ASX Announcement **25 August 2015**

PMP LIMITED FY15 FULL YEAR RESULTS

Encouraging Progress: key financial targets achieved and capital management commences.

PMP is continuing to deliver encouraging results and has declared a dividend to shareholders. The company has returned an increased net profit after tax in FY2015 of $8.0M vs $3.4M pcp. Net Debt is has been reduced by two thirds during the period. EBIT at $26.4M and EBITDA at $58.1M are better than guidance and importantly free cashflow continues to be strong at $35.5M.

KEY POINTS

- Net Profit (after tax and significant items) was $8.0M, compared to $3.4M in the prior corresponding period (pcp);
- Net Profit (after tax before significant items) was $12.1M up 2.7% pcp
- Earnings per share[2] is higher year on year at 3.7 cps
- EBITDA (before significant items) at $58.1M, up on guidance and 8.4% down pcp
- EBIT (before significant items) at $26.4M was up on guidance of $25M-$26M and 8.6% lower compared to pcp, ;
- Free cashflow $35.5M in fiscal 2015 and $107M over the last 3 years ;[1]
- Net Debt reduced to $16.3M, down by 68% from $51.7M at June 2014 and now represents 0.3X leverage;
- Cash interest paid fell $3.4M pcp.
- Capital management commences via a dividend declared for 1.8 cents per share, 50% franked

KEY FINANCIALS FULL YEAR FY15

$M	**FY15**	**FY14**	**%**
Sales Revenue	**811.7**	899.2	(9.7)
EBITDA (before significant items)	**58.1**	63.4	(8.4%)
EBIT (before significant items)	**26.4**	28.8	(8.6%)
Net Profit (before significant items)	**12.1**	11.8	2.7%
Net Profit (after significant items)	**8.0**	3.4	134.7%
Free Cash Flow [1]	**35.5**	44.0	(19.3%)
Net Debt	**(16.3)**	(51.7)	68.4%
Earnings Per Share [2]	**3.7**	3.6	

[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, ahead of guidance. It was pleasing to see the company more than doubled net profit compared to last year, albeit off a low base. Net Debt has been reduced by 68% over the last 12 months and is at a new all-time low, a clear indication of our cash generating capability."

"These solid results reflect the continued disciplined execution of the company's strategy to become the most efficient integrated printer and distributor in Australasia. The printing and distribution of catalogues in both Australia and New Zealand accounts for the majority of PMP's EBITDA. Catalogues continue to be a key marketing channel and effective media for driving sales for retailers and remains the company's core activity."

The effectiveness of catalogues as a marketing channel is further evidenced by recent Roy Morgan research which confirms 10.4 million Australians (over 14 years) have read a catalogue in the last 7 days and of those 6.5 million have bought from a catalogue in the last 7 days. In addition, the research indicates that catalogues are considered as the first or second most useful media for making a purchasing decision in 54% of categories as measured by Roy Morgan.[#]

Roy Morgan Research Single Source (Australia) : April 2014 – March 2015

"We are continuing to focus on building 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 offer a compelling competitive advantage to our customers through our unique nationwide bundled printing and distribution solution. An increasing number of our large customers are taking up this offering as it provides increased speed to market and lower overall costs."

"Encouragingly, PMP has now largely completed the major transformation programme that started in 2012. The first two of our three strategic priorities have been delivered: cost base reduction and financial risk minimisation and the third is ongoing. Our balance sheet has been substantially improved with net debt at June 2015 reduced to $16.3M. PMP is on track to be net debt free in fiscal 2016 in accordance with our three year goal," Mr George said.

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.

With transformation largely completed net debt has improved significantly over the last three years and free cashflow has averaged $35M p.a. as shown below :

$M	FY12	FY13	FY14	FY15
Free cashflow #	18	28	44	35
Net debt	143	89	52	16

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

Operating Performance

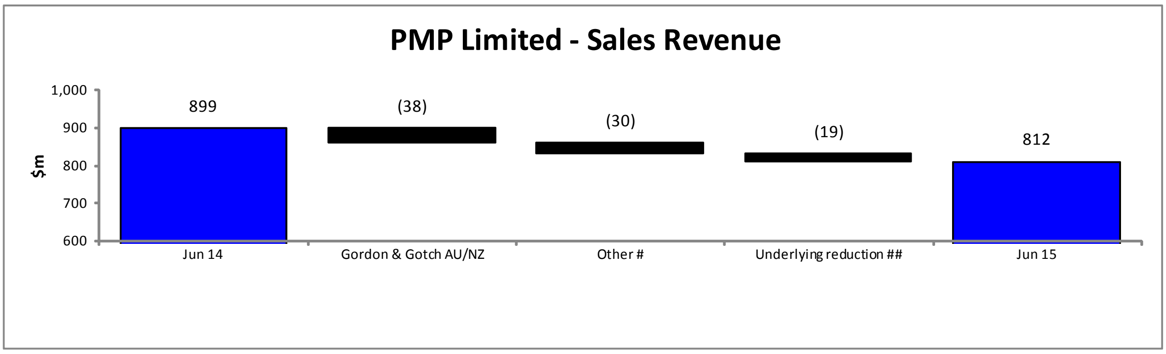
Free Cash Flow[1] remains a key feature of the PMP business model and is our key financial metric. At $35.5M it was down $8.5M pcp as lower interest payments were offset by lower EBITDA and working capital movements YOY (mainly due to lower negative working capital at Gordon & Gotch Australia). PMP has generated free cashflow of $107M in the last 3 years.

For the full year fiscal 2015, EBIT (before significant items) at $26.4M was $2.5M or 8.6% lower compared to $28.8M pcp as higher profits at PMP New Zealand (up 11.9%) and further

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

transformation savings were offset by lower print and distribution revenues in PMP Australia, a $0.4M reduction at Gordon and Gotch Australia and $0.8M increase in property lease rental pcp. Cash interest paid again fell $3.4M from $11.5M pcp to $8.1M.

Sales at $811.7M were down by $87.5M or 9.7% pcp, $38M of which related to lower volumes at Gordon and Gotch. Sales in the core business were down $49M or 8.7% with $30M due to a print customer buying their own paper, the exit from the Directories business and the company not pursuing low margin print contracts. Underlying sales were down $19M or 3.4% partly due to lower customer frequency and an insolvent distribution customer. Details below :



Other = exit of low margin print contracts, run-off Directories volumes and a print customer buys their own paper
Sales revenue excluding Gordon & Gotch AU/NZ is $515M in FY15 after the underlying reduction of $19M, a 3.4% reduction

<u>PMP Australia</u>

$M	FY15	FY14	%
Sales Revenue	**392.3**	439.9	(10.8)
EBIT(before significant items)	**18.1**	20.9	(13.6)

Revenues were 10.8% or $47.6M lower pcp. While Griffin Press sales were up by 13%, heatset print and distribution revenues fell by 11.6%. The main factors behind this were a print customer deciding to buy their own paper (circa 4% impact at the sales line), not pursuing low margin contracts and the exit from the Directories business. After adjusting for these factors heat-set print and distribution sales fell by 3.9%.

EBIT at $18.1M was down $2.8M as lower volumes in heatset print and distribution were mostly offset by transformation savings, general cost controls and lower depreciation. Catalogue selling prices have stabilised in a subdued retail market. This is significant given the scale of industry overcapacity, and hence price erosion in recent years. Catalogue volumes were down 5% pcp with a 6% reduction from not pursuing low margin contracts, and pleasingly a 1% rise in base business volumes.

Distribution volumes fell by 8% pcp, with 4% due to an insolvent customer and the balance due to lower frequency from existing customers.

<u>PMP New Zealand</u>

$M	FY15	FY14	%
Sales Revenue	**150.9**	160.9	(6.2)
EBIT(before significant items)	**11.1**	9.9	11.9

PMP New Zealand EBIT (pre significant items) of $11.1M, was up $1.2M or 11.9% on pcp. The main factors were a 3% increase in sheetfed sales, a 2% increase in heatset print volumes, lower print sell prices and further cost savings. Distribution volumes fell 4% pcp over the full year due to a reduction in delivery frequency from existing customers, notwithstanding a 2% rise in the second half.

Gordon & Gotch

$M	FY15	FY14	%
Sales Revenue	**268.5**	298.4	(10.0)
EBIT(before significant items)	**3.0**	3.4	(12.6)

Gordon & Gotch returned an EBIT (pre significant items) of $3.0M for the period, down $0.4M on pcp due to a 10% reduction in revenues which was partially offset by additional cost reductions.

Cash Flow

Cash from operations, as per the Appendix 4D, was $33.2M, down $2.4M pcp as lower significant items and borrowing costs were offset by working capital movements, (mainly due to lower negative working capital at Gordon and Gotch Australia) and lower EBITDA.

Capex was $5.5M and given the useful life of our press fleet, should remain low for the foreseeable future.

Significant Items

In FY15, $6.0M of significant items (pre tax) were booked as part of the transformation programme. This included $6.4M of restructuring costs, $1.6M of various minor impairments and a final provision of $1.7M to finalise the exit from the previously vacated Chullora site partially offset by a $3.7M profit on sale/leaseback of the Christchurch property.

Debt

The company continues to make strong progress on reducing debt. Net Debt was down by 68% during the last 12 months to another new all-time low of $16.3M, compared to $51.7M pcp at June 2014. Net Debt to EBITDA (pre significant items) has reduced from 0.8x to 0.3x.

In June we settled on the sale/leaseback of our Christchurch property for net proceeds of $8.4M for a second half accounting profit of $3.7M.

Capital Management

Given the considerable progress made under the transformation strategy in recent years to reduce the cost base and lower financial risk as well as improved cashflows, PMP is pleased to commence capital management.

The unsecured bond allows distributions by way of dividends, share buybacks and/or capital returns up to 50% of net profit after tax excluding significant items. In FY2015, the company recorded a NPAT (excluding significant items) of $12.1M and as such is able to distribute up to $6.05M.

In June 2015, the company commenced the evaluation of the existing bond with a view to potentially securing lower cost funding and having the capability to increase returns to shareholders. This process is underway and the company will keep the market informed.

In preparation for capital management, various subsidiaries paid dividends from current and prior year profits to PMP Limited and a dividend reserve account has been established in PMP Limited (the parent entity of the group) from which future dividends will be paid. At 30 June 2015, this account had a balance of $50 million. The Board has declared a dividend for the year of 1.8 cents per share, 50% franked which fully distributes all available franking credits. Given prior tax losses, it is unlikely any further franking credits will be generated in the next 3-5 years.

The dividend will be paid on 6 October 2015 with a record date of 21 September 2015.

OUTLOOK

The company is making solid and ongoing progress towards its goal of delivering significant and sustainable returns to its shareholders. Market conditions are showing modest signs of improvement. Print industry volumes and heat-set prices are more stable and the value of catalogues for retailers has been validated.

PMP now has a higher degree of confidence in the outlook for the business and therefore increased confidence in its ability to generate strong sustainable free cashflows and subject to market conditions expects this strong cashflow performance to continue for the foreseeable future.

A trading update for fiscal 2016 and an update on capital management will be provided at the AGM in November 2015.

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