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ASX Announcement

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PMP 2011 First Half results

Thursday, 17th February, 2011 - PMP Limited today announced earnings before interest and tax (EBIT) before significant items of $32.2M for the first half ending December 2010 – in line with market guidance.

Key points:
- EBIT (before significant items) $32.2M up 7.8% on last year
- Free cashflow at $25.5M
- Net debt $142.6M down from $168.1M in June 2010
- Significant items $39.5M
- Net Loss of $14.8M

Income Statement
Half-Year ended 31 December 2010

$m	1H FY11	1H FY10	Change
Revenue (Operating Revenue)	621.9	645.4	(3.7%)
EBITDA (before significant items)	53.9	50.2	7.3%
Depreciation & Amortisation	(21.7)	(20.3)	6.5%
EBIT (before significant items)	32.2	29.9	7.8%
Borrowing Costs	(7.6)	(9.3)	(18.8%)
Borrowing Costs - mark to market	0.7	3.0	(78.1%)
EBT (before significant items)	25.3	23.6	7.2%
Income Tax expense	(8.2)	(7.4)	10.8%
Net Profit (before significant items)	17.1	16.2	5.6%
Significant items	(39.5)	(2.7)	
Tax on Significant items	7.6	0.8	
Significant items post tax	(31.9)	(1.9)	
Net (loss)/profit (after significant items)	(14.8)	14.3	

- Prior year comparatives have been restated due to change in accounting policy for defined benefit plan.

The Chairman, Mr Graham Reaney, said that, "notwithstanding a fall in operating revenue, PMP's first half year result delivered strong EBIT and cash flow. Higher profits came from another strong result at Print Australia and an improved outcome at PMP NZ."

He commented that "cash flow performance was strong, with free cash flow of $25.5M. PMP ended December 2010 with net bank debt of $142.6M, down from $168.1M in June 2010. The Group's gearing ratio (debt:equity) has reduced from 45% to 40%, with interest cover improving from 5.3x to 7.1x."

The total significant items for the first half is $39.5M pre tax which is consistent with indications given at the AGM with the exception of a higher than expected write-down for Scribo. This is now $19.2M (vs the range between $10M-$15M as advised in November).

Scribo Impairment - $19.2M
Taking into account a number of structural changes in Scribo's market and following a very subdued Christmas trading period where sales were down on last year we have decided to take a conservative position with Scribo and have booked a full write-down of the intangible value of this business of $19.2M.

A strategic review of Scribo is expected to be completed shortly.

By way of background, Scribo is a book distributor and wholesaler to book resellers in the Australian market. There have been a number of fundamental structural shifts in this market and the pace of that change has been much quicker than expected :

- customers have gone away from physical retail outlets and now purchase more books online with a direct delivery model ;

- there has been a reduction in the numbers of best sellers in the market ;

- the faster than expected emergence of e-readers has also adversely impacted purchasing trends in retail outlets ; and

- what is being sold in the physical market is at lower prices as competition intensifies

hence our conservative decision to fully write-down the intangible value of this business in the PMP balance sheet.

Transformation plan - $20.3M
During the first half, we have booked $20.3M of significant one off costs in Australia and New Zealand mostly relating to site relocations, redundancies and lease obligations at existing sites in Auckland and the impairment of plant and equipment at those sites in preparation for the move to the new heatset location.

Since November, we have secured a new site in Auckland, commenced modernisation of the New Zealand press fleet and are well advanced in the delivery of the transformation plan. A further $8.7M of significant items is expected over H2 of FY11 and H1 of FY12.

Print
Commenting on operating performance, PMP CEO Mr Richard Allely said: "Our Print division revenues declined by 8.6% to $246.4M, with print volumes down by 5.8% in the six months to December 2010. The fall in volumes was largely attributable to reduced pagination and print frequency from existing customers.

Despite this drop in volumes, the Print division increased EBIT (before significant items) by 25.4% from lower operational and input costs and freight efficiencies. The outlook for the second half is positive and is underpinned by solid contracted volumes."

Distribution
Distribution revenues at $48.5M were 6.2% up year on year on the back of the new contract volumes. Strong cost controls around the network also combined to see the business rebound from the second half loss in FY10 of $3.7M to record an EBIT (before significant items) of $1.4M in line with last year's first half result.

Mr Allely said he is pleased with this progress. "With a reconfigured network model and positive sales momentum across the country, the expectations around this business continues to improve" he said.

Gordon and Gotch
Gordon and Gotch delivered an EBIT (before significant items) of $2.7M, down by $1.7M on the previous year primarily due to the adverse trading conditions experienced by the Scribo book distribution business and higher freight costs. Notwithstanding declining magazine circulation, Gordon & Gotch benefited from securing nearly all of the imported magazine distribution following closure of a competitor.

PMP Digital Premedia
In Digital Premedia, H1 FY11 EBIT (before significant items) declined to $0.2M down by $1.7M on 4.5% lower revenues. Amortisation of costs associated with the new system came ahead of revenue generation while there was a deferral of license renewals in Pacific Micromarketing. We expect the new revenues from Dmarketer and license renewals to recover in the second half.

New Zealand
In New Zealand, revenues continued to decline due to aggressive price competition in print markets and lower volumes, however, the first half EBIT of $2.8M was up $0.1M vs last year. The recently announced transformation plan has commenced along with benefits from the new APN print contract. Mr Allely expects fiscal 2011 to show strong earnings improvement.

Outlook
Mr Allely said he was optimistic about continued improvement in operating earnings in fiscal 2011. "Notwithstanding the impact on revenue and earnings of the natural disasters in Queensland, Victoria and Northern NSW, I expect full year EBIT before significant items to be in the range of $56M to $60M. I also expect our net debt at year end to be circa $160M. In addition, we plan to continue to pursue market share gains in the Australian letterbox distribution business and earnings momentum in Australian Print".

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