



NHST

MEDIA GROUP

**QUARTERLY REPORT FOR
THIRD QUARTER 2019**

NHST GROUP'S DEVELOPMENT IN THE THIRD QUARTER 2019

The restructuring of NHST Media Group continued in the third quarter of 2019 to secure higher digital content revenues, improved profitability and an increased growth rate going forward. The Q3 results were affected by this process.

The Group reported total revenues of NOK 288.4 million for the third quarter and an operating loss of NOK 15.0 million, compared to revenues of NOK 318.0 million and an operating loss of NOK 0.7 million for the corresponding period last year. One-off costs related to restructuring amounted to NOK 16.2 million for the third quarter.

- We continue to see growth in revenues from digital subscriptions, which is crucial to secure the future growth and competitiveness of NHST in a market characterized by substantial changes. Facing a challenging advertising market, we need to reduce costs to secure acceptable profitability. These measures will enable technology investments, competence development, and further development of products and services throughout the Group, providing the foundation for future growth, says Group CEO Hege Yli Melhus Ask.

To secure more cost efficient production processes for both printed and digital publications, the Group is consolidating production and distribution to one shared digital platform for the media segments. This work will continue into 2020.

Dagens Næringsliv experienced a significant reduction in advertising revenues in the second and third quarter of 2019. The financial development of Morgenbladet was weak as a result of lower advertising revenues and higher operating expenses compared to the corresponding period last year.

- The development in Dagens Næringsliv and Morgenbladet have triggered the need for cost reductions in both publications. We aim to secure that each publication has sufficient financial strength to further develop its products, high quality journalism and its market position. The financial position must be robust enough to absorb fluctuations in the revenues, says Ask.

The number of full-time equivalents (FTEs) is expected to be reduced by a total of approximately 30 in Dagens Næringsliv and Morgenbladet. This is an important part of a cost reduction program which is expected to reduce the cost base for these units by approximately NOK 38 million in 2020 compared to 2019.

THIRD QUARTER 2019

(numbers in brackets refers to the corresponding period last year)

- The NHST Media Group reports operating revenues of NOK 288.4 million for the third quarter 2019 (NOK 318.0 million) and NOK 880.9 million for the first nine months (962.5), a reduction of 9 and 8 percent respectively
 - Adjusted for the the sale of Nautisk Forlag and the purchase of Mention, the reduction in operating revenues was 6 percent and 4 percent, respectively
 - The main reason for the reduction was lower advertising revenues from the segments Norwegian publications and Global publications.
- Earnings before depreciation, interest and tax (EBITDA) were NOK 2.2 million (11.6) for the quarter and NOK 23.3 million (33.1) for the first nine months
 - The segments Norwegian publications and Global publications reported a weaker EBITDA compared to 2018
 - The segment Software-as-a-Service (SaaS) showed a positive development in EBITDA, reflecting the comprehensive profitability improvement program implemented in Mynewsdesk in 2019
 - Adjusted for one-off costs related to organizational changes, EBITDA was NOK 18.4 million (11.6) for the third quarter and NOK 44.4 million (45.4) for the first nine months
- The operating result (EBIT) for the Group was NOK -15.0 million (-0.7) for the third quarter and NOK - 27.2 million (-4.0) for the first nine months
 - Total depreciations for the Group were NOK 17.2 million (12.3) and NOK 50.6 million (37.1) for the third quarter and the first nine months respectively. The increase compared to last year mainly can be explained by depreciation of intangible assets related to the purchase of Mention in 2018

KEY FIGURES

Numbers in NOK million	Q3 2019	Q3 2018	YTD 2019	YTD 2018
Subscription income	221.0	211.6	653.4	635.3
Advertising revenues	59.2	75.2	196.8	222.3
Sale of goods and services	8.2	31.3	30.8	104.9
Total revenues	288.38	318.0	880.9	962.5
Operating expenses	286.2	306.4	857.6	929.3
EBITDA before one-off items	18.4	11.6	44.4	45.4
EBITDA	2.2	11.6	23.3	33.1
Depreciation & Amortization	17.2	12.3	50.6	37.1
Operating result	-15.0	-0.7	-27.2	-4.0
CAPEX	10.0	8.6	32.3	32.6
EBITDA less CAPEX	-7.8	3.0	-9.0	0.5

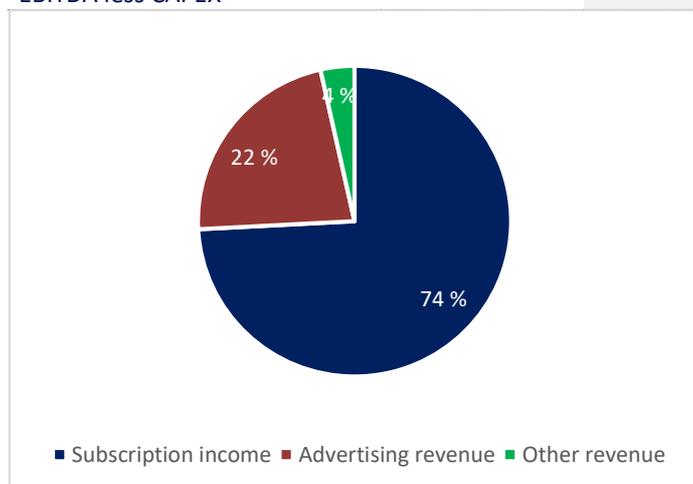


Figure 1: Percentage of total revenues YTD 2019

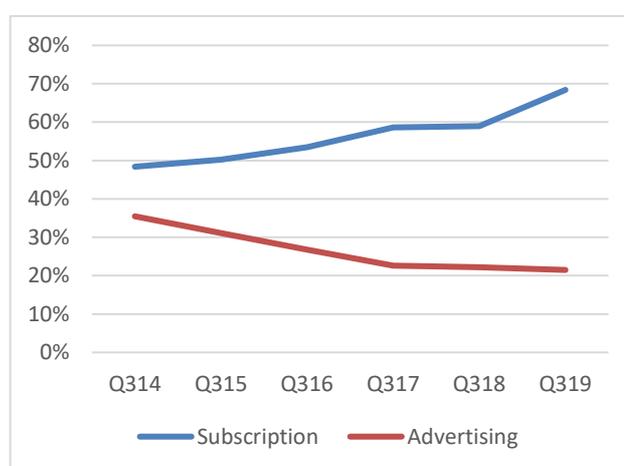


Figure 2: Percentage of total revenues rolling 4 quarters

NORWEGIAN PUBLICATIONS

The segment Norwegian publications includes Dagens Næringsliv and Morgenbladet.

Operating revenues for the segment were NOK 157.2 million for the third quarter, down from NOK 164.8 million for the corresponding quarter last year. Subscriber income was NOK 115.4 million, which was in line with last year. Included in subscriber income was a substantial growth in revenues from digital subscriptions, while revenues from sales of printed products declined. Also advertising revenues showed a decline in the quarter, from NOK 45.7 million in 2018 to NOK 37.9 million this year. The main reduction was in paper based advertising, but also the unit for content marketing and conferences showed some reduction in revenues compared to last year.

Operating expenses for the quarter were NOK 150.6 million, down from NOK 157.4 million for the corresponding quarter last year. The reduction was mainly related to print and distribution expenses, external services and personnel expenses.

EBITDA for the segment was NOK 6.6 million, down from NOK 7.4 million last year. EBITDA adjusted for one-off costs related to restructuring was NOK 11.3 million for the quarter.

<i>NOK million</i>	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	YTD 2018	YTD 2019
Subscriber income	115.2	114.1	113.0	104.4	115.4	336.8	332.8
Advertising revenues	45.7	59.3	39.8	46.3	37.9	143.4	124.0
Sales of goods and services	3.9	3.4	4.1	5.6	3.8	10.0	13.6
Total revenues	164.8	176.8	156.9	156.3	157.2	490.2	470.4
Operating expenses	157.4	167.0	156.3	137.4	150.6	455.2	444.3
EBITDA	7.4	9.8	0.7	18.9	6.6	35.0	26.1
CAPEX	4.8	4.7	2.1	2.4	0.9	11.4	5.4
EBITDA less CAPEX	2.6	5.1	-1.4	16.4	5.7	23.6	20.7

GLOBAL PUBLICATIONS

The segment Global publications includes the international trade publications Tradewinds, Upstream, Intrafish and Recharge, as well as the Norwegian publications Fiskeribladet and Europower.

Operating revenues for the segment were NOK 71.1 million for the quarter, down from NOK 78.8 million for the third quarter 2018. Subscription income increased by 3 percent this quarter, from NOK 46.1 million last year to NOK 47.3 million this year, while advertising revenues declined by 27 percent, from NOK 29.4 million to NOK 21.4 million. Revenues from sale of paper based advertising fell by 7 percent, but also sales of digital advertising was somewhat lower than last year.

Operating expenses for the segment were NOK 66.0 million for the third quarter, down from NOK 69.1million for the corresponding quarter last year.

EBITDA for Global publications was NOK 5.1 million for the quarter, down from NOK 9.6 million for the third quarter last year. TradeWinds and Fiskeribladet made the most significant contributions to the segment EBITDA in this quarter.

The process to streamline production and distribution through consolidation on shared production platforms and in shared organizational units, continues.

<i>NOK million</i>	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	YTD 2018	YTD 2019
Subscriber income	46.1	47.7	47.8	48.8	47.3	140.7	143.9
Advertising revenues	29.4	24.5	19.9	31.7	21.4	78.8	73.0
Sales of goods and services	3.2	3.1	2.8	2.6	2.4	9.4	7.8
Total revenues	78.8	75.3	70.4	83.2	71.1	229.0	224.7
Operating expenses	69.1	73.7	74.7	73.4	66.0	213.1	214.1
EBITDA	9.6	1.5	-4.3	9.8	5.1	15.8	10.6
CAPEX	1.9	0.9	1.5	1.9	1.9	6.8	5.3
EBITDA less CAPEX	7.7	0.6	-5.8	7.9	3.2	9.0	5.3

SOFTWARE-AS-A-SERVICE

The segment *Software-as-a-Service (SaaS)* includes the companies *Mynewsdesk* and *Mention*. *Mynewsdesk* is offering its customers a PR and communication platform with associated services. The company is headquartered in Stockholm and the market focus is mainly the Nordic area and the DACH area (Germany Austria, Switzerland). *Mention* is offering services in media surveillance and social media management. The company is based in Paris and has a global market focus.

Operating revenues for the segment were NOK 62.8 million for the quarter, compared to NOK 51.9 million for the corresponding period last year. The increase is explained by the consolidation of revenues from *Mention*, which was acquired with effect from the fourth quarter of 2018. The main revenue component for the SaaS segment is subscriber income. These revenues were NOK 60.4 million for the quarter, up from NOK 49.2 million for the corresponding quarter last year.

Mention is in a growth phase and the company has gone through a major organizational change to strengthen its sales and marketing. Product development is going on continuously. *Mynewsdesk* implemented a major profitability program in the first half year of 2019 and has concentrated its sales and marketing efforts to the Nordic area and the DACH countries.

Operating expenses for the segment were NOK 56.6 million for the third quarter, an increase from NOK 49.6 million last year. The increase is due to the inclusion of *Mention*.

EBITDA for the segment was NOK 6.2 million, an increase from NOK 2.2 million for the third quarter last year. The profitability program implemented in *Mynewsdesk* in 2019 is the main reason for the improved profitability for the segment. EBITDA adjusted for one-off expenses related to restructuring was NOK 10.3 million for the quarter.

<i>NOK million</i>	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	YTD 2018	YTD 2019
Subscriber income	49.2	72.4	63.2	61.8	60.4	154.0	185.4
Sale of services	2.6	3.3	3.5	3.1	2.3	9.0	8.9
Total revenues	51.9	75.7	66.7	64.8	62.8	162.9	194.3
Operating expenses	49.6	72.3	63.8	56.6	56.6	154.9	176.9
EBITDA	2.2	3.3	2.9	8.3	6.2	8.0	17.4
CAPEX	4.9	4.7	4.4	9.5	6.7	14.5	20.5
EBITDA less CAPEX	-2.7	-1.4	-1.5	-1.2	-0.5	-6.5	-3.1

Mention was acquired with effect from 1 September 2018. The effects of the added values are not included in the segment figures but are explained in note 3.

Oslo, 15 October 2019, The Board of Directors and Group CEO of NHST Media Group AS

KEY FIGURES NHST MEDIA GROUP

INCOME STATEMENT

(NOK million)	Q3 2019	Q3 2018	YTD 2019	YTD 2018
Revenues	288.4	318.0	880.9	962.5
Operating expenses	286.2	306.4	857.6	929.3
Ordinary depreciation	2.2	11.6	23.3	33.1
EBITDA	17.2	12.3	50.6	37.1
Operating profit / loss	-15.0	-0.7	-27.2	-4.0
Net financial items	-1.0	0.1	-16.5	0.3
Profit/loss before tax	-16.0	-0.6	-43.7	-3.6
Profit/loss after tax	-13.8	-1.1	-38.1	-4.8
Minority interests	-0.3	0.5	0.2	0.9
Profit/loss after tax majority interests	-13.6	-1.6	-38.3	-5.6
Number of shares ex own shares	1 243 173	1 243 173	1 243 173	1 243 173
Profit/loss per share in NOK	-11.1	-0.9	-30.6	-3.8
Number of employees average	671	742	694	746

BALANCE SHEET

	30.09.2019	31.12.2018
Intangible assets	292.2	311.0
Other fixed assets	164.9	145.9
Total fixed assets	457.0	456.8
Inventory	0.0	0.0
Accounts receivable	85.8	120.6
Other short term receivables	35.5	37.7
Cash and cash equivalents	180.9	229.4
Total short term assets	302.2	387.6
Total assets	759.2	844.4
Shareholders' equity	68.1	94.1
Minority	2.3	16.7
Total shareholders' equity	70.4	110.8
Long term debt	225.6	160.2
Accounts payable	19.7	32.0
Prepayments	312.3	323.5
Other short term debt	131.2	218.0
Total liabilities	688.8	733.6
Total shareholders' equity and liabilities	759.2	844.4

NOTE 1 ACCOUNTING PRINCIPLES

A tax rate of 22 percent has been used when calculating the quarterly figures.

The business of Nautisk was transferred to StormGeo as of 1 October 2018. This was a sale of assets, meaning that assets and liabilities that were related to going concern were included in the transaction.

Calculation of gain/ loss was included in the result for the fourth quarter 2018.

NOTE 2 SPECIFICATIONS

NOK million	Q3 2019		YTD 2019	
	Operating revenues	EBIT	Operating revenues	EBIT
Norwegian Publications	157.2	4.3	470.4	20.5
Global Publications	71.1	4.2	224.7	8.1
Mynewsdesk	62.8	1.4	194.3	3.6
Nautisk Forlag	0.0	-0.1	0.0	-0.4
Other group companies	19.4	-15.4	61.9	-29.1
Amortisation of customer excess values	-2.2	-2.2	-8.7	-8.7
Amortisation of other excess values		-7.1		-21.3
Eliminations	-19.9		-61.7	
SUM	288.4	-15.0	880.9	-27.2

NOTE 3 EFFECTS OF MENTION ACQUISITION

Mention was acquired with effect from 1 September 2018. The consolidated accounts for the fourth quarter 2018 include four months of operations.

The consolidation and the Purchase Price Allocation (PPA) analysis was based on the assumption that Mynewsdesk control 100 percent of the company through a put/call option with an exercise date in 2021. The actual ownership was 85 percent. This means that the calculated purchase price includes the value of the remaining 15 percent, calculated to MEUR 2.5 and booked as a long-term debt. This amount is adjusted continuously against the pricing model for the last 15%, which is based on a sales multiple in 2020.

The PPA identified values in excess of book value of assets of MEUR 18.2. The PPA and excess values are calculated in EUR and will be currency adjusted throughout the life span.

The PPAs identified values associated with customers, technology, trademark and customer contracts in addition to a residual goodwill value. All these elements are shown as intangible assets and are amortized over their lifespan.

The identified value associated with the customer contracts have negatively impacted revenues over a 12 months period from the acquisition date, which means 4 months in 2018 and 8 months in 2019 with TEUR 112.1 per month, while the other intangible assets are amortized with TEUR 172.5 per month.

For 2018 the net effects on the EBIT from adjustments to revenues and amortisation of excess values were MNOK 11,1. For the full year 2019 the effects will be MNOK 30,0.