SCRIPPS E W CO /DE
Form 10-K
March 01, 2007
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

Commission File Number 0-16914

THE E. W. SCRIPPS COMPANY

(Exact name of registrant as specified in its charter)

Ohio	**31-1223339**
(State or other jurisdiction of	***(IRS Employer***
incorporation or organization)	***Identification Number)***

312 Walnut Street

Cincinnati, Ohio	**45202**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (513) 977-3000

Title of each class	**Name of each exchange on which registered**
Securities registered pursuant to Section 12(b) of the Act:	**New York Stock Exchange**
Class A Common Shares, $.01 par value	

Securities registered pursuant to Section 12(g) of the Act:
Not applicable

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of Section 15(d) of the Act. Yes ¨ No x

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

---

Table of Contents

The aggregate market value of Class A Common Shares of the Registrant held by non-affiliates of the Registrant, based on the $43.14 per share closing price for such stock on June 30, 2006, was approximately $3,753,000,000. All Class A Common Shares beneficially held by executives and directors of the registrant and The Edward W. Scripps Trust have been deemed, solely for the purpose of the foregoing calculation, to be held by affiliates of the registrant. There is no active market for our common voting shares.

As of January 31, 2007, there were 127,097,873 of the Registrant s Class A Common Shares, $.01 par value per share, outstanding and 36,568,226 of the Registrant s Common Voting Shares, $.01 par value per share, outstanding.

Certain information required for Part III of this report is incorporated herein by reference to the proxy statement for the 2007 annual meeting of shareholders.

Table of Contents

Index to The E. W. Scripps Company Annual Report on Form 10-K for the Year Ended December 31, 2006

Item No.		Page
Additional Information		4
Forward-Looking Statements		4
PART I		
1.	Business	
	Scripps Networks	4
	Newspapers	6
	Broadcast Television	9
	Interactive Media	11
	Licensing and Other Media	12
	Employees	13
1a.	Risk Factors	13
1b.	Unresolved Staff Comments	17
2.	Properties	17
3.	Legal Proceedings	17
4.	Submission of Matters to a Vote of Security Holders	18
PART II		
5.	Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	19
6.	Selected Financial Data	19
7.	Management s Discussion and Analysis of Financial Condition and Results of Operations	19
7a.	Quantitative and Qualitative Disclosures About Market Risk	20
8.	Financial Statements and Supplementary Data	20
9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	20
9a.	Controls and Procedures	20
9b.	Other Information	20
PART III		
10.	Directors, Executive Officers and Corporate Governance	21
11.	Executive Compensation	21
12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	21
13.	Certain Relationships and Related Transactions, and Director Independence	21
14.	Principal Accounting Fees and Services	21
PART IV		
15.	Exhibits and Financial Statement Schedules	21

Table of Contents

As used in this Annual Report on Form 10-K, the terms Scripps, we, our or us may, depending on the context, refer to The E. W. Scripps Company, to one or more of its consolidated subsidiary companies, or to all of them taken as a whole.

Additional Information

Our Company Web site is www.scripps.com. Copies of all of our SEC filings filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge on this Web site as soon as reasonably practicable after we electronically file the material with, or furnish it to, the SEC. Our Web site also includes copies of the charters for our Compensation, Nominating & Governance and Audit Committees, our Corporate Governance Principles, our Insider Trading Policy, our Ethics Policy and our Code of Ethics for the CEO and Senior Financial Officers. All of these documents are also available to shareholders in print upon request.

Forward-Looking Statements

Our Annual Report on Form 10-K contains certain forward-looking statements that are based on our current expectations. Forward-looking statements are subject to certain risks, trends and uncertainties that could cause actual results to differ materially from the expectations expressed in the forward-looking statements. Such risks, trends and uncertainties, which in most instances are beyond our control, include changes in advertising demand and other economic conditions; consumers taste; newsprint prices; program costs; labor relations; technological developments; competitive pressures; interest rates; regulatory rulings; and reliance on third-party vendors for various products and services. The words believe, expect, anticipate, estimate, intend and similar expressions identify forward-looking statements. All forward-looking statements, which are as of the date of this filing, should be evaluated with the understanding of their inherent uncertainty. We undertake no obligation to publicly update any forward-looking statements to reflect events or circumstances after the date the statement is made.

PART I

Item 1. Business

We are a diverse media concern with interests in national television networks (Scripps Networks), newspaper publishing, broadcast television, interactive media and licensing and syndication. All of our media businesses provide content and advertising services via the Internet.

Financial information for each of our business segments can be found under Management s Discussion and Analysis of Financial Condition and Results of Operations beginning on page F-5 and Note 18 on page F-48 of this Form 10-K.

Scripps Networks

Scripps Networks includes five national lifestyle television networks and their affiliated Web sites, HGTV, Food Network, DIY Network (DIY), Fine Living and Great American Country (GAC). We conceived of and launched HGTV, DIY and Fine Living. We acquired a controlling interest in Food Network in 1997, and we acquired GAC in the fourth quarter of 2004. Scripps Networks also includes our 12% interest in FOX Sports Net South, a regional television network, and our networks operate internationally through licensing agreements and joint ventures with foreign entities. Scripps Networks produced approximately 42% of our total operating revenues in 2006, up from 39% in 2004.

HGTV began telecasting in 1994 and is successfully attracting viewers and serving advertisers by airing a full schedule of quality, original programming related to home repair, real estate, decorating, design, remodeling, and crafts. HGTV is distributed to more than 91 million U.S. households and is one of cable s top-rated networks. The network s branded programming also can be seen in 25 other countries. HGTV.com is the nation s leading online home and garden destination that attracts an average of 4.5 million unique visitors per month.

Food Network, which began telecasting in 1993, is a unique lifestyle network that strives to surprise and engage its viewers with likable hosts, personalities, and the variety of things they do with food. Programming hits such as Iron Chef, Emeril Live! and 30-Minute Meals have raised the network s public profile and increased viewer interest and advertiser demand. Distributed to more than 91 million U.S. households and ten million Web site users, Food Network ranks first among food Web sites.

DIY began telecasting in 1999 and features detailed how-to, step-by-step programming and information on a variety of topics including auto repair, crafts, gardening, hobbies, home building, home improvement and woodworking. DIY s distribution is approaching 42 million homes and the DIY Web site averages two million unique visitors per month.

Fine Living, which began telecasting in March 2002, features television programming and Web site content designed to appeal to viewers and Internet users looking for information on quality life experiences, consumer products and consumer services. Programming concentrates on a variety of related lifestyle categories including adventure, personal space, transportation, everyday living and favorite things.

Table of Contents

GAC is a country music video network that began telecasting in 1996. GAC s programming primarily features country music videos complemented by original programming, special musical performances and live concerts. GAC is available in more than 46 million households.

Our initial focus in launching a network is to gain distribution on cable and satellite television systems. To obtain long-term distribution contracts, we may make cash payments to cable and satellite television systems, provide an initial period in which a system s affiliate fee payments are waived, or both. We also create new and original programming and undertake promotional and marketing campaigns designed to increase viewer awareness.

As the distribution of our networks increases, we make additional investments in the quality and variety of programming and increase the number of original programming hours offered on the network. Such investments are expected to result in increases in viewership, yielding higher advertising revenues.

Once a network is fully distributed, our strategy primarily focuses on optimizing the network s ratings, revenue and profitability. We believe investments in high quality original programming and promotion of that programming are the primary drivers of ratings, revenue and profitability of a fully-distributed network.

HGTV and Food Network are generally distributed on the most widely available programming tiers offered by cable and satellite television systems. Each network reaches substantially all cable and satellite television households.

We continue to build the distribution of DIY, Fine Living and GAC. DIY and Fine Living are each among the top five cable television networks in terms of subscriber growth. GAC is among the top twenty. Distribution on the most widely available basic cable tier is limited and, accordingly, growth in the number of households reached by DIY, Fine Living and GAC is largely dependent on increases in the number of subscribers to the expanded digital programming tiers offered by cable and satellite television systems. We also continue to make investments in programming and promotional campaigns to increase viewer awareness of our developing networks.

Our relationships and agreements with cable and satellite television system operators are critical to our business as they provide us with both subscription revenue and access to an audience which we sell to advertisers. We believe we have good relationships with the cable and satellite television system operators that distribute our networks. We have been a leader in providing video-on-demand and similar programming services those systems use to enhance their digital programming tier offerings to subscribers.

We have also emerged as a leader in providing content specifically formatted for the growing number of video-on-demand and broadband services. We own approximately 95% of our original television programming, which gives us the capability to reformat archived video content for other uses, including the Internet. HGTVPro.com, our online channel for the building industry was launched in 2005 and has more than 700 videos and articles available on the site. The channel s content is designed to appeal to professional builders, remodelers and contractors and includes professional-level best practices, tips and techniques, new product information, and trends in the industry. We have also launched HGTVKitchenDesign.com and HGTVBathDesign.com, online broadband programming services. We expect to continue to develop and launch additional broadband vertical networks within the shelter and food categories.

Advertising provided approximately 80% of Scripps Networks segment operating revenues in 2006. Advertising purchased on our networks usually seeks to promote nationally recognized consumer products and brands. We sell advertising time in both the upfront and scatter markets. The mix between the upfront and scatter markets is based upon a number of factors, including the demand for advertising time, economic conditions and pricing. Due to increased demand in the spring and holiday seasons, the second and fourth quarters normally have higher advertising revenues than our first and third quarters.

Advertising is sold on the basis of audience size and demographics, price and effectiveness. We compete for advertising revenues with other local and national media, including other television networks, television stations, radio stations, newspapers, Internet sites and direct mail. Audience size and demographics are directly related to the number of homes in which our networks can be viewed and our success in producing and promoting programming that is popular with our target audience. In reaching our target audience, we compete for consumers discretionary time with all other information and entertainment media. We believe we are a leader in providing advertisers with solutions to reach a range of audience demographics. Our lifestyle networks reach an audience that is highly interested in the products advertised on our networks. We also provide advertisers sponsorship opportunities and the availability to reach audiences through our broadband programming channels.

Cable and satellite television systems generally pay a per-subscriber fee in exchange for the right to distribute our programming. Network affiliate fees provided 19% of Scripps Networks segment operating revenues in 2006.

We compete with other national television networks for distribution on cable and satellite television systems. While no assurance can be given regarding renewal of our distribution contracts or our ability to negotiate renewals with similar terms, we have not lost carriage upon expiration in the past and have generally negotiated new agreements that provided an increase in the per-subscriber fee.

Programming accounted for approximately 36% of our networks segment costs and expenses in 2006. We produce original programming and acquire programming from a variety of independent production companies. We also license certain programming that airs on our networks. We believe there are adequate sources of creative and original programming to meet the needs of our networks.

Our networks require traffic systems to schedule programs and to insert advertisements within programs. We transmit our programming to cable and satellite television systems via satellite. Transponder rights are acquired under the terms of long-term contracts with satellite owners.

Table of Contents

Employee costs accounted for approximately 23% of segment costs and expenses in 2006.

Multichannel video program distributors (MVPDs) such as cable television systems and direct broadcast satellite operators are subject to varying degrees of regulation by the Federal Communications Commission (FCC), and these requirements may directly affect the Company. The FCC, for example, requires that MVPDs close caption their programming for the benefit of hearing impaired viewers, and the Company is responsible for complying with this obligation.

New types of program requirements for MVPDs are being actively promoted. For example, some members of Congress have sought to apply the indecency regulations now applicable to broadcast programming to MVPD programming. Others have made efforts to require MVPDs to offer program channels on an a la carte basis or in smaller bundles, arguing that such offerings would give subscribers more choice to reject channels with indecent or otherwise objectionable content. The current FCC chairman has supported encouraging MVPDs to offer a la carte programming. In early 2006, the FCC s Media Bureau issued a report contradicting an earlier study s conclusions that a la carte sales would increase costs to most consumers and reduce program diversity. The regulation of programming is subject to the political process, and further changes in law and regulation may be anticipated. There can be no assurance that our business would not be adversely affected by new legislation or FCC regulations affecting MVPDs or their programming.

Newspap ers

We operate daily and community newspapers in 18 markets in the United States. Three of our newspapers are operated pursuant to the terms of joint operating agreements (JOAs). We also own and operate the Washington-based Scripps Media Center, home to the Scripps Howard News Service, a supplemental wire service covering stories in the capital, other parts of the United States and abroad. All of our newspapers subscribe to the wire service.

Our newspapers contributed approximately 29% of our company s total operating revenues in 2006, down from 38% in 2004.

Newspapers managed solely by us Information regarding the markets in which we publish and solely manage daily newspapers and the circulation of these daily newspapers is as follows:

(in thousands) (1)

Newspaper	**2006**	**2005**	**2004**	**2003**	**2002**
Abilene (TX) Reporter-News	31	30	33	33	34
Anderson (SC) Independent-Mail	35	36	37	38	39
Corpus Christi (TX) Caller-Times	52	50	58	61	63
Evansville (IN) Courier & Press	66	66	66	69	69
Henderson (KY) Gleaner	10	10	10	10	11
Kitsap (WA) Sun	30	30	30	30	31
Knoxville (TN) News Sentinel	117	117	120	121	118
Memphis (TN) Commercial Appeal	156	165	172	173	172
Naples (FL) Daily News	58	58	57	57	56
Redding (CA) Record-Searchlight	34	35	35	35	35
San Angelo (TX) Standard-Times	25	25	26	27	28
Treasure Coast (FL) News/Press/Tribune	102	100	102	100	98
Ventura County (CA) Star	86	89	92	93	94
Wichita Falls (TX) Times Record News	30	30	32	32	32
Total Daily Circulation	831	842	869	878	879

Circulation information for the Sunday edition of our newspapers is as follows:

(in thousands) (1)

Newspaper	**2006**	**2005**	**2004**	**2003**	**2002**

Abilene (TX) Reporter-News	39	40	42	42	44
Anderson (SC) Independent-Mail	40	41	43	44	44
Corpus Christi (TX) Caller-Times	71	71	76	78	80
Evansville (IN) Courier & Press	88	89	92	97	97
Henderson (KY) Gleaner	12	11	12	12	12
Kitsap (WA) Sun	33	33	33	34	36
Knoxville (TN) News Sentinel	147	150	153	155	154
Memphis (TN) Commercial Appeal	204	216	236	235	234
Naples (FL) Daily News	67	70	69	69	68
Redding (CA) Record-Searchlight	37	39	39	40	40
San Angelo (TX) Standard-Times	30	30	31	32	33
Treasure Coast (FL) News/Press/Tribune (2)	113	112	115	113	111
Ventura County (CA) Star	99	100	106	107	107
Wichita Falls (TX) Times Record News	34	35	36	36	37
Total Sunday Circulation	1,014	1,036	1,083	1,093	1,096

(1) Based on Audit Bureau of Circulation Publisher s Statements (Statements) for the six-month periods ended September 30, except figures for the Naples Daily News and the Treasure Coast News/Press/Tribune, which are from the Statements for the twelve-month periods ended September 30.

(2) Represents the combined Sunday circulation of the Stuart News, the Vero Beach Press Journal and the Ft. Pierce Tribune.

Our newspaper publishing strategy seeks to create local media franchises anchored by the market s principal daily newspaper. Each newspaper manages its own news coverage, sets its own editorial policies and establishes local business practices. Our corporate staff sets the basic business, accounting and reporting policies, and provides other services and quality control. Additionally, certain centralized functions such as newsprint and paper procurement activities and information technology processes provide support for all of our newspapers.

We believe each of our newspapers has an excellent reputation for journalistic quality and content and that our newspapers are the leading source of local news and information in their markets. This strong brand recognition attracts readers and provides access to an audience which we sell to advertisers.

Table of Contents

Over the years we have supplemented our daily newspapers with an array of niche products, including direct-mail advertising, total market coverage publications, zoned editions, youth-oriented and Spanish language specialty publications, and event-based publications. These product offerings allow existing advertisers to reach their target audience in multiple ways, while also giving us an attractive portfolio of products with which to acquire new clients, particularly small and mid-sized advertisers. While we strive to make such publications profitable in their own right, they also help retain advertising in the daily newspaper.

Our newspapers also operate Internet sites, offering users information, comprehensive news, advertising, e-commerce and other services. Online advertising, particularly classified advertising has become one of the fastest growing revenue sources at our newspapers. Together with the mass reach of the daily newspaper, the Internet sites and niche publications enable us to maintain our position as a leading media outlet in each of our newspaper markets.

To protect and enhance our market position we must continually launch new products, offer good, relevant local content, ensure quality service, invest in new technology and cross-brand our newspapers, Internet sites and niche publications. We expect to continue to expand and enhance our online services and to use our local news platform to launch new products, such as streaming video or audio.

Advertising provided approximately 80% of newspaper segment operating revenues in 2006. Newspaper advertising includes Run-of-Press (ROP) advertising, preprinted inserts, advertising on our Internet sites, advertising in niche publications, and direct mail. ROP advertisements, located throughout the newspaper, are classified into one of three categories: local, classified or national. Local ROP refers to any advertising purchased by in-market advertisers that is not included in the paper s classified section. Classified ROP includes all auto, real estate and help-wanted advertising and other ads listed together in sequence by the nature of the ads. National ROP refers to any advertising purchased by businesses that operate beyond our local market and who typically procure advertising from numerous newspapers by using advertising agency services. Preprint advertisements are generally printed by advertisers and inserted into the newspaper. Internet advertising ranges from simple static banners and listings appearing on a Web page to more complex, interactive, animated and video advertisements.

Advertising revenues on a given volume of local and national ROP advertisements are generally greater than the revenues earned on the same volume of preprinted and other advertisements. Most of our newspaper markets have experienced a consolidation of retail department stores and the growth of discount retailers. Discount retailers do not traditionally rely on newspaper ROP advertising to deliver their commercial messages. The combination of these trends has resulted in a shift in advertiser demand away from the purchase of local ROP advertising and to the purchase of pre-printed advertising supplements. In response to changing advertising trends, we have launched new products in each of our markets and continually work to upgrade our advertising sales force by providing them with advanced training and innovative sales strategies. These techniques have been effective in generating advertising sales from new customers and replacing some of the lost advertising revenue from our traditional customers.

Advertising is generally sold based upon audience size, demographics, price and effectiveness. Advertising rates and revenues vary among our newspapers depending on circulation, type of advertising, local market conditions and competition. Each of our newspapers operate in highly competitive local media marketplaces, where advertisers and media consumers can choose from a wide range of alternatives, including other newspapers, radio, broadcast and cable television, magazines, Internet sites, outdoor advertising, directories and direct-mail products.

Typically, because it generates the largest circulation and readership, advertising rates and volume are higher on Sundays. Due to increased demand in the spring and holiday seasons, the second and fourth quarters have higher advertising revenues than the first and third quarters.

Circulation provided approximately 17% of newspaper segment operating revenues in 2006. Circulation revenues are produced from selling home-delivery subscriptions of our newspapers and single-copy sales sold at retail outlets and vending machines. Our newspapers seek to provide quality, relevant local news and information to their readers. We compete with other news and information sources, such as television stations, radio stations and other print and Internet publications as a provider of local news and information.

Employee costs accounted for approximately 52% of segment costs and expenses in 2006. Our workforce is comprised of a combination of non-union and union employees. See Employees.

We consumed approximately 128,000 metric tons of newsprint in 2006. Newsprint is a basic commodity and its price is subject to changes in the balance of worldwide supply and demand. Mill closures and industry consolidation have decreased overall newsprint capacity and increased the likelihood of future price increases.

We also operate Media Procurement Services (MPS), a wholly-owned subsidiary company. MPS provides newsprint and other paper procurement services for both our newspapers and other non-affiliated newspapers and printers. By combining the purchasing requirements of several companies for newsprint and other services, MPS is able to negotiate more favorable pricing with newsprint producers. MPS purchases

newsprint from various suppliers, many of which are Canadian. Based on our expected newsprint consumption, we believe our supply sources are sufficient.

Table of Contents

Newspapers operated under JOAs and partnerships Three of our newspapers are operated pursuant to the terms of JOAs. The Newspaper Preservation Act of 1970 provides a limited exemption from anti-trust laws, permitting competing newspapers in a market to combine their sales, production and business operations in order to reduce aggregate expenses and take advantage of economies of scale, thereby allowing the continued operation of both newspapers in that market.

Each newspaper maintains a separate and independent editorial operation.

In 2006, we formed a partnership with MediaNews Group, Inc. that operates certain of both companies newspapers in Colorado, including their editorial operations. We receive a share of the partnerships profits equal to our 50% residual interest.

Information regarding the markets in which we publish a daily newspaper pursuant to the terms of a JOA and the daily circulation of these newspapers are as follows:

(in thousands) (1)

Newspaper	**2006**	**2005**	**2004**	**2003**	**2002**
Albuquerque (NM) Tribune	11	12	13	15	16
Cincinnati (OH) Post	30	34	39	45	49
Denver (CO) Rocky Mountain News (2)	256	263	275	289	305
Total Daily Circulation	297	310	328	348	370

Sunday circulation information is as follows:

(in thousands) (1)

Newspaper	**2006**	**2005**	**2004**	**2003**	**2002**
Denver (CO) Rocky Mountain News (2)	694	725	751	786	789

(1) Based on Audit Bureau of Circulation Publisher s Statements for the six-month periods ended September 30.

(2) The Denver JOA publishes the Rocky Mountain News and the Denver Post Monday through Friday, and a joint newspaper on Saturday and Sunday. Reported daily circulation represents the Monday through Friday circulation of the Rocky Mountain News.

The JOAs generally provide for automatic renewals unless an advance termination notice ranging from two to five years is given by either party. Gannett Co. Inc. (Gannett) has notified us of its intent to terminate the Cincinnati JOA upon its expiration at the end of 2007.

The combined sales, production and business operations of the newspapers are either jointly managed or are solely managed by one of the newspapers. The combined operations of the Denver newspapers are jointly managed by the partners. We have no management responsibilities for the combined operations of the other two JOAs.

The operating profits earned from the combined operations of each newspaper in a JOA are distributed to the partners in accordance with the terms of the joint operating agreement. We receive a 50% share of the Denver JOA profits, a 40% share of the Albuquerque JOA profits, and about a 20% to 25% share of the Cincinnati JOA profits.

Our share of the operating profits of the combined newspaper operations in each JOA market and our newspaper partnerships is affected by similar operational, economic and competitive factors included in the discussion of newspapers managed solely by us.

8

Table of Contents

Broadcast Television

Broadcast television includes six ABC-affiliated stations, three NBC-affiliated stations and one independent. Our television stations reach approximately 10% of the nation s television households.

Our broadcast television stations provided approximately 15% of our total operating revenues in 2006, down from 18% in 2004.

Information concerning our broadcast television stations, their network affiliations and the markets in which they operate is as follows:

Station	Market	Network Affiliation/ DTV Channel	Affiliation Expires in/ DTV Service Commenced	FCC License Expires in	Rank of Mkt (1)	Stations in Mkt (2)	Station Rank in Mkt (3)	Percentage of U.S. Television Households in Mkt (4)	Average Audience Share (5)
WXYZ-TV	Detroit, Ch. 7	ABC	2010	2005(6)	11	9	1	1.7%	12
	Digital Service Status	41	1998						
WFTS-TV	Tampa, Ch. 28	ABC	2010	2013	12	12	4	1.6%	6
	Digital Service Status	29	1999						
KNXV-TV	Phoenix, Ch. 15	ABC	2010	2006(6)	13	15	4	1.5%	7
	Digital Service Status	56	2000						
WEWS-TV	Cleveland, Ch. 5	ABC	2010	2005(6)	17	11	1	1.4%	11
	Digital Service Status	15	1999						
WMAR-TV	Baltimore, Ch. 2	ABC	2010	2012	24	6	3	1.0%	6
	Digital Service Status	52	1999						
KSHB-TV	Kansas City, Ch. 41	NBC	2010	2006(6)	31	8	4	0.8%	8
	Digital Service Status	42	2003						
KMCI-TV	Lawrence, Ch. 38	Ind.	N/A	2014	31	8	6	0.8%	2
	Digital Service Status	36	2003						
WCPO-TV	Cincinnati, Ch. 9	ABC	2010	2005(6)	33	7	2	0.8%	13
	Digital Service Status	10	1998						
WPTV-TV	W. Palm Beach, Ch. 5	NBC	2010	2005(6)	38	9	1	0.7%	14
	Digital Service Status	55	2003						
KJRH-TV	Tulsa, Ch. 2	NBC	2010	2006(6)	62	10	3	0.5%	9
	Digital Service Status	56	2002						

All market and audience data is based on the November Nielsen survey.

(1) Rank of Market represents the relative size of the television market in the United States.

(2) Stations in Market does not include public broadcasting stations, satellite stations, or translators which rebroadcast signals from distant stations.

(3) Station Rank in Market is based on Average Audience Share as described in (5).

(4) Represents the number of U.S. television households in Designated Market Area as a percentage of total U.S. television households.

(5) Represents the number of television households tuned to a specific station from 6 a.m. to 2 a.m. each day, as a percentage of total viewing households in the Designated Market Area.

(6) Renewal application pending. Under FCC rules, a license automatically is extended pending FCC processing and granting of the renewal application. Historically, we have been successful in renewing our expiring FCC licenses.

Table of Contents

Our broadcast television strategy is to optimize the ratings, revenue and profit potential of each of our stations. Local news talent and the effective promotion of network and syndicated programs are the primary drivers of the ratings, revenue and profitability of our stations. In addition, we operate Internet sites covering each of our broadcast television markets. Our Internet sites provide supplemental news, weather, and entertainment content. We believe the opportunities afforded by digital media, such as digital multi-casting, streaming, video-on-demand and podcasts of local news and information programs are important to our future success. We also believe that there is demand for real-time news, particularly traffic and weather, delivered to mobile devices such as cell phones and personal digital assistants (PDAs). We devote substantial energy and resources to integrating such media into our business.

National television networks offer a variety of programs to affiliated stations, which have a limited right of first refusal before such programming may be offered to other television stations in the same market. Networks sell most of the advertising within the programs and compensate affiliated stations for carrying network programming. Affiliated television stations may share in the cost of certain network programming, which is deducted from such compensation. The network affiliation agreements for our nine affiliated stations are not due to expire until 2010.

In addition to network programming, our broadcast television stations produce their own programming and air programming licensed from a number of different independent program producers and syndicators. News is the primary focus of our locally produced programming. To differentiate our programming from that of national networks available on cable and satellite television and other entertainment media, our stations have emphasized and increased hours dedicated to local news and entertainment. To this end, our six ABC affiliated stations benefited in 2006 when Monday Night Football moved to ESPN. The weekly football broadcast from September to January disrupted the cycle of our 11 p.m. news broadcast.

The sale of local, national and political commercial spots accounted for 97% of broadcast television segment operating revenues in 2006. In addition to advertising time, we also offer additional marketing opportunities, including sponsorships, community events, and advertising on our Internet sites.

Advertising revenues are also influenced by various cyclical factors, particularly the political cycle. Advertising revenues dramatically increase during even-numbered years, when congressional and presidential elections occur. Advertising revenues also are affected by whether our stations are affiliated with the national networks broadcasting major events, such as the Olympics or the Super Bowl. In 2006, our ABC affiliated stations benefited from the broadcast of the Super Bowl in February and our NBC affiliated stations benefited from the broadcast of the Winter Olympics. Due to increased demand in the spring and holiday seasons, the second and fourth quarters normally have higher advertising revenues than our first and third quarters.

Our television stations compete for advertising revenues primarily with other local media, including other local television stations, radio stations, cable television systems, newspapers, other Internet sites and direct mail. Competition for advertising revenue is based upon audience size and share, demographics, price and effectiveness.

The price of syndicated programming is directly correlated to the programming demands of other television stations within our markets. Syndicated programming costs were 19% of total segment costs and expenses in 2006.

Our broadcast television stations require studios to produce local programming and traffic systems to schedule programs and to insert advertisements within programs. Our stations also require towers upon which broadcasting transmitters and antenna equipment are located.

Employee costs accounted for approximately 53% of segment costs and expenses in 2006.

Federal Regulation of Broadcasting Broadcast television is subject to the jurisdiction of the FCC pursuant to the Communications Act of 1934, as amended (Communications Act). The Communications Act prohibits the operation of broadcast television stations except in accordance with a license issued by the FCC and empowers the FCC to revoke, modify and renew broadcast television licenses, approve the transfer of control of any entity holding such licenses, determine the location of stations, regulate the equipment used by stations and adopt and enforce necessary regulations. The FCC also exercises limited authority over broadcast programming by, among other things, requiring certain children s programming and limiting commercial content therein, regulating the sale of political advertising, and restricting indecent programming.

Broadcast television licenses are granted for a term of up to eight years and are renewable upon request, subject to FCC review of the licensee s performance. While there can be no assurance regarding the renewal of our broadcast television licenses, we have never had a license revoked, have never been denied a renewal, and all previous renewals have been for the maximum term.

FCC regulations govern the multiple ownership of television stations and other media. Under the FCC s current rules (as modified by Congress with respect to national audience reach), a license for a television station will generally not be granted or renewed if the grant of the license would result in (i) the applicant owning more than one television station, or in some markets under certain conditions, more than two television stations in the same market, or (ii) the grant of the license would result in the applicant s owning, operating, controlling, or having an interest in television stations whose total national audience reach exceeds 39% of all television households. The current FCC rules also generally prohibit cross ownership of a television station and a daily newspaper in the same community. Our television station and daily newspaper in Cincinnati were owned by us at the time the cross-ownership rule was enacted and enjoy grandfathered status. These properties would become subject to the cross-ownership rule upon their sale.

In 1996, Congress directed the FCC to review all its media ownership rules biennially. The FCC concluded the 2002 biennial review of its media ownership rules by amending the rules so as to generally permit entities to own more television stations as well as a newspaper in some markets. However, after

Table of Contents

several parties appealed the rule changes, a federal court stayed the new rules from taking effect and directed the FCC to reconsider its actions. It is not possible to predict the timing or outcome of this ongoing review of the FCC s ownership rules.

The FCC has adopted a series of orders to implement the ongoing transition from an analog system of broadcast television to a digital transmission system. It granted most television stations a second channel on which to begin offering digital service, and each of our broadcast stations now offers digital as well as analog broadcast service. Congress has set February 17, 2009, as the firm deadline for completing the digital transition and the return of broadcasters analog spectrum.

A substantial number of technical, regulatory and market-related issues remain unresolved regarding the transition to digital television. These issues include the timeliness with which the FCC can finalize the allocation of a digital channel and service area to each broadcast station and otherwise prepare for the repurposing of spectrum now used for analog broadcasting; whether the FCC will adopt new rules affecting broadcasters use of their digital spectrum; when and how Congress or the FCC will further address cable and satellite carriage of digital programming; concerns over protecting broadcasters digital signal coverage, including protecting broadcast signals from harmful interference from new users of former broadcast spectrum; protecting digital broadcast signals from illegal copying and distribution; and uncertainty over the level of consumer demand for new digital services. We cannot predict the effect of these uncertainties on our offering of digital service or our business.

Broadcast television stations generally enjoy must-carry rights on any cable television system defined as local with respect to the station. Stations may waive their must-carry rights and instead negotiate retransmission consent agreements with local cable companies. Our network-affiliated stations have generally elected to negotiate retransmission consent agreements, while independent station KMCI relies on must-carry rights. Similarly, satellite carriers, upon request, are required to carry the signal of those television stations that request carriage and that are located in markets in which the satellite carrier chooses to retransmit at least one local station, and satellite carriers cannot carry a broadcast station without its consent. While the FCC has announced that a television station s primary digital video transmission will enjoy cable must-carry rights, the FCC has declined to require carriage of a digital signal in addition to the station s analog signal or to require carriage of the multiple program streams that broadcasters can present with digital technology. The FCC has not yet addressed satellite carriers obligations to carry local stations digital signals except per congressional direction in Hawaii and Alaska.

Interactive Media

Interactive media includes our online comparison shopping services, Shopzilla and uSwitch. Shopzilla, acquired on June 27, 2005, operates a comparison shopping service that helps consumers find products offered for sale on the Web by online retailers. uSwitch, acquired on March 16, 2006, operates an online comparison service that helps consumers compare prices and arrange for the purchase of a range of essential home services including gas, electricity, home phone, broadband Internet and personal finance products primarily in the United Kingdom. The acquisitions of these businesses has enabled us to capitalize on the rapid growth and rising profitability of specialized Internet search businesses. On a pro-forma basis, assuming we had owned uSwitch for all of 2006, interactive media would have produced 11% of our total operating revenues.

Shopzilla operates its comparison shopping service on proprietary Web sites, including Shopzilla.com and BizRate.com, in the United States. Shopzilla also operates the BizRate consumer feedback network that collects millions of consumer reviews of stores and products each year. Shopzilla began operating comparison shopping sites serving the United Kingdom, France and Germany in 2004 and 2005.

Shopzilla aggregates and organizes information on millions of products from thousands of retailers. Consumers use the information on our site to search for products and then narrow their choices by the specific criteria that match their needs. These criteria include price, brand, product reviews, and other product attributes. Our comparison shopping service enables consumers to find and compare products online conveniently and effectively, reducing the need to visit the Internet sites of multiple online merchants. We provide consumers with a deep link to the Internet site of participating merchants, enabling consumers to quickly purchase products in which they have an interest. Our service enables merchants to generate sales cost-effectively by connecting them with consumers who are actively shopping for their products and services.

Online shopping in the United States continues to increase as consumers become more aware and accepting of its convenience and ease. At the same time, search engines and other online tools that assist consumers are being utilized on an increased basis. We believe Shopzilla is well positioned to benefit from such trends.

Our service is free to the consumer. Shopzilla earns revenue primarily from referrals provided to participating online merchants. Lead referrals occur when consumers using our site click through to participating online retailers. Our operating results are dependent upon our ability to continually attract customers to our Internet site in a cost effective manner and provide relevant product and merchant information to consumers.

The volume of referrals and the average revenue per referral are influenced by factors such as seasonality and product mix. The holiday season generally drives an increase in online shopping, and, therefore, our revenues in the fourth quarter are typically higher than in other quarters.

Marketing costs intended to attract traffic to our comparison shopping sites and costs to operate and develop our Internet sites are our primary expenses.

Consumers enter our site directly (free traffic) and come to our site through links from general search engines and other Internet sites. We have begun to leverage the cross-

Table of Contents

promotional power of all of our media businesses to brand Shopzilla. Specifically, we have used our media businesses to drive traffic to Shopzilla via links on virtually all of our Web sites, our lifestyle networks and TV stations have promoted Shopzilla, and our newspapers have run ads and created a Shopzilla-branded, Smart Shopper column. Additionally, we purchase performance-based advertising from search engines and other Internet sites to expose our brand to consumers who are researching areas in which we provide services. This advertising generally consists of keyword-based purchases, generally pursuant to contracts which we may terminate on 30 days notice. We continually monitor our keyword campaigns and adjust them to achieve better results. We also enter into distribution agreements with companies that wish to feature our comparison shopping content on their Web sites. We either pay these companies a cost-per-click fee, or share the revenues we charge our merchants when consumers link from these distribution partner Web sites to a merchant Web site.

uSwitch is a free, impartial online and phone-based comparison and switching service that helps customers compare prices on a range of services including gas, electricity, home phone, broadband providers and personal finance products. Our aim is to help customers take advantage of the best prices and services offered by suppliers. The company has developed a series of calculators that evaluate a number of key factors including price, location, service and payment method, and advises customers on the best deal to suit their needs.

uSwitch has agreements with suppliers across all our services, and we earn revenue by providing suppliers with complete switches or referrals. We earn a commission for each switch or referral based on the terms of the contract with the supplier. Our commercial relationships are in place to help make the switching process as convenient as possible for our customers, and in some cases we can offer exclusive deals that are not available directly from the supplier. They also enable us to keep this a free service.

We compete for both consumer and merchant users of our service. We compete for consumers on the basis of brand recognition, coverage of products and merchants, quality of information and ease of use. We compete for merchants on the basis of the quantity of lead referrals, the likelihood that those lead referrals will convert into purchases, our ability to help merchants measure the results of their marketing expenditures on our service, and our ability to help them optimize such expenditures. Any service that helps consumers find, compare or buy products and services is a competitor to us.

Licensing and Other Media

Licensing and other media aggregates operating segments that are too small to report separately, and primarily includes syndication and licensing of news features and comics. Under the trade name United Media, we distribute news columns, comics and other features for the newspaper industry. Newspapers typically pay a weekly fee for their use of the features. Included among these features is Peanuts, one of the most successful strips in the history of comic art.

United Media owns and licenses worldwide copyrights relating to Peanuts, Dilbert and other properties for use on numerous products, including plush toys, greeting cards and apparel, for promotional purposes and for exhibit on television and other media. Charles Schulz, the creator of Peanuts, died in February 2000. We continue syndication of previously published Peanuts strips and retain the rights to license the characters. Peanuts provides approximately 94% of our licensing revenues. Licensing of comic characters in Japan provides approximately 42% of our international revenues, which are approximately $55 million annually.

Merchandise, literary and exhibition licensing revenues are generally a negotiated percentage of the licensee s sales. We generally negotiate a fixed fee for the use of our copyrighted characters for promotional and advertising purposes. We generally pay a percentage of gross syndication and licensing royalties to the creators of these properties.

We also represent the owners of other copyrights and trademarks, including Raggedy Ann and Precious Moments, in the U.S. and international markets. Services offered include negotiation and enforcement of licensing agreements and collection of royalties. We typically retain a percentage of the licensing royalties.

Table of Contents

Employees

As of December 31, 2006, we had approximately 9,000 full-time equivalent employees, of whom approximately 5,300 were with newspapers, 1,200 with Scripps Networks, 1,600 with broadcast television, 500 with Interactive media and 200 with licensing and other media. Various labor unions represent approximately 1,200 employees, primarily in newspapers. We have not experienced any work stoppages at our current operations since 1985. We consider our relationships with our employees to be generally satisfactory.

Item 1a. Risk Factors

For an enterprise as large and complex as ours, a wide range of factors could materially affect future developments and performance. In addition to the factors affecting specific business operations, identified elsewhere in this report, the most significant factors affecting our operations include the following:

Changes in economic conditions in the United States, the regional economies in which we operate or in specific economic sectors could adversely affect the profitability of our businesses.

Approximately 80% of our revenues in 2006 were derived from marketing and advertising spending by businesses operating in the United States. Advertising and marketing spending is sensitive to economic conditions, and tends to decline in recessionary periods. A decline in economic conditions could reduce advertising prices and volume, resulting in a decrease in our advertising revenues. A decline in economic conditions could also impact consumer discretionary spending. Such a reduction in consumer spending may impact the volume of online shopping, which could adversely affect our comparison shopping business.

Advertising and marketing spending by our customers is subject to seasonal and cyclical variations.

Due to increased demand in the spring and holiday seasons, the second and fourth quarters normally have higher advertising revenues than our first and third quarters. Referral fee revenues are highest in the fourth quarter due in part to increased online shopping during the holiday season. In addition, advertising revenues in even-numbered years benefit from political advertising. If a short-term negative impact on our business was to occur during a time of high seasonal demand, there could be a disproportionate effect on the operating results of that business for the year.

We face significant competition for advertising and marketing revenues.

All of our marketing service businesses are subject to competition for advertising and marketing revenues. We compete for advertising revenues with other local and national media, including television networks, television stations, radio stations, newspapers, Internet sites and direct mail. Advertising is sold on the basis of audience size and demographics, price and effectiveness. Audience size and demographics are generally related to our success in creating news and entertainment content whose success depends substantially on consumer tastes and preferences that change in often unpredictable ways. The success of our businesses depends on our ability to consistently create content and programming that meets these changing preferences. If our product offerings do not achieve sufficient consumer acceptance, our audience share may be adversely affected. Declines in such audience shares could result in a reduction in advertising revenue.

Our interactive media businesses compete for marketing services revenues with other comparison shopping services, general search engines, and other providers of information on shopping and essential home services. Our ability to maintain our relationship with participating retailers and service providers is largely dependent on our ability to provide them a cost effective means of attracting business.

In order to maintain the confidence of participating retailers, our online comparison shopping services must monitor and detect click fraud by persons seeking to increase the fees paid by participating retailers rather than to view the merchandise. If we are unable to detect and stop it, click fraud could damage our brand and could result in the return of referral fees to participating retailers.

Table of Contents

Our traditional media businesses face substantial competition for advertising revenues with non-traditional digital media.

Competition for advertising revenue is increasingly intense with digital media platforms. The popularity of the Internet and low barriers to entry have led to a wide variety of alternatives available to advertisers and consumers. As media audiences fragment, advertisers are increasing the portion of their advertising budgets allocated to non-traditional media, such as Internet sites and search engines. Internet sites and search engines can offer more measurable returns than traditional media advertising through pay-for-performance and keyword-targeted advertising. We also compete with companies that sell products and services online because these companies are trying to attract users to their Internet sites directly to search for information about their products and services.

In recent years, Internet sites dedicated to help-wanted, real estate and automotive have become significant competitors for classified advertising. Entities with a large Internet presence are entering the classified market, heightening the risk of continued erosion. Although the amount of advertising on our Internet sites has been increasing, we may experience a decline in advertising revenues if we are unable to attract advertising to our Internet sites in sufficient volume or at rates comparable to that of our traditional media businesses.

Decreases, or slow growth, in circulation adversely affects our circulation revenues and also our advertising revenues.

In recent years the newspaper industry has had difficulty increasing circulation volume and revenues. Since 2001 the daily and Sunday circulation of our newspapers has declined approximately 5%. The declines are due, in part, to competition from other forms of media, particularly the Internet. Regular newspaper buying has declined, particularly among young people who increasingly rely on the Internet and other non-traditional media for news. The increased use of such non-traditional media, which is often available at no cost, challenges the traditional media model, in which quality journalism and content is primarily supported by advertising revenues.

A prolonged decline in circulation copies could have an effect on the rate and volume of advertising, which are dependent on the size and demographics of the audience we provide to our advertisers. To maintain our circulation base, we may incur additional costs. We may not be able to recover these costs through increased circulation and advertising revenues.

Television viewing audiences have fragmented, and further fragmentation could adversely affect our advertising revenues.

The expanded availability of digital cable television and the introduction of direct-to-home satellite distribution have greatly increased the options available to the viewing public. In addition, technological advancements in the video, telecommunications and data services industry are occurring rapidly. Advances in technologies such as personal video recorders, video-on-demand and streaming video on broadband Internet connections enable viewers to time-shift programming or to skip commercial messages. These changes have subjected Scripps Networks and our broadcast television stations to increased competition and to new types of competition for both viewers and advertising revenues.

Continued fragmentation of the television audience and technological developments could affect the viewership levels of our television businesses. Reductions in viewership levels could result in decreases in advertising revenues. Our ability to anticipate and adapt to changes in technology and consumer tastes on a timely basis and exploit new sources of revenue from these changes is critical to our ability to increase our advertising revenues and remain competitive.

We purchase keyword advertising on general search engines to attract consumers to our interactive media Web sites.

We attract traffic to our interactive media Web sites through search results displayed by Google, Yahoo! and other popular general search engines. Search engines typically provide two types of search results, algorithmic listings and sponsored listings. We rely on both algorithmic and sponsored listings to attract consumers to our comparison shopping Internet site.

Algorithmic listings cannot be purchased, and instead are determined and displayed solely by a set of formulas designed by the search engine. Search engines revise their algorithms from time to time in an attempt to optimize their search result listings. Modification of such algorithms may result in fewer consumers clicking through to our Internet site.

We also rely on purchased listings to attract consumers to our Web sites. Many general search engines also operate Internet shopping services. Modification or termination of our contractual relationships with general search engines to purchase keyword advertising could result in fewer consumers clicking through to our Internet site. We may incur additional expenses to replace this traffic.

Approximately 30% to 40% of our referral fee revenues in 2006 were with a general search engine and a change in this relationship could harm our business.

In August 2002, we entered into the first of three agreements with a general search engine to participate in its sponsored links program. Under each of these agreements, pursuant to a contractual agreement that expires in October 2008, we display listings from the search engine s advertisers as a part of our service. We receive a share of the revenues earned by the search engine when consumers visit the advertisers Web sites. Our revenues could be affected if this agreement was not renewed upon expiration or if the agreement was not renewed on similar terms.

Our interactive media businesses are subject to online security risks, including security breaches and identity theft.

Our interactive media businesses transmit confidential information over public networks. A significant number of participating retailers authorize us to bill their credit cards directly for referrals provided to the retailer. Consumers switching essential home services provide sensitive personal data when completing contracts with the service providers. We rely upon encryptions and authentication technology provided by third parties to secure transmission of such confidential information.

Table of Contents

Our Web site infrastructure is vulnerable to computer viruses and similar disruptions, and we may be subject to denial-of-service attacks that might make our Web sites unavailable for periods of time.

Scripps Networks is dependent upon the maintenance of distribution agreements with cable and satellite distributors on acceptable terms.

We enter into long-term contracts for the distribution of our networks on cable and satellite television systems. Our long-term distribution arrangements enable us to reach a large percentage of cable and direct broadcast satellite households across the United States. As these contracts expire, we must renew or renegotiate them. If we are unable to renew them on acceptable terms, we may lose distribution rights.

The loss of a significant number of affiliation arrangements on basic programming tiers could reduce the distribution of our national television networks, thereby adversely affecting affiliate fee revenue, our ability to sell advertising or the rates we charge for such advertising.

Our networks that are carried on digital tiers are dependent upon the continued upgrade of cable systems to digital capability and the public s continuing acceptance of, and willingness to pay for upgrades to digital cable as well as our ability to negotiate favorable carriage agreements on widely accepted digital tiers.

Consolidation among cable television system operators has given the largest cable and satellite television systems considerable leverage in their relationship with programmers. In 1996, the two largest cable television system operators provided service to approximately 22% of households receiving cable or satellite television service. They provide service to approximately 44% of these households today, with the two largest satellite television operators providing service to an additional 30% of such households.

Continued consolidation within the industry could reduce the number of distributors available to carry our programming, subject our affiliate fee revenue to greater volume discounts, and further increase the negotiating leverage of the cable and satellite television system operators.

The loss of affiliation agreements could adversely affect our broadcast television stations results of operations.

Our broadcast television station business owns and operates ten television stations. Six of the stations are affiliated with ABC and three are affiliated with NBC. These television networks produce and distribute programming in exchange for each of our stations commitment to air the programming at specified times and for commercial announcement time during the programming.

The non-renewal or termination of any of our network affiliation agreements would prevent us from being able to carry programming of the relevant network. This loss of programming would require us to obtain replacement programming, which may involve higher costs and which may not be as attractive to our target audiences, resulting in reduced revenues.

We continue to develop new products and services for evolving markets. There can be no assurance of the success of these efforts due to a number of factors, some of which are beyond our control.

There are substantial uncertainties associated with our efforts to develop new products and services for evolving markets, and substantial investments may be required. Initial timetables for the introduction and development of new products or services may not be achieved, and price and profitability targets may not prove feasible. External factors, such as the development of competitive alternatives, rapid technological change, regulatory changes and shifting market preferences, may cause new markets to move in unanticipated directions.

We cannot be certain that we will be successful in integrating businesses we may acquire with our existing businesses.

We may grow through acquisitions in certain markets, and we may also consider the acquisition of businesses that fall outside our traditional lines of business. For example, in recent years we have acquired GAC, but have also acquired Shopzilla and uSwitch which are outside our traditional lines of business. Acquisitions involve risks, including difficulties in integrating acquired operations, diversions of management resources, debt incurred in financing such acquisitions and other unanticipated problems and liabilities. In addition, while we intend to implement appropriate controls and procedures as we integrate acquired companies, we may not be able to certify as to the effectiveness of these companies disclosure controls and procedures or internal control over financial reporting (as required by recent amendments to U.S. federal securities laws and regulations) until we have fully integrated those acquired businesses.

The failure to manage growth of our interactive media segment could harm our business.

We are expanding the number of employees, facilities and infrastructure of our interactive media businesses in the United States and internationally. We expect that further investment will be required as we continue to expand into new product lines and geographic areas.

We must add new hardware and update software to accommodate the increased traffic to our Web sites. Failure to upgrade our technology, security infrastructure or network infrastructure to support the increased transaction volume could result in unanticipated system disruptions, slow response times or poor consumer experiences.

There are risks associated with the international operations of our interactive media businesses, which we plan to continue to expand.

We acquired uSwitch in March 2006 and during 2006 have invested in the expansion of Shopzilla into the European market. We plan to expand the uSwitch brand into the United States and Europe. We have only limited experience in many of the countries in which we expect to expand our interactive media businesses. Expansion into international markets requires management attention and resources and requires us to tailor our comparison shopping services to local cultures, regulations and standards.

Risks of doing business internationally also include compliance with differing regulatory requirements, which may include regulation of Internet services, banking, taxation and money transfer.

Because our international operations conduct business in the currency of their home country and we report our financial results in U.S. dollars, our operating results are impacted by changes in currency exchange rates. If the U.S. dollar weakens, translation of foreign-currency denominated transactions will result in increases in operating revenues, operating expenses and net income. Operating revenues, operating expenses and net income would decrease if the U.S. dollar strengthens against such foreign currencies.

Macro economic factors may impede access to or increase the cost of financing our operations and investments.

Changes in U.S. and global financial and equity markets, including market disruptions and significant interest rate fluctuations, may make it more difficult for us to obtain financing for our operations or investments or increase the cost of obtaining financing. In addition, our borrowing costs can be affected by short and long-term debt ratings assigned by independent rating agencies which are based, in significant part, on our performance as measured by credit metrics such as interest coverage and leverage ratios. A decrease in these ratings could increase our cost of borrowing or make it more difficult for us to obtain financing.

Sustained increases in costs of pension and employee health and welfare benefits may reduce our profitability.

Employee compensation and benefits account for approximately 39% of our total operating expenses. Our profitability is substantially affected by costs of pension benefits and other employee benefits. In recent years, we have experienced significant increases in these costs as a result of macro economic factors beyond our control, including increases in health care costs, declines in investment returns on plan assets and changes in discount rates used to calculate pension and related liabilities. At least some of these macro economic factors may continue to put upward pressure on the cost of providing pension and medical benefits. Although we have actively sought to control increases in these costs, there can be no assurance that we will succeed in limiting cost increases, and continued upward pressure could reduce the profitability of our businesses.

We may not be able to protect intellectual property rights upon which our business relies, and if we lose intellectual property protection, we may lose valuable assets.

Our business depends on our intellectual property, including internally developed technology and data resources and brand identification and journalistic reputation. We attempt to protect these intellectual property rights through a combination of copyright, trade secret, patent and trademark law and contractual restrictions, such as confidentiality agreements. We also depend on our trade names and domain names. We file applications for patents, trademarks, and other intellectual property registrations where we deem it appropriate to our business, but such applications may not result in the issuance of patents, registered trademarks, service marks or other intellectual property registrations. In addition, even if such registrations are issued, they may not fully protect all important aspects of our business and there is no guarantee that our business does not or will not infringe upon intellectual property rights of others. Furthermore, intellectual property laws vary from country to country, and it may be more difficult to protect and enforce our intellectual property rights in some foreign jurisdictions. In the future, we may need to litigate in the United States or elsewhere to enforce our intellectual property rights or determine the validity and scope of the proprietary rights of others. This litigation could potentially be expensive and possibly divert the attention of our management.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our service, technology and other intellectual property, and we cannot be certain that the steps we have taken will prevent any misappropriation or confusion among consumers and merchants, or unauthorized use of these rights. If we are unable to procure, protect and enforce our intellectual property rights, then we may not realize the full value of these assets, and our business may suffer.

Our Common Voting shares are principally held by The Edward W Scripps Trust, and this control could create conflicts of interest or inhibit potential changes of control.

We have two classes of stock: Common Voting shares and Class A Common shares. Holders of Class A Common shares are entitled to elect one-third of the Board of Directors, but are not permitted to vote on any other matters except as required by Ohio law. Holders of Common Voting shares are entitled to elect the remainder of the Board and to vote on all other matters. Our Common Voting shares are principally held by The Edward W Scripps Trust, which holds 88% of the Common Voting shares. As a result, the trust has the ability to elect two-thirds of the Board of Directors and to direct the outcome of any matter that does not require a vote of the Class A Common shares. Because this concentrated control could discourage others from initiating any potential merger, takeover or other change of control transaction that may otherwise be beneficial to our businesses, the market price of our Class A Common shares could be adversely affected.

Item 1b. Unresolved Staff Comments

The Company has received no written comments regarding its periodic or current reports from the staff of the Securities and Exchange Commission that were issued 180 days or more preceding the end of its 2006 fiscal year and that remain unresolved.

Item 2. Properties

Scripps Networks operates from an owned production and office facility in Knoxville. We also operate from a leased office facility in Knoxville and leased facilities in New York and Nashville. Substantially all equipment is owned by Scripps Networks.

We own substantially all of the facilities and equipment used in our newspaper operations.

We own substantially all of the facilities and equipment used by our broadcast television stations. We own, or co-own with other broadcast television stations, the towers used to transmit our television signal.

Interactive media operates from leased facilities in Los Angeles and London, as well as separate leased co-location facilities in Los Angeles and Houston. We anticipate expanding co-location facilities and infrastructure to support the growth of our interactive media businesses. Substantially all of our equipment is owned by our interactive media businesses.

Item 3. Legal Proceedings

We are involved in litigation arising in the ordinary course of business, such as defamation actions and various governmental and administrative proceedings primarily relating to renewal of broadcast licenses, none of which is expected to result in material loss.

Table of Contents

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of 2006.

Executive Officers of the Company - Executive officers serve at the pleasure of the Board of Directors.

Name	Age	Position
Kenneth W. Lowe	56	President, Chief Executive Officer and Director (since October 2000)
Richard A. Boehne	50	Chief Operating Officer (since March 2006), Executive Vice President (since 1999)
Joseph G. NeCastro	50	Executive Vice President and Chief Financial Officer (since March 2006), Senior Vice President and Chief Financial Officer (2002 to 2006); Senior Vice President and Chief Financial Officer, Penton Media, Inc. (1998 to 2002)
Mark G. Contreras	45	Senior Vice President /Newspapers (Since March 2006); Vice President/Newspaper Operations (2005 to 2006); Senior Vice President, Pulitzer, Inc. (1999 to 2004)
Anatolio B. Cruz III	48	Senior Vice President and General Counsel (Since March 2004); Vice President, Deputy General Counsel and Assistant Secretary, BET Holdings, Inc. (1999 to 2004)
Mark S. Hale	48	Senior Vice President/Technology Operations (since August 2006); Vice President/Technology Operations (2005 to 2006), Executive Vice President of Scripps Networks, LLC (1998 to 2005)
John F. Lansing	49	Senior Vice President/Scripps Networks (since February 2006); President, Scripps Networks, LLC (Since January 2005); Executive Vice President, Scripps Networks, LLC (January 2004 to January 2005); Senior Vice President/Television (2002 to 2005); Vice President/Television (2001 to 2002); Vice President/General Manager, WEWS-TV (1997 to 2001)
Tim A. Peterman	39	Senior Vice President/Interactive Media (since November 2005); Vice President/Corporate Development (2002 to 2005); Chief Financial Officer/Broadcast Division, Chief Financial Officer/Cable Television Network Division, USA Networks (1999 to 2002)*
William B. Peterson	63	Senior Vice President/Television Station Group (Since May 2004); Vice President/Station Operations (January 2004 to May 2004); Vice President/General Manager, WPTV-TV (2001 to 2004);
		Vice President/General Manager, WRAL-TV (1999 to 2001)
Jennifer L. Weber	40	Senior Vice President/Human Resources (since September 2005); Principal, Towers Perrin (2001 to 2005); Human Resources Consultant, Towers Perrin (1994 to 2001)

* Effective February 22, 2007, Tim A. Peterman returned to a corporate development role for the Company under the title Senior Vice President/Corporate Development.

Table of Contents

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchase of Equity Securities

Our Class A Common shares are traded on the New York Stock Exchange (NYSE) under the symbol SSP. There are approximately 53,000 owners of our Class A Common shares, based on security position listings, and 19 owners of our Common Voting shares (which do not have a public market). We have declared cash dividends in every year since our incorporation in 1922. Future dividends are, however, subject to our earnings, financial condition and capital requirements.

The range of market prices of our Class A Common shares, which represents the high and low sales prices for each full quarterly period, and quarterly cash dividends are as follows:

Quarter	1st	2nd	3rd	4th	Total
2006					
Market price of common stock:					
High	$ 50.63	$ 47.43	$ 48.02	$ 51.09	
Low	44.36	42.91	40.86	47.34	
Cash dividends per share of common stock	$ 0.11	$ 0.12	$ 0.12	$ 0.12	$ 0.47
2005					
Market price of common stock:					
High	$ 49.25	$ 52.91	$ 51.19	$ 50.50	
Low	45.91	47.80	47.25	44.85	
Cash dividends per share of common stock	$ 0.10	$ 0.11	$ 0.11	$ 0.11	$ 0.43

The following table provides information about Company purchases of Class A Common shares during the quarter ended December 31, 2006:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Max. Number of Shares that May Yet Be Purchased Under the Plan or Programs
10/1/06 - 10/31/06	154,000	$ 48.78	154,000	2,983,000
11/1/06 - 11/30/06	133,000	49.44	133,000	2,850,000
12/1/06 - 12/31/06				2,850,000
Total	287,000	$ 49.09	287,000	2,850,000

Under a share repurchase program authorized by the Board of Directors on October 24, 2004, we are authorized to repurchase up to 5.0 million Class A Common shares. A total of 1.4 million shares were repurchased in 2006 at prices ranging from $41 to $50 per share. There is no expiration date for the program and we are under no commitment or obligation to repurchase any particular amount of Class A Common shares under the program.

There were no sales of unregistered equity securities during the quarter for which this report is filed.

Performance Graph Set forth below is a line graph comparing the cumulative return on the Company s Class A Common shares, assuming an initial investment of $100 as of December 31, 2001, and based on the market prices at the end of each year and assuming dividend reinvestment,

with the cumulative return of the Standard & Poor s Composite-500 Stock Index and an Index based on a peer group of media companies.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN

AMONG THE E.W. SCRIPPS COMPANY,

S&P 500 INDEX AND PEER GROUP INDEX

	2001	2002	2003	2004	2005	2006
E.W. SCRIPPS	100.00	117.53	144.79	149.68	150.19	157.78
OLD PEER GROUP INDEX	100.00	113.66	134.72	125.68	96.38	96.12
S&P 500 INDEX	100.00	77.90	100.25	111.15	116.61	135.03
NEW PEER GROUP INDEX	100.00	105.03	131.66	132.63	106.43	117.80

ASSUMES $100 INVESTED ON DEC. 31, 2001

ASSUMES DIVIDEND REINVESTED

FISCAL YEAR ENDING DEC. 31, 2006

We continually evaluate and revise our peer group index as necessary so that it is reflective of our Company s portfolio of businesses. As a result of our recent acquisitions of the online comparison shopping businesses, Shopzilla and uSwitch, and the continued growth of our national television networks, we revised our peer group index in 2006. The companies that comprise the new peer group are Belo Corporation, Discovery Holding Company, Gannett Co. Inc., IAC/Interactive Corporation, Media General, Inc., News Corporation, Tribune Company, Viacom, Inc., and the Washington Post Company.

The old peer group was comprised of Belo Corporation, Gannet Co. Inc., Knight Ridder, Inc., Lee Enterprises, Inc., The New York Times Company, Tribune Company, and the Washington Post Company.

The peer group index is weighted based on market capitalization.

Item 6 . **Selected Financial Data**

The Selected Financial Data required by this item is filed as part of this Form 10-K. See Index to Consolidated Financial Statement Information at page F-1 of this Form 10-K.

Item 7. **Management s Discussion and Analysis of Financial Condition and Results of Operations**

Management s Discussion and Analysis of Financial Condition and Results of Operations required by this item is filed as part of this Form 10-K. See Index to Consolidated Financial Statement Information at page F-1 of this Form 10-K.

Table of Contents

Item 7a. Quantitative and Qualitative Disclosures About Market Risk

The market risk information required by this item is filed as part of this Form 10-K. See Index to Consolidated Financial Statement Information at page F-1 of this Form 10-K.

Item 8. Financial Statements and Supplementary Data

The Financial Statements and Supplementary Data required by this item are filed as part of this Form 10-K. See Index to Consolidated Financial Statement Information at page F-1 of this Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9a. Controls and Procedures

The Controls and Procedures required by this item are filed as part of this Form 10-K. See Index to Consolidated Financial Statement Information at page F-1 of this Form 10-K.

Item 9b. Other Information

None.

Table of Contents

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding executive officers is included in Part I of this Form 10-K as permitted by General Instruction G(3).

Information required by Item 10 of Form 10-K relating to directors is incorporated by reference to the material captioned Election of Directors in our definitive proxy statement for the Annual Meeting of Shareholders (Proxy Statement). Information regarding Section 16(a) compliance is incorporated by reference to the material captioned Report on Section 16(a) Beneficial Ownership Compliance in the Proxy Statement.

We have adopted a code of ethics that applies to all employees, officers and directors of Scripps. We also have a code of ethics for the CEO and Senior Financial Officers. This code of ethics meets the requirements defined by Item 406 of Regulation S-K and the requirement of a code of business conduct and ethics under NYSE listing standards. Copies of our codes of ethics are posted on our Web site at www.scripps.com.

Information regarding our audit committee financial expert is incorporated by reference to the material captioned Corporate Governance in the Proxy Statement.

The Proxy Statement will be filed with the Securities and Exchange Commission on or before March 31, 2007.

Item 11. Executive Compensation

The information required by Item 11 of Form 10-K is incorporated by reference to the material captioned Compensation Discussion and Analysis and Compensation Tables in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 of Form 10-K is incorporated by reference to the material captioned Report on the Security Ownership of Certain Beneficial Owners and Report on the Security Ownership of Management in the Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 of Form 10-K is incorporated by reference to the materials captioned Corporate Governance and Report on Related Party Transactions in the Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by Item 14 of Form 10-K is incorporated by reference to the material captioned Report of the Audit Committee of the Board of Directors in the Proxy Statement.

PAR T IV

Item 15. Exhibits and Financial Statement Schedules

Financial Statements and Supplemental Schedule

(a) The consolidated financial statements of Scripps are filed as part of this Form 10-K. See Index to Consolidated Financial Statement Information at page F-1.

The reports of Deloitte & Touche LLP, an Independent Registered Public Accounting Firm, dated March 1, 2007, are filed as part of this Form 10-K. See Index to Consolidated Financial Statement Information at page F-1.

(b) The Company s consolidated supplemental schedules are filed as part of this Form 10-K. See Index to Consolidated Financial Statement Schedules at page S-1.

Exhibits

The information required by this item appears at page E-1 of this Form 10-K.

Table of Contents

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE E. W. SCRIPPS COMPANY

Dated: March 1, 2007

By: /s/ Kenneth W. Lowe
Kenneth W. Lowe
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities indicated, on March 1, 2007.

Signature	Title
/s/ Kenneth W. Lowe Kenneth W. Lowe	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Joseph G. NeCastro Joseph G. NeCastro	Executive Vice President and Chief Financial Officer
/s/ William R. Burleigh William R. Burleigh	Chairman of the Board of Directors
/s/ John H. Burlingame John H. Burlingame	Director
/s/ David A. Galloway David A. Galloway	Director
/s/ Jarl Mohn Jarl Mohn	Director
/s/ Nicholas B. Paumgarten Nicholas B. Paumgarten	Director
/s/ Jeffrey Sagansky Jeffrey Sagansky	Director
/s/ Nackey E. Scagliotti Nackey E. Scagliotti	Director
/s/ Edward W. Scripps Edward W. Scripps	Director
/s/ Paul K. Scripps Paul K. Scripps	Director
/s/ Ronald W. Tysoe Ronald W. Tysoe	Director

/s/ Julie A. Wrigley Julie A. Wrigley	Director

Table of Contents

The E. W. Scripps Company

Index to Consolidated Financial Statement Information

Item No.		Page
1.	Selected Financial Data	F-2
2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	
	Forward-Looking Statements	F-5
	Executive Overview	F-5
	Critical Accounting Policies and Estimates	F-6
	Results of Operations	F-8
	Discontinued Operations	F-8
	Continuing Operations	F-9
	2006 Compared with 2005	F-9
	2005 Compared with 2004	F-10
	Business Segment Results	F-11
	Scripps Networks	F-12
	Newspapers	F-14
	Broadcast Television	F-15
	Interactive Media	F-16
	Liquidity and Capital Resources	F-17
3.	Quantitative and Qualitative Disclosures About Market Risk	F-20
4.	Controls and Procedures	F-22
5.	Reports of Independent Registered Public Accounting Firm	F-24
6.	Consolidated Balance Sheets	F-26
7.	Consolidated Statements of Income	F-27
8.	Consolidated Statements of Cash Flows	F-28
9.	Consolidated Statements of Comprehensive Income and Shareholders Equity	F-29
10.	Notes to Consolidated Financial Statements	F-30

Table of Contents

Selected Financial Data

Eleven-Year Financial Highlights
(in millions, except per share data)

	2006 (1)	2005 (1)	2004 (1)	2003 (1)	2002 (1)	2001 (1)	2000 (1)	1999 (1)	1998 (1)	1997 (1)	1996 (1)
Summary of Operations (11)											
Operating revenues:											
Scripps Networks	$ 1,052	$ 903	$ 724	$ 535	$ 415	$ 337	$ 296	$ 213	$ 133	$ 57	$ 30
Newspapers	716	701	676	664	655	649	653	622	593	473	415
Broadcast television	364	318	342	304	305	278	343	312	331	331	323
Interactive Media	271	99									
Licensing and other media	95	106	104	105	90	89	97	93	89	80	75
Corporate	1										
Intersegment eliminations	(3)										
Total segment operating revenues	2,496	2,127	1,846	1,609	1,466	1,352	1,389	1,240	1,145	942	843
Divested operating units (1)							11	23	25	44	61
RMN pre-JOA operating revenues (2)						12	221	210	200	197	183
Boulder prior to formation of Colorado newspaper partnership (3)	2	28	28	27	27	28	34	32	30	10	
Total operating revenues	$ 2,498	$ 2,155	$ 1,874	$ 1,636	$ 1,493	$ 1,392	$ 1,654	$ 1,505	$ 1,401	$ 1,193	$ 1,086
Segment profit (loss):											
Scripps Networks	$ 517	$ 414	$ 304	$ 204	$ 125	$ 76	$ 69	$ 34	$ 6	$ (9)	$ (14)
Newspapers managed solely by us	189	204	201	222	227	218	228	233	220	184	145
JOAs and newspaper partnerships (9)	7	15	36	37	34	12	28	30	29	26	19
Boulder prior to formation of Colorado newspaper partnership (3)		4	4	5	5	4	10	8	7	2	
Total newspapers	196	223	241	264	267	234	266	271	255	213	163
Broadcast television	121	88	108	85	98	80	129	96	118	128	126
Interactive Media	68	28									
Licensing and other media	13	19	17	19	17	15	16	13	12	10	10
Corporate	(60)	(42)	(38)	(32)	(28)	(19)	(20)	(18)	(16)	(16)	(17)
Intersegment eliminations											
Divested operating units (1)								1	1	(1)	5
Depreciation of PP&E	(71)	(63)	(56)	(56)	(56)	(54)	(68)	(65)	(64)	(53)	(49)
Amortization of other intangible assets	(44)	(20)	(2)	(3)	(4)	(5)	(4)	(4)	(5)	(2)	(3)
Gain on formation of Colorado newspaper partnership	4										
Gains (losses) on disposals of PP&E	(1)	(1)	(3)	(2)	(1)	(2)	(1)			(1)	(1)
Amortization of goodwill and other intangible assets with indefinite lives (4)						(38)	(36)	(35)	(35)	(22)	(17)

Gain on sale of production facility (5)			11								
Restructuring charges, including share of JOA restructurings (6)				(2)	4	(16)	(10)	(2)			(4)
Interest expense	(56)	(39)	(31)	(32)	(28)	(39)	(52)	(45)	(47)	(19)	(10)
Other investment results, net of expenses (7)			15	(3)	(86)	5	(25)	1		(3)	37
Gains on divested operations (1)							6			48	
Other gains (losses) (8)											(15)
Miscellaneous, net	5	6	4	5	1	1	1	4		4	1
Income taxes (10)	(219)	(217)	(205)	(146)	(114)	(99)	(106)	(103)	(91)	(116)	(83)
Minority interests	(74)	(58)	(43)	(16)	(7)	(4)	(4)	(4)	(5)	(5)	(3)
Income from continuing operations	$ 397	$ 339	$ 323	$ 286	$ 188	$ 136	$ 162	$ 143	$ 129	$ 155	$ 126
Per Share Data											
Income from continuing operations	$ 2.41	$ 2.05	$ 1.96	$ 1.75	$ 1.16	$ .85	$ 1.02	$ .91	$ .79	$ .95	$ .78
Cash dividends	.47	.43	.39	.30	.30	.30	.28	.28	.27	.26	.26
Market value of proceeds from Cable Transaction (11)											9.92
Market Value of Common Shares at December 31											
Per share	$ 49.94	$ 48.02	$ 48.28	$ 47.07	$ 38.48	$ 33.00	$ 31.44	$ 22.41	$ 24.88	$ 24.22	$ 17.50
Total	8,167	7,859	7,879	7,622	6,159	5,227	4,951	3,502	3,908	3,906	2,827

Certain amounts may not foot since each is rounded independently.

As a result of the two-for-one stock split authorized and distributed in the third quarter 2004, all share and per share amounts have been retroactively adjusted to reflect the stock split for all periods presented.

Table of Contents

Notes to Selected Financial Data

Eleven-Year Financial Highlights

(in millions)

	2006 (1)	2005 (1)	2004 (1)	2003 (1)	2002 (1)	2001 (1)	2000 (1)	1999 (1)	1998 (1)	1997 (1)	1996 (1)
Cash Flow Statement Data (11)											
Net cash provided by continuing operations	$ 584	$ 428	$ 396	$ 347	$ 215	$ 204	$ 254	$ 191	$ 236	$ 190	$ 175
Investing activity of continuing operations:											
Capital expenditures	(103)	(62)	(70)	(86)	(87)	(68)	(75)	(80)	(67)	(57)	(53)
Business acquisitions and investments	(398)	(547)	(140)	(5)	(17)	(102)	(139)	(70)	(29)	(745)	(128)
Proceeds from formation of Colorado newspaper partnership, net	20										
Other (investing)/divesting activity, net	19	13	12	7	15	16	62	33	10	31	35
Financing activity of continuing operations:											
Increase (decrease) in long-term debt, net	(61)	294	24	(216)	1	9	(54)	(1)	(4)	651	41
Dividends paid	(117)	(111)	(65)	(50)	(51)	(51)	(47)	(47)	(47)	(46)	(45)
Common stock retired	(65)	(37)				(22)	(5)	(35)	(108)	(26)	
Other financing activity	39	20	42	31	29	16	6	1	6	4	9
Balance Sheet Data (11)											
Total assets	4,283	3,802	3,090	2,923	2,727	2,641	2,587	2,535	2,375	2,304	1,478
Long-term debt (including current portion)	766	826	533	509	725	724	715	769	771	773	122
Shareholders equity	2,581	2,287	2,096	1,823	1,515	1,352	1,278	1,164	1,070	1,050	945

Note: Certain amounts may not foot since each is rounded independently.

As used herein and in Management s Discussion and Analysis of Financial Condition and Results of Operations, the terms Scripps, we, our, or u may, depending on the context, refer to The E. W. Scripps Company, to one or more of its consolidated subsidiary companies, or to all of them taken as a whole.

The income statement and cash flow data for the eleven years ended December 31, 2006, and the balance sheet data as of the same dates have been derived from our audited consolidated financial statements. All per share amounts are presented on a diluted basis. The eleven-year financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included elsewhere herein.

Operating revenues and segment profit (loss) represent the revenues and the profitability measures used to evaluate the operating performance of our business segments in accordance with Financial Accounting Standard No. (FAS) 131. See page F-11.

(1) In the periods presented we acquired and divested the following:
Acquisitions

2006- uSwitch, a Web-based comparison shopping service that helps consumers compare prices and arrange for the purchase of a range of essential home services and personal finance products. Additional 4% interest in our Memphis newspaper and 2% interest in our Evansville

newspaper. Newspaper publications in Texas and Florida.

2005- Shopzilla, a Web-based product comparison shopping service. Newspapers and other publications in Tennessee, California and Colorado.

2004- The Great American Country network.

2003- An additional interest of less than one percent in our Memphis newspaper.

2002- Additional 1.0% interest in Food Network and an additional interest of less than one percent in our Evansville newspaper.

2001- Additional 4.0% interest in Food Network and an additional interest of less than one percent in our Evansville newspaper.

2000- Daily newspapers in Ft. Pierce, Florida (in exchange for our newspaper in Destin, Florida, and cash) and Henderson, Kentucky; weekly newspaper in Marco Island, Florida; and television station KMCI in Lawrence, Kansas.

1999- Additional 7.0% interest in Food Network.

1998- Independent telephone directories in Memphis, Tennessee; Kansas City, Missouri; North Palm Beach, Florida; and New Orleans, Louisiana. Additional 1.0% interest in Food Network.

1997- Daily newspapers in Abilene, Corpus Christi, Plano, San Angelo and Wichita Falls, Texas; Anderson, South Carolina; and Boulder, Colorado (in exchange for our daily newspapers in Monterey and San Luis Obispo, California); community newspapers in the Dallas, Texas, market and an approximate 56% controlling interest in Food Network.

1996- Vero Beach, Florida, daily newspaper.

Divestitures

2000- Destin, Florida, newspaper (in exchange for Ft. Pierce, Florida, newspaper) and the independent telephone directories. The divestitures resulted in net pre-tax gains of $6.2 million, increasing income from continuing operations by $4.0 million, $.03 per share.

1998- Dallas community newspapers, including the Plano daily, and Scripps Howard Productions, our television program production operation based in Los Angeles, California. No material gain or loss was realized as proceeds approximated the book value of net assets sold.

1997- Monterey and San Luis Obispo, California, daily newspapers (in exchange for Boulder, Colorado, daily newspaper). Terminated joint operating agreement (JOA) and ceased operations of El Paso, Texas, daily newspaper. The JOA termination and the newspaper trade resulted in pre-tax gains totaling $47.6 million, increasing income from continuing operations by $26.2 million, $.16 per share.

(2) The Denver JOA commenced operations on January 22, 2001. Our 50% share of the operating profit (loss) of the Denver JOA is reported as Equity in earnings of JOAs and other joint ventures in our financial statements. The related editorial costs and expenses associated with the Rocky Mountain News (RMN) are included in JOA editorial costs and expenses. Our financial statements do not include the advertising and other operating revenues of the Denver JOA, the costs to produce, distribute and market the newspapers or related depreciation. To enhance comparability of year-over-year operating results, we have removed the operating revenues of the RMN prior to the formation of the Denver JOA from our newspaper operating revenues and separately reported those revenues.

(3) In February 2006, we formed a partnership with MediaNews Group, Inc. (MediaNews) that operates certain of both companies newspapers in Colorado. We contributed the assets of our Boulder Daily Camera, Colorado Daily, and Bloomfield newspapers for a 50% interest in the partnership. Our share of the operating profit (loss) of the partnership is recorded as Equity in earnings of JOAs and other joint ventures in our financial statements. To enhance comparability of year-over-year operating results, the operating revenues and segment results of the contributed publications prior to the formation of the partnership are reported separately.

Table of Contents

Notes to Selected Financial Data (continued)

(4) We adopted FAS 142 Goodwill and Other Intangible Assets effective January 1, 2002. Recorded goodwill and intangible assets with indefinite lives are no longer amortized, but instead are tested for impairment at least annually. Other intangible assets are reviewed for impairment in accordance with FAS 144.

(5) **2004**-An $11.1 million gain on the sale of our Cincinnati television station s production facility to the City of Cincinnati increased income from continuing operations by $7.0 million, $.04 per share.

(6) Restructuring charges include our proportionate share of JOA restructuring activities. Our proportionate share of JOA restructuring activities is included in Equity in earnings of JOAs and other joint ventures in our financial statements. Restructuring charges consisted of the following:
2003- A $1.8 million charge for estimated severance costs to Cincinnati Post union-represented editorial employees was recorded as a result of Gannett notifying us that the Cincinnati JOA will not be renewed when it expires on December 31, 2007. The charge reduced income from continuing operations $1.2 million, $.01 per share.

2002- The Denver JOA consolidated its office space and sold its excess real estate. The $3.9 million gain on the sale increased income from continuing operations by $2.4 million, $.01 per share.

2001- Costs of $16.1 million associated with workforce reductions, including our $5.9 million share of such costs at the Denver JOA, reduced income from continuing operations by $10.1 million, $.06 per share.

2000- Expenses of $9.5 million associated with formation of the Denver JOA reduced income from continuing operations by $6.2 million, $.04 per share.

1999- Severance payments of $1.2 million to certain television station employees and $0.8 million of costs incurred to move Food Network s operations to a different location in Manhattan reduced income from continuing operations by $1.2 million, $.01 per share.

1996- A $4.0 million charge for our share of certain costs associated with restructuring portions of the distribution system of the Cincinnati JOA reduced income from continuing operations by $2.6 million, $.02 per share.

(7) Other investment results include i) gains and losses from the sale or write-down of investments and ii) accrued incentive compensation and other expenses associated with the management of the Scripps Ventures investment portfolios. Investment results include the following:
2004- Net realized gains of $14.7 million. Net investment results increased income from continuing operations by $9.5 million, $.06 per share.

2003- Net realized losses of $3.2 million. Net investment results decreased income from continuing operations by $2.1 million, $.01 per share.

2002- Net realized losses of $79.7 million. Charges associated with winding down the Scripps Ventures investment funds were $3.6 million. Net investment results decreased income from continuing operations by $55.6 million, $.34 per share.

2001- Net realized losses of $2.9 million. Accrued incentive compensation was decreased $11.5 million, to zero, in connection with the decline in value of the Scripps Ventures I investment portfolio. Net investment results increased income from continuing operations by $3.8 million, $.02 per share.

2000- Net realized losses of $17.5 million. Accrued incentive compensation was increased $4.5 million, to $11.5 million. Net investment results reduced income from continuing operations by $15.8 million, $.10 per share.

1999- Net realized gains of $8.6 million. Accrued incentive compensation was increased $7.0 million, to $7.0 million. Net investment results increased income from continuing operations by $0.4 million, $.00 per share.

1997- Net realized losses of $2.7 million. Net investment results reduced income from continuing operations by $1.7 million, $.01 per share.

1996- Net realized gains of $37.0 million. Net investment results increased income from continuing operations by $24.3 million, $.15 per share.

(8) **1996**- A $15.5 million contribution of appreciated Time Warner stock to a charitable foundation decreased income from continuing operations by $5.2 million, $.03 per share.

(9) Plans to consolidate the Denver JOA s production facilities will result in certain assets of the existing facilities being retired earlier than previously estimated. The reduction in these assets estimated useful lives increased depreciation expense and decreased our equity in earnings from JOAs by $12.2 million in 2006 and $20.4 million in 2005. Income from continuing operations was decreased by $7.6 million, $.05 per share in 2006 and $12.6 million, $.08 per share in 2005.

(10) The provision for income taxes includes the following items which affect the comparability of the year-over-year effective income tax rate:
2006- Modified filing positions in certain state and local tax jurisdictions, including filing amended returns for prior periods, and changed estimates for unrealizable state operating loss carryforwards. These items reduced the tax provision, increasing income from continuing operations by $13.0 million, $.08 per share.

2003- Changes in the estimated tax liability for prior years and our estimate of unrealizable state net operating loss carryforwards reduced the tax provision, increasing income from continuing operations by $27.1 million, $.17 per share.

2002- A change in the estimated tax liability for prior years reduced the tax provision, increasing income from continuing operations by $9.8 million, $.06 per share.

2000- A change in the estimated tax liability for prior years reduced the tax provision, increasing income from continuing operations by $7.2 million, $.05 per share.

(11) The eleven-year summary of operations excludes the operating results of the following entities and the gains (losses) on their divestiture as they are accounted for as discontinued operations:
2006- Divested our Shop At Home television network. We received cash consideration of approximately $17 million for the sale of certain assets to Jewelry Television. Jewelry Television also assumed a number of Shop At Home s television affiliation agreements. We also reached agreement on the sale of the five Shop At Home-affiliated broadcast television stations for cash consideration of $170 million. Shop At Home s results in 2006 include $30.1 million of costs associated with employee termination benefits, the termination of long-term agreements and charges to write-down assets. Shop At Home s results also include $10.4 million in net losses from the sale of property and other assets to Jewelry Television, and the completed sale of three of the Shop At Home affiliated television stations.

2005- Terminated Birmingham joint operating agreement and ceased operation of our Birmingham Post-Herald newspaper. We received cash consideration of approximately $40.8 million from the termination of the JOA and sale of certain of the Birmingham newspapers assets.

Recurring operating losses and a longer than expected path to profitability at Shop At Home resulted in a $103.1 million write-down of goodwill and other intangible assets.

1996- Our cable television systems (Scripps Cable) were acquired by Comcast Corporation (Comcast) on November 13, 1996, (the Cable Transaction) through a merger whereby our shareholders received, tax-free, a total of 93 million shares of Comcast s Class A Special Common Stock. The aggregate market value of the Comcast shares was $1.593 billion and the net book value of Scripps Cable was $356 million, yielding an economic gain of $1.237 billion to our shareholders. This gain is not reflected in our financial statements because accounting rules required us to record the transaction at book value.

Table of Contents

Management s Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis of financial condition and results of operations is based upon the consolidated financial statements and the notes thereto. You should read this discussion in conjunction with those financial statements.

Forward-Looking Statements

This discussion and the information contained in the notes to the consolidated financial statements contain certain forward-looking statements that are based on our current expectations. Forward-looking statements are subject to certain risks, trends and uncertainties that could cause actual results to differ materially from the expectations expressed in the forward-looking statements. Such risks, trends and uncertainties, which in most instances are beyond our control, include changes in advertising demand and other economic conditions; consumers taste; newsprint prices; program costs; labor relations; technological developments; competitive pressures; interest rates; regulatory rulings; and reliance on third-party vendors for various products and services. The words believe, expect, anticipate, estimate, intend and similar expressions identify forward-looking statements. All forward-looking statements, which are as of the date of this filing, should be evaluated with the understanding of their inherent uncertainty. We undertake no obligation to publicly update any forward-looking statements to reflect events or circumstances after the date the statement is made.

Executive Overview

The E. W. Scripps Company is a diverse and growing media company with interests in national television networks, newspaper publishing, broadcast television stations, interactive media and licensing and syndication. The company s portfolio of media properties includes: Scripps Networks, with brands such as HGTV, Food Network, DIY Network, Fine Living and Great American Country; daily and community newspapers in 18 markets and the Washington-based Scripps Media Center, home to the Scripps Howard News Service; 10 broadcast television stations, including six ABC-affiliated stations, three NBC affiliates and one independent; our interactive media businesses, comprised of online comparison shopping services, Shopzilla and uSwitch; and United Media, a leading worldwide licensing and syndication company that is the home of PEANUTS, DILBERT and approximately 150 other features and comics.

The company has a long-standing objective of creating shareholder value by following a disciplined strategy of investing in growing media businesses. Starting with newspapers nearly 130 years ago and continuing with our recent acquisitions of Shopzilla and uSwitch, we continue to evolve as advances in technology create new media platforms upon which we can build new media businesses. This is evidenced by the dramatic change in our company s profile during the last fifteen years. In 1994, the newspaper division contributed 50 percent of the company s consolidated revenue. In 2006 it contributed 29 percent. The national television networks, a business that did not exist at the company in 1993, contributed 42 percent to the company s revenue in 2006 while Shopzilla and uSwitch contributed 11 percent.

We expect to continue to increase shareholder value by maximizing the cash flow generated by our mature media businesses and allocating it to newer businesses. In the past, we have used cash generated by our newspapers and broadcast television stations to fund growth in new business segments such as Scripps Networks and Interactive Media.

The company s top strategic priorities are to continue to expand Scripps Networks; continue to develop our comparison shopping services and expand into new markets to capitalize on the rapid growth potential of the businesses; and identify and invest in new and growing media businesses.

Scripps Networks continues to grow. Popular programming continues to attract viewers, especially at HGTV and Food Network. Primetime impressions at HGTV were up 14 percent during the fourth quarter of 2006. At Food Network, total-day viewership grew steadily and primetime viewership held its own as well. Our newer networks are also demonstrating success as they continue to broaden their distribution. DIY Network and Fine Living have surpassed the 40-million subscriber mark and GAC is moving toward 50 million. Our networks Internet-based activities are also contributing to our emerging status as a leading Internet company. HGTV.com and DIYNetwork.com are consistently among America s top 10 Web sites in the home and garden category. Broadband channels that drill deeper into categories such as kitchen design, bath design, woodworking, and gardening are popular with advertisers and consumers alike. FoodNetwork.com continues to reign as the Internet s most visited food Web site. It attracted 10 million unique visitors in December 2006, up 12 percent over the same period a year ago and considerably ahead of its nearest competitor. The focus at Scripps Networks is to drive ratings growth at HGTV and Food Network through popular programming, expand the distribution of our emerging networks, increase the offerings and revenue associated with Internet-based services, and develop additional revenue streams for the Networks brands through product licensing.

During the first quarter of 2006, we acquired uSwitch, an online comparison service that allows consumers to compare prices and arrange for the purchase of a variety of home services including gas and electricity, phone, and personal finance products primarily in the United Kingdom.

Adding uSwitch to the mix with Shopzilla allows us to offer an array of online price comparison and purchasing alternatives. Shopzilla and uSwitch are both benefiting from consumers increasing acceptance of the power and ease associated with online search and comparison shopping. The holiday season indicated that Shopzilla is a popular destination for consumers, as it was the only comparison shopping service to rank in the Top 10 online retail sites in America based on the number of unique visitors on Cyber Monday and Black Friday. Additionally, free traffic at Shopzilla grew by 60 percent in the fourth quarter of 2006 compared with the same period a year ago. We have, however, seen traditional retailers becoming more active in the

bidding environment for keywords on general search engines, which has driven prices up and made that traffic more expensive. We will continue to monitor this closely and have developed brand building strategies to combat these pressures if they don t subside. At uSwitch, we recently completed a re-launch of the Web site and improved its functionality. We also initiated a significant marketing effort in December throughout the U.K. During 2007, we will continue to build the Shopzilla brand and plan to implement improvements to the site s overall look and feel. Additionally, we anticipate launching uSwitch in the U.S. during the fourth quarter with a focus on personal finance and communication products.

We are continuing efforts to strengthen the competitive position of our newspaper businesses in print and online. In an effort to grow the print business, we continually evaluate and launch non-traditional, niche products within our local markets, such as community newspapers, lifestyle magazines, and publications focused on the real estate, employment and auto classified advertising categories. Since our online businesses have a higher growth potential than the traditional print business, we are focusing on enhancing and expanding our Web sites to provide additional content and functionality. We expect to continue to use our local news platform to launch new online services, such as streaming video.

Our broadcast television stations had a solid year in 2006, capitalizing on ABC s broadcast of the Super Bowl, NBC s broadcast of the Winter Olympics in the first quarter, and record political advertising in the fourth quarter. Our efforts to capitalize on the Phoenix and Tampa growth markets yielded positive year-over-year growth. Our continual focus on obtaining non-traditional television advertisers provided measurable revenue growth. Priorities at our broadcast television stations include continuing to concentrate on branding our local ABC and NBC affiliates, emphasizing local news, and building out non-traditional revenue opportunities that target new advertisers.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires us to make a variety of decisions which affect reported amounts and related disclosures, including the selection of appropriate accounting principles and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgment based on our understanding and analysis of the relevant circumstances, including our historical experience, actuarial studies and other assumptions. We are committed to incorporating accounting principles, assumptions and estimates that promote the representational faithfulness, verifiability, neutrality and transparency of the accounting information included in the financial statements.

Note 1 to the Consolidated Financial Statements describes the significant accounting policies we have selected for use in the preparation of our financial statements and related disclosures. We believe the following to be the most critical accounting policies, estimates and assumptions affecting our reported amounts and related disclosures.

Network Affiliate Fees Cable and satellite television systems generally pay a per-subscriber fee (network affiliate fees) for the right to distribute our programming under the terms of long-term distribution contracts. Network affiliate fees are reported net of volume discounts earned by cable and satellite television system operators and net of incentive costs offered to system operators in exchange for initial long-term distribution contracts. Such incentives may include an initial period in which the payment of network affiliate fees by the system is waived (free period), cash payments (network launch incentives), or both. We recognize network affiliate fees as revenue over the terms of the contracts, including any free periods. Network launch incentives are capitalized as assets upon launch of our programming on the cable or satellite television system and are then amortized against network affiliate fees based upon the ratio of each period s revenue to expected total revenue over the terms of the contracts.

The amount of network affiliate fees due to us, net of applicable discounts, is reported to us by cable and satellite television systems. Such information is generally not received until after the close of the reporting period. Therefore, reported network affiliate fee revenues are based upon our estimates of the number of subscribers receiving our programming and the amount of volume-based discounts each cable and satellite television provider is entitled to receive.

In addition, cable television systems acquired by a multiple system operator (MSO) may carry our programming under contracts with different rates, discounts or other terms than the MSO. The MSO may have the right to continue to apply the contract terms of the acquired system, to apply its contract term to the acquired system, or to apply the contract terms of the acquired systems to all of its systems. Agreements with cable television systems also typically permit the system to carry our programming while we negotiate volume discounts, rebates or other incentives, requiring us to estimate such amounts. We adjust the recorded amounts and our estimate of any remaining unreported periods based upon the actual amounts of network affiliate fees received.

Acquisitions Financial Accounting Standards No. (FAS) 141 Business Combinations requires assets acquired and liabilities assumed in a business combination to be recorded at fair value. With the assistance of independent appraisals, we generally determine fair values using comparisons to market transactions and discounted cash flow analyses. The use of a discounted cash flow analysis requires significant judgment

to estimate the future cash flows derived from the asset and the expected period of time over which those cash flows will occur and to determine an appropriate discount rate. Changes in such estimates could affect the amounts allocated to individual identifiable assets. While we believe our assumptions are reasonable, if different assumptions were made, the amount allocated to intangible assets could differ substantially from the reported amounts.

Goodwill and Other Indefinite-Lived Intangible Assets FAS 142 Goodwill and Other Intangible Assets, requires that goodwill for each reporting unit be tested for impairment on an annual basis or when events occur or circumstances change that would indicate the fair value of a reporting unit is below its

Table of Contents

carrying value. For purposes of performing the impairment test for goodwill, our reporting units are Scripps Networks, newspapers, broadcast television, Shopzilla and uSwitch. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than its carrying value.

FAS 142 also requires us to compare the fair value of each indefinite-lived intangible asset to its carrying amount. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized.

To determine the fair value of our reporting units and indefinite-lived intangible assets, we generally use market data, appraised values and discounted cash flow analyses. The use of a discounted cash flow analysis requires significant judgment to estimate the future cash flows derived from the asset or business and the period of time over which those cash flows will occur and to determine an appropriate discount rate. Changes in our estimates and projections or changes in our established reporting units could materially affect the determination of fair value for each reporting unit.

We have not recognized any impairment charges for goodwill or intangible assets.

Income Taxes Accounting for income taxes is sensitive to interpretation of various laws and regulations. As a matter of course, our consolidated federal income tax returns and various state income tax returns are regularly audited by federal and state authorities. While we believe the positions we take on our tax returns comply with applicable laws, these audits may result in proposed adjustments that challenge the positions taken on our tax returns. We regularly review the adjustments proposed by federal and state tax authorities to our tax returns and the positions taken on tax returns that are not currently under examination. We record a provision for additional taxes that we believe are probable of payment. However, the ultimate resolution of these issues may differ from the amounts currently estimated, in which case an adjustment would be made to the tax provisions in that period.

We have deferred tax assets primarily related to state net operating loss carryforwards and capital loss carryforwards. We record a tax valuation allowance to reduce such deferred tax assets to the amount that is more likely than not to be realized. We consider ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. In the event we determine the deferred tax asset we would realize would be greater or less than the net amount recorded, an adjustment would be made to the tax provision in that period.

Modifications to our state tax filing positions in certain jurisdictions and changes in our estimates of unrealizable state operating loss carryforwards reduced the tax provision $13.0 million in 2006 reducing our 2006 effective tax rate approximately 1.9%.

Pension Plans We sponsor various noncontributory defined benefit pension plans covering substantially all full-time employees. Pension expense for those plans was $21.3 million in 2006, $18.5 million in 2005, and $23.1 million in 2004.

The measurement of our pension obligations and related expense is dependent on a variety of estimates, including: discount rates; expected long-term rate of return on plan assets; expected increase in compensation levels; and employee turnover, mortality and retirement ages. We review these assumptions on an annual basis and make modifications to the assumptions based on current rates and trends when appropriate. In accordance with accounting principles generally accepted in the United States of America, the effects of these modifications are recorded currently or amortized over future periods. We consider the most critical of our pension estimates to be our discount rate and the expected long-term rate of return on plan assets.

The discount rate used to determine our future pension obligations is based upon a dedicated bond portfolio approach that includes securities rated Aa or better with maturities matching our expected benefit payments from the plans. The rate is determined each year at the plan measurement date and affects the succeeding year s pension cost. At December 31, 2006, the discount rate was 6.0% as compared with 5.75% at December 31, 2005. Discount rates can change from year to year based on economic conditions that impact corporate bond yields. A decrease in the discount rate increases pension expense. A 0.5% change in the discount rate as of December 31, 2006, to either 5.5% or 6.5%, would increase or decrease our pension obligations as of December 31, 2006, by approximately $35 million and increase or decrease 2006 pension expense by approximately $4 million.

The expected long-term rate of return on plan assets is based primarily upon the target asset allocation for plan assets and capital markets forecasts for each asset class employed. Our expected rate of return on plan assets also considers our historical compound rate of return on plan assets for 10 and 15 year periods. At December 31, 2006, the expected long-term rate of return on plan assets was 8.25%. For the ten year period ended December 31, 2006, our actual compounded rate of return was 9.1%. A decrease in the expected rate of return on plan assets increases pension expense. A 0.5% change in the expected long-term rate of return on plan assets, to either 7.75% or 8.75%, would increase or decrease our 2006 pension expense by approximately $2.0 million.

We had cumulative unrecognized actuarial losses for our pension plans of $77 million at December 31, 2006. Unrealized actuarial gains and losses result from deferred recognition of differences between our actuarial assumptions and actual results. In 2006, we had an actuarial gain of $20.9 million, primarily due to the change in the discount rate. The cumulative unrecognized net loss is primarily due to declines in corporate bond yields and the unfavorable performance of the equity markets between 2000 and 2002. Amortization of unrecognized actuarial losses may result in an increase in our pension expense in future periods. Based on our current assumptions, we anticipate that 2007 pension expense will include $3.7 million in amortization of unrecognized actuarial losses.

Table of Contents

New Accounting Pronouncements

As more fully described in Note 2 to the Consolidated Financial Statements, we adopted FAS 123(R) Share-Based Payment (FAS 123(R)) on January 1, 2006 and FAS 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB statements No. 87, 88, 106 and 132(R) (FAS 158) effective December 31, 2006.

FAS 123(R) requires that all stock-based compensation, including grants of employee stock options, be accounted for using the fair value-based method. We elected to adopt FAS 123(R) using the modified prospective method under which the provisions of the statement are applied to awards granted after the date of adoption and to the unvested portion of awards outstanding at that date.

FAS 158 requires us to recognize the over- or under-funded status of each of our pension and postretirement plans in our balance sheet. Changes in the funded status of the plans resulting from unrecognized prior service costs and credits and unrecognized actuarial gains and losses are recorded as a component of other comprehensive income within shareholders equity.

In July 2006, the FASB issued Interpretation No. 48 - Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 addresses the accounting and disclosure of uncertain tax positions. We will adopt FIN 48 in the first quarter of 2007, and we are currently evaluating the impact it will have on our financial statements.

Results of Operations

The trends and underlying economic conditions affecting the operating performance and future prospects differ for each of our business segments. Accordingly, we believe the following discussion of our consolidated results of operations should be read in conjunction with the discussion of the operating performance of our business segments that follows on pages F-11 through F-16.

Consolidated Results of Operations Consolidated results of operations were as follows:

	For the years ended December 31,				
(in thousands, except per share data)	**2006**	**Fav(Unf)**	**2005**	**Fav(Unf)**	**2004**
Operating revenues	$ 2,498,077	15.9%	$ 2,154,634	15.0%	$ 1,874,351
Costs and expenses	(1,701,059)	(14.3)%	(1,487,730)	(12.6)%	(1,321,064)
Depreciation and amortization of intangibles	(115,099)	(39.7)%	(82,378)	(41.6)%	(58,187)
Gain on formation of Colorado newspaper partnership	3,535				
Losses on disposal of PP&E	(1,124)	(86.7)%	(602)	76.0%	(2,509)
Hurricane recoveries (losses), net	1,900	93.3%	983		(2,654)
Gain on sale of production facility					11,148
Operating income	686,230	17.3%	584,907	16.7%	501,085
Interest expense	(55,965)	(44.3)%	(38,791)	(25.6)%	(30,877)
Equity in earnings of JOAs and other joint ventures	55,196	(10.9)%	61,926	(24.0)%	81,453
Other investment results, net of expenses					14,674
Miscellaneous, net	4,743	(17.6)%	5,756	33.6%	4,308
Income from continuing operations before income taxes and minority interests	690,204		613,798		570,643
Provision for income taxes	219,261		216,815		204,815
Income from continuing operations before minority interests	470,943		396,983		365,828
Minority interests	73,766		58,467		43,069
Income from continuing operations	397,177	17.3%	338,516	4.9%	322,759
Loss from discontinued operations, net of tax	(43,957)	50.8%	(89,363)		(18,948)

Net Income	$ 353,220	41.8%	$ 249,153	(18.0)%	$ 303,811
Net income (loss) per diluted share of common stock:					
Income from continuing operations	$ 2.41	17.7%	$ 2.05	4.4%	$ 1.96
Loss from discontinued operations	(.27)	50.0%	(.54)		(.11)
Net income per diluted share of common stock	$ 2.14	41.7%	$ 1.51	(18.0)%	$ 1.84

Net income per share amounts may not foot since each is calculated independently.

Discontinued Operations Discontinued operations include Shop At Home and our newspaper operations in Birmingham (See Note 4 to the Consolidated Financial Statements). In accordance with the provisions of FAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the results of businesses held for sale or that have ceased operations are presented as discontinued operations.

Operating results for our discontinued operations were as follows:

	For the years ended December 31,				
(in thousands)	**2006**	**Fav(Unf)**	**2005**	**Fav(Unf)**	**2004**
Operating revenues:					
Shop At Home	$ 168,183	(53.2)%	$ 359,256	22.6%	$ 293,092
Birmingham-Post Herald			31	(48.3)%	60
Total operating revenues	$ 168,183	(53.2)%	$ 359,287	22.6%	$ 293,152
Equity in earnings of JOA, including termination fee			$ 45,423		$ 7,377
Loss from discontinued operations:					
Shop At Home:					
Loss from operations	$ (57,376)	59.4%	$ (141,427)		$ (32,822)
Loss on divestitures, net	(10,431)				
Total Shop At Home	(67,807)	52.1%	(141,427)		(32,822)
Birmingham-Post Herald	(2)		42,726		4,832
Loss from discontinued operations, before tax	(67,809)	31.3%	(98,701)		(27,990)
Income tax (benefits)	(23,852)		(9,338)	3.3%	(9,042)
Loss from discontinued operations	$ (43,957)	50.8%	$ (89,363)		$ (18,948)

We sold the Shop At Home television network to Jewelry Television in the second quarter of 2006. In the third quarter of 2005, we terminated the Birmingham joint operating agreement and ceased operation of our Birmingham Post-Herald newspaper. These transactions impact the year-over-year comparability of our discontinued operations results.

Shop At Home s loss from operations in 2006 includes $30.1 million of costs associated with employee termination benefits, the termination of long-term agreements and charges to write-down certain assets of the network. The loss on divestiture in 2006 includes $12.1 million of losses on the sale of property and other assets to Jewelry Television.

Operating results of our discontinued operations in 2005 include a non-cash charge of $103.1 million to write-down Shop At Home s goodwill and certain intangible assets. We also received cash consideration of approximately $40.8 million as a result of the transactions to terminate the Birmingham joint operating agreement and sell certain assets of the Birmingham-Post Herald newspaper.

Continuing Operations

2006 compared with 2005

The increase in operating revenues was primarily due to the continued growth in advertising and network affiliate fee revenues at our national television networks, increases in political advertising revenues at our broadcast television stations, the June 2005 acquisition of Shopzilla, and the March 2006 acquisition of uSwitch. The growth in advertising revenues was primarily driven by increased demand for advertising time and higher advertising rates at our networks. The growth in affiliate fee revenues is attributed to scheduled rate increases and wider distribution of our networks.

Costs and expenses were primarily impacted by the expanded hours of original programming and costs to promote our national networks and the acquisitions of Shopzilla and uSwitch. In addition, we adopted the requirements of FAS 123(R), Share-Based Payment effective January 1, 2006 and began recording compensation expense on stock options granted to employees. Stock option expense, including the costs of immediately expensed options granted to retirement eligible employees, increased our costs and expenses $20.9 million in 2006.

Depreciation and amortization increased primarily as a result of the acquisitions of Shopzilla and uSwitch. We expect depreciation and amortization will be approximately $130 million in 2007.

In 2006, we completed the formation of a newspaper partnership with MediaNews Group, Inc. In conjunction with the transaction, we recognized a pre-tax gain of $3.5 million. Net income was increased by $2.1 million, $.01 per share.

Certain of our Florida operations sustained hurricane damages in 2004 and 2005. Throughout the course of 2005 and 2006, we reached final settlement agreements with insurance providers and other responsible third parties on property and business interruption claims and recorded insurance recoveries of $1.9 million in 2006 and $2.2 million in 2005. The insurance recoveries recorded in 2005 were partially offset by additional estimated losses of $1.2 million.

Interest expense includes interest incurred on our outstanding borrowings and deferred compensation and other employment agreements. Interest incurred on our outstanding borrowings increased in 2006 due to higher average debt levels attributed to the Shopzilla and uSwitch acquisitions. In connection with the June 2005 acquisition of Shopzilla, we issued $150 million in 5-year notes at a rate of 4.3%. We financed the remainder of the Shopzilla and uSwitch transactions with commercial paper. The average outstanding commercial paper balance in 2006 was $348.8 million at an average rate of 5.0% compared with $147.8 million at an average rate of 3.3% in 2005. In 2007, we expect interest expense will be approximately $37 million.

Additional depreciation incurred by the Denver News Agency reduced equity in earnings of JOAs by $12.2 million in 2006 and $20.4 million in 2005. (See Note 5 to the Consolidated Financial Statements). The increased depreciation is expected to decrease equity in earnings of JOAs approximately $4.0 million in 2007. Equity in earnings of JOAs was also impacted by lower advertising sales in our JOA markets.

Our effective income tax rate is affected by the growing profitability of Food Network. Food Network is operated pursuant to the terms of a general partnership, in which we own an approximate 70% residual interest. Income taxes on partnership income accrue to the individual partners. While the income before income tax reported in our financial statements includes all of the income before tax of the partnership, our income tax provision does not include income taxes on the portion of Food Network income that is attributable to the non-controlling interest.

Table of Contents

Information regarding our effective tax rate, and the impact of the Food Network partnership on our effective income tax rate, is a follows:

(in thousands)	2006	Fav(Unf)	2005
Income from continuing operations before income taxes and minority interests as reported	$ 690,204	12.4%	$ 613,798
Income of pass-through entities allocated to non-controlling interests	72,904	33.9%	54,431
Income allocated to Scripps	$ 617,300	10.4%	$ 559,367
Provision for income taxes	$ 219,261	(1.1)%	$ 216,815
Effective income tax rate as reported	31.8%		35.3%
Effective income tax rate on income allocated to Scripps	35.5%		38.8%

During 2006, we changed our estimates for unrealizable state operating loss carryforwards and modified our filing positions in certain tax jurisdictions in which we operate.

Total changes in estimates on valuation allowances related to operating loss carryforwards reduced our tax provision $4.4 million, lowering our 2006 effective tax rate 0.6%.

The modifications to our filing positions reduced our state tax rates on our 2006 taxable income. In addition, we filed refund claims for prior tax years. The impact of these modifications reduced our tax provision $8.6 million and lowered our 2006 tax rate approximately 1.2%.

We expect the effective tax rate to be approximately 33% in 2007.

Minority interest increased year-over-year primarily due to the increased profitability of the Food Network. Food Network s profits are allocated in proportion to each partner s residual interests in the partnership, of which we own approximately 70%. In 2007, we expect total minority interest will be about $83 million.

2005 compared with 2004

The increase in operating revenues was primarily due to the continued growth in advertising and network affiliate fee revenues at our national television networks and our June 2005 acquisition of Shopzilla. The growth in advertising revenues was primarily driven by increased demand for advertising time and higher advertising rates at our networks. The growth in affiliate fee revenues is attributed to scheduled rate increases, wider distribution of our networks, and the impact of reaching renewal agreements with several cable television operators during the later half of 2004. Increases in operating revenues were also attributed to improvement in local and classified advertising sales at our newspapers. These increases in revenue were partially offset by declines in revenue at our broadcast television stations attributed to the absence of political advertising.

Costs and expenses were affected by the expanded hours of original programming and costs to promote our national networks, and the acquisition of Shopzilla.

Depreciation and amortization increased primarily as a result of the acquisitions of Shopzilla and Great American Country.

Gains on disposal of property, plant and equipment in 2004 include an $11.1 million gain on the sale of our Cincinnati television station s former production facility to the City of Cincinnati.

We recorded insurance recoveries of $2.2 million in 2005 that were partially offset by additional hurricane losses of $1.2 million. Operating results in 2004 include asset impairment losses and restoration costs from the hurricanes totaling $2.6 million. Estimated business interruption losses from the hurricanes were $2.3 million in 2005 and $4.2 million in 2004.

Interest expense includes interest incurred on our outstanding borrowings and deferred compensation and other employment agreements. Interest incurred on our outstanding borrowings increased in 2005 due to higher average debt levels attributed to the Shopzilla acquisition. In connection with the June 2005 acquisition, the Company issued $150 million in 5-year notes at a rate of 4.30%. We financed the remainder of the transaction with commercial paper. The average outstanding commercial paper balance for the second half of 2005 was $260 million at an

average rate of 3.73% compared with $63 million at an average rate of 1.86% for the second half of 2004.

Equity in earnings from JOAs in 2005 was reduced by $20.4 million as a result of the additional depreciation expense incurred by the Denver News Agency.

Other investment results include net realized gains and losses on the sale of investments and investment impairments resulting from other-than-temporary declines in the fair value of investments. Other investment results in 2004 represent realized gains from the sale of certain investments, including Digital Theater Systems.

The effective tax rate was 35.3% in 2005 and 35.9% in 2004. The effective tax rate is affected by the growing profitability of Food Network and the portion of Food Network income that is attributed to the non-controlling interest. Income before income tax attributed to the non-controlling interest in Food Network was $54.4 million in 2005 and $40.4 million in 2004.

Minority interest increased year-over-year primarily due to the increased profitability of the Food Network.

Table of Contents

Business Segment Results As discussed in Note 18 to the Consolidated Financial Statements, our chief operating decision maker (as defined by FAS 131 Segment Reporting) evaluates the operating performance of our business segments using a measure we call segment profit. Segment profit excludes interest, income taxes, depreciation and amortization, divested operating units, restructuring activities, investment results and certain other items that are included in net income determined in accordance with accounting principles generally accepted in the United States of America.

Items excluded from segment profit generally result from decisions made in prior periods or from decisions made by corporate executives rather than the managers of the business segments. Depreciation and amortization charges are the result of decisions made in prior periods regarding the allocation of resources and are therefore excluded from the measure. Financing, tax structure and divestiture decisions are generally made by corporate executives. Excluding these items from our business segment performance measure enables us to evaluate business segment operating performance based upon current economic conditions and decisions made by the managers of those business segments in the current period.

In 2006, we formed a newspaper partnership with MediaNews that operates certain of both companies newspapers in Colorado. (See Note 5 to the Consolidated Financial Statements). Our share of the operating profit (loss) of the partnership is recorded as Equity in earnings of JOAs and other joint ventures in our financial statements. To enhance comparability of year-over-year results, the results of the contributed publications prior to the formation of the partnership are reported separately in our segment results.

Information regarding the operating performance of our business segments determined in accordance with FAS 131 and a reconciliation of such information to the consolidated financial statements is as follows:

	For the years ended December 31,				
(in thousands)	2006	Fav(Unf)	2005	Fav(Unf)	2004
Segment operating revenues:					
Scripps Networks	$ 1,052,403	16.5%	$ 903,014	24.8%	$ 723,713
Newspapers:					
Newspapers managed solely by us	716,086	2.3%	699,981	3.5%	676,200
JOAs and newspaper partnerships	208	(61.3)%	538		207
Total	716,294	2.3%	700,519	3.6%	676,407
Boulder prior to formation of Colorado newspaper partnership	2,189	(92.3)%	28,392	2.7%	27,657
Total newspapers	718,483	(1.4)%	728,911	3.5%	704,064
Broadcast television	363,506	14.4%	317,659	(7.3)%	342,498
Interactive media	271,066		99,447		
Licensing and other media	94,639	(10.5)%	105,692	1.6%	104,076
Corporate	1,297		332		
Intersegment eliminations	(3,317)		(421)		
Total operating revenues	$ 2,498,077	15.9%	$ 2,154,634	15.0%	$ 1,874,351
Segment profit (loss):					
Scripps Networks	$ 517,425	25.0%	$ 414,095	36.1%	$ 304,358
Newspapers:					
Newspapers managed solely by us	189,223	(7.4)%	204,448	2.0%	200,518
JOAs and newspaper partnerships	6,510	(55.2)%	14,519	(59.7)%	36,071
Total	195,733	(10.6)%	218,967	(7.4)%	236,589
Boulder prior to formation of Colorado newspaper partnership	(125)		3,736	(16.7)%	4,486
Total newspapers	195,608	(12.2)%	222,703	(7.6)%	241,075
Broadcast television	120,706	37.2%	87,954	(18.7)%	108,243

Interactive media	67,684		27,980		
Licensing and other media	12,682	(33.2)%	18,998	13.3%	16,767
Corporate	(59,698)	(42.4)%	(41,917)	(10.0)%	(38,103)
Intersegment eliminations	(293)				
Depreciation and amortization of intangibles	(115,099)	(39.7)%	(82,378)	(41.6)%	(58,187)
Gain on formation of Colorado newspaper partnership	3,535				
Losses on disposal of PP&E	(1,124)	(86.7)%	(602)	76.0%	(2,509)
Hurricane asset impairment losses					(254)
Gain on sale of production facility					11,148
Interest expense	(55,965)	(44.3)%	(38,791)	(25.6)%	(30,877)
Other investment results, net of expenses					14,674
Miscellaneous, net	4,743	(17.6)%	5,756	33.6%	4,308
Income from continuing operations before income taxes and minority interests	$ 690,204	12.4%	$ 613,798	7.6%	$ 570,643

Discussions of the operating performance of each of our reportable business segments begin on page F-12.

The impact of expensing stock options beginning on January 1, 2006 increased corporate expenses $8.5 million in 2006. Corporate expenses are expected to be approximately $19 million in the first quarter of 2007.

Table of Contents

Segment profit includes our share of the earnings of JOAs and certain other investments included in our consolidated operating results using the equity method of accounting. A reconciliation of our equity in earnings of JOAs and other joint ventures included in segment profit to the amounts reported in our Consolidated Statements of Income is as follows:

	For the years ended December 31,				
(in thousands)	**2006**	**Fav(Unf)**	**2005**	**Fav(Unf)**	**2004**
Scripps Networks:					
Equity in earnings of joint ventures	$ 13,378	20.3%	$ 11,120	7.7%	$ 10,329
Newspapers:					
Equity in earnings of JOAs and newspaper partnerships	41,818	(17.7)%	50,806	(28.6)%	71,124
Total equity in earnings of JOAs and other joint ventures	$ 55,196	(10.9)%	$ 61,926	(24.0)%	$ 81,453

Certain items required to reconcile segment profitability to consolidated results of operations determined in accordance with accounting principles generally accepted in the United States of America are attributed to particular business segments. Significant reconciling items attributable to each business segment are as follows:

	For the years ended December 31,				
(in thousands)	**2006**	**Fav(Unf)**	**2005**	**Fav(Unf)**	**2004**
Depreciation and amortization:					
Scripps Networks	$ 19,993	(15.1)%	$ 17,370	(38.1)%	$ 12,575
Newspapers:					
Newspapers managed solely by us	22,697	(11.6)%	20,339	0.5%	20,437
JOAs and newspaper partnerships	1,299	13.1%	1,495	(3.0)%	1,451
Total	23,996	(9.9)%	21,834	0.2%	21,888
Boulder prior to formation of Colorado newspaper partnership	132	90.4%	1,382	(3.1)%	1,341
Total newspapers	24,128	(3.9)%	23,216	0.1%	23,229
Broadcast television	18,830	5.4%	19,906	(1.9)%	19,532
Interactive media	49,601		18,651		
Licensing and other media	559	46.0%	1,035	(55.2)%	667
Corporate	1,988	9.6%	2,200	(0.7)%	2,184
Total	$ 115,099	(39.7)%	$ 82,378	(41.6)%	$ 58,187
Gains (losses) on disposal of PP&E:					
Scripps Networks	$ (539)		$ (34)		
Newspapers:					
Newspapers managed solely by us	(327)	(28.2)%	(255)	74.2%	$ (988)
JOAs and newspaper partnerships	32				2
Total	(295)	(15.7)%	(255)	74.1%	(986)
Boulder prior to formation of Colorado newspaper partnership					(52)
Total newspapers	(295)	(15.7)%	(255)	75.4%	(1,038)
Broadcast television	(243)	17.1%	(293)		9,677
Licensing and other media	(3)	(50.0)%	(2)		
Corporate	(44)		(18)		
Gains (losses) on disposal of PP&E	$ (1,124)	(86.7)%	$ (602)		$ 8,639

Gain on formation of Colorado newspaper partnership	$ 3,535

Scripps Networks Scripps Networks includes five national television networks and their affiliated Web sites, HGTV, Food Network, DIY Network (DIY), Fine Living, and Great American Country (GAC); and our 12% interest in FOX Sports Net South, a regional television network. Our networks also operate internationally through licensing agreements and joint ventures with foreign entities.

Advertising and network affiliate fees provide substantially all of each network s operating revenues and employee costs and programming costs are the primary expenses. The demand for national television advertising is the primary trend and underlying economic condition that impacts the operating performance of our networks.

Operating results for Scripps Networks were as follows:

	For the years ended December 31,				
(in thousands)	**2006**	**Fav(Unf)**	**2005**	**Fav(Unf)**	**2004**
Segment operating revenues:					
Advertising	$ 835,848	15.0%	$ 726,602	28.1%	$ 567,426
Network affiliate fees, net	194,662	16.6%	167,012	15.1%	145,163
Other	21,893		9,400	(15.5)%	11,124
Total segment operating revenues	1,052,403	16.5%	903,014	24.8%	723,713
Segment costs and expenses:					
Employee compensation and benefits	127,510	(11.5)%	114,389	(19.3)%	95,917
Programs and program licenses	196,052	(12.8)%	173,823	(5.5)%	164,700
Other segment costs and expenses	224,794	(6.3)%	211,554	(25.1)%	169,067
Total segment costs and expenses	548,356	(9.7)%	499,766	(16.3)%	429,684
Hurricane recoveries (losses), net			(273)		
Segment profit before joint ventures	504,047	25.1%	402,975	37.1%	294,029
Equity in income of joint ventures	13,378	20.3%	11,120	7.7%	10,329
Segment profit	$ 517,425	25.0%	$ 414,095	36.1%	$ 304,358
Supplemental Information:					
Billed network affiliate fees	$ 211,579		$ 187,528		$ 163,743
Network launch incentive payments	9,534		19,732		34,365
Payments for programming (greater) less than program cost amortization	(86,679)		(42,991)		(21,560)
Depreciation and amortization	19,993		17,370		12,575
Capital expenditures	18,968		22,635		21,972
Business acquisitions and other additions to long-lived assets, primarily program assets	286,299		209,335		332,060

Advertising revenues increased primarily due to an increased demand for advertising time and higher advertising rates at our networks. The appeal of new programming has resulted in ratings growth at our networks, enabling us to increase the average net cost per spot charged on commercial units sold.

Distribution agreements with cable and satellite television systems currently in force require the payment of affiliate fees over the terms of the agreements. The increase in network affiliate fees over each of the last three years reflects both scheduled rate increases and wider distribution of the networks.

As of December 31, 2006, HGTV s affiliation agreements with Time Warner and Comcast expired. These affiliation agreements provide distribution to approximately 42% of HGTV s subscribers and generate affiliate fee revenues of approximately $56 million annually. We are currently operating under short-term extensions to the expired agreements until new agreements can be reached.

We continue to successfully develop our network brands on the Internet and through merchandise sales. Our Internet sites had revenues of $61.0 million in 2006, $36.0 million in 2005, and $31.0 million in 2004. In 2006, we entered into a licensing agreement with Kohl s department stores to develop a Food Network branded line of home goods. We expect that Kohl s will begin carrying the line by the third quarter of 2007.

We expect total operating revenues at Scripps Networks to increase approximately 10% to 12% year-over-year in the first quarter and 10% to 13% for the full year of 2007.

Employee compensation and benefits increased primarily due to the hiring of additional employees to support the growth of Scripps Networks. In addition, the impact of expensing stock options increased employee compensation and benefits $3.5 million in 2006.

Programs and program licenses and other costs and expenses increased due to the improved quality and variety of programming, expanded programming hours and continued efforts to promote the programming in order to attract a larger audience.

Our continued investment in building consumer awareness and expanding distribution of our network and lifestyle brands is expected to increase total segment expenses approximately 9% year-over-year in the first quarter and 8% to 10% for the full year of 2007.

Capital expenditures in 2006 include the costs related to the expansion of the Scripps Networks headquarters in Knoxville. Capital expenditures in 2005 include the costs of upgrading our broadcast operations. Capital expenditures in 2004 include costs for the new Food Network studio in New York.

Supplemental financial information for Scripps Networks is as follows:

	For the years ended December 31,				
(in thousands)	**2006**	**Fav(Unf)**	**2005**	**Fav(Unf)**	**2004**
Operating revenues:					
HGTV	$ 510,975	12.8%	$ 453,171	20.2%	$ 376,905
Food Network	427,355	19.7%	357,043	21.0%	294,957
DIY	49,075	10.1%	44,577	41.5%	31,504
Fine Living	36,963	37.2%	26,934	50.0%	17,953
GAC	20,269	30.8%	15,502		1,650
Other	7,766	34.2%	5,787		744
Total segment operating revenues	$ 1,052,403	16.5%	$ 903,014	24.8%	$ 723,713
Homes reached in December (1):					
HGTV	91,200	2.6%	88,900	1.7%	87,400
Food Network	91,100	3.5%	88,000	2.4%	85,900
DIY	42,200	22.3%	34,500	11.3%	31,000
Fine Living	42,400	46.2%	29,000	16.0%	25,000
GAC	46,200	17.3%	39,400	7.1%	36,800

(1) Approximately 96 million homes in the United States receive cable or satellite television. Homes reached are according to the Nielsen Homevideo Index (Nielsen), with the exception of Fine Living which is not yet rated by Nielsen and represent comparable amounts estimated by us.

Table of Contents

Newspapers We operate daily and community newspapers in 18 markets in the United States. Our newspapers earn revenue primarily from the sale of advertising space to local and national advertisers and from the sale of newspapers to readers. Three of our newspapers are operated pursuant to the terms of joint operating agreements. Each of those newspapers maintains an independent editorial operation and receives a share of the operating profits of the combined newspapers operations.

Newspapers managed solely by us The newspapers managed solely by us operate in mid-size markets, focusing on news coverage within their local markets. Advertising and circulation revenues provide substantially all of each newspaper s operating revenues and employee and newsprint costs are the primary expenses at each newspaper. Declines in circulation of daily newspapers have resulted in a loss of advertising market share throughout the newspaper industry. Further declines in circulation in our newspaper markets could adversely affect our newspapers. The operating performance of our newspapers is most affected by newsprint prices and economic conditions, particularly within the retail, labor, housing and auto markets.

Operating results for newspapers managed solely by us were as follows:

	For the years ended December 31,				
(in thousands)	**2006**	**Fav(Unf)**	**2005**	**Fav(Unf)**	**2004**
Segment operating revenues:					
Local	$ 160,702	0.3%	$ 160,159	2.1%	$ 156,801
Classified	225,029	3.1%	218,345	6.0%	205,990
National	38,103	(8.9)%	41,834	1.5%	41,233
Preprint, online and other	153,178	10.7%	138,377	7.7%	128,508
Newspaper advertising	577,012	3.3%	558,715	4.9%	532,532
Circulation	122,740	(2.2)%	125,517	(2.0)%	128,043
Other	16,334	3.7%	15,749	0.8%	15,625
Total operating revenues	716,086	2.3%	699,981	3.5%	676,200
Segment costs and expenses:					
Employee compensation and benefits	266,539	(3.1)%	258,573	(2.5)%	252,361
Newsprint and ink	86,722	(7.7)%	80,486	(5.6)%	76,212
Other segment costs and expenses	175,502	(12.4)%	156,163	(6.9)%	146,120
Total costs and expenses	528,763	(6.8)%	495,222	(4.3)%	474,693
Hurricane recoveries (losses), net	1,900		(311)	68.6%	(989)
Contribution to segment profit	$ 189,223	(7.4)%	$ 204,448	2.0%	$ 200,518
Supplemental Information:					
Depreciation and amortization	$ 22,697		$ 20,339		$ 20,437
Capital expenditures	46,725		14,924		25,986
Business acquisitions, including acquisitions of minority interests, and other additions to long-lived assets	25,091		958		

The increase in advertising revenues was primarily due to increases in classified advertising and preprint and other advertising, particularly online revenue. The increase in classified advertising was attributed to continued improvement in real estate advertising, particularly in our Florida markets. Increases in these categories helped offset declines in automotive advertising. The decrease in national advertising revenues in 2006 was primarily attributed to significant declines in advertising from companies in the telecommunications and financial services industries.

Increases in preprint, online and other advertising reflect the development of new print and electronic products and services. These products include niche publications such as community newspapers, lifestyle magazines, publications focused on the classified advertising categories of real estate, employment and auto, and other publications aimed at younger readers. Additionally, our Internet sites had advertising revenues of

$34.0 million in 2006 compared with $22.0 million in 2005 and $14.0 million in 2004. Higher advertising rates, resulting from increases in the audience visiting our Web sites, as well as an increase in our online product offerings, contributed to the increase in online revenues. We expect to continue to expand and enhance our online services and to use our local news platform to launch new products, such as streaming video and audio.

Other operating revenues represent revenue earned on ancillary services offered by our newspapers.

We expect total operating revenues at newspapers to decrease approximately 6% to 8% year-over-year in the first quarter of 2007. For the full year of 2007, we expect the percentage decrease in newspaper revenue to be in the low single digits.

Stock option expense recognized for the first time in 2006 increased employee compensation and benefits $4.7 million.

Newsprint and ink costs increased primarily due to increases in newsprint prices. The average price of newsprint year-over-year increased 9% in 2006 and 11% in 2005. The increase in 2005 was partially offset by a 4% decrease in newsprint consumption.

Increases in other segment costs and expenses are attributed to increased spending in online and print initiatives, primarily in our Florida markets.

Total newspaper costs and expenses are expected to increase 1% to 3% year-over-year in the first quarter and for the full year of 2007.

Capital expenditures in 2006 include land costs for the construction of a new production facility at our Naples, Florida newspaper. Capital expenditures in 2004 include costs for the construction of a new production facility for our Treasure Coast, Florida newspapers.

Newspapers operated under Joint Operating Agreements

Three of our newspapers are operated pursuant to the terms of joint operating agreements (JOAs). See page 8 for information regarding the markets in which we publish a newspaper pursuant to the terms of a JOA.

The table below provides certain information about our JOAs.

Newspaper / Publisher of Other Newspaper	Year JOA Entered Into	Year of JOA Expiration
The Albuquerque Tribune/ Journal Publishing Company	1933	2022
The Cincinnati Post/ Gannett Co. Inc.	1977	2007
Denver Rocky Mountain News/ MediaNews Group, Inc.	2001	2051

Under the terms of a JOA, operating profits earned from the combined newspaper operations are distributed to the partners in accordance with the terms of the joint operating agreement. We receive a 50% share of the Denver JOA profits, a 40% share of the Albuquerque JOA profits, and an approximate 20% to 25% share of the Cincinnati JOA profits.

In 2006, we formed a partnership with MediaNews that operates certain of both companies newspapers in Colorado, including their editorial operations. We have a 50% interest in the partnership.

Our share of the operating profit (loss) of JOAs and newspaper partnerships is reported as Equity in earnings of JOAs and other joint ventures in our financial statements.

Table of Contents

Operating results for our JOAs and newspaper partnerships were as follows:

	For the years ended December 31,				
(in thousands)	**2006**	**Fav(Unf)**	**2005**	**Fav(Unf)**	**2004**
Equity in earnings of JOAs and newspaper partnerships included in segment profit:					
Denver	$ 8,982	(43.3)%	$ 15,854	(56.7)%	$ 36,630
Cincinnati	20,751	(11.8)%	23,532	1.7%	23,148
Albuquerque	10,655	(5.0)%	11,215	(2.1)%	11,452
Colorado	1,107				
Other newspaper partnerships and joint ventures	323	57.6%	205		(106)
Total equity in earnings of JOAs included in segment profit	41,818	(17.7)%	50,806	(28.6)%	71,124
Operating revenues of JOAs	208	(61.3)%	538		207
Total	42,026	(18.1)%	51,344	(28.0)%	71,331
JOA editorial costs and expenses	35,516	3.6%	36,825	(4.4)%	35,260
Contribution to segment profit	$ 6,510	(55.2)%	$ 14,519	(59.7)%	$ 36,071
Supplemental information:					
Depreciation and amortization	$ 1,299		$ 1,495		$ 1,451
Capital expenditures	1,346		1,974		1,071
Business acquisitions and other additions to long-lived assets	210		8,380		80

Additional depreciation incurred by the Denver Newspaper Agency reduced equity in earnings of JOAs by $12.2 million in 2006 and $20.4 million in 2005. (See page F-11). Equity in earnings of JOAs was also impacted by lower advertising sales in our JOA markets in 2006.

Gannett has notified us of its intent to terminate the Cincinnati JOA upon its expiration in December 2007.

Broadcast Television Broadcast television includes six ABC-affiliated stations, three NBC-affiliated stations and one independent. Our television stations reach approximately 10% of the nation s television households. Our broadcast television stations earn revenue primarily from the sale of advertising time to local and national advertisers.

National broadcast television networks offer affiliates a variety of programs and sell the majority of advertising within those programs. We receive compensation from the network for carrying its programming. In addition to network programs, we broadcast locally produced programs, syndicated programs, sporting events, and other programs of interest in each station s market. News is the primary focus of our locally-produced programming.

The operating performance of our broadcast television group is most affected by the health of the local economy, particularly conditions within the retail, auto, telecommunications and financial services industries, and by the volume of advertising time purchased by campaigns for elective office and political issues. The demand for political advertising is significantly higher in even-numbered years, when congressional and presidential elections occur, than in odd-numbered years.

Table of Contents

Operating results for broadcast television were as follows:

	For the years ended December 31,				
(in thousands)	**2006**	**Fav(Unf)**	**2005**	**Fav(Unf)**	**2004**
Segment operating revenues:					
Local	$ 202,238	2.5%	$ 197,400	7.4%	$ 183,732
National	104,366	0.9%	103,436	2.9%	100,518
Political	44,260		3,973		41,546
Network compensation	5,446	5.2%	5,177	(39.1)%	8,505
Other	7,196	(6.2)%	7,673	(6.4)%	8,197
Total segment operating revenues	363,506	14.4%	317,659	(7.3)%	342,498
Segment costs and expenses:					
Employee compensation and benefits	128,543	(5.1)%	122,324	(1.0)%	121,062
Programs and program licenses	47,183	0.3%	47,343	2.2%	48,402
Other segment costs and expenses	67,074	(8.9)%	61,605	2.8%	63,380
Total segment costs and expenses	242,800	(5.0)%	231,272	0.7%	232,844
Hurricane recoveries (losses), net			1,567		(1,411)
Segment profit	$ 120,706	37.2%	$ 87,954	(18.7)%	$ 108,243
Supplemental Information:					
Payments for programming less (greater) than program cost amortization	$ 1,047		$ (415)		$ (606