Spain: A Creative Media Nation

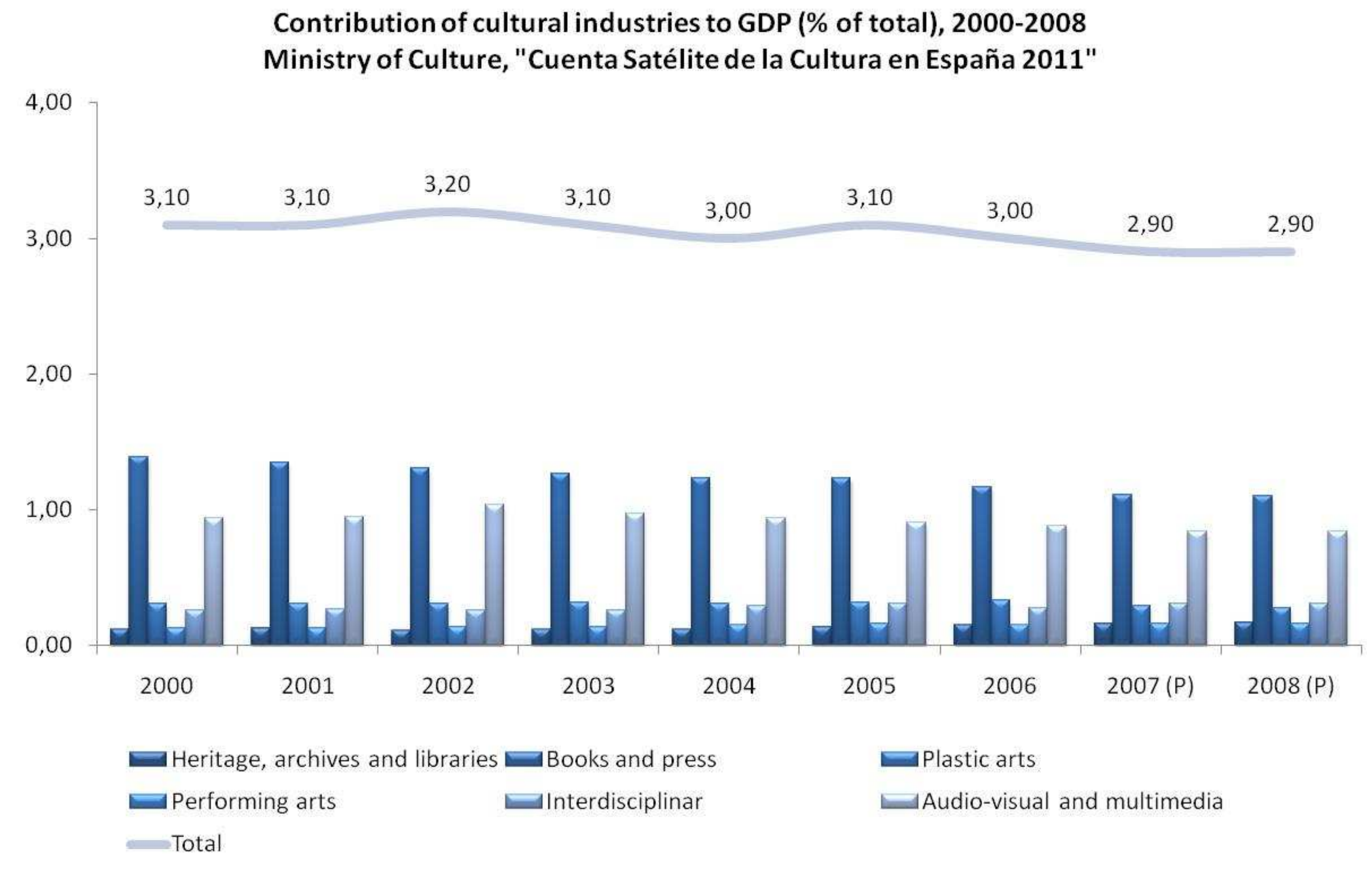
Presentation of the '100 FAQs about the audio-visual industry in Spain' study

Brussels, 23 November 2011

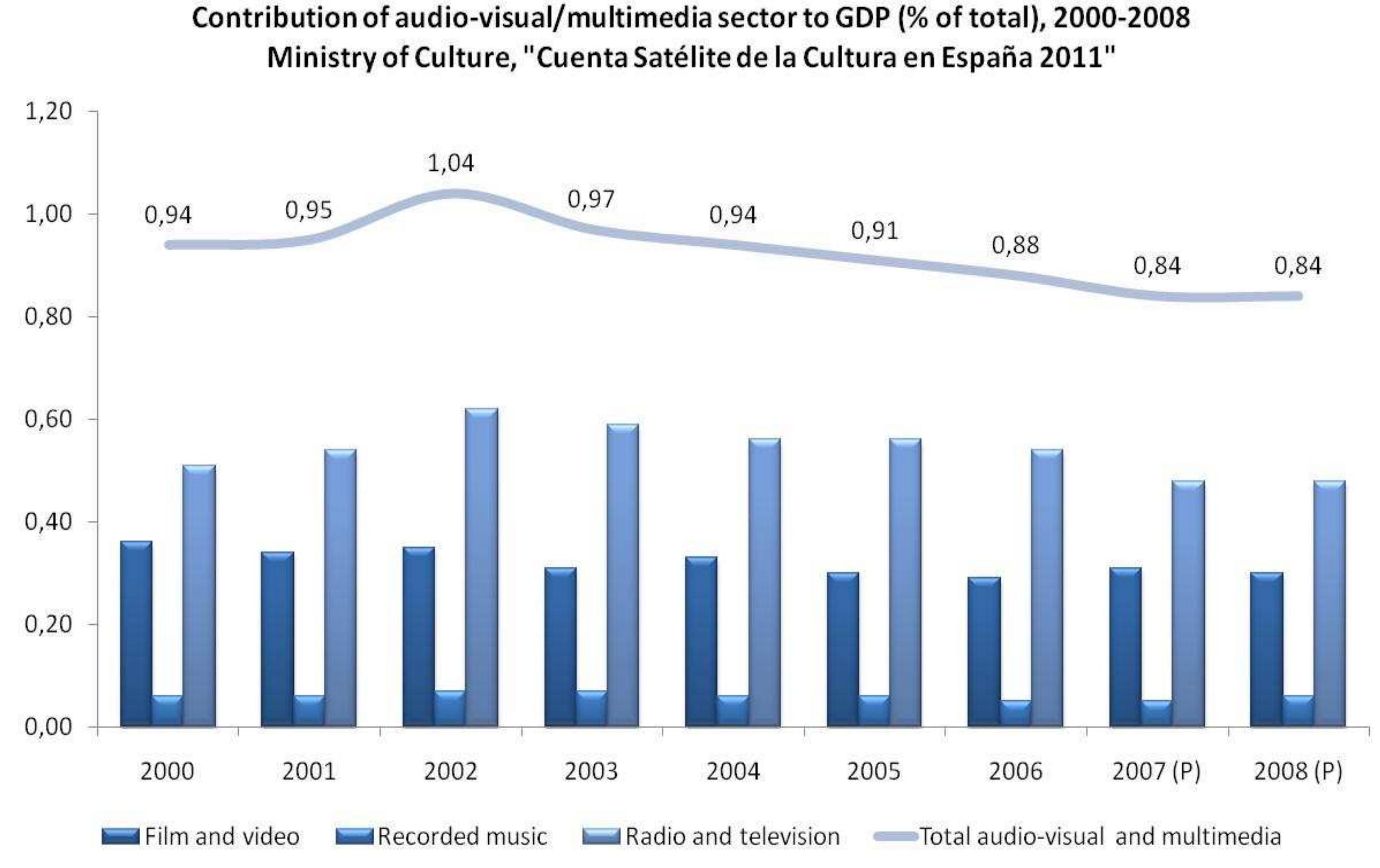
The study:

- Conducted by Steinberg & Asociados and commissioned by Mediaset España.
- Objective: to analyse television’s contribution to the country’s digital economy.
- Methodology: critical selection of updated information about cultural industries.
- Content: Reflection on the status of the audio-visual market in 2011:
  - Profound digital reorganisation of the market.
  - Effects of the economic crisis.
  - Convergence expectations.

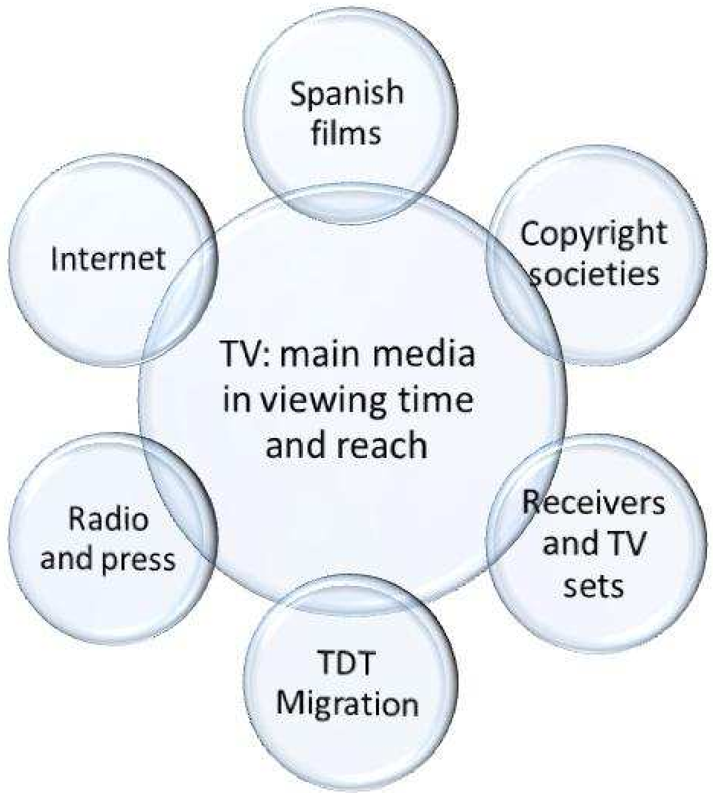
Cultural industries represent 2.9% of the Spanish GDP
This figure is 3.8% if we consider all activities related to intellectual property
(There are no more recent official figures)



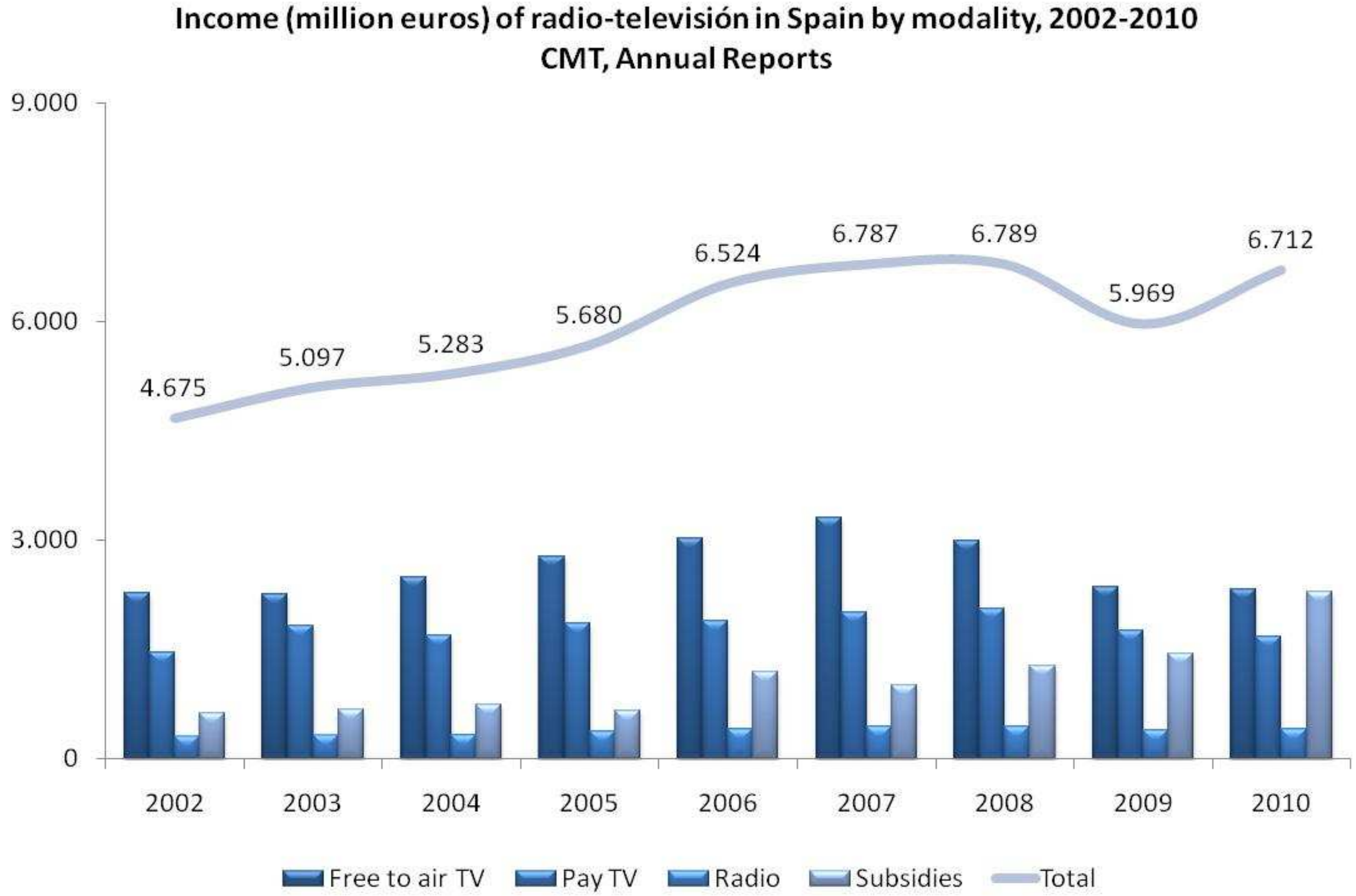
The audio-visual/multimedia sector represents 0.84% of the country's wealth
145,000 jobs in 2008
TV: 23,000 highly qualified jobs



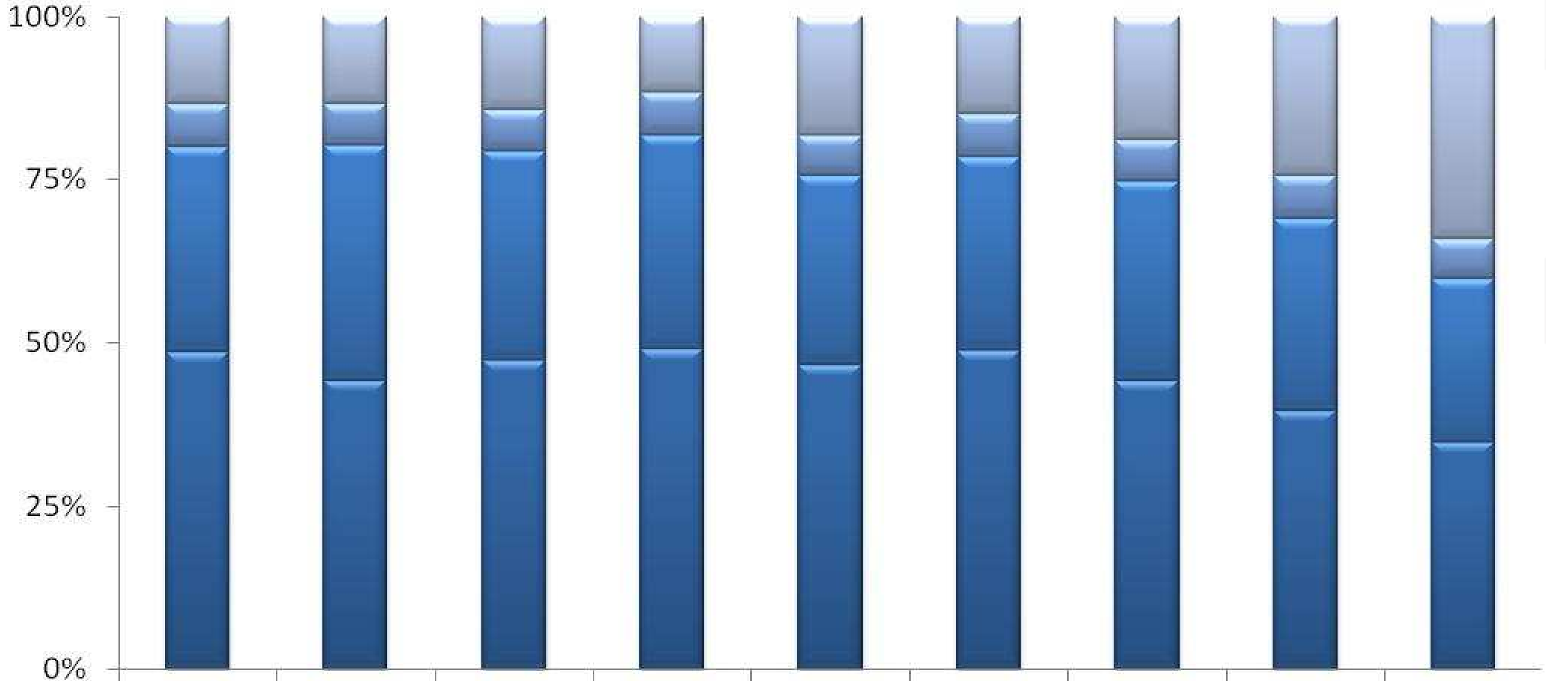
Television is at the centre of the audio-visual system:
Main media for information and entertainment
Financing for Spanish film industry
Contribution to copyright societies
Development of TDT and new digital media



The volume of radio-TV has remained stagnant in the last few years
The total figures are sustained by public expenditure (50% of the total)
The expectations for the sector in 2011-2012 are pessimistic

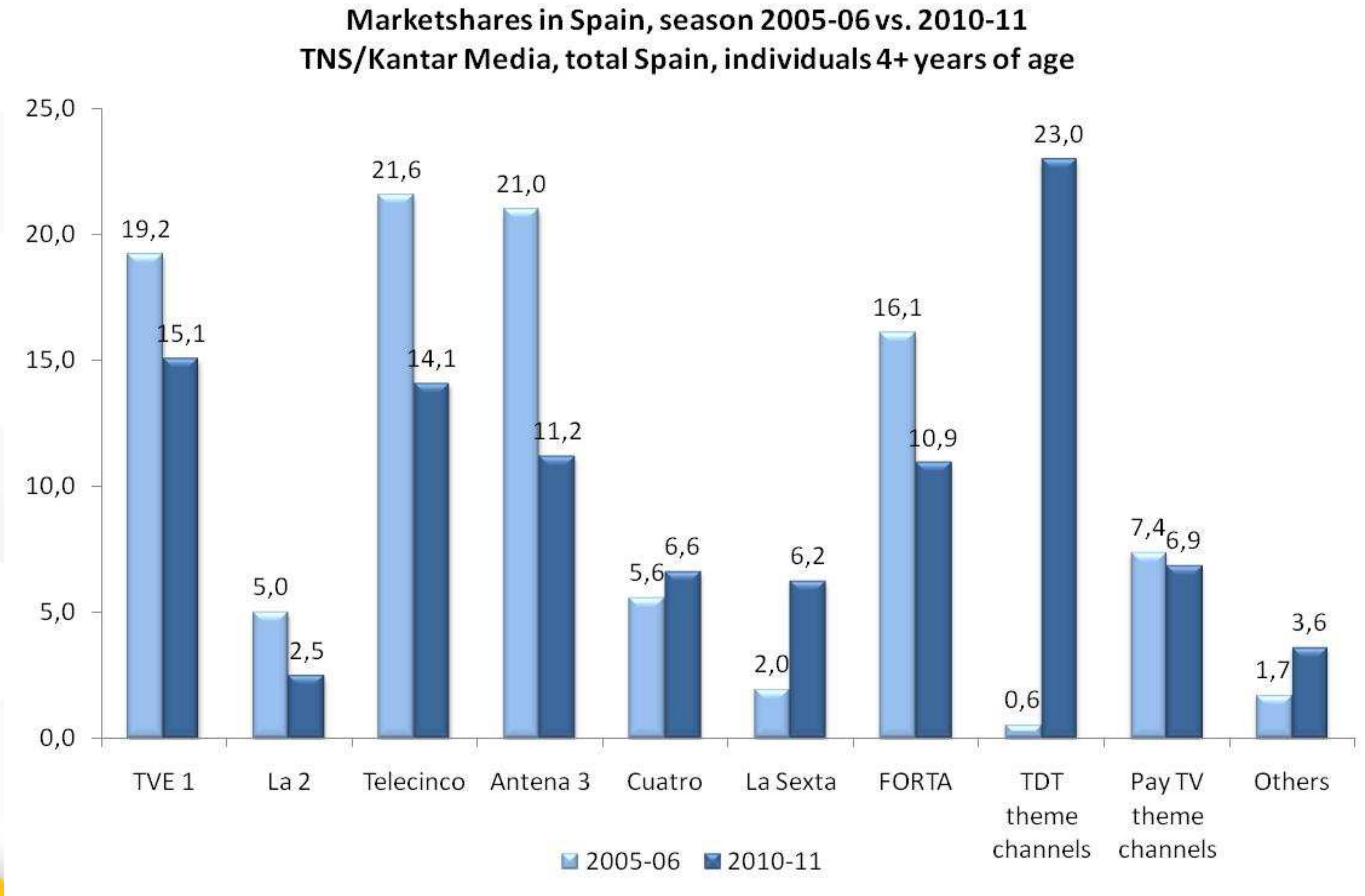


Income (million euros and %) of radio-television in Spain by modality, 2002-2010
CMT, Annual Reports

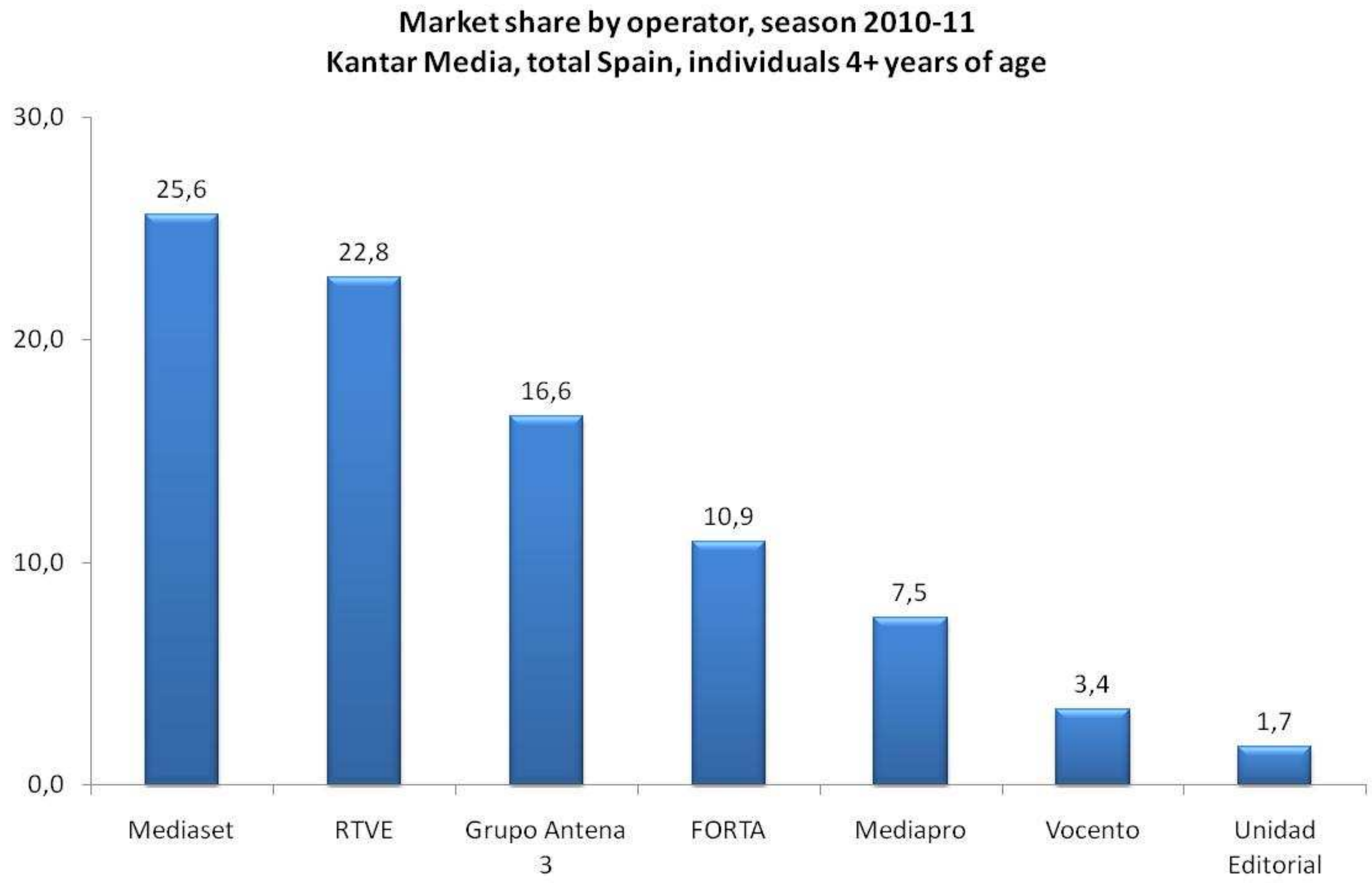


	2002	2003	2004	2005	2006	2007	2008	2009	2010
Subsidies	625	681	753	661	1.191	1.018	1.278	1.450	2.289
Radio	309	324	334	376	405	446	443	395	406
Pay TV	1.467	1.836	1.700	1.856	1.893	2.010	2.070	1.768	1.681
Free to air TV	2.274	2.256	2.496	2.787	3.035	3.313	2.998	2.356	2.335

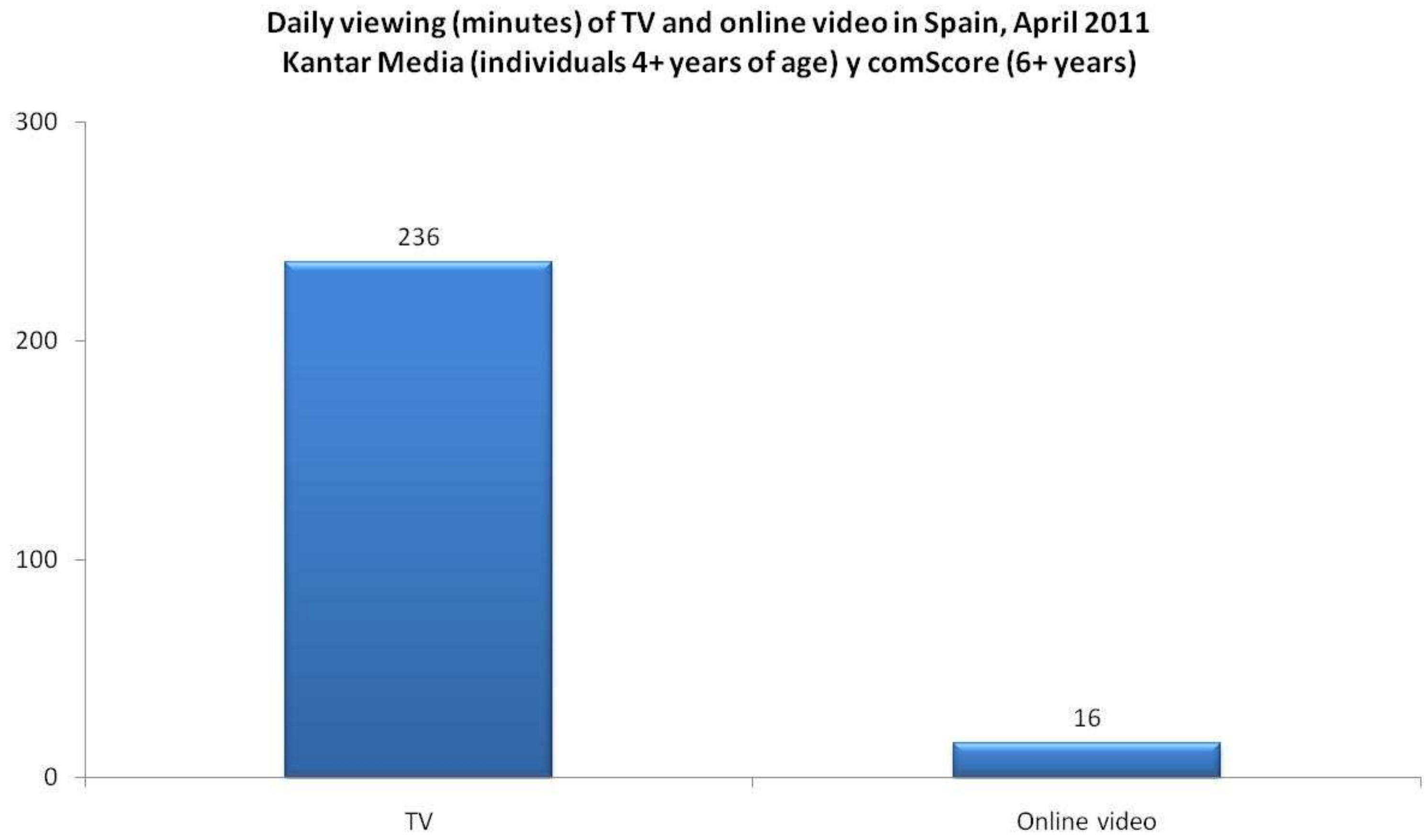
Status of the audience in Spain before and after TDT
Heavy increase in supply
Greater fragmentation: leading channel has 15% share



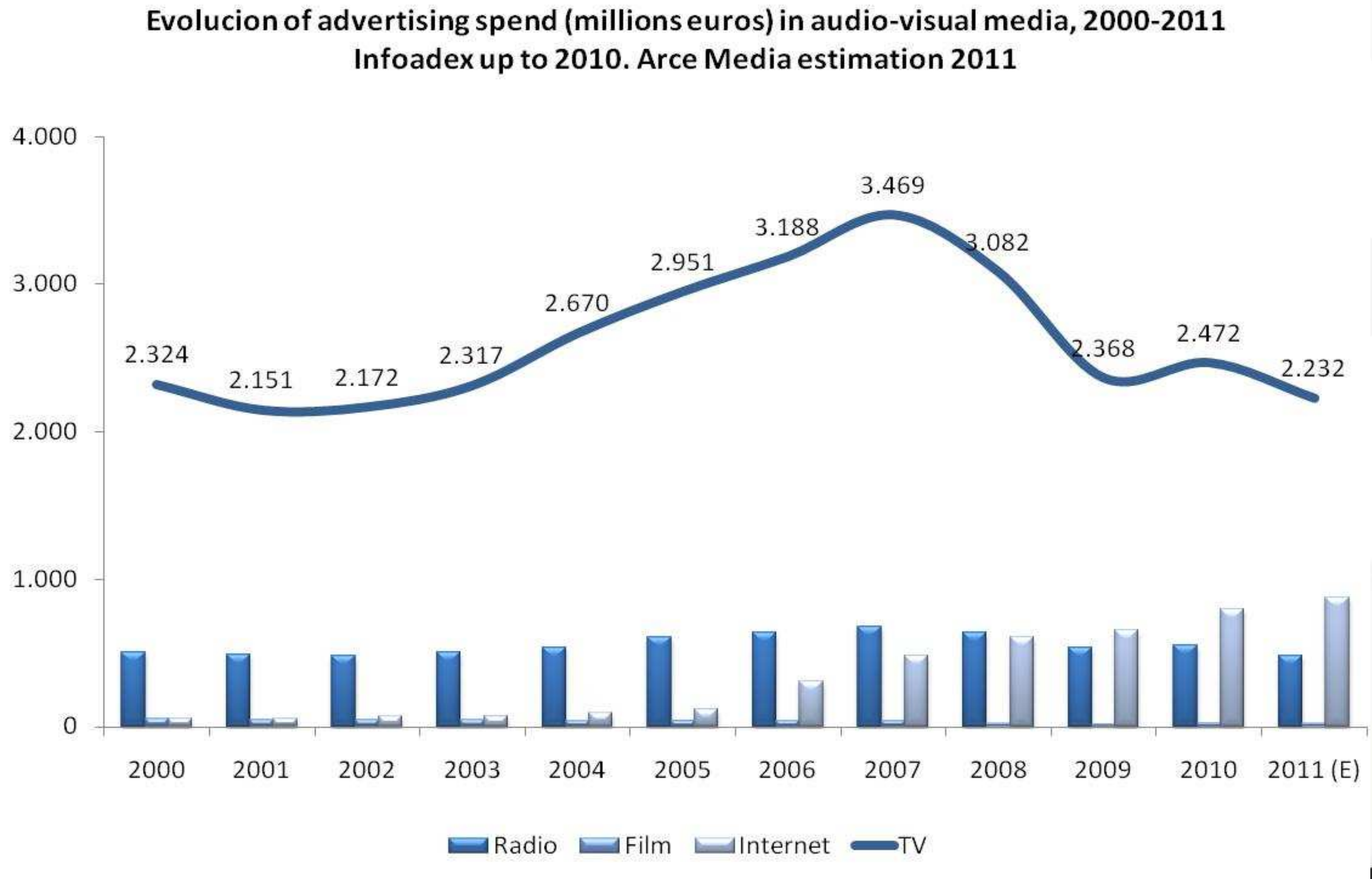
Current status: audience by operator
Public TV (RTVE+FORTA) retains a third of the audience
Leadership of Mediaset



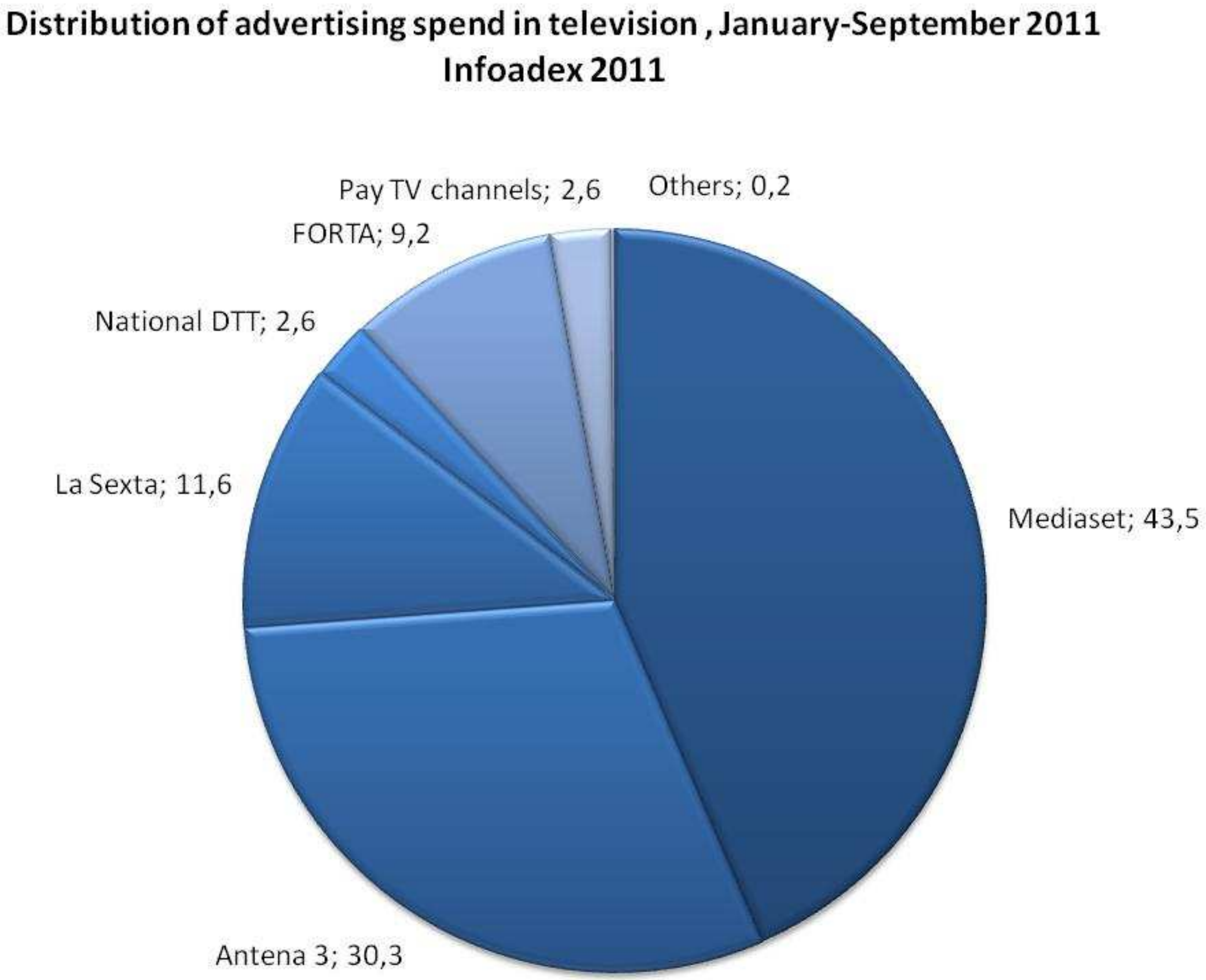
Increase in consumption of online video and television…
…but the volume differences are abysmal
The TV audience is 15 times that of online video



However, advertising investment has fallen drastically in television 2011 at same levels as year 2000



Current status of advertising spend in television



steinberg

Convergence

New agents enter the digital audio-visual business:

- **Users** (CGU)
- **Content aggregators** (YouTube)
- **Digital piracy: P2P and link websites**
- **Adult content**
- **Social networks and "social TV"** (Facebook)
- **Search engine advertising business** (Google)
- **Web-based pay-per-view** (Netflix).
- **Online content stores** (iTunes, Amazon)
- **Telcos and technical content servers**
- **TV and STBs manufacturers**

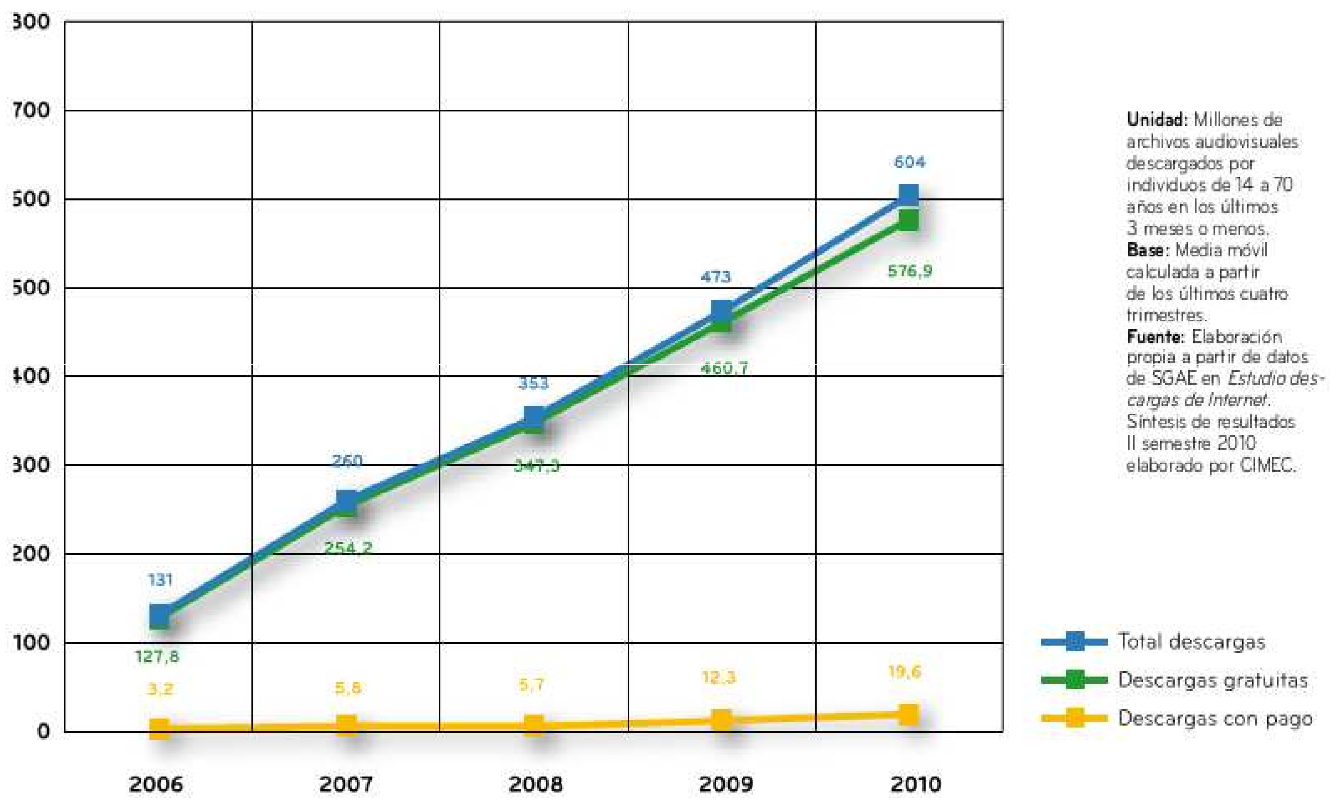
They all aim to attract advertising + subscriptions, but none of them produce professional content

The great risk: unsustainable system

- **Cine and TV cannot generate contents and profits for all.**

The audio-visual piracy problem
SGAE 2011 Annual Report data

GRÁFICO 19 **Descargas de archivos de películas (millones). 2006-2010**



Musical piracy
SGAE 2011 Annual Report data

GRÁFICO 15 **Evolución de la descarga de archivos musicales (millones). 2006-2010**

Unidad: Millones de archivos digitales descargados en los tres últimos meses por Individuos de 14 a 70 años usuarios de Internet.
Base: Media móvil calculada a partir de los últimos cuatro trimestres.
Fuente: Elaboración propia a partir de datos de SGAE en *Estudio de Descargas de Internet*, realizado por CIMEC.

Convergence and connected TV

The major questions related to connected TV:

Advertising + payment: will income grow or will more agents share a non-elastic market?

Hyper-regulated TV vs non-regulated online audio-visual sector:

Will the same rules apply to all agents?

Will digital piracy increase in connected TV?

Functions of public TV and national film industry: should they be financed by commercial TV companies?

Who will supply high-quality professional production besides the film industry and TV?

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