



Digital Terrestrial Television in Italy

The strategy of commercial broadcasters in the digital transition






Sarajevo
30 march 2006

DTT is enjoying a considerable success due to:

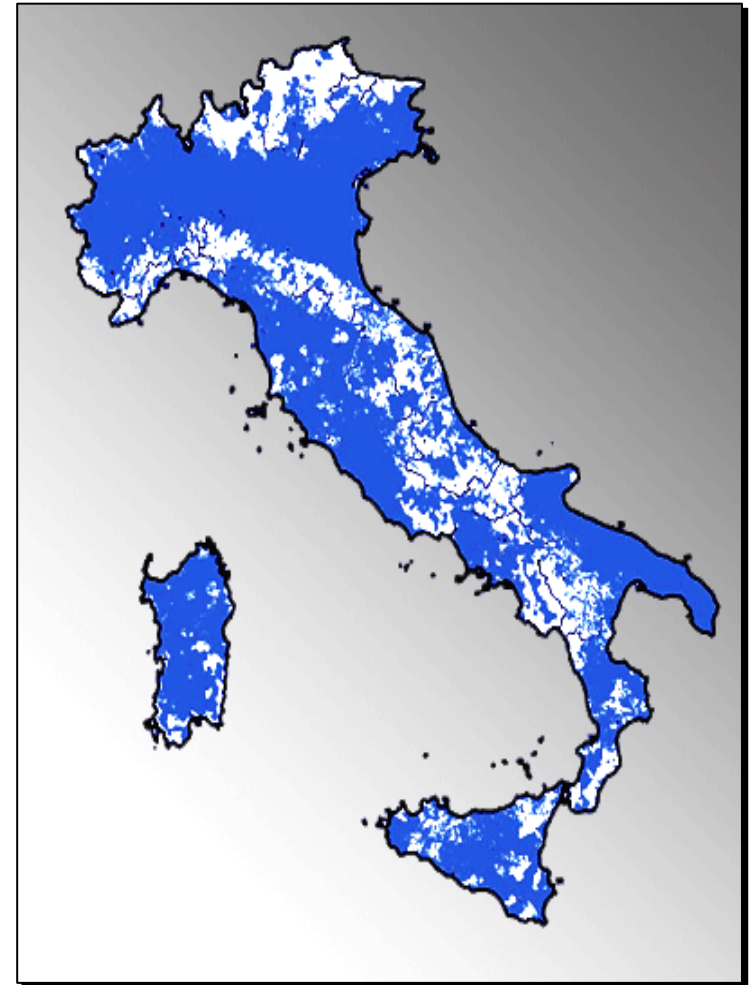
- ▶ **Government effort (ca. 300 Mln €):**
 - “Open” Legislation (frequencies trading)
 - Public subsidies to STB’s (open standards and Interactive)
- ▶ **Big Investments from private Broadcasters: networks + contents (more than 600 Mln €)**
 - 8 national DTT multiplexes
 - New contents with interactivity and Pay Per View services
- ▶ **The DGTVi Role**
 - Coordination between all broadcaster, producers and distributors
 - Interoperability
 - A unique “Body” to deal with Institutional Entities

Coverage of DTT signal is growing rapidly

Multiplex TNT en Italie¹

Opérateur	N. Mux	Couverture de la population
	2	>70%
	2	>70%
	1	>70%
	1	70%
	1	54%
H3G – Canale 7	1	50%(?)
Chaînes locales	>50	N.A.

Couverture des Multiplex



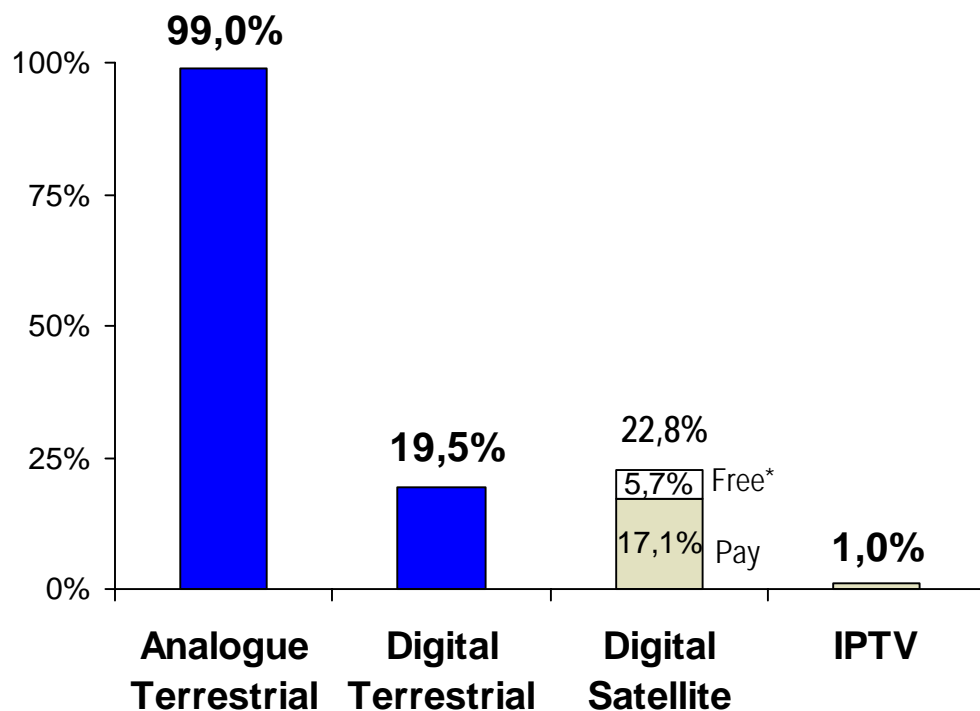
Note: les chaînes locales (actuellement plus de 70) ne sont pas incluses

Sources: DGTVi; Analyse BAH

- ✓ Mediaset and RAI have recently announced the start up of 2 DVB – H MUX

Terrestrial TV plays a unique and non-replaceable role in Italy

TV Platform Penetration in Italy
(year-end 2005)



Characteristics of Terrestrial TV

- ▶ Terrestrial TV is present in all households
 - 12 national and 600 local channels
 - 21 million terrestrial households
 - 95% of audience is concentrated on terrestrial channels
- ▶ Terrestrial TV is a non-replaceable platform for public service and commercial broadcasters (both national and local)
 - Unique media for 5 million families (older and low income part of population)
 - Cable and IP-TV penetration negligible
 - Free satellite not suitable for local TV (cost reasons) and national broadcasters (rights protection)

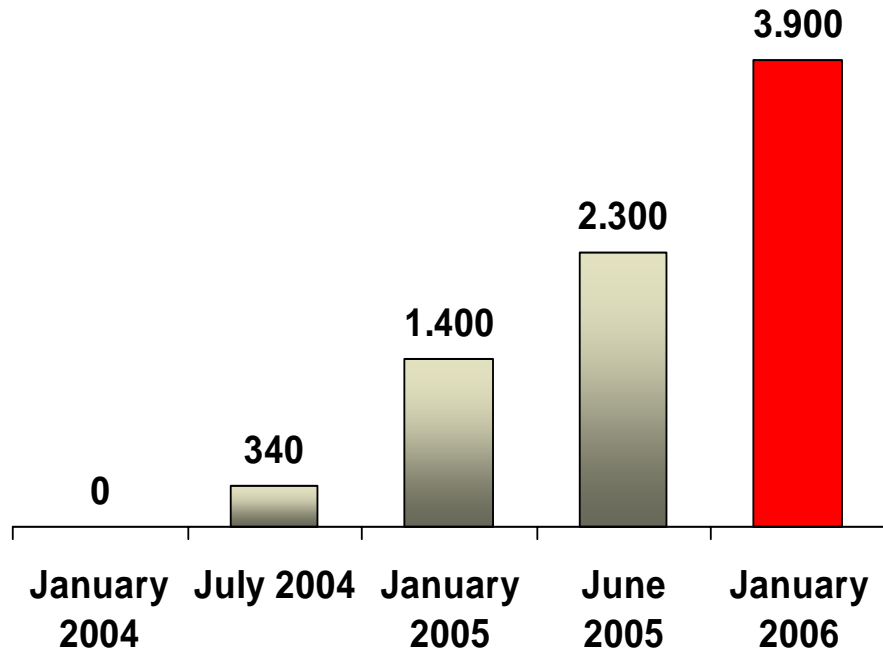
(* Includes STB used for piracy reasons up to 2 years ago)

Source: Federcomin, Auditel, Sky Italia, GkF, Fastweb, Booz Allen analysis

DTT is enjoying success in the Italian consumer electronics context

DTT STB sales

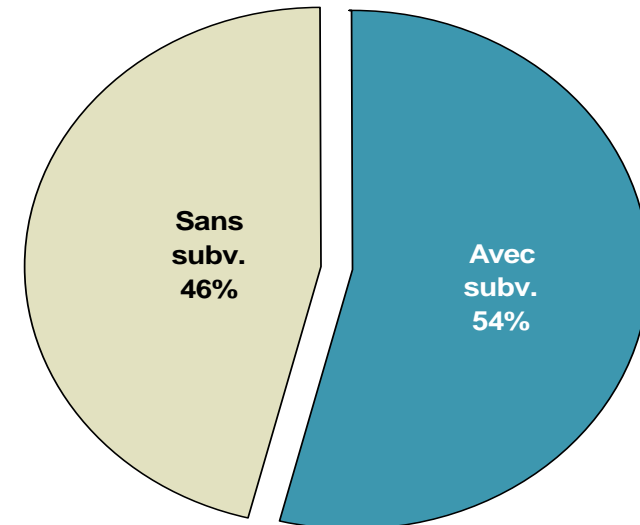
(97% are interactive)
- '000, at end of month -



Drivers for DTT success

- 1 Content offering (free and pay)
- 2 Availability of advanced receivers at low prices
- 3 Accessibility
 - Horizontal and interoperable STBs (MHP, multiple CAS)
 - Plug and Play
 - "Affordable" free and pay offering

46% Set top Boxes sold without subsidies

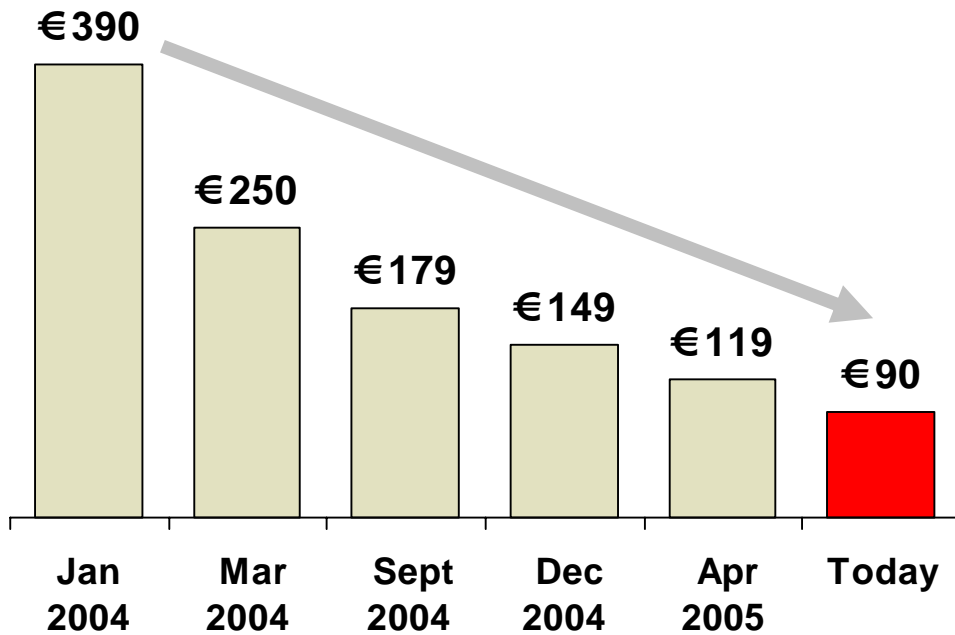


Source: GfK;

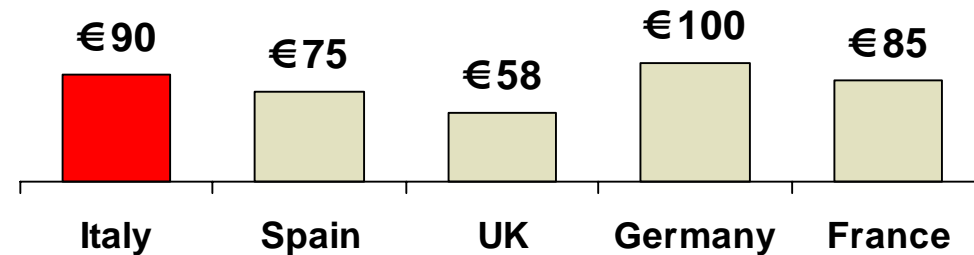


Today in Italy, DTT STB's cost below 100€, and are more advanced than STB's in other European countries

Price evolution of DTT STB's in Italy
(end price including VAT)



Comparison of STB's prices in Europa
(end price including VAT of cheapest model available)



MHP	MHP	MHEG	--	--
CAS	--	CAS	--	--
Modem (V.90)	Modem	--	--	--

Source: GfK Marketing Services Italia; Market survey, Booz Allen analysis

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,...



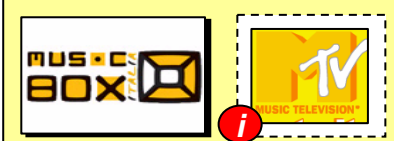
Kids



Shopping



Music channels



Cinema news



Public service channels



Religion



Pay per View services



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

... and a multitude of more than 100 interactive services and additional free to air contents

DTT Offer

Information on programs



Live Interaction



Double Audio



Games



Additional contents



Programming Guide



Italian
DTT

Information services



Service (commerce)



Interactive advertising



Super Teletext



Financial info



Case Study: Boing et Rai Utile



- ▶ New Kids Channel
- ▶ Boing is addressed to 2 to 14 years old children
- ▶ Not only cartoons but even series, documentaries and movies
- ▶ Boing is a Joint Venture between Mediaset and Turner Broadcasting System
- ▶ New educational interactive games



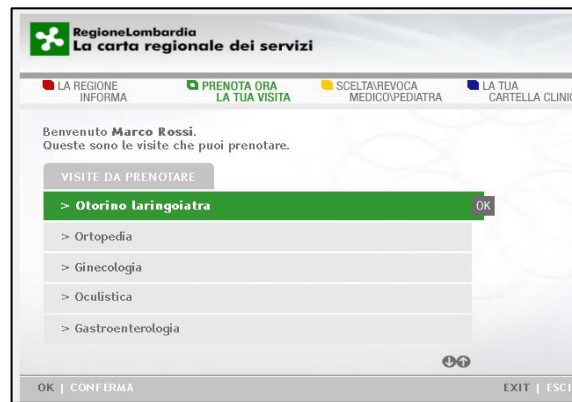
- ▶ 5 main issues in cooperation with Italian Public Administration
 - Consumers
 - Environment
 - Job
 - Family
 - Culture
- ▶ News Channel on DTT
- ▶ Multiple choice of interactive applications

In addition, first trial T-Government services are present on DTT

Public Administration



Healthcare



Local public service portals



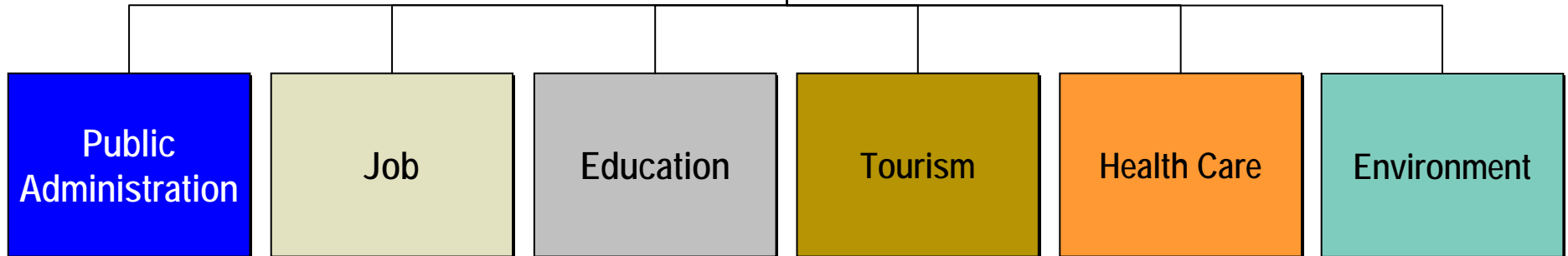
T-Government: Service Structure

Example

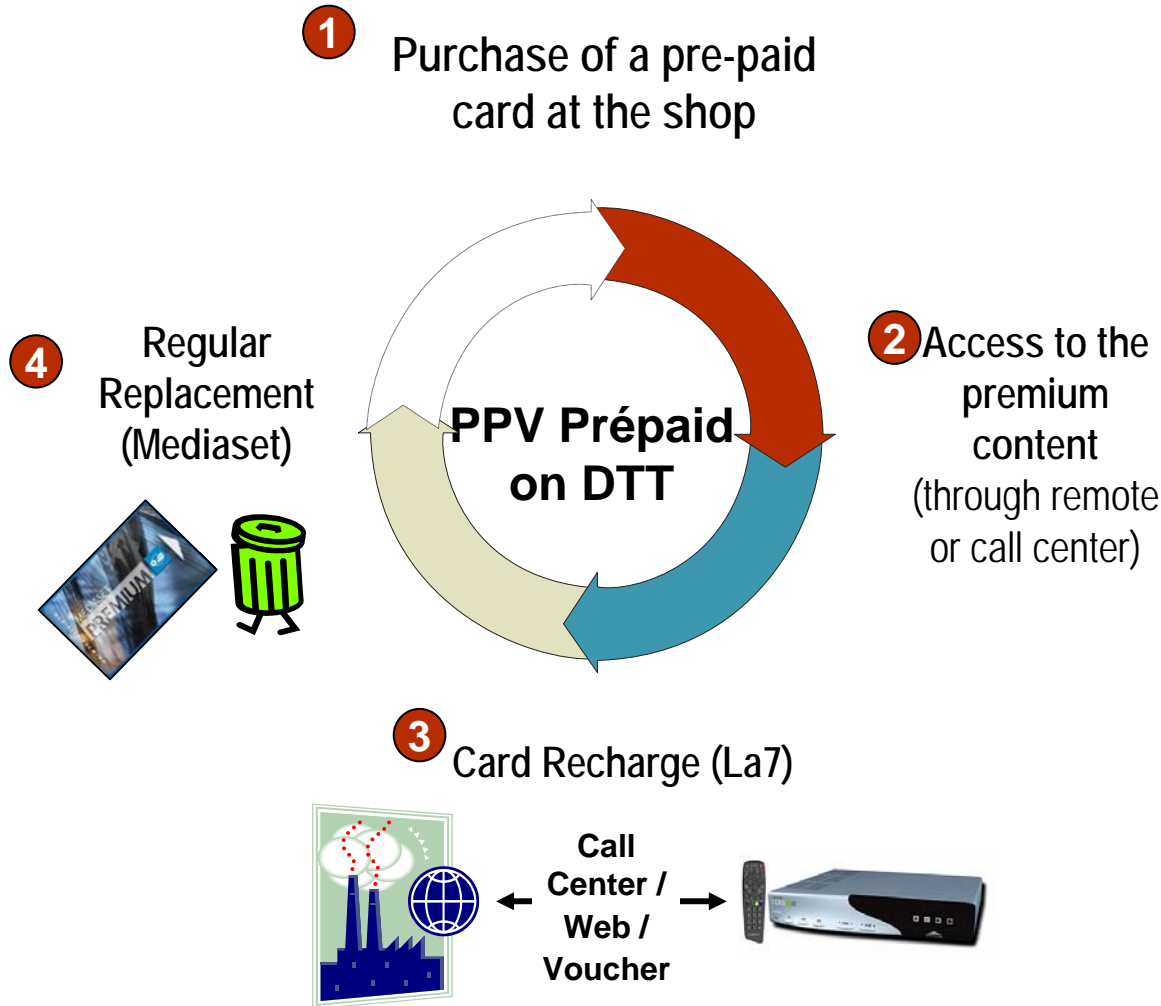
Illustratif



- ▶ TV Access through Remote control
- ▶ Friendly User Service



Simple PAY TV model, (3 – 5 € per event instead of the 50 € per month of a satellite subscriber)



“Serie A” Teams on DTT

5 € per match

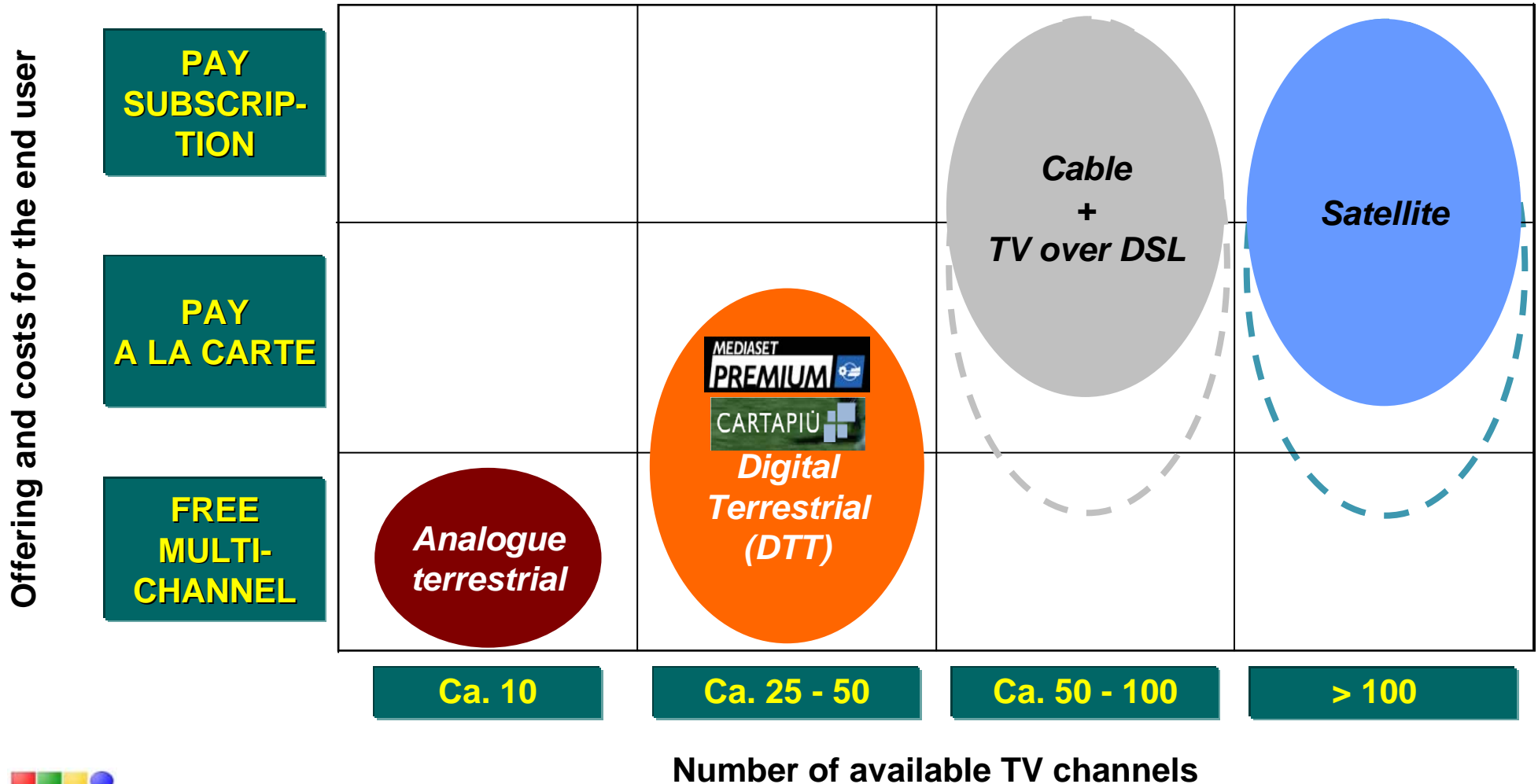
Further Premium contents

2-3 € per «event»

Blockbuster Movies, Film, Concerts, Reality, ...

DTT is an extension of today's analogue/free television, capable of competing against other digital TV platforms

TV platform positioning (Italy)



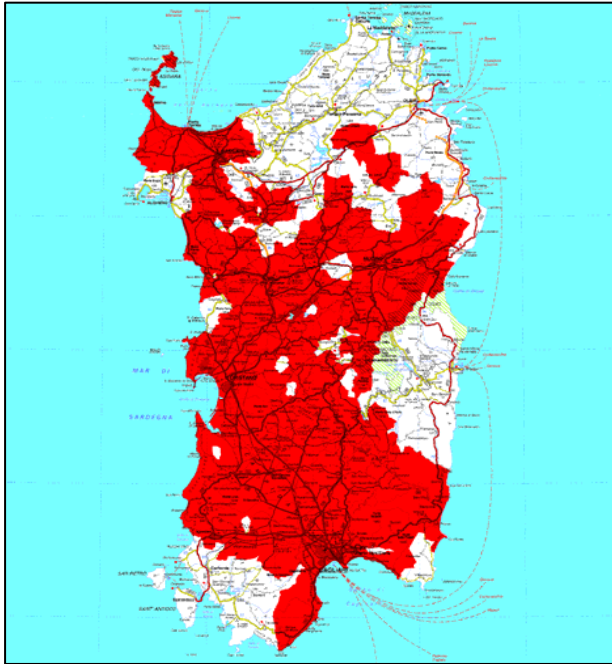
Main Issues in the short future

Regional Switch-Off

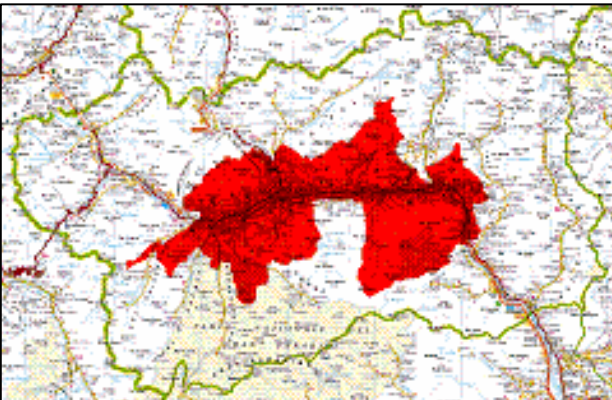
DVB-H first trials

Regional Switch off: Sardinia and Valle d'Aosta DTT ready on July 2006

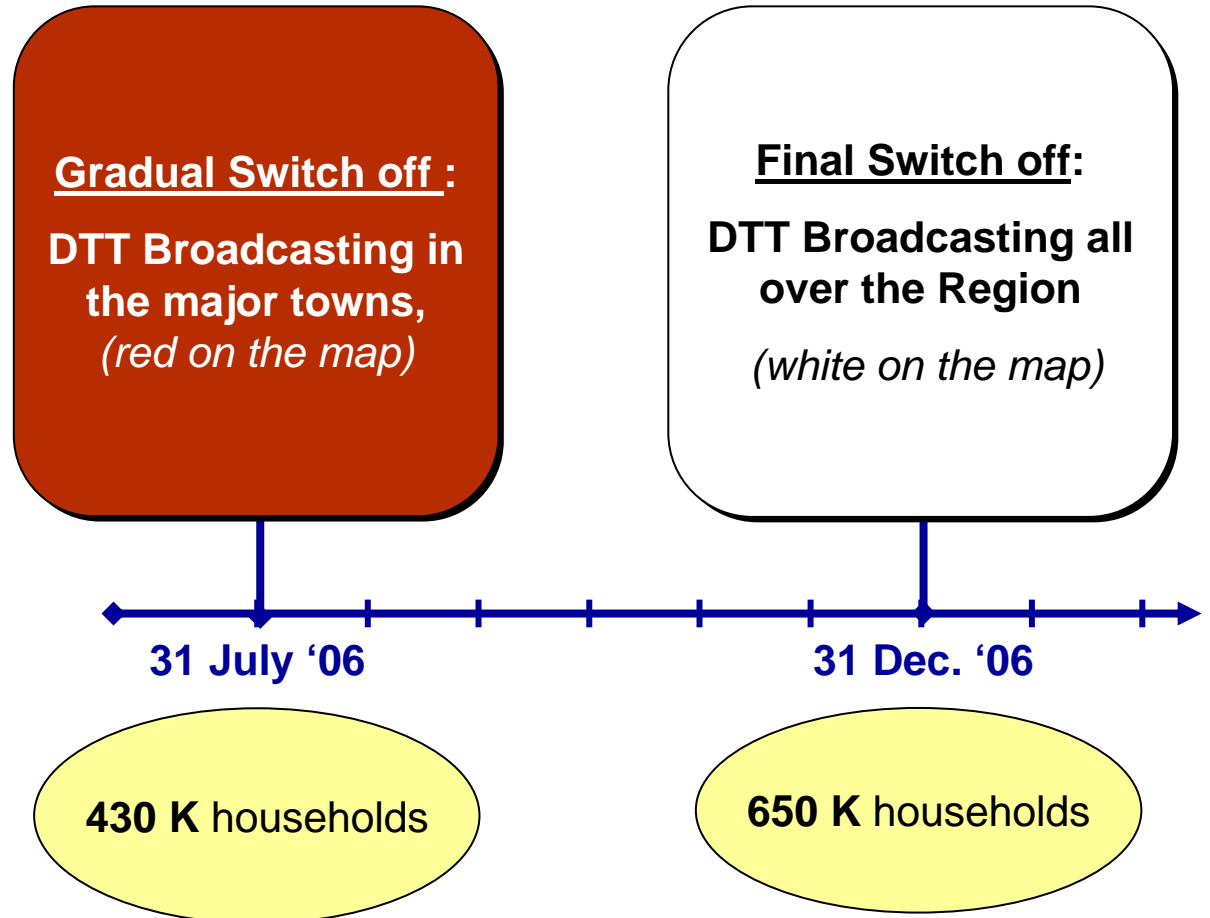
Sardinia



Valle d'Aosta



Switch-Off Schedule



STB' s sales increased in the two Regions

	DTT Households (31 august 2005)	DTT Households (3 march 2006)
Sardinia	40,000	333,154
Valle d'Aosta	1,500	27,601
Total	41,500	360,755



DTT Households Pénétration

57,5% Sardinia

51,3% Valle d'Aosta

Preparing to the Switch-Off in Sardinia ...



Broadcaster et Telco are testing the Mobile TV on DVB – H

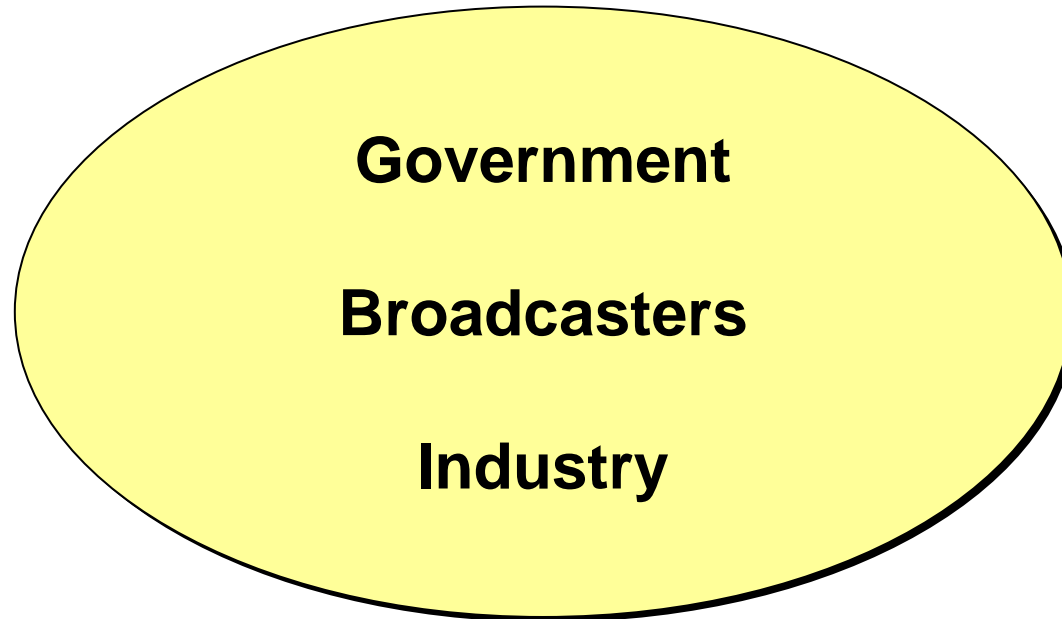


...



- ▶ Return channel possible through 3G
- ▶ Free to Air Channel
- ▶ Thematique Channel
- ▶ Premium Contents
- ▶ Services

DTT can succeed if all the Operators are involved in the process



Challenges for the successful transition to digital TV

1. Role Public Service
2. How to improve the attractiveness of the free channels
3. Role of new services (DVB-H, HDTV)

Danke Well!

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