‘Grasping the D-Cinema Nettle in Europe’

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ShoWest, International Day

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D-Cinema 2007 market status

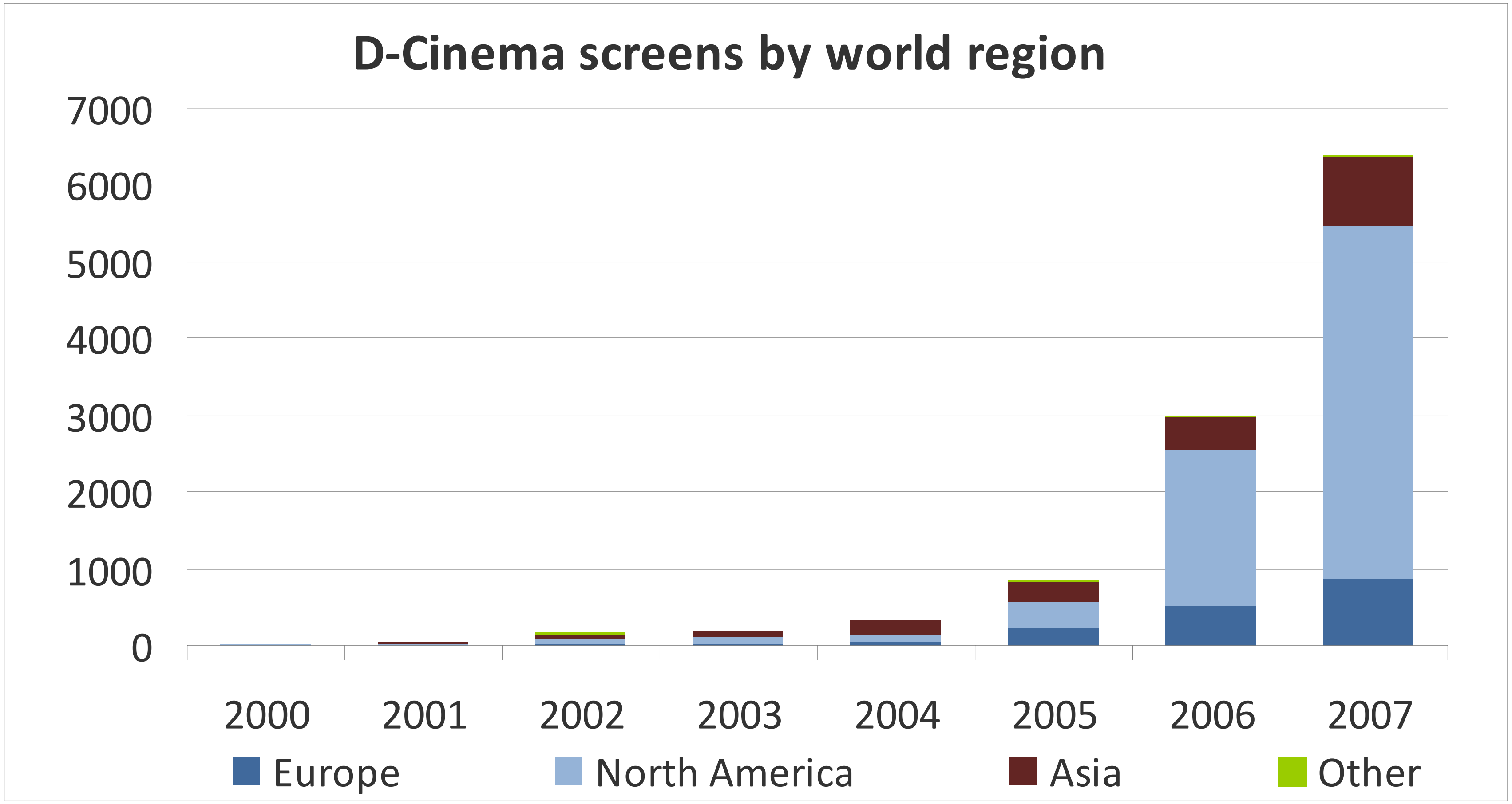
Digital Cinema market status

- Development of global market
- Focus on Europe

Progress in European roll-out?

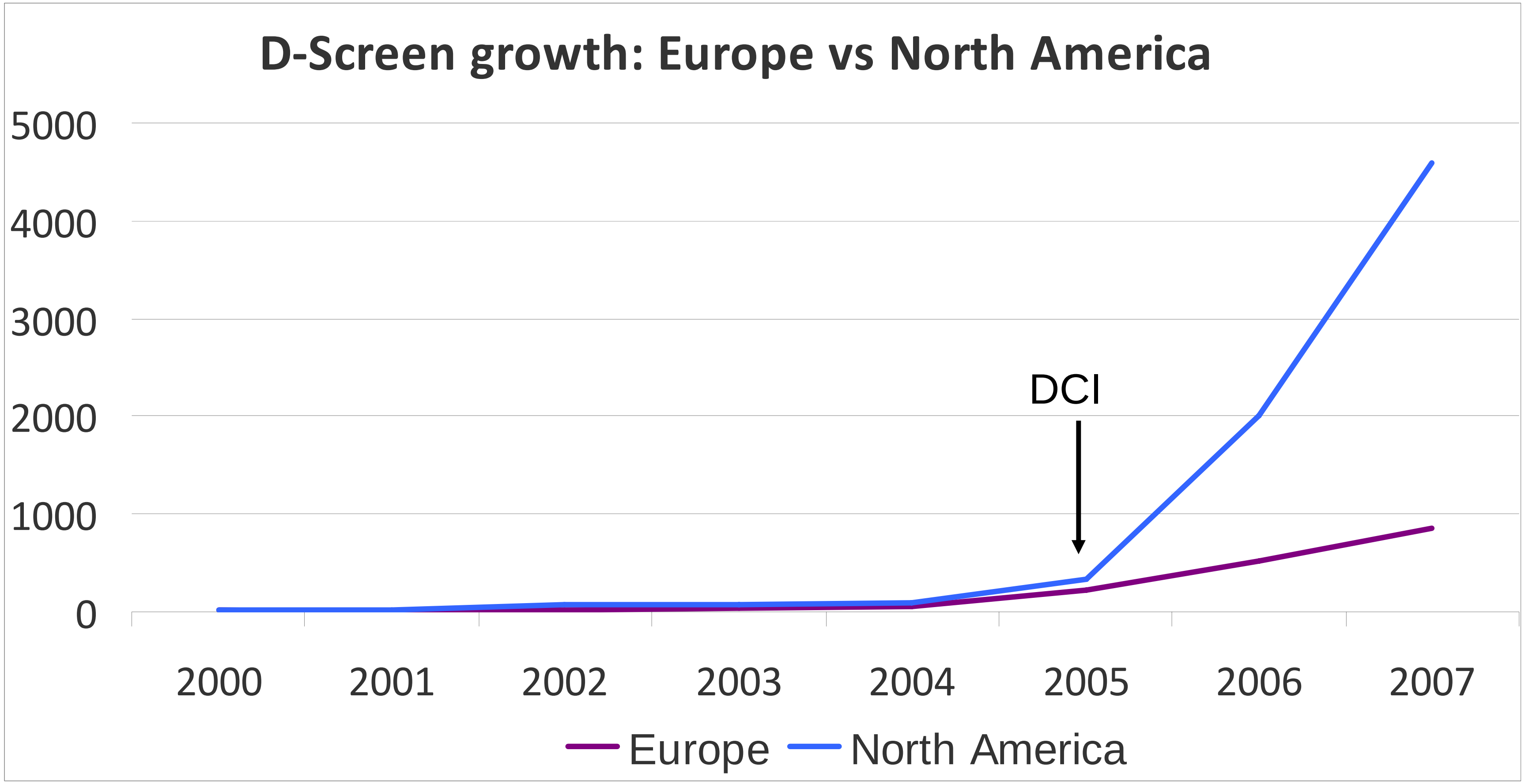
- Developing business models
- Exhibitor benefits becoming clearer
- 3D as a catalyst
- Foundations for industrial growth

D-Cinema growth by world region: Europe shows steady increase



Note: 2007 2K only installations or higher

D-Cinema growth by world region: Europe waiting for launch point



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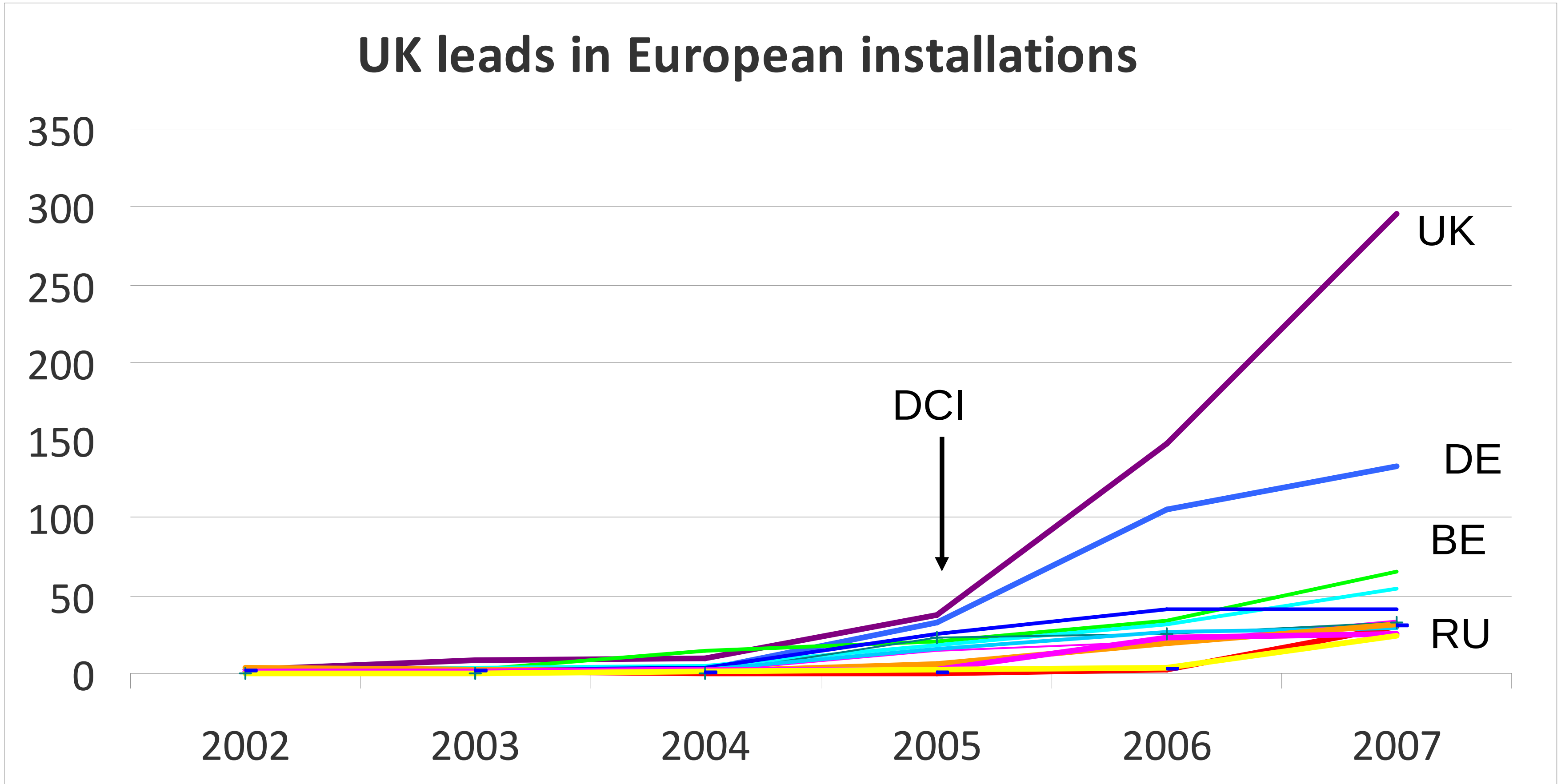
European D-Cinema markets have stalled?



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Digital progress in European markets

While progress does not translate to digitisation, the debate is more advanced in some countries eg..

Progress	Stagnation
UK	Portugal
France	Greece
Germany	Hungary
Norway	Czech Republic
Ireland	Baltic's
Belgium	Netherlands

The evolving business model in Europe:

Virtual Print Fee (VPF) model is most successful to date :

Euro VPF - Arts Alliance Media, 7,000 screens, 25% in Europe

Other models do exist,

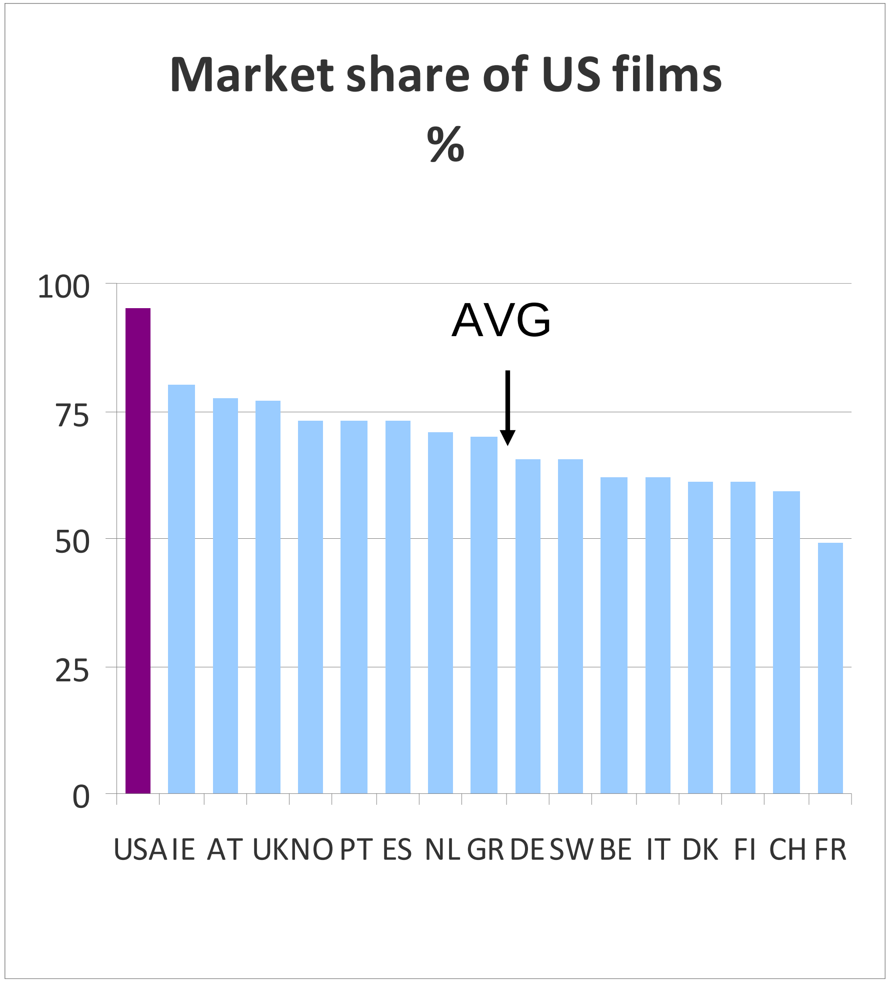
Need to take account of:

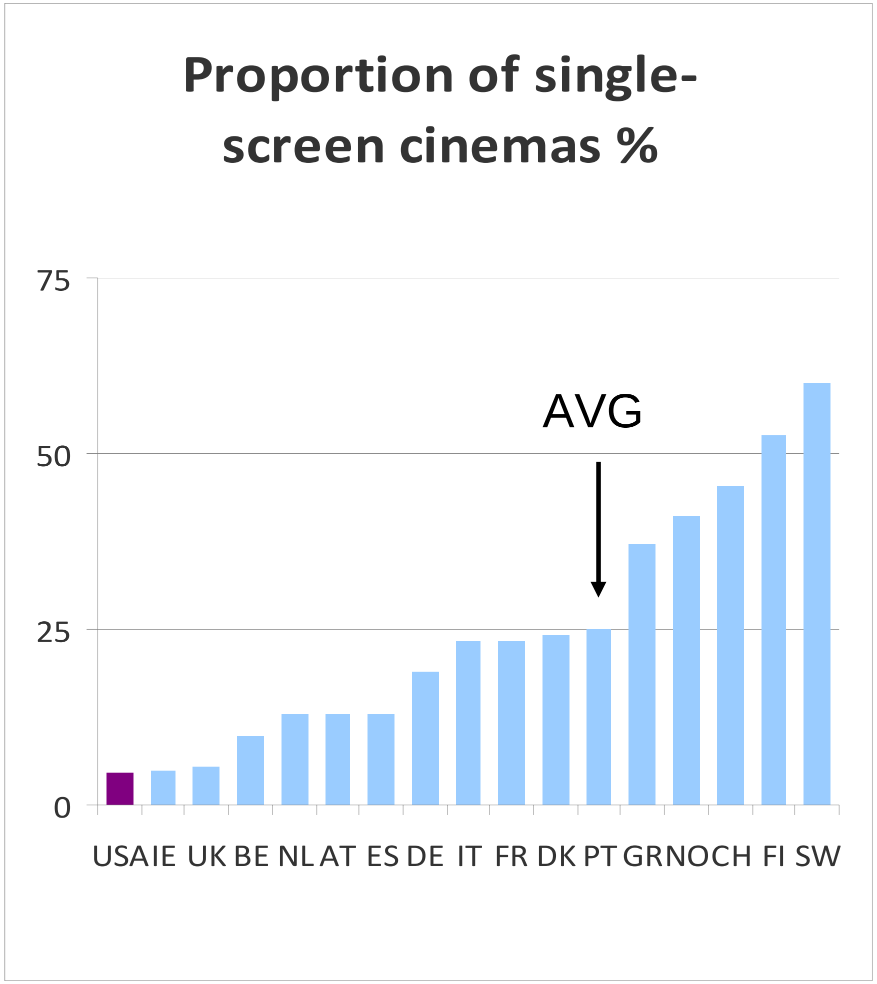
Exhibition: smaller chains, single screen cinemas, art house cinemas

Distribution: independent films, local films, local players

Regulation: higher level of government/institutional involvement

Examples of market fragmentation in Europe





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Looking forward we can assume:

Government will continue to play its role

Exhibitors will need to contribute towards total financing

Digital 3D driver for 2009

Digital 3D: part of an increasingly attractive option for cinemas to upgrade their theatres

Distribution advantages of digital are well established

- Cost savings were the initial driver
- Flexibility
- Piracy

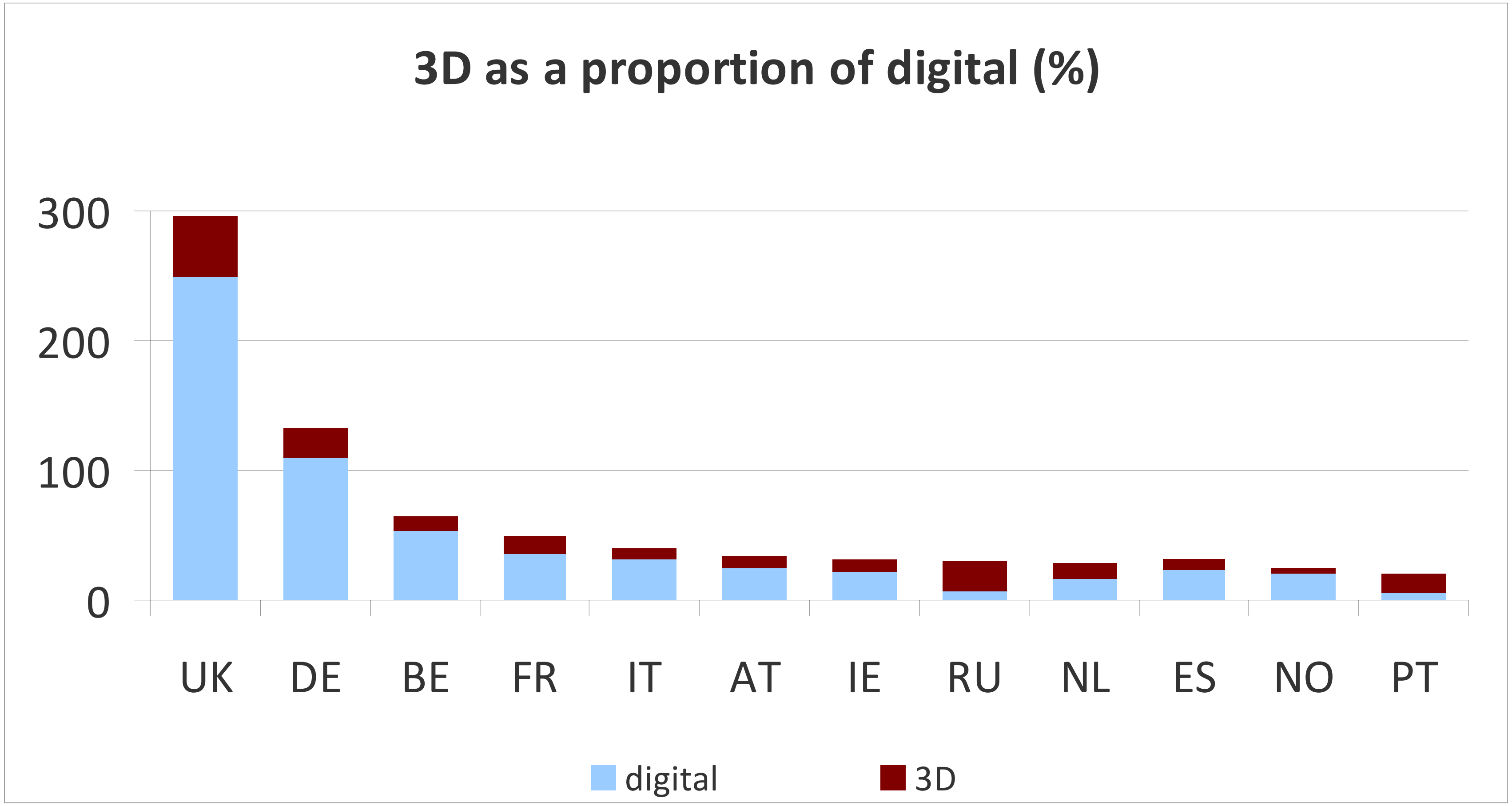
Exhibitor benefits of digital cinema becoming clearer

- Digital 3D movies driving the momentum
- Alternative Content: live music, opera and sports events
- Cinegaming
- Streamline In-theatre operations

Ultimately all modern screens will be digitised, but process has been relatively slow

3D as a catalyst for European D-Cinema

In 2007, there were 35 digital 3D territories, up from just 12 in 2006

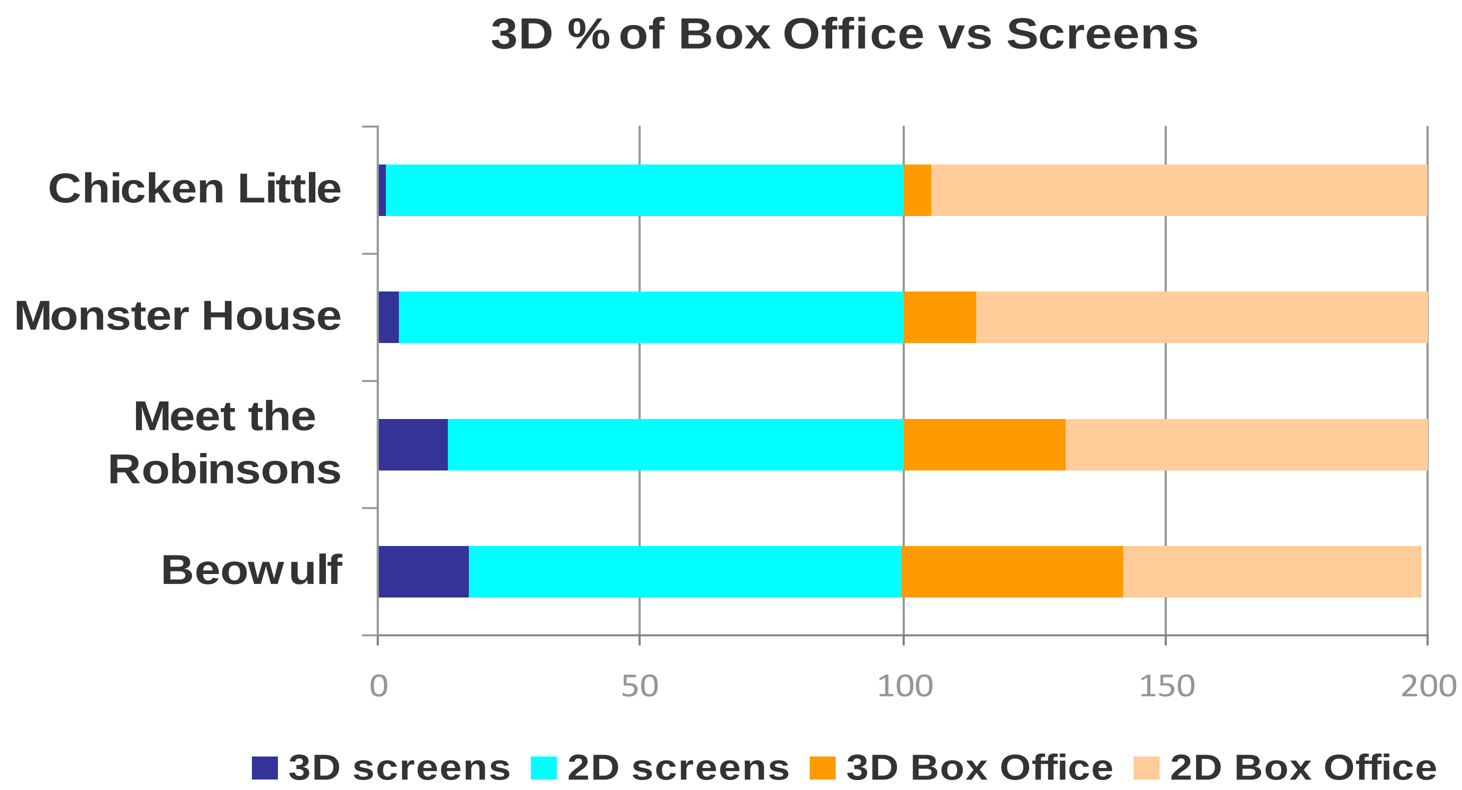


3D major driver of digital

- **Driver of digital – relies on underlying digital platform**
- Small but growing digital 3D base
  - 1,298 screens in 2007, up from 258 in ’06, and 98 in ‘05
  - 986 in USA (75%), followed by UK (48), then Japan
  - 6,000 3D screens expected by 2009, 4,000 in the USA
- **Studios committed to and investing in digital 3D future**
- **Economic incentive for exhibitors: up to x3 times per screen revenue**
- **Premium pricing is sustainable for 3D films**

Digital 3D delivers x3 times revenue per screen

3D screens generated 42% of Beowulf’s opening US box office, from just 17% of screens, including IMAX.



Looking forward

- European D-screen growth has stalled, as jump point for mainstream market approaches, but 3D is acting as a catalyst for 2009
- Discussions necessary to lay foundations for growth
- Still work to be done, but technical issues are mostly resolved: Commercial and Cultural influences are now shaping business model solutions
- Markets will decide shortly whether one all encompassing model can be justified
- Ultimately, a greater transparency and understanding is required between who benefits now (cost savings) and in the future (incremental revenues)

Thank you

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