

Digital Cinema: The Tipping Point is Coming

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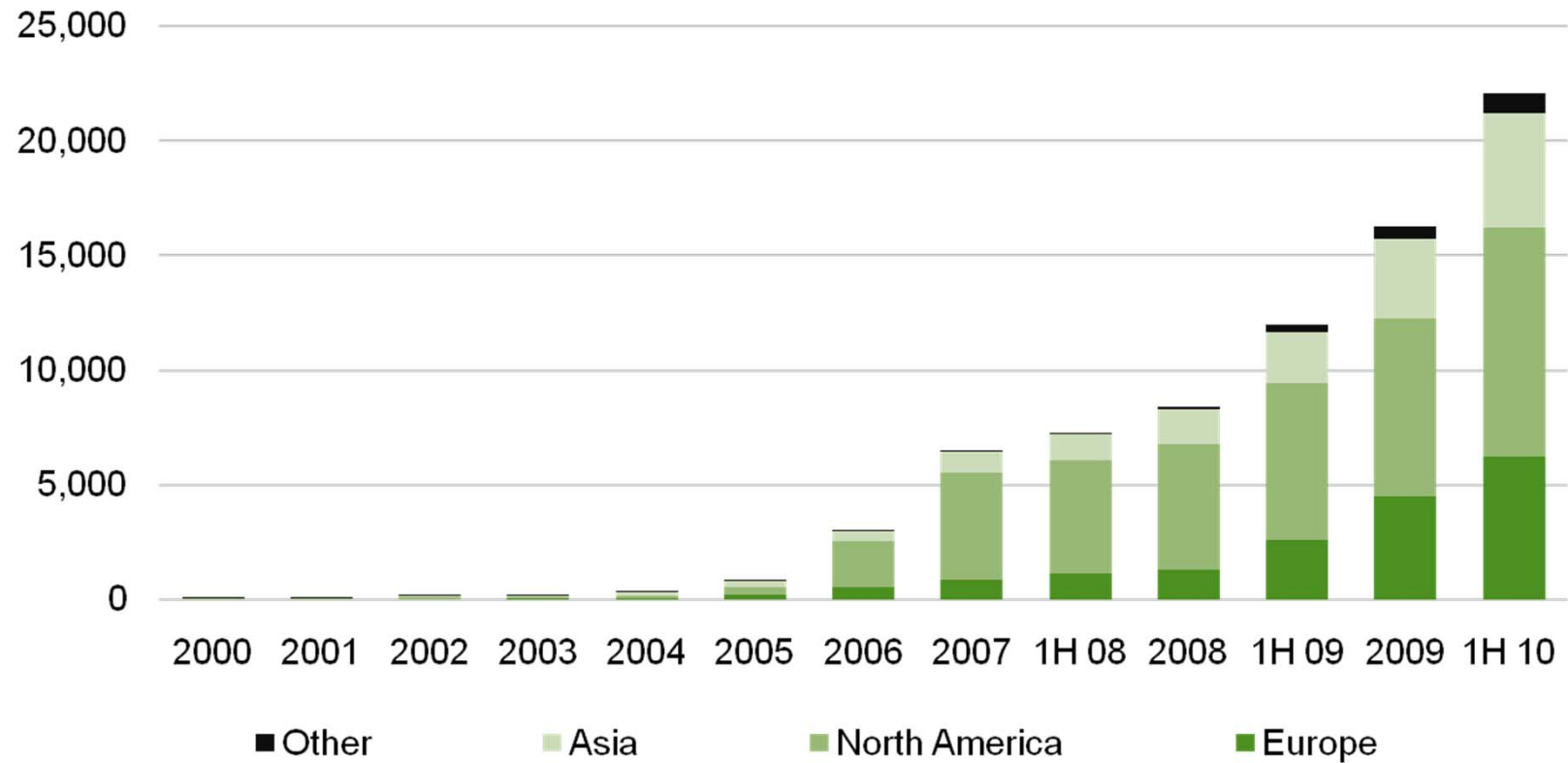
November 2010 / Europa Cinemas



screen**digest**

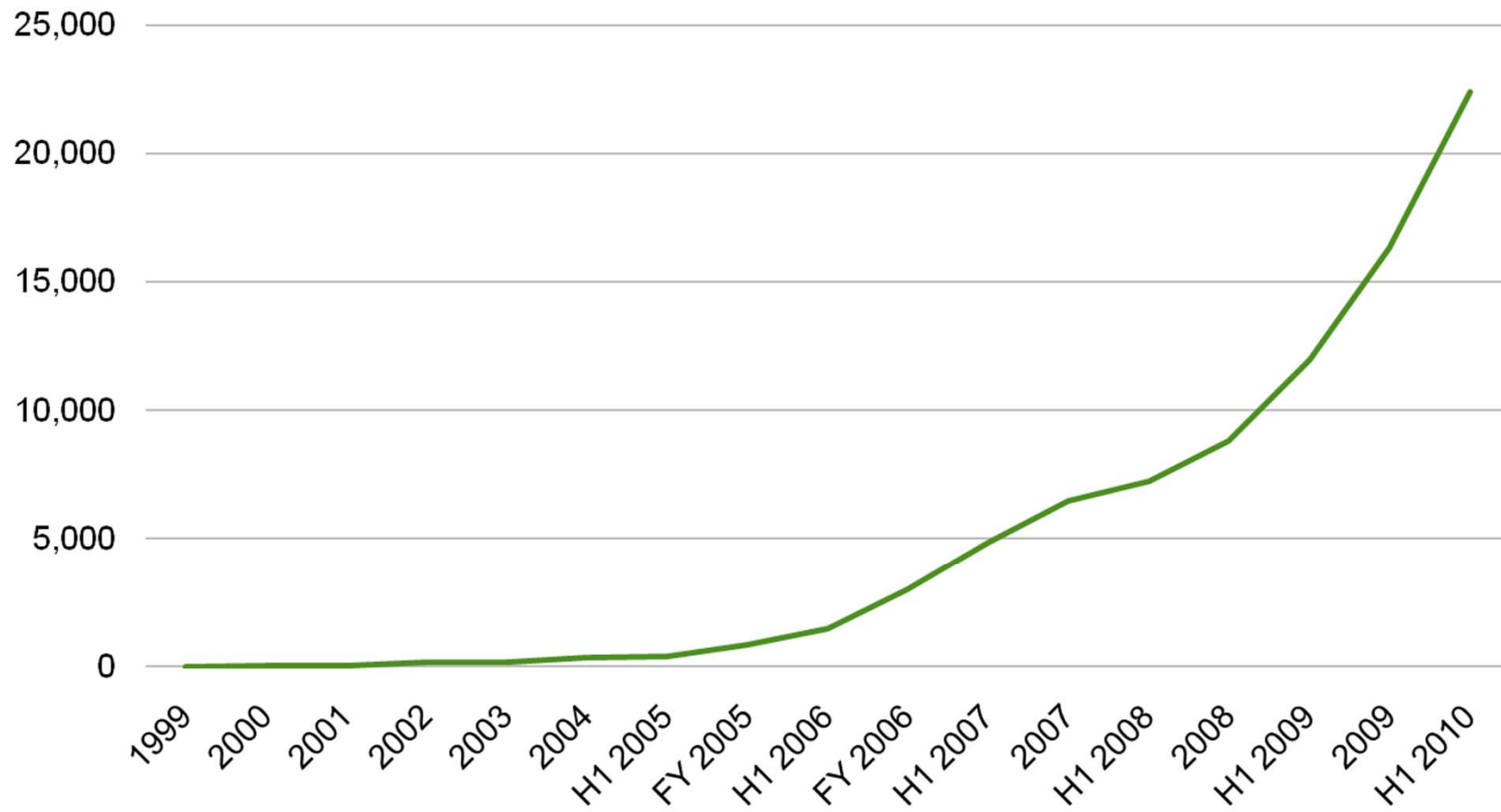
USA, Europe and Asia

- Asia and Europe saw higher growth than US in 09
- 2010: all territories experiencing growth

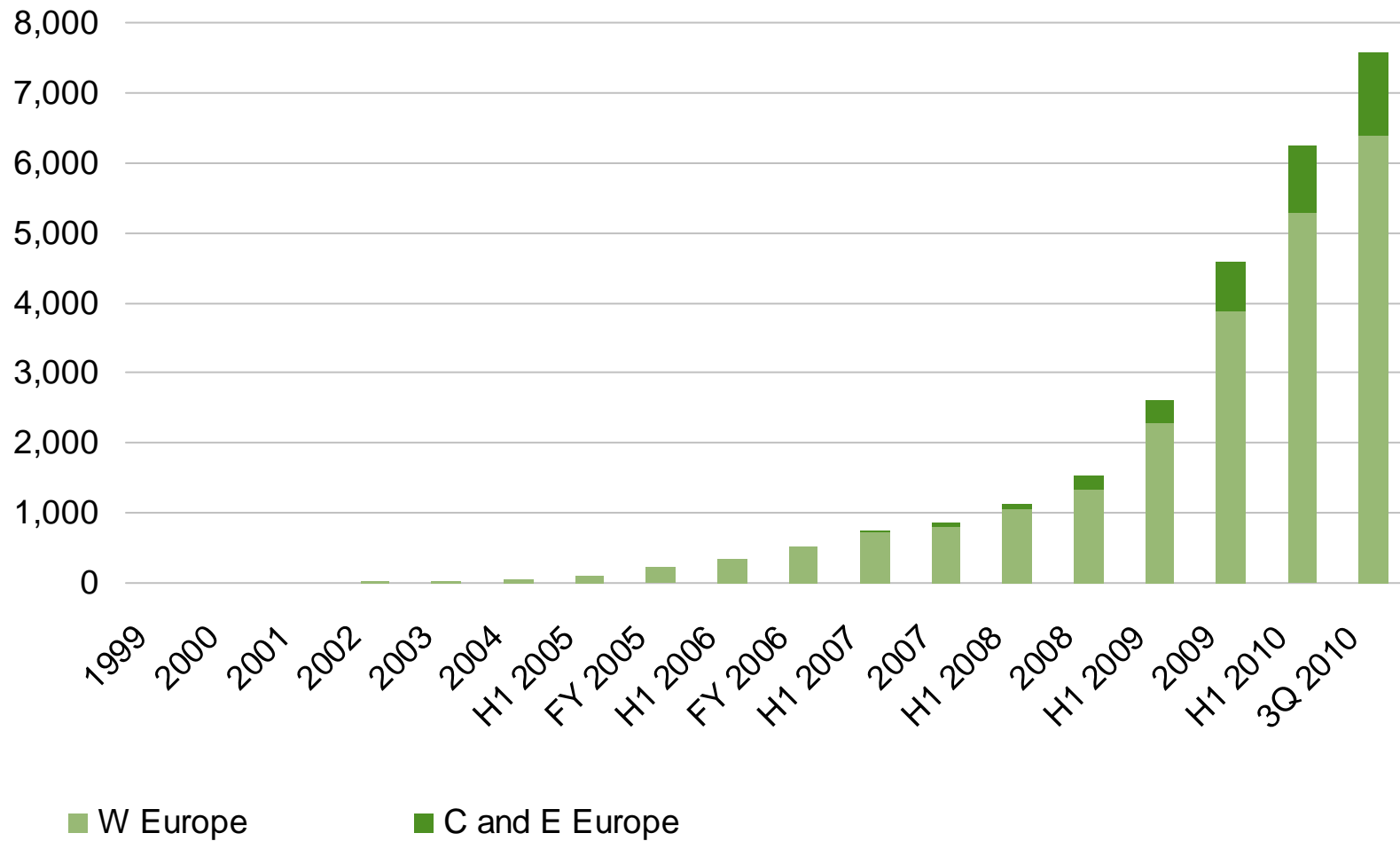


All data sourced to Screen Digest

D-screen growth curve

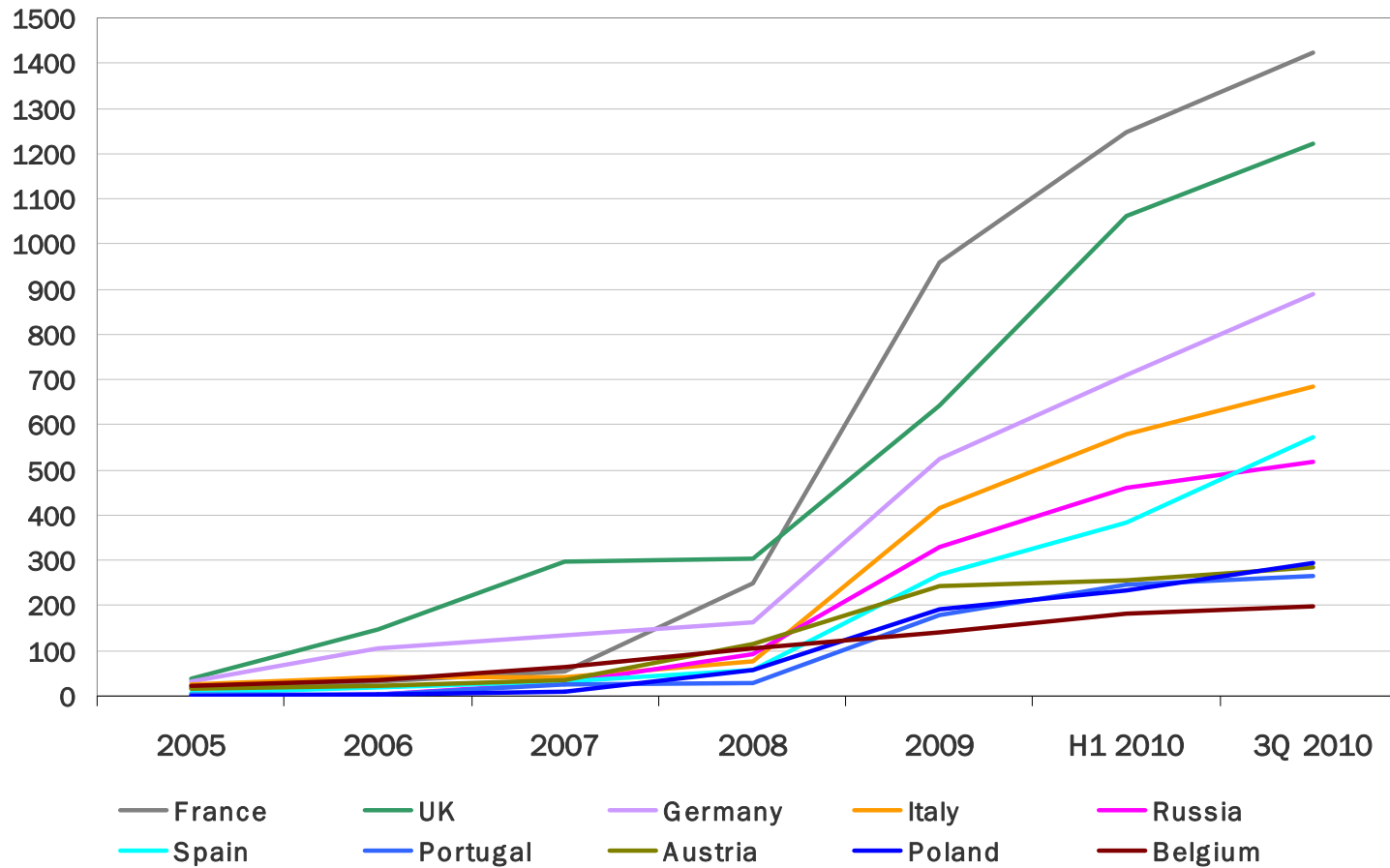


European d-screen growth



European d-screen growth

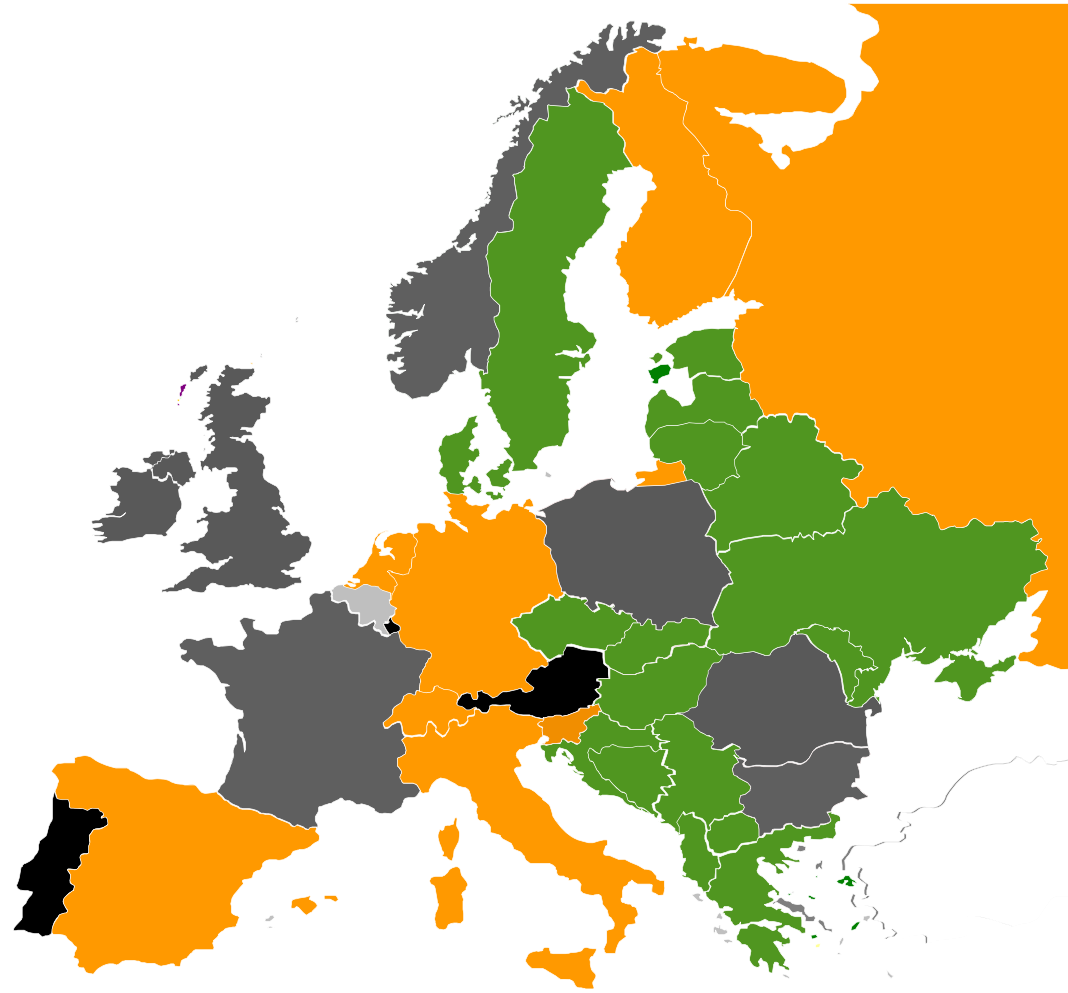
Leading European d-cinema territories



Digital screen penetration of total screen base

1H 2010

- 0 to 10 per cent
- 10 to 20 per cent
- 20 to 30 per cent
- 30 to 40 per cent
- 40 per cent plus



Source: Screen Digest

European 3rd party integrators

- progress picking up

	Target screens	Committed VPF screens	Studio backing
Arts Alliance	7,000	2,113 (VPF) 240 (non-VPF)	5 EUR
DCL (IRL/UK)	500	101	4 UK/IRL
Sony DCSS	9,000 (Global)	1,200 (Europe)	4 EUR 6 US
XDC	8,000	2,200 (VPF) 387 (non VPF)	6 EUR
DDA-Odeon (UK/EUR)	1,800	900 (UK) 900 (EUR)	6 UK/IRL 4 ROE
Ymagis	5,500	1,500	5 EUR
Total screens	Total covered by VPF/Own	Total VPF agreed	
Approx. 32,000	26,000	8,000 approx	

Financing stacking up for digital cinema



3D: Investment in digital based on revenues: wrapped back into VPF deals

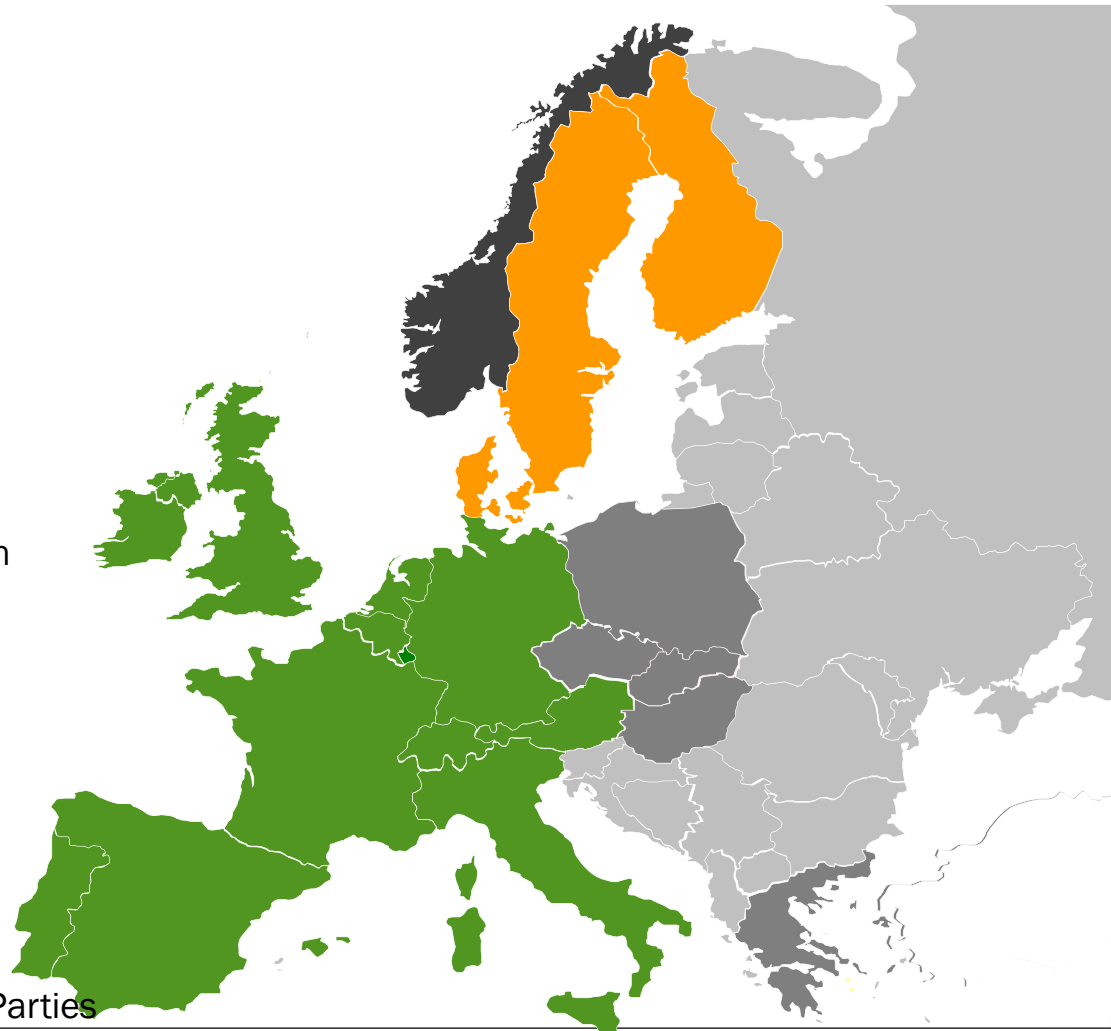
Alt Cont: Flows back to exhibitors, facilitators, content holders

Territories targeted by independent third-party facilitators

- 3 Third parties
- 2 Third parties
- 1 Third party
- No Third party
- Publicly-signed VPF

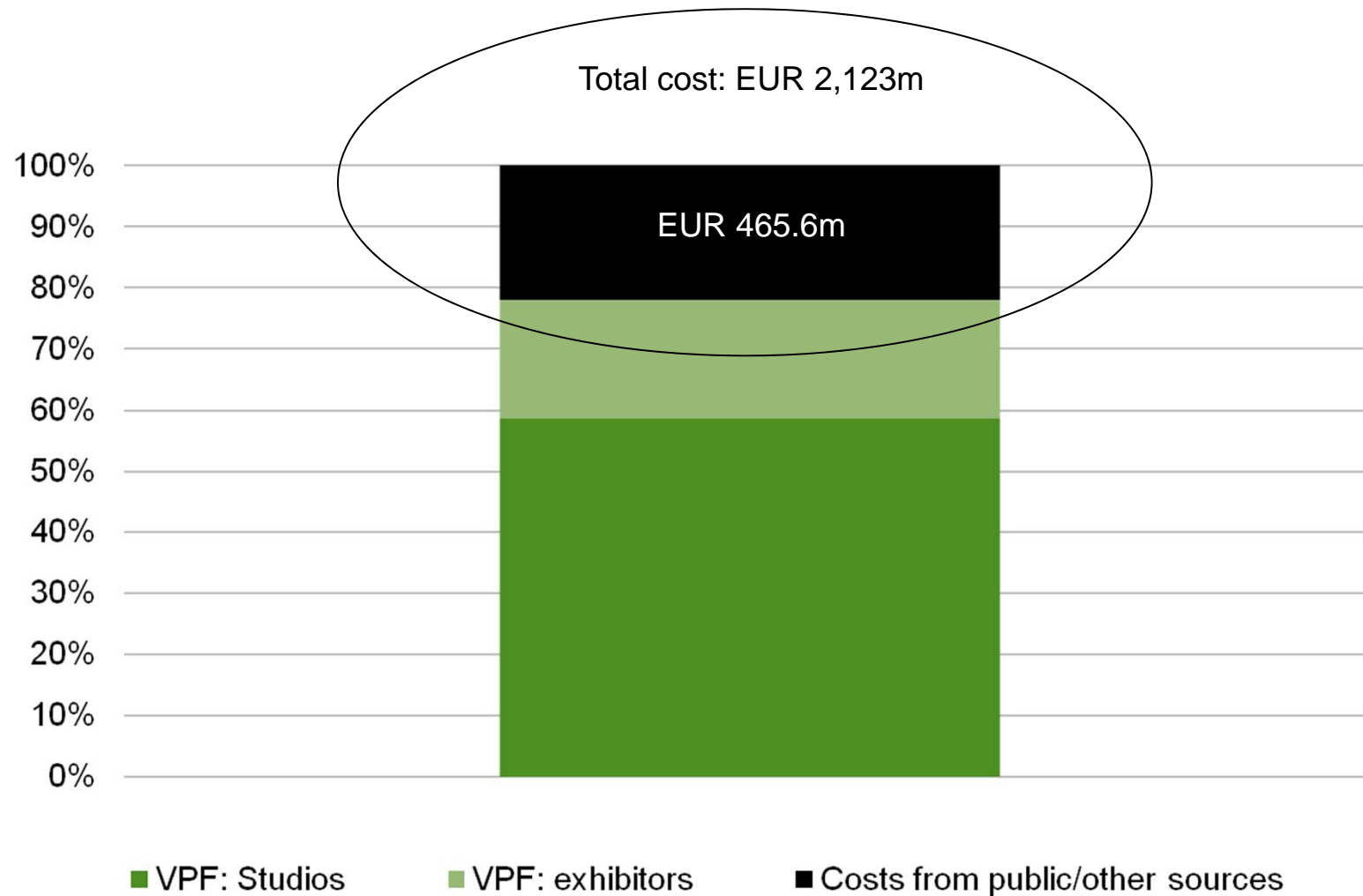
Third-Party target territory breakdown

AAM	15
XDC	22
Ymagis	10
DCL	2
Sony	No Info



Does not include exhibitor-led Third Parties

The digital shortfall: the need to be creative



Covering the digital shortfall

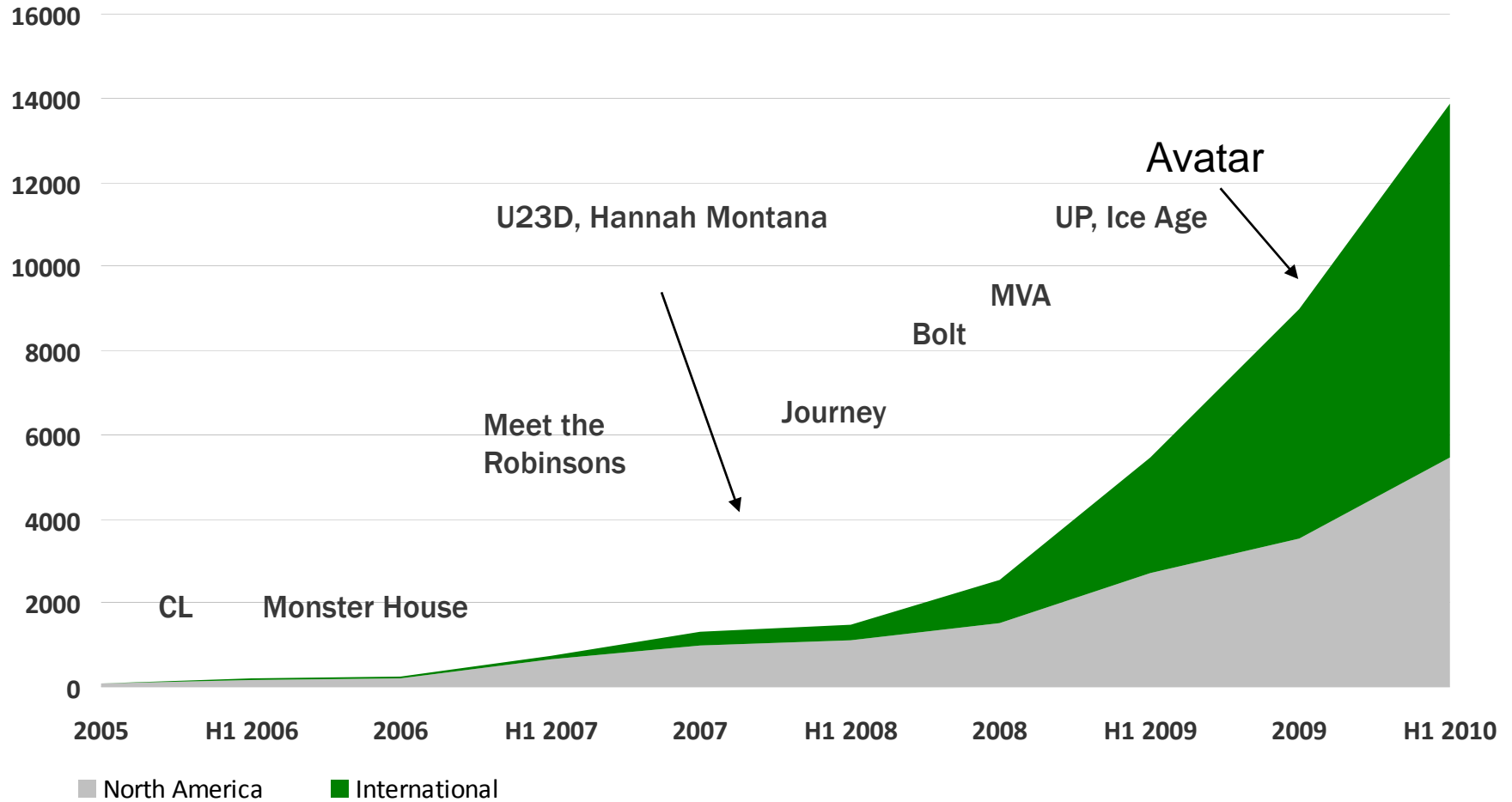
- **Tax credit:** Italy
- **Support Fund:** France, Sweden, Finland, Denmark, Czech Rep, Poland, Hungary, Germany, Ireland
- **Funding Group** Netherlands, UK

- **Europe** Europa Cinemas
- **Europe** MEDIA Support Fund – in preparation
- **Europe** European Regional Development Funding – Poland
- **Europe** Eurimages

- **Single Market** Norway
- **Regions** Germany, France

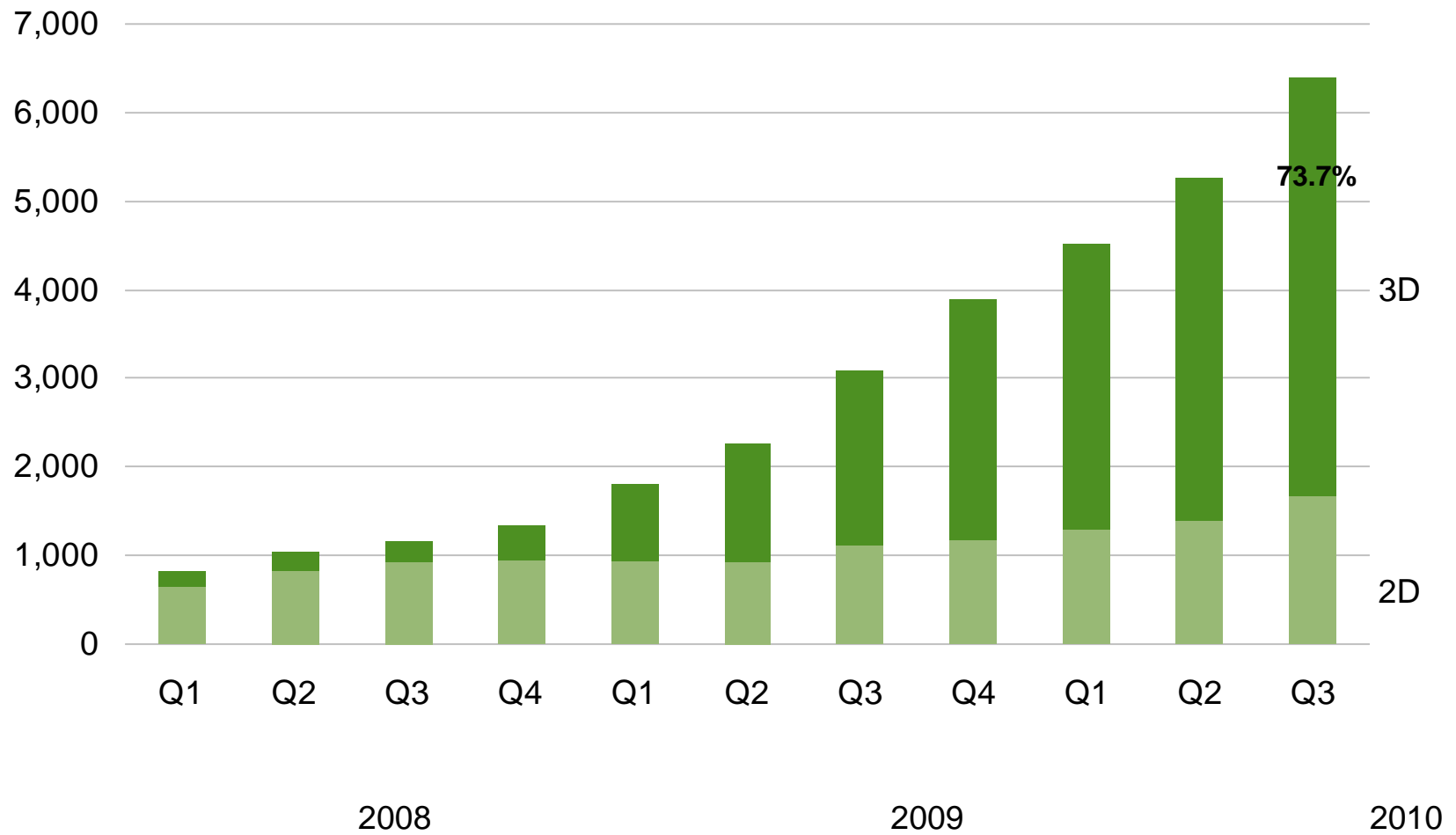
International circuits push most dynamic growth phase for digital 3D screens yet

Rapid growth in digital 3D screens

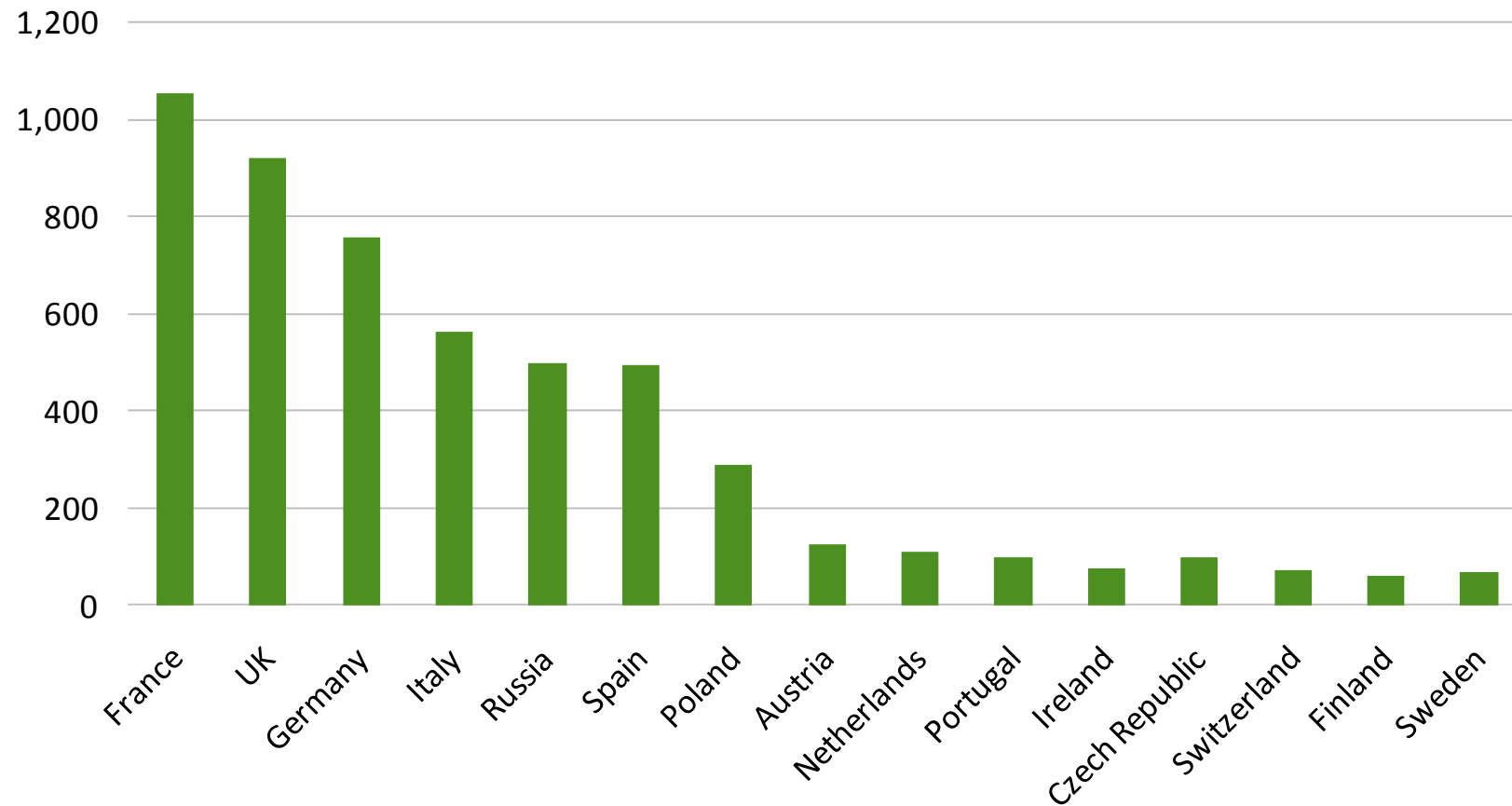


3D screens in W. Europe

3,700 digital 3D screens in W Europe ie 70+ per cent

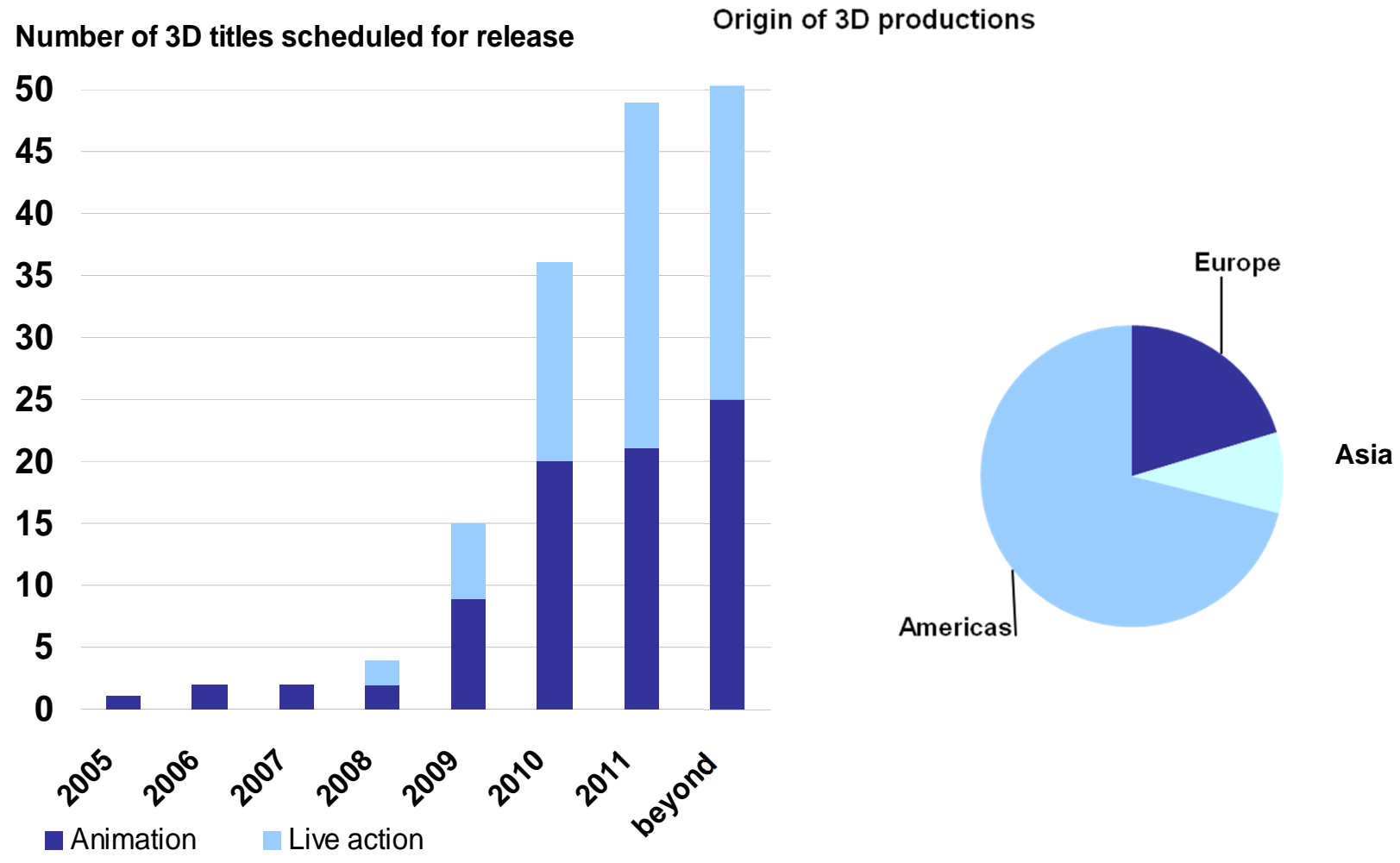


Leading 3D territories in Europe 1H 2010



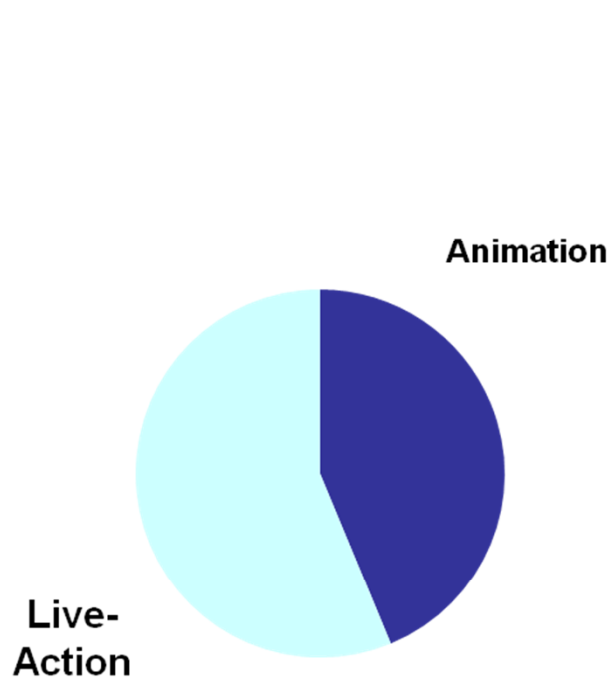
Studios turning key franchises over to 3D production

One third of 2010's titles are post-conversions

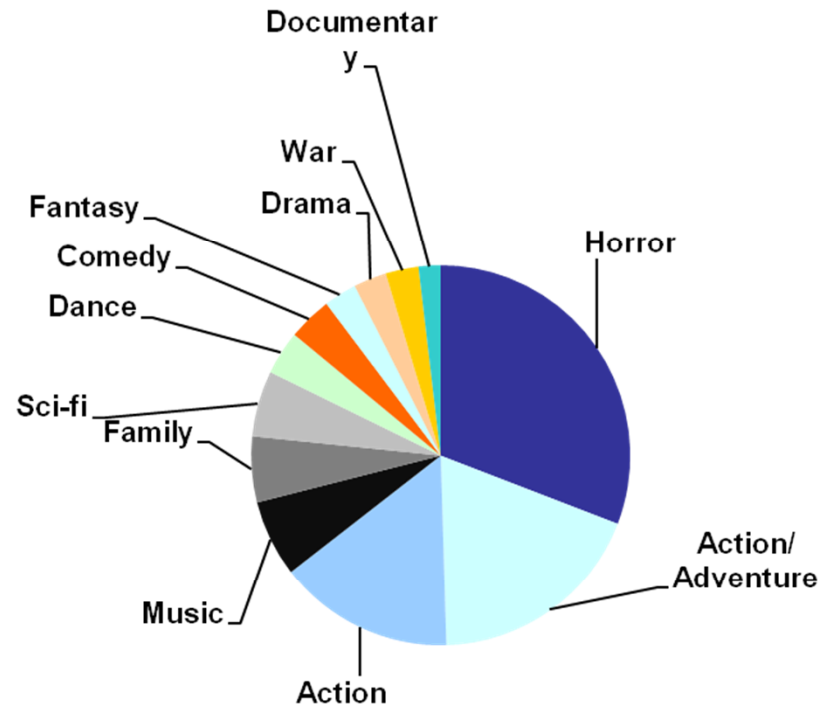


Live-action overtakes Animation as largest 3D format

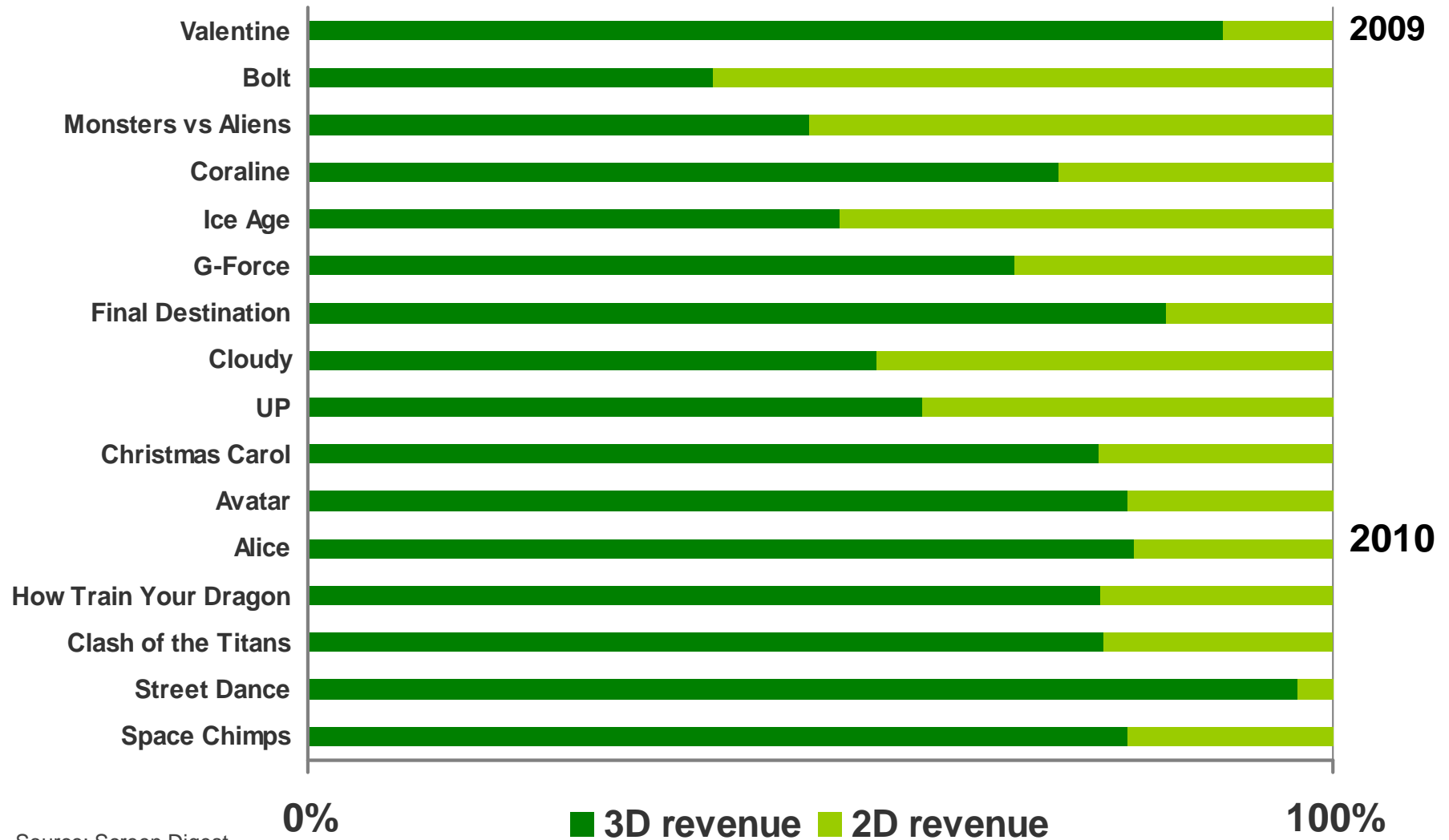
Split of total digital 3D titles by format



Breakdown of genres under Live Action



UK 3D screens generate majority of titles' revenues



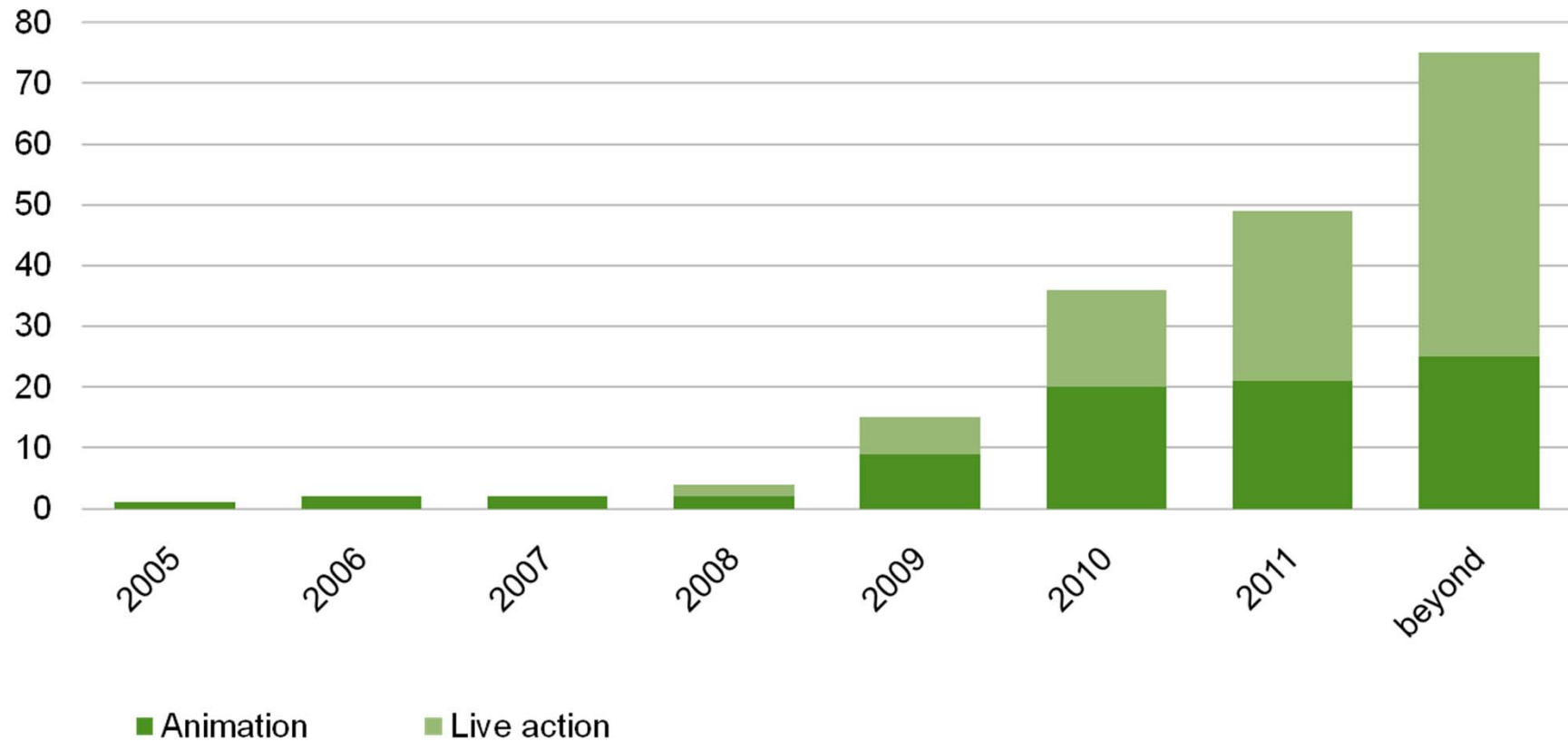
Source: Screen Digest

www.screendigest.com

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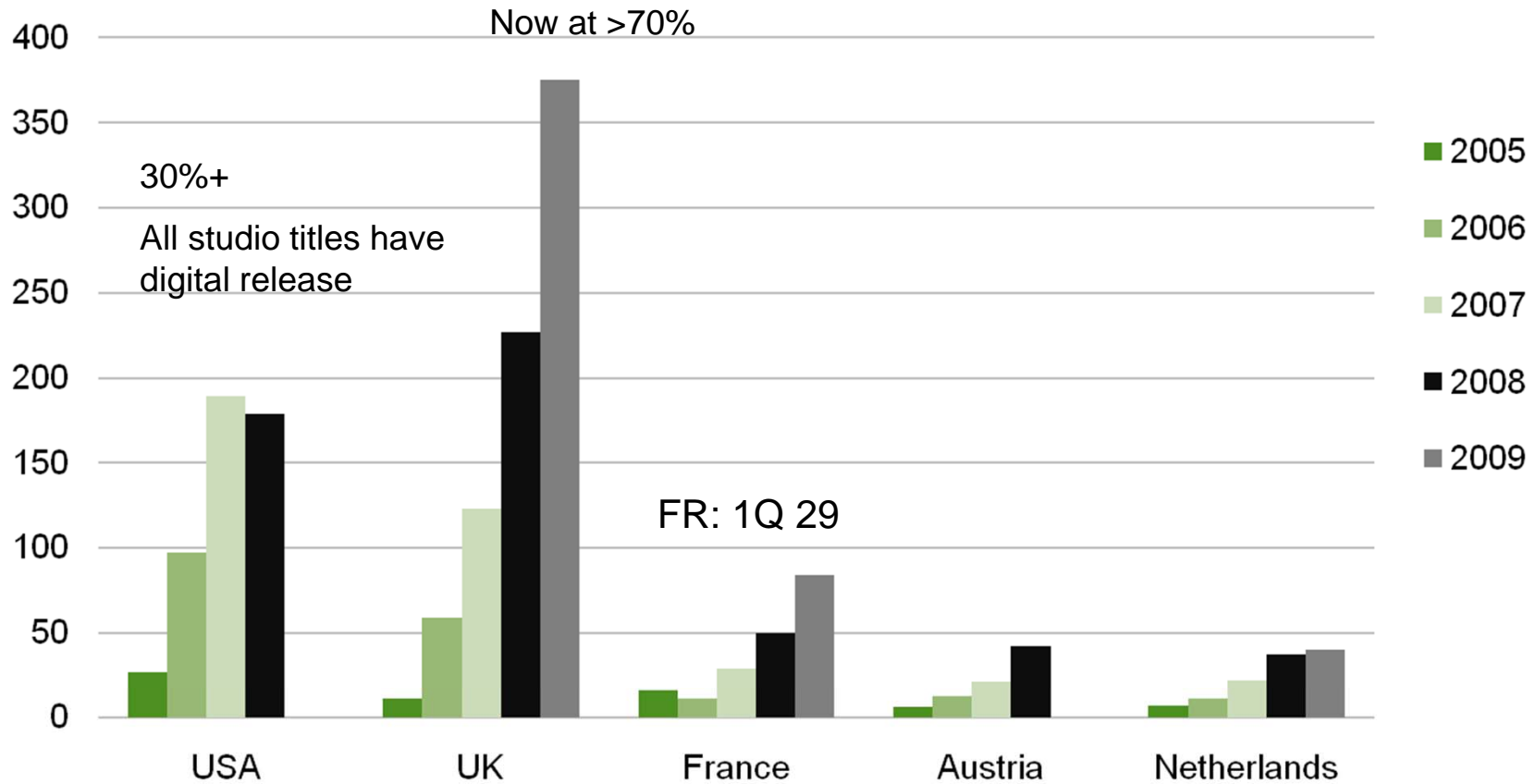
Studios are allocating key franchises to 3D production (one third of 2010 titles are post-conversions)

Number of 3D titles scheduled for release



Digital releasing in selected territories:

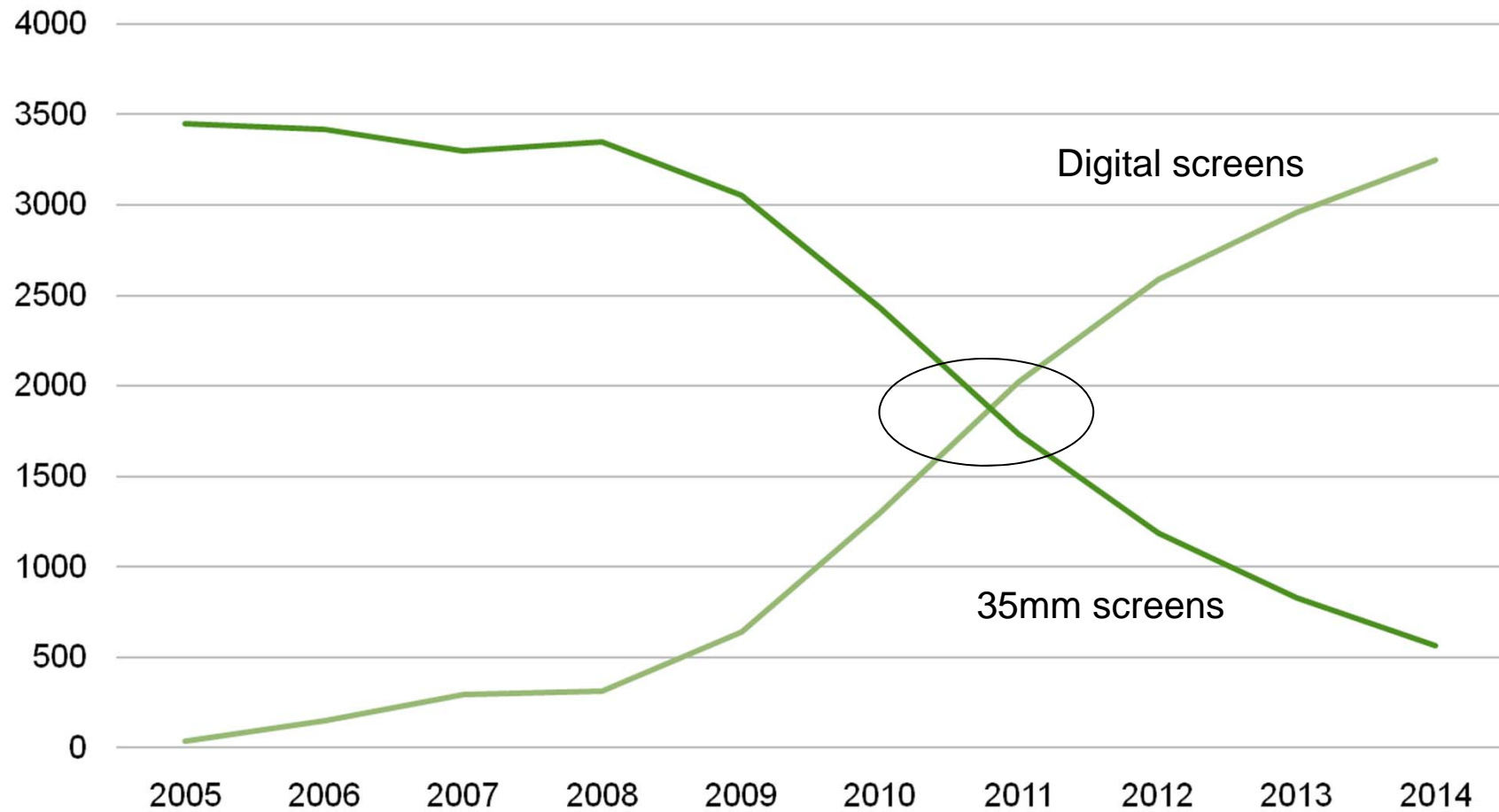
Content follows screens



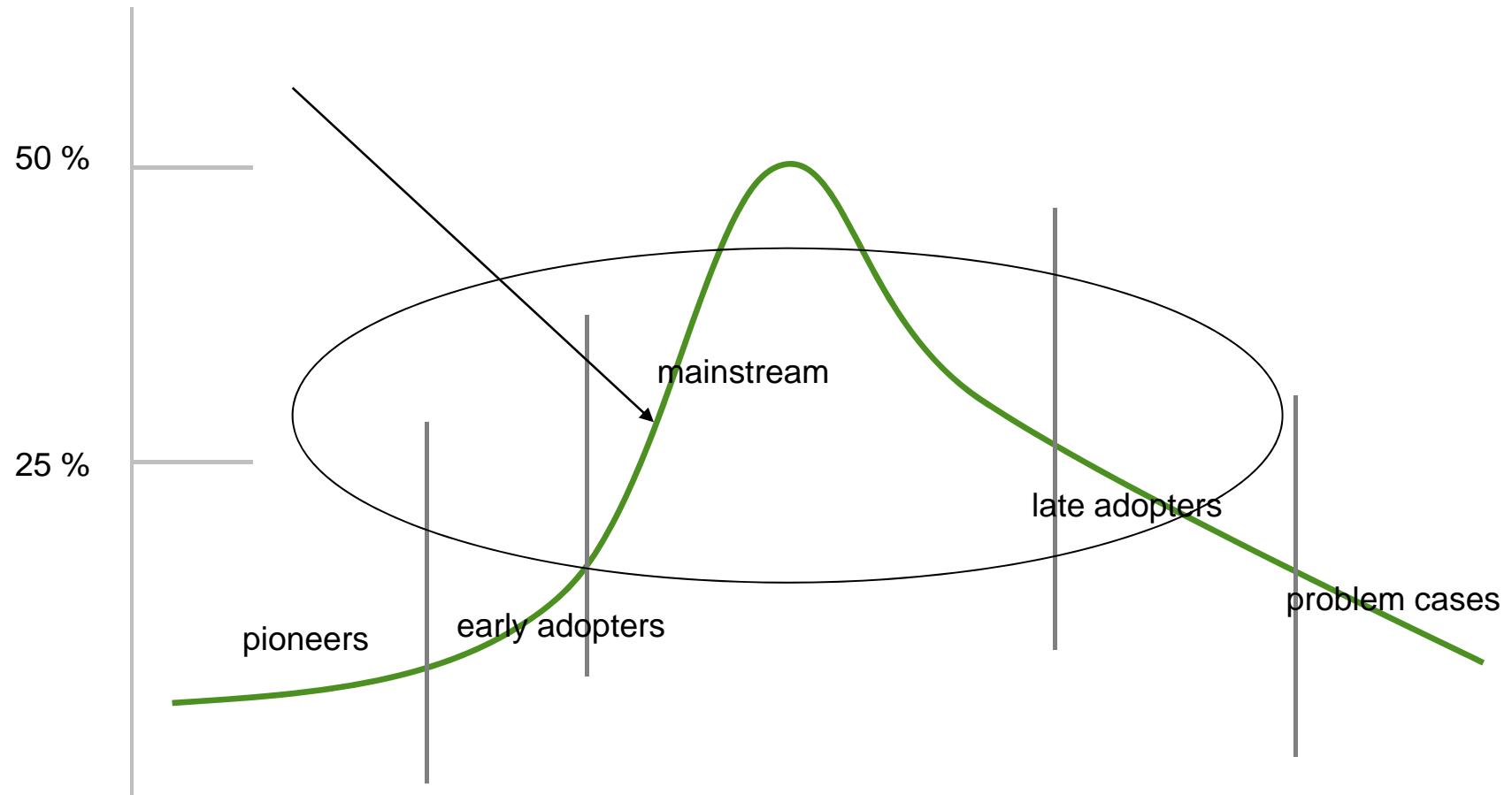
Source: Screen Digest

The Tipping Point Arrives

The UK example



Move to the mainstream



Digital Cinema in Europe

Conclusions

- 2008
 - Credit crunch brought financial progress to a halt for many circuits
- 2009
 - Strong digital growth driven by 3D partial conversions and a limited number of already signed full circuit conversions
 - Studio backing strong; local distributors stalling
 - Public sector beginning to wake up to the potential cultural economic impact of digitisation
- 2010
 - 3D growth continues and drives global d-screens to 21,000+ (14,000 3D)
 - Larger circuits around Europe beginning to sign up to digitisation, signalling move into mainstream
 - Public sector plans targeted on struggling screens
 - Private/autonomous initiatives beginning to overcome the digital shortfall

Thank you

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