

SARDINIA HAS TURNED TALK INTO ACTION

At 8.30 am on Wednesday the 15th of October Italy began its new digital era. At that exact time the first switch-off operations on 100 TV transmission systems had already been made. This meant that national and local TV networks broadcasting in the Ogliastra area of Sardinia as well as those for public services in the Cagliari area had switched definitively to DTT.

On the first day of the two week switch-off period (which will be completed on the 31st of October) nearly 900,000 inhabitants had been involved in the process without any significant reception or tuning problems. It is the first European, if not world-wide, switch-off operation of these proportions. It is likely to be considered a success story on which to base the next steps which, according to the recently approved schedule, will see over 30% of the Italian population switching-over to DTT in 2009.

Thanks to the national and local broadcasters, to the Ministry and its structure and to the Sardinian population who, with remarkable awareness, took part in this process. *"Sardegna Isola Digitale. Tra il dire e il fare c'è di mezzo il mare"* says one of the communication campaigns broadcast over the last few days in Sardinia. This claim suggests that over the last few years there has been a lot of *talk*. The time has now come for *action*.

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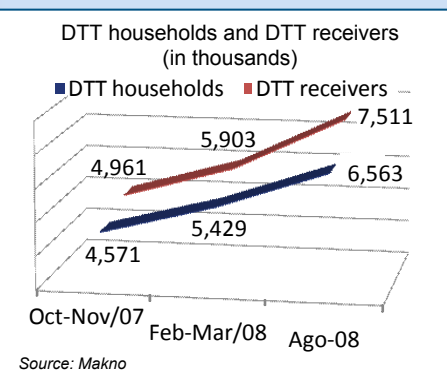
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DTT PENETRATION

6.6 MLN DTT HOUSEHOLDS

According to the latest estimates by Makno, at the end of August the number of DTT households (those with at least one DTT receiver in the main family home) had risen to 6,563,000, with a growth of over 280,000 units compared to July.

Moreover, during the month of August the number of DTT receivers in Italian households grew to 7,511,218. This implies a growth of around 315,000 units with respect to the previous month.

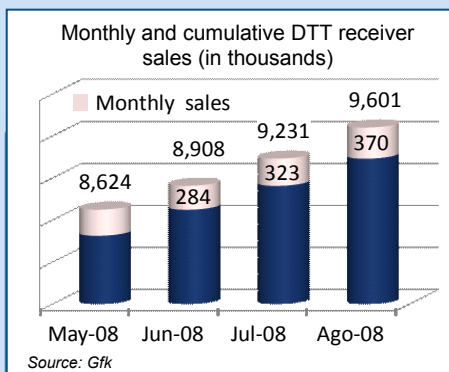


SALES OF DTT RECEIVERS

APPROACHING 10 MILLION

According to the latest data provided by GfK, around 370,000 DTT receivers were sold in August 2008. Of these, around two thirds (236,000) were integrated DTT receivers, whereas the remaining third (approx. 135,000) were stand-alone STBs. STB sales in August grew by 70% compared to the previous month.

Cumulative sales of DTT receivers since February 2004 reached the 9.6 million mark (2.4 million units sold since the beginning of this year).

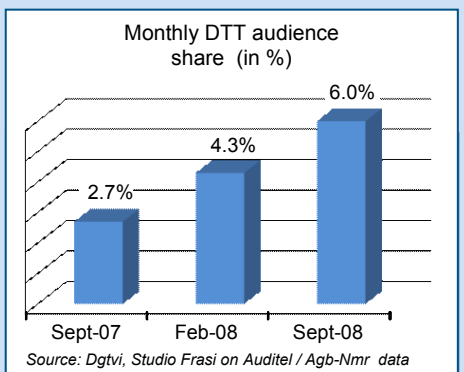


DTT AUDIENCE FIGURES

DTT SHARE REACHES 6%

DTT audience is in constant growth. The 6% audience share registered in September is more than double that registered in the same month last year.

According to Studio Frasi (on the basis of Auditel data produced by AGB-Nmr) DTT registers a 53% increase in audience share since the beginning of the year. Double digit growth (+11%) is also registered with respect to the previous month which, in itself, had already been a record.



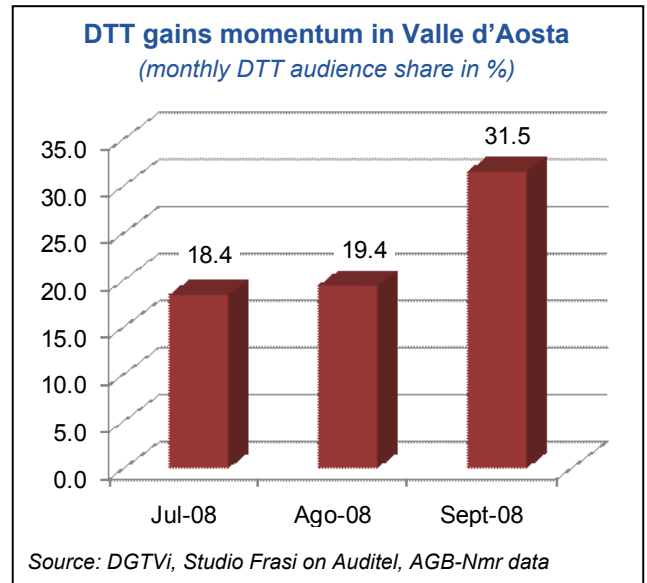
DIGITAL TERRESTRIAL TV VIEWING

(by Studio Frasi)

In order to meet the most recent requirements of TV audience share monitoring, Auditel has, since October, also been publishing audience share data for individual TV platforms. DTT officially registers a 3.7% share to which one must undoubtedly add the further 2.3% registered by an "undefined platform". This is simply due to the complexity in identifying the source of the signal in integrated TV sets which, however, only receive DTT.

It seems entirely justifiable to therefore add these two figures together, especially considering the fact that integrated TV receivers allow instant DTT reception in case of switch-off.

This is the case in Sardinia where integrated TV sets register an 8.4% audience share; it is likely that these already receive DTT, but in any case certainly will do once switch-off takes place. In September Sardinia registered an 80% digital TV audience share. In Valle d'Aosta it stands at 55% thanks to a large increase in DTT viewing.



NEW IN ITALY

FIRST MEETING FOR THE NEW ITALIAN DIGITAL TV COMMITTEE

The first meeting was held by the new Comitato Nazionale Italia Digitale (Cnid), chaired by the undersecretary with Communications portfolio Paolo Romani, joined by vice president Stefano Mannoni, Agcom commissioner and Andrea Ambrogetti, DGTVi president.

The specific technical-operative and financial issues affecting the different areas involved in the switch-over were discussed during the meeting, which was also attended by broadcasters, representatives of the areas involved in the 2009 switch-offs (Lazio, Campania and the Bolzano province), as well as by equipment manufacturers and consumer associations. The undersecretary Paolo Romani confirmed the general guide lines of the national digitalization calendar, on the basis of the schedule that was recently approved by the government. This sees the completion of switch-off in Sardinia by the 31st of October, switch-off for 70% of Italians by 2010 and nationwide digital transition ending by the 31st December 2012.

The committee nominated coordinators in four operative areas: technical and network development, monitoring and data, communication and customer care and a specific area for problems connected with public service broadcasting. The schedule includes quick implementation of the new Task Forces for each of the areas involved and a study day with all the Task Forces to be held on completion of the Sardinian switch-off in order to analyse the results. Finally, a second Cnid meeting has been planned for the middle of November in order to define the detailed switch-off calendar for the areas involved in 2009.

COMMUNICATION CAMPAIGN FOR SARDINIAN SWITCH-OFF

Since the 19th of September, switch-off in Sardinia has been accompanied by a specific communication campaign, "Digital switch-off, instructions for use", that will end on the 31st of October on completion of switch-off.

Two 60" and one 30" commercials, four information announcements with detailed instructions for use and 6 countdown mini-ads featuring the best known Sardinian comedians, were broadcast a total of 25,000 times by the 14 local networks associated with the Consorzio Sardegna Digitale. There has also been a notable presence on the main local papers with 121 printed announcements during the 43 days of campaign. Two websites are also available (sardegnadigitale.it and decoder.comunicazioni.it) as well as a DTT channel (Sardegna Digitale) which provides detailed information on DTT switch-off.

Just one month away from switch-off a research carried out by Makno & Consulting estimated that overall penetration of digital TV in Sardinia is 90%, with DTT standing at 80.4%. Less than 70,000 households were not yet equipped with digital TV.

➔ **THE COMMITMENT OF SARDINIAN BROADCASTERS** – Sardinian switch-off represents a testing ground for the region's 16 local TV broadcasters: 5 Stelle Sardegna, Alguer Liberada, Antenna 1 Sardegna, Canale 40, Catalan TV, Gallura TV Channel, Nova TV, Olbia TV, Sardegna 1, Tele Costa Smeralda, Teletirreno Sardegna, Telegi, Telegolfo Sardegna, Tele Maristella, Tele Sardegna and Videolina. Of these, 14 have joined the *Consorzio Sardegna Digitale* which is involved in the communication campaign.

Nearly 180 transmission points are to be converted to digital in just over two weeks, when the definitive switch-off from analogue TV will take place in the region. This implies a significant commitment both in terms of organization and finance. All the local broadcasters have been proactive and taken on the challenge of becoming network operators with the prospect of developing their business through the creation of new channels and services. Over the next few months many of these local TV networks will increase their offer, especially in the area of information, confirming their irreplaceable role as a connecting link with the local community.

INTEGRATED RECEIVERS LEAD DTT GROWTH IN EUROPE

Over the last few months integrated DTT receivers have contributed significantly to the growth of digital TV in the main European countries. These are devices, mostly TV sets (but also DVD players) that have an integrated tuner for accessing DTT.

The growth in sales of integrated receivers is on the one hand due to the fast and significant fall in prices and on the other to the increased choice of equipment available on the market. France and Italy have also passed legislations that encourage the penetration of integrated receivers by progressively banning the sales of TV sets that do not have digital tuners. In this way household digitalization benefits from the natural replacement of TV sets.

In Italy, by August 2008, the cumulative sales of DTT receivers (since February 2004) had reached the 9.6 million mark (Gfk source). Of these, nearly 3.1 million (32% of the total) were integrated. The previous year, in August 2007, integrated receivers constituted just 12% of overall DTT receiver sales. Also, since September 2007, the monthly sales of integrated receivers have consistently overtaken those of STBs.

With the ongoing process of digital migration, the incidence of integrated receivers is destined to grow. In fact, over the next few months, the legislation on integrated TV sets approved by the 2008 budget, will generate its full impact meaning that by April 2009, TV-sets without a digital tuner will no longer be sold.

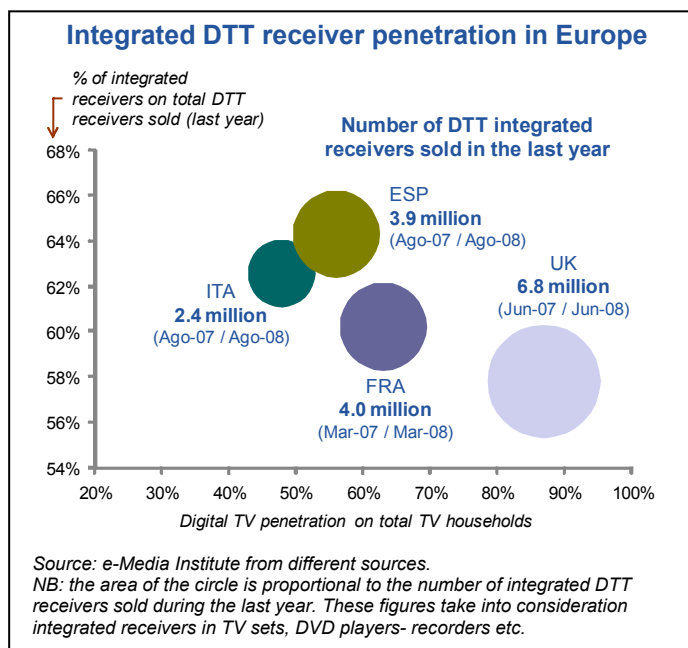
In order to provide consumers with a guarantee on the technical specifications of receivers, the DGTVi association has also launched a "DGTVi certificate" scheme, in agreement with manufacturers of consumer electronics. Currently the *bollino blu* certification mark (which is, to date, only applied to decoders) has involved 10 manufacturers for a total of 22 products. On the other hand the *bollino bianco* certification mark, currently involving 10 manufacturers for a total of 130 products, certifies integrated TV sets that provide access to Pay-TV offers (as well as Free-to Air TV) by means of a CAM device which can be purchased separately or with the TV set. According to an estimate by the SmarDTV manufacturer, the number of CAM devices on the market will reach, in the July-December 2008 period, a total of approximately 350,000 units.

This growth trend of integrated receiver sales is common to Italy and to other European countries. In the UK 40% of overall receivers sold (over 32 million

since the launch of Freeview) are integrated. Whereas in 2007 STBs and integrated receivers were sold in equal numbers, in the first six months of 2008 the percentage of integrated receivers sold was 62% of total receiver sales. In the UK the introduction by Digital UK (responsible for coordinating switch-over) of a specific certificate (the Digital Tick logo) to apply to the devices has been a key element in its strategy to support digitalization.

France has decided to support integrated receiver sales through specific legislations. The "télévision du futur" law, passed in March 2007, aims to time the supply of devices in accordance with the switch-over schedule. By law all TV sets sold after March 2008 must be equipped with a DTT tuner. However, by that date, the number of integrated receivers sold (5.4 million) had already nearly reached the number of STBs. Considering that around 6 million TV sets are sold every year in France, this law is already significantly contributing to the growth of digital TV.

And finally in Spain a grand 68% of DTT receivers sold during the first eight months of 2008 are integrated (mainly TV sets but a significant number are also DVD players). In overall numbers we are talking of nearly 3 million pieces, compared to 1,4 million STBs. Considering sales of TV sets from January to August 2008 it can be said that for every TV set sold without a DTT tuner another four are sold with integrated receivers.



DIGITA

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