

Søndagsavisen and other newspapers

With its total weekly circulation of 1.6 million newspapers, North Media is one of Denmark's largest publishing houses measured by circulation. In 2013, this position was consolidated via organic development and acquisitions, and the newspaper activities' positive contribution to group earnings will be strengthened further in 2014.

Facts on Søndagsavisen A/S

PRODUCTS

Aside from Søndagsavisen, Søndagsavisen A/S publishes eight local newspapers in Copenhagen and Frederiksberg as well as Helsingør Dagblad, which also publishes the mid-week newspaper, Lokalavisen Nordsjælland. The activities also include 50% of Vestsjællandske Distriktsblade, which publishes three local newspapers and the regional version of Søndagsavisen.

CUSTOMERS

Brands, retailers, estate agents and other advertisers in search of a wide and geographically well-defined coverage area.

MARKET POSITION

Søndagsavisen estimates its market share of the total ad market for dailies and local weekly newspapers to be almost 4% in 2014. Its share of readers has gone up relative to the market development. Average readership for dailies and weeklies dropped by 8.7% and 3.5%, respectively, from 2012 to 2013 whereas Søndagsavisen's readership is more stable with a 2.7% drop in the same period.

Each week, North Media publishes 1.6 million door-to-door distributed newspapers broken down by 35 free newspapers and one daily. The business concept is to own newspapers, from which the Group may obtain maximum economies of scale by exploiting its unique production set-up, its extensive knowledge of advertisement sales and a relevant editorial content for door-to-door distributed free newspapers. The newspaper activities are consolidated under Søndagsavisen A/S, ensuring optimal exploitation of cross-disciplinary functions such as pre-press, purchase of print, advertisement sales administration, IT and back-office functions.

Søndagsavisen is by far Denmark's largest newspaper in terms of circulation figures, number of readers and geographical coverage. Published for the first time in 1978, the free newspaper is funded by advertisements and is read by 1.25 million readers on a weekly basis. The newspaper is published in 24 regional versions, where the ads are ad-

justed to the individual region based on analyses of the inhabitants' purchasing, traffic, moving and behavioural patterns in the relevant area. The editorial content, on the other hand, is the same across regions and focuses on society, consumption, food and health, personal finances and family and work life centring on the modern family with young children.

Søndagsavisen expands its market position

Recent years' massive changes in the media market continued in 2013. The decline in readership bears witness to the tendency of printed newspaper media massively losing market shares to online media. According to Dansk Oplagskontrol (Danish Circulation Control), dailies have lost 50% of their revenue since 2006 first and foremost because consumers' willingness to pay for newspapers and news slumps as mobile data, hotspots, etc gain ground.

Despite the decline in readership, Søndagsavisen is among the print media most successfully withstanding this tendency. This means that the position in the printed ad market, worth almost DKK 4 billion, is strengthened, one of the reasons being that Søndagsavisen's contact prices and segmentation options are very competitive and attractive.

North Media's newspaper activities, households

Publication	Distributed to
Søndagsavisen, 24 reg. ver.	1.239.000
Amager Bladet	68.000
Uge Nyt	56.500
Nørrebro/Nordvest Bladet	51.000
Frederiksberg Bladet	45.000
Østerbro Avis	37.000
Lokalavisen Nordsjælland	33.000
Valby Bladet/Kgs. Enghave	31.000
City Avisen	24.000
Korsør Posten	21.800
Vanløse Bladet	17.000
Vesterbro Bladet	17.000
Helsingør Dagblad	5.600
Total	1.645.900



Since 2010, *Søndagsavisen* has increased its ad volume by 110%, while revenue has gone up by 50% as a result of increased price competition. *Søndagsavisen* has concentrated on expanding its dialogue with large advertisers via media agencies which has resulted in a most satisfactory 135% increase in contributed revenue from these types of customers since 2010.

Søndagsavisen overcame H1 stagnation and achieved growth

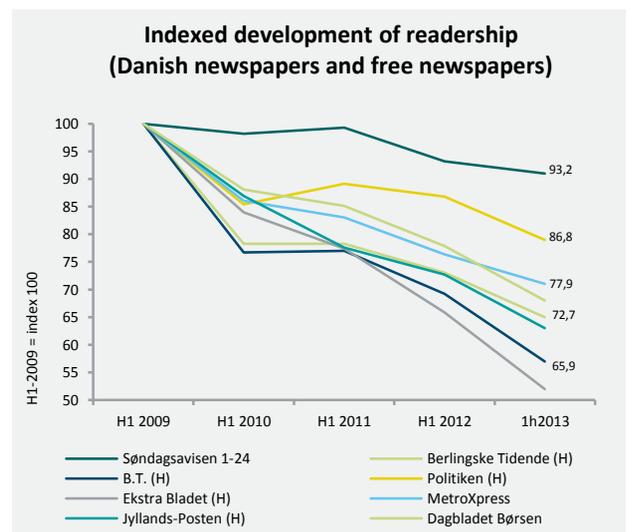
Søndagsavisen's growth stagnated by the end of 2012 and in H1 2013. A new sales manager has intensified the sales strategy and particularly the execution, focusing on profitability and productivity optimisation in the sales department. This focus restored the growth basis in the second half of the financial year 2013. A close resource management based on CRM systems and tight segmentation focusing on large national, regional and local advertisers helped increase efficiency in the sales efforts considerably.

Consequently, a 17% growth rate was achieved in Q4 2013. Taking the year as a whole, income from advertisements went up by 5% compared to 8% in 2012. This growth has been achieved in spite of a market in decline, one of the reasons being that the newspaper's editorial content has been strengthened during the year. This ensured that re-

cent years' slight drop in readership per copy was turned around in the first three quarters of the year, while Q4 disappointed.

Acquisition of eight strong local newspapers in the Copenhagen region

With effect from 1 November 2013, North Media acquired eight local newspapers from Berlingske Media.



Kilde: TNS Gallup: Index Danmark 1. halvår 2012

The papers are distributed in Copenhagen, Frederiksberg, Østerbro and Amager. Thanks to total circulation figures of 290,000 copies per week, the eight newspapers hold a very strong position in the local districts. This acquisition strengthens North Media's newspaper activities in Copenhagen significantly, entailing that North Media is the undisputedly largest publishing house in the capital. The acquisition of this portfolio is a direct continuation of North Media's strategy of fortifying and expanding its position in the market for door-to-door distributed free newspapers and achieving economies of scale for the newspaper activities. The newspapers will maintain strong focus on their area of publication and thus play a central role in the local debate and business life. The intention is also to strengthen the newspapers' roles as the focal point of the democratic debate in Copenhagen, giving particular attention to matters of interest across the local districts.

The acquisition of this portfolio resulted in a cash net payment of DKK 66.9 million. A put/call option was also entered into with respect to acquiring the remaining 30% stake of the two newspapers, Østerbro Avis and Amagerbladet, meaning that, in accordance with expectations, the remaining 30% will be acquired in 2016 and 2019, respectively. As a result, the expected option price has been allocated as purchase price payable in the balance sheet at 31 December 2013. The activities acquired will increase newspaper revenue by approx DKK 80 million annually and affect Group EBITDA by DKK 25 million.

Stable development for Helsingør Dagblad and Lokavisen Nordsjælland

As one of very few dailies in Denmark, Helsingør Dagblad has successfully sustained a stable circulation in 2013 and even increased newspaper sales by 5%. Advertisement sales have also gone up by 40%, or DKK 1.5 million, on 2012. Advertisement sales of Lokavisen Nordsjælland are on a par with 2012 in a market characterised by declining sales.

In 2013, the IT departments of Helsingør Dagblad and Lokavisen Nordsjælland were shut down and transferred to the Group's IT platform. This completed the last of the major restructurings to achieve economies of scale and ensure improved profitability of the existing activity.

Positive contribution to group earnings in 2013

2013 was seen as the year in which Søndagsavisen would again contribute positively to group earnings after a number of years of considerably declining ad sales. This objective was realised, although not with the potency originally budgeted for due to the non-growth in H1 of the financial year.

In 2013, sales and performance have not been significantly affected by the acquisition of the eight local newspapers in the Copenhagen region.

Sales and earnings growth will embody 2014

Søndagsavisen expects that the pressure on the newspaper market will continue and reduce the printed ads market by 5% in 2014 alone. Thus, it is imperative for the development of North Media's newspaper activities that an active and progressive strategy be adopted to respond to the consequences of the declining ad volumes and falling prices on profitability. The strategy for the newspaper activities is determined based on three overall elements:

1. **Large volume.** Efficient production systems and wide publication areas form the basis of targeting large advertisers with large volumes. This also helps increase the volumes of FK Distribution.
2. **High-quality editorial product.** The newspapers' editorial style must appeal to and retain the commercially attractive readers. This requires high quality and quantity within every subject area, and sufficient subject areas to attract as many readers as possible per newspaper by making the content editorially relevant and value-creating.
3. **High efficiency.** Heavy focus on efficiency improvement to enlarge volumes without also increasing the sales-related and editorial resources. These efficiency improvements also extend to back-office functions, production and printing contracts.

Søndagsavisen will focus on improving its image and brand based on goal-oriented development of the editorial content and innovative ad products. Our sales efficiency is also to be improved by focused management of the sales and marketing resources. Lastly, Management is set to allocate resources for launching innovative ad concepts, also in combination with digital platforms.

Revenue for the newspaper activities will see a significant increase in 2014. First and foremost as a consequence of the acquisitions made in November 2013, but also as a result of continued growth in Søndagsavisen's activities.





	Performance in 2013	Strategy	Expectations for 2014
Market development and position	Søndagsavisen fortified its position in a challenging market – thanks to both organic growth and acquisitions	Added focus on volume-driven advertising customers to mitigate negative market growth	Major customers accounting for larger share of sales
Product and business development	Development in readership has exceeded the general market development thanks to the improved editorial quality.	Upped focus on retaining and expanding readership based on expanded editorial volume and higher quality. Launch of new ad concepts and continued cost restraint	Boost number of readers per newspaper and strengthen sales efficiency
Finances	Increase in sales and positive contribution to group earnings		Massive growth in sales and further strengthening of earnings