Telenor Broadcast

Lehman Brothers

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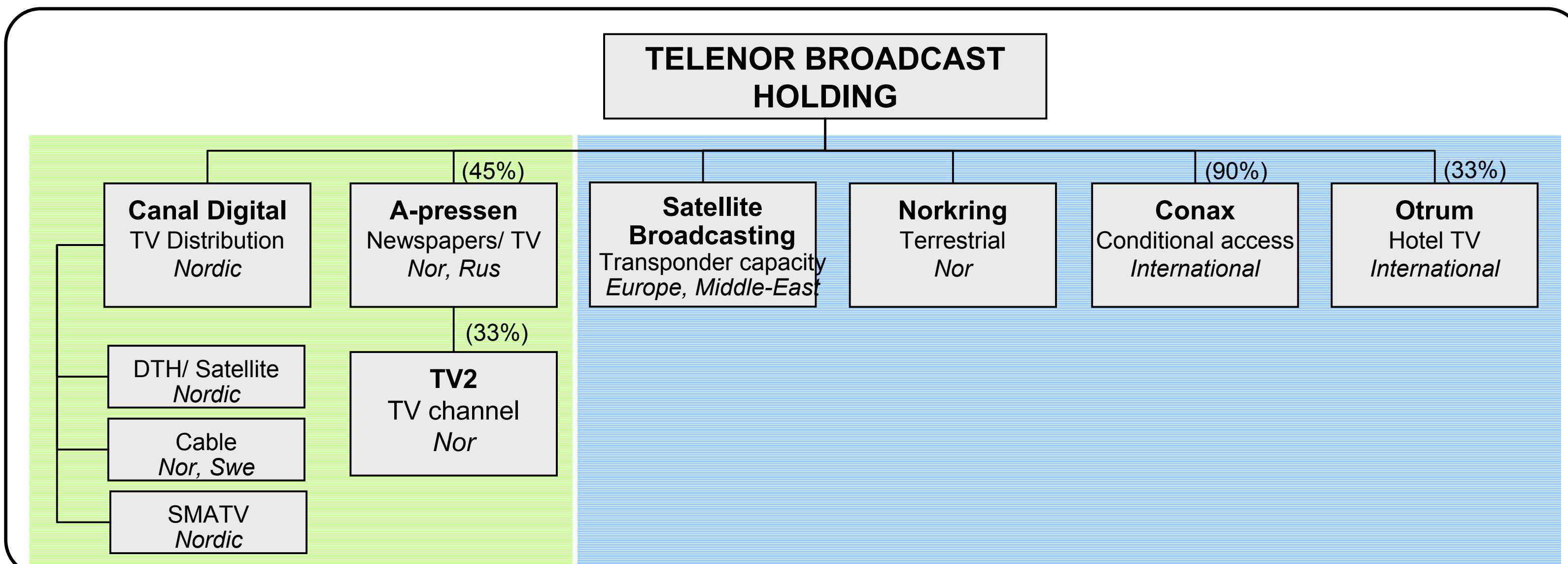
TELENOR BROADCAST

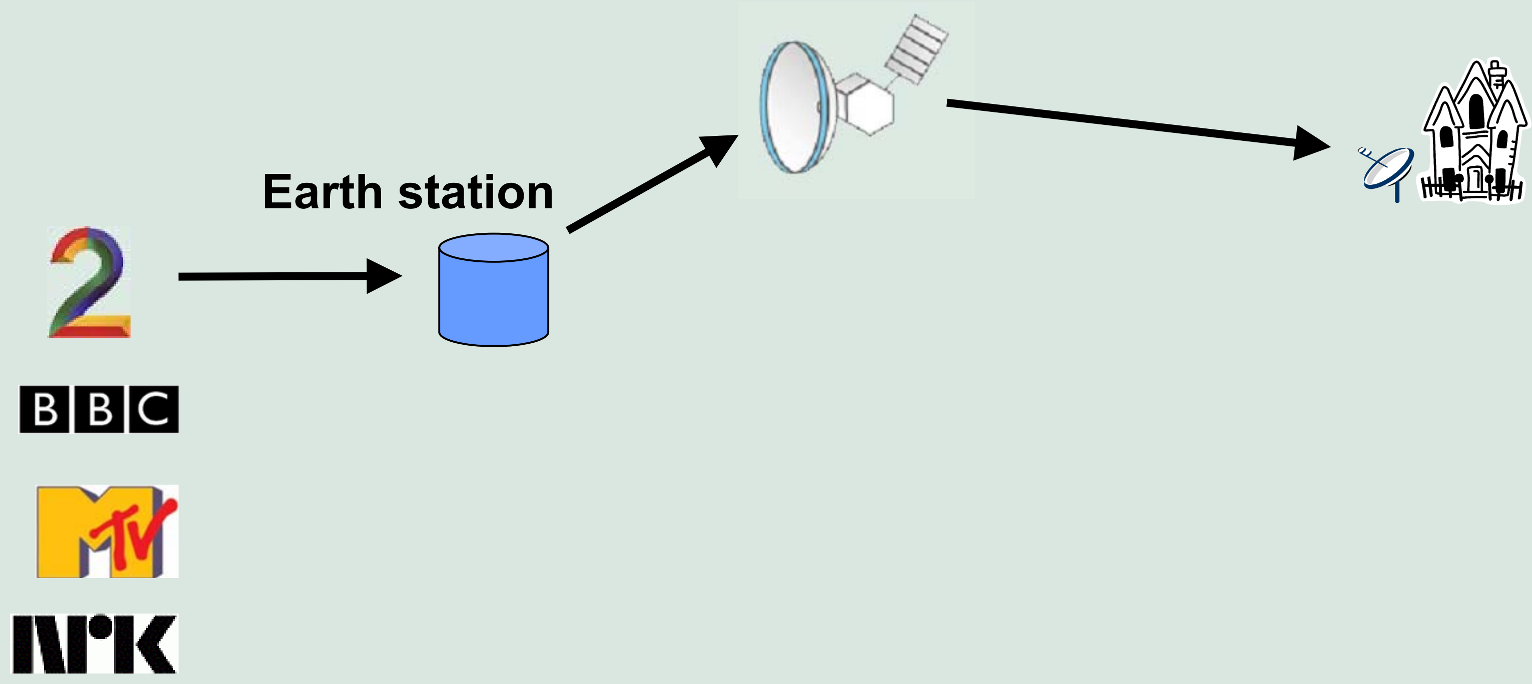
1. **Position in value chain**
2. Development 2004
3. Market opportunities
4. Summary

Broadcast is one of three main business areas in Telenor

- TBH had 750 employees and revenues of NOK 5.3 billion in 2004
- Two market segments, two directions of cashflow:
  - Business to Consumer
  - Business to Business

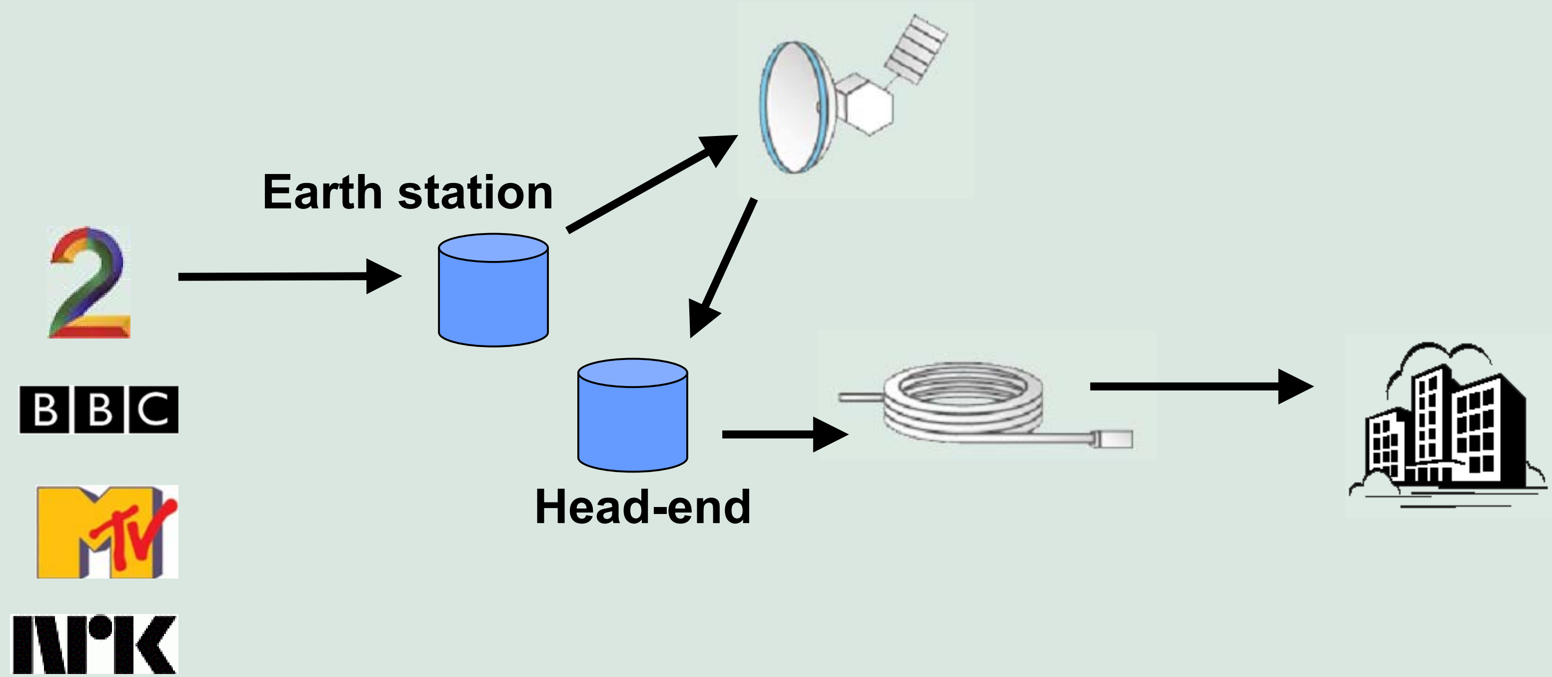


Satellite: content distributed via earth station to satellite to household



Satellite Broadcasting transmits 128 TV-channels and 83 radio channels

Cable: redistributes content received from satellite to households via a head-end



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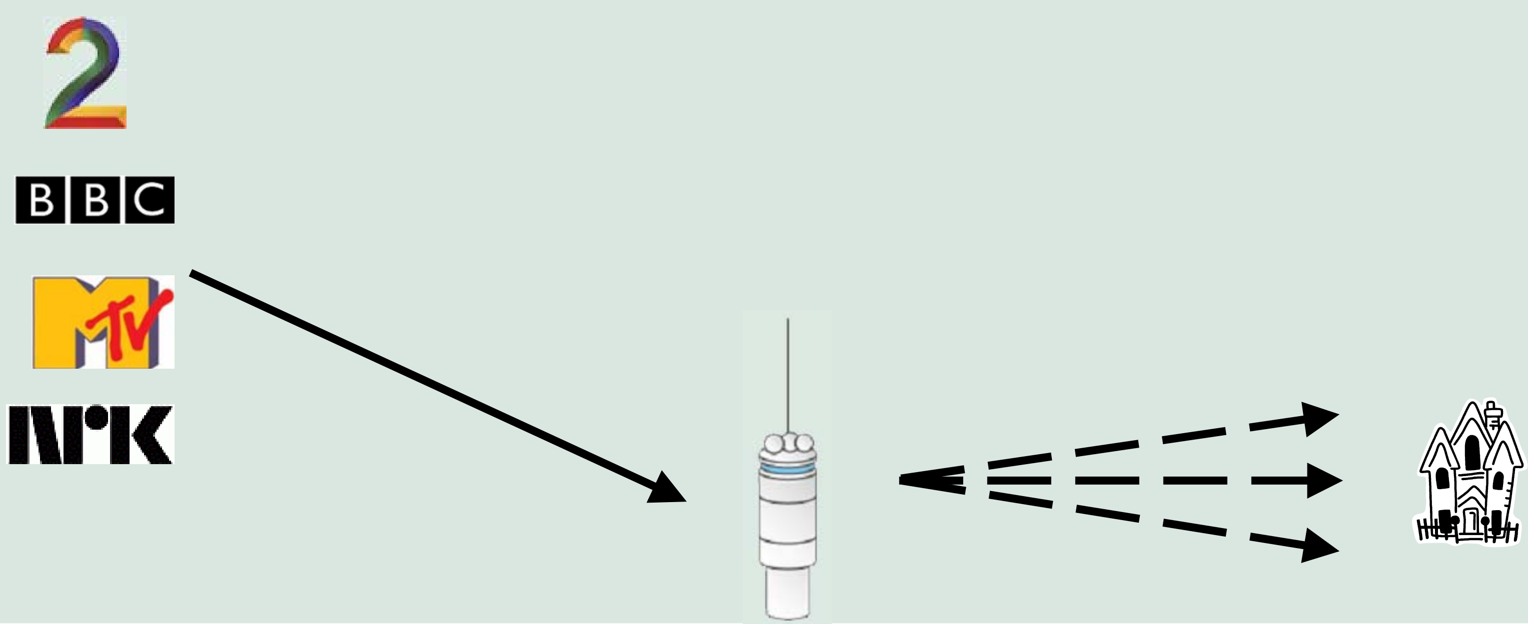
Terrestrial: content is sent direct from the broadcaster to the households via DTT network



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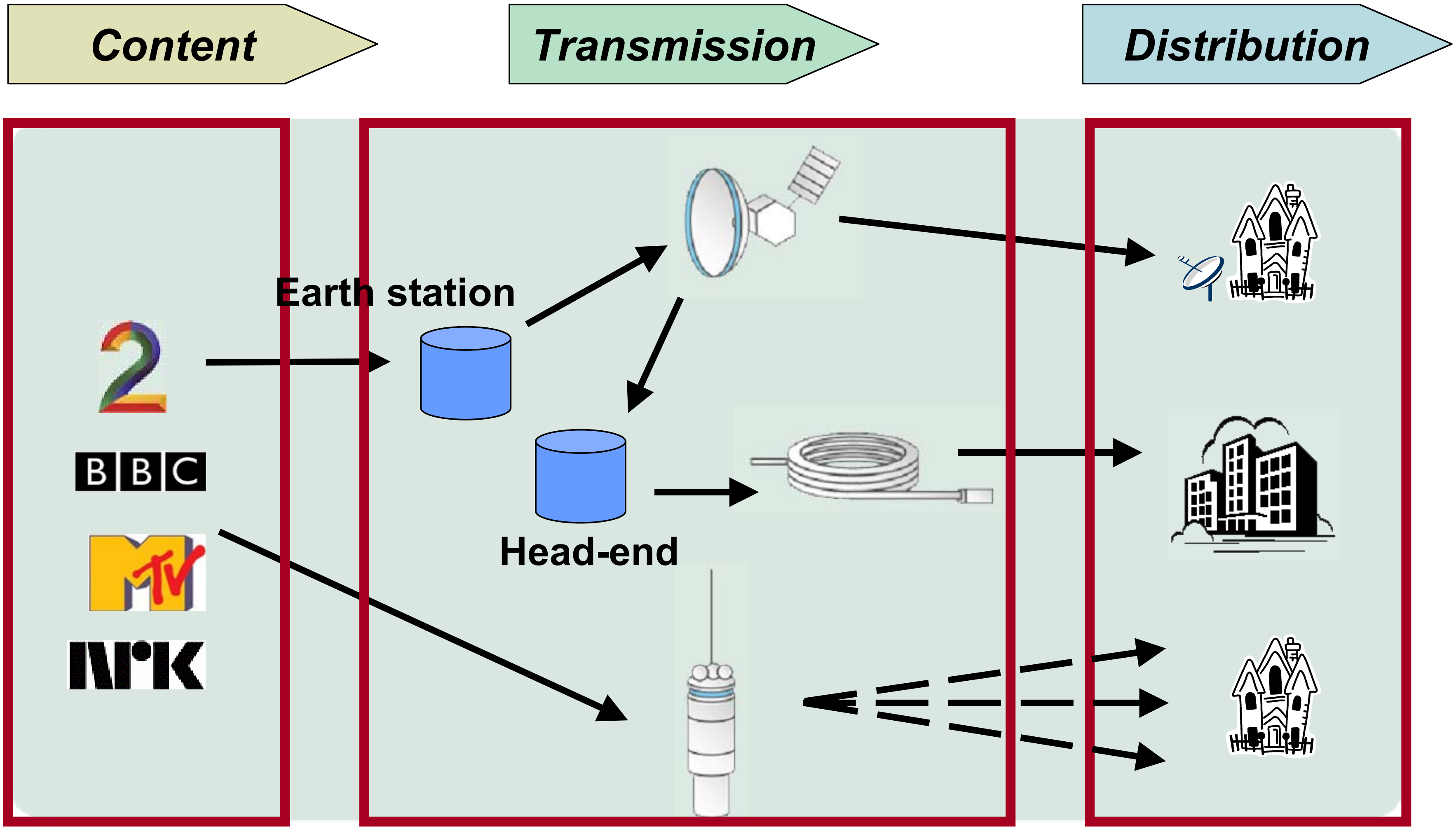


Satellite Broadcasting transmits 128 TV-channels and 83 radio channels

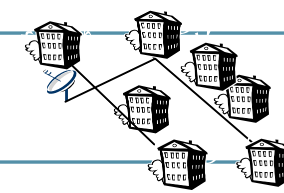
Canal Digital delivers TV services on different platforms to 2.9 mill Nordic households

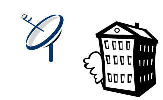
- Canal Digital has the customer contact and is thus the key in securing the income to pay-TV channels
  - Creating NOK 2 billion in revenues for our TV-channels

	Households
DTH Subscribers with satellite dish	**824,000**
CATV Cable TV subscribers	**624,000**

High ARPU

	Households
SMATV Households in small antenna TV-networks	**1,196,000**
DTH (cards only) Free to air channels only to DTH households	**253,000**





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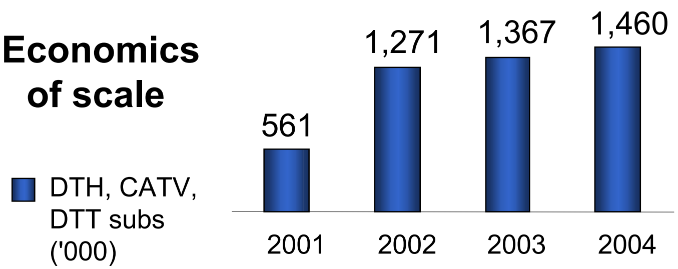
Broadcast's long term strategic commitment is paying off

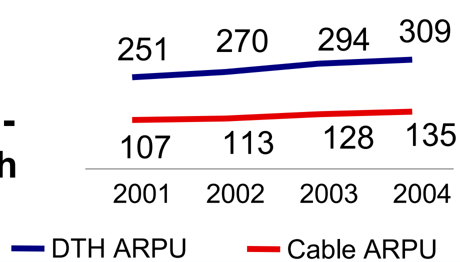
- **Offer the best TV channels and most sought after content**
  - Unique content facilitates unique price
  - Key TV-channels exclusively
- **Consistent price policy over time and with content offering**
  - Ratchet effect on pricing; dropped prices are very hard to raise later
- **Reducing piracy through continuous investments in security solutions**
  - Conax; smart card-based conditional access, security and payment solutions
- **Strong focus on channelsales and churn**

Operational excellence with ownership of CD

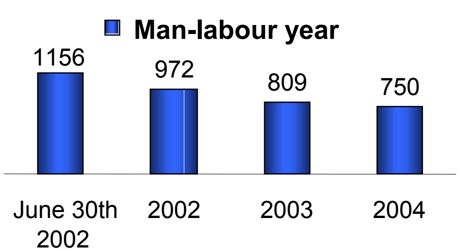
Economics of scale



ARPU-growth

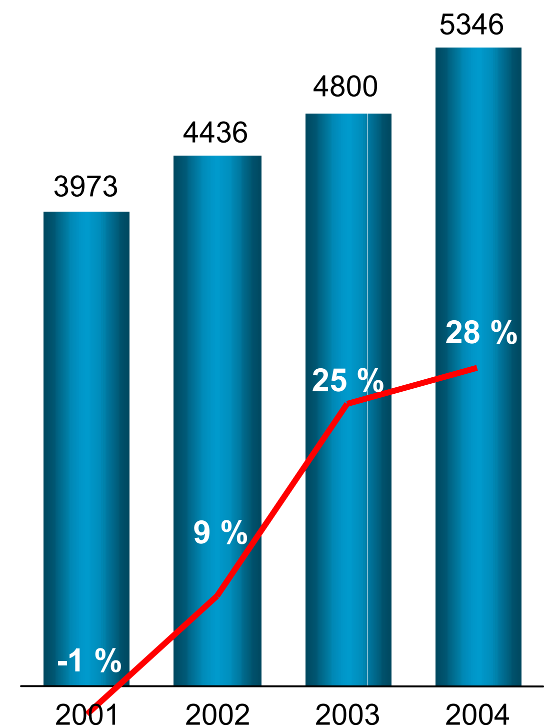


Staff reductions



Profitable growth

Revenues (NOKm) / EBITDA %



2001 numbers include Canal Digital 100%

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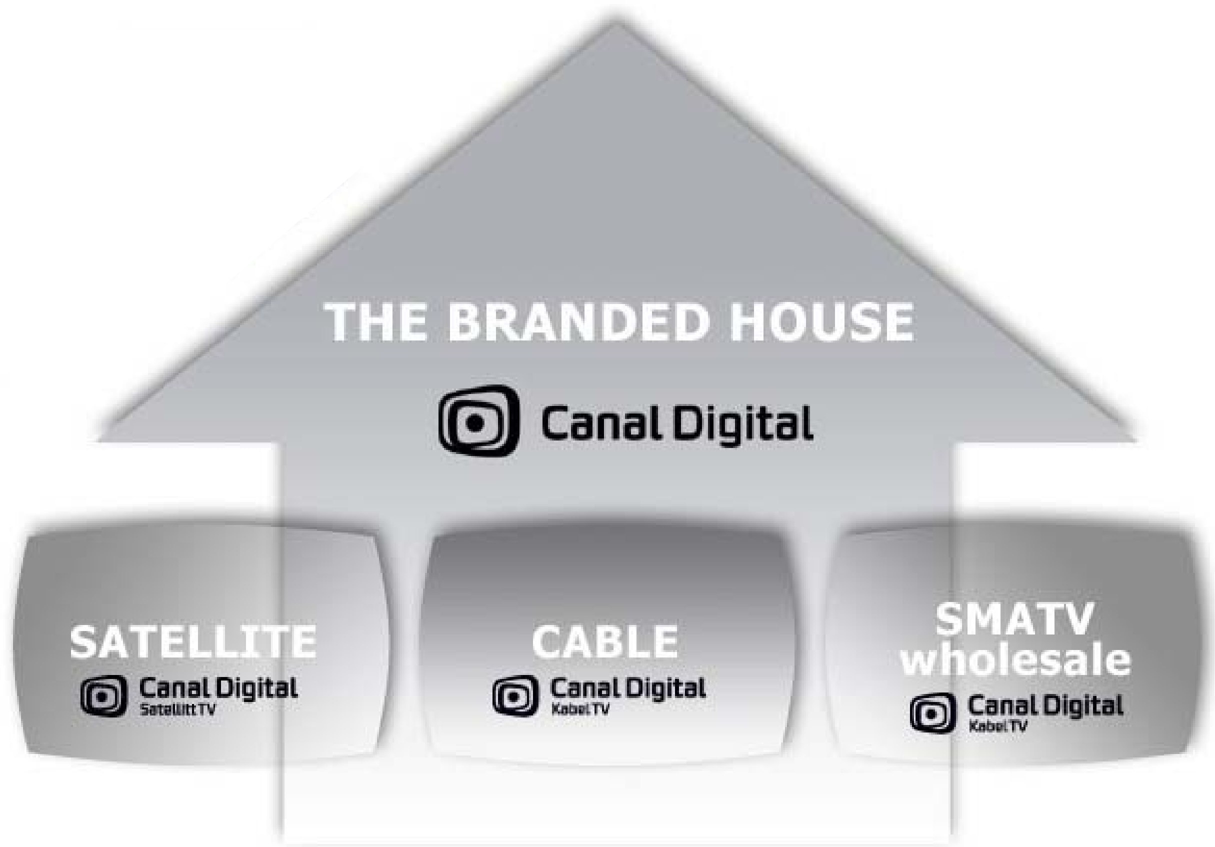
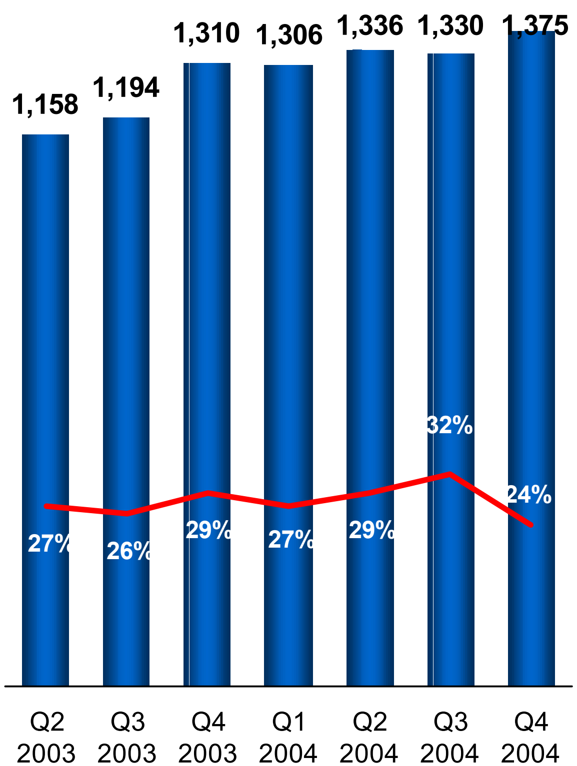
Canal Digital;
one brand irrespective of transmission

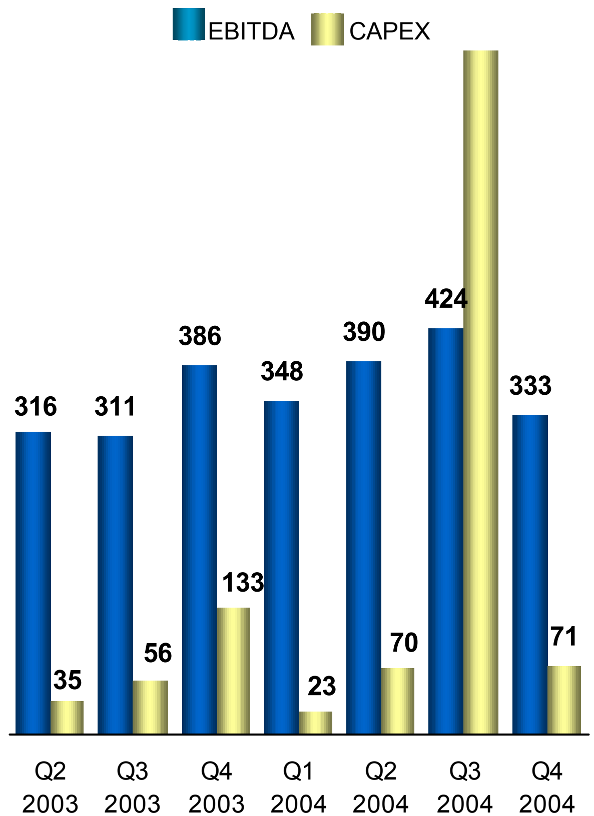


2004 was a record year
- seasonal variations between quarters

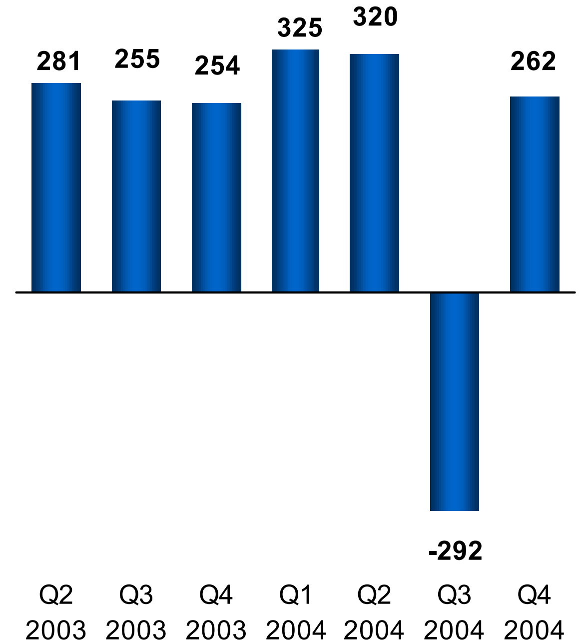
Revenues (NOKm) / EBITDA %



EBITDA and Capex (NOKm)



Operating Cash Flow (NOKm)



Excludes sales gains / losses
Operating Cash Flow = EBITDA - CAPEX

TELENOR BROADCAST

1. Position in value chain
2. **Development 2004**
3. Market opportunities
4. Summary

Highlights 2004

- **Strong subscriber growth**
  - Net growth of 61,000 DTH subscribers
  - Net growth of 21,000 CATV subscribers
  - Net growth of 12,000 DTT subscribers
- Improved EBITDA and EBITDA margins from 2003
- New Set-Top-Box (STB) technology makes it possible for new models to handle both DTH and digital terrestrial broadcasting (DTT)
- The Norwegian DAB net extended to cover 70% of the population
- New satellite, with a lifespan of 17 years, launched

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Highlights 2004

- Strong subscriber growth
- **Improved EBITDA and EBITDA margins from 2003**
  - Growth in transmission
  - Stable margin in distribution
    - Q4 2003 – effected by accruals between quarters in 2003 (EBITDA NOK 72 million)
    - STB revenue model changed from own/rental to free STB with subscription
- New Set-Top-Box (STB) technology makes it possible for new models to handle both DTH and digital terrestrial broadcasting (DTT)
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Highlights 2004

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- **New Set-Top-Box (STB) technology makes it possible for new models to handle both DTH and digital terrestrial broadcasting (DTT)**
  - ComboBox launched in Sweden and Finland August 2004
- The Norwegian DAB net extended to cover 70% of the population
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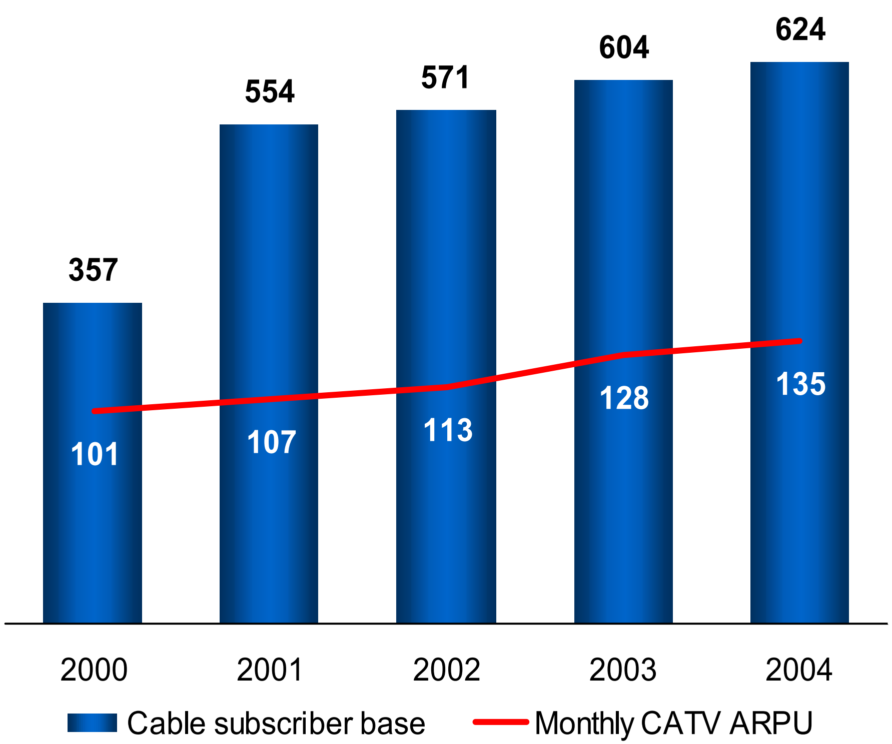
Distribution
Business to Consumer

Cable subscriber and ARPU growth

Cable subscribers ('000) and ARPU (NOK)



Observations

- High speed internet and digital TV drives Cable TV revenue
- Pricing and packaging
- Organic subscriber growth
- Stronger competition

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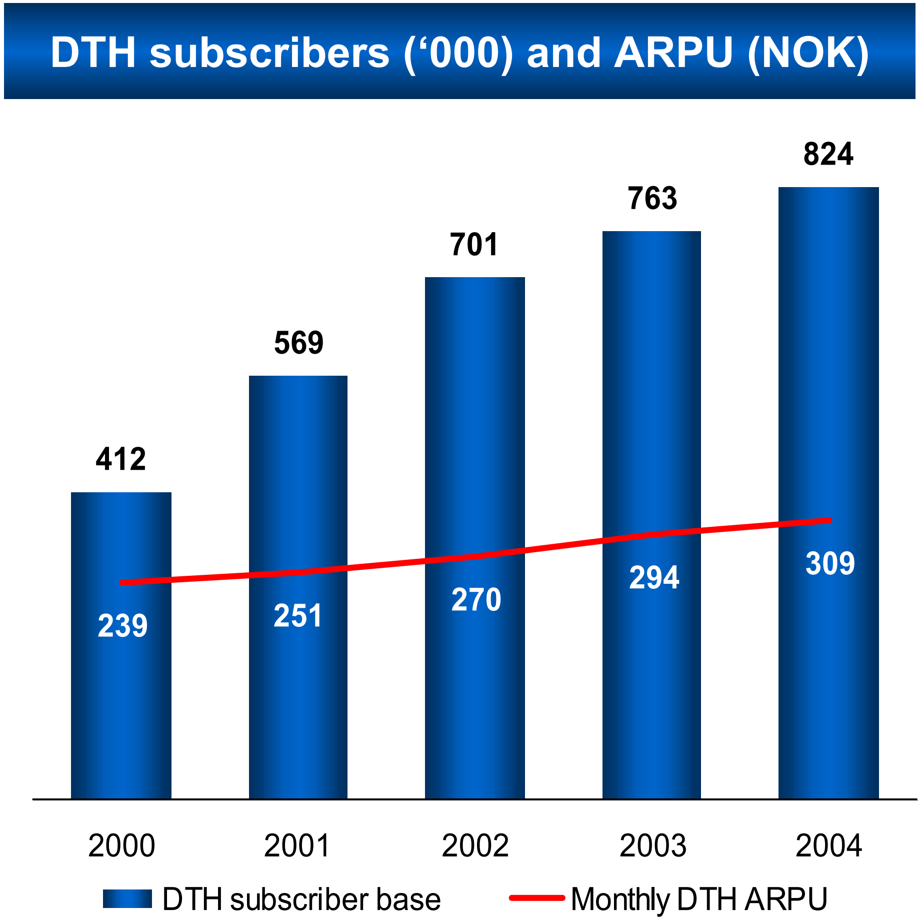
DTH subscriber and ARPU growth

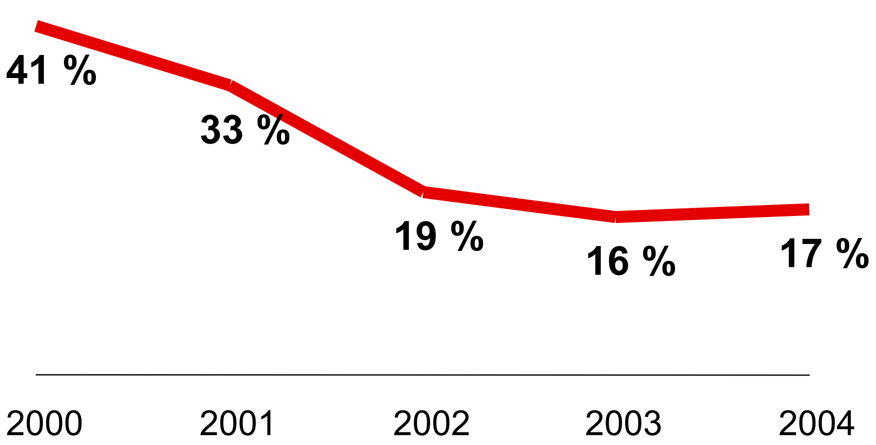


Observations

- Extended content offering contributed to subscriber and ARPU growth
- ARPU expected to level out as new customer have lower priced subscriptions

DTH churn on a continuous low level

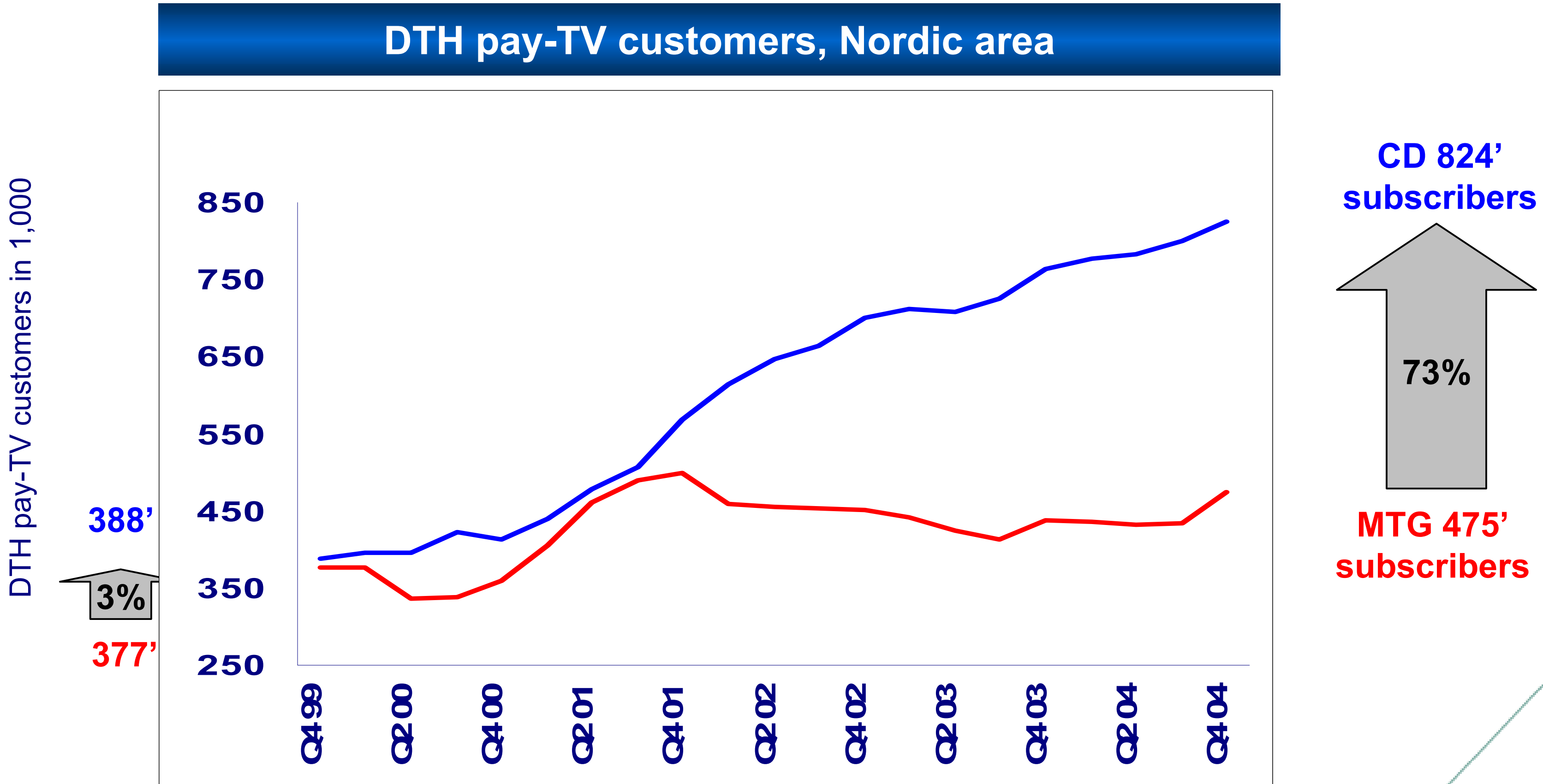
DTH Churn Development



Observations

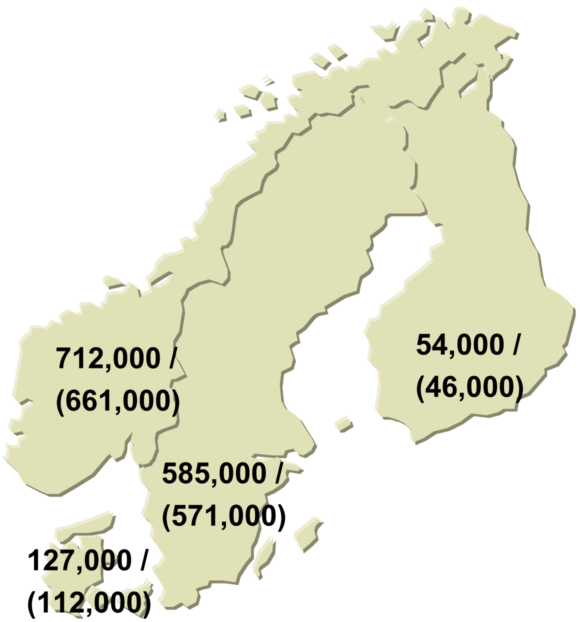
- Increased customer satisfaction
  - Content and pricing
  - Operational excellence
- Piracy control through Conax system
- Call centre focus

Canal Digital growth continued



Focus on growth in Denmark and Finland

Subscribers Pay TV



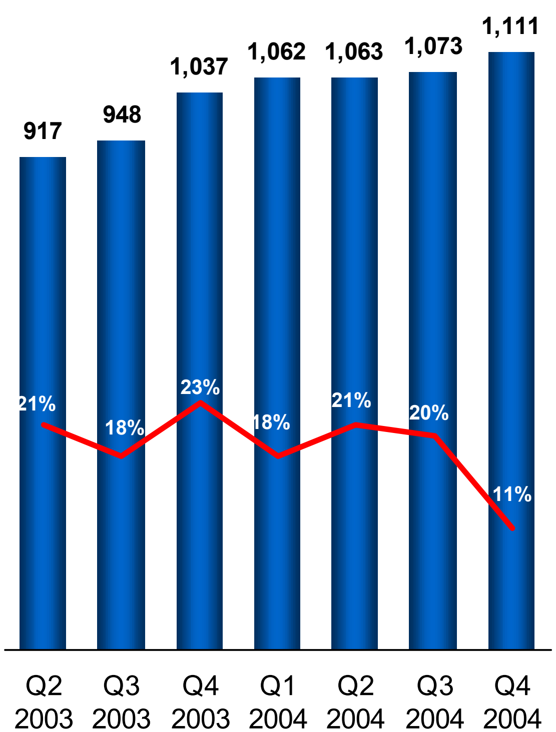
Key Observations and Strategy

- Leading Pay-TV positions in Sweden and Norway
- Content position improved in Denmark
- Finland is a growth opportunity
  - Satellite distribution-agreement with YLE
  - CRM operator role for DTT in Finland will strengthen our Finish position

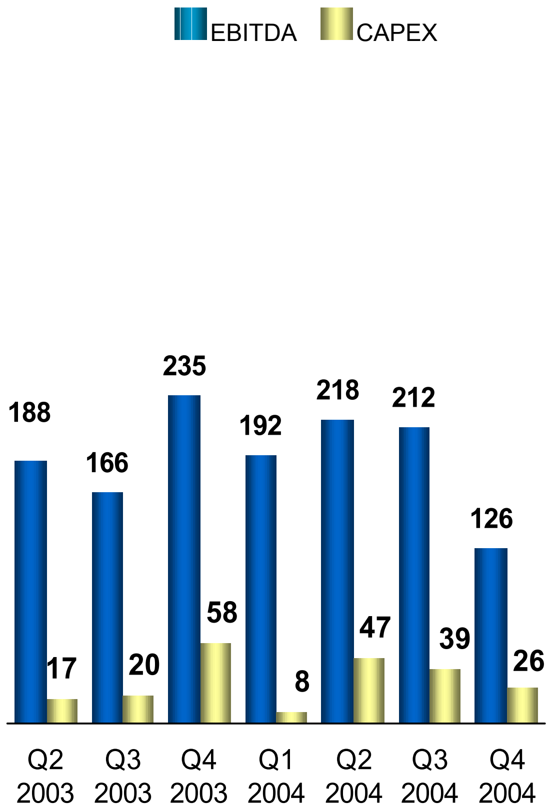
* Pay TV subscribers include DTH subscribers, Cable TV basic subscribers, DTT subscribers (Finland), and SMATV with decoder

Underlying growth, but lower EBITDA due to marketing activities and seasonal variations

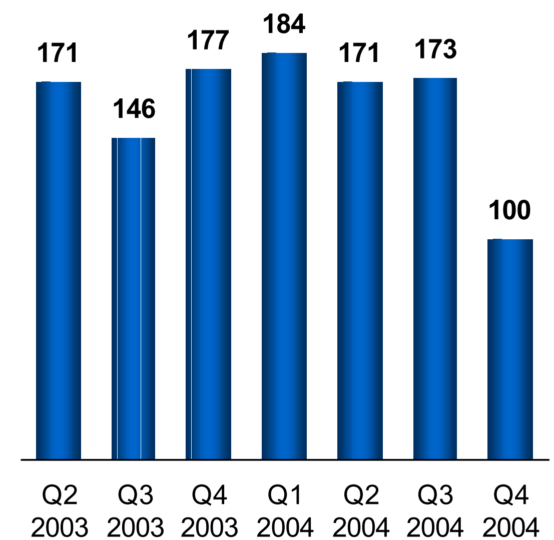
Revenues (NOKm) / EBITDA %



EBITDA and Capex (NOKm)



Operating Cash Flow (NOKm)

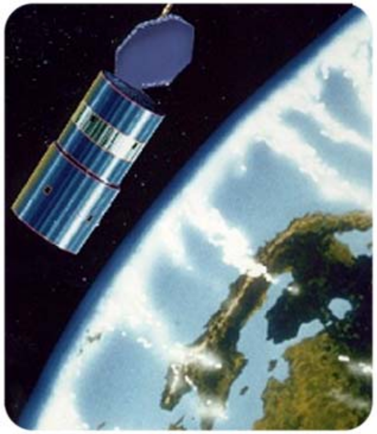


Excludes sales gains / losses
Operating Cash Flow = EBITDA - CAPEX

Transmission
Business to Business

Transmission: Profitable development and increased margins

- Satellite Broadcasting
  - 128 TV Channels and 83 radio channels
  - Request for proposals for new satellite
    - Thor II reaches end of life 2008
  - Intelsat 10-02 satellite contributes to improved EBITDA-margin
  - Intelsat 10-02 life time expanded 4 years to 17 years



- Norkring (terrestrial transmission)
  - FM5 running from 2004
  - Tendering for DTT contract Norway
  - The Norwegian DAB net extended to cover 70% of the population
  - Best in class in operation – yields good margins

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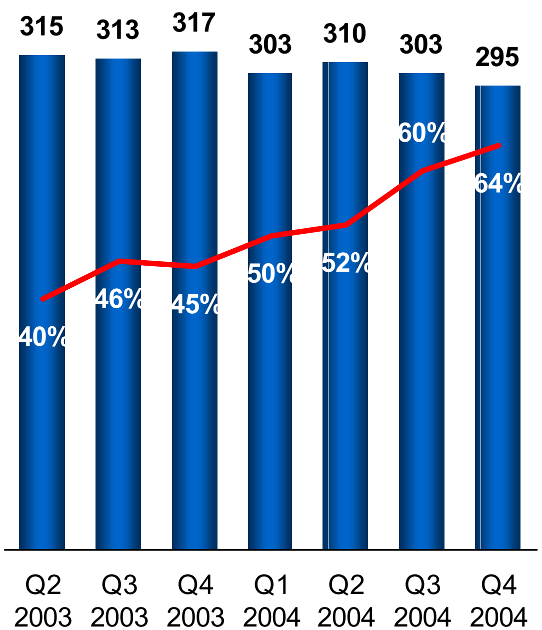
Conax - strong hit rate in the conditional access market

- Won 36 of 87 known contracts world wide bid for in 2004
  - More than half won outside Europe
- International revenue doubled from 2003
- High customer satisfaction
- ISO 9001 and BS 7799 recertified
- New encryption solutions

Steady profitable development
- positive effect on EBITDA from Intelsat 10-02

Revenues (NOKm) / EBITDA %



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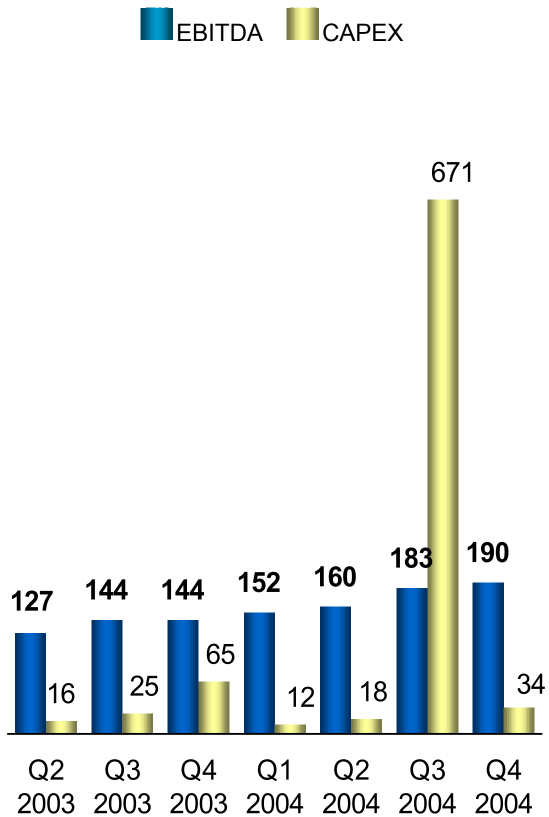

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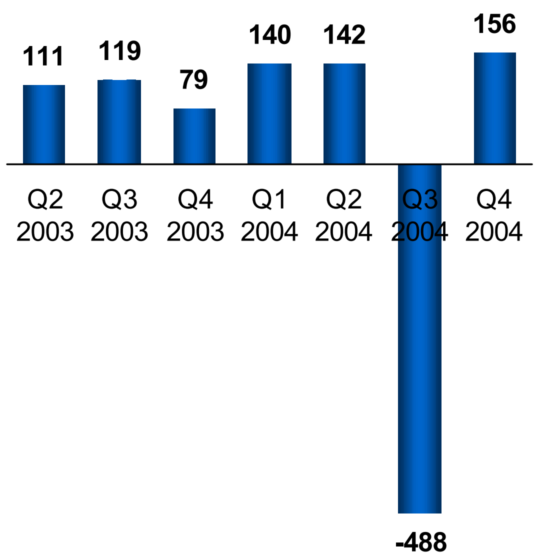

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Broadcast aim to attract and develop the highest possible number of subscribers

- **Broadcast maintains long term strategy:**
  - Offering the largest selection of the best TV-channels and exclusive content
  - Pricing policy consistent over time and with content offering
  - Strong focus on customer acquisition and anti-churn activities
  - Reducing piracy through continuous state of the art security solutions

- **Broadcast are well positioned to take advantage of important market possibilities**
  - Increasing number of pay-TV channels
  - 2.5 million households have to choose a digital platform in the next 5-7 years, more than 10 million TV sets need connection
  - Developments in consumers electronics change TV-viewing
  - New platforms

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Growth in the TV-market will come from pay-TV

- TV-channels have three sources of income:
  - License: Limited growth
  - Commercials: Mature market / limited growth
  - Pay-TV: Growth

- Customer contact and revenue will be controlled by distributor who have the endcustomer contact & billing

- C More to launch HDTV in September 2005

Canal Digital funnelled NOK 2 billion back to TV-channels in 2004, …..which again is the source for rights payments

Personal Video Recorders will change viewing habits

- PVR gives users greater control over their TV-viewing
- New functions add real value to the viewing experience
  - Skip commercials, instant replay, pause, rewind etc
- Distributors that offer decoders that include PVR-functionality will have a competitive advantage

Canal Digital will offer a PVR-decoder in 2005

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DTTs free channels challenges DTHs basic offering

- DTT offers key channels at a lower price than DTH
- As opposed to the DTH distributors, DTT are able to offer all free to air channels
  - Due to DTH competition; exclusivity
- A dual front-end box reduces possibilities for TV-distributors to offer free channels exclusively in one network

Canal Digital's ComboBox can receive signals from both DTH and DTT

2.5 million households have to choose a digital platform due to analogue terrestrial shut down

- Low end customers, but represent up sale potential

- Nordic situation:
  - Norway: The license might be announced again.
  - Sweden: DTT distributor Boxer is growing fast
  - Finland: DTT distributor Digita is growing fast
  - Denmark: 1 mux will be operational in 2006; only DR and TV 2 / DANMARK

- … but more than 10 million TV sets need a new connection

DIGITA

BOXER
INGEN KABEL, INGEN PARABOL.

ntv
Norges televisjon as

TELENOR BROADCAST

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Summary
Telenor Broadcast had a record year in 2004

- **EBITDA NOK 1,495 million (1,229)**
- **Revenue NOK 5,346 million (4,799)**
- **Substantial growth within TV Distribution – 824,000 DTH subscribers**
  - Net growth of 61,000 DTH subscribers
  - Net growth of 21,000 CATV subscribers
  - Net growth of 12,000 DTT subscribers
- **Improved operations in TV Distribution**
- **Improved profitability in Transmission**

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