

# INTERIM MANAGEMENT STATEMENT FOR Q3 2014



The Interim Management Statement for Q3 2014 has been prepared in Danish and English.

The Danish text shall be the governing text for all purposes and in case of any discrepancy the Danish wording shall be applicable.

 **NORTH MEDIA**<sub>A/S</sub>

6 November 2014

Company announcement no 08-14

## Revenue and profit for Q3 2014 are as anticipated, and earnings expectations for FY2014 remain unchanged. FK Distribution builds on NoAds+ success

- Group revenue for Q3 2014 comes to DKK 248.3 million, and EBIT stands at DKK 7.4 million. This performance is as anticipated.
- Expectations for Group EBIT for the year are maintained and estimated to range from DKK 55 million to DKK 65 million.
- Implementation of No Ads+ and other strategic initiatives progress as planned.
- The Group's net interest-bearing cash position is DKK 50.4 million, and capital resources come to DKK 241.3 million at 30 September 2014.

The Group's revenue for Q3 2014 is 5% up on the same quarter last year. FK Distribution's revenue declined as anticipated, primarily as a result of – in the eyes of North Media A/S – continued unfair and illegal competitive conduct on the part of Post Danmark. Newspaper activities, however, generated increased revenue for Q3 2014 compared to Q3 2013, thanks to the acquisition of eight local newspapers in the Copenhagen area on 1 November 2013.

Group EBIT for Q3 2014 is DKK 7.4 million, which is DKK 2.2 million up on Q3 2013. The Q3 2014 financial performance includes a DKK 3 million increase in amortisation of intangible assets related to the acquisition of the eight Copenhagen local newspapers. Despite FK Distribution's decline in revenue, the Group's performance has gone up thanks to a significant DKK 7.8 million improvement of the Online segment's financial performance. For Q3 2014, the Online segment realised a profit of DKK 2.4 million.

### **Retailers recognise the value of being selected by consumers at NoAds+. FK Distribution intensifies development of digital services for IOS and Android**

During the first quarter of 2014, NoAds+ went nationwide. And already by the third quarter of 2014, retailers have recognised the importance of partaking in NoAds+. A retail chain/shop will find considerable value in, specifically and actively, being selected by a given consumer.

Activities at minetilbud.dk and the app versions are developed concurrently with new and unique services that supplement and support the traditional unaddressed distribution as well as the new segmented and addressed NoAds+ service. This way, all types and sizes of retailers are given the opportunity to convey their messages to their specific target group.

NejTak+, minetilbud.dk and the app versions are still supported by an extensive marketing campaign.

### **BEKEY continues to win the majority of municipal tenders for electronic access control**

As expected, Q3 2014 saw multiple municipal tenders, and BEKEY continues to win most of them, even though competition has intensified. The implementation pace in the municipalities, however, is lower than anticipated and has a delaying effect on revenue growth. Aside from Danish municipalities, BEKEY's system is now also used in Sweden and Norway, and negotiations are underway with potential distributors in several other European countries.

### **Søndagsavisen and the eight Copenhagen mid-weeklies acquired did not realise the growth expected**

As in the first two quarters of 2014, the market also proved weaker than expected in Q3. Thus, revenue growth for the newspaper activities turned out lower than predicted. Revenue from the Group's total newspaper activities, however, grew considerably as a result of the acquisition of eight Copenhagen newspapers. Operating and cost synergies from the purchase and efficiency improvements and optimisation of sales continue to contribute positively to the earnings growth.

### **Ofir's performance continues to improve thanks to cost reductions and increased sale of the e-recruitment system Emply**

Sales of one of Ofir's main strategic products, the e-recruitment system Emply, developed positively, landing the expected number of new contracts and achieving very stable operations. However, revenue development for Ofir's other main product, sale of ads for media in Ofir's job universe, was unsatisfactory.

### **After restructuring Byggestart.dk in Q2 2014, Q3 saw the implementation of a new business concept**

After the restructuring process, Byggestart.dk returned a break-even performance for Q3. During Q4 2014 and H1 2015, investments will be made in upping business volumes.

### **Specified expectations for Group revenue and financial performance for FY2014**

The Group's revenue is expected to range from DKK 1,060 million to DKK 1,080 million for 2014. Group EBIT before special items is expected to range from DKK 55 million to DKK 65 million for FY2014 after ordinary amortisation and depreciation, which are expected to come to approx DKK 49 million.

## FINANCIAL PERFORMANCE

As expected, the Group's revenue for Q3 2014 is on a par with that for Q3 2013.

**Group revenue for Q3 2014 stands at DKK 248 million which is more than 5% up on revenue for Q3 2013, which came to DKK 236 million**

Revenue developed as expected. Uncertainty still exists as to how the act imposing tax on printed matter adopted on 1 January 2013 will be enforced. In the beginning of July 2014, the European Commission endorsed the tax, albeit with a number of reservations. The Danish Minister of Taxation has announced that a number of changes will be proposed in the autumn of 2014 during the new parliamentary session, and that the tax is expected to enter into force by mid-2015.

The anticipation of such tax for almost two years combined with structural market developments have resulted in less printed matter and lower weight per printed leaflet. Further, FK Distribution is still heavily influenced by the disputed and what it sees as illegal price competition on the part of Post Denmark. In line with expectations, FK Distribution's revenue for Q3 2014 therefore went down compared to the same period last year.

The market for newspaper ads continued its weak trend in Q3 2014, for which reason revenue growth for the Group's total newspaper activities was lower than expected. Compared to Q3 2013, however, growth is significant thanks to the acquisition of the eight mid-weeklies based in Frederiksberg and in the Copenhagen area effective on 1 November 2013.

BEKEY realised revenue below expectations, however, at a level exceeding that of last year. However, this revenue still represents a very small percentage of revenue for the entire Print segment.

For the first three quarters of the year, revenue for the Print segment as a whole went up from DKK 704.8 million in 2013 to DKK 708.4 million in the same period of 2014. This represents a 0.5% increase, composed by the 10% revenue decline realised by FK Distribution and a growth of approx 40% in the newspaper activities.

DKKm	Revenue										
	Q3 YTD		Q3	Revenue							Year
	2014	2013	2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	2013	
Print	708.4	704.8	223.1	251.8	233.5	281.3	214.4	247.7	242.7	986.1	
<i>Index cp. same period last year</i>	100.5	94.4	104.1	101.7	96.2	99.6	93.3	96.9	92.8	95.8	
Online	75.1	68.8	25.2	25.1	24.8	22.2	21.8	23.2	23.8	91.0	
<i>Index cp. same period last year</i>	109.2	105.4	115.6	108.2	104.2	102.8	99.1	103.1	114.4	104.7	
<b>Group revenue</b>	<b>783.5</b>	<b>773.6</b>	<b>248.3</b>	<b>276.9</b>	<b>258.3</b>	<b>303.5</b>	<b>236.2</b>	<b>270.9</b>	<b>266.5</b>	<b>1,077.1</b>	
<i>Index cp. same period last year</i>	101.3	95.3	105.1	102.2	96.9	99.8	93.8	97.4	94.4	96.5	

DKKm	EBIT before special items										
	Q3 YTD		Q3	EBIT before special items							Year
	2014	2013	2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	2013	
Print	37.9	45.8	3.7	17.4	16.8	34.8	9.3	14.8	21.7	80.6	
<i>Profit margin</i>	5.4%	6.5%	1.7%	6.9%	7.2%	12.4%	4.3%	6.0%	8.9%	8.2%	
Online	-5.0	-17.3	2.4	-3.2	-4.2	-8.8	-5.4	-5.1	-6.8	-26.1	
<i>Profit margin</i>	-6.7%	-25.1%	9.5%	-12.7%	-16.9%	-39.6%	-24.8%	-22.0%	-28.6%	-28.7%	
Unallocated income/costs	1.2	1.3	1.3	0.8	-0.9	1.9	1.3	0.6	-0.6	3.2	
<b>Group EBIT</b>	<b>34.1</b>	<b>29.8</b>	<b>7.4</b>	<b>15.0</b>	<b>11.7</b>	<b>27.9</b>	<b>5.2</b>	<b>10.3</b>	<b>14.3</b>	<b>57.7</b>	
<i>Profit margin</i>	4.4%	3.9%	3.0%	5.4%	4.5%	9.2%	2.2%	3.8%	5.4%	5.4%	

The Online segment saw revenue growth of 16% when comparing Q3 2013 to Q3 2014.

For the year's first three quarters in aggregate, revenue growth for the Online segment was 9% on the same period in 2013. The four main activities within the Online segment, Ofir.dk, Byggestart.dk, BoligPortal.dk and Bostadsportal.se, upped their revenue by 14% in the year's first three quarters compared to the same period in 2013. Growth was lower than expected, which is mainly due to lower growth in Byggestart.dk's and Ofir.dk's sales of advertising products and BoligPortal.dk's sales to the co-operative and owner-occupied housing market.

**In line with expectations Group EBIT for Q3 2014 is DKK 7.4 million which is DKK 2.0 million up on the same period last year**

Just as revenue for Q3 2014 in total is on a par with that for Q3 2013, financial performance is largely unchanged. However, financial performance for 2014 includes DKK 3 million in amortisation of intangible assets related to the acquisition of the eight mid-weeklies on 1 November 2013.

Group EBITDA is DKK 19.4 million for Q3 2014, which is DKK 5.9 million up on Q3 2013, when it stood at DKK 13.5 million.

Year-to-date 2014, Group EBIT before special items comes to DKK 34.1 million compared to DKK 29.8 million for the first three quarters of 2013. This is consistent with expectations for a group financial performance for 2014 on a par with that for 2013.

**EBIT for the Print segment is DKK 3.7 million for Q3 2014, and profit margin is 1.7%**

For Q3 2014, the Print segment realised EBIT of DKK 3.7 million, which is DKK 5.6 million down on the same period last year.

EBIT for the Print segment before special items in the first three quarters of 2014 is DKK 37.9 million compared to DKK 45.8 million in the same period last year. The profit decline is primarily due to a lower profit realised by FK Distribution whereas the newspaper activities performed better. Once again, BEKEY realised a considerable operating loss resulting from product development.

**EBIT for the Online segment is positive for Q3 2014**

EBIT for Q3 2014 for the Online segment is DKK 2.4 million, equalling an improvement of DKK 7.8 million compared to Q3 2013. Ofir remained loss-making in Q3 2014, whereas the other online activities generally achieved break-even or generated a profit.

Year-to-date 2014, the Online segment's EBIT before special items amounts to a negative DKK 5.0 million. This is DKK 12.3 million up on the same period last year, when it came to a negative DKK 17.3 million. The earnings improvement is primarily attributable to the reduced operating loss of Byggestart.dk and Ofir.dk.

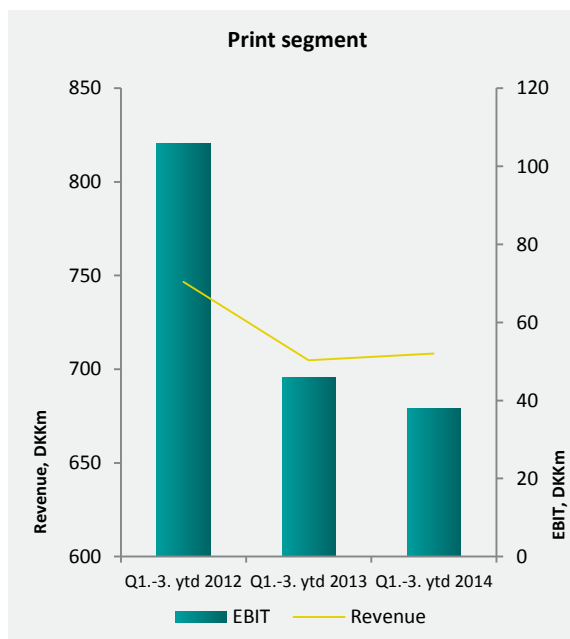
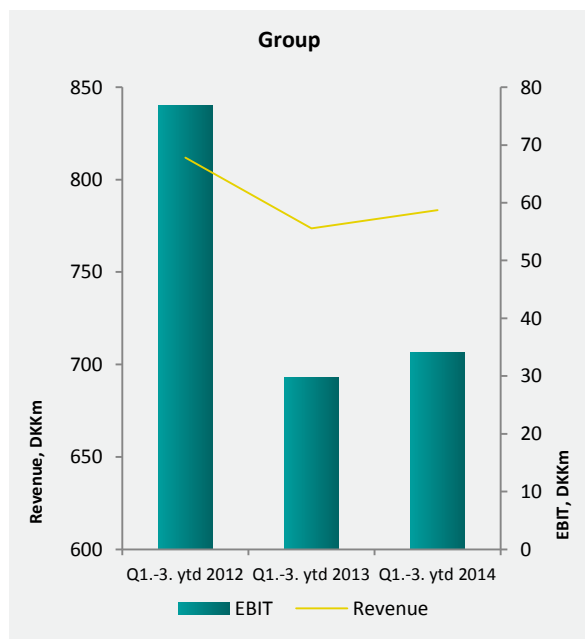
**Positive net-interest bearing cash position secures a continued high level of financial manoeuvrability**

At 30 September 2014, the Group's net interest-bearing cash position is DKK 50.4 million, meaning an increase of DKK 62.0 million compared to 31 December 2013.

The net interest-bearing cash position includes cash of DKK 42.2 million, ultra-liquid shares and subfunds investing in shares in the amount of DKK 66.8 million, corporate and mortgage bonds for DKK 132.3 million, mortgage debt and interest rate swaps totalling DKK 157.1 million and acquisition price payable of DKK 33.8 million in total.

The Group's share holdings consist of investments in a range of Danish and foreign ultra-liquid shares in information technology, health care and industry and subfunds investing in shares.

Those securities yielded DKK 13.6 million, or 8.3%, for year-to-date September 2014.



### Specified expectations for Group revenue and financial performance for 2014

The Group's revenue for 2014 is specified to be in the range of DKK 1,060 million to DKK 1,080 million. At an earlier stage, group revenue was expected to range from DKK 1,060 million to DKK 1,110 million. Revenue growth for the Online segment is expected to be lower and now stands at 5 to 10% instead of the 20% previously expected. This downward adjustment is attributable to lower revenue growth in Ofir.dk and Byggestart.dk.

At the beginning of 2014, a group profit on a par with that for 2013 was expected – and this forecast is maintained. In 2013, EBIT before special items came to DKK 57.6 million. The Group's expectations for EBIT before special items for 2014 are now specified to range from DKK 55 million to DKK 65 million compared to previous expectations ranging from DKK 50 million to DKK 75 million.

Performance for the Online segment is expected to be negative in Q4 2014 due to intensified marketing efforts. Expectations for EBIT before special items for 2014 ranging from a negative DKK 5 million to a negative DDK 10 million remain unchanged.

The 2014 EBIT performance includes DKK 12 million in amortisation of intangible assets related to the acquisition of the eight Copenhagen local newspapers. In 2013, this amortisation amounted to DKK 2 million.

In 2013, Group EBITDA was DKK 93.6 million, and it is expected to range from DKK 104 million to DKK 114 million for 2014.

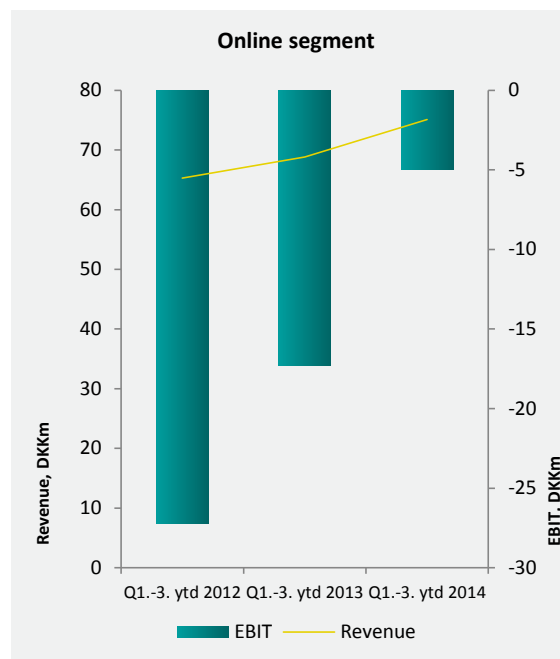
The Group's investments for 2014 are estimated at approx DKK 30 million whereas ordinary amortisation/depreciation are estimated at approx DKK 49 million.

### Lower group earnings expected for 2015

In 2014, execution of strategic initiatives and activities generally proceeded as planned. The developments seen in several of North Media's key markets, however, continue to pose challenges and cause uncertainty as to the estimation of changes in revenue and performance for future quarters.

In spite of the difficult market conditions, the Group maintains its focus on creating numerous strong and profitable business pillars to achieve a stable and high earnings level and become less vulnerable to negative market fluctuations and political interventions. Despite expectations for continued difficult market conditions in 2015, the Group will invest heavily in business development just as in 2014.

More specifically, performance for FK Distribution is expected to be lower in 2015 than in 2014 as new products such as NoAds+ and minetilbud.dk are still not able to compensate entirely for lower prices and decreased volumes in the distribution of unaddressed printed matter.



Similarly, the newspaper activities are not expected to improve their performance due to the challenging newspaper ad markets.

For Ofir.dk, revenue growth for ad products has not been satisfactory in 2014. Thus, Ofir does not expect to realise the previously set objective of EBIT break-even by Q2 2015. At the earliest, Ofir expects to achieve EBIT break-even in H2 2016.

In aggregate, Group EBIT before special items in 2015 is expected to be lower than that for 2014. Specific expectations for revenue and financial performance for 2015 will be announced when publishing the Annual Report for 2014.

### Events after the balance sheet date

The Board of Directors and the Executive Board are not aware of any significant events having occurred since 30 September 2014 which would have a material impact on the financial position of the Group.

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