FILM ATTENDANCE IN EUROPE IN THE CONTEXT OF MULTIPLE PLATFORMS

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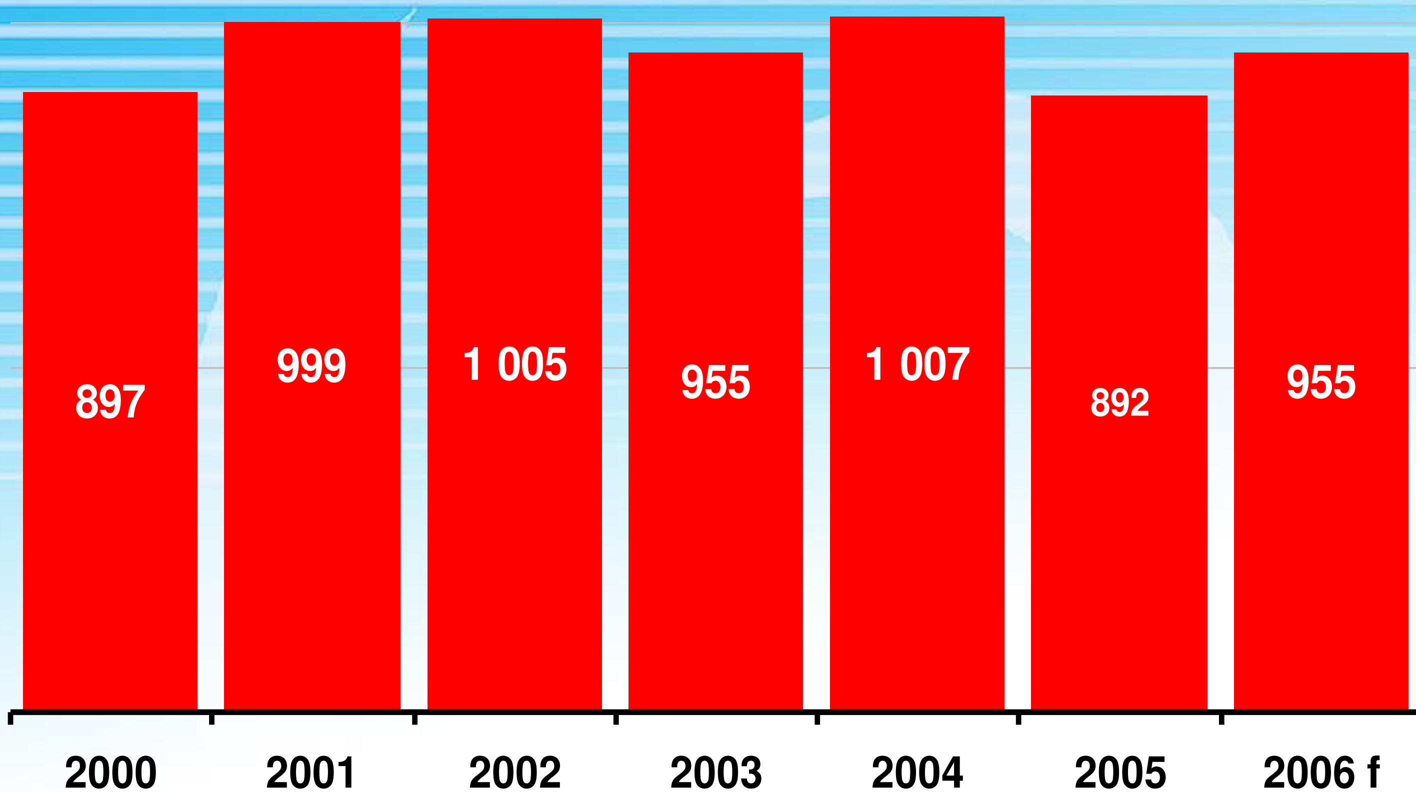
KEY POINTS ON ADMISSIONS TRENDS

- Globally positive trend: 2006 results to date show a recovery in 1st half in many European markets
- Forecast for growth 2006/2005 in the EU: 7 to 8%
- But differences in the individual markets. UK market continues to decline.

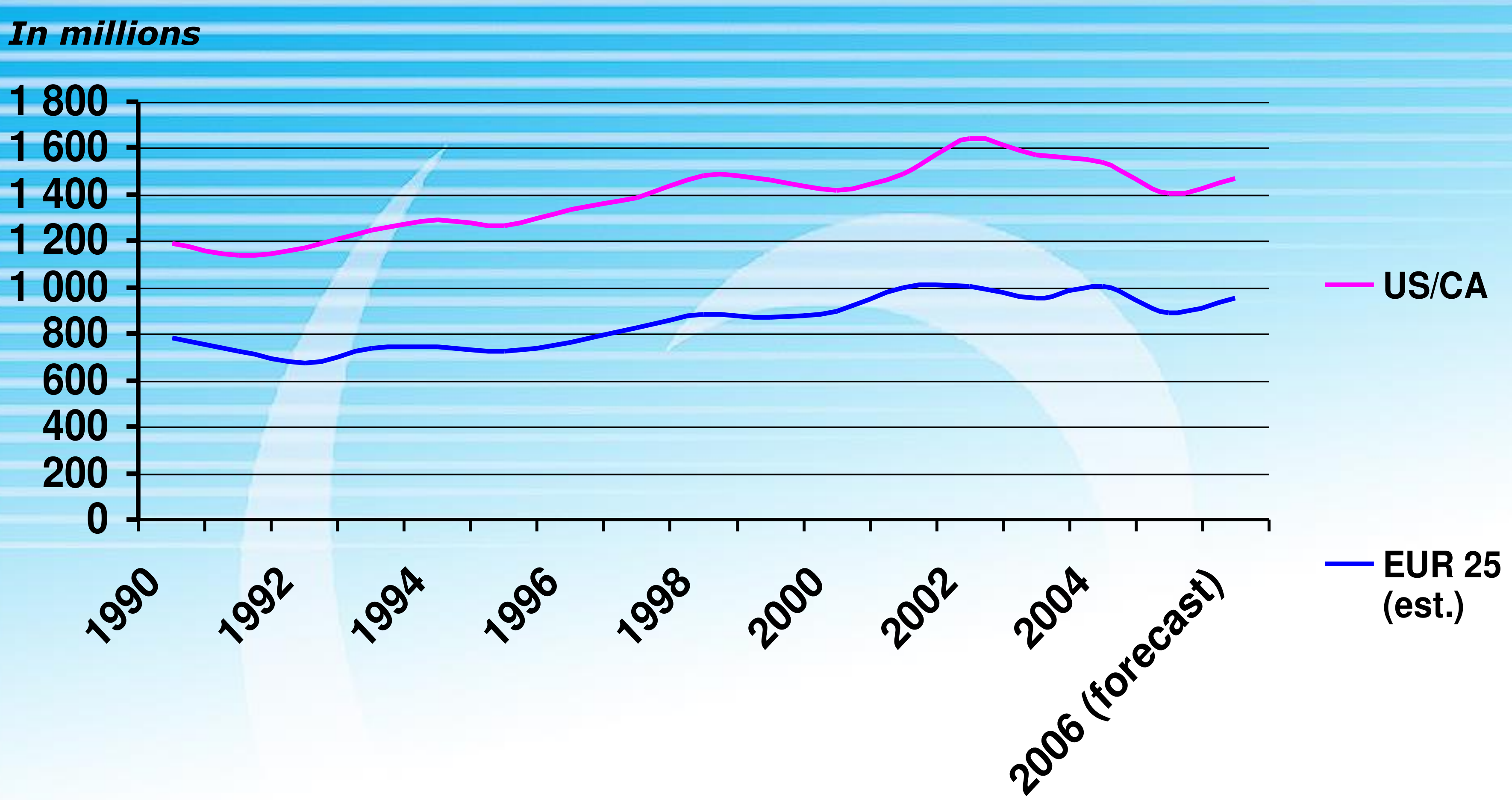
CINEMA ATTENDANCE IN EUROPEAN UNION
(2000 to 2006 – in millions)

Source: European Audiovisual Observatory



CINEMA ATTENDANCE IN EUROPE AND NORTH AMERICA (1990 – 2006)

Source: European Audiovisual Observatory

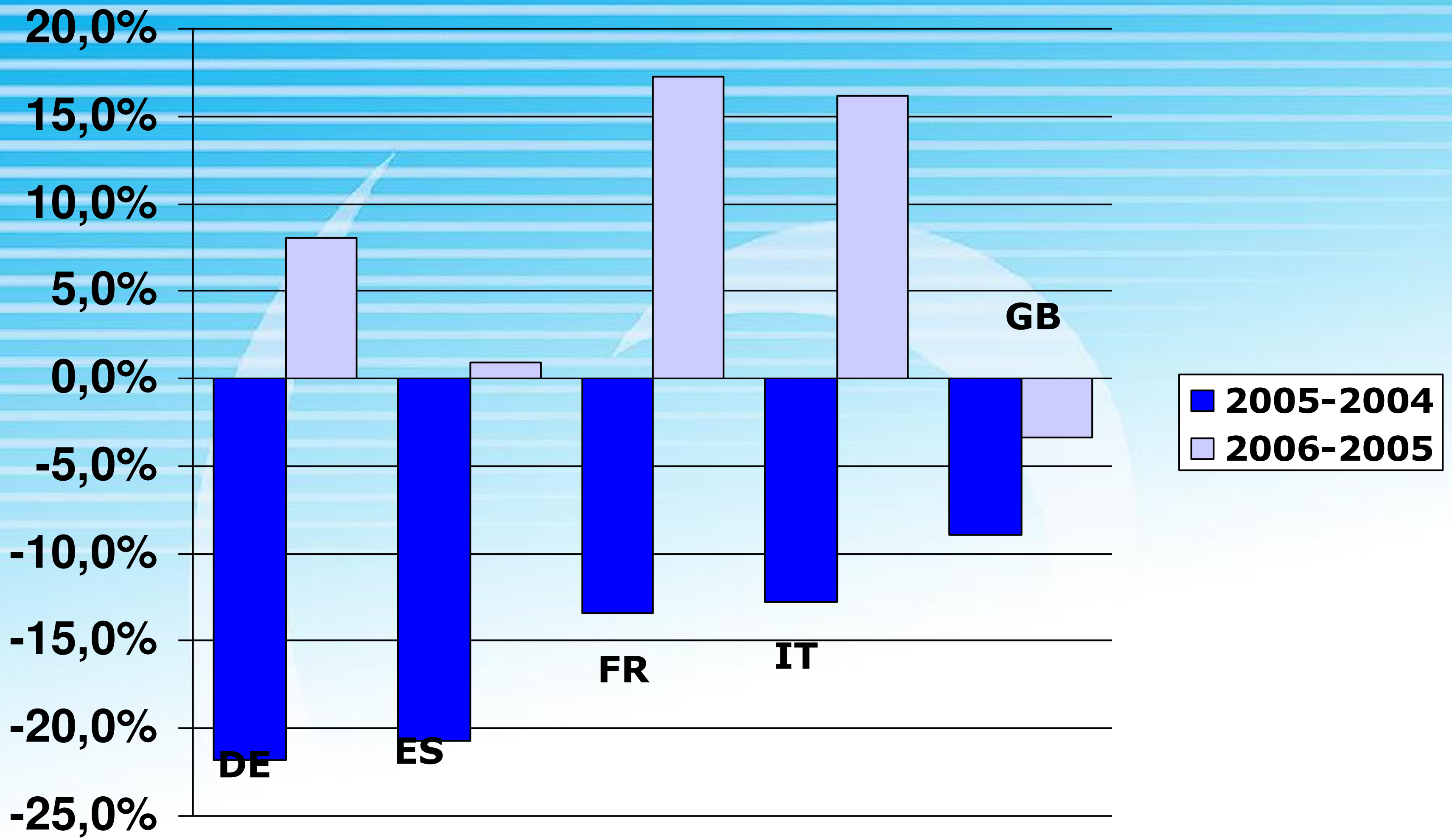


EVOLUTION OF ADMISSIONS IN MAJOR MARKETS

January to September 2004–2005 & 2005-2006

(percentage change)

Source: European Audiovisual Observatory

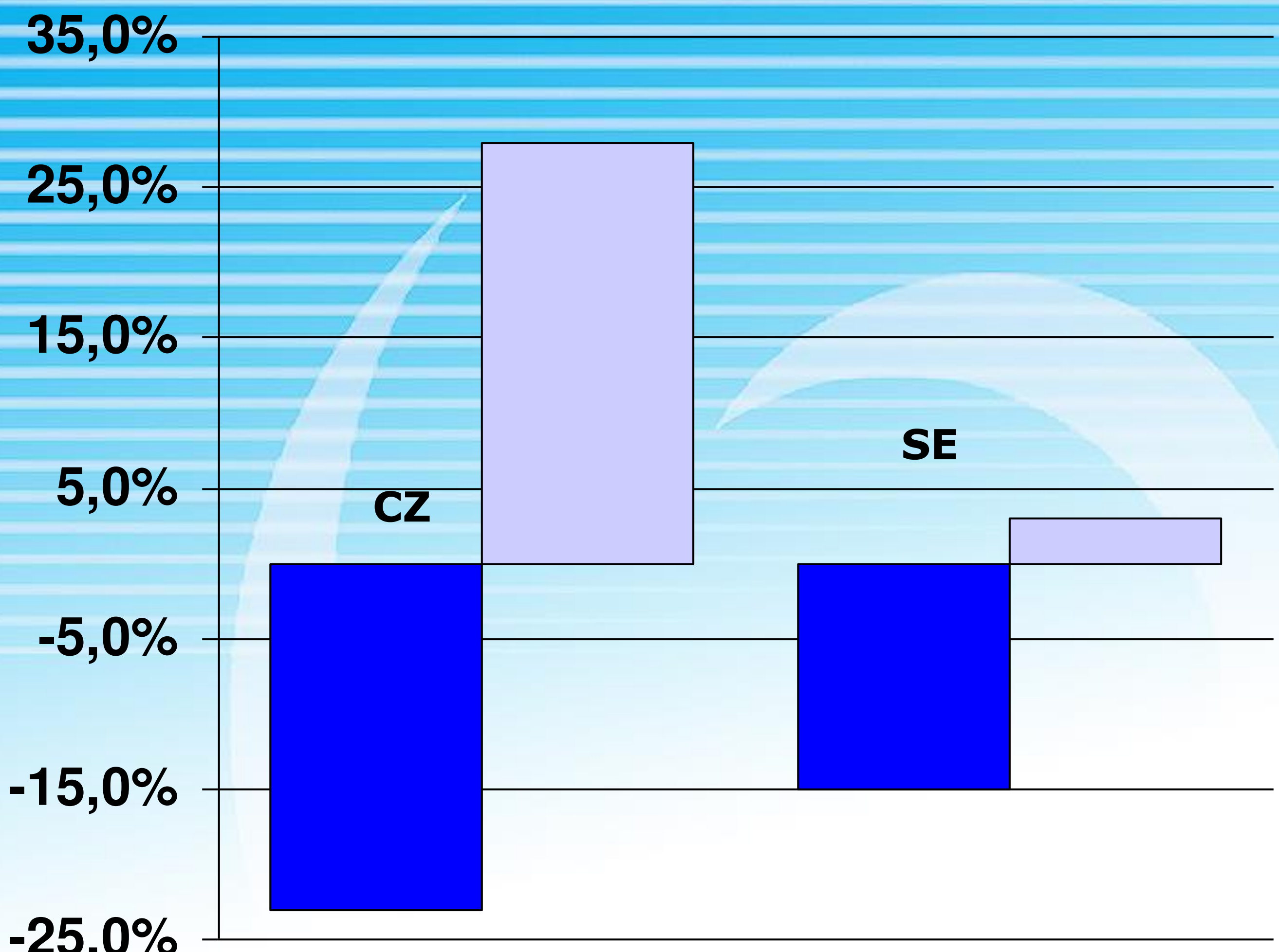


EVOLUTION OF ADMISSIONS IN SMALLER EUROPEAN MARKETS

January to June 2004 - 2005 and 2005-2006

(percentage change)

Source: European Audiovisual Observatory



MARKET SHARE FOR NATIONAL FILMS 2004-2006

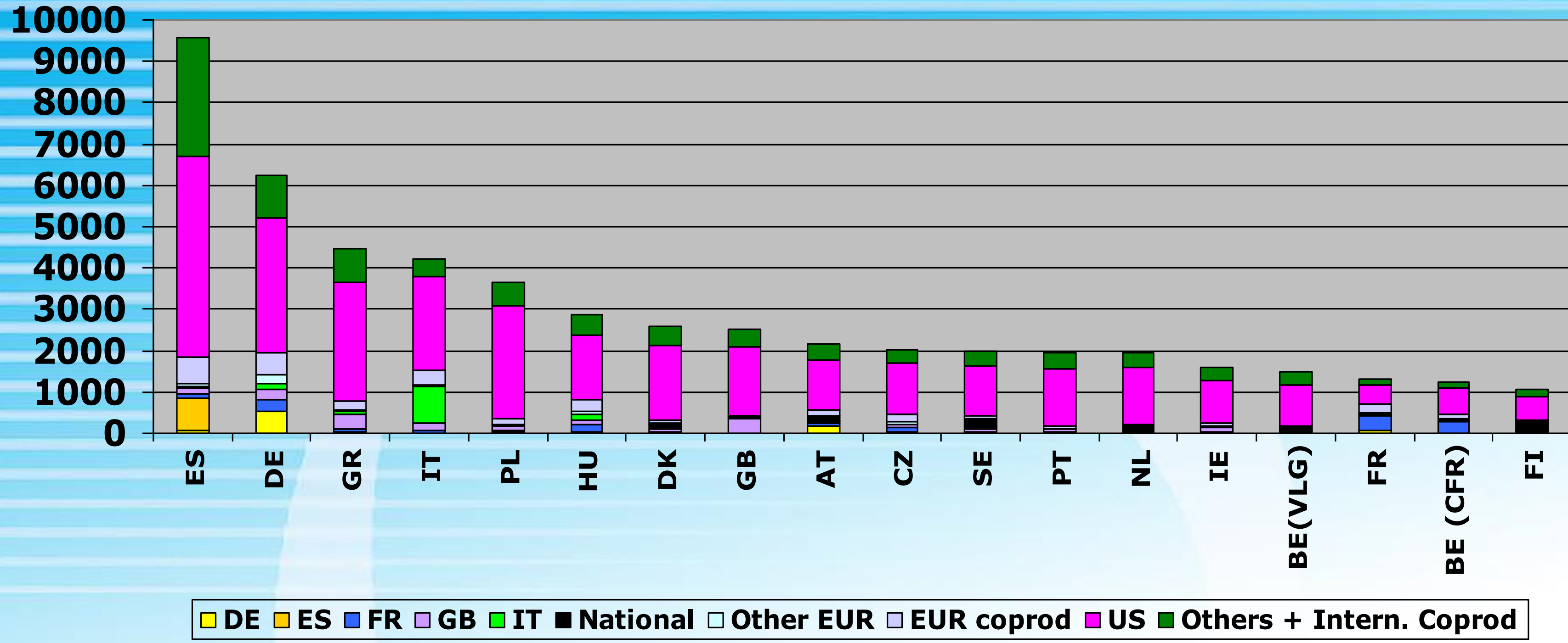
Source: European Audiovisual Observatory

	National market share 2004	National market share 2005	National market share 2006	Period
France	34.7%	36.9%	43.7%	Jan to Oct.
Germany	13.2%	19.0%	19.9%	Jan to June
Italy	20.2%	20.6%	n.a.	Jan to Sept
Spain	11.0%	13.9%	11.9%	Jan to Sept
Sweden	18.3%	22.2%	n.a.	Jan to Sept

THE MULTIPLICATION OF PLATFORMS FOR THE DISTRIBUTION OF FILMS

NUMBER OF FILMS BROADCAST BY LEADING UNENCRYPTED TV CHANNELS (2005)

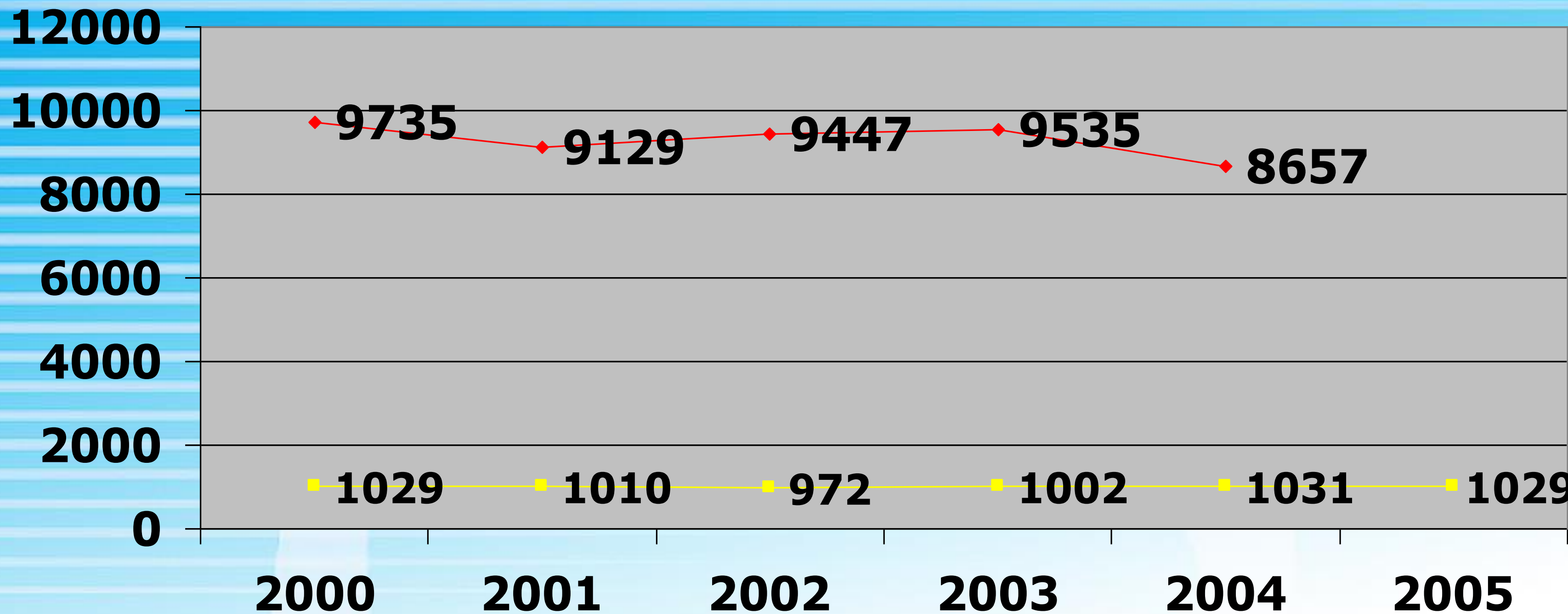
Source : OBS on Infomedia and ETS data



NUMBER OF FILMS BROADCAST BY UNENCRYPTED TV CHANNELS IN GERMANY AND France

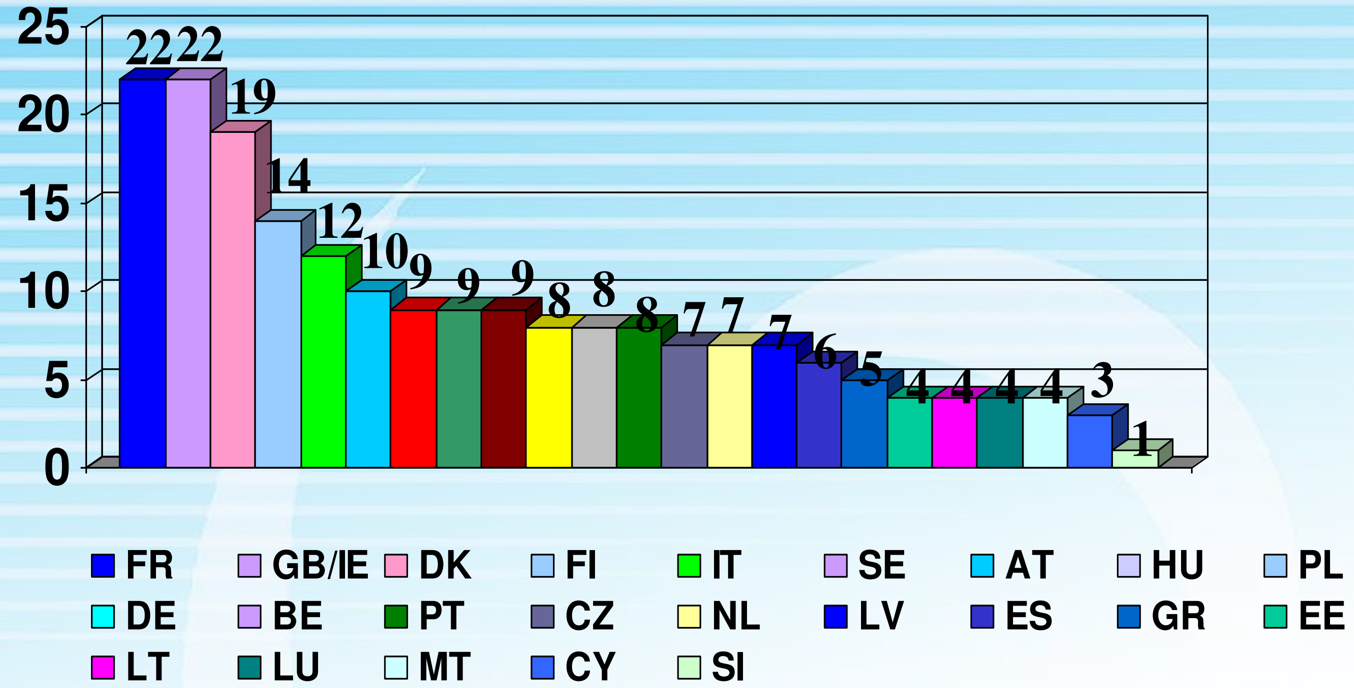
(including regional)

Source : SPIO and CNC



CONSUMER'S CHOICE FOR FILM CHANNELS PROPOSED BY LEADING DIGITAL PLATFORMS

Source : European Audiovisual Observatory



MOST OF FILM PAY-TV CHANNELS ARE NOW PART OF DIGITAL PLATFORM COMPANIES – *NO TRANSPARENCY RELATED TO PARAMETERS OF FILM CHANNELS*

- **UK** : Sky Digital / Sky Movies
- **France** : Canal+/Canalsatellite/Cine-Cinema
- TPS/TPS Cinema
- **Italy** : Sky Italia / Sky Cinema
- **Spain** : Canalsatelite
- **Nordic countries** : Viasat, C:More
- **Begium** (French Community) : BeTV

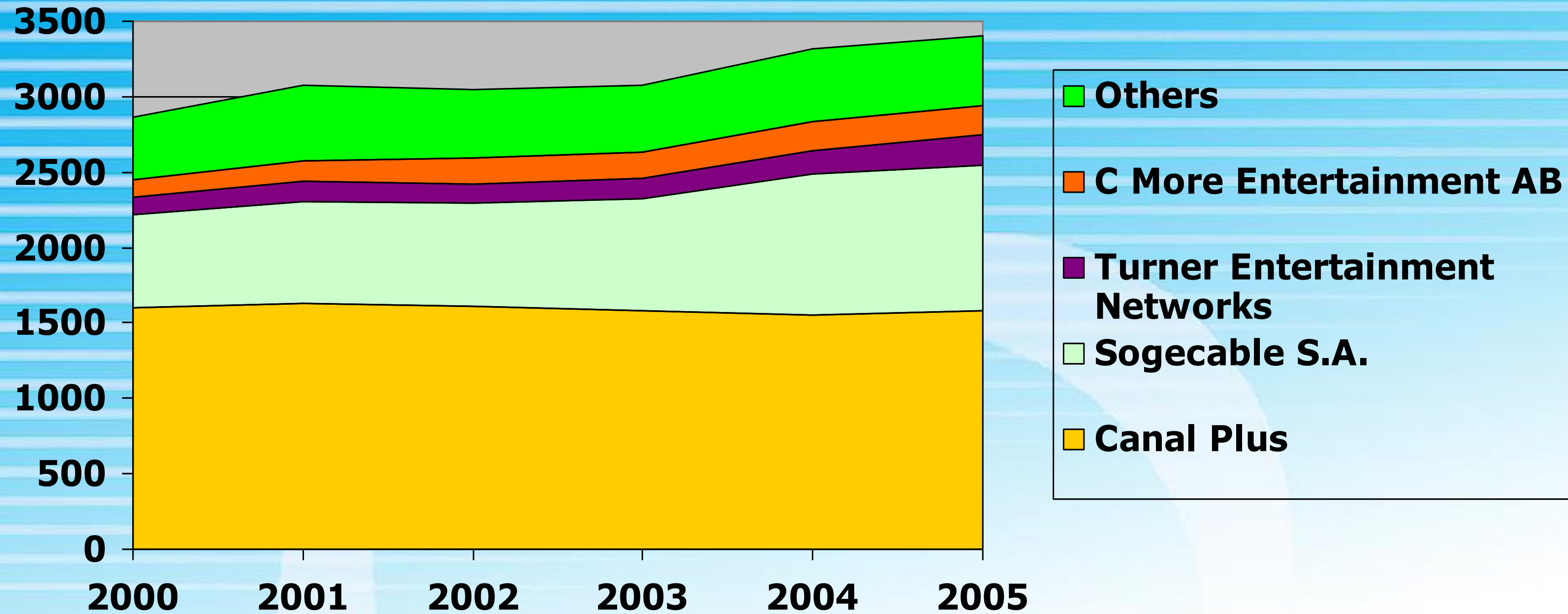
A LARGE NUMBER OF THE PAY-TV CHANNELS IN EUROPE ARE OWNED BY US INVESTORS

- Film channels on **Sky** in the U.K. and **Sky Italia** in Italy (Murdoch)
- **C:More** in Nordic countries (SBS Group)
- Pan-European channels of U.S. majors: **TCM** and **HBO** (Time-Warner), **AXN** (Sony)

TURNOVER OF 28 FILM PAY-TV COMPANIES IN EUROPE

(TV channels operated directly by digital plateforms not included)

(Millions EUR)



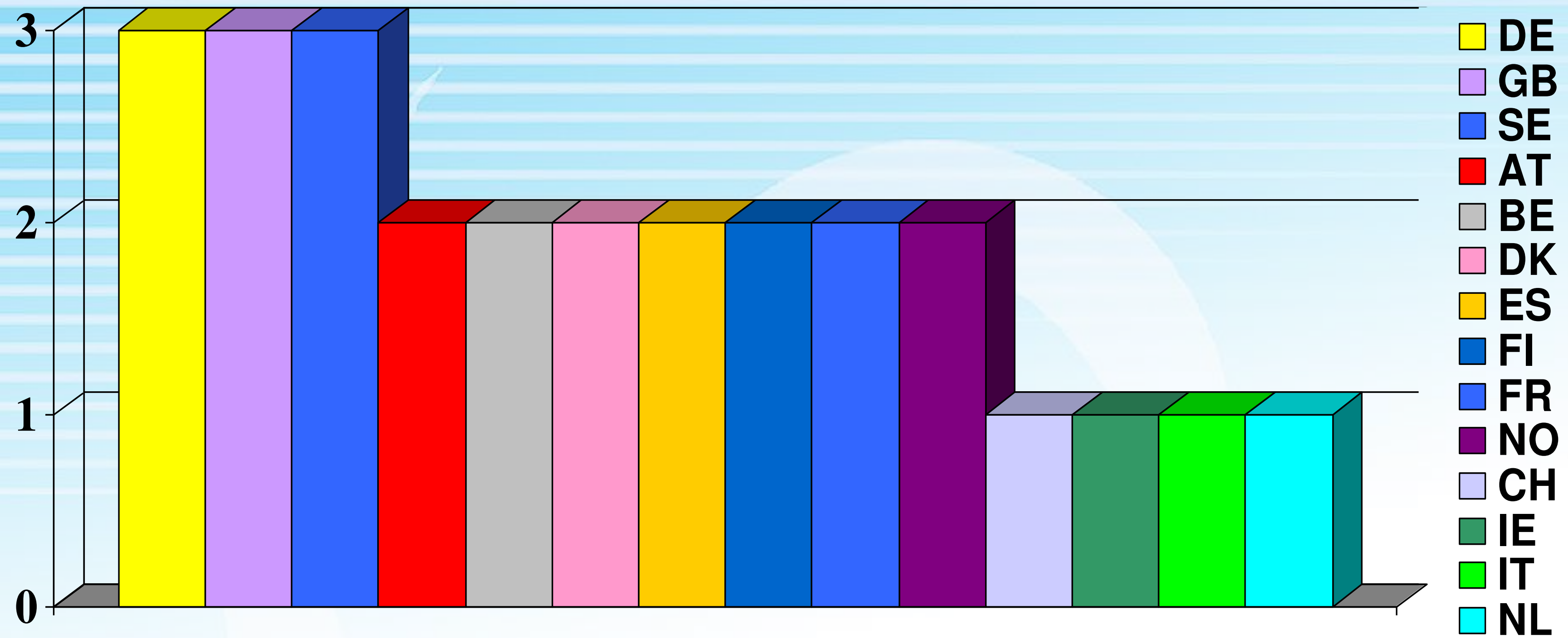
27 FILM PAY-PER-VIEW SERVICES IN EUROPE

(December 2005)

Around 230 channels

- Adult PPV not included

Source : European Audiovisual Observatory

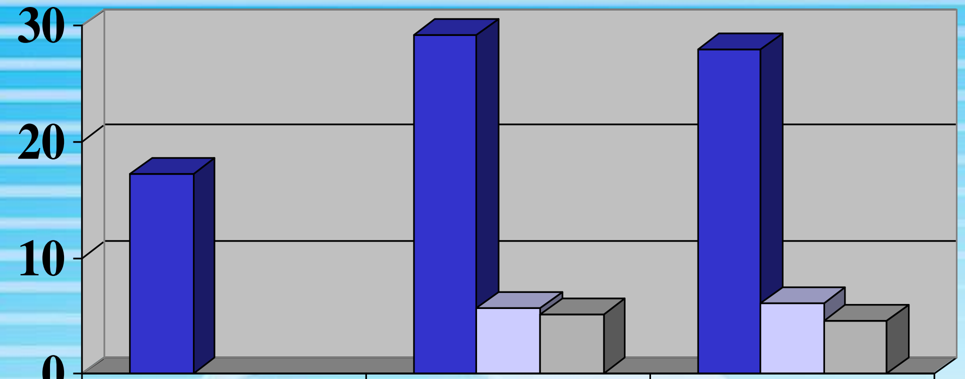


OPERATORS OF FILM PPV SERVICES

- ***Digital TV Packagers***: Sky, Canalsatellite, Canaldigital, Digital+, TPS, Premiere, Sky Italia, Viasat, BeTV
- ***Cable operators***: Chellomedia (subsidiary of UPC: AT, CH, NL, SE), Telnet (BE), UnityMedia (DE), ONO (ES), Telewest (GB), ComHem (SE)
- ***Satellite operator***: Eutelsat (Kabelkiosk launched in Germany in 2005 for small cable networks)

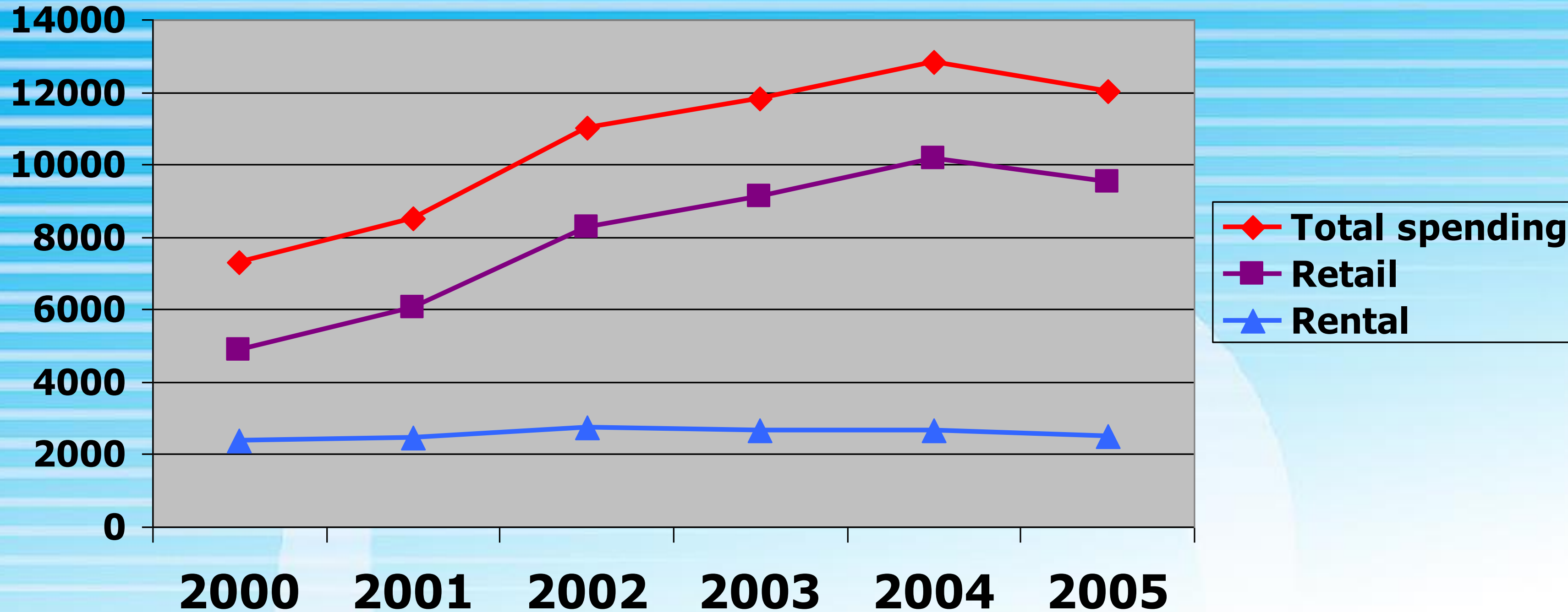
PREMIERE PAY-PER-VIEW OPERATIONS (2003-2005)

Source: Premiere/OBS



	2003	2004	2005
Turnover PPV (M EUR)	17,2	29,1	27,9
Tickets (Millions)		5,7	6,1
Average price (EUR)		5,1	4,6

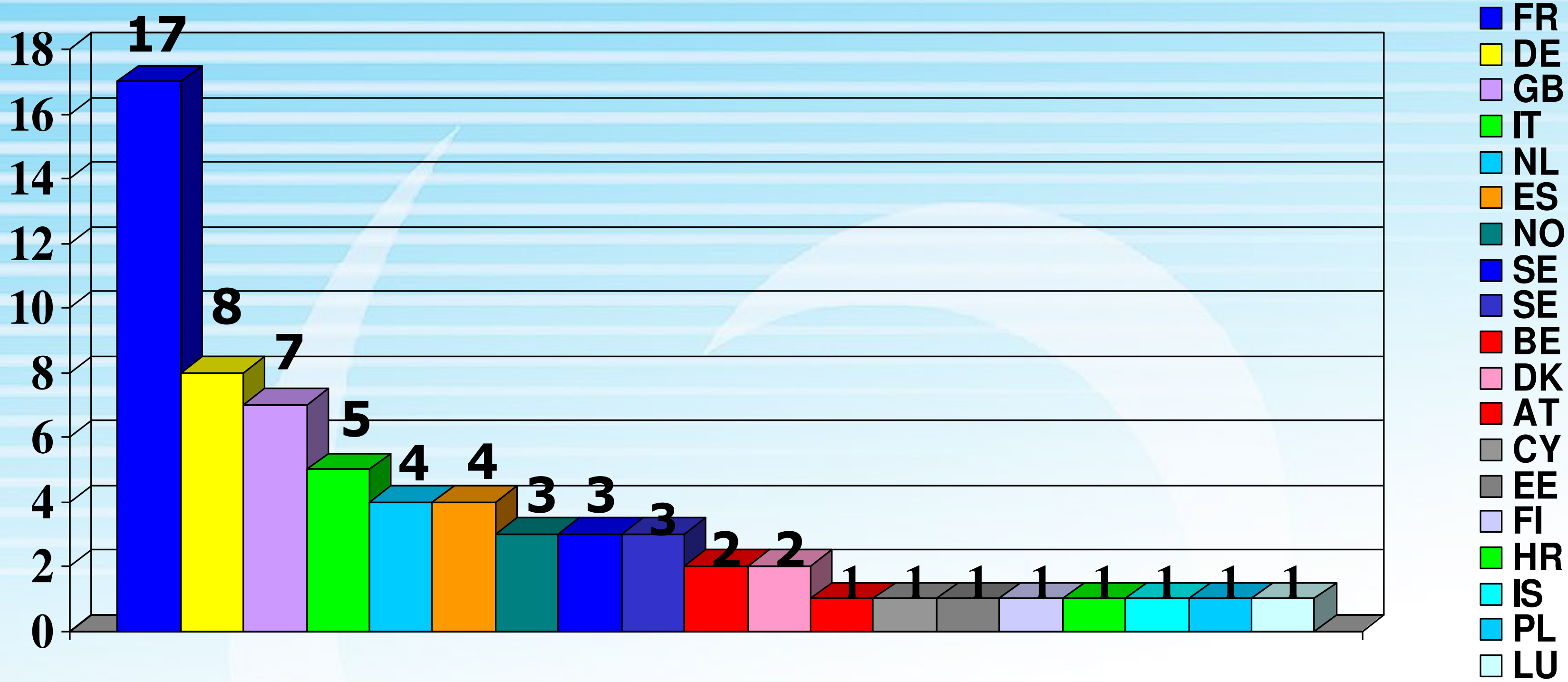
EVOLUTION OF THE EUROPEAN VIDEO MARKET
EUR million
Source : IVF



68 FILM AND TV VoD SERVICES OPERATIONAL IN EUROPE (July 2006)

- does not include VoD services for adult films

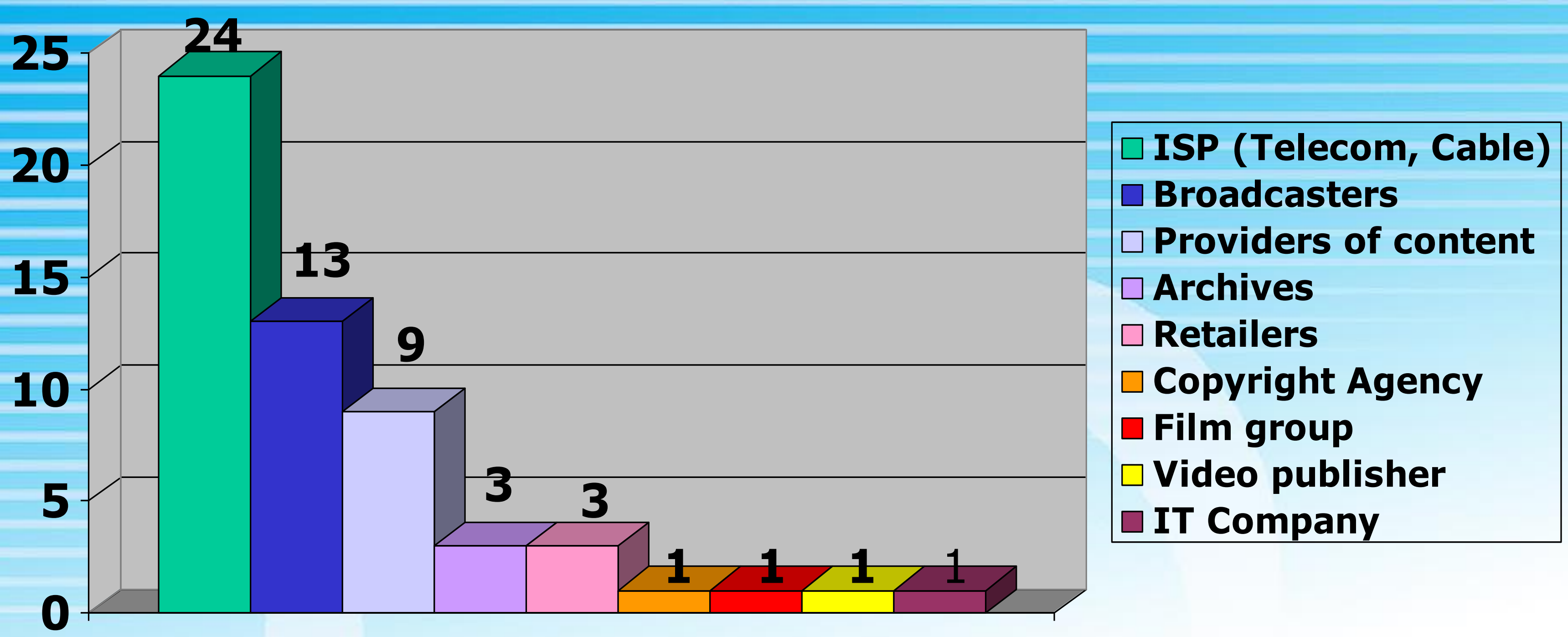
Source : European Audiovisual Observatory



OPERATORS OF FILM VoD SERVICES

- ***Telecom operators***: T-Online, France Telecom, Belgacom, Telecom Italia, Telefonica
- ***ISP***: Fastweb (IT), Arcor (DE), Absolut Medien (DE), Tiscali
  Cableoperators: Telenet, ntl, Telewest, ONO, Casema
- ***Broadcasters***: Canal+, TPS, TF1, RAI, RTLNederland, FT2, ARTE, M6, BBC, Premiere, ProSiebenSat1, Sky, Channel 4
- ***Film group***: SF (Svensk Filmindustry)
- ***Film & TV archives***: British Pathe, NFI, INA
- ***Video publisher***: TF1 Video, Editions Montparnasse
- ***Retailers***: Lovefilm, Virgin, Glowria
- ***New companies, providers of content***: Cinezime, 4friends, Live Networks, Videonetwork…
- ***Copyright agency***: SGAE
- ***Producers' association*** : Universciné
- ***IT company***: Apple's iTunes Music Stores

OPERATORS OF FILM/TV VoD SERVICES IN EUROPE BY MAIN ACTIVITY (July 2006)



IN SEARCH OF A BUSINESS MODEL FOR VoD SERVICES

Developing appealing libraries :

- Current offer from VoD film services in Europe: from experimental service with only 1 film to catalogues of more than 1000 titles, including recent US blockbusters
- Strong debate with distributors and exhibitors on windows : VoD as a competitor of theatrical exhibition market and of DVD rental/sales markets

- ***Pricing :***
- Rental formula (24 hours) : from 1 to 6 EUR per film
- Subscription rental formula : ex. 4 films for 15 EUR
- « Download to own » (user purchases the rights to watch the film several times) : 10 EUR or more

TOWARDS AN EUROPEAN VoD MARKET ?

GEOGRAPHICAL FLEXIBILITY OF VoD SERVICES

- SERVICES TO PC MAY BE RESTRICTED BY TERRITORY (Geocode, IP address, credit card, subscriber number…) OR ACCESSIBLE WORLDWIDE

- SERVICES THROUGH IPTV RELATED TO THE NATIONAL TERRITORY OF THE ISP

- POSSIBILITIES OF PAN-EUROPEAN « MIDDLEMEN » (eg CinemaNow/Tiscali)

- VARIOUS SERVICES ALREADY EXIST WITH PAN-EUROPEAN MARKETING : SF-Anytime, iTunes Music Stores, Live Network, Sky by broadband,…

- MAINLY NATIONAL SERVICES WITH POSSIBILITY OF ACCESS IN OTHER COUNTRIES

VoD AS A SOLUTION FOR THE CIRCULATION OF EUROPEAN FILMS ?

- Linguistic and cultural segmentation of the European market will continue

- US Majors will probably continue with their strategy of national distribution with leading national VoD operators

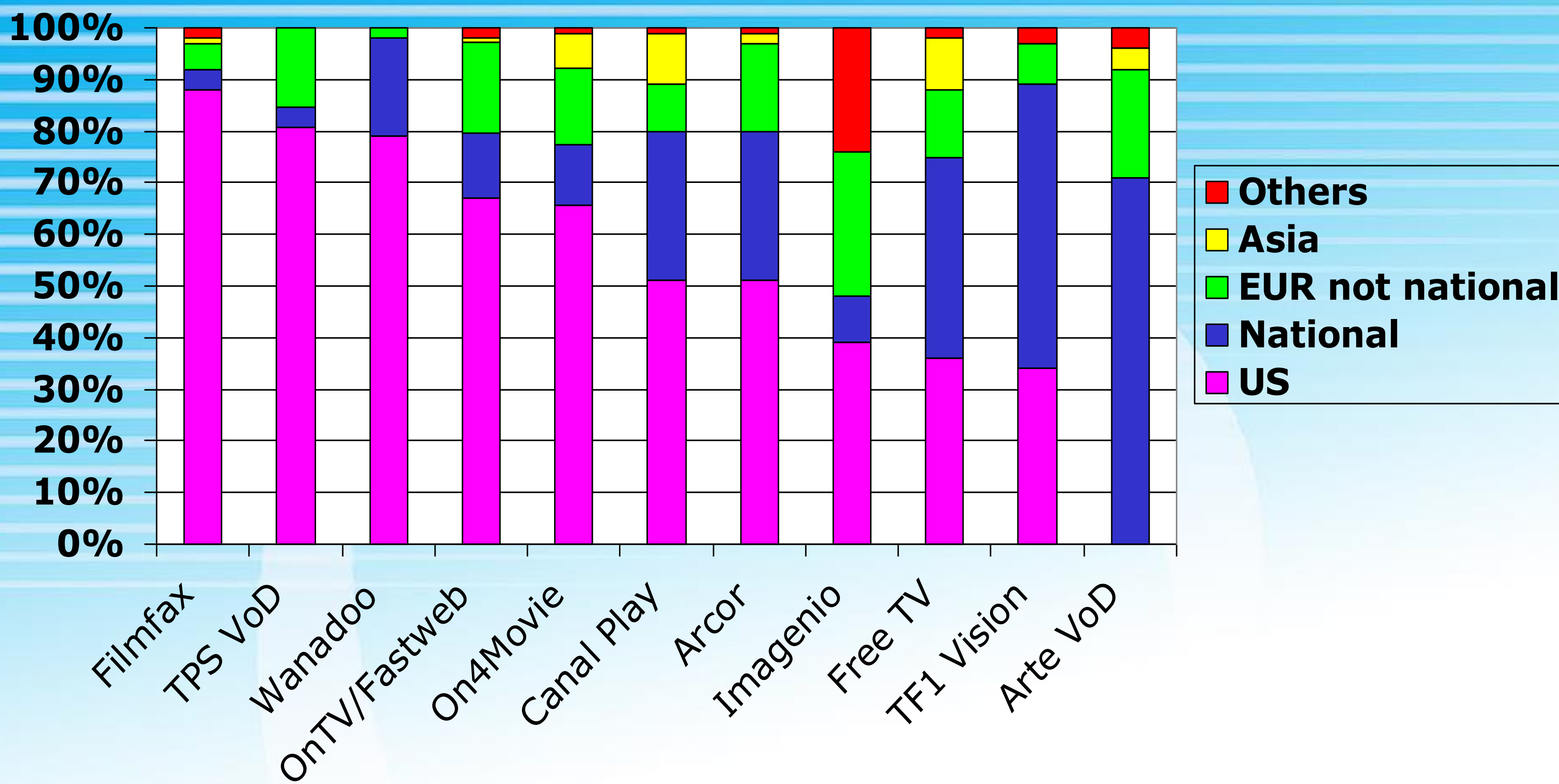
- There is currently no European film distributor with pan-European strategy and the capacity to purchase the VoD rights for the whole European market

- Problem of branding « European films »

- Risks of illusory technology-driven solutions to an anthropological problem

ORIGIN OF FILMS ON SOME VoD SERVICES IN EUROPE

Source : NPA Conseil/CNC



TOWARDS TRANSPARENCY ON DEMAND ? (1)

- Only 85 % of the EU theatrical market transparent
- Amounts invested by broadcasters in film production
- Data on film pay-TV channels are lacking
- No publications of data on the PPV market by the main operators
- Data on VoD : aggregates of revenues in telecommunications and ISP companies revenues, data on download only published for promotional purposes
- Number of viewers able to receive a specific channel or VoD service to be make more transparent

TOWARDS TRANSPARENCY ON DEMAND ? (2)

- European producers and distributors express the need for studies supported by public bodies to prepare their strategy
- A producer's association asks for regulation of VoD rental prices
- In-depth monitoring of DVD market currently accessible only for important distributors – Risks of same situation for VoD
- Need for a « level playing field for information » for all forms of film distribution

Further details:

http://www.obs.coe.int

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