DIGITA

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NEWS AND DATA ON DIGITAL TERRESTRIAL TV FROM ITALY AND EUROPE

THIS IS WHY ITALY IS DIGITAL

This special issue of Digita, on occasion of the 5th national Congress on DTT, summarises the facts and figures collected for the fourth report on digital TV in Italy and Europe. Of the many statistics available, which show a significant growth in the penetration and audience share of digital terrestrial TV, there is one particularly striking element: the estimated projection for Italy in less than seven months, once transition to digital is completed in six regions of northern Italy.

By the end of 2010 almost 85% of the population will be equipped with a DTT receiver. This is why Italy is digital. This is why the idea of bringing switch-off completion forward by one year is an achievable goal and could be realistically scheduled for 2011. Spain has already done it and France is preparing to do it.

With everyone's cooperation Italy can achieve this ambitious objective too. Not only to maintain the European lead and in the interest of businesses, institutions and consumers, but above all in the interest of Italy as a whole.

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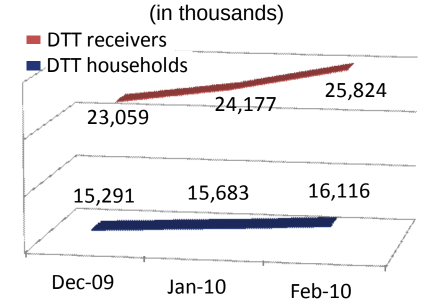
DTT PENETRATION

16.1 MILLION DTT HOUSEHOLDS

According to the latest E-res/Makno data, at the end of February the number of households with at least one DTT receiver in the main family home stood at 16,116,000 with a growth of about 430,000 units since January.

The number of DTT receivers in households is growing more than proportionally to the number of DTT households. In fact in February the total number of receivers in DTT households stood at over 25.8 million (+1.6 million units since January). A large percentage of DTT receivers are being bought to equip secondary TV sets.

DTT households and DTT receivers (in thousands)



Source: E-res / Makno

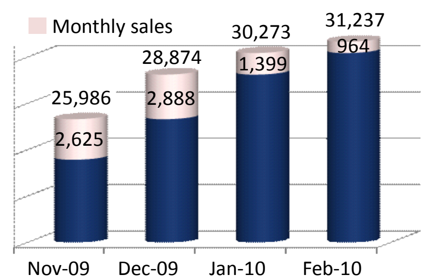
SALES OF DTT RECEIVERS

1 MIL. RECEIVERS IN FEBRUARY

According to Gfk data, sales of DTT receivers in February stood just below the one million mark (964,000 pieces). Despite the fact that currently there are no switch-off operations taking place, sales have nonetheless been consistent. Of receivers sold in February 56% were integrated, whereas the remaining 44% were external STBs.

The cumulative number of DTT receivers sold since 2004 has overtaken the 31 million mark standing at 31,237,000. Of these, 18.4 million are external STBs and the remaining 12.8 million are integrated receivers.

Monthly and cumulative DTT receiver sales in Italy (in thousands)



Source: Gfk

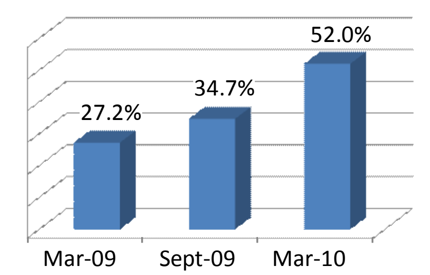
DTT AUDIENCE FIGURES

DIGITAL TV SHARE UP TO 52%

The majority of Italian households watch TV through a digital platform. The data collected by the Studio Frasi Observatory on digital TV, shows how, in March 2010, total digital TV audience share stood at 52%.

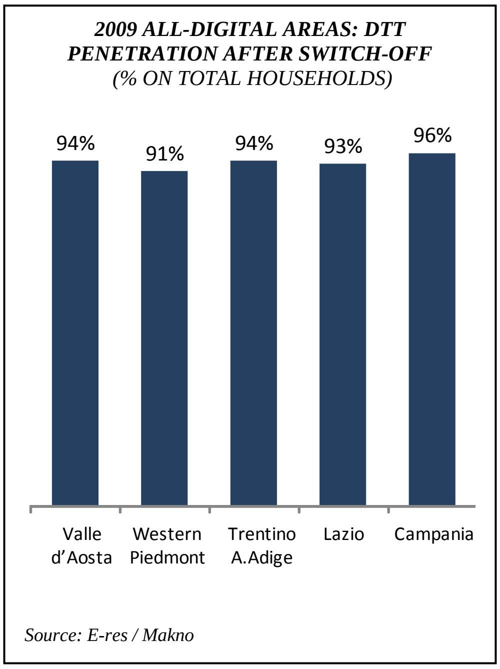
One year ago it was 27.2% and last September it was 34.7% implying a 50% growth in the last six months. The largest growth is registered by DTT which sees a +94% growth in the last six months and continues to grow even in non switch-off periods. In March 2010 DTT audience share stood at 35.7%, with a growth of 4.5 percentage points since the beginning of the year. DTT alone counts for 69% of digital TV viewing in Italy.

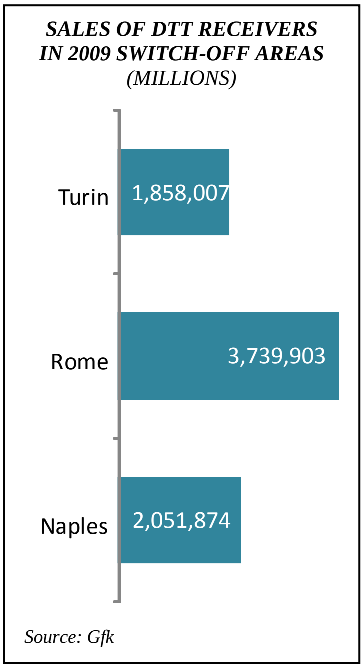
Monthly audience share of digital TV platforms (%)

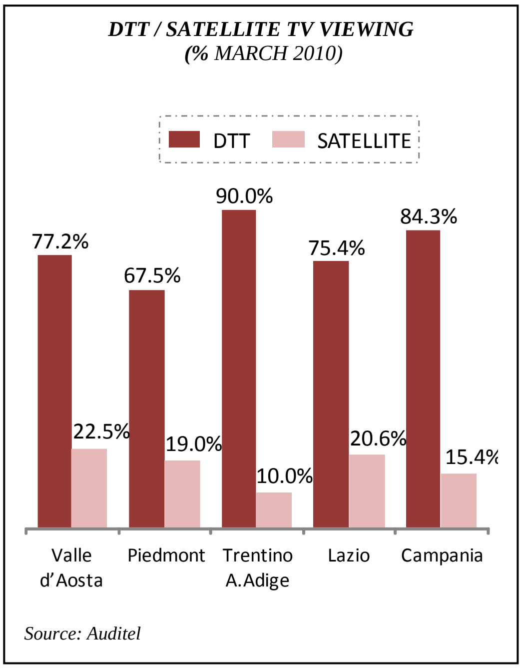


Source: Frasix Observatory -Studio Frasi on Auditel data

REVIEW FROM 2009 ALL-DIGITAL AREAS







2009 saw 27% of the Italian population switching to digital in the regions of Valle d'Aosta, Western Piedmont, Trentino Alto Adige, Lazio and Campania, including three large urban areas (Turin, Rome and Naples) as well as mountain areas. The process involved 6 million households, over 6,100 transmitters and 220 broadcasters (national and local).

PENETRATION AND VIEWING

Digitalisation has taken place primarily through digital terrestrial TV: in the 5 areas involved, over 91% of households have at least one DTT receiver and several households access more than one digital TV platform, even on the same TV set. More than 78% of TV consumption is through DTT (compared to the 17.5% average of satellite). In all-digital areas, DTT viewing has grown seven-fold in one year (March 2009-March 2010) whereas satellite has lost an average of around 20%. The audience share of new, digital-only channels, accounting for 10% in Italy as a whole, is almost double in all-digital areas. Consumers are beginning to fall into segments according to themes and ages. The most popular channels in the new line-up mainly fall in the kids/children's, mini-generalist/entertainment and sports categories.

SALES OF RECEIVERS

Switch-off has also had a huge impact on the sales of DTT receivers: in 2009 over 7.6 million pieces were sold in the areas of Turin, Rome and Naples alone, equals to 44% of the total sales in Italy. In transition areas, 4 receivers out of 5 were STBs (among these, 50% were zapper) and 1 was integrated. Equipment of second and third TV sets during switch-off phases tends to bias the sales towards external STBs. In non-switch-off periods the external STBs / iDTV ratio reverts to the typical 3/2.

OFFER

There are 40 Free-to-Air national channels in all-digital areas, to which an average of 3 to 4 digital channels must be added for each local broadcaster. The addition of several channels has enriched the DTT line-up during the past year, including the RaiSat channels, Sky's Cielo (launched in November), La7D (March) and La5's debut in May. Free channels are complemented by the light and flexible Pay-TV offerings by two national and three local operators. The first broadband-enabled receivers with Ethernet gateways were launched on the market (DGTVi's *Bollino Gold* and *Bollino Silver* certificates): HDTV, full interactivity as well as access to Internet services and content through TV sets will be the next steps.

CRITICAL POINTS AND BEST PRACTICES

The 2009 switch-offs, which involved extremely varied areas both in terms of geography and population density, have shown how the public initially, at least among the older segment of the population, encountered problems mostly concerning tuning/installation or the reception of new channels, resulting in a temporary decrease in viewing at regional levels. These were invariably solved within two weeks of switch-off when viewers acquired familiarity with the new devices and the new channels and effectively equipped all TV sets with digital receivers. Within two weeks viewing quickly returned to physiological levels and after around eight weeks settled at over and above overall viewing figures for the previous year: after the discontinuity caused by the switch-offs, the new digital TV wins new audiences, both in terms of users and consumption time.

Critical aspects remain at an estimated 5-10% figure, depending on the regions, with problems linked to equipment adjustment for reception or coverage. Coverage problems were more common in areas already lacking in analogue reception. Because of this, an additional TivuSat service was provided. In mountain areas the state broadcaster Rai adjusted a number of transmitters.

The *best practices* of 2009 switch-offs include: on-site installation assistance for the elderly in Trentino and Alto Adige and regulated prices for equipment adjustments in Campania and Lazio.

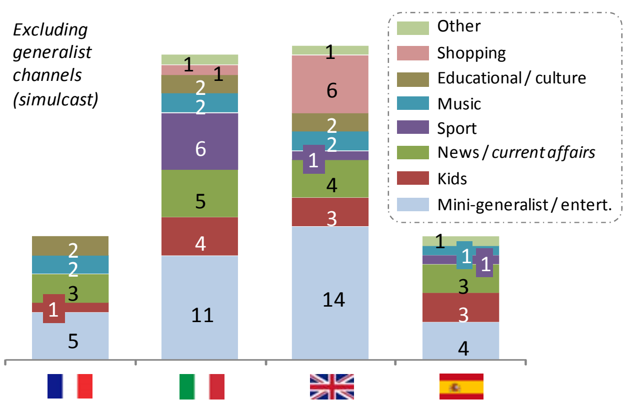
DTT IN EUROPE: COMPARATIVE ANALYSIS

DTT OFFER

Italy is leader in terms of variety and number of Free-to-Air channels. There are 40 national Free-to-Air channels available on DTT in Italy, including those broadcast in all-digital areas. That is 5 times the number of channels available in analogue. Over the last year the mini-generalist and entertainment genre has grown considerably (with 11 free channels available). The number of free channels available on DTT are: 38 in the UK (7 times more than those available in analogue), 19 in Spain (3 times more) and 18 in France (3 times more).

Italy is also proud leader in terms of DTT Pay-TV offers, both in terms of variety of offer, number of operators and number of subscribers.

DTT FREE-TO-AIR-OFFER IN MARCH 2010 *(NUMBER OF CHANNELS)*



Source: e-Media Institute on different sources. Note: for Italy channels available only in all-digital areas have also been included. Excluding local and regional channels, HD channels, time-shifted channels and "service" channels.

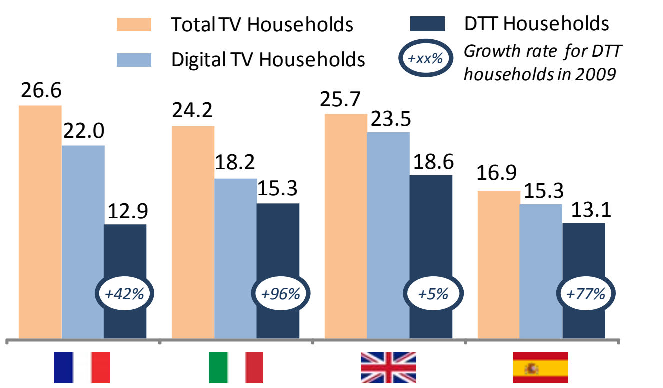
DTT PENETRATION

TV in Europe is already digital. In the four major European TV markets, where terrestrial reception is prevalent, there are over 77 million households (83% of total) equipped with a digital receiver. That implies 16.5 million additional digital households in one year, the majority of which opted for DTT.

The UK is the most digitalised country with 91% of households equipped to receive some form of digital TV, followed by Spain (90%), France (83%) and Italy (75%). In all these countries DTT is the digital platform with the highest level of penetration.

Thanks to the progress of digitalisation, 2009 saw Spain and Italy almost doubling the number of DTT households. In Italy DTT households grew from 7.8 to 15.3 million in just one year.

DIGITAL TV HOUSEHOLDS AND DTT HOUSEHOLDS AT THE END OF 2009 *(MILLIONS)*



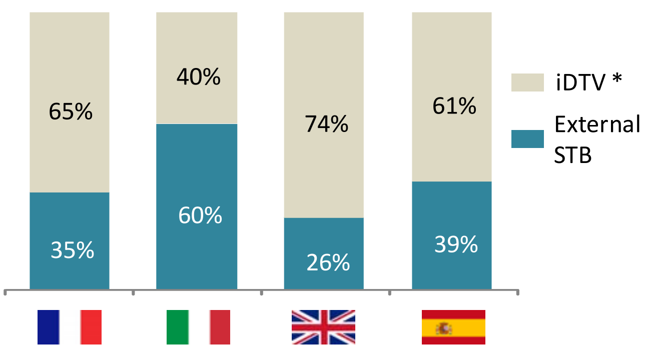
Fonte: ITMedia Consulting su dati Ofcom, Impulsa TDT, CSA, Makno

SALES OF DTT RECEIVERS

In 2009 the growth in sales of DTT receivers – whether external STBs, integrated TV sets (iDTV) or other integrated devices – was impressive. The second half of 2009 saw the record number of sales to date, with over 30 million DTT receivers sold in all four countries. DTT plays a vital role in the digitalisation of all household TV equipment: an ever increasing number of DTT receivers are in fact being bought to adjust secondary TV sets.

Considering the four countries as a whole, the number of integrated TV sets or devices consistently overtakes the number of external STBs. In Italy sales of iDTVs were the main thrust towards digitalisation until 2008, whereas in 2009 these constituted only 40% of overall number of DTT devices sold. In fact, with the 2009 switch-offs, the number of external STBs grew significantly, particularly zappers for equipping secondary TV sets.

BREAKDOWN OF DTT RECEIVERS SOLD IN 2009 *(% OF TOTAL)*



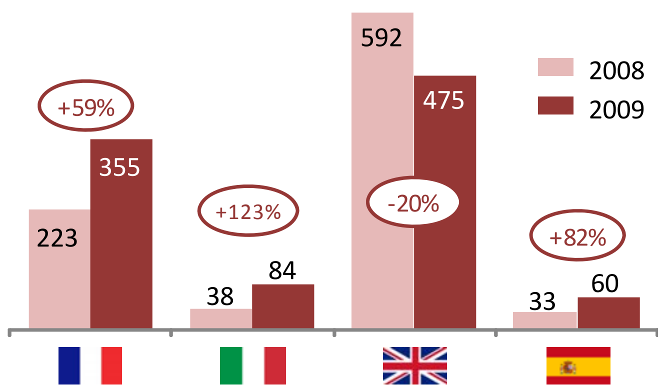
Source: ITMedia Consulting on Gfk, Ofcom, Impulsa TDT data. (*) For France and Spain the iDTV data includes DVD players and PC with incorporated DTT receivers. The iDTV figure for Italy includes other devices with incorporated DTT receivers.

DTT REVENUES

In 2009, despite the widespread economic crisis and the reduction in TV advertising expenditure, adspend on new DTT channels still grew in 3 of the 4 countries analysed. In fact, with the exception of the UK, advertising revenues grew significantly in France (+59.1%), in Spain (+82.4%) and in Italy (+123.2%). The new DTT channels are beginning to take over audience share and become firmly established in the advertising market.

The UK and France prove to be the most established DTT markets in terms of advertising revenue. In Spain and Italy on the other hand the growth of DTT consumption is not yet reflected by a similar growth in advertising: but data available for the all-digital areas in Italy (where DTT channels' viewing is double that of the national average) make it reasonable to suggest that advertising revenues are likely see a significant growth this year.

GROWTH OF DTT ADVERTISING REVENUES *(MILLION EUROS)*



Source: ITMedia Consulting on OFCOM, IREP, CMT, Infoadex and company data

DTT IN ITALY IN 2010

THE 2010 SWITCH-OFF CALENDAR

Switch-over (Rai Due and Retequattro only)

DATE	AREA	HOUSEHOLDS INVOVLED	POP. INVOVLED
18th May	Eastern Piedmont	696,000	1,556,000
	Lombardy (except Mantova)	4,036,000	9,333,000
	Parma and Piacenza	324,000	719,000
	TOTAL	**5,057,000**	**11,608,000**

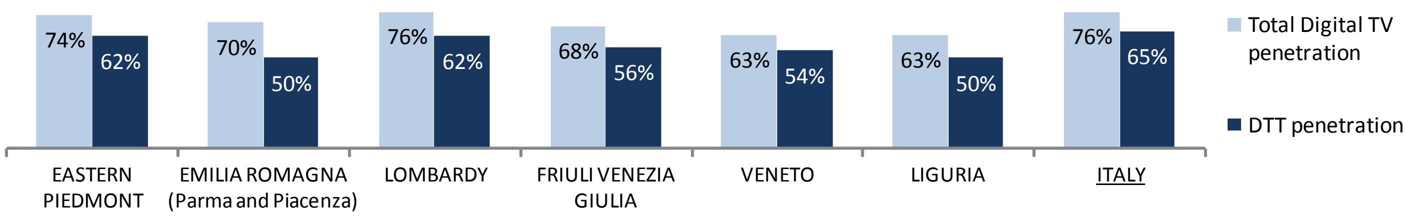
Switch-off (all channels)

DATE	AREA	HOUSEHOLDS INVOVLED	POP. INVOVLED
15th Sept - 20th Oct	Lombardy, Eastern Piedmont, Parma and Piacenza	5,507,000	11,608,000
21st Oct - 25th Nov	Emilia Romagna, Veneto and Friuli Venezia Giulia	4,295,000	10,145,000
15th Oct - 30th Oct	Liguria (except La Spezia)	680,000	1,392,000
	TOTAL	**10,032,000**	**23,145,000**

DIGITAL TV AND DTT PENETRATION IN 2010 SWITCH-OFF AREAS

The penetration of digital TV is already over 70% in all three 2010 switch-over areas, with a peak of 76.2% in Lombardy, a figure which is even higher than the current national average (source: e-Res/Makno). DTT penetration alone is also high. In all areas it registers higher values than those registered in the 2009 areas at a similar moment in the transition phase. Even for those regions scheduled for direct switch-off in autumn 2010, the data available is decidedly encouraging, with penetration figures for digital TV already standing at over 60% and DTT alone at over 50% (source: Auditel).

***CURRENT PENETRATION OF DIGITAL TV AND DTT IN THE 2010 SWITCH-OFF AREAS** (% ON TOTAL HOUSEHOLDS)*



Estimates by E-res/Makno for Eastern Piedmont, Emilia Romagna, Lombardy (oversampling wave 1/2010). Data available to Auditel on 14th April 2010 for Friuli Venezia Giulia, Veneto, Liguria.

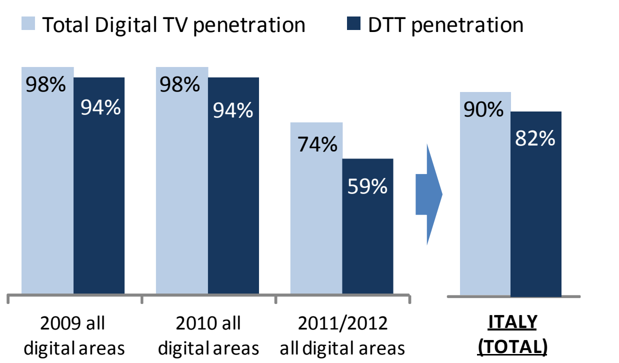
DIGITAL TV AND DTT PENETRATION IN ITALY AT THE END OF 2010

The 2009 transitions had immediate effects both on digital TV and DTT penetration as a whole, which went over and above the figures for digitalised areas. Projecting these effects through to the end of 2010, when a further 40% of the population will have switched to digital, it can be reasonably estimated that by the end of the year 90% of Italians (21.3 million households) will be equipped with at least one digital terrestrial receiver.

This estimate assumes a post-switch-off DTT penetration in the 2010 areas similar to that witnessed on average in areas where switch-off has already taken place and a "physiological" growth in penetration in areas with switch-off scheduled for 2011/2012.

At the current rates of digitalisation, switch-off will have *effectively* already taken place by the end of 2010, earlier than officially scheduled. In the light of this data, the possibility of bringing the process forward should be seriously considered.

ESTIMATES OF DIGITAL TV AND DTT PENETRATION AT THE END OF 2010
(% OF TOTAL HOUSEHOLDS)



Source: E-res Makno estimates

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