

NEWS AND DATA ON DIGITAL TERRESTRIAL TV FROM ITALY AND EUROPE

FIRST ROME, THE DIGITAL CAPITAL OF EUROPE, AND NOW CAMPANIA

Transition to digital is not yet completed in Rome and Lazio, but Naples and Campania are already gearing up for switch-off on the 1st December. The south of Italy is well and truly part of the revolutionary process of TV digitalization. And in this process new records have been set: over 1.7 million receivers were sold in September and DTT audience share in October has overtaken the 20% mark. At this rate, by the end of 2009, it is likely that DTT penetration will have overtaken the 60% mark in Italy as a whole, meaning it will have doubled its presence in just one year.

But in the face of this change there have been criticisms, some of which unfounded and lacking in substance, claimed by those who believe that the occasional inconvenience of this process outdoes the benefits. In view of these criticisms it is important to clarify that, despite the minor difficulties incurred by a few who are experiencing problems in signal reception (due to re-tuning or antennae faults), 95% of Italians have, thanks to switch-off, seen a huge increase in the free TV offer as well as having access to new opportunities and services. It is important to underline that it is thanks to the digital transition process and the compliance to commitments made by the Government, institutions and broadcasters, that Italy is today the European forerunner of digital TV.

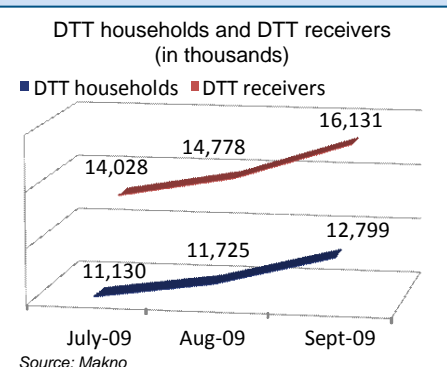
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DTT PENETRATION

DTT HOUSEHOLDS REACH 12.8 MILLION

According to the latest data provided by Makno, the number of DTT households (those with at least one DTT receiver in the main family home) had reached approximately 12.8 million at the end of September 2009. An increase of over 1 million units compared to August figures. This implies a net addition of over 5 million DTT households since the beginning of the year. In September, the overall number of DTT receivers in main households stood at 16,131,113 implying a growth of 1.3 million units in just one month.

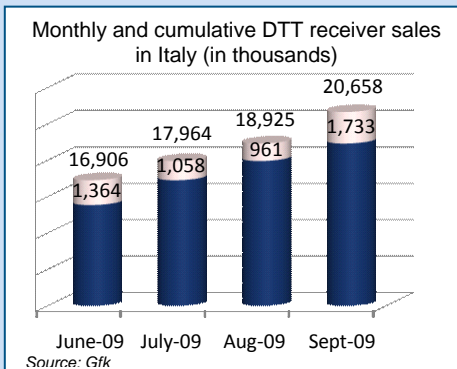


SALES OF DTT RECEIVERS

A RECORD 1.7 MILLION RECEIVERS SOLD

Sales of DTT receivers, also thanks to switch-offs, saw a significant growth in September with over 1.7 million units sold. Of these 35% (approx. 612,000) were integrated while the remaining 65% were external STBs.

The cumulative sales of DTT receivers sold since February 2004 has overtaken the 20 million mark, standing at 20,657,956. Of these 56.8% (11.7 million) are stand-alone STBs and 43.2% (8.9 million) are integrated receivers.



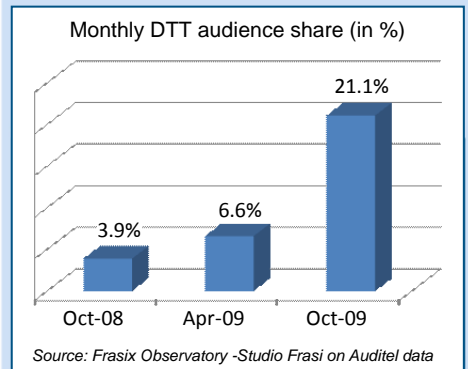
DTT AUDIENCE FIGURES

ITALY, DTT SHARE OVER 20%

For the first time DTT audience share in Italy overtakes the 20% mark.

Italians are quickly adapting to the new technology and in October DTT audience share rose from 18.4% to 21.1% registering a growth of 14.9%.

Satellite audience share remained stationary at 15.4% meaning the gap between the two has doubled, increasing from 2.9 to 6 percentage points. According to Studio Frasi's Digital Transition Observatory data, the use of DTT on a national scale has risen more than fivefold in one year.



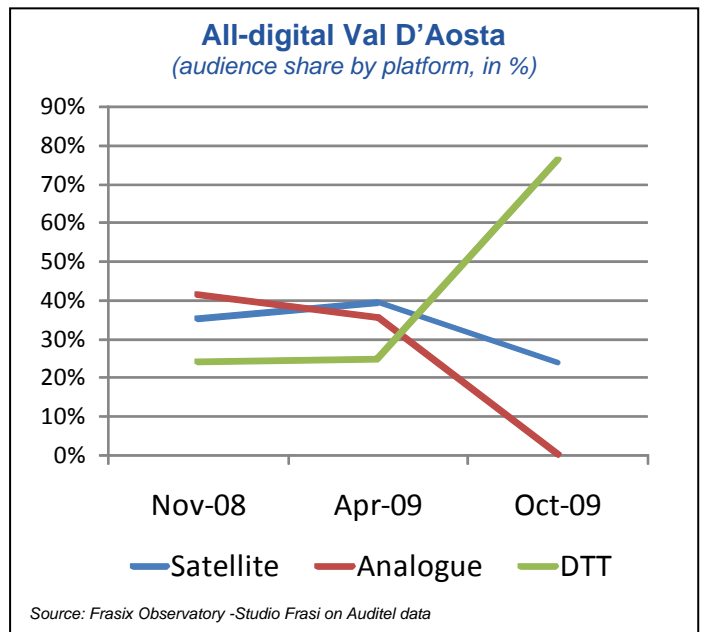
DIGITAL TERRESTRIAL TV VIEWING

(by Studio Frasi)

DTT AND THE VAL D'AOSTA EXAMPLE

As more and more geographical areas are involved in the digital transition, the DTT audience share has increased considerably and become significantly higher than for other digital platforms. Satellite (both Free-to-Air & Pay) is not increasing with the same vigour, and the gap between the two digital platforms is growing as switch-offs progressively take place. The region with the highest satellite audience share is Val d'Aosta, which switched-off last September: in April 2008 the regional satellite share was 42.2% and has now dropped to 23.6%, whereas DTT has risen to 76.3%, double the figure produced by analogue TV before transition.

Other regions are following the same trend. In Piedmont, for example, analogue TV audience share decreased from 79.3% to 28.1% between June 2008 and October 2009, satellite went from 14.8% to 13.8% and DTT from 5.2% to 57.4%. In one year, on a national level, analogue TV has dropped by 20% and satellite by 3.4%, whereas DTT has grown fivefold.



NEW IN ITALY

SWITCH-OFF IN LAZIO AND CAMPANIA

LAZIO

Monday the 16th November saw the switch-off of analogue TV in Rome and 163 other municipalities, among which Latina and Frosinone. Over 2 million households were involved in the first 2 days affecting 90% of the regional total. The call-centre set up by the Ministry saw a peak of 92,000 telephone calls on the first day, which dropped to 32,000 on the second day and to 13,800 on the third. Only 30% of calls required technical assistance or help with re-tuning.

The region was already highly digitalised (over 80% of households) before switch-off. Information provided was also widespread with only 3% of those interviewed stating to be unaware of the transition (Makno survey 6th-9th Nov. 2009). Once the transition is completed a total of 5.4 million individuals (2.3 million households) will have switched to digital with 1,229 transmitters involved. This was the first switch-off in Europe to be undertaken in such a densely populated area and on such a large scale (495 transmitters involved in Rome alone and 70 regional and national broadcasters): in Berlin, for instance, only 9% of the population relied on terrestrial TV only.

Switch-off in Lazio (excluding part of the Viterbo province) was completed on the 30th November with the last phase involving the province of Rieti and a number of municipalities in provinces of Latina and Frosinone.

CAMPANIA

Campania is approaching its definitive switch-off. Between the 1st and 16th of December analogue transmitters will be progressively converted to digital according to a defined area schedule. Transition will be supervised by a task force from the Department of Communication of the Ministry for Economic Development, which will operate on location in collaboration with the Campania Regional Administration. As from the 16th December TV in Campania will be completely digital.

Here is the scheduled switch-off calendar:

- ✓ 1st and 2nd December: Naples and province, Caserta and province;
- ✓ 3rd and 4th December: Salerno and part of the province;
- ✓ 9th and 10th December: Avellino and province, Valle dell'Irno municipalities;
- ✓ 11th December: Benevento and province;
- ✓ 14th December: Vallo di Diano municipalities;
- ✓ 15th December: Cilento municipalities.

Following the digital transition of Rai2 and Rete4, which took place on the 14th October, the overall penetration of digital TV in the Campania region as a whole stood at 87.6%, with DTT standing at 77.2% (source: Makno research, during the week 23rd - 30th October).

SWITCH-OFF IN TRENTINO AND ALTO ADIGE: AN ADDITIONAL 420,000 ALL DIGITAL HOUSEHOLDS

Between the 15th and 27th October, Trentino was the third area in Italy to switch to digital after Sardinia and Val d'Aosta: the transition started in Valli Giudicarie (with 22,000 people involved on the first day) and was completed in Trento and surrounding areas: this was the largest switch-off area in the region involving half the population of Trentino, around 240,000 people. A total of 888 transmitters were involved.

A more than positive appraisal for the Autonomous Province of Trento according to which the population was well-prepared for switch-off: a research undertaken by the University of Trento estimates that over 90% of the population was "well-informed" about the transition and only 1% was not aware of it. Furthermore DTT penetration was estimated at over 80% even before switch-off. The Trento Province guaranteed free on-site assistance to the elderly (to connect receivers and tune the channels) which was provided by the Consolida and Cla consortiums: out of 2,696 phone-calls received by the free-phone call centre, 1,341 assistance services were provided.

From the 28th October to the 11th November 2009 it was Alto-Adige's turn, with 200,000 households and 976 transmitters involved. Despite the winter weather during the second week, the schedule established by the Ministry for Economic Development was maintained and transition was carried out overall without any particular difficulties. The RAS call centres registered around 1,800 phone-calls during the 15 switch-off days. Of these, 30% concerned problems with RAI reception (due to the changes to the VHF band to comply with European norms), 29% had problems tuning channels following the switch to digital and 19% had faulty antennae or poor reception. DTT penetration following switch-off is estimated at 95%.

DTT PAY-TV SERVICES IN EUROPE

With the recent launches in Spain and Germany all main European countries now offer DTT Pay-TV services as well as free-to-air TV. In general, aside from the specific nature of the various offers, these services are characterised by greater configuration flexibility and a lower subscription cost compared to the “mainstream” Pay-TV services generally provided via cable or satellite.

In the **UK**, after the recent bankruptcy of Setanta, the only Pay-TV operator on DTT is Top Up TV. Launched in 2004 as a bouquet of linear Pay-TV channels, since 2006 Top Up TV has redesigned its offer adopting a push-VoD model. With a monthly subscription payment of £10,99 (which can be renewed on a monthly basis) Top Up TV now offers unlimited access to a catalogue of on-demand programmes for a total of around 700 titles a month. Programmes are loaded over night onto the hard drive of the customer’s Set-Top-Box and renewed periodically. As well as the basic on-demand offer, Top Up TV also provides two additional premium services; Picture Box (a catalogue of on-demand films) and ESPN (a linear sports channel). Despite the early launch of this service and the huge range of content, Top Up TV has, so far, not succeeded in significantly penetrating the Pay-TV market: currently its subscribers are less than 400,000.

Pay-TV offers on DTT in **France** have been more successful. The main operator is Canal Plus which provides two diverse, yet complementary, DTT services. The first, called “Canal Plus Le Bouquet”, is a premium package of three channels (Canal Plus, Canal Plus Cinema and Canal Plus Sport) primarily focused on films and sport events, available at the cost of € 30/month. The second option is CanalSat, available for a cost of €12.90/month and comprises five basic channels: the mini generalist TF6 and Paris Première, the news channel LCI, the documentary channel Planète and Eurosport. As well





as Canal Plus, other DTT Pay-TV services are offered by TV Numeric and TNTop (the French branch of Top Up TV). Their offer is similar to that of CanalSat (the same five channels). According to e-Media Institute estimates, the overall number of Pay-TV subscribers in France stood at around 830,000 in mid 2009, the majority of which were to CanalPlus.

Out of the countries considered, **Italy** is by far the one where Pay-TV services have had the biggest success. To date there are two main services, Mediaset Premium and Dahlia TV (ex La7 Cartapiù), which are joined by others such as Glamour Plus, Nitegate (Profit Group) and Conto TV. Launched in January 2005 as a pure Pay-Per-View service focused on football events, Mediaset Premium has progressively broadened its offer to include entertainment programmes (the Gallery package with films and TV series) and kids’ programmes (Fantasy package). The services are available both on subscription or pre-paid basis. The new Push-VoD service, Premium On Demand, was launched a few days ago providing a catalogue of 50 films a month which are up loaded onto the receivers equipped with a hard disk. The second service, Dahlia TV, focuses on sports, adult-only content and documentaries.

According to Mediaset quarterly reports, Mediaset Premium counted approximately 2.9 million active cards on the 30th September 2009. Dahlia TV is also growing: launched in March 2009, by June it already had over 300,000 clients.

Spain is the latest country to have launched Pay-TV services on DTT. To date the only offer available is Gol TV (controlled by La Sexta), a premium channel dedicated to important sports events. Two months since being launched the channel already has 930,000 subscribers of which over 100,000 just on DTT.

The main DTT Pay-TV services in Europe

Country	Operator	Name of service	Content / offer	Subscriptions / users
	Canal Plus Groupe	Canal + le Bouquet	3 premium channels (mainly films and sport)	Around 830,000 in all, by mid 2009 (e-Media Institute estimate)
		CanalSat	5 basic channels (entertainment, documentaries, news)	
		TV Numeric	5 basic channels (entertainment, documentaries, news)	
		Vestavision	TNTop	
	Mediaset	Mediaset Premium	A range of offers available: Premium Gallery (films and TV series), Premium Calcio (football), Premium Fantasy (kids).	2.9 million active cards on the 30 th September 2009
	Dahlia TV	Dahlia TV	TV channels (sport, documentaries etc.) + PPV services dedicated to football and adult-only content	Over 300,000 clients by June 2009
	Top Up TV	Top Up TV	On-demand programmes on PVR (Push VoD) + premium options for film and sport	Under 400,000 (e-Media Institute estimate)
	La Sexta	Gol TV	Premium channel dedicated to the main sports events (including La Liga national championship)	930,000 of which 100,000 on DTT

Source: e-Media Institute on operators’ data – various sources.

DIGITA

Issue n. 16 – Rome Tribunal authorization n° 218/2008 dated 30th May 2008.
 Publisher: Associazione DGTVi, with headquarters in Rome, Viale Regina Margherita 286, C.F. 07760701008, email: newsletter@dgtvi.it
 DGTVi partners: Aeranti-Corallo, Dfree, FRT, Mediaset, Rai, Telecom Italia Media.
 Chief Editor: Egidio Viggiani
 Collaborators: Fabio Carera, Carlotta Ca’ Zorzi, Teresa Damato, Vito Di Marco, Tonio Di Stefano, Alberto Sigismondi, Elena Cappuccio, e-Media Institute, Studio Frasi.

