NZME.

NEW ZEALAND
MEDIA AND
ENTERTAINMENT

INTERIM REPORT
NZME LIMITED

For the six months ended 30 June 2018


Your morning line up.
Auckland
89.4 FM
FROM 5AM WEEKDAYS
NewstalkZB

NZME H1 2018
RESULTS SUMMARY

Statistical NPAT

$3.7m

H1 17 $7.8m ▼53%

Trading Revenue[1]

$185.7m

H1 17 $191.0m[3] ▼3%

Trading EBITDA[1]

$23.2m

H1 17 $28.2m ▼18%

Interim Dividend Fully Imputed

2.0cps[2]

Scheduled for payment on
26 October 2018

[1]Trading measures are non-GAAP measures that are explained and reconciled in the supplementary information on pages 30-31 of the NZME Half Year 2018 Results Presentation on the Company's website. [2]A supplementary dividend of 0.3529 cents per share will be payable to shareholders who are not tax resident in New Zealand and who hold less than 10% of the shares in NZME Limited. [3]H1 17 Trading revenue includes other income.


4:59 PM
15°
4:33 PM
to Dillian Whyte, citing second-round
NZ HERALD FOCUS
Focus: Back to business for Prime Minister Jacinda Ardern
Prime Minister Jacinda Ardern says confronting business confidence will be a priority as she returns to work after...
Focus: Buyers of 283 Auckland units caugh...
Buyers of 283 Auckland apartments have been ca...

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LETTER FROM THE CHAIRMAN & CEO

23 August 2018

NZME invests for growth and declares a half year dividend of 2.0 cents.

Peter Cullinane

Michael Boggs

NZME is pleased to report financial results for the first half of 2018 that reflected modest declines in revenue in a difficult market and the launch of three new digital classified portals.

Net profit after tax for the six months ended 30 June 2018 was $3.7 million. Trading Revenue[1] declined 3% compared to the first half of 2017 with ongoing pressure on print advertising revenues not entirely offset by market share gains and strong digital revenue growth.

Trading EBITDA decreased 18% on H1 2017 to $23.2 million. Total Trading Costs were stable on H1 2017 with $3.4 million of efficiency improvements partly offset by $3.1 million of additional costs invested in the new Digital Classifieds portals, OneRoof, YUDU and DRIVEN. Excluding the costs associated with Digital Classifieds, underlying EBITDA declined 7% on H1 2017.

The NZME audience of 3.3 million New Zealanders[2] represents almost 80% of the New Zealand population. In H1 2018 the NZ Herald weekly brand audience grew 10%. NZME's Radio audience was stable and the new Digital Classified portals enjoyed strong audience growth.

In radio, Newstalk ZB remains the number one radio station in New Zealand. Registered listeners via the iHeart Radio app grew by 24% over the past year to more than 782,000.

Digital advertising revenue grew 17% on H1 2017 to $23.9 million, ahead of industry growth rates. Digital and e-Commerce revenue now represents 16% of our Trading Revenue, up from 14% in H1 2017 and 12% in H1 2016.

Investing for growth

Developing new revenue streams remains a priority.

We are excited to tell you that NZME's three digital classifieds platforms, DRIVEN, YUDU and OneRoof, all launched in the first quarter of 2018. Each platform has been built with the aim of providing an innovative user experience and differentiated offering from comparable products in the market. Growth in listings and audience, since launch, has been highly encouraging.

While the medium-term opportunity for these platforms is appealing, the market is competitive and financial expectations in the initial phase of operation remain modest.

Over the second half of the year, NZME is on track to have paid subscription capability ready to launch on our key digital mastheads. We intend to adopt a "freemium" model with day-to-day news and current affairs provided free and in-depth analysis and opinion available on subscription.

Capital expenditure was $7.1 million in the first half, compared to $6.8 million in H1 2017. Gearing and liquidity ratios are sound with net debt of $106.1 million at 30 June 2018.

The half year dividend of 2.0 cents per share reflects lower earnings available for distribution, partly due to the investment in Digital Classifieds and continued revenue challenges. The fully imputed dividend is scheduled for payment on 26 October 2018, for shareholders on the register at 16 October 2018. A supplementary dividend will be paid to qualifying non-resident shareholders.

NZME and Fairfax appealed the High Court's adverse ruling on the Stuff Limited (previously Fairfax New Zealand)/NZME merger in H1 2018, with a judgment expected in the second half.

Board appointments

We are pleased to report that two highly experienced former executives in the finance and media sectors, Barbara Chapman and Sussan Turner, were appointed as Independent Directors during the half. The Board now comprises five directors with a strong mix of experience and skills to support the development and implementation of strategy and maintain high standards of corporate governance.

Outlook

In the first half of this year, advertising revenue (excluding the impact of the adoption of NZ IFRS 15) declined 4% on the same period last year. Agency revenue across all channels remains pressured by softening business and consumer confidence and advertising bookings for the third quarter of 2018 are also down 4% year on year, consistent with our first half result. NZME continues to hold or increase its share of the measurable NZ advertising markets. However, agency advertising spend remains challenged and softening economic conditions have the potential to weaken or delay advertising revenue in the second half of 2018.

Further cost savings are anticipated in the second half, although the rate of cost reduction is slowing. NZME will also continue to invest in our Digital Classified platforms in the second half.

Supported by revenue retention in the existing business, and the development of new revenue streams, NZME's goal remains to achieve overall revenue and EBITDA growth in the medium term. However, full year 2018 EBITDA will reflect this softened market and ongoing investment.

NZME has six priority areas of focus for the current year to enhance shareholder value:

1. Grow audience and engagement through amplification of NZME's brands;
2. Return advertising revenue to growth;
3. Effective cost and capital management;
4. Engage and develop our people;
5. Grow new revenue streams; and
6. Progress the Stuff merger.

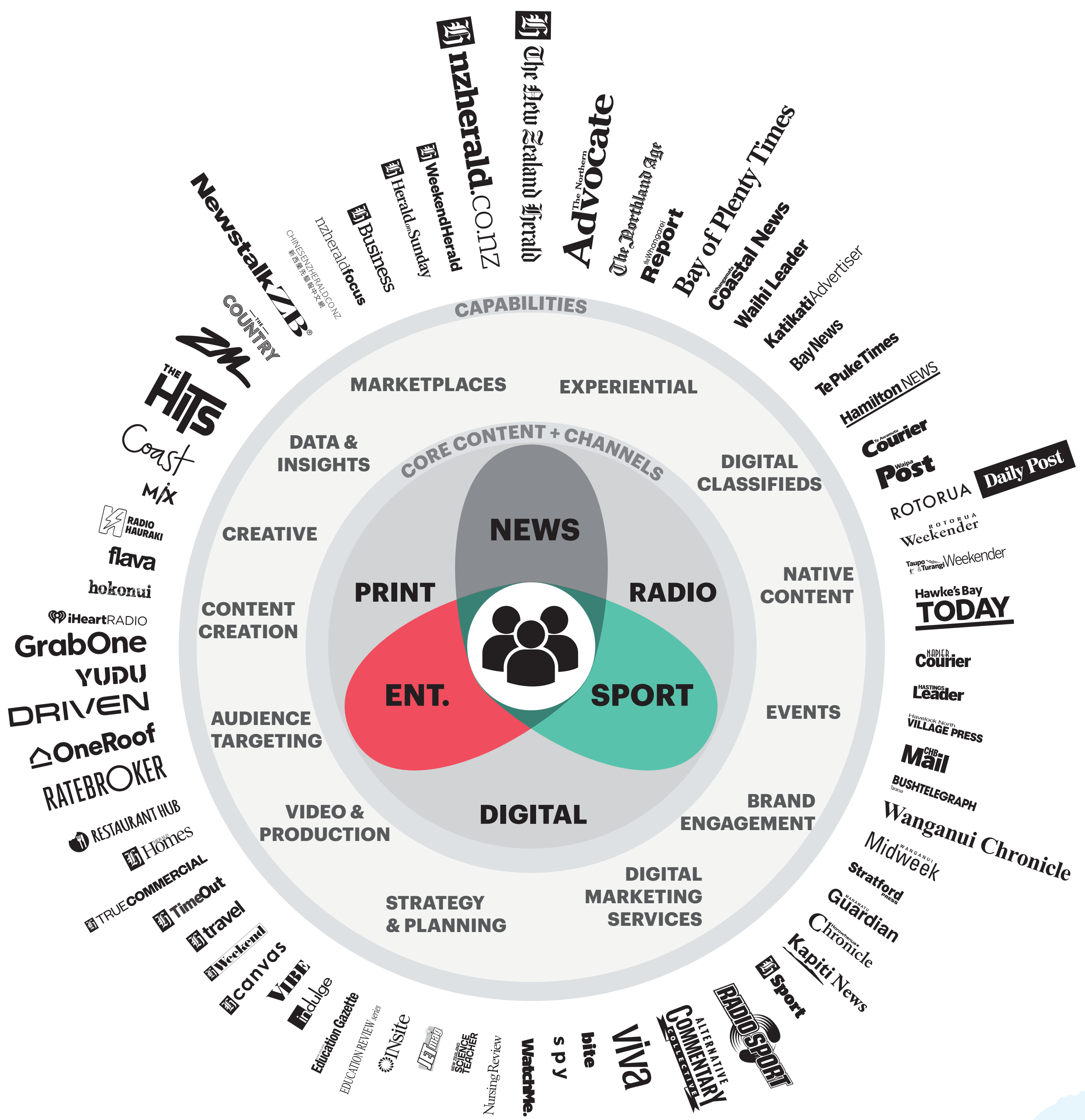
NZME will continue to work hard in these areas and looks forward to updating shareholders on progress.

NZME is a leading New Zealand integrated media business that provides advertisers with a unique multi-media offering, through which they are able to engage with our growing audience. While the operating environment remains challenging, we continue to make good progress on executing our strategy to grow shareholder value.

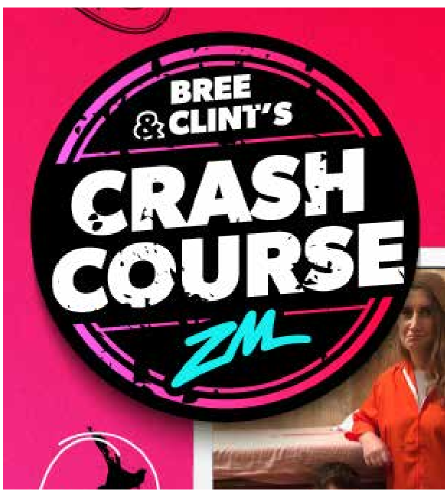
Peter Cullinane Chairman

Michael Boggs CEO

[1]Trading measures are non-GAAP measures that are explained and reconciled in NZME Half Year 2018 Results Presentation dated 23 August 2018. [2]Nielsen CMI May Fused Q2 17 to Q1 18 (population 10+ years).


CAPABILITIES
MARKETPLACES
EXPERIENTIAL
DATA & INSIGHTS
DIGITAL CLASSIFIEDS
CREATIVE
NATIVE CONTENT
CONTENT CREATION
EVENTS
AUDIENCE TARGETING
BRAND ENGAGEMENT
VIDEO & PRODUCTION
DIGITAL MARKETING SERVICES
STRATEGY & PLANNING
CORE CONTENT + CHANNELS
NEWS
PRINT
RADIO
ENT.
SPORT
DIGITAL


INTRODUCING
BREE & CLINT
4PM-7PM
ZM 91.0
LISTEN ON iHeartRADIO


BREE & CLINT'S
CRASH COURSE
ZM


One nest egg closer to retiring.

NZME H1 2018
OPERATIONAL PRIORITIES

- Continued audience growth and engagement
- Return advertising revenue to growth
- Effective cost and capital management
- Develop our talent and people
- Grow new revenue streams
- Stuff Merger

PRINT
1.3 Million
weekly readers[1]

RADIO
2.0 Million
weekly listeners[2]

DIGITAL
Unique audience of
2.4 Million
per month[1]

[1]Nielsen CMI Fused Q2 17 - Q1 18 (population 10+ years) [2]GFK Radio Audience Measurement, Commercial Stations, NZME and Partners. Cumulative Audience T2 2018.

Consolidated Interim Financial Statements

For the six months ended 30 June 2018

DIRECTORS'
STATEMENT

The directors are pleased to present the consolidated interim financial statements of NZME Limited (the"Company") and its subsidiaries (together the "Group") for the six months ended 30 June 2018, incorporating the consolidated interim financial statements and the auditor's independent review report.

The directors are responsible, on behalf of the Company, for presenting these consolidated interim financial statements in accordance with applicable New Zealand legislation and New Zealand equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting.*

The consolidated interim financial statements for the Group as presented on pages 11 to 32 are signed on behalf of the Board of Directors, and are authorised for issue on the date below.

For and on behalf of the Board of Directors

Peter Cullinane
Director

Carol Campbell
Director

Date: 22 August 2018

CONSOLIDATED INTERIM INCOME STATEMENT

for the six months ended 30 June 2018 (unaudited)

	NOTE	JUNE 2018 $'000	JUNE 2017 $'000
Revenue	2.1	**189,094**	190,625
Finance and other income	2.1	**497**	480
Total revenue and other income	2.1	**189,591**	191,105
Expenses from operations before finance costs, depreciation, amortisation		**(168,887)**	(165,457)
Depreciation & amortisation		**(13,089)**	(12,057)
Finance costs		**(2,195)**	(2,370)
Profit before income tax expense		**5,420**	11,221
Income tax expense		**(1,763)**	(3,455)
Profit for the year		**3,657**	7,766
PROFIT FOR THE PERIOD IS ATTRIBUTABLE TO:			
Owners of the Company		**3,657**	7,766

	NOTE	CENTS	CENTS
Earnings per share attributable to the ordinary shareholders of the Company			
Basic / diluted earnings per share	2.2	**1.9**	4.0

The above Consolidated Interim Income Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2018 (unaudited)

	NOTE	JUNE 2018 $'000	JUNE 2017 $'000
Profit for the period		**3,657**	7,766
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**9**	2
Other comprehensive income, net of tax		**9**	2
Total comprehensive income		**3,666**	7,768
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		**3,666**	7,768

The above Consolidated Interim Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED INTERIM BALANCE SHEET
as at 30 June 2018 (unaudited)

	NOTE	**JUNE 2018 $'000**	DECEMBER 2017 $'000
CURRENT ASSETS			
Cash and cash equivalents	4.3	**12,556**	9,570
Trade and other receivables		**52,614**	55,323
Inventories		**1,554**	1,926
Tax receivable		**2,556**	-
Total current assets		**69,280**	66,819
NON-CURRENT ASSETS			
Intangible assets	3.1	**326,052**	330,553
Property, plant and equipment	3.2	**50,079**	56,031
Capital work in progress	3.3	**13,168**	8,694
Other financial assets		**5,988**	5,988
Total non-current assets		**395,287**	401,266
Total assets		**464,567**	468,085
CURRENT LIABILITIES			
Trade and other payables		**49,958**	56,894
Current tax provision		**-**	7,567
Total current liabilities		**49,958**	64,461
NON-CURRENT LIABILITIES			
Trade and other payables		**13,615**	13,565
Interest bearing liabilities	4.2	**118,641**	99,788
Deferred tax liabilities		**1,230**	1,239
Total non-current liabilities		**133,486**	114,592
Total liabilities		**183,444**	179,053
Net assets		**281,123**	289,032
EQUITY			
Share capital		**360,363**	360,363
Reserves		**2,580**	2,385
Retained earnings		**(81,820)**	(73,716)
Total equity		**281,123**	289,032

The above Consolidated Interim Balance Sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018 (unaudited)

	NOTE	SHARE CAPITAL	RESERVES	RETAINED EARNINGS	TOTAL
		Attributable to owners of the Company			
		$'000	$'000	$'000	**$'000**
Balance at 1 January 2017		360,363	(5,198)	(69,606)	**285,559**
Profit for the period		-	-	7,766	**7,766**
Other comprehensive income		-	2	-	**2**
Total comprehensive income		-	2	7,766	**7,768**
Dividends paid		-	-	(11,761)	**(11,761)**
Supplementary dividends paid		-	-	(1,904)	**(1,904)**
Tax credit on supplementary dividends		-	-	1,904	**1,904**
Share based payments expense		-	171	-	**171**
Balance at 30 June 2017		360,363	(5,025)	(73,601)	**281,737**
Balance at 1 January 2018		360,363	2,385	(73,716)	**289,032**
Profit for the period		-	-	3,657	**3,657**
Other comprehensive income		-	9	-	**9**
Total comprehensive income		-	9	3,657	**3,666**
Dividends paid	4.1.1	-	-	(11,761)	**(11,761)**
Supplementary dividends paid	4.1.1	-	-	(1,404)	**(1,404)**
Tax credit on supplementary dividends		-	-	1,404	**1,404**
Share based payments expense		-	186	-	**186**
Balance at 30 June 2018		360,363	2,580	(81,820)	**281,123**

The above Consolidated Interim Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
for the six months ended 30 June 2018 (unaudited)

	NOTE	**JUNE 2018 $'000**	JUNE 2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**188,691**	187,283
Payments to suppliers and employees		**(171,937)**	(169,649)
Dividends received		**141**	111
Interest received		**48**	77
Interest paid		**(2,040)**	(3,983)
Income taxes paid		**(11,851)**	(6,455)
Net cash inflows / (outflows) from operating activities	4.3	**3,052**	7,384
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment and intangible assets (including capitalised work in progress)		**(7,110)**	(6,801)
Proceeds from sale of property, plant and equipment		**5**	-
Net cash inflows / (outflows) from investing activities		**(7,105)**	(6,801)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**63,400**	3,500
Repayments of borrowings		**(44,600)**	-
Dividends paid to Company's shareholders		**(11,761)**	(11,925)
Net cash inflows / (outflows) from financing activities		**7,039**	(8,425)
Net increase / (decrease) in cash and cash equivalents		**2,986**	(7,842)
Cash and cash equivalents at beginning of the period		**9,570**	16,242
Cash and cash equivalents at end of the period	4.3	**12,556**	8,400

The above Consolidated Interim Statement of Cash Flows should be read in conjunction with the accompanying notes.

1.0 BASIS OF PREPARATION

1.1 REPORTING ENTITY AND STATUTORY BASE

NZME Limited (NZX:NZM, ASX:NZM) is a for-profit company limited by ordinary shares which are publicly traded on the NZX Main Board and the Australian Securities Exchange as a Foreign Exempt Listing. NZME Limited is incorporated and domiciled in New Zealand. It is registered under the Companies Act 1993 and is a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The entity's registered office is 2 Graham Street, Auckland, 1010, New Zealand.

NZME Limited (the "Company" or "Parent") and its subsidiaries' (together the "Group") principal activity during the financial period was the operation of an integrated media and entertainment business.

1.2 GENERAL ACCOUNTING POLICIES

These consolidated interim financial statements have been prepared in accordance with New Zealand equivalent to International Accounting Standard 34: Interim Financial Reporting, International Accounting Standard 34: Interim Financial Reporting and the NZX Listing Rules.

The consolidated interim financial statements do not include all notes of the type normally included in an annual financial report. Accordingly, these consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2017 and any public announcements made by NZME Limited during the interim reporting period and up to the date of these consolidated interim financial statements. These consolidated interim financial statements are presented for the Group.

The material accounting policies used in the preparation of these consolidated interim financial statements are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2017.

Certain prior period information has been re-presented consistent with current period disclosures to provide more meaningful comparison. These consolidated interim financial statements are presented in New Zealand dollars, which is the Company's functional and the Group's presentation currency, and rounded to the nearest thousand, except where otherwise stated.

These consolidated interim financial statements were approved for issue by the Board of Directors on 22 August 2018.

These interim consolidated financial statements have not been audited, but have been reviewed in accordance with New Zealand Standard on Review Engagement 2410: Review of Financial Statements Performed by the Independent Auditor of the Entity.

1.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated interim financial statements requires the use of certain significant judgements, accounting estimates and assumptions, including judgements, estimates and assumptions concerning the future. The estimates and assumptions are based on historical experiences and other factors that are considered to be relevant. The resulting accounting estimates will by definition, seldom equal the related actual results and are reviewed on an ongoing basis. Significant areas of estimation and judgment in these consolidated interim financial statements are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2017.

1.4 SIGNIFICANT CHANGES

Proposed merger with Fairfax New Zealand Limited

The previous merger implementation agreement in respect of the proposed merger between NZME Limited ("NZME") and Stuff Limited ("Stuff") terminated on 5 March 2018. However, if an appeal of the transaction is successful we will have the ability to negotiate a new agreement to implement the merger, with the transaction also expected to be subject to finance, Board and shareholder approval.

1.5 NEW STANDARDS AND INTERPRETATIONS ADOPTED IN THE CURRENT PERIOD

The Group adopted NZ IFRS 15 Revenue from Contracts with Customers for the first time on 1 January 2018. The Group applied NZ IFRS 15 retrospectively with the cumulative effect of applying the standard for the first time recognised at the date of initial application (1 January 2018).

Comparative figures for the period ended 30 June 2017 have therefore not been restated. The Group did not identify any significant changes in the timing of revenue recognition as a result of the adoption of NZ IFRS 15 and accordingly there was no adjustment for the cumulative effect against opening retained earnings at 1 January 2018. There were instances in revenue relating to certain types of contracts being recognised at the gross amount that have been presented at an amount net of related expenses historically. This resulted in an increase in both revenue and expenses, with no impact on net profit. Refer to note 2.1.1 for further information on the impact of the adoption of NZ IFRS 15 on the period ended 30 June 2018.

1.6 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

NZ IFRS 16 Leases replaces NZ IAS 17 and is effective for the period commencing 1 January 2019. It requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets for lessees. Although the full impact of this standards has not yet been determined, it will result in additional assets and liabilities when the current operating leases are brought on to the balance sheet; with interest and depreciation replacing the current operating lease expense when the standard is adopted.

All other standards, interpretations and amendments issued but not yet effective are either not applicable to the Group or not material.

2.0 GROUP PERFORMANCE

2.1 DISAGGREGATION OF REVENUE AND OTHER INCOME

For the period ended 30 June 2018

	PRINT $'000	RADIO & EXPERIENTIAL $'000	DIGITAL & E- COMMERCE $'000	**TOTAL** **$'000**
Advertising	55,510	53,384	20,010	**128,904**
e-Commerce	-	-	5,041	**5,041**
Total advertising	55,510	53,384	25,051	**133,945**
Circulation and subscription	40,404	-	-	**40,404**
Exernal printing and distribution	4,293	-	-	**4,293**
Other	3,378	1,445	3,927	**8,750**
Segment revenue from integrated media and entertainment activities	103,585	54,829	28,978	**187,392**
Shared Services centre				**1,702**
Total revenue from external customers				**189,094**
Dividends				**141**
Rental income from sub-leases				**308**
Other income				**449**
Finance income				**48**
Total finance and other income				**497**
Total revenue and other income				**189,591**

For the period ended 30 June 2017

	PRINT $'000	RADIO & EXPERIENTIAL $'000	DIGITAL & E-COMMERCE $'000	**TOTAL $'000**
Advertising	60,243	51,070	19,397	**130,710**
e-Commerce	-	-	5,457	**5,457**
Total advertising	60,243	51,070	24,854	**136,167**
Circulation and subscription	41,917	-	-	**41,917**
Exernal printing and distribution	4,618	-	-	**4,618**
Other	3,783	1,515	1,119	**6,417**
Segment revenue from integrated media and entertainment activities	110,561	52,585	25,973	**189,119**
Shared Services centre				**1,506**
Total revenue from external customers				**190,625**
Dividends				**111**
Rental income from sub-leases				**292**
Other income				**403**
Finance income				**77**
Total finance and other income				**480**
Total revenue and other income				**191,105**

2.1.1 Impact of NZ IFRS 15 adoption

As discussed in Note 1.5, the Group adopted NZ IFRS 15 Revenue from Contracts with Customers for the first time on 1 January 2018. Although the Group did not identify any significant changes in the timing of revenue recognition as a result of the adoption of NZ IFRS 15, following a detailed analysis of the agency vs principal rules and changes to the requirements relating to non-cash consideration (particularly as they relate to barter transactions), the Group identified instances where revenue is now recognised at the gross amount and not net of the related expense as it would previously have been reported. This results in an increase in both revenue and expenses, with no impact on net profit. The table below shows the amount by which each financial statement line item is affected in the current reporting period by NZ IFRS 15 as compared to NZ IAS 18 and the related interpretations that were in effect before the change.

	NZ IAS 18 JUNE 2018 $'000	ADJUSTMENT JUNE 2018 $'000	**NZ IFRS 15 JUNE 2018 $'000**
Revenue	185,252	3,842	**189,094**
Finance and other income	497	-	**497**
Total revenue and other income	185,749	3,842	**189,591**
Expenses from operations before finance costs, depreciation, amortisation	(165,045)	(3,842)	**(168,887)**
Depreciation & amortisation	(13,089)	-	**(13,089)**
Finance costs	(2,195)	-	**(2,195)**
Profit / (loss) before income tax expense	5,420	-	**5,420**

2.2 EARNINGS PER SHARE

	JUNE 2018 $'000	JUNE 2017 $'000
RECONCILIATION OF EARNINGS USED IN CALCULATING BASIC / DILUTED EARNINGS PER SHARE ("EPS")		
Profit / (Loss) attributable to owners of the parent entity	**3,657**	7,766
Adjusted for calculation of diluted EPS	**-**	-
Profit / (Loss) attributable to owners of the parent entity used in calculating diluted EPS	**3,657**	7,766

	JUNE 2018 NUMBER	JUNE 2017 NUMBER
WEIGHTED AVERAGE NUMBER OF SHARES		
Weighted average number of shares in the denominator in calculating basic EPS	**196,011,282**	196,011,282
Adjusted for calculation of diluted EPS	**-**	-
Weighted average number of shares in the denominator in calculating diluted EPS	**196,011,282**	196,011,282

	JUNE 2018 CENTS	JUNE 2017 CENTS
BASIC / DILUTED EARNINGS PER SHARE		
Total basic / diluted earnings per share attributable to owners of the parent entity	**1.9**	4.0

2.3 SEGMENT INFORMATION

2.3.1 Determination and description of segments

The Group has one reportable segment – being "Integrated Media and Entertainment". All significant operating decisions are based upon analysis of NZME as one operating segment. The Executive Team and the Board of Directors have been identified as the Chief Operating Decision Maker. The Group's major products and services are split by channel only at the revenue level into Print, Radio & Experiential and Digital & e-Commerce which is the way in which revenue is reported to the Chief Operating Decision Maker. Although the Group operates in many different markets within New Zealand, for management reporting purposes the Group operates in one principle geographical area being New Zealand as a whole.

Integrated Media and Entertainment incorporates the sale of advertising, goods and services generated from the audiences attached to the Group's media platforms.

2.3.2 Segment revenues and results

The segment information provided to the Directors and Executive Team for the six months ended 30 June 2018 is as follows:

	JUNE 2018 $'000	JUNE 2017 $'000
REVENUES FROM EXTERNAL CUSTOMERS BY CHANNEL		
Print	**103,585**	110,561
Radio & Experiential	**54,829**	52,585
Digital & e-Commerce	**28,978**	25,973
Segment revenue from integrated media and entertainment activities	**187,392**	189,119
Revenue from shared services centre	**1,702**	1,506
Total revenues from external customers	**189,094**	190,625
Dividend income	**141**	111
Rental income from sub-leases	**308**	292
Expenses from operations before finance costs, depreciation, amortisation and exceptional items	**(166,352)**	(162,819)
Total Segment Adjusted EBITDA[A]	**23,191**	28,209
Depreciation and amortisation	**(13,089)**	(12,057)
Interest income	**48**	77
Finance cost	**(2,195)**	(2,370)
EXCEPTIONAL ITEMS		
Redundancies and associated costs[B]	**(2,096)**	(1,407)
Costs in relation to one off projects[C]	**(439)**	(1,231)
Profit before tax from continuing operations	**5,420**	11,221

(A) Adjusted Earnings before Interest, Tax, Depreciation and Amortisation (Adjusted EBITDA) from continuing operations which excludes exceptional items, is a non-GAAP measure that represents the Group's total segment result which is regularly monitored by the Chief Operating Decision Maker. Exceptional items are those gains, losses, income and expense items that are not directly related to the primary business activities of the Group which are determined in accordance with the NZME Exceptional Items Recognition Framework adopted by the Audit & Risk Committee. Exceptional items include redundancies, impairment, one-off projects and the disposal of properties or businesses. These items are excluded from the segment result that is regularly reviewed by the Chief Operating Decision Maker. (B) The redundancies and associated costs relate to the restructuring and integration of the New Zealand operations. (C) The costs related to one off projects refers primarily to costs of external consultants assisting with the proposed merger with Stuff Limited and the continuing integration and co-location of NZME.

As the Group has one operating segment, the assets and liabilities as reported on the consolidated balance sheet are also the segment assets and liabilities, and the income tax expense in the consolidated income statement is also the segment income tax.

3.0 OPERATING ASSETS & LIABILITIES

3.1 INTANGIBLE ASSETS

	GOODWILL $'000	SOFTWARE $'000	MASTHEAD BRANDS $'000	RADIO LICENCES $'000	BRANDS $'000	**TOTAL $'000**
AS AT 31 DECEMBER 2017						
Cost	166,397	59,384	146,976	77,547	59,079	**509,383**
Accumulated amortisation and impairment	(95,614)	(44,874)	-	(38,342)	-	**(178,830)**
Net book value	70,783	14,510	146,976	39,205	59,079	**330,553**
FOR THE PERIOD ENDED 30 JUNE 2018						
Opening net book amount	70,783	14,510	146,976	39,205	59,079	**330,553**
Additions	-	50	-	59	-	**109**
Amortisation	-	(3,895)	-	(1,478)	-	**(5,373)**
Transfers from capitalised work in progress	-	763	-	-	-	**763**
Net book value	70,783	11,428	146,976	37,786	59,079	**326,052**
AS AT 30 JUNE 2018						
Cost	166,397	60,198	146,976	77,606	59,079	**510,256**
Accumulated amortisation and impairment	(95,614)	(48,770)	-	(39,820)	-	**(184,204)**
Net book value	70,783	11,428	146,976	37,786	59,079	**326,052**

3.2 PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD LAND $'000	BUILDINGS $'000	PLANT AND EQUIPMENT $'000	**TOTAL $'000**
AS AT 31 DECEMBER 2017				
Cost or fair value	1,165	14,764	330,021	**345,950**
Accumulated depreciation and impairment	-	(4,485)	(285,434)	**(289,919)**
Net book amount	1,165	10,279	44,587	**56,031**
FOR THE PERIOD ENDED 30 JUNE 2018				
Opening net book amount	1,165	10,279	44,587	**56,031**
Additions	-	13	1,748	**1,761**
Depreciation	-	(1,164)	(6,552)	**(7,716)**
Transfers from capitalised work in progress	-	2	1	**3**
Net book amount	1,165	9,130	39,784	**50,079**
AS AT 30 JUNE 2018				
Cost or fair value	1,165	14,779	331,677	**347,621**
Accumulated depreciation and impairment	-	(5,649)	(291,893)	**(297,542)**
Net book amount	1,165	9,130	39,784	**50,079**

3.3 CAPITAL WORK IN PROGRESS

	TOTAL $'000
As at 31 December 2017	**8,694**
Additions	**5,240**
Transfers to intangible assets	**(763)**
Transfers to property plant and equipment	**(3)**
As at 30 June 2018	**13,168**

Capital work in progress, which historically was included under property, plant and equipment, is transferred to the relevant asset category once the project is completed. Capitalised work in progress is not depreciated or amortised prior to being transferred to the relevant asset category.

3.4 NET TANGIBLE ASSETS

Net tangible assets per share is a non-GAAP measure that is required to be disclosed by the NZX Listing Rules.

The calculation of the Group's net tangible assets per share and its reconciliation to the consolidated balance sheet is presented below:

	JUNE 2018 $'000	DECEMBER 2017 $'000
Total assets	**464,567**	468,085
Less intangible assets	**(326,052)**	(330,553)
Less total liabilities	**(183,444)**	(179,053)
Net tangible assets	**(44,929)**	(41,521)
Number of shares issued (in thousands)	**196,011**	196,011
Net tangible assets per share	**($0.23)**	($0.21)

4.1 DIVIDENDS

4.1.1 Dividends paid

On 21 February 2018, the Board of Directors declared a fully imputed final dividend for the year ended 31 December 2017 of 6 cents per share, paid on 3 May 2018 to registered shareholders as at 18 April 2018. The Board of Directors also declared a supplementary dividend of 1.06 cents per share, paid on 3 May 2018 to registered shareholders as at 18 April 2018, to those shareholders who are not tax residents in New Zealand and who hold less than 10% of the shares in the Company. The payment of a supplementary dividend effectively puts non-resident shareholders in the position they would have been had they received imputation credits (which are only available to resident shareholders).

4.1.2 Dividends declared after balance date

On 22 August 2018, the Board of Directors declared a fully imputed interim dividend of 2.0 cents per share, to be paid on 26 October 2018 to registered shareholders as at 16 October 2018. The Board of Directors also declared a supplementary dividend of 0.3529 cents per share, to be paid on 26 October 2018 to registered shareholders as at 16 October 2018, to those shareholders who are not tax residents in New Zealand and who hold less than 10% of the shares in the Company. The payment of a supplementary dividend effectively puts non-resident shareholders in the position they would have been had they received imputation credits (which are only available to resident shareholders).

4.1.3 Franking and imputation credits

	JUNE 2018 '000	DECEMBER 2017 '000
Imputation credits available for subsequent reporting periods based on the New Zealand 28% tax rate for the Group	**NZ$ 7,601**	NZ$8,519
Franking credits available to the Company for subsequent reporting periods based on the Australia 30% tax rate for the Group	**AU$ 0 [A]**	AU$ 0 [A]

(A) Although the Company does not have any franking credits available for use, other entities within the Group has AU$10,828,676 (December 2017: AU$10,828,676) available that might become available to the Company in future periods.

4.2 INTEREST BEARING LIABILITIES

	JUNE 2018 '000	DECEMBER 2017 '000
Non-current interest bearing liabilities		
Bank loans – secured	**118,800**	100,000
Deduct:		
Capitalised borrowing costs	**(159)**	(212)
Total non-current interest bearing liabilities	**118,641**	99,788
NET DEBT		
Non-current interest bearing liabilities	**118,800**	100,000
Capitalised borrowing costs	**(159)**	(212)
Cash and cash equivalents	**(12,556)**	(9,570)
Total debt less cash and cash equivalents	**106,085**	90,218

The Group is funded from a combination of its own cash reserves and NZ$160 million bilateral bank loan facility, which NZME entered into on 29 June 2016, of which $118.8 million (December 2017: $100 million) is drawn and $41.2 million (December 2017: $60 million) is undrawn as at 30 June 2018. The facility expires on 1 January 2020.

The interest rate for the drawn facility is the applicable bank screen rate plus credit margin.

The NZME Bilateral Facilities contain undertakings which are customary for a facility of this nature including, but not limited to, provision of information, negative pledge and restrictions on priority indebtedness and disposals of assets. The assets of the Group are collateral for the interest bearing liability.

In addition, the Group must comply with financial covenants (a net debt to EBITDA ratio and an EBITDA to net interest expense ratio) for each 12 month period ending on 30 June and 31 December. The Group has complied with these covenants.

4.3 CASH FLOW INFORMATION

	JUNE 2018 $'000	JUNE 2017 $'000
RECONCILIATION OF CASH		
Cash at end of the year, as shown in the statements of cash flows, comprises:		
Cash and cash equivalents	**12,556**	8,400
RECONCILIATION OF NET CASH INFLOWS (OUTFLOWS) FROM OPERATING ACTIVITIES TO PROFIT / (LOSS) FOR THE PERIOD:		
Profit for the period	**3,657**	7,766
Depreciation and amortisation expense	**13,089**	12,057
Borrowing cost amortisation	**53**	53
Net gain /(loss) on sale of non-current assets	**-**	(8)
Change in current / deferred tax payable	**(10,087)**	(3,455)
Share based payment expense	**186**	171
Changes in assets and liabilities net of effect of acquisitions:		
Trade and other receivables	**3,449**	(1,589)
Inventories	**372**	173
Prepayments	**(740)**	(99)
Trade and other payables and employee benefits	**(6,927)**	(7,685)
Net cash inflows from operating activities	**3,052**	7,384

4.4 FAIR VALUE MEASUREMENT

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets at fair value through profit or loss (FVTPL);
- Land and buildings.

4.4.1 Fair value hierarchy

NZ IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4.4.2 Recognised fair value measurements

	JUNE 2018 $'000	DECEMBER 2017 $'000
RECURRING FAIR VALUE MEASUREMENTS (LEVEL 3)		
FINANCIAL ASSETS		
There are no financial assets carried at fair value. Other financial assets of $5,988,765 (December 2017: $5,988,765) are held at cost and therefore have been excluded from this table.		
NON-FINANCIAL ASSETS		
Freehold land and buildings		
Freehold land	**1,165**	1,165
Buildings (excluding leasehold improvements)	**372**	377
Total non-financial assets	**1,537**	1,542

All fair value measurements referred to above are in Level 3 of the fair value hierarchy and there were no transfers between levels. The Group's policy is to recognise transfers between fair value hierarchy levels as at the end of the reporting period.

4.4.3 Disclosed fair values

The Group also has a number of assets and liabilities which are not measured at fair value but for which fair values are disclosed in these notes.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. There are no outstanding non-current receivables as at 30 June 2018 or 31 December 2017 (level 3).

The fair value of interest bearing liabilities disclosed in note 4.2 is estimated by discounting the future contractual cash flows at the current market interest rates that are available to the group for similar financial instruments. For the period ending 30 June 2018, the borrowing rates were determined to be between 3.3% and 3.9% (December 2017: between 3.3% and 4%), depending on the type of borrowing. The fair value of borrowings approximates the carrying amount, as the impact of discounting is not significant (level 2).

4.4.4 Valuation techniques used to derive at level 2 and 3 fair values

Recurring fair value measurements

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group obtains independent valuations at least every three years for its freehold land and buildings (classified as property, plant and equipment in note 3.2), less subsequent depreciation for buildings. This is considered sufficient regularity to ensure that they carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. All resulting fair value estimates for properties are included as Level 3.

5.0 GROUP STRUCTURE AND INVESTMENTS IN OTHER ENTITIES

5.1 CONTROLLED ENTITIES

The consolidated interim financial statements incorporate the assets, liabilities and results of the subsidiaries listed below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interest held equals the voting rights held by the Group. All entities are incorporated in, and operate in, New Zealand unless otherwise stated. There were no changes in control during the period ended 30 June 2018, but as noted below, certain entities have been amalgamated.

NAME OF ENTITY	**JUNE 2018**	DECEMBER 2017
Adhub Limited[C]	**N/A**	100%
ESKY Limited[C]	**N/A**	100%
Grabone Limited	**100%**	100%
Idea HQ Limited[C]	**N/A**	100%
Mt Maunganui Publishing Co Limited[C]	**N/A**	100%
NZME 2014 Limited[C]	**N/A**	100%
NZME Australia Pty Limited[A]	**100%**	100%
NZME Digital Limited[C]	**N/A**	100%
NZME Educational Media Limited	**100%**	100%
NZME Finance Limited[C]	**N/A**	100%
NZME Holdings Limited	**100%**	100%
NZME Investments Limited	**100%**	100%
NZME Online Limited[C]	**N/A**	100%
NZME Print Limited	**100%**	100%
NZME Publishing Limited	**100%**	100%
NZME Radio Investments Limited	**100%**	100%
NZME Radio Limited[B]	**100%**	100%
NZME Specialist Limited	**100%**	100%
NZME Trading Limited[C]	**N/A**	100%
Regional Publishers Limited[C]	**N/A**	100%
Sell Me Free Limited[C]	**N/A**	100%
Sella Limited[C]	**N/A**	100%
Stanley Newcomb & Co Limited[C]	**N/A**	100%
The Hive Online Limited	**100%**	100%
The New Zealand Radio Network Limited	**100%**	100%
The Radio Bureau Limited	**100%**	100%
Trade Debts Collecting Co Limited[C]	**N/A**	100%
W & H Interactive Limited[C]	**N/A**	100%
OneRoof Limited[D]	**100%**	N/A

(A) Incorporated in, and operate in, Australia. (B) One "Kiwi Share" held by the Minister of Finance.
The rights and obligations are set out in the NZME Radio Limited constitution. (C) Effective 31 May 2018, these entities were amalgamated into NZME Specialist Limited. (D) OneRoof Limited was incorporated on 20 March 2018. Subsequent to the balance date, on 21 August 2018, the Group transferred 20% of the share capital in OneRoof Limited to Hougarden.com Limited as consideration for the final payment of $1.1 million for the acquisition of the platform on which the OneRoof website and related apps are built. The acquisition of the platform has been treated as an asset acquisition and the subsequent issue of shares will be accounted for as an equity settled share-based payment transaction valued at the fair value of the asset received.

5.2 INTERESTS IN OTHER ENTITIES

5.2.1 Associates, joint ventures and joint operations

The Group has the following associates, joint ventures and joint operations:

	OWNERSHIP INTEREST JUNE 2018	OWNERSHIP INTEREST DECEMBER 2017
Chinese New Zealand Herald Limited[A]	**50%**	50%
Eveve New Zealand Limited[A]	**40%**	40%
KPEX Limited[A]	**25%**	25%
New Zealand Press Association Limited[A]	**38.82%**	38.82%
Restaurant Hub Limited[A]	**40%**	40%
The Beacon Printing & Publishing Company Limited[A]	**21%**	21%
The Gisborne Herald Company Limited (held through Essex Castle Limited as a trust company for NZME Publishing Limited)[A]	**49%**	49%
The Radio Bureau[B]	**50%**	50%
The Wairoa Star Limited[A]	**40.41%**	40.41%
Ratebroker Limited[A / D]	**50%**	20%
The Newspaper Publishers Association of New Zealand Incorporated[C]	**-**	-
New Zealand Press Council[C]	**-**	-
Radio Broadcasters Association Incorporated[C]	**-**	-

(A) These entities are classified as joint ventures or associates. Because the effects of equity accounting are immaterial, these investments are carried at cost. (B) The Radio Bureau is classified as a joint operation and the Group has included its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses in these consolidated interim financial statements. (C) These are bodies with which entities in the Group have memberships, but no ownership interest. (D) In January 2018, the Group acquired an additional 30% of the shareholding in Ratebroker Limited from existing shareholders. The Group has joint control of Ratebroker Limited and classifies it as a joint venture.

6.0 OTHER NOTES

6.1 RELATED PARTIES

The Group purchased print services worth $1,510,000 (2017: $1,685,000) from Beacon Print Limited, a company in which the Group holds a 21% interest in.

In November 2015, the Company, Stuff, TVNZ and MediaWorks launched a new local advertising exchange service, KPEX Limited, offering media agencies and clients a programmatic option for purchasing online advertising. The Group received advertising revenue of $1,595,000 (2017: $1,299,000) and paid commission of $225,000 (2017: $195,000).

During 2016, the Group acquired interests in certain joint ventures and associates. The Group has entered into commitments to provide future services (such as house advertising, occupancy space at NZME offices, business as usual finance and human resources support). During the period such services were provided to Eveve, valued at $13,996 (2017:$13,996), Restaurant Hub, valued at $83,927 (2017:$22,770) and Ratebroker $53,435 (2017:$90,295). The outstanding balances for future services are included in the table below.

	JUNE 201 RECEIVABLES $'000	DECEMBER 2017 RECEIVABLES $'000	**JUNE 2018 PAYABLES $'000**	DECEMBER 2017 PAYABLES $'000
Balances with related party				
KPEX Limited	**646**	1,028	**92**	148
Chinese New Zealand Herald Limited	**-**	-	**20**	43
Eveve New Zealand Limited	**-**	-	**296**	28
Restaurant Hub Limited	**-**	-	**182**	449
Ratebroker Limited	**6**	-	**-**	526
Total related party receivables and payables	**652**	1,028	**590**	1,194

6.2 CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2018.

6.3 SUBSEQUENT EVENTS

Refer to note 1.4 for a description of events relating to the proposed merger with Fairfax New Zealand, note 4.1.2 for the dividend and note 5.1 for a share-based payment transaction.

The Directors are not aware of any other material events subsequent to the balance sheet date.

Independent review report

To the Shareholders of NZME Limited

Report on the consolidated interim financial statements

We have reviewed the accompanying consolidated interim financial statements of NZME Limited ("the Company") and its controlled entities ("the Group") on pages 12 to 32, which comprise the consolidated interim balance sheet as at 30 June 2018, and the consolidated interim income statement, the consolidated interim statement of comprehensive income, the consolidated interim statement of changes in equity and the consolidated interim statement of cash flows for the period ended on that date, and selected explanatory notes.

Directors' responsibility for the consolidated interim financial statements

The Directors are responsible on behalf of the Group for the preparation and presentation of these consolidated interim financial statements in accordance with the New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a conclusion on the accompanying consolidated interim financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

We are independent of the Group. Our firm carries out other services for the Group in the areas of taxation compliance and taxation advisory services, advisory services in connection with treasury policy, and other assurance services including payroll assurance services. The provision of these other services has not impaired our independence.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these consolidated interim financial statements of the Group are not prepared, in all material respects, in accordance with NZ IAS 34.

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Who we report to

This report is made solely to the Company's Shareholders, as a body. Our review work has been undertaken so that we might state to the Company's Shareholders those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants   Auckland
22 August 2018

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