

MONTHLY REPORT EXTRACT

On July 23rd, Soria was switched on digitally speaking, and the total shutdown of the analogue signal in 162 municipalities (including the capital Soria itself) took place. This was all part of the pilot project that had been developing over the past months. In the upcoming weeks another temporary landmark will be reached in the development of digital terrestrial television resulting in a further increase in coverage that will bring DTT to 89.15% of the population. At present, there are fewer than 600 days remaining until the definitive implementation of DTT throughout the country.

HIGHLIGHTS

- **DTT technical coverage reaches 89.15% of the national population**, some four points higher than the previous figure **and exceeding the figure of 88% which was reached in the “Third Phase” of the RD 920/2006.**
- **58.2% of buildings with a community aerial are now ready to receive DTT at the close of the first semester of 2008.** Impulsa estimates that this could mean that up to 4 million homes still need to carry out this task and that these homes are possibly the most technically challenging due to the age of the previous installations.
- The latest estimate by Sofres for **DTT penetration** shows that DTT is now available to **37%** of the population.
- **1.1 million set of equipment has been sold in just two months, July and August.** In addition, **in the month of July just passed, the previous sales figure was broken** as 311,000 **DTT televisions were sold.** This is a figure that has never been reached before, not even in the Christmas period.
- **DTT screen share holds steady at 16% in July and 17.1% in August.** The successful arrival of **Disney channel** to the DTT platform and the broadcasting of the **Peking Olympic Games** have **added weight to theme-based channel viewing.**
- **Nearly 4 out of every 10 non-DTT users express the desire to change in the near future**, thus growing significantly in comparison to last year's figure. **Over half claim that this change will take place within the next 6 months.**
- **The vast majority of those who do not view DTT lack information or are in need of necessary external motivation to change.** However, there still exists a minority of those who reject digitalization and see it as an obligation to which they do not feel committed.

TECHNICAL COVERAGE REACHES 89.15%

In July, the network operator Abertis Telecom updated the national figure for those who have DTT technical coverage. Presently this coverage is placed at **89.15%**, some four points higher than the last available figure published in July 2007. Therefore, **the present figure exceeds the figure of 88% coverage that was set as a target for coverage in the “Third Phase” of RD 920/2006.** This change in coverage means an increase of 1.7 million people in terms of potential penetration. In addition, Spain leads the European market with regard to the stretch of digital terrestrial coverage.

AERIAL CONVERSION

Over the summer the Observatory at Impulsa TDT has also updated its figures corresponding to the progress in the conversion of aerials in buildings and homes for an adequate reception of the digital terrestrial signal.

The results of the survey that Fenitel periodically carries out among authorized aerial installers estimates **that 58.2% of buildings that possess a community aerial are now ready to pick up DTT.** This conversion figure, which relates to some 12 million households, is 18.2 points higher than the figure recorded one year ago. However, at the same time these figures indicate that these latest updates are slowing down slightly.

According to latest figures, **40,000 buildings have been converted to receive DTT during the last quarter,** when the expected figure was that of 60,000. As this conversion is expected to unfold in an orderly and reasonable way, it would be desirable if this pace were increased in the months ahead to avoid a last-minute rush in installations.

In addition, we must bear in mind that the conversion of these last households could prove to be more difficult as it involves buildings with fewer homes, in rural or less densely populated areas and with older installations which are much more in need of a complete and complex conversion. In some cases the work may require a complete rewiring change.

DEVELOPMENTS IN THE SALE OF DTT EQUIPMENT

Over a Million New Set of DTT Equipment in the Final Part of Summer

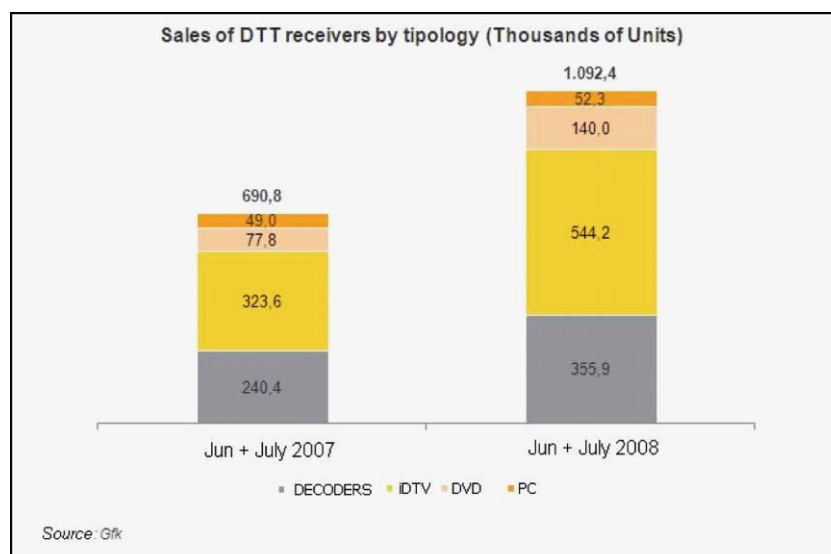
From a sales point of view, when it comes to digital tuners the months of June and July have proved exceptional. In June, the sales figure of 458,000 was reached and in July the second highest figure of the year was reached: 637,000 new set of equipment. Therefore, **in the first two summer months the cumulative sales figure for tuners approached the 1.1 million-mark.**

With these new figures, the cumulative figure for DTT tuner-sales dating back to the end of 2005 rises to **11.9 million units**. In other words, it is practically **twice as high as the figure recorded in July 2007.**

The Sale of Televisions with DTT Breaks a New Monthly Record

In July 2008, over 311,000 televisions with built-in DTT were sold, a figure that had never been previously reached. Even in December and January, months which always prove to be positive in terms of the sale of consumer goods, the number of televisions with built-in DTT had never exceeded the number of 300,000 in any given month.

The combined total for June and July saw integrated televisions practically making up half (49.8%) of the total sale of DTT equipment. External decoders represent close to a third of the total figure (32.6%), some 356,000 units, which also sees a slight increase in July over the previous month.



A Significant Number of Analogue Televisions Remain

Although the vast majority of televisions sold in June and July had built-in DTT, there are still a number of analogue TV's in the market that made up 14.7% of sales recorded in July. Even though the development of analogue TV's has reduced slightly since the beginning of 2008, its presence continues and during the months studied these old receivers enjoyed cumulative sales of 100,000 new units.

DTT VIEWING

Children's and Sports Programs Grab the Summer Interest

TV viewing in general- and especially DTT viewing- during the summer of 2008 has been marked by two relevant events:

- **The Peking Olympic Games**, which have altered the usual viewing distribution and favored those that broadcasted specialized sports: TVE 1, La 2 and Teledeporte (all with a presence in the open DTT platform).
- **The arrival of Disney Channel to DTT's national offer** has meant important changes in the distribution of digital viewing, as the new channel has immediately gone to becoming one of the viewers' favorite theme-based options.

Both factors, together with the ongoing increase in equipment explain the rise in **DTT's share** over the summer to reach **16% in July and 17.1% in August**.

Furthermore, for the very first time in the month of July, the growth of DTT's share can be classed as a result of the effect that theme-based channels have had rather than that of generalist ones. In August, despite the fact that the main growth came from national channels, theme-based ones contributed 0.4 points to the overall growth of digital terrestrial television.

QUANTITATIVE STUDY OF RATING AND ATTITUDE TOWARDS DTT

In the first wave of the 2008 quantitative investigation that Impulsa TDT has been carrying out for nearly two years, many perception indicators have been brought up to date for both users and non-users with regard to the digital conversion process.

From the results, it is worth mentioning the **noticeable rise in the plans of adapting to DTT in homes that currently do not possess a DTT tuner**. This sees nearly a 10 point-growth (from 26.3 to 36.9% of homes still without DTT), which means that one home out of every two that currently is not using the new technology states that they are planning to do so shortly. **Also, 20% of households (1 out of every 5) that currently are not DTT users state their purpose to purchase a digital tuner or a TV with built-in DTT sometime in the next 6 months.**

CONCLUSIONS AND EVALUATIONS

The rating that Impulsa TDT gives to the conversion process of DTT with only 600 days left before the so-called “analogue shutdown” takes place is positive, given that all indicators continue to grow significantly.

Over the last year, data shows a revealing growth each month, which clearly comes to light when the rate of conversion in the summer of 2008 is compared to that of 2007:

- ✓ 4% more of the population receives a digital terrestrial signal in their homes (1.7 million additional households).
- ✓ Work has been carried out on 219,000 buildings so that their community aerials can receive a digital terrestrial signal.
- ✓ Nearly three million homes have been added to those that already watch DTT, and currently 4 out of every 10 homes have access to DTT.
- ✓ 6.5 million more digital tuners have been purchased, which relates to over 50% of the total sale of these devices since the new technology was re-launched. From this figure, approximately 3 million correspond to televisions with built-in DTT.

- ✓ DTT screen share rises by 9.7 percentage points reaching 17.1% of total TV viewing. This means that there are than 3.4 million daily DTT viewers more than those recorded in July 2007.

Here at the Observatory of Impulsa TDT we understand that there have been several factors that have had a bearing on the rate of conversion in homes to the new technology:

1. “Word of mouth” references together with press and media coverage have contributed to more homes having come to know the new digital terrestrial technology, and the need to completely substitute analogue TV for the new platform and the sharp rise in plans to adapt shortly with almost 4 out of every 10 stating that this is their intention.
2. The coverage increase of over 4 percentage points that allows more Spanish homes to have access to the new technology.
3. Sales during the last Christmas campaign, 2007-2008, above all the sale of televisions with built-in DTT, together with the communication effort coordinated by the Asociación de Usuarios de la Comunicación (Association of Media Users) to warn buyers of the need to add a DTT receiver to their audiovisual equipment.
4. Last of all, the wider and better range of what DTT has to offer, is of great interest to many viewers. The most recent sports events (the Eurocup and the Olympic Games, even though they were broadcast simultaneously in digital and analogue), Disney Channel, together with a host of new programs exclusive to DTT.

Despite all of this, we are aware of the large number of homes that are still without access to DTT and we are concerned about the lack of aerial conversions in less densely populated areas, which are the very same areas where the analogue shutdown is planned to happen first. Not all regions of Spain have as much time as 600 days until the changeover, as towns with under 700,000 inhabitants are scheduled to end all analogue broadcasting at some time next year, 2009. That is to say, that for 32% of the population there is less than one year left.

Due to this, especially the technical projects of the Phase A National Plan of Transition to DTT that will experience the “shutdown” on June 30th 2009, there should be a stepping up of the pace in relation to the changeover. As for us, we have to keep on providing users with all the information they need to be able to find the emotional bond that will motivate certain groups to bring forward the changeover to DTT and not to leave it to the very last minute.

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