ASX Announcement **28 August 2014**

PMP LTD FY14 FULL YEAR RESULTS

PMP - Profitable, Debt at Historical Low

The strategy to transform PMP into a leaner, stronger and more customer focused company continues to deliver the results.

KEY POINTS

- **PMP's transformation strategy remains on track with strong free cashflow:**
  - Net Profit (after significant items) was $3.4M, compared to a Net Loss (after significant items) of $70.2M in the previous corresponding period (pcp);
  - EBIT (before significant items) was $28.8M compared to $33.8M pcp, in line with full year market guidance;
  - Free cashflow $44.0M vs $27.5M in the previous corresponding period (pcp); [1]
  - Normalised EBIT (before significant items) down $3.4M or 10.2% (see schedule 1);
  - Net Debt reduced to $51.7M, down by 42% from $89.1M pcp exceeding guidance;
  - Cash interest paid fell $6.5M pcp.

- **Clear strategy and disciplined execution are delivering benefits**:
  - Transformation Plan Phase 3 in Australia successfully completed and delivered the anticipated results;
  - Net Debt to EBITDA (pre significant items) reduced to 0.8x from 1.2x;
  - Net significant items totalled $9.1M compared to $88.5M pcp.

- **A sustainable and profitable PMP continues to emerge**:
  - PMP Australia's key catalogue print business showing resilience, despite softer retail markets with volumes down 3%;
  - Directory volumes were lower as expected, down 72%;
  - Distribution volumes across the company were up 9.5% and Gordon & Gotch, Griffin Press and PMP NZ all had improved EBIT (pre significant items);
  - $50M corporate bond successfully issued.

KEY FINANCIALS FY14

$M	FY14	FY13 [2]	%
Sales Revenue	**899.2**	975.8	(7.8)
EBITDA (before significant items)	**63.4**	71.6	(11.4)
EBIT (before significant items)	**28.8**	33.8	(14.7)
Net Profit (before significant items)	**11.8**	14.3	(17.8)
Net Profit/ (Loss) (after significant items)	**3.4**	(70.2)	-
Free Cash Flow [1]	**44.0**	27.5	60.0
Net Debt	**(51.7)**	(89.1)	42.0
Earnings Per Share (before significant items)	**3.6**	4.4	

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

[2] Restated balance $0.6M for June 2013 due to AASB 119 Employee Benefits policy change. Reduces EBIT (before significant items) from $34.4M to $33.8M.

COMMENTARY

The company has delivered the expected results, which the Board believes vindicates its current business strategy despite the tough market conditions that were evident in the prior year and have continued through FY14.

PMP will continue to face challenges until the industry undergoes substantial structural realignment. The strategy to transform the company into a stronger and more profitable industry leader has enabled it to return a modest net profit (after significant items) for the period.

Strategic direction

PMP CEO, Peter George, said, "The company has delivered a solid result in line with market expectations. EBIT and EBITDA were consistent with guidance and it was heartening to see a small bottom-line profit being recorded. Net Debt was reduced by 42% over the period and is now the lowest in the company's 23 year history, a clear indication of our cash generation capability."

"The company has gone through a significant transformation over the past eighteen months and we have successfully implemented the first two priorities of our three stage strategic vision which we detailed last November at our Annual General Meeting (AGM). We have substantially reduced the cost base of the business and also considerably reduced financial risk. We continue to focus on the third priority, which is to build a more profitable and sustainable PMP."

"As part of this we have enhanced our ability to offer nationwide bundled printing and distribution solutions to our major customers and this is proving to be an increasingly attractive option for a number of our largest accounts."

"We are also improving our relevance to retailers. There is an increased recognition by major retailers of the value of catalogues as an effective selling tool and we are developing our capability to assist retailers in targeting versions of their catalogues to specific geographic and demographic target audiences."

Operating Performance

In fiscal 2014, EBIT (before significant items) at $28.8M was $5.0 million or 14.7% lower compared to $33.8 million in the prior year due in part to $4.1 million of higher property rental expense associated with the property sale and leaseback to reduce debt levels (the prior year result has been re-stated by $0.6M after adoption of AASB119). Cash interest paid fell $6.5M pcp from $18.0M to $11.5M.

Sales were down $77M vs last year or 7.8%. Sales in the core businesses including Heatset print and Distribution were only down $27M or 4.9%. $50M of the sales decline related to lower Directory volumes, reduced activity at Gordon and Gotch and the sale of PMM.

Improved EBIT (pre significant items) was achieved at Griffin Press, Gordon & Gotch and PMP New Zealand. Corporate costs were also lower. Distribution Australia performed strongly and further transformation savings were generated along with lower lease rent costs at Chullora and Digital, however these benefits were offset by the expected lower directory volumes, lower heatset sell prices and a slight fall in catalogue print volumes.

"Demand in the major retail sector remains sound, although we have seen some softening in the mid and smaller retailer categories. Heatset printing continues to be challenged by structural factors such as excess industry capacity in Australia, in conjunction with a softer retail market, where pricing continues to remain competitive," Mr George said.

After taking into account the impact from property sale and leaseback, onerous leases for Chullora/Digital, the sale of PMM and adoption of AASB119, normalised EBIT is down 10.2% or $3.4M pcp (see details on schedule 1).

PMP Australia

$M	FY14	FY13	%
Sales Revenue	**439.9**	493.6	(10.9)
EBIT(before significant items)	**20.9**	30.6	(31.6)

We were successful in growing the Distribution business with a 10% increase in volumes, Print had another challenging year. We signed new cross sell contracts however, this was more than offset by anticipated lower Directory volumes (down 72%) in metro and regional print volumes.

Following the closure of the Chullora site the remaining programme was successfully transitioned to our Moorebank site.

Heatset sell prices remained very competitive in a softer retail market with catalogue volumes 3% lower pcp, while book printing at Griffin Press had a good year retaining existing contracts and winning new business. The phase 3 transformation savings and lower lease costs at Chullora and Digital were partially offset by $4.1M of additional property rental expense.

PMP New Zealand

$M	FY14	FY13	%
Sales Revenue	**160.9**	158.8	1.3
EBIT(before significant items)	**9.9**	9.7	2.4

PMP New Zealand returned an EBIT (pre significant items) of $9.9M, up $0.2M on pcp. The main factors were higher Distribution volumes and improved sheet-fed sales along with a focus on cost controls, input costs and additional transformation benefits for Auckland sheet-fed. These were offset by lower sell prices in a tough heatset market.

Gordon & Gotch

$M	FY14	FY13	%
Sales Revenue	**298.4**	323.4	(7.7)
EBIT(before significant items)	**3.4**	1.1	-

Gordon & Gotch returned an EBIT (pre significant items) of $3.4M for the period, up $2.3M on pcp due to a continuing focus on further cost restructuring. This more than offset lower volumes which were down 5.3% pcp.

Free Cash Flow #

Cash from operations per the Schedule 4E at $35.5M was up $27.9M pcp on lower significant items.

Free Cash Flow at $44.0M was $16.5M up pcp as lower interest payments and reduced capex more than offset lower EBITDA.

Significant Items

In FY14, $14.1M of significant items were booked mainly for Transformation Plan Phase 3. After taking into account $5.0M profit on the sale/leaseback of the Melbourne property and various asset sales, this reduced the significant item expense to a net $9.1M.

defined as EBITDA (pre significant items) less interest paid, income tax, capex and movement on working capital

Transformation Plan

Phase 3 of the Transformation Plan has been completed in line with expectations with full year redundancy and relocation costs of $11.2M in FY14 generating $16.4M of annualised savings.

Debt

The company continues to reduce debt with Net Debt reducing by 42% during the period, down to an all-time low of $51.7M from $89.1M pcp and better than guidance. Net Debt to EBITDA (pre significant items) has reduced from 1.2x to 0.8x.

The average interest rate for FY14 (before prepaid fees) was 8.0% vs 8.3% pcp as lower bank debt costs offset the Bond coupon. Debt to Equity ratio at 19.5% is down from 34.4% in prior period on lower debt levels.

During the period a $50M four year term corporate bond issue was successfully issued at a fixed 8.75% coupon and the existing bank facility maturity was extended to September 2015.

The Australian sale/leaseback programme was completed when the remaining portion of the Clayton property was sold/leased for a $4.0M profit and the $7.6M proceeds were used to retire debt.

OUTLOOK

The company expects the business environment for the first half of FY15 to remain challenging with softer retail markets and excess heatset print capacity in Australia resulting in competitive pricing activity. A further stage of transformation is being formulated to target efficiencies from process simplification and systems upgrades. Details will be provided at the AGM along with guidance on the current year performance.

For further information contact:

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Schedule 1

	FY14			**FY13**
EBIT as reported	20.2		EBIT as reported	(54.3)
Significant Items	8.7		Significant Items	88.7
			EBIT (before significant items)	34.4
			AASB 119	(0.6)
EBIT (before significant items)	28.8	(14.7%)	Restated EBIT (before significant items)	33.8
Property Sale/Leaseback impact	5.4		Property Sale/Leaseback impact	1.3
Lease saving (Chullora/Digital)	(4.1)		no PMM sold	(1.4)
Normalised EBIT	30.2	(10.2%)	Normalised EBIT	33.6