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ASX Announcement

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PMP maintains Market Guidance FY13

PMP Limited today announced Earnings Before Interest and Tax (EBIT) before significant items of $19.4M for the six months ending 31 December 2012, down 15.9% or $3.7M on the prior corresponding period (pcp). NPAT was a loss of $24.0M, down on the prior period profit of $4.6M. Included in the net loss after tax were $41.4M of significant items which comprise mainly of non-cash asset impairments and restructuring costs in the PMP Australia business.

Key points

- Full year market guidance is maintained : $31M to $34M EBIT (before significant items)
- NZ Transformation plan successfully completed
- Operating Cash Flow at $14.0M up 17.7% on pcp
- Secured major PMP Australia customer print contracts

Key Financials
Half Year ended 31 December 2012

$m	1H FY13	1H FY12	Change	Var $
Revenue (Operating Revenue)	**512.8**	577.5	(11.2%)	(64.7)
EBITDA (before significant items)	**39.0**	44.9	(13.1%)	(5.9)
EBIT (before significant items)	**19.4**	23.1	(15.9%)	(3.7)
Net Profit (before significant items)	**8.1**	8.8	(8.1%)	(0.7)
Net (Loss)/ Profit (after significant items)	**(24.0)**	4.6	-	(28.6)
Operating Cash Flow	**14.0**	11.9	17.7%	2.1
Net Debt	**(134.5)**	(153.5)	12.4%	19.0

PMP CEO Mr Peter George said, "PMP delivered a stronger result in New Zealand, however this was offset by PMP Australia, mainly from Print Australia which continued to be adversely impacted by difficult market conditions in Heatset and lower volumes in the Directories business. The half year EBIT (before significant items) of $19.4M is down 15.9% on the same period last year."

"Operating cash flow at $14M was up 17.7% on pcp after strong focus on managing cash, especially working capital. Net debt at December 2012 was $134.5M, $19M lower on pcp. The Group's gearing ratio (debt: equity) increased slightly on the back of the reduction in earnings from 43.3% in December 2011 to 45.1%, with interest cover reducing from 5.5 to 5.1 times."

Mr George said, "The company's turnaround journey is now well advanced and is delivering to plan. The business has been simplified with non-core assets being divested, our transformation program to reduce our cost base is well advanced, and a simplified management structure under new leadership has been put in place. As well PMP Australia has now secured most of its major print customers for the next few years."

Transformation Plan
"The company is encouraged by the positive results being delivered by our Transformation Plan. The New Zealand Plan, which was commenced in fiscal year 2011, is delivering on our forecast and all NZ businesses are achieving favourable results year on year."

"The Australian Transformation Plan has also achieved significant savings. Phase 2 commenced in the first half of the fiscal year and during the period $10.2M was spent to generate annualised cost savings of $17.0M and headcount has reduced by 180 FTEs spread across all Australian businesses with very tight cost controls continuing."

Mr George advised that under the Australian Transformation Plan, a new functional structure has been implemented for the Print, Distribution and Digital businesses, now called PMP Australia with combined sales of $262.9M and EBITDA (before significant items) of $32.6M.

"This new simplified structure has not only reduced costs but also increased efficiency by eliminating duplication and overlap," he said.

Operating Performance
"PMP's business environment during the period continued to be very challenging with volume and revenue declines in all businesses. In our New Zealand operations, sales decreased by $7.0M or 7.8%, but nevertheless EBIT (before significant items) increased by $4.3M, mainly as a result of the success of the Transformation Plan," Mr George said.

In the Print Australia business, revenue fell 14.9% or $35.8M as a result of the loss of a major contract and lower volumes in the publishing and retail sectors. Print tonnes were down 16.4% with decreases in publishing, directory and retail volumes. EBIT (before significant items) at $14.6M was down 36.9% on lower sales in a very competitive market.

Impairment testing of the PMP Australia business has resulted in a non cash impairment of $20.0M being recorded against the goodwill in the period to 31 December 2012, principally driven by lower volumes and margins in the print business due to the impact of e-technologies.

Significant Items
During the period significant items totalled $41.4M (pre-tax) which included:

- Transformation Plan spend of $11.7M, mainly cash significant items around redundancies,
- $11.6M for the Chullora Directories closure costs (yet to be incurred),
- $8.0M for the non cash write-down of the Goss press,
- $20.0M non cash impairment recorded against the goodwill in the PMP Australia business,
- $9.9M of gains from the sale of Pacific Micromarketing business and the Wacol property.

Asset Sales
In August 2012 a property sale/leaseback programme was announced to support repayment of debt and fund Phase 2 of the Transformation plan. The programme is well underway and Wacol has been sold for $8.3M with settlement occurring in January 2013, and a contract has been exchanged for Moorebank in February 2013 for $30.2M with settlement expected in March 2013.

The sales of the Clayton, Bibra Lake and Christchurch properties are being pursued during the second half of fiscal 2013.

The Pacific Micromarketing business was sold for US$6.5M with settlement in January and three surplus presses have been sold for $4.6M.

The Group is intending to amortise $61M to CBA and ANZ (its lenders) before 30 June 2013. The lenders have agreed to defer $14M of amortisation until the facility maturity date which is 30th September 2014 and continue to support the ongoing Transformation plan.

Outlook
Mr George said "In the second half of the year we expect to see a continuation of difficult market conditions as a result of over capacity in the industry, especially in heatset printing. PMP will continue to benefit from cost reductions generated by the Transformation Plan."

"Full year EBIT guidance (pre significant items) is maintained at $31M to $34M as is EBITDA (pre significant items) at $69M to $72M," Mr George said.

"Net debt at June 2013 is expected to be circa $115M, not including any proceeds from selling Clayton, Bibra Lake or Christchurch properties."

"The profit restoration of our letterbox distribution business continues. In the future we expect to see increased activity in PMP total business solutions offering combinations of Print, Distribution and Digital services." Mr George said.

"During the second half we expect to continue the implementation of Phase 2 of the Australian Transformation Plan through the introduction of the new manufacturing footprint."

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