

# QUARTERLY REPORT 3<sup>rd</sup> Quarter 2017



## Highlights from the quarter

- Revenues in the third quarter were stable despite a 23 % fall in advertising revenues
- Growth in subscription revenues in the publications and the growth in Mynewsdesk compensated for the decline in advertising
- Subscription revenues were 64 % of the total revenues in the quarter, compared with 58 % a year ago
- The EBITDA, before one-time effects, was MNOK 20, which was a decrease of MNOK 2.
- The operating profit was MNOK 7 before one-time effects, down from MNOK 10 in the same period last year.
- Operations in Nautisk Forlag are challenging as a result of an accelerating decrease in sales of paper charts and price pressure. Nautisk had an operating loss of MNOK 11.3 in the quarter including an impairment of goodwill. As a result of the negative trend, a partial restructuring of the business has begun with the closure of the business in Nautisk Americas.
- The extensive digital product development continues, and digital subscription products are seeing substantial growth. Especially Mynewsdesk's products are growing.
- Concurrently, the Group continues to extend its conference and content marketing presence, such as DN's new DNX service.

## THIRD QUARTER 2017

MNOK	Quarter			Accumulated		
	Accounts	Last year	deviation	Accounts	Last year	deviation
Subscription income	142,5	136,5	4 %	417,4	392,5	6 %
Advertising revenue	58,1	75,2	-23 %	207,5	244,4	-15 %
Sales of goods and services	27,7	28,4	-2 %	79,2	99,0	-20 %
<b>Sum newspublications</b>	<b>228,3</b>	<b>240,1</b>	<b>-5 %</b>	<b>704,2</b>	<b>735,8</b>	<b>-4 %</b>
Subscription income	54,6	46,6	17 %	164,3	141,7	16 %
Sales of goods and services	25,7	29,3	-12 %	96,8	110,8	-13 %
<b>Sum other mediaservices</b>	<b>80,2</b>	<b>75,9</b>	<b>6 %</b>	<b>261,1</b>	<b>252,5</b>	<b>3 %</b>
<b>Totale revenue</b>	<b>308,5</b>	<b>316,0</b>	<b>-2 %</b>	<b>965,3</b>	<b>988,3</b>	<b>-2 %</b>
	-	-	0 %	-	-	0 %
Operating expenses	305,5	306,0	0 %	938,0	971,1	-3 %
EBITDA before onetime effects	20,3	22,6	-10 %	68,7	47,8	44 %
EBITDA	19,8	22,6	-12 %	69,2	52,4	32 %
Operating result	3,0	10,0	-70 %	27,4	17,2	59 %

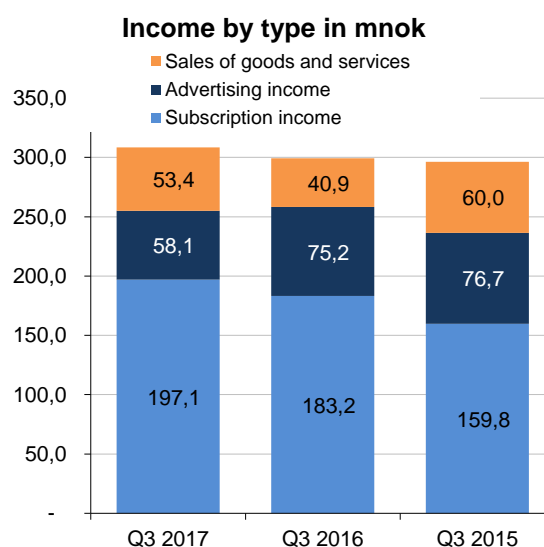
The third quarter of 2017 include an impairment of MNOK 3.6 of goodwill as well as operating costs of MNOK 0.5 connected with the ongoing restructuring of the business activities in Nautisk Forlag. Only the operating cost have been included in the segment result for Nautisk Forlag. On an accumulated basis, the 2016 figures include sales gains of MNOK 19 and restructuring costs of MNOK 15.

### The NHST Group

The Group's total revenues for the third quarter were down MNOK 7. This constitutes a decrease of 2 % compared with the same period last year. Adjusted for foreign exchange effects, the decrease was MNOK 3 or 1 %.

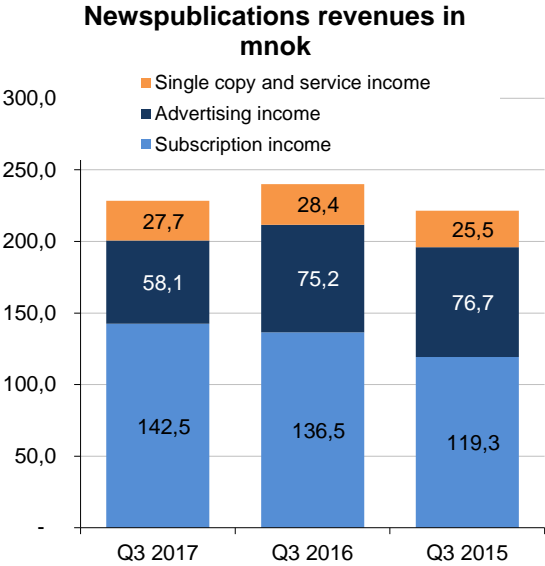
As in the second quarter, there was an increase in revenues in Mynewsdesk, whereas the other segments had lower revenues than in the same period last year.

Subscription revenue increased by 8 % in the third quarter, against 15 % in the same quarter last year. Both the news publications and Mynewsdesk had growth. Subscription revenue made up 64 % of the Group's total revenues in the quarter, up from a level of 55-60 % earlier in the year.



Revenues from **the Group's news publications** were down MNOK 9, adjusted for foreign exchange effects. This constituted a decrease of 4 %. Subscription revenue is developing at a stable level or with a slight increase in the news publications. The new service-based revenue flows vary from quarter to quarter, and, in 2017, they are especially connected

with conference activities. Investments in new service-based revenue streams will be intensified in the fourth quarter and going into 2018.

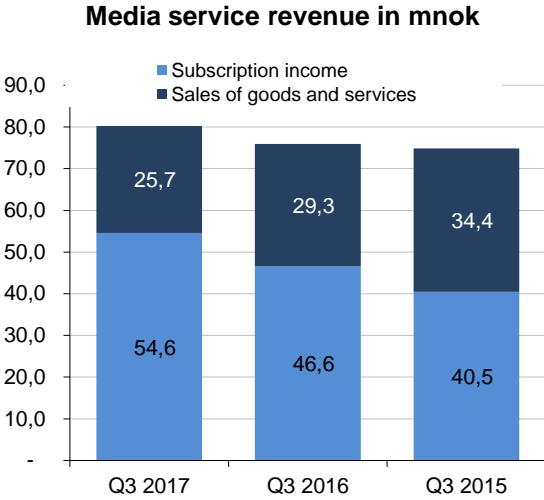


Advertising revenue was down 23 % in the quarter, whereas subscription revenue increased by 4 %. The decrease in advertising revenue was MNOK 17 and was not offset by growth of MNOK 6 in subscription revenue. Revenue from single copy sales and services developed at a stable level in the quarter.

Total revenue from **media services** amounted to MNOK 80, which was up MNOK 4. This is an increase of 6 % compared with the same quarter last year. Adjusted for foreign exchange effects, the growth rate was 8 %. The growth rate in Mynewsdesk was 19 %, which is in line with the first quarter and an increase of 5 % from the second quarter.

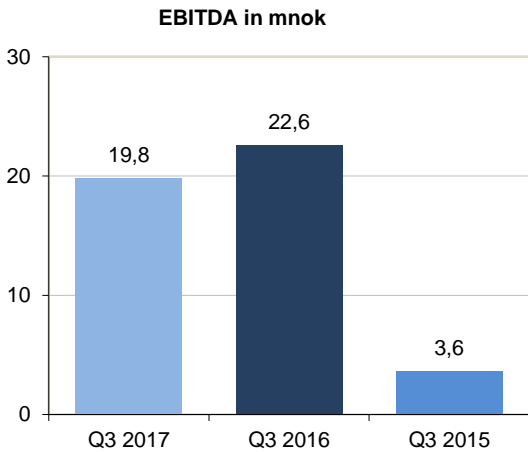
Nautisk Forlag experienced a further deterioration in the third quarter. The operations will be restructured with further focus on digital products. Different future operating models are considered and further cost reducing measures have been implemented in October. As part of the restructuring, physical operations in the

Americas will be wound up in the coming months.



Operating costs in the Group were stable in the quarter compared with the third quarter last year. The news publications reduced their costs by MNOK 7. Nautisk Forlag reduced its costs by MNOK 1.5 before restructuring costs, while Mynewsdesk increased its costs in line with the increase in revenue.

EBITDA ended the quarter at MNOK 20, which was a decrease of MNOK 3.



The third quarter saw an operating profit of MNOK 3. This is MNOK 7 down on the previous year, but, adjusted for one-time effects, the decrease was MNOK 3.

## ***Accumulated year-to-date***

Accumulated revenues amount to MNOK 965. Adjusted for one-time effects, this is a decrease of 1 %. The increase in Mynewsdesk is 17 %, the development is stable in Norwegian Publications, while the other businesses had lower revenues than after three quarters in 2016.

The Group's total operating costs decreased by MNOK 33 to MNOK 937 in the period. Exclusive of restructuring costs, the decrease amounted to MNOK 23, which constitutes 2 %.

The EBITDA was MNOK 70 after three quarters and the operating profit, EBIT, was MNOK 28. This is an increase of MNOK 17 and MNOK 11 respectively.

## **The business areas in the third quarter**

### ***The Norwegian Publications business area***

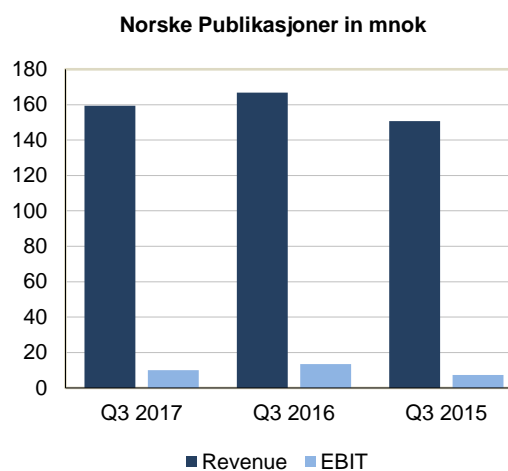
The business area comprises the activities in Dagens Næringsliv and Morgenbladet.

- ***Significant decrease in advertising revenue in the third quarter, down 21 % against 17 % YTD***
- ***Reader market revenue continues to increase***
- ***Investments in new media service services will be intensified further in the fourth quarter and going into 2018***

Revenues amounted to MNOK 159 in the quarter, a decrease of MNOK 8, which constitutes 4 %.

There was a decrease in both print and digital advertising revenue. The decrease of 21 % was higher than the first half of the year.

Advertising revenue ended the quarter at MNOK 40.



Subscription revenue amounted to MNOK 97 in the quarter, an increase of MNOK 6. Both Morgenbladet and DN increased subscription revenue. The decline in the full-week subscription group bottomed out in DN in the third quarter, whereas the number of subscribers is increasing in Morgenbladet.

Growth in digital subscribers continued in both publications. The third quarter saw an increase in single subscriptions, which was the main reason for the growth.

Operating costs decreased by MNOK 4 in the quarter. The cost reductions were distributed evenly between the enterprises and are now a result of continuous adjustment of the activity level.

The operating profit was MNOK 10, a decrease of MNOK 3, which is in line with the decrease in the second quarter. There was a result improvement in Morgenbladet also in the third quarter.

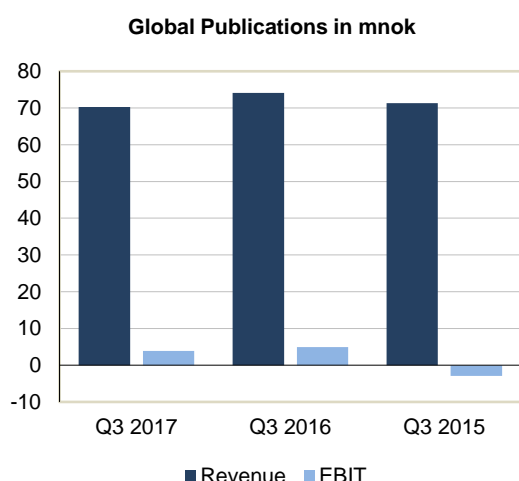
### The Global Publications business area

The business area comprises the news publications Tradewinds, Upstream, Intrafish, Fiskeribladet, Recharge and Europower.

- **Advertising revenue was down 27 % in the quarter, against 13 % YTD**
- **The decline in the number of subscribers has stopped**
- **Investments in digitalisation will be intensified further**

Revenues amounted to MNOK 70 in the quarter, which was a decrease of MNOK 4, the same as in the second quarter. Half of the decrease is due to foreign exchange effects. The development was stable or slightly declining in all the publications, with the exception of the seafood area, which saw revenue growth from conference activities in the quarter as well as from advertisements and subscriptions.

Advertising revenue ended the quarter at MNOK 18, which was a decrease of MNOK 6. The full decrease is due to lower advertising in print products, especially in the energy area.



The development in subscription revenue was stable for the second quarter running. The trend of a declining number of subscribers has stopped.

Operating costs fell by MNOK 3, which is decrease of 5 % against the same period last year. Adjusted for foreign exchange effects, costs were at a stable level.

The operating profit decreased by MNOK 1 and ended the quarter at MNOK 4. Foreign exchange effects of MNOK 1 contributed to the positive result development.

### The Mynewsdesk business area

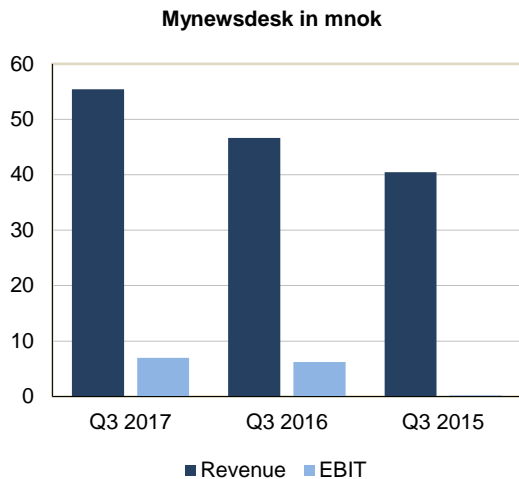
The business area comprises the Software-as-a-Service activities under the Mynewsdesk brand. The principal product is a work platform for PR and communications in all types of organisations.

- **Revenue growth continues, with a growth rate of 24% in SEK**
- **The retention rate remains above 80 %**
- **The number of customers declined slightly in the quarter**
- **There was an increase in profit of MNOK 1 in the third quarter, to MNOK 13 year-to-date**

Revenues amounted to MNOK 55 in the quarter. This is an increase of MNOK 8. In Norwegian kroner, growth was 19 % in the third quarter, approximately at the same level as the development earlier in the year.

Operating costs in the quarter increased by MNOK 8, which is a reflection of increased focus on sales, marketing and product development.

The quarter ended with an operating profit of MNOK 7. This is the fifth consecutive quarter with a result improvement. On an accumulated basis, the increase is MNOK 13, while, seen in isolation, the increase was MNOK 1 in the third quarter.



### **The Nautisk Forlag business area**

The business area includes the Group's global distribution of navigation products for the commercial shipping industry.

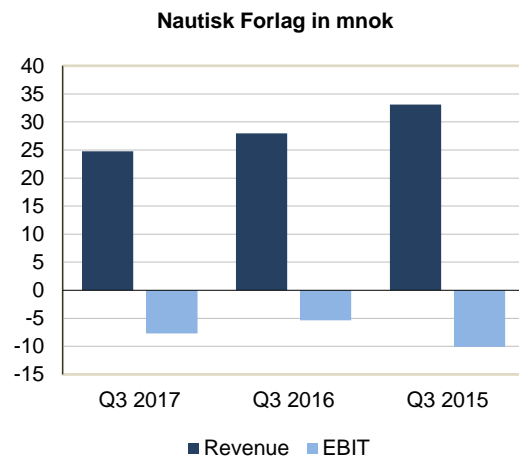
- ***Continued challenges on the revenue side, especially for paper-charts, which are seeing a significant decrease in both volume and price***
- ***Revenue growth from digital products was slight in the third quarter***
- ***Gross margins decreased in the third quarter, for the first time this year***
- ***The business activities will be restructured further and geographical units will be closed down, so that the focus will be on digital products and profitable markets***

Revenues decreased by MNOK 3 in the third quarter and ended the quarter at MNOK 25. The decrease is on a level with previous quarters. Half of the decrease was attributable to foreign exchange effects.

Digital products now constitute 29 % of revenues. The digital share was 25 % in the same quarter last year. The transition to increased digital use is clear, but it is currently primarily related to the charts. Sales of digital publications decreased in the quarter.

The gross margin decreased to 33 % in the third quarter, which is lower than it has been so far this year. Other operating costs were stable in the third quarter. Restructuring costs of MNOK 0.5 in Asia contributed to total operating costs.

As a result of the negative trend, the work to improve profitability is intensified and the focus on digital products further strengthened. Different operating models are considered. The physical operations in the Americas will be closed down in the fourth quarter and additional cost reducing measures have been implemented in October.



The quarter ended with an operating loss of MNOK 8. This is a decline of MNOK 3 from the same period last year.

### **Prospects**

The Groups leading market positions give rise to a number of different avenues to further growth.

The Group's current development capabilities and resources are used in the digitisation and increasingly in developing new products and services in established market areas.

The Group's strategy for subscription based services continues. Subscription based revenues is now more than 60 % of the Group's total revenues. This provides the Group with a more transparent revenue foundation and good cash flow.

At the same time, the advertising market remains challenging. The Group intensifies its investments in new advertising products and content marketing. In DN a new business area for content marketing has been established under the brand name DNX.

The digitisation of the navigation market is challenging the organisation model of Nautisk and its ability to increase revenues in the short term. Different operating models will be considered going forward and further restructuring measures are evaluated.

The Group is still in the middle of a transition phase which is expected to continue over the

next few years. Digitisation is demanding both in terms of challenging market conditions and of competency in the organisation. Revenue growth from new products and services is expected to over time outweigh the decline in paper based revenues. However, during the build-up phase, investments will be required in both operations and products.

Continued digitalisation, standardisation and rationalisation will yield gains on both the revenue as well as the expense sides for the Group.

Oslo, 25.10.2017

The Board of Directors in NHST Media Group AS and the Group CEO



<b>KEY FIGURES NHST MEDIA GROUP</b>						
(MNOK)	<b>Q3 2017</b>	<b>Q3 2016</b>	<b>YTD Q3 2017</b>	<b>YTD Q3 2016</b>	2016	2015
Revenues ***	308,5	316,0	965,3	988,3	1 325,4	1 271,9
Operating expenses ****	288,7	293,4	896,1	935,9	1 249,6	1 217,7
Ordinary depreciation *****	16,8	12,6	41,8	35,2	75,8	41,2
EBITDA	19,8	22,6	69,2	52,4	48,6	54,2
Operating profit / loss	3,0	10,0	27,4	17,2	27,2	13,0
Net financial items	-2,3	-1,2	-3,0	-6,3	-5,5	-6,5
Profit/loss before tax	0,7	8,8	24,4	10,9	21,7	6,5
Profit/loss after tax total (*)	-1,3	6,0	14,9	8,9	16,2	5,9
Minority interests	0,5	0,6	1,3	0,7	0,7	0,1
Profit/loss after tax majority(*)	-1,8	5,4	13,6	8,2	15,5	5,8
Number of shares ex own shares	1 243 173	1 243 173	1 243 173	1 243 173	1 243 173	1 243 173
Profit/loss per share in NOK	-1,0	4,8	12,0	7,2	13,0	5,0
Number of employees (**)	744	768	753	762	751	728
			<b>30.09.2017</b>	<b>31.12.2016</b>		
Intangible assets			139,2	153,1		
Other fixed assets			142,5	145,1		
<b>Total fixed assets</b>			<b>281,7</b>	<b>298,2</b>		
Inventory			15,3	17,9		
Accounts receivable			106,7	114,2		
Other short term receivables			44,1	18,9		
Cash and cash equivalents			201,5	228,4		
<b>Total short term assets</b>			<b>367,6</b>	<b>379,4</b>		
<b>Total assets</b>			<b>649,2</b>	<b>677,6</b>		
Shareholders' equity			121,0	109,5		
Minority			13,9	14,8		
<b>Total shareholders' equity</b>			<b>134,9</b>	<b>124,3</b>		
Long term debt			18,0	17,1		
Accounts payable			41,2	48,6		
Prepayments			292,9	302,6		
Other short term debt			162,2	185,0		
<b>Total liabilities</b>			<b>514,3</b>	<b>553,3</b>		
<b>Total shareholders' equity and liabilities</b>			<b>649,2</b>	<b>677,6</b>		
* A 24 % tax rate has been used in calculating the quarterly figures						
** Employees at quarter end						
*** Includes the Group's gain from the sale of businesses in Q2 16 of mnok 19						
**** Includes restructuring costs in Q2 16 of mnok 15						
***** Impairment of goodwill with MNOK 3.6 and restructuring costs of MNOK 0.5 related to Nautisk						
<b>The 10 largest shareholders as at June 30</b>						
Bonheur ASA	53,99 %					
Must Invest AS	22,53 %					
Fredrik Olsen AS	2,28 %					
Falck Frås A/S	1,89 %					
Sjøgress AS	1,86 %					
Pareto AS	1,73 %					
MP Pensjon	1,63 %					
Røed Gunvor Jorunn Hammer	1,22 %					
Amble Investment	1,15 %					
DNB Livsforsikring	1,14 %					





## Definitions

<b>News publications</b>	Enterprises that are engaged in activities which primarily consist of production and distribution of own-produced news. Includes the Norwegian Publications and Global Publications business areas
<b>Media service</b>	Enterprises that are engaged in activities which are primarily not based on own production of news, but on sales of products or services. Primarily includes the Mynewsdesk and Nautisk Forlag business areas, but also minor external revenue in the holding company
<b>Advertising revenue</b>	Revenue from advertisements, digital and print, in the Group's news publications
<b>Subscription revenue</b>	Revenue from prepaid products for which the subscription fee must at least cover deliveries for a minimum future period of 3 months
<b>Single copy sales and sales of goods and services</b>	Individual sales of goods, services or products, the delivery of which follows in direct connection with payment of the price
<b>Software as a Service</b>	Licence and distribution model for software under which the software is sold on a subscription basis and is used from a centralised server