FINANCIAL POSITION

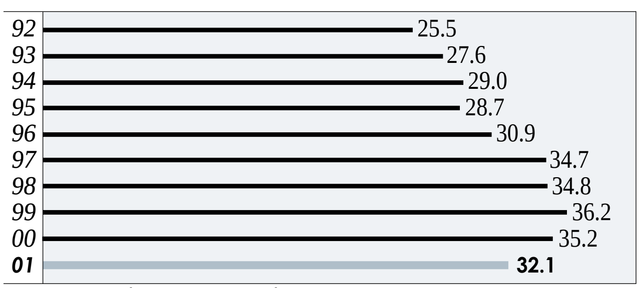
Liquidity and capital resources

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

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

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

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



Operating cash flow, as a percent of revenue

The increase in the income tax liability account, as discussed above, results in a significant decrease in working capital. Working capital was $50.5 million at the end of 2001, compared with working capital of $128.3 million at the end of 2000. Certain key measurements of the elements of working capital for the last three years are presented in the following chart:

Working capital measurements

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

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

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

Long-term debt

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

In thousands of dollars

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

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

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

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

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

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