

Monthly Report Extract

April 2010



impulsa tdt

On March 30, the Ministry of Industry, Tourism and Commerce officially welcomed DTT to Spain as it became the only way for everybody to watch air TV from Friday, April 2. Therefore, a new TV reality is experienced: more contents and plurality, interactivity, panoramic format, multichannel sound, high definition, subtitled films in their original version and much, much more thanks to the new digital terrestrial technology. The successful implementation of the migration process in our country is endorsed by; (i) the main meters which have revealed both a progressive and an uninterrupted changeover, and (ii) especially the efforts made by all the players involved in the process which has allowed the ASO changeover process to be completed in the first quarter of 2010.

HIGHLIGHTS

- At the close of March 2010, **RGE coverage (public channels with territorial disconnections) amounted to 98.79%** and **SFN coverage (private channels without disconnections) reached 98.36%** of the Spanish resident population.
- Throughout the month of March, homes that can access TV channels by means of DTT have enjoyed the **highest ever increase of 5.7 points** to reach **89.3% of houses in the country** at the end of the month.
- The sale of DTT receivers in February maintained high growth with **over 1.2 million new set of equipment sold on the mainland and in the Balearic Islands. It is estimated that the total figure will exceed 31 million set of equipment** by the end of March.
- Average DTT screen share in March was 67.5% after **an extraordinary monthly increase of 7.8 percentage points. The week of March 29 - April 4, saw DTT screen share rise to 76.2%.**
- **Analogue's share is made up of what is leftover and drops to 2.8%.**
- In March 2010, **26.6 million people watched DTT each day**, which is 1.8 million higher than the previous month.

DTT COVERAGE

The Ministry of Industry, Tourism and Commerce provides the following percentages of established coverage at the end of March 2010, which was the date that closed the changeover process:

- Channels that transmit by means of **RGE** (public channels which, in general, are able to make territorial disconnections) reach **98.79% of the Spanish population**.
- On the other hand, channels that transmit by means of the **SFN** network (private channels without disconnections) reach **98.36%** of the Spanish population in the same period.

These figures for coverage that have been reached, match those by Abertis Telecom as well as data recorded by autonomous authorities which have worked with other operators to extend the DTT signal to such an extent that it comes very close to enjoying universal coverage. We must not forget that analogue TV was not a universal network in terms of coverage, and in the case of some private televisions statewide, failed to reach 96%.

DTT PENETRATION IN HOMES

89.3% of Homes Accessed DTT by the End of March 2010

A new all-time high was set in March with regard to progress made in levels of DTT penetration. With the remaining ASOs being carried out in this key month, we find 5.7% of homes changing over to the new television technology, thus bringing the total percentage of adapted homes to 89.3%.

This penetration figure does not necessarily mean that the remaining 10.7% of homes have become “trapped” with analogue TV or have been left without any TV broadcasts at all. Rather, a large number of homes that have not changed over to DTT use other ways of accessing multi-channel digital TV, such as; cable, satellite or IP-TV.

When it comes to distribution by Autonomous Communities, we find that figures in most areas are very close to the average mark. Catalonia, with a 92.9% penetration figure; Madrid, with 92.6%; and Castilla- La Mancha, with 92.3% are all found above the average figure. However, Communities in the north of the Spanish mainland reveal percentages which are below the national average. In these areas we find penetration levels for cable TV to be very high.

TV in Spain is Now Practically Digital

Excluding those homes which are about to switch over definitively to DTT in upcoming weeks, the general map of TV in Spain according to broadcasting systems, can be listed in the following way:

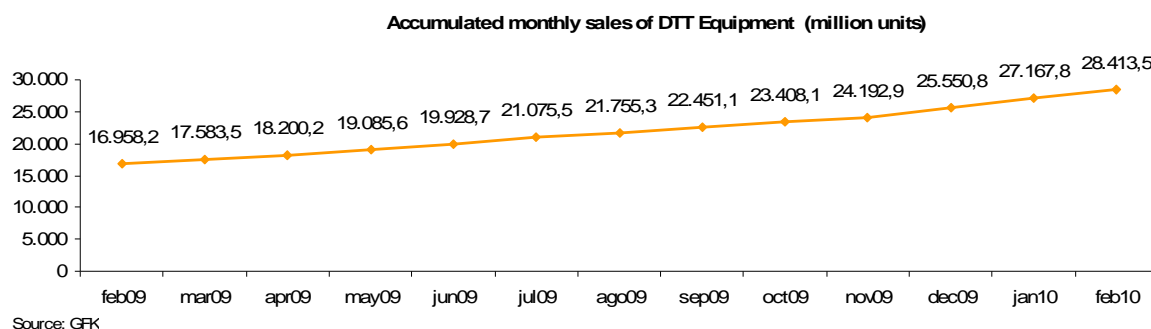
- DTT, which is found in practically 90% of homes, can be said to be the broadcasting system that enjoys majority viewing.
- Multi-channel pay systems (satellite, cable and IP-TV) are found in just under 28% of homes in the country.
- Over 80% of Spanish homes are still able to access analogue TV- both terrestrial and satellite- which could explain the existence of some leftover viewers, in spite of the definitive digital switch-on. Broadcasting by means of analogue satellite, which applies to foreign television sets as well as local stations that broadcast irregular analogue signals, may continue. This distribution will be the last stronghold that analogue TV enjoys, as it is doomed to disappear in the immediate future.

DEVELOPMENTS IN SALES OF DTT TUNERS

The Sale of DTT Equipment Is Still on The Rise in February

The sale of some 1,245,000 new set of equipment in February means that such receivers continue to be purchased at a high rate. For the third consecutive month, the one million sales mark was passed.

After the outstanding results in December 2009 (1.4 million tuners) and in January 2010 (1.6 million), the demand for DTT equipment in February 2010 is the third most important figure in this category’s history.



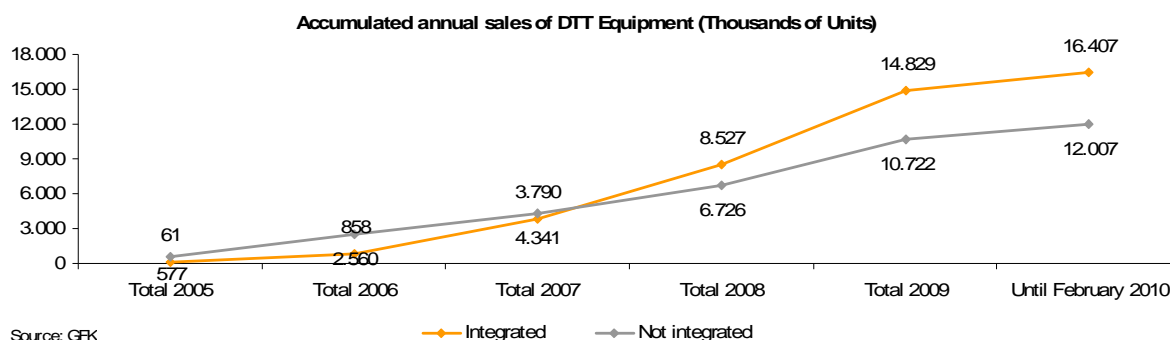
The total figure of DTT tuners sold on the mainland and the Balearic Islands since the start of the digital changeover, after figures for February are added, comes to 28.4 million units. If we look at the whole of the Spanish territory and include sales in the Canaries, Ceuta and Melilla, together with distribution of DTT equipment which is sold directly by the manufacturers or installers, and even purchases through other distribution channels or in other countries, the total figure of DTT receivers in Spain is estimated to be above 31 million.

External DTT Equipment Is Still in High Demand Among the Spanish Population

External decoders continued to be sold the most in February, a trend which came to the fore in the final part of the changeover process. Their share of the total equipment sold, was even higher than that of previous months, relatively speaking. However, to be exact, 588,600 set top boxes were purchased, thus making up 47.3% of the total demand for DTT equipment in February. For the third consecutive month, sales of this device exceeded half a million units.

Last minute changeover work on analogue TV sets is the most likely reason behind such good commercial behaviour seen in external tuners. Furthermore, the average cost of an external decoder has continued to fall in spite of the increase in demand due to those last-minute purchases.

On the other hand, total sales of inbuilt DTT equipment amounted to 657,100 units in February. TVs with inbuilt DTT clearly dominate this receiver typology (504,000 units were sold in the month in question, which makes up 40.5% of global sales), followed by, but not too closely, DVD players and/or recorders with inbuilt DTT and PCs with inbuilt DTT.

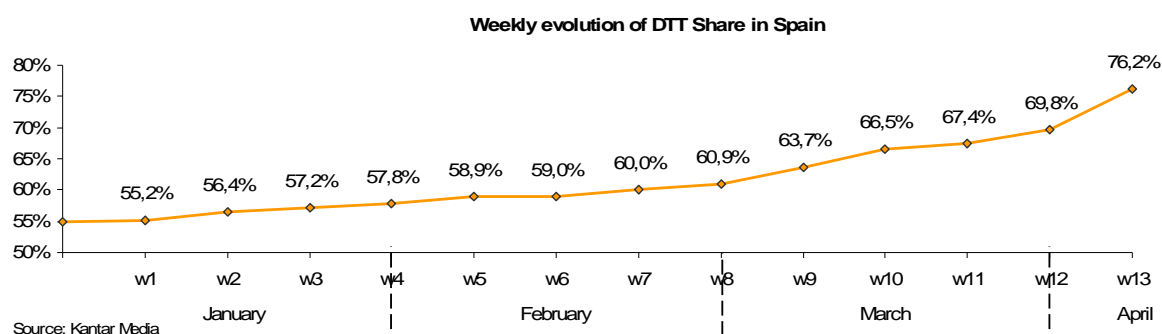


DIGITAL TERRESTRIAL VIEWING

DTT Achieves a 67.5% Share in March

March 2010 saw one of the highest ever increases in screen share which came as a result of most of the ASOs coming to an end, including the large urban areas of Madrid, Barcelona and Seville. The share jumped from 59.7% in February, to 67.5% at the end of March, which shows a month-on-month growth of some 7.8 net points.

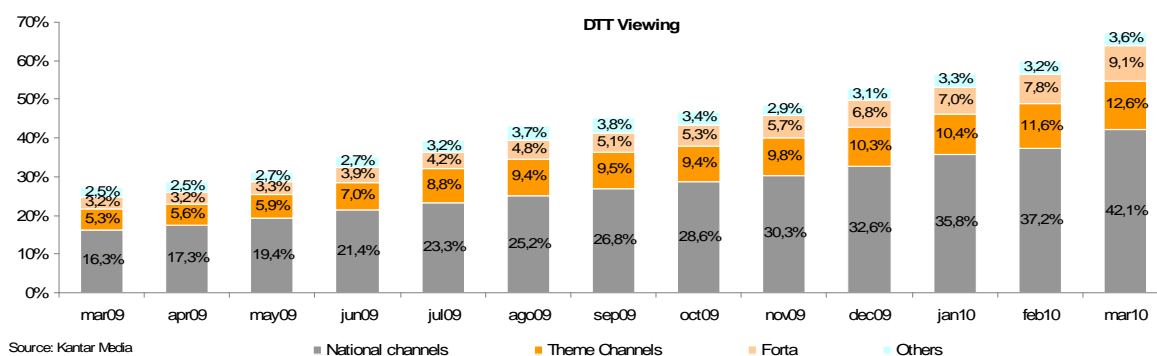
In addition, during the week of March 22-28, DTT share approached 70 percentage points (69.8%), while the very next week after switch-offs in Madrid, Barcelona, Seville and other places, the share grew to 76.2 percentage points. All of this has left analogue TV viewing with a mere leftover share of 2.8%.



Thematic Television Channels Achieve 12.6% of the Total Viewing Figure

Viewing results in March offer more of an exact picture of what the new audiovisual panorama will be like after the ASOs have taken place, showing that the larger traditional channels and the role of thematic channels “with DTT concessions” may carry most of the weight.

As the following graph shows, national channels, which had been broadcasting in “simulcast” up till now, achieved 42.1% of the total viewing figure, while autonomous channels achieved 9.1%. On the other hand, all the joint thematic channels that make up the national offer of DTT achieved a combined viewing percentage share of 12.6%.



March Records an Average Daily Reach of 26.6 Million People

The average number of people who watched DTT each day rose, in March, to 26.6 million people. Over the last month, while analogue TV was still operative, a total of 1.8 million people have been added to the regular viewers of DTT with its channels and services.

OTHER POINTS OF INTEREST REGARDING DTT

A series of legislative measures and orders for the complete and integrated regulation of audiovisual operations and services have recently been passed. These coincide with the definitive arrival of Digital Terrestrial TV in the Spanish audiovisual panorama and project a future vision. These two important regulations, which have been approved and published in the BOE (Official State Bulletin) are:

Law 7/2010 of March, General of Audiovisual Communication, published in the Official State Bulletin on April 1, which will come into effect on May 1. With the purpose of grouping together an important number of diverse and occasionally outdated regulations in one up-to-date legal framework, this law sets out, in the medium and long-term, to regulate the new situations which have arisen in a sector which is increasingly gaining in size and social and economic significance. In addition to including laws which have been approved in previous months, it transposes guidelines on advertisements and audiovisual contents set out in the new European Directive 2007/65/CE of Audiovisual Communication Services.

Royal Decree 365/2010 of March 26, published in the Official State Bulletin, which regulates the assignment of multiple DTT after the analogue switch-offs have been carried out.

This law maps out the course which the changeover process must still take in order to determine the location and the coverage of the new DTT multiplex at both a national and autonomous level, in addition to reserving the radio-electric frequency from 790 to 862 Mhz

(which corresponds to the radio-electric channels 61– 69), as digital dividend, for advanced electronic communication of a Pan-European nature. For this, the Royal Decree sets out two stages. The first one will last 9 months during which each of the franchised companies of the public terrestrial TV service statewide, that has recognised and met the requirements and conditions, will be able to enjoy the same capacity of a DTT multiple. During the second stage, which should be completed prior to January 1 2015, new multiplex will be planned to free the frequencies between 790 to 862 Mhz and definitive multiplex will be assigned to equipped corporations for development.

CONCLUSIONS AND EVALUATIONS

In the last monthly report that Impulsa TDT releases on the situation that we find Digital Terrestrial TV in, the positive participation of the Spanish citizens as a whole cannot be overlooked. It is really the efforts made on their part that have caused the main indicators not just to rise but even soar in the final months of this long changeover period.

Out of all the meters that have allowed the changeover process to be monitored, two of them especially highlight the effort that viewers have made in general:

1. The screen share, which measures the changing customs that TV users have, is one of the greatest achievements that the public has made. The process of becoming familiar with the new technology, not to mention the change in TV viewing had progressed at a slow rate until it peaked at the very end of the changeover process, recording weekly increases that would have been unimaginable just one year ago:

- In January, DTT screen share rose by 5 percentage points.
- In February, growth amounted to 3.10 percentage points.
- In March, it jumped by 9.8 points.

2. DTT equipment. Practically 3.6 million set of DTT equipment has been sold in the first 12 weeks of 2010, which corresponds to some 35% of the total sales figure in the whole of 2009. All of this shows a greater than expected growth rate when it comes to user-behaviour which, in spite of the credit crunch, has seen the public quick to adapt not only their main audiovisual equipment, but also their second ones.

Although there are still a number of analogue TVs that still need to be converted, it is estimated that in Spain the total figure for DTT receivers currently stands at over 31 million devices which have been installed both in main homes and any second residence that may

be owned. In the weeks ahead, this figure will pass the 33 million mark as the Spanish public continues to purchase DTT receivers up until the point when all equipment will have been completely adapted.

It can also be said, that in little over four years, thanks to the consensus reached by all those involved in this migration (government authorities, TV operators, signal operators, manufacturers of electrical equipment, distribution centers, advertising agencies, associations, universities etc.), it has been possible to successfully complete the changeover to DTT in Spain. Such a change is an economic one that directly affects one of the most ingrained social customs; the way of watching TV, which began nearly 54 years ago in our country with the analogue signal.

On March 30, 84 of the 90 technical projects of the PNT were definitively switched off and the six remaining ones were switched off in the following days before April 3. Today, the 90 technical projects are completed thanks to the fact that 99% of the population enjoys coverage, so Spain can now be said to be completely digitalized. All of this takes place two years before the deadline set by the European Union (2012) is reached, thus confirming our country's international leadership in this area.

Here at Impulsa TDT, we feel that various factors have contributed to the successful implementation of the new technology, such as the coordinated efforts that have been taken by all involved and the full cooperation by the general public. However, three fundamental factors are:

1. The significant coverage that Quiero TV, which was DTT's failed attempt at pay TV prior to PNT, passed on as an inheritance (80%).
2. The unmovable deadline for all of the analogue switch-offs in Spain, which had been received with some scepticism and pessimism by certain observers.
3. The structured manner in which the switch offs were carried out. Three phases allowed the process to take place progressively throughout the country, allowing for more experience to be gained from the first switch offs which, in turn, created a virtuous circle of switch offs - penetration growth - viewer interest in channels exclusive to DTT.

The project has lasted some four years and during this time, Impulsa TDT on behalf of its members, public and private TV operators at a national level and the national network operator, has been honoured to take part in this historic process, assuming a leading role in

DTT's promotion and development right up to the point where total digitalization is achieved in Spain according to the dates set out.

In this last report we wish to take the opportunity to express our sincere gratitude to everyone at Impulsa TDT who has had a share in this process. Without such help it would have not been possible to carry out our job. Without a doubt, the successful achievement comes partly as a result of their hard work. We are also grateful to those who regularly consulted these reports and the news media which placed their trust in us to provide the most important information of the changeover process, an aspect which has proved to be highly relevant in the development of the whole project.

Document compiled with data from Abertis Telecom, Gfk, Kantar Media, Fenitel, AIMC and the collaboration of
Aptivo y Corporación Multimedia

Further information: www.impulsatdt.es