

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

X Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 24, 1995 or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 1-6961

GANNETT CO., INC.

(Exact name of registrant as specified in its charter)

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

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

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

(Former name, former address and former fiscal year, if changed since last report)

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

The number of shares outstanding of the issuer's Common Stock, Par Value \$1.00, as of September 24, 1995 was 140,205,796.

## PART I. FINANCIAL INFORMATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

## Operating Summary

Income from operations for the third quarter of 1995 declined \$17.8 million or 10%, reflecting costs associated with a strike against the Company's newspaper in Detroit. Newspaper earnings, which fell \$31.3 million or 19%, were adversely affected both by the strike and by continuing increases in newsprint costs. Broadcast earnings rose 41%, reflecting strong television and radio advertising revenue growth. Outdoor division earnings were significantly improved, rising 39% over the comparable period a year ago.

Operating income for the first nine months of 1995 rose \$12.6 million or 2%.

## Newspapers

Newspaper publishing revenues declined \$11.2 million or 1% in the third quarter of 1995, and rose \$37.6 million or 2% for the year-to-date. Newspaper advertising revenue fell \$13.1 million or 3% in the quarter, reflecting lower revenues in Detroit because of the strike, partially offset by continued gains in classified advertising, particularly in employment and automotive. Excluding Detroit, newspaper advertising revenues for the quarter rose \$6.4 million or 1%. For the first nine months of 1995, newspaper advertising revenue grew \$38.4 million or 2%.

The tables below provide, on a pro forma basis, further details of newspaper ad revenue and linage for the third quarter and year-to-date periods of 1995 and 1994:

## Advertising revenue, in thousands of dollars (pro forma)

Third quarter	1995	1994	% Change
Local	\$176,563	\$185,170	(5)
National	72,860	71,526	2
Classified	182,287	178,815	2
Total Run-of-Press	431,710	435,511	(1)
Preprint and other advertising	77,192	78,051	(1)
Total ad revenue	\$508,902	\$513,562	(1)

## Advertising linage, in thousands of inches (pro forma)

Third quarter	1995	1994	% Change
Local	7,095	7,366	(4)
National	499	502	(1)
Classified	8,165	7,990	2
Total Run-of-Press	15,759	15,858	(1)
Preprint	15,003	15,204	(1)
Total ad linage	30,762	31,062	(1)

## Advertising revenue, in thousands of dollars (pro forma)

Year-to-date	1995	1994	% Change
Local	\$ 561,190	\$ 561,868	-
National	240,889	228,306	6
Classified	549,486	515,853	7
Total Run-of-Press	1,351,565	1,306,027	3
Preprint and other advertising	241,131	236,328	2
Total ad revenue	\$1,592,696	\$1,542,355	3

## Advertising linage, in thousands of inches (pro forma)

Year-to-date	1995	1994	% Change
Local	21,890	22,240	(2)
National	1,610	1,561	3
Classified	24,178	23,296	4
Total Run-of-Press	47,678	47,097	1
Preprint	46,368	45,245	2
Total ad linage	94,046	92,342	2

Excluding Detroit, pro forma newspaper advertising volume was flat for the quarter, reflecting a 3% decline in local because of reduced spending by larger retailers. Advertising revenues excluding Detroit were 3% higher, including a 6% gain in

classified.

Newspaper circulation revenues were down slightly for the quarter and for the year-to-date. Net paid daily circulation for the Company's local newspapers was down 3% for the quarter and 2% for the first nine months of 1995. Sunday circulation declined 4% for the quarter and 2% for the year-to-date. Daily and Sunday circulation for the quarter and year-to-date periods of 1995 reflect lower volume in Detroit because of the strike. Excluding Detroit, daily circulation declined 2% for the quarter and 1% for the year-to-date, while Sunday circulation was down 2% for the quarter and 1% for the year-to-date. USA TODAY reported an average daily paid circulation of 2,059,017 in the ABC Publisher's statement for the six months ended September 24, 1995, which, subject to audit, is a 2% increase from the comparable period a year ago.

Operating costs in total for the newspaper segment rose \$20.1 million or 3% for the quarter and \$55.6 million or 3% for the year-to-date. Newsprint expense increased 39% for the quarter and 29% for the first nine months, reflecting significantly higher prices from a year ago. The impact of newsprint price increases was partially offset by newsprint conservation efforts, as consumption was below 1994 levels for the quarter and year-to-date periods, and by cost controls in other areas. The Company expects further newsprint price increases in 1995, which together with recent increases, will significantly affect newsprint expense comparisons for the remainder of 1995 and into 1996. Payroll costs declined 1% for the quarter and were up slightly for the year-to-date.

Newspaper operating income declined \$31.3 million or 19% for the third quarter and \$18 million or 4% for the first nine months, reflecting significantly higher newsprint costs and losses in Detroit because of the strike. Excluding the impact of the strike, newspaper profits would have risen 3% for the quarter and 4% for the year-to-date. Most of the Company's local newspapers reported improved ad revenues and operating income. At USA TODAY, revenues improved for the quarter and for the year-to-date, but higher newsprint costs caused operating income to decline for the quarter and for the first nine months.

#### Broadcast

Broadcast revenues increased \$9.6 million or 10% for the third quarter and \$36 million or 13% for the first nine months, while operating costs declined \$1.7 million or 2% for the quarter and were up \$11.7 million or 6% for the year-to-date. Operating costs for the year-to-date period include certain program costs related to the September affiliation change at the Company's Denver TV station.

On a pro forma basis, broadcast revenues increased 7% for the quarter and 10% for the year-to-date, reflecting strong demand for television advertising. Pro forma operating costs declined 5% for the quarter and increased 3% for the first nine months.

Pro forma local television ad revenues grew 10% for the quarter and for the year-to-date, while national revenues increased 2% for the quarter and 8% for the first nine months. Radio revenues increased 10% for the quarter and 9% for the year-to-date.

Operating income rose \$11.2 million or 41% for the quarter and \$24.2 million or 28% for the year-to-date, reflecting strong gains at most of the Company's television and radio stations.

#### Outdoor

Outdoor revenues increased \$1.5 million or 2% for the quarter and \$10.5 million or 6% for the year-to-date. Poster and bulletin sales were higher for the quarter and for the year-to-date. Operating costs declined \$1.2 million or 2% for the quarter and were up \$3 million or 2% for the first nine months. Operating income for Outdoor grew \$2.7 million or 39% for the quarter and \$7.5 million or 72% for the year-to-date.

#### Non-operating Income and Expense

Interest expense fell \$1.2 million or 12% for the quarter and \$0.5 million or 1% for the year-to-date, reflecting higher average interest rates, offset by lower average borrowings.

#### Net Income

Net income fell \$9.4 million or 9% for the quarter and increased \$5.7 million or 2% for the first nine months. Net income per share was \$.69 in the third quarter, down from \$0.74 in the 1994 quarter. For the year-to-date, net income per share increased 6%

to \$2.30 from \$2.17 in 1994. The weighted average number of shares outstanding totaled 140,181,000 for the third quarter of 1995, compared with 143,465,000 for the third quarter of 1994. Average shares outstanding for the year-to-date totaled 140,103,000 for 1995 and 145,919,000 for 1994. The decline in the number of shares outstanding for the quarter and year-to-date periods reflects shares purchased under the Company's share repurchase program during the second and third quarters of 1994.

#### Liquidity and Capital Resources

Cash flow from operating activities totaled \$396 million for the first nine months of 1995, compared with \$512 million a year ago. Principal uses of cash flow in 1995 were for capital expenditures, reduction of debt, dividends and pension funding.

Capital expenditures for the year-to-date totaled \$106.4 million in 1995, compared with \$95.6 million in 1994. Long-term debt (commercial paper obligations) was reduced by \$167 million.

The Company declared regular quarterly dividends of \$0.34 per share in the first and second quarters of 1995 and \$0.35 for the third quarter. Dividends declared totaled \$144.3 million.

#### Other Matters

On July 24, 1995, the Company entered into an agreement to acquire Multimedia, Inc. Multimedia publishes 11 daily and 49 non-daily newspapers and operates five network-affiliated television stations and two radio stations. The company also owns cable television franchises, a security alarm business, and produces first-run syndicated television programming and News Talk Television for cable TV. The acquisition is expected to be completed by the end of the year, at a purchase price in excess of \$1.7 billion. The Company will assume or retire Multimedia's existing debt. Pro forma financial information regarding the Multimedia transaction has been filed on a Form 8-K dated October 23, 1995.

The Company has filed a registration statement with the Securities and Exchange Commission for the proposed shelf registration of \$1.5 billion of debt securities. Proceeds from the sale of the securities are expected to be used for general corporate purposes and to finance part of the Multimedia acquisition purchase price. In addition, the Company has arranged for an amendment to its Revolving Credit Agreement to increase the commitments to \$3 billion. The Company has adequate resources to meet its liquidity requirements, including all obligations related to the Multimedia transaction.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Sept. 24, 1995	Dec. 25, 1994
	-----	-----
<b>ASSETS</b>		
Cash	\$ 14,249,000	\$ 44,229,000
Marketable securities	21,288,000	23,000
Trade receivables, less allowance (1995 - \$16,373,000; 1994 - \$15,846,000)	468,278,000	487,615,000
Other receivables	32,474,000	29,745,000
Inventories	101,042,000	53,047,000
Prepaid expenses	38,276,000	36,178,000
	-----	-----
Total current assets	675,607,000	650,837,000
	-----	-----
Property, plant and equipment:		
Cost	2,904,052,000	2,814,456,000
Less accumulated depreciation	(1,490,266,000)	(1,386,312,000)
	-----	-----
Net property, plant and equipment	1,413,786,000	1,428,144,000
	-----	-----
Intangible and other assets:		
Excess of cost of subsidiaries over net tangible assets acquired, less amortization (1995 - \$476,284,000, 1994 - \$442,166,000)	1,442,304,000	1,472,002,000
Other assets	193,859,000	156,069,000
	-----	-----
Total intangible and other assets	1,636,163,000	1,628,071,000
	-----	-----
Total assets	\$ 3,725,556,000	\$ 3,707,052,000
	=====	=====
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
Current portion of long-term debt	\$ 59,824,000	\$ 1,026,000
Accounts payable and current portion of film contracts payable	223,062,000	215,885,000
Compensation, interest and other accruals	166,094,000	148,506,000
Dividend payable	49,158,000	47,739,000
Income taxes	18,612,000	37,618,000
Deferred income	78,389,000	76,280,000
	-----	-----
Total current liabilities	595,139,000	527,054,000
	-----	-----
Deferred income taxes	151,522,000	164,691,000
Long-term debt, less current portion	541,536,000	767,270,000
Postretirement medical and life insurance liabilities	308,714,000	306,863,000
Other long-term liabilities	108,776,000	118,936,000
	-----	-----
Total liabilities	1,705,687,000	1,884,814,000
	-----	-----
Shareholders' Equity:		
Preferred stock of \$1 par value per share. Authorized 2,000,000 shares, issued - none		
Common stock of \$1 par value per share. Authorized 400,000,000, issued 162,211,456 shares	162,211,000	162,212,000
Additional paid-in capital	73,336,000	76,604,000
Retained earnings	2,815,295,000	2,639,440,000
Foreign currency translation adjustment	(10,196,000)	(12,894,000)
	-----	-----
Total	3,040,646,000	2,865,362,000
	-----	-----
Less treasury stock - 22,005,660 shares and 22,444,480 shares respectively, at cost	(986,660,000)	(1,008,199,000)
Deferred compensation related to ESOP	(34,117,000)	(34,925,000)
	-----	-----
Total shareholders' equity	2,019,869,000	1,822,238,000
	-----	-----
Total liabilities and shareholders' equity	\$ 3,725,556,000	\$ 3,707,052,000
	=====	=====

CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	Thirteen weeks ended		Thirty-nine weeks ended	
	Sept. 24, 1995	Sept. 25, 1994	Sept. 24, 1995	Sept. 25, 1994
	-----	-----	-----	-----
Net Operating Revenues:				
Newspaper advertising	\$508,821,000	\$521,938,000	\$ 1,592,697,000	\$ 1,554,332,000
Newspaper circulation	209,445,000	210,724,000	635,454,000	635,809,000
Broadcasting	104,787,000	95,189,000	322,650,000	286,689,000
Outdoor advertising	67,398,000	65,929,000	186,562,000	176,031,000
Other	41,810,000	38,647,000	122,639,000	123,072,000
	-----	-----	-----	-----
Total	932,261,000	932,427,000	2,860,002,000	2,775,933,000
	-----	-----	-----	-----
Operating Expenses:				
Cost of sales and operating expenses, exclusive of depreciation	546,196,000	524,016,000	1,622,790,000	1,556,523,000
Selling, general and administrative expenses, exclusive of depreciation	166,953,000	167,447,000	513,536,000	501,850,000
Depreciation	38,336,000	42,203,000	116,578,000	123,204,000
Amortization of intangible assets	11,362,000	11,506,000	34,118,000	33,961,000
	-----	-----	-----	-----
Total	762,847,000	745,172,000	2,287,022,000	2,215,538,000
	-----	-----	-----	-----
Operating income	169,414,000	187,255,000	572,980,000	560,395,000
	-----	-----	-----	-----
Non-operating income (expense):				
Interest expense	(9,113,000)	(10,307,000)	(31,723,000)	(32,204,000)
Other	1,100,000	(217,000)	(627,000)	2,224,000
	-----	-----	-----	-----
Total	(8,013,000)	(10,524,000)	(32,350,000)	(29,980,000)
	-----	-----	-----	-----
Income before income taxes	161,401,000	176,731,000	540,630,000	530,415,000
Provision for income taxes	65,300,000	71,200,000	218,900,000	214,400,000
	-----	-----	-----	-----
Net income	\$ 96,101,000	\$105,531,000	\$ 321,730,000	\$ 316,015,000
	=====	=====	=====	=====
Net income per share	\$0.69	\$0.74	\$2.30	\$2.17
	=====	=====	=====	=====
Dividends per share	\$0.35	\$0.34	\$1.03	\$1.00
	=====	=====	=====	=====

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Thirty-nine weeks ended	
	Sept. 24, 1995	Sept. 25, 1994
Cash flows from operating activities:		
Net income	\$ 321,730,000	\$ 316,015,000
Adjustments to reconcile net income to operating cash flows:		
Depreciation	116,578,000	123,204,000
Amortization of intangibles	34,118,000	33,961,000
Deferred income taxes	(13,168,000)	(12,916,000)
Gain on sale of assets	(123,000)	(5,614,000)
Other, net	21,011,000	29,571,000
Changes in other assets & liabilities, net	(84,147,000)	27,765,000
	-----	-----
Net cash flow from operating activities	395,999,000	511,986,000
	-----	-----
Cash flows from investing activities:		
Purchase of property, plant and equipment	(106,376,000)	(95,630,000)
Payments for acquisitions, net of cash acquired		(30,910,000)
Increase in other investments	(2,320,000)	(24,458,000)
Proceeds from sale of certain assets	1,622,000	54,946,000
Collection of long-term receivables	4,711,000	1,012,000
	-----	-----
Net cash used by investing activities	(102,363,000)	(95,040,000)
	-----	-----
Cash flows from financing activities:		
Proceeds from long-term debt		64,741,000
Payments of long-term debt	(166,936,000)	
Dividends paid	(142,915,000)	(146,310,000)
Common stock transactions, net	7,227,000	(385,196,000)
	-----	-----
Net cash used for financing activities	(302,624,000)	(466,765,000)
	-----	-----
Effect of currency exchange rate change	273,000	(397,000)
	-----	-----
Net decrease in cash and cash equivalents	(8,715,000)	(50,216,000)
Balance of cash and cash equivalents at beginning of year	44,252,000	75,495,000
	-----	-----
Balance of cash and cash equivalents at end of third quarter	\$ 35,537,000	\$ 25,279,000
	=====	=====

BUSINESS SEGMENT INFORMATION

	Thirteen weeks ended		Thirty-nine weeks ended	
	Sept. 24, 1995	Sept. 25, 1994	Sept. 24, 1995	Sept. 25, 1994
<b>OPERATING REVENUES:</b>				
Newspaper publishing	\$ 760,075,000	\$ 771,309,000	\$2,350,789,000	\$2,313,213,000
Broadcasting	104,787,000	95,189,000	322,650,000	286,689,000
Outdoor advertising	67,399,000	65,929,000	186,563,000	176,031,000
<b>Total</b>	<b>\$ 932,261,000</b>	<b>\$ 932,427,000</b>	<b>\$2,860,002,000</b>	<b>\$2,775,933,000</b>
<b>OPERATING INCOME (NET OF DEPRECIATION AND AMORTIZATION):</b>				
Newspaper publishing	\$ 136,344,000	\$ 167,691,000	\$ 492,434,000	\$ 510,447,000
Broadcasting	38,513,000	27,243,000	112,119,000	87,902,000
Outdoor advertising	9,723,000	7,006,000	18,007,000	10,462,000
Corporate	(15,166,000)	(14,685,000)	(49,580,000)	(48,416,000)
<b>Total</b>	<b>\$ 169,414,000</b>	<b>\$ 187,255,000</b>	<b>\$ 572,980,000</b>	<b>\$ 560,395,000</b>
<b>DEPRECIATION &amp; AMORTIZATION:</b>				
Newspaper publishing	\$ 36,169,000	\$ 38,920,000	\$ 109,585,000	\$ 114,063,000
Broadcasting	6,991,000	7,381,000	21,061,000	21,470,000
Outdoor advertising	4,183,000	4,998,000	12,617,000	14,238,000
Corporate	2,355,000	2,410,000	7,433,000	7,394,000
<b>Total</b>	<b>\$ 49,698,000</b>	<b>\$ 53,709,000</b>	<b>\$ 150,696,000</b>	<b>\$ 157,165,000</b>



NOTE TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

September 24, 1995

1. Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and footnotes which are normally included in Form 10-K and annual report to shareholders. The financial statements covering the 13 and 39 week periods ended September 24, 1995, and the comparative periods of 1994, reflect all adjustments which, in the opinion of the Company, are necessary for a fair statement of results for the interim periods.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits.  
See Exhibit Index for list of exhibits filed with this report.
- (b) Reports on Form 8-K.  
A Form 8-K was filed on July 27, 1995 reporting on the Multimedia transactions.

SIGNATURES

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

GANNETT CO., INC.

Dated: November 8, 1995            s/ Larry F. Miller  
-----  
Larry F. Miller  
Senior Vice President/Financial Planning  
and Controller

Dated: November 7, 1995            s/ Thomas L. Chapple  
-----  
Thomas L. Chapple  
Senior Vice President, General Counsel  
and Secretary

## EXHIBIT INDEX

Exhibit Number -----	Title or Description -----	Location -----
4-1	\$1,000,000,000 Revolving Credit Agreement among Gannett Co., Inc. and the Banks named therein.	Incorporated by reference to Exhibit 4-1 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 26, 1993.
4-2	Amendment Number One to \$1,000,000,000 Revolving Credit Agreement among Gannett Co., Inc. and the Banks named therein.	Incorporated by reference to Exhibit 4-2 to Gannett Co., Inc.'s Form 10-Q for the fiscal quarter ended June 26, 1994.
4-3	Indenture dated as of March 1, 1983 between Gannett Co., Inc. and Citibank, N.A., as Trustee.	Incorporated by reference to Exhibit 4-2 to Gannett Co., Inc.'s Form 10-K for the fiscal year ended December 29, 1985.
4-4	First Supplemental Indenture dated as of November 5, 1986 among Gannett Co., Inc., Citibank, N.A., as Trustee, and Sovran Bank, N.A., as Successor Trustee.	Incorporated by reference to Exhibit 4 to Gannett Co., Inc.'s Form 8-K filed on November 9, 1986.
4-5	Second Supplemental Indenture dated as of June 1, 1995 among Gannett Co., Inc., NationsBank, N.A., as Trustee, and Crestar Bank, as Trustee.	Incorporated by reference to Exhibit 4 to Gannett Co., Inc.'s Form 8-K filed June 15, 1995
4-6	Rights Plan.	Incorporated by reference to Exhibit 1 to Gannett Co., Inc.'s Form 8-K filed on May 23, 1990.
11	Statement re computation of earnings per share.	Attached.
27	Financial Data Schedule.	Attached.

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

GANNETT CO., INC.  
Calculation of Earnings Per Share

	Thirteen weeks ended		Thirty-nine weeks ended	
	Sept. 24, 1995	Sept. 25, 1994	Sept. 24, 1995	Sept. 25, 1994
	-----	-----	-----	-----
Net Income	\$ 96,101,000	\$105,531,000	\$321,730,000	\$316,015,000
	=====	=====	=====	=====
Weighted average number of common shares outstanding	140,181,000	143,465,000	140,103,000	145,919,000
	=====	=====	=====	=====
Net income per share	\$0.69	\$0.74	\$2.30	\$2.17
	=====	=====	=====	=====

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

9-MOS		
	DEC-31-1995	
	DEC-26-1994	
	SEP-24-1995	
		14,249,000
		21,288,000
		484,651,000
		16,373,000
		101,042,000
		675,607,000
		2,904,052,000
		1,490,266,000
		3,725,556,000
595,139,000		
		0
		162,211,000
		0
		0
		1,857,658,000
3,725,556,000		
		2,860,002,000
		2,860,002,000
		1,622,790,000
		2,287,022,000
		0
		0
		31,723,000
		540,630,000
		218,900,000
		321,730,000
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		0
		321,730,000
		2.30
		0