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ASX Announcement

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Volatile retail environment negatively impacts PMP's profit

Sydney, Thursday 16th February 2012 – PMP Limited today announced earnings before interest and tax (EBIT), and before significant items, of $23.1 million – down 28.2% on the corresponding period for last year.

Key points: -

- Sales down 7.1%
- Net Profit after tax of $4.6 million - $14.8 million loss last year
- Significant items of $5.1 million - $39.5 million last year
- Net debt of $153 million up slightly from $141 million at 30 June 2011
- Interim dividend 1 cent per share fully franked

Income Statement
Half Year ended 31 December 2011

$m	**1H FY12**	**1H FY11**	**Change**
Revenue (Operating Revenue)	577.5	621.9	(7.1%)
EBITDA (before significant items)	44.9	53.9	(16.7%)
Depreciation & Amortisation	(21.8)	(21.7)	
EBIT (before significant items)	23.1	32.2	(28.2%)
Borrowing Costs	(8.1)	(7.6)	
Borrowing Costs - mark to market	(1.3)	0.7	
EBT (before significant items)	13.7	25.3	(45.7%)
Income Tax expense	(4.9)	(8.2)	
Net Profit (before significant items)	8.8	17.1	(48.5%)
Significant items	(5.1)	(39.5)	
Tax on significant items	0.8	7.6	
Net profit/(loss) after significant items	4.6	(14.8)	

Directors Comments

As previously announced on 2nd February 2012, trading activity in November and December 2011 deteriorated and was lower than management's expectations. This lower performance resulted in a revised full year EBIT forecast of $43 million to $47 million before significant items. Management has responded to the weaker conditions with further cost reduction initiatives.

The New Zealand transformation programme, which targeted annual savings of NZ$18 million, is now largely complete and the full impact of the savings will flow through in the 4th quarter of this financial year.

Net debt increased to $153 million due largely to lower economic activity, payments associated with the NZ transformation programme and the deposit paid for the new WA press.

As part of the capital management programme, PMP continued its on-market share buyback and, in the period under review, purchased 3.22 million shares at an average price of $0.49 per share.

The Board renewal programme saw the retirement of the Chairman Mr Graham Reaney in November 2011, with Mr Ian Fraser being appointed as the new Chairman. Mr Peter Margin was appointed to the Board in January 2012.

The Directors have declared an interim dividend of $0.01 per share fully franked. The dividend will be paid on 4 April 2012 to shareholders registered on 21 March 2012.

Operating Performance

Print Australia
Revenue was down 2.9%, or $7.1 million, whilst EBIT (before significant items) was down 23.2% to $23.1 million. This performance was driven by lower volumes in our heatset printing operation (down 2.7%) and in our Directory printing business (down 42.6%).

Distribution Australia
The profit restoration of our letterbox distribution business continued with first half sales up 1.3% year on year on the back of new contract wins and EBIT (before significant items) at $2.1M was 50% up on the prior period.

Gordon and Gotch
EBIT before significant items of $1.4M was well down on the previous year EBIT of $2.7M reflecting magazine circulation decline across most categories. In response to this a cost reduction program has been implemented.

PMP Digital
EBIT (before significant items) at $0.1M, was down 76.8% on the prior year largely driven by lower activity in the retail market sector, and a slower than expected take up of our catalogue workflow software system DMarketer. In response to this a cost reduction program has been implemented.

New Zealand
Revenue in the first six months fell by 7.1% on the previous year primarily driven by weaker trading conditions in Gordon & Gotch, the magazine distribution business. This business is now trading at an unprofitable level and plans are underway to address this situation.

Significant Items

As a consequence of the poor trading environment in the first half of the year and our expectation that this weakness will continue in the second half of the year, a further round of cost reductions is planned. PMP incurred $5.1M of significant items in the first half, $2.8M which was predominantly around redundancies and $2.3M goodwill write off associated with the G&G NZ business.

At this stage we expect an additional $8M of restructuring costs in the second half of the year primarily relating to redundancies.

Outlook

The CEO, Mr Richard Allely, said "given our expectation of tough market conditions in the second half of the year we expect full year EBIT (before significant items) to be in the range of $43M-$47M, and net debt of approximately $140M as at June 2012".

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