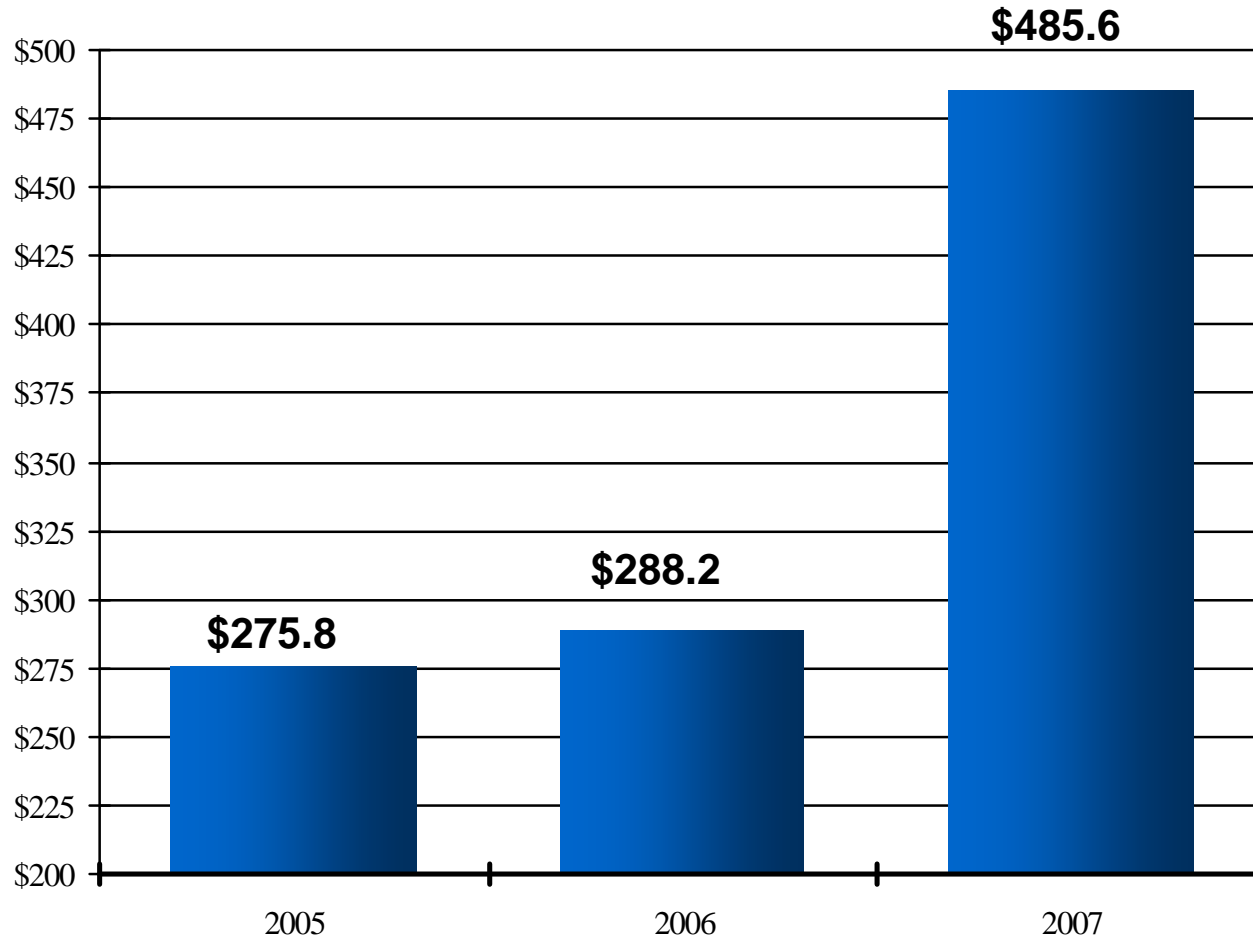


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2007: A Transformational Year

- Now: Largest Provider of Interactive Media and Connectivity Solutions
- Updated Corporate Name: *Beyond Entertainment*
- Transformation Accelerated with Acquisitions
 - On Command
 - StayOnline
 - The Hotel Networks
- 2007: Productive Year
 - Significant Increases in Revenue and AOCF
 - Hospitality Rooms Approaching 2 Million
 - Diversification Initiatives Generating Meaningful Revenue
 - On Command and StayOnline Integrations Complete

Total Revenue Growth (in millions)



- Revenue increased by 68% in 2007 vs. 2006
- 2007 revenue guidance of \$484 - \$490 million

Revenue Diversification (in millions)

	<u>2007</u>	<u>2006</u>	<u>% Change</u>
Guest Pay Revenue	\$ 446.2	\$277.4	60.8%
Other:			
- Broadband Equip Sales	\$ 10.8	\$ 0.8	
- Advertising	5.8	0.0	
- Healthcare	4.5	2.3	
- System Equip Sales	8.5	2.1	
- Other	<u>9.8</u>	<u>5.6</u>	
Total	\$ 39.4	\$ 10.8	
 Total Revenue	 \$ 485.6	 \$ 288.2	 68.5%

- Movie revenue of \$327.4 million in 2007
- Other revenue of \$39.4 million in 2007 vs. \$10.8 million in 2006

2007 Guest Pay Revenue Per Room

Combined	<u>2007</u>	<u>2006</u>	<u>% chg</u>
Movie Revenue	\$ 16.62	\$ 17.27	- 3.8%
Other Interactive Services	<u>5.97</u>	<u>5.75</u>	3.8%
Total Per Guest Pay Room	\$ 22.59	\$ 23.02	- 1.9%

LodgeNet	<u>2007</u>	<u>2006</u>	<u>% chg</u>
Movie Revenue	\$ 16.89	\$ 17.27	-2.2%
Other Interactive Services	<u>6.61</u>	<u>5.75</u>	15.0%
Total Per Guest Pay Room	\$ 23.50	\$ 23.02	2.1%

On Command	<u>2007</u>	<u>2006</u>	<u>% chg</u>
Movie Revenue	\$ 16.28	\$ 17.40	-6.4%
Other Interactive Services	<u>5.19</u>	<u>4.48</u>	15.8%
Total Per Guest Pay Room	\$ 21.47	\$ 21.88	-1.9%

Q4 2007 Guest Pay Revenue Per Room

Combined	<u>Q4 '07</u>	<u>Q4 '06</u>	<u>% chg</u>
Movie Revenue	\$ 15.60	\$ 16.39	- 4.8%
Other Interactive Services	<u>6.01</u>	<u>5.60</u>	7.3%
Total Per Guest Pay Room	\$ 21.61	\$ 21.99	-1.7%

LodgeNet	<u>Q4 '07</u>	<u>Q4 '06</u>	<u>% chg</u>
Movie Revenue	\$ 15.51	\$ 16.39	-5.4%
Other Interactive Services	<u>6.62</u>	<u>5.60</u>	18.2%
Total Per Guest Pay Room	\$ 22.13	\$ 21.99	0.6%

On Command	<u>Q4 '07</u>	<u>Q4 '06</u>	<u>% chg</u>
Movie Revenue	\$ 15.70	\$ 16.49	-4.8%
Other Interactive Services	<u>5.25</u>	<u>4.51</u>	16.4%
Total Per Guest Pay Room	\$ 20.95	\$ 21.00	-0.2%

Margin Change from Revenue Composition

	<u>2007</u>	<u>2006</u>	<u>Chg</u>
Direct Costs as Percent of Revenue	52.1%	45.8%	630 bps
Broadband Related			310 bps
On Command Cable Programming Margin			260 bps
Royalties and Commissions			-10 bps
Equipment Sales			70 bps

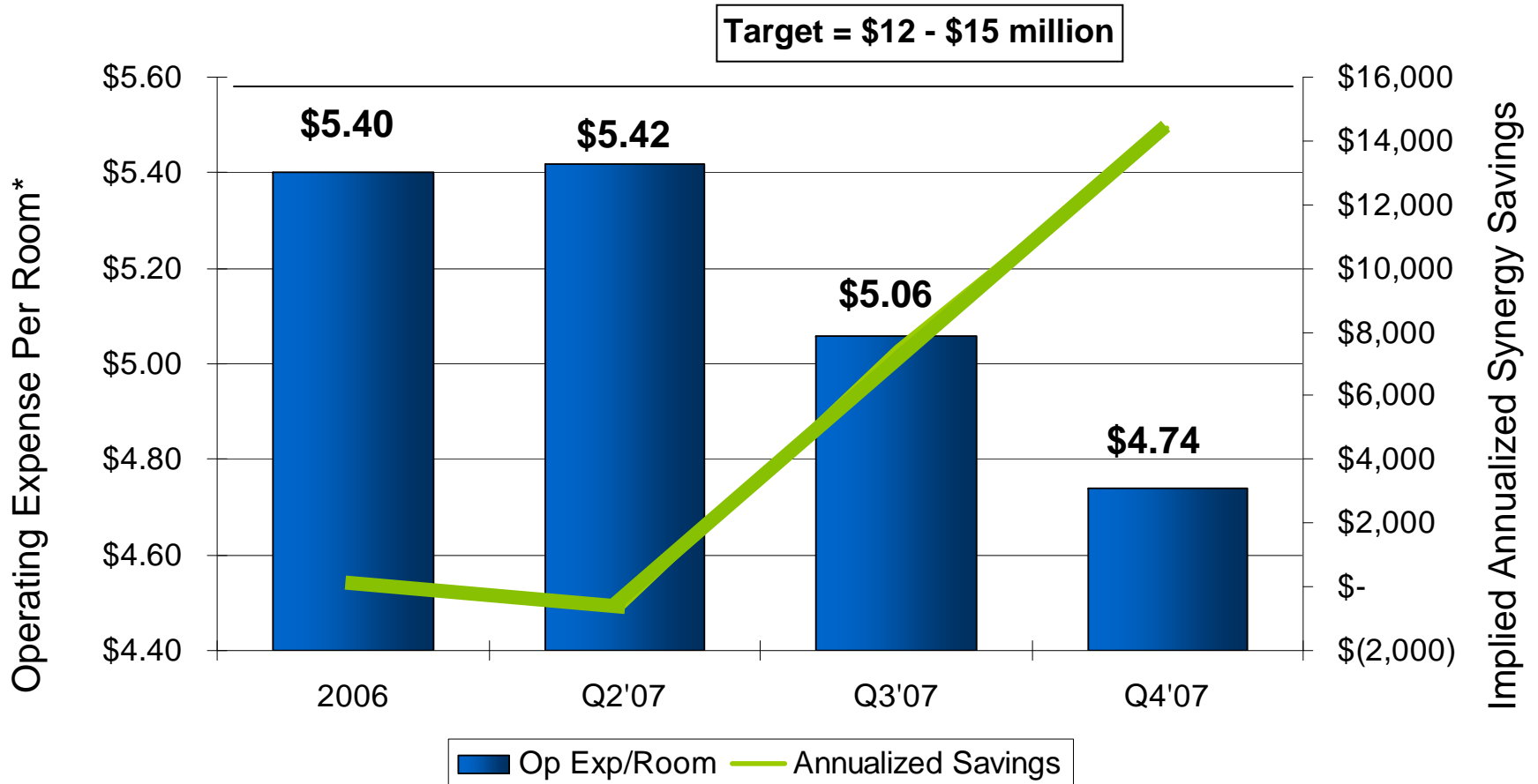
Analysis of Operating Expenses

	<u>2007</u>	<u>2006</u>
Guest Pay Operating:		
Gross	\$ 54.1	\$ 35.2
Integration	<u>(1.6)</u>	<u>0</u>
Net	\$ 52.5	\$ 35.2
GP Ops Exp Per Rm*:	\$ 2.61	\$ 2.92
<hr/>		
SG&A:		
Gross	\$ 55.9	\$ 29.0
Integration	<u>(4.0)</u>	<u>0</u>
Net	\$ 51.9	\$ 29.0
SG&A Per Room*:	\$ 2.54	\$ 2.41
SG&A % of Rev*:	10.7%	10.1%

* Exclusive of integration expense

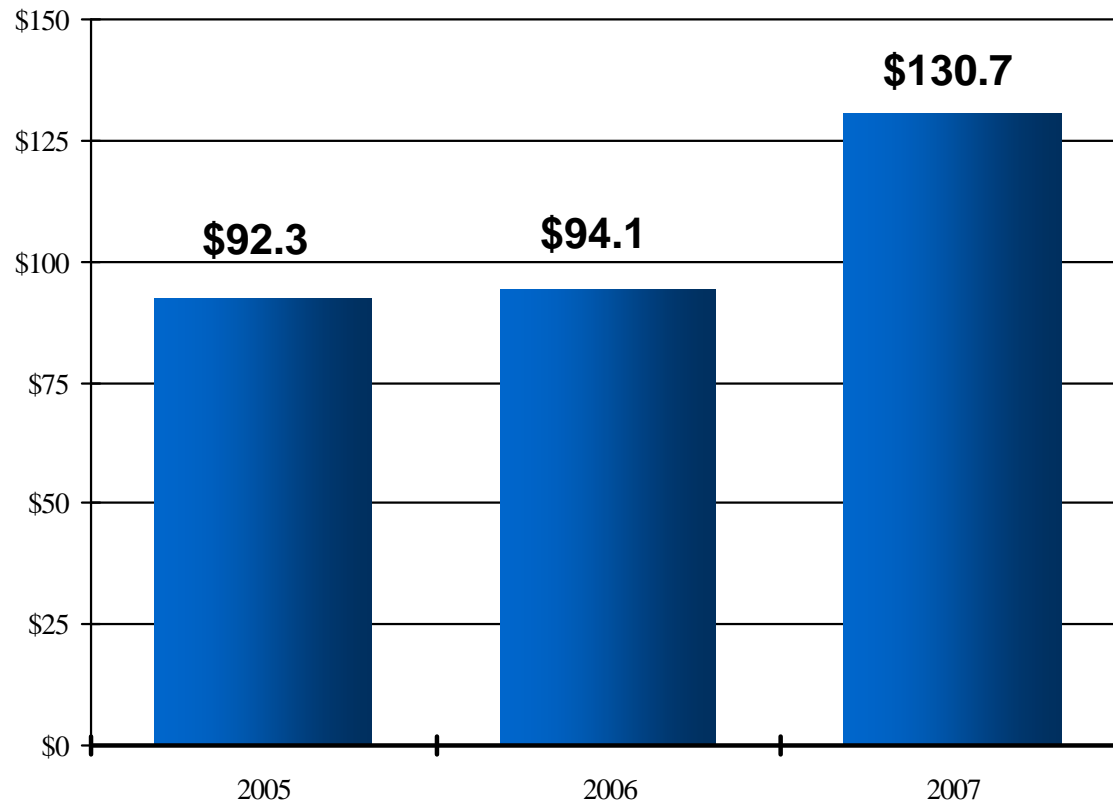
On Command Integration Synergies Being Realized

(in thousands, except per room)



* Operating expense per room includes GP operations and SG&A and is calculated net of integration costs and incremental broadband SG&A

Adjusted Operating Cash Flow (in millions)



- Exclusive of restructuring, integration and amortization of acquired intangibles
- 2007 AOCF guidance of \$128.5 - \$131.5 million

Analysis of Net Loss

	<u>2007</u>	<u>Guidance</u>
Reported Net Loss	\$(65.2)	\$(63.0) - \$(60.0)
Add Back:		
Amort of Acquired Intangibles	\$ 8.5	
Integration Expense	5.6	
Restructuring Expense	11.2	
Loss on Early Retirement of Debt	<u>22.2</u>	
Adjusted Net Loss	\$(17.7)	\$(20.0) - \$(17.0)

- Accelerated pace of integration – substantially completed in 2007
- \$3.5 million of additional restructuring in Q4 – not in guidance

Cash Flow Analysis (in millions)

	<u>2007</u>	<u>2006</u>	<u>%chg</u>
Reported Cash from Operations	\$ 58.9	\$ 72.3	
Add Back:			
Integration Expense	\$ 5.6		
Restructuring (cash portion)	5.6		
Refinancing of Debt (cash portion)	18.6		
One-time Working Capital	<u>8.4</u>		
Adjusted Cash from Operations	\$ 97.1	\$ 72.3	34%

Cash Flow Analysis (in millions)

	<u>2007</u>	<u>2006</u>
Adjusted Cash from Operations	\$ 97.1	\$ 72.3
Corporate Capital / Minor Extensions	(28.0)	(11.9)
Renewal Investment*	<u>(25.8)</u>	<u>(13.3)</u>
Pre- Expansion Cash Flow	\$ 43.3	\$47.0
New Room Investment**	<u>(24.7)</u>	<u>(22.5)</u>
Post-Expansion Cash Flow	\$ 18.6	\$24.6

2007 Net Free Cash Flow Guidance \$18.0 - \$21.0 million

*Converted Rooms	83,356	52,886
**New Rooms	61,788	65,123
Implied cost per room:		
Converted	\$309	\$252
New	\$399	\$354

2008 Strategy: Expand Networks and Solutions

- Multiple Networks: Video, Broadband, Advertising Media
- Expanded Array of Solutions: Diversifying Revenue
- Strategy Resonating With Major Customers:



HDTV Migration in Full Service brands
Broadband Internet in more than 400 Properties



Scene @ Sheraton – Showtime® Season Premiere of
“The Tudors” exclusively in Sheraton Rooms
Brand-specific Starwood Preferred Guest Channels



HDTV Installations through Professional Services Group
Special weekend SportsNet Promotions



2008 Program Determined
Supporting Expansion of Strategic Programs
HDTV Terms Established for Franchisees

2008 Strategy: Expand Networks and Solutions

- The Hotel Networks: Acquired in On Command Transaction
- New President : Derek S. White
 - Former EVP of Alloy, Inc., a Targeted Media and Marketing Services Firm
 - 25-Year Track Record in Targeted Media and Promotions
- Multiple Platforms and Opportunities
 - Satellite-Delivered Channels
 - Server-Based Channels
 - Interactive Applications
 - Location-Based Opportunities
- Next Steps:
 - Drive Current Revenue Opportunities
 - Develop Next Generation Strategy



2008 Financial Guidance (in millions except per share)

	<u>2008</u>	<u>2008 Adjusted*</u>
Revenue	\$ 570.0 – \$585.0	
Adjusted Operating Cash Flow	\$ 150.0 – \$160.0	
Net Loss	\$ (28.0) – \$(18.0)	\$ (14.0) - \$ (4.0)
Net Loss Per Share	\$ (1.22) – \$(0.78)	\$ (0.61) - \$ (0.17)
Capital Investment	\$ 78.0 – \$ 83.0	
Free Cash Flow	\$ 17.0 – \$ 27.0	\$ 25.0 - \$ 35.0

* Adjusted guidance excludes integration and restructuring expenses and amortization of purchased intangibles.

2008 Financial Guidance – Revenue Bridge

(in millions)

2007 Actual	\$ 485	
	<u>Guidance Range</u>	
Full Year On Command	\$ 53	\$ 55
Movie Revenue (Net)	(5)	0
Growth Initiatives	<u>\$ 37</u>	<u>\$ 45</u>
Forecasted 2008 Revenue	\$ 570	\$585

2008 Financial Guidance – AOCF Bridge

(in millions)

2007 Actual

\$ 130

	<u>Guidance Range</u>	
Full Year On Command	\$ 12	\$ 13
Movie Gross Margin (Net)	(3)	(0)
Growth Initiatives	5	7
On Command Integration Synergies	13	15
Operating Cost Inflation	<u>\$ (7)</u>	<u>\$ (5)</u>
Forecasted AOCF	\$ 150	\$ 160
Forecasted Margin	26.4%	27.4%

2008 Financial Guidance – Adjusted Free Cash Flow

(in millions, except per share)

Forecasted AOCF	\$ 150	\$ 160
Interest Expense	(42)	(42)
Working Capital	(3)	(3)
Capital Investment	(80)	(80)

Adjusted Free Cash Flow	\$ 25	\$ 35
Per Share	\$1.09	\$1.52

Pre-Expansion Cash Flow	\$ 51	\$ 61
Per Share	\$ 2.22	\$ 2.65

Capital Investment Plan:

New Interactive Rooms	60,000 to 70,000	\$27 - \$29
Digital/HD Upgrade Rooms	95,000 to 105,000	\$30 - \$32
Corporate Capital and Other		<u>\$21 - \$22</u>
		\$78 - \$83



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connect | inform | entertain

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Reconciliation of Operating Income to Adjusted Operating Cash Flow

Operating Income

Plus: Depreciation & Amortization

Plus: Amortization of Purchased Intangibles

Plus: Restructuring Charges and Integration Expenses

Plus: Share-based Compensation

Equals: Adjusted Operating Cash Flow

Reconciliation of Net Loss to Adjusted Net Loss

Net Loss

Plus: Amortization of Acquired Intangibles

Plus: Restructuring Charges and Integration Expenses

Plus: Write-off of Debt Issuance Costs

Equals: Adjusted Net Loss

Reconciliation of Adjusted Free Cash Flow

Cash from Operations

Less: Cash Used for Investing Activities

Plus: Restructuring Charges and Integration Expenses

Plus: One -Time Cash Charge Associated with Debt Tender

Plus: One-Time Working Capital

Plus: Acquisition Investment

Equals: Adjusted Free Cash Flow