



# Connecting...

TO EACH OTHER

TO OUR COMMUNITIES

TO THE WORLD

TO YOU



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## C O M P A N Y P R O F I L E

Gannett Co., Inc. is a diversified news and information company that publishes newspapers, operates broadcasting stations and is engaged in marketing, commercial printing, a newswire service, data services and news programming. Gannett is an international company with headquarters in McLean, Va., and operations in 43 states, the District of Columbia, Guam, the United Kingdom, Belgium, Germany, Italy and Hong Kong.

Gannett is the USA's largest newspaper group in terms of circulation. The company's 95 U.S. daily newspapers have a combined daily paid circulation of 7.7 million. They include USA TODAY, the nation's largest-selling daily newspaper, with a circulation of approximately 2.3 million. In addition, Gannett owns a variety of non-daily publications and USA WEEKEND, a weekly newspaper magazine.

Newsquest plc, a wholly owned Gannett subsidiary acquired in mid-1999, is one of the largest regional newspaper publishers in the United Kingdom with a portfolio of more than 300 titles. Its publications include 15 daily newspapers with a combined circulation of approximately 600,000. Newsquest also publishes a variety of non-daily publications, including Berrow's Worcester Journal, the oldest continuously published newspaper in the world.

The company owns and operates 22 television stations covering 17.7 percent of the USA.

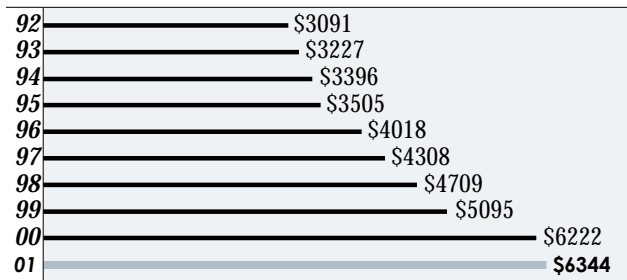
Gannett was founded by Frank E. Gannett and associates in 1906 and incorporated in 1923. The company went public in 1967. Its more than 265 million shares of common stock are held by approximately 13,700 shareholders of record in all 50 states and several foreign countries. The company has approximately 51,500 employees.

2001 FINANCIAL SUMMARY

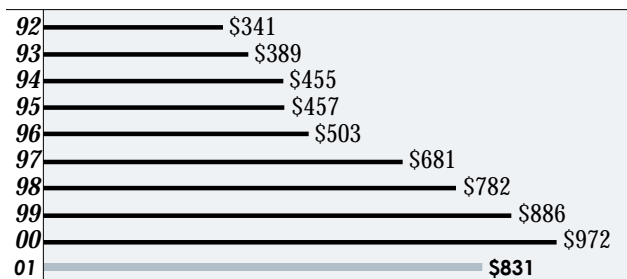
In thousands, except per share amounts

	2001	2000	Change
Operating revenues	\$ 6,344,245	\$ 6,222,318	2.0%
Operating income	\$ 1,589,835	\$ 1,817,256	(12.5%)
Income from continuing operations	\$ 831,197	\$ 971,940	(14.5%)
Earnings from discontinued operations, net		\$ 747,137	—
Net income	\$ 831,197	\$ 1,719,077	(51.6%)
Income per share from continuing operations – diluted	\$ 3.12	\$ 3.63	(14.0%)
Income per share from discontinued operations – diluted		\$ 2.78	—
Net income per share – diluted	\$ 3.12	\$ 6.41	(51.3%)
Operating cash flow (1)	\$ 2,033,612	\$ 2,193,171	(7.3%)
Working capital	\$ 50,461	\$ 128,335	(60.7%)
Long-term debt	\$ 5,080,025	\$ 5,747,856	(11.6%)
Total assets	\$13,096,101	\$12,980,411	0.9%
Capital expenditures (2)	\$ 316,029	\$ 339,413	(6.9%)
Shareholders' equity	\$ 5,735,922	\$ 5,103,410	12.4%
Dividends per share	\$ .90	\$ .86	4.7%
Average common shares outstanding – diluted	266,833	268,118	(0.5%)

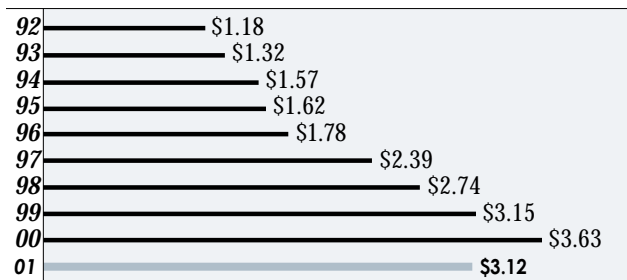
- (1) Represents operating income plus depreciation and amortization of intangible assets. This measure varies from the audited Consolidated Statements of Cash Flows.
- (2) Excluding capitalized interest and discontinued operations.



Operating revenues in millions



Income from continuing operations before net non-operating gains, in millions



Income per share (diluted) from continuing operations before net non-operating gains

# Letter...

Finally, 2001 is behind us.

We knew at the outset that 2001 would be a difficult year. Without the spending generated by the Olympics and elections, and with all indications of a slowing economic environment, we anticipated tough times and prepared for them long in advance.

But no one could have predicted what happened. The advertising environment developed into the worst since World War II. And the events of Sept. 11 were a devastating blow to the already shaky economy. The attacks changed us, changed the company and changed the world.

Gannett met the challenge. At all our newspapers and television stations, at all our assorted operations and at corporate headquarters, Gannett employees hunkered down and worked. We produced newspapers and television broadcasts that were read or watched by millions more people than ever before.

The Gannett culture kicked in and people did the day-to-day work of the company with dedication, creativity and intelligence. I am very proud of this company's people and the way we persevered in 2001.

In the end, the numbers are not the best we've ever had. But our geographic diversity, aggressive cost controls and the hard work of our employees led to one of the best year-over-year earnings in the industry, despite the fact that Gannett has always operated tightly and has some of the highest margins in our business.

Operating cash flow was \$2 billion, down 7% from 2000. Earnings per share from continuing operations were \$3.12. Revenues for 2001 were \$6.3 billion, up 2% over 2000.

And there are other bright spots.

The Internet operations of Gannett's community newspapers in the aggregate were profitable. This achievement was the result of Gannett's management philosophy: We simply used caution and wisdom in our approach to the Internet notwithstanding the wild business climate surrounding dot-coms during the past few years. Our rule was to treat the Internet as a business, and it paid off at the local papers in 2001. Meanwhile, USATODAY.com is suffering revenue declines similar to other national sites.

Internet operations at Newsquest plc, our division in the United Kingdom, also were profitable. Revenues from all our Internet efforts were about \$71 million.

Newsquest's operations overall eluded the economic pressures that restricted our units in the USA. But we are seeing signs that the U.K. will have some weakening in 2002, especially in employment classifieds. Even so, many economists there predict they will have more positive growth than is projected for the U.S. or the Eurozone.

The Broadcasting Division proudly reached a milestone in its goal to have top-rated local news shows in each of our markets among the key demographic of adults ages 25-54. For the first time in 2001, all of the stations were No. 1 or No. 2 in their



# to our

markets for late news during a key ratings period for that age group. WGRZ-TV in Buffalo, N.Y., went from third to first place in late news for the first time in the station's history.

The three top stations for late news in the nation among 25-54 year olds in the November 2001 ratings were Gannett's KARE-TV in Minneapolis, KSDK-TV in St. Louis and KUSA-TV in Denver.

The Division also smoothly completed the transition to a new leader with the retirement of Cecil Walker and the installation of Craig Dubow as president and CEO.

Broadcast and our newspapers pulled out all the stops for coverage of the terrorist attacks in September and their aftermath. Circulation spiked at USA TODAY and our community newspapers just after 9/11. Records were set.

The lesson was clear: People who said our industry was dying were simply wrong. People crave news in times of crisis and Gannett is ready to deliver it in a multitude of ways – in print, on the air and online. We have virtually 100% name recognition in our markets and the credibility to back it up.

Gannett's community newspapers moved forward on all fronts during 2001. Major press projects were approved and money was committed to upgrading facilities at The Courier-Journal in Louisville, Ky., The Honolulu Advertiser and the Detroit Newspapers. On the editorial side, the Newspaper Division continued its pursuit of the critically important young reader. The 300-page "X Manual" was compiled to help the papers share ideas such as redesigned and repurposed classified sections and enhanced entertainment or business coverage.

USA TODAY's association with Gannett Broadcasting grew during the year as USA TODAY LIVE brought more USA TODAY content to our television stations every day. An agreement with The Weather Channel to share content with USA TODAY – in print, online and on the air – was announced.

Another example of convergence is the cross-divisional cooperation among The Arizona Republic, KPNX-TV and their joint Web site, azcentral.com. Stories on business, sports

and education worked together to leverage expertise. Special joint projects such as the "Dying to Work" series on illegal immigration multiplied the impact.

The move to our new headquarters in McLean, Va., was completed. USA TODAY now has the facilities it needs and the company has a new home.

The uneven newsprint market, which began the year with an announced increase of \$50 per metric ton, turned in our favor. Supply and demand would not support the higher prices and, in fact, resulted in significant downward pressure on prices. Gannett now is buying newsprint at some of the lowest prices in 10 years.

A change in the accounting rules for goodwill and intangible assets was announced in 2001, allowing us to improve the way we will report EPS in 2002. As a result, our amortization expense for these assets will be reduced by approximately \$234 million.

And the easing of interest rates by the Federal Reserve Board has benefited Gannett greatly. We ended the year with about \$5.1 billion of debt.

So, we have a number of positives to contemplate as we move into 2002, not the least of which is the hope for a recovery in the latter half of the year. There is also the return of the Olympics and some hot political races. And, the Federal Communications Commission is finally in the midst of reviewing the antiquated cross-ownership rules that have dampened progress in our industry.

Gannett's financial discipline and good sense have gotten us through a tough year. And those principles make the good years all the better.



# shareholders

FROM DOUGLAS H. MCCORKINDALE,  
CHAIRMAN, PRESIDENT AND CEO

## Newspapers...

### U.S. COMMUNITY NEWSPAPERS

Gannett's Newspaper Division made major strides during a challenging year.

Coverage of the news – large stories and small – was extraordinary throughout the year, but never more so than on Sept. 11 and in the weeks that followed. Gannett newspapers and Web sites responded to the terrorist attacks with unparalleled efforts. Eighty newspapers produced Extra editions, including five that did two. Web sites were continuously updated with stories, photos and graphics within moments of the strikes. Gannett's community newspapers sold an additional 1.3 million copies on Sept. 11, a 101% increase over the previous Tuesday. On Sept. 12, an additional 1.8 million newspapers were sold for a 103% increase over the previous Wednesday.

Nearly all of Gannett's 94 daily community newspapers have complete Web sites with multiple news and advertising products serving local markets. The division also increased online training for newsrooms, with some 70 newspapers participating.

The newspapers also made it easier for customers to do business online: ClassWeb allowed customers to place classified advertising via the Web and ICON made subscribing to our newspapers click-easy.

The Gannett Retail Advertising Group's Franchise XPress sales program in 2001 sold 34 million full-color, single-sheet inserts to 400 clients representing 42 different franchise systems in Gannett markets. One in 12 U.S. businesses is a franchise and there are some 70,000 such businesses in Gannett's markets.

Major press and mailroom projects were approved for The Courier-Journal at Louisville, Ky., The Honolulu Advertiser and Detroit Newspapers. Major capital spending on new press and production facilities continues, benefitting our readers, advertisers and shareholders.

Gannett newspapers continued to focus on connecting to young readers. To help share ideas, the Gannett News Department and Gannett News Service created the 300-page "X Manual," which details the newspapers' efforts to attract younger readers.

USA WEEKEND, the national weekly newspaper magazine, also has drawn a young crowd to its pages as it reaches more readers. Circulation is 23.6 million in 591 newspapers. Make A Difference Day, the national day of volunteering created by the magazine, drew more than 2 million volunteers at events across the country in 2001.

### NEWSQUEST

Newsquest, Gannett's operating arm in the United Kingdom, expanded its reach with the acquisition of Dimbleby Newspaper Group, which included nine titles in South London. Newsquest now publishes more than 300 titles, including 15 daily newspapers.

In 2001, Newsquest moved to the forefront of the digital movement by expanding its use of "computer-to-plate" technology in which pages go from computers to printing press plates instead of detouring to film. Half of Newsquest's print centers in the U.K. are now equipped with computer-to-plate technology, enhancing image quality and cost efficiencies.

Newsquest's Generation X project resulted in titles implementing a number of improvements to appeal to younger readers, including redesigned pages, enhanced use of images and new features such as consumer and lifestyle guides, health sections and school pages.

The Peak Performance training program was begun for those in advertising, and a new management development course was instituted for all departments.

New presses were installed at Wingates, Lancashire and at Newsquest's heatset magazine printing subsidiary, Southernprint,

# 2001 Division



in Poole, Dorset, giving readers and advertisers superior print quality at competitive prices.

Online, Newsquest more than doubled its aggregate audience to approximately 15 million page impressions a month during 2001. Its combined audience is greater than many of the major Internet portals generated in the U.K. In the majority of its regions, Newsquest has the largest local news and information site.

## USA TODAY

If there ever was a year when flexibility counted, it was 2001.

USA TODAY focused on the lifetime value of its customers by giving advertisers the flexibility they needed as their ad budgets contracted and their messages changed after the Sept. 11 attacks.

USA TODAY also invested in the skills of its sales staff. Training was focused on improving the effectiveness of each sales call and moving to a partnership level with each account. Connections with advertisers were enhanced by offering a one-stop shopping approach: Rather than multiple points of contact, clients were assigned a single person who sold the brand – domestic, international and digital.

Pursuing a network strategy continued to be a priority for USA TODAY as it provided material via multiple media vehicles. (See pages 7 and 11.) USA TODAY began a partnership with The Weather Channel in 2002 designed to make use of the multiple platforms of both.

USA TODAY launched a new interactive TV product called News Center, which allows busy business travelers easy access to USATODAY.com content from hotels. The product is distributed through OnCommand, the leading provider of in-room interactive entertainment, Internet services, business information and guest services for the lodging industry. (See page 11.)

And readers rewarded USA TODAY's editorial efforts with increased readership. USA TODAY is one of several large U.S. newspapers whose reach is growing.

## Broadcasting...

Gannett Broadcasting continued to grow its local market strength through quality local news programming.

Gannett Broadcasting's TV stations are local market leaders. KARE-TV at Minneapolis-St. Paul, Minn., KSDK-TV at St. Louis, Mo., and KUSA-TV at Denver, Colo., are the top three stations in the nation for late local news in the key selling demographic of adults 25-54 in the November 2001 ratings. KPNX-TV at Phoenix, Ariz., joins them in the top 10 in the country. WBIR-TV at Knoxville, Tenn., WCSH-TV at Portland, Maine, and WMAZ-TV at Macon, Ga., are tops among the nation's medium-sized and smaller markets.

WGRZ-TV at Buffalo, N.Y., KTHV-TV at Little Rock, Ark., and WLTX-TV at Columbia, S.C., three stations purchased in the 1990s and all with a history of underperformance, made great strides in 2001. WGRZ went from third to first place in late news for the first time in the station's history. KTHV ranked No. 2 in all news time periods with adults 25-54.

Over the years Gannett TV stations have earned a reputation for commitment to their communities. Community service and outreach took on special meaning after the events of Sept. 11, when the TV stations championed supply drives and projects to buy new fire trucks to replace those destroyed when the twin towers of the World Trade Center fell. (See page 16.)

After The Arizona Republic and azcentral.com joined Gannett in 2000, Broadcasting sought ways to share KPNX's resources. Phoenix convergence has had demonstrable benefits, providing more information, greater depth and increased perspective. Advertisers, too, like the combined approach. Convergence-related incremental revenue from February 2001, the first month of sales, through January 2002, is more than \$4.2 million.

# al Highlights

Working together is becoming easier every day at Gannett. Newspaper to newspaper. Newspaper to TV station. Station to station. All to online. The relationships are enhancing coverage for our audiences and creating value for the company.

Our newspaper groups in Wisconsin, Ohio, Indiana, Louisiana and New Jersey have found that readers and advertisers simply get more when the newspapers work together.

In Indiana, the Palladium-Item at Richmond, The Star Press at Muncie and the Chronicle-Tribune at Marion in 2001 produced a four-part series, "Taxing Indiana." The newspapers took a comprehensive look at the likely impact of court-ordered tax reform in the state.

When Miller Park, home to Wisconsin's Milwaukee Brewers, debuted in spring 2001, The Post-Crescent at Appleton, Wis., and the Green Bay (Wis.) Press-Gazette pooled their talents to provide readers of all 10 Wisconsin papers with in-depth stories, photos and detailed graphics of the field's grand opening.

"The power of the arrangement is that it taps into the talent of multiple staffs," says Carol Hunter, executive editor at the Green Bay Press-Gazette.

Gannett-owned newspapers in Louisiana redoubled their group approach in all areas, from news coverage to their regional Internet site. This site, reallouisiana.com, takes entertainment stories from all five Louisiana newspapers and gives readers an in-depth view of the state's entire entertainment scene.

Gannett's Digital Production Center at corporate headquarters in McLean, Va., is an online partner for Gannett's smaller newspapers, helping them roll out and maintain their Web sites. The result has been the development of better, richer sites than the newspapers could create themselves, while also providing additional revenue opportunities.

One of Gannett's most successful collaborations is the partnering of The Arizona Republic and KPNX-TV, both in Phoenix.

Arizona's largest daily teams with the state's leading TV station and top Web site, azcentral.com, to provide up-to-the-minute news, perspectives on education, depth and insight into political coverage and broader sports coverage. The Phoenix convergence, which won Gannett's 2001 IDEAS (Innovator Drive for Excellence) competition, is leading the way for Gannett into the multimedia future.

USA TODAY LIVE, another collaboration among print, broadcast and online, grew and strengthened during the year. LIVE, which provides USA TODAY content to Gannett's TV stations, will begin working with The Weather Channel in 2002.

Finally, the events of Sept. 11 and their aftermath united Gannett's newspapers and television stations at a crucial time.

With The Journal News at Westchester County, N.Y., just 25 miles from the World Trade Center, reporters and editors from The News Journal at Wilmington, Del., The Indianapolis Star, The Cincinnati Enquirer and the Rochester (N.Y.) Democrat and Chronicle journeyed to Westchester to augment The Journal News' coverage of the attacks on New York City. The art director at the Poughkeepsie (N.Y.) Journal drove downstate to help with an in-depth graphic that ran in both newspapers.

Gannett's TV stations also worked as a team. Staff from stations in Cleveland, Atlanta and Greensboro, N.C., provided WUSA-TV at Washington, D.C., with quick help in covering the attack on the Pentagon. Cleveland's WKYC-TV provided WUSA with a firsthand account of the crash of the hijacked airliner outside Pittsburgh. Atlanta's WXIA-TV loaned the Washington station an additional satellite truck. "Because of WXIA, we were able to offer viewers live shots of the capital region and maintain coverage at the hospitals and at the memorial services that followed," says Dave Roberts, vice president/news at WUSA. Greensboro's WFMY provided WUSA with an exclusive interview with Virginia's governor on the evening of Sept. 11.

# Connecting to

COVERAGE OF THE SEPT. 11 ATTACK ON THE PENTAGON BECAME A TEAM EFFORT AS SEVERAL GANNETT UNITS TURNED THEIR EFFORTS TO HELPING WUSA-TV AT WASHINGTON, D.C., SAYS DAVE ROBERTS, VICE PRESIDENT/NEWS AT WUSA-TV. SHOWN ON THE MONITORS BEHIND ROBERTS (TOP TO BOTTOM): TRACEE WILKINS OF WFMY-TV AT GREENSBORO, N.C., AND JACK KELLEY OF USA TODAY.



CAREERS ON THE WEB

In 2001, Gannett leveraged the combined power of its newspapers, TV stations and Web sites with USA TODAY Careers Network, a user-friendly employment Web site ([www.USATODAYCareers.com](http://www.USATODAYCareers.com)).

A co-venture of Gannett's Newspaper Division and its 94 daily newspapers, USA TODAY, USATODAY.com and Gannett Broadcasting, the site gives job seekers anywhere-in-the-world access to job listings, and gives employers access to services and resumes from across the U.S.

Available on the site are interactive tools that aid the search process, advice columnists and fresh daily content on the changing employment market.

By accessing the network, job seekers

tap into local or national career searches. Job recruiters target candidates from across the country or simply focus on finding people closer to home. They also can use the site to screen and rank candidates based on specific hiring needs and conduct customized searches based on geography, key words and categories.

USA TODAY Careers Network gives classified employment advertisers the ability to reach an entirely new pool of job seekers. "From a strategic perspective, the national site plays an important role since it gives job seekers what we [at the local unit] already give them, plus the opportunity to click on a national search," says Adrienne McInnis, classified advertising manager at The Greenville (S.C.) News.

each other



Gannett newspapers, television stations and Web sites are trusted, familiar members of the communities they serve. They cover the news, run the ads and inform the public.

But they do more. Gannett connects to its communities in ways that go beyond the news. Gannett's outlets are good citizens, constantly striving to make their communities better places to live and work. That connection became even more apparent – and more important – in 2001.

Schools were identified as a key topic of interest in the Phoenix area and became a unique subject of collaboration among The Arizona Republic, KPNX-TV and azcentral.com. Their months-long “Build Your Perfect School” project drew the community into discussions over school quality that culminated in a town hall meeting attended by the state's governor.

Another group project arose from the deaths of 11 Mexican immigrants abandoned in the desert by smugglers. The “Dying to Work” series on immigration was just one result of a study conducted by the Broadcasting Division at Phoenix, Denver's KUSA-TV and Sacramento's KXTV-TV on ways to reach Hispanic viewers. Among the changes as a result: KXTV adopted a diversity-based strategy in news; personnel at the stations were taught correct pronunciation of Spanish words; and the stations collaborated on community events with Hispanic organizations.

In Cincinnati, April riots lifted the lid on the city's simmering racial divisions. The Cincinnati Enquirer decided to do more than cover the story and began its “Neighbor to Neighbor” initiative. Trained facilitators met with residents and wrote reports on what people were willing to do to improve race relations. The reports were posted online and written about in the newspaper. In addition, the newspaper took a poll, launched standing features on diversity and created lesson plans for its Newspapers in Education program.

The Courier-Journal at Louisville, Ky., developed the series “Our New Neighbors” to educate readers about immigrants in the community. The series eventually became a traveling exhibit.

Economic and social hardships facing rural Idaho were examined by The Idaho Statesman at Boise. Five roundtable meetings with readers were held across the state.

Dozens of Gannett Web sites joined technology with innovation and good old-fashioned local reporting to portray their communities in ways they never could before:

- The Rochester (N.Y.) Democrat and Chronicle enhanced a print special section on the community of Fairport with online multimedia interviews of residents, sounds of the village, interactivity, games and photo galleries.
- The Reno (Nev.) Gazette-Journal's Web site offered audio of local church choirs to accompany a print package. Also produced: a CD of the songs that was distributed free to local libraries.
- The News Journal at Wilmington, Del., produced a special report in the newspaper and online on local Holocaust victims. The report was done in conjunction with a traveling exhibition.
- The Courier-Post at Cherry Hill, N.J., supplemented coverage of the closing of the Garden State Park racetrack with online video of the first and last races of the track's final day and a 360-degree panoramic photo of the last race.
- CommuniGate, a project started in the United Kingdom by Newsquest in 2000 to help local organizations get on the Web, reached a milestone of 4,000 organizations online in 2001.

When journalism wasn't enough, the Gannett Foundation was there for communities the company serves. The private foundation makes grants and matches gifts from Gannett employees to nonprofit organizations in more than 100 communities in the U.S. and Guam where Gannett has operations. It also makes grants in the U.K.

In 2001, the Gannett Foundation gave about 1,700 grants and 5,700 matching gifts totaling \$10.4 million to nonprofits in Gannett communities.

As partner to our communities, the Gannett Foundation continues to grow. Since the foundation was launched with community grants in 1991, it has distributed \$74 million to thousands of programs.

# Connecting to our

THE GOAL OF THE CINCINNATI ENQUIRER'S “NEIGHBOR TO NEIGHBOR” COMMUNITY INITIATIVE IS TO IMPROVE RACE RELATIONS. FROM LEFT: CINCINNATI ENQUIRER EDITOR WARD BUSHEE AND DOROTHY BATTLE, A RETIRED TEACHER WHO IS A MEMBER OF THE PROJECT'S STEERING COMMITTEE. BATTLE WAS ONE OF ABOUT A DOZEN CITIZENS WHO HELPED ORGANIZE AND IMPLEMENT THE INITIATIVE. SHE ALSO HELPED FACILITATE ONE OF 114 NEIGHBORHOOD MEETINGS.



# communities





When big news broke around the world in 2001, Gannett was there.

With operations in 43 states, the District of Columbia, Guam, the United Kingdom and other overseas locations, Gannett's newspapers, TV stations and Web sites were often right on the scene or close enough to get there quickly.

USA TODAY Reporter Jack Kelley was across the street from a Sbarro pizza restaurant in Jerusalem when it was hit by a suicide bomber. Kelley quickly filed a news story for USATODAY.com, then wrote a cover story for USA TODAY's international edition. At the same time, he provided an audio account of the incident for online and for USA TODAY LIVE. Kelley then polished the cover story for USA TODAY's domestic editions. Kelley's stark, eyewitness account evoked hundreds of letters and thousands of e-mails.

He soon went to Pakistan and Afghanistan to cover the war there with other USA TODAY and Gannett reporters. That coverage extended the work done by all our units on Sept. 11.

Within minutes of the attacks that day, Gannett's newspapers and television stations reacted. While TV began around-the-clock, ad-free coverage, newspapers churned out special editions. Before the sun set in Honolulu that afternoon, our newspapers had produced 80 Extras. Incremental sales of the community newspapers for Sept. 11 and 12 totaled 3.1 million copies.

The Sept. 12 issue of USA TODAY's domestic edition carried approximately 158 stories, 32 graphics and 114 photos. That edition broke all of USA TODAY's previous circulation records, selling 3.7 million copies. USATODAY.com also broke records: On Sept. 11, page views were approximately 27.8 million. Page designs were stripped down to facilitate loading.

In December, USA TODAY took the story of the attacks on the World Trade Center a step further. The paper explained what happened inside the twin towers floor by floor: who lived, who died, how and why. The report was covered by NBC's "Today" show, CNN, MSNBC and many local radio and TV stations.

While overshadowed by Sept. 11, there were other major stories for Gannett in 2001.

For Super Bowl XXXV, WTSP-TV at Tampa-St. Petersburg, Fla., built a set at the Raymond James Stadium, airing 14 live Super Bowl specials prior to the game. Four Gannett TV stations loaned WTSP reporters, photographers and producers to help the station cover the game while maintaining its high level of community reporting. WTSP reciprocated with live footage and Super Bowl stories for use throughout the Broadcasting group.

As results of the U.S. Census were released during the year, Gannett News Service worked up packages of graphics, customized stories, analyses and overviews of national themes. GNS processed census results from up to three states a day on deadline to serve Gannett newspapers and Web sites.

Vermont Sen. Jim Jeffords' switch from Republican to Democrat, shifting the power in the Senate, was a major political story analyzed and reported by GNS for the community newspapers and subscribers.

International attention turned to Terre Haute, Ind., in 2001 for the execution of Oklahoma City bomber Timothy McVeigh. The Indianapolis Star and The Courier-Journal at Louisville, Ky., teamed up to provide coverage. Star Reporter Diana Penner, who also reported for GNS (which in turn provided her coverage to all of Gannett's community newspapers), and USA TODAY's Kevin Johnson were among the 10 media witnesses at McVeigh's execution.

Early in 2001, USA TODAY set out to answer questions about the disputed 2000 presidential election. With The Miami Herald and Knight Ridder newspapers, USA TODAY reviewed the approximately 61,000 undervotes. These three were then joined by six other Florida newspapers (including Gannett's FLORIDA TODAY at Brevard County, The News-Press at Fort Myers and the Pensacola News Journal) to review the 111,000 overvotes. The special report showed that Florida voter errors cost Al Gore the election and that George W. Bush still prevailed in a recount of all disputed ballots.

# Connecting to

JACKI KELLEY, SENIOR VICE PRESIDENT/ADVERTISING AT USA TODAY, SAYS THE USA TODAY BRAND HAS VENTURED INTO THE WORLD OF INTERACTIVE TELEVISION WITH THE CREATION OF THE NEWS CENTER. BEHIND KELLEY IS A NEWS CENTER SCREEN.

## USA TODAY'S REACH WIDENS

USA TODAY continues to extend its reach by offering its product via different platforms. USATODAY.com launched three new e-mail newsletters – Tech, Auto Track and Books – and redesigned its flagship e-mail newsletter, Daily Briefing.

USA TODAY also stepped into interactive television with the creation of the News Center for hotels. Via the TV in hotel rooms, guests can get quick updates on the day's headlines by picking up the TV remote and tuning in to the USA TODAY News Center. Content is disseminated to the hotels via the same technology that transfers USATODAY.com content to handheld computers and cellular phones.

In developing the News Center, USA TODAY partnered with OnCommand, the leading provider of in-room interactive entertainment.

"News Center is just one more way for USA TODAY to connect with the busy on-the-go professional," says Jacki Kelley, senior vice president/advertising at USA TODAY.

"OnCommand provided quick distribution to top brands like Marriott, Ritz Carlton, Sheraton, Loews and Westin and initial usage numbers are outpacing expectations."

The News Center in 2002 plans to add audio and video content from USA TODAY LIVE, USA TODAY and Gannett Broadcasting's multimedia venture.



# the world





**DOUGLAS H. MCCORKINDALE**

Chairman, president and chief executive officer, Gannett Co., Inc. *Formerly:* President, chief executive officer and vice chairman, Gannett Co., Inc. (2000-January 2001), Vice chairman and president, Gannett Co., Inc. (1997-2000), Vice chairman and chief financial and administrative officer, Gannett Co., Inc. (1985-1997). *Other directorships:* Continental Airlines, Inc.; Lockheed Martin Corporation; and funds that are part of the Prudential group of mutual funds. Age 62. (b,d,e,f)



**H. JESSE ARNELLE**

Of counsel to Winston-Salem, N.C., law firm of Womble, Carlyle, Sandridge & Rice. *Other directorships:* FPL Group, Inc.; Textron Corporation; Eastman Chemical Co.; Armstrong World Industries; Waste Management, Inc.; Metropolitan Life Series Fund. Age 68. (a,e)



**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 61. (d,e)



**JAMES A. JOHNSON**

Vice chairman, Perseus LLC. *Other directorships:* Cummins Engine Co.; Goldman Sachs Group, Inc.; Target Corporation; Temple-Inland Corporation; UnitedHealth Group; KB Home Corporation; Chairman, John F. Kennedy Center for the Performing Arts; Chairman, board of trustees, The Brookings Institution. Age 58. (b,c,d)

# Board of

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



**STEPHEN P. MUNN**  
Chairman and director,  
Carlisle Companies, Inc.  
*Other directorships:* funds that  
are part of the Prudential  
group of mutual funds.  
Age 59. (a,c)



**SAMUEL J. PALMISANO**  
President and chief executive  
officer, International Business  
Machines Corporation; and a  
trustee of The Johns Hopkins  
University. Age 50. (a,c)



**DONNA E. SHALALA**  
President, University of  
Miami. *Other directorships:*  
UnitedHealth Group; Lennar  
Corporation. Age 61. (d,e)



**KAREN HASTIE WILLIAMS**  
Partner of Washington, D.C.,  
law firm of Crowell & Moring.  
*Other directorships:* The Chubb  
Corporation; Continental  
Airlines, Inc.; SunTrust Banks,  
Inc.; Washington Gas Light  
Company; and a trustee of the  
Fannie Mae Foundation.  
Age 57. (a,b,c)

# Directors

Gannett's principal management group is the Gannett Management Committee, which coordinates overall management policies for the company. The Gannett Newspaper Operating Committee oversees operations of the company's newspaper division. The Gannett Broadcasting Operating Committee coordinates management policies for the company's television stations. The members of these three groups are identified at right.

The managers of the company's various local operating units enjoy substantial autonomy in local policy, operational details, news content and political endorsements.

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

At right is a listing 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 officer who serves as a director (Douglas H. McCorkindale) can be found on page 12.



BROWN



CHAPPLE •



CLAPP •



CLARK-JOHNSON ■



COLEMAN ■



COLLINS ■



CURLEY •



CURRIE ■



DAVIDSON •



DIERCKS •



DUBOW ••



FELLER ••

**CHRISTOPHER W. BALDWIN**  
Vice president, taxes. Age 58.

**JAMES T. BROWN**  
Non-executive chairman,  
Newsquest. Age 66.

**THOMAS L. CHAPPLE**  
Senior vice president, general  
counsel and secretary. Age 54. •

**RICHARD L. CLAPP**  
Senior vice president, human  
resources. Age 61. •

**SUSAN CLARK-JOHNSON**  
Chairman and CEO, Phoenix  
Newspapers, Inc., Senior group  
president, Gannett Pacific  
Newspaper Group. Age 55. ■

**MICHAEL J. COLEMAN**  
Senior group president,  
Gannett South Newspaper

Group, and president and  
publisher, FLORIDA TODAY  
at Brevard County. Age 58. ■

**ROBERT T. COLLINS**  
President, New Jersey  
Newspaper Group, and  
president and publisher, Asbury  
Park Press. Age 59. ■

**THOMAS CURLEY**  
Senior vice president, adminis-  
tration, Gannett, and president  
and publisher, USA TODAY.  
Age 53. •

**PHILIP R. CURRIE**  
Senior vice president, news,  
Newspaper Division. Age 61. ■

**PAUL DAVIDSON**  
Chief executive, Newsquest.  
Age 47. •

**ARDYTH R. DIERCKS**  
Senior vice president, Gannett  
Television, and president and  
general manager, WUSA-TV,  
Washington, D.C. Age 47. •

**CRAIG A. DUBOW**  
President and CEO, Gannett  
Broadcasting. Age 47. ••

**DANIEL S. EHRMAN, JR.**  
Vice president, planning and  
development. Age 55.

**MILLICENT A. FELLER**  
Senior vice president, public  
affairs and government  
relations. Age 54. •

**LAWRENCE P. GASHO**  
Vice president, financial analysis.  
Age 59.

**GEORGE R. GAVAGAN**  
Vice president and controller.  
Age 55.

COMPANY  
AND

# Divisional



IVEY ■



JASKE •



MALLARY ◆



McCORKINDALE •



MILLER •



MOON ■



OGDEN ◆



RIDDLE ■



SHERLOCK ■



STIER ■



VEGA ■



WATSON ■■

**DENISE H. IVEY**

President, Gannett Gulf Coast Newspaper Group, and president and publisher, Pensacola (Fla.) News Journal. Age 51. ■

**JOHN B. JASKE**

Senior vice president, labor relations and assistant general counsel. Age 57. •

**RICHARD A. MALLARY**

Senior vice president, Gannett Television. Age 59. ■

**GRACIA C. MARTORE**

Senior vice president, finance and treasurer. Age 50.

**LARRY F. MILLER**

Executive vice president, operations, and chief financial officer. Age 63. •

**CRAIG A. MOON**

President, Gannett Piedmont Newspaper Group, and president and publisher, The Tennessean, Nashville. Age 52. ■

**ROGER OGDEN**

Senior vice president, Gannett Television, and president and general manager, KUSA-TV, Denver, Colo. Age 56. •

**W. CURTIS RIDDLE**

Senior group president, Gannett East Newspaper Group, and president and publisher, The News Journal, Wilmington, Del. Age 51. ■

**GARY F. SHERLOCK**

President, Gannett Atlantic Newspaper Group, and president and publisher, The Journal News, Westchester County, N.Y. Age 56. ■

**MARY P. STIER**

Senior group president, Gannett Midwest Newspaper Group, and president and publisher, The Des Moines Register. Age 45. ■

**WENDELL J. VAN LARE**

Vice president, senior labor counsel. Age 57.

**FRANK J. VEGA**

President and CEO, Detroit Newspapers. Age 53. ■

**BARBARA W. WALL**

Vice president, senior legal counsel. Age 47.

**GARY L. WATSON**

President, Gannett Newspaper Division. Age 56. ■■

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

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

**SPECIAL THANKS**

Cecil Walker, chairman and CEO of Gannett Broadcasting, retired from Gannett on Dec. 31, 2001.



# Officers

As a wave of compassion swept over America after the Sept. 11, 2001, terrorist attacks, Gannett newspapers and television stations helped steer their communities' emotional anguish into concrete action.

Fund-raising and supply drives took a variety of forms in markets from small to large. With the help of readers and viewers, the newspapers and television stations were involved in contributing more than \$20 million in cash, goods and services to charities that aid rescuers and victims of the attacks on New York and the Pentagon and of the downed jetliner near Pittsburgh.

Gannett, with the Gannett Foundation, donated \$4.6 million in media exposure to the American Red Cross in one month via free advertising in newspapers, online and on TV. The Gannett Foundation also matched employees' donations of about \$75,000 to various charities.

Gannett Broadcasting values its effort at about \$11.16 million, which includes \$9.45 million in cash from fund-raising efforts, \$918,000 worth of airtime donated for public-service announcements and \$788,000 worth of clothing, food and medical supplies.

Several TV stations, including WLTX-TV at Columbia, S.C., and WBIR-TV at Knoxville, Tenn., backed community efforts to raise funds for new fire trucks to replace those destroyed when the World Trade Center fell. When Cleveland officials organized a supply drive, WKYC-TV did its part, promoting the effort heavily. Volunteers filled 40 semitrailers with about 400,000 pounds of donations.

WFMY-TV at Greensboro, N.C., provided charity of another sort: It gave up a new transmitter to WCBS-TV at New York, which lost its equipment atop the World Trade Center.

WFMY agreed to take delivery of another transmitter a month later to help its fellow CBS affiliate.

The Newspaper Division's local newspapers generated \$4.4 million in cash for charities and tons of supplies from readers in just one month. In addition, they were generous contributors of in-paper advertising and supported local relief efforts. The News Journal at Wilmington, Del., for instance, collected eight tons of supplies for rescue workers in New York and Northern Virginia.

The Arizona Republic, KPNX-TV at Phoenix and azcentral.com generated \$2.2 million in six weeks to support disaster-relief efforts. Donations were solicited by running a coupon in the newspaper and by a two-day telephone bank on KPNX. The Republic also sponsored "Community Conversations" to answer readers' questions and concerns, as did The Idaho Statesman at Boise.

More than \$100,000 was raised from selling signed cartoons of the Statue of Liberty crying created by Green Bay (Wis.) Press-Gazette editorial cartoonist Joe Heller. The Indianapolis Star offered 750 signed and numbered color posters of a Sept. 16 editorial cartoon by Gary Varvel for a \$50 donation. The cartoon depicted Uncle Sam carrying an injured New York City firefighter out of the World Trade Center rubble. Black-and-white copies also were offered for \$10 each. More than \$120,000 was raised, which went to the Red Cross. Meanwhile, The Journal News at Westchester County, N.Y., raised \$195,000 from selling copies of its Sept. 12 front page featuring firefighters raising the flag in the rubble of the World Trade Center (below).

Greater Rochester, N.Y., residents generated \$234,435 for the Rochester Democrat and Chronicle's Sept. 11 Lend-A-Hand effort, with every dollar designated to assist surviving families.

USA WEEKEND's annual Make A Difference Day for the first time included a fund-raising component: More than \$600,000 was collected in donations for the Make A Difference Day Scholarship Fund, which will pay for college educations for children of the Sept. 11 victims.



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# Financials

## GANNETT COMMON STOCK PRICES

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

91	\$17.88 — \$21.32
	\$19.88 — \$22.19
	\$19.69 — \$23.32
	\$17.94 — \$21.13
92	\$21.13 — \$23.94
	\$20.75 — \$24.57
	\$21.94 — \$24.13
	\$23.00 — \$26.82
93	\$25.32 — \$27.69
	\$23.75 — \$27.38
	\$23.88 — \$25.69
	\$23.75 — \$29.07
94	\$26.69 — \$29.19
	\$25.32 — \$27.44
	\$24.19 — \$25.82
	\$23.38 — \$26.69
95	\$25.07 — \$27.50
	\$26.00 — \$27.88
	\$26.50 — \$27.75
	\$26.44 — \$32.19
96	\$29.63 — \$35.38
	\$32.25 — \$35.82
	\$32.00 — \$35.07
	\$34.75 — \$39.25
97	\$35.81 — \$44.75
	\$40.50 — \$50.66
	\$48.00 — \$53.00
	\$51.13 — \$61.81
98	\$57.25 — \$69.94
	\$65.13 — \$74.69
	\$55.81 — \$73.56
	\$48.94 — \$68.06
99	\$61.81 — \$70.25
	\$61.81 — \$75.44
	\$66.81 — \$76.94
	\$68.81 — \$79.31
00	\$61.75 — \$83.25
	\$59.25 — \$72.13
	\$49.25 — \$60.06
	\$48.69 — \$63.06
01	\$56.50 — \$67.74
	\$59.58 — \$69.38
	\$55.55 — \$69.11
	\$58.55 — \$71.10
02	\$65.03 — \$77.10•

• Through March 7, 2002

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

The company's independent accountants, PricewaterhouseCoopers LLP, provide an independent assessment of the degree to which management meets its responsibility for fairness in financial reporting. They regularly evaluate the company's system of internal accounting controls and perform such tests and other procedures as they deem necessary to reach and express an opinion on the financial statements. The PricewaterhouseCoopers LLP report appears on page 47.

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



**Douglas H. McCorkindale**  
Chairman, President and  
Chief Executive Officer



**Larry F. Miller**  
Executive Vice  
President/Operations and  
Chief Financial Officer

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

### *Basis of reporting*

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

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

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

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

The company's fiscal year ends on the last Sunday of the calendar year. The company's 2001 fiscal year ended on Dec. 30, 2001, and encompassed a 52-week period. The company's 2000 fiscal year encompassed a 53-week period and its 1999 fiscal year covered a 52-week period.

### **Business acquisitions, exchanges and dispositions**

#### **2001**

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

## 2000

In June 2000, Gannett acquired the entire share capital of News Communications & Media plc ("Newscom") for approximately 444 million British pounds (U.S. \$702 million). Gannett also financed the repayment of Newscom's existing debt. With the Newscom acquisition, Newsquest (which includes Newscom) now publishes more than 300 titles in the United Kingdom, including 15 daily newspapers.

On July 21, 2000, the company concluded the acquisition of 19 daily newspapers as well as numerous weekly and niche publications from Thomson Newspapers Inc. for an aggregate purchase price of \$1.036 billion. The company acquired eight daily newspapers in Wisconsin, eight daily newspapers in central Ohio, and daily newspapers in Lafayette, La.; Salisbury, Md.; and St. George, Utah (collectively, "Thomson").

The company completed its acquisition of Central Newspapers, Inc. ("Central"), on Aug. 1, 2000, for an approximate cash purchase price of \$2.6 billion. The company also retired Central's existing debt of approximately \$206 million. Central's properties include The Arizona Republic; The Indianapolis Star; three other dailies in Indiana and one daily in Louisiana; a direct marketing business; CNI Ventures, an Internet and technology investment management group; and other related media and information businesses.

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

The Newscom, Thomson, Central and WJXX-TV acquisitions were recorded under the purchase method of accounting.

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

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

Early in the fourth quarter of 2000, the company contributed the assets of its newspapers, the Marin Independent Journal and the Classified Gazette, to the California Newspapers Partnership (a partnership that includes 20 daily California newspapers) in exchange for an increased ownership interest in the partnership. The company now has a 19.49% ownership interest in the partnership.

## 1999

In July 1999, Gannett acquired the stock of Newsquest plc ("Newsquest") for a total price of approximately 922 million British pounds (U.S. \$1.5 billion). Gannett also financed the repayment of Newsquest's existing debt. Newsquest's principal activities are publishing and printing regional and local newspapers in England with a portfolio of more than 180 titles that includes paid-for daily and weekly newspapers and free weekly newspapers. The acquisition was recorded under the purchase method of accounting.

In June 1999, the company completed a broadcast station transaction under which it exchanged its ABC affiliate KVUE-TV in Austin, Texas, and received KXTV-TV, the ABC affiliate in Sacramento, Calif., plus cash consideration. For financial reporting

purposes, the company recorded the exchange as two simultaneous but separate events; that is, a sale of its Austin TV station for which a non-operating gain was recognized and the acquisition of the Sacramento station accounted for under the purchase method. In its second quarter, the company reported a net non-operating gain of \$55 million (\$33 million after tax) principally as a result of this transaction.

The aggregate purchase price, including liabilities assumed, for businesses and assets acquired in 1999, including Newsquest, KXTV-TV and certain smaller non-daily newspaper publishing operations, totaled approximately \$1.8 billion.

In March 1999, the company contributed The San Bernardino County Sun to the California Newspapers Partnership in exchange for a partnership interest.

## RESULTS OF CONTINUING OPERATIONS

### Consolidated summary

A consolidated summary of the company's results is presented below. Note that this summary separates from ongoing results the second quarter 1999 net non-operating gain of \$55 million (\$33 million after tax) principally from an exchange of a television station.

*In millions of dollars, except per share amounts*

	2001	Change	2000	Change	1999	Change
Operating revenues	\$ 6,344	2%	\$ 6,222	22%	\$ 5,095	8%
Operating expenses	\$ 4,754	8%	\$ 4,405	25%	\$ 3,532	6%
Operating income	\$ 1,590	(13%)	\$ 1,817	16%	\$ 1,563	13%
Income from continuing operations, excluding gain on exchange of properties	\$ 831	(14%)	\$ 972	10%	\$ 886	13%
After-tax gain on exchange of properties					\$ 33	
Income from continuing operations, as reported	\$ 831	(14%)	\$ 972	6%	\$ 919	(5%)
Earnings per share from continuing operations, excluding gain on exchange of properties						
Basic	\$ 3.14	(14%)	\$ 3.65	15%	\$ 3.18	15%
Diluted	\$ 3.12	(14%)	\$ 3.63	15%	\$ 3.15	15%
Earnings per share from gain on exchange of properties						
Basic					\$ .11	
Diluted					\$ .11	
Earnings per share from continuing operations, as reported						
Basic	\$ 3.14	(14%)	\$ 3.65	11%	\$ 3.29	(4%)
Diluted	\$ 3.12	(14%)	\$ 3.63	11%	\$ 3.26	(4%)

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

### Newspapers

In addition to its domestic local newspapers, the company's newspaper publishing operations include USA TODAY, USA WEEK-END, Newsquest (including Newscom operations acquired in 2000), which publishes daily and non-daily newspapers in the United Kingdom, and Gannett Offset commercial printing. The newspaper segment in 2001 contributed 90% of the company's revenues and 88% of its operating income.

The reported financial results of the newspaper segment for 2001 were materially impacted by four principal factors. Reported revenues and operating income were favorably affected by the carry-over effect of the three major acquisitions in mid-2000. The year 2001 reflects a full year of these operations compared to approximately half of 2000. Offsetting the added business from the 2000 acquisitions were pervasive advertising revenue declines, particularly in the classified category for nearly all domestic newspapers, and the 53rd week in 2000. Further, newsprint prices on a yearly average basis were up 10% in 2001.

Newspaper operating results were as follows:

*In millions of dollars*

	2001	Change	2000	Change	1999	Change
Revenues	\$ 5,682	5%	\$ 5,434	24%	\$ 4,367	10%
Expenses	\$ 4,281	9%	\$ 3,912	27%	\$ 3,075	7%
Operating income	\$ 1,401	(8%)	\$ 1,522	18%	\$ 1,292	16%
Operating cash flow	\$ 1,770	(3%)	\$ 1,825	22%	\$ 1,499	16%

**Newspaper operating revenues:** Newspaper operating revenues are derived principally from advertising and circulation sales, which accounted for 73% and 22%, respectively, of total newspaper revenues in 2001. Ad revenues also include those derived from advertising placed with newspaper Internet products. Other newspaper publishing revenues are mainly from commercial printing businesses and also include earnings from the company's 50% owned joint operating agencies in Detroit and Tucson. The table below presents these components of reported revenues for the last three years.

*Newspaper publishing revenues, in millions of dollars*

	2001	Change	2000	Change	1999	Change
Advertising	\$ 4,120	4%	\$ 3,973	28%	\$ 3,115	12%
Circulation	\$ 1,233	10%	\$ 1,121	15%	\$ 971	1%
Commercial printing and other	\$ 329	(3%)	\$ 340	21%	\$ 281	9%
Total	\$ 5,682	5%	\$ 5,434	24%	\$ 4,367	10%

The advertising and circulation revenue increases shown above reflect new business from the 2000 acquisitions, offset by overall ad revenue softness at most domestic newspapers in 2001.

In the tables that follow, newspaper advertising lineage, circulation volume statistics and related revenue results are presented on a pro forma basis. Pro forma basis means that these results are presented as if all properties owned at the end of 2001 were owned throughout the periods presented. The tables and related commentary also include the portion of revenue and lineage data for the company's newspapers participating in joint operating agencies, consistent with prior years.

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

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

	2001	Change	2000	Change	1999	Change
Local	\$ 1,249	(6%)	\$ 1,322	2%	\$ 1,297	1%
National	\$ 669	(15%)	\$ 788	10%	\$ 717	13%
Classified	\$ 1,700	(9%)	\$ 1,873	5%	\$ 1,777	7%
Total Run-of-Press	\$ 3,618	(9%)	\$ 3,983	5%	\$ 3,791	6%
Preprint and other advertising	\$ 691	(2%)	\$ 703	12%	\$ 628	7%
Total ad revenue	\$ 4,309	(8%)	\$ 4,686	6%	\$ 4,419	6%

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

	2001	Change	2000	Change	1999	Change
Local	39.5	(7%)	42.3	(1%)	42.7	-
National	3.8	(15%)	4.5	9%	4.1	16%
Classified	54.5	(4%)	56.6	6%	53.6	9%
Total Run-of-Press	97.8	(5%)	103.4	3%	100.4	5%
Preprint distribution (millions)	10,401	(3%)	10,741	9%	9,839	4%

Reported newspaper advertising revenues for 2001 were \$147 million greater than in 2000, a 4% increase, while pro forma revenues presented above reflect an 8% decline. Reported newspaper ad revenues in 2001 are higher principally because of the major acquisitions in mid-2000. Pro forma revenues declined in all categories, reflecting a soft and very uncertain general U.S. economy which was worsened by the attacks of Sept. 11. In addition, both reported and pro forma newspaper revenue comparisons are negatively impacted by the additional 53rd week in 2000 and an overall decline in the exchange rate for sterling. If the exchange rate had remained constant year-over-year, pro forma local, national and classified ad revenues would have decreased 4%, 14% and 8%, respectively.

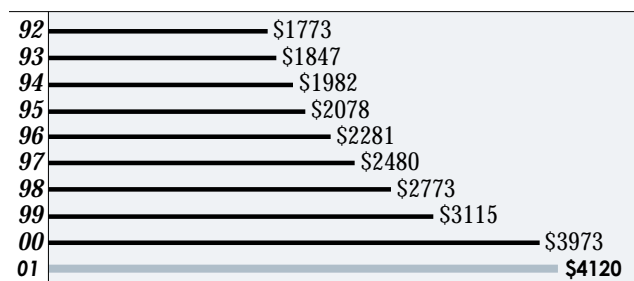
Pro forma local ad revenues were down 6% in 2001 with lineage down 7% for the full year. Ad spending by some of the largest retailers continued to decline in 2001, reflecting closings and consolidations. These revenue declines were partially offset by revenue increases from some small- and medium-sized advertisers through expanded sales and marketing efforts.



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

Pro forma classified revenues in 2001 decreased 9% on a 4% decrease in linage. Employment ad revenues fell 21% for the year as job market conditions in the U.S. continued to worsen. The company's U.K. properties experienced stronger classified results than in the U.S., particularly in help-wanted.

Advertising and other revenue from Internet activities for the newspaper segment totaled approximately \$69 million in 2001, \$62 million in 2000 and \$39 million in 1999. The company has Web sites at nearly all of its newspapers and other operating properties within the newspaper segment.



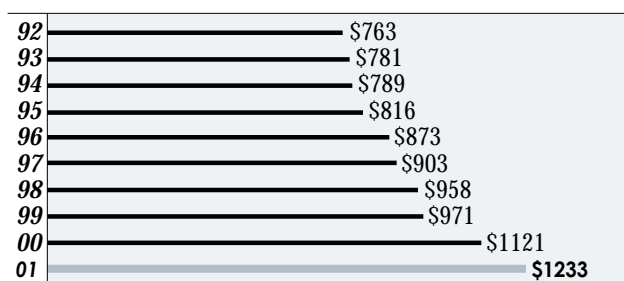
Newspaper advertising revenues in millions, as reported

Looking to 2002, for our domestic newspapers, modest ad revenue and volume growth are anticipated in most categories depending on the health of the U.S. economy and the extent of further closings or consolidations within certain key industries, particularly retail. Changes in national economic levels, consumer confidence, and unemployment rates and the level of general economic growth will impact revenues at all of the company's newspapers. Modest price increases are generally planned at most properties, and the company will continue to expand and refine marketing and sales efforts. Modest ad revenue growth is anticipated in 2002 for our Newsquest properties, depending on the health of the United Kingdom's economy.

Newspaper circulation revenues rose \$112 million or 10% in 2001, due to incremental circulation revenues from the 2000 acquisitions. On a pro forma basis, circulation revenues decreased 2% in 2001.

For local newspapers, morning circulation accounts for approximately 79% of total daily volume, while evening circulation accounts for 21%. On a pro forma basis, local morning circulation was flat with 2000 while evening and Sunday circulation volumes declined 2%. Selected circulation price increases were implemented in 2001 at certain newspapers.

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



Newspaper circulation revenues in millions, as reported

The company expects modest circulation revenue growth at many of its newspaper properties in 2002 with circulation price increases planned at a few newspapers.

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

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

	2001	Change	2000	Change	1999	Change
Local Newspapers						
Morning	4,752	—	4,773	(1%)	4,799	(2%)
Evening	1,249	(2%)	1,275	(2%)	1,294	(2%)
Total daily	6,001	(1%)	6,048	(1%)	6,093	(2%)
Sunday	7,045	(2%)	7,160	(1%)	7,260	(2%)

Reported newspaper advertising revenues for 2000 were \$858 million greater than in 1999, a 28% increase, while pro forma revenues presented above reflect a 6% increase. The variance in these two comparisons relates principally to the full year effect of the Newsquest acquisition in 1999 and the Newscom, Thomson and Central acquisitions in 2000. Reported and pro forma newspaper revenue comparisons were positively impacted by the additional 53rd week in 2000.

Pro forma local ad revenues in 2000 were up 2% with linage down 1%. Ad spending by some of the largest retailers declined in 2000, reflecting closings and consolidations. These revenue declines were partially offset by revenue increases from small- and medium-sized advertisers as a result of expanded sales and marketing efforts.

Pro forma national ad revenues for 2000 rose 10% with linage up 9%, driven principally by USA TODAY, which reported a 12% gain in revenues on an 8% linage gain. National ad revenue growth was also strong in Phoenix and at several other larger daily newspaper properties.

Pro forma classified revenues in 2000 rose 5% on a 6% linage gain. Employment ad revenue gains were the strongest, followed by real estate and automotive. The continued strong economy throughout most of the year and tight labor market in the U.S. and the U.K. were key factors in these revenue gains, along with added marketing and sales resources.

Revenues from the company's U.K. operations were unfavorably impacted by the decline in the exchange rate for sterling during 2000. If the exchange rate had remained constant year-over-year, pro forma local, national and classified ad revenues would have increased 2%, 11% and 6%, respectively.

Newspaper circulation revenues rose \$150 million or more than 15% in 2000, due to incremental circulation revenues from

the 1999 and 2000 acquisitions. On a pro forma basis, circulation revenues increased 2% in 2000.

For local newspapers, morning circulation accounts for approximately 79% of total daily volume, while evening circulation accounts for 21%. On a pro forma basis, local morning and Sunday circulation volumes declined 1%, while evening circulation declined 2%. Selected circulation price increases were implemented in 2000 at certain newspapers. Also during 2000, the Green Bay (Wis.) Press-Gazette converted from an evening to a morning publication.

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

Reported newspaper advertising revenues for 1999 were \$342 million greater than in 1998, a 12% increase, while pro forma revenues presented above reflect a 6% increase. The variance in these two comparisons relates principally to the Newsquest properties acquired in July 1999.

Pro forma local ad revenues and lineage were up slightly for 1999. Ad spending by the larger retailers declined for the year, reflecting closings and consolidations, but this was mostly offset by greater revenue from expanded sales and marketing efforts directed toward small- and medium-sized advertisers.

Pro forma national ad revenues and lineage for 1999 rose 13% and 16%, respectively, driven principally by USA TODAY, which reported a 19% gain in revenues on a 14% lineage gain. National ad revenue growth was also strong at USA WEEKEND and at several large daily newspaper properties.

Pro forma classified revenue in 1999 rose 7% on a 9% lineage gain. Employment ad revenue gains were the strongest, followed by automotive and then real estate. The continued strong economy and the tight labor market were key factors in these revenue gains, along with added marketing and sales resources.

Newspaper circulation revenues rose \$13 million or slightly more than 1% in 1999. Incremental circulation revenues from Newsquest offset declines in domestic circulation revenue. On a pro forma basis, circulation revenues remained even.

Pro forma local morning circulation declined 2% in 1999, evening circulation declined 2% and Sunday circulation declined 2%. Circulation price increases were implemented in 1999 at certain newspapers. During 1999, the St. Cloud (Minn.) Times and The Daily Journal at Vineland, N.J., converted from evening to morning publications.

USA TODAY's average daily circulation for 1999 rose 0.1% to 2,274,621. USA TODAY reported an average daily paid circulation of 2,235,808 in the ABC Publisher's Statement for the six months ended Sept. 26, 1999, a 1% increase over the comparable period in 1998.

**Newspaper operating expense:** Newspaper operating costs rose \$369 million, or 9%, in 2001. The increase was primarily due to incremental costs from the 2000 acquisitions and higher newsprint prices, which were 10% higher on average over 2000. Cost control efforts at all newspaper properties continued as a very high management priority and employee reductions have been achieved at most properties. As a result, on a pro forma basis, overall operating costs decreased 4%. Newsprint expense decreased 2% in 2001, due to

lower consumption partially offset by higher average newsprint prices. The consumption added from recent acquisitions was tempered by a large number of newspapers converting to the new 50-inch web width during 2001 and 2000 and an overall decline in advertising demand. Payroll costs for newspaper operations rose 8% in 2001, primarily due to the newly acquired properties.

For 2002, newsprint consumption is expected to increase modestly. Consumption in 2002 will be tempered by the full year impact of web width reductions implemented in 2001 and planned web width reductions for 2002. For 2002, newsprint prices are expected to be significantly lower on average than in 2001. Employee count reductions will also benefit cost comparisons in 2002.

Newspaper operating costs rose \$837 million, or 27%, in 2000. The increase was primarily due to incremental costs from the 1999 and 2000 acquisitions. Newsprint expense for the year, including the effect of acquisitions, was 20% higher in 2000. Both consumption and average newsprint prices were higher by 17% and 3%, respectively. The increase in consumption was tempered by a large number of newspapers converting to the new 50-inch web width format. Generally, a conversion from a 54-inch web width to a 50-inch web width will result in a more than 7% savings in newsprint consumption. Payroll costs for newspaper operations rose 26% in 2000, primarily due to the newly acquired properties and the impact of the 53rd week in 2000.

Newspaper operating expenses rose \$197 million, or 7%, in 1999. The increase was caused principally by incremental costs from Newsquest properties acquired in July 1999. Newsprint expense for the year, including the effect of acquisitions, was 6% lower than in 1998. While consumption rose nearly 7% (due principally to Newsquest), average newsprint prices declined 12%.

Payroll costs for newspaper operations rose 10% in 1999, in part because of the Newsquest acquisition but also because of staffing increases in marketing and ad sales and modest pay increases.

**Newspaper operating income:** Operating profit decreased \$121 million or 8%. The decrease in operating profits is due largely to declining advertising revenues and higher newsprint prices for U.S. newspapers during much of 2001. Most of the company's domestic newspapers reported lower results in 2001.

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

For 2002, newspaper operating profits are expected to show modest growth, reflecting revenue gains, the benefit of further web width reductions and lower newsprint prices, and growth in savings from ongoing cost control efforts, including employee count reductions.

The company's newspapers produced record earnings in 2000. Operating profit rose \$231 million or 18%. The increases were due largely to contributions from the Newsquest, Newscom, Thomson and Central acquisitions. However, many other U.S. local newspapers reported earnings gains as well.

Newsquest financial results were translated from British pounds to U.S. dollars using a weighted average rate of \$1.50 for 2000, as compared to \$1.62 in 1999, which mitigated some of the strong earnings growth.

Newspaper operating profit rose \$182 million or 16% in 1999. The Newsquest properties acquired in July 1999 contributed to the profit gain. Earnings were strong at Detroit, the company's New Jersey Group and at USA WEEKEND. Most of the company's local U.S. newspapers reported earnings gains as did USA TODAY. Newsquest financial results were translated from British pounds to U.S. dollars using a weighted average rate of \$1.62 for the period it was owned in 1999.

### Broadcasting

The company's broadcasting operations at the end of 2001 included 22 television stations in markets reaching 17.7 percent of U.S. television homes.

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

*In millions of dollars*

	2001	Change	2000	Change	1999	Change
Revenues	\$663	(16%)	\$789	8%	\$729	1%
Expenses	\$413	(4%)	\$429	10%	\$391	4%
Operating income	\$250	(31%)	\$360	7%	\$338	(2%)
Operating cash flow	\$317	(25%)	\$425	6%	\$400	(1%)

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

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

For 2002, television revenues and earnings are expected to improve with impetus from the Winter Olympics on our NBC stations and political advertising.

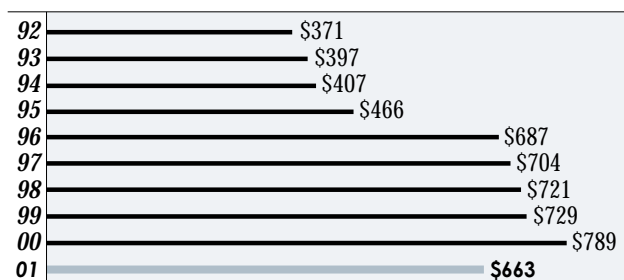
Total broadcast revenues rose \$60 million or 8% for 2000. Revenues were bolstered by strong political and issue advertising, revenues from the Summer Olympics in Australia on our NBC stations and the impact of the 53rd week. Local and national advertising revenues increased 2% and 19%, respectively,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

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

Total broadcast reported revenues rose \$7 million or 1% for 1999. However, on a pro forma basis, giving effect to the Austin/Sacramento station exchange, total station revenues were down 1% for the year. Pro forma local revenues rose 5% for the

year, while national revenues were down 7%. The decline in national ad revenue in comparison with 1998 reflects in part revenue gains in 1998 on CBS stations for the Winter Olympics, on NBC affiliates for the Super Bowl and the Seinfeld program, and from political and issue advertising.

Reported operating expenses for broadcast were up 4% in 1999, reflecting the impact of the Austin/Sacramento station exchange. On a pro forma basis, operating costs were down slightly. Pro forma payroll was up 1%.



*Broadcasting revenues in millions of dollars, as reported*

### Consolidated operating expenses

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

*Consolidated operating expenses, in millions of dollars*

	2001	Change	2000	Change	1999	Change
Cost of sales	\$ 3,320	9%	\$ 3,057	24%	\$ 2,460	4%
Selling, general and admin. expenses	\$ 990	2%	\$ 972	23%	\$ 792	12%
Depreciation	\$ 202	4%	\$ 195	15%	\$ 169	3%
Amortization of intangible assets	\$ 241	34%	\$ 180	63%	\$ 111	23%

Cost of sales for 2001 increased \$263 million or 9%, reflecting the full-year effect of the Newscom, Thomson and Central acquisitions, and higher average newsprint prices which were up 10%. These cost increases were tempered by stringent cost controls and the absence of a 53rd week in 2001.

SG&A increased \$18 million or 2%, due primarily to the acquisitions completed in 2000.

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

For 2002, the company expects substantial savings from lower average newsprint costs and from cost control measures taken to date, including employee reductions at most properties. Medical benefit costs will be higher in 2002, due to inflation.

During 2001, the company's retirement plan assets declined in market value, as did the principal equity and other investment markets in the U.S. and overseas. As a result of this investment performance and the use of a lower discount rate to value plan liabilities at the end of 2001, total retirement plan obligations grew to exceed plan assets. To reduce this under-funding, the company made a \$300 million tax-deductible contribution to the plan in December 2001, and may consider making additional contributions in 2002.

For 2002, the company's pension expense will increase by more than \$50 million, which reflects the impact of unfavorable investment return in 2001 and the lower discount rate at the end of 2001, partially offset by the favorable impact of the 2001 contribution to the plan. For further information regarding the company's retirement plan, see Note 5 to the Financial Statements, beginning on page 39 of this report.

As further discussed on page 29 of this report, amortization of goodwill will cease upon the company's adoption of the Statement of Financial Accounting Standards No. 142 (SFAS No. 142) "Goodwill and Other Intangible Assets" in the first quarter of 2002. At that time, amortization expense will decline to approximately \$7.3 million annually, covering certain identified newspaper intangible assets.

Cost of sales for 2000 was up \$598 million or 24%, reflecting the full-year effect of the 1999 Newsquest acquisition, increased costs from the Newscom, Thomson and Central acquisitions and the impact of an extra week in 2000 over 1999. Newsprint expense increased 20% due primarily to a 17% increase in consumption, principally from acquisitions. Average newsprint prices increased 3% compared to 1999.

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

Depreciation expense increased 15% during 2000 as a result of the Newsquest, Newscom, Thomson and Central acquisitions. Likewise, amortization of intangibles rose \$70 million or 63% due to the 1999 and 2000 acquisitions.

Cost of sales for 1999 was up \$95 million or 4%, reflecting increased costs from businesses acquired in 1998 and 1999, particularly Newsquest. Newsprint expense decreased 6% despite a 7% increase in consumption (including acquisitions). Average newsprint prices dropped 12% as compared to 1998.

SG&A was up 12% for 1999 due primarily to the Newsquest acquisition and generally higher newspaper advertising expenses.

Depreciation expense for 1999 increased 3% as a result of the Newsquest acquisition. Amortization of intangibles rose \$21 million or 23% due to 1998 and 1999 acquisitions, principally Newsquest.

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

	2001	2000	1999
Payroll and employee benefits	43.4%	44.0%	45.0%
Newsprint and other production material	19.4%	18.2%	19.2%

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

For the full year, interest expense rose \$3 million to approximately \$222 million. Most of the company's debt is in commercial paper for which the daily average outstanding balance was \$5.2 billion during 2001 and \$3.1 billion during 2000. The weighted average interest rate was 4.1% for 2001 and 6.5% for 2000. The decrease in the average interest rates almost entirely offset the increase in interest expense as a result of the full-year impact of increased

commercial paper borrowings to fund the Newscom acquisition in June 2000, the Thomson and Central acquisitions in the third quarter of 2000 and share repurchases made in 2000.

The company reduced its commercial paper balance by \$528 million during 2001. Because of that and lower interest rates, interest expense comparisons turned positive in the third quarter of 2001. In the fourth quarter, interest expense was below that of 2000 by \$69 million or 69%, in part due to the additional week in 2000. If the current interest rate environment prevails, and in the absence of major acquisitions or stock repurchases, interest expense will decline significantly in 2002.

Interest income declined to approximately \$4.7 million, a more normal level for the company, compared to 2000 when substantially greater interest was earned on the proceeds of the sale of the cable business in the first half of the year.

Interest expense in 2000 increased \$125 million due to significant commercial paper borrowings to fund the 1999 Newsquest acquisition, the Newscom acquisition in June 2000, the Thomson and Central acquisitions in the third quarter of 2000, and share repurchases. Higher interest rates in 2000, particularly in the second half of the year, also contributed to the increase. The increase, however, was tempered by the pay down of commercial paper borrowings from the net proceeds on the sale of the cable business in the first quarter of 2000 and from operating cash flows. Interest income in 2000 increased \$21 million over 1999 due primarily to interest earned on marketable securities from cable sale proceeds in the first half of the year. Non-operating expense in 2000 includes costs associated with minority investments in Internet businesses.

Interest expense for 1999 increased \$15 million or 19%, reflecting significantly increased commercial paper borrowings in the second half of 1999 to finance the Newsquest acquisition.

The company's financing activities are discussed further in the financial position section of this report.

In all years shown, non-operating income and expense includes charges for the write-down of certain minority interest investments in online/new technology businesses as well as gains from the sale of certain properties.

Other non-operating income for 1999 includes the second quarter net non-operating gain of \$55 million principally from the exchange of television stations discussed on page 20 of this report.

#### ***Provision for income taxes***

The company's effective income tax rate for continuing operations was 39.4% in 2001, 39.6% in 2000, and 39.8% in 1999. The decrease in the effective tax rate each year reflects lower state taxes and lower taxes on foreign operations. Due to the adoption of SFAS No. 142 (see discussion on page 29), the company expects its effective rate to be slightly below 35% in 2002.

#### ***Income from continuing operations***

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



In 2000, the company reported income from continuing operations of \$972 million or \$3.63 per diluted share, both record highs, up 10% and 15%, respectively, from record results in 1999 (excluding the 1999 net non-operating gain principally from the television station exchange transaction discussed on page 20). The company's operating income was \$1.817 billion for the year, an increase of \$254 million or 16%. Each of the company's segments reported higher earnings for the year, with interest expense up \$125 million over 1999 as previously discussed.

In 1999, the company reported income from continuing operations of \$919 million or \$3.26 per diluted share. However, this reflects the net non-operating gain principally from the television station exchange transaction discussed on page 20. This net gain totaled \$55 million pre-tax (\$33 million after tax or \$.11 per diluted share).

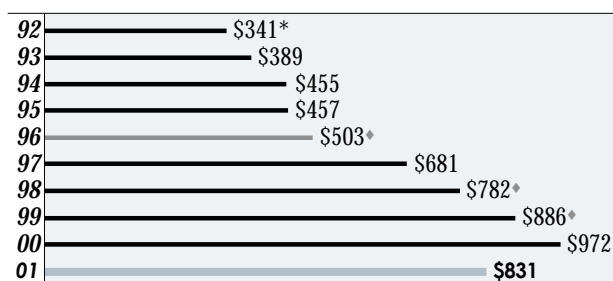
For purposes of evaluating the company's earnings progress from ongoing operations, the earnings summary below excludes the effect of the non-operating gain in 1999 and discontinued cable operations.

*In millions of dollars, except per share amounts*

**Earnings summary excluding 1999 net non-operating gain**

	2001	Change	2000	Change	1999	Change
Operating income	\$1,590	(13%)	\$1,817	16%	\$1,563	13%
Non-operating expense						
Interest expense	(222)	1%	(219)	132%	(95)	19%
Other	3	(76%)	11	159%	4	—
Total	(219)	5%	(208)	130%	(91)	12%
Income before income taxes	1,371	(15%)	1,609	9%	1,472	13%
Provision for income taxes	540	(15%)	637	9%	586	12%
Income from continuing operations	\$ 831	(14%)	\$ 972	10%	\$ 886	13%
Earnings per share from continuing operations – diluted	\$ 3.12	(14%)	\$ 3.63	15%	\$ 3.15	15%

Excluding non-recurring items, the company's reported earnings from continuing operations in 1999 were \$886 million, a 13% increase, with diluted earnings per share at \$3.15, up 15%; operating income reached \$1.563 billion, an increase of \$177 million or 13%. The strong, record showing in operating income and after-tax results for 1999 came from newspapers. Broadcast earnings were down 2%. Interest expense was 19% higher.



*Income from continuing operations in millions*

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

\* Before effect of accounting principle changes

**Discontinued operations**

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

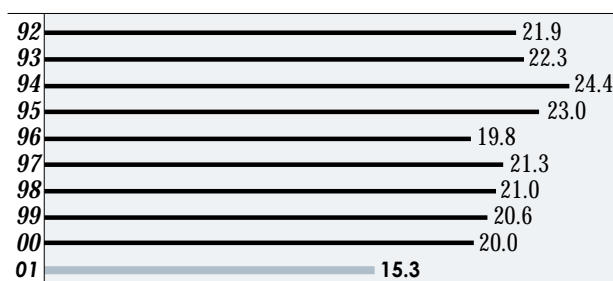
After-tax earnings from the cable business for the period it was owned, up to the date of sale, are also reported as income from discontinued operations and amounted to \$2.4 million or \$.01 per diluted share in 2000 and \$38.5 million or \$.14 per diluted share in 1999.

**Net income**

The company reported net income of \$831 million or \$3.12 per diluted share in 2001.

Average diluted shares outstanding for 2001 totaled 266,833,000, compared to 268,118,000 in 2000. Basic shares totaled 264,821,000 for 2001 and 266,426,000 for 2000.

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



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

The percentage return on equity for 2001, 2000 and 1999 has declined from the prior years because non-recurring gains from the sale/exchange of businesses are included in shareholders' equity, but are excluded from the amount of earnings from continuing operations used in the calculation. The return on equity in 2001 is lower than in 2000 due to lower earnings and higher equity. The Consolidated Statements of Changes in Shareholders' Equity appears on page 34.



## FINANCIAL POSITION

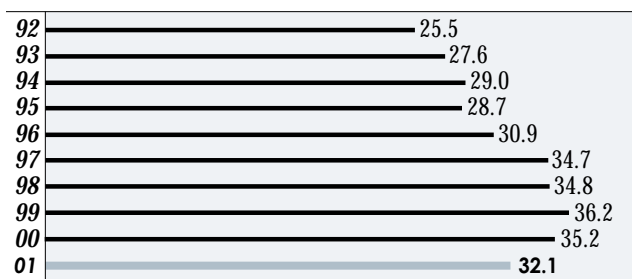
### *Liquidity and capital resources*

The principal changes in the company's financial position for 2001 include the net pay down of debt by \$668 million using operating cash flow. Changes in property, plant and equipment in 2001 reflect capital spending of \$325 million, which includes costs associated with the new USA TODAY and Corporate headquarters facility, completed in the fourth quarter of 2001. The increase in other assets reflects a \$300 million tax deductible contribution to the Gannett Retirement Plan in late 2001. The company also paid \$186 million for several small acquisitions and additional share purchases of WKYC-TV.

The company's current income tax liability is \$179 million greater at the end of 2001 than at the end of 2000. Under the Economic Growth and Tax Relief Reconciliation Act of 2001, the company's estimated federal income tax payment normally due on Sept. 15 was deferred until Oct. 1, 2001. However, subsequent to the attacks of Sept. 11, Internal Revenue Service Rule 2001-61 was issued, which permitted a further deferral of the company's third quarter estimated tax payment and its fourth quarter estimated tax payment until Jan. 15, 2002.

The company's foreign currency translation adjustment, related to Newsquest (including the newly acquired Newscom properties in June 2000) and reported as part of shareholders' equity, totaled \$104.9 million net of tax, at Dec. 30, 2001. This reflects the weakening of the pound against the U.S. dollar since the Newsquest and Newscom acquisition dates. Newsquest's assets and liabilities were translated from British pounds to U.S. dollars at the Dec. 30, 2001, exchange rate of \$1.45.

The company's consolidated operating cash flow (defined as operating income plus depreciation and amortization of intangible assets) totaled \$2.034 billion in 2001 compared to \$2.193 billion in 2000 and \$1.843 billion in 1999. The 7% decrease in operating cash flow reflects the decrease in advertising revenues and earnings for newspapers and television. The table below presents operating cash flow as a percent of revenue over the last 10 years.



*Operating cash flow, as a percent of revenue*

The increase in the income tax liability account, as discussed above, results in a significant decrease in working capital. Working capital was \$50.5 million at the end of 2001, compared with working capital of \$128.3 million at the end of 2000. Certain key

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

### *Working capital measurements*

	2001	2000	1999
Current ratio	1.0-to-1	1.1-to-1	1.2-to-1
Accounts receivable turnover	7.6	7.4	7.0
Newsprint inventory turnover	6.8	7.3	7.3

The company's operations have historically generated strong positive cash flow, which, along with the company's program of issuing commercial paper and maintaining bank revolving credit agreements, has provided adequate liquidity to meet the company's requirements, including those for acquisitions.

The company regularly issues commercial paper for cash requirements and maintains revolving credit agreements equal to or in excess of any commercial paper outstanding. The company's commercial paper has been rated A-1 and P-1 by Standard & Poor's and Moody's Investors Service, respectively. The company's senior unsecured long-term debt is rated A by Standard & Poor's and A2 by Moody's Investors Service. The company has a shelf registration statement with the Securities and Exchange Commission under which up to \$1.5 billion of additional debt securities may be issued. The company's Board of Directors has established a maximum aggregate level of \$7 billion for amounts which may be raised through borrowings or the issuance of equity securities.

### *Long-term debt*

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

### *In thousands of dollars*

	Dec. 30, 2001	Dec. 31, 2000
Unsecured promissory notes	\$ 4,932,813	\$ 5,461,205
Other indebtedness	147,212	286,651
Total long-term debt	\$ 5,080,025	\$ 5,747,856

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

The unsecured promissory notes at Dec. 31, 2000, were due from Jan. 4, 2001, to March 23, 2001, with rates varying from 6.4% to 6.63%.

At Dec. 30, 2001, the unsecured promissory notes were supported by the \$6.06 billion revolving credit agreements discussed below and, therefore, are classified as long-term debt.

The maximum amount of such promissory notes outstanding at the end of any period during 2001 and 2000 was \$5.4 billion and \$5.7 billion, respectively. The daily average outstanding balance was \$5.2 billion during 2001 and \$3.1 billion during 2000. The weighted average interest rate was 4.1% for 2001 and 6.5% for 2000.

Other indebtedness includes the loan notes issued by the company in the U.K. to the former shareholders of Newsquest, Newscom and Dimbleby in connection with their acquisitions as more fully discussed in Note 2 to the Financial Statements. The Newsquest and Newscom notes (\$21.8 million and \$90.1 million,

respectively) bear interest at .5% below the London Interbank Offered Rate (LIBOR), subject to a cap of 6.5% and 6.75%, respectively. The Dimpleby notes (\$18.3 million) bear interest at the LIBOR rate minus 1%. Interest is payable semi-annually on all notes. The Newsquest and Newscom notes are due on Dec. 31, 2006, and Dec. 31, 2007, respectively, but may be redeemed by the company on each interest payment date. The Newsquest and Newscom noteholders are entitled to require the company to repay all or part of the notes on any interest payment date by giving 30 days' written notice. The Dimpleby notes may be redeemed by the company, in whole or in part, at any time after June 30, 2003. The Dimpleby noteholders are entitled to require the company to repay all or part of the principal amount of the notes by giving the company 30 days' written notice any time after six months of issue of the notes. Should a noteholder exercise that right, it is the company's intention to exchange the notes for cash. The remaining other indebtedness at Dec. 30, 2001, consists primarily of industrial revenue bonds with maturities in 2008 and 2009 at variable interest rates (1.9% at Dec. 30, 2001).

At Dec. 30, 2001, the company had \$6.06 billion of credit available under two revolving credit agreements. The agreements provide for revolving credit periods which permit borrowings from time to time to the maximum commitments. The 1998 \$3.0 billion agreement revolving credit period extends to July 1, 2003. The 2000 \$3.06 billion agreement consists of a \$1.53 billion 364-day facility which extends to July 2002 and a \$1.53 billion 5-year facility which extends to July 2005. At the end of the 364-day period, any borrowings outstanding under the 364-day credit facility are convertible into a 2-year term loan at Gannett's option.

The commitment fee rate for the 1998 revolving credit agreement may range from .07% to .175%, depending on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt. The rate in effect on Dec. 30, 2001, was .09%. At the option of the company, the interest rate on borrowings under this agreement may be at the prime rate, at rates ranging from .13% to .35% above the LIBOR or at rates ranging from .255% to .50% above a certificate of deposit-based rate. The prime rate was 4.75% at the end of 2001 and 9.5% at the end of 2000. The percentages that apply depend on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt.

The commitment fee rates for the 2000 revolving credit agreement may range from .05% to .09%, depending on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt. The rates in effect on Dec. 30, 2001, were .05% for the 364-day facility and .07% for the 5-year facility. At the option of the company, the interest rate on borrowings under this agreement may be at .13% to .24% above the prime rate, the Eurodollar base rate or the Federal Funds Effective Rate plus .50%. The percentages that apply depend on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt.

The revolving credit agreements contain a restrictive provision that requires the maintenance of net worth of at least \$2.5 billion. At Dec. 30, 2001, and Dec. 31, 2000, net worth was \$5.7 billion and \$5.1 billion, respectively.

Approximate annual maturities of long-term debt, assuming that the company had used the \$6.06 billion revolving credit

agreements as of the balance sheet date to refinance existing unsecured promissory notes on a long-term basis and assuming the company's other indebtedness was paid on its scheduled pay dates, are as follows:

*In thousands of dollars*

2002	—
2003	\$ 3,018,416
2004	402,813
2005	1,530,000
2006	21,838
<i>Later years</i>	106,958
<b>Total</b>	<b>\$ 5,080,025</b>

In mid-March 2002, the company issued three series of unsecured global notes; \$600 million at 4.95% due 2005, \$700 million at 5.50% due 2007, and \$500 million at 6.375% due 2012. The net proceeds from these notes were used to repay outstanding commercial paper obligations. Also in mid-March 2002, the company entered into a \$2.75 billion revolving credit agreement providing for up to \$1.385 billion in 364-day revolving credit loans and up to \$1.365 billion in 5-year revolving credit loans. The company terminated its \$3.0 billion revolving credit agreement, and its \$1.53 billion revolving credit agreement which was to expire in July 2002.

The company has a capital expenditure program (not including business acquisitions) of approximately \$300 million planned for 2002, including approximately \$35 million for land and buildings or renovation of existing facilities, \$243 million for machinery and equipment, and \$22 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 2002 capital program will be funded from operating cash flow.

The company has a 13.5% general partnership interest in Ponderay Newsprint Company. The company, on a several basis, is a guarantor of 13.5% of the principal and interest on a term loan that totals \$125 million held by Ponderay.

### **Capital stock**

In 2000, the company announced authorizations to repurchase up to \$1 billion of its common stock and during 2000, the company repurchased approximately 14.7 million shares of common stock at a cost of \$967 million. In 1999, the company purchased approximately 2.4 million shares of its common stock at a cost of \$163 million. The company currently has no plans to repurchase additional shares. Certain of the shares previously acquired by the company have been reissued in settlement of employee stock awards.

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

The company's common stock outstanding at Dec. 30, 2001, totaled 265,797,212 shares, compared with 264,271,861 shares at Dec. 31, 2000.

### Dividends

Dividends declared on common stock amounted to \$238 million in 2001, compared with \$228 million in 2000, reflecting an increase in the dividend rate partially offset by a decrease in shares outstanding in 2001.

92	\$ .63
93	\$ .65
94	\$ .67
95	\$ .69
96	\$ .71
97	\$ .74
98	\$ .78
99	\$ .82
00	\$ .86
01	\$ .90

Dividends declared per share

In October 2001, the quarterly dividend was increased from \$.22 to \$.23 per share.

Cash dividends		Payment date	Per share
2001	4th Quarter	Jan. 2, 2002	\$ .23
	3rd Quarter	Oct. 1, 2001	\$ .23
	2nd Quarter	July 2, 2001	\$ .22
	1st Quarter	April 2, 2001	\$ .22
2000	4th Quarter	Jan. 2, 2001	\$ .22
	3rd Quarter	Oct. 2, 2000	\$ .22
	2nd Quarter	July 3, 2000	\$ .21
	1st Quarter	April 3, 2000	\$ .21

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

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

The company is exposed to foreign exchange rate risk primarily due to its ownership of Newsquest, which uses the British pound as its functional currency which is then translated into U.S. dollars.

Effective Jan. 1, 2001, the company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. The adoption of this standard did not have any effect on the company's results of operations or financial position. At Dec. 30, 2001, the company is not a party to any derivative contracts.

On July 1, 2001, the company adopted Statement of Financial Accounting Standards No. 141 (SFAS No. 141), "Business Combinations." In accordance with SFAS No. 141, the company ceased amortizing goodwill for acquisitions after July 1, 2001.

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 142 (SFAS No. 142), "Goodwill and Other Intangible Assets." SFAS No. 142 addresses financial accounting and reporting for goodwill and other

intangible assets subsequent to their acquisition. SFAS No. 142 provides that goodwill and intangible assets which have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. The company adopted SFAS No. 142 effective Dec. 31, 2001, the first day of its fiscal year 2002. Upon adoption, the company ceased amortizing goodwill. Based on the current levels of goodwill, this will increase net income by approximately \$216 million annually (\$.80 per share based on average diluted shares outstanding in 2001) beginning in 2002.

The following table summarizes, on an unaudited, pro forma basis, the results of operations of the company as though SFAS No. 142 was effective on the first day of fiscal year 1999:

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

Fiscal year	2001	2000	1999
Net income*	\$1,047	\$1,879	\$1,068
Income per share* – Basic	\$3.95	\$4.25	\$3.69
Income per share* – Diluted	\$3.92	\$4.22	\$3.65

\*from continuing operations

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The company does not believe that the adoption of the statement will have a material impact on its financial position or results of operations.

### Certain factors affecting forward-looking statements

Certain statements in the company's 2001 Annual Report to Shareholders and its Annual Report on Form 10-K contain forward-looking information. The words "expect," "intend," "believe," "anticipate," "likely," "will" and similar expressions generally identify forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties which could cause actual results and events to differ materially from those anticipated in the forward-looking statements.

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

## CONSOLIDATED BALANCE SHEETS

*In thousands of dollars*

<i>Assets</i>	<i>Dec. 30, 2001</i>	<i>Dec. 31, 2000</i>
<i>Current assets</i>		
Cash	\$ 73,905	\$ 69,954
Marketable securities, at cost, which approximates market	66,724	123,242
Trade receivables (less allowance for doubtful receivables of \$39,138 and \$37,465, respectively)	805,746	875,363
Other receivables	65,923	56,469
Inventories	104,848	128,321
Prepaid expenses	61,052	48,987
<b><i>Total current assets</i></b>	<b>1,178,198</b>	<b>1,302,336</b>
<i>Property, plant and equipment</i>		
Land	237,485	216,049
Buildings and improvements	1,243,363	1,101,696
Machinery, equipment and fixtures	2,609,706	2,525,182
Construction in progress	116,520	292,274
<b><i>Total</i></b>	<b>4,207,074</b>	<b>4,135,201</b>
Less accumulated depreciation	(1,741,604)	(1,673,802)
<b><i>Net property, plant and equipment</i></b>	<b>2,465,470</b>	<b>2,461,399</b>
<i>Intangible and other assets</i>		
Intangible assets and excess of acquisition cost over the value of assets acquired (less accumulated amortization of \$1,183,722 and \$947,855, respectively)	8,684,359	8,740,804
Investments and other assets	768,074	475,872
<b><i>Total intangible and other assets</i></b>	<b>9,452,433</b>	<b>9,216,676</b>
<b><i>Total assets</i></b>	<b>\$ 13,096,101</b>	<b>\$ 12,980,411</b>

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

## CONSOLIDATED BALANCE SHEETS

*In thousands of dollars*

<b>Liabilities and shareholders' equity</b>	<b>Dec. 30, 2001</b>	<b>Dec. 31, 2000</b>
<i>Current liabilities</i>		
Accounts payable		
Trade	\$ 320,280	\$ 455,390
Other	34,342	37,853
Accrued liabilities		
Compensation	120,015	144,535
Interest	2,178	4,051
Other	112,900	177,318
Dividend payable	60,947	58,118
Income taxes	323,481	144,599
Deferred income	153,594	152,137
<b>Total current liabilities</b>	<b>1,127,737</b>	<b>1,174,001</b>
Deferred income taxes	503,397	274,829
Long-term debt	5,080,025	5,747,856
Postretirement medical and life insurance liabilities	409,052	403,528
Other long-term liabilities	239,968	276,787
<b>Total liabilities</b>	<b>7,360,179</b>	<b>7,877,001</b>
<i>Shareholders' equity</i>		
Preferred stock, par value \$1: Authorized, 2,000,000 shares: Issued, none		
Common stock, par value \$1: Authorized, 800,000,000 shares: Issued, 324,420,732 shares, as to both years	324,421	324,421
Additional paid-in capital	210,256	170,715
Retained earnings	7,589,069	6,995,965
Accumulated other comprehensive loss	(103,287)	(66,274)
	<b>8,020,459</b>	<b>7,424,827</b>
Less Treasury stock, 58,623,520 shares and 60,148,871 shares, respectively, at cost	(2,275,737)	(2,307,793)
Deferred compensation related to ESOP	(8,800)	(13,624)
<b>Total shareholders' equity</b>	<b>5,735,922</b>	<b>5,103,410</b>
<i>Commitments and contingent liabilities</i>		
<b>Total liabilities and shareholders' equity</b>	<b>\$ 13,096,101</b>	<b>\$ 12,980,411</b>

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



## CONSOLIDATED STATEMENTS OF INCOME

*In thousands of dollars*

<i>Fiscal year ended</i>	<b>Dec. 30, 2001</b>	<b>Dec. 31, 2000</b>	<b>Dec. 26, 1999</b>
<i>Net operating revenues</i>			
Newspaper advertising	\$ 4,119,773	\$ 3,972,936	\$ 3,115,250
Newspaper circulation	1,233,106	1,120,991	971,114
Broadcasting	662,652	788,767	728,642
All other	328,714	339,624	280,356
<b>Total</b>	<b>6,344,245</b>	<b>6,222,318</b>	<b>5,095,362</b>
<i>Operating expenses</i>			
Cost of sales and operating expenses, exclusive of depreciation	3,320,161	3,057,252	2,459,749
Selling, general and administrative expenses, exclusive of depreciation	990,472	971,895	792,421
Depreciation	202,456	195,428	169,460
Amortization of intangible assets	241,321	180,487	110,631
<b>Total</b>	<b>4,754,410</b>	<b>4,405,062</b>	<b>3,532,261</b>
Operating income	1,589,835	1,817,256	1,563,101
<i>Non-operating income (expense)</i>			
Interest expense	(221,854)	(219,228)	(94,619)
Interest income	4,676	27,209	5,739
Other	(2,060)	(16,397)	52,966
<b>Total</b>	<b>(219,238)</b>	<b>(208,416)</b>	<b>(35,914)</b>
Income before income taxes	1,370,597	1,608,840	1,527,187
Provision for income taxes	539,400	636,900	607,800
<b>Income from continuing operations</b>	<b>831,197</b>	<b>971,940</b>	<b>919,387</b>
<i>Discontinued operations</i>			
Income from the operation of discontinued operations, net of income taxes of \$0, \$1,598 and \$27,700, respectively		2,437	38,541
Gain on sale of cable business, net of income taxes of \$889,300		744,700	
<b>Net income</b>	<b>\$ 831,197</b>	<b>\$ 1,719,077</b>	<b>\$ 957,928</b>
<i>Earnings per share – basic</i>			
Earnings from continuing operations	\$3.14	\$3.65	\$3.29
Earnings from discontinued operations:			
Discontinued operations, net of tax		.01	.14
Gain on sale of cable business, net of tax		2.79	
<b>Net income per share – basic</b>	<b>\$3.14</b>	<b>\$6.45</b>	<b>\$3.43</b>
<i>Earnings per share – diluted</i>			
Earnings from continuing operations	\$3.12	\$3.63	\$3.26
Earnings from discontinued operations:			
Discontinued operations, net of tax		.01	.14
Gain on sale of cable business, net of tax		2.77	
<b>Net income per share – diluted</b>	<b>\$3.12</b>	<b>\$6.41</b>	<b>\$3.40</b>

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

*In thousands of dollars*

<b><i>Fiscal year ended</i></b>	<b><i>Dec. 30, 2001</i></b>	<b><i>Dec. 31, 2000</i></b>	<b><i>Dec. 26, 1999</i></b>
<i>Cash flows from operating activities</i>			
Net income	\$ 831,197	\$ 1,719,077	\$ 957,928
Adjustments to reconcile net income to operating cash flows			
Discontinued operations, net of tax		(747,137)	(38,541)
Income taxes on sale of cable business		(889,300)	
Depreciation	202,456	195,428	169,460
Amortization of intangibles	241,321	180,487	110,631
Deferred income taxes	228,568	(169,290)	21,983
Other, net, including gains on sales	(9,461)	(4,484)	(49,269)
Decrease (increase) in receivables	67,035	39,850	(70,014)
Decrease (increase) in inventories	22,457	(16,091)	(7,624)
(Decrease) increase in accounts payable	(103,195)	8,833	(34,805)
Increase in interest and taxes payable	177,950	186,133	11,555
Change in other assets and liabilities, net	(339,331)	(1,179)	75,582
<b><i>Net cash flow from operating activities</i></b>	<b>1,318,997</b>	<b>502,327</b>	<b>1,146,886</b>
<i>Cash flows from investing activities</i>			
Purchase of property, plant and equipment	(324,579)	(350,580)	(258,443)
Payments for acquisitions, net of cash acquired	(186,201)	(4,264,214)	(1,496,649)
Change in other investments	(42,637)	(78,531)	(10,383)
Proceeds from sale of certain assets	38,539	2,714,362	38,450
<b><i>Net cash used for investing activities</i></b>	<b>(514,878)</b>	<b>(1,978,963)</b>	<b>(1,727,025)</b>
<i>Cash flows from financing activities</i>			
(Payments of) proceeds from long-term debt	(667,831)	2,799,161	915,865
Dividends paid	(235,472)	(228,391)	(226,274)
Cost of common shares repurchased		(967,242)	(163,228)
Proceeds from issuance of common stock	48,780	21,225	33,681
<b><i>Net cash (used for) provided by financing activities</i></b>	<b>(854,523)</b>	<b>1,624,753</b>	<b>560,044</b>
<b><i>Effect of currency exchange rate change</i></b>	<b>(2,163)</b>	<b>(1,081)</b>	<b>68</b>
(Decrease) increase in cash and cash equivalents	(52,567)	147,036	(20,027)
Balance of cash and cash equivalents at beginning of year	193,196	46,160	66,187
<b><i>Balance of cash and cash equivalents at end of year</i></b>	<b>\$ 140,629</b>	<b>\$ 193,196</b>	<b>\$ 46,160</b>

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

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

*In thousands of dollars*

<i>Fiscal years ended December 26, 1999, December 31, 2000 and December 30, 2001</i>	<i>Common stock \$1 par value</i>	<i>Additional paid-in capital</i>	<i>Retained earnings</i>	<i>Accumulated other comprehensive income (loss)</i>	<i>Treasury stock</i>	<i>Deferred compensation related to ESOP</i>	<i>Total</i>
<b>Balance: Dec. 27, 1998</b>	<b>\$ 324,421</b>	<b>\$ 126,045</b>	<b>\$4,775,313</b>		<b>\$ (1,223,077)</b>	<b>\$ (22,878)</b>	<b>\$3,979,824</b>
Net income, 1999			957,928				957,928
Foreign currency translation adjustment, net of taxes of \$9,130				\$ 14,280			14,280
Unrealized gain on securities, net of taxes of \$7,095				11,097			11,097
<i>Total comprehensive income</i>							983,305
Dividends declared, 1999: \$.82 per share			(228,781)				(228,781)
Treasury stock acquired					(163,228)		(163,228)
Stock options exercised		7,916			23,490		31,406
Stock issued under incentive plan		(2,154)			3,552		1,398
Tax benefit derived from stock incentive plans		21,460					21,460
Compensation expense related to ESOP						3,912	3,912
Tax benefit from ESOP			350				350
<b>Balance: Dec. 26, 1999</b>	<b>\$ 324,421</b>	<b>\$ 153,267</b>	<b>\$5,504,810</b>	<b>\$ 25,377</b>	<b>\$ (1,359,263)</b>	<b>\$ (18,966)</b>	<b>\$4,629,646</b>
Net income, 2000			1,719,077				1,719,077
Foreign currency translation adjustment, net of tax benefit of \$51,555				(80,638)			(80,638)
Unrealized loss on securities, net of reclassification adjustments during the period, net of tax benefit of \$7,041				(11,013)			(11,013)
<i>Total comprehensive income</i>							1,627,426
Dividends declared, 2000: \$.86 per share			(228,212)				(228,212)
Treasury stock acquired					(967,242)		(967,242)
Stock options exercised		6,467			13,261		19,728
Stock issued under incentive plan		41			5,451		5,492
Tax benefit derived from stock incentive plans		10,940					10,940
Compensation expense related to ESOP						5,342	5,342
Tax benefit from ESOP			290				290
<b>Balance: Dec. 31, 2000</b>	<b>\$ 324,421</b>	<b>\$ 170,715</b>	<b>\$6,995,965</b>	<b>\$ (66,274)</b>	<b>\$ (2,307,793)</b>	<b>\$ (13,624)</b>	<b>\$5,103,410</b>
Net income, 2001			831,197				831,197
Foreign currency translation adjustment, net of tax benefit of \$21,851				(38,540)			(38,540)
Unrealized gain on securities, net of reclassification adjustments during the period, net of taxes of \$933				1,527			1,527
<i>Total comprehensive income</i>							794,184
Dividends declared, 2001: \$.90 per share			(238,301)				(238,301)
Stock options exercised		17,751			30,278		48,029
Stock issued under incentive plan		2,937			1,778		4,715
Tax benefit derived from stock incentive plans		18,853					18,853
Compensation expense related to ESOP						4,824	4,824
Tax benefit from ESOP			208				208
<b>Balance: Dec. 30, 2001</b>	<b>\$ 324,421</b>	<b>\$ 210,256</b>	<b>\$ 7,589,069</b>	<b>\$ (103,287)</b>	<b>\$ (2,275,737)</b>	<b>\$ (8,800)</b>	<b>\$ 5,735,922</b>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1

#### *Summary of significant accounting policies*

**Fiscal year:** The company's fiscal year ends on the last Sunday of the calendar year. The company's 2001 fiscal year ended on Dec. 30, 2001, and encompassed a 52-week period. The company's 2000 fiscal year encompassed a 53-week period and its 1999 fiscal year covered a 52-week period.

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

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

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

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

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

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

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

**Intangible assets and excess of acquisition cost over fair value of assets acquired:** Intangible assets and the excess of acquisition cost over the fair value of assets acquired represent the cost of intangible assets at the time operating properties were purchased. In accordance with Opinion 17 of the Accounting Principles Board of the American Institute of Certified Public Accountants, intangible assets and the excess acquisition cost of operating properties arising from acquisitions accounted for as purchases since Oct. 31, 1970, (\$9.81 billion at Dec. 30, 2001) are being amortized generally over 15-40 years on a straight-line basis.

**Valuation of Long-Lived Assets:** The company evaluates the carrying value of long-lived assets to be held and used, including the excess of acquisition cost over fair value of assets acquired, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying value of a long-lived asset, including the excess of acquisition cost over fair value of assets acquired, is considered impaired when the projected undiscounted future cash flows from the related reporting unit are less than its carrying value. The company measures impairment based on the amount by which the carrying value exceeds the fair market value. Fair market value is determined primarily using the projected future cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

**Investments and other assets:** Investments in non-public businesses in which the company does not have control are carried at cost and losses resulting from periodic evaluations of the carrying value of these investments are included as a non-operating expense. At Dec. 30, 2001, and Dec. 31, 2000, such investments aggregated \$20 million and \$57 million, respectively. Investments in public equity securities are available for sale with related gains and losses included in equity as other comprehensive income.

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

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

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

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

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

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

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

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

**New accounting pronouncements:** Effective Jan. 1, 2001, the company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended. The adoption of this standard did not have any effect on the company's results of operations or financial position.

On July 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 141 (SFAS No. 141), "Business Combinations." In accordance with SFAS No. 141, the company ceased amortizing goodwill for acquisitions after July 1, 2001.

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 142 (SFAS No. 142), "Goodwill and Other Intangible Assets." SFAS No. 142 addresses financial accounting and reporting for goodwill and other intangible assets subsequent to their acquisition. SFAS No. 142 provides that goodwill and intangible assets

which have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. The company adopted SFAS No. 142 effective Dec. 31, 2001, the first day of its fiscal year 2002. Upon adoption, the company ceased amortizing goodwill. Based on the current levels of goodwill, this accounting change will increase net income by approximately \$216 million annually (\$.80 per share based on average diluted shares outstanding in 2001) beginning in 2002.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The company does not believe that the adoption of the statement will have a material impact on its financial position or results of operations.

## NOTE 2

### *Acquisitions, exchanges and dispositions*

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

**2000:** In June 2000, Gannett acquired the entire share capital of News Communications & Media plc ("Newscom") for approximately 444 million British pounds (U.S. \$702 million). Gannett also financed the repayment of Newscom's existing debt. With the Newscom acquisition, the company now publishes more than 300 titles in the United Kingdom, including 15 daily newspapers.

On July 21, 2000, the company concluded the acquisition of 19 daily newspapers as well as numerous weekly and niche publications from Thomson Newspapers Inc., for an aggregate purchase price of \$1.036 billion. The company acquired eight daily newspapers in Wisconsin, eight daily newspapers in central Ohio, and single daily newspapers in Lafayette, La.; Salisbury, Md.; and St. George, Utah (collectively, "Thomson").

The company completed its acquisition of Central Newspapers, Inc. ("Central") on Aug. 1, 2000, for an approximate cash purchase price of \$2.6 billion. The company also retired Central's existing debt of approximately \$206 million. Central's properties include The Arizona Republic; The Indianapolis Star; three other dailies in Indiana and one daily in Louisiana; a direct marketing business; CNI Ventures, an Internet and technology investment management group; and other related media and information businesses.



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

The Newscom, Thomson, Central and WJXX-TV acquisitions were recorded under the purchase method of accounting.

The aggregate purchase price, including liabilities assumed, for businesses and assets acquired in 2000, including Newscom, Thomson, Central, WJXX-TV and certain smaller newspaper publishing operations, totaled approximately \$4.8 billion, of which \$4.4 billion represents identified intangible assets and excess of acquisition cost over fair value of assets acquired.

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

In the fourth quarter of 2000, the company contributed the assets of its newspapers, the Marin Independent Journal and the Classified Gazette, to the California Newspapers Partnership (a partnership that includes 20 daily California newspapers) in exchange for an increased ownership interest in the partnership. The company now has a 19.49% ownership interest in the partnership.

**1999:** In July 1999, Gannett acquired the stock of Newsquest plc ("Newsquest") for a total price of approximately 922 million British pounds (U.S. \$1.5 billion). Gannett also financed the repayment of Newsquest's existing debt. Newsquest's principal activities are publishing and printing regional and local newspapers in England with a portfolio of more than 180 titles that include paid-for daily and weekly newspapers and free weekly newspapers. The acquisition was recorded under the purchase method of accounting.

In June 1999, the company completed a broadcast station transaction under which it exchanged its ABC affiliate KVUE-TV in Austin, Texas, and received KXTV-TV, the ABC affiliate in Sacramento, Calif., plus cash consideration. For financial reporting purposes, the company recorded the exchange as two simultaneous but separate events; that is, a sale of its Austin TV station for which a non-operating gain was recognized and the acquisition of the Sacramento station accounted for under the purchase method. In its second quarter, the company reported a net non-operating gain of \$55 million (\$33 million after tax) principally as a result of this transaction.

The aggregate purchase price, including liabilities assumed, for businesses and assets acquired in 1999 including Newsquest, the Sacramento television station and certain smaller non-daily newspaper publishing operations, totaled approximately \$1.8 billion.

In March 1999, the company contributed The San Bernardino County Sun to the California Newspapers Partnership in exchange for a partnership interest.

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 fiscal year 2000 acquisitions and dispositions noted above were made at the beginning of 2000. The 2001 transactions were not material for pro forma purposes. On this basis, these transactions would have resulted in a pro forma decrease in income per diluted share from continuing operations of \$.12 in 2000. However, this pro forma combined statement does not necessarily reflect the results of operations as they would have been if the combined businesses had constituted a single entity during those years.

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

<b>Fiscal year</b>	<b>2001</b>	<b>2000</b>
Operating revenues*	<b>\$ 6,344</b>	\$6,902
Income before taxes*	<b>\$ 1,371</b>	\$1,556
Income*	<b>\$ 831</b>	\$ 940
Income per share* – Basic	<b>\$3.14</b>	\$3.53
Income per share* – Diluted	<b>\$3.12</b>	\$3.51

*\*from continuing operations*

**NOTE 3****Consolidated statements 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 2001, 2000 and 1999 for income taxes and for interest (net of amounts capitalized) was as follows:

*In thousands of dollars*

	<b>2001</b>	<b>2000</b>	<b>1999</b>
Income taxes	<b>\$ 138,688</b>	\$1,454,465	\$596,873
Interest	<b>\$ 223,691</b>	\$ 209,240	\$100,547

Interest in the amount of \$8.6 million, \$11.1 million and \$5.7 million was capitalized in 2001, 2000 and 1999, respectively.

The income taxes paid by the company for 2001 are below typical levels. Under the Economic Growth and Tax Relief Reconciliation Act of 2001, the company's estimated federal income tax payment normally due on Sept. 15 was deferred until Oct. 1, 2001. However, subsequent to the attacks of September 11, Internal Revenue Service Rule 2001-61 was issued which permitted a further deferral of the company's third quarter estimated tax payment and its fourth quarter estimated tax payment until January 15, 2002.

The 2000 income taxes paid amount includes amounts paid in connection with the company's sale of the cable business.

No significant liabilities were assumed in connection with the 2001 acquisitions. Liabilities assumed in connection with 2000 acquisitions totaled \$578 million, with \$485 million related to Newscom and Central outstanding debt obligations. Liabilities assumed in connection with 1999 acquisitions totaled approximately \$365 million, with \$181 million related to Newsquest outstanding debt obligations.

In 2001 and 2000, the company issued 86,544 and 161,152 shares of common stock, respectively, in settlement of previously granted stock incentive rights for the four year period 1998-2001 and the compensation liability of \$7.0 million and \$6.3 million, respectively, for these rights was transferred to shareholders' equity.

**NOTE 4****Long-term debt**

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

*In thousands of dollars*

	<b>Dec. 30, 2001</b>	<b>Dec. 31, 2000</b>
Unsecured promissory notes	<b>\$ 4,932,813</b>	\$5,461,205
Other indebtedness	<b>147,212</b>	286,651
Total long-term debt	<b>\$ 5,080,025</b>	\$5,747,856

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

The unsecured promissory notes at Dec. 31, 2000, were due from Jan. 4, 2001, to March 23, 2001, with rates varying from 6.4% to 6.63%.

At Dec. 30, 2001, the unsecured promissory notes were supported by the \$6.06 billion of revolving credit agreements discussed below and, therefore, are classified as long-term debt.

The maximum amount of such promissory notes outstanding at the end of any period during 2001 and 2000 was \$5.4 billion and \$5.7 billion, respectively. The daily average outstanding balance was \$5.2 billion during 2001 and \$3.1 billion during 2000. The weighted average interest rate was 4.1% for 2001 and 6.5% for 2000.

Other indebtedness includes the loan notes issued by the company in the U.K. to the former shareholders of Newsquest, Newscom and Dimpleby in connection with their acquisitions as more fully discussed in Note 2. The Newsquest and Newscom notes (\$21.8 million and \$90.1 million, respectively) bear interest at .5% below the London Interbank Offered Rate (LIBOR), subject to a cap of 6.5% and 6.75%, respectively. The Dimpleby notes (\$18.3 million) bear interest at the LIBOR rate minus 1%. Interest is payable semi-annually on all notes. The Newsquest and Newscom notes are due on Dec. 31, 2006, and Dec. 31, 2007, respectively, but may be redeemed by the company on each interest payment date. The Newsquest and Newscom noteholders are entitled to require the company to repay all or part of the notes on any interest payment date by giving 30 days' written notice. The Dimpleby notes may be redeemed by the company or the noteholders, in whole or in part, at any time after June 30, 2003. The Dimpleby noteholders are entitled to require the company to repay all or part of the principal amount of the notes by giving the company 30 days' written notice any time after six months of issue of the notes. Should a noteholder exercise that right, it is the company's intention to exchange the notes for cash. The remaining other indebtedness at Dec. 30, 2001, consists primarily of industrial revenue bonds with maturities in 2008 and 2009 at variable interest rates (1.9% at Dec. 30, 2001).

At Dec. 30, 2001, the company had \$6.06 billion of credit available under two revolving credit agreements. The agreements provide for revolving credit periods which permit borrowings from time to time to the maximum commitments. The 1998 \$3.0 billion agreement revolving credit period extends to

July 1, 2003. The 2000 \$3.06 billion agreement consists of a \$1.53 billion 364-day facility which extends to July 2002 and a \$1.53 billion 5-year facility which extends to July 2005. At the end of the 364-day period, any borrowings outstanding under the 364-day credit facility are convertible into a 2-year term loan at Gannett's option.

The commitment fee rate for the 1998 revolving credit agreement may range from .07% to .175%, depending on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt. The rate in effect on Dec. 30, 2001, was .09%. At the option of the company, the interest rate on borrowings under this agreement may be at the prime rate, at rates ranging from .13% to .35% above the LIBOR or at rates ranging from .255% to .50% above a certificate of deposit-based rate. The prime rate was 4.75% at the end of 2001 and 9.5% at the end of 2000. The percentages that apply depend on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt.

The commitment fee rates for the 2000 revolving credit agreement may range from .05% to .09%, depending on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt. The rates in effect on Dec. 30, 2001, were .05% for the 364-day facility and .07% for the 5-year facility. At the option of the company, the interest rate on borrowings under this agreement may be at .13% to .24% above the prime rate, the Eurodollar base rate or the Federal Funds Effective Rate plus .50%. The percentages that apply depend on Standard & Poor's or Moody's credit rating of the company's senior unsecured long-term debt.

The revolving credit agreements contain a restrictive provision that requires the maintenance of net worth of at least \$2.5 billion. At Dec. 30, 2001, and Dec. 31, 2000, net worth was \$5.7 billion and \$5.1 billion, respectively.

Approximate annual maturities of long-term debt, assuming that the company had used the \$6.06 billion revolving credit agreements as of the balance sheet date to refinance existing unsecured promissory notes on a long-term basis and assuming the company's other indebtedness was paid on its scheduled pay dates, are as follows:

*In thousands of dollars*

2002	—
2003	\$ 3,018,416
2004	402,813
2005	1,530,000
2006	21,838
<b>Later years</b>	106,958
<b>Total</b>	\$ 5,080,025

At Dec. 30, 2001, and Dec. 31, 2000, the company estimates that the amount reported on the balance sheet for financial instruments, including long-term debt, cash and cash equivalents, trade and other receivables, and other long-term liabilities, approximates fair value.

## NOTE 5

### *Retirement plans*

The company and its subsidiaries have various retirement plans, including plans established under collective bargaining agreements, under which substantially all full-time employees are covered. The Gannett Retirement Plan is the company's principal retirement plan and covers most U.S. employees of the company and its subsidiaries. Benefits under the Gannett Retirement Plan are based on years of service and final average pay. The company's retirement plan assets include marketable securities such as common stocks, bonds and U.S. government obligations and interest-bearing deposits. The tables below also include the assets and obligations of the former Central Newspapers, Inc. Retirement Plan, which was merged into the Gannett Retirement Plan effective Dec. 31, 2000, and Newsquest's Retirement Plans.

The company's pension costs for 2001, 2000 and 1999 are presented in the following table:

*In thousands of dollars*

	2001	2000	1999
Service cost - benefits earned during the period	\$ 70,643	\$ 61,905	\$ 60,834
Interest cost on benefit obligation	150,935	129,601	103,412
Expected return on plan assets	(217,796)	(194,010)	(146,168)
Amortization of transition asset	(68)	(28)	(984)
Amortization of prior service credit	(18,908)	(9,498)	(3,754)
Amortization of actuarial loss (gain)	824	(4,306)	1,407
Pension expense for company-sponsored retirement plans	(14,370)	(16,336)	14,747
Union and other pension cost	6,404	7,432	5,071
Pension cost	\$ (7,966)	\$ (8,904)	\$ 19,818

In December 2001, the company contributed \$300 million to the Gannett Retirement Plan.

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

*In thousands of dollars*

	Dec. 30, 2001	Dec. 31, 2000
<b>Change in benefit obligation</b>		
Net benefit obligation at beginning of year	\$ 2,046,283	\$ 1,470,403
Service cost	70,643	61,905
Interest cost	150,935	129,601
Plan participants' contributions	6,559	6,080
Actuarial loss	32,636	45,636
Acquisitions/plan mergers	4,308	444,522
Gross benefits paid	(129,062)	(111,864)
Net benefit obligation at end of year	\$ 2,182,302	\$ 2,046,283
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	\$ 2,309,968	\$ 1,763,141
Actual return on plan assets	(511,625)	29,546
Plan participants' contributions	6,559	6,080
Employer contributions	308,015	8,471
Acquisitions/plan mergers	6,549	614,594
Gross benefits paid	(129,062)	(111,864)
Fair value of plan assets at end of year	\$ 1,990,404	\$ 2,309,968
Funded status at end of year	\$ (191,898)	\$ 263,685
Unrecognized net actuarial loss (gain)	738,079	(6,024)
Unrecognized prior service credit	(176,799)	(197,324)
Unrecognized net transition asset	(146)	(200)
Net amount recognized at end of year	\$ 369,236	\$ 60,137
<b>Amounts recognized in Consolidated Balance Sheets</b>		
Prepaid benefit cost	\$ 461,743	\$ 142,807
Accrued benefit cost	\$ 92,507	\$ 82,670

The net benefit obligation was determined using an assumed discount rate of 7.25% and 7.625% at the end of 2001 and 2000, respectively. The assumed rate of compensation increase was 4.0% and 4.5% at the end of 2001 and 2000, respectively. The assumed long-term rate of return on plan assets used in determining pension cost was 10%. Retirement plan assets include approximately 1,242,300 shares of the company's common stock valued at approximately \$84 million and \$78 million at the end of 2001 and 2000, respectively.

## NOTE 6

### *Postretirement benefits other than pensions*

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

Postretirement benefit cost for health care and life insurance for 2001, 2000 and 1999 included the following components:

*In thousands of dollars*

	2001	2000	1999
Service cost - benefits earned during the period	\$ 6,512	\$ 5,247	\$ 3,796
Interest cost on net benefit obligation	24,674	19,865	14,901
Amortization of prior service credit	(7,728)	(7,018)	(8,478)
Amortization of actuarial (gain) loss	(10)	(240)	20
Net periodic postretirement benefit cost	\$ 23,448	\$ 17,854	\$ 10,239

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

*In thousands of dollars*

	Dec. 30, 2001	Dec. 31, 2000
<b>Change in benefit obligation</b>		
Net benefit obligation at beginning of year	\$ 363,767	\$ 215,593
Service cost	6,512	5,247
Interest cost	24,674	19,865
Plan participants' contributions	8,204	5,626
Plan amendment	(58,009)	—
Actuarial loss	13,095	40,801
Acquisitions/plan mergers	—	102,000
Gross benefits paid	(33,912)	(25,365)
Net benefit obligation at end of year	\$ 324,331	\$ 363,767
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	—	—
Employer contributions	25,708	19,739
Plan participants' contributions	8,204	5,626
Gross benefits paid	(33,912)	(25,365)
Fair value of plan assets at end of year	—	—
Benefit obligation at end of year	\$ 324,331	\$ 363,767
Unrecognized net actuarial (loss)	(18,949)	(19,950)
Unrecognized prior service credit	103,670	59,711
Accrued postretirement benefit cost	\$ 409,052	\$ 403,528

At Dec. 30, 2001, the accumulated postretirement benefit obligation was determined using a discount rate of 7.25% and a health care cost trend rate of 7% for pre-age 65 benefits, decreasing to 5% in the year 2004 and thereafter. For post-age 64 benefits, the health care cost trend rate used was 10%, declining to 5% in the year 2005 and thereafter.

At Dec. 31, 2000, the accumulated postretirement benefit obligation was determined using a discount rate of 7.625% and a health care cost trend rate of 8% for pre-age 65 benefits, decreasing to 5% in the year 2005 and thereafter. For post-age 64 benefits, the health care cost trend rate used was 12%, decreasing to 5% in the year 2005 and thereafter.

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

The effect of a 1% increase in the health care cost trend rate used would result in increases of approximately \$27 million in the 2001 postretirement benefit obligation and \$3 million in the aggregate service and interest components of the 2001 expense. The effect of a 1% decrease in the health care cost trend rate used would result in decreases of approximately \$23 million in the 2001 postretirement benefit obligation and \$3 million in the aggregate service and interest components of the 2001 expense.

## NOTE 7

### Income taxes

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

*In thousands of dollars*

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

*In thousands of dollars*

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

*In thousands of dollars*

<b>1999</b>	<b>Current</b>	<b>Deferred</b>	<b>Total</b>
Federal	\$505,902	\$ 14,791	\$520,693
State and other	72,927	2,132	75,059
Foreign	10,863	1,185	12,048
<b>Total</b>	<b>\$589,692</b>	<b>\$ 18,108</b>	<b>\$607,800</b>

In addition to the income tax provision presented above for continuing operations, the company also recorded federal and state income taxes payable on discontinued operations of \$891 million in 2000 and \$28 million in 1999.

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

<b>Fiscal year</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
U.S. statutory tax rate	35.0%	35.0%	35.0%
Increase in taxes resulting from:			
State/other income taxes net of federal income tax benefit	3.0	3.1	3.2
Goodwill amortization not deductible for tax purposes	3.8	2.2	1.7
Other, net	(2.4)	(0.7)	(0.1)
<b>Effective tax rate</b>	<b>39.4%</b>	<b>39.6%</b>	<b>39.8%</b>

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



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

Deferred tax liabilities and assets were composed of the following at the end of 2001 and 2000:

*In thousands of dollars*

	<b>Dec. 30, 2001</b>	<b>Dec. 31, 2000</b>
<i>Liabilities</i>		
Accelerated depreciation	<b>\$ 338,941</b>	\$ 341,786
Accelerated amortization of deductible intangibles	<b>142,748</b>	117,302
Pension	<b>149,388</b>	26,858
Other	<b>134,577</b>	109,963
Total deferred tax liabilities	<b>765,654</b>	595,909
<i>Assets</i>		
Accrued compensation costs	<b>(59,724)</b>	(75,411)
Postretirement medical and life	<b>(156,770)</b>	(157,737)
Other	<b>(45,763)</b>	(87,932)
Total deferred tax assets	<b>(262,257)</b>	(321,080)
Net deferred tax liabilities	<b>\$ 503,397</b>	\$ 274,829

## NOTE 8

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

The company's earnings per share from continuing operations (basic and diluted) for 2001, 2000 and 1999 are presented below:

*In thousands, except per share amounts*

	<b>2001</b>	<b>2000</b>	<b>1999</b>
Income from continuing operations	<b>\$831,197</b>	\$971,940	\$919,387
Weighted average number of common shares outstanding (basic)	<b>264,821</b>	266,426	279,048
Effect of dilutive securities			
Stock options	<b>1,761</b>	1,557	2,217
Stock incentive rights	<b>251</b>	135	343
Weighted average number of common shares outstanding (diluted)	<b>266,833</b>	268,118	281,608
Earnings per share from continuing operations (basic)	<b>\$3.14</b>	\$3.65	\$3.29
Earnings per share from continuing operations (diluted)	<b>\$3.12</b>	\$3.63	\$3.26

The 2001, 2000 and 1999 diluted earnings per share amounts exclude the effects of approximately 10.6 million, 5.4 million and 3.2 million stock options outstanding, respectively, as their inclusion would be antidilutive.

In 1998, the Board authorized the company to repurchase up to \$750 million of company stock and in 2000, the Board approved an authorization for the repurchase of up to an additional \$1 billion in common stock. The company purchased approximately 6 million shares of common stock in 1998 for \$329 million, approximately 2.4 million shares in 1999 for \$163 million, and approximately 14.7 million shares in 2000 for \$967 million.

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

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

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

A Stock Appreciation Right (SAR) is a right to receive an amount in any combination of cash or common stock equal in value to the excess of the fair market value of the shares covered by such SAR on the date of exercise over the aggregate exercise price of the SAR for such shares. SARs may be granted in tandem with related options or freestanding. The exercise price of a SAR is equal to the fair market value of a share of common stock on the date the SAR is granted. No more than 1,000,000 shares of common stock may be granted in the form of SARs to any participant in any fiscal year. No SARs have been granted as of Dec. 30, 2001.

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

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

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

A summary of the status of the company's stock option awards as of Dec. 30, 2001, Dec. 31, 2000, and Dec. 26, 1999, and changes thereto during the years then ended is presented below:

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

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

<b>1999 Stock Option Activity</b>	<b>Shares</b>	<b>Weighted average exercise price</b>
Outstanding at beginning of year	10,572,736	\$43.59
Granted	3,180,365	74.21
Exercised	(1,158,304)	30.04
Canceled	(187,956)	52.47
Outstanding at end of year	12,406,841	52.57
Options exercisable at year end	6,236,725	38.43
Weighted average fair value of options granted during the year	\$25.04	

Further information about stock options outstanding at Dec. 30, 2001, follows:

Range of exercise prices	Number outstanding at 12/30/01	Weighted average remaining contractual life (yrs)	Weighted average exercise price	Number exercisable at 12/30/01	Weighted average exercise price
\$23-28	663,690	1.0	\$23.68	663,690	\$23.68
32-38	2,453,376	3.8	\$35.22	2,453,376	\$35.22
41-49	27,760	5.0	\$45.93	27,760	\$45.93
50-60	6,576,595	8.3	\$55.84	2,611,279	\$57.29
61-70	8,119,378	9.1	\$68.05	1,869,170	\$65.36
71-75	2,685,265	9.9	\$74.28	1,393,305	\$74.27
	20,526,064	8.1	\$59.57	9,018,580	\$53.08

### Stock Incentive Rights

The company has not granted stock incentive rights since July 2000. Stock incentive rights awarded earlier in 2000 and in 1999 were as follows:

	2000	1999
Awards granted	10,700	169,290

Awards for 1999 and 2000 are for the four-year incentive period 2000-2003.

In 2001, 86,544 shares of common stock were issued in settlement of previously granted stock incentive rights for the incentive period ended December 2001.

Remaining shares available under the 1978 Plan, which totaled approximately 11,700,000 shares, were moved into the Plan and are thereby included in the 12,000,000 shares originally authorized under the Plan. Shares available for future grants under the Plan totaled 6,392,105 at Dec. 30, 2001.

SFAS No. 123, "Accounting for Stock-Based Compensation," establishes a fair value-based method of accounting for employee stock-based compensation plans and encourages companies to adopt that method. However, it also allows companies to continue to apply the intrinsic value-based method currently prescribed under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). The company has chosen to continue to report stock-based compensation in accordance with APB 25, and provides the following pro forma disclosure of the effects of applying the fair value method to all applicable awards granted. Under APB 25 and related interpretations, no compensation cost has been recognized for the company's stock options. The compensation cost has been charged against income for stock incentive rights. Those charges were based on the grant price of the stock incentive rights recognized over the four-year earnout periods. Had compensation cost for the company's stock options been determined based on the fair value at the grant date for those awards as permitted (but not required) under the alternative method of SFAS No. 123, the company's

results of operations and related per share amounts would have been reduced to the pro forma amounts indicated below:

*In thousands, except per share amounts*

	2001	2000	1999
<i>Net income</i>			
As reported	\$831,197	\$1,719,077	\$957,928
Pro forma	\$796,402	\$1,693,339	\$942,733
<i>Income from continuing operations</i>			
As reported	\$831,197	\$971,940	\$919,387
Pro forma	\$796,402	\$946,202	\$904,192
<i>Net income per share – basic</i>			
As reported	\$3.14	\$6.45	\$3.43
Pro forma	\$3.01	\$6.36	\$3.38
<i>Net income per share – diluted</i>			
As reported	\$3.12	\$6.41	\$3.40
Pro forma	\$2.98	\$6.32	\$3.35
<i>Income from continuing operations per share – basic</i>			
As reported	\$3.14	\$3.65	\$3.29
Pro forma	\$3.01	\$3.55	\$3.24
<i>Income from continuing operations per share – diluted</i>			
As reported	\$3.12	\$3.63	\$3.26
Pro forma	\$2.98	\$3.53	\$3.21

The fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2001, 2000 and 1999, respectively: dividend yield of 1.33%, 1.26% and 1.38%; expected volatility of 26.37%, 27.04% and 22.31%; risk-free interest rates of 4.60%, 5.63%, and 6.34%; and expected lives of seven years each.

SFAS No. 123 applies to stock compensation awards granted in fiscal years that began after Dec. 15, 1994. Options are granted by the company primarily in December and begin vesting over a four-year period. Options granted in December 1995 and thereafter are subject to the pronouncement. To calculate the pro forma amounts shown above, compensation cost was recognized over the four-year period of service during which the options will be earned. As a result, options granted in December of each year (beginning with December 1995) impact pro forma amounts for following years but not the year in which they were granted.

### 401(k) Savings Plan

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

any time. To fund the company's matching contribution, an Employee Stock Ownership Plan (ESOP) was formed in 1990 which acquired 2,500,000 shares of Gannett stock from the company for \$50 million. The stock purchase was financed with a loan from the company, and the shares are pledged as collateral for the loan. The company makes monthly contributions to the ESOP equal to the ESOP's debt service requirements less dividends. All dividends received by the ESOP are used to pay debt service. As the debt is paid, shares are released as collateral and are available for allocation to participants.

The company follows the shares allocated method in accounting for its ESOP. The cost of shares allocated to match employee contributions or to replace dividends that are used for debt service are accounted for as compensation expense. The cost of unallocated shares is reported as deferred compensation in the financial statements. The company, at its option, may repurchase shares from employees who leave the Plan. The shares are purchased at fair market value, and the difference between the original cost of the shares and fair market value is expensed at the time of purchase. All of the shares initially purchased by the ESOP are considered outstanding for earnings per share calculations. Dividends on allocated and unallocated shares are recorded as reductions of retained earnings.

Compensation expense for the 401(k) match and repurchased shares was \$9.7 million in 2001, \$9.1 million in 2000 and \$8.9 million in 1999. The ESOP shares as of the end of 2001 and 2000 were as follows:

	2001	2000
Allocated shares	2,088,238	1,825,911
Shares released for allocation	43,650	44,332
Unreleased shares	368,112	629,757
Shares distributed to terminated participants	(87,346)	(72,337)
ESOP shares	2,412,654	2,427,663

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

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

In November 1999, the Board authorized 2,000,000 shares of common stock to be registered in connection with a savings related share option plan, available to eligible employees of Newsquest.

## NOTE 9

### *Commitments and contingent liabilities*

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

**Leases:** Approximate future minimum annual rentals payable under non-cancelable operating leases, primarily real estate related, are as follows:

*In thousands of dollars*

2002	\$ 40,718
2003	35,746
2004	30,349
2005	23,155
2006	19,942
Later years	85,956
<b>Total</b>	<b>\$ 235,866</b>

Total minimum annual rentals have not been reduced for future minimum sublease rentals aggregating approximately \$7 million. Total rental costs reflected in continuing operations were \$69 million for 2001, \$62 million for 2000 and \$48 million for 1999.

**Program broadcast contracts:** The company has commitments under program broadcast contracts totaling \$114.0 million for programs to be available for telecasting in the future.

The company has a 13.5% general partnership interest in Ponderay Newsprint Company. The company, on a several basis, is a guarantor of 13.5% of the principal and interest on a term loan that totals \$125 million held by Ponderay.

In December 1990, the company adopted a Transitional Compensation Plan (the Plan). The Plan provides termination benefits to key executives whose employment is terminated under certain circumstances within two years following a change in control of the company. Benefits under the Plan include a severance payment of up to three years' compensation and continued life and medical insurance coverage. The Board of Directors amended and restated this plan in October 2001.



**NOTE 10*****Business operations and segment information***

The company has determined that its reportable segments based on its management and internal reporting structure are newspaper publishing, which is the largest segment of its operations; and broadcasting (television). The cable division's operating results, identifiable assets and capital expenditures have been retroactively excluded from the segment data presented herein, since as discussed in Note 1, the division has been reclassified in the statements of income and related discussions as discontinued operations.

The newspaper segment at the end of 2001 consisted of 95 U.S. daily newspapers in 40 states and one U.S. territory, including USA TODAY, a national, general-interest daily newspaper; and USA WEEKEND, a magazine supplement for newspapers. The newspaper segment also includes Newsquest (including Newscom, acquired in 2000) which is a regional newspaper publisher in the United Kingdom with a portfolio of more than 300 titles that includes 15 paid-for daily newspapers, paid-for weekly newspapers, free weekly newspapers and other publications. The newspaper segment in the U.S. also includes over 300 non-daily publications, a nationwide network of offset presses for commercial printing, newspaper related online businesses and several smaller businesses. Newsprint, which is the principal product used in newspaper publishing, has been and may continue to be subject to significant price changes from time to time.

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

The broadcasting segment's activities for 2001 include the operation of 22 U.S. television stations reaching 17.7 percent of U.S. television homes.

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

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

Operating cash flow represents operating income plus depreciation and amortization of intangible assets. Upon adoption of SFAS No. 142 beginning with fiscal year 2002, the company ceased amortizing goodwill. See Note 1 for a further discussion of this accounting change. 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.

*In thousands of dollars*

***Business segment financial information***

	<b>2001</b>	<b>2000</b>	<b>1999</b>
<i>Operating revenues</i>			
Newspaper publishing	\$ 5,681,593	\$ 5,433,551	\$4,366,720
Broadcasting	662,652	788,767	728,642
	<b>\$ 6,344,245</b>	<b>\$ 6,222,318</b>	<b>\$5,095,362</b>
<i>Operating income</i>			
Newspaper publishing	\$ 1,400,609	\$ 1,522,350	\$1,291,665
Broadcasting	249,783	359,955	337,537
Corporate (1)	(60,557)	(65,049)	(66,101)
	<b>\$ 1,589,835</b>	<b>\$ 1,817,256</b>	<b>\$1,563,101</b>
<i>Depreciation and amortization</i>			
Newspaper publishing	\$ 369,044	\$ 302,544	\$ 207,720
Broadcasting	67,639	65,210	62,861
Corporate (1)	7,094	8,161	9,510
	<b>\$ 443,777</b>	<b>\$ 375,915</b>	<b>\$ 280,091</b>
<i>Operating cash flow (2)</i>			
Newspaper publishing	\$ 1,769,653	\$ 1,824,894	\$1,499,385
Broadcasting	317,422	425,165	400,398
Corporate (1)	(53,463)	(56,888)	(56,591)
	<b>\$ 2,033,612</b>	<b>\$ 2,193,171</b>	<b>\$1,843,192</b>
<i>Identifiable assets (3)</i>			
Newspaper publishing	\$10,558,641	\$10,608,191	\$5,748,018
Broadcasting	2,004,486	1,923,422	1,841,699
Corporate (1)	532,974	448,798	304,202
	<b>\$13,096,101</b>	<b>\$12,980,411</b>	<b>\$7,893,919</b>
<i>Capital expenditures (4)</i>			
Newspaper publishing	\$ 230,223	\$ 242,885	\$ 190,259
Broadcasting	21,602	49,829	24,831
Corporate (1)	72,754	57,866	30,055
	<b>\$ 324,579</b>	<b>\$ 350,580</b>	<b>\$ 245,145</b>

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

(2) Operating cash flow amounts represent operating income plus depreciation and amortization of intangible assets.

(3) Excludes assets related to discontinued operations totaling \$1,112,527 in 1999.

(4) Excludes capital expenditures made for discontinued operations totaling \$13,298 for 1999.

## REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of changes in shareholders' equity present fairly, in all material respects, the financial position of Gannett Co., Inc. and its subsidiaries at Dec. 30, 2001 and Dec. 31, 2000, and the results of their operations and their cash flows for each of the three years in the period ended Dec. 30, 2001 in conformity with accounting principles generally accepted in the United States of America. 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 auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

*McLean, Va.  
February 7, 2002*

## 11-YEAR SUMMARY

In thousands of dollars, except per share amounts

	2001	2000	1999	1998
<i>Net operating revenues</i>				
Newspaper advertising	\$ 4,119,773	\$ 3,972,936	\$ 3,115,250	\$ 2,773,247
Newspaper circulation	1,233,106	1,120,991	971,114	958,456
Broadcasting	662,652	788,767	728,642	721,298
All other	328,714	339,624	280,356	256,030
<b>Total</b> (Notes a and b, see page 50)	<b>6,344,245</b>	<b>6,222,318</b>	<b>5,095,362</b>	<b>4,709,031</b>
<i>Operating expenses</i>				
Costs and expenses	4,310,633	4,029,147	3,252,170	3,069,754
Depreciation	202,456	195,428	169,460	163,776
Amortization of intangible assets	241,321	180,487	110,631	89,687
<b>Total</b>	<b>4,754,410</b>	<b>4,405,062</b>	<b>3,532,261</b>	<b>3,323,217</b>
Operating income	1,589,835	1,817,256	1,563,101	1,385,814
<i>Non-operating (expense) income</i>				
Interest expense	(221,854)	(219,228)	(94,619)	(79,412)
Other	2,616	10,812	58,705(11)	305,323(9)
<b>Income before income taxes</b>	<b>1,370,597</b>	<b>1,608,840</b>	<b>1,527,187</b>	<b>1,611,725</b>
<b>Provision for income taxes</b>	<b>539,400</b>	<b>636,900</b>	<b>607,800</b>	<b>645,300</b>
<b>Income from continuing operations</b>	<b>831,197</b>	<b>971,940</b>	<b>919,387(11)</b>	<b>966,425(9)</b>
<i>Discontinued operations:</i>				
Income from the operation of discontinued businesses (net of income taxes) (12)		2,437	38,541	33,488
Gain on sale of discontinued businesses (net of income taxes) (13)		744,700		
<b>Total</b>	<b>—</b>	<b>747,137</b>	<b>38,541</b>	<b>33,488</b>
<b>Income before cumulative effect of accounting principle changes</b>	<b>831,197</b>	<b>1,719,077</b>	<b>957,928</b>	<b>999,913</b>
<i>Cumulative effect on prior years of accounting principle changes for:</i>				
Income taxes				
Retiree health and life insurance benefits				
<b>Net income</b>	<b>\$ 831,197</b>	<b>\$ 1,719,077</b>	<b>\$ 957,928</b>	<b>\$ 999,913</b>
<b>Operating cash flow (5)</b>	<b>\$ 2,033,612</b>	<b>\$ 2,193,171</b>	<b>\$ 1,843,192</b>	<b>\$ 1,639,277</b>
<i>Per share amounts (1)</i>				
<b>Income from continuing operations before cumulative effect of accounting principle changes: basic / diluted</b>	<b>\$3.14/\$3.12</b>	<b>\$3.65/\$3.63</b>	<b>\$3.29/\$3.26 (11)</b>	<b>\$3.41/\$3.38 (9)</b>
Net income: basic / diluted	\$3.14/\$3.12	\$6.45/\$6.41	\$3.43/\$3.40	\$3.53/\$3.50
Dividends declared (2)	.90	.86	.82	.78
Weighted average number of common shares outstanding in thousands: basic/diluted (2)	264,821/266,833	266,426/268,118	279,048/281,608	283,097/285,711
<i>Financial position</i>				
Working capital	\$ 50,461	\$ 128,335	\$ 191,444	\$ 178,418
Long-term debt excluding current maturities	5,080,025	5,747,856	2,463,250	1,306,859
Shareholders' equity	5,735,922	5,103,410	4,629,646	3,979,824
Total assets	13,096,101	12,980,411	9,006,446	6,979,480
<i>Selected financial percentages and ratios</i>				
Percentage increase (decrease)				
Earnings from continuing operations, after tax (4)	(14.5%)	9.6%	13.3%(10)	14.9%(8)
Earnings from continuing operations, after tax, per share: basic/diluted (4)	(14.0%)/(14.1%)	14.8%/15.2%	14.9%/14.9%(10)	14.5%/14.6%(8)
Dividends declared per share	4.7%	4.9%	5.1%	5.4%
Return on equity (3)	15.3%	20.0%	20.6%	21.0%
<i>Credit ratios</i>				
Long-term debt to shareholders' equity	88.6%	112.6%	53.2%	32.8%
Times interest expense earned	7.2X	8.3X	17.1X	21.3X

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

- (5) Operating cash flow represents operating income plus depreciation and amortization of intangible assets. This measure varies from the audited Consolidated Statements of Cash Flows.  
(6) Excludes 1996 after-tax gain on exchange of broadcast stations of \$93 million or \$.33 per share.  
(7) Includes pre-tax gain on exchange of broadcast stations of \$158 million (after-tax gain of \$93 million or \$.33 per share).

1997	1996	1995	1994	1993	1992	1991
\$ 2,479,828	\$ 2,281,071	\$ 2,078,190	\$ 1,982,260	\$ 1,846,791	\$ 1,773,460	\$ 1,747,118
903,309	872,969	816,474	789,375	781,205	762,729	733,943
703,558	686,936	466,187	406,608	397,204	370,613	357,383
221,470	177,237	144,636	218,000	202,040	184,035	149,489
4,308,165	4,018,213	3,505,487	3,396,243	3,227,240	3,090,837	2,987,933
2,812,218	2,776,171	2,499,696	2,410,404	2,336,668	2,303,468	2,265,948
152,964	147,721	141,151	146,054	147,248	139,080	139,268
80,741	75,043	47,509	44,110	43,771	39,197	39,621
3,045,923	2,998,935	2,688,356	2,600,568	2,527,687	2,481,745	2,444,837
1,262,242	1,019,278	817,131	795,675	699,553	609,092	543,096
(98,242)	(135,563)	(52,175)	(45,624)	(51,250)	(50,817)	(71,057)
(9,047)	155,825 (7)	3,754	14,945	5,350	7,814	14,859
1,154,953	1,039,540	768,710	764,996	653,653	566,089	486,898
473,600	442,900	312,084	309,600	264,400	224,900	194,400
681,353	596,640 (7)	456,626	455,396	389,253	341,189	292,498
31,326	51,867	20,636	10,003	8,499	4,491	9,151
	294,580					
31,326	346,447	20,636	10,003	8,499	4,491	9,151
712,679	943,087	477,262	465,399	397,752	345,680	301,649
					34,000	
					(180,000)	
\$ 712,679	\$ 943,087	\$ 477,262	\$ 465,399	\$ 397,752	\$ 199,680	\$ 301,649
\$ 1,495,947	\$ 1,242,042	\$ 1,005,791	\$ 985,839	\$ 890,572	\$ 787,369	\$ 721,985
\$2.41/\$2.39	\$2.12/\$2.11(7)	\$1.63/\$1.62	\$1.58/\$1.57	\$1.33/\$1.32	\$1.18/\$1.18	\$.97/\$.96
\$2.52/\$2.50	\$3.35/\$3.33	\$1.70/\$1.69	\$1.61/\$1.60	\$1.36/\$1.35	\$.69/\$.69	\$1.00/\$.99
.74	.71	.69	.67	.65	.63	.62
283,360/285,610	281,782/283,426	280,312/282,323	288,552/290,148	292,948/294,659	288,296/290,174	301,566/303,267
\$ 146,057	\$ 47,609	\$ 41,312	\$ 123,783	\$ 302,818	\$ 199,896	\$ 192,266
1,740,534	1,880,293	2,767,880	767,270	850,686	1,080,756	1,335,394
3,479,736	2,930,818	2,145,648	1,822,238	1,907,920	1,580,101	1,539,487
6,890,351	6,349,597	6,503,800	3,707,052	3,823,798	3,609,009	3,684,080
35.4%	10.2%(6)	0.3%	17.0%	14.1%	16.6%	(17.5%)
36.9%/34.3%	8.0%/9.9%(6)	3.2%/3.2%	18.8%/18.9%	12.3%/11.9%	22.0%/22.9%	(12.4%)/(12.7%)
4.2%	2.9%	3.0%	3.1%	3.2%	1.6%	2.5%
21.3%	19.8%	23.0%	24.4%	22.3%	21.9%	16.2%
50.0%	64.2%	129.0%	42.1%	44.6%	68.4%	86.7%
12.8X	8.7X	15.7X	17.8X	13.8X	12.1X	7.9X

- (8) Excludes 1998 \$184 million after-tax net non-operating gain principally from the disposition of the radio and alarm security businesses (\$.65 per share-basic and \$.64 per share-diluted).
- (9) Includes pre-tax net non-operating gain principally from the disposition of the radio and alarm security businesses of \$307 million (after-tax gain of \$184 million or \$.65 per share-basic and \$.64 per share-diluted).
- (10) Excludes 1999 \$33 million after-tax net non-operating gain principally from the exchange of KVUE-TV for KXTV-TV (\$.11 per share).

- (11) Includes pre-tax net non-operating gain principally from the exchange of KVUE-TV for KXTV-TV of \$55 million (after-tax gain of \$33 million or \$.11 per share).
- (12) Includes results from businesses sold and accounted for as discontinued operations (cable - 1995 to 2000; security - 1995 to 1998; entertainment - 1995 to 1996; outdoor - 1991 to 1996).
- (13) Includes gain from businesses sold and accounted for as discontinued operations (cable - 2000; outdoor - 1996).



## NOTES TO 11-YEAR SUMMARY

(a) The company and its subsidiaries made the acquisitions listed below during the period. The results of operations of these acquired businesses are included in the accompanying financial information from the date of acquisition. Note 2 of the consolidated financial statements on page 36 contains further information concerning certain of these acquisitions.

(b) During the period, the company sold or otherwise disposed of substantially all of the assets or capital stock of certain other subsidiaries and divisions of other subsidiaries. Note 2 of the consolidated financial statements on page 36 contains further information concerning certain of these dispositions.

### Acquisitions 1991-2001

<b>1991</b>	
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.
<b>1992</b>	
April 24	Graphic Publications, Inc.
<b>1993</b>	
Jan. 30	The Honolulu Advertiser
April 24	Tulare Advance-Register
<b>1994</b>	
May 2	Nursing Spectrum
June 9	Altoona Herald-Mitchellville Index and the Eastern ADvantage
Dec. 1	KTHV-TV, Little Rock
<b>1995</b>	
Dec. 4	Multimedia, Inc.
<b>1996</b>	
Dec. 9	WTSP-TV, Tampa-St. Petersburg, Fla.
<b>1997</b>	
Jan. 31	WZZM-TV, Grand Rapids, Mich.
Jan. 31	WGRZ-TV, Buffalo, N.Y.
May 5	Printed Media Companies
May 27	KNAZ-TV, Flagstaff, Ariz.
May 27	KMOH-TV, Kingman, Ariz.
July 18	Mary Morgan, Inc.
Aug. 1	Army Times Publishing Co., Inc.
Oct. 24	New Jersey Press, Inc.
<b>1998</b>	
Jan. 5	WCSH-TV, Portland, Maine
Jan. 5	WLBZ-TV, Bangor, Maine
April 30	WLTX-TV, Columbia, S.C.
May 31	Classified Gazette, San Rafael, Calif.
July 7	Ocean County Observer, Toms River, N.J.
July 7	Daily Record, Morristown, N.J.
July 7	Manahawkin Newspapers, Manahawkin, N.J.
Aug. 31	TCI Cable Kansas
Aug. 31	New Castle County Shopper's Guide, Brandywine Valley Weekly and Autos plus, Wilmington, Del.

<b>1999</b>	
March 17	The Reporter, Melbourne, Fla.
March 29	Lehigh Acres News-Star, Lehigh Acres, Fla.
June 1	Dealer Magazine, Reno, Nev.
June 1	KXTV-TV, Sacramento, Calif.
July 26	Newsquest plc, United Kingdom
Sept. 28	Tucker Communications, Inc., Westchester Co., N.Y.
Sept. 29	Pennypower Shopping News, Branson & Springfield, Mo.
<b>2000</b>	
Jan. 3	The Pioneer Republican and other publications, Iowa
Jan. 4	Buyers' Digest, Franklin County, Vt.
Feb. 1	The Clarion, Redcar, United Kingdom
Mar. 17	WJXX-TV, Jacksonville, Fla.
Mar. 31	Mason Valley News and Fernley Leader-Dayton Courier, Lyon Co., Nev.
Apr. 7	Brevard Technical Journal, Brevard County, Fla.
May 10	Dickson Shoppers, Middle Tennessee
June 2	Greenville Parent Magazine, Greenville County, S.C.
June 5	News Communications & Media plc, United Kingdom
June 30	Space Coast Press, Brevard County, Fla.
July 21	Certain assets of Thomson Newspapers Inc., including 8 dailies in Wisconsin; 8 dailies in central Ohio; daily newspapers in Lafayette, La.; Salisbury, Md.; and St. George, Utah; and numerous weeklies and niche publications.
Aug. 1	Central Newspapers, Inc., including The Arizona Republic, Indianapolis Star, and other daily newspapers in Indiana and Louisiana; and related media and information businesses.
Sept. 7	Daily World, Opelousas, La.
Oct. 30	Windsor Beacon, Windsor, Colo.
Dec. 1	50+ Lifestyles and other monthly magazines, Des Moines, Iowa
<b>2001</b>	
Feb. 9	Shopping News, St. Cloud, Minn.
Feb. 16	Gatwick Life and Horley Life, Surrey/Sussex, U.K.
March 1	The Bulletin Board, Montgomery, Ala.
March 27	PMP Company, Ltd., Honolulu, Hawaii
May 29	AutoChooser, Tempe, Ariz.
June 29	The Dimpleby Newspapers, London, U.K.
Sept. 14	Honolulu Pennysaver, Honolulu, Hawaii
Sept. 21	Buy and Sell Classifieds, Honolulu, Hawaii

## FORM 10-K INFORMATION

### *Business of the company*

Gannett Co., Inc. is a diversified information company that operates primarily in the U.S. and the United Kingdom. Approximately 88% of its revenues are from domestic operations. In addition to operations in the United Kingdom, it has limited foreign operations in certain European and Asian markets. Its corporate headquarters is in McLean, Va., near Washington, D.C. It was incorporated in New York in 1923 and was reincorporated in Delaware in 1972.

The company presently reports two principal business segments: newspaper publishing and broadcasting (television).

The company's newspapers make up the largest newspaper group in the U.S. in circulation. At the end of 2001, the company operated 110 daily newspapers, with a total average daily circulation of approximately 8.3 million in the U.S. and U.K., including USA TODAY. The company also publishes USA WEEKEND, a weekend newspaper magazine, and in excess of 300 non-daily publications in the United States and more than 300 non-daily publications in the United Kingdom.

The newspaper segment includes the following: Gannett News Service, which provides news services for its newspaper operations; Gannett Retail Advertising Group, which represents the company's local newspapers in the sale of advertising to national and regional retailers and service providers; and Gannett Offset, which is composed of the Gannett Offset print group and Gannett Marketing Services Group. The Gannett Offset print group currently includes seven non-heatset printing plants and two heatset printing facilities. Gannett Offset's dedicated commercial printing plants are located in Atlanta, Ga.; Chandler, Ariz.; Minneapolis, Minn.; Miramar, Fla.; Nashville, Tenn.; Norwood, Mass.; Pensacola, Fla.; St. Louis, Mo.; and Springfield, Va. Gannett Marketing Services Group coordinates the sale of direct-marketing services through: Telematch, a database management and data enhancement company; Gannett Direct Marketing Services, a direct-marketing company with operations in Louisville, Ky.; and Gannett TeleMarketing, a telephone sales and marketing company. The company also owns USATODAY.com, USA TODAY Careers Network and other Internet services at most of its local newspapers and television stations; Gannett Media Technologies International, which develops and markets software and other products for the publishing industry; Nursing Spectrum, publisher of biweekly periodicals specializing in advertising for nursing employment; Army Times Publishing Company, which publishes military and defense newspapers; a 19.49% interest in California Newspapers Partnership, a partnership that includes 20 daily California newspapers; and a 13.5% interest in Ponderay Newsprint Company in California.

On Dec. 30, 2001, the broadcasting division included 22 television stations in markets with more than 18.6 million households.

The company's cable business was sold on Jan. 31, 2000, and its results for 2000 and prior years are treated as discontinued operations in the company's statements of income and related discussions elsewhere in this report.

### *Newspaper publishing/United States*

On Dec. 30, 2001, the company operated 95 daily newspapers, including USA TODAY, and more than 300 non-daily local publications, in 40 states and Guam. The Newspaper Division is headquartered in McLean, Va., and on Dec. 30, 2001, it had approximately 39,400 full- and part-time employees.

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

USA TODAY is produced at facilities in McLean, Va., and is transmitted via satellite to offset printing plants around the country. It is printed at Gannett plants in 18 U.S. markets and under contract at offset plants in 18 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 65% of its net paid circulation results from single-copy sales at newsstands or vending machines and the remainder is from home and office delivery, mail and other sales.

For 2001, USA TODAY's advertising revenues and volume declined 22% and 24%, respectively.

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

USATODAY.com reached more than 25 million visitors per month at the end of 2001.

The USA TODAY Careers Network, USATODAYCareers.com, is a national online recruitment site that houses job listings from USA TODAY and 80 other company newspapers across the country, and their respective Web sites. The site provides job seekers free access to the best tools and resources for making career decisions and finding a job as well as the latest employment news and trends. The site also provides service for employers, including job postings and resume searching.

Gannett News Service (GNS) is headquartered in McLean, Va., and operates bureaus in eight other states and Washington, D.C. (see page 68 for more information). GNS provides national and regional news coverage and sports, features, photo and graphic services to Gannett newspapers. GNS also is distributed by syndication to several non-Gannett newspapers, including ones in Chicago, Salt Lake City, Boston and Seattle.

The newspaper publishing segment also includes USA WEEKEND, which is distributed as a weekend newspaper magazine in 591 newspapers throughout the country, with a total circulation of 23.6 million as of January 2002. The general interest magazine has a readership of 48 million, the second largest circulation publication in the nation.

Also included is Nursing Spectrum, publisher of biweekly and monthly periodicals that advertise nursing employment. Nursing Spectrum's circulation reaches nearly one million registered nurses each month, or almost half of the registered nurses in the United States. By the end of 2001, Nursing Spectrum's award-winning Web site had about 700,000 unique visitors each month.

At the end of 2001, 68 of the company's daily newspapers, including USA TODAY, were published in the morning and 27 were published in the evening.

For local U.S. newspapers, excluding USA TODAY, morning circulation accounts for approximately 86% of total daily volume, while evening circulation accounts for 14%.

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

In 2001, news departments across Gannett continued to emphasize coverage of local news as the key to successful news reporting. Under the Complete Community Coverage model developed in 2000, the vast majority of newsrooms expanded the amount of local news on their Web sites. The objective is to enhance our position as the primary source of local news and information, reaching more people interested in local news in more ways.

To advance that objective in 2001, online training sessions were held for newsroom editors and reporters and many online editors. An internal corporate News Web site was expanded to provide further guidance for newsrooms on a variety of topics, ranging from readership information to online delivery of news.

To help expand the readership base, especially among younger readers, an "X Manual" was created. It offers ideas and approaches for reaching readers ages 25 to 34. It was published in book form and also was placed on the News Department's Web site.

All of the company's daily newspapers receive Gannett News Service. In addition, all subscribe to The Associated Press, and some receive various supplemental news and syndicated features services. In 2001, Gannett News Service staffers joined with USA TODAY reporters and editors to provide Gannett newspapers with special, localized coverage of the 2000 U.S. Census.

In the hours after the Sept. 11 attacks on America, GNS moved more than 100 stories, photographs and graphics to local newspapers, and it continued special coverage as war events unfolded. A special information exchange, called War Watch 2001, was established through which hundreds of coverage ideas were shared on the department's Web site.

In 2001, the company continued to emphasize increasing its revenue from medium and smaller advertisers in each market it serves. These efforts will continue throughout 2002. Initiatives have focused on sales and rate management and the construction of pre-packaged programs scalable to the company's largest and smallest markets. Sales management initiatives increased the number and quality of sales calls, improved sales compensation and enhanced consistent sales training. Rate management programs focused on selling multiple advertising insertions and reviewing rates and rate structures to ensure that they match the opportunities in the market. The company operates an extranet site to provide its advertising management with up-to-date information and sales programs 24 hours a day, seven days a week. The company regularly calculates market potential and adjusts its local strategic plans accordingly. Significant efforts will continue to be taken in 2002 to make the company's personnel increasingly competitive in their leadership, strategic thinking and marketing skills.

The newspaper division's advertising quality initiative, known as ADQ, produced its seventh straight year of improved ad and bill quality. ADQ has reduced credit cost significantly since its 1995 launch.

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

This strategy has served Gannett well in the development of our newspaper Internet efforts. The aggressive local focus, including advertising sales efforts, combined with effective use of national economies of scale and standardized technology resulted in solid results in 2001.

Pro forma advertising revenue for local newspaper Web sites increased by 29% in 2001, which followed an 88% increase in 2000. Recent traffic on our sites reached more than 40 million visitors and over 150 million page views per month.

Newsroom editorial systems were replaced in Lansing, Battle Creek and the Wisconsin Winnebago group of six newspapers in 2001. In 2002, new editorial systems will be installed in Rochester, Louisville, Cincinnati, St. George and Salisbury. The newer systems have Web-conversion capabilities that make it easier and quicker for newspapers to post stories on their Web sites.

Gannett newsrooms continue to convert to digital photography, which enables our newspapers to provide photos with very late-breaking stories and to be more competitive on their Web sites. By the end of 2002, more than 75 Gannett news photo departments are expected to be 100 percent digital.

The Rate Matrix sales program was implemented at 12 Gannett newspapers in 2001 and more newspapers will follow in 2002. The Rate Matrix is a program for selling multiple ads across multiple product lines and packaging them into one buy for the customer. A typical Matrix package might include a retail display ad, a classified help wanted ad, a print-and-deliver insert targeted to specific zones, an online directory listing and an online coupon. Pricings and proposals are done on laptop or desktop computers.

New online classified ad order entry software was installed in three newspapers in 2001. The software allows the customer to place their classified ad via the newspaper's Web site. It permits the customer to build both their print and online ad using templates provided by the newspaper or to customize the ad to meet their specific requirements. The standard software includes six categories: employment, automotive, real estate, merchandise, obituaries and legals. It also facilitates upsell opportunities such as bolding, attention getters, and e-mail hyperlinks. When customers complete the design of their ads and select a product schedule, they receive a realtime price quote. Customers can then book their ads without further newspaper involvement. A larger rollout is planned for 2002.

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

Gannett Media Technologies International (GMTI) continued to transition customers to its Internet-based Celebro system. Celebro aids in the creation of new advertising products while automating the scheduling and production of real estate ads. Newspapers are freed from production requirements. Real estate companies are now linked directly to GMTI's database servers where Celebro's automation software builds ads and sends complete, digitized ad files to our newspapers for pagination and printing.

GMTI installed new systems at The Indianapolis Star and Pensacola Offset and upgraded systems at a number of Gannett newspapers including Burlington, El Paso, Fort Myers, Olympia and Rockford. Thirteen non-Gannett newspapers and 10 real estate companies use Celebro's ASP solution to manage their advertising. More than 4,000 real estate companies have aggregated 500,000 property listings in the Celebro database. Celebro produces ads for 300 publications and provides access to more than 45,000 agents across the United States. Non-Gannett properties purchasing Celebro.com in 2001 included the Orlando Sun-Sentinel and the Austin (Texas) Board of Realtors.

In May 2001, GMTI acquired the AutoChooser division of Pentawave, Inc. GMTI is blending the AutoChooser technology with Celebro's CarsPlus system to enable newspapers to offer Web site creation/hosting and print advertising integration. Significant non-Gannett users of AutoChooser technology include The Washington Post, The Atlanta Journal-Constitution, and Media News Group.

GMTI continued the rollout of CelebroCityServer, its software for building online shopping and commerce guides on Web sites, to more than 34 Gannett properties.

The Digital Collections digital asset management system has now been installed at USA TODAY, Gannett News Service, 69 Gannett newspapers and 25 non-Gannett newspapers. A centralized, group-wide archive system for Ottaway Newspapers, a division of Dow Jones, Inc., and an advertising and photo management system for Wegman's Food Markets in Rochester, N.Y., were completed in 2001. The Wegman's installation marks the most recent use of the Digital Collections system outside the publishing industry.

In addition to the software enhancements added to the newest system version and the commercial release of its e-commerce integration package, GMTI entered a strategic marketing agreement with Atex, Inc. of Bedford, Mass. Atex will market the Digital Collections archive system as part of its editorial publishing system in North and South America.



With respect to newspaper production, 68 daily newspaper plants print by the offset process, and 12 plants print using various letterpress processes. To date, there are 80 newspapers that have converted to the new 50-inch web width format. Readers have found this new size to be easier to handle and use. The 50-inch format change equates to more than a seven percent savings in newsprint consumption. More of the company's newspapers are scheduled for web width reduction in 2002.

The company has been consolidating certain of its newspaper operations in a number of geographic areas in order to achieve greater marketing, administrative and production effectiveness and efficiencies. Consolidations of this type have been made in New Jersey, upstate New York, Louisiana, Wisconsin and Ohio. Further consolidations of this type will be made in 2002.

In recent years, improved technology for all of the newspapers has resulted in greater speed and accuracy and in a reduction in the number of production hours worked. The company expects this trend to continue in 2002.

The principal sources of newspaper revenues are circulation and advertising.

**Circulation:** 24 of the company's local newspapers reported gains in daily circulation in 2001, and 17 increased Sunday circulation. Home-delivery prices for the company's newspapers are established individually for each newspaper and range from \$1.75 to \$3.00 per week for daily newspapers and from \$.71 to \$2.51 per copy for Sunday newspapers. Price increases for certain elements of local circulation volume were initiated at 36 newspapers in 2001.

Additional information about the circulation of the company's newspapers may be found on pages 22-23, 56 and 66-68 of this annual report.

**Advertising:** The newspapers have advertising departments that sell retail, classified and national advertising. The Gannett Retail Advertising Group also sells advertising on behalf of the company's local newspapers to national and regional retailers and service providers. The company also contracts with outside representative firms that specialize in the sale of national advertising. Analyses of newspaper advertising revenues are presented on pages 21 and 56 of this report.

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

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

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

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

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

At the end of 2001, The Cincinnati Enquirer, The Detroit News, and the Tucson (Ariz.) Citizen were published under joint operating agreements with non-Gannett newspapers located in the same cities. All of these agreements provide for joint business, advertising, production and circulation operations and a contractual division of profits. The editorial and reporting staffs of the company's newspapers, however, are separate and autonomous from those of the non-Gannett newspapers.

**Properties:** Generally, the company owns the plants that house all aspects of the newspaper publication process. In the case of USA TODAY, at Dec. 30, 2001, 18 non-Gannett printers were used to print the newspaper in U.S. markets where there are no company newspapers with appropriate facilities. Five non-Gannett printers in foreign countries are used to print USA TODAY International. USA WEEKEND and Nursing Spectrum are also printed under contracts with commercial printing companies. Many of the company's newspapers have outside news bureaus and sales offices, which generally are leased. In a few markets, two or more of the company's newspapers share combined facilities; and in certain locations, facilities are shared with other newspaper properties. The company's newspaper properties have rail siding facilities or access to main roads for newsprint delivery purposes and are conveniently located for distribution purposes.



During the past five years, new or substantial additions or remodeling of existing facilities have been completed or are at some stage of construction at 29 of the company's newspaper operations. Gannett continues to make significant investments in renovations or new facilities, where the investment improves the products for its readers and advertisers as well as productivity and operating efficiency. The company's facilities are adequate for present operations.

**Regulation:** Gannett is committed to protecting the environment. The company's goal is to ensure its facilities comply with federal, state, local and foreign environmental laws and to incorporate appropriate environmental practices and standards in our operations. The company employs a corporate environmental manager responsible for overseeing not only regulatory compliance but also preventive measures. The company is one of the industry leaders in the use of recycled newsprint. The company increased its domestic purchases of newsprint containing some recycled content from 42,000 metric tons in 1989 to 862,000 metric tons in 2001. The company's newspapers use inks, photographic chemicals, solvents and fuels. The use and disposal of these substances may be regulated by federal, state and local agencies. Through its environmental compliance plan, the company is taking effective measures to comply with environmental laws. Any release into the environment may create obligations to private and governmental entities under a variety of statutes and rules regulating the environment.

Some of the company's newspaper subsidiaries have been included among the potentially responsible parties in connection with the alleged disposal of ink or other chemical wastes at disposal sites that have been subsequently identified as inactive hazardous waste sites by the U.S. Environmental Protection Agency or comparable state agencies. Generally, the company's subsidiaries are de minimus parties. The company provides for costs associated with these matters in accordance with generally accepted accounting principles. The company does not believe that these matters will have any significant impact on its financial position or results of operations.

Additional information about the company's newspapers may be found on pages 66-69 of this report.

### ***Newspapers/United Kingdom***

Altogether, Newsquest now publishes over 300 titles in the United Kingdom, including 15 daily newspapers. Newsquest manages its newspaper publishing activities around geographic clusters to maximize the use of management, finance, printing and personnel resources. This approach enables the group to offer readers and advertisers a range of attractive products covering the market. The clustering of titles and, usually, the publication of a free newspaper alongside a paid-for newspaper allows cross-selling of advertising among newspapers serving the same or contiguous markets, thus satisfying the needs of its advertisers and audiences. At the end of 2001, Newsquest had 16 such clusters in the United Kingdom. Newsquest's policy is to produce free and paid-for newspapers with an attractive level of quality local editorial content. Newsquest also distributes a substantial volume of advertising leaflets in the communities it serves and it offers a travel/vacation booking service.

Newsquest's revenues for 2001 were in excess of \$700 million. As with U.S. newspapers, advertising is the largest component of revenue, comprising approximately 80%. Circulation revenue represents 11% of revenues and printing activities account for much of the remainder. Compared to U.S. newspaper operations, advertising revenue at Newsquest is a greater percent of total revenue and circulation revenue is a lesser percent, reflecting the greater volume and importance of free weekly publications among Newsquest's titles.

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

Newsquest owns certain of the plants where its newspapers are produced and leases other facilities. Its headquarters is in Morden, Surrey. All of its properties are adequate for present purposes. A new printing plant has come into operation at Wingates in Lancashire to replace the existing press at Lostock and add color capacity. A listing of Newsquest publishing centers and key properties may be found on page 70.

At the end of 2001, Newsquest had approximately 8,500 full-time and part-time employees. Newsquest employees have local staff councils for consultation and communication with local Newsquest management. Newsquest provides the majority of its employees with the option to participate in a retirement plan that incorporates life insurance and a stock option linked savings plan.

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

**Key revenue and expense data – for all newspapers combined**

The table that follows summarizes the circulation volume and revenues of U.S. newspapers owned by the company at the end of 2001, including USA TODAY. The table also includes circulation revenue for all Newsquest publications and circulation volume for Newsquest's fifteen paid daily newspapers. This table assumes that all newspapers owned by the company at the end of 2001 were owned during all years shown.

For purposes of presenting pro forma information, the tables and related commentary below include net paid circulation and a pro rata portion of the revenue and lineage data for the company's newspapers participating in joint operating agencies, consistent with prior years.

**Circulation: newspapers owned on Dec. 30, 2001**

	<i>Circulation revenues in thousands</i>	<i>Daily net paid circulation</i>	<i>Sunday net paid circulation</i>
<b>2001</b>	<b>\$1,293,165</b>	<b>8,256,000</b>	<b>7,045,000</b>
2000	\$1,315,089	8,332,000	7,160,000
1999	\$1,287,347	8,368,000	7,260,000
1998	\$1,288,365	8,475,000	7,397,000
1997	\$1,258,224	8,387,000	7,473,000

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 2001. For Newsquest, advertising revenues are reflected, but lineage is not. The chart assumes that all of the newspapers owned at the end of 2001 were owned during all years shown.

**Advertising: newspapers owned on Dec. 30, 2001**

	<i>Advertising revenues (RÖP) in thousands</i>	<i>Inches of advertising, excluding preprints</i>
<b>2001</b>	<b>\$3,618,136</b>	<b>97,802,000</b>
2000	\$3,982,390	103,449,000
1999	\$3,790,847	100,381,000
1998	\$3,576,587	95,567,000
1997	\$3,343,258	90,567,000

Total newspaper ad revenues on a pro forma basis declined 8% in 2001. All advertising classifications showed declines reflecting a soft and very uncertain general U.S. economy, which was worsened by the attacks of Sept. 11. In addition, revenue comparisons are negatively impacted by the additional 53rd week in 2000 and an overall decline in the exchange rate for sterling. Ad spending by larger retailers declined for the year, reflecting closings and consolidations, partially offset by greater revenue from small- and medium-sized advertisers. Classified advertising revenues declined 9%. Employment ad revenues fell 21% for the year as job market conditions in the U.S. continued to worsen. National advertising revenues were down 15%. Most of the national revenue loss was at USA TODAY, which reported a 22% decrease in revenues. Advertising revenues at USA TODAY were adversely affected by the absence of year-earlier Olympics-related ad spending and significantly lower demand for travel-related advertising following the terrorist attacks. Preprint and other advertising revenues declined 2%.

The company's newspaper segment advertising and other revenues from Internet activities totaled approximately \$69 million in 2001, \$62 million in 2000 and \$39 million in 1999.

Looking to 2002, modest ad revenue and volume growth is anticipated in most categories. Price increases are generally planned at most properties, and the company will continue to expand and refine sales and marketing efforts. Changes in economic factors such as interest rates, employment levels and the rate of general economic growth will have an impact on revenue at all of the company's newspapers.

**Raw materials:** Newsprint is the basic raw material used to publish newspapers. During 2001, the company's total newsprint consumption was 1,216,000 metric tons, including the company's portion of newsprint consumed at joint operating agencies, consumption by USA WEEKEND, USA TODAY tonnage consumed at non-Gannett print sites and consumption by Newsquest. Newsprint consumption was flat with 2000 despite an increase resulting from a full year impact of the acquired properties in 2000. Newsprint consumption savings were realized due to reduced advertising space and web width reductions at a number of the company's properties in the years 1999-2001. The company purchases newsprint from 20 North American, European and other offshore suppliers under contracts that expire at various times through 2010.

During 2001, all of the company's newspapers consumed some recycled newsprint. For the year, more than 80% of the company's domestic newsprint purchases contained recycled content.

In 2001, 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 2001 increased 10% compared to the 2000 average cost.

### **Broadcasting**

On Dec. 30, 2001, the company's television division, headquartered in McLean, Va., included 22 television stations in markets with a total of more than 18.6 million households.

At the end of 2001, the broadcasting division had approximately 3,000 full-time and part-time employees. Broadcasting revenues accounted for approximately 10% of the company's reported operating revenues from continuing operations in 2001, 13% in 2000 and 14% in 1999.

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

Advertising rates charged by a television station are based 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.

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

**Programming:** The costs of locally produced and purchased syndicated programming are a significant portion of television operating expenses. Syndicated programming costs are determined based upon largely uncontrollable market factors, including demand from the independent and affiliated stations within the market and in some cases from cable operations. In recent years, the company's television stations have emphasized their locally produced news and entertainment programming in an effort to provide programs that distinguish the stations from the competition and to better control costs.

**Properties:** The company's broadcasting facilities are adequately equipped with the necessary television broadcasting equipment. The company owns transmitter sites in 23 locations and leases sites in eight others.

During the past five years, new broadcasting facilities or substantial improvements to existing facilities were completed in Phoenix, Jacksonville, Knoxville and Columbia. A new facility was completed in December 2000 in Cleveland. Facility expansion to accommodate Digital Television (DTV) was completed at five sites in 1998/1999, three sites in 2000 and one site in 2001. Twelve additional station facilities are scheduled to be converted to DTV in 2002. 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 stations also compete in the emerging local electronic media space, which includes Internet or Internet-enabled devices and any digital spectrum opportunities associated with DTV. The company's broadcasting stations compete principally on the basis of their market share, advertising rates and audience composition.

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

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

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

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

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

The FCC rules permit common ownership of a number (depending on market size) of radio stations and television stations serving the same community but continue to prohibit a party from having attributable interests in television stations that collectively reach more than 35 percent of all U.S. television households. The FCC will continue to review this limitation as required by Congress, and as it was specifically ordered to do so by a federal court in February 2002. Constitutional challenges to these ownership restrictions are pending in several federal courts. Presently, the company's 22 television stations reach an aggregate of 17.7% of U.S. TV households.

Additional information about the company's television stations may be found on page 69 of this annual report.

***Corporate facilities***

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

***Employee relations***

At the end of 2001, the company and its subsidiaries had approximately 51,500 full-time and part-time employees. Three of the company's newspapers were published in 2001 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 14% of those employed by the company and its subsidiaries are represented by labor unions. They are represented by 91 local bargaining units affiliated with nine international unions under collective bargaining agreements. These agreements conform generally with the pattern of labor agreements in the newspaper and broadcasting industries. The company does not engage in industrywide or companywide bargaining. The company's U.K. subsidiaries bargain with two unions over wages and health and safety issues only. The company strives to maintain good relationships with its employees.

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

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



### **Acquisitions and dispositions 1997-2001**

The growth of the company has resulted from acquisitions of businesses, as well as from internal expansion. Its significant

acquisitions since the beginning of 1997 are shown below. The company has disposed of several businesses during this period, which are presented on the following page.

#### **Acquisitions 1997-2001**

<b>Year acquired</b>	<b>Name</b>	<b>Location</b>	<b>Publication times or business</b>
<b>1997</b>	WZZM-TV	Grand Rapids, Mich.	Television station
	WGRZ-TV	Buffalo, N.Y.	Television station
	Printed Media Companies	Minneapolis, Minn.	Commercial printing
	KNAZ-TV	Flagstaff, Ariz.	Television station
	KMOH-TV	Kingman, Ariz.	Television station
	Mary Morgan, Inc.	Green Bay, Wis.	Commercial printing
	Army Times Publishing Co., Inc.	Springfield, Va.	Weekly and monthly periodicals
	New Jersey Press, Inc.	Asbury Park and East Brunswick, N.J.	Two daily newspapers
<b>1998</b>	WCSH-TV	Portland, Maine	Television station
	WLBZ-TV	Bangor, Maine	Television station
	WLTX-TV	Columbia, S.C.	Television station
	Ocean County Observer	Toms River, N.J.	Daily newspaper
	Daily Record	Morristown, N.J.	Daily newspaper
	Manahawkin Newspapers	Manahawkin, N.J.	Weekly newspapers
	Classified Gazette	San Rafael, Calif.	Semi-weekly newspaper
	New Castle County Shopper's Guide	Wilmington, Del.	Weekly advertising shopper
	Brandywine Valley Weekly	Wilmington, Del.	Weekly advertising shopper
	Autos plus	Wilmington, Del.	Weekly advertising shopper
	TCI Cable Kansas	Kansas	Cable television systems
<b>1999</b>	The Reporter	Melbourne, Fla.	Weekly newspaper
	Lehigh Acres News-Star	Lehigh Acres, Fla.	Weekly newspaper
	Dealer Magazine	Reno, Nev.	Weekly magazine
	KXTV-TV	Sacramento, Calif.	Television station
	Newsquest plc	United Kingdom	Daily and weekly newspapers
	Tucker Communications, Inc.	Westchester Co., N.Y.	Weekly newspaper
	Pennypower Shopping News	Branson & Springfield, Mo.	Weekly newspaper
<b>2000</b>	The Pioneer Republican and other publications	Des Moines, Iowa	Weekly newspapers
	Buyers' Digest	Franklin County, Vt.	Weekly newspaper
	The Clarion	Redcar, United Kingdom	Weekly newspaper
	WJXX-TV	Jacksonville, Fla.	Television station
	Mason Valley News, Fernley Leader-Dayton Courier	Lyon County, Nev.	Weekly newspapers
	Brevard Technical Journal	Brevard County, Fla.	Monthly magazine
	Dickson Shoppers	Middle Tennessee	Weekly newspapers
	Greenville Parent Magazine	Greenville County, S.C.	Monthly magazine
	News Communications & Media plc	United Kingdom	Daily and weekly newspapers and other publications
	Space Coast Press	Brevard County, Fla.	Weekly newspaper
	Certain assets of Thomson Newspapers Inc.	Wisconsin, Ohio, Louisiana, Maryland, Utah	19 daily and numerous weekly newspapers
	Central Newspapers, Inc.	Arizona, Indiana, Louisiana	6 daily newspapers; other related businesses
	Daily World	Opelousas, La.	Daily newspaper
	Windsor Beacon	Windsor, Colo.	Weekly newspaper
	50+ Lifestyles and other publications	Des Moines, Iowa	Monthly magazines
<b>2001</b>	Shopping News	St. Cloud, Minn.	Weekly newspaper
	Gatwick Life, Horley Life	Surrey/Sussex, U.K.	Weekly newspapers
	The Bulletin Board	Montgomery, Ala.	Weekly newspaper
	The Dimpleby Newspapers	London, U.K.	Weekly newspapers
	PMP Company Ltd.	Honolulu, Hawaii	Monthly and bi-monthly publications
	AutoChooser	Tempe, Ariz.	Software product
	Honolulu Pennysaver	Honolulu, Hawaii	Weekly newspaper
	Buy and Sell Classifieds	Honolulu, Hawaii	Bi-weekly newspapers

**Dispositions 1997-2001**

<b>Year disposed</b>	<b>Name</b>	<b>Location</b>	<b>Publication times or business</b>
<b>1997</b>	WLWT-TV (4)	Cincinnati, Ohio	Television station
	KOCO-TV (4)	Oklahoma City, Okla.	Television station
	Niagara Gazette (1)	Niagara Falls, N.Y.	Daily newspaper
	The Observer	Moultrie, Ga.	Daily newspaper
	North Hills News Record	North Hills, Pa.	Daily newspaper
	Valley News Dispatch	Tarentum, Pa.	Daily newspaper
<b>1998</b>	The Virgin Islands Daily News	St. Thomas, V.I.	Daily newspaper
	WGCI/WGCI-FM	Chicago, Ill.	Radio stations
	KKBQ/KKBQ-FM	Houston, Texas	Radio stations
	KHKS-FM	Dallas, Texas	Radio station
	The Saratogian (1)	Saratoga Springs, N.Y.	Daily newspaper
	Multimedia Security Service	Wichita, Kan.	Alarm security business
	Commercial-News	Danville, Ill.	Daily newspaper
	Chillicothe Gazette	Chillicothe, Ohio	Daily newspaper
	Gallipolis Daily Tribune	Gallipolis, Ohio	Daily newspaper
	The Daily Sentinel	Pomeroy, Ohio	Daily newspaper
	Point Pleasant Register	Point Pleasant, W.Va.	Daily newspaper
	Multimedia Cable Illinois	Suburban Chicago, Ill.	Cable television systems
	<b>1999</b>	The San Bernardino County Sun (2)	San Bernardino, Calif.
KVUE-TV (3)		Austin, Texas	Television station
<b>2000</b>	Multimedia Cable	Kansas, Oklahoma, North Carolina	Cable television systems
	Marin Independent Journal (2)	Marin, Calif.	Daily newspaper
	Classified Gazette (2)	San Rafael, Calif.	Semi-weekly newspaper
	Space News	Springfield, Va.	Weekly newspaper
<b>2001</b>	The Marietta Times (1)	Marietta, Ohio	Daily newspaper
	The Reporter	Lansdale, Pa.	Daily newspaper
	Ocean Springs Record and Gautier Independent	Ocean Springs, Miss.	Weekly newspapers

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

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

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

(4) Exchanged for WGRZ-TV in Buffalo, N.Y. and WZZM-TV in Grand Rapids, Mich.

## QUARTERLY STATEMENTS OF INCOME

*In thousands of dollars*

<i>Fiscal year ended December 30, 2001</i>	<i>1st Quarter</i>	<i>2nd Quarter</i>	<i>3rd Quarter</i>	<i>4th Quarter</i>	<i>Total</i>
<i>Net operating revenues</i>					
Newspaper advertising	\$1,020,934	\$1,057,899	\$ 988,045	\$1,052,895	\$4,119,773
Newspaper circulation	313,009	306,019	306,139	307,939	1,233,106
Broadcasting	155,613	178,692	148,229	180,118	662,652
All other	85,392	84,622	75,515	83,185	328,714
<b>Total</b>	<b>1,574,948</b>	<b>1,627,232</b>	<b>1,517,928</b>	<b>1,624,137</b>	<b>6,344,245</b>
<i>Operating expenses</i>					
Cost of sales and operating expenses, exclusive of depreciation	839,547	824,030	824,839	831,745	3,320,161
Selling, general and administrative expenses, exclusive of depreciation	254,738	246,324	244,308	245,102	990,472
Depreciation	53,281	51,059	50,916	47,200	202,456
Amortization of intangible assets	59,343	59,457	61,267	61,254	241,321
<b>Total</b>	<b>1,206,909</b>	<b>1,180,870</b>	<b>1,181,330</b>	<b>1,185,301</b>	<b>4,754,410</b>
Operating income	368,039	446,362	336,598	438,836	1,589,835
<i>Non-operating (expense) income</i>					
Interest expense	(80,442)	(61,728)	(48,600)	(31,084)	(221,854)
Other	448	528	530	1,110	2,616
<b>Total</b>	<b>(79,994)</b>	<b>(61,200)</b>	<b>(48,070)</b>	<b>(29,974)</b>	<b>(219,238)</b>
Income before income taxes	288,045	385,162	288,528	408,862	1,370,597
Provision for income taxes	113,500	151,700	113,700	160,500	539,400
<b>Income from continuing operations</b>	<b>174,545</b>	<b>233,462</b>	<b>174,828</b>	<b>248,362</b>	<b>831,197</b>
<i>Discontinued operations</i>					
Income from discontinued operations, net					
Gain on sale of cable business, net of tax					
<b>Net income</b>	<b>\$ 174,545</b>	<b>\$ 233,462</b>	<b>\$ 174,828</b>	<b>\$ 248,362</b>	<b>\$ 831,197</b>
<i>Basic earnings per share</i>					
Basic earnings from continuing operations	\$.66	\$.88	\$.66	\$.94	\$3.14
Basic earnings from discontinued operations:					
Discontinued operations, net of tax					
Gain on sale of cable business, net of tax					
<b>Net income per share – basic</b>	<b>\$.66</b>	<b>\$.88</b>	<b>\$.66</b>	<b>\$.94</b>	<b>\$3.14</b>
<i>Diluted earnings per share</i>					
Diluted earnings from continuing operations (1)	\$.66	\$.88	\$.66	\$.93	\$3.12
Diluted earnings from discontinued operations:					
Discontinued operations, net of tax					
Gain on sale of cable business, net of tax					
<b>Net income per share – diluted (1)</b>	<b>\$.66</b>	<b>\$.88</b>	<b>\$.66</b>	<b>\$.93</b>	<b>\$3.12</b>

(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.

## QUARTERLY STATEMENTS OF INCOME

*In thousands of dollars*

<b>Fiscal year ended December 31, 2000</b>	<b>1st Quarter</b>	<b>2nd Quarter</b>	<b>3rd Quarter</b>	<b>4th Quarter</b>	<b>Total</b>
<i>Net operating revenues</i>					
Newspaper advertising	\$ 830,250	\$ 911,949	\$1,004,280	\$1,226,457	\$3,972,936
Newspaper circulation	254,146	251,524	286,890	328,431	1,120,991
Broadcasting	166,789	205,413	183,352	233,213	788,767
All other	70,135	78,921	83,998	106,570	339,624
<b>Total</b>	<b>1,321,320</b>	<b>1,447,807</b>	<b>1,558,520</b>	<b>1,894,671</b>	<b>6,222,318</b>
<i>Operating expenses</i>					
Cost of sales and operating expenses, exclusive of depreciation	667,486	683,084	788,209	918,473	3,057,252
Selling, general and administrative expenses, exclusive of depreciation	215,942	227,593	245,735	282,625	971,895
Depreciation	46,608	47,070	51,509	50,241	195,428
Amortization of intangible assets	33,766	35,379	52,082	59,260	180,487
<b>Total</b>	<b>963,802</b>	<b>993,126</b>	<b>1,137,535</b>	<b>1,310,599</b>	<b>4,405,062</b>
Operating income	357,518	454,681	420,985	584,072	1,817,256
<i>Non-operating (expense) income</i>					
Interest expense	(20,175)	(22,666)	(75,962)	(100,425)	(219,228)
Other	(1,326)	7,947	(260)	4,451	10,812
<b>Total</b>	<b>(21,501)</b>	<b>(14,719)</b>	<b>(76,222)</b>	<b>(95,974)</b>	<b>(208,416)</b>
Income before income taxes	336,017	439,962	344,763	488,098	1,608,840
Provision for income taxes	133,000	174,200	136,500	193,200	636,900
<b>Income from continuing operations</b>	<b>203,017</b>	<b>265,762</b>	<b>208,263</b>	<b>294,898</b>	<b>971,940</b>
<i>Discontinued operations</i>					
Income from discontinued operations, net	2,437				2,437
Gain on sale of cable business, net of tax	744,700				744,700
<b>Net income</b>	<b>\$ 950,154</b>	<b>\$ 265,762</b>	<b>\$ 208,263</b>	<b>\$ 294,898</b>	<b>\$1,719,077</b>
<i>Basic earnings per share</i>					
Basic earnings from continuing operations (1)	\$ .74	\$1.01	\$ .79	\$1.12	\$3.65
Basic earnings from discontinued operations:					
Discontinued operations, net of tax	.01				.01
Gain on sale of cable business, net of tax (1)	2.72				2.79
<b>Net income per share – basic (1)</b>	<b>\$3.47</b>	<b>\$1.01</b>	<b>\$ .79</b>	<b>\$1.12</b>	<b>\$6.45</b>
<i>Diluted earnings per share</i>					
Diluted earnings from continuing operations (1)	\$ .74	\$1.00	\$ .79	\$1.11	\$3.63
Diluted earnings from discontinued operations:					
Discontinued operations, net of tax	.01				.01
Gain on sale of cable business, net of tax (1)	2.69				2.77
<b>Net income per share – diluted (1)</b>	<b>\$3.44</b>	<b>\$1.00</b>	<b>\$ .79</b>	<b>\$1.11</b>	<b>\$6.41</b>

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

## SCHEDULES TO FORM 10-K INFORMATION

*In thousands of dollars*

### **Property, plant and equipment**

<i>Classification</i>	<i>Balance at beginning of period</i>	<i>Additions at cost</i>	<i>Retirements or sales</i>	<i>Other changes</i>	<i>Balance at end of period</i>
<b>Dec. 26, 1999</b>					
Land	\$ 180,786	\$ 5,901	\$ 4,853	\$ 304	\$ 182,138
Buildings and improvements	839,210	83,975	37,189	659	886,655
Cable	413,059	13,680	1,821	(11)	424,907
Machinery, equipment and fixtures	2,123,468	308,547	171,525	(1,128)	2,259,362
Construction in progress and deposits on contracts	110,220	21,810	1,318	138	130,850
	\$ 3,666,743	\$ 433,913 (A)(E)	\$ 216,706	\$ (38)(D)	\$ 3,883,912
<b>Dec. 31, 2000</b>					
Land	\$ 182,138	\$ 33,066	\$ 4,374	\$ 5,219	\$ 216,049
Buildings and improvements	886,655	183,971	20,639	51,709	1,101,696
Cable	424,907	4	424,911	0	0
Machinery, equipment and fixtures	2,259,362	463,183	107,822	(89,541)	2,525,182
Construction in progress and deposits on contracts	130,850	141,476	223	20,171	292,274
	\$ 3,883,912	\$ 821,700 (B)(E)	\$ 557,969	\$ (12,442)(D)	\$ 4,135,201
<b>Dec. 30, 2001</b>					
Land	\$ 216,049	\$ 26,548	\$ 6,431	\$ 1,319	\$ 237,485
Buildings and improvements	1,101,696	199,825	59,483	1,325	1,243,363
Machinery, equipment and fixtures	2,525,182	263,877	166,890	(12,465)	2,609,704
Construction in progress and deposits on contracts	292,274	(174,767)	538	(447)	116,522
	\$ 4,135,201	\$ 315,483 (C)(E)	\$ 233,342	\$ (10,268)(D)	\$ 4,207,074

### *Notes*

(A) Includes assets at acquisition net of adjustments for prior years' acquisitions.	\$ 175,470
(B) Includes assets at acquisition net of adjustments for prior years' acquisitions.	\$ 471,120
(C) Includes assets at acquisition net of adjustments for prior years' acquisitions.	\$ (9,096)
(D) Principally the effect of current foreign currency translation adjustment.	
(E) Includes capitalized interest of \$5,707 in 1999, \$11,167 in 2000 and \$8,550 in 2001	
(F) Generally the rates of depreciation range from 2.5% to 10% for buildings and improvements, 3.3% to 20% for cable and 4% to 30% for machinery, equipment and fixtures.	
(G) Includes depreciation expense from cable and security reflected in earnings from discontinued operations of \$2,759 in 2000 and \$31,806 in 1999.	



## 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
<b>Dec. 26, 1999</b>					
Buildings and improvements	\$ 345,891	\$ 22,056	\$ 16,511	\$ (5,003)	\$ 346,433
Cable	77,675	24,862	1,243	0	101,294
Machinery, equipment and fixtures	1,179,394	154,348	126,421	5,012	1,212,333
	\$ 1,602,960	\$ 201,266 (F) (G)	\$ 144,175	\$ 9 (D)	\$ 1,660,060
<b>Dec. 31, 2000</b>					
Buildings and improvements	\$ 346,433	\$ 30,371	\$ (6,055)	\$ 4,330	\$ 387,189
Cable	101,294	2,697	103,991	0	0
Machinery, equipment and fixtures	1,212,333	165,119	85,976	(4,863)	1,286,613
	\$ 1,660,060	\$ 198,187 (F) (G)	\$ 183,912	\$ (533) (D)	\$ 1,673,802
<b>Dec. 30, 2001</b>					
Buildings and improvements	\$ 387,189	\$ 25,769	\$ 49,854	\$ 2,183	\$ 365,287
Machinery, equipment and fixtures	1,286,613	176,687	84,336	(2,647)	1,376,317
	\$ 1,673,802	\$ 202,456 (F)	\$ 134,190	\$ (464) (D)	\$ 1,741,604

(D)(F)(G) See page 64

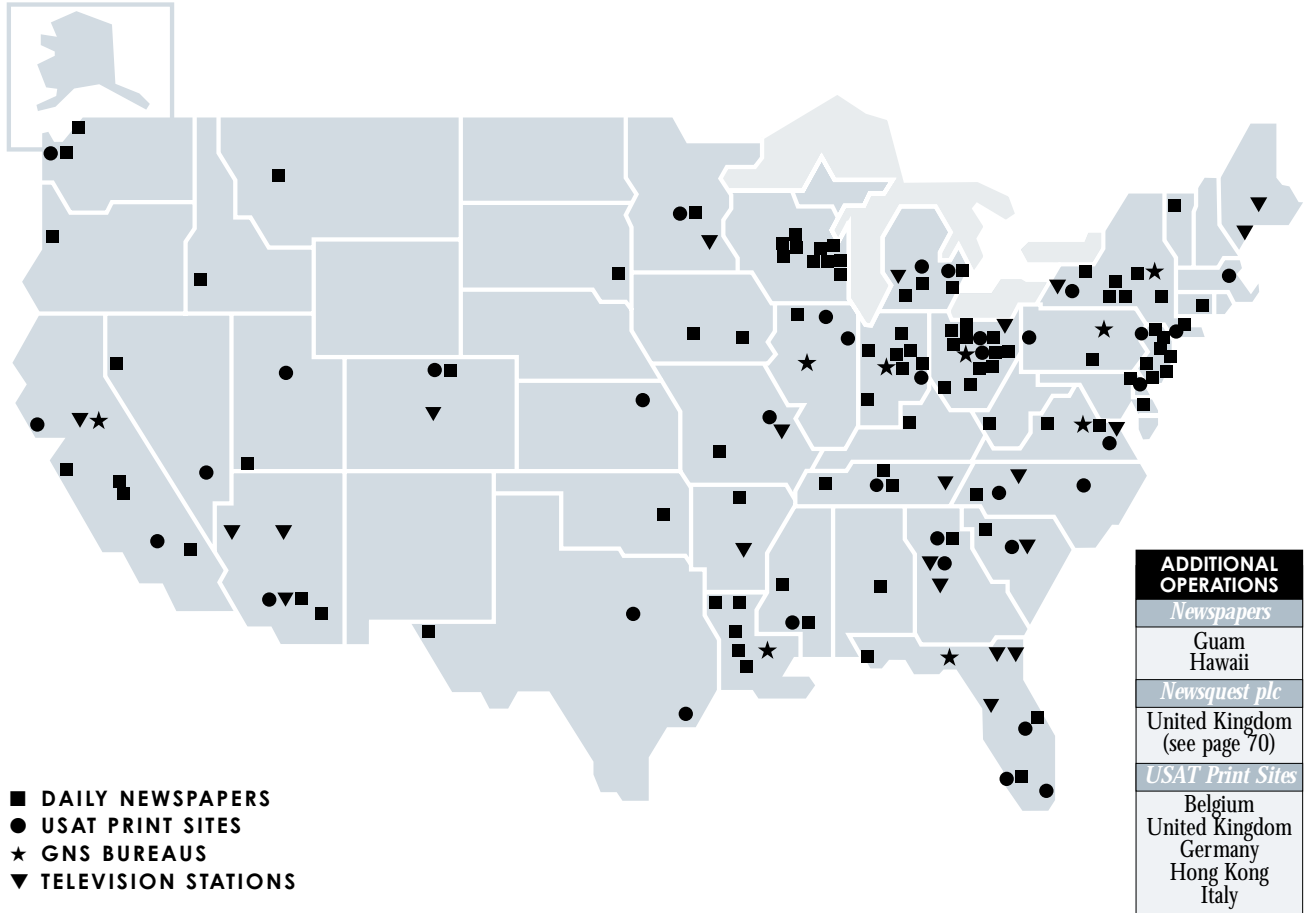
### Valuation and qualifying accounts

Allowance for doubtful receivables	Balance at beginning of period	Additions charged to costs and expenses	Additions/(reductions) for acquisitions/dispositions	Deductions from reserves	Balance at end of period
Year ended Dec. 26, 1999	\$19,143	\$26,213	\$ 9,419	\$24,081	\$30,694
Year ended Dec. 31, 2000	\$30,694	\$28,072	\$10,456	\$31,757	\$37,465
<b>Year ended Dec. 30, 2001</b>	<b>\$37,465</b>	<b>\$32,891</b>	<b>\$ (361)</b>	<b>\$30,857</b>	<b>\$39,138</b>

### Supplementary income statement information (from continuing operations)

Fiscal year ended	Dec. 30, 2001	Dec. 31, 2000	Dec. 26, 1999
Maintenance and repairs	\$56,576	\$51,424	\$42,208
Taxes other than payroll and income tax			
Property	\$32,041	\$28,074	\$23,101
Other	\$16,876	\$12,660	\$ 8,243
<b>Total</b>	<b>\$48,917</b>	<b>\$40,734</b>	<b>\$31,344</b>

## MARKETS WE SERVE



## NEWSPAPERS AND NEWSPAPER DIVISION

### Daily newspapers

State Territory	City	Newspaper	Circulation			Founded	Joined Gannett ▲
			Morning	Afternoon	Sunday		
Alabama	Montgomery	Montgomery Advertiser	52,068		64,598	1829	1995 (62)
Arizona	Phoenix	The Arizona Republic	472,416		577,744	1890	2000 (91)
	Tucson	Tucson Citizen		38,123		1870	1976 (30)
Arkansas	Mountain Home	The Baxter Bulletin	11,291			1901	1995 (63)
California	Palm Springs	The Desert Sun	52,824		55,562	1927	1986 (56)
	Salinas	The Californian	18,896			1871	1977 (36)
	Tulare	Tulare Advance-Register		8,121		1882	1993 (61)
	Visalia	Visalia Times-Delta	21,396			1859	1977 (37)
Colorado	Fort Collins	Fort Collins Coloradoan	28,965		35,770	1873	1977 (38)
Connecticut	Norwich	Norwich Bulletin	27,413		32,796	1791	1981 (49)
Delaware	Wilmington	The News Journal	121,399		141,815	1871	1978 (43)
Florida	Brevard County	FLORIDA TODAY	86,425		108,879	1966	1966 (9)
	Fort Myers	The News-Press	89,567		107,522	1884	1971 (24)
	Pensacola	Pensacola News Journal	63,351		80,954	1889	1969 (11)
Georgia	Gainesville	The Times		20,343	24,429	1947	1981 (48)
Guam	Hagatna	Pacific Daily News	21,207		19,851	1944	1971 (23)
Hawaii	Honolulu	The Honolulu Advertiser	145,594		176,387	1856	1993 (60)
Idaho	Boise	The Idaho Statesman	65,600		87,640	1864	1971 (16)

<b>Daily newspapers</b>							
<b>State Territory</b>	<b>City</b>	<b>Newspaper</b>	<b>Circulation</b>			<b>Founded</b>	<b>Joined Gannett ▲</b>
			<b>Morning</b>	<b>Afternoon</b>	<b>Sunday</b>		
Illinois	Rockford	Rockford Register Star	69,377		80,890	1855	1967 (10)
Indiana	Fishers	The Daily Ledger ♦		9,900		1870	2000 (92)
	Indianapolis	The Indianapolis Star	253,060		364,345	1903	2000 (93)
	Lafayette	Journal and Courier	37,210		43,769	1829	1971 (17)
	Marion	Chronicle-Tribune	18,928		21,199	1867	1971 (20)
	Muncie	The Star Press	32,388		35,419	1899	2000 (94)
	Richmond	Palladium-Item		19,119	22,834	1831	1976 (29)
	Vincennes	Vincennes Sun-Commercial		11,973	13,864	1804	2000 (95)
Iowa	Des Moines	The Des Moines Register	152,567		244,395	1849	1985 (53)
	Iowa City	Iowa City Press-Citizen	15,227			1860	1977 (40)
Kentucky	Louisville	The Courier-Journal	224,679		285,538	1868	1986 (58)
Louisiana	Alexandria	Alexandria Daily Town Talk	35,693		40,551	1883	2000 (96)
	Lafayette	The Daily Advertiser	44,487		51,716	1865	2000 (72)
	Monroe	The News-Star	36,244		41,323	1890	1977 (42)
	Opelousas	Daily World		11,029	12,268	1939	2000 (97)
	Shreveport	The Times	66,871		82,526	1871	1977 (41)
Maryland	Salisbury	The Daily Times	27,326		31,482	1900	2000 (73)
Michigan	Battle Creek	Battle Creek Enquirer	24,962		34,002	1900	1971 (18)
	Detroit	The Detroit News		241,184		1873	1986 (55)
		The Detroit News and Free Press			745,686		
	Lansing	Lansing State Journal	71,141		90,439	1855	1971 (15)
	Port Huron	Times Herald		29,779	40,739	1900	1970 (12)
Minnesota	St. Cloud	St. Cloud Times	27,992		37,567	1861	1977 (35)
Mississippi	Hattiesburg	Hattiesburg American		22,290	26,479	1897	1982 (51)
	Jackson	The Clarion-Ledger	100,708		114,771	1837	1982 (50)
Missouri	Springfield	Springfield News-Leader	63,873		92,586	1893	1977 (34)
Montana	Great Falls	Great Falls Tribune	33,253		38,377	1885	1990 (59)
Nevada	Reno	Reno Gazette-Journal	66,681		84,048	1870	1977 (31)
New Jersey	Asbury Park	Asbury Park Press	167,149		227,984	1879	1997 (68)
	Bridgewater	Courier News	39,952		40,134	1884	1927 (5)
	Cherry Hill	Courier-Post	81,949		97,360	1875	1959 (7)
	East Brunswick	Home News Tribune	65,180		72,966	1879	1997 (69)
	Morristown	Daily Record	42,865		45,259	1900	1998 (70)
	Toms River	Ocean County Observer*				1850	1998 (71)
	Vineland	The Daily Journal	17,437			1864	1986 (57)
New York	Binghamton	Press & Sun-Bulletin	58,619		73,765	1904	1943 (6)
	Elmira	Star-Gazette	28,933		40,407	1828	1906 (1)
	Ithaca	The Ithaca Journal	18,624		1815	1912 (2)	
	Poughkeepsie	Poughkeepsie Journal	40,154		51,525	1785	1977 (33)
	Rochester	Rochester Democrat and Chronicle	176,463		238,593	1833	1918 (3)
	Utica	Observer-Dispatch	45,794		54,020	1817	1922 (4)
	Westchester County	The Journal News	144,240		173,985	1829	1964 (8)
North Carolina	Asheville	Asheville Citizen-Times	55,374		68,997	1870	1995 (64)
Ohio	Bucyrus	Telegraph-Forum		7,197		1923	2000 (74)
	Cincinnati	The Cincinnati Enquirer	197,399		310,673	1841	1979 (44)
	Chillicothe	Chillicothe Gazette		16,340	16,220	1800	2000 (75)
	Coshocton	Coshocton Tribune		7,311	7,608	1842	2000 (76)
	Fremont	The News-Messenger		13,626		1856	1975 (27)
	Lancaster	Lancaster Eagle-Gazette		15,446	15,718	1807	2000 (77)
	Mansfield	News Journal		33,823	43,112	1885	2000 (78)
	Marion	The Marion Star		14,437	15,258	1880	2000 (79)
	Newark	The Advocate		21,868	22,781	1820	2000 (80)
	Port Clinton	News Herald		5,828		1864	1975 (28)
	Zanesville	Times Recorder	21,542		21,402	1852	2000 (81)

\* Became an edition of the Asbury Park Press in 2001.

♦ Becomes twice weekly The Noblesville Ledger in April 2002.

**Daily newspapers**

State Territory	City	Newspaper	Circulation			Founded	Joined Gannett ▲
			Morning	Afternoon	Sunday		
Oklahoma	Muskogee	Muskogee Daily Phoenix and Times-Democrat	18,853		19,737	1888	1977 (39)
Oregon	Salem	Statesman Journal	57,944		66,246	1851	1974 (26)
Pennsylvania	Chambersburg	Public Opinion		19,616		1869	1971 (14)
South Carolina	Greenville	The Greenville News	95,008		128,784	1874	1995 (65)
South Dakota	Sioux Falls	Argus Leader	53,310		75,105	1881	1977 (32)
Tennessee	Clarksville	The Leaf-Chronicle	21,389		25,237	1808	1995 (66)
	Jackson	The Jackson Sun	36,450		41,673	1848	1985 (54)
	Nashville	The Tennessean	183,869		258,439	1812	1979 (45)
Texas	El Paso	El Paso Times	74,273		91,991	1879	1972 (25)
Utah	St. George	The Spectrum	21,807		22,846	1963	2000 (82)
Vermont	Burlington	The Burlington Free Press	49,729		60,219	1827	1971 (13)
Virginia	McLean	USA TODAY	2,255,348			1982	1982 (52)
	Staunton	The Daily News Leader	18,478		21,400	1904	1995 (67)
Washington	Bellingham	The Bellingham Herald	24,754		31,348	1890	1971 (21)
	Olympia	The Olympian	38,555		45,487	1889	1971 (19)
West Virginia	Huntington	The Herald-Dispatch	35,546		41,150	1909	1971 (22)
Wisconsin	Appleton	The Post-Crescent		53,416	69,855	1853	2000 (83)
	Fond du Lac	The Reporter		20,084	20,562	1870	2000 (84)
	Green Bay	Green Bay Press-Gazette	54,308		80,863	1915	1980 (46)
	Manitowoc	Herald Times Reporter		16,486	16,889	1898	2000 (85)
	Marshfield	Marshfield News-Herald		14,039		1927	2000 (86)
	Oshkosh	Oshkosh Northwestern	22,850		26,541	1868	2000 (87)
	Sheboygan	The Sheboygan Press		24,045	26,360	1907	2000 (88)
	Stevens Point	Stevens Point Journal		12,868		1873	2000 (89)
			Central Wisconsin Sunday			16,035	
	Wausau	Wausau Daily Herald		22,432	29,860	1903	1980 (47)
	Wisconsin Rapids	Daily Tribune		13,444		1914	2000 (90)

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

**Army Times Publishing Co.**

**Headquarters:** Springfield, Va.

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

**Publications:** Army Times, Navy Times, Marine Corps Times, Air Force Times, Federal Times, Defense News

**Nursing Spectrum**

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

**Non-daily publications**

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

**USA WEEKEND**

Circulation 23.6 million in 591 newspapers

**Headquarters:** McLean, Va.

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

**Gannett Media Technologies International**

Cincinnati, Ohio

**Gannett Offset**

**Headquarters:** Springfield, Va.

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

**Gannett Offset Marketing Services Group**

**Gannett Direct Marketing Services, Inc.**

Louisville, Ky.

**Gannett TeleMarketing, Inc.**

**Headquarters:** Springfield, Va.

**Operations:** Cambridge, Mass.; Cincinnati, Ohio; Columbia, Mo.; Louisville, Ky.; Nashville, Tenn.; Silver Spring, Md.; Towson, Md.

**Telematch**

Springfield, Va.

**Gannett Retail Advertising Group**

Chicago, Ill.

**Gannett Satellite Information Network**

McLean, Va.

**Gannett News Service**

**Headquarters:** McLean, Va.

**Bureau:** Washington, D.C.

**State bureaus:** Albany, N.Y.; Baton Rouge, La.; Columbus, Ohio; Indianapolis, Ind.; Newark, N.J.; Sacramento, Calif.; Springfield, Ill.; Tallahassee, Fla.

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

McLean, Va.

**BROADCASTING****Television stations**

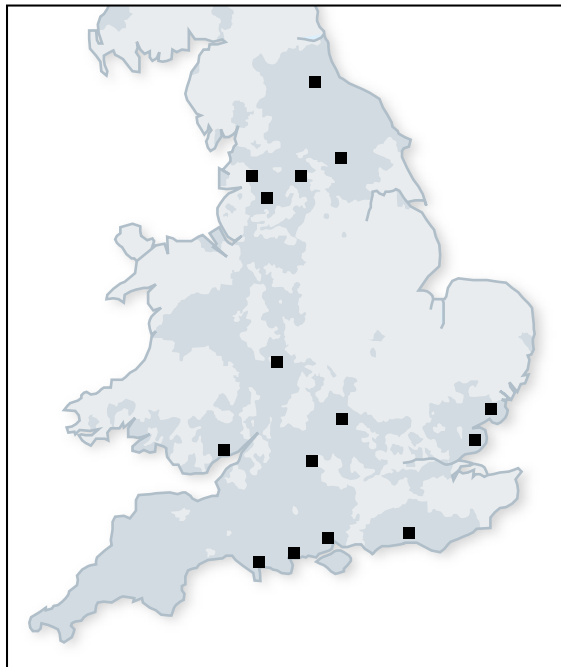
State	City	Station	Channel/Network	Weekly Audience •	Founded	Joined Gannett
Arizona	Flagstaff	KNAZ-TV	Channel 2/NBC	▲	1970	1997
	Kingman	KMOH-TV	Channel 6/NBC	▲	1988	1997
	Phoenix	KPNX-TV	Channel 12/NBC	1,258,000	1953	1979
Arkansas	Little Rock	KTHV-TV	Channel 11/CBS	406,000	1955	1994
California	Sacramento	KXTV-TV	Channel 10/ABC	1,042,000	1955	1999
Colorado	Denver	KUSA-TV	Channel 9/NBC	1,357,000	1952	1979
District of Columbia	Washington	WUSA-TV	Channel 9/CBS	1,895,000	1949	1986
Florida	Jacksonville	WJXX-TV	Channel 25/ABC	387,000	1989	2000
		WTLV-TV	Channel 12/NBC	468,000	1957	1988
	Tampa-St. Petersburg	WTSP-TV	Channel 10/CBS	1,265,000	1965	1996
Georgia	Atlanta	WXIA-TV	Channel 11/NBC	1,639,000	1948	1979
	Macon	WMAZ-TV	Channel 13/CBS	214,000	1953	1995
Maine	Bangor	WLBS-TV	Channel 2/NBC	126,000	1954	1998
	Portland	WCSH-TV	Channel 6/NBC	337,000	1953	1998
Michigan	Grand Rapids	WZZM-TV	Channel 13/ABC	397,000	1962	1997
Minnesota	Minneapolis-St. Paul	KARE-TV	Channel 11/NBC	1,370,000	1953	1983
Missouri	St. Louis	KSDK-TV	Channel 5/NBC	1,095,000	1947	1995
New York	Buffalo	WGRZ-TV	Channel 2/NBC	537,000	1954	1997
North Carolina	Greensboro	WFMY-TV	Channel 2/CBS	582,000	1949	1988
Ohio	Cleveland	WKYC-TV	Channel 3/NBC	1,357,000	1948	1995
South Carolina	Columbia	WLTX-TV	Channel 19/CBS	272,000	1953	1998
Tennessee	Knoxville	WBIR-TV	Channel 10/NBC	428,000	1956	1995

• Weekly audience is number of TV households reached, according to the November 2001 Nielsen book.

▲ Audience numbers fall below minimum reporting standards.



## NEWSQUEST PLC



■ DAILY NEWSPAPERS

SHADED AREAS ON MAP TO LEFT REPRESENT DAILY AND NON-DAILY CIRCULATION AREAS

**Daily newspapers**

City	Newspaper	Circulation			Founded	Joined Gannett ▲
		Morning	Afternoon	Saturday		
Basildon	Evening Echo		40,452		1969	1999
Blackburn	Lancashire Evening Telegraph		41,245	35,399	1886	1999
Bolton	Bolton Evening News		39,228	29,365	1867	1999
Bournemouth	Daily Echo		40,493	38,460	1900	2000
Bradford	Telegraph & Argus		50,793	48,789	1868	1999
Brighton	The Argus		47,493	45,706	1880	1999
Colchester	Evening Gazette		28,464		1970	1999
Darlington	The Northern Echo	61,671*			1870	1999
Newport	South Wales Argus		29,342	25,610	1892	2000
Oxford	Oxford Mail		29,927	30,316	1928	1999
Southampton	Southern Daily Echo		54,528	54,597	1888	2000
Swindon	Evening Advertiser		25,192	21,000	1854	1999
Weymouth	Dorset Echo		20,792	21,336	1921	2000
Worcester	Worcester Evening News		22,088	18,655	1937	1999
York	Evening Press		41,884*		1882	1999

\* Monday-Saturday inclusive.

**Non-daily publications**

Essex, London, Midlands, North East, North West, South Coast, South East, South Wales, South West, Yorkshire

## GANNETT ON THE NET

News and information about Gannett is available on our Web site, [www.gannett.com](http://www.gannett.com).

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

### NEWSPAPERS AND NEWSPAPER DIVISION

USA TODAY	<a href="http://www.usatoday.com">www.usatoday.com</a>
USA TODAY Baseball Weekly	<a href="http://www.baseballweekly.com">www.baseballweekly.com</a>
USA WEEKEND	<a href="http://www.usaweekend.com">www.usaweekend.com</a>
Alexandria (La.) Daily Town Talk	<a href="http://www.thetowntalk.com">www.thetowntalk.com</a>
The Post-Crescent, Appleton, Wis.	<a href="http://www.postcrescent.com">www.postcrescent.com</a>
Asbury Park (N.J.) Press	<a href="http://www.app.com">www.app.com</a>
Asheville (N.C.) Citizen-Times	<a href="http://www.citizen-times.com">www.citizen-times.com</a>
Battle Creek (Mich.) Enquirer	<a href="http://www.battlecreekenquirer.com">www.battlecreekenquirer.com</a>
The Bellingham (Wash.) Herald	<a href="http://www.bellinghamherald.com">www.bellinghamherald.com</a>
Press & Sun-Bulletin, Binghamton, N.Y.	<a href="http://www.pressconnects.com">www.pressconnects.com</a>
The Idaho Statesman, Boise	<a href="http://www.idahostatesman.com">www.idahostatesman.com</a>
Telegraph-Forum, Bucyrus, Ohio	<a href="http://www.bucyrustelegraphforum.com">www.bucyrustelegraphforum.com</a>
FLORIDA TODAY, Brevard County	<a href="http://www.floridatoday.com">www.floridatoday.com</a>
Courier News, Bridgewater, N.J.	<a href="http://www.c-n.com">www.c-n.com</a>
The Burlington (Vt.) Free Press	<a href="http://www.burlingtonfreepress.com">www.burlingtonfreepress.com</a>
Public Opinion, Chambersburg, Pa.	<a href="http://www.publicopiniononline.com">www.publicopiniononline.com</a>
Courier-Post, Cherry Hill, N.J.	<a href="http://www.courierpostonline.com">www.courierpostonline.com</a>
Chillicothe (Ohio) Gazette	<a href="http://www.chillicothegazette.com">www.chillicothegazette.com</a>
The Cincinnati Enquirer	<a href="http://www.cincinnati.com">www.cincinnati.com</a>
The Leaf-Chronicle, Clarksville, Tenn.	<a href="http://www.theleafchronicle.com">www.theleafchronicle.com</a>
Coshocton (Ohio) Tribune	<a href="http://www.coshoctontribune.com">www.coshoctontribune.com</a>
The Des Moines Register	<a href="http://DesMoinesRegister.com">DesMoinesRegister.com</a>
The Detroit News	<a href="http://detnews.com">detnews.com</a>
Home News Tribune, East Brunswick, N.J.	<a href="http://www.injersey.com/hnt">www.injersey.com/hnt</a>
Star-Gazette, Elmira, N.Y.	<a href="http://www.star-gazette.com">www.star-gazette.com</a>
El Paso (Texas) Times	<a href="http://www.elpasotimes.com">www.elpasotimes.com</a>
The Daily Ledger, Fishers, Ind.	<a href="http://www.topics.com">www.topics.com</a>
The Reporter, Fond du Lac, Wis.	<a href="http://www.fdlreporter.com">www.fdlreporter.com</a>
Fort Collins Coloradoan	<a href="http://www.coloradoan.com">www.coloradoan.com</a>
The News-Press, Fort Myers, Fla.	<a href="http://www.news-press.com">www.news-press.com</a>
The News-Messenger, Fremont, Ohio	<a href="http://www.thenews-messenger.com">www.thenews-messenger.com</a>
The Times, Gainesville, Ga.	<a href="http://www.gainesvilletimes.com">www.gainesvilletimes.com</a>
Great Falls (Mont.) Tribune	<a href="http://www.greatfallstribune.com">www.greatfallstribune.com</a>
Green Bay (Wis.) Press-Gazette	<a href="http://www.greenbaypressgazette.com">www.greenbaypressgazette.com</a>
The Greenville (S.C.) News	<a href="http://greenvilleonline.com">greenvilleonline.com</a>
Pacific Daily News, Hagatna, Guam	<a href="http://www.guampdn.com">www.guampdn.com</a>
Hattiesburg (Miss.) American	<a href="http://www.hattiesburgamerican.com">www.hattiesburgamerican.com</a>
The Honolulu Advertiser	<a href="http://www.honoluluadvertiser.com">www.honoluluadvertiser.com</a>
The Herald-Dispatch, Huntington, W.Va.	<a href="http://www.hdonline.com">www.hdonline.com</a>
The Indianapolis Star	<a href="http://www.indystar.com">www.indystar.com</a>
Iowa City (Iowa) Press-Citizen	<a href="http://www.press-citizen.com">www.press-citizen.com</a>
The Ithaca (N.Y.) Journal	<a href="http://www.theithacajournal.com">www.theithacajournal.com</a>
The Clarion-Ledger, Jackson, Miss.	<a href="http://www.clarionledger.com">www.clarionledger.com</a>
The Jackson (Tenn.) Sun	<a href="http://www.jacksonsun.com">www.jacksonsun.com</a>
Journal and Courier, Lafayette, Ind.	<a href="http://www.jconline.com">www.jconline.com</a>
The Daily Advertiser, Lafayette, La.	<a href="http://www.theadvertiser.com">www.theadvertiser.com</a>
Lancaster (Ohio) Eagle-Gazette	<a href="http://www.lancastereaglegazette.com">www.lancastereaglegazette.com</a>
Lansing (Mich.) State Journal	<a href="http://www.lansingstatejournal.com">www.lansingstatejournal.com</a>
The Courier-Journal, Louisville, Ky.	<a href="http://www.courier-journal.com">www.courier-journal.com</a>
Herald Times Reporter, Manitowoc, Wis.	<a href="http://www.htrnews.com">www.htrnews.com</a>
News Journal, Mansfield, Ohio	<a href="http://www.mansfieldnewsjournal.com">www.mansfieldnewsjournal.com</a>
Chronicle-Tribune, Marion, Ind.	<a href="http://www.chronicle-tribune.com">www.chronicle-tribune.com</a>
The Marion (Ohio) Star	<a href="http://www.marionstar.com">www.marionstar.com</a>
Marshfield (Wis.) News-Herald	<a href="http://www.marshfieldnewsherald.com">www.marshfieldnewsherald.com</a>
The News-Star, Monroe, La.	<a href="http://www.thenewsstar.com">www.thenewsstar.com</a>
The Montgomery (Ala.) Advertiser	<a href="http://www.montgomeryadvertiser.com">www.montgomeryadvertiser.com</a>
Daily Record, Morristown, N.J.	<a href="http://www.dailyrecord.com">www.dailyrecord.com</a>
The Baxter Bulletin, Mountain Home, Ark.	<a href="http://www.baxterbulletin.com">www.baxterbulletin.com</a>
The Star Press, Muncie, Ind.	<a href="http://www.thestarpress.com">www.thestarpress.com</a>
The Tennessean, Nashville	<a href="http://www.tennessean.com">www.tennessean.com</a>
The Advocate, Newark, Ohio	<a href="http://www.newarkadvocate.com">www.newarkadvocate.com</a>
Newspaper Network of Central Ohio	<a href="http://www.centralohio.com">www.centralohio.com</a>
Norwich (Conn.) Bulletin	<a href="http://www.norwichbulletin.com">www.norwichbulletin.com</a>
The Olympian, Olympia, Wash.	<a href="http://www.theolympian.com">www.theolympian.com</a>
Daily World, Opelousas, La.	<a href="http://www.dailyworld.com">www.dailyworld.com</a>
Oshkosh (Wis.) Northwestern	<a href="http://www.thenorthwestern.com">www.thenorthwestern.com</a>
The Desert Sun, Palm Springs, Calif.	<a href="http://www.thedesertsun.com">www.thedesertsun.com</a>
Pensacola (Fla.) News Journal	<a href="http://www.PensacolaNewsJournal.com">www.PensacolaNewsJournal.com</a>
The Arizona Republic, Phoenix	<a href="http://www.azcentral.com">www.azcentral.com</a>
News Herald, Port Clinton, Ohio	<a href="http://www.portclintonnewsherald.com">www.portclintonnewsherald.com</a>
Times Herald, Port Huron, Mich.	<a href="http://www.thetimesherald.com">www.thetimesherald.com</a>
Poughkeepsie (N.Y.) Journal	<a href="http://www.poughkeepsiejournal.com">www.poughkeepsiejournal.com</a>
Reno (Nev.) Gazette-Journal	<a href="http://www.rgj.com">www.rgj.com</a>

Palladium-Item, Richmond, Ind.	<a href="http://www.pal-item.com">www.pal-item.com</a>
Rochester (N.Y.) Democrat and Chronicle	<a href="http://www.DemocratandChronicle.com">www.DemocratandChronicle.com</a>
Rockford (Ill.) Register Star	<a href="http://www.rstar.com">www.rstar.com</a>
The Californian, Salinas	<a href="http://www.californianonline.com">www.californianonline.com</a>
The Daily Times, Salisbury, Md.	<a href="http://www.delmarvanow.com">www.delmarvanow.com</a>
The Sheboygan (Wis.) Press	<a href="http://www.sheboygan-press.com">www.sheboygan-press.com</a>
Argus Leader, Sioux Falls, S.D.	<a href="http://www.argusleader.com">www.argusleader.com</a>
St. Cloud (Minn.) Times	<a href="http://www.scitimes.com">www.scitimes.com</a>
The Spectrum, St. George, Utah	<a href="http://www.thepectrum.com">www.thepectrum.com</a>
Statesman Journal, Salem, Ore.	<a href="http://www.statesmanjournal.com">www.statesmanjournal.com</a>
The Times, Shreveport, La.	<a href="http://www.shreveporttimes.com">www.shreveporttimes.com</a>
Springfield (Mo.) News-Leader	<a href="http://www.ozarksgateway.com">www.ozarksgateway.com</a>
The Daily News Leader, Staunton, Va.	<a href="http://www.newsleader.com">www.newsleader.com</a>
Stevens Point (Wis.) Journal	<a href="http://www.stevenspointjournal.com">www.stevenspointjournal.com</a>
Tucson (Ariz.) Citizen	<a href="http://www.tucsoncitizen.com">www.tucsoncitizen.com</a>
Tulare (Calif.) Advance-Register	<a href="http://www.tulareadvanceregister.com">www.tulareadvanceregister.com</a>
Observer-Dispatch, Utica, N.Y.	<a href="http://www.uticaod.com">www.uticaod.com</a>
Vincennes (Ind.) Sun-Commercial	<a href="http://www.vincennes.com">www.vincennes.com</a>
The Daily Journal, Vineland, N.J.	<a href="http://www.thedailyjournal.com">www.thedailyjournal.com</a>
Visalia (Calif.) Times-Delta	<a href="http://www.visaliatimesdelta.com">www.visaliatimesdelta.com</a>
Wausau (Wis.) Daily Herald	<a href="http://www.wausaudoailyherald.com">www.wausaudoailyherald.com</a>
The Journal News, Westchester County, N.Y.	<a href="http://www.nyjournalnews.com">www.nyjournalnews.com</a>
The News Journal, Wilmington, Del.	<a href="http://www.delawareonline.com">www.delawareonline.com</a>
The Daily Tribune, Wisconsin Rapids, Wis.	<a href="http://www.wisconsinrapidstribune.com">www.wisconsinrapidstribune.com</a>
Army Times	<a href="http://www.armytimes.com">www.armytimes.com</a>
Navy Times	<a href="http://www.navytimes.com">www.navytimes.com</a>
Marine Corps Times	<a href="http://www.marinetimes.com">www.marinetimes.com</a>
Air Force Times	<a href="http://www.airforcetimes.com">www.airforcetimes.com</a>
Federal Times	<a href="http://www.federaltimes.com">www.federaltimes.com</a>
Defense News	<a href="http://www.defenseneews.com">www.defenseneews.com</a>
Military City	<a href="http://www.militarycity.com">www.militarycity.com</a>
Nursing Spectrum	<a href="http://www.nursingspectrum.com">www.nursingspectrum.com</a>
Gannett Offset	<a href="http://www.gannettoffset.com">www.gannettoffset.com</a>
Gannett Direct Marketing Services	<a href="http://www.gdms.com">www.gdms.com</a>
Gannett Media Technologies International	<a href="http://www.gmti.com">www.gmti.com</a>

### NEWSQUEST PLC

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

### BROADCASTING

WXIA-TV, Atlanta	<a href="http://www.11alive.com">www.11alive.com</a>
WLZ-TV, Bangor, Maine	<a href="http://www.wlzb.com">www.wlzb.com</a>
WGRZ-TV, Buffalo, N.Y.	<a href="http://www.wgrz.com">www.wgrz.com</a>
WKYC-TV, Cleveland, Ohio	<a href="http://www.wkyc.com">www.wkyc.com</a>
WLTX-TV, Columbia, S.C.	<a href="http://www.wltx.com">www.wltx.com</a>
KUSA-TV, Denver	<a href="http://www.9news.com">www.9news.com</a>
WZZM-TV, Grand Rapids-Kalamazoo-Battle Creek, Mich.	<a href="http://www.wzzm13.com">www.wzzm13.com</a>
WFMY-TV, Greensboro, N.C.	<a href="http://www.wfmynews2.com">www.wfmynews2.com</a>
WTLV-TV/WJXX-TV, Jacksonville, Fla.	<a href="http://www.firstcoastnews.com">www.firstcoastnews.com</a>
WBIR-TV, Knoxville, Tenn.	<a href="http://www.wbir.com">www.wbir.com</a>
KTHV-TV, Little Rock, Ark.	<a href="http://www.kthv.com">www.kthv.com</a>
WMAZ-TV, Macon, Ga.	<a href="http://www.13wmaz.com">www.13wmaz.com</a>
KARE-TV, Minneapolis-St. Paul	<a href="http://www.kare11.com">www.kare11.com</a>
KPNX-TV, Phoenix, Ariz.	<a href="http://www.12news.com">www.12news.com</a>
WCBS-TV, Portland, Maine	<a href="http://www.wcsh6.com">www.wcsh6.com</a>
KXTV-TV, Sacramento, Calif.	<a href="http://www.kxtv.com">www.kxtv.com</a>
KSDK-TV, St. Louis, Mo.	<a href="http://www.ksdk.com">www.ksdk.com</a>
WTSP-TV, Tampa-St. Petersburg, Fla.	<a href="http://www.wtsp.com">www.wtsp.com</a>
WUSA-TV, Washington, D.C.	<a href="http://www.wusatv9.com">www.wusatv9.com</a>

## GLOSSARY OF FINANCIAL TERMS

*Presented below are definitions of certain key financial and operational terms that we hope will enhance your reading and understanding of Gannett's 2001 Annual Report.*

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

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

**BROADCASTING REVENUES** – Primarily amounts charged to customers for commercial advertising aired on the company's television stations as well as radio stations prior to 1998.

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

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

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

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

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

**DEPRECIATION** – A charge against the company's earnings that allocates the cost of property, plant and equipment over the estimated useful lives of the assets.

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

**DIVIDEND** – Payment by the company to its shareholders of a portion of its earnings.

**EARNINGS PER SHARE (BASIC)** – The company's earnings divided by the average number of shares outstanding for the period.

**EARNINGS PER SHARE (DILUTED)** – The company's earnings divided by the average number of shares outstanding for the period, giving effect to assumed dilution from outstanding stock options and stock incentive rights.

**EXCESS OF ACQUISITION COST OVER FAIR VALUE OF ASSETS ACQUIRED** – In a business purchase, this represents the excess of amounts paid over fair value of tangible assets acquired (also referred to as goodwill). Generally this cost is written off against

operations over periods of up to 40 years. The company adopted a new accounting standard on Dec. 31, 2001, the first day of fiscal 2002, under which goodwill is only written off if it is considered to be impaired. (Also see "Purchase.")

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

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

**OPERATING CASH FLOW** – Operating income adjusted for major non-cash expenses, depreciation and amortization of intangible assets.

**PRO FORMA** – A manner of presentation intended to improve comparability of financial results; it assumes business purchases/dispositions were completed at the beginning of the earliest period discussed (i.e., results are compared for all periods but only for businesses presently owned).

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

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

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

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

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

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

**STOCK INCENTIVE RIGHTS** – An award that gives key employees the right to receive shares of the company's stock without payment at the end of an incentive period, conditioned on their continued employment throughout the incentive period.

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

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

*Gannett is pleased to offer the following shareholder services:*

### DIVIDEND REINVESTMENT PLAN

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

### AUTOMATIC CASH INVESTMENT SERVICE FOR THE DRP

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

### DIRECT DEPOSIT SERVICE

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

### FORM 10-K

Information provided by Gannett in its Form 10-K annual report to the Securities and Exchange Commission has been incorporated in this report. Copies of the complete Form 10-K annual report may be obtained by writing the Secretary, Gannett Co., Inc., 7950 Jones Branch Drive, McLean, VA 22107.

### ANNUAL MEETING

The annual meeting of shareholders will be held at 10 a.m. Tuesday, May 7, 2002, at Gannett headquarters.

### FOR MORE INFORMATION

News and information about Gannett is available on our Web site ([www.gannett.com](http://www.gannett.com)). Quarterly earnings information will be available around the middle of April, July and October 2002.

Shareholders who wish to contact the company directly about their Gannett stock should call Shareholder Services at Gannett headquarters, 703-854-6960.

### GANNETT HEADQUARTERS

7950 Jones Branch Drive  
McLean, VA 22107  
703-854-6000

**THIS REPORT WAS WRITTEN  
AND PRODUCED BY  
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