20 February 2013

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**HALF YEAR RESULTS PRESENTERS' NOTES**

Please find attached Presenters' Notes for the financial half-year ended 29 December 2012.

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**Seven West Media Limited**
**FY13 First Half Results Presentation**
**20 February 2013**

1. **Opening – Don Voelte**

   a. Slide 1

      i. Welcome to the Seven West Media Limited first half of fiscal year 2013 results presentation for the six months to December 2012.

      ii. I'm Don Voelte the Managing Director and Chief Executive Officer of the company

      iii. Firstly let me thank our shareholders for supporting our company - most recently through the entitlement offer. It is much appreciated.

      iv. With me today are :

         1. Bruce McWilliam – our Commercial Director
         2. Kurt Burnette – our Chief Sales and Digital Officer
         3. Peter Lewis –our Group CFO
         4. Tim Worner – our CEO of the Television group
         5. Chris Wharton – our CEO of the West Australian Newspaper and the West
         6. Nick Chan – our CEO of the Magazine group
         7. Rohan Lund – our Group COO
         8. Bridget Fair – our Group Chief Corporate and Regulatory Affairs Officer

      v. Might I say that it is a pleasure working with these folks.

      vi. Peter and I will handle the formal presentations today but each of the team will be available for your questions at the end of the presentation.

   b. Slide 2

      i. On page 2 is our disclaimer which is fairly normal.

   c. Slide 3

      i. On page 3 is our agenda for today.

         1. I will take you through a brief overview of the first half and a look at our business focus areas.
         2. Then Peter Lewis will go through the numbers.
         3. Following Peter, I will briefly run through each of the major divisions.
         4. This should leave plenty of time for questions.

   d. Slide 4

      i. Onto slide 4 and the main message of this slide is delivery on the expectations that we provided to the market in our various communications last year.

      ii. We have delivered on the Phase 1 expense reduction and revenue enhancement initiatives announced at the AGM in November and this is evident in the cost levels which we detail in this presentation.

      iii. The group EBIT for the half is $259m, above the guidance of $250m also provided at the AGM.

iv. We do report a net loss of $109m but this is after the significant items of $252m, all but $5m being the impairment charges required by the previous asset carrying values.

v. As I have outlined previously, what is really important on this slide is the margin discussion. Our group EBITDA margin of 29% is still among our best reported margins, and in a period of advertising weakness, shows our commitment to the management of the group's resources.

1. Television EBITDA margin was 30%. We are happy with this result.
2. Our newspapers came in with a 37% EBITDA margin, still a leading number on a global basis for the print business
3. And our magazines business scored an EBITDA margin of 16% in a difficult environment.
4. Finally, our Yahoo!7 joint venture came in with a margin of 35%.
5. As I have said before our plan is firmly on the maintenance of these strong margins

vi. The capital raising played a major part in the debt reduction and having our net debt down below $1.3 billion significantly reduces the risk in our capital structure. As you know reducing debt which reduces interest expense is one of the two major outcomes of our relentless focus on cash flow.

vii. And finally we paid the 6c per share dividend forecast at the time of the capital raising and are today proposing to pay the second 6c in April, even allowing for the impact of that impairment charge. This is the second major outcome of our relentless focus on cash flow.

e. Slide 5.

i. Now continuing with a visual representation on slide 5 of what I just said, this shows that none of our units are "camouflaging" or "carrying" the others; again all our businesses are running as number 1 or 2 in their respective industries.

ii. I will note that our television margin in 1HFY13 versus 1HFY12 is impacted by four AFL games versus two. So while the costs are higher, all other key targets (ratings and revenue) of the AFL deal are positive.

f. Slide 6

i. Onto the current outlook on slide 6 and to summarise :

1. Our revenue markets remain challenged.

   a. We continue to see no changes to the advertising trends we see in our publishing companies. Our magazines, and especially our newspapers, are experiencing fairly good results in circulation sales versus the competition, but are having to battle their margins on a day to day basis.

   b. Our television network is continuing to deliver revenue share well ahead of our leading viewer ratings. This is very heartening since this segment of Seven West Media is growing proportionally as a total of the company. Advertising is still thin and soft but for whatever reason, things just feel better. Better in the context of forward discussions with advertisers and their long term commitment to live sports and big program franchises.

2. We remain relentless in looking for additional synergies and cost efficiencies and as always don't expect to see or read about it as we continue down our path of quiet delivery. Well …… you may hear about it, because it's not easy.

3. Let me give you an example. Sports rights. You know we limited our chase on Rugby League last year. Fiscally responsible. Additionally, V8's were recaptured, but on terms that were more responsible to our shareholders. Further we have created a new vehicle, horse racing, via multiple events and venues at a very competitive value. And additional sports codes or events are being studied or negotiated, all at responsible cost levels.

g. Slide 7

i. Slide 7 provides clarity for you on how those cost programs are focused and how much we expect to achieve in each area.

ii. Perhaps to start I should explain the nature of these numbers :

1. Phase 1 is those initiatives that we have already implemented as announced at the AGM last year. These initiatives have driven the cost outcome evident in the results presented today and then the goal column shows the full year annualised expectation from these changes.

2. The Phase 2 initiatives are detailed here in an overall form as we will be addressing these issues on a group basis. Since his appointment as Group COO, Rohan Lund has been working with consultants and our business CEO's in looking at operating procedures and processes for efficiencies that can be achieved without denigration of our products. That work has yielded those targets you see here under supply chain, procurement, process efficiencies and policies and procedures. The implementations of those changes are expected across the next six months and we should be able to provide you with updates along the way.

3. At last November's AGM, I said that we would like to maintain, and hopefully increase, our normalised Net Profit After Tax as compared to last year's $226.9m. Let me reiterate that goal, which will prove to be very challenging. Let me say that with the initiatives we have underway and the hard work on providing quality products to our readers, viewers and advertisers, we still hold that goal of obtaining $227m, or something very close to that, one way or the other. This is obviously before significant items.

h. Slide 8

i. I am very happy to announce that the next update will be a planned investor briefing session on 8 May 2013.

ii. We have reviewed our communications program and felt that we needed to establish a new vehicle to allow greater transparency of our businesses, not just another financial report, but rather a specific look at each of our units and the strategy for the development of each one.

iii. The draft agenda is provided here and obviously more details will be provided closer to the event. So, two quantitative events a year, the Results releases in February and August and three qualitative events a year, the Investor Briefing in May, and the Upfronts and AGM in the November time frame.

iv. And now Peter Lewis will take you through the financials.

## 2. Financials – Peter Lewis

a. Slide 10

i. Thank you and good morning from me also.

ii. Starting with the Key Financial on Slide 10 and as Don highlighted - these results are hopefully entirely in accordance with your expectations given the guidance provided and the state of the markets both advertising and financial.

iii. Please remember that these statutory numbers include the impairment charges which have no cash or debt consequences on the group. Also remember that last year was a 27 week half year and this year we are back to a 26 week half. This doesn't alter the total profit materially although it might affect some of the smaller numbers.

iv. The Net profit after tax before significant items for the half was $142m which equates to an EPS of close to 15 cents covering the fully franked dividend of 6cps. The diluted eps adjusts the number of shares for the cps assuming they were converted at the December share price and so is also likely to be lower than some of your calculations.

b. Slide 11

i. Again this slide - 11 - is the formal format and so is distorted due to the impairment charge.

ii. The only two items not covered elsewhere are :

1. The interest expense includes the amortisation of the refinancing upfront costs from October 2011 and is consistent with our previously guided $110-$120m of annual interest expense.

2. The tax expense rate which has stabilized around the 30% level excluding the impact of the impairment charge.

c. Slide 12

i. This slide 12 shows the details of the significant items. You will see that this is primarily due to the impairment of asset carrying values.

ii. The process for the intangible assets review is the same as we have previously adopted in accordance with the accounting standards and revolves around future cash flow projections.

iii. Our approach is to run the tests and if a deficiency is evident then we simply book the charge. This does not have any impact on our banking arrangements and since the charges are "non-cash" - while we respect the process - there is very little consequence on the future operations of the group.

iv. The Television and Newspaper divisions were subject to the same process and the results were that margins above the book value were evident meaning no change was necessary.

1. For Newspapers, this is largely due to the low carrying value of the newspaper intangibles as they came onto the balance sheet many, many years ago.

2. For television the margin is still very narrow due to the state of the advertising markets at around $20m, but it is a surplus and the process is binary – either there is a deficiency and therefore a charge or nothing can be booked.

d. Slide 13

   i. Slide 13 has the actual Balance sheet at December 2012 compared to both June 2012 and December 2011 and this shows the relative stability of the balance sheet with most line items consistent with the prior year balances.

e. Slide 14

   i. Consolidated cash flow compared to same period last year is on slide 14 and a few things to highlight would include :

      1. The conversion of EBITDA to cashflow is good but we note that working capital movements are seasonally and unusually low. The first half amount was affected by the timing of a number of large payments, like licence fees and program payments and receipts which are expected to reverse in the second half yielding a full year absorption of between $30-$40m.

      2. Tax paid is closer to expected levels and is not affected as last year's numbers were by the merger and so the go forward situation is expected to be more in line with the 30% of profit before tax after adjusting for the significant items detailed earlier.

      3. Capex is much lower than expected due to the current focus on savings and delays associated with that focus. $40m per annum is now our guidance on capex for this full financial year.

f. Slide 15

   i. So this slide -15- allows transparency of the real underlying performance of each division.

   ii. The outcome is marginally ahead of the guidance given at the AGM driven largely by the better than expected advertising share performance in Television. The TV market was slightly weaker than we had been forecasting but the share level of over 40% certainly exceeded our projections for an Olympic affected half.

   iii. Important also to note the impact of the changed accounting for contra on the TV revenue outcome. On a like for like basis the result would be closer to flat for the half which is consistent with the FreeTV numbers published earlier in the month.

   iv. One other change we have made here, and this change is in both the current and prior year numbers, has been the re-allocation of certain costs from the TV division into the "Other" category in accordance with operational changes within the group. No change to the overall numbers flows from this change and again both the current year and prior year numbers have been altered to ensure consistency.

   v. Finally, the mix of results highlights 72% of EBIT coming from television and 25% coming from print in newspapers and magazines.

g. Slide 16

   i. Moving onto costs on slide 16 and again strong management is evident with group cost growth of 1.8% including our programming investment especially in the AFL. This is where those Phase 1 initiatives are evident.

   ii. TV cost growth of 7.7% does include the impact of the changed accounting methodology for contra revenue which we adopted in the June 2012 year. Like for like - adjusting for that changed contra accounting - the cost growth would be 4.7% in TV. This cost result is significantly better than our guidance of cost growth in this half year due to our continued investment in programming (especially the AFL) in the second half of the 2012 calendar year.

iii. Newspapers showed again a real focus on cost containment with a reduction of over 8% in the half, which is roughly the same as the Magazines division delivered. Both of these divisions have delivered well in excess of the guidance and again the Phase 1 initiatives are clearly evident here.

h. Slide 17

i. Slide 17 covers the specific performance of the Television division and the disclosure is a little more detailed than in the past but is in accordance with the June 2012 disclosures.

1. Advertising includes all the metro as well as the regional revenues and now also contra for the first time which effects both the revenue and cost growth but not profit.
2. Revenue variable costs include Licence fees, contra and advertorial costs which are directly variable to revenue streams and so might be a little different to how you might have expected it. Its higher than last year due to that changed accounting, which obviously will balance out in the full year numbers
3. The other costs include all the balance of TV costs including most notably the AFL investment which is driving that reported 4.9%.
4. Like for like overall cost growth drops from 7.7% reported to 4.7% removing the changed accounting and the AFL investment, would again yield a much lower number.

i. Slide 18

i. Moving onto Newspaper in Slide 18, you can see the impact of the advertising weakness in the revenue line - down just over 17%

ii. Circulation remains relatively stable and this does include the price increase at “The West Australian” which occurred in September last year.

j. Slide 19

i. The last major divisional performance slide is Magazines on slide 19. The main items to note are :

1. Circulation remains relatively stable and does not include any material cover price increases.
2. Advertising revenue again shows the weakness in the magazine advertising markets.
3. Costs are down over 8% driven by a host of savings in areas like production, editorial and distribution.

k. Slide 20

i. Other divisional performance is detailed on slide 20 and is much as you would have expected given the previous slides but does also show the impact on Yahoo7 of market conditions especially Spreets.

l. Slide 21

i. My final slide is 21 with an outline of our debt situation.

ii. Since June we have obviously done the capital raising and associated repayment of our 3 year tranche of debt and so only have debt expiring in October 2015 and 2016 left.

iii. We continue to look for longer tenor debt from primarily overseas markets now that we have the right mix of debt and equity but nothing has so far warranted a change from our current facilities.

**3. Operating Division – Don Voelte**

a. Slide 23

i. Seven's television business - on slide 23 - has again had a very strong half year. Confirmation of the delivery of strong ratings performance coupled with advertising market shares of over 40% are a testament to the depth of capability in Tim Worner's team.

ii. All three pillars of the TV strategy are operating effectively stand alone, and in harmony together, meaning that not only have we got short term strength but also plenty of long term options for the continued delivery of audiences to advertisers which Kurt Burnette and his sales team monetise better than anyone else in this market.

b. Slide 24

i. Slide 24 outlines the current digital transition thinking in which Yahoo!7 is a key distribution platform for the group with scale digital audience across online and mobile, best in market display advertising and exposure to the search category.

ii. Whilst Yahoo!7 is an important platform for our digital strategies, it is just one piece of the puzzle

iii. We are testing the transition of some selected print assets to digital versions, in particular some magazine covers, and are embracing new pathways to our broadcast audiences through smart TVs and other new devices.

iv. We are also responding to opportunities to transact with our readers and viewers, either through the digital delivery of our content or through companion experiences that complement what we publish or broadcast

v. We have also been working closely identifying strategic partners to participate in adjacent verticals beyond our current content where we can leverage the quantum and quality of our audiences to build new leadership positions.

vi. Here, I am pleased to say that we have identified and are working closely with a strategic partner on adjacent verticals. We believe each company can bring our respective strengths together to identify and compete in adjacent electronic business models. We expect to be in a position to announce the first of these very soon.

vii. All of this is a natural evolution of our businesses as they transition into a digital world and digital becomes closer to the core of how we operate, not something we do on the side.

c. Slide 25

i. Moving to slide 25 and the publishing part of our group.

ii. Newspapers had another difficult half due to market conditions but Chris Wharton and his team continue to battle. Some key points would be :

1. The advertising market continues to be soft and very short.

2. Display revenue, which is largely underpinned by retail advertising, continued to be impacted by a lack of retail activity which seems to be reflective of a general lack of consumer confidence.

3. Classified advertising has also been subdued through the second half of calender 2012

4. Clearly the challenge facing newspapers is to identify, understand and combat the various factors which impact our classified revenue streams, especially digital classified platforms - our biggest challenge. The potential for structural shifts to on-line are real, but we will not simply accept it as inevitable and give up the fight.

5. Our digital platforms in real estate, employment and announcements are all performing well in the WA market where we can continue to use them to protect our printed product.
6. Our circulation numbers have been very pleasing especially in the face of cover price increases and the rest of the newspaper industry.

iii. In our magazine division Pacific, Nick Chan and his team are transitioning delivery but still provide great content. A few points :

1. Revenues were impacted by a substantial decrease in advertising revenues while circulation revenues which are the substantial component of our Magazine revenues were more robust. When the extra weekly issues in the previous year are excluded, circulation revenues came to within 2% year on year.
2. We continued to manage and contain our costs in magazines with costs reducing by 8%.
3. Importantly, Pacific continues to strengthen its competitive position in terms of both readership and circulation. In fact, in the latest December 2012 ABC audits, Pacific recorded its highest ever market share.
4. In terms of outlook, the circulation market is relatively robust especially given general retail conditions. However, market conditions for advertising are short and volatile and the advertising outlook for magazines remains very soft.
5. While still early days, there are encouraging signs from our business with solid uptake of our brand extensions, digital sales of our magazines and our key brands continue to increase their consumer footprint via websites, social media and other forms of consumer interaction.

iv. In light of this outlook, cost management and increased productivity are our priorities as well as developing additional new income streams in both publishing entities.

**4. Questions – Don Voelte**

a. Slide 26

i. So while the foregoing is a relatively detailed review of our group, we are now open to any questions you may still have.