



2009 Full Year Results Presentation

11 March 2010

Agenda

- Key Financials
- Operational Highlights
- Board Changes
- Financial Review
- Strategy/Operational Update
- Summary/Outlook



Key Financials

- Total revenue of £428.0 million down 19.5%
- Total print advertising revenues (excluding week 53) down 27.4%
- Circulation revenues of £99.7 million (excluding week 53) down only 1.8%
- Operating profit (before non-recurring and IAS 21/39 items) of £71.8 million representing an operating margin of 16.8%
- £126.0 million net impairment charge against intangibles, no additional impairment in the second half of the year
- Reduction in net debt of £55.3 million to £422.1 million
- Net cash inflow from operating activities of £89.2 million
- No dividend proposed



Operational Summary

- Refinancing completed – 3 year agreement signed to September 2012
- Year-on-year advertising revenue performance improved as the year progressed
- Continuing strong cost management with total costs down £49.3 million on last year (excluding week 53 in 2009)
- Successful roll-out of new editorial content management system in two divisions
- Upgraded jobs website through partnership with DMGT
- Closure of presses in Scotland and ROI with printing transferred to more efficient presses with increased colour availability



Board Changes

3 Directors stepping down from the Board

Freddy Johnston
(AGM 30.04.10)



Peter Cawdron
(AGM 30.04.10)



Martina King
(AGM 30.04.10)



3 Directors appointed to the Board

Mark Pain
(01.05.09)



Camilla Rhodes
(13.07.09)



Geoff Iddison
(01.01.10)





Financial Review

Income Statement

53 weeks to 2 January 2010

	2009 £'m	2008 £'m	Change %
Turnover	<u>428.0</u>	<u>531.9</u>	(19.5)
EBITDA	94.8	153.2	(38.1)
Depreciation	<u>(23.0)</u>	<u>(24.8)</u>	
EBIT	71.8	128.4	(44.1)
Non-recurring items	(171.8)	(528.1)	67.5
Net interest cost	(28.5)	(29.6)	3.7
IAS 21/39 adjustments*	14.7	-	
Profit before taxation	<u>(113.8)</u>	<u>(429.3)</u>	73.5
Taxation	<u>26.5</u>	<u>63.8</u>	
Profit after taxation	<u>(87.3)</u>	<u>(365.5)</u>	76.1
Underlying earnings per share	5.53	13.41	(58.8)

* From the start of the period, the Group de-designated its derivative instruments and ceased to hedge account with the effect being that the changes in mark-to-market valuations of these instruments and the retranslation of foreign denominated debt are now recorded in the Income Statement



Non-Recurring Items

	£'m	Tax Impact £'m	£'m
Cash			
Fundamental reorganisation of the business	14.6	(4.1)	
Costs relating to aborted disposal of RoI businesses	0.5	(0.1)	
Non-cash			
Impairment of publishing titles	126.0	(29.0)	
Write down of value of presses - Caledonian and Kilkenny	19.0	(5.3)	
Impairment of unlisted investments	1.7	-	
Write down of assets relating to disposed title	0.6	(0.1)	
Warrants issued	9.4	-	
Total	<u>171.8</u>	<u>(38.6)</u>	<u>133.2</u>



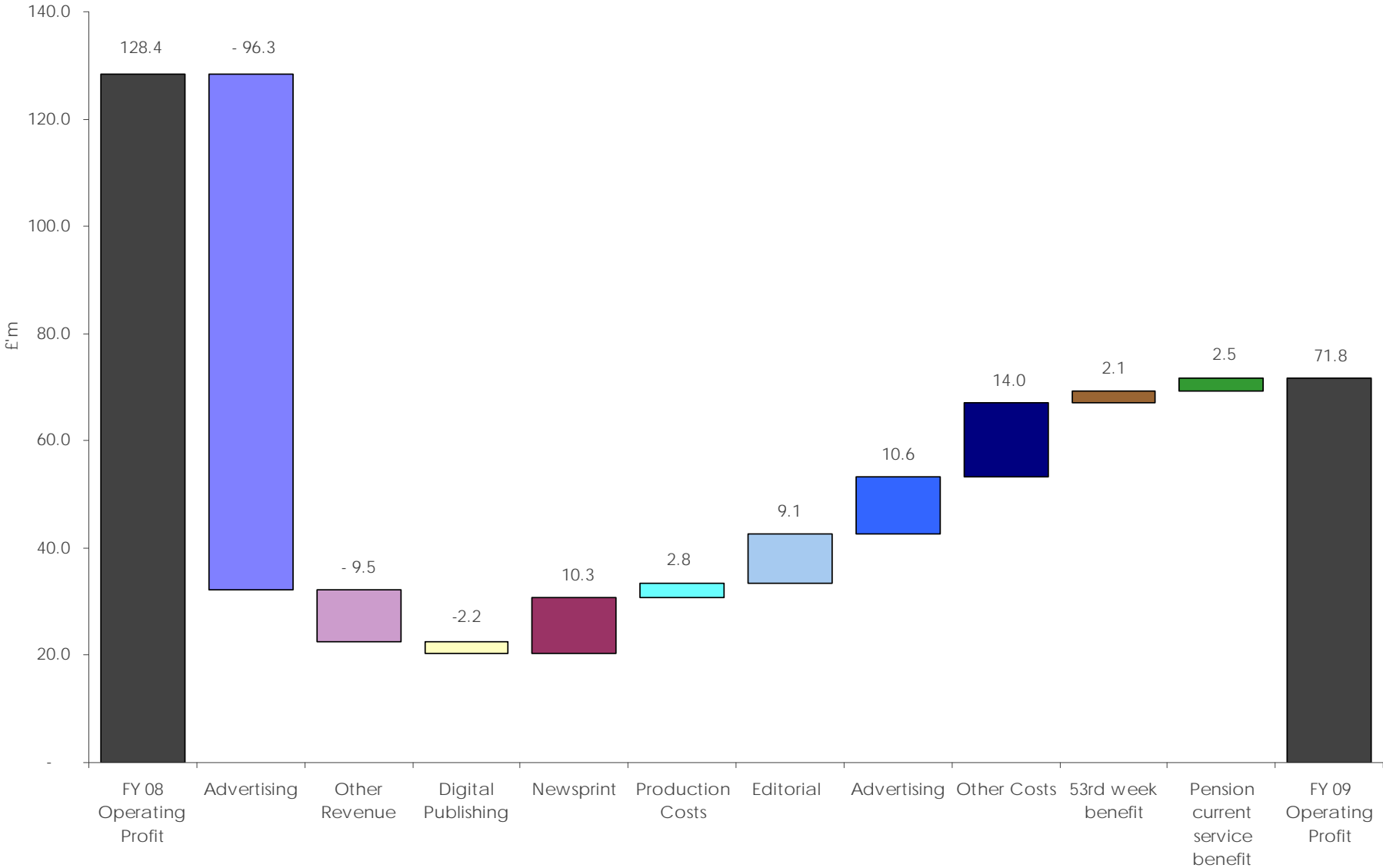
Group Publishing & Printing

52 weeks to 26 December 2009

	2009 £'m	2008 £'m	Change %
Advertising sales	254.3	350.6	(27.5)
Newspaper sales	99.7	101.4	(1.7)
Contract printing	30.6	34.1	(10.3)
Digital	17.6	19.8	(11.0)
Other sales	21.7	26.0	(16.5)
Total revenue	<u>423.9</u>	<u>531.9</u>	<u>(20.3)</u>
Newsprint	36.0	46.3	22.2
Production costs	51.5	54.3	5.2
Editorial	75.3	84.4	10.8
Advertising & marketing	50.5	61.1	17.3
Digital & systems	17.1	20.1	14.9
Distribution	38.4	44.1	12.9
Administration	62.4	68.9	9.4
Depreciation	23.0	24.3	5.3
Total costs	<u>354.2</u>	<u>403.5</u>	<u>12.2</u>
Operating profit	<u>69.7</u>	<u>128.4</u>	<u>(45.7)</u>
Operating profit/revenue	16.4%	27.9%	



Operating Profit Bridge



Group Cost Reductions

52 weeks to 26 December 2009

	2009	2008	Cost saving	Inflation	Pension	Underlying cost reduction
	£'m	£'m	£'m	£'m	£'m	£'m
Newsprint	36.0	46.3	10.3	4.5		14.8
Labour	180.3	209.6	29.3	0.5	(1.8)	28.0
Other	114.9	123.3	8.4	1.2		9.6
	<u>331.2</u>	<u>379.2</u>	<u>48.0</u>	<u>6.2</u>	<u>(1.8)</u>	<u>52.4</u>
Depreciation	23.0	24.3	1.3	0.0	0.0	1.3
Total Costs	<u>354.2</u>	<u>403.5</u>	<u>49.3</u>	<u>6.2</u>	<u>(1.8)</u>	<u>53.7</u>



Total Advertising Revenue by Category

	2009 52 weeks	2008 52 weeks	Variance %
Employment	42.0	82.3	(49.0)
Property	31.7	54.5	(41.8)
Motors	24.8	32.3	(23.3)
Other Classified	63.8	71.5	(10.8)
Display	95.3	110.0	(13.4)
	<u>257.6</u>	<u>350.6</u>	<u>(26.5)</u>
ROI	14.4	19.3	(25.3)
Group	<u>272.0</u>	<u>369.9</u>	<u>(26.5)</u>



Group Print Advertising Revenue - By Quarter (52 weeks)

	Q1 09	Q1 08	Var %	Q2 09	Q2 08	Var %	Q3 09	Q3 08	Var %	Q4 09	Q4 08	Var %
Employment	11.3	23.9	(52.8)	9.4	22.0	(57.1)	8.4	16.7	(49.7)	6.8	11.1	(38.8)
Property	7.8	18.4	(57.5)	8.6	17.2	(49.9)	7.9	11.2	(29.5)	7.0	7.2	(3.0)
Motors	6.6	9.3	(28.8)	6.2	8.7	(28.7)	6.4	8.2	(21.9)	5.2	5.8	(9.1)
Other Classified	15.1	17.2	(12.2)	14.5	16.8	(13.6)	13.9	16.1	(13.7)	13.6	15.0	(9.4)
Display	22.6	28.8	(21.6)	22.7	26.6	(14.8)	21.7	25.2	(13.8)	24.2	25.5	(4.9)
	<u>63.4</u>	<u>97.6</u>	<u>(35.0)</u>	<u>61.4</u>	<u>91.2</u>	<u>(32.7)</u>	<u>58.3</u>	<u>77.4</u>	<u>(24.7)</u>	<u>56.9</u>	<u>64.7</u>	<u>(12.0)</u>
ROI	3.8	5.3	(29.1)	3.9	5.3	(26.0)	3.3	4.4	(26.6)	3.4	4.2	(20.8)
Group	<u>67.1</u>	<u>102.9</u>	<u>(34.7)</u>	<u>65.3</u>	<u>96.5</u>	<u>(32.3)</u>	<u>61.5</u>	<u>81.8</u>	<u>(24.8)</u>	<u>60.3</u>	<u>68.9</u>	<u>(12.5)</u>



Like-for-Like Advertising Year to Date

	2010	2009	Change %
Employment	6,141	8,625	(28.8)
Property	5,966	5,720	4.3
Motors	4,127	4,690	(12.0)
Other classified	9,776	10,731	(8.9)
Display	15,828	15,523	2.0
Total UK print revenue	41,838	45,288	(7.6)
Digital	3,423	3,112	10.0
Total UK advertising	45,261	48,400	(6.5)
ROI	1,913	2,494	(23.3)
Total like-for-like advertising	47,174	50,894	(7.3)
Total statutory advertising	47,173	48,507	(2.8)



Cash Flow/Net Debt

	2009 £'m	2008 £'m	Change %
Operating loss	(90.6)	(399.7)	
Depreciation	42.0	31.8	
Movement in working capital	18.6	4.1	
Impairment and intangible adjustment	127.7	511.4	
Other movements	(3.8)	(3.1)	
Net cash flow from operating activities	93.9	144.5	(35.0)
Returns on investment and servicing of finance	(27.7)	(32.2)	
Taxation	(4.7)	(17.6)	
Net capital expenditure and financial investment	(3.0)	(21.4)	
	58.5	73.3	
Acquisitions and disposals	0.0	(1.5)	
Dividends	(0.2)	(19.4)	
Net cash flow before financing	58.3	52.4	
Financing	(66.2)	(254.9)	
Rights issue and subscription	0.0	205.2	
Increase in net cash	(7.9)	2.7	(392.6)
Opening debt	(477.3)	(691.7)	
Rights Issue and subscription of shares	0.0	205.2	
Translation	(3.1)	(43.2)	
Closing net debt (excluding issue costs)	(422.1)	(477.3)	



Net Debt/Interest Cover

As at		31.12.09	31.12.08	31.12.07	31.12.06
Net assets	(£'m)	370.0	513.8	683.8	573.8
Net Debt	(£'m)	422.1	477.3	691.7	746.4
Interest Cover	(times)	3.9	3.9	3.9	4.3
Net Debt / EBITDA		4.5	3.1	3.4	3.6



Capital Expenditure/Depreciation

53 Weeks to 2 January 2010

	2005	2006	2007	2008	2009	Budget 2010
	£'m	£'m	£'m	£'m	£'m	£'m
Capital Expenditure	61.4	56.3	25.5	23.2	3.9	10.0
Depreciation *	19.9	20.8	24.1	24.8	23.1	20.4

* Excluding write downs in non-recurring items





Strategy/
Operational Update



Strategy – Phase I

What We Said A Year Ago

The business faces a short term challenge caused by the cyclical downturn, which adds to the structural pressures. To address these issues a two phase approach is being adopted.

Phase 1: 2009

- Reduce cost base to mitigate declining revenues and to generate cash for debt repayment
- Maximise cash generation by reducing Capex, and asset sales where appropriate
- Refinance debt to ensure sufficient headroom to operate through downturn

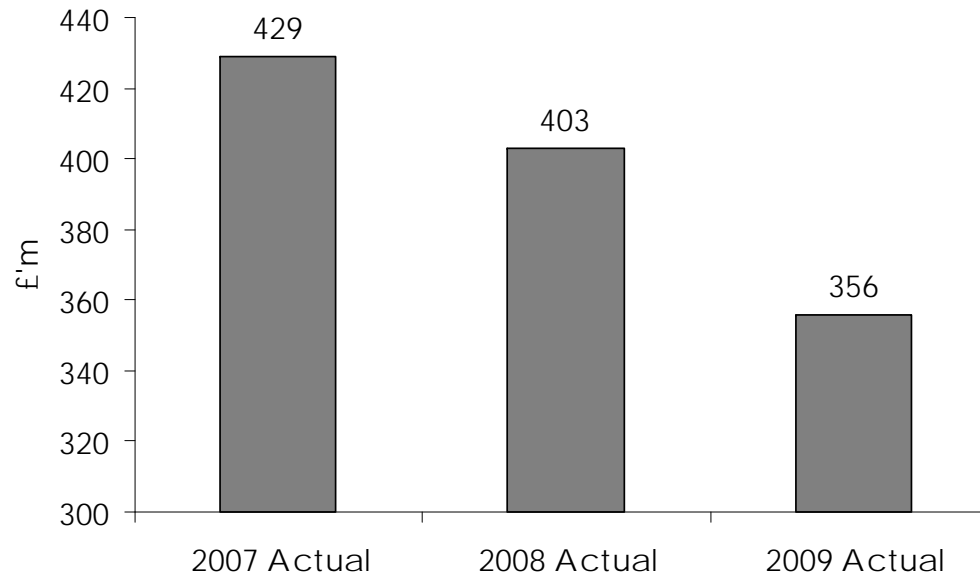
Phase 2: 2010 +

- Future growth by stabilising the newspaper business and exploiting opportunities in both digital and other adjacent markets



Cost

Total Costs 2007-09 (£'m)

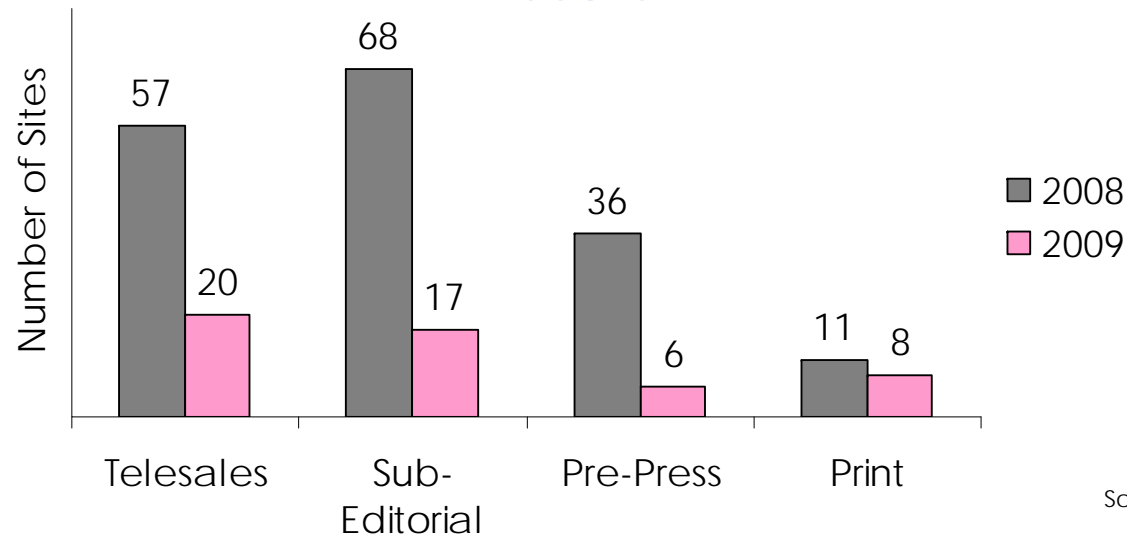


- Total savings 2009 vs 2007 of £73 million
 - 16% of total cost base
 - headcount reduction of around 1,900 from peak (over 25%)
- New initiatives for 2010 planned or underway
- Cost management remains an essential element of the strategy
 - a process of continuous improvement
 - improve quality of output as well as efficiency



Centralisation of Business Processes

Centralisation of Back Office Functions 2008-09



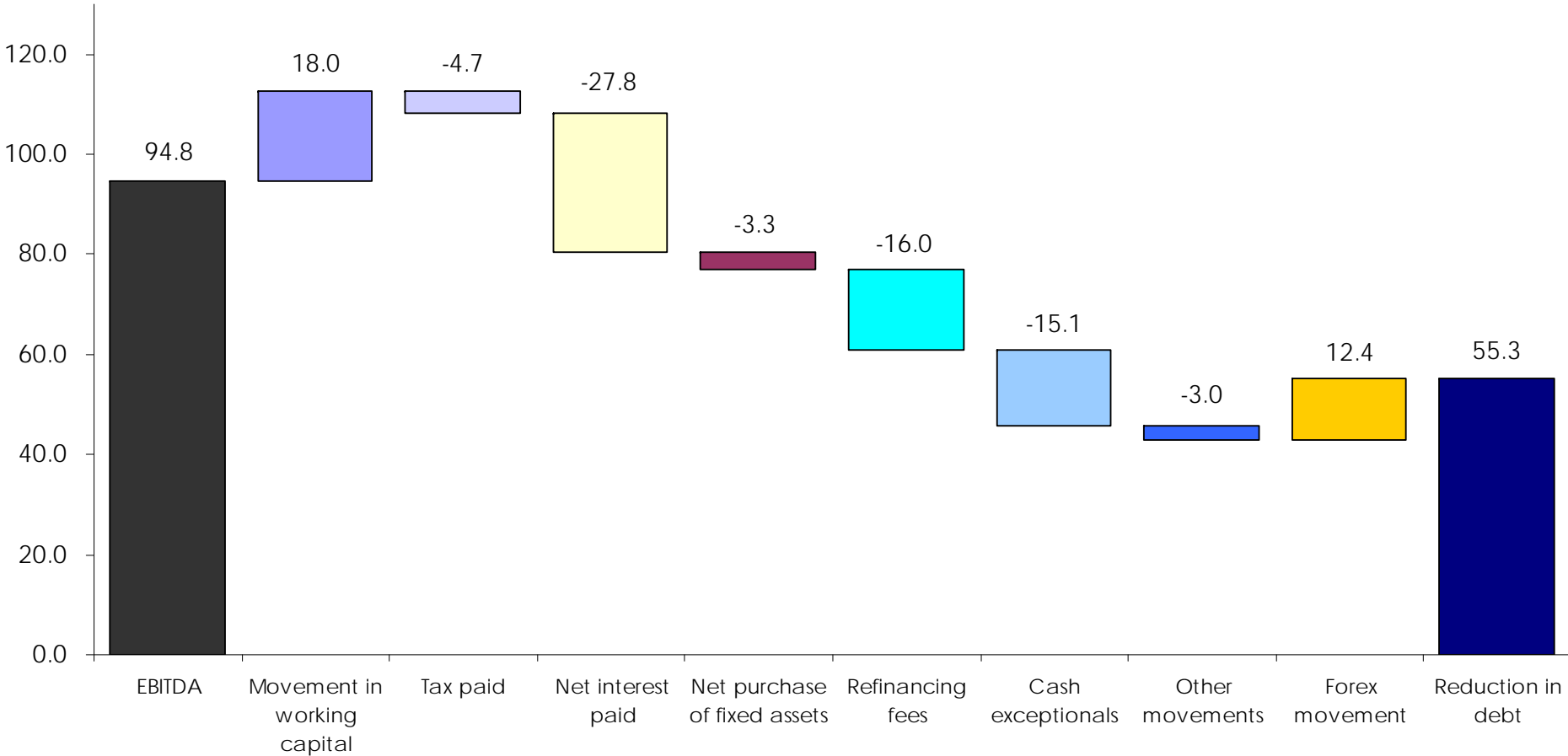
Source: Johnston Press

- Centralisation of all back office business processes during 2008-09
- Local community focus maintained by continued local presence of editorial and advertising field sales
- New content management system being implemented in 2009-10
 - further savings anticipated



Cash - Debt Bridge

53 weeks to 2 January 2010



Re-Finance Summary

- Agreed August 2009
 - 3 years £485 million
 - Secured
 - 5% share warrants
 - Fees of £16 million
- Increased borrowing costs
 - Based on Net Debt/EBITDA ratio
 - Includes a PIK
- Only £75 million scheduled amortisation
- Five Covenants
 - Quarterly
 - Net Debt/EBITDA
 - Interest Cover
 - Debt Service
 - Half Yearly
 - Net Worth
 - Annually
 - Capex
 - All had significant headroom at December 2009



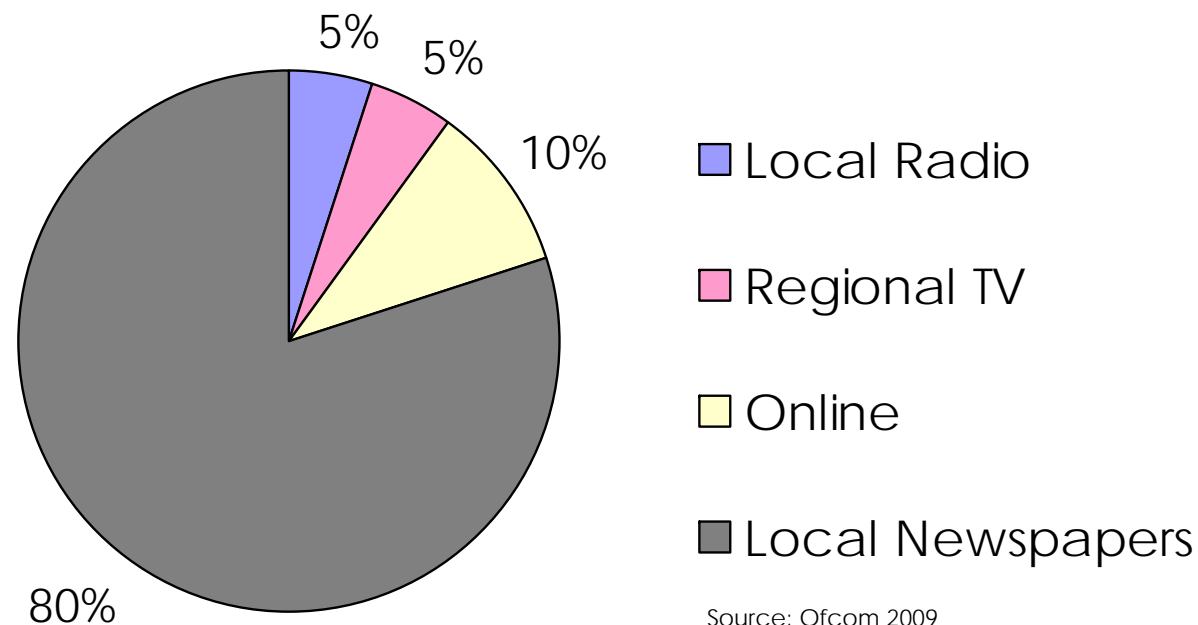


Strategy – Phase II

The Product Remains Strong

Our unique asset is the depth of our local journalism

Local Journalism by Platform (number of Journalists)



Source: Ofcom 2009

- Our audience believes our quality is improving
 - 90% of readers said that the quality of their local newspaper was the same or had improved over the past 2 years (Source: Ofcom, 2009)



Improving Newspaper Sales

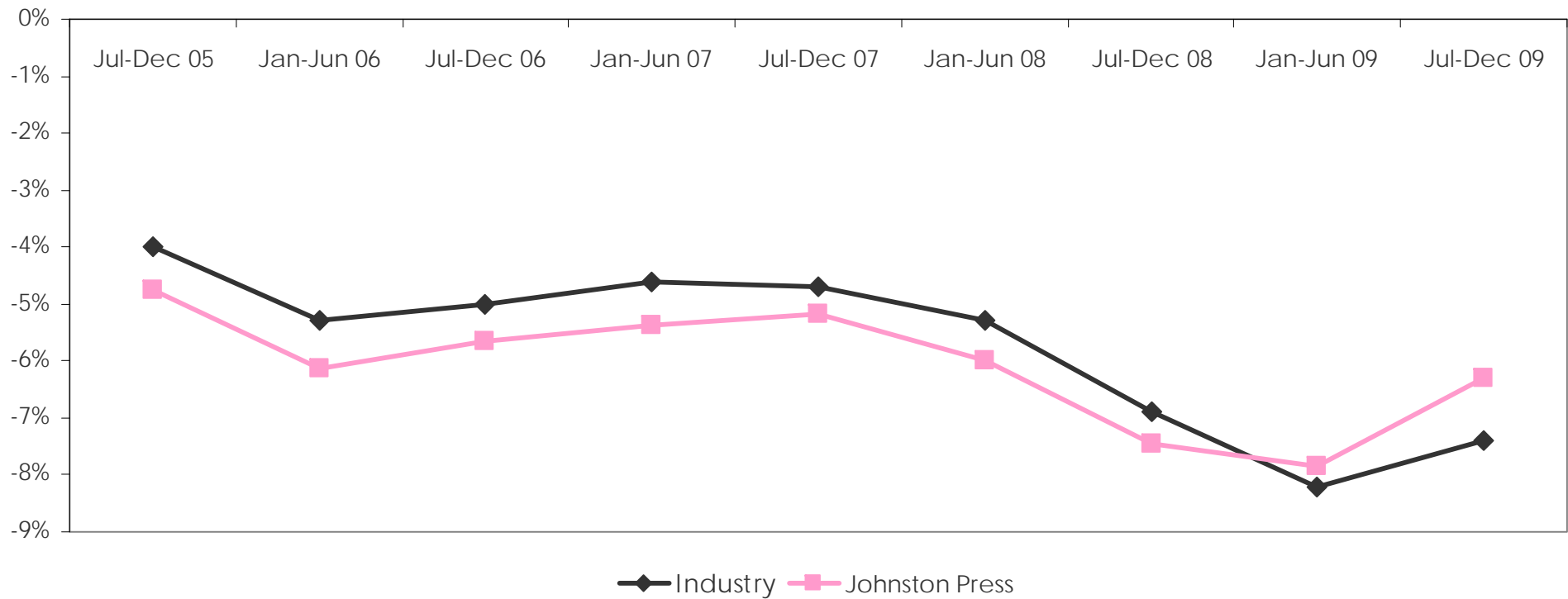
A strong Print business remains core to our success. Initiatives include:

- New organisation put in place to prioritise newspaper sales
- Increased home delivery and subscription focus
 - trialling subscription for paid for weeklies
 - reviewing the home delivery model for dailies
- Product quality measures
 - reader panels recruited
 - peer group reviews
 - increased pagination on some titles
- Managing the interaction of our websites and newspapers



Daily Titles Circulation Performance

YOY Performance of Daily Titles 2005-09

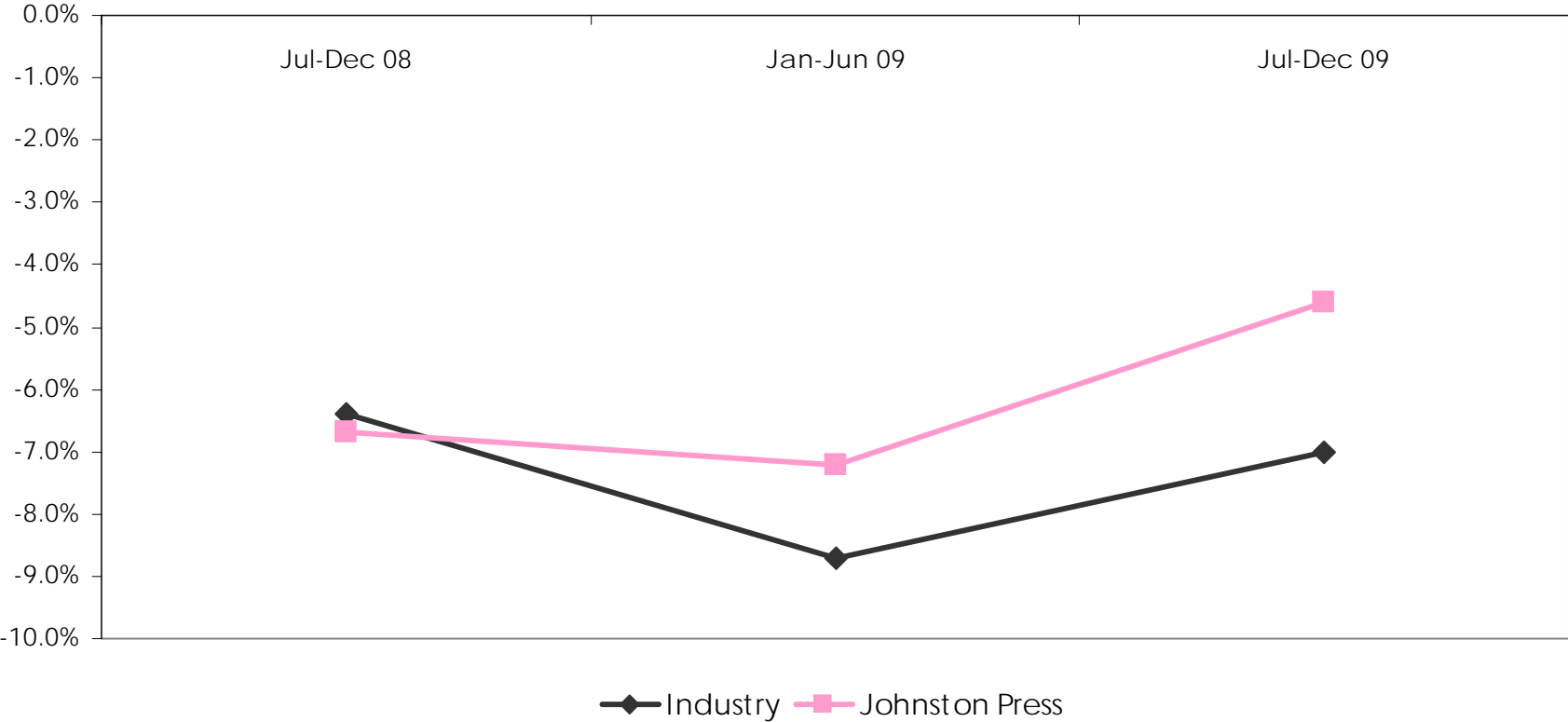


Source: ABC



Weekly Titles Circulation Performance

YOY Performance of Weekly Titles 2008-09

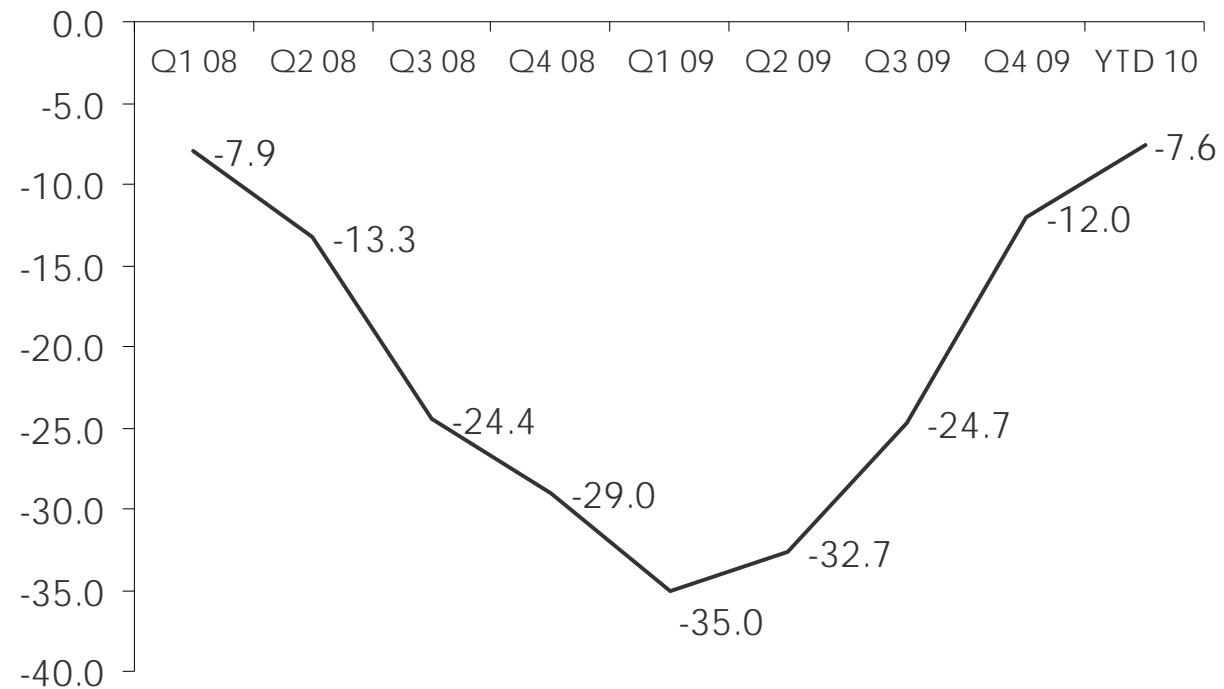


Source: ABC



Advertising Performance Through The Recession

Johnston Press UK Print Advertising Qtr vs Qtr 2007-10



Source: Johnston Press

- Seasonally adjusted weekly advertising revenues have been stable since Easter 2009
- Greater cyclical resilience of display compared to classified advertising
- Structural change greater in classified than in display



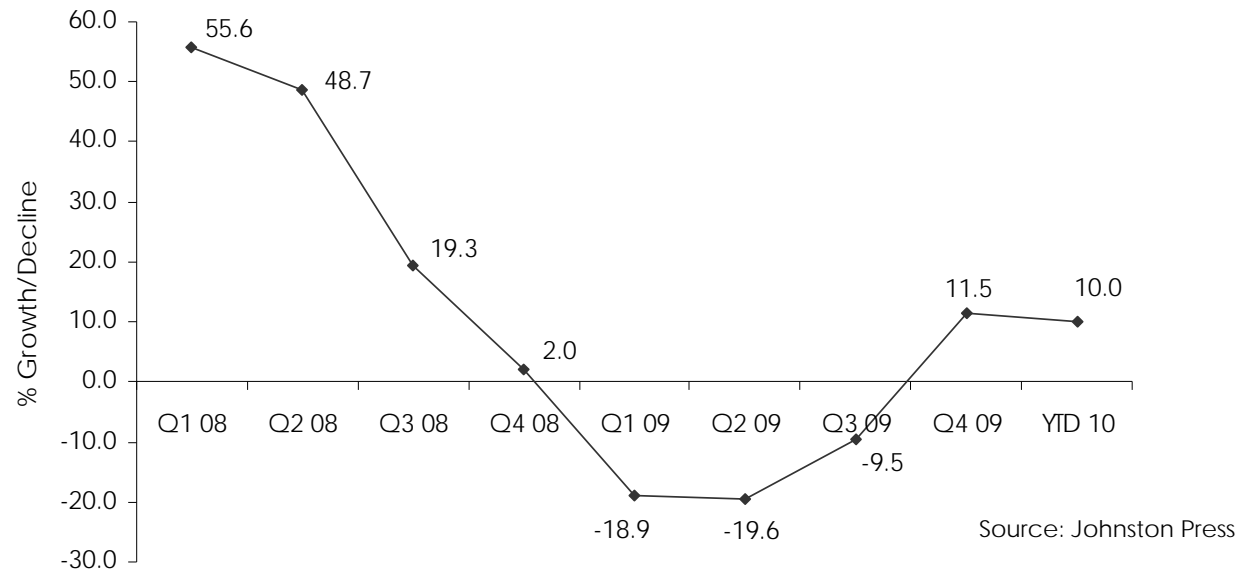
Digital

- Continued focused investment in digital
- Improve monetisation of classified verticals through partnerships with third parties
 - white label “best in class” such as DMGT’s Jobsite
 - possible cooperation with other brands
- 2010 implementation of full upgrade of all local websites
 - enhanced user experience
 - easier to upload UGC
- Open minded on pay walls
 - trial of paid for content in weeklies



Digital Performance

Johnston Press UK Digital Advertising Qtr vs Qtr 2007-10



- Digital followed the same cycle as print, albeit in a more extreme manner
- Jobs category drove negative revenue performance in 2009
 - total revenues: -10%
 - revenues excluding jobs: +4%
- Improved performance of jobs revenues from Q3 with the adoption of DMGT's Jobsite platform
- Continued very strong growth in audience
 - unique users: +25%*

* Source: Webtrends8



Developing Complementary Products

- Our focus is on adjacent areas of business where we can leverage:
 - brand strength
 - relationships with audience and advertisers
- Launching new initiatives during the current downturn is likely to prolong losses
- Trials are being run in a number of areas
 - events and exhibitions
 - magazines
- Bidding for the provision of local/regional television news in 2 of the 3 pilot regions – Scotland and North East
 - partnering with other media organisations
 - political uncertainty around the process





Summary/Outlook

Summary/Outlook

- Advertising stabilised during Q2 2009 and, on a seasonally adjusted basis, has been relatively constant since then
- Circulation trends improved during H2, particularly among weekly newspapers
- Digital revenues returned to growth in Q4
- Plans are in place to improve further our digital offering through partnerships/purchased software
- Active management of costs and cash allowed net debt to be reduced by £55million to £422 million
- The organisation remains focused on maximising the long term value of our newspapers
- Trading continues in line with expectations at the time of our restructuring. No immediate plans to raise capital



