

Monthly Report Extract

February 2010



impulsa tdt

Only two months remain before we reach the climax of one of the most complex migratory processes ever experienced by Spanish television, namely; the distribution change of the audiovisual signal which will be broadcast solely with digital terrestrial technology. All channels on free to air broadcast, which is the most consolidated way of viewing TV and has even determined the viewing culture of Spaniards, will be completely affected. Despite the obvious difficulties of modifying TV viewing habits, not to mention other factors which seem to complicate the changeover process - seen in neighbouring countries-, Spain is about to consolidate this changeover two years before the European mandate and thus emerge as one of the DTT pioneers, not just of the old continent, but also of the world.

HIGHLIGHTS

- The month of January saw ASOs continuing to take place as part of the technical projects included in Phase II.
- The sale of DTT equipment reached an all-time high in December 2009, with the purchase of 1.36 million tuners.
- The total number of DTT receivers has passed 27 million units in Spain.
- January 2010 saw DTT penetration in homes reach 80.8% of the population- some 3.4 points higher than what was recorded at the close of 2009.
- The sharp increase in DTT viewing that was recorded in December is repeated in January; 3.7 points. DTT share makes up 56.5% of total TV viewing.
- On average, 23.6 million people watched DTT each day in January. In the same month, 2 million Spaniards have joined the ranks of DTT viewers.
- DTT users exceed the Spanish average for TV viewing which stands at 265 minutes per day. Of this number, almost 70% view it by means of DTT.
- The definitive date has been set by the government for the end of all analogue broadcasts and from March 30, Spain will be 100% digital.

ANTENNA CONVERSION

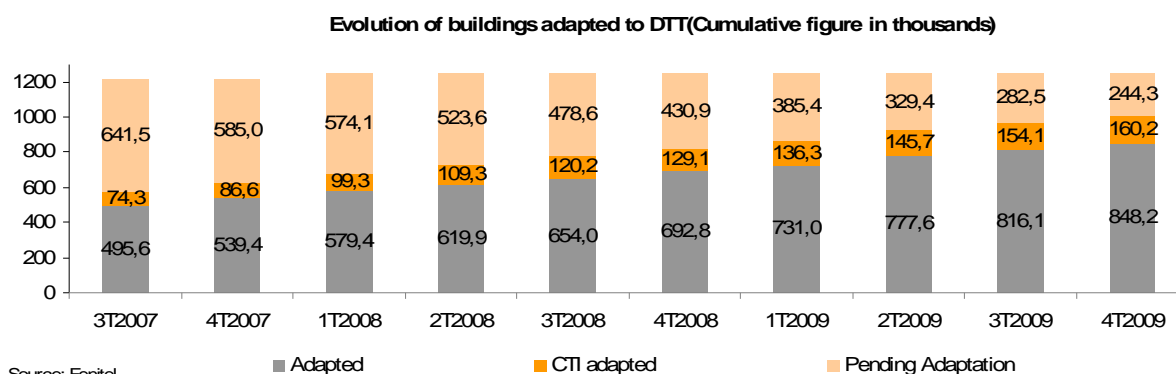
One Million Buildings Have Had Their Antennas Converted to DTT

Information from the panel at FENITEL relating to the last quarter of 2009, shows that **work was carried out on 32,129 community antennas** in the last three months of last year, thus enabling them to pick up the DTT signal correctly. This means that **2009 closed with a total of 848,240 converted buildings**, to which we have to add another **160,183 buildings built after the 2008 ICT regulation**. Antennas on these buildings, for the most part, do not require any additional work done which therefore means that they are also prepared to receive DTT.

Once these converted buildings are added to the newly constructed ones we find that **over one million antennas are ready for DTT**, which makes up 80.5% (approx.) of the total number of apartment blocks in the country. However, according to the study, some 240,000 buildings still need to be converted which equals about a fifth of them.

In spite of the fast-approaching ASO, we find that the pace of antenna work actually slowed down during the last quarter of 2009. One reason for this could be that the buildings that still need to be converted to DTT are the most challenging from a technical viewpoint and any work that needs to be done must be decided on by neighbourhood associations. In fact, more than 30% of the antenna work which has been carried out throughout the last quarter has required a complete wiring modernization.

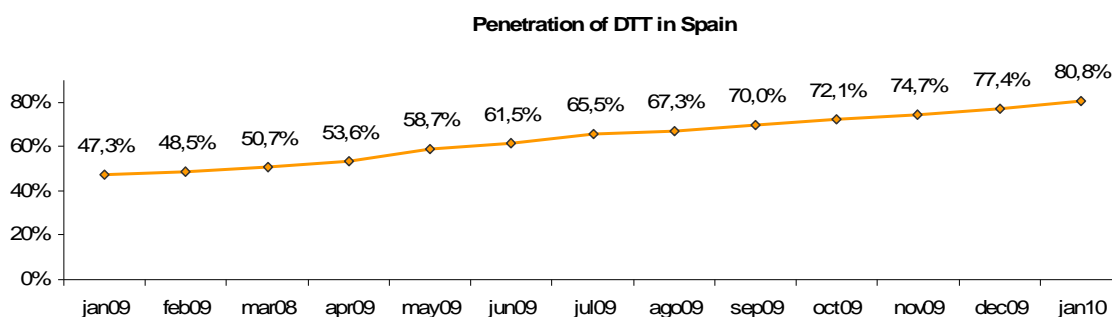
Having said this, however, during 2009, FENITEL technicians have carried out work on some 155,447 buildings which has contributed to a growth of some 15 percentage points for buildings that are ready for DTT.



DTT PENETRATION IN HOMES

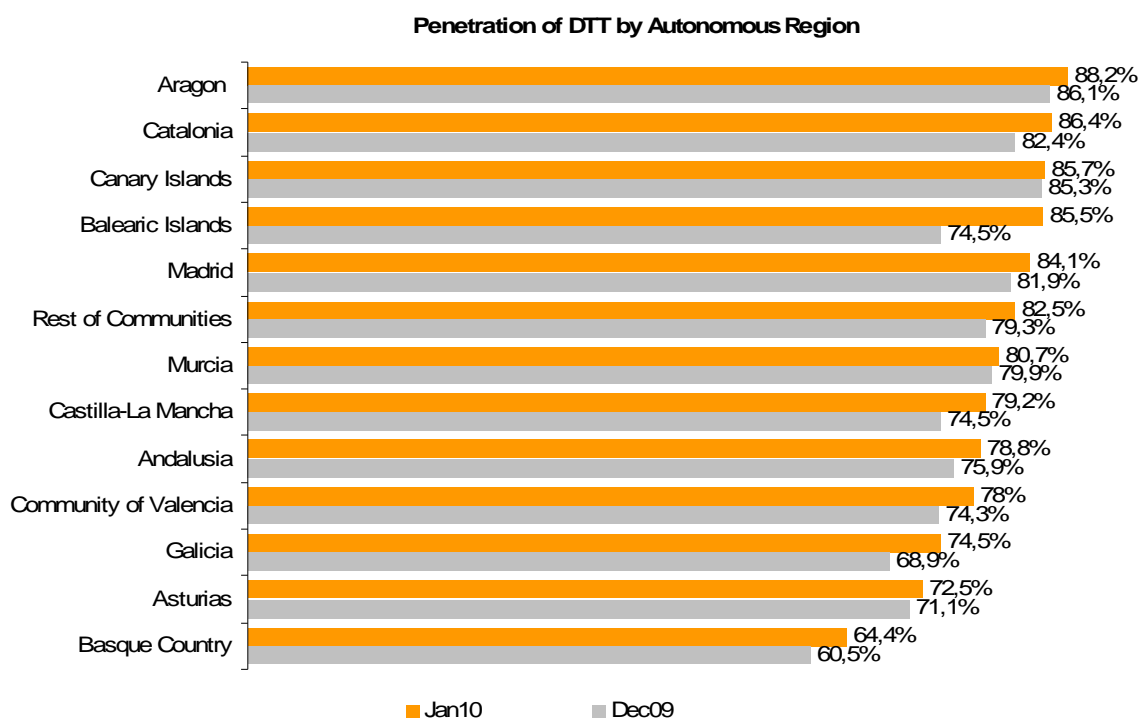
80.8% of Spanish Homes Now Watch DTT

According to data that has come from people meters at Kantar Media (previously known as TNS Sofres), the percentage of Spanish homes with operative DTT has climbed up to **80.8% in January 2010**. This figure is **3.4 points higher** than what was recorded in December 2009. Therefore, year-on-year figures show one third of Spanish homes (33.5%) have joined the DTT ranks.



Source: Kantar Media

Aragon, Catalonia, the Balearic Islands and the Canaries are the Communities that pass the 85% mark for this indicator. In the case of the Balearic Islands which join the group of leaders ranking fourth after enjoying an outstanding monthly jump of 11 percentage points. This is due to the ASO which took place in Mallorca in January, 2010.



Source: Kantar Media

In addition to this exceptional growth, other Communities have also made progress in the consolidation of the new technology. Galicia makes the second large jump and enjoys an increase which is 5.6 percentage points higher than December. Castilla La Mancha has recorded noteworthy developments in recent months and starts February with more than 79% of homes in the region converted, after a growth of 4.7 percentage points.

DEVELOPMENTS IN THE SALE OF DTT TUNERS

All-Time Sales Record in December 2009

In the last month of 2009, the sale of DTT tuners hit **1,358,000 units**, a figure that had never been reached before. This came as a result of advertising campaigns, the rise in domestic viewing, which is characteristic of the Christmas period, and the imminent ASO all over the country.

With this extraordinary result, 2009 closed with more than **25.5 million digital tuners** purchased since the start of the changeover process. We must not forget that such a panel includes equipment distributed by sales channels to the end consumer only on the mainland

and therefore excludes direct sales by manufacturers and other distribution channels, not to mention equipment purchased in the Canaries, Ceuta and Melilla.

New Records Set For the Two Main Typologies of DTT Equipment

Both equipment with inbuilt DTT and external decoders enjoyed outstanding sales figures in December.

792,000 units were sold in the first case, which was well above anything recorded in 2009. In fact only the month of January came somewhat close with total sales of 759,000. TVs with inbuilt DTT continue to be the most popular product of this typology. **571,240 TVs with DTT reception** were sold in December, which represents over 42% of all digital equipment that was sold in the month.

When it comes to **external tuners**, **566,000** were sold during the month of December. Prior to this, only the month of July (2009) had passed the half a million- mark with devices of this sort. Sales of all types of DTT decoders (zappers, those with mhp, those with hard drive and those with two tuners) have continued to rise especially from 2009 onwards, which was the year that the rate of sales multiplied by 1.8. In fact, the increase which was recorded last January was precisely 90% higher than December 2009. This accelerated growth could be explained by those last-minute necessary purchases in order to digitally adapt other TVs in the home (other than the main one) which are not the main one and in second residences in anticipation of the certain arrival of the ASOs. The slight reduction we have seen in the price of this equipment in December (the average cost is €31.90 which is **14% lower than the previous month**) has also contributed favourably to the increase in sales.

DIGITAL TERRESTRIAL VIEWING

January Records a 56.5% Share and a 23.6 million Average Viewing Figure

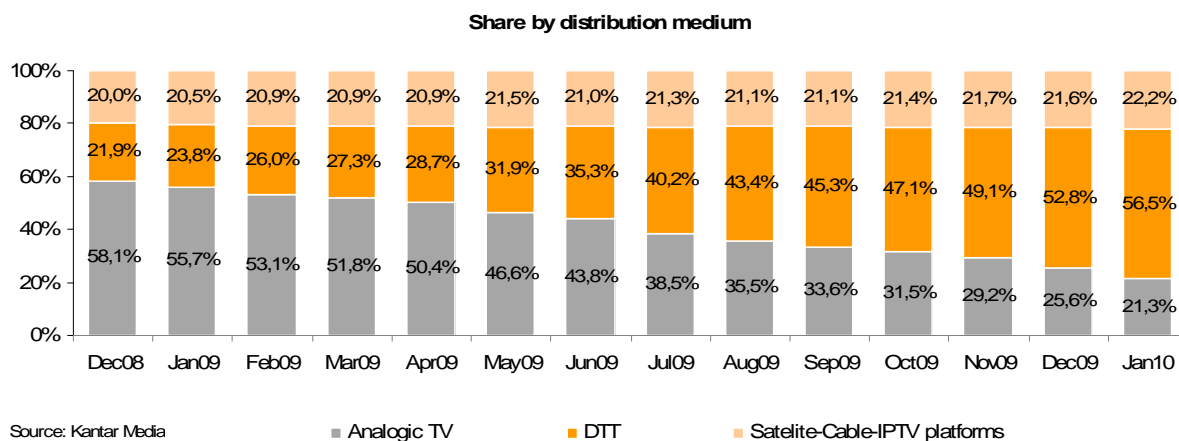
According to data from Kantar Media people meters, DTT achieved a **56.5% screen share** in January 2010. This hits an all-time high after enjoying a **monthly increase of 3.7 points**, which is very similar to what took place in December. When the latest figure is compared to January 2009, we find that in the space of one year DTT share is some **2.4 times higher**.

The use of DTT in the month of January stands at **147 minutes, on average, per person per day** and rises up to 182 minutes when only homes with DTT are taken into account.

We find Aragon at the top of the list of Communities that record shares higher than 60%, with a screen share of 65.1%. The Canaries come second with 62.8%, followed by Catalonia, where DTT viewing is now 64%. In January, the Balearic Islands achieved a DTT screen share of 65.3% and joins those previously mentioned, after enjoying a staggering increase of 11 percentage points.

Analogue Reception Is Lower Than Non-DTT Platforms

2010 starts its unstoppable march towards the imminent total digitalization in Spain with a very significant fact: the screen share that analogue TV records drops to 21.3% and is therefore- for the very first time- below the non-DTT joint multi-channel platforms. The latter makes up 22.2%, of which 20.6 share points represent Pay TV options.



DTT Theme Channels Achieve 10.4% of Total Viewing

In January 2010, national channels that broadcast in ‘simulcast’ achieved a 35.8 net total of share points for DTT after a noteworthy monthly increase of 3.2 points. Although this outcome has limited the growth for theme channels that broadcast in DTT, we still find that their monthly share increased by one tenth to reach 10.4% of total TV viewing.

OTHER POINTS OF INTEREST REGARDING DTT

The definitive date is set for the end of analogue broadcasts

As stated in the *Plan Nacional de Transición* (National Changeover Plan); “*terrestrial TV broadcasts with analogue technology at either a national or autonomous level **will cease no later than April 3, 2010.***” In accordance with this deadline and in an attempt to avoid any disruption to the Easter holiday, the definitive date for the end of analogue broadcasts in Spain is set for March 30. A specific timetable has been developed for the months of February and March in order to help this decision to be carried out successfully. The final phase of the process has been organized in the following way:

1. On February 10, the subtitled alert signs warning about the analogue switch-offs has started on all broadcasts in all of the towns included in the Technical Projects that are still pending - all of which make up Phase II as set out by the PNT. The inclusion of the informative signs that highlight the end of analogue broadcasts which both public and private channels have set up both at a national and autonomous level under the coordination of *Oficina Nacional de Transición a la TDT* (National Office for the Changeover to DTT) at every level of the phases of the digitalization process that has been reached so far. These ads are run well in advance to give the general public enough time to get prepared. The warnings appear on the screens of analogue channels and announce the “switch-off” date and a telephone number for information:

“This broadcast will commence its shutdown from March 10. The channel can continue to be viewed on DTT. 901 2010 04. ”

2. ASOs will commence progressively for the remaining Technical Projects from March 10. The projects that the PNT has included in Phase III are:

Technical Project	Autonomous Community	Province	Population
AITANA	VALENCIANA	Valencia	1,790,066

ARANDA DE DUERO	CASTILLA AND LEON	Burgos	62,509
		Palencia	621
		Segovia	25,666
		Soria	2,756
ARCHANDA	BASQUE COUNTRY	Vizcaya	842,746
ARGUIS	ARAGON	Huesca	192,884
		Teruel	46,593
		Zaragoza	22,779
ÁVILA	CASTILLA AND LEON	Ávila	117,401
		Salamanca	1,640
ÁVILA / PEÑA DE FRANCIA	CASTILLA AND LEON	Ávila	122
BURGOS	CASTILLA AND LEON	Burgos	211,002
		Palencia	30,635
CARRASCOY	MURCIA	Murcia	1,158,992
CHINCHILLA	CASTILLA-LA MANCHA	Albacete	341,364
		Cuenca	69,338
COLLSEROLA	CATALONIA	Barcelona	4,181,124
CÓRDOBA	ANDALUCIA	Córdoba	680,174
		Jaén	27,520
		Málaga	15,244
		Sevilla	126,352
DOMAYO	GALICIA	Coruña (A)	69,941
		Pontevedra	898,086
GAMONITEIRO	ASTURIAS	Asturias	862,013
GUADALCANAL	ANDALUCIA	Huelva	15,753

		Sevilla	10,622
	EXTREMADURA	Badajoz	32,538
INOGES-SEDILES	ARAGON	Teruel	7,604
	CASTILLA-LA MANCHA	Guadalajara	815
IZAÑA	THE CANARIES	Sta. Cruz de Tenerife	882,266
JAIZQUÍBEL	NAVARRA	Navarra	11,198
	BASQUE COUNTRY	Guipúzcoa	579,697
		Vizcaya	20,019
JAVALAMBRE	ARAGON	Teruel	32,495
	CASTILLA-LA MANCHA	Guadalajara	495
	VALENCIANA	Castellón	2,272
		Valencia	3,974
JEREZ DE LA FRONTERA	ANDALUCIA	Cádiz	938,032
		Sevilla	33,466
LA MANCHA	CASTILLA-LA MANCHA	Albacete	41,046
		Ciudad Real	498,614
		Cuenca	45,106
		Toledo	133,225
NORTH LÉRIDA	ARAGON	Huesca	939
	CATALONIA	Gerona	13,952
		Huesca	73,441
LOGROÑO	CASTILLA AND LEON	Burgos	896
	LA RIOJA	La Rioja	231,874
	NAVARRA	Navarra	3,661
	BASQUE COUNTRY	Álava	11,155

MATADEÓN	CASTILLA AND LEON	León	336,259
		Palencia	16,561
		Valladolid	14,453
		Zamora	16,087
MIJAS	ANDALUCIA	Málaga	1,269,377
MONTÁNCHÉZ	CASTILLA-LA MANCHA	Ciudad Real	2,889
	EXTREMADURA	Badajoz	570,934
	EXTREMADURA	Cáceres	221,361
PANCORBO	CASTILLA AND LEON	Burgos	82,650
	CASTILLA AND LEON	Palencia	57
	LA RIOJA	La Rioja	112
	BASQUE COUNTRY	Álava	5,089
PÁRAMO	GALICIA	Lugo	309,221
PARAPANDA	ANDALUCIA	Córdoba	26,418
		Granada	600,885
		Jaén	52,691
		Málaga	86,373
PEÑA DE FRANCIA	CASTILLA AND LEON	Ávila	633
		Salamanca	344,864
		Zamora	5,569
	EXTREMADURA	Cáceres	1,276
SANTANDER	CANTABRIA	Cantabria	490,292
	CASTILLA AND LEON	Burgos	783
SIERRA ALMADÉN	ANDALUCIA	Córdoba	7,433
		Granada	63,642

		Jaén	579,814
	CASTILLA-LA MANCHA	Ciudad Real	1,186
TORRENTE	VALENCIANA	Valencia	1.835.877
TORRESPAÑA	CASTILLA AND LEON	Ávila	271
		Cuenca	300
	CASTILLA-LA MANCHA	Guadalajara	59,611
		Toledo	124,406
		MADRID	Madrid
VALENCINA DE LA CONCEPCIÓN	ANDALUCIA	Cádiz	19,791
		Huelva	5,971
		Málaga	40,309
		Sevilla	1,664,276
TOTAL	16 Aut. Communities	4,172 towns in 44 provinces	30,216,359

3. The changeover process to DTT in Spain will end on March 30, in full accordance with PNT guidelines.

The Ministry of Industry, Tourism and Commerce, working under the arm of The State Secretary of Telecommunications and the Information Society has set in motion a series of immediate tasks to support the changeover with the aim of aiding the definitive transfer and avoiding any possible incidents:

- Town Hall support campaigns by means of informative conferences which are directed at mayors and town social workers. It is hoped that members of Town Halls are able to provide the public with effective help before the changeover takes place.
- On hand information centres that offer personalised help and advice as to how DTT works, as well as its installation and advantages. Information help desks will be put up in towns that have a population that exceeds over 200,000 inhabitants as well as

in rural areas where these help desks can be found in mobile markets as well as travelling buses in 126 medium sized-cities.

- Additional informative action will take place in highly transited areas such as public health clinics, town halls, high street banks and homes and centres for the elderly with the objective of aiding those who are at risk of being excluded.

CONCLUSIONS AND EVALUATIONS

When the digitalization process commenced in Spain back in 2005, the changeover appeared to be highly complex one due to its specific characteristics:

- Deep-rooted viewing habits of free TV audiovisual contents, which had resulted in the offer of a wide range of free to air broadcast. Due to this, a high number of multiplex were affected by the change and the need to keep broadcasts going without interruption was of utmost importance thus ensuring the population that their TV set- which is their principal means of information and entertainment- will continue to work correctly.
- TV transmission technology in Spain is predominantly terrestrial, through electromagnetic waves. To ensure that terrestrial coverage is available to almost all inhabitants, it has been necessary to increase the transmitters network. The technical difficulties created by certain mountainous areas and particular geographic locations have called for a high number of transmitter sites and equipment necessary to broadcast the high amount of multiplex channels in each centre and hence increasing the economic costs. This task is not comparable to other countries where the orography is more favourable and where also the implementation of cable or satellite TV is much more common.

In spite of these complications, Spain will reach its goal in a process that has affected both the industry and viewers alike, without being able to fall back on any previous experience. Thus, Spain will turn completely digital prior to April 3, and will join the ranks of other countries that have already completed the process, coming in 9th place in Europe (after ASOs in Luxembourg, Holland, Finland, Sweden, Andorra, Switzerland, Germany and Denmark), and 10th place if we count U.S.A.

We are just 52 days away from the definitive switch-off in Spain and we find that all of the process indicators seem to be adapting naturally to the new audiovisual concept:

1. The digital terrestrial signal is already well ahead of the guidelines set out by the PNT. Thus the Spanish Global Network (RGE) is already at 98.35% of the population, much higher than the 98% figure that was set by the PNT. Furthermore, the SFN (Single Frequency Network), which corresponds to all the coverage of private operators, is currently 1.61 percentage points above the figure which had called for 96% of the population.
2. Data for the last quarter of 2009 as to the necessary antenna conversion in community buildings shows that some 244,344 buildings still need their antenna serviced. This works out at 19.5% of all the buildings in Spain.
3. On January 31, 2010, DTT recorded a penetration of 80.8% (figures supplied by the Kantar Media panel), which means that fewer than 20% of Spanish homes have yet to take the three necessary steps to have their audiovisual equipment properly adapted: (i) have sufficient coverage in the area where they live, (ii) carry out the necessary conversion work on their antenna or cable, and (iii) have at least one DTT receiver which will enable them to access digital channels. In addition, as was expected, 2010 has started with a month-on-month increase that sets the scene for a definitive situation thanks to a record-breaking increase that is repeated for the second consecutive month: 3.7 percentage points.
4. According to the panel at Gfk, by the end of December the total number of DTT equipment that has been sold in Spain reached 25.5 million devices in primary residences. Therefore, if we keep in mind that; (i) the estimated figure for the total number of TV sets in Spain is some 32.7 million sets (Wave III of EGM), (ii) that sales recorded by the Gfk panel only take into account the Spanish mainland and the Balearic Islands (thus excluding the Canaries, Ceuta and Melilla), and finally, (iii) these figures only take into account DTT equipment distribution that occurs in direct-public points of sale, we can estimate that presently in Spain, the global figure of DTT equipment is in excess of 27 million sets. The Gfk Institute predicts that some 4 million DTT receivers will be sold from January to March, thus bringing the cumulative figure for Spain- counting from 2005- to 31 million set of equipment. In any case, it is expected that these devices will continue to be sold in the months that immediately follow the definitive ASOs so that any other TVs that are found in homes

will also be converted, together with any TVs found in other homes that may be owned.

5. Although more than 67% of the population has access to both forms of technology (analogue and digital), the screen share that DTT enjoys after the first week of February, has reached 58.9% (which means a 2.4 percentage point growth in just one week). This underlines the fact that the new way of TV viewing of public access is consolidated with more than 20 channels and the use of more than one remote control, which appeared to represent a major obstacle at the outset, has been totally accepted and has not hindered the enjoyment of the advantages that the new technology affords viewers. This information offers the most positive data of all, namely; that in addition to the 11 million viewers that rely on DTT as the only means of viewing TV, there are also millions of people who have switched over to DTT and accepted it as the normal technology in their homes, well ahead of the set deadlines.

Last of all, in spite of the positive developments that are confirmed in general by the indicators seen each month, there are still some situations that, at this late date, prove to be a real matter of concern to Impulsa TDT:

- Although we have received little word on the feared “bottle-neck effect” in the “antennization” process, it is still important to remember that the contracting of this service should be made well in advance, some 6 to 10 weeks and not at the last minute. It is thought that especially in larger cities there could be a certain amount of procrastination to get this service contracted where ASOs are scheduled to take place in the last phase of the process.
- The sale of analogue TVs: in spite of the fact that this equipment is practically redundant and its use will depend on the installation of a DTT decoder. 91,000 devices with this obsolete technology were sold throughout 2009, and in 2010, although we are finding all-time low figures, sales of these products continue which is a fact which does not make sense both from the point of view of the manufacturer, the distributor and also from that of the purchaser.

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