

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 underway to leverage Web site and newspaper marketing and advertising sales opportunities.

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

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

At the end of 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.