GANNETT CO., INC. SECOND QUARTER EARNINGS CONFERENCE CALL AND WEBCAST

JULY 16, 2010

(Edited for clarity)

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

Thanks, Joshua, and good morning. Welcome to our conference call and webcast to review our second-quarter 2010 results. Hopefully you have had an opportunity to review this morning's press releases. You can also find them at www.Gannett.com.

Before we get started, however, I need, of course, 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 also includes 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.

As many of you know, Craig and I provided a fairly detailed review of the quarter in early June, so we will try to keep our comments relatively brief today. Craig will start off by reviewing our quarterly results and update you on several strategic efforts we initiated during the quarter. I will review the quarter in detail, particularly for each of our business segments.

I will now turn it over to Craig.

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

Thanks, Gracia, and good morning, everyone. I am extremely pleased to announce another quarter of improving results. Advertising demand firmed during the quarter as we benefited from the strength of our local market franchises both here and in the UK.

In the second quarter, our revenue comparisons were better relative to the first quarter with total revenue down only slightly. Broadcast and digital revenues were particularly strong, while publishing revenues were down in the mid-single digits.

Expense declines again outpaced the revenue decline for the quarter. As a result, we increased our bottom line significantly with a 33 percent increase in both adjusted operating income and adjusted earnings per share. As the economy improves and ad demand strengthens, the efficiency efforts we put in place are continuing to contribute results in the quarter.

We have also made great strides in transforming Gannett to a multimedia, multiplatform company. We are positioned for growth in both our core assets and our unique digital businesses. We are committed to leveraging the strength of our local brands and extending our reach, particularly our digital reach, in all of our markets.

In the second quarter we announced several initiatives that will help achieve that goal and today's announcement is also significant. Our local advertising partnership with Yahoo! will further extend the digital reach for both our local publishing and several of our broadcast properties. The partnership

combines our strong local brands and deep local connections with Yahoo!'s broad digital audience and audience targeting capabilities.
As a result of the partnership, we will increase our digital reach to as much as 80 percent of the total local digital audience. That will promote greater results for our advertising clients as they will be able to reach larger audiences as well as deliver more relevant ads based on demography, geography, user interest, and more.

Yahoo!, as a reminder, does not have a local sales or marketing presence to work with local advertisers and businesses. From our operational perspective, our corporate US Community Publishing and Broadcast teams, in conjunction with Yahoo!'s dedicated partnership team, will work closely with each site's management and sales teams on a detailed training and deployment plan. All messaging, scheduling, and delivery on Yahoo! sites for programs sold by Gannett's local media organizations' sales teams to advertisers will be developed and fulfilled by Gannett. We expect that all of our local domestic publishing operations and several of our broadcasting properties will be participating.

In addition to the partnership with Yahoo!, we are enhancing the value of our local television brands through the development of community-focused websites in our television markets. Through these hyper-local websites, we will be able to extend the services we offer to our viewers as well as our advertisers. The sites will be integrated within existing broadcasting websites and feature news content as well as user-generated content concerning local events. With this more local focus, advertisers will be better equipped to target local audiences.

Not only is our reach an important component of our business model, but the demand for our content is critical to the strength of our local market franchises. We think our content has tremendous value and we want to better understand consumer response to paying for that content. We began testing on July 1 paid content models in three of our publishing markets. Those are Greenville, South Carolina; Tallahassee, Florida; and St. George, Utah. We hope to glean some insights from these tests that will help us formulate and develop our long-term strategy for paid content.

As you are well aware, the number and diversity of our markets allow us to experiment without disrupting our business model for the Company as a whole. We view that as a tremendous advantage and we intend to leverage it as we gauge consumer and advertiser response.

In the meantime, we are providing our content to consumers wherever, whenever, and however they choose to receive it, whether it's on mobile, Web, print, broadcast, or through wireless devices such as the iPad. Consumer and advertiser response has been strong for our mobile applications on the iPhone, iPad, iTouch, and Android platforms.

Since we published the first USA TODAY iPhone application just about a year and a half ago, total consumer downloads of the USA Today iPhone, iTouch, iPad, and Android news applications plus travel applications is just over 5 million. The USA Today app on the iPad remains the number one free news and information app and is an extremely popular free app.

And advertiser interest is high with brands like Coca-Cola, Barnes & Noble, Capital One, and Chrysler all signing on as sponsors. As a result, the USA TODAY app on the iPad will remain an ad-supported through at least the third quarter.

In our Publishing segment, while the advertising backdrop improved, we continued to focus on the transformation of our publishing sites on several fronts: client-focused marketing solutions, centralization of production functions, and content management, among others.

To better serve our advertisers and deliver multiplatform solutions to them, we began to rollout regional client solutions groups during the quarter. These client solutions groups will help us address a much more complex selling environment.

Consumer behavior is changing the media landscape and our publishing operations are now multimedia organizations to better reflect our full portfolio of products and consumer touch points, including digital and mobile capabilities. That presents new revenue opportunities for us as we help businesses understand, harness, and benefit from our loyal and engaged audiences.

The solutions group will act much like agencies for local advertisers and will develop sophisticated marketing solutions, managing and adjusting campaigns according to desired results.

Also during the quarter, we ramped up our centralized US Community Publishing ad production centers and now have 23 sites directing ad production to the centers. Recently, in a single week, the centers delivered a record 12,000 ads to pagination and received almost 14,000 ad orders. With the centralization of this process, we are improving ad production and creating efficiency within the division. That will allow us to focus on core strengths, such as locally-driven customer-based advertising solutions.

We are managing our content in much the same way, leveraging content where possible to free up those in the newsroom to focus on deep local content coverage. For example, many of our publishing sites now include content developed by USA TODAY. More than half include a Nation/World page in their papers and over 60 percent a baseball page. And the consumer feedback has been positive. A reader in Fort Myers told us, and I quote, "Imagine my surprise and pleasure to open today's News-Press and see a page in the sports section from USA TODAY and another in the main section on national and international news. What a great way to enhance your paper."

Once again, we are creating efficiency as well as enhancing the product and extending the brand of USA TODAY. We are not stopping there. We are looking at additional ways to extend the partnership with USA TODAY.

So, moving on to our results for the quarter, as we have previously announced, we divested the Honolulu Advertiser and a small publishing operation during the quarter so our results reflect both discontinued operations as well as gains on the sales. Additionally, we had a significant net tax benefit in the quarter. Earnings per share from continuing operations, excluding special items, were $0.61, a 33 percent increase in the comparable amount in the second quarter of 2009.

Operating revenue totaled $1.4 billion and on a pro forma basis was down only about 1 percent. The exchange rate for the British pound created a headwind for the quarter, so on a pro forma constant currency basis the operating revenue would have been about one half of one percent lower or 0.4 percent. The revenue comparison improved versus this year's first quarter.

The strength of our local franchises in our broadcasting segment drove the 20 percent increase in total television revenues in the quarter. Top-tier ratings for our local news programming were the key to attracting substantially higher core advertising revenues in the quarter. That combined with an extremely good footprint led to about $12 million in political advertising, which we fully expect to ramp significantly in the third and fourth quarter this year.

Digital segment revenues increased 8 percent in the quarter, driven by revenue growth at CareerBuilder of approximately 4 percent -- the first time we have seen revenue growth from CareerBuilder since the fourth quarter of 2008. PointRoll and ShopLocal both had double-digit revenue growth, which contributed to the increases as well.

We continue to close the revenue gap in publishing as publishing advertising revenues and pro forma total revenues were both down about 5 percent.

Once again, the exchange rate had an impact on the revenue comparison. So, on a pro forma, constant currency basis, total publishing revenues declined about 4 percent while publishing advertising revenues were down almost 5 percent. In June, total advertising revenues were 3.6 percent lower on a constant currency basis. On that basis, it was not only the best comparison month of this year, it was the best comparison month since early 2007.

Results on the Digital side improved significantly with online revenue growth at US Community Publishing increasing almost 14 percent, while at Newsquest digital revenues increased just over 9 percent in pounds. Broadcasting digital revenues were over 23 percent higher due in part to a significant increase in Captivate's online results. Company-wide digital revenues were almost 19 percent of total revenues and were up almost 10 percent.

Total company-wide expenses, excluding special items, were almost 8 percent lower, reflecting the operating leverage that we have created in our business segments. They all achieved significantly higher profitability and operating cash flow in the quarter compared to the second quarter last year. Operating cash flow was $327 million in the quarter, up over 30 percent. As a result, we reduced debt by $170 million.

In summary, our focus remains on providing relevant, trusted content on any platform that the customer wants. At the same time, we are committed to expanding our reach and offering better solutions for our advertisers as our partnership with Yahoo! demonstrates. We are improving our position in markets while at the same time strengthening our balance sheet and increasing our flexibility to invest in our businesses.

We believe there are significant opportunities as the media landscape shifts and we are positioned for growth as it does. But before I had the call over to Gracia, I just want to thank all of our employees for all of their efforts during this quarter. It's very much appreciated.

With that, I will turn the call over to Gracia.

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

Thanks, Craig. Let me go into results for our business segments in more detail and cover a few balance sheet items. Then we will open up the call for questions. As a reminder, all of our category comparisons have been included in the release this morning.

Our results this quarter reflect the significant operating leverage that has been created in all of our business segments. The Broadcasting and Digital segments both had substantially higher revenues and we further closed the revenue gap in Publishing. Expenses, as Craig said, were lower company-wide as we benefited from our ongoing cost control and efficiency efforts and were achieved even after comparing against $25 million of furlough savings in the second quarter of last year. The result: improving profitability in each of our business segments.

In Publishing, total revenue comparisons in this quarter on a pro forma constant currency basis were about 4 percent lower but were almost 3 percentage points better than the first quarter. On that same basis, total advertising revenue comparisons again were about 4 percentage points better than the first quarter and were down about 5 percent.

Classified and retail drove the better comparisons and were 6 percentage points and 4 percentage points better than the first quarter.

I should also remind you that we sold Honolulu and a small directories business this quarter and their results are in discontinued operations. As well, we sold a small commercial printing business in the UK last year. Those businesses had about $35 million to $40 million of revenue in the second quarter last year, whereas we are reporting no revenue in the quarter this year from those businesses.

Ad revenue trends in both the US and the UK improved in the second quarter compared to the first. In the US, advertising revenues were 5 percent lower versus last year as retail, national, and classified were all better relative to the first quarter. Reflecting advertising trends overall, classified improved the most -- down just 3 percent -- and 6 percentage points better than the first quarter, followed by retail and national.

Within classified, employment and automotive comparisons showed the largest favorable change, an improvement of 17 percentage points for employment and 8 percentage points for auto relative to the first quarter. Domestic classified advertising was just 2 percent lower in June versus last year.

Newsquest's advertising results trended the right way overall, although trends within categories were much different than in the US. It is worth noting that the sequential improvement within the quarter was significant, as June advertising revenues in pounds were just 2 percent lower compared to a double-digit decline in April.

Classified advertising comparisons at Newsquest improved sequentially as well during the second quarter, down 7 percent in pounds but 6 percentage points better than the first quarter. Within classified, all of the categories improved sequentially and the year-over-year comparisons in the second quarter were better relative to the first. In fact, real estate in the quarter increased 5 percent Automotive and employment declined but were almost 4 and 9 percentage points better than the first quarter respectively. Retail and national also improved sequentially. The general elections and the Easter switch did have an adverse impact on the second quarter ad demand in the UK.

National advertising for the total publishing segment was about 3 percent lower in the quarter adjusted for currency exchange rates. National advertising at US Community Publishing increased about 23 percent while softness in the travel and lodging industries continued to impact results at USA TODAY. In fact, declines in travel as well as the entertainment and telecom categories offset double-digit revenue gains in the automotive, retail, and packaged goods areas.

As Craig noted, the expense decline company-wide in the quarter outpaced the operating revenue decline. Expense comparisons this quarter were impacted by special items in the second quarter last year as noted in the press release. The bulk of these items impacted the Publishing segment. So Publishing segment expenses, including the special items from last year, were down about 10 percent. The biggest driver of the expense decline was our continued efforts to create efficiencies and consolidate operations. Substantially lower newsprint also contributed to the decline. Significantly lower prices and lower consumption resulted in a 31percent reduction in pro forma newsprint expense. The expense reductions in Publishing were partially offset by the relative absence of approximately $20 million in furlough savings in last year's second quarter.

Drilling down a little bit on newsprint and turning to current newsprint market conditions, producers are benefiting from supply rationalizations and considerably stronger exports to Latin America and non-Japan Asia. Despite prices that have been rising since late 2009, second-quarter pricing for Gannett remained favorable with pro forma unit costs down about 24 percent year-over-year. Looking ahead, we expect newsprint expense savings for the third quarter. However they will be at a lower level compared to what we realized in the first half of the year.

Operating expense reductions and moderating declines in publishing revenue resulted in significantly better profitability in the Publishing segment. Operating income, excluding special items, was about $31 million higher or 21 percent. A significant increase given a decline of approximately $65 million in operating revenues. And operating cash flow was up considerably as well, about 23 percent.

Profitability improved dramatically in our Broadcasting segment, due primarily to substantial growth in revenues and small increases in expenses. Operating revenues were up over 20 percent, driven both by strengthen in core advertising and an increase in politically related ad spending of almost $10 million in the quarter. Several categories had double-digit growth, although the auto category was extremely strong in the quarter, about 70 percent up.

Expenses excluding special items in the Broadcasting segment were up about 5 percent, reflecting primarily higher ad sales costs as anticipated given the revenue growth, as well as the absence of about $3 million in furlough savings last year. The increases were offset in part by the impact of continuing efforts to create efficiencies in the segment. Operating income and operating cash flow were both up significantly in the quarter, 56 percent and 44 percent, respectively.

In light of current trends, we expect the percentage increase in television ad revenues for the third quarter at this point to be in the mid-20s and, if pushed today, more likely at the higher end of the mid-20s range.

It is very early in the quarter, however, and projecting how the quarter will end is made more difficult by political. That is particularly difficult to predict given that we expect the majority of political to be placed toward the end of the quarter. However, given our terrific footprint and the enormous strength of our stations, we expect to fully benefit from whatever level of political spending occurs in our markets.

Turning to Digital, our segment generated very good revenue growth as well as improving profitability. As Craig noted, a return to revenue growth for CareerBuilder after several quarters of lagging revenue drove the increase in Digital segment revenues. Significant revenue increases at PointRoll and ShopLocal in the mid-30s and the mid-teens, respectively, also contributed to the increase.

Operating expenses in Digital increased just 2 percent in the quarter and CareerBuilder's expenses were flat compared to the second quarter last year. As a result, Digital segment operating income was up over 49 percent and operating cash flow was 30 percent higher. CareerBuilder, PointRoll, and ShopLocal each had substantial double-digit gains in operating income and operating cash flow.

Looking at our company-wide Digital revenues which include our Digital segment as well as our other operations, revenues totaled over $252 million in the second quarter and over $483 million year-to-date.

Digital revenues in both the Publishing and Broadcasting segments, as Craig noted, were significantly higher. In US Community Publishing several major categories, such as automotive, employment, national, and retail, were all up in the quarter and our other divisions saw strong increases as well.

Now let me turn to the balance sheet quickly. We reduced our debt by over $170 million in the quarter driven by that significant operating cash flow we have both just talked about. Long-term debt at the end of the quarter was $2.6 billion, and cash and marketable securities totaled $157 million. At this point, our all-in cost of debt is 5.5 percent.

Finally, capital expenditures were about $11 million in the quarter, bringing the year-to-date total to approximately $20 million.

So in summary, we are seeing encouraging revenue trends in all of our segments, particularly in the Broadcast and Digital components. The operating leverage we created continues to take hold in our businesses and we will benefit greatly from the initiatives we have put in place this quarter and in prior quarters and from firming advertising demand with some help from the economy.

We are certainly, as we all know, seeing mixed signals on the economy and, as we have been saying over the last several months, the economy remains somewhat fragile. We will keep our eyes on that, but we will always maintain our financial discipline as we move to the latter half of the year. But we are absolutely heartened by the strong results of our divisions and we are very well-positioned to continue to make significant progress.

Now I will stop there and Craig and I will be happy to take your questions.

QUESTION AND ANSWER

Edward Atorino *- Benchmark Co. - Analyst*

Good morning. Could you talk about the trend in newspapers -- you probably were anticipating this -- post-June, and do you see continued sequential improvement? Can you put any dimension on the trend for 2Q, I mean 3Q?

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

Ed, thank you for the question. We have been seeing -- we have said all along a build that has been moving forward month by month. Our hope is, depending on where the economy goes, that we will continue to see, with all of the additional efforts that we are putting in place here, that continue to grow.

There are a couple of key areas that we talked about and specifically in the auto area that have really taken off for us has been quite helpful. And that is not only in the Publishing area, but as well across the Company.

When you take a look at some of the other big categories for where we are going, we are seeing a couple of those with some similar opportunity as well. So I think that is going to continue going. Gracia, anything you want to add?

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

No, as you said, the economy will inform some of that, but we were particularly pleased to see both automotive and employment classified grow in the quarter. And also gratified to see that June was the best month of the quarter on a pro forma constant currency basis, both in the US and the UK. So that gives us good momentum going into the third quarter.

Edward Atorino *- Benchmark Co. - Analyst*

Is June sort of a run rate going forward in terms of rate of change?

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

Too early to say. We are only a few days into the quarter, Ed.

Scott Davis *- JPMorgan - Analyst*

Good morning. I have one clarifying question and then one actual question. So to kind of talk about the elephant in the room I guess, you are getting -- your stock price is getting clobbered at the moment. I think because everyone was a bit confused when you suggested that the quarter would end with Publishing revenues down in the low to mid single digits and on a reported basis it's minus 6, which looks like a miss.

However, I think you alluded to the fact that you sold about $35 million to $40 million of revenue. So Gracia when you -- or Craig -- when you spoke of that, was that before pro forma-ing on an apples-to-apples basis? Because if I do that, it looks like instead of minus 6 you are at minus 2. So that is the clarification and then I have got a question.

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

Scott, I think that when we talked about low to mid single digits we were also talking on a constant currency basis. And as we all know, the currency dropped off a bit towards the end of June.

Then you are absolutely correct in pointing out that there was about $35 million or $40 million of revenue in the reported revenue numbers that is simply absent because we are now reporting Honolulu and the directories business in discontinued operations. And our small commercial printing business in the UK doesn't have any reported revenues this year.

I think the best number to hone in on is that 4.4 percent pro forma constant currency number as the number that we were focused on when we were looking and speaking about our numbers. So we feel good that we came in at the better end of that range that we talked about.

Scott Davis - ***JPMorgan - Analyst***

Okay, that is helpful. And then my question is I just want to make sure that I have got the right numbers because it's nice that when you look at the sequential improvement in your growth that it improved by, as you said, 400 basis points on a constant currency basis for advertising. But to me that doesn't really mean much unless I know what the comps are, because if the comps just eased by that same amount you are not really improving.

Based on my numbers it looks like the comps actually got harder by 100 basis points as it declined from 30 percent to 29 percent in the second quarter of 2009. So am I looking at that properly and saying that your year-over-year growth improved even though the comps got harder?

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

Yes, as a matter of fact, Scott, we tend to not only look at the year-over-year comps but also the two-year comps. And in fact, our two-year comps improved virtually across-the-board, anywhere from a couple of hundred basis points to 300 basis points. So you are absolutely spot on in your analysis.

Doug Arthur - ***Evercore Partners - Analyst***

Two quick questions. On corporate expense, that number spiked up a little bit in Q1 on stock comp expense. I would assume that was related to where your stock price was.

It looks low this quarter. I assumed there was not as much stock comp.

And then on a follow up on newsprint, it seemed like at the end of the first quarter you were expecting less favorable newsprint comparisons in the third quarter back then. Now you seem like you have changed your tune a little bit.

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

Let me start with the stock comp question. The reason why stock comp spiked up in the first quarter is in part, as you say, because our stock price was significantly higher and in the first quarter is when we issue -- stock option grants to a number of folks. And so that is typically the biggest quarter until the fourth quarter on stock comp.

As mentioned on our first-quarter earnings call, we expected stock comp to be more in line with last year's number in the second and third quarter when we are really not issuing new shares and therefore there is a bit of a run rate that is in effect.

With regard to newsprint, I would say that we continue to be pleased with the work that we are doing, that our folks in Gannett Supply are doing in managing our newsprint pricing and expenses. And I don't think it's any more or less optimistic -- it's consistent with where we felt we were going to be. It was a little early for us in the first-quarter call to really have a good handle on where we ultimately ended up with pricing at the end of the second quarter.

And welcome back, Doug.

Doug Arthur ***- Evercore Partners - Analyst***

Thank you. Thanks a lot.

Michael Kupinski ***- Noble Financial Group - Analyst***

Thank you so much for taking the question. Craig, I was wondering if you can just go over your test in terms of the pay wall for some of your newspaper websites. Can you talk a little bit about the content that might hit the pay wall and then also the terms and prices you are testing right now?

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

As I said, we started on July 1 in the three markets. We are varying the test a bit in each so we can get larger market, midmarket kind of reactions. The pricing itself is different, so again we can get consumer response to that and really gauge where that will go. I think that those are the critical components that really drive that and keep it together.

I would also say the beautiful thing is -- when you note the 5 million downloads that we had in composite on our USA TODAY iPad and other apps -- we have been given an opportunity here because the advertisers are so excited about being a part of this. The four that I noted that are now on the [USA TODAY iPad] site have really, really helped us and it has given us a little bit of time.

Gracia, do you want to add anything?

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

Just going back to the paid content test that you were alluding to. In Tallahassee for instance, where the Seminoles are a very important part of the fabric of the community, we are going to be significantly improving and adding content around that. Similarly in Greenville, South Carolina, where Clemson is an important part of that community sports interest, we are providing some improved and additional content. And then out in St. George, Utah, where religion and outdoor activities are very important to that community, we are beefing up coverage there.

So, we are trying different price points, we are trying additional content in areas that we think add value to the community, and we are going to gain a lot of insights into consumer behavior, consumer desires.

Three to six months down the road we will be much, much better informed from a consumer perspective of where paid content is going and what business models are sustainable.

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

Mike, just to really just summarize it, the key value here is what the enhanced opportunity is for the consumer. Because, as Gracia pointed out, in each of the three markets what we are trying to really read is if there is something that we can provide of significant local, local value among all of the normal offerings. We believe there is additional opportunity in that. And that is what we are trying to read.

I think with the time that we have been given to make this happen, we should have some pretty good readings at the end of that. Thanks for the question.

Michael Kupinski *- Noble Financial Group - Analyst*

Perfect; I have just one quick question. You are throwing off a lot of cash flow, which you have largely used to pay down debt. At what point do you think you might look at other uses of cash, particularly stock repurchases?

For those of us who followed this industry for some time, we know that when your company, back in the '80s and '90s had a very strong return on equity, the stock had a strong 50 percent premium to the market multiple. Was just wondering if stock repurchases might be a more appropriate use of cash at this point.

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

At this point, Mike, given the uncertainty surrounding the economy, which seems even more to be the case as we are sitting here today than it was when we had our last earnings call, we will continue to focus in the short term to keeping the balance sheet with a lot of dry powder. But certainly share repurchases and additional investments and potential acquisition opportunities are important uses of cash that we will continue to focus on as we get some better sense of where the economy is headed.

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

Yes, and just to add there, Mike, I think that the key part Gracia noted was to keep our powder dry. There is an awful lot going on in this digital market and, as we have told you, we are committed to growing here in a significant way. We want to make certain that if there is something there, our balance sheet will certainly support us in those efforts. So that is why we are doing it.

Michael Kupinski *- Noble Financial Group - Analyst*

Okay, perfect. Thank you much.

Jim Goss *- Barrington Research - Analyst*

Good morning. I wanted to go a little bit more into the impressive broadcasting revenue comparisons you had, in the nonpolitical broadcasting revenues. Is there any way to try to think of that in terms of, say, core industry-wide trends, recovery from some of the business that you probably typically had lost over the past couple of years, and then maybe some that is actually incremental growth from any efforts you have been making recently?

Because the 20 percent sort of numbers are very aggressive and I am just wondering if you could analyze that a little bit.

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

Absolutely. Thanks, first, for the question. As we take a look at the categories, a couple of big things happened and, as you well know, a lot of the pundits have suggested that probably we wouldn't see the core staple of advertisers coming back. And that has just been the opposite.

I think when you take a look at General Motors, when you take a look at Ford, when you look at the Toyota issue and how that has been supported, mass-market television is absolutely critical. And when you see the kinds of 60 percent-plus, 70 percent-plus pace figures that go on that, it is really, a strong statement from the advertising community and the client how important all of this is.

And I can say that -- looking under packaged goods, looking under the banking and finance area, certainly in the medical and dental, media; other areas as well are showing additional growth when you compare them to this time last year. So, to answer that first question, it is clearly there.

The other thing is, with some of the actions that Dave Lougee is taking on, specifically on the Digital side of local broadcast, you are seeing some very nice increases due to that focus and really the opportunity that we have in those sites. But those are really, I think, the critical parts. Gracia?

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

I would add just one thing, Craig, to what you said and that is that there are some new categories and some new -- a lot of new -- advertisers that our folks have been spending a lot of time on. I will give you a small example of that.

Here in the Washington, DC, market on Sunday we are running two programs now -- a show that is devoted to energy and a show that is devoted to defense. Now those might play incredibly well here in Washington, might not play that well in Topeka, but those play incredibly well here in Washington to a very important part of the community and some key decision-makers that those programs are reaching.

Allan Horlick and his team have generated a few million dollars of revenue on some non-traditional programming that is very important to the local community here. So it's absolutely what Craig said, which was that a lot of our traditional categories like auto are coming back in a meaningful way, but also our broadcast folks are looking at non-traditional ways to generate revenue and bring new advertisers into the fold.

And then with this new Yahoo partnership, and also the work that they are doing with DataSphere, we are very much looking forward to reaching small to medium-sized advertisers in a more meaningful way with extended reach, both on the digital as well as the broadcast side to create additional and new advertisers and new revenue streams. So thanks for that question.

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

Jim, just one last little piece on us. I think probably one of the bigger differences that Dave Lougee and his team have been able to really, really work with is that over the last 12, 18 months, while a lot of companies were focused on other things more like the business and where their balance sheets were, Dave has been able to really focus on the future.

And I think that's what you're seeing in a lot of this new developed category business, that when you ask about incremental, that's where this will be coming from. I think each of the divisions has done a particularly good job because their eyes and attention have been focused specifically on opportunities of growth over this period of time. So thanks for the question, Jim.

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

Okay, and if I might, just a couple of things about publishing. Honolulu revenues in the second half, just so we know what to be taking out. And at what point do the sequential gains catch up with the year-over-year declines? Is it too early to call an actual basing and bottoming in the core print publishing business?

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

To your first question, Jim, on Honolulu and the small directories business and the small commercial printing company in the UK -- I think that $35 million, or $35 million to $40 million of revenue is a decent number, probably third quarter. Fourth quarter we would have to take a look at it to see some of the seasonality to things. So we would have to focus in on that.

And then as to sequential growth and year-over-year comparisons, at the Gannett Company we are doing everything that we can control and we are doing a good job of coming up with new opportunities. Part of that is going to be a function of where the economy goes over the next several months, but we feel very good, as I said earlier, about the momentum that we had first coming out of the year-end through the first quarter, through the second quarter. We will just have to see where that momentum takes us, given that the economy is one of those variables out there that impacts that.

Monica Dicenso - ***JPMorgan - Analyst***

It's Monica Dicenso for Alexia. Just a quick follow-up on advertising. Is it safe to say that you haven't seen advertisers become a little more trepidatious with what is going on and when you think of June being better and that continuing into July, that is the case?

And on travel at USA TODAY, with June being a better month than some of the others, did you see improvement in travel at USA TODAY or is that still lagging? And just a quick follow-up, too.

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

To take the second question first, yes, we did see improvement in travel and where that is beginning to come from is some of the luxury hotels and the higher-end nameplates and organizations seem to be seeing better occupancy rates. And we started to see more travel advertisers focusing in on USA TODAY, which is always a very, very good platform for them to be on.

So, yes, travel advertising is an improved category for us. I am sorry, Monica your first -- the first part of your question?

Monica Dicenso - ***JPMorgan - Analyst***

Yes, I was just curious with the market being so choppy in the last few weeks whether you had actually seen advertisers become a little more cautious. I know you said June was the best month recently, but has there been any change in tone or is it just sort of still people are ready to spend and committing a little bit better than they used to last year?

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

So far I would say we haven't seen that occurring. We, just at USA TODAY in the last week, had a wonderful wrap around the paper from Jeep, which was combined with some of our other platforms. So far we haven't seen the words about the economy being manifested in more trepidation or cancellations, but that is something we are going to keep a close watch on as economic news unfolds.

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

Yes, I think that is very fair. What we are hoping for is that we are going to continue to have a lot of market firsts. And what Dave Hunke provided with that new wrap this week is just one example of some of the things that they have been working on that really will provide from our core side other enhancements to the advertiser.

As part of our strategy, we said we want to grow and enhance that core side with a high focus to our digital. So what you are seeing really when it starts to go across the board is exactly that from each of the division presidents. So more to come.

Monica Dicenso - ***JPMorgan - Analyst***

And then real quick just on circulation, it looks -- I know you talked last quarter about the new initiatives to try and boost that a bit and it looked a little bit softer this quarter. Is that just -- we haven't seen the impact of that yet or is there something else going on that maybe we should think about for the back half of the year?

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

No, actually when we look at our circulation numbers for the quarter in terms of volume numbers, we are actually making more progress. As Bob Dickey has indicated, he has placed a real focus in US Community Publishing on Sunday circulation and in our top 31 markets or so we are seeing in the aggregate growth in Sunday home delivery circulation year over year. And that is about a little over 80 percent of our Sunday home delivery volume in those 31 markets.

So we feel good about the progress we are making on that front.

Monica Dicenso - ***JPMorgan - Analyst***

Great, thanks.

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

Good morning, guys. Two things, if I could. Your daily and Sunday circulation volume I guess in the US, excluding USA TODAY, I believe went down 9 percent and 5 percent, respectively, in the first quarter. What were those two numbers, please, in the second quarter year-over-year?

And I also want to ask on the advertising pricing front to your US newspapers, I think the last two quarters your pricing there was down from your commentary roughly 7 percent to 8 percent. I wanted to see what that was like here in the second quarter. Thank you.

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

Yes, with regard to circulation, Craig, on daily for the quarter we were down about 5.5 percent and Sunday was down about 3 percent in the quarter. So sequential improvement.

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

And then the ad revenue pricing in the US?

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

Yes, on the ad revenue pricing side; I knew you would ask about that and, you know, we are very pleased to say, Craig, that we are seeing rates firming up. I was looking at some numbers for US Community Publishing in the classified areas and the retail areas, and we are seeing improvement on pricing of 200 to 300 basis points. And then on the broadcasting side, prices there doing very well given the significant demand for television space right at the moment.

And as mentioned in the first quarter, pricing was certainly firming and increasing in some categories on the digital side. So we are feeling good about the ad rate side.

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

Again when you take a look at CareerBuilder, you know, despite where unemployment is, I think Matt and his team are doing just an extraordinary job. You are seeing the increases that we have, the numbers that we talked about a little earlier, that is an extremely important thing for us.

When you look at all this, what we had hoped for is really coming together and manifesting itself in a very nice way here. It is step by step. We don't want to get ahead of it but yet I couldn't be more pleased when you look from last year to this year at what we are now experiencing.

I think each of the divisions are prepared for leveraging this pricing as we move forward. So it's a very, very positive sign.

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

And, Gracia, when you say 200 to 300 basis points firming, do you mean on an absolute basis versus a year ago or just better than that 7 percent to 8 percent decline you have seen in the last two quarters?

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

On an absolute basis, in certain categories compared to the first quarter.

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

Okay. And then my last quick question, how much was your newsprint consumption down, please? Thank you.

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

Newsprint consumption was down about 12 percent in the quarter.

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

Great, thank you.

Bishop Cheen - ***Wells Fargo Securities - Analyst***

Thank you for taking the question. Balance sheet, I think it's two or three quarters now that you have paid down more than either consensus or guidance was. And as we look to the second half of this year, can you give us some color on what you are thinking about continuing to use free cash flow to pay down the revolver and any color you can add on your strategy for the 2012 revolver maturity?

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

Sure, as I mentioned a little bit earlier, in the short term given the continued uncertainty around the economy, we are going to be using a lot of that cash to pay down debt, although always looking out for great investment and acquisition opportunities that can move the growth trajectory of the Company forward. But with the uncertainty, we are probably going to pay down debt before we look at doing share repurchases or other activities like that.

With regard to the revolver, it matures in March of 2012. As indicated previously, we have been successfully rolling over our revolvers for about 30 years and I suspect that we'll probably have some firm information on that by the end of the quarter. But probably don't want to go further than that.

Bishop Cheen - ***Wells Fargo Securities - Analyst***

All right, that is helpful. Thank you, Gracia.

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

Thank you very much. I will turn it back to Joshua.