

NEWS AND DATA ON DIGITAL TERRESTRIAL TV FROM ITALY AND EUROPE

AFTER ACHIEVEMENTS IN 2009, 2010 IS SET TO BE EVEN MORE DECISIVE

This issue of Digita comes at the end of the year that marked the definitive turning point and confirmation of the digitalisation process of TV in Italy. Just one year ago very few people would have laid their stakes on the milestones that have actually been achieved: two out of three Italian households have a DTT receiver, 30% of Italy has already been digitalised, the country leads Europe in terms of the number of all-digital inhabitants, 2.7 million receivers were sold in just one month and DTT already has 25% of audience share.

This has been achieved thanks to all those who have taken part in this process with passion, both institutions and businesses, but above all it is thanks to the consumer who, despite inevitable temporary inconveniences, has reacted to the transition more positively than expected.

And it is because of deep respect for the consumer that a few issues still need to be solved: channel numbering, allocation of frequencies for northern Italy and the provision of post-switch-off information and assistance. All this to take on an even more decisive time in 2010. Many Digital Seasonal Greetings to all !

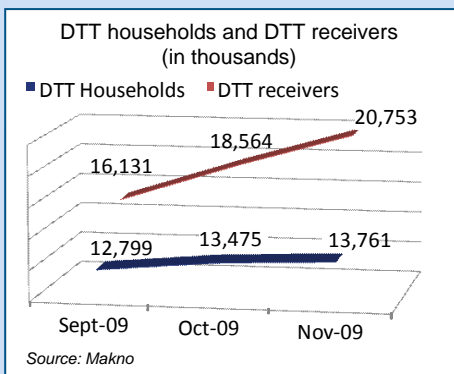
CONTENTS

- ➔ THE LATEST DATA ON DTT IN ITALY..... 1
- ➔ DTT AUDIENCE SHARE 2
- ➔ SWITCH-OFF IN LAZIO AND CAMPANIA.....2
- ➔ MEETING BETWEEN THE 2010 REGIONAL TASK FORCES AND THE CNID TO SET THE CALENDAR FOR 2010 2
- ➔ COMPARATIVE ANALYSIS: CRITICAL ISSUES OF DIGITAL TRANSITION.....3

DTT PENETRATION

13.8 MILLION DTT HOUSEHOLDS

According to the latest data provided by Makno (based on a survey of 3,000 sample interviews) the number of DTT households (those with at least one DTT receiver in the main family home) has nearly reached the 13.8 million mark, implying a growth of 300,000 units with respect to October. A substantial number of receivers are brought to convert secondary TV sets, meaning that the number of DTT receivers grows at a faster rate than DTT households, standing at 20.7 million units in November (+2.2 million in one month).

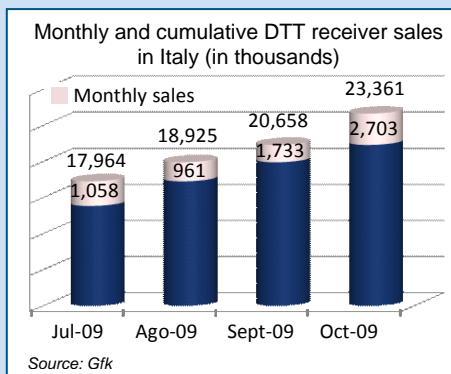


SALES OF DTT RECEIVERS

2.7 MILLION RECEIVERS SOLD

Sales of DTT receivers, also thanks to switch-offs, saw an impressive growth in October with around 2.7 million units sold. Of these approx. 818,000 (30%) were integrated receivers whereas over 1.8 million were external STBs.

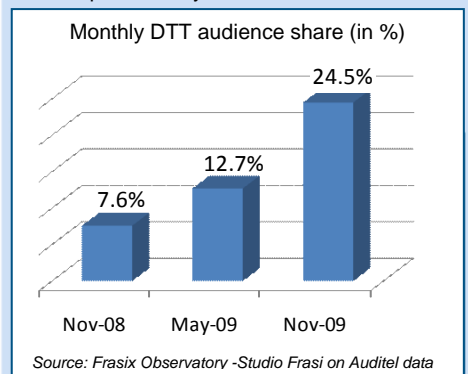
The cumulative sales of Digital Terrestrial TV receivers sold since February 2004 has reached 23,361,000. Of these 58.3% (13.6 million) are stand-alone STBs whereas the remaining 9.7 million are integrated receivers.



DTT AUDIENCE FIGURES

DTT SHARE CLOSE TO 25%

DTT audience share reached 24.5% in November gaining 3 percentage points a month since last August compared to a stationary satellite (15-16%) and IPTV (0.3%) audience share – source: AGB-NMR, Studio Frasi processing on Auditel data. Since last September, when it overtook satellite, DTT is the primary digital platform in terms of consumption on a national level. November also saw a drop in analogue terrestrial TV share, which fell below the 60% mark. With switch-offs taking place in large areas (Val d'Aosta, Western Piedmont, Trentino Alto Adige, Lazio between September and November) the moment is drawing closer in which analogue TV will be overtaken and DTT will become the primary platform for TV consumption in Italy.



DIGITAL TERRESTRIAL TV VIEWING

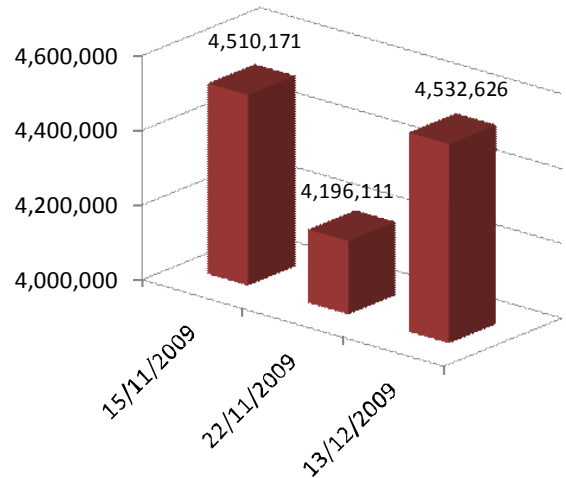
(by Studio Frasi)

December brought to completion the wave of 2009 switch-offs which, since September, has involved over 6 million households. In December Lazio and Campania with their high population density (3.7million households for a total of 11 million individuals involved) acted as important testing grounds.

Viewing figures for the first few days reflected the complexity of such a large scale process, also noted by the number of enquiries received by the call centre setup by the Ministry for Economic Development-Communication Dept: with -21% TV viewing on the first day of switch-off in Lazio (which also involved Rome) and -13% in Campania (involving Naples). However, just a few weeks after switch-off (the process took two weeks in each area) this drop in viewing figures was already much more contained: on the 12th December daily average viewing in Lazio registered -3% whereas on Sunday the 13th viewing was above average (+9%).

The normalisation of TV viewing is also confirmed by TV reach figures (the number of individuals who connected – for at least 60 seconds - to TV): on Sunday the 13th December around 4.5 million inhabitants of Lazio tuned into TV via a digital receiver, a similar figure to that registered on the 15th November (the day before switch-off). Between the 2nd and 12th December TV reach figures went from -13% to -7%, meaning that viewing patterns returned to normality more rapidly.

Lazio: pre & post switch-off reach



Source: Studio Frasi processing on Auditel, Agb-Nmr data.
Note: data refer to the number of individuals who connected – for at least 60 seconds - to TV.

NEW IN ITALY

SWITCH-OFF IN LAZIO AND CAMPANIA

The 15th December saw switch-off in Campania, the last transition to be completed in 2009 and also the most significant in terms of number of people, transmitters and broadcasters affected to date, both in Italy and in Europe: the process involved a total of 5.8 million inhabitants, implying 1.8 million households in the 551 municipalities of the Campania region as well as 190,000 individuals (76,000 households) which were affected in 71 bordering municipalities and a further 1,283 transmitters. The region was divided into six technical areas starting with the provinces of Naples and Caserta which alone involved over 80% of the total population of the Campania region and took place on the 1st and 2nd December. Switch-off was smoothly undertaken both from a technical point of view and from the point of view of the consumer: the call centre set up by the Ministry was operative for the entire switch-off period and received a total of 90,000 calls, the majority of which required tuning assistance and coverage information. Of the 142,000 citizens eligible for a 50€ state subsidy for purchasing an interactive receiver, around 30,600 had used it by the 15th December. These go in addition to the 63,250 subsidies awarded between 2004 and 2005, when it was open to all citizens.

Another important switch-off was completed on the 30th November in Lazio and the city of Rome, involving 5.3 million individuals, 2.3 million households and 1,229 transmitters in the 318 Lazio municipalities. Four transition areas were identified in Lazio where, similarly, the first few days involved the main city (Rome) implying 90% of the region's population. Of the 130,000 inhabitants of Lazio, eligible for state subsidies for the purchase of a receiver, on the 30th November only 19,000 had used it, though to this figure one must add the 271,000 from the years 2004/2005. In Lazio, perception of the transition process by the consumer was a little more critical: on the first day of switch-off in Rome a record number of 92,000 calls were received by the Ministry's call centre. However, the situation quickly returned to normal over the following few days. The percentage of households which chose to convert to DTT was very high: 92.7% of households had at least one DTT receiver after switch-off, with an average of 2.2 receivers per household.

The big 2009 switch-off calendar had in fact started in September with Val d'Aosta, Western Piedmont and Trentino Alto Adige and was then followed by Lazio and Campania. It took place over a period of 90 days involving 15.3 million inhabitants in 4 regions and 2 autonomous provinces, equal to approximately 30% of the entire population of Italy. It affected a total of 6,155 transmitters and 279 broadcasters (both national and regional) with 949 retailers officially qualified to accept the state subsidies: by December 15th 2009, 82,000 subsidies had been awarded. Despite the scale of this transition process, the reaction of the consumer was very good: 990,000 calls were made to the Ministry's call centre requiring technical assistance or help with tuning. DTT penetration in all-digital regions is over 90% and in the country as a whole has overtaken 60% of individuals.

MEETING BETWEEN THE 2010 TASK FORCES AND THE CNID: SCHEDULING FOR 2010

Just as switch-off was concluded in Campania, on Wednesday 26th December the Department of Communication brought together in Rome the Task Forces of the all-digital regions scheduled for switch-off in 2010 and the CNID (National Committee for Digital Italy). The regions involved in switch-off in 2010 (Lombardy, Emilia-Romagna, Veneto, Friuli Venezia Giulia, Liguria and Eastern Piedmont) met for the first time in order to coordinate operational activities.

The first issue to be raised by the Vice Minister Paolo Romani, who was overseeing the Task Forces, was the actual switch-off calendar. The National Calendar for digital transition defined in September 2008 by means of a Ministerial Decree, had planned for Lombardy and Eastern Piedmont to switch-off during the first semester 2010 and Emilia Romagna, Veneto, Friuli Venezia Giulia and Liguria during the second semester.

The first half of the year will however see regional elections on the 28th March and the World Cup football matches between 11th June and 11th July; two important events that make it difficult for switch-off operations to take place at this time. During the Task Force and CNID meeting, broadcasters expressed their requirements.

The tight technical interdependency between regions located in the Po Valley, implies that plans for switch-off in Lombardy, Piedmont, Emilia, Veneto and Friuli must be undertaken in a temporal sequence that reduces interference problems to a minimum. These technical requirements mean that this macro switch-off area will be scheduled for the second semester 2010. The definitive calendar for digital transition in 2010 will be decided officially during the next CNID meeting on the 21st January.

A great start for TivùSat. By the beginning of December 570,000 TivùSat cards had been requested since the service was first activated (at the end of July 2009). These numbers were provided during a press conference to introduce the platform in Campania in the presence of the Tivù Managing Director Alberto Sigismondi, the Marketing Director, David Bogi, the Chief Director of Rai Naples, Francesco Pinto, and the Press and Information Coordinator for Regione Campania. The free-to-air satellite TV platform created by Tivù, a partnership between Rai, Mediaset and Telecom Italia, is moving fast towards its aim of serving that 5% of the population not covered by terrestrial TV. The request for TivùSat decoders, available from 89 Euros, has also been significant.

CRITICAL ISSUES OF DIGITAL TRANSITION

In all the main countries that have started or concluded a digital transition process, various critical areas can be highlighted at different levels. Aside from the individual aspects, there are common denominators to all countries, which show how a certain degree of inconvenience and the subsequent need for a period of assessment are physiologically embedded in a complex process such as switch-off: from the consumers' point of view the main critical issues concern:

- ✓ The level of information received (switch-off date, necessary actions for technical compliance, availability of subsidies etc.);
- ✓ Digital TV adoption (conversion of main and secondary TV sets, other devices);
- ✓ Adjustment of TV antennae, where necessary;
- ✓ Channel tuning.

In this sense **the U.S.A.** case history provides some particularly interesting information. Initially scheduled for the 17th February 2009, analogue switch-off was postponed by four months due to the high number of households still unprepared for the event. On the 12th June, definitive switch-off date, households not yet equipped with DTT were approximately 2.5 million equal to 20% of overall households relying on terrestrial TV only (approx 12 million). This figure progressively decreased during the weeks following switch-off.

On the 4th October, over three months after switch-off, the number of unequipped households had gone down to 550,000, mostly comprising young individuals on low incomes from ethnic minority groups and less prone to technology. Of households that turned digital after switch-off around 75% bought a DTT receiver whereas the remaining 25% opted for cable or satellite TV.

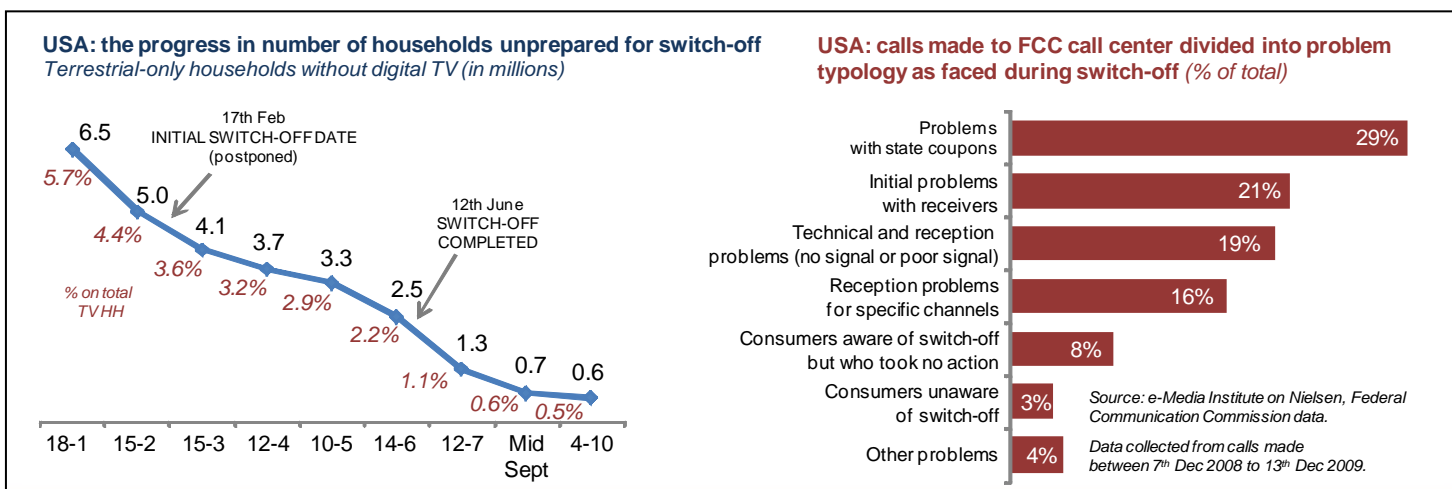
The consumer helpline set up by the FCC Authority registered over 4 million calls between July 2008 and December 2009 with a peak of 900,000 during switch-off week. Of the total calls received the largest proportion (29%) concerned problems with coupons (the 40\$ state subsidy provided as an incentive for the purchase of receivers) stating they had not received it or had problems requesting it. 21% and 19% of calls respectively concerned technical problems with STBs and problems with reception. The level of information was overall seen as good; only 3% of calls came from people who were not aware of the transition and these were mostly concentrated in the weeks prior to the first switch-off date which was

then postponed. The necessary assessment period following switch-off also had an effect on audience figures. During the two weeks following switch-off the audience share of TV channels that had switched to digital saw a drop of 8.4% compared to the two weeks prior to switch-off (source: The Nielsen Company). Around 50% of this can be attributed to the lack of consumption by households completely unprepared for transition to which one must add the drop caused by households who had not yet converted all TV sets to digital.

In **Spain** it is only recently that Phase I of the digital transition schedule has been completed. Phase II and III will respectively be completed by the end of December 2009 and April 2010 (when analogue will cease to transmit). As far as Phase I is concerned, which involved 5.2 million individuals, calls to the free-phone number set up by the Ministerio de Industria, Turismo y Comercio were approximately 116,600. The largest proportion (29%) concerned DTT coverage. 13% and 11% respectively concerned DTT equipment in general and requests for information on antennae adjustment. A further 11% had problems with reception. According to data provided by the Government, the level of DTT awareness on a national level stood at 98.6% of individuals (November 2009) with a 99.2% peak in the regions involved in Phase I.

Also in November, 85.4% of Spanish households had access to DTT channels (even if through other platforms): the figure is higher if considering households involved in Phase I (94.5%) and around ten points lower for those in Phase II (83.7%) and Phase III (84.3%). The percentage of households declaring to have suitable antennae for reception is growing and has reached 97.5% for those in Phase I.

Prior to the first regional switch-offs, **the UK** carried out two, small scale, pilot switch-off schemes in the town of Copeland and in the Scottish Borders region. The main critical issues concerned the difficulty in tuning and a degree of confusion on eligibility for state subsidies. The first larger scale switch-offs were completed in the West Country, North West and in part of Wales. The main problems were temporary loss of signal and reception of different regional channels to one's own. Other than problems linked to switch-off a few inconveniences emerged in September when Freeview undertook a national upgrade that forced around 18 million households to re-tune their DTT receiver. The move caused around 500,000 households to lose channels such as ITV3 and ITV4 creating widespread protests on behalf of consumers.



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