GANNETT CO., INC. FIRST QUARTER
CONFERENCE CALL AND WEB CAST
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(Edited for clarity)

CORPORATE PARTICIPANTS

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Gannett Co. - Chairman & CEO

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Gannett Co. - President, COO & CFO

PRESENTATION

Operator

Good day, everyone, and welcome to Gannett's first-quarter 2010 earnings conference call. Today's call is being recorded. Due to the large number of callers we will limit you to one question or comment. We greatly appreciate your cooperation and courtesy.

Our speakers for today will be Craig Dubow, Chairman and CEO, and Gracia Martore, President, COO, and CFO. At this time I would like to turn the call over to Gracia Martore.

Gracia Martore *- Gannett Co. - President, COO & CFO*

Thanks, Kim, and good morning. Welcome to our conference call and webcast today to review our first-quarter results. Hopefully you have had an opportunity to review this morning's press release. You can also find it at www.gannett.com.

Before we get started, as always, I need to remind you that our conference call and webcast today may include forward-looking statements and our actual results may differ. Factors that might cause them to differ are outlined in our SEC filings.

This presentation will also include certain non-GAAP financial measures. We have provided a reconciliation of those measures to the most directly comparable GAAP measures in the press release and on the investor relations portion of our website.

Craig and I, as well as several members of the management team, provided a thorough update at the MEANY luncheon in New York in mid-March so today we are going to keep our comments relatively brief to allow more time for your questions. Craig will begin by highlighting the progress we have made in several areas during the quarter as well as briefly review results. I will follow with a more detailed look at our business segments as well as the balance sheet.

Now let me turn the call over to Craig. Craig?

Craig Dubow *- Gannett Co. - Chairman & CEO*

Thanks, Gracia, and good morning, everyone. I am very happy to report that we are off to a great start this year as the momentum that we had at the end of the year continued through the first quarter. We had a very good quarter on several fronts.

Financially we closed the revenue gap considerably as revenue comparisons this quarter improved significantly versus the fourth quarter. We benefited from lower expenses reflecting our focus on greater efficiencies companywide.

As a result, we doubled adjusted earnings per share from the first quarter last year and paid down a significant amount of debt. We are most encouraged by the revenue trends and our ability to create operating leverage.

The strength of our quarter, however, was not limited to our financial results. During the quarter we benefited from our dominant local market positions and the value of our content. We also demonstrated our ability to publish on any platform and deliver solutions for advertisers.

In US Community Publishing , we are experiencing significantly better revenue trends across all advertising categories as the economy firms and businesses are more committed to marketing their own brands and products. We initiated an effort to improve Sunday circulation and focused on our top 32 publishing properties in US Community Publishing. Thirteen of 32 properties have higher Sunday home delivery than they did a year ago.

Our strong local market presence and compelling content contributed to our successful efforts. Our overall Sunday circulation volume has reversed trend as efforts in our markets begin to take hold. Sunday circulation volume in March is now down in just the low single digits, the smallest decline in the last 12 months.

At Newsquest in the UK, the economy there seems to be stabilizing with home prices rising and the level of new car sales improving. As a result, revenue trends there are improving across the board.

On the Digital side, online revenue growth at US Community Publishing was up in the mid single digits as we delivered more online solutions for retail, national, and automotive advertisers. At Newsquest Digital, revenues increased as well in the low single digits. Companywide digital revenues were about 17% of total revenues and were up in the high single digits excluding CareerBuilder, which I will discuss in just a moment.

The results we achieved with the Winter Olympics games showcased the importance and the power of the local television franchise. We achieved our revenue expectation and, just as importantly, we had some very impressive viewer rankings. KUSA television in Denver was the number one station in the United States for the adult 25-to-54 demographic, an outstanding achievement alone, but we also had three of the top five and four of the top 10 in that demo in our television lineup.

We did quite well with the Super Bowl as well. WUSA, our Washington DC CBS affiliate, was the second-highest ratings station for the same demo. And as you may recall, this is without their home team represented in the game or the playoffs leading up to the game.

The value of our local brands, the strength of our local news programming, and a great footprint for this year's elections all point to a robust political issue-related spending this year. We anticipate some heated House, Senate, and gubernatorial races in almost all of our markets.

The strong appeal of our content and brand led to two opportunities for USA TODAY that we announced in the first quarter. The first is their new partnership with Starbucks. USA TODAY is now being distributed in 6,500 corporate-owned Starbucks here in the US. We will benefit not only from the extension of the brand but also from increased circulation. Most notably this new partnership is in response to customer demand for our product.

USA TODAY's ability and commitment to publish content on any platform were the drivers of our second announcement, which was with Apple. They also recognize that the strong appeal of our content based on their firsthand experience with the iPhone. The USA TODAY app was up and running on the iPad the day it launched.

There are two unique things to us about our app. One, the launch is being underwritten by Courtyard by Marriott through July 4 and, secondly, after the promotional period ends it will become a subscription model.

It is one of the most popular apps on the iPad. At this point there has been over 175,000 downloads and it is the 10th most popular free app currently and was as high as number four last week. It is the number one news application in both download statistics and user reviews since the launch. So we are off to a very good start with the iPad.

Besides the ability to publish on any platform, another key priority is to manage and maximize the strength of our content. That means we want to be more effective gathering and managing our content and ultimately how we package it for advertisers. Our industry-leading initiative, ContentOne, coordinates all the content we generate across all of our properties and is delivering content that is more solutions focused and appeals to local, regional, and national advertisers.

A good example is a portal that will we will be launching soon that focuses on jobs and the economy. It will feature job advice columns gathered by ContentOne, graphics from USA TODAY, a job advice video from Gannett Broadcasting, and CareerBuilder job search module. We are very excited about our announcement earlier this week that we and 11 other major media companies plan to form a stand-alone joint venture to develop a new national mobile content and distribution service to make mobile digital television universally available to consumers.

As you can see it has been a very busy quarter for us with progress on several key fronts. So moving on to our results for the quarter.

On a non-GAAP basis, which excludes special items, earnings per diluted share were $.50, double the comparable figure for the first quarter of 2009. Revenue totaled $1.3 billion and the year-over-year revenue decline was just 3% on a pro forma basis, 10 percentage points better than the fourth-quarter year-over-year comparisons.

Revenue trends continue to improve throughout the quarter. Total pro forma operating revenues were down 8% in January and by March they were down just under 1%. Pro forma Publishing advertising revenues were down about 8% while pro forma Publishing revenues declined about 6%. Digital segment revenues were down just under 2%.

The employment picture continues to pressure results at CareerBuilder although revenue there declined just 5% and was offset partially by double-digit revenue growth at PointRoll. Broadcasting revenues, due in part to Olympic advertising but also core revenue growth, were up 17%.

Total companywide expenses excluding special items were 11% lower, far outpacing the revenue decline. As a result, adjusted net income more than doubled. In fact, all of our business segments delivered substantially higher operating income and operating cash flow in the quarter compared to the first quarter of last year.

We generated total operating cash flow of over $274 million and reduced debt substantially, about $260 million. We are better positioned now than we were a year ago with a stronger balance sheet and more flexible and leaner business operations. The strength of our business results reflects continued progress on both our strategic plan and our cost restructuring.

Additionally, they highlight our ability to generate operating leverage as revenue trends improve with the economy.

There is an important shift occurring. The discussion now is focused on market position as the economy continues to improve rather than on cost savings. It is more about the strength of our local market presence, our regional and national brands, engaging content, and the ability to deliver marketing solutions to a wide array of advertisers.

Our goal is to provide relevant content on any platform the consumer chooses based on their preferences. We are accomplishing this and we expect to benefit from the many opportunities we see as media consumption and new technology continue to evolve.

Our employees worked extremely hard to deliver the best content possible and it is a great accomplishment when their peers recognize their efforts. I would like to congratulate the Des Moines Register and photographer Mary Chind for winning the Pulitzer Prize for breaking news photography. In addition, nine of our broadcasting stations won 44 regional 2010 Edward R. Murrow Awards and I would like to congratulate them all as well.

Before I hand the call over to Gracia I want to thank all of our employees for all of their efforts in delivering the strong financial results as well as the wins we achieved we achieved companywide. And with that I will turn the call over to Gracia.

Gracia Martore - ***Gannett Co. - President, COO & CFO***

Thanks, Craig. Some of the good news this quarter is that each of our business segments improved their profitability compared to a year ago due to improving revenue trends and significantly lower expenses. As Craig noted, we continue to benefit from our revenue initiatives and from consolidations and other efficiency efforts.

That was very much the case for our Publishing segment. Pro forma revenue trends improved again this quarter. They progressed steadily through the quarter and were eight percentage points better than last quarter. Total advertising revenue comparisons improved 10 percentage points relative to the fourth quarter as retail, national, and classified all had smaller declines.

Classified lead the better comparisons, improving by about 14 percentage points. The comparisons for retail and national improved over nine and almost eight percentage points, respectively.

Stabilizing economies in the UK and the US led to better revenue trends for both Newsquest and our domestic publishing operations. Ad revenues in the US declined about 9% in the quarter compared to last year's first quarter and were almost 10 percentage points better than the fourth-quarter comparison. Similar to comparison trends overall, classified was about 13 percentage points better domestically followed by retail and national.

Within classified employment and automotive comparisons showed the biggest improvement, 27 and 14 percentage points, respectively. Domestic classified advertising was just 7% lower in March compared to a year ago.

Turning to Newsquest, their advertising results in pounds trended in much the same way. Classified advertising comparisons improved sequentially about 11 percentage points and were 13% lower than last year's first quarter. Automotive and employment were the most improved relative to fourth-quarter comparisons. Both were better in the mid to high teens.

Real estate, although it did not improve as much from the fourth quarter, was down just over 1% compared to the first quarter last year. Retail was just 3% lower year-over-year and retail comparisons for the fourth quarter were about eight percentage points better.

National was 2% higher year-over-year and almost five percentage points better than the fourth quarter. Although national advertising for the entire Publishing segment was 2% lower for the quarter and fairly volatile, it increased in the high single digits for our US Community Publishing properties and was also, as I mentioned, a bright spot for Newsquest.

Advertising at USA TODAY continues to be hampered by the slow travel market and was down about 15% in the quarter. Several categories, such as automotive, technology, retail, and others, had double-digit growth although the gains were offset by the entertainment, travel, financial, and pharmaceutical categories which lagged last year.

Turning to our expense picture, we again had lower expenses companywide in the quarter. Our Publishing segment year-over-year comparisons were impacted by two special items in last year's first quarter. The first was a pension settlement gain of almost $40 million, which was partially offset by workforce restructuring costs of $6.6 million.

So if you exclude those special items in the first quarter last year, on an apples-to-apples basis expenses in the Publishing segment were actually 14% lower. Again, our consolidation and efficiency efforts were the primary drivers of the decline, although significantly lower newsprint expense contributed as well. Newsprint expense on a pro forma basis was almost 41% lower due to substantially lower prices and lower consumption.

Let me just make a brief comment on newsprint. As we all know, last year was -- there was a global downturn in demand and that resulted in sharply lower newsprint prices. Since then prices have started to recover, although excess capacity continues to cause a fair amount of market fragmentation. Gannett's newsprint costs are benefiting from a variety of strategic agreements in place for 2010 and we expect favorable newsprint prices at least through the second quarter.

One other reminder regarding expenses. Savings associated with the furloughs in this year's first quarter were not as high as the furlough savings in the first quarter of last year, about $13 million this year versus $20 million in the first quarter of last year, so about a $7 million swing. As Craig noted, our increased profitability, particularly in the Publishing segment, reflects the permanent restructuring of our costs and a more stable ad environment.

Operating income and operating cash flow, excluding special items, were substantially higher this quarter compared to the first quarter last year. The Publishing segment operating income increased almost 60%, about $62 million, despite our revenue decline of about $78 million. Operating cash flow on a comparable basis was 38% higher.

In our Broadcasting segment revenue was up significantly in the quarter, almost 17%. In March, which was not impacted by the Olympics or any other special events, advertising excluding political was up in the high single digits. Several categories had double-digit increases including the top two, automotive and retail, which were up over 30% and 23%, respectively.

Broadcasting operating expenses were down slightly in the quarter as an increase in advertising sales costs related to the higher revenues was offset by cost controls and efficiency efforts. Operating income, therefore, was up over 55% and operating cash flow totaled almost $77 million, an increase of over 45%.

At this point, given current trends, we expect the percentage increase in television ad revenues for the second quarter this year to be in the very high teens to the low 20s compared to last year. But as always remember pacings are a point in time and can change substantially just as we saw in the first quarter.

And let me also remind you that the first quarter is generally the smallest quarter of the year for our Digital segment and this year was no different. Revenues in the Digital segment declined just 2% to $141 million in the quarter.

Strong revenue growth at PointRoll did not quite offset the impact the current employment had on CareerBuilder's revenue. Although CareerBuilder's revenues declined 5% year-over-year, they improved significantly relative to fourth-quarter comparisons.

Digital operating expenses were also 5% lower. In addition, similar to last quarter, costs accrued for an employee incentive and compensation plan that is tied to the performance of certain Digital businesses impacted operating expenses.

If you exclude that incentive comp plan charge, operating expenses would have been over 6% lower compared to last year's first quarter. As a result, operating income would have been about 70% higher than the reported number of $3.4 million. As is typical, Digital segment profitability in the first quarter is disproportionately smaller as marketing and promotional expenses are higher relative to the remaining quarters in the year.

Almost all of the businesses in the Digital segment, including CareerBuilder, had substantially higher operating income and cash flow this quarter compared to last year reflecting their revenue performance and the focus on cost control in the businesses.

CareerBuilder's North American network revenues were approximately $132 million in the first quarter, down about 6% from last year. In comparison to the fourth quarter of last year, however, North American network revenue was actually up 1% as classified employment at the affiliate newspapers increased well over 10%.

Now turning to our Digital revenues companywide, which include our Digital segment as well as in our legacy businesses, our companywide Digital revenues were over $225 million, up slightly compared to last year. Digital revenues at US Community Publishing were up in the] mid single digits.

Once again, employment was a factor although the auto, national, and retail categories were much stronger in the quarter. If you exclude employment, online revenues in our US Community Publishing group were up over 10%.

In March this year our monthly Digital metrics improved compared to both February and March of last year. Stronger results for our certain Digital investments, particularly Classified Ventures, drove a $3 million increase in our equity income line. So overall, operating cash flow, absent special items, totaled $274 million in the quarter, a 39% increase from the first quarter last year.

Let me turn to the balance sheet quickly. As we have noted, significantly more revenue dropped to the bottom line and as a result we are generating a very substantial level of free cash flow. We used that free cash flow to reduce long-term debt by $260 million in the quarter.

At the end of the quarter long-term debt stood at $2.8 billion and we had just over $100 million in cash and marketable securities on the balance sheet. Our all-in cost of debt is 5.3% at this point and our debt to EBITDA covenant ratio was just 2.3 times, substantially below the 3.5 times covenant.

One final item, CapEx in the quarter totaled just under $9 million.

So in summary, we are delivering on our commitment to permanently reconfigure our cost structure, strengthen our balance sheet, and create leaner, more flexible business operations as our results this quarter clearly demonstrate. And with a little more help from the economy we are poised to grow our revenue base as we leverage our market strength, the value of our brands, and the appeal of our content.

With that I will stop and Craig and I will be happy to take your questions.

QUESTION AND ANSWER

Craig Huber - ***Access 342 - Analyst***

Good morning, Craig and Gracia. A two-part question if I could. Your daily circulation volume, how much was that down for the quarter and also Sunday for the quarter, please?

Then also a question I always like to ask you: Your advertising rates for your US newspapers -- how much was that down year-over-year? I think last quarter you talked about it being down in sort of the 7% to 8% range. I think you mentioned on this call USA TODAY revenues were down -- ad revenue was down 15% but the volume was down 4%, I think per the press release. Thank you.

Gracia Martore - ***Gannett Co. - President, COO & CFO***

Thanks, Craig, for the question. Starting on the circulation side, for the quarter our daily circulation was down a little over 9% and our Sunday circulation was down about 5%, but I point to the fact that in March we actually showed improvement from that. The daily decline was about 7.8% and the Sunday decline was just 3.9%.

And I think that clearly reflects the focus that Bob Dickey and his group in Community Publishing have spent on Sunday circulation. Craig talked about those top 32 papers and the fact that year-over-year we are seeing increases in home delivery, Sunday home delivery. So our circulation story is an improving one and we look forward to some additional improvements as the Starbucks program kicks in at USA TODAY.

Craig Dubow - ***Gannett Co. - Chairman & CEO***

Just to follow on that, Craig, the other aspect here, and I think it's a given, is really the value of that content. We are driving very desirable content that is being asked for and that has really worked in the Sunday circ improvements, and certainly with USA TODAY.

I mean that was purely driven by consumer requests and what they were asking for, particularly from Starbucks. But just a little color on that.

Gracia Martore - ***Gannett Co. - President, COO & CFO***

And then, Craig, to your favorite question about rates, I am not sure there is much more that we would add to what Bob Dickey said at the MEANY meeting, which is the fact that rates have been impacted over the last year and a half by economic conditions and we have been sensitive to that.

But I think our primary focus is on new pricing and packaging formats for our local advertisers that take into account all of our platforms. Our focus is really to get a larger buy out of each of those local customers than we have done in the past.

I would say also on the digital side, from a rate perspective what we are seeing is that rates are clearly firming there, and in certain areas we are actually seeing some improvement in rates. Then if you turn to the television side, it's clear that rates there have firmed and we expect in a year like 2010 that we are going to see very good follow-through on the rate side.

So it's a little bit of a mixed bag but I think that we are heading in a positive direction on the rate side. But thanks for your question, Craig.

Craig Huber - *Access 342 - Analyst*

But if you had to ballpark it, Gracia, what -- was it down 70 --?

Gracia Martore - *Gannett Co. - President, COO & CFO*

I think it's similar to what we have talked about before on the Publishing side, and unlike what we have talked about before, I think we are seeing improvement on Digital and improvement -- continued improvement -- on Broadcasting. Thanks, Craig, for your question.

Craig Huber - *Access 342 - Analyst*

I would like to ask, how much was your newsprint consumption down? You usually give us that. Thank you.

Gracia Martore - *Gannett Co. - President, COO & CFO*

Yes, I think our newsprint consumption was down around 15%, around 15% to 16%, and price was down around 31% to 32%.

Craig Huber - *Access 342 - Analyst*

Great, thank you.

Alexia Quadrani - *JPMorgan - Analyst*

Looking into the second quarter, can you give us some sense of how newspaper advertising revenues are trending in April, both on the community side and at USA TODAY?

And then on the cost side, still staying on the second quarter, is it possible to see the same sort of run rate of expense reduction even with a little bit less benefit from the furloughs in the second quarter?

Gracia Martore - *Gannett Co. - President, COO & CFO*

With regard to the latter part of your question regarding expenses, I think that we will continue to do a very strong job on the expense front in the second quarter. On the newsprint front, as I said before, we would anticipate that we will continue to see the benefit of lower prices in the second quarter, perhaps not quite as good a comparison as we saw before. As well on the usage side, as our revenue declines abate, usage is not down as much as it was previously. But that is very good news because we are delighted to have 100% of that revenue with only about a 15% drop on the expense side -- from newsprint.

You are very correct that we did have about $25 million of furlough savings in the second quarter of last year. And as we announced a couple of weeks ago, other than in some small areas, we will not have companywide furloughs in the second quarter. So that is about $25 million.

But I will tell you that I think there are other areas where we will continue to be focused on cost controls and continue to deliver a very strong expense story in the second quarter.

Craig Dubow - *Gannett Co. - Chairman & CEO*

Alexia, with respect to continued pricing, I think what we are seeing, certainly within the first quarter in USCP, is going to likely continue. We are very pleased with what we are seeing there.

With USA TODAY, Gracia walked through key categories. Our hope is that that will improve and certainly as we had mentioned with all the other platforms that we are running on, there are increased opportunities. So we are very excited where this is headed.

Alexia Quadrani - *JPMorgan - Analyst*

Craig, so just so I understand you correctly, so what you are seeing in April in the community papers is it a continuous improvement for your ad revenue in March?

Craig Dubow - *Gannett Co. - Chairman & CEO*

Yes, I think that is fair to say.

Gracia Martore - *Gannett Co. - President, COO & CFO*

Just so we all understand that improvement doesn't happen in a linear fashion consistently each month. There are going to be ups and downs but I think directionally we are very pleased with the momentum that we had coming out of last year. As you can see, it carried through into the first quarter and as Craig said we anticipate that we will see further carry through in the second quarter.

Craig Dubow - *Gannett Co. - Chairman & CEO*

Alexia, I think that the big key on this in a non-dollar-related fashion, what we are hearing most directly, is that the advertisers that sat on the sidelines over the last number of months here have really determined their need for mass media. And I think that is really the directional change that we are seeing.

As more and more continues on the national side, we have -- with the emphasis Gracia spoke about with local -- we are going to be seeing more on that end as well as these advertisers step back into the market place. I see that continuing and certainly with the Bernanke comments on the strength of the economy, I think that is going to help us. As we said, it's a very positive environment right now.

John Janedis - *Wells Fargo Securities - Analyst*

Gracia, just as a bit of a follow-up to your last comment, can you help us think about the earlier Easter impact this year? Meaning was there one? I assume you saw an increase in preprints for March and I am just wondering to what extent April looks maybe slightly weaker.

And then just separately, can you help us think about the economics of an e-reader sub versus maybe a typical print sub for USA TODAY after the revenue split, with maybe the iPad for an example and to what extent you think subscribers will be incremental rather than substitution? Thanks.

Gracia Martore - *Gannett Co. - President, COO & CFO*

Let me take the first question with regard to the Easter impact. I think there was some Easter impact that we saw a little bit earlier in that last weekend in March and particularly on the preprint side. Then on Easter Sunday you typically don't see the kind of classified advertising that you would normally see on a Sunday.

So I think they tend to in some ways balance each other off. I don't think Easter is as big a deal as it once was, but certainly there is a little bit of a preprint impact early and then on Easter Sunday usually you see a little bit of a fall-off on the classified side.

Craig Dubow - *Gannett Co. - Chairman & CEO*

On the second question with respect to our e-readers, let me just start with the iPad. As we had mentioned, the Courtyard by Marriott is booked straight through on an exclusive basis through July 3 or 4, I believe, is the date John.

Our anticipation based on the early numbers that we are seeing -- keep in mind we are only into this two weeks -- when we look at the kind of numbers we have, they are very, very encouraging. Our expectation is that we will see this continue as we move forward there.

With respect to is it incremental or otherwise, you know at this point it's really hard to say. I think we are going to have to get a good read on it, if this is replacing or not. But I have to say -- I don't know if you have seen the app yet on the iPad. It is absolutely gorgeous.

I think the team has done a remarkable job with it in a very short period of time. And I think the more people see this and just how beautiful it is -- it's a very easy application to work with. I would expect that we are going to see continued growth in this with similar numbers for sometime to come.

I hope with the supply issue that Apple seems to have at this point it does not slow anything down, but my guess is, since domestically we will be covered it should be positive. With the other areas that we are on, I would not really comment as positively toward the Kindle. That is a whole different environment.

And without really the real beauty of the impact from the application, I don't think it has the traction by any means that we do on the other side. Again, when you look at it even on the iPhone you get a pretty good sense of what you are seeing. But we are very pleased at this point, John, where all this is headed.

Jim Goss - ***Barrington Research - Analyst***

Thank you. You know John had asked about the economics related to the iPad. I am curious. Are you -- how do you count -- like are the ads going to be intermixed in the viewing experience in the iPad and will they count in the same way? Can you discuss how that will work a little bit?

And earlier in the year, Gracia, we were talking about these e-readers and the impact and one of the issues was iPad coming out probably at an expected price of $1,000 or more because of the color and video aspect. And when it came out at a lot lower price I am wondering if you have started to evaluate this as a real potential game changer. I realize we are only two weeks into it but how are you viewing that sort of thing?

Craig Dubow - ***Gannett Co. - Chairman & CEO***

Well, the first part here -- Jim, we are excited by it. I think certainly that impact that we were looking for when we all last spoke has really been amplified. The opportunity that we have with this really can set a new stage.

However, again, let's not get ahead of ourselves. Two weeks is not too much time to really evaluate from a trend but at the same time, I think it's off to a very good and positive early start.

With respect to the ad side, as I said earlier, we have sold on an exclusive basis at this point with respect to Courtyard by Marriott. That will continue through July 4. And I anticipate that that is going to continue in a very significant way and that desire and demand is certainly going to increase as we go forward.

Jim Goss - ***Barrington Research - Analyst***

The other potential transitional effort was this mobile TV distribution joint venture. Could you discuss the hardware requirements and the investment structure?

Craig Dubow - ***Gannett Co. - Chairman & CEO***

Well, let me just say this. Once the announcement just two days ago was put out, I was thrilled. I think the work that Dave Lougee and Lynne Beall from our Broadcast division have done -- particularly in that size of group -- is herculean. We are very, very excited about the utilization of that spectrum as we go forward.

And I think when you look at it, there are a number of prototypes that are out. For example, the Tivit works directly with the iPhone. It's a thing that is about half the size of a smartphone, if you will, that works through Bluetooth and that is available actually in Japan I understand.. It is a very, very good selling item but over here it's still in the development stage.

I have also seen some development in the pre-releases of some of the smartphones and what we are looking at is good quality video, it fits very nicely with the other applications of camera and everything you would expect from a smartphone. And those things are coming together but it is still early. There is an awful lot to be done once we get these understandings together among the group.

But I think the big part of that announcement is just the organization and the structure of what we are going to be doing collectively to utilize that spectrum in a very significant way. When you look on the emergency side, there are so many different aspects of what we have available to utilize and the number of channels that can be utilized for different content, etc.

But it's early and we will keep you updated as we move along and the other manufacturers move along with what is going forward. But I think it's going to be substantive.

Jim Goss - ***Barrington Research - Analyst***

One last thing. Has the travel issue started to sort itself out for USA TODAY in regard to both the advertising and the circulation side? Thank you.

Gracia Martore - ***Gannett Co. - President, COO & CFO***

What we are hearing on the travel side is that really only in the last few weeks, luxury travel, just very anecdotally, seems to be picking up in some measure. And also chatting with some folks in the Caribbean and talking about the number of ships coming in there, a few more ships, a few more passengers. So I think it's beginning to turn a bit; I think it's going to take some time. And then business travel is another area that is going to have to return as well. So a few positive signs on that front but still a little bit early.

MIKE KUPINSKI - ***NOBLE FINANCIAL GROUP - ANALYST***

Thank you for taking the question. I was wondering did you determine what the pricing of the subscription will be for the USA TODAY on the iPad.

Gracia Martore - ***Gannett Co. - President, COO & CFO***

We are still evaluating that. As Craig said, we have a sponsorship from Courtyard Marriott through the Fourth of July and we are still analyzing the metrics that we get out and the consumer experience and all of those sorts of things. We will determine the pricing in advance, obviously, of July 4.

Craig Dubow - ***Gannett Co. - Chairman & CEO***

There has been a lot of experimenting that has gone on and real testing, but right now I think that the key is just the user experience and that evaluation of continued use. And then we will figure out exactly the pricing structure but I think it will be a nice positive.

Mike Kupinski - ***Noble Financial Group - Analyst***

Craig, I was just wondering if you believe that there is a disparity between traditional media outlets, say newspapers and TV, versus Internet advertising in terms of return. And if so, how big of a gap do you think there is and do you think that in a recovery you will be able to raise rates more aggressively than that of the Internet?

In other words maybe that the Internet publishers aren't the leadership in terms of driving rate as we go into this recovery. Do you think things have changed a little bit?

Craig Dubow - ***Gannett Co. - Chairman & CEO***

Again, this is very early in what we are working through. I think you are seeing it on the traditional side and certainly with the demand that we have across the board in broadcasting and from special events. The key core aspects of what we have there is real opportunity from that perspective.

And the same thing would apply, as we have already discussed, on the print side. What we are going to have to do is get better metrics and a little more trend to what we are looking at across the board on the digital side. But my anticipation is that that it will move along steadily.

With the increased demand that we are seeing, we are anticipating that that will be a real opportunity in time. Again, we are taking it just a step at a time but again, it will be a positive as we move through Q2 here.

Mike Kupinski - ***Noble Financial Group - Analyst***

And in terms of political advertising, obviously you are saying that it's trending a little bit better than you anticipated and it's going to be a strong year given all these heated races you have in virtually all of your markets. Do you care to throw out a number in terms of what you think you might achieve in terms of political advertising this year?

Gracia Martore - ***Gannett Co. - President, COO & CFO***

I think we would fear that whatever number we gave you now we are going to well exceed, so we will just let it come in and report on it for you. It’s going to be a strong year,

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Craig Dubow - ***Gannett Co. - Chairman & CEO***

It will be good.

Mike Kupinski - ***Noble Financial Group - Analyst***

Okay, I appreciate that. And then on your Broadcast mobile joint venture, I am curious because a lot of the media I guess looked at this announcement as a way to show the FCC that you guys have some use for the spectrum and trying to avoid them taking back spectrum. Of course in the past when you aggregated broadcasters to come up with business plans and joint ventures, whether it be through data cast or through multichannel options and things like that, they have really failed.

Why do you think this business strategy for a joint venture here might work and what might be different than those that you have had in the past?

Craig Dubow - ***Gannett Co. - Chairman & CEO***

Great question, Mike. I think number one, when you can see the quality of the video that this system will drive and the opportunity of a multichannel environment on a very small device, I think you have got something that before has been only in a tethered environment. We know that demand for the quality programming that we have in a tethered world. My guess is that we are going to see similar demand for quality product that we can put out in this new arena.

I think it's fabulous that we have the entire group together. I again note that Dave Lougee has done a great leadership job for our company within the group from the Broadcast division. And, frankly, it's so new, there are so many pieces to this that are coming together, but I really think this is one that will take hold because the opportunity is very real.

In the past, the opportunities that we looked at just didn't have the kind of traction that I believe is associated with this. And you are going to see in time some very real results from the prototypes that we have looked at. They produce just a gorgeous picture. As Gracia and I have both seen, even at 70 miles an hour, it holds together beautifully.

So a lot of the technical things that were a big question in the past, offerings and potentials that failed, just didn't stand up in the same way. So I am very comfortable in what we are seeing from the technology and I think it is certainly what the consumer would expect.

Edward Atorino - ***Benchmark Co. - Analyst***

A couple of questions. On interest expense with the debt reduction of $260 million, I would imagine interest expense on a quarterly basis is going to come down a couple million bucks. And second, regarding all the exciting new technology, with a $2.6 billion dollar newspaper business, don't you think it's going to be a while before it really moves the needle of any consequence?

Gracia Martore - ***Gannett Co. - President, COO & CFO***

I will start with the interest expense question. Assuming interest rates remain flat, we should see interest expense come down in each quarter and particularly once we cycle the long-term debt that we did at the end of September of last year.

But that depends on where interest rates are and also the potential for us to opportunistically do another financing in the market at some point, if that makes sense for us to do.

Edward Atorino - ***Benchmark Co. - Analyst***

What is your rate now, 4%, 5%?

Gracia Martore - ***Gannett Co. - President, COO & CFO***

The all-in interest rate was about 5.2%, 5.3%.

Craig Dubow - ***Gannett Co. - Chairman & CEO***

Ed, with respect to the new technology, will it move the needle? Let's first backup. I think what we are seeing from our core traditional businesses first is a real positive sign. Two, with the demography breaks that we have within the new tech area, I think that is going to move at a pace very similar to what we have been seeing from an adoption rate thus far.

So when you look at the portfolio we have, it goes far beyond just e-readers. As we have said before, we are very proud that we were just shy of $1 billion in digital revenues this past year. And I think as more of these products come to the table, then it's going to be the consumer deciding on the product quality.

I am very confident in what we have to offer and how we are going to be able to move that forward. So, again, it's an unknown but we are very optimistic in what we are seeing. And again, because of the diversity of that portfolio, Gracia mentioned PointRoll, typically the first part of the year is not as dramatic from a revenue perspective but we are extremely pleased at how well we are doing and how that is moving forward.

So when you apply all of these products, I think in time, yes, this will move the needle and we will have a very, very good digital business.

Gracia Martore - ***Gannett Co. - President, COO & CFO***

I would also say, Ed, that as we mentioned our total Digital revenues companywide are about 17% of our revenues. And as Craig alluded to, the first quarter masks the contribution that ultimately in the full year the Digital segment alone will make and the digital revenues in each of our other businesses are profitable, nicely profitable businesses as well.

So when you put it all together, our digital businesses are already making an imprint on the Company in a very positive way on a full-year basis. And as we continue to grow -- if digital grows faster than our traditional businesses as some suggest -- then we are incredibly well-positioned with the businesses that we have to clearly benefit from that.

So they are already making a positive contribution and we look forward to them making an even more significant one in the future.

Barry Lucas - ***Gabelli & Co. - Analyst***

Thanks and good morning. Craig, not to put too fine a point on Mike's question, but technology -- is it a business? How does the business model for the new JV differ from earlier attempts and discussions with the open mobile video coalition?

Craig Dubow - ***Gannett Co. - Chairman & CEO***

Let me just say this. With everything that is coming together, I mentioned there is an awful lot that has to happen yet and we are just in the throes of that. Just the announcement that we are all working together has been completed. The models are being discussed and worked on as we speak.

So in time we will be able to give you more updates as Dave and the group move along with it, but I can't sit here today and tell you precisely. I think that the key part of what we can say is that we have a group of companies that really want to work together -- and that is such a positive sign.

The willingness to produce on this is the first critical step. As you know, in the past that just has not existed in that manner and I think when you tie all of the things together from the economic side through each of the elements from our businesses, you can understand clearly why people want to work together. And that model is being developed as we speak.

Gracia Martore - ***Gannett Co. - President, COO & CFO***

And Barry, I think that what we would say is technology was very important -- getting the technology in place was a very, very important first step. Getting the standard in place, an extremely important first step.

But what will trump all of that is the consumer experience, the content that we bring to it, and the fact that the consumer will want this. And if the consumer wants it and is desirous of it then it will succeed, not just because of the technology but because of the consumer experience.

Barry Lucas - ***Gabelli & Co. - Analyst***

Right, agreed. Two more quickies. Staying with the spectrum issue, Jim -- Genachowski walked into the lion's den at the NAB and sort of sounded like he was singing kumbaya. Where do you think the broadband plan goes and how concerned are you about a taking of the spectrum? And how do you, if at all, do you really think you can monetize excess spectrum if there is anything?

I will just give you the last one and that is the corporate expense sort of spiked in the quarter, at least year on year. Just wondering what are the details and what would you expect for the balance. Thanks very much, Craig.

Gracia Martore - ***Gannett Co. - President, COO & CFO***

Happy to start with the corporate expense. As you saw, corporate expense was up about $5.4 million -- but what that represents is that we issue stock options in the first quarter. A number of the recipients of those stock options are retiree eligible and therefore the vast majority of the fair value of those options have to be expensed upon the issuance of them.

So that combined with a significantly higher stock price, which we are very pleased about, multiples of where our stock price stood in the first quarter of last year, led to a spike up in corporate expense. If you exclude the stock option expense from corporate expense, our corporate expenses were actually down 5%.

That is a phenomenon that we will see in the first quarter. The second and third quarter's stock option expense will go back to a number that is commensurate with last year's second and third quarters.

Craig Dubow - ***Gannett Co. - Chairman & CEO***

Let me, Barry, take your first question. Regarding the chairman's comments at NAB, number one, we take it seriously. We are looking at every avenue there but also we want to be able to show a true utilization of that spectrum and how it is going to serve our consumers and certainly the public.

So we were there. We heard lots of anticipation from certainly the chairman's perspective, but I think what you will see out of this is a true need that has developed. Some of the key things, and I think I mentioned a little of this earlier, but certainly from an emergency perspective what that can offer on a scaled coverage to the US is still probably the single most coverage that any one thing can achieve. And I think that is a huge benefit.

So there are a lot of things that would counter certainly from our perspective where the chairman was. But on the side of monetization, our belief is that with this model and how it can come together, yes, that can be certainly monetized.

Again, it's awfully early at this point. We talked earlier as to the development of that model and, as I said, that is being worked on as we speak. But just to finish here, we did hear. We take it very seriously and we are responding, in the best way we all know how -- improving and showing real need for that spectrum and utilization.

Tim Daggett - ***Citi - Analyst***

How do you guys plan to deal with the $2 billion of maturities you have over the next two years?

Gracia Martore - ***Gannett Co. - President, COO & CFO***

With respect to the maturities we have, number one, as you can see, we generate significant free cash flow. Last year in the worst economy in 80 years, we paid down about $750 million of debt. In the first quarter of this year, which is typically our lightest revenue quarter, we paid down $260 million of debt. So clearly we have substantial free cash flow to deal with those maturities.

But as well, part of that maturity that you are speaking to represents a revolving credit agreement with a number of banks that doesn't mature until March of 2012. We are always in good conversations with our banks and we fully expect to extend the maturity of that facility, as we have for the last 30 years.

Tim Daggett - ***Citi - Analyst***

Okay. And what is the balance on the revolver at the end of the quarter?

Gracia Martore - ***Gannett Co. - President, COO & CFO***

At the end of the quarter the balance on the revolver I think was around $1.3 billion.

Tim Daggett - ***Citi - Analyst***

Okay. So what debt did you pay off during the quarter then?

Gracia Martore - ***Gannett Co. - President, COO & CFO***

Revolving credit debt.

Tim Daggett - ***Citi - Analyst***

You did pay down the revolver?

Gracia Martore - ***Gannett Co. - President, COO & CFO***

Yes.

Tim Daggett - *Citi - Analyst*

Okay, thanks.

Operator

That concludes our question-and-answer session today. Ms. Martore I will turn the conference back to you for any additional or closing remarks.

Gracia Martore - *Gannett Co. - President, COO & CFO*

Thank you very much for joining us today. If you have any additional questions, you can call Jeff Heinz at 703-854-6917 or me at extension 6918. Thank you very much and have a great day.