NZX/ASX RELEASE

24 August 2017

Stable earnings and 3.5 cent interim dividend declared

NZME Limited half year results for the six months ended 30 June 2017

H1 2017 highlights

- H1 2017 Statutory NPAT of $7.8 million. H1 2016 Statutory NPAT impacted by the demerger from APN (now HT&E) and discontinued businesses, and was $60.8 million.
- Trading NPAT[1] of $9.9 million, up 1% from H1 16 Pro forma NPAT[1], and Trading EPS[1] of 5.0 cents in line with Pro forma[1] H1 2016.
- Trading EBITDA[1] increased 1% on H1 2016 to $28.2 million, supported by revenue retention and cost reductions.
- Trading Revenue[1] declined 3% on Pro forma[1] H1 2016, with growth in Digital revenue outweighing the dollar decline in Print advertising revenue for the second consecutive half year, partly offset by declines in other Print, Radio and e-Commerce revenues.
- Fully imputed interim dividend of 3.5 cents declared; supplementary dividend for qualifying non-resident shareholders.
- Audience reach continues to grow, up 4% across news, sport and entertainment brands to more than 3.3 million, supported by strong 14% growth in Digital audience[2].
- Revenue trends improved compared to FY16 and are believed to be ahead of market in Print, Radio and Digital, implying share gains[3].
- Decline in Pro forma[1] Print revenue slowed to 4%, compared to the 6% decline in FY 2016, aided by integrated sales strategies, and revenues relating to the America's Cup and Lions Series.
- Radio agency revenue continues to grow, however challenges prevail in direct Radio revenue. Initiatives underway to capitalise on strong audience share growth achieved in H1 2017 due to talent and programming changes.
- Digital revenue growth of 20% in H1 2017: growth in all products, dominated by strong mobile and video stream growth.
- Cost savings of 4% in H1 2017 due to ongoing benefits of integration and revenue related reductions including reduced print, distribution and content costs.
- Improvements in leadership team engagement and talent enhancements for *The Hits* and *Newstalk ZB.*
- Appeal of New Zealand Commerce Commission ("NZCC") decision on Fairfax New Zealand Limited ("Fairfax") merger commences on 16 October 2017.

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[1] All Trading and Pro forma measures are non-GAAP measures that are explained and reconciled in the NZME Half Year 2017 Results Presentation dated 24 August 2017.

[2] Nielsen CMI, May fused database: Q2 16 to Q1 17 (population 10 years +). Based on unduplicated weekly reach of NZME newspapers, radio stations, and monthly domestic unique audience of NZME's digital channels.

[3] PwC NPA Quarterly Performance Comparison Report Q2 2017. SMI New Zealand Agency Advertising Expenditure Report June 2017. IAB / PWC New Zealand H1 2017 Interactive Advertising Spend Report (NZ market only). Note: Year on year comparison is only indicative as data collection and collation methodology has changed.

NZME. NEW ZEALAND MEDIA AND ENTERTAINMENT

Financial summary

$m	H1 17	H1 16 Pro forma[4]	% Change
Trading Revenue[4]	**189.1**	195.3	(3%)
Other Income	**1.9**	2.0	(2%)
Costs	**(162.8)**	(169.3)	(4%)
Trading EBITDA[4]	**28.2**	**27.9**	**1%**
Trading NPAT[4]	**9.9**	9.8	1%
Statutory NPAT	**7.8**	60.8	(87%)
Interim Dividend (cps)	**3.5**	3.5	-

Full year summary

NZME Limited (NZME) today reports stable earnings from its integrated media and entertainment business driven by retention of Print revenue, Digital revenue growth and effective cost management.

Trading Revenue[4] declined 3%, an improvement on the 6% decline seen in FY 2016. In dollar value, Digital revenue growth has now exceeded the decline in Print advertising revenue for two successive half year periods; however is yet to exceed the decline in total Print revenue. Trading EBITDA[4] increased 1% on Pro forma[4] H1 2016, supported by a 4% reduction in costs from integration benefits, variable cost reductions and other cost initiatives.

The NZME audience continues to grow; now reaching more than 3.3 million New Zealanders, up from 3.2 million at Q4 2016[5]. It is estimated that 82% of New Zealanders now read, watch, listen to, or otherwise engage with NZME's brands[5]. Print audience was stable, while digital audience grew 14% year on year[5].

Following the launch of new talent and programming changes to address demographic opportunities in Q1, a momentum change in radio survey results saw NZME gain 4.1% share of the key 18-54 year old major market demographic in the first two surveys of 2017[6].

Capital expenditure for the half year was $6.8 million and net debt as at 30 June 2017 was $106.8 million, up from $95.9 million at 31 December 2016. Net debt was impacted by increased working capital at period end due to the timing of digital receipts and seasonality of payables, however the reversal of these trends saw net debt decline to $102.7 million at 31 July 2017.

Notwithstanding these intra period variations, the company has healthy operating cash flow, sound liquidity ratios and undrawn bank facilities of $44.5 million.

Trading NPAT[4] of $9.9 million, and Trading EPS[4] of 5.0 cents, support the fully imputed interim dividend of 3.5 cents, scheduled for payment on 27 October 2017. This is in line with the dividend policy of 60-80% of underlying NPAT. Once again, a supplementary dividend will be paid to qualifying non-resident shareholders.

[4] All Trading and Pro forma measures are non-GAAP measures that are explained and reconciled in the NZME Half Year 2017 Results Presentation dated 24 August 2017.

[5] Nielsen CMI, May fused database: Q1 16 to Q1 17 (population 10 years +). Based on unduplicated weekly reach of NZME newspapers, radio stations, and monthly domestic unique audience of NZME's digital channels.

[6] GfK Radio Audience Measurement, Commercial Stations. NZME & Partners in Major Markets Trended till T2/2017. Station Share %.Mon-Sun 12mn-12mn, 18-54.

The H1 2016 Statutory Result is not reflective of the NZME business going forward due to the demerger from APN (now HT&E), tax payments, and the inclusion of the previous ownership interest in the Australian Radio business. Reconciliations of Statutory, and non-GAAP Trading and Pro forma measures are shown in the Half Year 2017 Results Presentation dated 24 August 2017.

Print

Pro forma[7] Print revenue declined 4% to $110.6 million in H1 2017, after excluding the impacts of business divestments. In the first half, Print revenue represented 58% of total NZME Trading Revenue[7], comprising Print advertising revenue (32% of group Trading Revenue[7]), Print circulation revenue (22%) and other Print revenue sources (4%).

In the first half of 2017, the rate of decline of Print advertising revenue slowed to 5%, from 10% for the full year 2016. This encouraging outcome was a result of NZME's strong focus on realising the benefits of the integrated sales model, and was further supported by a strategy to capitalise on major sporting events in the period: the America's Cup yachting won by Team New Zealand; and the New Zealand tour of the British and Irish Lions rugby union team.

These large scale events captured the attention of the nation and fitted with our national multi-platform audience reach. During these events we were able to offer our advertising customers a unique opportunity to engage with their customers. It is pleasing to report once again, that the decline in NZME's Print advertising revenue during the half was less than half the estimated total New Zealand print advertising rate of decline of 11%, leading to print advertising share growth year on year to 41%[8].

Circulation revenue declined 3% in the first half of 2017 on the previous corresponding half, largely due to retail volume pressures. In the subscription business, subscriber volume declined 4% on H1 2016; however yield improvements supported revenue growth.

Other Print revenue relating to printing and distribution services provided to external parties decreased 7% year on year, due to lower third party circulation volume.

In the latest Nielsen and ABC results, *The New Zealand Herald*'s readership continued its positive trend, up 3% year on year, and the *Herald on Sunday* remains the most-read and highest-selling Sunday Newspaper in the country[9].

The strength of our Print brands was recently recognised at the 2017 Canon Media Awards where *The New Zealand Herald* won 'Best Daily Newspaper', and the *Weekend Herald* won three awards, including the top prize of 'Newspaper of the Year'.

Radio and Experiential

Radio and Experiential revenue of $52.6 million was 6% lower than H1 2016. Sales and support for agencies improved through both the direct agency team, and joint venture agency, The Radio Bureau, continuing the recovery in agency revenue that began in the

7 All Trading and Pro forma measures are non-GAAP measures that are explained and reconciled in the NZME Half Year 2017 Results Presentation dated 24 August 2017.

8 PwC NPA Quarterly performance comparison report Q1 2015 – Q2 2017.

9 Nielsen CMI, NZ Herald AIR trend to Q2 17. AP15+. ABC Circulation Q1 17.

second half of 2015. Radio and Experiential contributed 28% of H1 2017 NZME Trading Revenue[10].

Despite some positive business indicators, such as improving audience share, direct Radio advertising remained challenged in the first half of 2017. Due to the nature of the sales model, there is a lag in realising consistent revenue benefits from improved ratings. A number of initiatives are expected to support total Radio revenue returning to growth:

- programming and talent changes in early 2017 that resulted in a positive momentum change in radio survey results, including:
  - gaining 4.1% share of the key 18-54 year old major market demographic in the first two surveys of 2017[11];
  - listener growth achieved across all eight of NZME's radio stations compared to the final survey of 2016[11]; and
  - *Newstalk ZB* reinforcing its hold on the top spot as the number one commercial station in New Zealand by audience share[11].
- transformation of the sales team, due to be completed by September 2017, including redesigned incentives which enable a focus on Radio and progressing to 100% of frontline direct sales staff being equipped to sell Radio;
- implementation of a new CRM system and suite of sales tools completed in Q2, currently being operationalised to improve sales pipeline management;
- following the stabilisation of audience share in Auckland, new breakfast shows for *The Hits* were extended across the country in H1 2017, including new local talent in some regions; and
- leveraging the strong audience and share growth achieved in H1 2017 to improve direct advertising revenue, and continue to grow agency revenue.

The audience share gains achieved for *The Hits* Auckland breakfast in the 25-54 demographic[12] are encouraging but there remains significant further upside in NZME's position to return to previous highs in this and other demographics. It remains early days in the turnaround and a key area of attention for the company.

Other Radio revenue, including *iHeartRadio* and NZME Events, declined slightly on the first half of 2016 due to the transition to the new *iHeart Radio* App launched in January 2017. More than 250,000 users have downloaded the new App, from which data will provide premium advertisers with enhanced audience targeting.

The expansion of the *PwC Herald Talks* from Auckland, to Wellington and Christchurch, was a success with more than 1,400 guests across the country in the first half. Extension of these events, along with a focus on generating more South Island news content across NZME's platforms, has helped to lift audience reach in the South Island by 11% since H1 2016 to 74%[13].

[10] All Trading and Pro forma measures are non-GAAP measures that are explained and reconciled in the NZME Half Year 2017 Results Presentation dated 24 August 2017.

[11] GfK Radio Audience Measurement, Commercial Stations. NZME & Partners in Major Markets Trended till T2/2017. Station Share %.Mon-Sun 12mn-12mn, 18-54.

[12] GfK Radio Audience Measurement, Commercial Stations. NZME & Partners in Auckland Trended till T2/2017. Station Share %. Mon-Fri 6am-9am, 25-54.

[13] Nielsen CMI, May fused database: Q2 16 to Q1 17 (population 10 years +). Based on unduplicated weekly reach of NZME newspapers, radio stations, and monthly domestic unique audience of NZME's digital channels.

Digital and e-Commerce

NZME achieved strong Digital revenue growth of 20% in H1 2017 to $26.0 million, off a higher base and driven by growth across all digital products, with mobile being the most important area of growth.

For the second consecutive half year period, the growth in the dollar value of Digital revenue was greater than the dollar value of the decline in Print advertising revenue (excluding circulation and other Print revenues), which suggests the digital strategy is contributing to the stability at the group level. Indeed, total Digital and e-Commerce revenue is approaching 50% of the value of total Print advertising revenue, even with the decline in Print advertising slowing.

Programmatic revenue growth continued, up 23% year on year, driven by the performance of the *KPEX* joint venture trading desk for Digital advertising, between four New Zealand media businesses (NZME, Fairfax, Mediaworks and TVNZ).

A redesigned *NZ Herald* website was launched in H1 2017 utilising the highly regarded Washington Post content management system and other publishing tools. The new design and user experience are responsive and optimised for people on the go. The site features better navigation and sign-posting of content with a clean, full-screen design showcasing great imagery. For advertisers, there are new opportunities to engage with readers and enhanced ad viewability.

NZME's total digital audience continues to grow, now engaging more than 2.6 million New Zealanders[14]. The *nzherald.co.nz* website has been a key driver with audience growth of 17% compared to H1 2016 to exceed 2 million[14], supported by the Washington Post redesign.

Social media has also become a key tool in supporting audience growth, enabling reach into new market segments. The *NZ Herald* Facebook page was the most engaged media brand page across New Zealand and Australia on Facebook in the first quarter, with over 7 million interactions[15].

NZME's native video streams grew by more than 100% compared to the first half of 2016, largely driven by *NZ Herald Focus* short form news video content and underscoring the rapidly growing importance of video to advertisers.

NZ Herald Focus is enjoying up to 2 million streams per week across NZME's native and social platforms and was awarded "Best Launch of a Brand or Product to Create an Audience Segment" at the INMA World Congress in New York, in May 2017.

e-Commerce revenues from *GrabOne* remain under pressure, declining 20% on the first half of last year to $5.5 million. A new *GrabOne* website and App was launched in May 2017, further personalising the user experience and enhancing the targeting of deals on-site or served via email. Recent deal relevancy targeting on a sample group has shown a 10% improvement; a focus on maximising this new platform and arresting revenue declines will continue.

Our investments in Driven.co.nz, RestaurantHub and Ratebroker remain key portfolio developments and areas of focus.

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[14] Nielsen CMI, May fused database: Q2 16 – Q1 17 (population 10 years +). Based on unduplicated monthly domestic unique audience of NZME's digital channels.

[15] Social Bakers Q1 17 Media Insights & Benchmarks.

Capital management

The company has a prudent and sustainable capital structure. The fully imputed 3.5 cent interim dividend is consistent with the dividend policy of paying 60-80% of underlying NPAT.

Fairfax merger update

Completing the merger with Fairfax remains a priority to further improve efficiency and underwrite the competitiveness of New Zealand content generation and delivery in an increasingly fragmented market.

NZME and Fairfax announced in May 2017 that they would appeal the NZCC's decision not to clear or authorise the proposed merger, with a nine day hearing due to commence on 16 October 2017. NZME and Fairfax believe the NZCC was wrong in fact and wrong in law to decline clearance or authorisation for the merger. There are two key grounds for appeal:

1. Firstly, they believe that the markets were defined too narrowly and the analysis of constraints was flawed. An example of this is that Facebook and Google are both more than just distribution channels and compete for not only advertising dollars but also readers.

2. Secondly, they believe that the NZCC should not have taken into account unquantifiable plurality detriments. Even if they could, they have put too much weight on loss of media plurality as a detriment when weighed against the quantifiable net benefits of the transaction. The NZCC estimated these net competitive benefits at between $40 million and $200 million over 5 years.

NZME believes the transaction would be positive for New Zealand, our employees and shareholders by enhancing the competitiveness of locally produced content for our news, sport and entertainment offerings.

In terms of cost, NZME is sharing the costs of the appeal with Fairfax. When weighed up against the potential benefits of the transaction, which were estimated by PricewaterhouseCoopers to be between $36.8 million and $55.7 million per annum, NZME believes the appeal is in the best interests of NZME and its shareholders.

Outlook

In terms of current trading, the headwinds seen in recent years in traditional advertising markets have continued in 2017, with no respite immediately evident. First half revenue was slightly better than expected, largely due to NZME's strategy to capitalise on incremental audiences driven by the occurrence of two significant events; the America's Cup and Lions Series.

Trading revenue for the first six weeks of the second half was down approximately 5% on the same period last year, highlighting a slower market overall.

The rate of cost reduction is expected to ease, and EBITDA will therefore likely be pressured in the near term. In addition to efforts to retain revenue in the existing business, NZME will pursue a range of growth initiatives, with the intention of achieving revenue and EBITDA growth in the medium term.

The creation of NZME brought together leading New Zealand Publishing, Radio and e-Commerce businesses into a single and unique multi-platform media company. NZME has evolved into an audience-centric business focusing on the pillars of News, Sport and Entertainment.

NZME's mission is to be at the centre of what New Zealanders want by sharing great stories, entertaining, engaging and connecting all New Zealanders. NZME has identified initiatives in seven priority areas of focus for the current year, which are considered drivers of shareholder value:

1. Grow audience reach by focusing on leveraging the Washington Post platform and tools to enhance audience analytics, content performance and advertiser targeting;
2. Continue to retain Print revenue by further innovating the print proposition and leveraging integrated sales;
3. Return Radio revenue to growth by capitalising on improved ratings results and the sales team transformation to deliver revenue;
4. Grow new revenue streams through the digital classifieds verticals of property, employment and motoring;
5. Effective cost and capital management through operational enhancements across the business, such as completion of the closed loop colour printer project;
6. Develop our people and talent by further improving engagement and continuing with talent succession planning; and
7. Progress the Fairfax merger, subject to successful appeal and shareholder approval.

NZME will continue to work hard in these areas and looks forward to updating shareholders on progress against each at the full year.

All H1 2017 results materials can be found at:
www.nzx.com/markets/NZSX/securities/NZM/announcements

ENDS

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Briefing Audio Recording:
There will be an audio recording of the half year results briefing, to be held at 10:00 a.m. NZT on Thursday, 24 August 2017, including Q&A, made available later in the day at
www.nzme.co.nz/investor-relations/presentations-webcasts

About NZME

NZME is a leading New Zealand media and entertainment business that reaches more than 3.3 million kiwis[16]. Whether reading, listening, watching, our audience gets the content they want - where and when they want it. NZME offers advertisers a unique opportunity to access its growing audience via a fully integrated multi-platform presence. NZME is listed on the NZX Main Board (code NZM) with a foreign exempt listing on the ASX (code NZM).

[16] Nielsen CMI, May fused database: Q2 16 to Q1 17 (population 10 years +). Based on unduplicated weekly reach of NZME newspapers, radio stations, and monthly domestic unique audience of NZME's digital channels.