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MORE VALUE & GROWTH FOR INDONESIA'S TELEVISION INDUSTRY

(JAKARTA, MARCH 1, 2012) A new report published today by Media Partners Asia (MPA) predicts that Indonesia's television industry will maintain its high growth phase with value creation likely to increase in the years ahead.

The report is entitled **Indonesia's Television Industry – The Next Five Years**.

Indonesia's TV industry, including advertising and subscription revenues from free-to-air TV and pay-TV, grew by 20% to reach US$1.5 billion in net terms during 2011 with EBITDA expanding by 25% to reach US$510 million, a 34% margin. Forecasts from MPA indicate that the revenue pie will grow at a CAGR of 18% to 2016, reaching US$3.3 billion with free TV contributing US$2.5 billion and pay-TV, US$0.8 billion.

"The high growth story is attractive for international investors, especially PE firms who have taken up positions in free TV, pay-TV and broadband assets," said Vivek Couto, MPA executive director. "Media equities have also outperformed most of MPA's Asia media indices in 2011 and 2012 with the average market value of Indonesian media companies approaching US$2 bil. More transactions across both free and pay-TV are expected this year, while we eventually see more consolidation and M&A across pay-TV and free TV markets in the medium term."

Key drivers of the market include:

- **Economic growth.** The economy is anchored to strong domestic demand; real GDP will grow by 6-7% over the next five years while disposable incomes will also climb at a significant pace.

- **A stellar advertising story.** Net advertising revenues will grow at 15% CAGR over the next five years, the highest in Asia Pacific, reaching US$3.6 billion by 2016, still only 0.2% of GDP. Key drivers of advertising include: (1) Robust spends from multinationals and local brands across multiple categories; (2) Growing audiences for TV content and online, the two fastest-growing media over the next five years; and (3) Rate card increases across the TV market as demand continues to outstrip supply. TV, driven by the dominance of free TV, will have approximately 70% of the ad market by 2016; print, 20%; and online, 6%.

- **A more dynamic TV ecosystem.** TV advertising will grow at 16% CAGR to 2016, reaching US$2.5 billion in net terms. Such operating leverage will also reflect improved content and operating dynamics as TV stations invest in more studios and improved synergies to ramp-up local production across a variety of genres.

- **Pay-TV growth.** MPA forecasts indicate that the market for pay-TV will reach 5.5 million subscribers by 2016, 14% penetration of TV homes with ARPU at US$12 per month. Key drivers of market growth include macro trends built around higher disposable incomes and rising middle classes. In addition, leading players will continue to invest significantly in sales, distribution and content while new entrants will boost overall prospects.

Hong Kong / Suite 13A, 50 Stanley Street, Central, Hong Kong / Tel: +852 2815 8710 / Fax: +852 2815 8730
Singapore / 37 Cotswold Close, Singapore 359627 / Tel: +65 6281 6081
info@media-partners-asia.com
www.media-partners-asia.com

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For further information, please contact Client Services Manager Lavina Bhojwani at lavina@media-partners-asia.com

Hong Kong / Suite 13A, 50 Stanley Street, Central, Hong Kong / Tel: +852 2815 8710 / Fax: +852 2815 8730
Singapore / 37 Cotswold Close, Singapore 359627 / Tel: +65 6281 6081
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