

Half year results at 31 December 2007



ABC LEARNING CENTRES LIMITED

So much more than childcare!



Highlights

- Income up 66% to \$1.107bn.
- EBITDA up 25% to \$158.1m.
- Net Profit down 42% to \$37.1m due to one off charges totaling \$62.7m and seasonality of earnings.
- Interim results on target for all regions.
- Completed the refinance of debt facilities on 13 December 2007 with a 3 year syndicated facility of \$1.43b.
- Secured an additional \$150m of committed facilities.

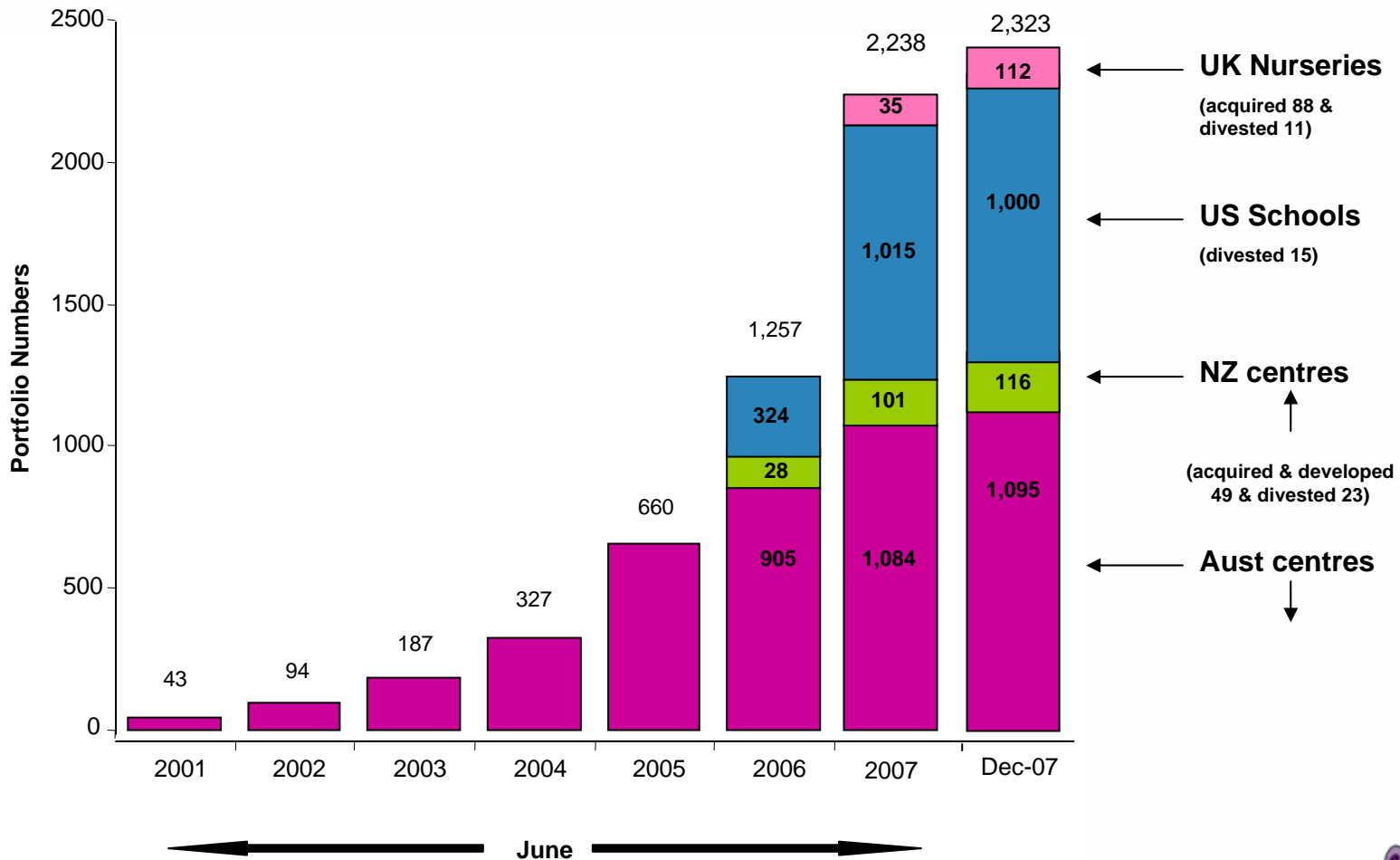


Highlights

- Integration of La Petite and Leapfrog on track and ahead of targets.
- Property sales on track to settle prior to 30 June 2008.
- Re-negotiated developers' agreement to reduce risk.
- Interim dividend of 8 cents fully franked with DRP being available at a 2.5% discount.



Portfolio Composition



Note: Centre numbers exclude franchise centres in the USA



Income Statement

\$m (unless stated otherwise)	Dec 2007	Dec 2006	% Change
Operating Income	1,035.3	658.1	58%
Voucher Revenue	14.2	-	
Capital and other Gains*	57.4	9.7	
Total Income	1,106.9	667.8	66%
EBITDA**	158.1	126.0	25%
Depreciation & Amortisation	35.4	14.5	144%
EBIT	122.7	111.5	10%
Interest (net)***	73.2	18.0	306%
Profit Before Tax	49.5	93.5	(47%)
Tax	12.4	29.6	
NPAT	37.1	63.9	(42%)
EPS - cents	7.9	16.2	(51%)
DPS - cents	8.0	8.0	-

Notes: * includes discount on Leapfrog acquisition of \$51.1 million

** includes a \$36.5m mark to market loss on Funtastic shareholding and final Share Plan expense of \$6.4m.

*** includes borrowing costs of \$17.8 million



Balance Sheet

\$m (unless stated otherwise)	Dec 2007	Jun 2007
Cash	135.1	227.8
Receivables	140.7	66.1
Other	86.4	86.0
Assets held for sale	179.9	12.0
Current Assets	542.1	391.9
Property Plant & Equipment	657.2	549.6
Intangibles	3,055.2	2891.1
Receivables	4.0	4.3
Deferred Tax Assets	115.8	110.0
Other	153.8	120.2
Non Current Assets	3,986.0	3,675.2
TOTAL ASSETS	4,528.1	4,067.1
Payables and Accruals	312.5	272.5
Borrowings	4.4	1,149.7
Current Tax Liabilities	-	12.3
Provisions & Other	22.9	19.4
Current Liabilities	339.8	1,453.9
Borrowings	1,808.1	610.4
Payables	17.3	12.3
Deferred Tax Liabilities	96.0	87.4
Provisions & Other	43.8	1.5
Non Current Liabilities	1,965.2	711.6
TOTAL LIABILITIES	2,305.0	2,165.5
NET ASSETS	2,223.1	1,901.6
Gearing (ND / ND + E)	43.0%	44.6%

Receivables increase represents:

- Trade debtors \$49.1m
- Trust a/c receivable (purchase of UK nurseries) \$13.7m
- Other receivables \$10m

Property



Cashflow Statement

\$m (unless stated otherwise)	Dec 2007	Dec 2006
Receipts from customers	988.3	611.6
Payments to suppliers	(907.2)	(547.4)
Gross Operating Cashflow	81.1	64.2

Significant improvement in working capital from PCP.

EBITDA	158.1	126.0
Changes in working capital	(26.0)	(57.4)
Share based payments	6.4	5.3
Other Income	(57.4)	(9.7)
Gross Operating Cashflow	81.1	64.2
Dividends	1.2	1.3
Interest (net)	(80.0)	(16.7)
Tax	(22.1)	(21.7)
Total Operating Cashflow	(19.8)	27.1

Negative operating cashflow results from net interest being disproportionately higher than underlying earnings in the USA.



Cashflow Statement (Con't)

\$m (unless stated otherwise)	Dec 2007	Dec 2006
TOTAL OPERATING CASHFLOW	(19.8)	27.1
Investing Cashflows		
Payment for Property, Plant & Equipment	(202.3)	(69.4)
Payment for Intangibles	(167.5)	(193.3)
Payment for Business	(73.8)	(262.5)
Other	(79.2)	(221.8)
Total Investing Cashflows	(522.8)	(747.0)
Financing Cashflows		
Proceeds from Share Issues –net of costs	434.9	-
Proceeds from Borrowings	878.5	876.7
Repayment of Borrowings	(802.9)	(108.3)
Dividends paid	(42.1)	(20.1)
Total Financing Cashflows	468.4	748.3
Net change in cash	(74.2)	28.4



Performance & Seasonality by Region

	Aust/NZ		US		UK	
	Dec Half	June Half	Dec Half	June Half	Dec Half	June Half
Income	50%	50%	48%	52%	40%	60%
EBITDA	40%	60%	25%	75%	35%	65%
D & A	50%	50%	50%	50%	50%	50%
Interest	50%	50%	50%	50%	50%	50%



Performance & Seasonality by Region (Con't)

- Aust/NZ EBITDA seasonality reflects a split of 40% / 60% as:
 - ABC now reviews fees twice a year (July and January) compared to a single review in July. The effect of this change was a reduction to EBITDA of ~\$15m in H1'08
 - There is a greater leverage to acquisitions in the second half (49 in H1 vs 118 in H2) than in previous years
- USA EBITDA seasonality reflects a split of 25% / 75%
- UK EBITDA seasonality reflects a split of 35% / 65% as a result of a full half contribution from the Leapfrog nurseries
- EPS growth of at least 15% confirmed



Capital Management

Debt Management

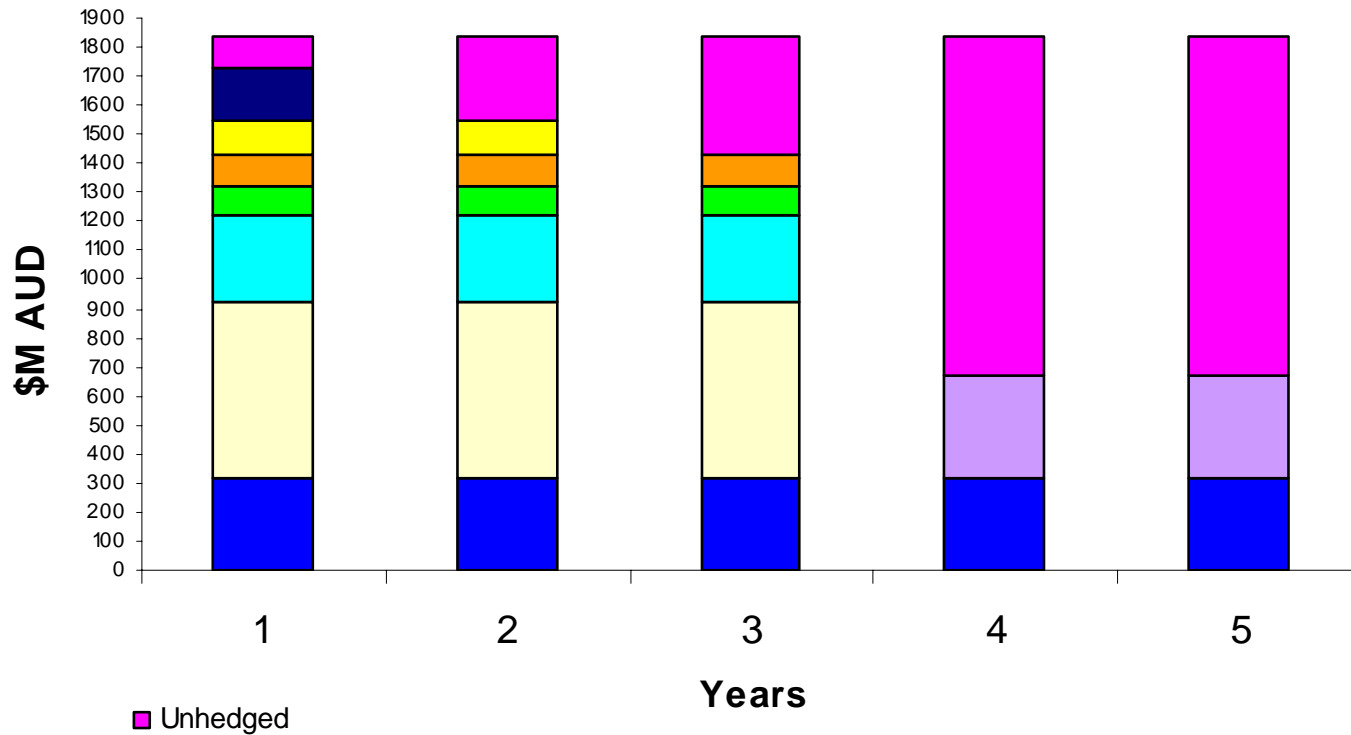
- Successfully completed the refinance of debt facilities on 13 December 2007 with a 3 year syndicated facility of \$1.43b.
- Successfully secured an additional \$150m of committed facilities.
- In accordance with ABC's treasury policy debt has been hedged in a range between 97% for 1 year and 36% for 5 years.
- ABC has also fully hedged the Reset Convertible Notes for a period of 3 years to December 2010.



Capital Management (Con't)

Hedging Profile

Interest Rate Hedge Positions as at 25/02/2008



Sale of Property Assets

- **By 30 June 2008 ABC intends to have sold the:**
 - Aust/NZ property portfolio;
 - UK property portfolio; and
 - majority of its US property portfolio.
- **Sale of these assets expected to generate in excess of \$250 million as follows:**

	Value
Aust/NZ Property	>\$ 50m
US Property #1	>\$ 50m
US Property #2	>\$ 25m
U.K. Property	>\$100m
Other	~\$ 25m

Properties will settle progressively throughout H2'08.



Capital Management

Capex/Acquisitions

	Aust/NZ	US
Capex		
H2 08	\$50m	US\$25m
FY 09	\$70m	US\$55m
Acquisitions in pipeline (non material)		
H2 08	\$137m	
Paid in advance	\$27m	
Annualised EBITDA forecast	\$37m	



- New Developers' Model commenced 1 July 2007 under which:
 - ABC now settles new developments when certain occupancy hurdles are achieved (65% in US & 80% in Aust/NZ).
 - The agreed multiple paid to the developer ranges from 4x EBITDA in the US to 6x in Aust/NZ.
 - The freehold property will continue to be sold to a REIT.
 - The Developer provides a turn key operation to ABC / LCG who manages the centre / school for a fee, up until settlement occurs.
 - A transition period applies in Aust/NZ from the previous model.



Group Profit & Loss Overview

Refer Appendix 1 for detail

	Segments				Consolidated
	AUST/NZ	US	UK Nurseries*	UK Vouchers	
Income	A\$517.3m	US\$384.2m	£21.7m	£6.4m	
Total COP	A\$125.7m	US\$55.1m	£2.9m	£3.2m	
SG&A	(A\$27.5m)	(US\$34.6m)	(£2.2m)	(£0.6m)	
Centre EBITDA	A\$98.2m	US\$20.5m	£0.6m	£2.6m	
D&A	(A\$24.1m)	(US\$7.1m)	(£0.9m)	(£0.2m)	
EBIT	A\$74.1m	US\$13.4m	(£0.3m)	£2.4m	
Other Items	A\$33.2m	US\$0.1m	£0.3m	-	
Segment EBIT	A\$107.3m	US\$13.5m	£-	£2.4m	
Segment EBIT - \$A	A\$107.3m	A\$15.1m	A\$-	A\$5.6m	A\$128.0m
Less Corporate Overhead					A\$5.3m
Reported EBIT					A\$122.7m

* Leapfrog contribution from 19 September 2007



Australia & New Zealand



The Labor Party's initiatives will have a favourable impact on the affordability of childcare including:

- Lifting the childcare tax rebate from 30% to 50%;
- Rebate to be paid quarterly not yearly; and
- Government assistance will now meet up to 82% of parent's costs.



- Continue acquisitions and constructions of 150 centres per year.
- The current pipeline for 2008/2009 is:
 - Australia 83 centres, 70 of which are new constructions; and
 - New Zealand 27 centres, 24 of which are new constructions.
- Grow revenue by 4% and EBITDA by 7% on core centres.
- Roll out of online centre curriculum.

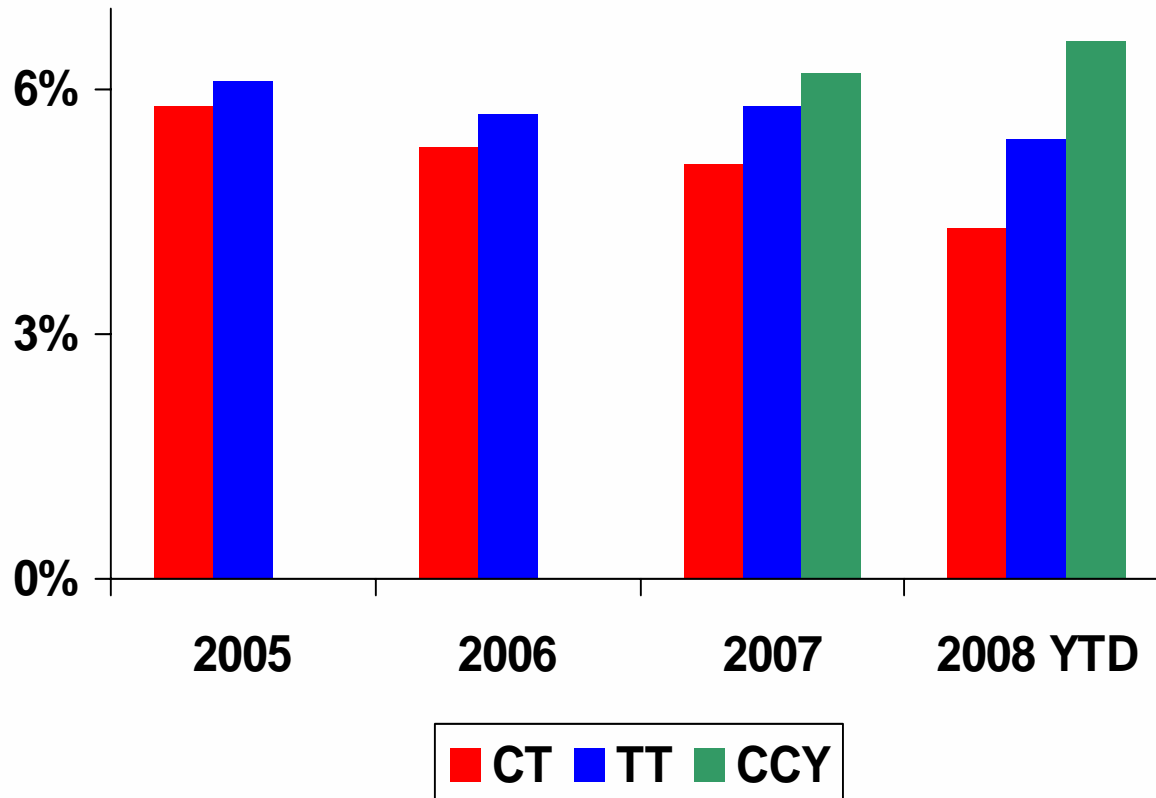


United States of America



School Revenue Increases

2005 – 2007 and H1'08 Comps

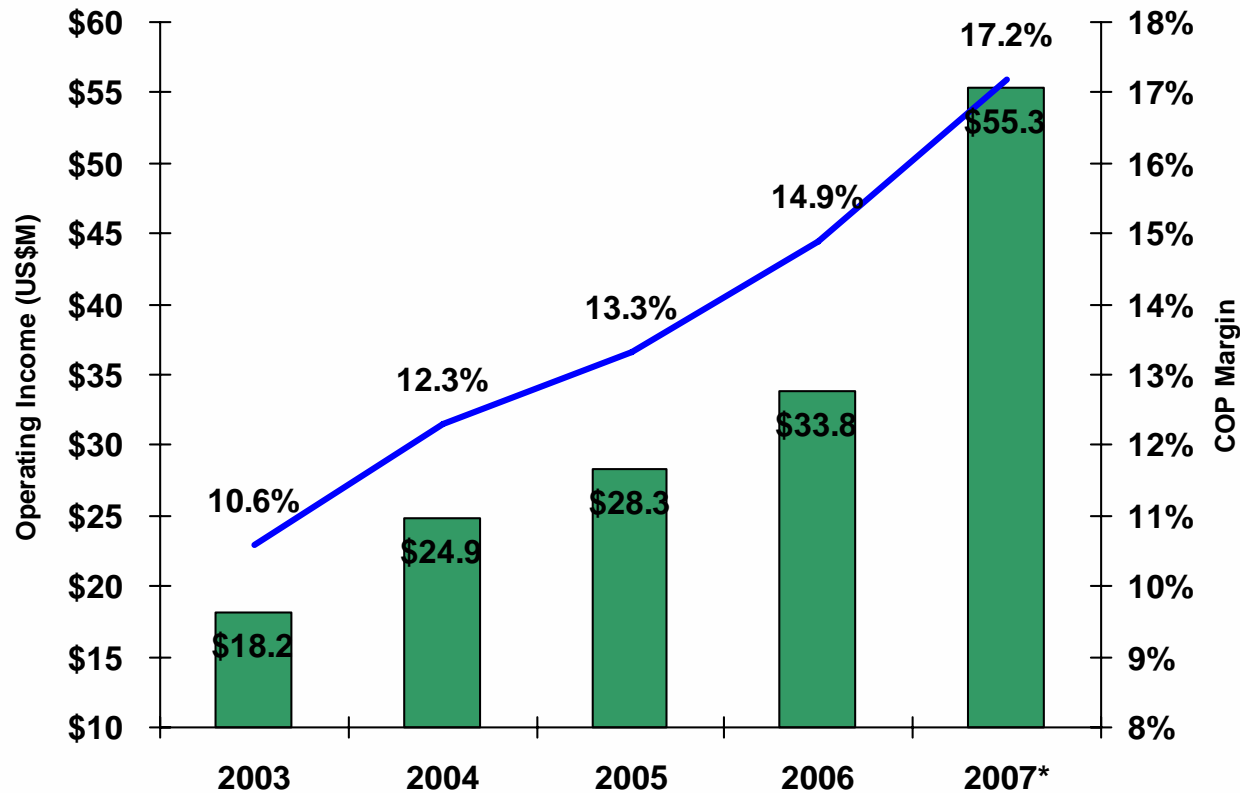


- All brands have achieved consistent comp revenues of 5% or better for 3 straight years
 - Pricing 3.5% - 4.5%
 - Utilization 1.0% - 2.0%
- Excluded La Petite



Centre Operating Income Improvements

2003 - 2007 Comps



Margin Drivers

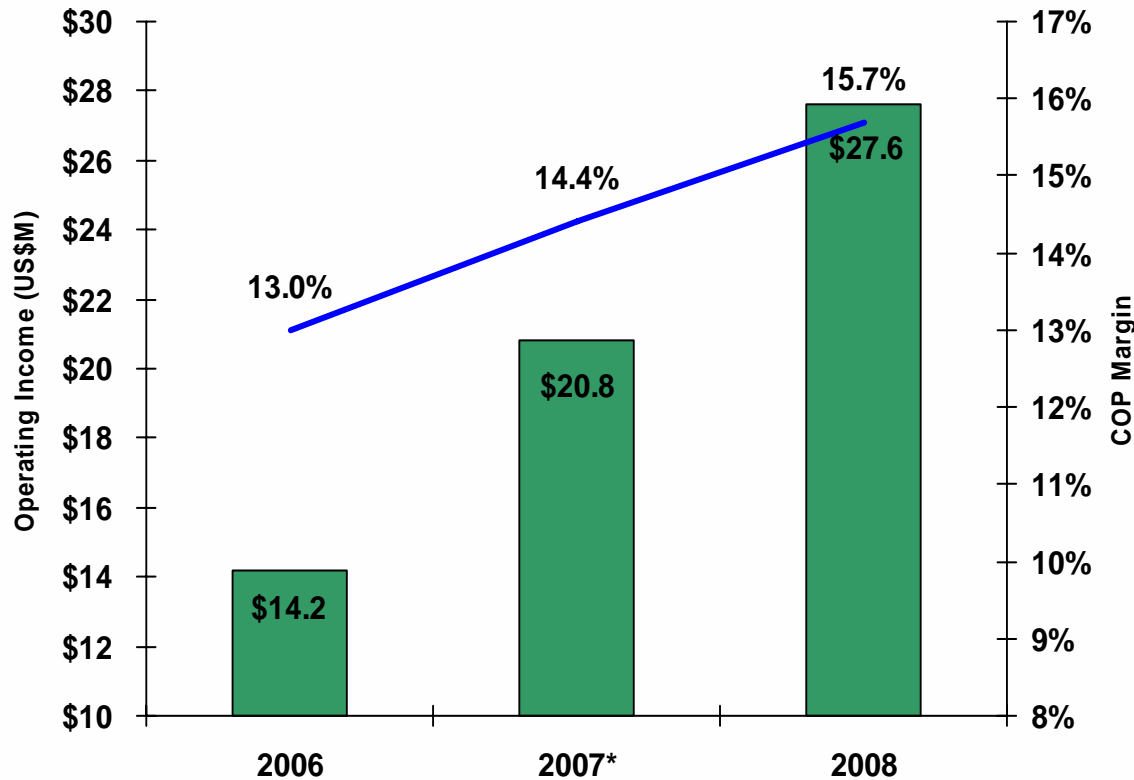
- Enrolment and pricing improvements with continued focus on school operating costs
- Addition of higher volume Children's Courtyard and Tutor Time Franchise Schools
- Closures of non-performing Childtime locations

* Excluded La Petite



Centre Operating Income Improvements

First Half Comps

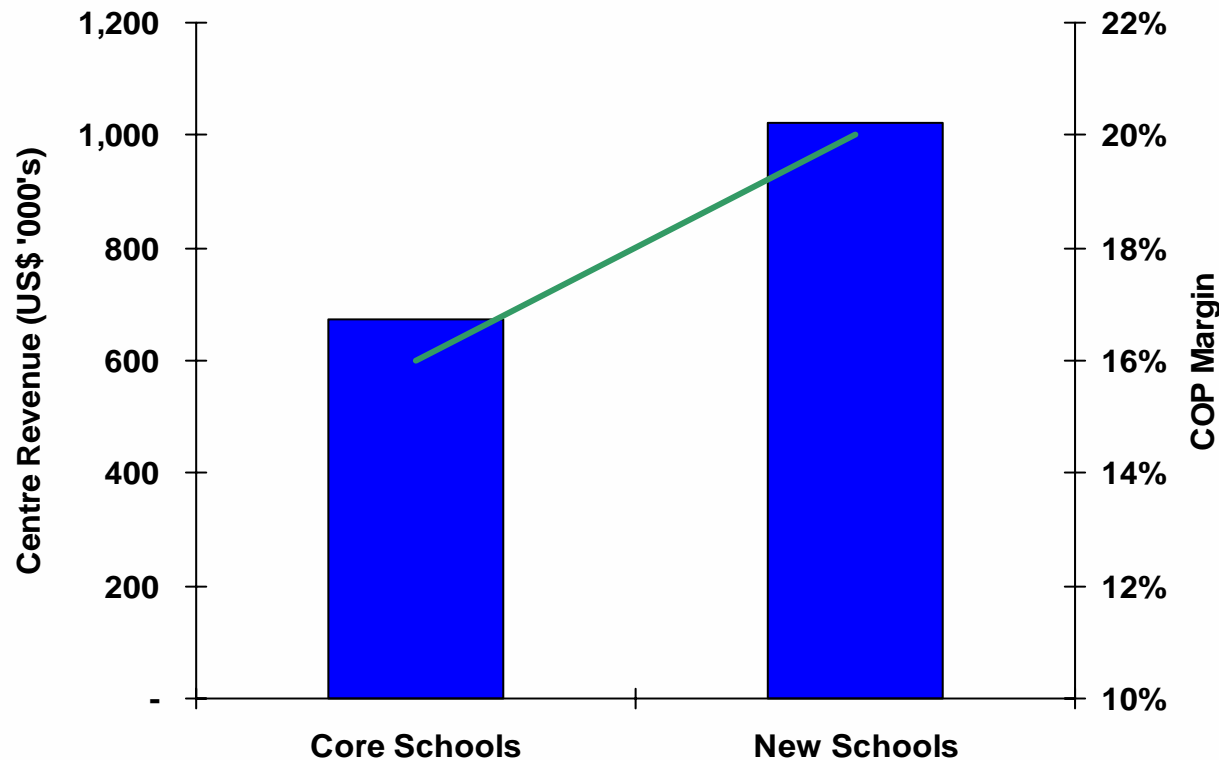


- Primary drivers have continued through H1 2008
 - Continued improvement in existing portfolio
 - Children's Courtyard results included in 2007 & 2008

*2007 results include consolidated results for the Children's Courtyard brand as of September 6, 2006. Results of the La Petite schools are omitted for comparative purposes



Development Schools delivering superior performance

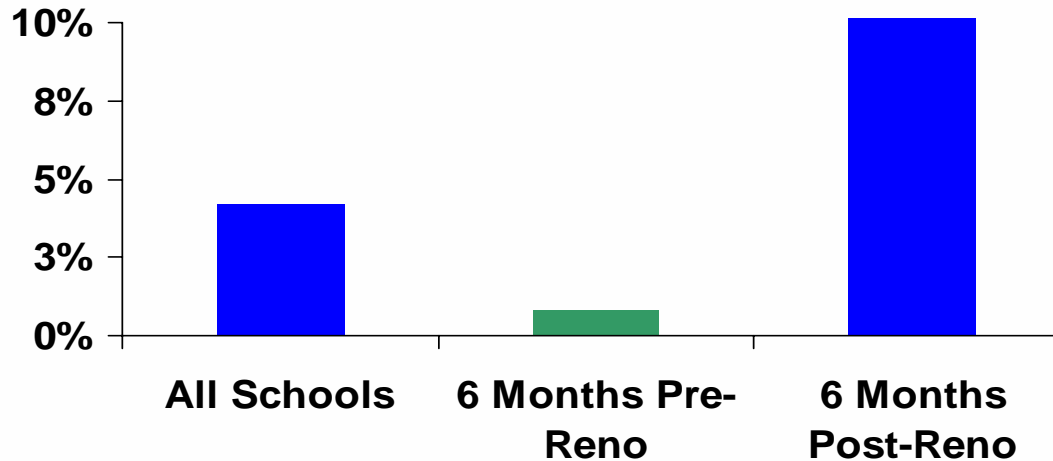


- Early stages of new school development
 - Developer model
 - Not mature yet – additional improvements expected
- Most recent openings have significantly outperformed existing portfolio
 - Ability to build in targeted demographic areas offering potential to maximize utilization and pricing opportunities. Based on 4 schools only.



Renovations achieving improved revenue performance

Renovations Group Comparable Revenue
%



- Strategic renovation investments implemented at “facility-challenged” locations with growth potential
- Completed renovations at 29 locations since March 2006
- Additional 60 schools in renovation pipeline
- Renovation data based on 26 schools



Dynamics Prior to acquisition

Prior to the Acquisition:

- Year-over-year decline in enrolments;
- Declining operating results;
- Lack of investment back into schools such as:
 - Outdated computers;
 - Outdated vehicles;
 - Lack of remodels; and
 - Under-equipped schools.
- Management attempting to drive results through financial controls instead of business fundamentals
 - Supply decisions lacked customer focus and operational efficiencies; and
 - Field management focused on audit instead of enrolment.
- Large span of control with inconsistent operational approach.



La Petite Improvements To Date

	<u>Projected</u>	<u>Actual</u>
Personnel	\$ 6,100	\$ 5,400
School Rationalisation	-	2,460
Insurance Consolidation	-	1,250
Travel & Meals	500	200
Legal	100	200
Rent & Utilities	450	100
Investment in operations	-	(1,775)
Other savings & operational improvements	425	875
EBITDA Improvement	<u>\$ 7,150</u>	<u>\$ 8,710</u>

- Represents internal projected first year savings compared to actual
- 6 Month run-rate is on track with projected G&A savings
- Synergy savings captured an additional \$1.2M insurance savings within core business



- **Presidential Race Gaining Momentum**

Both Democratic candidates have developed strong early education platforms. Focusing on a Zero to Five system and federal PreK.

- **Engaged Democratic Congress**

A Democratic House and Senate is also focused on early education, and are currently working to amend the federal No Child Left Behind Act to include PreK services.

- **Platform of State Governors**

In 2008, the number of Governors supporting state early education increases has risen to 43. This is an increase from 30 Governors in 2007.



- **Increased Funding at the State Level**

Funding for PreK has increased from US\$4.75bn in 2007 to US\$5.2bn at the beginning of 2008 with further anticipated growth this fiscal year.

- **Media Focus on Early Education**

Early education in the media has increased 10-fold since 2003.

- **Zero to Five Movement**

Similar to the US PreK movement. Supported by a myriad of groups such as the Pew Charitable Trust and individuals like Senator Barak Obama. Movement is gaining momentum and will serve as one of the catalyst to revamp the primary federal block grant that funds the national child care system.



Impact of Recession on US childcare market

- The need for early education to ready children for school, life and a future workforce.
- Children's learning from birth must be cultivated.
- Higher quality educational programs that meet government requirements.
- Government is increasingly seeking to guide parents to high quality programs through accreditation rating systems or more rigorous licensing systems.
- Increasing birth rates.
- Low unemployment.
- Demand for child care should remain high in a weakening economy due to the increasing participation rate of women in the workforce and rising number of single parent households.



ABC US Operations

- Located primarily in upper income areas where unemployment remains lower.
- New builds in targeted areas.
- Parents with upper and middle incomes seek out high quality services for their children.
- In low income areas government funding is available to increase access and affordability of quality care. If overall demand decreases, the higher quality provider is in a stronger position to deal with current environment.
- Aggressively pursue funding at lower income levels that is designed to mitigate economic circumstances.



- **Continued improvement in centre operating performance**
 - Growing emphasis on remodels as an enrolment driver; and
 - Continued focus on net revenue through volume and price.

- **Realisation of economic benefits from La Petite merger**
 - Benefits from real estate rationalisation; and
 - Continued recognition of expense reduction savings.

- **Focus on becoming Employer of Choice**
 - Teacher credentialing;
 - Training;
 - Retention; and
 - Added benefits.



- **Continued increase in number of accredited schools**
 - Presently over 300 in the accreditation pipeline; and
 - Approximately 50% of US portfolio are accredited or in the process of accreditation compared to the industry rate of ~7%.

- **Lead industry efforts in driving an improved early care and education delivery system (during and after the presidential election)**

- **Leverage technology**
 - Call Centre;
 - Customer Relationship Management; and
 - PeopleSoft HR/Payroll.

- **Continued G&A leverage improvement**



United Kingdom



- Renovate identified Leapfrog sites.
- Drive operational performance of Leapfrog sites towards Busy Bees' levels.
- Identify new acquisitions and develop pipeline of new sites.
- Conclude sale and leaseback process.
- Further develop Busy Bees' nurseries profile throughout the U.K. childcare sector.
- Continue to drive voucher revenue growth.

Conclusion

- Confirm 15% EPS growth for FY 2008.
- No plans to issue new equity within 12 months (with the exception of the DRP).
- Continue to acquire non-material acquisitions.
- Interim fully franked dividend declared of 8 cents.
 - DRP in operation with 2.5% discount
 - Ex-dividend date 14 March 2008
 - Record date 20 March 2008
 - Payment date 4 April 2008



Appendix 1 Group Profit & Loss Overview

	Aust/NZ		US		UK		Vouchers		Total	
	FY'07	H1'08	FY'07	H1'08	FY'07	H1'08	FY'07	H1'08	FY'07	H1'08
Centres at start of period		1,185		1,015	35	35				
Disposed		(23)		(15)		(11)				
Acquired		49		-		88				
Centres at end of period	1,185	1,211	1,015	1,000	35	112				
FY'07 Contributing Centres		1,162		1,000		35				
H1'08 Contributing Centres		49		0		77				
Total Centres	-	1,211	-	1,000	-	112	-	-		
	A\$m		US\$m		GBPm		GBPm		A\$m	
FY'07 Contributing Centres Inc.		\$506.7		\$384.2		£10.6				
H1'08 Contributing Centres Inc.		\$10.6		\$0.0		£11.1				
Total Centre Income	\$894.0	\$517.3	\$514.8	\$384.2	£10.2	£21.7	£5.3	£6.4		
FY'07 Contributing Centres COP		\$122.3		\$55.1		£2.4				
H1'08 Contributing Centres COP		\$3.4		\$0.0		£0.5				
Total COP	\$260.0	\$125.7	\$85.0	\$55.1	£1.4	£2.9	£3.3	£3.2		
SG&A	(\$42.0)	(\$27.5)	(\$44.5)	(\$34.6)	(£0.8)	(£2.3)	(£0.6)	(£0.6)		
Centre EBITDA	\$218.0	\$98.2	\$40.5	\$20.5	£0.6	£0.6	£2.7	£2.6		
D&A	(\$30.0)	(\$24.1)	(\$6.6)	(\$7.1)	(£0.4)	(£0.9)	(£0.2)	(£0.2)		
EBIT	\$188.0	\$74.1	\$33.9	\$13.4	£0.2	(£0.3)	£2.5	£2.4		
Other Items	\$49.0	\$33.2	\$0.0	\$0.1	£0.0	£0.3	£0.0	£0.0		
Segment EBIT	\$237.0	\$107.3	\$33.9	\$13.5	£0.2	£0.0	£2.5	£2.4		
Segment EBIT (\$A)	\$237.0	\$107.3	\$41.2	\$15.1	\$0.4	\$0.0	\$6.0	\$5.6	\$248.6	\$128.0
Less Corporate Overheads									(\$10.4)	(\$5.3)
REPORTED EBIT									\$238.2	\$122.7

