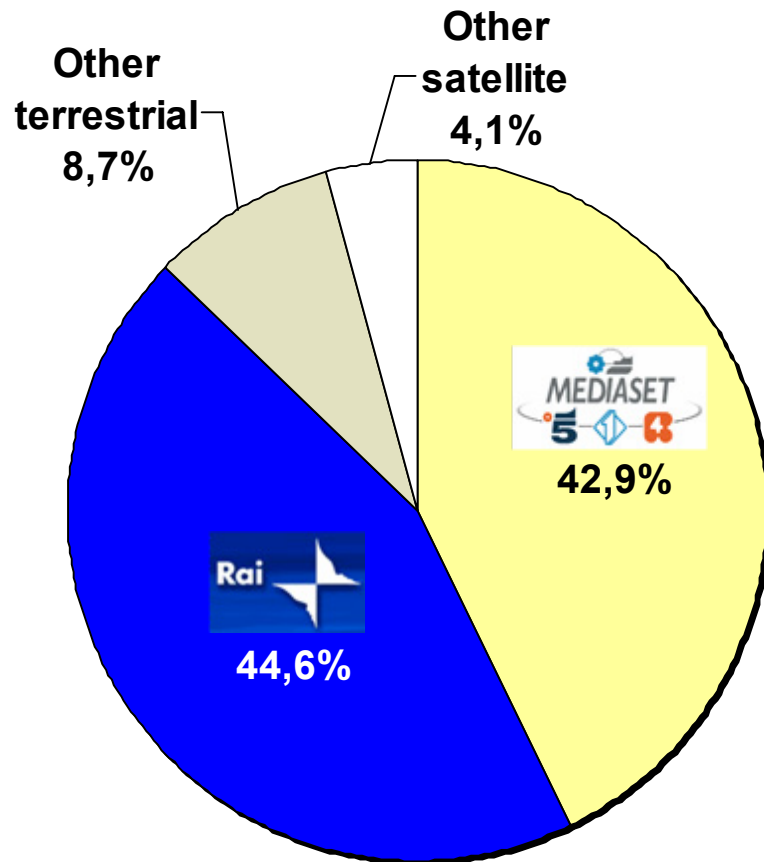


# Digital Terrestrial TV in Italy

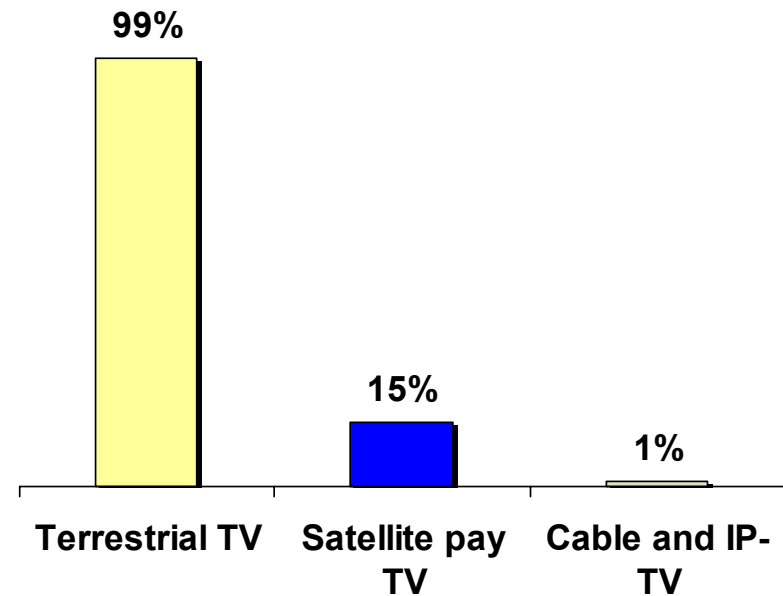
September 2005

# Terrestrial television plays a key role in Italy

TV audience share in Italy (2004)



Market penetration of TV platforms (2004)









# Digital terrestrial television is a new and more efficient way to broadcast television

## Comparison between analogue and digital broadcasting of terrestrial TV

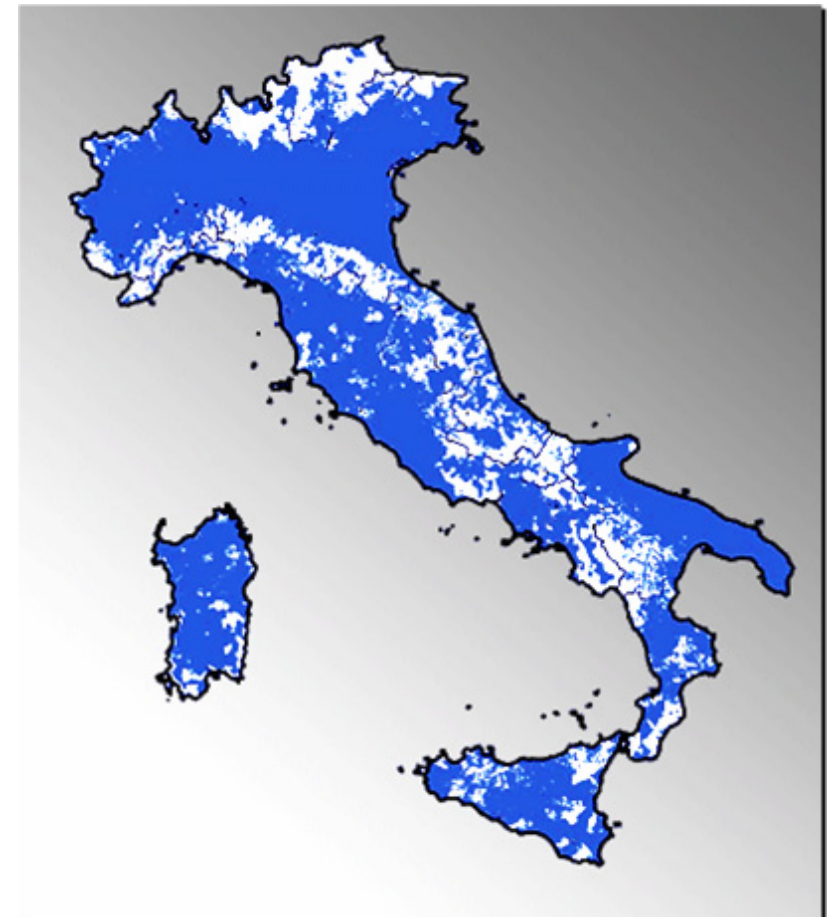
Features	Analogue Terrestrial TV	Digital Terrestrial TV
Number of channels	Ca. 10 national channels	Up to 50 national channels
Multimedia contents and interactive services	<b>Limited</b> Only text information (teletext) - no interactivity	<b>Advanced</b> Enriched multimedia services with graphics, audio, video, interactivity
Sound and picture quality	<b>Standard quality</b> similar to VHS	<b>High quality, similar to DVD</b> Digital quality video Dolby stereo 5.1 Multiple audio streams
Reception by viewer	<b>TV Set + Antenna</b>	<b>TV Set + Antenna + Set Top Box</b>

# DTT in Italy is broadcasted via 6 national multiplexes – there could be up to 8 multiplexes by the end of next year

## Number of national multiplexes

Operator	# Muxes today	# Muxes 2006 (E)
	2	2
	2	2
	1	2
	1	1
 	0	1
<b>TOTAL</b>	<b>6</b>	<b>8</b>

## Coverage of DTT multiplexes

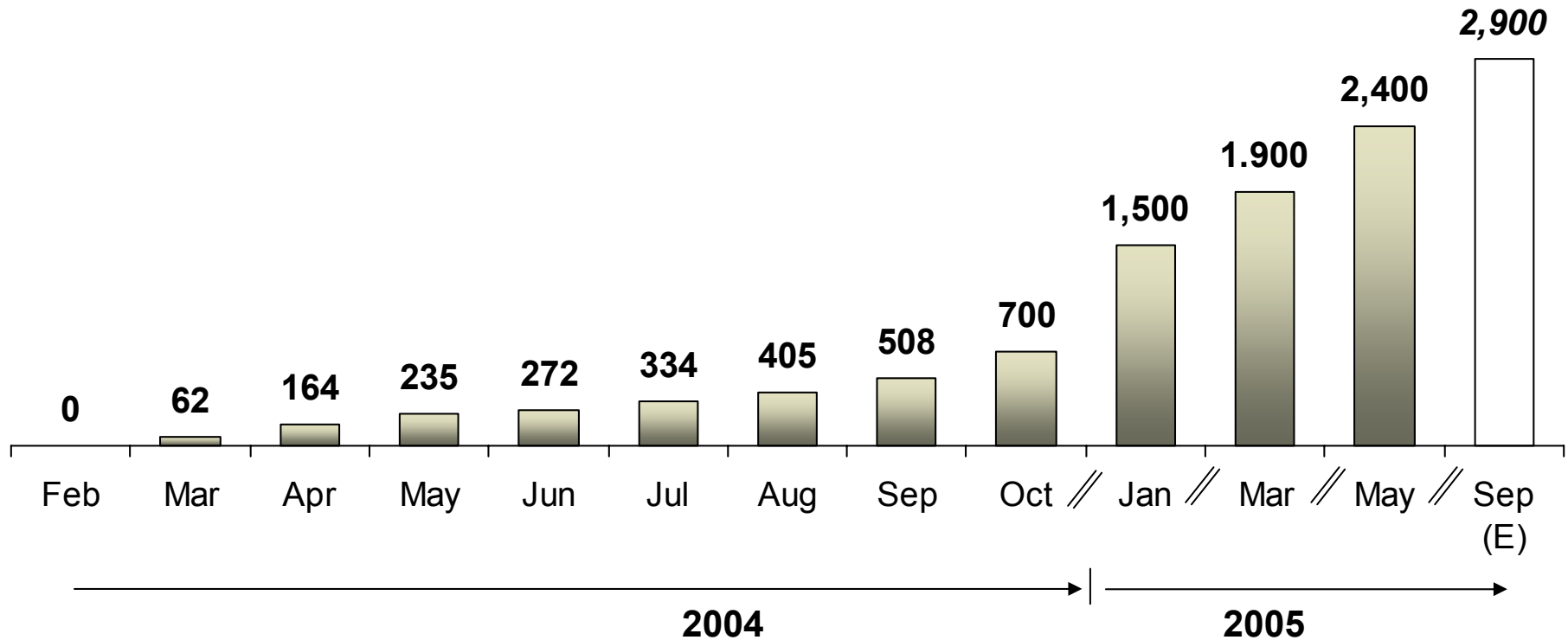


Note: Local TV multiplexes are not included (currently more than 70)

Source: DGTVi

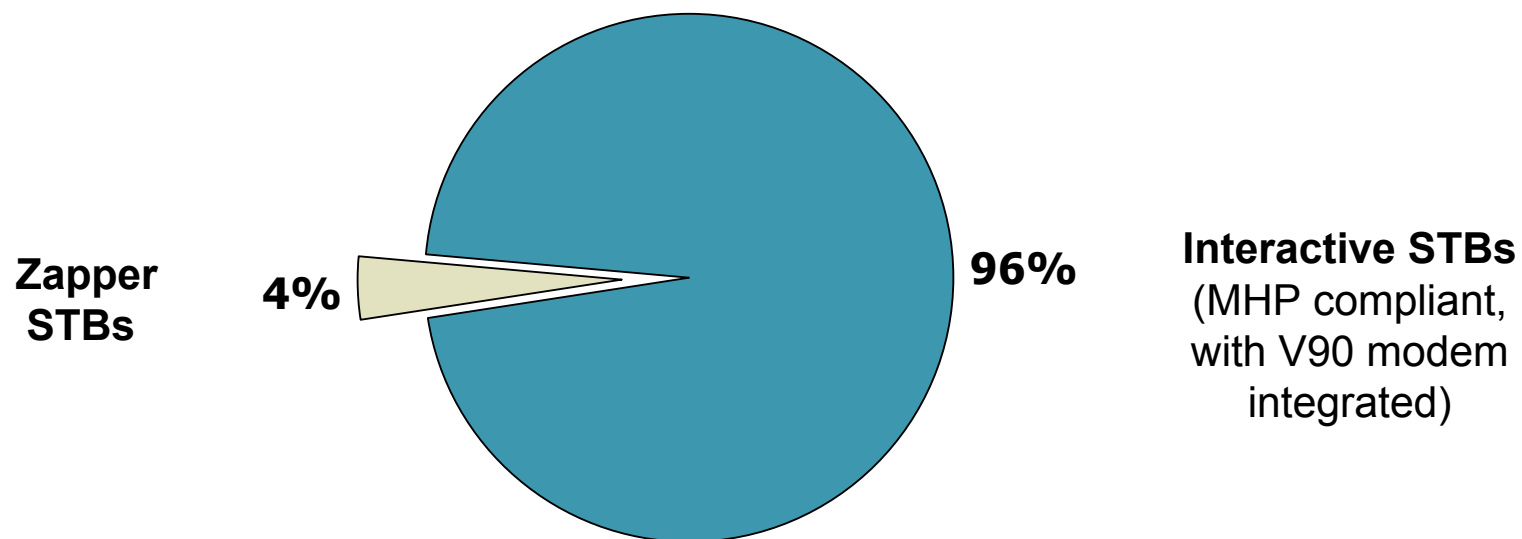
# DTT is enjoying success – almost 3 Mln households have bought a Set Top Box so far (13% market penetration)

**DTT STB sales**  
(k units, values at the end of month)



# Almost all Italian DTT STBs are interactive, i.e., MHP compliant

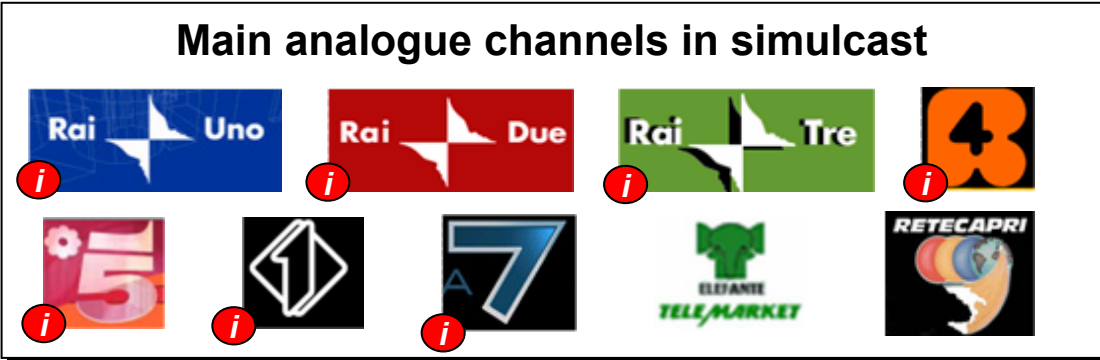
## Profile of DTT STBs sold



# DTT viewers have free access to nearly 30 TV channels and to two different pay-per-view services

## Current DTT offering

### Main analogue channels in simulcast



### Sport and sport news



### News: financial, international,...



### Kids



### Shopping



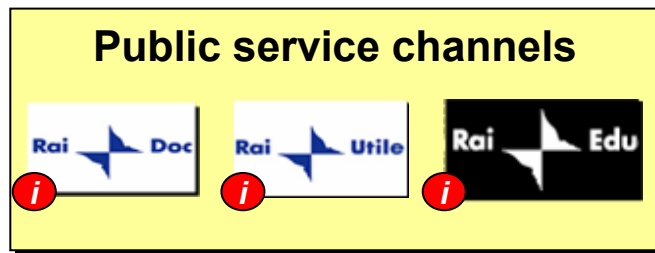
### Music channels



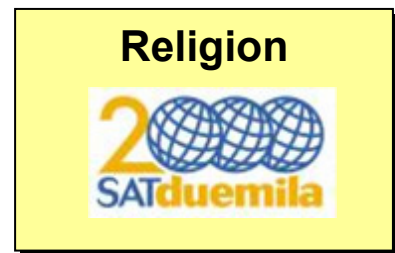
### Cinema news



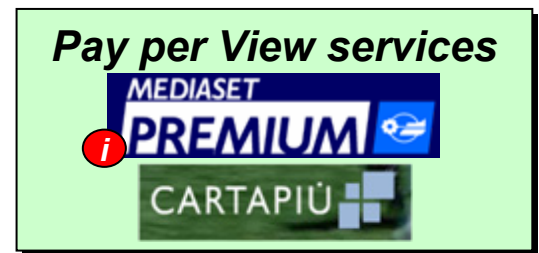
### Public service channels



### Religion



### Pay per View services



with interactivity   Channels in simulcast   New DTT channels   New pay DTT services

Note: "Rete A" multiplex (broadcasting "All Music", "The Club", "Camera", "Senato") is not included because its current coverage is below 50%

Sources: DGTVi; Sat-Net; Booz Allen Hamilton analysis

# Furthermore, a large number of interactive services are available, covering a wide range of applications

“Live” interaction



Interactive advertising



Games



Additional TV contents



Info on TV programs



Interactive teletext



EPG



Services (commerce, ...)





# Also, first trial T-Government services are present on DTT

## Examples of interactive services on Italian DTT

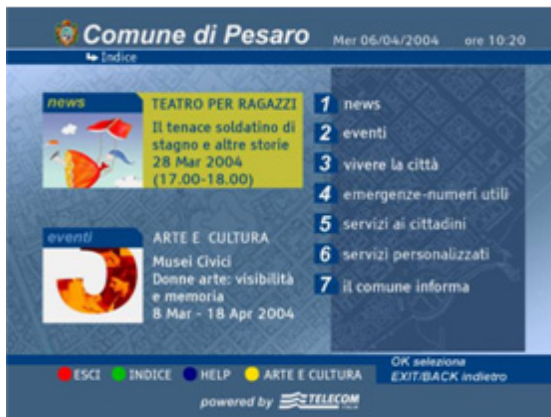
### Public Administration



### Healthcare

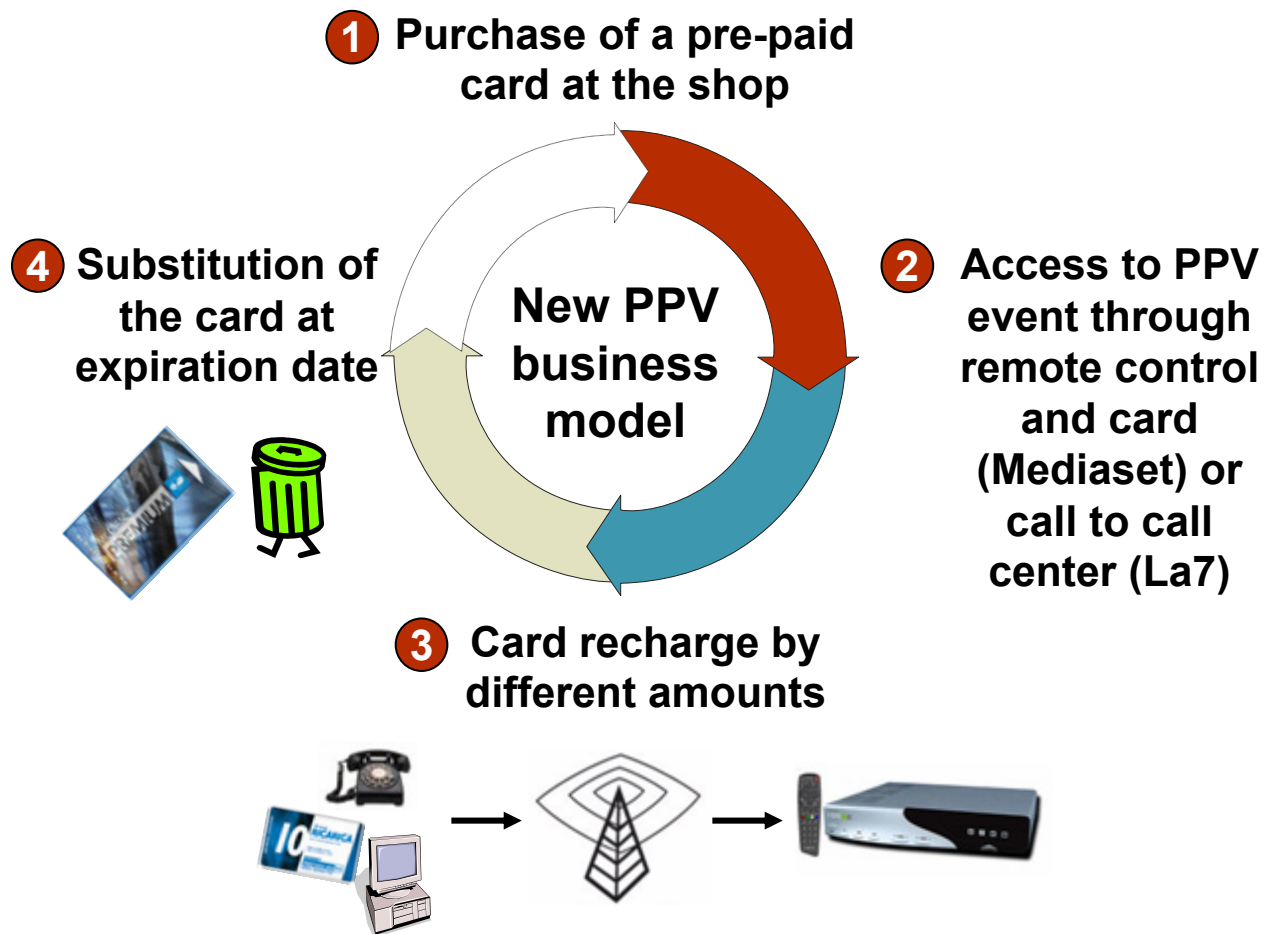


### Local public service portals



# A new pay-per-view model on DTT provides access to soccer matches and movies with no subscription, paying “à la carte” per event

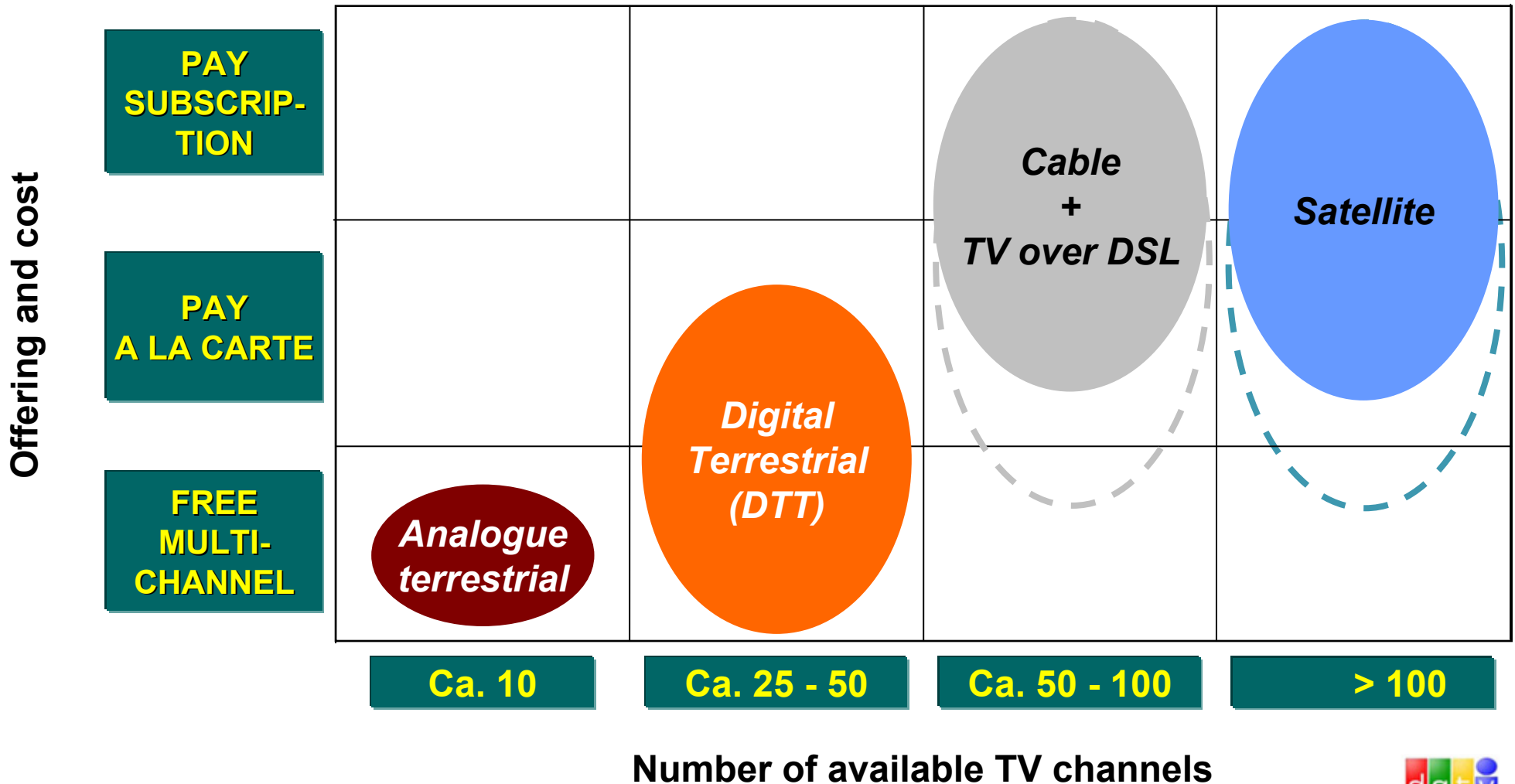
## Pay-per-view model



“Serie A” teams on DTT	
 Milan	 Fiorentina
 Juventus	 Empoli
 Inter	 Lecce
 Roma	 Cagliari
 Sampdoria	 Palermo
 Messina	 Ascoli
 Livorno	 Parma
 Lazio	 Reggina
 Siena	 Chievo VR
	 Treviso

Italian DTT is an extension of today's analogue/free television, which allows it to compete against other digital TV platforms

TV platform positioning in Italy



Source: Booz Allen Hamilton analysis

# In summary, two key factors have enabled the development of a whole new business model for DTT in Italy

**Commitment of the Government**  
**Investment + coordination by broadcasters, content providers, industry**

## **New DTT Business Model**

### **Commercial free-to-air TV**

- ▶ **Commercial channels with interactive advertising and contents**

### **Multichannel**

- ▶ **Thematic channels with targeted advertising**

### **Interactivity**

- ▶ **Broadcasting of third party services**
- ▶ **Revenue sharing with telecom operators**
- ▶ **Pay-per-use services**

### **Pay-per-view**

- ▶ **Pay per view of football events, movies and fiction**
- ▶ **Purchase of packets of events**

# Going forward, the focus will be on extending the role of DTT through a regional Switch-Off of analogue television

- ▶ Regional Switch-Over strategy:
  - Sardinia and Aosta Valley first two Italian regions
- ▶ Two-phased approach:
  - January 31, 2006: Ca. 70% of population of each region switched over to digital
  - July 31, 2006: Switch-over of remaining population
- ▶ Total of more than 600K households involved
  - Sardinia: 579 K households (1,7 M individuals)
  - Aosta Valley: 54 K households (120 K individuals)
- ▶ Subsidy available for one STB per household against proof of payment of license fee
- ▶ After successful implementation, Switch-Off will be extended to other regions

