

GANNETT CO INC /DE/
Form 10-Q
July 30, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the quarterly period ended June 29, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

Commission file number 1-6961

GANNETT CO., INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

16-0442930
(I.R.S. Employer Identification No.)

7950 Jones Branch Drive, McLean, Virginia
(Address of principal executive offices)

22107-0910
(Zip Code)

Registrant's telephone number, including area code: (703) 854-6000.

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☒ Accelerated Filer ☐

Non-Accelerated Filer ☐ Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

The total number of shares of the registrant's Common Stock, \$1 par value outstanding as of June 29, 2014 was 225,647,176.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS

Gannett Co., Inc. and Subsidiaries

In thousands, except share data

| | Jun. 29, 2014 (Unaudited) | Dec. 29, 2013 |
|--|------------------------------|---------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$430,666 | \$469,203 |
| Trade receivables, less allowance for doubtful accounts (2014 - \$17,666; 2013 - \$15,275) | 773,099 | 834,052 |
| Other receivables | 26,832 | 28,592 |
| Inventories | 55,050 | 49,950 |
| Deferred income taxes | 18,639 | 21,245 |
| Assets held for sale | 54,458 | 395,851 |
| Prepaid expenses and other current assets | 103,883 | 124,592 |
| Total current assets | 1,462,627 | 1,923,485 |
| Property, plant and equipment | | |
| Cost | 3,956,247 | 4,007,879 |
| Less accumulated depreciation | (2,357,190) | (2,338,247) |
| Net property, plant and equipment | 1,599,057 | 1,669,632 |
| Intangible and other assets | | |
| Goodwill | 3,804,551 | 3,790,472 |
| Indefinite-lived and amortizable intangible assets, less accumulated amortization | 1,466,718 | 1,477,231 |
| Deferred income taxes | 59,722 | — |
| Investments and other assets | 754,890 | 379,886 |
| Total intangible and other assets | 6,085,881 | 5,647,589 |
| Total assets ^(a) | \$9,147,565 | \$9,240,706 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS

Gannett Co., Inc. and Subsidiaries

In thousands, except share data

| | Jun. 29, 2014 (Unaudited) | Dec. 29, 2013 |
|---|------------------------------|---------------|
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Accounts payable and current portion of film contracts payable | \$ 173,388 | \$ 215,300 |
| Accrued expenses | 437,161 | 499,162 |
| Dividends payable | 45,433 | 45,645 |
| Income taxes | 101,754 | 17,791 |
| Deferred income | 241,428 | 223,404 |
| Current portion of long-term debt | 5,890 | 5,890 |
| Total current liabilities | 1,005,054 | 1,007,192 |
| Noncurrent liabilities | | |
| Income taxes | 47,985 | 49,748 |
| Deferred income taxes | 695,250 | 587,904 |
| Long-term debt | 3,446,737 | 3,707,010 |
| Post-retirement medical and life insurance liabilities | 88,173 | 129,078 |
| Pension liabilities | 548,932 | 632,195 |
| Other noncurrent liabilities | 212,949 | 218,168 |
| Total noncurrent liabilities | 5,040,026 | 5,324,103 |
| Total liabilities ^(a) | 6,045,080 | 6,331,295 |
| Redeemable noncontrolling interests | 17,904 | 14,618 |
| Commitments and contingent liabilities (See Note 13) | | |
| Equity | | |
| Gannett Co., Inc. shareholders' equity | | |
| Preferred stock of \$1 par value per share, 2,000,000 shares authorized, none issued | — | — |
| Common stock of \$1 par value per share, 800,000,000 shares authorized, 324,418,632 shares issued | 324,419 | 324,419 |
| Additional paid-in capital | 561,288 | 552,368 |
| Retained earnings | 7,898,034 | 7,720,903 |
| Accumulated other comprehensive loss | (458,542) | (494,055) |
| | 8,325,199 | 8,103,635 |
| Less treasury stock, at cost (2014 - 98,771,456 shares; 2013 - 96,849,744 shares) | (5,467,088) | (5,410,537) |
| Total Gannett Co., Inc. shareholders' equity | 2,858,111 | 2,693,098 |
| Noncontrolling interests | 226,470 | 201,695 |
| Total equity | 3,084,581 | 2,894,793 |
| Total liabilities and equity | \$ 9,147,565 | \$ 9,240,706 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

^(a) Our consolidated assets as of June 29, 2014 include total assets of \$57.5 million of variable interest entities (VIEs) and our consolidated assets as of December 29, 2013 include total assets of \$44.7 million of VIEs. These assets can only be used to settle the obligations of the VIEs. Consolidated liabilities as of June 29, 2014 include total liabilities of \$4.6 million of the VIEs and our consolidated liabilities as of December 29, 2013 include total liabilities of \$2.7 million of the VIEs. The VIEs' creditors have no recourse to us regarding these liabilities. See further description in

Note 1 - Basis of presentation and summary of significant accounting policies.

3

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Gannett Co., Inc. and Subsidiaries

Unaudited, in thousands, except share data

| | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|---|----------------------|---------------|------------------------|---------------|
| | Jun. 29, 2014 | Jun. 30, 2013 | Jun. 29, 2014 | Jun. 30, 2013 |
| Net Operating Revenues: | | | | |
| Broadcasting | \$398,258 | \$211,962 | \$780,526 | \$403,542 |
| Publishing advertising | 530,183 | 562,476 | 1,031,483 | 1,088,975 |
| Publishing circulation | 277,851 | 279,655 | 559,927 | 565,627 |
| All other Publishing | 59,331 | 62,100 | 118,018 | 120,862 |
| Digital | 194,381 | 186,506 | 374,116 | 361,428 |
| Total | 1,460,004 | 1,302,699 | 2,864,070 | 2,540,434 |
| Operating Expenses: | | | | |
| Cost of sales and operating expenses, exclusive of depreciation | 775,627 | 726,869 | 1,543,159 | 1,446,593 |
| Selling, general and administrative expenses, exclusive of depreciation | 353,779 | 320,615 | 708,992 | 634,730 |
| Depreciation | 44,850 | 38,467 | 89,614 | 77,393 |
| Amortization of intangible assets | 14,471 | 9,368 | 32,214 | 18,496 |
| Facility consolidation and asset impairment charges | 28,775 | 4,498 | 43,595 | 9,283 |
| Total | 1,217,502 | 1,099,817 | 2,417,574 | 2,186,495 |
| Operating income | 242,502 | 202,882 | 446,496 | 353,939 |
| Non-operating (expense) income: | | | | |
| Equity income in unconsolidated investees, net | 156,540 | 9,424 | 165,031 | 17,218 |
| Interest expense | (64,148) |) (36,174 |) (133,796 |) (71,579 |
| Other non-operating items | (2,982) |) (9,791 |) (23,730 |) (11,374 |
| Total | 89,410 | (36,541) |) 7,505 | (65,735) |
| Income before income taxes | 331,912 | 166,341 | 454,001 | 288,204 |
| Provision for income taxes | 106,000 | 39,600 | 158,500 | 45,000 |
| Net income | 225,912 | 126,741 | 295,501 | 243,204 |
| Net income attributable to noncontrolling interests | (17,445) |) (13,121 |) (27,875 |) (25,019 |
| Net income attributable to Gannett Co., Inc. | \$208,467 | \$113,620 | \$267,626 | \$218,185 |
| Net income per share – basic | \$0.92 | \$0.50 | \$1.18 | \$0.95 |
| Net income per share – diluted | \$0.90 | \$0.48 | \$1.15 | \$0.93 |
| Dividends declared per share | \$0.20 | \$0.20 | \$0.40 | \$0.40 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Gannett Co., Inc. and Subsidiaries

Unaudited, in thousands

| | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|--|----------------------|---------------|------------------------|---------------|
| | Jun. 29, 2014 | Jun. 30, 2013 | Jun. 29, 2014 | Jun. 30, 2013 |
| Net income | \$225,912 | \$126,741 | \$295,501 | \$243,204 |
| Redeemable noncontrolling interests (income not available to shareholders) | (1,395) |) 28 | (1,850) |) (246) |
| Other comprehensive income, before tax: | | | | |
| Foreign currency translation adjustments | 12,809 | (287) |) 17,462 | (32,873) |
| Pension and other post-retirement benefit items: | | | | |
| Amortization of prior service credit, net | (1,215) |) (384) |) (1,700) |) (806) |
| Amortization of actuarial loss | 11,798 | 16,275 | 23,233 | 32,135 |
| Remeasurement of post-retirement benefits liability | — | — | 33,907 | — |
| Other | (9,297) |) (155) |) (15,413) |) 18,931 |
| Pension and other post-retirement benefit items | 1,286 | 15,736 | 40,027 | 50,260 |
| Other | 819 | (77) |) 1,061 | (1,863) |
| Other comprehensive income, before tax | 14,914 | 15,372 | 58,550 | 15,524 |
| Income tax effect related to components of other comprehensive income | (5,441) |) (5,886) |) (21,976) |) (16,017) |
| Other comprehensive income, net of tax | 9,473 | 9,486 | 36,574 | (493) |
| Comprehensive income | 233,990 | 136,255 | 330,225 | 242,465 |
| Comprehensive income attributable to noncontrolling interests, net of tax | (16,869) |) (13,072) |) (27,086) |) (22,910) |
| Comprehensive income attributable to Gannett Co., Inc. | \$217,121 | \$123,183 | \$303,139 | \$219,555 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Gannett Co., Inc. and Subsidiaries

Unaudited, in thousands

| | Twenty-six Weeks Ended | |
|---|------------------------|---------------|
| | Jun. 29, 2014 | Jun. 30, 2013 |
| Cash flows from operating activities: | | |
| Net income | \$295,501 | \$243,204 |
| Adjustments to reconcile net income to net cash flow from operating activities: | | |
| Depreciation and amortization | 121,828 | 95,889 |
| Facility consolidation and asset impairment charges | 43,595 | 10,202 |
| Pension contributions, net of pension expense | (64,179) | (75,751) |
| Equity income in unconsolidated investees, net | (165,031) | (17,218) |
| Stock-based compensation – equity awards | 17,208 | 15,877 |
| Change in other assets and liabilities, net | 106,017 | (48,262) |
| Net cash flow from operating activities | 354,939 | 223,941 |
| Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (56,905) | (48,898) |
| Payments for acquisitions, net of cash acquired | (121,956) | (18,134) |
| Payments for investments | (5,318) | (2,379) |
| Proceeds from investments | 163,315 | 29,365 |
| Proceeds from sale of certain assets | 66,617 | 6,586 |
| Net cash flow from (used for) investing activities | 45,753 | (33,460) |
| Cash flows from financing activities: | | |
| Payments of borrowings under revolving credit agreements, net | — | (79,000) |
| Payments of unsecured fixed rate notes | (250,000) | — |
| Payments of unsecured floating rate term loans | (17,925) | — |
| Dividends paid | (90,848) | (91,695) |
| Cost of common shares repurchased | (75,815) | (41,385) |
| Proceeds from issuance of common stock upon exercise of stock options | 10,362 | 13,132 |
| Distribution to noncontrolling interests | (877) | (218) |
| Deferred payments for acquisitions | (14,481) | (3,693) |
| Net cash used for financing activities | (439,584) | (202,859) |
| Effect of currency exchange rate change on cash | 355 | (1,155) |
| Decrease in cash and cash equivalents | (38,537) | (13,533) |
| Balance of cash and cash equivalents at beginning of period | 469,203 | 175,030 |
| Balance of cash and cash equivalents at end of period | \$430,666 | \$161,497 |
| Supplemental cash flow information: | | |
| Cash paid for taxes, net of refunds | \$45,284 | \$73,683 |
| Cash paid for interest | \$122,989 | \$63,055 |
| Non-cash investing and financing activities: | | |
| Assets-held-for-sale proceeds | \$381,882 | \$— |
| Capital expenditures | \$6,565 | \$— |

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 29, 2014

NOTE 1 – Basis of presentation and summary of significant accounting policies

Basis of presentation: Our accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and footnotes which are normally included in the Form 10-K and annual report to shareholders. In our opinion, the financial statements reflect all adjustments, which are of a normal recurring nature, that are necessary for a fair presentation of results for the interim periods presented.

Variable Interest Entities (VIE): A variable interest entity is an entity that lacks equity investors or whose equity investors lack a controlling interest in the entity through their equity investments. We consolidate VIEs when we are the primary beneficiary. In determining whether we are the primary beneficiary of a VIE for financial reporting purposes, we consider whether we have the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and whether we are obligated to absorb losses or the right to receive returns that would be significant to the VIE.

We determined that the entities holding four of our television stations constitute VIEs and the various agreements that we entered into with these entities represent variable interests. We evaluated the arrangements to determine whether we are considered the primary beneficiary, and as a result of this evaluation, we consolidated four stations in the Louisville, KY; Portland, OR; and Tucson, AZ, television markets for the quarter ending June 29, 2014.

The carrying amounts and classification of the assets and liabilities of the consolidated VIEs mentioned above and included in our consolidated balance sheets were as follows:

| In thousands | Jun. 29, 2014 | Dec. 29, 2013 |
|------------------------------------|---------------|---------------|
| Current assets | \$19,144 | \$4,677 |
| Plant, property and equipment, net | 7,375 | 8,061 |
| Intangible and other assets | 30,955 | 32,008 |
| Total assets | \$57,474 | \$44,746 |
| Current liabilities | \$9,590 | \$7,827 |
| Noncurrent liabilities | 32,204 | 34,173 |
| Total liabilities | \$41,794 | \$42,000 |

Recent accounting standards: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 Revenue from Contracts with Customers (Topic 606) which supersedes the guidance in Revenue Recognition (Topic 605). The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. New disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers are also required. We are required to adopt ASU 2014-09 in the first quarter of 2017 and early application is not permitted. However, we will need to apply the standard to 2015 and 2016. We can choose to apply the standard using either the full retrospective approach or a modified retrospective approach where we will recognize a cumulative catch up adjustment to the opening balance of retained earnings. We are currently assessing the impact of adopting this pronouncement and the transition method we will use.

In July 2013, the FASB issued ASU 2013-11 Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, A Similar Tax Loss, or a Tax Credit Carryforward Exists. ASU 2013-11 provides guidance on financial statement presentation of an unrecognized tax benefit (UTB) when a net operating loss (NOL) carryforward, a similar tax loss, or a tax credit carryforward exists. Under ASU 2013-11, an entity must present a UTB, or a portion of a UTB, in the financial statements as a reduction to a deferred tax asset (DTA) for an NOL carryforward, a similar tax loss, or a tax credit carryforward except when:

An NOL carryforward, a similar tax loss, or a tax credit carryforward is unavailable as of the reporting date under the tax law of the jurisdiction.

• The entity does not intend to use the DTA for this purpose (provided that the tax law permits a choice).

If either of these conditions exists, an entity should present a UTB in the financial statements as a liability and should not net the UTB with a DTA. ASU 2013-11 is effective for public entities for fiscal years beginning after December 15, 2013, and

interim periods within those years. We were required to adopt ASU 2013-11 in the first quarter of 2014, and the impact on our consolidated results of operations, financial position and cash flows was insignificant.

NOTE 2 – Acquisitions and dispositions

In March 2014, Classified Ventures, in which we own a 26.9% interest, agreed to sell Apartments.com to CoStar Group, Inc. for \$585 million. This transaction closed on April 1, 2014, early in our second quarter; as a result of our ownership stake, we received a special \$154.6 million distribution from Classified Ventures after the closing of this transaction.

Early in the second quarter, our subsidiary CareerBuilder acquired Broadbean. Broadbean is a leading international job distribution, candidate sourcing and big data analytics software company. Broadbean is headquartered in London, United Kingdom and has offices in the U.S., France, Germany, the Netherlands and Australia. The acquisition unites two technology companies which specialize in sourcing and recruitment.

On February 28, 2014, we completed the previously announced sale of KMOV-TV in St. Louis, MO, to Meredith Corporation, following the receipt of regulatory approvals. As part of the sale, Sander Media conveyed to Meredith Corporation substantially all of its assets used to operate KMOV-TV, which Sander Media acquired when the Gannett-Belo transaction closed on December 23, 2013. We conveyed certain other assets that are needed to provide services to KMOV-TV, which we also acquired from Belo Corp.

On June 19, 2014, we announced, together with Sander Media LLC, that we completed the previously announced sale of KTVK-TV and KASW-TV in Phoenix, AZ, to Meredith Corporation, following receipt of regulatory approvals. As part of the sale, Sander Media conveyed to Meredith all of the assets used in the operation of both stations, which Sander Media acquired upon completion of the Belo transaction last December 2013. We also conveyed certain other assets that we used to provide services for both stations, which were also acquired from the Belo transaction. At the closing, Meredith simultaneously conveyed KASW-TV to SagamoreHill of Phoenix, LLC, which, through its affiliates, owns and operates two television stations in two markets. The total sale price of the Phoenix and St. Louis stations was \$407.5 million. The majority of this amount is held in escrow at the end of the second quarter. We used a portion of the proceeds in a tax efficient structure to pay for the acquisition of six London Broadcasting Company television stations from SunTX Capital Partners which closed early in our third quarter.

NOTE 3 – Facility consolidation and asset impairment charges

We evaluated the carrying values of property, plant and equipment at certain publishing businesses as a result of our ongoing facility consolidation efforts. We revised the useful lives of certain assets to reflect the use of those assets over a shortened period as a result. Certain assets classified as held-for-sale according to Accounting Standards Codification (ASC) Topic 360 resulted in us recognizing non-cash charges in both 2014 and 2013 as we reduced the carrying values to equal the fair value less cost to dispose. The fair values were based on the estimated prices of similar assets. We also recorded non-cash impairment charges to reduce the book value of goodwill and other intangible assets. The goodwill impairment and other intangible non-cash charges resulted from our application of the interim impairment testing provisions included within the goodwill subtopic ASC Topic 350. We are required to test goodwill and other indefinite lived assets for impairment annually. Our annual measurement date for testing is the first day of the fourth quarter. However, because of softening business conditions at two of our smaller Publishing Segment reporting units, we updated our testing as of the beginning of the second quarter of 2014. Our testing showed that the implied fair value of the goodwill was less than the recorded value. Therefore, we recognized a charge to reduce the carrying value of goodwill to the implied fair value. We recorded pre-tax charges for facility consolidations and asset impairments of \$28.8 million in the second quarter and \$43.6 million for the year-to-date period in 2014. For 2013, we recorded \$4.5 million pre-tax charges for the second quarter and \$9.3 million for the year-to-date period. We also recorded a \$1.0 million non-operating pre-tax charge to write off certain broadcasting assets that were donated in the second quarter of 2014 and a \$0.9 million non-operating pre-tax charge to write off certain publishing assets in the first quarter of 2013.

NOTE 4 – Goodwill and other intangible assets

The following table displays goodwill, indefinite-lived intangible assets, and amortizable intangible assets at June 29, 2014 and December 29, 2013:

| In thousands | Jun. 29, 2014 | | Dec. 29, 2013 | |
|---------------------------------|---------------|--------------------------|---------------|--------------------------|
| | Gross | Accumulated Amortization | Gross | Accumulated Amortization |
| Goodwill | \$3,804,551 | \$— | \$3,790,472 | \$— |
| Indefinite-lived intangibles: | | | | |
| Television station FCC licenses | 1,091,204 | — | 1,091,204 | — |
| Mastheads and trade names | 82,903 | — | 82,570 | — |
| Amortizable intangible assets: | | | | |
| Customer relationships | 302,817 | 194,852 | 290,845 | 177,515 |
| Other | 223,650 | 39,004 | 213,790 | 23,663 |

Customer relationships include subscriber lists and advertiser relationships while other intangibles primarily include retransmission agreements, network affiliations, internally developed technology, patents and amortizable trade names.

The following table summarizes the changes in our net goodwill balance through June 29, 2014:

| In thousands | Broadcasting | Publishing | Digital | Total |
|--|--------------|--------------|------------|--------------|
| Balance at Dec. 29, 2013: | | | | |
| Goodwill | \$2,543,333 | \$7,807,416 | \$755,528 | \$11,106,277 |
| Accumulated impairment losses | — | (7,187,535) | (128,270) | (7,315,805) |
| Net balance at Dec. 29, 2013 | 2,543,333 | 619,881 | 627,258 | 3,790,472 |
| Activity during the period: | | | | |
| Acquisitions and adjustments | (16,430) | 4,578 | 33,233 | 21,381 |
| Impairment | — | (15,310) | — | (15,310) |
| Foreign currency exchange rate changes | — | 6,666 | 1,342 | 8,008 |
| Total | (16,430) | (4,066) | 34,575 | 14,079 |
| Balance at Jun. 29, 2014: | | | | |
| Goodwill | 2,526,903 | 7,897,708 | 790,103 | 11,214,714 |
| Accumulated impairment losses | — | (7,281,893) | (128,270) | (7,410,163) |
| Net balance at Jun. 29, 2014 | \$2,526,903 | \$615,815 | \$661,833 | \$3,804,551 |

On December 23, 2013, we completed our acquisition of Belo. The initial purchase price allocation is preliminary based upon all information available to us at the present time and is subject to change, and such changes could be material. We continue to review underlying assumptions and valuation techniques utilized to calculate the fair value of primarily the indefinite-lived and amortizable intangible assets, property, plant and equipment, investments and deferred income taxes. Certain immaterial adjustments have been made since the initial allocation in the fourth quarter of 2013.

NOTE 5 – Long-term debt

Our long-term debt is summarized below:

| In thousands | Jun. 29, 2014 | Dec. 29, 2013 |
|--|---------------|---------------|
| Unsecured floating rate term loan due quarterly through August 2018 | \$ 139,000 | \$ 154,800 |
| VIE unsecured floating rate term loans due quarterly through December 2018 | 37,145 | 39,270 |
| Unsecured notes bearing fixed rate interest at 8.75% due November 2014 | 250,000 | 250,000 |
| Unsecured notes bearing fixed rate interest at 10% due June 2015 | 66,568 | 66,568 |
| Unsecured notes bearing fixed rate interest at 6.375% due September 2015 | 250,000 | 250,000 |
| Unsecured notes bearing fixed rate interest at 10% due April 2016 | 193,429 | 193,429 |
| Unsecured notes bearing fixed rate interest at 9.375% due November 2017 | — | 250,000 |
| Unsecured notes bearing fixed rate interest at 7.125% due September 2018 | 250,000 | 250,000 |
| Unsecured notes bearing fixed rate interest at 5.125% due October 2019 | 600,000 | 600,000 |
| Unsecured notes bearing fixed rate interest at 5.125% due July 2020 | 600,000 | 600,000 |
| Unsecured notes bearing fixed rate interest at 6.375% due October 2023 | 650,000 | 650,000 |
| Unsecured notes bearing fixed rate interest at 7.75% due June 2027 | 200,000 | 200,000 |
| Unsecured notes bearing fixed rate interest at 7.25% due September 2027 | 240,000 | 240,000 |
| Total principal long-term debt | 3,476,142 | 3,744,067 |
| Other (fair market value adjustments and discounts) | (23,515) | (31,167) |
| Total long-term debt | 3,452,627 | 3,712,900 |
| Less current portion of long-term debt maturities of VIE loans | 5,890 | 5,890 |
| Long-term debt, net of current portion | \$ 3,446,737 | \$ 3,707,010 |

For the first six months of 2014, our long-term debt decreased by \$260.3 million as a result of our early repayment of the 9.375% notes due in 2017. We redeemed the notes by paying 104.688% of the outstanding principal amount in accordance with the original terms. The early redemption of these notes will save us approximately \$12 million in interest expense for the remainder of 2014. On June 29, 2014, we had unused borrowing capacity of \$1.27 billion under our revolving credit agreement that expires in August 2018.

NOTE 6 – Retirement plans

We, along with our subsidiaries, have various retirement plans, including plans established under collective bargaining agreements. The Gannett Retirement Plan (GRP) is our principal retirement plan. Our retirement plan costs include costs for qualified and nonqualified plans and are presented in the following table:

| In thousands | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|---|----------------------|---------------|------------------------|---------------|
| | Jun. 29, 2014 | Jun. 30, 2013 | Jun. 29, 2014 | Jun. 30, 2013 |
| Service cost-benefits earned during the period | \$ 877 | \$ 1,756 | \$ 2,708 | \$ 3,881 |
| Interest cost on benefit obligation | 42,372 | 35,071 | 84,738 | 70,254 |
| Expected return on plan assets | (59,174) | (49,299) | (117,748) | (98,842) |
| Amortization of prior service cost | 1,901 | 1,898 | 3,783 | 3,776 |
| Amortization of actuarial loss | 11,674 | 16,190 | 22,901 | 31,550 |
| Expense (credit) for company-sponsored retirement plans | \$(2,350) | \$ 5,616 | \$(3,618) | \$ 10,619 |

For the twenty-six weeks ended June 29, 2014, we contributed \$41.0 million to the GRP, \$6.6 million to the G.B. Dealey Retirement Plan (Dealey Plan) and \$6.9 million to the Newsquest Pension Scheme in the U.K. (Newsquest Plan). We assumed the Dealey Plan as part of the Belo acquisition that was completed on December 23, 2013. For the remainder of 2014 and based on current funding requirements, we expect to contribute \$28.0 million to the GRP, \$8.9 million to the Dealey Plan and approximately \$7.4 million to the Newsquest Plan.

NOTE 7 – Post-retirement benefits other than pension

We provide health care and life insurance benefits to certain retired employees who meet age and service requirements. Most of our retirees contribute to the cost of these benefits and retiree contributions are increased as actual benefit costs increase. Our policy is to fund benefits as claims and premiums are paid. In March 2014, we adopted changes to the retiree medical plan that were effective July 1, 2014. Beginning on that date, we will pay a stipend to certain Medicare-eligible Gannett retirees. This stipend will be accessible through a Healthcare Reimbursement Account and retirees will be able to select from a variety of plans offered through the individual Medicare marketplace. As a result of this change, we remeasured the related post-retirement benefit obligation during the first quarter of 2014, and recorded a reduction to the liability of \$33.9 million (with a corresponding adjustment to “Accumulated other comprehensive loss”). Post-retirement benefit costs for health care and life insurance are presented in the following table:

| In thousands | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|--|----------------------|---------------|------------------------|---------------|
| | Jun. 29, 2014 | Jun. 30, 2013 | Jun. 29, 2014 | Jun. 30, 2013 |
| Service cost-benefits earned during the period | \$68 | \$89 | \$186 | \$264 |
| Interest cost on net benefit obligation | 1,030 | 1,303 | 2,515 | 2,828 |
| Amortization of prior service credit | (3,116) | (2,282) | (5,483) | (4,582) |
| Amortization of actuarial loss | 124 | 85 | 332 | 585 |
| Net periodic post-retirement benefit credit | \$(1,894) | \$(805) | \$(2,450) | \$(905) |

NOTE 8 – Income taxes

The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate was approximately \$45.0 million as of June 29, 2014 and \$46.5 million as of December 29, 2013. The following table summarizes the activity related to unrecognized tax benefits, excluding the federal tax benefit of state tax deductions:

| In thousands | Unrecognized Tax Benefits |
|--|------------------------------|
| Balance at Dec. 29, 2013 | \$57,324 |
| Changes in unrecognized tax benefits: | |
| Additions based on tax positions related to the current year | 3,744 |
| Additions for tax positions of prior years | 75 |
| Reductions for tax positions of prior years | (4,315) |
| Reductions due to lapse of statutes of limitations | (574) |
| Balance at Jun. 29, 2014 | \$56,254 |

We recognize interest and penalties related to unrecognized tax benefits as a component of income tax expense. Interest income attributable to overpayment of income tax is recognized as a component of income tax expense. We recognized a net benefit from the reversal of interest and penalty expense of \$1.2 million in the second quarter of 2014 and \$4.6 million during the second quarter of 2013. We recognized a net benefit from the reversal of interest and penalty expense of \$2.5 million during the first six months of 2014 and \$17.4 million during the first six months of 2013. The net interest and penalty benefits recognized in the second quarter and first six months of 2014 and 2013 are primarily from the release of uncertain tax position reserves due to audit settlements and the lapse of the applicable statutes of limitations. The amount of net accrued interest and penalties related to uncertain tax benefits as of June 29, 2014, was approximately \$9.0 million and as of December 29, 2013, was approximately \$11.5 million.

We file income tax returns in the U.S. and various state and foreign jurisdictions. The 2010 through 2012 tax years remain subject to IRS examination. The 2009 through 2012 tax years generally remain subject to examination by state authorities, and the 2012 tax year is subject to examination in the U.K. Tax years before 2009 remain subject to examination by certain states primarily due to the filing of amended tax returns as a result of the settlement of the IRS examination for these years and due to ongoing audits.

It is reasonably possible that the amount of unrecognized benefits with respect to certain of our unrecognized tax positions will significantly increase or decrease within the next 12 months. These changes may be the result of

settlement of ongoing audits, lapses of statutes of limitations or other regulatory developments. At this time, we estimate the amount of gross unrecognized tax positions may be reduced by up to approximately \$8.2 million within the next 12 months primarily due to lapses of statutes of limitations and settlement of ongoing audits in various jurisdictions.

NOTE 9 – Supplemental equity information

The following table summarizes equity account activity for the twenty-six week periods ended June 29, 2014 and June 30, 2013:

| In thousands | Gannett Co., Inc. Shareholders' Equity | Noncontrolling Interests | Total Equity |
|--|---|-----------------------------|--------------|
| Balance at Dec. 29, 2013 | \$2,693,098 | \$201,695 | \$2,894,793 |
| Comprehensive income: | | | |
| Net income | 267,626 | 27,875 | 295,501 |
| Redeemable noncontrolling interests (income not available to shareholders) | — | (1,850) | (1,850) |
| Other comprehensive income | 35,513 | 1,061 | 36,574 |
| Total comprehensive income | 303,139 | 27,086 | 330,225 |
| Dividends declared | (90,495) | — | (90,495) |
| Stock-based compensation | 17,208 | — | 17,208 |
| Treasury shares acquired | (75,815) | — | (75,815) |
| Other activity | 10,976 | (2,311) | 8,665 |
| Balance at Jun. 29, 2014 | \$2,858,111 | \$226,470 | \$3,084,581 |
| Balance at Dec. 30, 2012 | \$2,350,614 | \$189,298 | \$2,539,912 |
| Comprehensive income: | | | |
| Net income | 218,185 | 25,019 | 243,204 |
| Redeemable noncontrolling interests (income not available to shareholders) | — | (246) | (246) |
| Other comprehensive income (loss) | 1,370 | (1,863) | (493) |
| Total comprehensive income | 219,555 | 22,910 | 242,465 |
| Dividends declared | (91,485) | — | (91,485) |
| Stock-based compensation | 15,877 | — | 15,877 |
| Treasury shares acquired | (41,385) | — | (41,385) |
| Other activity | 11,728 | (744) | 10,984 |
| Balance at Jun. 30, 2013 | \$2,464,904 | \$211,464 | \$2,676,368 |

In August 2012, our CareerBuilder subsidiary acquired 74% of Economic Modeling Specialists Intl. (EMSI), a software firm that specializes in employment data and labor market analytics. Shareholders for the remaining 26% of ownership hold put rights that permit them to put their equity interest to CareerBuilder. Since redemption of EMSI noncontrolling interest is outside of our control, the balance is presented on the Condensed Consolidated Balance Sheets in the caption “Redeemable noncontrolling interests.”

The following table summarizes the components of, and the changes in, “Accumulated other comprehensive loss” (net of tax and noncontrolling interests):

| In thousands | Retirement Plans | Foreign Currency Translation | Total | |
|---|----------------------|------------------------------------|------------------------|---------------|
| Thirteen Weeks: | | | | |
| Balance at Mar. 30, 2014 | \$ (899,026 |) \$ 431,830 | \$ (467,196 | |
| Other comprehensive income (loss) before reclassifications | (11,042 |) 12,808 | 1,766 | |
| Amounts reclassified from accumulated other comprehensive income (loss) | 6,888 | — | 6,888 | |
| Other comprehensive income (loss) | (4,154 |) 12,808 | 8,654 | |
| Balance at Jun. 29, 2014 | \$ (903,180 |) \$ 444,638 | \$ (458,542 | |
| | | | | |
| Balance at Mar. 31, 2013 | \$ (1,094,870 |) \$ 385,536 | \$ (709,334 | |
| Other comprehensive income (loss) before reclassifications | (120 |) (287 |) (407 | |
| Amounts reclassified from accumulated other comprehensive income (loss) | 9,970 | — | 9,970 | |
| Other comprehensive income (loss) | 9,850 | (287 |) 9,563 | |
| Balance at Jun. 30, 2013 | \$ (1,085,020 |) \$ 385,249 | \$ (699,771 | |
| | | | | |
| Twenty-six Weeks: | | | | |
| Balance at Dec. 29, 2013 | \$ (921,232 |) \$ 427,177 | \$ (494,055 | |
| Other comprehensive income (loss) before reclassifications | 4,062 | 17,461 | 21,523 | |
| Amounts reclassified from accumulated other comprehensive income (loss) | 13,990 | — | 13,990 | |
| Other comprehensive income (loss) | 18,052 | 17,461 | 35,513 | |
| Balance at Jun. 29, 2014 | \$ (903,180 |) \$ 444,638 | \$ (458,542 | |
| | | | | |
| Balance at Dec. 30, 2012 | \$ (1,119,263 |) \$ 418,122 | \$ (701,141 | |
| Other comprehensive income (loss) before reclassifications | 14,577 | (32,873 |) (18,296 | |
| Amounts reclassified from accumulated other comprehensive income (loss) | 19,666 | — | 19,666 | |
| Other comprehensive income (loss) | 34,243 | (32,873 |) 1,370 | |
| Balance at Jun. 30, 2013 | \$ (1,085,020 |) \$ 385,249 | \$ (699,771 | |
| Accumulated other comprehensive income components are included in computing net periodic post-retirement costs (see Notes 6 and 7 for more detail). Reclassifications out of accumulated other comprehensive loss related to these post-retirement plans include the following: | | | | |
| In thousands | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
| | Jun. 29, 2014 | Jun. 30, 2013 | Jun. 29, 2014 | Jun. 30, 2013 |
| Amortization of prior service credit | \$ (1,215 |) \$ (384 |) \$ (1,700 |) \$ (806 |
| Amortization of actuarial loss | 11,798 | 16,275 | 23,233 | 32,135 |
| Total reclassifications, before tax | 10,583 | 15,891 | 21,533 | 31,329 |
| Income tax effect | (3,695 |) (5,921 |) (7,543 |) (11,663 |
| Total reclassifications, net of tax | \$ 6,888 | \$ 9,970 | \$ 13,990 | \$ 19,666 |

NOTE 10 – Fair value measurement

We measure and record in the accompanying condensed consolidated financial statements certain assets and liabilities at fair value. ASC Topic 820, Fair Value Measurement, establishes a hierarchy for those instruments measured at fair value that distinguishes between market data (observable inputs) and our own assumptions (unobservable inputs). The hierarchy consists of three levels:

Level 1 - Quoted market prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than Level 1 inputs that are either directly or indirectly observable; and

Level 3 - Unobservable inputs developed using our own estimates and assumptions, which reflect those that a market participant would use.

The following table summarizes our assets and liabilities measured at fair value in the accompanying Condensed Consolidated Balance Sheets as of June 29, 2014 and December 29, 2013:

| In thousands | Fair Value Measurements as of Jun. 29, 2014 | | | |
|---|---|---------|----------|----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Employee compensation related investments | \$30,950 | \$— | \$— | \$30,950 |
| Sundry investments | 36,024 | — | — | 36,024 |
| Total assets | \$66,974 | \$— | \$— | \$66,974 |
| Contingent consideration payable | \$— | \$— | \$15,882 | \$15,882 |
| Total liabilities | \$— | \$— | \$15,882 | \$15,882 |

| In thousands | Fair Value Measurements as of Dec. 29, 2013 | | | |
|---|---|---------|----------|----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Employee compensation related investments | \$28,117 | \$— | \$— | \$28,117 |
| Sundry investments | 34,227 | — | — | 34,227 |
| Total assets | \$62,344 | \$— | \$— | \$62,344 |
| Contingent consideration payable | \$— | \$— | \$32,267 | \$32,267 |
| Total liabilities | \$— | \$— | \$32,267 | \$32,267 |

Under certain acquisition agreements, we have agreed to pay the sellers earn-outs based on achievement of future financial performance of the businesses. Contingent consideration payable in the table above represents the estimated fair value of future earn-outs payable under such agreements. The fair value of the contingent payments was measured based on the present value of the consideration expected to be transferred using a discounted cash flow analysis. The discount rate is a significant unobservable input in such present value computations. Discount rates ranged between 10% and 30% depending on the risk associated with the cash flows. Changes to the fair value of earn-outs are reflected in “Selling, general and administrative expenses” on our Condensed Consolidated Statements of Income. For the twenty-six weeks ended June 29, 2014, the contingent consideration decreased by \$16.4 million as a result of payments and adjustments to fair value.

The fair value of our total long-term debt, based on the bid and ask quotes for the related debt (Level 2), totaled \$3.68 billion at June 29, 2014 and \$3.93 billion at December 29, 2013.

During the second quarter of 2014, certain Publishing Segment goodwill assets were impaired as the implied fair value of the goodwill was less than the recorded value. Implied fair value of the goodwill assets totaled \$6.2 million and we recognized a goodwill impairment charge of \$15.3 million to reduce the carrying value to the implied fair value.

NOTE 11 – Business segment information

Our reportable segments based on our management and internal reporting structures are Broadcasting, Publishing and Digital. The Broadcasting Segment at the end of the second quarter includes our 40 owned and serviced television stations. The Publishing Segment principally includes local domestic publishing operations, Newsquest operations in the U.K. and the USA TODAY group. The Digital Segment includes CareerBuilder, Shoplocal and PointRoll.

| In thousands | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|---|----------------------|---------------|------------------------|---------------|
| | Jun. 29, 2014 | Jun. 30, 2013 | Jun. 29, 2014 | Jun. 30, 2013 |
| Net Operating Revenues: | | | | |
| Broadcasting | \$398,258 | \$211,962 | \$780,526 | \$403,542 |
| Publishing | 867,365 | 904,231 | 1,709,428 | 1,775,464 |
| Digital | 194,381 | 186,506 | 374,116 | 361,428 |
| Total | \$1,460,004 | \$1,302,699 | \$2,864,070 | \$2,540,434 |
| Operating Income (net of depreciation, amortization and facility consolidation charges and asset impairment charges): | | | | |
| Broadcasting | \$171,322 | \$98,092 | \$325,871 | \$181,768 |
| Publishing | 53,239 | 85,192 | 96,227 | 145,329 |
| Digital | 35,695 | 35,277 | 59,519 | 58,881 |
| Corporate | (17,754) | (15,679) | (35,121) | (32,039) |
| Total | \$242,502 | \$202,882 | \$446,496 | \$353,939 |
| Depreciation, amortization and facility consolidation charges and asset impairment charges: | | | | |
| Broadcasting | \$20,621 | \$6,974 | \$47,815 | \$13,909 |
| Publishing | 53,123 | 31,415 | 89,714 | 63,651 |
| Digital | 9,603 | 9,383 | 17,891 | 18,490 |
| Corporate | 4,749 | 4,561 | 10,003 | 9,122 |
| Total | \$88,096 | \$52,333 | \$165,423 | \$105,172 |

NOTE 12 – Earnings per share

Our earnings per share (basic and diluted) are presented below:

| In thousands, except per share data | Thirteen Weeks Ended | | Twenty-six Weeks Ended | |
|--|----------------------|---------------|------------------------|---------------|
| | Jun. 29, 2014 | Jun. 30, 2013 | Jun. 29, 2014 | Jun. 30, 2013 |
| Net income attributable to Gannett Co., Inc. | \$208,467 | \$113,620 | \$267,626 | \$218,185 |
| Weighted average number of common shares outstanding - basic | 226,132 | 228,837 | 226,681 | 229,116 |
| Effect of dilutive securities: | | | | |
| Restricted stock | 2,814 | 2,971 | 2,763 | 2,897 |
| Performance share units | 2,212 | 1,734 | 1,725 | 1,797 |
| Stock options | 948 | 1,094 | 1,018 | 1,056 |
| Weighted average number of common shares outstanding - diluted | 232,106 | 234,636 | 232,187 | 234,866 |
| Net income per share - basic | \$0.92 | \$0.50 | \$1.18 | \$0.95 |
| Net income per share - diluted | \$0.90 | \$0.48 | \$1.15 | \$0.93 |

The diluted earnings per share amounts exclude the effects of approximately 2.2 million stock options outstanding for the second quarter and year-to-date of 2014 and 6.2 million stock options outstanding for second quarter and year-to-date of 2013, as their inclusion would be anti-dilutive.

NOTE 13 – Commitments, contingencies and other matters

We, along with a number of our subsidiaries, are defendants in judicial and administrative proceedings involving matters incidental to their business. Management does not believe that any material liability exists as a result of these matters.

NOTE 14 – Subsequent events

On July 8, 2014, we completed the previously announced acquisition of six of London Broadcasting Company's television stations in Texas for approximately \$215.0 million in an all-cash transaction. The acquisition includes KCEN (NBC) in Waco-Temple-Bryan, KYTX (CBS) in Tyler-Longview, KIII (ABC) in Corpus Christi, KBMT (ABC) and its digital sub-channel KJAC (NBC) in Beaumont-Port Arthur, KXVA (FOX) in Abilene-Sweetheart and KIDY (FOX) in San Angelo.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are a leading international media and marketing solutions company, and one of the largest, most geographically diverse local content providers in the U.S. Through a vast network of broadcast, digital, mobile and print products, we inform and engage more than 110 million people every month.

Our Broadcasting Segment currently includes 46 television stations that we either own or service through shared service agreements. Excluding owner-operators, we are the No. 1 NBC affiliate group; No. 1 CBS affiliate group; and the No. 4 ABC affiliate group. These stations cover 31% of the U.S. population in markets with nearly 36 million households. We are the largest independent television station group of major network affiliates in the top 25 U.S. markets.

Within our Publishing Segment, we provide content through 82 local U.S. daily publications, including USA TODAY, a multi-platform news and information media company, as well as more than 400 non-daily local publications in 30 states and Guam. USA TODAY ranks No. 1 in the industry in total daily combined print and digital circulation, according to the Alliance for Audited Media. Our subsidiary Newsquest is one of the United Kingdom's leading regional community news providers, providing its markets with 17 daily paid-for titles, more than 200 weekly print products, magazines and trade publications.

We own and operate a number of stand-alone digital subsidiaries, the results of which are included in our Digital Segment. The largest of these subsidiaries is CareerBuilder, a global leader in human capital solutions, providing everything from labor market intelligence to talent management software and other recruitment solutions, with a presence in more than 60 markets worldwide and a focus on technology solutions and niche sites. CareerBuilder.com is the largest online job site in the U.S., measured both by traffic and revenue.

Results from Operations

Our reportable segments based on our management and internal reporting structures are Broadcasting, Publishing, and Digital. The primary categories of Broadcasting Segment revenue are: 1) core advertising which includes local and national non-political advertising; 2) political advertising revenues which are seasonal with peaks occurring in even years (e.g., 2014 and 2012) and particularly in the fourth quarter of those years; 3) retransmission revenues representing fees paid by satellite and cable networks and telecommunications companies to carry our television signals on their network; and 4) other revenues, which consist of digital revenues generated through advertising on the stations' web, tablet and mobile products; as well as payments by advertisers to television stations for other services, such as producing advertising material. We generate Publishing Segment revenue primarily through advertising and subscriptions to our print and digital publications. Our advertising departments sell retail, classified and national advertising across multiple platforms including print, web sites, mobile, tablet and other specialty publications. The largest subsidiary within our Digital Segment is CareerBuilder, which generates revenues both through its own sales force by providing talent and compensation intelligence, human resource related consulting services and recruitment solutions and through sales of employment advertising placed with its affiliated media organizations.

Our largest component of operating expense is payroll and benefits. Other significant operating expenses include the costs of locally produced content and purchased syndicated programming in the Broadcasting Segment, production (raw materials) and distribution costs within the Publishing Segment, and sales and marketing costs within the Digital Segment.

Consolidated Summary

A consolidated summary of our results is presented below:

| In thousands, except per share data | Second Quarter | | | | | | | |
|---|----------------|------------|----|-------------|------------|----|--------|----|
| | 2014 | % of Total | | 2013 | % of Total | | Change | |
| Operating revenues: | | | | | | | | |
| Broadcasting | \$398,258 | 27 | % | \$211,962 | 16 | % | 88 | % |
| Publishing | 867,365 | 59 | % | 904,231 | 70 | % | (4 | %) |
| Digital | 194,381 | 13 | % | 186,506 | 14 | % | 4 | % |
| Total operating revenues | \$1,460,004 | 100 | % | \$1,302,699 | 100 | % | 12 | % |
| Operating expenses | \$1,217,502 | | | \$1,099,817 | | | 11 | % |
| Operating income: | | | | | | | | |
| Broadcasting | \$171,322 | 71 | % | \$98,092 | 48 | % | 75 | % |
| Publishing | 53,239 | 22 | % | 85,192 | 42 | % | (38 | %) |
| Digital | 35,695 | 15 | % | 35,277 | 18 | % | 1 | % |
| Corporate | (17,754 |) (8 | %) | (15,679 |) (8 | %) | 13 | % |
| Total operating income | 242,502 | 100 | % | 202,882 | 100 | % | 20 | % |
| Non-operating expense (income) | (89,410 |) | | 36,541 | | | *** | |
| Provision for income taxes | 106,000 | | | 39,600 | | | *** | |
| Net income attributable to noncontrolling interests | 17,445 | | | 13,121 | | | 33 | % |
| Net income attributable to Gannett Co., Inc. | \$208,467 | | | \$113,620 | | | 83 | % |
| Net income per share: | | | | | | | | |
| Basic | \$0.92 | | | \$0.50 | | | 84 | % |
| Diluted | \$0.90 | | | \$0.48 | | | 88 | % |
| Weighted average number of common shares outstanding: | | | | | | | | |
| Basic | 226,132 | | | 228,837 | | | (1 | %) |
| Diluted | 232,106 | | | 234,636 | | | (1 | %) |

| In thousands, except per share data | Year-to-Date | | 2013 | % of Total | Change | |
|---|--------------|------------|-------------|------------|--------|----|
| | 2014 | % of Total | | | | |
| Operating revenues: | | | | | | |
| Broadcasting | \$780,526 | 27 % | \$403,542 | 16 % | 93 | % |
| Publishing | 1,709,428 | 60 % | 1,775,464 | 70 % | (4 | %) |
| Digital | 374,116 | 13 % | 361,428 | 14 % | 4 | % |
| Total operating revenues | \$2,864,070 | 100 % | \$2,540,434 | 100 % | 13 | % |
| Operating expenses | \$2,417,574 | | \$2,186,495 | | 11 | % |
| Operating income: | | | | | | |
| Broadcasting | \$325,871 | 73 % | \$181,768 | 51 % | 79 | % |
| Publishing | 96,227 | 22 % | 145,329 | 41 % | (34 | %) |
| Digital | 59,519 | 13 % | 58,881 | 17 % | 1 | % |
| Corporate | (35,121) | (8 %) | (32,039) | (9 %) | 10 | % |
| Total operating income | 446,496 | 100 % | 353,939 | 100 % | 26 | % |
| Non-operating expense (income) | (7,505) | | 65,735 | | *** | |
| Provision for income taxes | 158,500 | | 45,000 | | *** | |
| Net income attributable to noncontrolling interests | 27,875 | | 25,019 | | 11 | % |
| Net income attributable to Gannett Co., Inc. | \$267,626 | | \$218,185 | | 23 | % |
| Net income per share: | | | | | | |
| Basic | \$1.18 | | \$0.95 | | 24 | % |
| Diluted | \$1.15 | | \$0.93 | | 24 | % |
| Weighted average number of common shares outstanding: | | | | | | |
| Basic | 226,681 | | 229,116 | | (1 | %) |
| Diluted | 232,187 | | 234,866 | | (1 | %) |

A number of factors impacted 2014 revenue and expense comparisons. The largest of these drivers was the inclusion of the operations of television stations acquired or serviced as a result of the Belo transaction and continued growth of retransmission revenues in our broadcasting operations. These combined factors led to record Broadcasting Segment revenues. We continued to make progress in stabilizing our publishing operations and managing industry-wide softening of revenues through a number of initiatives including the All Access Content Subscription Model and the USA TODAY content editions in our local domestic publishing operations. Coupled with our efficiency initiatives, including consolidation of printing and distribution platforms, global sourcing and real estate optimization, we are managing expenses to align with continuing industry-wide challenges for our Publishing Segment. Our Digital Segment, led by CareerBuilder, provided consistent solid revenue growth while CareerBuilder positions itself for expansion in the software-as-a-service market for talent management solutions. Growth of digital revenues within our Publishing and Broadcasting Segments reflects the success of our expansion of digital marketing services, particularly with search and social products. As a result of these factors, the mix of our revenues and expenses is changing, with a significantly higher share of our revenues being generated by higher growth and higher margin broadcasting and digital operations.

Our operating revenues were \$1.46 billion in the second quarter of 2014, an increase of 12% from \$1.30 billion in the same period last year. For the first six months of 2014 operating revenues increased 13% to \$2.86 billion from \$2.54 billion in 2013. The increase in both periods was driven primarily by a record level of Broadcasting Segment revenues which increased 88% in the second quarter of 2014 and 93% in the first six months of 2014, reflecting revenue from the acquisitions in late 2013 and substantial increases in retransmission and political advertising revenues. On a pro

forma basis, had we owned the Belo television stations in the same period last year and excluding Captivate and Apartments.com, total operating revenue would have increased 2% in both the second quarter and first six months of 2014. Broadcasting Segment revenues on a pro forma basis increased 13% in the second quarter of 2014 and 16% year-to-date. A separate discussion of pro forma information begins on page 30. Publishing Segment revenues were down 4% in the second quarter of 2014 and year-to-date, reflecting continued pressure on advertising demand, particularly domestic national advertising, partially offset by higher revenue associated with

digital advertising and marketing solutions. Digital Segment revenues increased 4% in the second quarter of 2014, driven by continued growth at CareerBuilder.

Operating expenses increased 11% for both the second quarter and year-to-date period. Broadcasting Segment operating expenses increased 99% in the second quarter and 105% in the first six months due to the impact of the Belo stations acquired in late 2013. On a pro forma basis, company-wide operating expenses were up 1% in the second quarter of 2014 and relatively flat in the first six months compared to the same periods in 2013. Broadcasting Segment expenses on a pro forma basis were up 3% in the second quarter of 2014 and 4% for the year-to-date period compared to the same periods last year. Publishing Segment operating expenses were down 1% in both the second quarter and year-to-date periods due to ongoing cost control and efficiency efforts. Digital Segment operating expenses increased 5% in the second quarter and 4% year-to-date as CareerBuilder continued to invest in its sales staff expansion as well as technology support for its human capital software solutions. A separate discussion of operating expenses excluding special items (non-GAAP basis) begins on page 24.

Non-operating income increased from an expense of \$36.5 million for the second quarter of 2013 and \$65.7 million for the year-to-date period in 2013 to income of \$89.4 million in the second quarter of 2014 and \$7.5 million for the year-to-date period, driven primarily by an increase in equity income. Equity income in unconsolidated investees totaled \$156.5 million in the second quarter of 2014 and \$165.0 million for the year-to-date period, reflecting primarily the gain from the sale of Apartments.com by Classified Ventures, an equity method investee. Interest expense was \$64.1 million in the second quarter and \$133.8 million for the year-to-date period in 2014 compared to \$36.2 million and \$71.6 million in the same periods last year reflecting primarily the issuance of debt in the second half of last year to fund the Belo acquisition, partially offset by a lower average interest rate. Total average outstanding debt was \$3.48 billion for the second quarter of 2014 compared to \$1.48 billion last year. The weighted average interest rate on total outstanding debt was 6.88% for the second quarter of 2014 compared to 8.31% last year. For the year-to-date period total average outstanding debt was \$3.58 billion in 2014 compared to \$1.49 billion last year. The weighted average interest rate on total outstanding debt was 6.96% year-to-date in 2014 compared to 8.27% in the same period last year.

Our reported effective income tax rate was 33.7% for the second quarter of 2014, compared to 25.8% for the second quarter of 2013. The tax rate for the second quarter in 2014 was higher than the comparable rate in 2013 due to special items in both years. The reported effective income tax rate was 37.2% for the first six months of 2014 compared to 17.1% for the same period last year. These rates reflect special items. The year-to-date 2014 rate was negatively impacted by a \$23.8 million tax charge recognized on the sale of KMOV-TV in St. Louis, MO to Meredith Corporation in February 2014. The year-to-date 2013 rate was positively impacted by a net tax benefit of \$27.8 million related to resolving a multi-year federal audit settlement and the release of a significant reserve for an uncertain state tax position. A separate discussion of effective income tax rates excluding special items (non-GAAP basis) appears on page 30.

The weighted average number of diluted shares outstanding for the second quarter of 2014 decreased by 2.5 million shares from 2013. For the year-to-date period the weighted average number of diluted shares outstanding in 2014 decreased by 2.7 million shares. These declines reflect shares repurchased since the second quarter of 2013, partially offset by increases in stock option exercises related to recent increases in our stock price. See Part II, Item 2 for information on share repurchases.

Segment Results

The following is a discussion of our reported operating segment results for the second quarter and year-to-date period of 2014. Unless otherwise noted, all comparisons are to the comparable prior year period.

Broadcasting Segment Results

A summary of our Broadcasting Segment results is presented below:

| In thousands | Second Quarter | | | Year-to-Date | | | |
|---|----------------|-----------|--------|--------------|-----------|--------|---|
| | 2014 | 2013 | Change | 2014 | 2013 | Change | |
| Operating revenues | \$398,258 | \$211,962 | 88 | % \$780,526 | \$403,542 | 93 | % |
| Operating expenses: | | | | | | | |
| Operating expenses, exclusive of depreciation | 206,315 | 106,896 | 93 | % 406,840 | 207,865 | 96 | % |
| Depreciation | 11,627 | 6,793 | 71 | % 23,324 | 13,547 | 72 | % |
| Amortization | 5,885 | 181 | *** | 16,106 | 362 | *** | |
| Transformation costs | 3,109 | — | *** | 8,385 | — | *** | |
| Total operating expenses | 226,936 | 113,870 | 99 | % 454,655 | 221,774 | *** | |
| Operating income | \$171,322 | \$98,092 | 75 | % \$325,871 | \$181,768 | 79 | % |

Broadcasting Segment revenues are grouped into four categories: Core (Local and National), Political, Retransmission and Other. Digital revenues are included in the Other category. The following table summarizes the year-over-year changes in these select revenue categories.

| In thousands | Second Quarter | | Percentage Change From 2013 | | |
|-------------------------------|------------------|-----|-----------------------------|--------------------------|--|
| | 2014 Reported | | Reported | Pro Forma ^(a) | |
| Core (Local & National) | \$261,551 | 74 | % (2 | %) | |
| Political | 16,569 | *** | *** | | |
| Retransmission ^(b) | 88,654 | 141 | % 67 | % | |
| Other | 31,484 | 40 | % 10 | % | |
| Total | \$398,258 | 88 | % 13 | % | |

^(a) The pro forma figures are presented as if the Belo acquisition and Captivate disposition had occurred at the beginning of 2013.

^(b) Reverse compensation to network affiliates is included as part of programming costs and therefore excluded from this line.

| In thousands | Year-to-Date | | Percentage Change From 2013 | | |
|-------------------------------|------------------|-----|-----------------------------|--------------------------|--|
| | 2014 Reported | | Reported | Pro Forma ^(a) | |
| Core (Local & National) | \$518,923 | 81 | % 2 | % | |
| Political | 26,544 | *** | *** | | |
| Retransmission ^(b) | 176,121 | *** | 67 | % | |
| Other | 58,938 | 48 | % 13 | % | |
| Total | \$780,526 | 93 | % 16 | % | |

^(a) The pro forma figures are presented as if the Belo acquisition and Captivate disposition had occurred at the beginning of 2013.

^(b) Reverse compensation to network affiliates is included as part of programming costs and therefore excluded from this line.

Reported Broadcasting Segment revenues in the second quarter of 2014 increased 88% to \$398.3 million, a record high, driven primarily by the Belo acquisition, as well as substantially higher retransmission revenue and political advertising. Core advertising revenue, which consists of Local and National non-political advertising, increased 74% to \$261.6 million in the

second quarter of 2014. Political advertising reached \$16.6 million compared to \$1.9 million in the second quarter a year ago driven by some contested state and local campaigns. Retransmission revenue increased 141% to \$88.7 million in the quarter resulting from renegotiated agreements, annual rate increases in existing agreements and the growing strength of our newly expanded broadcasting business. Other revenue, which includes digital revenue, increased 40% to \$31.5 million in the second quarter of 2014 reflecting increasing traction from digital marketing services products. On a pro forma basis, Broadcasting Segment revenues increased 13% driven by substantially higher retransmission revenues and political advertising, partially offset by a 2% decline in core advertising revenues. Certain categories of core advertising continued to trend softer, mainly due to national core advertising revenues.

For the year-to-date period, Broadcasting Segment revenues increased 93% to \$780.5 million driven primarily by the expanded television portfolio, higher advertising demand associated with the Winter Olympic Games which impacted results in the first quarter of 2014, and substantial increases in retransmission revenues and political spending.

Based on current trends, we expect the percentage increase in total television revenues for the third quarter of 2014 to be in the high nineties compared to the third quarter of 2013. On a pro forma basis, the percentage increase in total television revenues in the third quarter of 2014 is projected to be in the high teens compared to the third quarter of 2013.

Broadcasting Segment operating expenses for the second quarter of 2014 increased 99% to \$226.9 million primarily due to the Belo acquisition as well as higher investments in digital initiatives and reverse network compensation. On a pro forma basis, Broadcasting Segment operating expenses increased 3% in the second quarter of 2014 and increased 4% year-to-date. Operating income in the second quarter of 2014 increased 75% to \$171.3 million compared to last year and increased 30% on a pro forma basis. Operating income in the first six months of 2014 increased 79% to \$325.9 million compared to last year and 37% on a pro forma basis.

Publishing Segment Results

A summary of our Publishing Segment results is presented below:

| In thousands | Second Quarter | | | Year-to-Date | | | | |
|---|----------------|-----------|--------|--------------|-------------|-------------|-----|----|
| | 2014 | 2013 | Change | 2014 | 2013 | Change | | |
| Operating revenues | \$867,365 | \$904,231 | (4 | %) | \$1,709,428 | \$1,775,464 | (4 | %) |
| Operating expenses: | | | | | | | | |
| Operating expenses, exclusive of depreciation | 761,003 | 787,624 | (3 | %) | 1,523,487 | 1,566,484 | (3 | %) |
| Depreciation | 23,476 | 22,776 | 3 | %) | 46,736 | 46,001 | 2 | %) |
| Amortization | 3,981 | 4,141 | (4 | %) | 7,768 | 8,367 | (7 | %) |
| Facility consolidation and asset impairment charges | 25,666 | 4,498 | *** | | 35,210 | 9,283 | *** | |
| Total operating expenses | 814,126 | 819,039 | (1 | %) | 1,613,201 | 1,630,135 | (1 | %) |
| Operating income | \$53,239 | \$85,192 | (38 | %) | \$96,227 | \$145,329 | (34 | %) |

Publishing Segment revenues were generated principally from advertising and circulation sales. Advertising sales accounted for 61% of total Publishing Segment revenues for the second quarter of 2014 and 60% for the first six months of 2014. Circulation sales accounted for 32% of total Publishing Segment revenues for the second quarter of 2014 and 33% for the first six months of 2014. Advertising revenues include amounts generated from print advertising as well as digital advertising on publishing-related Internet websites, mobile and tablet applications. The table below presents the main components of Publishing Segment revenues:

| In thousands | Second Quarter | | | Year-to-Date | | | | |
|-----------------------------------|----------------|-----------|--------|--------------|-------------|-------------|----|----|
| | 2014 | 2013 | Change | 2014 | 2013 | Change | | |
| Advertising | \$530,183 | \$562,476 | (6 | %) | \$1,031,483 | \$1,088,975 | (5 | %) |
| Circulation | 277,851 | 279,655 | (1 | %) | 559,927 | 565,627 | (1 | %) |
| All other | 59,331 | 62,100 | (4 | %) | 118,018 | 120,862 | (2 | %) |
| Total Publishing Segment revenues | \$867,365 | \$904,231 | (4 | %) | \$1,709,428 | \$1,775,464 | (4 | %) |

Publishing Segment revenues were down 4% both in the second quarter and year-to-date reflecting continued pressure on advertising demand, particularly domestic national advertising, partially offset by higher revenue associated with digital advertising and marketing solutions.

The table below presents the principal categories of advertising revenues for the Publishing Segment:

| In thousands | Second Quarter | | | Year-to-Date | | | | |
|---|----------------|-----------|--------|--------------|-------------|-------------|-----|----|
| | 2014 | 2013 | Change | 2014 | 2013 | Change | | |
| Retail | \$282,566 | \$292,418 | (3 | %) | \$535,552 | \$562,036 | (5 | %) |
| National | 78,894 | 94,309 | (16 | %) | 162,596 | 179,827 | (10 | %) |
| Classified | 168,723 | 175,749 | (4 | %) | 333,335 | 347,112 | (4 | %) |
| Total Publishing Segment advertising revenues | \$530,183 | \$562,476 | (6 | %) | \$1,031,483 | \$1,088,975 | (5 | %) |

The percentage changes within the advertising revenue categories for U.S. Publishing, Newsquest, total Publishing Segment, and presented as if the Apartments.com sale occurred at the beginning of 2013, are as follows:

| | Second Quarter | | | | | | Year-to-Date | | | | | |
|---|-----------------|----|-----------------------|----|--------------------------|----|-----------------|----|-----------------------|----|--------------------------|----|
| | U.S. Publishing | | Newsquest (in pounds) | | Total Publishing Segment | | U.S. Publishing | | Newsquest (in pounds) | | Total Publishing Segment | |
| Retail | (5 | %) | — | % | (3 | %) | (6 | %) | (2 | %) | (5 | %) |
| National | (19 | %) | 9 | % | (16 | %) | (11 | %) | (4 | %) | (10 | %) |
| Classified | (5 | %) | (2 | %) | (2 | %) | (6 | %) | (3 | %) | (3 | %) |
| Total Publishing Segment advertising revenues | (7 | %) | — | % | (5 | %) | (7 | %) | (3 | %) | (5 | %) |

Total advertising in the Publishing Segment year over year comparisons were lower both in the second quarter and year-to-date due to ongoing pressure on advertising demand, particularly domestic national advertising, partially offset by higher revenue associated with digital advertising and marketing solutions. Pro forma advertising revenues were 5% lower. On the same basis, retail and classified comparisons in the second quarter were better than first quarter year-over-year comparisons. Excluding national advertising, advertising revenue comparisons improved sequentially. Advertising revenue at Newsquest was virtually flat, in pounds, as national advertising was 9% higher and retail advertising was unchanged. Year-over-year comparisons, in pounds, for all the major advertising categories improved relative to first quarter comparisons. The average exchange rate used to translate U.K. publishing results from the British pound to U.S. dollars increased 10% for the second quarter of 2014 and 8% for the year-to-date period. Overall percentage changes within the classified revenue categories for U.S. Publishing, Newsquest, total Publishing Segment, and presented as if the Apartments.com sale occurred at the beginning of 2013, are as follows:

| | Second Quarter | | | | | | Year-to-Date | | | | | |
|---|-----------------|----|-----------------------|----|--------------------------|----|-----------------|----|-----------------------|----|--------------------------|----|
| | U.S. Publishing | | Newsquest (in pounds) | | Total Publishing Segment | | U.S. Publishing | | Newsquest (in pounds) | | Total Publishing Segment | |
| Automotive | (4 | %) | (6 | %) | (3 | %) | (3 | %) | (5 | %) | (2 | %) |
| Employment | (6 | %) | 9 | %) | 1 | %) | (7 | %) | 7 | %) | 0 | %) |
| Real Estate | (5 | %) | (9 | %) | (3 | %) | (5 | %) | (10 | %) | (4 | %) |
| Legal | (4 | %) | — | %) | (4 | %) | (5 | %) | — | %) | (5 | %) |
| Other | (8 | %) | (4 | %) | (4 | %) | (9 | %) | (6 | %) | (6 | %) |
| Total Publishing Segment classified revenue | (5 | %) | (2 | %) | (2 | %) | (6 | %) | (3 | %) | (3 | %) |

Total circulation revenues of \$277.9 million in the second quarter of 2014 and \$559.9 million year-to-date both declined 1% from the same periods last year. Circulation revenue for our local domestic publishing business was 2%

lower in the second quarter of 2014, an improvement over the first quarter of 2014, reflecting the favorable impact of integrating USA TODAY content into our local newspaper sites. Home delivery circulation revenue at our local domestic publishing operations was up

in the quarter. Circulation revenue at USA TODAY was slightly lower in the second quarter of 2014. In the U.K., circulation revenues in local currency were 2% higher in the second quarter of 2014 reflecting the fifth consecutive quarter of circulation growth due to the positive impact of cover price increases.

Commercial printing and other publishing revenue was down 4% for the quarter and down 2% year-to-date reflecting the sale of a commercial print business in Minneapolis and a decrease in U.K. commercial printing revenues.

Digital revenues associated with the Publishing Segment increased 7% for the second quarter. Digital revenues at USA TODAY and its associated businesses were up 14% for the second quarter of 2014, fueled by increased user engagement across all digital platforms. Digital revenues for our local domestic publishing business increased 4% for the second quarter. These increases reflect the impact of our strategic successes in providing digital advertising and marketing solutions. Digital revenues in the U.K. were 25% higher for the quarter in local currency.

For the year-to-date period, digital revenues associated with the Publishing Segment increased 7%. Digital revenues at USA TODAY and its associated businesses were up 25% year-to-date. Digital revenues for our local domestic publishing business increased 3% year-to-date. Digital revenues in the U.K. were 21% higher for the year-to-date period in local currency.

Publishing Segment operating expenses decreased 1% in the quarter to \$814.1 million compared to \$819.0 million last year. This decrease was primarily due to continued cost efficiency efforts and circulation volume declines. Newsprint expense was 7% lower in the quarter due primarily to declines in consumption. Year-to-date comparisons were similar to quarterly comparisons. Publishing Segment operating expenses decreased 1% for the year-to-date period to \$1.61 billion from \$1.63 billion last year. Newsprint expense decreased 7% for the year-to-date period.

Publishing Segment operating income was \$53.2 million in the quarter compared to \$85.2 million last year, a decrease of 38%. For the year-to-date period, Publishing Segment operating income was \$96.2 million compared to \$145.3 million last year. Publishing Segment operating income for the quarter and year-to-date periods for both 2014 and 2013 were impacted by special items. Comparisons removing the impact of these special items are discussed in the "Results from Operations - Non-GAAP and Pro Forma Information" below.

Digital Segment Results

The Digital Segment includes results for stand-alone digital subsidiaries including CareerBuilder, PointRoll, and Shoplocal. The largest of these subsidiaries, CareerBuilder, has been expanding both through internal growth and acquisitions. On April 1, 2014, CareerBuilder announced the acquisition of Broadbean, a leader in online recruitment software that enables job distribution, candidate sourcing and big data analytics for employers. The Broadbean acquisition, when combined with the addition of Economic Modeling Specialists Intl. in 2012, represents the next step in CareerBuilder's transformation, positioning it as a leading company in the rapidly growing software-as-a-service market for talent management solutions. Many of our other digital offerings are tightly integrated within our existing publishing or broadcasting offerings, and therefore the results of these integrated digital offerings are reported within the operating results of the Publishing and Broadcasting Segments.

A summary of our Digital Segment results is presented below:

| In thousands | Second Quarter | | | | Year-to-Date | | | |
|---|----------------|------------|--------|-----|--------------|------------|--------|-----|
| | 2014 | 2013 | Change | | 2014 | 2013 | Change | |
| Operating revenues | \$ 194,381 | \$ 186,506 | 4 | % | \$ 374,116 | \$ 361,428 | 4 | % |
| Operating expenses: | | | | | | | | |
| Operating expenses, exclusive of depreciation | 149,083 | 141,846 | 5 | % | 296,706 | 284,057 | 4 | % |
| Depreciation | 4,998 | 4,337 | 15 | % | 9,551 | 8,723 | 9 | % |
| Amortization | 4,605 | 5,046 | (9) | (%) | 8,340 | 9,767 | (15) | (%) |
| Total operating expenses | 158,686 | 151,229 | 5 | % | 314,597 | 302,547 | 4 | % |
| Operating income | \$ 35,695 | \$ 35,277 | 1 | % | \$ 59,519 | \$ 58,881 | 1 | % |

Digital Segment operating revenues increased 4% to \$194.4 million in the second quarter of 2014 compared to \$186.5 million in 2013. CareerBuilder revenues were up 6% for the quarter and 5% year-to-date, driven by accelerating sales of human capital software solutions as well as their recent acquisition of Broadbean.

Digital Segment operating expenses increased 5% to \$158.7 million in the second quarter of 2014 and 4% year-to-date, reflecting investments by CareerBuilder in sales staff and technology development. As a result, Digital Segment operating income for the quarter was \$35.7 million and \$59.5 million for the year-to-date period, an increase of 1% over the comparable 2013 periods.

Corporate Expense

Corporate expense in the second quarter of 2014 increased 13% to \$17.8 million. Corporate expense for the year-to-date period increased 10% to \$35.1 million compared to \$32.0 million last year. These increases were driven by strategic initiative spending.

Results from Operations - Non-GAAP and Pro Forma Information

Presentation of Non-GAAP information

We use non-GAAP financial performance and liquidity measures to supplement the financial information presented on a GAAP basis. These non-GAAP financial measures should not be considered in isolation from or as a substitute for the related GAAP measures, and should be read together with financial information presented on a GAAP basis. We discuss in this report non-GAAP financial performance measures that exclude from its reported GAAP results the impact of special items consisting of workforce restructuring charges, transformation costs, non-cash asset impairment charges, certain gains and expenses recognized in non-operating categories and certain credits and charges to our income tax provision.

We believe that such expenses, charges and credits are not indicative of normal, ongoing operations and their inclusion in results makes for more difficult comparisons between years and with peer group companies. Workforce restructuring and transformation expenses primarily relate to incremental expenses we have incurred to consolidate or outsource production processes and centralize other functions. Workforce restructuring expenses include payroll and related benefit costs. It also includes charges related to our partial withdrawal from certain multi-employer pension plans. Transformation costs include incremental expenses incurred by us to execute on our transformation and growth plan, including those related to our recently completed Belo acquisition and incremental expenses associated with optimizing our real estate portfolio. Transformation costs also include amortization of acquired advertising contracts. In connection with the acquisition of Belo, we recognized intangible assets for Belo's advertising contracts. Unlike most intangible assets which have useful lives of several years, these specific intangible assets had a benefit period and related amortization period that was less than three months from the date of acquisition. Asset impairment charges reflect non-cash charges to reduce the book value of certain intangible assets to their respective fair value, as our projections for the business underlying the related asset had declined. In the second quarter of 2014, special items were recorded in other non-operating items primarily related to the pre-tax gain of \$148 million related to the Classified Ventures sale of its Apartments.com business. We own a minority stake in Classified Ventures. This gain is reflected in the line Equity income in unconsolidated investees, net. Other non-operating items for 2014 included special charges primarily related to the early retirement of our 9.375% notes due in 2017. The charges included a call premium paid as well as the write off of unamortized debt issuance costs and original issue discount. Other non-operating items in for 2013 included Belo acquisition related expenses and a currency loss related to the weakening of the British pound associated with the downgrade of the U.K. sovereign credit rating. The income tax provision for 2014 year-to-date reflects a charge related to the sale of our interest in television station KMOV TV in St. Louis, MO, in February 2014. The income tax provision for 2013 year-to-date included special credits related to reserve releases as a result of federal exam resolution.

We also discuss Adjusted EBITDA, a non-GAAP financial performance measure that we believe offers a useful view of the overall operation of our businesses. Adjusted EBITDA is defined as net income attributable to Gannett before (1) net income attributable to noncontrolling interests, (2) income taxes, (3) interest expense, (4) equity income, (5) other non-operating items, (6) workforce restructuring, (7) transformation costs, (8) asset impairment charges, (9) depreciation and (10) amortization. When Adjusted EBITDA is discussed in reference to performance on a consolidated basis, the most directly comparable GAAP financial measure is Net income attributable to Gannett. We use non-GAAP financial performance measures for purposes of evaluating business unit and consolidated company performance. Therefore, we believe that each of the non-GAAP measures presented provides useful information to investors by allowing them to view our businesses through the eyes of our management and Board of Directors, facilitating comparison of results across historical periods, and providing a focus on the underlying ongoing operating performance of our businesses. Many of our peer group companies present similar non-GAAP measures to better facilitate industry comparisons.

Discussion of special charges and credits affecting reported results

Our results for 2014 included the following items we consider special and not indicative of our normal ongoing operations:

- Costs associated with workforce restructuring;
- Transformation costs;
- Non-cash asset impairment charges;
- Equity income gain on the sale of Apartments.com by Classified Ventures;
- Other non-operating item charges; and
- Special tax charge.

Results for 2013 included the following special items:

- Costs due to workforce restructuring;
- Transformation costs;
- Other non-operating item charges; and
- Special tax benefit.

Consolidated Summary - Non-GAAP

The following is a discussion of our as adjusted non-GAAP financial results. All as adjusted (non-GAAP basis) measures are labeled as such or “adjusted.”

Adjusted operating results were as follows:

| In thousands, except share data | Second Quarter | | | Year-to-Date | | | | |
|---|----------------|-------------|--------|--------------|-------------|-------------|----|---|
| | 2014 | 2013 | Change | 2014 | 2013 | Change | | |
| Operating revenues | \$1,460,004 | \$1,302,699 | 12 | % | \$2,864,070 | \$2,540,434 | 13 | % |
| Adjusted operating expenses | 1,165,810 | 1,073,592 | 9 | % | 2,343,117 | 2,150,119 | 9 | % |
| Adjusted operating income | \$294,194 | \$229,107 | 28 | % | \$520,953 | \$390,315 | 33 | % |
| Adjusted net income attributable to Gannett Co., Inc. | \$154,649 | \$135,124 | 14 | % | \$263,073 | \$221,168 | 19 | % |
| Adjusted diluted earnings per share | \$0.67 | \$0.58 | 16 | % | \$1.13 | \$0.94 | 20 | % |

Operating revenues totaled \$1.46 billion in the second quarter of 2014, up 12% from \$1.30 billion in the second quarter of 2013. The increase was due to an 88% increase in Broadcasting Segment revenue and a 4% increase in Digital Segment revenue. On a pro forma basis, had we owned the Belo television stations in the same period last year and excluding Captivate and the impact of the Apartments.com sale, total operating revenue would have increased 2%.

On a year-to-date basis, total operating revenues increased 13% to \$2.86 billion from \$2.54 billion in the same period last year. The increase was due to a 93% increase in Broadcasting Segment revenue and a 4% increase in Digital Segment revenue. On a pro forma basis, total operating revenue would have increased 2%.

Broadcasting Segment revenues nearly doubled year over year as a result of the Belo acquisition, higher advertising demand related to political spending, and substantial increases in retransmission revenue. On a pro forma basis, Broadcasting Segment revenues increased 13% for the quarter and 16% year-to-date, reflecting substantially higher retransmission revenue, political advertising and digital marketing services revenues.

A summary of the impact of special items on our operating expenses is presented below:

| In thousands | Second Quarter | | | Year-to-Date | | | |
|---------------------------------|----------------|-------------|--------|---------------|-------------|--------|----|
| | 2014 | 2013 | Change | 2014 | 2013 | Change | |
| Operating expenses (GAAP basis) | \$1,217,502 | \$1,099,817 | 11 | % \$2,417,574 | \$2,186,495 | 11 | % |
| Remove special items: | | | | | | | |
| Workforce restructuring | (22,917) | (21,727) | 5 | % (26,382) | (27,093) | (3 | %) |
| Transformation costs | (12,588) | (4,498) | *** | (31,888) | (9,283) | *** | |
| Asset impairment charges | (16,187) | — | *** | (16,187) | — | *** | |
| As adjusted (non-GAAP basis) | \$1,165,810 | \$1,073,592 | 9 | % \$2,343,117 | \$2,150,119 | 9 | % |

Adjusted operating expenses increased 9% for both the second quarter of 2014 and year-to-date period primarily due to acquiring Belo. On a pro forma basis, adjusted operating expenses were down 1% in the second quarter and flat year-to-date. Lower operating expenses in the Publishing Segment reflecting reduced circulation volumes and the impact of cost control and efficiency efforts were partially offset by higher expenses in the Broadcasting and Digital Segments associated with revenue increases.

A summary of the impact of special items on operating income is presented below:

| In thousands | Second Quarter | | | Year-to-Date | | | |
|-------------------------------|----------------|-----------|--------|--------------|-----------|--------|----|
| | 2014 | 2013 | Change | 2014 | 2013 | Change | |
| Operating income (GAAP basis) | \$242,502 | \$202,882 | 20 | % \$446,496 | \$353,939 | 26 | % |
| Remove special items: | | | | | | | |
| Workforce restructuring | 22,917 | 21,727 | 5 | % 26,382 | 27,093 | (3 | %) |
| Transformation costs | 12,588 | 4,498 | *** | 31,888 | 9,283 | *** | |
| Asset impairment charges | 16,187 | — | *** | 16,187 | — | *** | |
| As adjusted (non-GAAP basis) | \$294,194 | \$229,107 | 28 | % \$520,953 | \$390,315 | 33 | % |

Adjusted operating income for the second quarter of 2014 increased 28% and 33% for the year-to-date period reflecting higher Broadcasting Segment adjusted operating income partially offset by lower Publishing Segment adjusted operating income. Adjusted Broadcasting Segment operating income increased 80% to \$176.7 million for the quarter and 88% to \$341.0 million for the year-to-date period due primarily to the Belo acquisition in addition to substantially higher retransmission and political advertising revenues. The 2014 year-to-date period benefited from \$41.3 million in advertising associated with the Winter Olympic Games. Adjusted Digital Segment operating income was \$35.7 million for the quarter and \$59.5 million for the year-to-date period as solid revenue growth at CareerBuilder was partially offset by both investments by CareerBuilder in its sales staff expansion as well as technology support for its human capital software solutions and costs associated with PointRoll's strategic pivot into more integrated solutions for their clients. Adjusted Publishing Segment operating income was down 11% for the quarter and down 14% for the year-to-date period reflecting continued pressure on advertising demand, partially offset by higher revenue associated with digital advertising and marketing solutions and continued cost efficiency efforts.

A summary of the impact of special items on non-operating income (expense), net income attributable to Gannett Co., Inc. and diluted earnings per share is presented below:

| In thousands, except share data | Second Quarter | | | Year-to-Date | | | |
|---|----------------|-------------|--------|--------------|-------------|--------|---|
| | 2014 | 2013 | Change | 2014 | 2013 | Change | |
| Total non-operating income (expense) (GAAP basis) | \$89,410 | \$(36,541) | *** | \$7,505 | \$(65,735) | *** | |
| Remove special items: | | | | | | | |
| Non-operating items ^(a) | (143,510) | 9,479 | *** | (123,110) | 13,207 | *** | |
| As adjusted (non-GAAP basis) | \$(54,100) | \$(27,062) | *** | \$(115,605) | \$(52,528) | *** | |
| Net income attributable to Gannett Co., Inc. (GAAP basis) | \$208,467 | \$113,620 | 83 | % \$267,626 | \$218,185 | 23 | % |
| Remove special items (net of tax): | | | | | | | |
| Workforce restructuring | 14,317 | 13,127 | 9 | % 16,582 | 16,393 | 1 | % |
| Transformation costs | 7,688 | 2,698 | *** | 18,788 | 5,583 | *** | |
| Asset impairment charges | 15,387 | — | *** | 15,387 | — | *** | |
| Non-operating items ^(a) | (91,210) | 5,679 | *** | (79,110) | 8,807 | *** | |
| Special tax charges (benefits) | — | — | *** | 23,800 | (27,800) | *** | |
| As adjusted (non-GAAP basis) | \$154,649 | \$135,124 | 14 | % \$263,073 | \$221,168 | 19 | % |
| Diluted earnings per share (GAAP basis) | \$0.90 | \$0.48 | 88 | % \$1.15 | \$0.93 | 24 | % |
| Remove special items (net of tax): | | | | | | | |
| Workforce restructuring | 0.06 | 0.06 | — | % 0.07 | 0.07 | — | % |
| Transformation costs | 0.03 | 0.01 | *** | 0.08 | 0.02 | *** | |
| Asset impairment charges | 0.07 | — | *** | 0.07 | — | *** | |
| Non-operating items ^(a) | (0.39) | 0.02 | *** | (0.34) | 0.04 | *** | |
| Special tax charges (benefits) | — | — | *** | 0.10 | (0.12) | *** | |
| As adjusted (non-GAAP basis) ^(b) | \$0.67 | \$0.58 | 16 | % \$1.13 | \$0.94 | 20 | % |

^(a) 2014 second quarter and year-to-date period include an equity income gain on the sale of Apartments.com by Classified Ventures (\$148 million pre-tax gain, \$89 million after-tax gain or \$0.38 per diluted share).

^(b) Total per share amount may not sum due to rounding.

As adjusted net income attributable to Gannett for the quarter increased 14% and 19% for the year-to-date period. As adjusted diluted earnings per share increased 16% for the second quarter and 20% for the year-to-date period. These increases were due to higher Broadcasting Segment adjusted operating income partially offset by lower Publishing Segment adjusted operating income.

Reconciliations of Adjusted EBITDA to net income presented in accordance with GAAP on our Condensed Consolidated Statements of Income are presented below:

| In thousands | Second Quarter | | | Year-to-Date | | | | |
|---|----------------|-----------|--------|--------------|------------|-----------|--------|----|
| | 2014 | 2013 | Change | | 2014 | 2013 | Change | |
| Net income attributable to Gannett Co., Inc. (GAAP basis) | \$208,467 | \$113,620 | 83 | % | \$267,626 | \$218,185 | 23 | % |
| Net income attributable to noncontrolling interests | 17,445 | 13,121 | 33 | % | 27,875 | 25,019 | 11 | % |
| Provision for income taxes | 106,000 | 39,600 | *** | | 158,500 | 45,000 | *** | |
| Interest expense | 64,148 | 36,174 | 77 | % | 133,796 | 71,579 | 87 | % |
| Equity income in unconsolidated investees, net | (156,540) | (9,424) | *** | | (165,031) | (17,218) | *** | |
| Other non-operating items | 2,982 | 9,791 | (70 | %) | 23,730 | 11,374 | *** | |
| Operating income (GAAP basis) | 242,502 | 202,882 | 20 | % | 446,496 | 353,939 | 26 | % |
| Workforce restructuring | 22,917 | 21,727 | 5 | % | 26,382 | 27,093 | (3 | %) |
| Transformation costs | 12,588 | 4,498 | *** | | 31,888 | 9,283 | *** | |
| Asset impairment charges | 16,187 | — | *** | | 16,187 | — | *** | |
| Adjusted operating income (non-GAAP basis) | 294,194 | 229,107 | 28 | % | 520,953 | 390,315 | 33 | % |
| Depreciation | 44,850 | 38,467 | 17 | % | 89,614 | 77,393 | 16 | % |
| Adjusted amortization (non-GAAP basis) | 14,471 | 9,368 | 54 | % | 27,734 | 18,496 | 50 | % |
| Adjusted EBITDA (non-GAAP basis) | \$353,515 | \$276,942 | 28 | % | \$638,301 | \$486,204 | 31 | % |

Our adjusted EBITDA increased \$76.6 million for the quarter and \$152.1 million for the year-to-date period. More than half of our adjusted EBITDA relates to the recently expanded Broadcasting Segment for both the quarter and year-to-periods.

Broadcasting Segment - Non-GAAP

A summary of the impact of special items on the Broadcasting Segment is presented below:

| In thousands | Second Quarter | | | Year-to-Date | | | | |
|--|----------------|-----------|--------|--------------|-----------|-----------|--------|---|
| | 2014 | 2013 | Change | | 2014 | 2013 | Change | |
| Broadcasting Segment operating expenses (GAAP basis) | \$226,936 | \$113,870 | 99 | % | \$454,655 | \$221,774 | *** | |
| Remove special items: | | | | | | | | |
| Workforce Restructuring | (2,220) | — | *** | | (2,220) | — | *** | |
| Transformation costs | (3,109) | — | *** | | (12,865) | — | *** | |
| As adjusted (non-GAAP basis) | \$221,607 | \$113,870 | 95 | % | \$439,570 | \$221,774 | 98 | % |
| Broadcasting Segment operating income (GAAP basis) | \$171,322 | \$98,092 | 75 | % | \$325,871 | \$181,768 | 79 | % |
| Remove special items: | | | | | | | | |
| Workforce Restructuring | 2,220 | — | *** | | 2,220 | — | *** | |
| Transformation costs | 3,109 | — | *** | | 12,865 | — | *** | |
| As adjusted (non-GAAP basis) | \$176,651 | \$98,092 | 80 | % | \$340,956 | \$181,768 | 88 | % |

Adjusted Broadcasting Segment operating expenses increased 95% for the second quarter and 98% for the year-to-date period mainly due to the Belo acquisition. Adjusted expenses on a pro forma basis increased 3% for the second quarter and 4% year-to-date reflecting higher costs related to increased revenues, higher investments in digital

initiatives and reverse network compensation.

Adjusted operating income for the Broadcasting Segment was \$176.7 million for the second quarter of 2014, an increase of 80% and was \$341.0 million for the year-to-date period, an increase of 88%. Adjusted operating income on a pro forma basis increased 30% reflecting substantial increases in both retransmission and political revenues. Adjusted operating income on a

pro forma basis increased 37% for the year-to-date period reflecting advertising gains related to the Winter Olympics and significant increases in both retransmission and political revenues.

Publishing Segment - Non-GAAP

A summary of the impact of special items on the Publishing Segment is presented below:

| In thousands | Second Quarter | | | Year-to-Date | | | | |
|--|----------------|--------------|---------|--------------|--------------|---------------|---------|--------|
| | 2014 | 2013 | Change | 2014 | 2013 | Change | | |
| Publishing Segment operating expenses (GAAP basis) | \$814,126 | \$819,039 | (1 | %) | \$1,613,201 | \$1,630,135 | (1 | %) |
| Remove special items: | | | | | | | | |
| Workforce restructuring | (20,697) | (21,727) | (5 | %) | (24,162) | (27,093) | (11 | %) |
| Transformation costs | (9,479) | (4,498) | *** | | (19,023) | (9,283) | *** | |
| Asset impairment charges | (16,187) | — | *** | | (16,187) | — | *** | |
| As adjusted (non-GAAP basis) | \$767,763 | \$792,814 | (3 | %) | \$1,553,829 | \$1,593,759 | (3 | %) |
| Publishing Segment operating income (GAAP basis) | \$53,239 | \$85,192 | (38 | %) | \$96,227 | \$145,329 | (34 | %) |
| Remove special items: | | | | | | | | |
| Workforce restructuring | 20,697 | 21,727 | (5 | %) | 24,162 | 27,093 | (11 | %) |
| Transformation costs | 9,479 | 4,498 | *** | | 19,023 | 9,283 | *** | |
| Asset impairment charges | 16,187 | — | *** | | 16,187 | — | *** | |
| As adjusted (non-GAAP basis) | \$99,602 | \$111,417 | (11 | %) | \$155,599 | \$181,705 | (14 | %) |

Publishing Segment adjusted operating expenses decreased by 3% for both the second quarter of 2014 and the year-to-date period. Second quarter and year-to-date comparisons reflect lower circulation volumes and continued cost efficiency efforts.

Adjusted operating income for the Publishing Segment was \$99.6 million for the second quarter of 2014 a decrease of 11% compared to the same period last year. The decrease reflects lower Publishing Segment revenues partially offset by lower circulation volume driven expense declines as well as cost control and efficiency efforts. For the year-to-date period, Publishing Segment operating income was \$155.6 million, a decrease of 14%. On a pro forma basis, which excludes the impact of the Apartments.com sale, Publishing Segment operating income decreased 8% for the second quarter of 2014 and decreased 13% for the year-to-date period.

Provision for Income Taxes - Non-GAAP

A summary of the impact of special items on our effective tax rate follows:

| In thousands | Second Quarter | | Year-to-Date | | |
|---|----------------|-----------|--------------|-----------|---|
| | 2014 | 2013 | 2014 | 2013 | |
| Income before income taxes as reported | \$331,912 | \$166,341 | \$454,001 | \$288,204 | |
| Net income attributable to noncontrolling interests | (17,445) | (13,121) | (27,875) | (25,019) | |
| Gannett pretax income (GAAP basis) | 314,467 | 153,220 | 426,126 | 263,185 | |
| Remove special items: | | | | | |
| Workforce restructuring | 22,917 | 21,727 | 26,382 | 27,093 | |
| Transformation costs | 12,588 | 4,498 | 31,888 | 9,283 | |
| Asset impairment | 16,187 | — | 16,187 | — | |
| Non-operating items | (143,510) | 9,479 | (123,110) | 13,207 | |
| As adjusted (non-GAAP basis) | \$222,649 | \$188,924 | \$377,473 | \$312,768 | |
| Provision for income taxes as reported (GAAP basis) | \$106,000 | \$39,600 | \$158,500 | \$45,000 | |
| Remove special items: | | | | | |
| Workforce restructuring | 8,600 | 8,600 | 9,800 | 10,700 | |
| Transformation costs | 4,900 | 1,800 | 13,100 | 3,700 | |
| Asset impairment | 800 | — | 800 | — | |
| Non-operating items | (52,300) | 3,800 | (44,000) | 4,400 | |
| Special tax (charge)/benefit | — | — | (23,800) | 27,800 | |
| As adjusted (non-GAAP basis) | \$68,000 | \$53,800 | \$114,400 | \$91,600 | |
| Effective tax rate (GAAP basis) | 33.7 | % 25.8 | % 37.2 | % 17.1 | % |
| As adjusted effective tax rate (non-GAAP basis) | 30.5 | % 28.5 | % 30.3 | % 29.3 | % |

The adjusted tax rate for the second quarter of 2014 was 30.5% compared to 28.5% for the comparable period last year. The adjusted tax rate for year-to-date period in 2014 was 30.3% compared to 29.3% for the comparable period last year. The effective tax rates for both years reflect benefits from releases of reserves on prior year tax positions.

Presentation of Pro Forma Information

Pro forma information is presented on the basis as if the Belo acquisition, the Captivate disposition and the Apartments.com sale had occurred at the beginning of 2013. This pro forma financial information is based on historical results of operations, adjusted for the allocation of the purchase price and other acquisition accounting adjustments, and is not necessarily indicative of what our results would have been had we operated the businesses since the beginning of 2013. The pro forma adjustments reflect depreciation expense and amortization of intangibles related to the fair value adjustments of the assets acquired and the alignment of accounting policies. The pro forma adjustments include reductions to revenues and expenses for the former Belo stations in Phoenix, AZ and St. Louis, MO. Certain of our subsidiaries and Sander Media, a holding company that has a station-operation agreement with us, agreed to sell these stations upon receiving government approval. KMOV-TV, the television station in St. Louis, was sold in February 2014 and the two television stations in Phoenix were sold in June 2014. Pro forma adjustments also include reductions to revenues and expenses for Captivate since we sold our controlling interest in Captivate in the third quarter of 2013. Pro forma adjustments for company-wide revenue and expenses include reductions related to the second quarter 2014 Apartments.com sale.

Reconciliations of our Broadcasting Segment and company-wide revenues and expenses on an as reported basis to a pro forma basis for the second quarter and for the year-to-date period in 2013 are below:

In thousands

Second Quarter 2013

| | Gannett (as reported) | Belo (as reported) | Special Items ^(a) | Pro Forma Adjustments ^(b) | Gannett Pro Forma Combined |
|---------------------------------|--------------------------|-----------------------|---------------------------------|---|----------------------------------|
| Broadcasting revenue: | | | | | |
| Core (Local and National) | \$ 150,737 | \$ 137,451 | \$— | \$(21,396) |) \$ 266,792 |
| Political | 1,886 | 1,154 | — | (243) |) 2,797 |
| Retransmission | 36,820 | 18,811 | — | (2,428) |) 53,203 |
| Other | 22,519 | 16,091 | — | (10,056) |) 28,554 |
| Total broadcasting revenue | 211,962 | 173,507 | — | (34,123) |) 351,346 |
| Broadcasting expenses | 113,870 | 124,521 | — | (23,350) |) 215,041 |
| Broadcasting operating income | \$ 98,092 | \$ 48,986 | \$— | \$(10,773) |) \$ 136,305 |
| Company-wide operating revenue | \$ 1,302,699 | \$ 173,507 | \$— | \$(37,859) |) \$ 1,438,347 |
| Company-wide operating expenses | 1,099,817 | 124,521 | (26,225) |) (24,437) |) 1,173,676 |
| Company-wide operating income | \$ 202,882 | \$ 48,986 | \$ 26,225 | \$(13,422) |) \$ 264,671 |

^(a) See reconciliation of special items beginning on page 24.

^(b) The pro forma adjustments include reductions to revenue for the former Belo stations in Phoenix, AZ and St. Louis, MO totaling \$27 million and reductions to expenses totaling \$21 million. Pro forma adjustments also include reductions to revenue for Captivate that totaled \$7 million and reductions to expenses that totaled \$6 million. The pro forma adjustment for Broadcasting expenses reflects the addition of \$6 million of amortization for definite-lived intangible assets as if the Belo acquisition had occurred on the first day of 2013. In addition, the pro forma adjustment for Broadcasting expenses removes \$3 million of merger costs incurred by Belo. Pro forma adjustments for company-wide revenue also include reductions for Apartments.com that totaled \$4 million and reductions to company-wide expenses of \$1 million.

In thousands

Year-to-Date 2013

| | Gannett (as reported) | Belo (as reported) | Special Items ^(a) | Pro Forma Adjustments ^(b) | Gannett Pro Forma Combined |
|---------------------------------|--------------------------|-----------------------|---------------------------------|---|----------------------------------|
| Broadcasting revenue: | | | | | |
| Core (Local and National) | \$ 287,351 | \$ 263,111 | \$— | \$(41,997) |) \$ 508,465 |
| Political | 3,527 | 1,793 | — | (644) |) 4,676 |
| Retransmission | 72,942 | 37,696 | — | (4,879) |) 105,759 |
| Other | 39,722 | 31,245 | — | (19,002) |) 51,965 |
| Total broadcasting revenue | 403,542 | 333,845 | — | (66,522) |) 670,865 |
| Broadcasting expenses | 221,774 | 244,658 | — | (43,855) |) 422,577 |
| Broadcasting operating income | \$ 181,768 | \$ 89,187 | \$— | \$(22,667) |) \$ 248,288 |
| Company-wide operating revenue | \$ 2,540,434 | \$ 333,845 | \$— | \$(73,916) |) \$ 2,800,363 |
| Company-wide operating expenses | 2,186,495 | 244,658 | (36,376) |) (46,028) |) 2,348,749 |
| Company-wide operating income | \$ 353,939 | \$ 89,187 | \$ 36,376 | \$(27,888) |) \$ 451,614 |

^(a) See reconciliation of special items beginning on page 24.

(b) The pro forma adjustments include reductions to revenues for the former Belo stations in Phoenix, AZ and St. Louis, MO totaling \$53 million and reductions to expenses totaling \$41 million. Pro forma adjustments also include reductions to revenues for Captivate that totaled \$13 million and expenses that totaled \$12 million. The pro forma adjustment for Broadcasting expenses reflects the addition of \$12 million of amortization for definite-lived intangible assets as if the Belo acquisition had occurred on the first day of 2013. In addition, the pro forma adjustment for Broadcasting expenses removes \$3 million of merger costs incurred by Belo. Pro forma adjustments for company-wide revenue also include reductions for Apartments.com that totaled \$7 million and reductions to company-wide expenses of \$2 million.

Certain Matters Affecting Future Operating Results

The following items will affect year-over-year comparisons for future results:

Broadcasting Segment Revenues and Expenses - Broadcasting Segment revenues will increase substantially throughout 2014 due to the expanded broadcasting portfolio, a substantial increase in political advertising, higher retransmission revenue and digital revenue growth. Broadcasting Segment expenses will increase with the expanded portfolio as well as from increases in reverse network compensation and investments in digital initiatives. Based on current trends and including results for the former Belo stations, we expect the increase in total television revenues for the third quarter of 2014 on a percentage basis to be in the high nineties compared to the third quarter of 2013. On a pro forma basis, the percentage increase in total television revenues in the third quarter of 2014 is projected to be up in the high teens compared to the third quarter of 2013.

Classified Ventures Apartments.com Sale - On April, 1, 2014, Classified Ventures, LLC completed the sale of Apartments.com for \$585 million to CoStar Group Inc. Our portion of the purchase price of Apartments.com was approximately \$155 million reflecting our 26.9% ownership interest in Classified Ventures. Taxes associated with the sale will be approximately \$43 million. The sale of Apartments.com will have a slight impact on our Publishing Segment going forward. We expect revenues to be reduced by \$8 million and operating income to be lower by \$6 million through the last six months of 2014, with expected third quarter operating income to be lower by \$3 million. Our equity income will be reduced by approximately \$4 million for the last six months of 2014 as a result of the sale of Apartments.com.

Interest Expense - We expect our interest expense to be up significantly in the third quarter 2014, reflecting the full year impact of debt issued in the second half of 2013 to acquire Belo. This increase will be partially offset by the early redemption of our 9.375% notes due in 2017 in March of 2014. The early redemption of these notes will save us approximately \$12 million in interest expense for the last six months of 2014.

Income Taxes - For the full year 2014, we are expecting our non-GAAP tax rate to be 31%-32%.

Foreign Currency - Our U.K. publishing operations are conducted through its Newsquest subsidiary. Newsquest earnings are translated at the average British pound-to-U.S. dollar exchange rate. Therefore, a strengthening in the exchange rate will improve Newsquest revenue and earnings contributions to consolidated results. A weakening of the rate will have a negative impact. Newsquest results for 2013 were translated from the British pound sterling to U.S. dollars at an average rate of 1.55. By comparison, Newsquest results for the first six months of 2014 were translated into U.S. dollars at an average rate of 1.67.

Liquidity, Capital Resources and Cash Flows

Our cash generating capability and financial condition, together with our revolving credit agreement, are sufficient to fund our capital expenditures, interest, dividends, share repurchases, contributions to our pension plans, investments in strategic initiatives and other operating requirements. Looking ahead, we expect to continue to fund debt maturities, acquisitions and investments through a combination of cash flows from operations, borrowing under our revolving credit agreement and/or funds raised in the capital or credit markets.

In February 2012, we announced a new capital allocation plan, which aims to return \$1.3 billion to shareholders by 2015. This plan included raising our dividend to its current level of \$0.80 per share on an annual basis. A \$300 million share repurchase program was also launched. On June 13, 2013, we announced that the existing share buyback program was replaced with a new \$300 million authorization that is expected to be used over the two year period following its announcement. As of June 29, 2014, we had \$148.9 million of shares that may be purchased in the future under this authorization. Our existing dividend program remains unchanged.

On June 29, 2014, we had unused borrowing capacity of \$1.27 billion under our Amended and Restated Credit Agreement that expires in August 2018. At the end of the second quarter of 2014, our total long-term debt was \$3.45 billion and our leverage ratio was 2.52x, substantially below the maximum leverage ratio covenant permitted by our Amended and Restated Credit Agreement of 4.0x. Cash and cash equivalents at the end of the second quarter totaled \$430.7 million. The fair value of our long-term debt, based on the bid and ask quotes for the related debt, totaled \$3.68 billion at June 29, 2014.

Our financial and operating performance, as well as our ability to generate sufficient cash flow to maintain compliance with credit facility covenants, are subject to certain risk factors as noted in the section below titled "Certain Factors

Affecting Forward-Looking Statements.”

32

Cash Flows

Our net cash flow from operating activities was \$354.9 million for the first six months of 2014, compared to \$223.9 million for the first six months of 2013. The increase in net cash flow from operating activities resulted principally from incremental cash flow from the new Gannett television stations we acquired from Belo in late 2013.

Cash flows from investing activities totaled \$45.8 million for the first six months of 2014, compared to cash outflow of \$33.5 million for the same period in 2013 or a difference of \$79.3 million. We received a \$154.6 million cash distribution from Classified Ventures related to its sale of Apartments.com as a return of investment which was offset by payments for acquisitions made in the first half of the year including CareerBuilder's acquisition of Broadbean. Year-to-date 2014 payments for acquisitions also reflect the cash spent by us to acquire KMOV-TV, KASW-TV and KTVK-TV television station assets that we did not already own. We purchased those assets pursuant to an option agreement we had with the former owner. These assets and other KMOV-TV, KASW-TV and KTVK-TV assets we already owned were immediately sold to Meredith Corporation. Meredith purchased the assets for \$407.5 million. The majority of this amount was held in escrow at the end of the second quarter. We used a portion of the proceeds in a tax efficient structure to pay for the acquisition of six London Broadcasting Company television stations from SunTX Capital Partners, which closed early in our third quarter.

Cash outflows from financing activities totaled \$439.6 million for the first six months of 2014, compared to \$202.9 million for the first six months of 2013. The increase in cash outflows from financing activities was mainly due to our early repayment of the 9.375% notes due in 2017 with a then aggregate principal balance of \$250.0 million.

Non-GAAP Liquidity Measure

Our free cash flow, a non-GAAP liquidity measure, was \$307.1 million for the quarter ended June 29, 2014 and \$456.0 million for the year-to-date period. Free cash flow, which we reconcile to "net cash flow from operating activities," is cash flow from operations reduced by "purchase of property, plant and equipment" as well as "payments for investments" and increased by "proceeds from investments" and voluntary pension contributions, net of related tax benefit. We believe that free cash flow is a useful measure for management and investors to evaluate the level of cash generated by operations and the ability of its operations to fund investments in new and existing businesses, return cash to shareholders under our capital program, repay indebtedness or to use in other discretionary activities.

Reconciliations from "Net cash flow from operating activities" to "Free cash flow" follow:

| In thousands | Second Quarter | | Year-to-Date | |
|--|----------------|-----------|--------------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| Net cash flow from operating activities | \$188,937 | \$187,658 | \$354,939 | \$223,941 |
| Purchase of property, plant and equipment | (35,054) | (32,801) | (56,905) | (48,898) |
| Voluntary pension employer contributions | — | — | — | 15,507 |
| Tax benefit for voluntary pension employer contributions | — | — | — | (6,125) |
| Payments for investments | (4,318) | (1,378) | (5,318) | (2,379) |
| Proceeds from investments | 157,556 | 19,305 | 163,315 | 29,365 |
| Free cash flow | \$307,121 | \$172,784 | \$456,031 | \$211,411 |

Our free cash flow for the second quarter of 2014 was substantially higher than the second quarter of 2013. The increase was due to incremental cash flow from our new television stations acquired in late 2013 and a \$154.6 million cash distribution received from Classified Ventures related to its sale of Apartments.com.

The increase in the net cash flow from operating activities for the first six months of 2014 reflects the incremental cash flow from our new television stations acquired in late 2013. Other contributing factors include a cash distribution received from our investment in Classified Ventures, lower tax cash payments and lower pension contributions in the first six months of 2014 compared to the same period in 2013.

Certain Factors Affecting Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q contain forward-looking information. The words "expect," "intend," "believe," "anticipate," "likely," "will" and similar expressions generally identify forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results and events to

differ materially from those anticipated in the forward-looking statements. We are not responsible for updating or revising any forward-looking statements, whether the result of new information, future events or otherwise, except as required by law.

Potential risks and uncertainties which could adversely affect our results include, without limitation, the following factors: (a) increased consolidation among major retailers or other events which may adversely affect business operations of major customers and depress the level of local and national advertising; (b) a potential increase in competition for our Digital Segment businesses; (c) a decline in viewership of major networks and local news programming resulting from increased competition, including alternative forms of media, or other factors; (d) a continuance of the generally soft economic conditions in the U.S. and the U.K. or a further economic downturn leading to a continuing or accelerated decrease in circulation or local, national or classified advertising; (e) a further decline in general print readership and/or advertiser patterns as a result of competitive alternative media or other factors; (f) an increase in newsprint or syndication programming costs over the levels anticipated; (g) labor disputes which may cause revenue declines or increased labor costs; (h) acquisitions of new businesses or dispositions of existing businesses; (i) rapid technological changes and frequent new product introductions prevalent in electronic publishing; (j) an increase in interest rates; (k) a weakening in the British pound to U.S. dollar exchange rate; (l) volatility in financial and credit markets which could affect the value of retirement plan assets and our ability to raise funds through debt or equity issuances; (m) changes in the regulatory environment could encumber or impede our efforts to improve operating results or the value of assets; (n) credit rating downgrades, which could affect the availability and cost of future financing; (o) adverse outcomes in proceedings with governmental authorities or administrative agencies; (p) cyber security breaches; (q) general economic, political and business conditions; and (r) an other than temporary decline in operating results and enterprise value that could lead to non-cash goodwill, other intangible asset, investment or property, plant and equipment impairment charges. We continue to monitor the uneven economic recovery in the U.S. and U.K., as well as new and developing competition and technological change, to evaluate whether any indicators of impairment exist, particularly for those reporting units where fair value is closer to carrying value.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We believe that our market risk from financial instruments, such as accounts receivable, accounts payable and debt, is immaterial. We are exposed to foreign exchange rate risk primarily due to our operations in the United Kingdom, for which the British pound is the functional currency. If the price of the British pound against the U.S. dollar had been 10% more or less than the actual price, operating income for the second quarter of 2014 would have increased or decreased approximately 1%.

At the end of the second quarter of 2014, we had \$176.1 million in long-term floating rate obligations outstanding. While these fluctuate with market interest rates, by way of comparison, a 50 basis points increase or decrease in the average interest rate for these obligations would result in a change in annualized interest expense of less than \$1 million.

The fair value of our total long-term debt, based on bid and ask quotes for the related debt, totaled \$3.68 billion at June 29, 2014 and \$3.93 billion at December 29, 2013.

Item 4. Controls and Procedures

Based on their evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective, as of June 29, 2014, to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 are recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There have been no changes in our internal controls or in other factors during the fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material developments with respect to our potential liability for environmental matters previously reported in our 2013 Annual Report on Form 10-K.

Item 1A. Risk Factors

There have been no material changes from the risk factors described in the "Risk Factors" section previously reported in our 2013 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Repurchases of Equity Securities

| Period | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Program | (d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program |
|------------------------|---|-------------------------------------|---|--|
| 3/31/14 – 5/4/14 | 455,384 | \$27.17 | 455,384 | \$174,435,650 |
| 5/5/14 – 6/1/14 | 589,555 | \$27.37 | 589,555 | \$158,300,403 |
| 6/2/14 – 6/29/14 | 327,000 | \$28.65 | 327,000 | \$148,931,803 |
| Total 2nd Quarter 2014 | 1,371,939 | \$27.61 | 1,371,939 | \$148,931,803 |

On June 11, 2013, our Board of Directors approved a new \$300 million share repurchase program (replacing the 2012 \$300 million program). While the Board of Directors reviews it at least annually, there is no current expiration date for the new \$300 million authorization. However, it is targeted to be completed over the two years following the announcement.

Item 3. Defaults Upon Senior Securities

This item is not applicable.

Item 4. Mine Safety Disclosures

This item is not applicable.

Item 5. Other Information

This item is not applicable.

Item 6. Exhibits

Incorporated by reference to the Exhibit Index attached hereto and made a part hereof.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: July 30, 2014

GANNETT CO., INC.

/s/ Teresa S. Gendron

Teresa S. Gendron

Vice President and Controller

(on behalf of Registrant and as Chief Accounting Officer)

EXHIBIT INDEX

| Exhibit Number | Exhibit | Location |
|----------------|--|--|
| 3-1 | Third Restated Certificate of Incorporation of Gannett Co., Inc. | Incorporated by reference to Exhibit 3.1 to Gannett Co., Inc.'s Form 10-Q for the fiscal quarter ended April 1, 2007. |
| 3-2 | Amended by-laws of Gannett Co., Inc. | Incorporated by reference to Exhibit 3.2 to Gannett Co., Inc.'s Form 10-Q for the fiscal quarter ended March 31, 2013. |
| 4-1 | Specimen Certificate for Gannett Co., Inc.'s common stock, par value \$1.00 per share. | Incorporated by reference to Exhibit 2 to Gannett Co., Inc.'s Form 8-B filed on June 14, 1972. |
| 10-1 | Increased Facility Activation Notice, dated May 5, 2014, pursuant to the Amended and Restated Competitive Advance and Revolving Credit Agreement, dated as of August 5, 2013, by and among Gannett Co., Inc., JPMorgan Chase Bank N.A., as administrative agent, and the several banks and other financial institutions from time to time parties thereto. | Attached. |
| 31-1 | Rule 13a-14(a) Certification of CEO. | Attached. |
| 31-2 | Rule 13a-14(a) Certification of CFO. | Attached. |
| 32-1 | Section 1350 Certification of CEO. | Attached. |
| 32-2 | Section 1350 Certification of CFO. | Attached. |
| 101 | The following financial information from Gannett Co., Inc. Quarterly Report on Form 10-Q for the quarter ended June 29, 2014, formatted in XBRL includes: (i) Condensed Consolidated Balance Sheets at June 29, 2014 and December 29, 2013, (ii) Condensed Consolidated Statements of Income for the fiscal quarter and year-to-date periods ended June 29, 2014 and June 30, 2013, (iii) Condensed Consolidated Statements of Comprehensive Income for the fiscal quarter and year-to-date periods ended June 29, 2014 and June 30, 2013, (iv) Condensed Consolidated Cash Flow Statements for the fiscal year-to-date periods ended June 29, 2014 and June 30, 2013, and (v) the Notes to Condensed Consolidated Financial Statements. | Attached. |

