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ASX Announcement

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Gordon and Gotch Secures New Contracts

- Gordon and Gotch to provide magazine distribution services to Bauer Media
- Strengthens Gordon and Gotch business and underpins medium term profitability

Gordon and Gotch has entered into an agreement with Bauer Media to provide the retail magazine distribution activities currently provided by its Australian distribution division - Network Services following Bauer Media's decision to close that division. The agreement is subject to Bauer satisfying its employee consultation obligations.

Subject to similar employee consultation obligations in New Zealand and the finalising of a formal agreement, Gordon and Gotch expects to enter into similar arrangements with Bauer Media's New Zealand distribution division, Netlink Distribution.

The agreements will allow for Gordon and Gotch to provide magazine distribution services to Bauer Media over the next 5 years and to also supply distribution services to other publishers for which Network Services and Netlink Distribution currently provide distribution services.

The new contracts are expected to generate circa \$300M sales per annum with around \$100M in fiscal 2016. The additional margin, negative working capital benefits and capital expenditure in 2016 are not material and have already been incorporated into the 2016 AGM guidance.

As the full year sales flow through in 2017, additional margins will strengthen the business by mitigating the impact of lower base business volumes on the Gordon & Gotch business and contributing some additional profits on a net basis.

In order to accommodate the increased distribution volumes, Gordon and Gotch will be seeking to lease Bauer's existing warehouse space at Moorebank for its Sydney operations and purchase the equipment located there and in Victoria. The cost of purchasing this equipment is not substantial and is already factored into the full year net debt guidance.

General Manager of Gordon and Gotch Australia, David Hogan, said: "I am delighted that Bauer Media has shown the confidence in Gordon and Gotch to outsource this important component of its business. We are excited about the opportunities this arrangement will deliver for our business in the long term and for our publishing and retail partners."

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Chief Executive Officer of PMP, Peter George, said “PMP is delighted to provide magazine distribution services to Bauer Media as this complements our existing long term printing relationship, provides Gordon and Gotch greater efficiencies in light of the ongoing decline in magazine distribution volumes, and ensures ongoing services to support the magazine industry in Australia and New Zealand.”

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