

Digital television and switchover: market developments and consumer metrics

Prepared for the Ministerial Group on Digital Switchover

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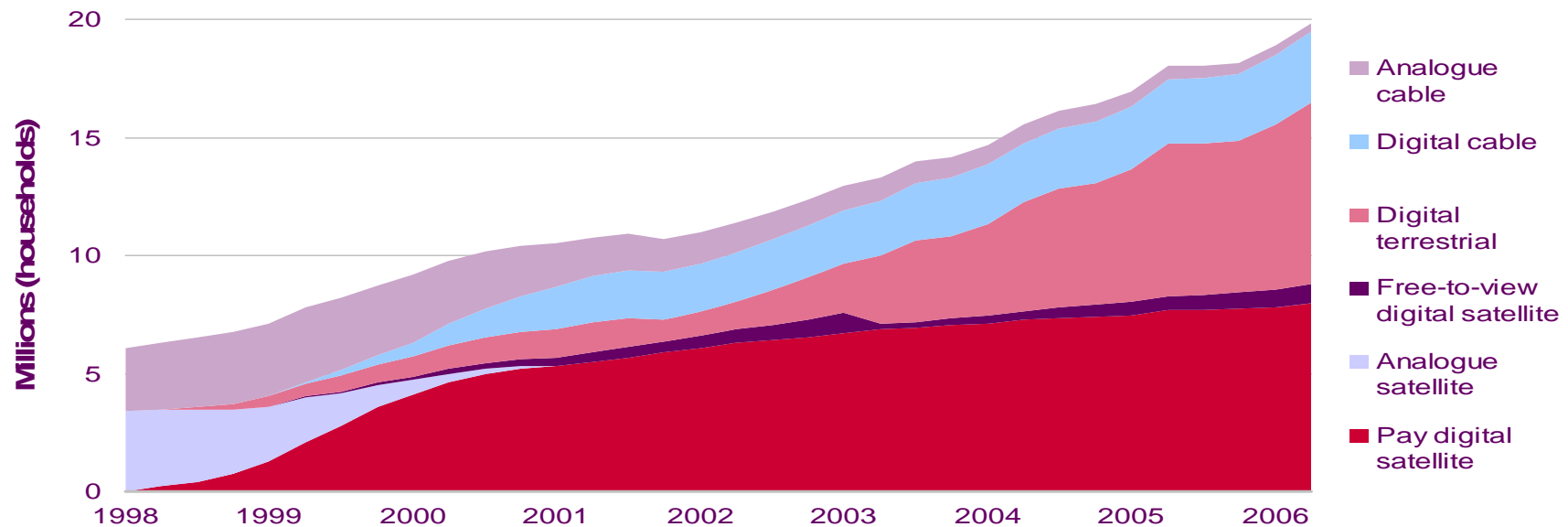
- Tracker Dashboards [to be circulated at meeting]**
- Digital TV Platform Availability**

Conversion Update

Multi-channel conversion reaches 78.6%

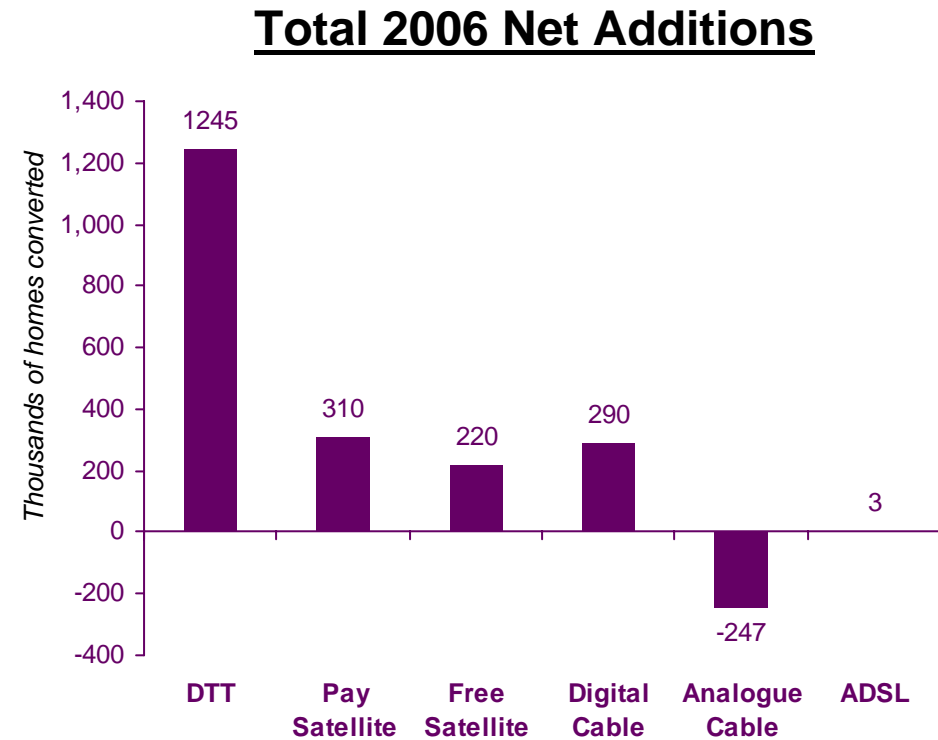
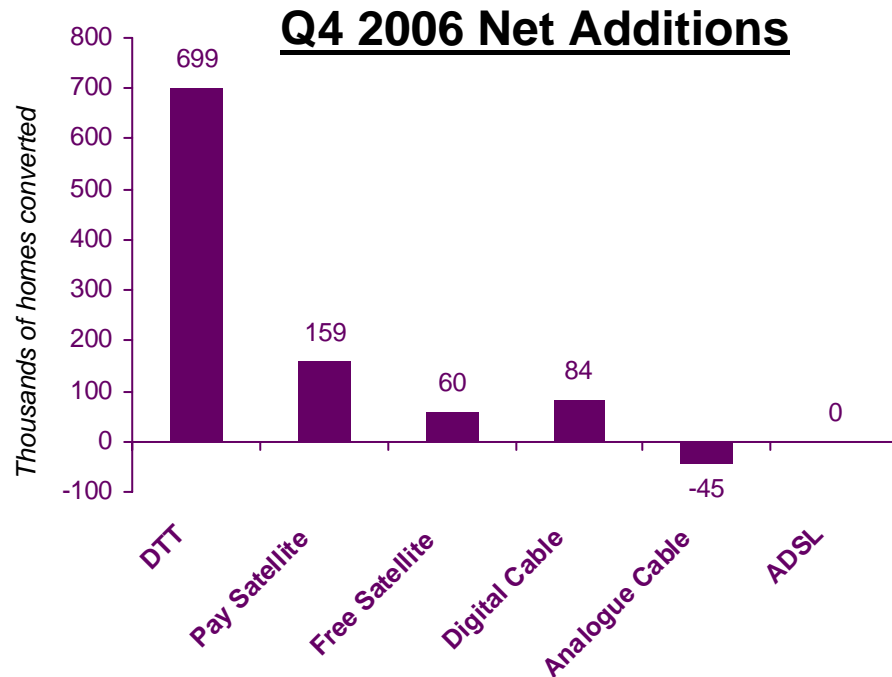
- 78.6% of primary TV sets converted to multi-channel (includes analogue cable)
- Multi-channel conversion added 6.8pp in 2006
- Growth still dominated by DTT: 7.7m households had DTT at Q4 06, a 10% increase from Q3 06, and 70% of conversions in the quarter were via DTT [see next slide]

Market share of UK multi-channel TV homes, Q4 2006



Conversion Update

Over 2 million homes went digital in 2006

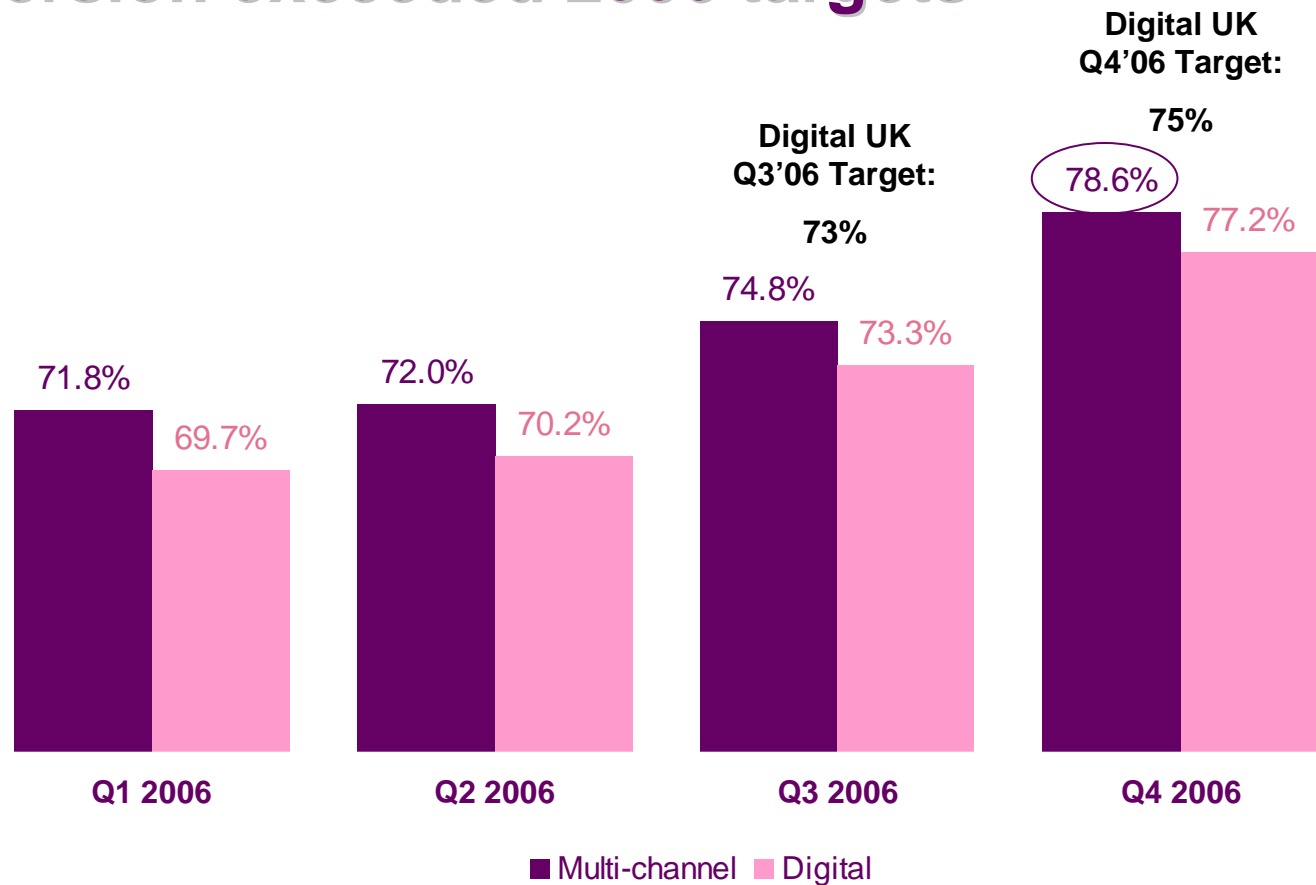


- 1 million homes went digital in Q4
- Almost half (48%) of 2006 conversions were made in Q4
- 70% of conversions were via DTT

- 2.1 million homes went digital in 2006
- 1.8 million homes went multichannel (including losses from analogue cable)
- 68% of multichannel conversions were via DTT; 29% via satellite and 2% via cable

Conversion Update

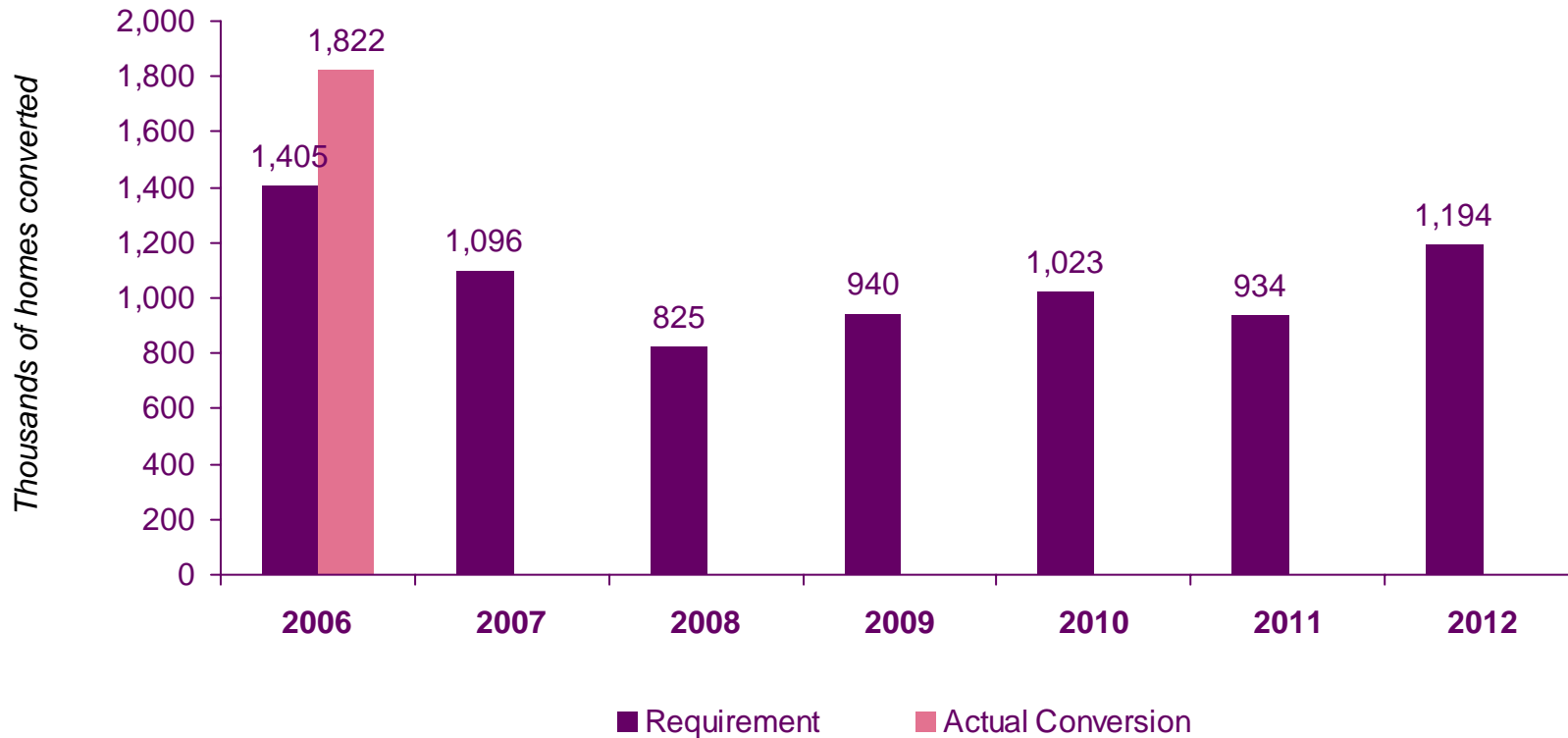
Conversion exceeded 2006 targets



- Multi-channel conversion exceeded conversion targets set by Digital UK's Switchover Market Planning Model for the last two quarters of 2006

Conversion Update

Good progress made against planning model



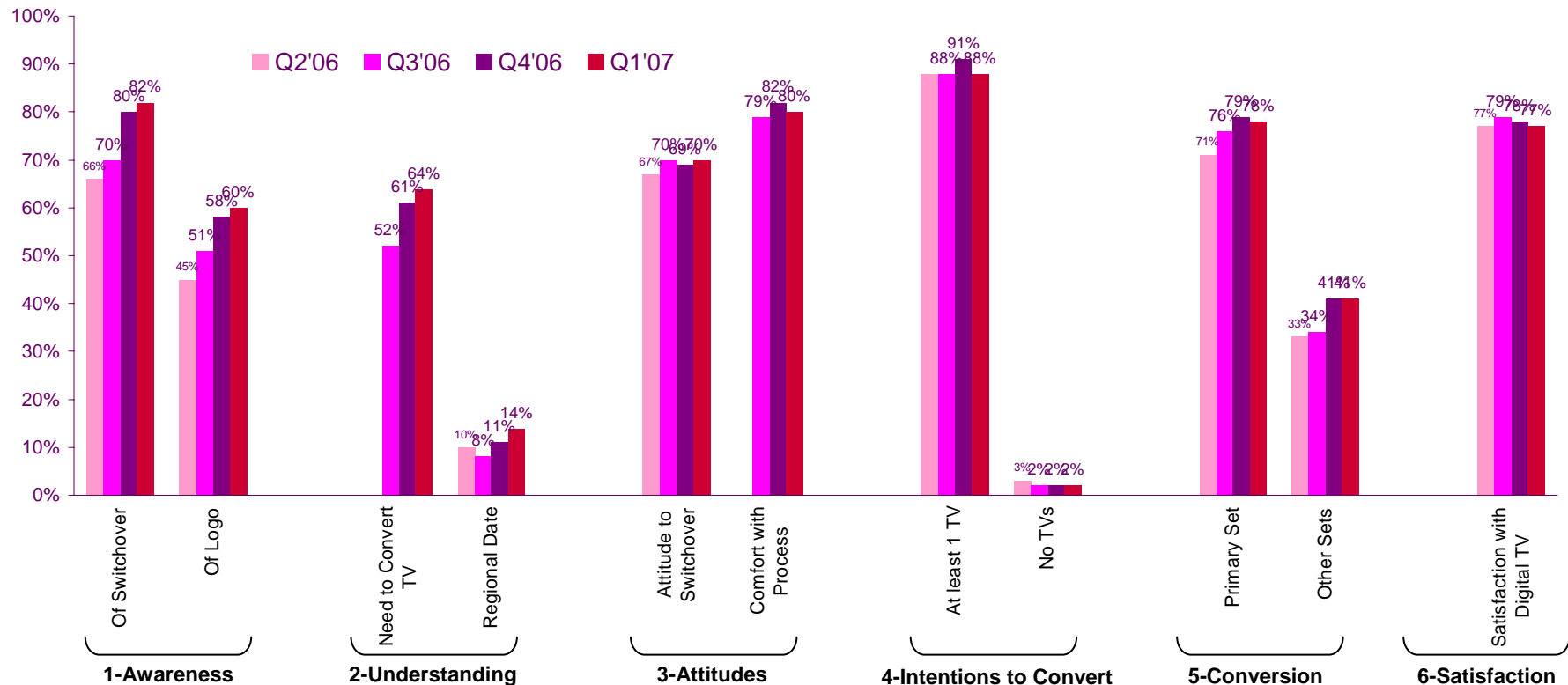
- The Digital UK Market Planning Model predicted a conversion requirement of 1.4 million homes in 2006
- Over 1.8 million homes were converted – exceeding expectations by 417k
- A further 1.1 million homes are expected to go digital in 2007

Consumer Metrics

Q1 2007 Switchover Tracker Highlights

- Continued growth in awareness to 82% (95% in Border)
- No growth in conversion at national level, although increases in some lead regions (Wales, Westcountry)
- Limited improvement in date awareness

Progress on Key Metrics: Q2'06 – Q1'07 [full dashboards to be circulated at meeting]



Market Developments

Significant developments in the digital TV market

NTL/Telewest became Virgin Media

Virgin Media to launch branded Freeview set-top box

ITV and Setanta jointly acquire rights to FA cup

Sky basic channels taken off Virgin's cable service

Ofcom asked to investigate Pay TV industry

Everything you want on the box, in the box

Setanta Sports now available

Sky Anytime
Your Sky. On demand

Top-up TV launched its Anytime Digital Television Recorder with Setanta Sports available on subscription while Sky launched their push-to-Video on Demand service

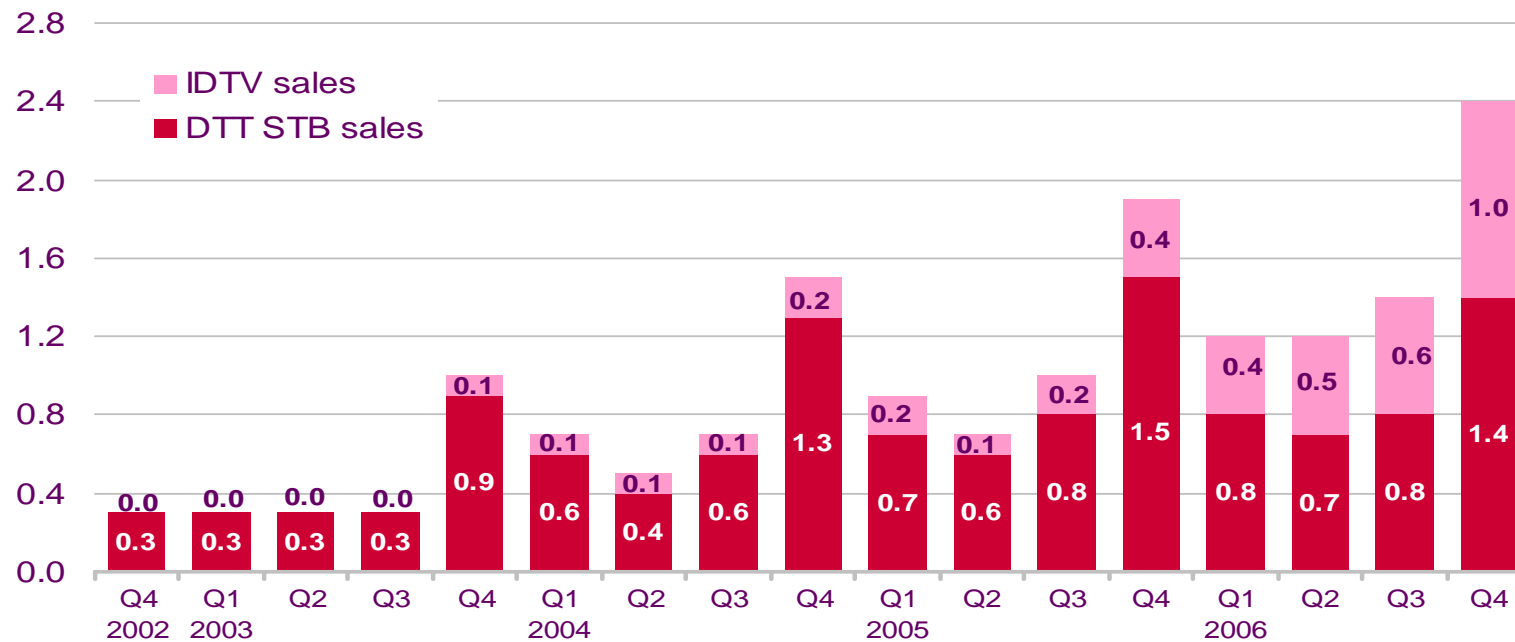
Sky announced plans to launch a subscription television service on digital terrestrial television

The BBC Trust provisionally approved a proposal to develop and launch BBC Freesat

Market Developments

DTT sales increasingly driven by iDTVs

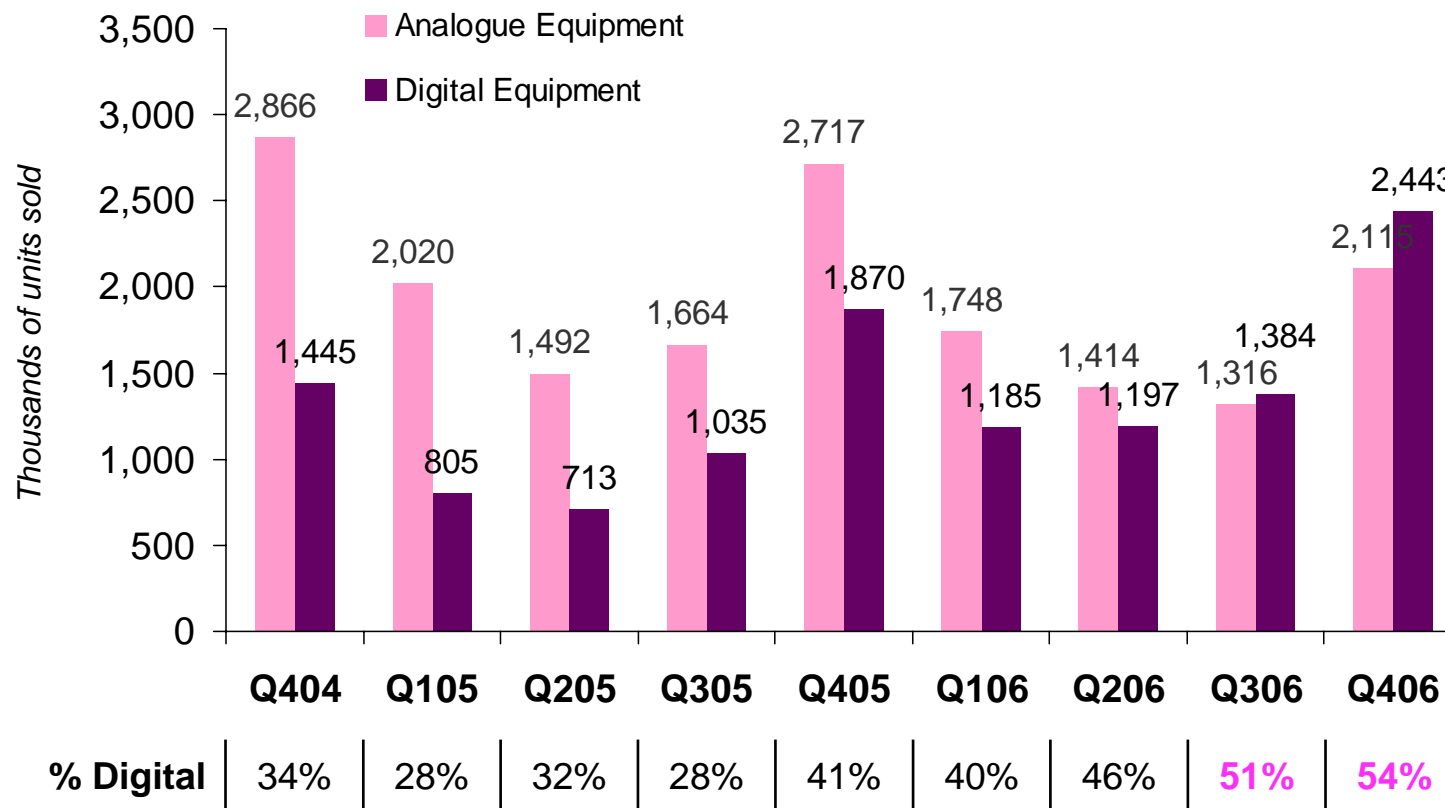
- Sales of IDTVs in Q4 06 nearly doubled over the previous quarter with 66% sales growth
- By Q4 2006, sales of IDTVs reached the 1 million mark
- 38% of all TV sales were digital (Q4'05 = 17%)
- Driven by greater choice in IDTV availability
- Quarterly DTT set-top boxes sales declined marginally year-on-year (2% down on Q4 2005)



Market Developments

54% of TV equipment sold in Q4 2006 was digital

Unit Sales of All TV Equipment
(thousands)



Source: GfK LekTrak;

10 * Analogue Equipment = TV sets, VCRs and DVD-Rs; Digital Equipment = iDTVs, digital TV recorders and other set-top boxes

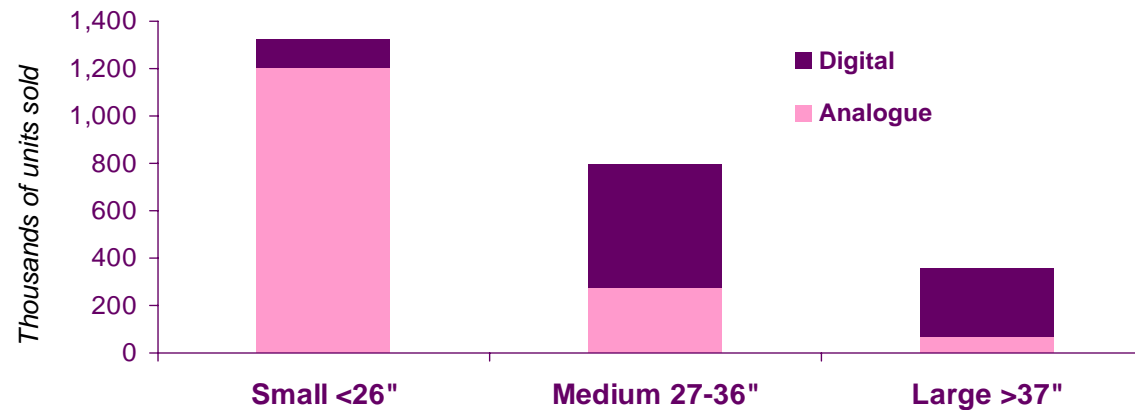
Market Developments

However, small screens remain mostly analogue...

- Although iDTV sales are growing significant issues still exist in the conversion of smaller TV screens
- Small screen TVs (under 26") make up more than half (53%) of all TVs sold and yet remain almost entirely (91%) analogue – price competition is fierce at this end of the market

Q4 2006 Unit Sales of Televisions

(thousands)



Q4 Sales (k)	1,327	797	362
% all TVs sold	53%	32%	15%
% Digital	9%	65%	81%

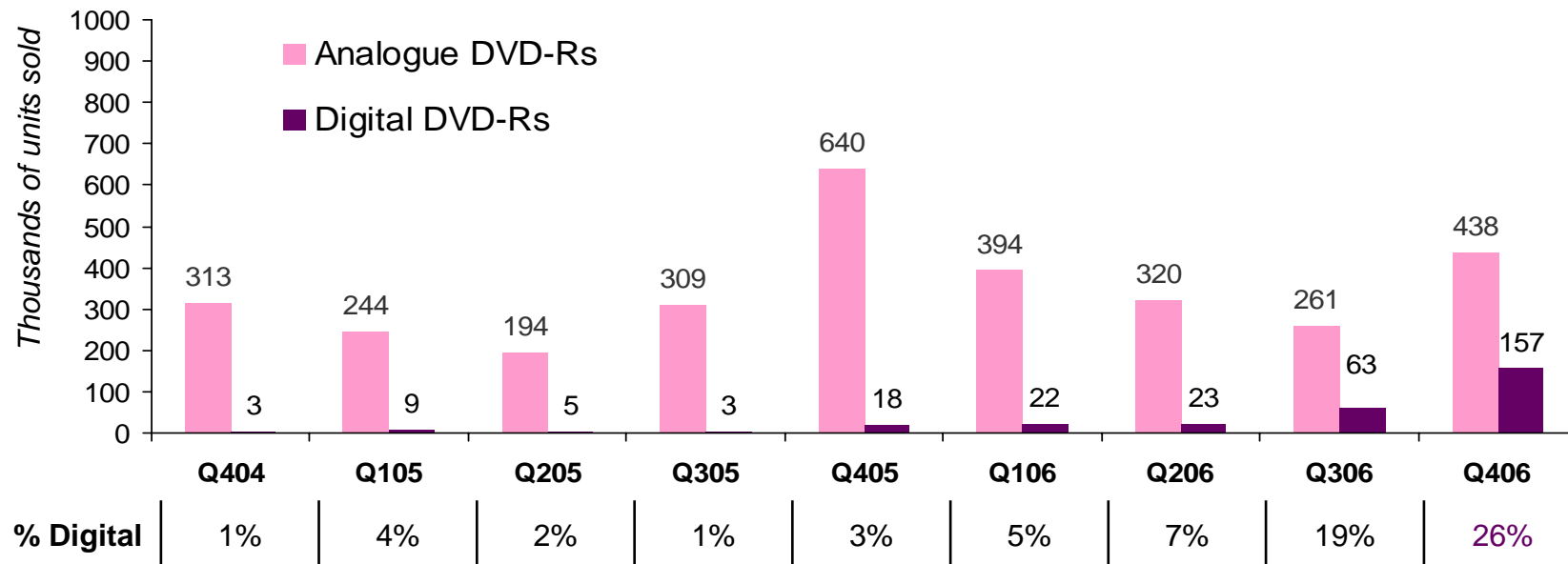
Market Developments

...and only one quarter of DVD-Rs were digital

- A digital DVD-R, with an integrated digital tuner, will work through switchover. Analogue DVD-Rs will face the same problems VCRs and will not be able to 'independently record' after switchover
- In Q4 2006 still only one quarter (26%) of DVD Recorder sales were digital
- More than 3 times as many analogue DVD-Rs (438k) were sold as VCRs (129k)
- Moreover we know that many consumers expect DVD technology to be future-proof and it is difficult to tell if a DVD-R is analogue or digital once in the home

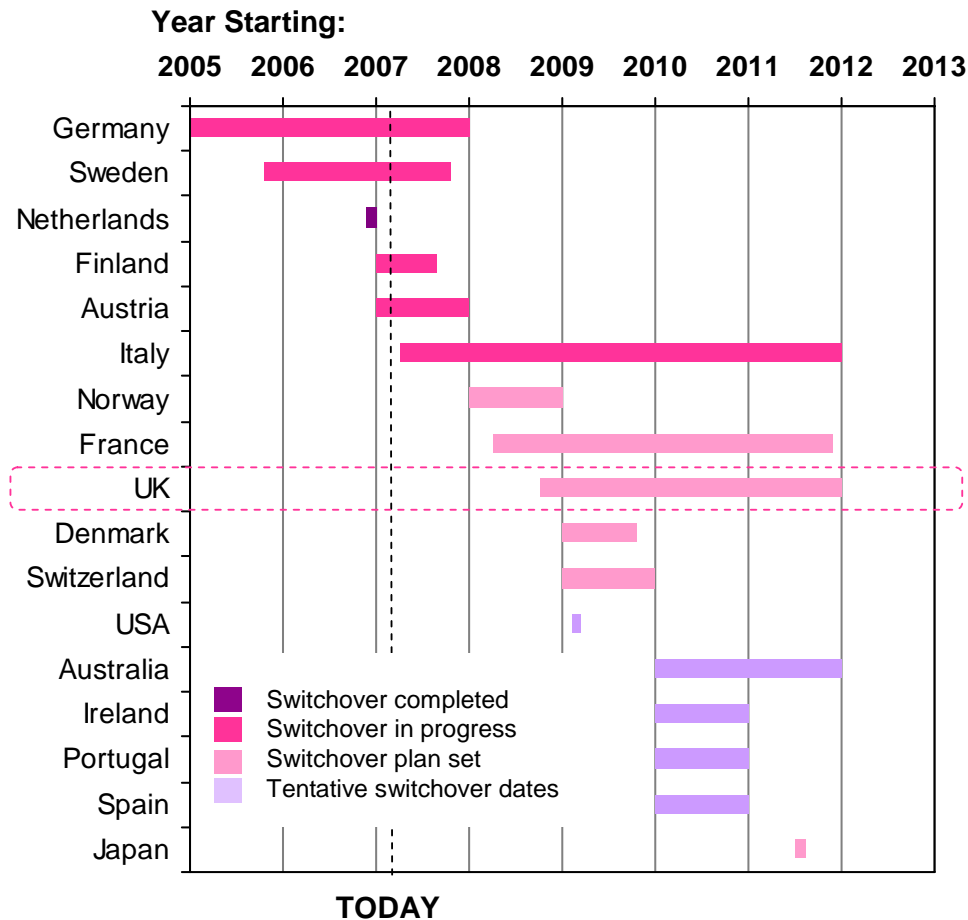
Unit Sales of DVD-Rs

(thousands)



International Updates

Recent International Switchover Developments



- **Netherlands** – completed analogue switch-off on 11th Dec 2006
- **Sweden** – c.70% complete, programme finishes October
- **Finland** - remain on track for switch-off by 31 August 2007
- **Germany** - remain on-track to achieve a 2008 switch-off
- **Italy** – Cagliari switched 1st March 2007, programme due to complete 2012
- **Norway** - will switch-off analogue terrestrial between end of 2008 and late 2009 / early 2010
- **France** – proposed switchover between March 2008 and Nov 2011
- **USA** - have set a switchover date of 17 February 2009
- **Australia** – have set a target switchover timeframe of 2010-2012

Annexes

- **Tracker Dashboards [to be circulated at meeting]**
- **Digital TV Platform Availability**

Annex: Digital TV is available on four platforms

Platform	Equipment	Availability	Brand	UK take-up (households)	Penetration	Price range
Satellite	Externally mounted receiver and a set top box	Estimated 95-97% maximum	Pay: Sky Digital	8m Q4 2006	31.5%	£15 - £43.50 per month
			Free to view: Sky/Solus	0.82m Q4 2006	3.2%	Sky 'freesat' £150 one-off fee
Cable	Cable connection from network to the home and a set top box	51%	Pay: NTL, Telewest, Wightcable (Analogue & Digital)	3.4m Q4 2006	13.3%	£11.50 - £44 per month
Digital Terrestrial	Conventional TV aerial and either a set top box or a TV with a built-in digital tuner	73%	Freeview Pay: Top Up TV	10.6m Q4 2006 (7.7m DTT only platform)	30.4% (DTT-only homes)	DTT boxes from around £30. Top Up TV Anytime from £9.99 per month
TV over ADSL	Using existing telephone lines and set top box.	10%	Pay: Tiscali / Homechoice.	43,000 Q3 2006	0.2%	£15 - £45 per month
Total digital TV penetration of UK households:				78.6% multi-channel 77.2% digital		