

The Norwegian Media Ownership Authority
ANNUAL REPORT FOR 2004

1. Who owns what in Norwegian press and broadcasting?

1.1 The situation in brief

Four players - Schibsted, Orkla, A-pressen and NRK, dominate the Norwegian media industry. In addition, several foreign players are represented on the ownership side of some media enterprises with large audiences. During the last year the Swedish media company Modern Times Group (MTG) has increased its ownership in P4 from 31.07 per cent to 37.66 per cent. MTG already owns all of TV3. The Danish company Egmont is one of three owners of TV 2, with a 33.3 per cent ownership share in the channel. During the past year, the US-owned Scandinavian Broadcasting Systems S.A. (SBS) has also consolidated its position by buying all of TVNorge. SBS also owns the local radio network Radio 1-gruppen.

1.1.1 The press

The Norwegian Media Ownership Authority has calculated the total daily press circulation for 2004 to be 3 109 588¹. This circulation is about 50 000 lower than in 2003. The three largest newspaper owners, Schibsted, A-pressen and Orkla, own 63.9 per cent of the total daily press circulation in Norway between them. Of the 15 biggest newspapers in Norway, only Dagsavisen does not have any ownership connection to the three big groups.

Compared with last year's calculations, eight new papers have been included while four have been removed. A total of 230 newspapers come under the definition of a newspaper which has been used by the Media Authority². An overview of these newspapers is available on www.medieregisteret.no.

Figures for MBL and LLA conclude that the daily press circulation has fallen during 2004. This is not fully reflected in the Media Authority's calculations, since several papers that were not to be included in the calculations previously, have now been included.

The Media Authority now considers *Fiskaren*, *Fiskeribladet*, *Norge i Dag* and *Magazinet* as regular newspapers. This reassessment has taken place in cooperation with the press researcher Sigurd Høst at Institutt for Journalistikk (the Institute of Journalism). This has given an overall increase in the total daily press circulation of 37 544 copies. In addition, the local newspapers *OPP* in Oppdal, *Karmøybladet* on Karmøy, the weekly newspaper *Klar Tale* and the Orkla-owned free newspaper *Indre Østfolds Avis* have been included following a closer assessment. No newspapers have been closed down.

Lokalavisen Karmsund, *Nuortanaste* and *Avis 1* have been taken out of the calculation since these papers have too few issues a year. Following an assessment of the news presented in *Folket*, this publication has also been taken out of the calculation.

¹ Based on figures from MBL and LLA plus specially obtained circulation figures from papers that are not part of either organisation.

² See the Media Ownership Authority's guidelines, item 2. The Authority applies the same definition of a newspaper for both paid and free newspapers. To enable a comparison of the distributed circulation of the free newspapers with the paid newspapers, the rules nevertheless require that the circulation of free newspapers be divided by three. The circulation of free newspapers that come under the definition of daily press, has been calculated to 105 973 papers in 2004.

Fig. 1. The three big groups' share of the newspaper market in per cent

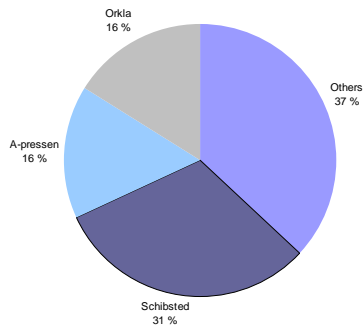
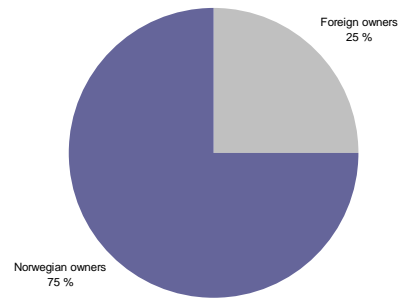


Fig. 2. Foreign owners' share of the newspaper market



Schibsted is by far the biggest player in the Norwegian newspaper market. For 2004, 30.97 per cent of the overall daily press circulation relates to this group. The corresponding figure for Orkla is 16.21 per cent and for A-pressen 16.18 per cent.

The total foreign share of the daily press has increased by about three percentage points since last year, from about 22 to about 25 per cent. This is mostly due to foreign investors having increased their interests in Schibsted ASA.

Fig. 3 Daily press circulation for the biggest newspaper owners

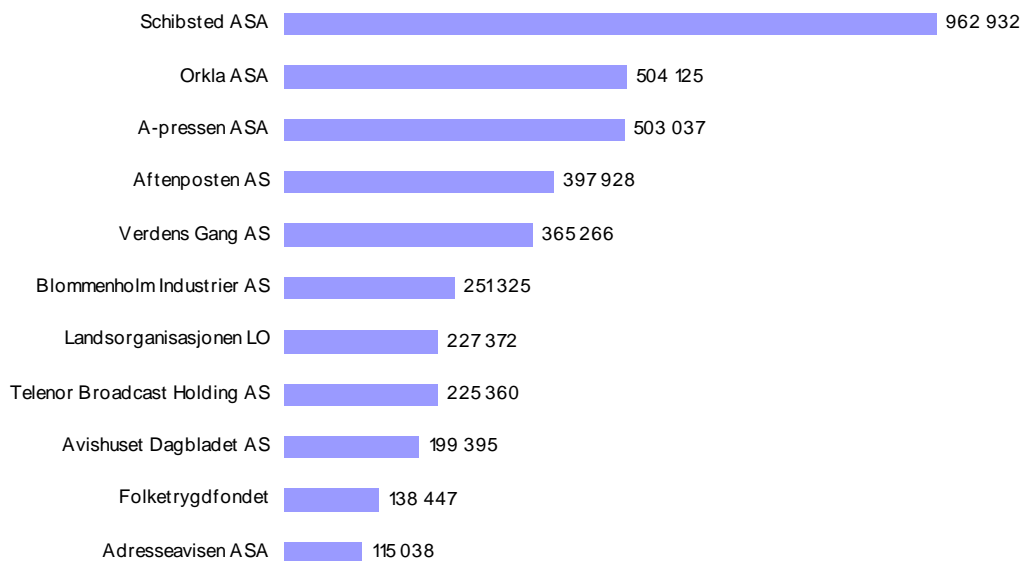


Figure 3. shows the relative strength of the players at the various ownership levels. Some of the players own or are owned by other players in the figure. The circulation figures should therefore not be added up.

1.1.2 Broadcasting

- The radio market

There has been a number of acquisitions and consolidations in the commercial radio market, both at the national and the local level. Several of the original owners of Kanal24 have sold their interests during 2004. TV 2 has a dominating ownership interest of 49 per cent in the channel and also has an option of buying enough to gain control. The three remaining owners are now Adresseavisen, Fædrelandsvennen and Agderposten. 21st Venture, Gudbrandsdølen

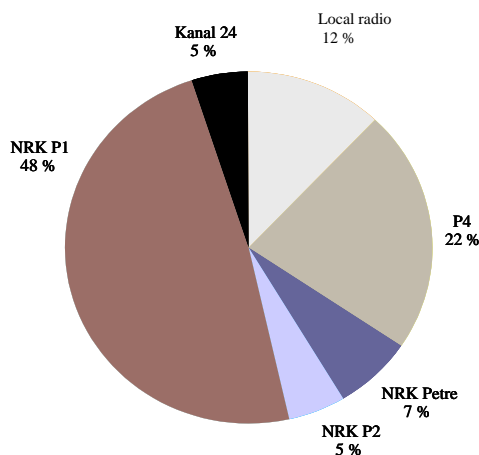
Dagningen, NTB, Vårt Land and the HTG group have sold their interests in the radio channel during the year.

MTG has taken over the holding that the Swedish investment company Kinnevik owned in P4. The shares amounted to 6.6 per cent. MTG now owns 37.7 per cent of P4. The P4 shares have also been the object of a series of minor transactions. It is also worth mentioning that TV 2 had a minor block of shares in P4, which they sold off in September 2004.

Within local radio there are three major local radio networks. The SBS-owned Radio 1 is the biggest as far as ratings are concerned. The second biggest is JærRadioGruppen, which is owned by Herman Skretting and A-pressen. This company is currently controlling 17 local radio stations around the country, having bought up several local radio stations over the last few years. The third is the French-owned NRJ, which has a licence in six Norwegian towns. During the year, NRJ has acquired yet more licences through the purchase of Klem FM, which gave the company a licence to broadcast in Oslo.

Audience figures for local radio must be described as low compared to broadcasts from the national channels. The national average for local radio is 12 per cent, a decline of one per cent from last year. Radio 1 Oslo definitely has the biggest audience, followed by Radio 1 Bergen and Energy Oslo. Radio City in Askim, Radio 102 in Haugesund and Radio Tønsberg have the biggest share in their respective local radio market.

Fig. 4. Percentage of radio audience in 2004



The established radio channels have relatively stable ratings³. The situation following Kanal24's entry seems to have stabilised. P4 has lost some ratings, declining from 25 to 22 per cent. However, Kanal24 has not acquired more than five per cent of the market. Overall, NRK has had by far the greatest absolute increase from last year, from 55 to 60 per cent. P1 in particular has captured market shares here.

³ The figures are based on TNS Gallup's data on average listening hours.

Fig. 5. The main owners' share of the radio market

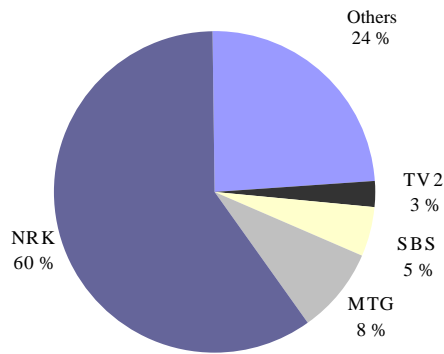
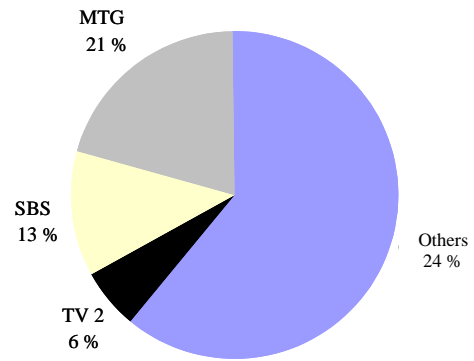


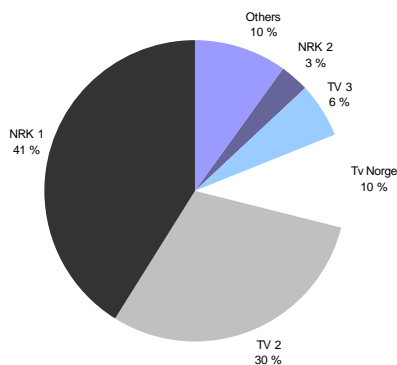
Fig. 6. The biggest owners' share of the market, NRK excluded



With regard to the overall radio figures, NRK has a greater audience on its own than the other owners have put together. Since A-pressen bought into JærRadioGruppen, all the three big owners operate in several media.

- The television market

Fig. 7 The TV channels' audience share



SBS now owns the whole of TVNorge, having taken over from TV 2 the remaining block of shares in TVNorge. This interest gives the company a market share of 18 per cent in the commercial television market. The Swedish MTG owns the whole of TV3 and has a corresponding market share of 11 per cent. TV 2 has the largest share of the commercial television market. This channel owns 53 per cent, giving each of the three owners Schibsted, Egmont and A-pressen, a market share of 17.67 per cent.

Fig. 8. Market shares of the TV owners

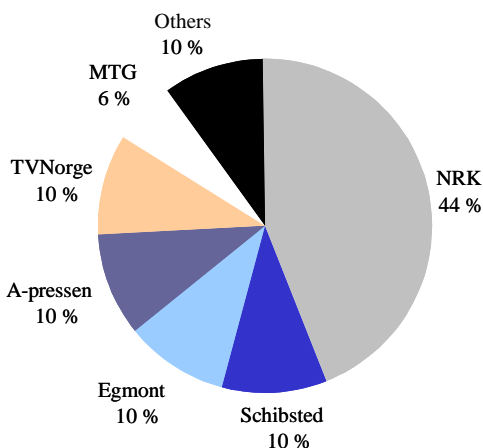
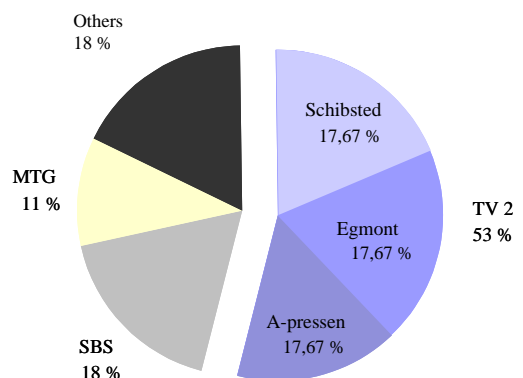


Fig. 9. Market shares of the TV owners, NRK excluded



The local television channels have generally low ratings. Figures from TNS-Gallup show that local television has an average rating of about 2 per cent, which is less than NRK2's rating.

Norway is divided into 29 regional licensing areas for local TV, and there are broadcasts in 25 of these. The big owners are well represented, through direct as well as indirect ownership. Schibsted is indirectly involved in five stations, while A-pressen and Orkla are involved either directly or indirectly in seven and six stations respectively.

1.2 Other changes in 2004

The three big media groups in Norway have had no or only slight changes in their ownership structure. As far as Schibsted and Orkla are concerned, some investment funds and finance companies have bought and sold shares throughout 2004. Apart from Blommenholm Industrier in Schibsted and Folketrygdfondet in Orkla ASA, no owner currently owns more than ten per cent in the two groups. A-pressen is still owned by Telenor, Fritt Ord and Landsorganisasjonen LO.

A number of acquisitions within local radio and Internet news services have taken place in 2004. A-pressen has bought six⁴ and Orkla⁵ three local radio stations during the year. Orkla has also bought Riksnytt, which is the biggest supplier of news bulletins to local radios in Norway. The acquisitions seem to be associated with local media houses that often consist of a regional newspaper or a big local paper, local radio, a website and in some cases a local television station. One example of this is Mediehuset Nordmøre, which is owned by A-pressen. During this year it has obtained the three local radio stations Radio Hemne, Kristiansund Nærradio and 1 FM Kristiansund. The local newspapers Aura Avis, Opdalingen and Tidens Krav were already part of this media house.

There is a similar development in electronic media, where Orkla, Norsk Aller and others have bought up several popular portals and websites during the year. Synergy effects and positioning vis-à-vis advertisers are often mentioned as reasons for such acquisitions. It seems to be important for the big owners to have a portfolio of different types of media.

Of other newspaper buy-ins worth mentioning, Sparebanken Vest bought shares in Bergens Tidende in February 2004, now holding 9.6 per cent of the shares. Schibsted bought a small block of shares in the Harstad Tidende Group in May, thereby passing the fifty per cent limit that gives the group control of the company. Finnmark Dagblad, which is owned by A-pressen, bought the Sami language newspaper Min Aigi in December. The Media Authority assessed this case in 2005.

2. Cases under the Ownership Act

2.1 Supervision

The Media Ownership Authority considered 45 acquisitions in 2003. The Authority was informed of purchases through news items in the media, through direct contact with the media industry and through applications for advance clearance of acquisitions. In this way the authority registers the great majority of the acquisitions, although in some cases the acquisition of minor stakes may be difficult to detect.

⁴ These are Kanal1 Elverum, Kristiansund Nærradio, Radio Hemne, 1FM Kristiansund, Radio Hammerfest and Radio Narvik

⁵ These are P5 Solungen, Radio 3 Sarpsborg and 1FM Molde

2.2 Acquisition and advance clearance cases in 2004

The Media Ownership Authority considered four acquisition cases and six advance clearance cases in 2004.

Acquisition cases

- A-pressen ASA entered into option agreements with 13 shareholders in Halden Arbeiderblad AS between 10 June and 5 December 2003. The board of Halden Arbeiderblad claimed that these agreements according to the by-laws triggered an advance purchase right. The board therefore distributed these shares among those shareholders who had not signed agreements with A-pressen. As early as in 2003 the Media Ownership Authority began assessing these agreements under the Ownership Act and found that the agreements should be considered acquisitions under the Ownership Act. The court is currently considering the dispute, but if A-pressen's claim is upheld and it gains control of Halden Arbeiderblad, such an award might be defined as a new acquisition and give rise to another case under the Ownership Act. The Media Ownership Authority therefore decided on 3 March 2004 not to intervene at this stage.
- On 28 May 2004, Haugesunds Avis bought 49 per cent of the shares in Lokalavisen Karmsund on Karmøy. The Authority found that the acquisition did not come under the Ownership Act since Lokalavisen Karmsund is issued too infrequently to be considered a newspaper.
- On the basis of the information received, the Authority decided in February 2004 not to proceed with Drammens Tidende AS' buying into Svelviksposten on 31 December 2003, even though Drammens Tidende AS reinforced an already strong ownership position in the local market. The low circulation and publication frequency, the low population in the municipality and the very limited area that was affected by the purchase, were reasons speaking against an intervention. In addition, the two newspapers had already entered into very extensive cooperation agreements. The agreement secured very close ties between the two newspapers, irrespective of the share transfer that took place.
- On 5 October 2004, Bergens Tidende AS bought 54.5 per cent of the shares in Askøyværingen AS and 60 per cent of the shares in Fanaposten AS. Bergens Tidende already owned 40 per cent of the shares in both enterprises and thus reached ownership shares of 94.5 per cent in Askøyværingen and 100 per cent of the shares in Fanaposten. A decision in the case was only made on 9 February 2005. Following further evaluations the Authority found that the acquisition did not lead to Bergens Tidende gaining a considerable ownership position at the regional level.

Advance clearance

- JærRadioGruppen AS applied in December 2003 for advance clearance regarding the transfer of 50 per cent of the shares in JærRadioGruppen AS from Herman Skretting AS to A-pressen ASA. The company owns a local radio network with interests in 17 local radio stations around Norway. The local radio network has more than 500 000 listeners every week and is thus the biggest local radio group in Norway. The Authority found that the transfer was unproblematic in 16 of 17 areas. However, the media situation in Grenland differed from the other areas in that A-pressen had strong

ownership interests in both press and broadcasting in this area. For this reason the Authority was unable to grant an advance clearance of the agreement and made a decision on this matter in early 2004.

- Jæren Avis AS applied for advance clearance of an acquisition of 100 per cent of the shares in the local newspaper Gjesdalbuen. The Media Ownership Authority granted Jæren Avis AS advance clearance of this acquisition in a letter of 14 May 2004. In its assessment the Media Ownership Authority emphasised that there are a number of other alternative media with different owners in Gjesdalbuen's impact area. The acquisition does not alter the overall media picture significantly.
- On 18 June 2004, NRJ Norge AS applied for advance clearance of the acquisition of all the shares in Radio Melodi AS and Radio Classic AS, both of which run Klem FM radio stations. In its letter giving the decision the Media Ownership Authority emphasised that NRJ Norge AS after the acquisition would have only a moderate market share in the radio market and that NRJ would not achieve a significant ownership position either locally or nationally, as understood in the Ownership Act. For this reason NRJ Norge was granted advance clearance of the acquisition.
- Broadcast Norge AS was on 29 June 2004 granted an advance clearance to acquire the remaining shares in TVNorge AS from TV 2 AS. The reason for the decision was that neither Broadcast Norge AS nor the company's owner, SBS Broadcasting S.A., could be considered to gain a significant ownership position in the Norwegian TV market or in the overall Norwegian media market, and that the companies already had the control of the TV channel.
- Finnmark Dagblad AS applied on 6 December 2004 for advance clearance to buy a majority stake of 79.4 per cent in the company that owns the licence and runs the radio station Radio Hammerfest, Media Service AS. Finnmark Dagblad takes over the interest from Radio Nordkapp AL, which continues to own 14 shares. Radio Hammerfest was not in operation when the acquisition was carried out. The Media Ownership Authority granted Finnmark Dagblad AS advance clearance of the acquisition on 20 December 2004.
- Finnmark Dagblad AS applied on 15 December 2004 for advance clearance to increase its share in Min Aigi AS from 44.46 per cent to 55.75 per cent. The Authority found that Finnmark Dagblad's acquisition of shares in Min Aigi only led to a marginal increase in A-pressen's ownership position regionally, whether Finnmark or Northern Norway was considered a region. The decision to grant Finnmark Dagblad advance clearance for the acquisition in Min Aigi was made on 17 January 2005.

4. Other activity in 2004

4.1 Merging of authorities

Since the proposal for a merger and relocation was finally approved, the Authority has been actively involved in coordinating and planning the work of setting up of the new Media Authority, which became a reality on 1 January 2005. A considerable part of the resources used by the Authority was expended on the merger process.

4.2 Consultation comments

The Media Ownership Authority contributed several consultation comments to external bodies in 2004.

- The Authority provided a consultation comment to the Ministry of Culture and Church Affairs on the proposed amendments to the Ownership Act. The Authority was generally in favour of the proposed amendments in the consultation memo, but was critical to raising the national regulation from 33 to 40 per cent. The Authority supported the proposal for multimedia regulation and regional regulation. In addition to the consultation comment, the Authority provided extensive assistance to the Ministry in the process of amending the Act. The Act was amended in Act of 17 December 2004 and entered into force on 1 January 2005, with the exception of Section 11 of the Amendment Act.
- In connection with a consultation comment to the Ministry of Culture and Church Affairs on changes in the new Broadcasting Act, the Authority presented views on issues such as media-neutral legislation, the expertise of the supervisory authority, and new forms of sanctions that should be considered in connection with a new Broadcasting Act.
- The Media Ownership Authority also participated in a consultation comment to the Ministry of Culture and Church Affairs concerning amendments in the Regulations to the Broadcasting Act. The Authority emphasised that it was important that the duty to register also applies to players who are not covered by the Ownership Act and that the changes to the regulations must not unintentionally lead to increased ownership concentration within local broadcasting.

4.3 Reports

As part of its information work, the Media Ownership Authority prepares reports on ownership and media diversity and makes the reports available by publishing them on its website. On account of the merger work it has been appropriate to expend less resources on report work in 2004. However, a number of reports have been prepared for internal use in connection with the merger process.

The Authority's director gave in his lecture *Regulatory Challenges of Transnational Media Concentration* a presentation of various implications and challenges related to transnational media concentration. This lecture was given in Istanbul for The European Platform for Regulatory Authorities (EPRA).

In a European Council seminar on media policy in Sofia, the Authority's director described the Norwegian experiences with licence awards and registration of broadcasters in the lectures "Licensing versus registration" and "Regulatory powers of regulatory authorities".

In connection with the Media Ownership Authority's information work on ownership issues and media diversity, employees in the Authority have also made introductory speeches for the discussion group for telecommunication legislation.

The Authority is also actively building up a knowledge base in order to keep abreast of developments in the media field, and prepares internal assessments for this purpose. In cooperation with the press researcher Sigurd Høst at the Institute of Journalism, the Authority and Mr. Høst prepared a further clarification of the newspaper concept and undertook specific assessments of what publications should be considered newspapers. By and large the

Authority and Høst have now arrived at a common definition and understanding of the term 'newspaper'.

4.4 Media Directory

The Media Ownership Authority has followed up the development of the Media Directory, which has been updated throughout the year. The Authority has received some positive feedback regarding this service, but areas with room for improvement have also been pointed out. The Authority wants to continue to develop the role of the Media Directory in the new Media Authority, with regard to functionality as well as user friendliness.

4.5 International developments

In the international arena the Authority participated in the work in EPRA, the European Platform of Regulatory Authorities responsible for broadcasting. The Authority's director took part in work on media diversity under the auspices of the European Council, and this resulted in the report "Transnational Media Concentration in Europe".

The Authority also conducted a study tour to its Dutch sister organisation Commissariaat voor de Media in January 2004.

5. Organisation

5.1 Employees

The Media Ownership Authority had six employees in 2004: a director, a deputy director, three advisors and an executive officer. The Authority has an interdisciplinary staff with good expertise in media studies, law and economics. All employees take part in the Authority's professional work.

5.2 Accounts and finances

The Media Ownership Authority received an appropriation for 2004 of NOK 4,400,000. With NOK 115,000 brought forward from 2003, the Authority had a total appropriation for the year of NOK 4,515,000.

Total expenses for 2004 amounted to NOK 4,248,303.

The expenditure was divided as follows:

Total expenditure: 4,248,303

Broken down as:

- Salaries, etc. 2,726,703

- Goods and services 1,521,596