Through its Environmental Compliance Plan, the Company is taking effective measures to maintain compliance with environmental laws. Any release into the environment may create obligations to private and governmental entities under a variety of statutes and rules regulating the environment.

Several of the Company's newspaper subsidiaries have been included among the potentially responsible parties in connection with the alleged disposal of ink or other chemical wastes at disposal sites which have been subsequently identified as inactive hazardous waste sites by the U.S. Environmental Protection Agency ("EPA") or comparable state agencies. At one of these sites, one of the Company's subsidiaries is a defendant in a case brought by the EPA where the amount in controversy is approximately \$250,000. The Company believes its liability is substantially less and is defending the case. The Company provides for costs associated with these matters in accordance with generally

accepted accounting principles. The Company does not believe that these matters will have any significant impact on its financial condition or

results of operations. Additional information about the Company's newspapers may be found on pages 68-71 of this report.

#### Broadcasting

On December 29, 1996, the Company's television division, headquartered in Arlington, Va., included 16 television stations, in markets with a total of more than 15 million households. The Company's radio division includes five radio stations in three markets with a listening population of almost 15 million. As part of the Multimedia purchase in December 1995, five television stations and two radio stations were added to the Company's broadcasting group. The Multimedia radio stations were sold in May 1996 and the Company also exchanged six radio stations for a television station in December 1996.

At the end of 1996, the broadcasting division had approximately 2,900 full-time and part-time employees. Broadcasting revenues accounted for approximately 16% of the Company's reported operating revenues in 1996, 12% in 1995 and 11% in 1994.

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

Advertising rates charged by a television station are based primarily upon the station's ability to attract viewers, demographics and the number of television households in the area served by the station. Practically all national advertising is placed through independent advertising representatives. Local advertising time is sold by each station's own sales force.

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

Each radio station with a network affiliation generally is paid a flat annual fee under its affiliation agreement. Local programming quality and the geographic coverage of its signal are key factors in a radio station's competitive position within the market. Since most radio programming originates locally, network affiliation has little effect on a radio station's competitive position.

**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 increased their locally produced news and entertainment programming in an effort to provide programs that distinguish the stations from the competition and to better control costs.

**Properties:** The Company's broadcasting facilities are adequately equipped with the necessary television and radio broadcasting equipment. The Company owns transmitter sites in 17 locations and leases sites in six others.

During the past five years, new broadcasting facilities have been built in Denver and Washington, D.C. Substantial additions or improvements were completed in Austin and Dallas, Texas, Greensboro, N.C., Little Rock, Phoenix, Atlanta and Washington, D.C. Substantial remodeling is underway in Jacksonville and is being planned for Knoxville. The Company's broadcast facilities are adequate for present purposes.

**Competition:** In each of its broadcasting markets, the Company's stations compete for revenues with other network-affiliated and independent television and radio broadcasters and with other advertising media, such as cable television, newspapers, magazines and outdoor advertising. The Company's broadcasting stations compete principally on the basis of their market share, advertising rates and audience composition.

Network programming constitutes a substantial part of the programs broadcast on the Company's television stations, and the Company's competitive position is directly affected by viewer acceptance of network programming. Local news has been most important to a station's success and there is a growing emphasis on other forms of local programming as well as continuing involvement in the local community.

Other sources of present and potential competition for the Company's broadcasting properties include pay cable, home video and audio recorders and video disc players, direct broadcast satellite and low power

television. Some of these competing services have the potential of providing improved signal reception or increased home entertainment selection, and they are continuing development and expansion.

Regulation: The Company's television and radio 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).

Under amendments to the Communications Act effected by the Telecommunications Act of 1996 (the 1996 Act), television and radio broadcast licenses will be granted for a maximum period of eight years. (The periods were formerly five years and seven years, respectively.) Television and radio broadcast licenses are renewable upon application to the FCC and in the past usually have been 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 has resulted in loss of the license. The Company believes it is in substantial compliance with all applicable provisions of the Communications Act and FCC Regulations.

FCC Regulations also prohibit concentrations of broadcasting control and regulate network programming. FCC Regulations governing multiple ownership prohibit the common ownership or control of most communications media serving common market areas (for example, television and radio; television and daily newspapers; radio and daily newspapers; or television and cable television). Pursuant to the 1996

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Act, permanent waivers can be sought for television and radio ownership in the top 50 markets, however. Also, the 1996 Act limits the television broadcast interests held by any person to assure that stations under common control do not exceed an aggregate national audience reach of 35 percent. (Prior to enactment of the 1996 Act, the cap on audience reach was 25 percent and no single party could own more than 12 stations.) Presently, the Company's 16 television stations reach an aggregate of 16% of U.S. TV households.

The FCC's consent to the Company's December 1995 acquisition of control of five television stations and two radio stations owned by Multimedia, Inc. was conditioned on the Company's compliance (within 12 months) with FCC "one-to-a-market" rules. On January 31, 1997, the Company traded its television stations in Oklahoma City and Cincinnati for television stations in Grand Rapids and Buffalo, which resolved the FCC conditions affecting (1) cross-ownership of TV and cable systems in the area of Oklahoma City; (2) cross-ownership of a daily newspaper and a TV station in Cincinnati. In May 1996, the Company sold its two radio stations in Macon, Ga., resolving the FCC radio and TV cross-ownership issue in that market. On November 12, 1996, the Company filed a request to extend its existing waiver for ownership of both Macon and Atlanta TV stations. The FCC has not yet granted the extension; however, the Company believes that under the FCC's proposed rulemaking it will be able to maintain ownership of both Macon and Atlanta TV.

The 1996 Act deregulated radio and television ownership rules so as to permit larger ownership groups and, in the top 50 television markets, more TV-radio combinations than were permitted under prior FCC rules. Limits on the number of radio stations commonly owned on a national basis were eliminated, and local radio ownership limits were expanded, depending on the number of stations operating in the local radio market. Also, competing applications will not be accepted at the time of license renewal, and will not be entertained at all unless the FCC first concludes that license renewal would not serve the public interest. It will be necessary for the FCC to amend many existing FCC Regulations to implement the 1996 Act, and this process has not yet been completed.

Other matters: Gannett Broadcasting, along with CBS Radio and Westinghouse Electric subsidiaries Group W Radio and Xetron Corporation, have formed a partnership, USA Digital Radio, to develop in-band on-channel AM and FM digital audio broadcasting (DAB) systems. During 1996, the partnership withdrew its systems from the National Radio Systems Committee's testing and evaluation process. The partnership is continuing development of its system but Gannett Broadcasting has reduced its participation in the partnership. USA Digital Radio's success is dependent on FCC approval of its techniques for broadcasting DAB within the AM and FM radio bands.

Additional information about the Company's television and radio stations may be found on page 72 of this annual report.

## Cable

On December 29, 1996, the Company's cable division, headquartered in Wichita, Kan., operated cable television systems serving 465,000 subscribers in Kansas, Oklahoma, Illinois, Indiana and North Carolina. The cable division was acquired on December 4, 1995 as part of the Multimedia purchase. At the end of 1996, the cable division had approximately 1,000 full-time and part-time employees.

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

The principal sources of the Company's cable division revenues are: 1) monthly fees paid by subscribers for primary services generally consisting of local and distant broadcast stations and public, educational and governmental channels required by local franchising authorities and a variety of satellite-delivered entertainment and information channels; 2) monthly and per-event fees paid by subscribers for premium television services which provide special programs such as recently released movies, entertainment programs or selected sports events. Subscribers can receive these programs on a designated channel of the cable system which is restricted with electronic security devices to isolate the pay television signal so that only subscribers to the service can receive it; 3) local advertising revenues; 4) a share of revenues from sales of products on home shopping services offered by the Company to its subscribers; and 5) in the case of its Wichita system, revenues from the lease of certain fiber-optic capacity to a partnership engaged in competitive access telephone services.

The Company holds approximately 160 franchises from local governing authorities which permit the Company to operate a cable television system in the granting community. These franchises, which expire at varying dates ranging from one to 18 years, are generally non-exclusive and may be terminated for failure to comply with specified conditions. In most cases, the Company is required to pay fees generally ranging from 3% to 5% of a system's revenues, to the local governing authority granting a franchise. At the end of 1996, approximately 118 systems, which account for more than 79% of the Company's subscribers, have franchise agreements expiring in the year 2001 and beyond.

The following table shows certain cable division information as of the end of 1996, 1995 and 1994.

|   | 1996    | 1995    | 1994    |
|---|---------|---------|---------|
| Homes passed                                    | 761,000 | 738,000 | 710,000 |
| Basic subscribers                               | 465,000 | 458,000 | 432,000 |
| Pay subscribers                                 | 333,000 | 336,000 | 339,000 |
| Basic penetration                               | 61.1%   | 62.1%   | 60.8%   |
| Pay-to-basic ratio                              | 71.6%   | 73.4%   | 78.5%   |
| Average monthly revenue<br>per cable subscriber | \$35.00 | \$32.29 | \$32.56 |

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

Properties: The Company's cable systems and facilities are adequately equipped with the necessary cable equipment. Prior to acquisition by the Company, the cable division began a major rebuild program to install fiber-optic cable and upgrade the technical capabilities of its cable systems. The rebuild program, which will extend for approximately one more year, will enhance services through improved picture quality and reliability, and will provide the ability to offer additional services to subscribers.

At December 29, 1996, 74% of the Company's cable subscribers had advanced technical facilities (550MHz to 750MHz) capable of 80 and 110 channel capacity, respectively. By the end of 1997, the Company expects to have approximately 94% of its subscribers on systems with a capacity of 80 channels or more. The rebuild plans include the future integration of digital compression and the installation of interactive converter boxes where they provide a direct financial return. The Company

estimates that approximately 50% of the Company's subscribers might have the new converters within the next five years. The Company believes its technological upgrades will prepare it for new competitors and potential revenue opportunities.

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

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

**Other matters:** The Company entered into a partnership with Hyperion Telecommunications, Inc., a subsidiary of Adelpia Cable, to construct and operate competitive access telephone services in its Wichita franchise area. The construction of the network is complete and the partnership is operating.

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

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

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

The 1992 Act rate regulations apply to basic service (which includes broadcast signals) unless a cable system is subject to "effective competition." Virtually all cable systems are subject to rate regulation. To regulate rates for basic service, local officials must follow detailed FCC guidelines and procedures. The 1992 Act also regulates non-basic (cable programming) rates. FCC rules also limit rates for consumer equipment. The rules permit cable companies periodic rate increases for inflation and certain external costs.

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

The 1992 Act provides an incumbent cable operator with protections against denial of its franchise renewal, including the right to a fair hearing and a right of appeal. Nevertheless, franchise renewal is not assured. Upon renewal, new or more onerous requirements, such as upgrading of facilities and services or higher franchising fees, may occur.

permission to retransmit copyrighted material in exchange for royalty payments. The amount of the royalty payments varies.

The 1996 Act changed cable television regulation in several respects. It eliminated the ban on telephone companies offering video services. In some cases, telephone video services will be exempt from the local franchising requirement, from rate regulation, and from customer service and other FCC Regulations. Subject to adoption of final FCC Regulations, the 1996 Act permits cable operators to provide telephone services, without the requirement of a local franchise. Network/cable cross-ownership now will be permitted, and the statutory prohibition on broadcast/cable cross-ownership has been repealed, and the FCC is expected to review its own broadcast/cable cross-ownership rule.

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

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

#### Alarm security business

The Company's alarm security business, Multimedia Security Service, provides alarm monitoring services for residential and commercial customers. Multimedia Security Service is headquartered in Wichita, Kan. Monitoring equipment located on the customer's premises transmits a signal by telephone or radio to a central monitoring station at the Company's headquarters whenever the customer's alarm is triggered. At the end of 1996, Multimedia Security Service employed approximately 500 full-time and part-time employees.

At the end of 1996, the Company serviced approximately 111,000 customers, 94% of which are in 10 states: Arizona, California, Florida, Georgia, Illinois, Kansas, Missouri, Oklahoma, Tennessee and Texas.

The Company's efforts to expand its customer base include the acquisition of accounts from dealers or other security service businesses, and to a lesser degree through internal sales efforts. Generally, monitoring contracts are for three years. To maximize growth potential and retention of customers, the Company strives to be a leader in the industry in alarm response time and reliability.

**Properties:** The Company owns its security service headquarters and central monitoring station facility in Wichita, Kan., construction of which was completed in 1994. The Company leases office space for its service and sales offices. The Company's properties are adequate for present operations and its central monitoring facility and equipment are technologically advanced and can accommodate a significant increase in the customer base.

**Competition:** The Company competes with other alarm security businesses in its markets on the basis of the quality and reliability of its service, and pricing. The Company also competes with other alarm security businesses for the acquisition of existing security accounts.

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#### Corporate facilities

The Company leases office space for its headquarters in Arlington, Va., and also owns data processing facilities in nearby Maryland. The capital expenditure program for 1994, 1995 and 1996 included amounts for leasehold improvements, land, building, furniture, equipment and fixtures for headquarters operations. Headquarters facilities are adequate for present operations. In September 1996, the Company purchased 30 acres of land in Fairfax County, Va., for possible use as a future site for corporate headquarters and perhaps other operations.

#### Employee relations

On December 29, 1996, the Company and its subsidiaries had 37,200 full-time and part-time employees. On the basis of hours worked, the Company employed the equivalent of 33,300 full-time employees. Six of the Company's newspapers are published together with non-Company newspapers pursuant to joint operating agreements, and the employment

numbers above include the Company's pro-rata share of employees at those joint production and business operations.

Approximately 15% of those employed by the Company and its subsidiaries are represented by labor unions. They are represented by 103 local bargaining units affiliated with 12 international unions under collective bargaining agreements. These agreements conform generally with the pattern of labor agreements in the newspaper and broadcasting industries. The Company does not engage in industrywide or companywide bargaining. The Company strives to maintain good relationships with its employees.

On July 13, 1995, approximately 2,500 workers from six unions began a strike against the Company's largest local newspaper, The Detroit News, the Detroit Newspaper Agency and the Detroit Free Press, its agency partner. The strike was precipitated by unrealistic and excessive demands by the unions for wage increases and position levels. The strike has ended but a subscriber and advertiser boycott continues, as the unions do not yet have contracts.

Throughout the strike and despite union efforts at stopping delivery, intimidation and frequent violence, the newspapers have published every day. Managers from The News, the Free Press and the agency, working with employees from other Gannett and Knight-Ridder newspapers, have maintained successful operations. More than 400 employees have returned to work and approximately 1,400 replacement workers have been employed to fill all other necessary positions.

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

In 1990, the Company established a 401(k) Savings Plan which is available to most of its employees.

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#### Acquisitions and dispositions 1992-1996

The growth of the Company has resulted from acquisitions of businesses, as well as from internal expansion. Its significant acquisitions since the beginning of 1992 are shown below. The Company has disposed of several businesses during this period, which also are presented.

#### Acquisitions 1992-1996

| Year acquired | Name  | Location                   | Publication times or business  |
|---------------|---|----------------------------|--|
| 1992          | Graphic Publications, Inc.                    | Richmond, Ind.             | Weekly   |
| 1993          | The Honolulu Advertiser                       | Honolulu, Hawaii           | Daily  |
|               | Tulare Advance-Register                       | Tulare, Calif.             | Daily  |
| 1994          | Nursing Spectrum                              | Various                    | Biweekly periodicals   |
|               | Altoona Herald                                | Altoona, Iowa              | Weekly; Weekly   |
|               | Mitchellville Index and the Eastern ADvantage |                            | advertising shopper  |
|               | KTHV-TV                                       | Little Rock, Ark.          | Television station   |
| 1995          | Multimedia, Inc.                              | Greenville, S.C.           | Ten daily newspapers, various non-dailies, five television stations, two radio stations, cable television franchises in five states, alarm security business, television entertainment programming |
| 1996          | WTSP-TV                                       | Tampa-St. Petersburg, Fla. | Television station   |

#### Dispositions 1992-1996



| Year sold | Name  | Location   | Publication times or business  |
|-----------|---|--|--|
| 1992      | Phoenix Outdoor   | Phoenix, Ariz.   | Outdoor advertising  |
| 1993      | Honolulu Star-Bulletin<br>KCMO/KCMO-FM<br>KUSA/KSD-FM<br>WLVI-TV  | Honolulu, Hawaii<br>Kansas City, Mo.<br>St. Louis, Mo.<br>Boston, Mass.  | Daily<br>Radio stations<br>Radio stations<br>Television station  |
| 1994      | The Stockton Record   | Stockton, Calif.   | Daily and Sunday   |
| 1995      | The Add Sheet   | Columbia, Mo.  | Weekly advertising shopper   |
| 1996      | WMAZ/WAYS-FM<br>Gannett Outdoor Group<br><br>Multimedia Entertainment<br><br>Louis Harris and Associates, Inc.<br>Gannett Community Directories<br>KIIS/KIIS-FM<br>KSDO/KKBH-FM<br>WDAE/WUSA-FM | Macon, Ga.<br>Various major markets, U.S. and Canada<br>New York, N.Y.<br>New York, N.Y.<br>Paramus, N.J.<br>Los Angeles, CA<br>San Diego, CA<br>Tampa, Fla. | Radio stations<br>Outdoor advertising<br><br>Television entertainment programming<br>Polling and research<br>Community directories<br>Radio stations<br>Radio stations<br>Radio stations |

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QUARTERLY STATEMENTS OF INCOME  
In thousands of dollars

| Fiscal year ended December 29, 1996                                       | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Total       |
|---|-------------|-------------|-------------|-------------|-------------|
| Net operating revenues:   |             |             |             |             |             |
| Newspaper advertising   | \$ 556,885  | \$ 604,980  | \$ 585,814  | \$ 669,871  | \$2,417,550 |
| Newspaper circulation   | 229,417     | 227,260     | 229,197     | 231,803     | 917,677     |
| Broadcasting  | 141,688     | 176,306     | 178,879     | 190,063     | 686,936     |
| Cable and security  | 56,612      | 57,732      | 58,332      | 59,824      | 232,500     |
| All other   | 39,281      | 43,016      | 40,481      | 43,666      | 166,444     |
| Total   | 1,023,883   | 1,109,294   | 1,092,703   | 1,195,227   | 4,421,107   |
| Operating expenses:   |             |             |             |             |             |
| Cost of sales and operating expenses, exclusive of depreciation           | 590,515     | 587,515     | 612,888     | 576,930     | 2,367,848   |
| Selling, general and administrative expenses, exclusive of depreciation   | 168,707     | 168,590     | 174,533     | 187,654     | 699,484     |
| Depreciation  | 48,837      | 49,034      | 48,772      | 46,368      | 193,011     |
| Amortization of intangible assets   | 23,515      | 23,481      | 23,472      | 23,891      | 94,359      |
| Total   | 831,574     | 828,620     | 859,665     | 834,843     | 3,354,702   |
| Operating income  | 192,309     | 280,674     | 233,038     | 360,384     | 1,066,405   |
| Non-operating (expense) income:   |             |             |             |             |             |
| Interest expense  | (39,528)    | (38,403)    | (34,111)    | (23,521)    | (135,563)   |
| Other   | (1,583)     | (657)       | (3,917)     | 161,982     | 155,825     |
| Total   | (41,111)    | (39,060)    | (38,028)    | 138,461     | 20,262      |
| Income before income taxes  | 151,198     | 241,614     | 195,010     | 498,845     | 1,086,667   |
| Provision for income taxes  | 64,750      | 104,375     | 83,800      | 209,775     | 462,700     |
| Income from continuing operations   | 86,448      | 137,239     | 111,210     | 289,070     | 623,967     |
| Discontinued operations   |             |             |             |             |             |
| Income from the operation of discontinued operations, net of income taxes | 2,902       | 12,777      | 8,861       |             | 24,540      |
| Gain from the sale of discontinued operations, net of income taxes        |             |             | 294,580     |             | 294,580     |
| Total income from discontinued operations                                 | 2,902       | 12,777      | 303,441     | 0           | 319,120     |
| Net income  | \$ 89,350   | \$ 150,016  | \$ 414,651  | \$ 289,070  | \$ 943,087  |
| Earnings per share:   |             |             |             |             |             |
| Earnings from continuing operations (1)                                   | \$0.62      | \$0.98      | \$0.79      | \$2.05      | \$4.43      |
| Earnings from discontinued operations:                                    |             |             |             |             |             |
| Discontinued operations, net of tax                                       | \$0.02      | \$0.09      | \$0.06      |             | \$0.17      |
| Gain from sale of discontinued operations, net of tax                     |             |             | \$2.09      |             | \$2.09      |

|                          |        |        |        |        |        |
|--------------------------|--------|--------|--------|--------|--------|
| Net income per share (1) | \$0.64 | \$1.07 | \$2.94 | \$2.05 | \$6.69 |
|--------------------------|--------|--------|--------|--------|--------|

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

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QUARTERLY STATEMENTS OF INCOME

In thousands of dollars

| Fiscal year ended December 31, 1995  | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Total       |
|--|-------------|-------------|-------------|-------------|-------------|
| Net operating revenues:  |             |             |             |             |             |
| Newspaper advertising  | \$ 516,742  | \$ 567,134  | \$ 508,821  | \$ 626,553  | \$2,219,250 |
| Newspaper circulation  | 211,964     | 214,045     | 209,445     | 233,719     | 869,173     |
| Broadcasting   | 96,983      | 120,880     | 104,787     | 143,537     | 466,187     |
| Cable and security   | 0           | 0           | 0           | 17,831      | 17,831      |
| All other  | 37,535      | 43,294      | 41,810      | 48,787      | 171,426     |
| Total  | 863,224     | 945,353     | 864,863     | 1,070,427   | 3,743,867   |
| Operating expenses:  |             |             |             |             |             |
| Cost of sales and operating expenses,<br>exclusive of depreciation           | 501,776     | 507,070     | 510,661     | 590,236     | 2,109,743   |
| Selling, general and administrative expenses,<br>exclusive of depreciation   | 155,004     | 156,880     | 148,996     | 158,245     | 619,125     |
| Depreciation   | 35,248      | 34,948      | 34,347      | 39,196      | 143,739     |
| Amortization of intangible assets  | 11,201      | 11,167      | 11,168      | 15,792      | 49,328      |
| Total  | 703,229     | 710,065     | 705,172     | 803,469     | 2,921,935   |
| Operating income   | 159,995     | 235,288     | 159,691     | 266,958     | 821,932     |
| Non-operating (expense) income:  |             |             |             |             |             |
| Interest expense   | (11,732)    | (10,878)    | (9,113)     | (20,452)    | (52,175)    |
| Other  | (529)       | (1,198)     | 1,100       | 4,381       | 3,754       |
| Total  | (12,261)    | (12,076)    | (8,013)     | (16,071)    | (48,421)    |
| Income before income taxes   | 147,734     | 223,212     | 151,678     | 250,887     | 773,511     |
| Provision for income taxes   | 59,700      | 90,500      | 61,400      | 102,500     | 314,100     |
| Income from continuing operations  | 88,034      | 132,712     | 90,278      | 148,387     | 459,411     |
| Discontinued operations:   |             |             |             |             |             |
| Income from the operation of discontinued<br>operations, net of income taxes | (1,828)     | 6,711       | 5,823       | 7,145       | 17,851      |
| Gain from the sale of discontinued operations,<br>net of income taxes        | 0           | 0           | 0           | 0           | 0           |
| Total income from discontinued operations                                    | (1,828)     | 6,711       | 5,823       | 7,145       | 17,851      |
| Net income   | \$ 86,206   | \$ 139,423  | \$ 96,101   | \$ 155,532  | \$ 477,262  |
| Earnings per share:  |             |             |             |             |             |
| Earnings from continuing<br>operations (1)                                   | \$0.63      | \$0.95      | \$0.65      | \$1.06      | \$3.28      |
| Earnings from discontinued operations:                                       |             |             |             |             |             |
| Discontinued operations, net of tax  | (\$0.01)    | \$0.05      | \$0.04      | \$0.05      | \$0.13      |
| Gain from sale of discontinued<br>operations, net of tax                     |             |             |             |             |             |
| Net income per share (1)   | \$0.62      | \$1.00      | \$0.69      | \$1.11      | \$3.41      |

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

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SCHEDULES TO FORM 10-K INFORMATION

In thousands of dollars

Property, plant & equipment

| Classification   | Balance at<br>beginning<br>of period | Additions<br>at cost | Retirements<br>or sales | Other<br>changes | Balance at end<br>of period |
|--|--------------------------------------|----------------------|-------------------------|------------------|-----------------------------|
| Dec. 25, 1994  |                                      |                      |                         |                  |                             |
| Land   | \$131,676                            | \$878                | \$687                   | \$(1,701)        | \$130,166                   |
| Buildings & improvements   | 689,103                              | 9,216                | 7,356                   | (374)            | 690,589                     |
| Advertising display structures                                   | 262,145                              | 3,031                | 3,067                   | (2,577)          | 259,532                     |
| Machinery, equipment & fixtures                                  | 1,673,237                            | 100,145              | 105,368                 | 1,178            | 1,669,192                   |
| Construction in progress and<br>deposits on contracts            | 38,449                               | 37,998               | 11,457                  | (13)             | 64,977                      |
|  | \$2,794,610                          | \$151,268 (A) (E)    | \$127,935               | \$(3,487) (D)    | \$2,814,456                 |
| Dec. 31, 1995  |                                      |                      |                         |                  |                             |
| Land   | \$130,166                            | \$11,328             | \$2,943                 | \$50             | \$138,601                   |
| Buildings & improvements   | 690,589                              | 56,301               | 7,501                   | 121              | 739,510                     |
| Cable and security systems and<br>advertising display structures | 259,532                              | 407,832              | 2,979                   | 1,086            | 665,471                     |
| Machinery, equipment & fixtures                                  | 1,669,192                            | 272,112              | 46,828                  | 417              | 1,894,893                   |

|   |             |                   |           |             |             |
|---|-------------|-------------------|-----------|-------------|-------------|
| Construction in progress and deposits on contracts            | 64,977      | 56,211            | 0         | 3           | 121,191     |
|   | \$2,814,456 | \$803,784 (B) (E) | \$60,251  | \$1,677 (D) | \$3,559,666 |
| Dec. 29, 1996   |             |                   |           |             |             |
| Land  | \$138,601   | \$47,982          | \$11,067  | \$(678)     | \$174,838   |
| Buildings & improvements                                      | 739,510     | 54,419            | 28,455    | 4,982       | 770,456     |
| Cable and security systems and advertising display structures | 665,471     | 91,953            | 276,162   | (209)       | 481,053     |
| Machinery, equipment & fixtures                               | 1,894,893   | 150,005           | 114,865   | (3,975)     | 1,926,058   |
| Construction in progress and deposits on contracts            | 121,191     | (50,696)          | (913)     | (413)       | 70,995      |
|   | \$3,559,666 | \$293,663 (C) (E) | \$429,636 | \$(293) (D) | \$3,423,400 |

Notes

- (A) Includes assets at acquisition net of adjustments for prior years' acquisitions \$ 6,414  
(B) Includes assets at acquisition net of adjustments for prior years' acquisitions \$ 620,248  
(C) Includes assets at acquisition net of adjustments for prior years' acquisitions \$ 33,616  
(D) Principally the effect of current foreign currency translation adjustment.  
(E) Includes capitalized interest of \$563 in 1994, \$2,529 in 1995 and \$3,643 in 1996.  
(F) Generally the rates of depreciation range from 2.5% to 10% for buildings and improvements, 3.3% to 20% for cable and security systems and advertising display structures and 4% to 30% for machinery, equipment and fixtures.  
(G) Includes depreciation expense reflected with earnings from discontinued operations of \$10,676 in 1996, \$15,918 in 1995 and \$17,188 in 1994.

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SCHEDULES TO FORM 10-K INFORMATION

In thousands of dollars  
Accumulated depreciation and amortization of property, plant and equipment

|   | Balance at beginning of period | Additions charged to costs and expenses | Retirements or sales | Other changes | Balance at end of period |
|---|--------------------------------|---|----------------------|---------------|--------------------------|
| Dec. 25, 1994   |                                |   |                      |               |                          |
| Buildings and improvements                                    | \$250,851                      | \$26,643                                | \$5,431              | \$(534)       | \$271,529                |
| Advertising display structures                                | 139,525                        | 13,150                                  | 2,273                | (1,422)       | 148,980                  |
| Machinery, equipment and fixtures                             | 925,965                        | 123,449                                 | 83,748               | 137           | 965,803                  |
|   | \$1,316,341                    | \$163,242 (F) (G)                       | \$91,452             | \$(1,819) (D) | \$1,386,312              |
| Dec. 31, 1995   |                                |   |                      |               |                          |
| Buildings and improvements                                    | \$271,529                      | \$25,818                                | \$2,422              | \$308         | \$295,233                |
| Cable and security systems and advertising display structures | 148,980                        | 14,488                                  | 2,046                | 524           | 161,946                  |
| Machinery, equipment and fixtures                             | 965,803                        | 119,351                                 | 53,420               | 66            | 1,031,800                |
|   | \$1,386,312                    | \$159,657 (F) (G)                       | \$57,888             | \$898 (D)     | \$1,488,979              |
| Dec. 29, 1996   |                                |   |                      |               |                          |
| Buildings and improvements                                    | \$295,233                      | \$25,103                                | \$15,139             | \$(4,422)     | \$300,775                |
| Cable and security systems and advertising display structures | 161,946                        | 25,761                                  | 169,625              | 14,515        | 32,597                   |
| Machinery, equipment and fixtures                             | 1,031,800                      | 152,823                                 | 87,239               | (1,416)       | 1,095,968                |
|   | \$1,488,979                    | \$203,687 (F) (G)                       | \$272,003            | \$8,677 (D)   | \$1,429,340              |

(D) (F) and (G) See page 66

Valuation and qualifying accounts

|                                    | Balance at beginning of period | Additions charged to costs and expenses | Additions (reductions) for acquisitions/dispositions | Deductions from reserves | Balance at end of period |
|------------------------------------|--------------------------------|---|--|--------------------------|--------------------------|
| Allowance for doubtful receivables |                                |   |  |                          |                          |
| Year ended Dec. 25, 1994           | \$13,915                       | \$20,139                                | \$33   | \$18,241                 | \$15,846                 |
| Year ended Dec. 31, 1995           | \$15,846                       | \$19,101                                | \$6,394  | \$19,159                 | \$22,182                 |
| Year ended Dec. 29, 1996           | \$22,182                       | \$22,847                                | \$(1,706)  | \$24,381                 | \$18,942                 |

Supplementary income statement information (from continuing operations)

| Fiscal year ended                        | Dec. 29, 1996   | Dec. 31, 1995   | Dec. 25, 1994   |
|--|-----------------|-----------------|-----------------|
| Maintenance and repairs                  | \$47,879        | \$37,171        | \$45,151        |
| Taxes other than payroll and income tax: |                 |                 |                 |
| Property                                 | \$19,344        | \$15,956        | \$17,336        |
| Other                                    | \$10,120        | \$10,436        | \$ 9,497        |
| <b>Total</b>                             | <b>\$29,464</b> | <b>\$26,392</b> | <b>\$26,833</b> |

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MARKETS WE SERVE

| Daily newspapers |                              |   | Circulation | Circulation | Circulation | Joined  |           |  |
|------------------|------------------------------|---|-------------|-------------|-------------|---------|-----------|--|
| State            | City                         | Newspaper                                 | Morning     | Afternoon   | Sunday      | Founded | Gannett * |  |
| Territory        | City                         | Newspaper                                 | Morning     | Afternoon   | Sunday      | Founded | Gannett * |  |
| Alabama          | Montgomery                   | The Montgomery Advertiser                 | 59,067      |             | 73,189      | 1829    | 1995 (82) |  |
| Arizona          | Tucson                       | Tucson Citizen                            |             | 45,998      |             | 1870    | 1976 (45) |  |
| Arkansas         | Mountain Home                | The Baxter Bulletin                       | 10,071      |             |             | 1901    | 1995 (83) |  |
| California       | Marin County                 | Marin Independent Journal                 |             | 41,215      | 42,378      | 1861    | 1980 (65) |  |
|                  | Palm Springs                 | The Desert Sun                            | 47,834      |             | 50,954      | 1927    | 1986 (76) |  |
|                  | Salinas                      | The Californian                           | 20,965      |             |             | 1871    | 1977 (51) |  |
|                  | San Bernardino               | The San Bernardino County Sun             | 80,463      |             | 91,157      | 1894    | 1969 (22) |  |
|                  | Tulare                       | Tulare Advance-Register                   |             | 8,597       |             | 1882    | 1993 (81) |  |
|                  | Visalia                      | Visalia Times-Delta                       | 22,082      |             |             | 1859    | 1977 (52) |  |
| Colorado         | Fort Collins                 | Fort Collins Coloradoan                   | 28,534      |             | 35,445      | 1873    | 1977 (53) |  |
| Connecticut      | Norwich                      | Norwich Bulletin                          | 32,380      |             | 38,001      | 1791    | 1981 (68) |  |
| Delaware         | Wilmington                   | The News Journal                          | 125,598     |             | 150,507     | 1871    | 1978 (59) |  |
| Florida          | Brevard County               | FLORIDA TODAY                             | 85,270      |             | 113,801     | 1966    | 1966 (20) |  |
|                  | Fort Myers                   | News-Press                                | 90,582      |             | 102,035     | 1884    | 1971 (36) |  |
|                  | Pensacola                    | Pensacola News Journal                    | 61,684      |             | 83,493      | 1889    | 1969 (23) |  |
| Georgia          | Gainesville                  | The Times                                 |             | 22,794      | 27,188      | 1947    | 1981 (67) |  |
|                  | Moultrie                     | The Observer                              | 7,293       |             |             | 1894    | 1995 (84) |  |
| Guam             | Agana                        | Pacific Daily News                        | 25,426      |             | 23,940      | 1944    | 1971 (35) |  |
| Hawaii           | Honolulu                     | Honolulu Advertiser                       | 107,252     |             | 191,636     | 1856    | 1993 (80) |  |
| Idaho            | Boise                        | The Idaho Statesman                       | 65,284      |             | 86,926      | 1864    | 1971 (28) |  |
| Illinois         | Danville                     | Commercial-News                           |             | 19,373      | 21,397      | 1866    | 1934 (7)  |  |
|                  | Rockford                     | Rockford Register Star                    | 74,215      |             | 86,783      | 1855    | 1967 (21) |  |
| Indiana          | Lafayette                    | Journal and Courier                       | 37,204      |             | 44,777      | 1829    | 1971 (29) |  |
|                  | Marion                       | Chronicle-Tribune                         | 20,015      |             | 23,328      | 1867    | 1971 (32) |  |
|                  | Richmond                     | Palladium-Item                            |             | 19,344      | 23,797      | 1831    | 1976 (44) |  |
| Iowa             | Des Moines                   | The Des Moines Register                   | 170,067     |             | 288,088     | 1849    | 1985 (72) |  |
|                  | Iowa City                    | Iowa City Press-Citizen                   |             | 15,233      |             | 1860    | 1977 (55) |  |
| Kentucky         | Louisville                   | The Courier-Journal                       | 234,731     |             | 320,456     | 1868    | 1986 (78) |  |
| Louisiana        | Monroe                       | The News-Star                             | 38,423      |             | 44,168      | 1890    | 1977 (58) |  |
|                  | Shreveport                   | The Times                                 | 79,737      |             | 98,495      | 1871    | 1977 (57) |  |
| Michigan         | Battle Creek                 | Battle Creek Enquirer                     |             | 26,876      | 35,973      | 1900    | 1971 (30) |  |
|                  | Detroit                      | The Detroit News                          |             | 248,236     |             | 1873    | 1986 (75) |  |
|                  |                              | The Detroit News and Free Press           |             |             | 830,097     |         |           |  |
|                  | Lansing                      | Lansing State Journal                     | 70,128      |             | 94,405      | 1855    | 1971 (27) |  |
|                  | Port Huron                   | Times Herald                              |             | 31,573      | 42,228      | 1900    | 1970 (24) |  |
| Minnesota        | St. Cloud                    | St. Cloud Times                           |             | 28,799      | 38,056      | 1861    | 1977 (50) |  |
| Mississippi      | Hattiesburg                  | Hattiesburg American                      |             | 25,133      | 29,169      | 1897    | 1982 (70) |  |
|                  | Jackson                      | The Clarion-Ledger                        | 106,581     |             | 126,904     | 1837    | 1982 (69) |  |
| Missouri         | Springfield                  | Springfield News-Leader                   | 62,789      |             | 99,390      | 1893    | 1977 (49) |  |
| Montana          | Great Falls                  | Great Falls Tribune                       | 33,557      |             | 39,713      | 1885    | 1990 (79) |  |
| Nevada           | Reno                         | Reno Gazette-Journal                      | 67,280      |             | 84,268      | 1870    | 1977 (46) |  |
| New Jersey       | Bridgewater                  | The Courier-News                          | 48,126      |             | 50,169      | 1884    | 1927 (5)  |  |
|                  | Cherry Hill                  | Courier-Post                              | 90,599      |             | 99,374      | 1875    | 1959 (10) |  |
|                  | Vineland                     | The Daily Journal                         |             | 17,572      |             | 1864    | 1986 (77) |  |
| New York         | Binghamton                   | Press & Sun-Bulletin                      | 66,506      |             | 85,738      | 1904    | 1943 (9)  |  |
|                  | Elmira                       | Star-Gazette                              | 32,794      |             | 46,464      | 1828    | 1906 (1)  |  |
|                  | Ithaca                       | The Ithaca Journal                        | 19,147      |             |             | 1815    | 1912 (2)  |  |
|                  | Poughkeepsie                 | Poughkeepsie Journal                      | 43,463      |             | 59,235      | 1785    | 1977 (48) |  |
|                  | Rochester                    | Democrat and Chronicle                    | 143,689     |             | 250,033     | 1833    | 1928 (6)  |  |
|                  |                              | Times-Union                               |             | 45,449      |             | 1918    | 1918 (3)  |  |
|                  | Saratoga Springs             | The Saratogian                            | 11,639      |             | 13,618      | 1855    | 1934 (8)  |  |
|                  | Utica                        | Observer-Dispatch                         | 50,751      |             | 62,854      | 1817    | 1922 (4)  |  |
|                  | Gannett Suburban Newspapers: |   |             |             |             |         |           |  |
|                  | Mamaroneck                   | The Daily Times                           |             | 5,200       | 5,295       | 1879    | 1964 (17) |  |
|                  | Mount Vernon                 | The Daily Argus                           | 6,262       |             | 7,851       | 1892    | 1964 (16) |  |
|                  | New Rochelle                 | The Standard-Star                         | 10,059      |             | 10,936      | 1908    | 1964 (14) |  |
|                  | Ossining                     | The Citizen-Register                      |             | 5,686       | 6,881       | 1847    | 1964 (18) |  |
|                  | Peekskill                    | The Star                                  |             | 6,186       | 8,276       | 1922    | 1985 (74) |  |
|                  | Port Chester                 | The Daily Item                            |             | 8,746       | 9,580       | 1885    | 1964 (15) |  |
|                  | Tarrytown                    | The Daily News                            |             | 3,317       | 3,870       | 1897    | 1964 (19) |  |
|                  | West Nyack-Rockland          | Rockland Journal-News                     | 40,124      |             | 50,051      | 1850    | 1964 (12) |  |
|                  | White Plains                 | The Reporter Dispatch                     |             | 46,399      | 56,827      | 1829    | 1964 (11) |  |
|                  | Yonkers                      | The Herald Statesman                      | 21,531      |             | 28,123      | 1852    | 1964 (13) |  |
| North Carolina   | Asheville                    | Asheville Citizen-Times                   | 60,996      |             | 72,193      | 1870    | 1995 (85) |  |
| Ohio             | Chillicothe                  | Chillicothe Gazette                       |             | 16,606      |             | 1800    | 1977 (56) |  |
|                  | Cincinnati                   | The Cincinnati Enquirer                   | 205,107     |             | 347,084     | 1841    | 1979 (61) |  |
|                  | Fremont                      | The News-Messenger                        |             | 13,863      |             | 1856    | 1975 (40) |  |
|                  | Gallipolis                   | Gallipolis Daily Tribune                  | 5,622       |             | 11,816      | 1893    | 1995 (86) |  |
|                  | Marietta                     | The Marietta Times                        |             | 12,957      |             | 1864    | 1974 (39) |  |
|                  | Pomeroy                      | The Daily Sentinel                        |             | 4,806       |             | 1941    | 1995 (87) |  |
|                  | Port Clinton                 | News Herald                               |             | 5,902       |             | 1864    | 1975 (41) |  |
| Oklahoma         | Muskogee                     | Muskogee Daily Phoenix and Times-Democrat | 19,078      |             | 20,378      | 1888    | 1977 (54) |  |
| Oregon           | Salem                        | Statesman Journal                         | 60,878      |             | 69,775      | 1851    | 1974 (38) |  |
| Pennsylvania     | Chambersburg                 | Public Opinion                            |             | 21,842      |             | 1869    | 1971 (26) |  |
|                  | Lansdale                     | The Reporter                              |             | 19,607      |             | 1870    | 1980 (66) |  |
|                  | North Hills                  | North Hills News Record                   |             | 19,109      | 17,968      | 1962    | 1976 (43) |  |
|                  | Tarentum                     | Valley News Dispatch                      |             | 33,436      | 32,967      | 1891    | 1976 (42) |  |
| South Carolina   | Greenville                   | The Greenville News                       | 99,605      |             | 138,165     | 1874    | 1995 (88) |  |
| South Dakota     | Sioux Falls                  | Argus Leader                              | 49,973      |             | 72,610      | 1881    | 1977 (47) |  |
| Tennessee        | Clarksville                  | The Leaf-Chronicle                        | 21,159      |             | 24,715      | 1808    | 1995 (89) |  |

|                |                |                               |           |        |         |      |      |      |
|----------------|----------------|-------------------------------|-----------|--------|---------|------|------|------|
|                | Jackson        | The Jackson Sun               | 40,457    |        | 44,545  | 1848 | 1985 | (73) |
|                | Nashville      | The Tennessean                | 148,285   |        | 282,826 | 1812 | 1979 | (62) |
| Texas          | El Paso        | El Paso Times                 | 65,915    |        | 97,952  | 1879 | 1972 | (37) |
| Vermont        | Burlington     | The Burlington Free Press     | 52,860    |        | 65,894  | 1827 | 1971 | (25) |
| Virgin Islands | St. Thomas     | The Virgin Islands Daily News | 16,216    |        |         | 1930 | 1978 | (60) |
| Virginia       | Arlington      | USA TODAY                     | 2,163,940 |        |         | 1982 | 1982 | (71) |
|                | Staunton       | The Daily News-Leader         | 18,253    |        | 22,316  | 1904 | 1995 | (90) |
| Washington     | Bellingham     | The Bellingham Herald         |           | 26,512 | 34,251  | 1890 | 1971 | (33) |
|                | Olympia        | The Olympian                  | 37,941    |        | 46,632  | 1889 | 1971 | (31) |
| West Virginia  | Huntington     | The Herald-Dispatch           | 38,424    |        | 44,199  | 1909 | 1971 | (34) |
|                | Point Pleasant | Point Pleasant Register       |           | 5,349  |         | 1862 | 1995 | (91) |
| Wisconsin      | Green Bay      | Green Bay Press-Gazette       |           | 57,207 | 86,176  | 1915 | 1980 | (63) |
|                | Wausau         | Wausau Daily Herald           |           | 24,458 | 31,774  | 1903 | 1980 | (64) |

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

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#### Non-daily publications:

Weekly, semi-weekly or monthly publications in Alabama, Arizona, Arkansas, California, Delaware, District of Columbia, Florida, Georgia, Guam, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Vermont, Virginia, Washington, West Virginia, Wisconsin

#### USA WEEKEND

Circulation 20 million in 489 newspapers

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

Editorial and production offices: Arlington, Va.

Gannett Direct Marketing Services, Inc.  
Louisville, Ky.

Gannett Media Technologies International  
Cincinnati, Ohio

#### Gannett National Newspaper Sales

Headquarters: New York

Regional offices: Chicago; Detroit; Greenville, S.C.; Los Angeles

#### Gannett New Media

Arlington, Va.

Functions: New business opportunity and investment review and product development

#### Gannett Digital Xpress

Arlington, Va.

Functions: Editorial, broadcast and recording services; Fax on Demand; personalized audio, fax, short messaging and Internet e-mail

Products: Gannett Digital Xpress; PI - Personalized Information

#### Gannett Offset

Headquarters: Springfield, Va.

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

#### Gannett Satellite Information Network

Arlington, Va.

#### Gannett TeleMarketing, Inc.

Headquarters: Springfield, Va.

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

#### GANNETWORK

Headquarters: New York

Sales offices: Chicago; New York

#### Telematch

Springfield, Va.

#### Gannett News Service

Headquarters: Arlington, Va.

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

Springfield, Ill.; Tallahassee, Fla.

USA TODAY

Headquarters: Arlington, Va.

Print sites: Arlington, Texas; Atlanta; Batavia, N.Y.; Brevard County, Fla.; Chandler, Ariz.; Chicago; Columbia, S.C.; Fort Collins, Colo.; Fort Myers, Fla.; Gainesville, Ga.; Greensboro, N.C.; Hattiesburg, Miss.; Kankakee, Ill.; Lawrence, Kan.; Mansfield, Ohio; Marin County, Calif.; Miramar, Fla.; Nashville, Tenn.; Newark, Ohio; Norwood, Mass.; Olympia, Wash.; Pasadena, Texas; Port Huron, Mich.; Richmond, Ind.; Rockaway, N.J.; St. Cloud, Minn.; St. Louis; Salt Lake City; San Bernardino, Calif.; Springfield, Va.; Tarentum, Pa.; White Plains, N.Y.; Wilmington, Del.

International print sites: Frankfurt, Germany; Hong Kong; London, England

Regional offices: Atlanta; Boston; Buffalo, N.Y.; Charlotte, N.C.; Chicago; Cincinnati; Cleveland; Columbus, Ohio; Dallas; Denver; Detroit; Houston; Indianapolis; Kansas City, Mo.; Los Angeles; Milwaukee; Minneapolis-St. Paul; Miramar, Fla.; Mountainside, N.J.; Nashville, Tenn.; New Orleans; Orlando, Fla.; Philadelphia; Phoenix, Ariz.; Pittsburgh; Port Washington, N.Y.; St. Louis; San Francisco; Seattle; Springfield, Va.

International offices: Hong Kong; London, England; Singapore

Advertising offices: Arlington, Va.; Atlanta; Chicago; Dallas; Detroit; Hong Kong; London, England; Los Angeles; New York; San Francisco

USA TODAY Baseball Weekly Circulation 250,000  
Editorial and advertising offices Arlington, Va.

USA TODAY Information Network Arlington, Va.

BROADCASTING AND CABLE DIVISIONS  
Television stations

| State                | City                 | Station     | Channel/Network | Weekly Audience | Founded | Joined Gannett | *    |
|----------------------|----------------------|-------------|-----------------|-----------------|---------|----------------|------|
| Arizona              | Flagstaff            | KNAZ-TV (1) | Channel 2/NBC   | 68,000          | 1970    | 1997           | (17) |
|                      | Kingman              | KMOH-TV (1) | Channel 6/WB    | 33,000          | 1988    | 1997           | (18) |
|                      | Phoenix              | KPNX-TV     | Channel 12/NBC  | 1,057,000       | 1953    | 1979           | (3)  |
| Arkansas             | Little Rock          | KTHV-TV     | Channel 11/CBS  | 429,000         | 1955    | 1994           | (9)  |
| Colorado             | Denver               | KUSA-TV     | Channel 9/NBC   | 1,337,000       | 1952    | 1979           | (2)  |
| District of Columbia | Washington           | WUSA-TV     | Channel 9/CBS   | 1,991,000       | 1949    | 1986           | (5)  |
| Florida              | Jacksonville         | WTLV-TV     | Channel 12/NBC  | 436,000         | 1957    | 1988           | (7)  |
|                      | Tampa-St. Petersburg | WTSP-TV     | Channel 10/CBS  | 1,207,000       | 1965    | 1996           | (14) |
| Georgia              | Atlanta              | WXIA-TV     | Channel 11/NBC  | 1,453,000       | 1948    | 1979           | (1)  |
|                      | Macon                | WMAZ-TV     | Channel 13/CBS  | 209,000         | 1953    | 1995           | (10) |
| Michigan             | Grand Rapids         | WZZM-TV     | Channel 13/ABC  | 420,000         | 1962    | 1997           | (15) |
| Minnesota            | Minneapolis-St. Paul | KARE-TV     | Channel 11/NBC  | 1,318,000       | 1953    | 1983           | (4)  |
| Missouri             | St. Louis            | KSDK-TV     | Channel 5/NBC   | 1,094,000       | 1947    | 1995           | (11) |
| New York             | Buffalo              | WGRZ-TV     | Channel 2/NBC   | 557,000         | 1954    | 1997           | (16) |
| North Carolina       | Greensboro           | WFMY-TV     | Channel 2/CBS   | 558,000         | 1949    | 1988           | (8)  |
| Ohio                 | Cleveland            | WKYC-TV     | Channel 3/NBC   | 1,395,000       | 1948    | 1995           | (12) |
| Tennessee            | Knoxville            | WBIR-TV     | Channel 10/NBC  | 440,000         | 1956    | 1995           | (13) |
| Texas                | Austin               | KVUE-TV     | Channel 24/ABC  | 363,000         | 1971    | 1986           | (6)  |

Radio Stations

| State | City | Station | Channel | Weekly Audience | Founded | Joined Gannett | * |
|-------|------|---------|---------|-----------------|---------|----------------|---|
|-------|------|---------|---------|-----------------|---------|----------------|---|

|          |         |         |           |              |      |      |     |
|----------|---------|---------|-----------|--------------|------|------|-----|
| Illinois | Chicago | WGCI    | 1390 Khz  | 208,200      | 1923 | 1979 | (2) |
|          |         | WGCI-FM | 107.5 Mhz | 950,100      | 1959 | 1979 | (1) |
| Texas    | Dallas  | KHKS-FM | 106.1 Mhz | 732,600      | 1950 | 1986 | (5) |
|          | Houston | KKBQ    | 790 Khz   | (See Note 2) | 1944 | 1984 | (4) |
|          |         | KKBQ-FM | 92.9 Mhz  | 476,700      | 1962 | 1984 | (3) |

\* Number in parentheses notes chronological order in which existing stations joined Gannett.

\*\* Weekly audience for television stations is number of TV households reached, according to the November 1996 Nielsen book.

Weekly audience for radio stations is number of different listeners age 12 and up reached in the Total Survey Area, according to the Fall 1996 Arbitron book.

(1) Gannett has entered into an agreement with Grand Canyon Television Co., Inc., to acquire KNAZ-TV and KMOH-TV. The transaction is subject to FCC approval.

(2) KKBQ-AM reported in combination with KKBQ-FM.

Multimedia Cablevision Co.

Headquarters: Wichita, Kan.

Regional offices: Edmond, Okla.; Oak Lawn, Ill.; Rocky Mount, N.C.;  
Wichita, Kan.

Multimedia Security Service

Headquarters: Wichita, Kan.

Offices: Anaheim, Calif.; Atlanta; Beaumont, Texas; Chicago; Concord,  
Calif.; Dallas; Houston; Kansas City, Kan.; Knoxville, Tenn.; Miami;  
Oklahoma City, Okla.; Pensacola, Fla.; Phoenix, Ariz.; San Diego;  
St. Louis; Tulsa, Okla.; Wichita, Kan.

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This report was written and produced by employees of Gannett.

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Mimi Feller

Vice President/Treasury Services and Investor Relations  
Gracia Martore

Vice President/Corporate Accounting Services  
George Gavagan

Director/Consolidation Accounting  
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(p.10); Julie Knight (p.12); David Schmidt (p.13); Anne Ryan,  
USA TODAY (p.13); Tom Strand (p.13); Jackie Shumaker (p.14);  
Dan Moore (p.15); Matthew Borkoski/Folio Inc. (p.15);  
Tenley Truxell, Gannett (pp.18-20)

GANNETT ON THE NET

News and information about Gannett is available on the Internet's  
World Wide Web at <http://www.gannett.com>. The following Gannett  
properties also offer online services or informational sites on the Web:

USA TODAY  
<http://www.usatoday.com>

FLORIDA TODAY, Brevard County  
<http://www.flatoday.com>

The Cincinnati Enquirer  
<http://enquirer.com>

The Detroit News  
<http://www.detnews.com>

Star-Gazette, Elmira, N.Y.  
<http://www.star-gazette.com>

News-Press, Fort Myers, Fla.  
<http://www.paradise-swfla.com>

The Greenville (S.C.) News  
<http://greenvilleonline.com>

Journal and Courier, Lafayette, Ind.  
<http://www.jconline.com>

The Tennessean, Nashville  
<http://www.tennessean.com>

North Hills (Pa.) News Record  
<http://www.nauticom.net/users/nhnr>

Pensacola (Fla.) News Journal  
<http://www.gulfcoastgateway.com>

Poughkeepsie (N.Y.) Journal  
<http://www.pojonews.com>

Reno Gazette-Journal  
<http://www.nevadanet.com>

Democrat and Chronicle/  
Times-Union, Rochester, N.Y.  
<http://www.rochesterdandc.com>

Gannett Suburban Newspapers,  
Westchester County, N.Y.  
<http://www.nynews.com>

Gannett Media Technologies International  
<http://www.gmti.com>

KVUE-TV, Austin, Texas  
<http://www.kvue.com>

KUSA-TV, Denver  
<http://www.9news.com>

WMAZ-TV, Macon, Ga.  
<http://www.13wmaz.com>

WUSA-TV, Washington, D.C.  
<http://www.wusatv.com>

Gannett Shareholder Services

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

The Company's transfer agent and registrar is Norwest Bank Minnesota,  
N.A. General inquiries and requests for enrollment materials for the  
programs described below should be directed to Norwest's Stock  
Transfer Department, P.O. Box 64854, South St. Paul, MN 55164-0854 or by  
telephone at 1-800-778-3299.



Gannett is pleased to offer the following shareholder services:

Dividend Reinvestment Plan

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

Automatic Cash Investment Service for the DRP

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

Direct Deposit Service

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

Form 10-K

Information provided by Gannett in its Form 10-K annual report to the Securities and Exchange Commission has been incorporated in this report. Copies of the complete Form 10-K annual report may be obtained by writing the Secretary, Gannett Co., Inc., 1100 Wilson Blvd., Arlington, VA 22234.

Annual Meeting

The annual meeting of shareholders will be held at 10 a.m. Tuesday, May 6, 1997 at Gannett headquarters.

For More Information

News and information about Gannett is available on the Internet's World Wide Web (see list at right) or by calling our toll-free information line at 1-800-356-1713. Quarterly earnings information will be available around the middle of April, July and October 1997.

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

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

Printed on recycled paper.

SUBSIDIARY LIST

| UNIT<br>- - - - -  | STATE OF<br>INCORPORATION<br>----- |
|--|------------------------------------|
| ADVANCED MEDIA SOLUTIONS                                 | DELAWARE                           |
| THE ADVERTISER COMPANY                                   | ALABAMA                            |
| ARKANSAS TELEVISION COMPANY                              | ARKANSAS                           |
| BAXTER COUNTY NEWSPAPERS, INC.                           | ARKANSAS                           |
| BETWEEN FRIENDS, INC.                                    | SOUTH CAROLINA                     |
| CALIFORNIA NEWSPAPERS, INC.                              | CALIFORNIA                         |
| CAPE PUBLICATIONS, INC.                                  | FLORIDA                            |
| CHILDREN'S EDITION, INC.                                 | KENTUCKY                           |
| CITIZEN PUBLISHING COMPANY                               | ARIZONA                            |
| COMBINED COMMUNICATIONS CORPORATION                      | ARIZONA                            |
| COMBINED COMMUNICATIONS CORPORATION<br>OF OKLAHOMA, INC. | OKLAHOMA                           |
| CONSPIRACY PRODUCTIONS, INC.                             | SOUTH CAROLINA                     |
| COURIER BROADWAY CORP.                                   | KENTUCKY                           |
| COURIER-JOURNAL AND LOUISVILLE TIMES<br>COMPANY          | KENTUCKY                           |
| DAILY NEWS PUBLISHING CO., INC.                          | VIRGIN ISLANDS                     |
| DAZZLE, INC.   | SOUTH CAROLINA                     |
| DES MOINES REGISTER AND TRIBUNE CO.                      | IOWA                               |
| THE DESERT SUN PUBLISHING COMPANY                        | CALIFORNIA                         |
| THE DETROIT NEWS, INC.                                   | MICHIGAN                           |
| DETROIT NEWSPAPER AGENCY                                 | MICHIGAN                           |
| DIGICOL, INC.  | DELAWARE                           |
| EL PASO TIMES, INC.                                      | DELAWARE                           |

|   |               |
|---|---------------|
| FEDERATED PUBLICATIONS, INC.                | DELAWARE      |
| FIRST COST TOWER GROUP                      | FLORIDA       |
| FORT COLLINS NEWSPAPERS INC.                | COLORADO      |
| GANNETT ACQUISITION SUBSIDIARY, INC.        | DELAWARE      |
| GANNETT COLORADO BROADCASTING, INC.         | DELAWARE      |
| GANNETT CP, INC.                            | DELAWARE      |
| GANNETT DIRECT MARKETING SERVICES, INC.     | KENTUCKY      |
| GANNETT HAWAII, INC.                        | HAWAII        |
| GANNETT INTERNATIONAL COMMUNICATIONS, INC.  | DELAWARE      |
| GANNETT LHA, INC.                           | DELAWARE      |
| GANNETT LHA INTERNATIONAL, INC.             | DELAWARE      |
| GANNETT MASSACHUSETTS SUPPLY CORP.          | MASSACHUSETTS |
| GANNETT MINNESOTA BROADCASTING, INC.        | DELAWARE      |
| GANNETT NATIONAL NEWSPAPER SALES, INC.      | DELAWARE      |
| GANNETT ON-LINE INVESTOR, INC.              | DELAWARE      |
| GANNETT ON-LINE PARTNER, LLC                | DELAWARE      |
| GANNETT OUTDOOR CO. OF TEXAS                | TEXAS         |
| GANNETT PACIFIC CORPORATION                 | HAWAII        |
| GANNETT RIVER STATES PUBLISHING CORPORATION | ARKANSAS      |
| GANNETT SATELLITE INFORMATION NETWORK, INC. | DELAWARE      |
| GANNETT SUPPLY CORPORATION                  | DELAWARE      |
| GANNETT T/G SUBSIDIARY, INC.                | CALIFORNIA    |
| GANNETT TELEMARKETING, INC.                 | DELAWARE      |
| GANNETT TRANSIT, INC.                       | DELAWARE      |
| GUAM PUBLICATIONS, INCORPORATED             | HAWAII        |

|   |           |
|---|-----------|
| HAWAII NEWSPAPER AGENCY LIMITED PARTNERSHIP | DELAWARE  |
| KPNX BROADCASTING COMPANY                   | ARIZONA   |
| KVUE-TV, INC.                               | MICHIGAN  |
| LEAF CHRONICLE COMPANY, INC.                | TENNESSEE |
| MACON RADIO CORPORATION                     | DELAWARE  |
| MCCLURE NEWSPAPERS, INC.                    | DELAWARE  |
| MEDIA WEST - CNI, INC.                      | DELAWARE  |
| MEDIA WEST - CPI, INC.                      | DELAWARE  |
| MEDIA WEST - DMR, INC.                      | DELAWARE  |
| MEDIA WEST - DSP, INC.                      | DELAWARE  |
| MEDIA WEST - EPT, INC.                      | DELAWARE  |
| MEDIA WEST - FCN, INC.                      | DELAWARE  |
| MEDIA WEST - FPI, INC.                      | DELAWARE  |
| MEDIA WEST - GRS, INC.                      | DELAWARE  |
| MEDIA WEST - GSI, INC.                      | DELAWARE  |
| MEDIA WEST - LCJ, INC.                      | DELAWARE  |
| MEDIA WEST - NPP, INC.                      | DELAWARE  |
| MEDIA WEST - OPP, INC.                      | DELAWARE  |
| MEDIA WEST - PCC, INC.                      | DELAWARE  |
| MEDIA WEST - PNJ, INC.                      | DELAWARE  |
| MEDIA WEST - RDC, INC.                      | DELAWARE  |
| MEDIA WEST - RNI, INC.                      | DELAWARE  |
| MEDIA WEST - SBC, INC.                      | DELAWARE  |
| MEDIA WEST - SCN, INC.                      | DELAWARE  |
| MEDIA WEST - SFN, INC.                      | DELAWARE  |

|   |                |
|---|----------------|
| MEDIA WEST - SJC, INC.                            | DELAWARE       |
| MEDIA WEST - SNI, INC.                            | DELAWARE       |
| MEDIA WEST - SPC, INC.                            | DELAWARE       |
| MEDIA WEST - THC, INC.                            | DELAWARE       |
| MEDIA WEST - UWI, INC.                            | DELAWARE       |
| MEDIA WEST - VNI, INC.                            | DELAWARE       |
| MNC DIRECT, INC.                                  | SOUTH CAROLINA |
| MOW PRODUCTIONS, INC.                             | SOUTH CAROLINA |
| MPPI, INC.  | SOUTH CAROLINA |
| MULTIMEDIA, INC.                                  | SOUTH CAROLINA |
| MULTIMEDIA CABLEVISION, INC.                      | SOUTH CAROLINA |
| MULTIMEDIA CABLEVISION OF BATAVIA, INC.           | ILLINOIS       |
| MULTIMEDIA CABLEVISION OF CHICAGO RIDGE, INC.     | ILLINOIS       |
| MULTIMEDIA CABLEVISION OF EVERGREEN<br>PARK, INC. | ILLINOIS       |
| MULTIMEDIA CABLEVISION OF HOMETOWN, INC.          | ILLINOIS       |
| MULTIMEDIA CABLEVISION OF ILLINOIS, INC.          | ILLINOIS       |
| MULTIMEDIA CABLEVISION OF MIDWEST CITY, INC.      | OKLAHOMA       |
| MULTIMEDIA OF CINCINNATI, INC.                    | OHIO           |
| MULTIMEDIA DEVELOPMENT, INC.                      | SOUTH CAROLINA |
| MULTIMEDIA ENTERPRISE, INC.                       | SOUTH CAROLINA |
| MULTIMEDIA ENTERTAINMENT, INC.                    | SOUTH CAROLINA |
| MULTIMEDIA ENTERTAINMENT PRODUCTIONS, INC.        | SOUTH CAROLINA |
| MULTIMEDIA FILMS, INC.                            | SOUTH CAROLINA |
| MULTIMEDIA HOME VIDEO, INC.                       | DELAWARE       |

|  |                |
|--|----------------|
| MULTIMEDIA KSDK, INC.                            | SOUTH CAROLINA |
| MULTIMEDIA MOTION PICTURES, INC.                 | SOUTH CAROLINA |
| MULTIMEDIA PROGRAMS, INC.                        | OHIO           |
| MULTIMEDIA PUBLISHING OF NORTH CAROLINA,<br>INC. | SOUTH CAROLINA |
| MULTIMEDIA PUBLISHING OF SOUTH CAROLINA,<br>INC. | SOUTH CAROLINA |
| MULTIMEDIA SECURITY SERVICE, INC.                | SOUTH CAROLINA |
| MULTIMEDIA SERVICE, INC.                         | DELAWARE       |
| MULTIMEDIA SPECIALS, INC.                        | SOUTH CAROLINA |
| MULTIMEDIA TALK TELEVISION, INC.                 | SOUTH CAROLINA |
| MULTIMEDIA TELECOMMUNICATIONS, INC.              | SOUTH CAROLINA |
| MULTIMEDIA WBIR, INC.                            | SOUTH CAROLINA |
| MULTIMEDIA WMAZ, INC.                            | SOUTH CAROLINA |
| MUSIC CITY NEWS PUBLISHING CO., INC.             | TENNESSEE      |
| NEW YORK SUBWAYS ADVERTISING CO., INC.           | ARIZONA        |
| NEWS-PRESS PUBLISHING COMPANY                    | FLORIDA        |
| THE OHIO VALLEY PUBLISHING COMPANY               | OHIO           |
| OKLAHOMA PRESS PUBLISHING COMPANY                | OKLAHOMA       |
| PACIFIC MEDIA, INC.                              | DELAWARE       |
| PACIFIC AND SOUTHERN COMPANY, INC.               | DELAWARE       |
| PENSACOLA NEWS-JOURNAL INC.                      | FLORIDA        |
| POINT PLEASANT REGISTER COMPANY                  | WEST VIRGINIA  |
| PRESS-CITIZEN COMPANY INC.                       | IOWA           |
| RED CARPET CABLE, INC.                           | OKLAHOMA       |
| RENO NEWSPAPERS, INC.                            | NEVADA         |
| ST. CLOUD NEWSPAPERS INC.                        | MINNESOTA      |

|  |                |
|--|----------------|
| SALEM COUNTY SAMPLER, INC.                       | NEW JERSEY     |
| SALINAS NEWSPAPERS INC.                          | CALIFORNIA     |
| SHELTER MEDIA COMMUNICATIONS, INC.               | CALIFORNIA     |
| SHINY ROCK MINING CORPORATION                    | OREGON         |
| SIOUX FALLS NEWSPAPERS INC.                      | SOUTH DAKOTA   |
| SOUTHLAND PUBLISHING COMPANY                     | DELAWARE       |
| SPEIDEL NEWSPAPERS INC.                          | DELAWARE       |
| THE STATESMAN-JOURNAL COMPANY                    | OREGON         |
| SUMNER TIMES, INC.                               | TENNESSEE      |
| THE SUN COMPANY OF SAN BERNARDINO,<br>CALIFORNIA | CALIFORNIA     |
| TAR RIVER COMMUNICATIONS, INC.                   | NORTH CAROLINA |
| TELEPRODUCTIONS CORPORATION                      | SOUTH CAROLINA |
| TELEVISION 12 OF JACKSONVILLE, INC.              | FLORIDA        |
| THE TIMES HERALD COMPANY                         | MICHIGAN       |
| TNI PARTNERS                                     | ARIZONA        |
| USA DIGITAL RADIO PARTNERS, L.P.                 | NEW YORK       |
| USA TODAY INTERNATIONAL CORPORATION              | DELAWARE       |
| USA WEEKEND, INC.                                | DELAWARE       |
| VISALIA NEWSPAPERS INC.                          | CALIFORNIA     |
| VISIONS, INC.                                    | SOUTH CAROLINA |
| WFMY TELEVISION CORP.                            | NORTH CAROLINA |
| WKYC HOLDINGS, INC.                              | DELAWARE       |
| WKYC-TV, INC.                                    | DELAWARE       |

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectuses constituting part of the Registration Statements on Form S-3 (Nos. 33-63673, 33-58686 and 33-53159) and in the Registration Statements on Form S-8 (Nos. 2-63038, 2-84088, 33-15319, 33-16790, 33-28413, 33-35305, 33-50813, 33-64959, 333-04459 and 333-03941) of Gannett Co., Inc. of our report dated February 4, 1997 appearing on page 49 of the Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedules, which appears on page 8 of this Form 10-K.

/s/ Price Waterhouse LLP

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PRICE WATERHOUSE LLP

Washington, D.C.  
March 21, 1997



<ARTICLE> 5

<LEGEND>

This schedule contains summary financial information extracted from the consolidated balance sheets and statements of income for Gannett Co., Inc. and is qualified in its entirety by reference to such financial statements.

</LEGEND>

| <PERIOD-TYPE>                | YEAR          |
|------------------------------|---------------|
| <FISCAL-YEAR-END>            | DEC-29-1996   |
| <PERIOD-START>               | JAN-1-1996    |
| <PERIOD-END>                 | DEC-29-1996   |
| <CASH>                       | 27,179,000    |
| <SECURITIES>                 | 4,023,000     |
| <RECEIVABLES>                | 588,037,000   |
| <ALLOWANCES>                 | 18,942,000    |
| <INVENTORY>                  | 73,621,000    |
| <CURRENT-ASSETS>             | 766,605,000   |
| <PP&E>                       | 3,423,400,000 |
| <DEPRECIATION>               | 1,429,340,000 |
| <TOTAL-ASSETS>               | 6,349,597,000 |
| <CURRENT-LIABILITIES>        | 718,996,000   |
| <BONDS>                      | 0             |
| <COMMON>                     | 162,210,000   |
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| <PREFERRED>                  | 0             |
| <OTHER-SE>                   | 2,768,608,000 |
| <TOTAL-LIABILITY-AND-EQUITY> | 6,349,597,000 |
| <SALES>                      | 4,421,107,000 |
| <TOTAL-REVENUES>             | 4,421,107,000 |
| <CGS>                        | 2,367,848,000 |
| <TOTAL-COSTS>                | 3,354,702,000 |
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| <LOSS-PROVISION>             | 0             |
| <INTEREST-EXPENSE>           | 135,563,000   |
| <INCOME-PRETAX>              | 1,086,667,000 |
| <INCOME-TAX>                 | 462,700,000   |
| <INCOME-CONTINUING>          | 623,967,000   |
| <DISCONTINUED>               | 319,120,000   |
| <EXTRAORDINARY>              | 0             |
| <CHANGES>                    | 0             |
| <NET-INCOME>                 | 943,087,000   |
| <EPS-PRIMARY>                | 6.69          |
| <EPS-DILUTED>                | 0             |