ASX Announcement **26 February 2015**

PMP LIMITED FY15 FIRST HALF RESULTS

Steady Progress ; Full Year Guidance Reaffirmed

PMP is continuing to deliver solid results with an increased profit for the half year to 31 December 2014. Debt has more than halved over the last 12 months and EBIT, EBITDA and Net Debt guidance for the FY15 year have been reaffirmed.

KEY POINTS

- **PMP's transformation strategy remains on track:**
  - Net Profit (after significant items) was $4.3M, compared to $0.8M in the prior corresponding period (pcp);
  - EBIT (before significant items) was $15.7M compared to $16.5M pcp, in line with full year market guidance;
  - Free cashflow $14.1M vs $14.7M pcp;[1]
  - Normalised EBIT (before significant items) at $17.1M was up $0.1M pcp or 0.9% (see Schedule 1);
  - Net Debt reduced to $40.0M, down by 51% from $81.3M pcp at December 2013 ;
  - Cash interest paid fell $3.0M pcp.

- **Clear strategy and disciplined execution are delivering benefits**:
  - Strategies to transform costs and minimise financial risk largely completed
  - Net Debt to EBITDA (pre significant items) reduced to 0.7x from 1.2x;
  - Net significant items totalled $4.5M compared to $9.4M pcp.

- **A sustainable and profitable PMP** :
  - PMP New Zealand had a strong result with EBIT up 17% pcp as a result of strong cost controls and a 6% increase in sheetfed revenues;
  - Griffin Press revenues were up 26% on new contract wins;
  - PMP Australia's print sell price has stabilised. Catalogue volumes were down 6% pcp, primarily due to the decision not to re-sign negative and low margin contracts which accounted for 5% of the decline ;
  - New print and distribution contracts secured for circa $20M, starting Q4 FY15
  - Full year net debt guidance reaffirmed at $17M-$22M .

KEY FINANCIALS HALF YEAR FY15

$M	1H FY15	1H FY14	%
Sales Revenue	**427.3**	463.0	(7.7)
EBITDA (before significant items)	**31.4**	33.7	(6.7)
EBIT (before significant items)	**15.7**	16.5	(4.8)
Net Profit (before significant items)	**7.5**	7.4	1.2
Net Profit (after significant items)	**4.3**	0.8	-
Free Cash Flow	**14.1**	14.7	(4.2)
Net Debt	**(40.0)**	(81.3)	50.8
Earnings Per Share (before significant items)[2]	**2.3**	2.3	

[1] Free cashflow is defined as EBITDA (pre significant items) less interest paid, income tax, capex and movement in working capital.

[2] Earnings per share is defined as net profit after tax (pre significant items)/weighted average shares

COMMENTARY

PMP CEO, Peter George, said, “The company has delivered another solid result, in line with market expectations. It was pleasing to see the company return another bottom-line profit, with EBIT and EBITDA consistent with guidance. Net Debt has been reduced by 51% over the last 12 months and is at a new all-time low, a clear indication of our cash generating capability.”

“The company is making steady and relentless progress towards its ultimate goal of delivering acceptable returns to its shareholders on a sustainable basis.”

“Over the past few years PMP has gone through a period of major transformation as we have largely completed the first two of our three strategic priorities: cost base reduction and financial risk minimisation resulting in a substantial reduction of our cost base and going forward the company is focusing on a process of continuous improvement. Debt has also been substantially reduced with net debt at June 2015 expected to be $17M-$22M providing the platform for the company to be net debt free by June 2016 in accordance with our three year goal.”

“We are continuing to focus on the third strategic priority, which is to build a more profitable and sustainable PMP by focusing on the company’s core expertise in print and distribution. To this end we have continued to enhance our competitive strengths. We can offer nationwide bundled printing and distribution solutions to our major customers, delivering the benefits of the co-location of our print and distribution services and realigned functional workforce. These strengths allow us to offer our customers a competitive, integrated service in a timely manner.”

“In Australia we have also recently won a number of print and distribution contracts with annualised revenues of circa $20M. The benefits of these will commence in the fourth quarter of the current financial year.”

“We are improving our relevance to retailers who recognise the value of catalogues as an effective selling tool, either as a mass marketing medium or as part of a targeted campaign. The relevance is evidenced by the relative market stability of catalogues delivered over recent years. Industry statistics reflect that catalogue volumes have remained stable when compared to 2009 levels at 7.9 billion items pa. Our capability to assist retailers to target versions of their catalogues to specific geographic and demographic audiences continues to develop.”

“The current subdued retail environment has encouraged retailers to experiment with how often they issue their catalogues and how many pages they contain as they identify the most appropriate mix for their business. Nevertheless, while this has impacted catalogue distribution in the first half of fiscal 2015, catalogues continue to be a critical element of retail marketing and we expect this core part of our business to strengthen in line with the retail sector as it has done through previous economic cycles.”

“The company continues to position itself to take advantage of any opportunities that may arise from any structural realignment of the print industry.”

Operating Performance

In first half fiscal 2015, EBIT (before significant items) at $15.7M was $0.8M or 4.8% lower compared to $16.5M pcp as higher profits at PMP New Zealand and Griffin Press were offset by lower print and distribution revenues in PMP Australia. Cash interest paid fell $3.0M from $7.4M pcp to $4.4M.

Sales at $427.3M were down by $35.7M or 7.7% pcp, $23M of which related to lower volumes at Gordon and Gotch. Sales in the core Heatset print and Distribution sectors were down $14M or 5.6%. Improved EBIT (pre significant items) was achieved at PMP New Zealand and Griffin Press.

"Pricing appears to have now stabilised in Australian Heatset printing with no further softening over the past six months. Heatset continues to be challenged by structural factors such as excess industry capacity in Australia, although there are indications that this situation is gradually improving," Mr George said.

After taking into account the impact from property sale and leaseback onerous leases for Chullora/Digital and significant items normalised EBIT at $17.1M is up by 0.9% or $0.1M pcp (see details on schedule 1).

PMP Australia

$M	H1 FY15	H1 FY14	%
Sales Revenue	**218.6**	230.3	(5.1)
EBIT(before significant items)	**12.0**	12.8	(6.6)

Lower volumes in heatset and distribution were offset by transformation savings, general cost controls and lower depreciation. The majority of the EBIT reduction pcp is due to higher property rent and less onerous lease savings.

Catalogue selling prices have stabilised in a subdued retail market. This is significant given the scale of industry overcapacity induced, price erosion in recent years. Catalogue volumes were down 5% pcp due to the company not pursuing low and negative margin contracts, and a further 1% lower due to a reduction in pagination from existing customers (like for like).

Book printing at Griffin Press returned a strong result with revenues up 26%, retaining existing contracts and winning new business. Nielsen bookscan data in the first nine months of 2014 indicates 1.8% rise in books sold in key global markets with a 2.3% increase in book sales in Australia. A new digital press has been commissioned to assist with the increased activity and to position the business for the future.

Distribution volumes fell by 8% pcp, 3% of which is due to reduced catalogue frequency (eg weekly to fortnightly) from an existing customer- and 4% was due to an insolvent customer.

PMP New Zealand

$M	H1 FY15	H1 FY14	%
Sales Revenue	**77.3**	83.7	(7.7)
EBIT(before significant items)	**6.4**	5.5	17.0

PMP New Zealand EBIT (pre significant items) of $6.4M, was up $0.9M on pcp. The main factors were a 6% increase in sheet-fed sales, a 2% increase in heatset print volumes, and further cost savings. Distribution volumes fell 10% pcp due to a reduction in delivery frequency from existing customers.

Gordon & Gotch

$M	H1 FY15	H1 FY14	%
Sales Revenue	**131.4**	149.1	(11.8)
EBIT(before significant items)	**0.6**	0.8	(32.7)

Gordon & Gotch returned an EBIT (pre significant items) of $0.6M for the period, down $0.2M on pcp due to a 6.5% reduction in volumes which was partially offset by additional cost reductions.

Cash Flow

Cash from operations, as per the Appendix 4D, was $14.4M, up $0.8M pcp due to lower significant items and borrowing costs partially offset by working capital movements and lower EBITDA.

Free Cash Flow[1] remains a key feature of the PMP business model and is our key financial metric. At $14.1M it was broadly in line with pcp as lower interest payments and reduced capex were offset by lower EBITDA and working capital movements YOY.

Significant Items

In H1 FY15, $4.5M of significant items were booked for transformation which included $2.8M of restructuring costs and a final provision of $1.7M to finalise the exit from the previously vacated Chullora site.

Debt

The company continues its steady progress on reducing debt. Net Debt was down by 51% during the last 12 months to a new low of $40.0M, compared to $81.3M pcp at December 2013. Net Debt to EBITDA (pre significant items) has reduced from 1.2x to 0.7x.

In February we exchanged contracts for the sale/leaseback of our Christchurch property for net proceeds of NZ$8.2M with settlement in June 2015 for a second half accounting profit of NZ$3.8M.

OUTLOOK

"We are confident in the sustainability of catalogues as a competitive and effective marketing tool for retailers. We are also confident of our ability to build a sustainable, profitable and cash generating business model as the leading integrated provider in this market."

While retail conditions remain subdued, we are on track to deliver our strategic goals and reaffirm the full year guidance provided at the AGM :

- FY15 EBITDA (pre significant items) to be in the range of $56M-$60M, and
- EBIT (pre significant items) to be in the range of $24M-$28M.
- Full year net debt guidance is also reaffirmed at $17M-$22M.
- Capital management plans announced at AGM are on track

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[1] Free cashflow is defined as EBITDA (pre significant items) less interest paid, income tax, capex and movement in working capital.

Schedule 1

	FY15 H1			FY14 H1
EBIT as reported	11.2			7.5
Significant Items	4.5			9.0
EBIT (before significant items)	15.7	(4.8%)		16.5
property rent new	3.0			2.6
Lease saving (Chullora/Digital)	(1.6)			(2.1)
normalised EBIT	17.1	0.9%	normalised EBIT	17.0

FY15 full year EBIT guidance $24M-$28M