The New York Times Company
Third-Quarter Earnings Conference Call
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Thank you, Paula, and good morning, everyone.

We continue to execute on our strategy of transforming our business. This quarter we made significant progress in developing a robust digital subscription revenue stream, reduced our operating costs, meaningfully improved our liquidity through the early repayment of high-interest debt and tripled our initial investment on the sale of a portion of our stake in Fenway Sports Group.

Our results also reflect the current sentiment of the larger economy, as factors ranging from the European debt crisis to weak consumer confidence led to a challenging advertising environment. At the same time, we achieved 6 percent growth in operating profit before depreciation, amortization, severance and special items through incremental subscription revenue resulting from the launch of The New York Times digital model as well as through continued focus on cost management. While the lack of clarity on the direction of the economy caused advertisers to exercise more caution than we saw in the first half of the year, NYTimes.com maintained its strong traffic levels and continued to fulfill its premium advertising commitments in the quarter.

Our digital subscription initiatives remained our top focus in the third quarter, as The Times continued to build on its pay offerings, The Boston Globe launched the new subscription site BostonGlobe.com and the International Herald Tribune this month announced its own digital subscription packages. These last two items are excellent examples of how our digital monetization efforts are evolving. We continue to position ourselves to capitalize on our digital content across many of our brands in our ongoing effort to build a meaningful digital subscription revenue stream.

Turning to our results for the quarter, with expenses down 4 percent, we saw GAAP operating profit grow to $33 million from $9 million in the same period of 2010. Our operating profit before depreciation, amortization, severance and special items increased to $65 million in the third quarter from $62 million in the same period of 2010.

Circulation revenues saw a boost from our new digital paid products at The Times. Total circulation revenues were up 3 percent for the company and 6 percent for our New York Times Media Group in the quarter. It is worth noting that The Times has also seen benefits to home-delivery circulation following the launch of its digital subscription plans, due to an uptick in new orders and improved retention.

Digital advertising revenue saw a loss of 5 percent in the third quarter, driven by continued challenges at the About Group, which saw a 21 percent decline in advertising revenue. Although digital advertising growth across the News Media Group did not see quite the same strength as in recent quarters, it posted a 6 percent gain. In fact, in the two-quarter period since the launch of digital subscription packages at The Times, the News Media Group has seen an 11 percent increase in digital advertising revenue, with NYTimes.com, of course, contributing heavily to that total.

Print advertising revenue was down 10 percent in the quarter, and as a result total advertising revenues were down 9 percent and total company revenues were down 3 percent.

Diluted earnings per share, excluding severance expense and special items, were 5 cents in the third quarter compared with 7 cents in the same period of 2010. On a GAAP basis, we reported diluted earnings per share of 10 cents in the quarter, compared with a diluted loss per share of 3 cents in the third-quarter 2010 period.

Returning to our digital initiatives, two quarters into the pay model launch we have seen very good momentum and paid digital subscribers grew to 324,000 at the end of the third quarter. This total paid digital number includes subscribers to the digital packages, e-readers and replica editions. The large majority of these subscribers have now advanced to paying full rates to access The Times's digital content. If our experience with print subscribers is any indication, now that these subscribers have converted to full payment, it is highly likely that they will become loyal users.

In addition to these paid subscribers, there are more than 100,000 highly engaged users who have free access to NYTimes.com and its smartphone apps through the Lincoln sponsorship until the end of this year, and we expect to see a high conversion rate among these users once this sponsorship ends. We also continue to experience growth in the number of home-delivery subscribers with linked accounts to NYTimes.com, and that total was approximately 800,000 at the end of the third quarter. So in total, The Times had paid or sponsored relationships with more than 1.2 million digital users at quarter-end.

NYTimes.com has maintained its strong traffic and its ranking as a Top 5 News & Information site. Average monthly unique visitors for the quarter were about 33 million in the United States and generally in line with the 11-month average for the site leading up to the launch of subscriptions, while page view declines continued to be less than we projected, down on average 11 percent compared to prelaunch levels. NYTimes.com also remains the most highly trafficked newspaper site in the world, with more than 47 million unique visitors globally in August.

The Times apps for both the iPad and iPhone remain free to download, but access beyond the Top News section is now available only through the subscription packages. We have seen 7.3 million downloads of our iPhone news app since its 2008 launch and more than 2.8 million downloads of our iPad app since its original launch. Both of these apps are now available on

Apple's Newsstand, which offers a new level of convenience by providing automatic updates and an easy way for users to find their news.

Advertising positions continue to see high demand on the iPad. One premium advertising engagement worth highlighting is Ralph Lauren's exclusive sponsorship of The Times iPad app for the month of September, which received tremendous acclaim in the marketplace. The sponsorship provided free access to certain sections of the app for the first time and featured interactive, expandable rich-media ad positions, many of which contained e-commerce functionality right inside the app. The app also hosted live video, with an exclusive live stream of Ralph Lauren's Fashion Week show.

Expanding the accessibility of our Times digital subscription packages even further, we continue to enhance our offerings, including:

- Shared access, meaning that home-delivery and all-digital subscribers receive an additional log-in to share with a member of their household;
- And as of the beginning of the third quarter, Times one-click subscriptions were also available in the iTunes store;
- Also early in the third quarter, the Amazon Kindle and the Barnes & Noble Nook began offering subscribers to The Times on those devices free access to NYTimes.com, and The Times is currently the best-selling newspaper on both of those devices;
- And finally, in the third quarter we began offering special education rates across all of our digital packages to college students, faculty and administrators, mirroring our strategy in the print environment.
- Later this quarter we will begin rolling out gift subscriptions, and we plan to launch group accounts for corporate and education subscribers within the next few months.

We also recently launched digital subscription packages at the IHT, in which its iPad and iPhone apps are now paid products. These offerings are expected to bolster our consumer revenue stream by bringing our international subscribers into the fold, who until now had been able to access the IHT's apps for free. The apps provide round-the-clock news across 19 sections from multiple news hubs, and we are confident that many readers value the quality and convenience of the apps enough to pay for them.

Now, let me offer some more depth on our third-quarter revenues.

At the News Media Group, which includes The New York Times, New England and Regional Media Groups, circulation revenues were up 3 percent for the quarter and contributed nearly as much to the total revenue line as advertising. Continued strength at the News Media Group in digital advertising, which was up 6 percent, could not offset the softness in print advertising, which ended down 10 percent. We faced difficult comparisons again this quarter at The Times and Regional Media Groups from British Petroleum's 2010 spending related to the Gulf oil spill, which was responsible for approximately 2 percentage points of the print decline. The effect of cycling BP's spending will be minimal in the fourth quarter.

The News Media Group's total advertising revenues declined 7 percent year-over-year in the quarter. Digital advertising remained resilient, led by growth in retail and national display and in the automotive classified category. By total advertising category, national and retail were both down 6 percent, and classified was down 12 percent. Within the classified area, real estate was down 17 percent, recruitment was down 14 percent and automotive declined 4 percent.

Breaking down the News Media Group into its component properties, at The Times Media Group, which represents 66 percent of the News Media Group's advertising revenues, ad revenues were down 6 percent in the quarter as continued growth online, particularly in national display, could not offset print declines. Demonstrating a pattern similar to the first half of the year, the middle month of the quarter, in this case August, was the strongest from a total advertising revenue perspective, although all months showed declines.

Combined print and digital national advertising at The Times Media Group was down. National ad categories where we saw the largest combined declines were:

- Automotive, driven by marketing shifts and delayed product launches from domestic and foreign manufacturers;
- Transportation, due to domestic airline consolidations, a reduced number of flights and marketing strategy shifts; and
- Entertainment, as studio support for new releases and box office sales have both been weak.

Categories experiencing the largest gains were:

- Technology, driven by product innovation campaigns, a search engine branding campaign and enterprise solution marketing;
- The Luxury cluster saw gains driven by campaigns from American and International clothiers as well as accessory manufacturers; and
- Healthcare, as pharmaceuticals and top-tier hospitals ran large branding campaigns and promoted new drugs.

Aggregate retail advertising declines improved from the previous quarter as a result of strong gains in Fine Arts, coupled with moderating declines in other retail categories.

Aggregate classified advertising declined in all three major categories – automotive, real estate and recruitment – due to lingering softness in home sales and the job market in the local and national arenas.

Demonstrating that The Times's video coverage is gaining as much respect and prominence as its more traditional coverage, The Times won two News and Documentary Emmy Awards last month, for the multimedia project A Year at War, which chronicles the lives of an American battalion over a yearlong deployment in Afghanistan, and for 14 Actors Acting, an online feature for The New York Times Magazine. The Times is also finding innovative ways to use video to enhance the reader experience, such as a new storytelling feature that enables video to be embedded directly within the text of a story.

The Times newsroom also just announced the expansion of its Opinion Pages online, which will soon include more contributors, content and video as well as enhanced discussion features, building on the new Sunday Review section. Separately, The Times recently launched India Ink, an English-language blog offering news and analysis with a distinct perspective on topics that matter most to Indians and those interested in India. And NYTimes.com continues to invest in tools, functionality and increased content across the site, including upcoming expansions of our technology blog, Bits, to incorporate a larger B-to-B focus and our popular health blog, Well.

At the New England Media Group, advertising revenues declined 10 percent in the quarter, due to weakness in print advertising. Digital ad revenue showed growth every month, driven by increases in the automotive classified and national display categories. Combined print and online national advertising was down, led by decreases in the Financial Services and Studio Entertainment categories, offset in part by gains in Travel and Healthcare advertising. Total retail advertising revenues were lower, led by softness in categories including Home Furnishings and Department Stores, offset in part by increases in Books and other retail categories. Aggregate classified advertising also declined overall.

In September we launched BostonGlobe.com, a new paid subscription site that offers The Globe's award-winning journalism in a new elegant environment that employs the latest technologies and capabilities. Boston.com will remain free to users, as our research shows there are two distinct digital audiences using these two brands: one that prefers reading the full range and depth of The Globe's journalism and the other looking for quick headlines on news, sports and entertainment.

We have received very positive feedback on BostonGlobe.com's clean design. Since the site just began charging for access yesterday, it is too soon to gauge subscriber response. We are, however, pleased by the interest shown by the high number of users who registered during September and the first half of October. The site was initially sponsored by Coldwell Banker and available at no charge to readers. In addition to a new consumer revenue stream, BostonGlobe.com will create incremental opportunities for advertising adjacencies that target the most engaged readers of The Globe's content. Readers who come to the site through third parties such as search engines, blogs and social media will still be able to access those individual articles, and the homepage and section fronts will also remain free to browse. And of course The Globe's home-delivery subscribers receive free access to BostonGlobe.com.

At the Regional Media Group, advertising revenues decreased 10 percent, due to weakness in print advertising, particularly in the retail category. On the digital side, the group saw strong growth every month in retail display, as well as in the automotive and recruitment classified categories.

Moving on to the About Group, total revenues declined 21 percent to $26 million in the third quarter, due to equal declines in cost-per-click and display advertising. The CPC declines were primarily due to lower click-through rates, as well as a negative impact on traffic that resulted from both increased competition and the Google algorithm changes.

In addition to making key changes internally in the third quarter, About is aggressively responding externally to increased competition in both the display and search advertising markets. We believe the new management team's focus will accelerate progress.

Earlier this year About instituted a plan to grow its content and traffic and to improve its advertising effectiveness, and it is making significant progress with the implementation. About is:

- Doubling the number of how-to videos across its 24 channels and is on pace to reach nearly 10,000 videos in its library by the end of the year;
- Expanding the volume and distribution of expert content on its platform, including launching its Spanish-language channel; and
- Increasing its roster of topic sites, which is now at more than 900.

About has also been rolling out a disciplined sales plan to better leverage the site's strong reach, which averaged 40 million unique domestic visitors in the quarter. We believe the sales initiative will prove instrumental in revitalizing About's display advertising business.

In addition, while About continued to experience a negative effect on traffic due to Google's algorithm changes implemented earlier this year, it began to see slight improvement in page view trends during the quarter. Search rankings ultimately determine page view statistics – which impact both display and cost-per-click advertising – so efforts to address these issues will benefit both of About's advertising revenue streams. Despite cycling through the design changes made in July 2010, cost-per-click revenue at the About Group did not see the benefit in the third quarter as the impact of a recent algorithm change in review rankings that affected our Consumer Search business offset the benefit of easing comparisons.

Display advertising saw third-quarter declines in categories such as Retail and Automotive but showed growth in categories including Consumer Packaged Goods and Pharmaceuticals.

The About Group's operating costs decreased 13 percent, and operating costs excluding depreciation, amortization and severance decreased 14 percent to $13 million, primarily because of lower variable compensation costs and marketing expenses. Operating profit declined to $10 million in the quarter from $14 million in the same period last year. Importantly, due to its variable cost structure, About's operating margin remained strong, at 37 percent, in the quarter.

Now let me turn the call over to Jim, who will give you more details on our results and outlook before we take questions.

Jim Follo

Thank you, Janet.

Even as we add new digital revenue streams across our company, in the third quarter expense controls remained a critical component of our overall strategy, and we will remain aggressive in pursuing opportunities to reduce costs and to further improve our financial flexibility.

That focus on improving our financial flexibility was most recently highlighted by the previously announced prepayment in August of our $250 million 14 percent notes more than three years before the due date, which we expect to lead to interest expense savings of more than $39 million annually through January 2015.

We incurred a $46 million loss on the prepayment in the third quarter, which represents the make-whole premium and accelerated non-cash interest expense that would have been recognized over the remaining maturity period. The charge was closer to $28 million after factoring in a tax benefit.

At the beginning of the third quarter, we sold more than half of our Fenway Sports Group stake for $117 million, tripling our initial investment, and we continue to see robust demand for our remaining interest.

In the third quarter, operating costs were down 4 percent as a result of lower variable compensation costs and professional fees. We remain focused on identifying further efficiencies across our operations, which through 2012 could come in the form of increased manufacturing efficiencies, further leveraging of centralized resources and lower ongoing outside printing expenses – while continuing to invest in our digital businesses.

Turning to the special items, our third-quarter earnings were favorably affected by 24 cents per share by the $65 million gain on the FSG sale, and unfavorably affected by 18 cents per share by the $46 million prepayment charge related to our 14 percent notes.

Severance costs were higher in the quarter, at about $3 million, compared with $500,000 in the prior-year period.

Newsprint expense decreased approximately 3 percent in the quarter, with a nearly 7 percent decline from lower consumption offset in part by a 3 percent increase from higher pricing. Newsprint prices have remained stable since July 2010, but prices in the third quarter of 2010 reflected usage of lower-priced inventory. In the fourth quarter, newsprint prices are expected to be relatively flat versus the same period in 2010.

We continue to improve our liquidity position. We finished the quarter with $263 million in cash and short-term investments and reduced net debt to $509 million at quarter-end compared to $597 million at the end of the second quarter.*

On the pension front, the recent declines in interest rates as well as softness in the equity market have had a negative effect on the funded status of many defined benefit pension plans, including our Company-sponsored and joint Company-sponsored and Guild-sponsored plans. While we have already addressed our minimum funding requirements for 2011 and a significant portion of 2012 through voluntary contributions, we may choose to make additional voluntary contributions later this year. We will make this determination based on factors including market activity in the fourth quarter and other potential uses of cash.

Note that since the majority of our pension plans are now frozen, any actuarial gains and losses from interest rate changes and asset performance are amortized over a longer period of time. Thus, while we do expect to see an impact on our funded status from these dynamics, this should not have a significant impact on pension expense in 2012.

Turning to our outlook, in the first half of October, we saw total advertising revenue trends improve modestly relative to those of the third quarter due to stronger growth in digital advertising revenues at the News Media Group.

We expect to see continued benefit from our digital subscription initiatives, and total circulation revenues are projected to increase in the low- to mid-single digits in the fourth quarter.

And we’ll continue to make progress on the cost front; operating expenses are expected to decline in the low- to mid-single digits in the fourth quarter.

And now we’d be happy to take your questions.

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* Total debt and capital lease obligations was reduced to $772 million at the end of the third quarter from $1 billion at the end of the second quarter.