

# 2016

## INTERIM MANAGEMENT STATEMENT FOR Q1



**2,3** million letter boxes visited every week

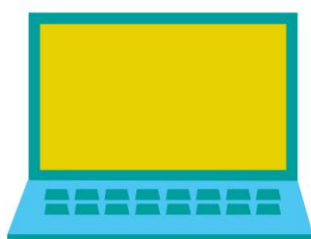
**583,000**

signed up for NoAds+



**20,000**

doors open with BEKEY every day



**1 million**

downloads of minetilbud-app



**6,6 million** visiting websites and apps every month



**1,6**

million newspapers a week

This Interim Management Statement for Q1 2016 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**A/S

**4 May 2016**

**Company announcement no 05-16**

North Media continues to invest in the development and transformation of each business segment to cater for the new advertising media habits of retailers and consumers.

"The activities of North Media have largely developed as expected in Q1 2016. The progress of the NoAds+ concept continues, although FK Distribution's revenue development is affected by the loss of Coop as a customer effective from 1 January 2016. The newspaper operations maintain their market position, and at Online and BEKEY focus remains on optimising their growth assumptions. We are highly affected by the underlying structural changes in the media market, which mean that the pressure on revenue and earnings in our traditional business segments continues. We will continue to give full prominence to the development of our business segments in order to unlock their individual potential by developing both new and existing business concepts," says Kåre Wigh, Group Executive Director & CFO of North Media A/S.

**Group financial highlights from Q1 2016**

- Group revenue reached DKK 216.3 million (2015: DKK 250.5 million), which is 14% down on last year.
- EBITDA amounted to DKK 0.1 million (2015: DKK 0.2 million).
- EBIT before special items was a loss of DKK 9.9 million (2015: a loss of DKK 11.6 million).
- The Q1 2016 return on securities was negative by DKK 17.3 million, or a negative 9.4%. The Group's total portfolio of securities amounted to DKK 185.4 million at 31 March 2016.
- The Group's net interest-bearing cash position was DKK 98.7 million at the balance sheet date, and the capital resources amounted to DKK 267.0 million. Consequently, the Group's financial resources remain strong.

**Outlook for 2016**

The financial, strategic and executional development of the Group's activities in Q1 2016 support the course charted by Management and on which the performance expectations for the financial year 2016 are based.

The revenue and performance development for North Media Newspaper and North Media Online in Q1 2016 was weaker than anticipated.

As stated in Company announcement no 04-16 of 2 May 2016 (subsequent event), North Media A/S has signed an agreement for the sale of some editions of Søndagsavisen and the equity interest in A/S Vestsjællandske Distriktsblade.

Based on this, group revenue is expected to range between DKK 865 million and DKK 915 million and EBIT before special items to range from a negative DKK 55 million to a negative DKK 25 million for the financial year 2016. To this should be added a net profit from above mentioned sale of approx DKK 40 million which will be included in the financial statements partly as profit from associates and partly as a special item.

**FK Distribution in Q1 2016**

- Revenue was DKK 137.3 million (2015: DKK 164.9 million, down 17%. Besides continued strong price competition, revenue development is affected by the loss of Coop as a customer effective from 1 January 2016.
- EBITDA amounted to DKK 7.7 million (2015: DKK 5.4 million).
- EBIT reached DKK 3.6 million (2015: a negative DKK 0.2 million), thus producing a profit margin of 2.6% (2015: a negative 0.1%).
- At 31 March 2016, 583,000 households had signed up for NoAds+. The level of sign-ups is now lower, and marketing efforts have been reduced considerably.

**North Media Newspaper in Q1 2016**

- Revenue was DKK 49.5 million (2015: DKK 56.4 million), down 12%.
- EBITDA was negative by DKK 5.7 million (2015: negative by DKK 0.3 million).
- EBIT stood at a negative DKK 8.8 million (2015: a negative DKK 3.7 million).
- The print ads market has developed worse than expected. It is estimated that North Media Newspaper's negative revenue development is consistent with market developments and that its market position has therefore been maintained. In view of this, revenue and performance development has been weaker than expected.

**North Media Online in Q1 2016**

- Online's total revenue stood at DKK 24.2 million (2015: DKK 24.6 million).
- EBITDA was negative by DKK 1.9 million (2015: negative by DKK 3.0 million).
- EBIT stood at a negative DKK 2.3 million (2015: a negative DKK 3.4 million).
- Revenue from online activities developed more weakly in Q1 2016 than expected, which is not satisfactory. The reasons for this lack of growth are that the implementation of the new price and product mix at BoligPortal did not proceed as fast as expected and that the number of customers opting out of håndværker.dk has been higher than anticipated.

**BEKEY in Q1 2016**

- Revenue was DKK 5.3 million (2015: DKK 4.6 million), up 15%.
- EBITDA was negative by DKK 3.7 million (2015: negative by DKK 4.2 million).
- EBIT stood at a negative DKK 3.8 million (2015: a negative DKK 4.3 million).
- Sales activities are in progress and tests have been carried out in Norway, Finland, the Netherlands and the USA.

# Management commentary

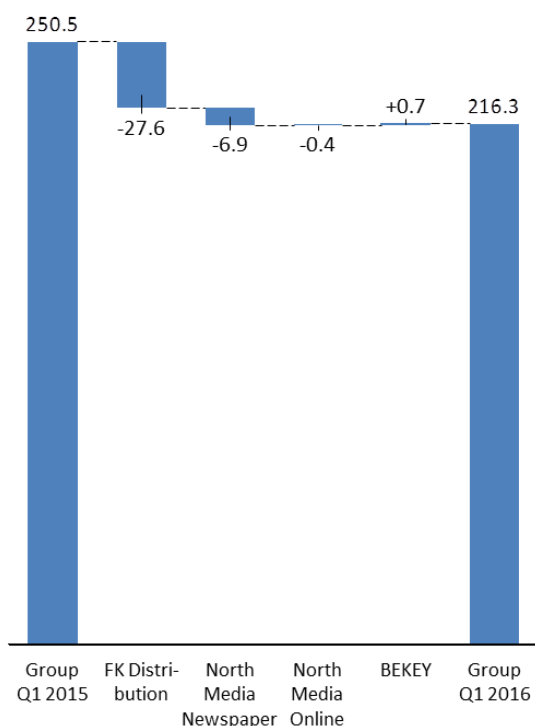
The division of activities into four new business segments secure an optimal setting for development and execution.

The market conditions underlying North Media's activities are still affected by major structural changes and strong competition. North Media is in touch with Danish consumers every day and holds a leading market position within distribution of printed matter, local and regional newspapers, several online media and the new market for electronic lock systems and distribution of access rights. Based on this, North Media is investing heavily in the development of each business segment, partly to maintain its market leading position, partly to continuously adjust platforms and launch new products and functions that may ensure optimal realisation of each segment's long-term earnings potential.

This focus will characterise all of 2016 and has been a top priority on Management's agenda in Q1 2016.

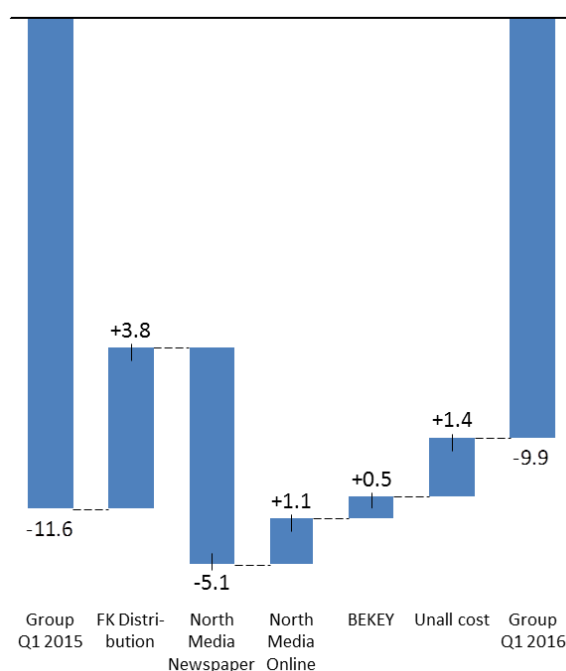
The group revenue went down from DKK 250.5 million in Q1 2015 to DKK 216.3 million in Q1 2016. This is a drop by DKK 34.2 million, or 14%, that has primarily been caused by FK Distribution's loss of Coop as a customer and the continued decline in prices in the market for distribution of unaddressed printed matter.

Group revenue development (DKK'm)



Group EBIT improved from a negative DKK 11.6 million in Q1 2015 to a negative DKK 9.9 million in Q1 2016. Despite the decline in revenue, FK Distribution managed to improve results by DKK 3.8 million. Results of North Media Newspaper, however, did not develop satisfactorily and developed more weakly than anticipated because of very weak markets, particularly in the first two months of 2016.

Group EBIT development (DKK'm)



**FK Distribution's total revenue down because of the loss of Coop as a customer. Increased inflow of customers fortifies new platforms.**

## FK Distribution – financial highlights

DKK'm	Q1 16	Q1 15	Development
Revenue	137.3	164.9	-27.6/-17 %
EBIT	3.6	-0.2	+3.8

The fierce price competition is continuing unabated in 2016, which – besides the loss of Coop – as expected is

contributory to the reduction of FK Distribution's market share and revenue by DKK 27.6 million to DKK 137.3 million in Q1 2016.

Conversely, the success of NoAds+ goes on, with 583,000 households having signed up at the end of March 2016. Although Coop is no longer a member of the NoAds+ arrangement, revenue from NoAds+ and minetilbud.dk has gone up by 37% during the quarter. However, this cannot yet compensate for the revenue decline caused by the above-mentioned loss of market shares.

Efficiency improvements and savings combined with a heavy reduction in the promotion of NoAds+ help reduce the earnings effect of the considerable decline in revenue. So EBIT for the period stands at DKK 3.6 million (2015: a negative 0.2 million), which is an improvement of DKK 3.8 million despite a 17% decline in revenue.

For the rest of 2016, the spotlight will be on developing and introducing new products and services for both print and online. Above all, activities will be targeted at NoAds+ and minetilbud.dk, which provide advertisers with a unique access to high-spending consumers, and which are therefore among the most effective advertising platforms for retailers.

For 2016, revenue expectations remain unchanged between DKK 550 million and DKK 575 million and EBIT between DKK 0 and DKK 15 million. In 2015, EBIT of FK Distribution stood at DKK 56.3 million.

### North Media Newspaper continues its implementation of a new sales strategy

#### North Media Newspapers - financial highlights

DKK'm	Q1 16	Q1 15	Development
Revenue	49.5	56.4	-6.9/-12 %
EBIT	-8.8	-3.7	-5.1

The first quarter of 2016 proved difficult for North Media Newspaper, and the market was weak particularly in the first two months of the year. The sale of new products at Søndagsavisen, such as inserts giving households access to NoAds Please customers, and new digital solutions do not yet contribute much to revenue. The adjustments to the sales strategy that was launched in 2015 are still in progress, and they are expected to gradually have a positive effect on the sale of inserts and new digital solutions as awareness goes up.

The local newspapers in Copenhagen are well under way and are developing better than the underlying market.

The weak revenue development has had an adverse effect on EBIT. EBIT stood at a negative DKK 8.8 million for Q1 2016 (2015: a negative DKK 3.7 million).

Expectations for the rest of the year are that current efficiency improvements and cost awareness combined with an improved revenue development will cause a gradual improvement of earnings in 2016.

As stated in Company announcement no 04-16 of 2 May 2016 (subsequent event), North Media A/S has signed an agreement for the sale of some editions of Søndagsavisen and the equity interest in A/S Vestsjællandske Distriktsblade.

Overall, developments in Q1 2016 and the sale of some of the newspaper operations lead to a downward adjustment of revenue and earnings expectations to between DKK 185 million and DKK 195 million and between a negative DKK 35 million and a negative DKK 30 million, respectively, for 2016. Originally, expectations were revenue ranging between DKK 200 million and DKK 210 million and a loss between DKK 30 and DKK 25 million.

### North Media Online bound for profitability

The companies behind North Media Online did not progress as expected in Q1 2016. Q1 revenue dropped to DKK 24.2 million (2015: DKK 24.6 million), or down 2%.

GodMail.dk was sold in 2015, and revenue was DKK 0.2 million for Q1 2015.

#### North Media Online – financial highlights

DKK'm	Q1 16	Q1 15	Development
Revenue	24.2	24.6	-0.4/-2 %
EBIT	-2.3	-3.4	+1.1

At BoligPortal, a new price and product strategy aimed at housing seekers is intended to increase revenue, however, the initiatives have taken longer to roll out and growth has been below expectations. Towards the end of Q1, the changed price model and the introduction of new products began to show impact.

håndværker.dk failed to produce the growth expected as the number of builders dropping out has been higher than anticipated and too high compared to the number of new builders signing up. Several new initiatives have been launched which we believe will improve the retention rate considerably.

At Ofir, Emly Hire continues to drive revenue growth, whereas job advertisement sales are on the same level as last year.

Online activities realised DKK 1.1 million in EBIT growth in Q1 2016. Q1 2016 EBIT is negative by DKK 2.3 million (2015: a negative DKK 3.4 million).

At BoligPortal, the roll-out of new products for housing seekers, landlords and housing sellers will continue, and expectations are that revenue from BtB advertisers will grow heavily during the year.

Growth in all parameters remains a focal point at håndværker.dk – this goes for content volume, number of builders and traffic volume. The operating loss will be reduced continually during the year, but uncertainty has increased as to whether it will be possible to reach break-even by the end of 2016.

At Ofir, Empty Hire’s market share is to be increased and advertisement sales to be improved considerably, partly by way of more sales promotion, partly by way of synergies with the recruitment system.

In view of developments in Q1 2016, expectations for North Media Online for 2016 are maintained that revenue will increase by between 10% and 20% and that EBIT will range from a negative DKK 5 million to DKK 0 million. In 2015, EBIT of North Media Online was negative by DKK 12.6 million.

Based on developments in Q1 2016, it is to be expected that revenue and performance for the financial year 2016 will be at the low end of the range.

### BEKEY expanding internationally

BEKEY – financial highlights			
DKK’m	Q1 16	Q1 15	Development
Revenue	5.3	4.6	+0.7/+15 %
EBIT	-3.8	-4.3	+0.5

The international activities were expanded and strategic partnerships formed in, for example, the Netherlands, Norway, Sweden, Finland and the USA. Recently, BEKEY has won a large contract in Malmö, Sweden and is to install and operate 15,000 key units for the home care service.

Q1 revenue totalled DKK 5.3 million (2015: DKK 4.6 million), up 15%.

EBIT realised by BEKEY for Q1 2016 was negative by DKK 3.8 million (2015: a negative DKK 4.3 million), which is in line with expectations and reflects the ongoing investments in the growth platform.

The rest of 2016 will be characterised by product launches, strengthening of the international business area and the continuation of heavy development activities. Management expects that this will lead to a considerable increase in revenue, equivalent to revenue for 2016 between DKK 25 million and DKK 30 million, and an operating loss that will be reduced to range between DKK 10 million and DKK 15 million, compared to a negative DKK 19.4 million for 2015.

### Net interest-bearing cash position ensuring financial latitude

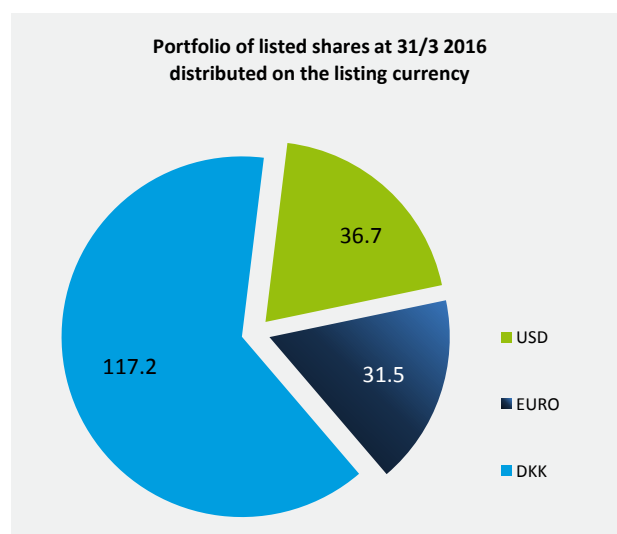
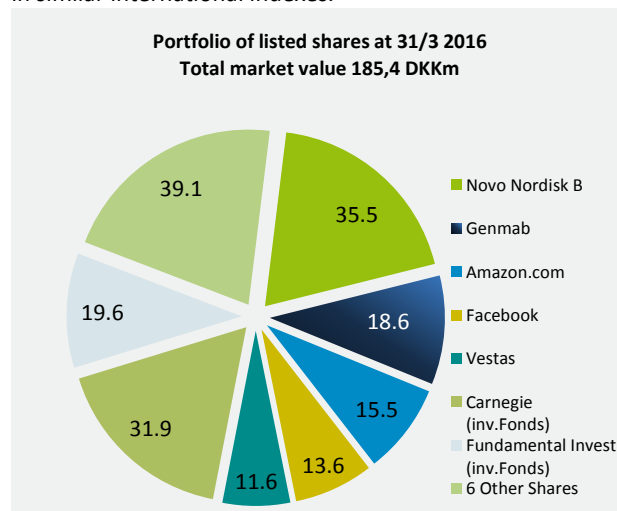
At 31 March 2016, the Group’s net interest-bearing cash position was DKK 98.7 million. This is DKK 15.1 million down on the amount at 31 December 2015 when it was DKK 113.8 million.

The net interest-bearing cash position includes cash of DKK 81.6 million, ultra-liquid shares in the amount of DKK 185.4 million, mortgage debt and interest rate swaps totalling DKK 161.6 million and acquisition price payable of DKK 6.7 million in total.

So at 31 March 2016, the Group’s cash resources (exclusive of overdraft facility) stood at DKK 267.0 million while at year-end 2015 they were DKK 288.5 million.

### Unchanged level of portfolio of securities

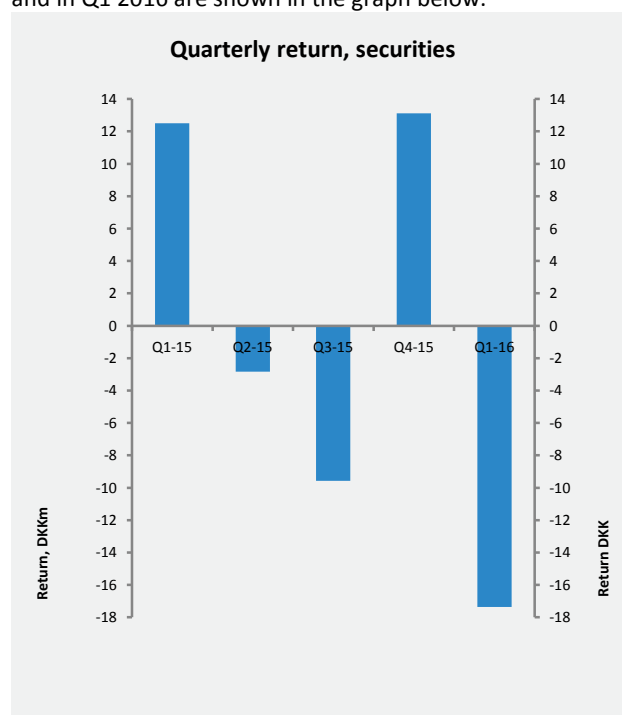
At the end of March 2016, the Group had invested in 13 different shares and share-based investment funds. The portfolio consists of listed shares and investment funds with high transferability such as OMXC20 shares or shares in similar international indexes.



## Negative return on securities in Q1 2016

Q1 2016 yielded a negative net return on securities of DKK 17.3 million for the Group, or a negative 9.4%.

For 2015, the Group had realised a positive net return of DKK 12.9 million, or 6.3%. The quarterly returns in 2015 and in Q1 2016 are shown in the graph below.



At 31 March 2016, the share portfolio risk has been calculated at 25.4%. Risk has been calculated as the annualised standard deviation measured over the past 90 days of trading. "Value at risk", which reflects the maximum loss over a three-month period with a probability of 95%, was DKK 39.5 million.

## Outlook for 2016

<b>Outlook for 2016</b>		
DKKm	Revenue	EBIT before special items
FK Distribution	550-575	0 to +15
North Media Newspapers	185-195	-35 to -30
North Media Online	105-115	-5 to 0
BEKEY	25-30	-15 to -10
<b>Group</b>	<b>865-915</b>	<b>-55 to -25</b>

In connection with the announcement of the sale of some editions of Søndagsavisen and the equity interest in A/S Vestsjællandske Distriktsblade, see Company announcement no 04-16 of 2 May 2016, revenue and earnings expectations for the year were adjusted. Compared to the expectations stated in the Annual Report 2015, revenue of North Media Newspaper was reduced by DKK 15 million and EBIT expectations were reduced by DKK 5 million. The adjusted expectations for the financial year 2016 are evident from the table above.

North Media A/S will realise a total net profit from above mentioned sale of approx DKK 40 million, which will be included in the financial statements partly as profit from associates, partly as a special item.

The Group's investments for 2016 are estimated at approx DKK 10 million whereas ordinary amortisation and depreciation are estimated at approx DKK 37 million.

## Events after the balance sheet date

As stated in Company announcement no 04-16 of 2 May 2016, the Group has sold some editions of Søndagsavisen and its 50% stake in A/S Vestsjællandske Distriktsblade.

Except for the above, the Board of Directors and the Executive Board are not aware of any significant events having occurred since 31 March 2016 which would have a material impact on the financial position of the Group.

## Contact

For further information, please contact:

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- CEO of North Media Newspaper Arne Ullum, mobile phone number +45 21 63 22 27
- CEO of North Media Online Henrik Løvig, mobile phone number +45 61 79 94 31
- CEO of BEKEY Søren Holmblad, mobile phone number +45 25 65 21 30.

## QUARTERLY SCHEDULE

DKKm	Revenue							
	Q1 YTD		Q1	Q4	Q3	Q2	Q1	Year
	2016	2015	2016	2015	2015	2015	2015	2015
FK Distribution	137.3	164.9	137.3	194.5	156.4	175.6	164.9	691.4
<i>Index cp. same period last year</i>	83.3	94.8	83.3	93.0	89.9	91.9	94.8	92.4
North Media Newspaper	49.5	56.4	49.5	52.7	43.7	55.3	56.4	208.1
<i>Index cp. same period last year</i>	87.8	97.6	87.8	94.3	94.2	92.9	97.6	94.8
North Media Online	24.2	24.6	24.2	22.0	24.0	24.1	24.6	94.7
<i>Index cp. same period last year</i>	98.4	99.2	98.4	98.7	95.2	96.0	99.2	97.2
BEKEY	5.3	4.6	5.3	3.6	3.9	6.1	4.6	18.2
<i>Index cp. same period last year</i>	115.2	270.6	115.2	138.5	144.4	469.2	270.6	219.3
<b>Koncernens omsætning</b>	<b>216.3</b>	<b>250.5</b>	<b>216.3</b>	<b>272.8</b>	<b>228.0</b>	<b>261.1</b>	<b>250.5</b>	<b>1,012.4</b>
<i>Index cp. same period last year</i>	86.3	97.0	86.3	94.0	91.8	94.3	97.0	94.3

DKKm	EBIT before special items							
	Q1 YTD		Q1	Q4	Q3	Q2	Q1	Year
	2016	2015	2016	2015	2015	2015	2015	2015
FK Distribution	3.6	-0.2	3.6	31.3	6.8	18.4	-0.2	56.3
<i>Profit margin</i>	2.6%	-0.1%	2.6%	16.1%	4.3%	10.5%	-0.1%	8.1%
North Media Newspapers	-8.8	-3.7	-8.8	-4.2	-11.6	-4.4	-3.7	-23.9
<i>Profit margin</i>	-17.8%	-6.6%	-17.8%	-8.0%	-26.5%	-8.0%	-6.6%	-11.5%
North Media Online	-2.3	-3.4	-2.3	-4.6	-3.9	-0.7	-3.4	-12.6
<i>Profit margin</i>	-9.5%	-13.8%	-9.5%	-20.9%	-16.3%	-2.9%	-13.8%	-13.3%
BEKEY	-3.8	-4.3	-3.8	-5.1	-5.2	-4.8	-4.3	-19.4
<i>Profit margin</i>	-71.7%	-93.5%	-71.7%	-141.7%	-133.3%	-78.7%	-93.5%	-106.6%
Unallocated income/costs	1.4	0.0	1.4	-1.6	0.9	-0.4	0.0	-1.1
<b>Group EBIT before special items</b>	<b>-9.9</b>	<b>-11.6</b>	<b>-9.9</b>	<b>15.8</b>	<b>-13.0</b>	<b>8.1</b>	<b>-11.6</b>	<b>-0.7</b>
<i>Profit margin</i>	-4.6%	-4.6%	-4.6%	5.8%	-5.7%	3.1%	-4.6%	-0.1%





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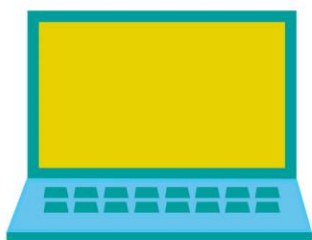
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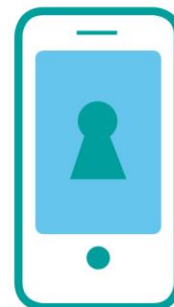
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**1,6**

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