

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of  
1934

Date of Report: December 5, 1995

GANNETT CO., INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	1-6961 (Commission File Number)	16-0442930 (IRS Employer Identification No.)
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1100 Wilson Boulevard, Arlington, Virginia 22234

(Address of principal executive offices)(Zip Code)

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

ITEM 1. ACQUISITION OR DISPOSITION OF ASSETS

On December 4, 1995, Gannett Co., Inc. ("Gannett") completed the acquisition of Multimedia, Inc., a South Carolina corporation, by means of a merger of Gannett Multimedia Acquisition Subsidiary, a wholly owned subsidiary of Gannett, with and into Multimedia, pursuant to the terms of the Agreement and Plan of Merger dated as of July 24, 1995.

As a result of the merger, each share of outstanding common stock of Multimedia has been converted into the right to receive \$45.25 in cash, without adjustment. On the Closing Date there were 38,734,078 shares of Multimedia common stock outstanding for a total consideration for those shares of \$1,752,717,030. As a result of the merger, Gannett will assume approximately \$501,500,000 of long-term indebtedness of Multimedia of which approximately \$440,500,000 will be immediately prepaid. The purchase price and the debt prepayment will be funded with available cash and the proceeds of the sale of Gannett short term notes in the commercial paper market.

The principles followed in determining the amount of consideration to be paid included management's determination of the fair market value of Multimedia utilizing a projected net income analysis taking into account the economic synergies arising from combining the business acquired with Gannett operations and a projected cash flow analysis.

On December 4, 1995, Gannett issued a press release relating to the consummation of the merger, a copy of which is attached as exhibit 1 and is incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements of Businesses Acquired.

(1) Audited consolidated balance sheets of Multimedia, Inc. and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of earnings, changes in stockholders' equity, and cash flows for each of the three years ended December 31, 1994, 1993 and 1992 (incorporated by reference to Gannett's 8-k dated October 23, 1995 and filed as an exhibit hereto).

(2) Unaudited consolidated balance sheet of Multimedia, Inc. And Subsidiaries as of September 30, 1995; unaudited consolidated statements of earnings for the three months and nine months ended September 30, 1995 and September 30, 1994, and unaudited statements of cash flows for the nine months ended September 30, 1995 and September 30, 1994 (as filed with Multimedia's Quarterly Report on form 10Q for the quarterly period ended September 30, 1995 and filed as an exhibit hereto.)

(b) The following pro forma combining financial statements of Gannett and its pending acquisition are included in this report:

(1) Unaudited pro forma consolidated condensed balance sheet as of September 24, 1995 and the unaudited pro forma consolidated condensed statements of

earnings for the year ended December 25, 1994 and the nine periods ended September 24, 1995 (filed as an exhibit hereto).

(c) Exhibits.

See Exhibit Index for list of exhibits.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GANNETT CO., INC.

Dated: December 5, 1995

By: /s/ Thomas L. Chapple  
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Thomas L. Chapple,  
General Counsel and Secretary

Exhibit Index

Exhibit Number	Title or Description	
1	Press Release	
99-1	Agreement and Plan of Merger dated July 24, 1995	Incorporated by reference to Gannett's form 8-K dated July 26, 1995
99-2	Audited consolidated balance sheets of Multimedia, Inc. and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statement of earnings, changes in stockholders' equity, and cash flows for each of the three years ended December 31, 1994, 1993 and 1992.	Incorporated by reference to Gannett's form 8-K dated October 23, 1995
99-3	Unaudited consolidated balance sheet of Multimedia, Inc. And Subsidiaries as of September 30, 1995; unaudited consolidated statements of operations for the three months and nine months ended September 30, 1995 and September 30, 1994 and unaudited statements of cash flows for the nine months ended September 30, 1995 and September 30, 1994 (as filed with Multimedia's Quarterly report on form 10-Q for the quarterly period ended September 30, 1995 and filed as an exhibit hereto.	
99-4	Unaudited pro forma consolidated condensed balance sheet as of September 24, 1995 and the unaudited pro forma consolidated condensed statements of earnings for the year ended December 25, 1994 and the nine month period ended September 24, 1995.	

Monday, December 4, 1995

ARLINGTON, Va. -- The previously announced merger of Gannett Co., Inc. and Multimedia, Inc. was completed today.

Gannett paid Multimedia shareholders \$45.25 per share, for a total price in excess of \$1.7 billion. Gannett will also assume or retire Multimedia's existing debt.

Already the nation's largest newspaper publisher, Gannett is gaining 10 daily newspapers, including three in the thriving markets of Greenville, S.C., Asheville, N.C., and Montgomery Ala. This will bring the daily circulation of Gannett newspapers to 6.6 million.

With the addition of Multimedia's five network-affiliated television stations in Cleveland, St. Louis, Cincinnati, Knoxville, and Macon, Ga., Gannett's television stations now reach 14 percent of U.S. television households.

The acquisition marks Gannett's entry into cable, with Multimedia's cable television system reaching 454,000 subscribers in five states. Gannett also is acquiring two radio stations, several syndicated talk shows and Multimedia Security Service, which monitors more than 82,000 security alarm subscribers.

In 1994, Multimedia reported operating revenues of \$630.5 million and operating income of \$189.4 million. Gannett's 1994 operating revenues totaled \$3.8 billion, while operating income was \$812.8 million.

## PART I - FINANCIAL INFORMATION

## Item 1 - Financial statements

The following condensed financial statements are incorporated by reference to the Report to Shareholders for the quarter ended September 30, 1995.

Consolidated Statement of Earnings, three months and nine months ended September 30, 1995 and 1994.

Consolidated Balance Sheets as of September 30, 1995 and December 31, 1994.

Consolidated Statements of Cash Flows, nine months ended September 30, 1995 and 1994.

The information furnished reflects all adjustments consisting of normally recurring accruals which are, in the opinion of management, necessary to a fair statement of the results for the interim period.

MULTIMEDIA, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS

THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 1995 AND 1994

(Unaudited) (In thousands except per-share data)	Three Months		Nine Months	
	1995	1994	1995	1994
Operating revenues:				
Newspapers	\$ 40,382	37,196	118,737	108,297
Broadcasting	37,340	33,216	112,552	100,071
Cable	44,308	40,912	129,758	124,114
Entertainment	33,362	34,883	107,739	107,738
Security	7,463	6,443	20,843	18,080
Total operating revenues	162,855	152,650	489,629	458,300
Operating costs and expenses:				
Production	60,212	53,242	186,208	162,121
Selling, general and administrative	38,380	39,040	118,148	115,719
Depreciation	9,320	9,082	29,769	30,713
Amortization	3,578	3,573	10,815	11,265
Total operating costs and expenses	111,490	104,937	344,940	319,818
Operating profit	51,365	47,713	144,689	138,482
Interest expense	13,928	14,829	42,790	44,604
Other income (expense), net	(452)	19,115	(557)	21,292
Earnings before income taxes and minority interest	36,985	51,999	101,342	115,170
Income taxes	15,348	21,580	42,057	47,796
Minority interest in subsidiaries' losses (income), net	(757)	50	(2,394)	(128)
Net earnings	\$ 20,880	30,469	56,891	67,246

Per share of common stock:

Net earnings	\$ .54	.80	1.47	1.76
Cash dividends	-	-	-	-
Weighted average shares	39,025	38,285	38,824	38,282

MULTIMEDIA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 1995 AND DECEMBER 31, 1994

(Unaudited) (In thousands)	September 30, 1995	December 31, 1994
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 7,843	6,202
Net trade accounts receivable	90,041	93,426
Inventories	7,276	4,643
Deferred income tax benefits	10,915	9,581
Program rights	11,166	7,570
Deferred program costs	5,198	10,923
Prepaid expenses and other	7,471	6,795
Total current assets	139,910	139,140
Property, plant and equipment, at cost	615,626	558,749
Less accumulated depreciation	301,659	283,522
Net property, plant and equipment	313,967	275,227
Intangible assets, net	246,219	242,078
Other assets	30,817	27,533
	\$ 730,913	683,978
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities:		
Current installments of long-term debt	\$ 30,237	30,254
Accounts payable	19,595	24,512
Accrued interest	11,720	2,671
Accrued payroll	7,821	8,386
Accrued expenses	39,494	38,148
Income taxes payable	12,289	10,202
Program rights payable	11,632	7,793
Unearned income	22,975	20,556
Total current liabilities	155,763	142,522
Long-term debt	508,301	542,303

Deferred income taxes	57,391	54,090
Other liabilities	3,316	3,294
Minority interest	21,078	18,684
Stockholders' equity (deficit):		
Common stock	3,788	3,762
Additional paid-in capital	193,286	188,224
Retained earnings (deficit)	(212,010)	(268,901)
Total stockholders' equity (deficit)	(14,936)	(76,915)
	\$ 730,913	683,978

MULTIMEDIA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 1995 AND 1994

(Unaudited) (In thousands)	1995	1994
Net cash provided by operating activities	\$127,852	139,583
Additions to property, plant and equipment	(65,152)	(58,379)
Acquisitions of properties	(24,008)	(10,713)
Other	2,489	20,067
Net cash used for investing activities	(86,671)	(49,025)
Addition (reduction) in revolving credit, net	15,906	(48,168)
Long-term debt retired	(50,040)	(41,169)
Other	(5,406)	(5,255)
Net cash provided by (used for) financing activities	(39,540)	(94,592)
Increase (decrease) in cash and cash equivalents	1,641	(4,034)
Cash and cash equivalents, beginning of year	6,202	11,034
Cash and cash equivalents, end of period	\$ 7,843	7,000

NOTE: NET CASH PROVIDED BY OPERATING ACTIVITIES IS FURTHER ANALYZED AS FOLLOWS:

Operating profit plus depreciation and amortization and amortization of stock options:		
Newspapers	\$ 41,643	35,362
Broadcasting	53,670	38,957
Cable	66,106	62,972
Entertainment	25,405	47,832
Security	7,050	6,753
Corporate	(8,379)	(8,789)
	185,495	183,087
Interest expense less amortization of debt issue costs	(41,973)	(43,767)
Change in current assets and liabilities	17,092	15,493
Other	(32,762)	(15,230)
Net cash provided by operating activities	\$127,852	139,583



THREE MONTHS HIGHLIGHTS

(Unaudited)(In thousands)                      1995                      1994

REVENUES:

Newspapers	\$ 40,382	37,196
Broadcasting	37,340	33,216
Cable	44,308	40,912
Entertainment	33,362	34,883
Security	7,463	6,443
	\$ 162,855	152,650

OPERATING PROFITS:

Newspapers	\$ 13,871	10,283
Broadcasting	15,419	10,043
Cable	14,741	12,965
Entertainment	9,842	17,151
Security	235	885
Corporate	(2,743)	(3,614)
	\$ 51,365	47,713

## UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma combined financial statements give effect to the exchange of \$45.25 in cash by Gannett Co., Inc. (the Company) for each share of issued and outstanding common stock of Multimedia, Inc. (Multimedia) pursuant to the Merger Agreement. As a result of the merger, Gannett will also assume or incur the long-term debt of Multimedia. This transaction will be accounted for as a purchase.

The unaudited pro forma combined balance sheet presents the financial position of Gannett and Multimedia as of September 24, 1995, assuming that the proposed merger with Multimedia occurred as of that date. Such pro forma information is based on the historical balance sheets of the Company at September 24, 1995 and of Multimedia at September 30, 1995.

As required by rule 11-02 of regulation S-X, the unaudited pro forma combined statements of income have been prepared assuming that the proposed merger occurred as of the beginning of the periods presented. The unaudited combined statements of income reflect the historical results of operations for Gannett and Multimedia for their respective 1994 fiscal years and first nine periods of 1995.

The unaudited pro forma combined financial statements give effect to certain pro forma adjustments which are described in the notes to these statements. Certain nonrecurring amounts, which principally include legal fees, investment banker fees and other professional fees, severance costs for certain Multimedia executives and debt prepayment penalties are not included in the unaudited pro forma combined financial statements. The Company does not believe that the aggregate after tax cost of such nonrecurring items will be in excess of 5% of the purchase price. These items are not of an operating nature but rather are directly attributable to the acquisition and, as such, will be considered an adjustment to the purchase price in accordance with paragraph 76 of APB 16, "Business Combinations". The company does not believe that there will be any significant additional non-recurring operating costs of the combined entity which are not reflected in the unaudited pro forma combined statements of earnings.

The unaudited pro forma combined financial statements do not reflect any synergies anticipated by the Company as a result of the merger.

The unaudited pro forma data is presented for informational purposes only and is not necessarily indicative of the results of operations or financial position which would have been achieved had the transaction been completed as of the beginning of the earliest period presented, nor is it necessarily indicative of Gannett's future results of operations or financial position.

The unaudited pro forma combined financial statements should be read in conjunction with the historical financial statements of the Company and of Multimedia, including the related notes thereto.

GANNETT CO., INC.  
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET  
SEPTEMBER 24, 1995

(In thousands)	Gannett	Multimedia(*)	Pro forma Adjustments	Pro forma Combined
<b>ASSETS</b>				
Cash and marketable securities	\$ 35,537	\$ 7,843		\$ 43,380
Accounts receivable, net	468,278	90,041		558,319
Inventories	101,042	7,276		108,318
Prepaid expenses and other current assets	70,750	34,750		105,500
	-----	-----	-----	-----
Total current assets	675,607	139,910		815,517
Property, plant and equipment, net	1,413,786	313,967	\$ 318,921 (1)	2,046,674
Excess of acquisition cost over the value of assets acquired	1,442,304	246,219	(318,921)(1)(7)	3,292,276

			30,817 (2)(7)	
			(22,600) (3)(7)	
			128,521 (4)(7)	
			1,771,000 (5)(7)	
			14,936 (6)(7)	
Other assets	193,859	30,817	(30,817) (2)	193,859
	-----	-----	-----	-----
Total assets	\$3,725,556	\$730,913	\$ 1,891,857	\$6,348,326
	=====	=====	=====	=====
Liabilities & Shareholders' Equity				
Current maturities of long-term				
debt	\$ 59,824	\$ 30,237		\$ 90,061
Accounts payable and current portion				
of film contracts payable	223,062	31,227		254,289
Accrued expenses and other current				
liabilities	244,483	82,010		326,493
Dividends payable	49,158			49,158
Income taxes	18,612	12,289	\$ (22,600) (3)	8,301
	-----	-----	-----	-----
Total current liabilities	595,139	155,763	(22,600)	728,302
Deferred income taxes	151,522	57,391	128,521 (4)	337,434
Long-term debt, less current portion	541,536	508,301	1,771,000 (5)	2,820,837
Postretirement medical and life				
insurance liabilities	308,714	2,312		311,026
Other long-term liabilities	108,776	22,082		130,858
Total shareholders' equity	2,019,869	(14,936)	14,936 (6)	2,019,869
	-----	-----	-----	-----
Total liabilities and shareholders' equity	\$3,725,556	\$730,913	\$ 1,891,857	\$6,348,326
	=====	=====	=====	=====

\* For comparability, Multimedia amounts, which are as of September 30, 1995, have been reclassified to conform with Gannett's presentation.

See accompanying notes to Unaudited Pro Forma Combined Financial Statements.

GANNETT CO., INC.  
 UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME  
 NINE MONTHS ENDED SEPTEMBER 24, 1995

(In thousands except per share data)	Gannett	Multimedia(*)	Pro forma Adjustments	Pro forma Combined
<b>Net Operating Revenues:</b>				
Newspapers	\$2,350,790	\$118,737		\$2,469,527
Broadcasting	322,650	112,552		435,202
Outdoor	186,562			186,562
Cable		129,758		129,758
Entertainment		107,739		107,739
Security		20,843		20,843
	-----	-----	-----	-----
Total	2,860,002	489,629		3,349,631
	-----	-----	-----	-----
<b>Operating Expenses:</b>				
Cost of sales and operating expenses, exclusive of depreciation	1,622,790	186,208		1,808,998
Selling, general and administrative expenses, exclusive of depreciation	513,536	118,148		631,684
Depreciation	116,578	29,769	\$(29,769) (1)	152,119
			35,541 (2)	
Amortization of intangible assets	34,118	10,815	(10,815) (3)	70,918
			36,800 (4)	
	-----	-----	-----	-----
Total	2,287,022	344,940	31,757	2,663,719
	-----	-----	-----	-----
Operating income	572,980	144,689	(31,757)	685,912
	-----	-----	-----	-----
<b>Non-operating income (expense):</b>				
Interest expense	(31,723)	(42,790)	(79,400) (5)	(153,913)
Other income (expense)	(627)	(557)		(1,184)
	-----	-----	-----	-----
Total	(32,350)	(43,347)	(79,400)	(155,097)
	-----	-----	-----	-----
Income before income taxes	540,630	101,342	(111,157)	530,815
Provision for income taxes	218,900	42,057	(34,100) (6)	226,857
Minority interest, net		(2,394)		(2,394)
	-----	-----	-----	-----
Net income	\$ 321,730	\$ 56,891	\$(77,057)	\$ 301,564
	=====	=====	=====	=====
Net income per share	\$2.30	\$1.47		\$2.15
	-----	-----	-----	-----
Average number of outstanding shares	140,103			140,103

\* For comparability, Multimedia amounts, which are for the nine months ended September 30, 1995 have been reclassified to conform with Gannett's presentation.

See accompanying notes to Unaudited Pro Forma Combined Financial Statements.

GANNETT CO., INC.  
 UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME  
 YEAR ENDED DECEMBER 25, 1994

(In thousands except  
 Per share date)

	Gannett	Multimedia(*)	Pro forma Adjustments	Pro forma Combined
<b>Net Operating Revenues:</b>				
Newspaper advertising	\$3,176,787	\$150,140		\$3,326,927
Broadcasting	406,608	142,841		549,449
Outdoor	241,128			241,128
Cable		165,406		165,406
Entertainment		147,512		147,512
Security		24,584		24,584
	-----	-----	-----	-----
Total	3,824,523	630,483		4,455,006
	-----	-----	-----	-----
<b>Operating Expenses:</b>				
Cost of sales and operating expenses, exclusive of depreciation	2,106,810	229,390		2,336,200
Selling, general and administrative expenses, exclusive of depreciation	696,139	158,248		854,387
Depreciation	163,242	39,025	\$(39,025) (1)	207,382
			44,140 (2)	
Amortization of intangible assets	45,554	14,377	(14,377) (3)	94,654
			49,100 (4)	
	-----	-----	-----	-----
Total	3,011,745	441,040	39,838	3,492,623
	-----	-----	-----	-----
Operating income	812,778	189,443	(39,838)	962,383
	-----	-----	-----	-----
<b>Non-operating income (expense):</b>				
Interest expense	(45,624)	(59,142)	(74,400) (5)	(179,166)
Other income (expense)	14,945	25,584		40,529
	-----	-----	-----	-----
Total	(30,679)	(33,558)	(74,400)	(138,637)
	-----	-----	-----	-----
Income before income taxes	782,099	155,885	(114,238)	823,746
Provision for income taxes	316,700	64,693	(31,800) (6)	349,593
Minority interest, net		(1,163)		(1,163)
	-----	-----	-----	-----
Net income	\$ 465,399	\$ 90,029	\$(82,438)	\$ 472,990
	=====	=====	=====	=====
Net income per share	\$3.23	\$2.35		\$3.28
	-----	-----		-----
Average number of outstanding shares	144,276			144,276

\* For comparability, Multimedia amounts, which are for the year-ended December 31, 1994, have been reclassified to conform with Gannett's presentation.

See accompanying notes to Unaudited Pro Forma Combined Financial Statements.

## NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

### Note 1 - Basis of Presentation

The unaudited combined pro forma balance sheet has been prepared to reflect the acquisition of Multimedia for an aggregate price of approximately \$1.8 billion plus the assumption of approximately \$538 million of Multimedia's long-term debt.

The unaudited pro forma combined balance sheet presents the financial position of the Company and Multimedia as of September 24, 1995 assuming that the transaction occurred as of September 24, 1995. Such pro forma information is based on the historical balance sheets of Gannett as of September 24, 1995 and of Multimedia as of September 30, 1995.

As required by rule 11-02 of regulation S-X, the unaudited pro forma condensed combined statements of income assume that the transaction occurred as of the beginning of the earliest period presented. The unaudited pro forma condensed combined statements of income reflect Multimedia's historical results of operations for the 12 month period ended December 31, 1994 and for the nine month period ended September 30, 1995.

The Company believes that the assumptions used in preparing the unaudited pro forma combined financial statements provide a reasonable basis for presenting all of the significant effects of the merger (other than any synergies anticipated by Gannett, nonrecurring charges directly attributable to the merger and nonrecurring charges that will result from combining operations), and that the pro forma adjustments give effect to those assumptions in the unaudited pro forma combined financial statements.

### Note 2 - Pro forma Adjustments

A. Pro forma adjustments to the unaudited condensed combined balance sheet are made to reflect the following:

- (1) Adjustment to record the fixed assets of Multimedia at estimated fair value at the acquisition date. The fair value of fixed assets was estimated on a property-by-property basis using certain information provided by Multimedia, and in general consideration of the age, condition and replacement value of the assets. Estimated useful lives for depreciation purposes have been assigned which give appropriate effect to the age, condition and productiveness of the assets.
- (2) Write-off Multimedia's deferred costs which have no carryforward value to the combined entity.
- (3) Tax benefit of exercise and settlement of stock options. The effective tax rate for this adjustment assumes that all of the compensation element of the options will be deductible for federal and state income tax purposes.
- (4) Deferred tax on step-up of fixed assets, using the Company's combined federal and state tax rate of 40.5%.
- (5) The issuance of \$1.77 billion in commercial paper necessary to finance the merger.
- (6) The elimination of the shareholders' equity accounts of Multimedia.
- (7) Adjustment to record the excess of acquisition cost over the fair value of assets acquired (goodwill). The acquisition cost was allocated to each business segment based on the value of the segment, which was estimated by the Company using internal and external valuation reports. Goodwill for each business segment was calculated as the excess of allocated purchase price over the estimated fair value of the assets of the segment. For purposes of the unaudited pro forma condensed combined statements of income, goodwill is being amortized over various lives ranging from ten to forty years.

B. Pro forma adjustments to the September 24, 1995 unaudited condensed combined statement of income are made to reflect the following:

- (1) Elimination of Multimedia's historical depreciation expense.
- (2) Depreciation expense based on estimated fair market value and useful lives of Multimedia assets (see note A.1.)
- (3) Elimination of Multimedia's historical amortization expense.

(4) Amortization expense on the estimated excess of acquisition cost over fair value of assets, assuming lives ranging from ten to forty years.

(5) Interest expense on amount assumed borrowed for consideration paid (\$1.77 billion). The rate used to calculate interest expense, 5.98%, is based on the weighted average rate paid by Gannett for commercial paper during the nine-month period ended September 24, 1995.

Multimedia's weighted average interest rate for the nine months ended September 30, 1995 was substantially higher than Gannett's. Had the merger been completed at the beginning of the period presented and had Gannett been able to replace Multimedia's debt with a like amount of debt at the Company's lower rates, interest savings of approximately \$10 million would have been realized (exclusive of prepayment penalties that would be incurred upon retirement of Multimedia's debt which would be treated as part of the acquisition price).

Immediately following the acquisition, Gannett prepaid the majority of Multimedia's long-term debt and has plans to repay substantially all of the remaining amounts. The Company also terminated Multimedia's interest rate swap agreements and its bank credit facility.

(6) Record income tax effect of pro forma adjustments. The effective tax rate on pro forma combined income before taxes of 42.7% differs from the Company's statutory tax rate of 35% due primarily to non-deductible goodwill and state income taxes.

C. Pro forma adjustments to the December 25, 1994 unaudited condensed combined statement of income are made to reflect the following:

(1) Elimination of Multimedia's historical depreciation expense.

(2) Depreciation expense based on estimated fair market value and useful lives of Multimedia assets (see note A.1.)

(3) Elimination of Multimedia's historical amortization expense.

(4) Amortization expense on the estimated excess of acquisition cost over fair value of assets acquired (goodwill). The acquisition cost was allocated to each business segment based on the value of the segment, which was estimated by the Company using internal and external valuation reports. Goodwill for each business segment was calculated as the excess of allocated purchase price over the estimated fair value of the assets of the segment. For purposes of the unaudited pro forma condensed combined statements of income, goodwill is being amortized over various lives ranging from ten to forty years.

(5) Interest expense on amount assumed borrowed for consideration paid (\$1.77 billion). The rate used to calculate interest expense, 4.2%, is based on the weighted average rate paid by Gannett for commercial paper in 1994.

Multimedia's weighted average interest rate for the year ended December 31, 1994 was substantially higher than Gannett's. Had the merger been completed at the beginning of the period presented and had Gannett been able to replace Multimedia's debt with a like amount of debt at the Company's lower rates, interest savings of approximately \$33 million would have been realized (exclusive of prepayment penalties that would be incurred upon retirement of Multimedia's debt which would be treated as part of the acquisition price).

See note B(5) for further information regarding Multimedia debt.

(6) Record income tax effect of pro forma adjustments. The effective tax rate on pro forma combined income before taxes of 42.4% differs from the Company's statutory tax rate of 35% due primarily to non-deductible goodwill and state income taxes.

### Note 3 - Other Matters

As of September 30, 1995, Multimedia had commitments for purchases of syndicated television programming of approximately \$29 million through the year 2000 and commitments relating to rebuilds and upgrades to cable franchise facilities, to be performed through 1996, totaling approximately \$9 million. Commitments for purchases of other property, plant and equipment were less than \$1 million.