

NEW YORK TIMES CO  
Form 10-Q  
May 05, 2011

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 March 27, 2011  
Commission file number 1-5837  
THE NEW YORK TIMES COMPANY  
(Exact name of registrant as specified in its charter)

NEW YORK  
(State or other jurisdiction of  
incorporation or organization)  
620 EIGHTH AVENUE, NEW YORK, NEW YORK  
(Address of principal executive offices)  
10018  
(Zip Code)

13-1102020  
(I.R.S. Employer  
Identification No.)

Registrant's telephone number, including area code 212-556-1234

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 (§232.405 of this chapter) 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.

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

Number of shares of each class of the registrant's common stock outstanding as of April 29, 2011 (exclusive of treasury shares):

|                      |             |        |
|----------------------|-------------|--------|
| Class A Common Stock | 146,357,129 | shares |
| Class B Common Stock | 819,125     | shares |

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## THE NEW YORK TIMES COMPANY

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

|   | For the Quarters Ended          |                   |   |
|---|---------------------------------|-------------------|---|
|   | March 27,<br>2011<br>(13 weeks) | March 28,<br>2010 |   |
| Revenues  |                                 |                   |   |
| Advertising   | \$298,880                       | \$312,658         |   |
| Circulation   | 228,040                         | 236,863           |   |
| Other   | 39,584                          | 38,346            |   |
| Total revenues  | 566,504                         | 587,867           |   |
| Operating costs   |                                 |                   |   |
| Production costs:   |                                 |                   |   |
| Raw materials   | 40,237                          | 37,018            |   |
| Wages and benefits  | 128,991                         | 128,533           |   |
| Other   | 74,249                          | 75,298            |   |
| Total production costs  | 243,477                         | 240,849           |   |
| Selling, general and administrative costs   | 263,305                         | 263,971           |   |
| Depreciation and amortization   | 28,648                          | 30,389            |   |
| Total operating costs   | 535,430                         | 535,209           |   |
| Operating profit  | 31,074                          | 52,658            |   |
| Gain on sale of investment  | 5,898                           | —                 |   |
| (Loss)/income from joint ventures   | (5,749                          | ) 9,111           |   |
| Interest expense, net   | 24,591                          | 20,584            |   |
| Income before income taxes  | 6,632                           | 41,185            |   |
| Income tax expense  | 1,406                           | 27,027            |   |
| Net income  | 5,226                           | 14,158            |   |
| Net loss/(income) attributable to the noncontrolling interest                             | 193                             | (1,365            | ) |
| Net income attributable to The New York Times Company common stockholders                 | \$5,419                         | \$12,793          |   |
| Average number of common shares outstanding:  |                                 |                   |   |
| Basic   | 146,777                         | 145,195           |   |
| Diluted   | 153,760                         | 153,924           |   |
| Earnings per share attributable to The New York Times Company common stockholders—Basic   | \$0.04                          | \$0.09            |   |
| Earnings per share attributable to The New York Times Company common stockholders—Diluted | \$0.04                          | \$0.08            |   |

See Notes to Condensed Consolidated Financial Statements.

THE NEW YORK TIMES COMPANY  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

|   | March 27,<br>2011<br>(Unaudited) | December 26,<br>2010 |
|---|----------------------------------|----------------------|
| Assets  |                                  |                      |
| Current assets  |                                  |                      |
| Cash and cash equivalents   | \$152,537                        | \$369,668            |
| Short-term investments  | 199,734                          | 29,974               |
| Accounts receivable (net of allowances of \$29,737 in 2011 and \$30,209 in 2010)  | 266,437                          | 302,245              |
| Inventories:  |                                  |                      |
| Newsprint and magazine paper  | 16,873                           | 12,596               |
| Other inventory   | 3,710                            | 3,536                |
| Total inventories   | 20,583                           | 16,132               |
| Deferred income taxes   | 68,875                           | 68,875               |
| Other current assets  | 60,081                           | 70,338               |
| Total current assets  | 768,247                          | 857,232              |
| Other assets  |                                  |                      |
| Investments in joint ventures   | 130,472                          | 134,641              |
| Property, plant and equipment (less accumulated depreciation and amortization of \$1,075,143 in 2011 and \$1,048,956 in 2010)                           | 1,138,549                        | 1,156,786            |
| Intangible assets acquired:   |                                  |                      |
| Goodwill (less accumulated impairment losses of \$805,218 in 2011 and 2010)   | 647,595                          | 644,464              |
| Other intangible assets acquired (less accumulated amortization of \$70,911 in 2011 and \$69,383 in 2010)   | 33,278                           | 35,415               |
| Total intangible assets acquired  | 680,873                          | 679,879              |
| Deferred income taxes   | 250,749                          | 255,701              |
| Miscellaneous assets  | 202,548                          | 201,502              |
| Total assets  | \$3,171,438                      | \$3,285,741          |
| Liabilities and stockholders' equity  |                                  |                      |
| Current liabilities   |                                  |                      |
| Accounts payable  | \$109,796                        | \$113,968            |
| Accrued payroll and other related liabilities   | 97,292                           | 143,850              |
| Unexpired subscriptions   | 76,264                           | 72,896               |
| Accrued expenses and other  | 142,857                          | 173,663              |
| Total current liabilities   | 426,209                          | 504,377              |
| Other liabilities   |                                  |                      |
| Long-term debt and capital lease obligations  | 998,500                          | 996,405              |
| Pension benefits obligation   | 721,766                          | 772,785              |
| Postretirement benefits obligation  | 129,357                          | 130,623              |
| Other   | 205,969                          | 217,475              |
| Total other liabilities   | 2,055,592                        | 2,117,288            |
| Stockholders' equity  |                                  |                      |
| Common stock of \$.10 par value:  |                                  |                      |
| Class A – authorized 300,000,000 shares; issued: 2011 – 149,965,801; 2010 – 149,302,487 (including treasury shares: 2011 – 3,609,649; 2010 – 3,970,238) | 14,997                           | 14,930               |
| Class B – convertible – authorized and issued shares: 2011 – 819,125; 2010 – 819,125 (including treasury shares: 2011 – none; 2010 – none)              | 82                               | 82                   |

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|   |             |             |
|---|-------------|-------------|
| Additional paid-in capital  | 44,389      | 40,155      |
| Retained earnings   | 1,131,713   | 1,126,294   |
| Common stock held in treasury, at cost                                    | (125,912    | ) (134,463  |
| Accumulated other comprehensive loss, net of income taxes:                |             |             |
| Foreign currency translation adjustments                                  | 16,014      | 11,298      |
| Unrealized derivative loss on cash-flow hedge of equity method investment | (1,098      | ) (1,143    |
| Funded status of benefit plans  | (394,504    | ) (397,226  |
| Total accumulated other comprehensive loss, net of income taxes           | (379,588    | ) (387,071  |
| Total New York Times Company stockholders' equity                         | 685,681     | 659,927     |
| Noncontrolling interest   | 3,956       | 4,149       |
| Total stockholders' equity  | 689,637     | 664,076     |
| Total liabilities and stockholders' equity                                | \$3,171,438 | \$3,285,741 |

See Notes to Condensed Consolidated Financial Statements.

THE NEW YORK TIMES COMPANY  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)  
 (In thousands)

|   | For the Quarters Ended          |                   |   |
|---|---------------------------------|-------------------|---|
|   | March 27,<br>2011<br>(13 weeks) | March 28,<br>2010 |   |
| Cash flows from operating activities  |                                 |                   |   |
| Net income  | \$5,226                         | \$14,158          |   |
| Adjustments to reconcile net income to net cash (used in)/provided by operating activities: |                                 |                   |   |
| Gain on sale of investment  | (5,898                          | ) —               |   |
| Depreciation and amortization   | 28,648                          | 30,389            |   |
| Stock-based compensation  | 7,004                           | 2,463             |   |
| Undistributed loss/(income) of equity method investments—net of dividends                   | 5,749                           | (6,036            | ) |
| Long-term retirement benefit obligations  | (47,824                         | ) (3,745          | ) |
| Other—net   | 1,531                           | (394              | ) |
| Changes in operating assets and liabilities—net of dispositions:                            |                                 |                   |   |
| Account receivables—net   | 35,808                          | 76,080            |   |
| Inventories   | (4,451                          | ) (2,803          | ) |
| Other current assets  | 1,279                           | (3,758            | ) |
| Accounts payable and other liabilities  | (75,594                         | ) (40,555         | ) |
| Unexpired subscriptions   | 3,368                           | 2,825             |   |
| Net cash (used in)/provided by operating activities   | (45,154                         | ) 68,624          |   |
| Cash flows from investing activities  |                                 |                   |   |
| Purchases of short-term investments   | (169,760                        | ) —               |   |
| Capital expenditures  | (12,852                         | ) (6,996          | ) |
| Proceeds from the sale of assets  | 4,597                           | 2,265             |   |
| Other investing proceeds/(payments)—net   | 5,595                           | (560              | ) |
| Net cash used in investing activities   | (172,420                        | ) (5,291          | ) |
| Cash flows from financing activities  |                                 |                   |   |
| Long-term obligations:  |                                 |                   |   |
| Repayments  | (147                            | ) (10             | ) |
| Capital shares:   |                                 |                   |   |
| Issuances   | 218                             | 721               |   |
| Net cash provided by financing activities   | 71                              | 711               |   |
| (Decrease)/increase in cash and cash equivalents  | (217,503                        | ) 64,044          |   |
| Effect of exchange rate changes on cash and cash equivalents                                | 372                             | (421              | ) |
| Cash and cash equivalents at the beginning of the year                                      | 369,668                         | 36,520            |   |
| Cash and cash equivalents at the end of the quarter   | \$152,537                       | \$100,143         |   |
| See Notes to Condensed Consolidated Financial Statements.                                   |                                 |                   |   |

THE NEW YORK TIMES COMPANY  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

NOTE 1. BASIS OF PRESENTATION

In the opinion of The New York Times Company's (the "Company") management, the Condensed Consolidated Financial Statements present fairly the financial position of the Company as of March 27, 2011, and December 26, 2010, and the results of operations and cash flows of the Company for the periods ended March 27, 2011, and March 28, 2010. The Company and its consolidated subsidiaries are referred to collectively as "we," "us" or "our." All adjustments necessary for a fair presentation have been included and are of a normal and recurring nature. All significant intercompany accounts and transactions have been eliminated in consolidation. The financial statements were prepared in accordance with the requirements of the Securities and Exchange Commission for interim reporting. As permitted under those rules, certain notes or other financial information that are normally required by accounting principles generally accepted in the United States of America have been condensed or omitted from these interim financial statements. These financial statements, therefore, should be read in conjunction with the Consolidated Financial Statements and related Notes included in our Company's Annual Report on Form 10-K for the year ended December 26, 2010. Due to the seasonal nature of our business, operating results for the interim periods are not necessarily indicative of a full year's operations. The fiscal periods included herein comprise 13 weeks for the first-quarter periods.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As of March 27, 2011, our significant accounting policies, which are detailed in our Company's Annual Report on Form 10-K for the year ended December 26, 2010, have not changed materially.

At the beginning of our 2011 fiscal year, we adopted new guidance that amended previous guidance for the accounting of revenue arrangements with multiple deliverables. The adoption of this guidance, which specifically addressed how consideration should be allocated to the separate units of account included in revenue arrangements, did not have a material impact on our financial statements.

NOTE 3. SHORT-TERM INVESTMENTS

We have short-term investments in U.S. Treasury securities and commercial paper as of March 27, 2011, and in U.S. Treasury securities as of December 26, 2010. Since we have the intention and ability to hold these investments to maturity, they are classified as held-to-maturity and are reported at amortized cost. The changes in the value of these securities are not reported in our Condensed Consolidated Financial Statements.

The carrying value of the short-term investments (which approximated the fair value) were approximately \$190 million in U.S. Treasury securities and approximately \$10 million in commercial paper as of March 27, 2011 and approximately \$30 million in U.S. Treasury securities as of December 26, 2010. The U.S. Treasury securities have maturities of 3.5 months to 1 year, from the date of purchase, at discounts ranging from .11% to .24%. The commercial paper has maturities of 4.5 to 6.5 months, from the date of purchase, at discounts ranging from .22% to .23%.

## THE NEW YORK TIMES COMPANY

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

## NOTE 4. GOODWILL AND OTHER INTANGIBLE ASSETS ACQUIRED

Goodwill is the excess of cost over the fair value of tangible and other intangible net assets acquired. Goodwill is not amortized but tested for impairment annually or in an interim period if certain circumstances indicate a possible impairment may exist.

Other intangible assets acquired consist primarily of trade names on various acquired properties, content, customer lists and other assets. Other intangible assets acquired that have indefinite lives (trade names) are not amortized but tested for impairment annually or in an interim period if certain circumstances indicate a possible impairment may exist. Certain other intangible assets acquired (content, customer lists and other assets) are amortized over their estimated useful lives and tested for impairment if certain circumstances indicate a possible impairment may exist. The tables below include goodwill and other intangible assets disposed of during the first quarter of 2011 related to the sale of UCompareHealthCare.com, which was part of the About Group.

The changes in the carrying amount of goodwill were as follows:

| (In thousands)                   | News Media Group | About Group | Total       |
|----------------------------------|------------------|-------------|-------------|
| Balance as of December 26, 2010: |                  |             |             |
| Goodwill                         | \$1,079,704      | \$369,978   | \$1,449,682 |
| Accumulated impairment losses    | (805,218         | ) —         | (805,218 )  |
| Balance as of December 26, 2010  | 274,486          | 369,978     | 644,464     |
| Goodwill disposed during year    | —                | (2,702      | ) (2,702 )  |
| Foreign currency translation     | 5,833            | —           | 5,833       |
| Balance as of March 27, 2011:    |                  |             |             |
| Goodwill                         | 1,085,537        | 367,276     | 1,452,813   |
| Accumulated impairment losses    | (805,218         | ) —         | (805,218 )  |
| Balance as of March 27, 2011     | \$280,319        | \$367,276   | \$647,595   |

Other intangible assets acquired were as follows:

| (In thousands)                         | March 27, 2011        |                          |            | December 26, 2010     |                          |            |
|--|-----------------------|--------------------------|------------|-----------------------|--------------------------|------------|
|  | Gross Carrying Amount | Accumulated Amortization | Net        | Gross Carrying Amount | Accumulated Amortization | Net        |
| Amortized other intangible assets:     |                       |                          |            |                       |                          |            |
| Content                                | \$25,532              | \$(17,116                | ) \$8,416  | \$25,712              | \$(16,510                | ) \$9,202  |
| Customer lists                         | 28,345                | (21,798                  | ) 6,547    | 28,316                | (21,281                  | ) 7,035    |
| Other                                  | 35,855                | (31,997                  | ) 3,858    | 36,390                | (31,592                  | ) 4,798    |
| Total                                  | 89,732                | (70,911                  | ) 18,821   | 90,418                | (69,383                  | ) 21,035   |
| Unamortized other intangible assets:   |                       |                          |            |                       |                          |            |
| Trade names                            | 14,457                | —                        | 14,457     | 14,380                | —                        | 14,380     |
| Total other intangible assets acquired | \$104,189             | \$(70,911                | ) \$33,278 | \$104,798             | \$(69,383                | ) \$35,415 |

As of March 27, 2011, the remaining weighted-average amortization period was seven years for content, six years for customer lists and three years for other amortizable intangible assets acquired included in the table above.

Amortization expense related to other intangible assets acquired that are subject to amortization was \$2.0 million in the first quarter of 2011 and is expected to be \$7.5 million for the fiscal year 2011.





THE NEW YORK TIMES COMPANY  
 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)  
 (Unaudited)

Amortization expense for the next five years related to these intangible assets is expected to be as follows:

| (In thousands) | Amount  |
|----------------|---------|
| 2012           | \$5,300 |
| 2013           | 2,050   |
| 2014           | 1,100   |
| 2015           | 800     |
| 2016           | 750     |

NOTE 5. INVESTMENTS IN JOINT VENTURES

As of March 27, 2011, our Company's investments in joint ventures consisted of equity ownership interests in the following entities:

| Company                  | Approximate %<br>Ownership |   |
|--------------------------|----------------------------|---|
| Metro Boston LLC         | 49                         | % |
| Donohue Malbaie Inc.     | 49                         | % |
| Madison Paper Industries | 40                         | % |
| quadrantONE LLC          | 25                         | % |
| Fenway Sports Group      | 16.57                      | % |

The following table presents summarized unaudited condensed combined income statements for our Company's unconsolidated joint ventures.

| (In thousands)                                     | For the Quarters Ended |                   |
|--|------------------------|-------------------|
|  | March 31,<br>2011      | March 31,<br>2010 |
| Revenues   | \$199,180              | \$115,919         |
| Costs and expenses                                 | 218,301                | 119,524           |
| Operating loss                                     | (19,121                | ) (3,605          |
| Other (loss)/income                                | (3,483                 | ) 25,597          |
| Pre-tax (loss)/income                              | (22,604                | ) 21,992          |
| Income tax benefit                                 | (1,091                 | ) (1,044          |
| Net (loss)/income                                  | (21,513                | ) 23,036          |
| Net income attributable to noncontrolling interest | 5,414                  | 5,071             |
| Net (loss)/income less noncontrolling interest     | \$(26,927              | ) \$17,965        |

THE NEW YORK TIMES COMPANY  
 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)  
 (Unaudited)

## NOTE 6. DEBT OBLIGATIONS

Our current indebtedness includes senior notes; a private financing arrangement with Inmobiliaria Carso, S.A. de C.V. and Banco Inbursa S.A., Institución de Banca Múltiple, Grupo Financiero Inbursa; and a sale-leaseback of a portion of our New York headquarters. Our total debt and capital lease obligations consisted of the following:

| (In thousands)   | March 27,<br>2011 | December 26,<br>2010 |
|--|-------------------|----------------------|
| 4.610% senior notes due in 2012  | \$74,802          | \$74,771             |
| 5.0% senior notes due in 2015  | 249,868           | 249,860              |
| 14.053% senior notes due in 2015, callable beginning 2012                | 228,661           | 227,680              |
| 6.625% senior notes due in 2016  | 220,269           | 220,102              |
| Option to repurchase ownership interest in headquarters building in 2019 | 218,220           | 217,306              |
| Total debt   | 991,820           | 989,719              |
| Capital lease obligations  | 6,719             | 6,724                |
| Total debt and capital lease obligations                                 | \$998,539         | \$996,443            |
| Long-Term Debt   |                   |                      |

Based on borrowing rates currently available for debt with similar terms and average maturities, the fair value of our long-term debt was \$1.2 billion as of March 27, 2011, and \$1.1 billion as of December 26, 2010.

## Revolving Credit Agreement

Our \$400.0 million revolving credit agreement expiring in June 2011 is used for general corporate purposes and provides a facility for the issuance of letters of credit. As of March 27, 2011, excluding letters of credit of approximately \$55 million, there were no outstanding borrowings under our revolving credit facility.

The revolving credit agreement contains a covenant that requires a specified level of stockholders' equity, which, as defined by the agreement, does not include accumulated other comprehensive loss and excludes the impact of one-time non-cash charges. The required level of stockholders' equity (as defined by the agreement) is the sum of \$950.0 million plus an amount equal to 25% of net income for each fiscal year ending after December 28, 2003, when net income exists. As of March 27, 2011, the amount of stockholders' equity (as defined by the agreement) in excess of the required level was approximately \$774 million, which excludes the impact of non-cash impairment charges incurred in 2006, 2007 and 2008 that together aggregated approximately \$878 million.

## Interest expense, net

"Interest expense, net" in our Condensed Consolidated Statements of Operations was as follows:

| (In thousands)                            | For the Quarters Ended |                   |
|---|------------------------|-------------------|
|   | March 27,<br>2011      | March 28,<br>2010 |
| Cash interest expense                     | \$22,953               | \$18,960          |
| Non-cash amortization of discount on debt | 2,102                  | 2,004             |
| Capitalized interest                      | (305                   | ) —               |
| Interest income                           | (159                   | ) (380            |
| Total interest expense, net               | \$24,591               | \$20,584          |

## THE NEW YORK TIMES COMPANY

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

## NOTE 7. OTHER

## Gain on sale of investment

In the first quarter of 2011, we sold a minor portion of our interest in Indeed.com, a job listing aggregator, resulting in a gain of \$5.9 million. We still retain a substantial portion of our initial interest in Indeed.com.

## Severance Costs

We recognized severance costs of \$0.8 million in the first quarter of 2011 and \$0.2 million in the first quarter of 2010. These costs were primarily recognized at the News Media Group related to various initiatives and are primarily recorded in "Selling, general and administrative costs" in our Condensed Consolidated Statements of Operations. As of March 27, 2011, we had a severance liability of approximately \$7.6 million included in "Accrued expenses and other" in our Condensed Consolidated Balance Sheet.

## NOTE 8. PENSION AND OTHER POSTRETIREMENT BENEFITS

## Pension

We sponsor several pension plans; participate in The New York Times Newspaper Guild pension plan, a joint Company and Guild-sponsored plan; and make contributions to several multiemployer plans in connection with collective bargaining agreements. These plans cover the majority of our employees.

Our Company-sponsored defined benefit pension plans include qualified plans (funded) as well as non-qualified plans (unfunded). These plans provide participating employees with retirement benefits in accordance with benefit formulas detailed in each plan. Our non-qualified plans provide enhanced retirement benefits to select members of management.

The components of net periodic pension cost of all Company-sponsored plans and The New York Times Newspaper Guild pension plan were as follows:

| (In thousands)                     | For the Quarters Ended |                     |           | March 28, 2010  |                     |           |
|------------------------------------|------------------------|---------------------|-----------|-----------------|---------------------|-----------|
|                                    | March 27, 2011         |                     |           | March 28, 2010  |                     |           |
|                                    | Qualified Plans        | Non-Qualified Plans | All Plans | Qualified Plans | Non-Qualified Plans | All Plans |
| Service cost                       | \$3,019                | \$377               | \$3,396   | \$3,114         | \$2                 | \$3,116   |
| Interest cost                      | 24,998                 | 3,286               | 28,284    | 25,956          | 3,299               | 29,255    |
| Expected return on plan assets     | (27,953 )              | —                   | (27,953 ) | (28,393 )       | —                   | (28,393 ) |
| Amortization of prior service cost | 201                    | —                   | 201       | 201             | —                   | 201       |
| Recognized actuarial loss          | 6,445                  | 804                 | 7,249     | 4,181           | 513                 | 4,694     |
| Net periodic pension cost          | \$6,710                | \$4,467             | \$11,177  | \$5,059         | \$3,814             | \$8,873   |

In the first quarter of 2011, we made contributions of approximately \$54 million to certain qualified pension plans.

The majority of these contributions were discretionary. Based on our Company's contractual obligations, we expect to make 2011 contributions of approximately \$32 million (of which approximately \$10 million was made in the first quarter of 2011) to The New York Times Newspaper Guild pension plan. Except for contractual contributions to The New York Times Newspaper Guild pension plan, we do not expect to have material mandatory contributions through 2012, although we may make additional discretionary contributions in 2011 or 2012 to our Company-sponsored qualified pension plans based on cash flows, pension asset performance, interest rates and other factors.

## Postretirement Benefits

We provide health benefits to retired employees (and their eligible dependents) who are not covered by any collective bargaining agreements, if the employees meet specified age and service requirements. We no longer provide post-age 65 retiree medical benefits for employees who retire on or after March 1, 2009. We also contribute to a postretirement plan under the provisions of a collective bargaining agreement. We accrue the costs of postretirement benefits during the employees' active years of service and our policy is to pay our portion of insurance premiums and claims from our general corporate assets.



THE NEW YORK TIMES COMPANY  
 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)  
 (Unaudited)

The components of net periodic postretirement benefit income were as follows:

| (In thousands)                             | For the Quarters Ended |                   |
|--|------------------------|-------------------|
|  | March 27,<br>2011      | March 28,<br>2010 |
| Service cost                               | \$290                  | \$269             |
| Interest cost                              | 1,825                  | 2,335             |
| Amortization of prior service credit       | (3,901                 | ) (3,900          |
| Recognized actuarial loss                  | 481                    | 782               |
| Net periodic postretirement benefit income | \$(1,305               | ) \$(514          |

NOTE 9. INCOME TAXES

We had an effective income tax rate of 21.2% in the first quarter of 2011. The tax rate for the quarter was impacted by an adjustment to reduce our reserve for uncertain tax positions.

We had an effective income tax rate of 65.6% in the first quarter of 2010. The tax rate for the quarter was impacted by a \$10.9 million tax charge for the reduction in future tax benefits for retiree health benefits resulting from the federal health care reform legislation enacted in March 2010. Excluding the charge, our effective income tax rate was 39.3% in the first quarter of 2010.

NOTE 10. EARNINGS PER SHARE

Basic and diluted earnings per share have been computed as follows:

| (In thousands, except per share data)   | For the Quarters Ended |                   |
|---|------------------------|-------------------|
|   | March 27,<br>2011      | March 28,<br>2010 |
| Net income attributable to The New York Times Company common stockholders                 | \$5,419                | \$12,793          |
| Average number of common shares outstanding—Basic   | 146,777                | 145,195           |
| Incremental shares for assumed exercise of securities                                     | 6,983                  | 8,729             |
| Average number of common shares outstanding—Diluted                                       | 153,760                | 153,924           |
| Earnings per share attributable to The New York Times Company common stockholders—Basic   | \$0.04                 | \$0.09            |
| Earnings per share attributable to The New York Times Company common stockholders—Diluted | \$0.04                 | \$0.08            |

The difference between basic and diluted shares is that diluted shares include the dilutive effect of the assumed exercise of outstanding securities. Our stock options and warrants, issued in connection with our 14.053% senior notes due in 2015, could have the most significant impact on diluted shares.

Securities that could potentially be dilutive were excluded from the computation of diluted earnings per share when the exercise price exceeded the market value of our Common Stock because their inclusion resulted in an anti-dilutive effect on per share amounts.

The number of stock options that were excluded from the computation of diluted earnings per share because their exercise price exceeded the market value of our Common Stock was approximately 20 million in the first quarter of 2011 with exercise prices ranging from \$10.46 to \$48.54, and approximately 25 million in the first quarter of 2010 with exercise prices ranging from \$10.53 to \$48.54.

THE NEW YORK TIMES COMPANY  
 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)  
 (Unaudited)

## NOTE 11. SUPPLEMENTAL STOCKHOLDERS' EQUITY INFORMATION

Stockholders' equity is summarized as follows:

| (In thousands)                  | Total New York<br>Times Company<br>Stockholders'<br>Equity | Noncontrolling<br>Interest | Total<br>Stockholders'<br>Equity |
|---------------------------------|--|----------------------------|----------------------------------|
| Balance as of December 26, 2010 | \$659,927  | \$4,149                    | \$664,076                        |
| Net income/(loss)               | 5,419  | (193                       | ) 5,226                          |
| Other comprehensive income      | 7,483  | —                          | 7,483                            |
| Issuance of shares              | 5,765  | —                          | 5,765                            |
| Stock-based compensation        | 7,087  | —                          | 7,087                            |
| Balance as of March 27, 2011    | \$685,681  | \$3,956                    | \$689,637                        |

| (In thousands)                  | Total New York<br>Times Company<br>Stockholders'<br>Equity | Noncontrolling<br>Interest | Total<br>Stockholders'<br>Equity |
|---------------------------------|--|----------------------------|----------------------------------|
| Balance as of December 27, 2009 | \$604,042  | \$3,201                    | \$607,243                        |
| Net income                      | 12,793   | 1,365                      | 14,158                           |
| Other comprehensive loss        | (3,034   | ) —                        | (3,034                           |
| Issuance of shares              | 6,588  | —                          | 6,588                            |
| Stock-based compensation        | 2,463  | —                          | 2,463                            |
| Balance as of March 28, 2010    | \$622,852  | \$4,566                    | \$627,418                        |

Comprehensive income was as follows:

| (In thousands)   | For the Quarters Ended |                   |
|--|------------------------|-------------------|
|  | March 27,<br>2011      | March 28,<br>2010 |
| Net income   | \$5,226                | \$14,158          |
| Other comprehensive income/(loss):   |                        |                   |
| Foreign currency translation adjustments   | 7,745                  | (7,005            |
| Unrealized derivative loss on cash-flow hedge of equity method investment                        | 77                     | —                 |
| Amortization of unrecognized amounts included in pension and postretirement benefits obligations | 4,613                  | 1,777             |
| Income tax (expense)/benefit   | (4,952                 | ) 2,194           |
| Total other comprehensive income/(loss)  | 7,483                  | (3,034            |
| Comprehensive income   | 12,709                 | 11,124            |
| Comprehensive loss/(income) attributable to the noncontrolling interest                          | 193                    | (1,365            |
| Comprehensive income attributable to The New York Times Company common stockholders              | \$12,902               | \$9,759           |

The "Accumulated other comprehensive loss, net of income taxes" in our Condensed Consolidated Balance Sheets was net of a deferred income tax benefit of approximately \$275 million as of March 27, 2011, and \$280 million as of December 26, 2010.



## THE NEW YORK TIMES COMPANY

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(Unaudited)

## NOTE 12. SEGMENT INFORMATION

Our Company's reportable segments consist of the News Media Group and the About Group. These segments are evaluated regularly by key management in assessing performance and allocating resources.

Below is a description of our Company's reportable segments:

## News Media Group

The News Media Group consists of The New York Times Media Group, which includes The New York Times, the International Herald Tribune, NYTimes.com, and related businesses; the New England Media Group, which includes The Boston Globe, Boston.com, the Worcester Telegram & Gazette, Telegram.com, and related businesses; and the Regional Media Group, which includes 14 daily newspapers in Alabama, California, Florida, Louisiana, North Carolina and South Carolina, their Web sites, other print publications and related businesses.

## About Group

The About Group consists of About.com, ConsumerSearch.com, CalorieCount.com and related businesses. In February 2011, we sold UCompareHealthCare.com.

Our Statements of Operations by segment and Corporate were as follows:

| (In thousands)  | For the Quarters Ended |                   |
|---|------------------------|-------------------|
|   | March 27,<br>2011      | March 28,<br>2010 |
| Revenues  |                        |                   |
| News Media Group  | \$535,362              | \$553,169         |
| About Group   | 31,142                 | 34,698            |
| Total   | \$566,504              | \$587,867         |
| Operating profit/(loss)   |                        |                   |
| News Media Group  | \$30,665               | \$48,471          |
| About Group   | 14,265                 | 16,560            |
| Corporate   | (13,856                | ) (12,373         |
| Total   | \$31,074               | \$52,658          |
| Gain on sale of investment  | 5,898                  | —                 |
| (Loss)/income from joint ventures   | (5,749                 | ) 9,111           |
| Interest expense, net   | 24,591                 | 20,584            |
| Income before income taxes  | 6,632                  | 41,185            |
| Income tax expense  | 1,406                  | 27,027            |
| Net income  | 5,226                  | 14,158            |
| Net loss/(income) attributable to the noncontrolling interest             | 193                    | (1,365            |
| Net income attributable to The New York Times Company common stockholders | \$5,419                | \$12,793          |



THE NEW YORK TIMES COMPANY  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(Continued)  
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NOTE 13. CONTINGENT LIABILITIES

We have letters of credit of approximately \$55 million as of March 27, 2011, primarily for obligations under our workers' compensation program, sale-leaseback financing and for our New York headquarters. The workers' compensation liability (approximately \$32 million) is included in our Condensed Consolidated Balance Sheet as of March 27, 2011.

There are various legal actions that have arisen in the ordinary course of business and are now pending against us. These actions are generally for amounts greatly in excess of the payments, if any, that may be required to be made. It is the opinion of management after reviewing these actions with our legal counsel that the ultimate liability that might result from these actions would not have a material adverse effect on our Condensed Consolidated Financial Statements.

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

We are a diversified media company that currently includes newspapers, digital businesses, investments in paper mills and other investments. We classify our businesses based on our operating strategies into two reportable segments, the News Media Group and the About Group. Our segments and divisions are:

News Media Group (consisting of The New York Times Media Group, which includes The New York Times ("The Times"), the International Herald Tribune, NYTimes.com, and related businesses; the New England Media Group, which includes The Boston Globe, Boston.com, the Worcester Telegram & Gazette, Telegram.com, and related businesses; and the Regional Media Group, which includes 14 daily newspapers, other print publications and related businesses). The News Media Group generates revenues principally from print and digital advertising and through circulation. Other revenues primarily consist of revenues from news services/syndication, commercial printing, rental income, digital archives and direct mail advertising services. The News Media Group's main operating costs are employee-related costs and raw materials, primarily newsprint.

About Group (consisting of About.com, ConsumerSearch.com, CalorieCount.com and related businesses). The About Group generates revenues through cost-per-click advertising (sponsored links for which the About Group is paid when a user clicks on the ad), display advertising and e-commerce (including sales lead generation). Almost all of its revenues (95% in the first quarter of 2011) are derived from the sale of cost-per-click and display advertising.

Cost-per-click advertising accounted for 58% of the About Group's total advertising revenues in the first quarter of 2011. The About Group's main operating costs are employee-related costs and content and hosting costs.

Joint Ventures Our investments accounted for under the equity method are as follows:

a 49% interest in Metro Boston LLC, which publishes a free daily newspaper in the greater Boston area;

a 49% interest in a Canadian newsprint company, Donohue Malbaie Inc.;

a 40% interest in a partnership, Madison Paper Industries, operating a supercalendered paper mill in Maine;

a 25% interest in quadrantONE LLC, an online advertising network that sells bundled premium, targeted display advertising onto local newspaper and other Web sites; and

a 16.57% interest in Fenway Sports Group, which owns the Boston Red Sox baseball club; Liverpool Football Club (a soccer team in the English Premier League); approximately 80% of New England Sports Network (a regional cable sports network that televises the Red Sox and Boston Bruins hockey games); and 50% of Roush Fenway Racing (a leading NASCAR team).

We remain in a challenging business environment, with lingering uncertainty about the economic outlook and an increasingly competitive landscape. During the first quarter of 2011 compared with the first quarter of 2010, total revenues declined 3.6%, while operating costs were flat.

A 4.5% increase in digital advertising revenues did not offset the 7.5% decline in print advertising revenues in the first quarter of 2011 compared with the first quarter of 2010, resulting in a decline in total advertising revenues of 4.4%. Changes in spending patterns and priorities, including shifts in marketing strategies and budgets, of advertisers in response to an uneven economic environment and the continuing transformation of our industry, contributed to the decline in print advertising revenues and the growth in digital advertising revenues in the first quarter of 2011. In March 2011, total advertising revenues further softened partly in response to the uneven economic climate. In April 2011, we saw total advertising trends improve relative to those in March, with a total advertising revenue decline at approximately the same level as in the first quarter of 2011.

Circulation revenues decreased 3.7% in the first quarter of 2011 compared with the first quarter of 2010, primarily due to a decline in copies sold across the News Media Group. We completed the global launch of The Times digital subscription packages on NYTimes.com and across other digital platforms on March 28, 2011. As we announced on April 21, 2011, in a press release announcing our first quarter 2011 earnings, approximately three weeks after the global launch, we surpassed 100,000 paid digital subscribers. We do not yet have visibility into conversion and retention rates for these paying customers after the initial promotional period.

Operating costs remained flat in the first quarter of 2011 compared with the first quarter of 2010, despite higher promotion and newsprint expenses, which were offset by decreases in various other expenses. We expect operating costs to increase modestly in the second quarter of 2011 and we remain committed to aggressively managing

operating expenses despite higher newsprint prices, pension and promotion expense. Newsprint prices will be higher in the second quarter of 2011 as a result of prices rising steadily during the same period in 2010. Based on current industry forecasts, newsprint prices are expected to increase during the second half of 2011.

We have continued to manage our liquidity position and finished the quarter with cash, cash equivalents and short-term investments of approximately \$352 million, even after making pension contributions of about \$54 million to certain qualified pension plans. As of March 27, 2011, our total debt and capital lease obligations was approximately \$999 million and our total debt and capital lease obligations, net of cash, cash equivalents and short-term investments, which we believe provides a useful measure of our liquidity and overall debt position, was approximately \$646 million.

2011 OUTLOOK