INDIA, SOUTHEAST ASIA THE KEY TO ASIA'S PAY-TV PROSPECTS

- India, Southeast Asia to account for 90% of growth in Asia ex-China
- North Asia will remain vital
- Execution, investment, packaging / product innovation critical to the future

(Hong Kong, April 24, 2012) The key to the future growth and value of Asia's pay-TV and broadband industries is dependent on the next five years of development in India and Southeast Asia, according to a new report published today by Media Partners Asia (MPA). The report, entitled *ASIA PACIFIC PAY-TV & BROADBAND MARKETS 2012,* provides analysis and forecasts across pay-TV and broadband industries in 16 Asian markets. Commenting on the findings, MPA executive director Vivek Couto said:

> Pay-TV in India and Indonesia is growing at a rapid pace, with competition intensifying and structural dynamics changing, while direct-to-home (DTH) satellite platforms are emerging as key gatekeepers to future distribution value. Similar trends are occurring, though with less intensity, in markets such as Malaysia, Philippines, Thailand and Vietnam. The key to drive future growth in these markets will depend on ground execution and access to capital, with investors chasing higher returns due to the increasing cost of capital and volatility in risk / reward ratios.

MPA analysis indicates that the pay-TV market in Asia Pacific added 35 million net new pay-TV subscribers in 2011. Excluding the utility-driven China market which remains largely out for reach for global media investors, the region added 15 million new subs. Ex-China, India accounted for than more 60% of the new growth in 2011, with Southeast Asia contributing 15%, led by Indonesia with 5%. North Asia remains significant, contributing 17% to net additions in Asia ex-China in 2011, driven by Korea at 11% (fueled by DTH and IPTV).

MPA projections indicate that between 2011 and 2020, the market for pay-TV in Asia will see 318 million-plus net new additions, or 125 million in Asia ex-China. South Asia's (i.e. India, Pakistan, Sri Lanka) contribution to new growth ex-China will be more than 75%, with Southeast Asia representing 15% (led by Indonesia at 5%) and North Asia coming in at 8%. In addition, digitalization will have a major impact on industry growth in India, Japan, Korea, Malaysia, the Philippines, Thailand, Vietnam and Taiwan, as operators invest more in upgraded networks to support new services, volumes and higher ARPUs.

Encouragingly, the consumption of TV content and linear channels remains stellar in India and Southeast Asia. India is set to undergo a massive digitalization process that will drive value across the industry ecosystem, but it is a process that will require strong execution and high levels of funding. Multiple new operators are entering Indonesia's pay-TV market, while incumbents are also consolidating and accessing capital markets to fund future growth. In Thailand and Malaysia, new entrants and existing incumbents could drive large-scale growth but there is a significant risk on ground execution.

The growth of disposable incomes and higher GDP-per-capita levels will make pay-TV more affordable across Asia Pacific. This, combined with more competition, mass-market oriented strategies and better packaging will also reduce pay-TV costs for consumers.

As per MPA forecasts, pay-TV subscribers in Asia Pacific, including China, will grow at a fairly rapid pace, climbing from 411 million in 2011 to ~602 million by 2016 and ~695 million by 2020, while digital pay-TV subs for the same period will almost treble from ~203 million in 2011 to more than 623 million by 2020. Fixed broadband homes will grow from more than 251 million in 2011 to more than 421 million in 2020. Total broadband users, powered by mobile, will swell from 396 million in 2011 to 866 million by 2020.

MPA projections measure pay-TV penetration after accounting for households that opt for multiple services. On this basis, pay-TV penetration in Asia Pacific topped 50% in 2011, and could grow to 62% by 2016 and 67% by 2020; in Asia ex-China, pay-TV penetration is expected to grow from ~52% in 2011 to 64% by 2020. Digital pay-TV penetration will grow rapidly, driven by China, India and accelerated migration in North Asia, reaching 60% in 2020 versus 23% in 2011. The level in Asia ex-China will reach 47% by 2020 versus only 18% in 2011.

MPA sees future industry revenue prospects as robust though not optimal, as various structural, competitive and regulatory dynamics will limit consumer spends on pay-TV though volumes will grow at a rapid pace. The market for local pay-TV advertising is buoyant, driven by China, India, Japan, Korea and Taiwan. Advertising prospects in Southeast Asia have yet to reach their potential due to low levels of penetration, but this will change over time as pay-TV consumption increases along with viewership, boosting advertising sales on local channels in particular.

MPA forecasts indicate that pay-TV industry revenues will grow at a 9% CAGR over 2011-16, and at 7% between 2011 and 2020, with subscription revenue CAGR at 11% and at 9% for the respective periods, and advertising at 10% and at 8%. Total pay-TV industry revenues will top US$65 billion by 2016, and grow to US$81 billion by 2020. China, India and Japan will remain the three largest markets, contributing 36%, 19% and 17% respectively to industry sales by 2020, with Southeast Asia at ~10%, Australasia at ~9% and Korea at 6%.

Critical to the future, especially for pay-TV distribution platforms, is packaging and product innovation. Globally, operators have experienced success from a simple approach towards packaging pay-TV services, combined with affordable and premium options and value-added services (VAS). This is increasingly the trend in growth-oriented markets such as India and Indonesia. In maturing markets, such as Hong Kong, Singapore and Japan packaging is over-complicated, often unable to serve both the premium market and capture new mass market growth. In time, some of these markets will transition to a simpler and more effective consumer proposition.

Also important is product innovation. Fiber deployment, which supports sufficient speeds for quality online video, grew 27% in 2011 to reach less than 70 million homes, still only 7% household penetration, though this is expected to double to 15% over the next decade, implying a base of more than 160 million This should be an opportunity rather than a threat for pay-TV operators, especially those who continue to invest in network and content for product innovation.

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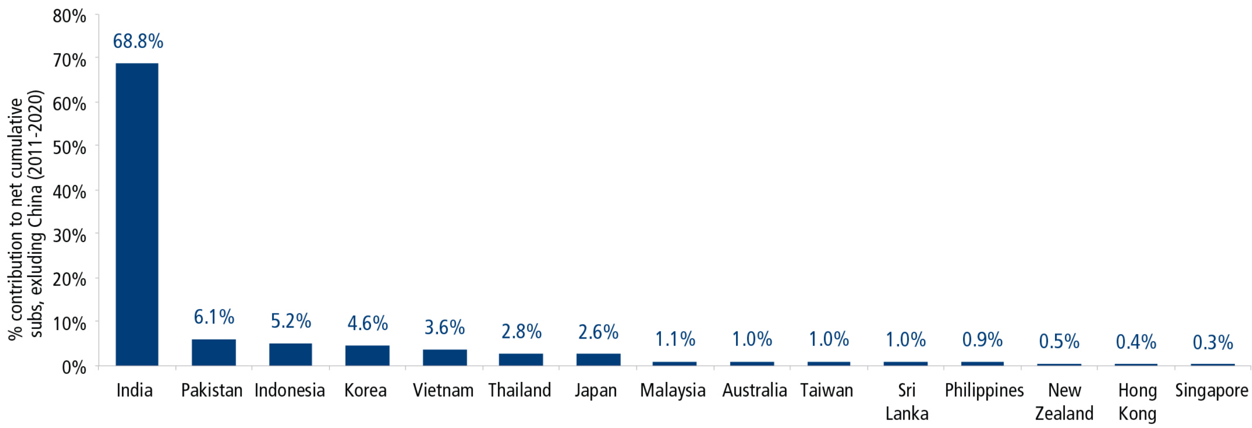
The Largest Contributors to Pay-TV Growth in Asia ex-China, 2011 - 2020



Source: Media Partners Asia

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For further information, please contact Client Services Manager

Lavina Bhojwani at lavina@media-partners-asia.com