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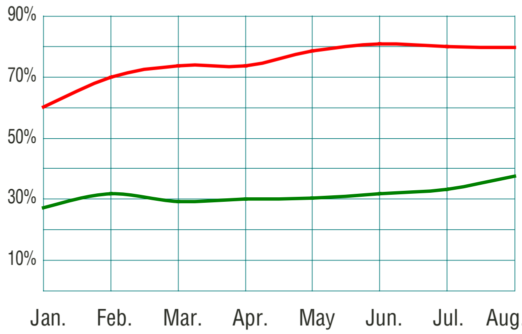
***Issue No. 10 Special Topics Section***

# *The South American ISDB-T (One-Seg) Market*

# MOTV TRACKING SERVICE

TELE Analytics

***JP: Cumulative 2009 1Seg and Non-1Seg Handset Sales Referenced to the Corresponding 2008 Figures***




**Friday, October 28, 2009**

TORONTO, Canada: Issue No. 10 of the quarterly TeleAnalytics MoTV Tracking Service (TMTS) has been released. TMTS tracks and analyzes facts and adoption figures for all commercial Mobile TV (Broadcast) networks around the world. Issue No. 10 analyzes the Q2-09 Mobile TV adoption figures and summarizes the key Mobile TV developments up until the end of Q3-09. The Special Topic of Issue No. 10 is: The South American ISDB-T (One-Seg) Market.

***Highlights from Issue No.10 follow:***

*(All figures refer to Digital MoTV Broadcast networks and, as per the DVB Project, DVB-T is not considered a MoTV technology)*

**World:** Contrary to some nebulous (but apparently somewhat popular for all kinds of reasons) theories, the financial crisis did not finish off MoTV and Q2-09 proved a record quarter in terms of MoTV device sales (5% better than the second-best quarter, the pre-crisis Q1-08). H1-09 devices sold volumes were only 3% lower than the respective volumes in the pre-crisis H1-08 and the end-2009 device volumes that TeleAnalytics predicted may prove somewhat pessimistic (no more than a 2% drop from the 2008 device sales levels).

**Japan**: As discussed, for a number of reasons the crisis hit the Japanese MoTV market much harder than the Korean DMBs. Although solid signs of market improvement were witnessed during Q2-09, the Japanese developments were not as spectacular as the ones in Korea. On the other hand, Japanese One-Seg device sales returned to levels only 9.7% lower than the levels witnessed in the pre-crisis bumper Q2-08. Cumulative 2009 One-Seg handset sales climbed to 80% of the 2008 levels, while Non-One-Seg volumes managed to rise only to 38% of the corresponding 2008 figures (figure at top of page).

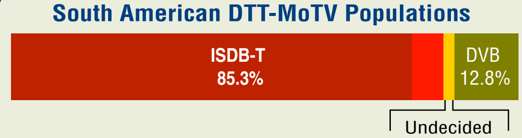
On another front, an *Asahi Shimbun* survey concluded that "digital natives" (Japanese between the age of 16-24) watch 119 minutes of TV on weekdays and 135 minutes on weekends (not even half the traditional TV average). Out of this viewing time, very little ends up being spent on traditional TV, and about two-thirds goes to One-Seg while the rest goes to OTT Video, although the supply of Japanese-language prime content on the Internet is still embryonic.

**Brazil and South America:** TeleAnalytics predicted back in 2007 that the drawn-out South America DTT-MoTV wars were very likely to finish with the Japanese ISDB-T triggering a domino-style finale during which one South American country after another would fall into Japanese hands. The conditions for the SA DTT-MoTV endgame were fairly ripe in Q4-08 but the upcoming Argentinean elections and the President of Venezuela, always ready to advertise his independent thinking, delayed things. Therefore, instead of Argentina being the key pivot state doing the ISDB-T-breakthrough honors, Peru was the first country to follow Brazil's paradigm by going ISDB-T in April. By August, Argentina followed and Chile fell in September. Venezuela followed in early October. Some small ISDB-T mop-up operations remain to be completed in Bolivia and Ecuador.

It goes without saying that the Japanese carved out the biggest and best Tier 2 DTT-MoTV market to ever exist which, DTT-MoTV-wise, has little to do with winning Kenya and India (DVB), or Honduras (ATSC). The South American ISDB-T Confederation is now 304M POP strong and likely to soon grow to 329M POP (bottom figure). In the course of a few short months (but after 4-5 years of campaigning) the world's DTT and MoTV landscape has fundamentally changed; now every vendor is likely to see that his handsets speak One-Seg in time for the 2011 launches, independent of the flavor of DTT-MoTV cosmology he previously subscribed to.

The history-making SA DTT-MoTV developments are discussed in detail in the Special Topics section of Issue 10, and the market's present state and potential is clearly and realistically updated. There was never anything particularly simple about the DTT-MoTV developments, even within the borders of a single country (and not seven, as in this case). Due to the space limitations here, the hyper-dimensionality and variability of the South American DTT-MoTV case can possibly be sufficiently established by simply mentioning a single fact. All this ISDB-T/SBTVD takeover of South America happened despite the fact that on the DTT side of the business, Brazil moves at a snail's pace; Brazilian MoTV adoption is performing somewhat better but recently all the Brazilian handset vendors had to petition for a waiver from their obligation of having 5% of their handsets to be sold in 2010 support One-Seg.

**South American DTT-MoTV Populations**



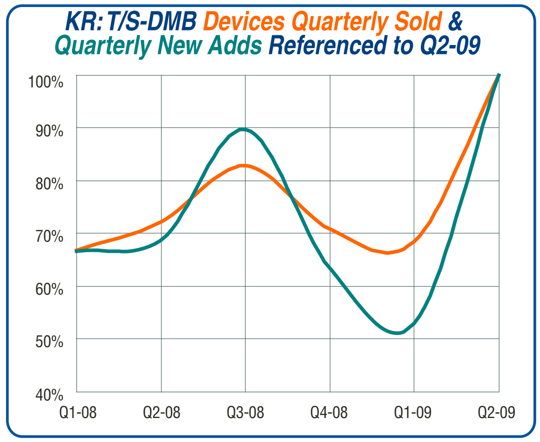

**DVB-SH:** As discussed, there is no evidence that DVB-SH is jinxed but in the US, ICO is still in Chapter 11 proceedings after its May filling, thus disproving scenarios that predicted a rapid reorganization. In the EU, Solaris Mobile (the SES Astra-Eutelsat JV) W2A launched with an out-of-spec antenna and an insurance claim was filed in July. Solaris believes that some of the originally envisioned services will still be possible (without specifying which services).

SES Astra confirmed that the JV is not going to be dissolved, but it does not appear to have decided yet whether a DVB-SH payload will be included in a satellite that is already in the plan-design-build-launch pipeline, or a dedicated DVB-SH satellite will be opted for, as well as when either of these two alternatives can be expected to be realized.


**Russia and Taiwan:** Subsidiaries of the two major Russian MNOs were ready to launch in time for the June 2008 soccer games but, as discussed, some rather necessary Regulatory housecleaning delayed things. The related Broadcasting licensing moratorium was recently lifted in order to allow three DVB-H licenses to be awarded for the Moscow area and as many as two of the licensees may launch (likely before the end of the year). The Russian government followed suit on this good DVB news, badly needed by the related vendors after the South American developments and promised that it will spend as much as $4.25 billion on the Russian DTT (DVB-T).

The recent Taiwanese developments are less spectacular, and the two MoTV licenses were after all supposed to have been awarded before the end of 2008. In any event, now two license awards are promised for some time in 2010, with the particulars and potential of this MoTV market being as per the TeleAnalytics 2009 MoTV report.


**Korea:** In Q2-09 T-DMB had its best-ever quarter and in late June, S-DMB booked its two millionth sub. Overall, Q2-09 was a record quarter for Korean MoTV: MoTV device-sales were 20% higher than in the second-best quarter (the Q3-08 Olympics quarter) and new adds were also 11% higher than the second-best quarter (top right figure). These developments are rather unusual for T-DMB which, contrary to the adoption-related excitement that S-DMB and One-Seg often provide, used to be a steady performer. The recent nonlinear T-DMB developments should be waited for one additional quarter before they are called.




**China:** Due to a combination of environmental and SARFT-caused reasons, Chinese MoTV is still moving at a snail's pace. The first commercial CMMB island (Shanghai) targeted about 300K subs for the year's end but at the end of March, it had only 3K subs and less than 8K at the end of June. Never before were 300-400-odd introduced-announced devices so energetically chasing consumers who after all find the SARFT content limited, the monthly fee too expensive (27% of the mobile ARPU) and who are not willing to pay now while SARFT takes until the end of 2011 to build a "really good network". It is unfortunate, but Chinese MoTV is likely to suffer as much as Chinese IPTV did

**Europe**: Italian DVB-H can now be considered totally stagnant. The Austrian and Swiss DVB-H adoption is marginal, but KPN managed to bring in about 40K DVB-H subs with the last 10K apparently added in the 8 month period between January and September. Germany, where T-Mobile reportedly set both its network and calling centers on fire by streaming popular German soccer over its 3G network, is now examining the possibility of restarting DVB-H in the worst regulated market the world has ever seen. In France, DVB-H may still not be totally dead.

**US:** In the US, OMVC announced a late summer trial which has not started yet. In Q3-09, FLO started implementing the serious structural changes to the FLO product it had announced/hinted at in the first six months of the year. As discussed, by far the most important among the initiatives launched was the deal with Rentrak for the electronic measurement of FLO's consumption patterns. This is the first volunteered undertaking of its kind in the world and it is noted that the T-DMB audience measurement system was commissioned by a third party after the Broadcasters kept dragging their feet for 2.5 years.

**Wi-Fi MPV** (**M**obile **P**ersonal **V**ideo): This topic is examined in a ***TeleAnalytics report released in September,*** but TMTS-10 provides some examples of how the "TV Everywhere", OTT TV and Wi-Fi MPV concepts have now been implanted from Japan to Brasilia, where even 8 weeks ago it was impossible to find more than a few related Internet or media references in the languages spoken in many major markets.

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