

A woman in traditional blue and gold attire is being filmed by a man with a Sony camera. The woman is wearing a blue long-sleeved top and a gold-embroidered shawl. She is looking down at her hands, which are holding a small object. The man is wearing a red shirt and is holding a Sony camera with a microphone attached. The background is a colorful patterned rug.

Global Entertainment and Media Outlook: 2006–2010*

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Filmed Entertainment

The filmed entertainment market consists of consumer box office spending for theatrical motion pictures plus spending on renting and purchasing home video products in both DVD and VHS formats. It also includes online film rental subscription services, such as those whereby DVDs are delivered via overnight mail, and streaming services, whereby films are downloaded via a broadband Internet connection. The figures do not include music videos (which are counted in the Recorded Music chapter), or video-on-demand (VOD), or pay-per-view (PPV), or movie distribution by cable, satellite, or telephone companies (which are covered in the TV Distribution chapter).

Market size and growth by region

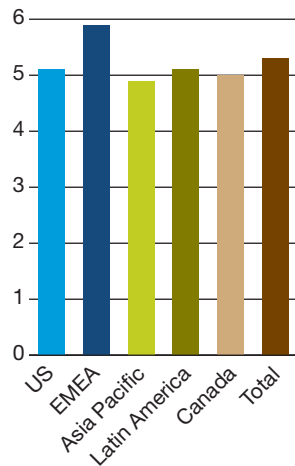
We project filmed entertainment spending in the United States, EMEA (Europe, Middle East, Africa), Asia Pacific, Latin America, and Canada will rise at a 5.3 percent compound annual rate, reaching \$104.1 billion in 2010 from \$80.5 billion in 2005. EMEA will be the fastest-growing region, rising by 5.9 percent compounded annually to \$30.3 billion in 2010 compared with \$22.8 billion in 2005. The U.S. market will grow by 5.1 percent compounded annually to \$44.2 billion in 2010 from \$34.4 billion in 2005. Spending in Asia Pacific will increase from \$16.5 billion in 2005 to \$20.9 billion in 2010, growing at a 4.9 percent compound annual rate. Filmed entertainment in Latin America will total \$2.3 billion in 2010, up from \$1.8 billion in 2005 and representing a 5.1 percent gain compounded annually. Canada will expand at a 5.0 percent annual rate from \$5.1 billion in 2005 to \$6.5 billion in 2010.

Principal drivers

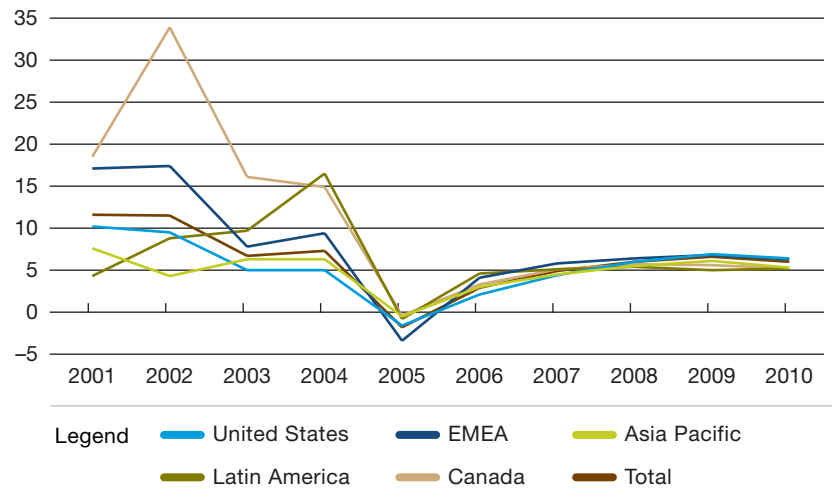
Box office will be enhanced by digital cinemas in the United States, EMEA, and Asia Pacific and by modern theaters and more screens in a number of countries in EMEA, Asia Pacific, and Latin America. The introduction of high-definition DVDs will stimulate home video sell-through in the United States and Asia Pacific, new funding programs will have a positive impact on all regions, and emerging online DVD rental services will augment the rental market in every region except Latin America. Film streaming services will generate incremental revenue in the United States and EMEA. Key factors affecting the market in any given year are the quality of releases and releases' appeal to consumers—developments we cannot predict.

Trend analysis of the outlook for filmed entertainment

Compound Annual Growth Rate (CAGR) (%)



Percent Change (%)



Filmed Entertainment Spending (US\$ Millions)

Region	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006-10 CAGR
United States	28,961	31,703	33,297	34,971	34,399	35,108	36,669	38,856	41,530	44,175	5.1
% Change	10.2	9.5	5.0	5.0	-1.6	2.1	4.4	6.0	6.9	6.4	5.1
EMEA	17,031	19,988	21,540	23,568	22,772	23,702	25,082	26,676	28,502	30,291	5.9
% Change	17.1	17.4	7.8	9.4	-3.4	4.1	5.8	6.4	6.8	6.3	5.9
Asia Pacific	14,049	14,647	15,575	16,561	16,470	16,957	17,712	18,688	19,824	20,882	4.9
% Change	7.6	4.3	6.3	6.3	-0.5	3.0	4.5	5.5	6.1	5.3	4.9
Latin America	1,281	1,394	1,529	1,782	1,767	1,849	1,943	2,047	2,150	2,261	5.1
% Change	4.3	8.8	9.7	16.5	-0.8	4.6	5.1	5.4	5.0	5.2	5.1
Canada	2,847	3,811	4,426	5,086	5,065	5,230	5,498	5,810	6,134	6,451	5.0
% Change	18.5	33.9	16.1	14.9	-0.4	3.3	5.1	5.7	5.6	5.2	5.0
Total	64,169	71,543	76,367	81,968	80,473	82,846	86,904	92,077	98,140	104,060	5.3
% Change	11.6	11.5	6.7	7.3	-1.8	2.9	4.9	6.0	6.6	6.0	5.3

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

United States

The outlook in brief

- Private funding sources, digital cinemas, and rising ticket prices will generate box office growth.
- High-definition DVDs and continued growth in TV shows on DVD will boost the sell-through market, but unit sales growth will moderate as the industry matures.
- Online rentals and digital streaming will bolster the market, but in-store rentals will continue to decline.

Overview

- The overall filmed entertainment market will expand at a compound annual rate of 5.1 percent to reach \$44.2 billion in 2010.
- Box office growth will average 4.3 percent compounded annually during the next five years from a weak 2005, taking total box office spending from \$9.0 billion in 2005 to \$11.1 billion in 2010. However, admissions in 2010 will remain below the levels achieved during 2002–04.
- Home video sell-through spending will expand by 6.9 percent compounded annually to \$23.3 billion in 2010 from \$16.7 billion in 2005.
- In-store rental spending—at video stores and similar retail outlets—will decline 4.1 percent compounded annually from \$7.6 billion in 2005 to \$6.2 billion in 2010.
- The in-store home video market will total \$29.5 billion in 2010 from \$24.3 billion in 2005, a 3.9 percent compound annual increase.
- Online rental subscription service will become a major channel for home video rentals, while digital streaming service will augment spending. Together they will total \$3.6 billion in 2010, constituting more than half the traditional rental market and growing at a 26.4 percent compound annual rate from \$1.1 billion in 2005.
- The overall home video market will advance at a 5.4 percent compound annual rate, reaching \$33.1 billion in 2010 from \$25.4 billion in 2005.

Filmed Entertainment Market (US\$ Millions)

United States	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Box Office	8,412	9,520	9,489	9,539	8,991	9,273	9,622	10,080	10,584	11,100
In-Store Home Video	20,549	22,183	23,496	24,766	24,285	24,102	24,773	26,053	27,751	29,457
Sell-Through	10,290	12,260	14,476	16,646	16,670	17,262	18,156	19,602	21,400	23,280
Rental	10,259	9,923	9,020	8,120	7,615	6,840	6,617	6,451	6,351	6,177
Online Rentals/Digital Streaming	—	—	312	666	1,123	1,733	2,274	2,723	3,195	3,618
Total Home Video	20,549	22,183	23,808	25,432	25,408	25,835	27,047	28,776	30,946	33,075
Total	28,961	31,703	33,297	34,971	34,399	35,108	36,669	38,856	41,530	44,175

Sources: Motion Picture Association of America, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Filmed Entertainment Market Growth (%)

United States	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006-10 CAGR
Box Office	9.8	13.2	-0.3	0.5	-5.7	3.1	3.8	4.8	5.0	4.9	4.3
In-Store Home Video	10.4	8.0	5.9	5.4	-1.9	-0.8	2.8	5.2	6.5	6.1	3.9
Sell-Through	22.6	19.1	18.1	15.0	0.1	3.6	5.2	8.0	9.2	8.8	6.9
Rental	0.4	-3.3	-9.1	-10.0	-6.2	-10.2	-3.3	-2.5	-1.6	-2.7	-4.1
Online Rentals/Digital Streaming	—	—	—	113.5	68.6	54.3	31.2	19.7	17.3	13.2	26.4
Total Home Video	10.4	8.0	7.3	6.8	-0.1	1.7	4.7	6.4	7.5	6.9	5.4
Total	10.2	9.5	5.0	5.0	-1.6	2.1	4.4	6.0	6.9	6.4	5.1

Sources: Motion Picture Association of America, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Box Office

- The U.S. box office market in 2005 suffered its worst year in more than a decade. Box office spending fell 5.7 percent, and admissions fell to their lowest level since 1999. Weak films, a narrowing of the theatrical-to-home video release window, and competition from the Internet, video games, and other technologies were cited as possible causes of the 8.7 percent admissions drop.
- While it is impossible to independently determine the relative quality of films from year to year, the poor showing of U.S. films throughout the world suggests that film popularity may have played a role in the 2005 downturn.
- We believe the increase in fuel cost affected all entertainment media that require out-of-home purchases. Movies, in-store video, in-store recorded music, and

in-store video game purchases all did relatively poorly in 2005. By contrast, online purchases of these same media all rose at healthy rates. In addition to reducing the amount of disposable income available for entertainment in general, high gasoline prices increase the cost of going out of home for entertainment.

- Evidence of the impact of high fuel costs can be found by looking at the box office pattern. For the first time in three years, the downturn in box office revenues occurred across the board. Box office for the top 25 films fell 5.5 percent in 2005 and dropped 6.0 percent for all other films. During the prior two years, either the top 25 films grew while the remaining releases declined or the top 25 films faltered while spending on the remaining films rose. In 2003 and 2004, the appeal of selected titles affected spending. In 2005, the appeal of all titles declined, suggesting that economic factors may have been involved.

Box Office Spending (US\$ Millions)

Category	2002	2003	2004	2005	2002–03 Percent Change (%)	2003–04 Percent Change (%)	2004–05 Percent Change (%)
Top 25 Films	4,320	4,051	4,227	3,996	-6.2	4.3	-5.5
All Other Films	5,200	5,438	5,312	4,995	4.6	-2.3	-6.0
All Films	9,520	9,489	9,539	8,991	-0.3	0.5	-5.7

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

- We expect that high fuel prices will continue to dampen out-of-home entertainment spending, but unless fuel prices continue to rise, their incremental impact on the market will lessen.
- Changes are occurring in the way films are financed. High-budget films carry a high risk, and studios have sought to minimize that risk by entering into coproduction deals with other studios or by preselling the rights for international distribution or other revenue streams. A significant development in film financing in 2005 was that private equity funding became important. Private funds invest relatively small amounts in a large number of films, thereby spreading their own risk through diversification. For studios, private funding lessens their need to presell rights or to enter into coproduction arrangements, thereby increasing their potential back-end revenue.
- Another trend will be the release of fewer films that will be marketed more effectively, with several studios having announced reductions in slate sizes. During the past few years, an increasing number of films were introduced, making it more difficult for any one of them to generate a large initial audience and develop positive word of mouth. The combination of new funding and fewer releases should allow more resources to be devoted to individual titles, thereby improving their chances to appeal to audiences.
- A further development is the introduction of digital cinemas. In August 2005, the studios agreed on technical standards for digital films and equipment. Christie/AIX and Technicolor have deals with exhibitors to install digital projectors and end-to-end digital distribution solutions, and they also have deals with studios to produce digital movies. Barco, a Belgium-based company, and Eastman Kodak are also providing digital equipment and digital solutions. Studios will help finance the project through the payment of so-called print fees for each film shown on digital screens.
- The savings for studios are far greater because the studios can reduce the substantial costs of print duplication, thereby freeing up funds to be used for production of the film itself. If fully implemented, digital distribution can save up to \$1 billion annually in duplication and transportation costs. Also, digital distribution allows films to be shown throughout the country at once. Currently, it is not economical to make prints to serve the entire country at once. Theaters in smaller markets, therefore, have to wait until a film has played out in major markets before they receive prints. The need to wait dissipates the effectiveness of the initial marketing expenditures. In addition, digital prints do not wear out, scratch, or deteriorate, a problem encountered by theaters after a film has been replayed several times. And further, digital films provide better picture and sound quality. The experience for theatergoers, therefore, should be improved, which should also have a positive impact on admissions.
- The goal is to convert approximately 15,000 screens, representing approximately 40 percent of all screens in the United States, to digital within the next 10 years. We expect that approximately 10 percent of screens will be digital by the end of the current decade. The impact of digital screens will not begin to be felt until 2007, and it will provide only a modest boost to the market during 2008–10.
- We expect admissions to remain relatively flat in 2006 and then to expand at modest rates through 2010, reflecting the conversion of theaters to digital and the positive effects of new funding models and more-effective marketing of fewer releases. We project admissions to total 1.5 billion in 2010—still lower than during 2002–04—but up 1.3 percent on a compound annual basis from 2005.
- Price growth at the box office averaged approximately 3 percent during the past two years, and we expect that trend to continue, with the average price rising from \$6.41 in 2005 to \$7.40 in 2010.
- Box office spending will expand at a projected 4.3 percent compound annual rate to \$11.1 billion in 2010.

Box Office Market

United States	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Admissions (Millions)	1,487	1,639	1,574	1,536	1,403	1,405	1,415	1,440	1,470	1,500	
% Change	4.6	10.2	-4.0	-2.4	-8.7	0.1	0.7	1.8	2.1	2.0	1.3
Average Price (US\$)	5.66	5.81	6.03	6.21	6.41	6.60	6.80	7.00	7.20	7.40	
% Change	5.0	2.7	3.8	3.0	3.2	3.0	3.0	2.9	2.9	2.8	2.9
Box Office Spending (US\$ Millions)	8,412	9,520	9,489	9,539	8,991	9,273	9,622	10,080	10,584	11,100	
% Change	9.8	13.2	-0.3	0.5	-5.7	3.1	3.8	4.8	5.0	4.9	4.3

Sources: Motion Picture Association of America, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Home video sell-through

- The home video sell-through market also slowed in 2005. Unit sales rose only 1.9 percent, following years of double-digit annual increases, and spending, which also had risen at steady double-digit rates, edged up only 0.1 percent.
- DVD growth slowed markedly in 2005. Unit sales increased by nearly 10 percent, but a 4.2 percent decrease in average price resulted in a 5.2 percent gain in spending. That rate of increase represented a substantial moderation from the far higher growth rates seen in the past few years.
- The growing availability of used DVDs may be dampening demand for new product. Video stores have been selling used VHS cassettes for years, and used DVDs, which do not wear out or deteriorate, are attracting interest from consumers and generating increased sales. Rising purchases of low-priced used product will have an adverse impact on spending.
- TV programs represented a significant growth area for DVDs, rising by more than 40 percent to \$4 billion from \$2.8 billion in 2004 and constituting 25 percent of the DVD sell-through market. The popularity of TV shows demonstrates that the underlying demand for home video content remains. Also, continued growth in DVD player sales indicates that people still want to play movies and other entertainment content at home. However, increased spending on TV shows on DVDs may leave fewer funds available for movies, and the lower price per hour of entertainment that TV shows provide compared with movies makes the TV shows even more attractive.
- A major factor in the slowdown in the home video sell-through market in 2005 was the accelerated demise of VHS. VHS unit sales fell 58.3 percent, and spending declined 59.1 percent—in both cases their largest declines. Steep declines will continue for VHS as Wal-Mart, the leading seller of videos, discontinued carrying VHS and as Disney will stop selling movies in the VHS format in 2006. Part of the decline in VHS, of course, was channeled into DVDs.
- With VHS units at only 50 million in 2005 and spending at \$540 million, further declines in VHS during the next five years will be smaller than the decline experienced in 2005, when VHS sales fell by \$780 million. We expect an additional \$510-million decline during the next five years, bringing the total down to only \$30 million in 2010. The adverse annual impact on the market will therefore be far less than it was in 2005.
- On the plus side, the advent of high-definition videos should stimulate the market in a manner similar to the way DVDs stimulated the home video market when they were introduced in the late 1990s. The dramatically clearer picture and better sound compared with current DVDs should boost demand.
- Films using the HD DVD format from Toshiba were introduced in March 2006, and films using the Blu-ray format from Sony will be available later in 2006. Sony, Fox, and Lions Gate will release films only in the Blu-ray format, while most of the other studios will offer product in both formats.
- The home video industry is not unfamiliar with competing technologies. From its earliest days, the VHS and the Beta formats coexisted. Ultimately, the VHS format won out, and some have claimed that competing formats were confusing to consumers and slowed the growth of the industry. Whether the formats were confusing or not, the industry grew rapidly despite the presence of competing formats.
- Using the past as a guide, one has no reason to believe that the presence of competing formats will have any long-term adverse effects on the progress of high definition. It may be the case that one format will ultimately become the industry standard, but through the forecast period, product will be released in both formats.

- We expect acceptance of high-definition videos will be accelerated by two factors: introduction of hardware through video game consoles and growth in the universe of high-definition-television households.
- The next-generation video game consoles will have high-definition capability, and consumers will be able to use their new consoles to play movies in high definition even before they have high-definition DVD players. In a typical market, the replacement cycle influences the take-up rate for a new technology. Households that recently bought a DVD player, for example, are not likely to immediately upgrade to a new DVD player. Those same households, however, may be purchasers of new video game consoles, which would be bought for a different purpose but would nevertheless give them access to high-definition videos before they would otherwise upgrade. Thus, the video game industry, viewed by some as a competitor to DVDs, will likely stimulate the DVD market. The availability of easy-to-use hardware tends to contribute to a technology's success and typically stimulates the software market.
- The high-definition-television household universe is also expanding. As people become accustomed to watching television programs in high definition, they will want to watch videos in high definition as well. High-definition-television households and new video console households will likely be prime candidates to become high-definition-video households.
- In the past, new technologies that improve quality have had a significant impact on the market. CDs accelerated

the recorded music industry in the 1980s, and DVDs had a similar impact on the home video sell-through industry beginning in the late 1990s and extending through the early part of the current decade. We expect that high definition will similarly bolster the sell-through market during the next five years.

- High-definition technology and continued growth in the TV DVD market will help sustain growth in DVD sales. We do not expect a return to double-digit annual increases, however, as the market is maturing. In the past, new DVD households replenished their video libraries with DVD movies. Once having done so, annual growth becomes more dependent on new releases, and increases necessarily moderate. We expect DVD unit sales growth to average 8.3 percent compounded annually, reaching 1.5 billion in 2010 from 1.0 billion in 2005.
- DVD prices will continue to fall in the near term, but as higher-priced high-definition videos gain share, average prices will increase. Nevertheless, the average price in 2010 will be lower than in 2005.
- DVD sell-through spending will increase from \$16.1 billion in 2005 to \$23.3 billion in 2010, a 7.6 percent compound annual gain. That increase will represent an improvement compared with 2005 but will be far lower than the increases registered during 2001–04.
- Total home video sell-through will increase at a 6.9 percent compound annual rate.

Home Video Sell-Through Market

United States	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
DVD										
Unit Sales (Millions)	294	491	700	915	1,005	1,100	1,200	1,300	1,400	1,500
Average Price (US\$)	18.31	17.20	17.00	16.75	16.05	15.50	15.00	15.00	15.25	15.50
Aggregate Spending (US\$ Millions)	5,383	8,444	11,900	15,326	16,130	17,050	18,000	19,500	21,350	23,250
VHS										
Unit Sales (Millions)	428	339	230	120	50	20	15	10	5	3
Average Price (US\$)	11.46	11.26	11.20	11.00	10.80	10.60	10.40	10.20	10.00	10.00
Aggregate Spending (US\$ Millions)	4,907	3,816	2,576	1,320	540	212	156	102	50	30
Total										
Unit Sales (Millions)	722	830	930	1,035	1,055	1,120	1,215	1,310	1,405	1,503
Average Price (US\$)	14.25	14.77	15.57	16.08	15.80	15.41	14.94	14.96	15.23	15.49
Aggregate Spending (US\$ Millions)	10,290	12,260	14,476	16,646	16,670	17,262	18,156	19,602	21,400	23,280

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Home Video Sell-Through Market Growth (%)

United States	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
DVD											
Unit Sales	100.0	67.0	42.6	30.7	9.8	9.5	9.1	8.3	7.7	7.1	8.3
Average Price	-16.6	-6.1	-1.2	-1.5	-4.2	-3.4	-3.2	0.0	1.7	1.6	-0.7
Aggregate Spending	66.8	56.9	40.9	28.8	5.2	5.7	5.6	8.3	9.5	8.9	7.6
VHS											
Unit Sales	-4.0	-20.8	-32.2	-47.8	-58.3	-60.0	-25.0	-33.3	-50.0	-40.0	-43.0
Average Price	-1.0	-1.7	-0.5	-1.8	-1.8	-1.9	-1.9	-1.9	-2.0	0.0	-1.5
Aggregate Spending	-5.0	-22.2	-32.5	-48.8	-59.1	-60.7	-26.4	-34.6	-51.0	-40.0	-43.9
Total											
Unit Sales	21.8	15.0	12.0	11.3	1.9	6.2	8.5	7.8	7.3	7.0	7.3
Average Price	0.7	3.6	5.4	3.3	-1.7	-2.5	-3.0	0.1	1.8	1.7	-0.4
Aggregate Spending	22.6	19.1	18.1	15.0	0.1	3.6	5.2	8.0	9.2	8.8	6.9

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Home video rental

- The traditional rental market continued its long-term decline in 2005, falling by 6.2 percent for its fourth consecutive annual decrease. As with sell-through, DVDs continued to expand, but the decline in VHS accelerated.
- DVD rental turns grew 11.4 percent, and spending increased 9.6 percent. That increase, however, was well below the double- and triple-digit gains achieved during the prior four years and was more than offset by a 52.5 percent drop in VHS rental turns and a 53.4 percent decrease in VHS rental spending.
- As with the sell-through market, further declines during the next five years in the already small VHS market will be smaller than the decrease seen in 2005. Consequently, decreasing VHS rentals will be less of a drag on the overall rental market.
- Rentals will also benefit from high-definition videos, but increased competition from online rentals and, possibly, an expanding VOD market will further reduce the in-store market.
- The ease and convenience of VOD in the home are stimulating that market. VOD, however, is more expensive than in-store rental and therefore does not provide consumers with an economic advantage. In addition, movies reach the VOD window after they hit home video, further limiting VOD's competitive impact. Moreover, TV shows on VOD are providing a major boost to that market but do not compete with rentals. For these reasons, although VOD is becoming a major factor in the market, we expect its competitive impact on home video rentals will be limited.
- Online rentals, however, will compete with the in-store market, and we expect overall DVD rental turns to drop to low-single-digit increases beginning in 2006 and to average 2.0 percent growth compounded annually through 2010. Falling average prices, however, will lead to an overall drop in DVD rental spending.
- The VHS rental market will virtually disappear. Turns will drop from 380 million in 2005 to only 1 million in 2010. VHS rental spending will total only \$2 million in 2010 from \$950 million in 2005.
- The overall in-store rental market will fall from \$7.6 billion in 2005 to \$6.2 billion in 2010, a 4.1 percent decline compounded annually.

In-Store Home Video Rental Market

United States	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
DVD										
Rental Turns (Millions)	535	1,091	1,600	1,930	2,150	2,200	2,250	2,300	2,350	2,375
Average Price (US\$)	3.10	3.25	3.20	3.15	3.10	3.00	2.90	2.80	2.70	2.60
Aggregate Spending (US\$ Millions)	1,658	3,550	5,120	6,080	6,665	6,600	6,525	6,440	6,345	6,175
VHS										
Rental Turns (Millions)	3,221	2,411	1,500	800	380	100	40	5	3	1
Average Price (US\$)	2.67	2.64	2.60	2.55	2.50	2.40	2.30	2.20	2.10	2.10
Aggregate Spending (US\$ Millions)	8,601	6,373	3,900	2,040	950	240	92	11	6	2
Total										
Rental Turns (Millions)	3,756	3,502	3,100	2,730	2,530	2,300	2,290	2,305	2,353	2,376
Average Price (US\$)	2.73	2.83	2.91	2.97	3.01	2.97	2.89	2.80	2.70	2.60
Aggregate Spending (US\$ Millions)	10,259	9,923	9,020	8,120	7,615	6,840	6,617	6,451	6,351	6,177

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

In-Store Home Video Rental Market Growth (%)

United States	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
DVD											
Rental Turns	164.9	103.9	46.7	20.6	11.4	2.3	2.3	2.2	2.2	1.1	2.0
Average Price	-8.8	4.8	-1.5	-1.6	-1.6	-3.2	-3.3	-3.4	-3.6	-3.7	-3.5
Aggregate Spending	141.7	114.1	44.2	18.8	9.6	-1.0	-1.1	-1.3	-1.5	-2.7	-1.5
VHS											
Rental Turns	-3.1	-25.1	-37.8	-46.7	-52.5	-73.7	-60.0	-87.5	-40.0	-66.7	-69.5
Average Price	-7.0	-1.1	-1.5	-1.9	-2.0	-4.0	-4.2	-4.3	-4.5	0.0	-3.4
Aggregate Spending	-9.8	-25.9	-38.8	-47.7	-53.4	-74.7	-61.7	-88.0	-45.5	-66.7	-70.8
Total											
Rental Turns	6.5	-6.8	-11.5	-11.9	-7.3	-9.1	-0.4	0.7	2.1	1.0	-1.2
Average Price	-5.9	3.7	2.8	2.1	1.3	-1.3	-2.7	-3.1	-3.6	-3.7	-2.9
Aggregate Spending	0.4	-3.3	-9.1	-10.0	-6.2	-10.2	-3.3	-2.5	-1.6	-2.7	-4.1

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

- For an average monthly fee of \$17.00, subscribers can rent as many movies as they want online, usually with a limit of a few at a time, although some providers are now also imposing limits on the number of monthly rentals. DVDs are shipped via overnight mail and can be returned through prepaid mailers at any time. Subscribers must return films before they can receive the next group.
- Online rentals save the cost of going to the video store, allow films to be kept for extended periods without late fees, guarantee title availability, and are potentially less expensive for people who rent a lot of movies. Netflix, Blockbuster, and Disney are among the providers of

online rental services. Wal-Mart discontinued its online rental business and merged it with Netflix. Disney closed its MovieBeam service in 2005 but reopened it in February 2006. Online rental services will have high-definition DVDs when they become available.

- Online subscribership increased to 5.5 million in 2005, and spending rose to \$1.1 billion. The convenience of such services and attractive price points will expand the market. We expect subscribership to rise to 19.5 million by 2010—a 28.8 percent compound annual increase—and revenue to grow by 23.5 percent compounded annually to \$3.2 billion.

Online Rental Subscriptions

United States	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Subscribers† (Millions)	1.3	3.0	5.5	9.0	12.5	15.0	17.5	19.5	
% Change		130.8	83.3	63.6	38.9	20.0	16.7	11.4	28.8
Monthly Fee (US\$)	19.99	18.50	17.00	16.00	15.00	14.50	14.00	13.75	
% Change		-7.5	-8.1	-5.9	-6.3	-3.3	-3.4	-1.8	-4.2
Annual Spending (US\$ Millions)	312	666	1,122	1,728	2,250	2,610	2,940	3,218	
% Change		113.5	68.5	54.0	30.2	16.0	12.6	9.5	23.5

†Annual average.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

- Such services as MovieLink and CinemaNow distribute films over the Internet via a broadband connection and give viewers 24 hours to view a film. After the initial 24-hour period, consumers can no longer access the film unless they pay a separate fee. In 2005, these services made distribution deals with the major studios, giving them content to allow the market to expand. Bertelsmann announced it will offer its own platform to enable consumers to download movies (and music) to their PCs, but Netflix postponed its plans to enter the market.
- The market is currently small, but with the majority of Internet households now connecting through broadband, there is significant potential for growth. Soon, computers will be connected to TVs via an S-cable, and Internet protocol television services will make the computer and TV experience more seamless.
- We project that downloads will increase from 100,000 in 2005 to 100 million by 2010. With prices expected fall to \$4.00, spending will total \$400 million, which will still be a relatively small component of the home video market.

Digital Streaming Services

United States	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Units† (Millions)	0.020	0.10	1.0	5.0	25.0	60.0	100.0	
% Change		400.0	900.0	400.0	400.0	140.0	66.7	298.1
Average Price (US\$)	5.00	5.00	5.00	4.75	4.50	4.25	4.00	
% Change		0.0	0.0	-5.0	-5.3	-5.6	-5.9	-4.4
Total Spending (US\$ Millions)	0	1	5	24	113	255	400	
% Change			400.0	380.0	370.8	125.7	56.9	231.4

†Annual average.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Europe, Middle East, Africa (EMEA)

The outlook in brief

- Investment incentives and the proliferation of digital cinemas will turn around the box office market.
- TV DVDs will boost sell-through, but low prices will slow spending growth.
- Rental vending machines and kiosks will support the traditional rental market, while online film rental subscription services will boost overall rental activity.

Overview

- Filmed entertainment spending in EMEA (Europe, Middle East, Africa) will total \$30.3 billion in 2010, averaging 5.9 percent growth compounded annually.
- Box office spending will expand by 5.0 percent annually to \$9.4 billion in 2010 from \$7.4 billion in 2005.
- Rebounding from its first decline in 2005, the in-store home video market will rise from \$15.2 billion to reach \$18.7 billion in 2010, a 4.2 percent compound annual increase.
- Online subscription services and video streaming services are entering the market. Together they will reach \$2.2 billion by 2010 from only \$216 million in 2005, averaging 59.1 percent growth compounded annually.

Filmed Entertainment Market† (US\$ Millions)

EMEA	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Box Office	6,974	7,390	7,326	7,933	7,356	7,680	8,039	8,461	8,912	9,378	
% Change	13.3	6.0	-0.9	8.3	-7.3	4.4	4.7	5.2	5.3	5.2	5.0
In-Store Home Video	10,057	12,598	14,183	15,513	15,200	15,650	16,423	17,197	17,967	18,709	
% Change	20.0	25.3	12.6	9.4	-2.0	3.0	4.9	4.7	4.5	4.1	4.2
Online Rentals and Streaming	—	—	31	122	216	372	620	1,018	1,623	2,204	
% Change	—	—	—	293.5	77.0	72.2	66.7	64.2	59.4	35.8	59.1
Total	17,031	19,988	21,540	23,568	22,772	23,702	25,082	26,676	28,502	30,291	
% Change	17.1	17.4	7.8	9.4	-3.4	4.1	5.8	6.4	6.8	6.3	5.9

†At average 2005 exchange rates.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

- Western Europe will increase at a 4.2 percent compound annual rate to \$25.8 billion in 2010 from \$21.0 billion in 2005.
- Central and Eastern Europe will be the fastest-growing area, averaging 9.0 percent growth compounded annually, led by large box office increases in Russia and Turkey. Spending will rise from \$1.2 billion to \$1.8 billion in 2010.
- Middle East/Africa will expand at a 4.5 percent compound annual rate to \$439 million.
- The United Kingdom is the dominant market in the region, at \$6.6 billion in 2005—more than twice the \$3.1 billion in Germany—with France third, at \$2.8 billion, followed by Italy at \$2.1 billion and Spain at \$1.7 billion. These five countries constitute 72 percent of the region.
- The United Kingdom was the only country in Western Europe to record an increase in box office spending from 2004 to 2005, helped by the popularity of films with British settings. The home video market in the U.K., however, tumbled as competition from covermounts—DVDs distributed for free in newspapers and magazines—cut into sales.
- In Germany, by contrast, the home video market held up in 2005, but box office spending plunged 18.3 percent, the steepest decline in Western Europe. Local productions were not able to match their strong performance of 2004, and U.S. films declined.
- Filmed entertainment in France fell 7.2 percent in 2005—the largest drop in Western Europe—hurt by weak box office and low price points for DVDs at hypermarkets (grocery chains and big box retailers such as Carrefour) that undercut rental prices and reduced the market for full-price sell-through DVDs.
- In Italy, filmed entertainment in 2005 was characterized by falling box office and rising home video. Italy's filmed entertainment market rose 1.8 percent. Box office was also weak in Spain, and home video also declined, as a sharp drop in rentals offset an increase in sell-through. Spain's filmed entertainment market went down 6.2 percent.
- Russia was the dominant country in Central and Eastern Europe in 2005, at \$667 million, up 16.0 percent from 2004. Turkey was the fastest-growing country in Central and Eastern Europe, with a 19.3 percent rise. In both countries, new cinemas contributed to the box office expansion.
- Middle East/Africa was relatively stable in 2005, with each country either flat or posting increases of only \$1 million.

Filmed Entertainment Market[†] (US\$ Millions)

EMEA	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Box Office and Home Video										
Western Europe										
Austria ^{††}	263	304	275	288	276	284	293	306	318	332
Belgium ^{††}	477	580	644	723	729	756	788	820	855	886
Denmark ^{††}	244	302	315	342	344	356	379	401	424	444
Finland ^{††}	177	206	249	268	263	271	280	293	307	322
France ^{††}	2,271	2,529	2,716	3,016	2,800	2,939	3,104	3,270	3,438	3,604
Germany ^{††}	2,653	2,933	2,989	3,282	3,113	3,206	3,355	3,524	3,694	3,859
Greece ^{††}	135	148	153	158	152	152	156	157	162	164
Ireland ^{††}	280	312	357	388	390	407	425	445	466	487
Italy ^{††}	1,443	1,660	1,809	2,024	2,060	2,150	2,266	2,377	2,476	2,562
Netherlands ^{††}	579	806	794	796	788	816	845	875	906	935
Norway	303	413	506	563	576	606	638	675	706	741
Portugal ^{††}	165	201	214	230	227	235	245	254	266	276
Spain ^{††}	1,370	1,530	1,689	1,763	1,653	1,675	1,717	1,766	1,837	1,910
Sweden ^{††}	455	514	565	597	621	660	700	739	777	814
Switzerland	354	411	410	459	438	453	470	487	506	523
United Kingdom ^{††}	4,816	5,965	6,568	7,087	6,604	6,717	7,020	7,341	7,664	7,990
Western Europe Total	15,985	18,814	20,253	21,984	21,034	21,683	22,681	23,730	24,802	25,849
Central and Eastern Europe										
Czech Republic ^{††}	76	81	88	96	88	90	96	102	108	116
Hungary ^{††}	107	114	113	120	114	119	124	131	138	144
Poland ^{††}	161	158	153	196	154	156	157	160	163	168
Romania ^{††}	6	6	6	6	5	5	6	6	6	7
Russia	344	442	486	575	667	753	842	935	1,031	1,131
Turkey ^{††}	68	83	85	119	142	159	176	194	213	233
Central and Eastern Europe Total	762	884	931	1,112	1,170	1,282	1,401	1,528	1,659	1,799
Middle East/Africa										
Israel	108	101	112	118	119	123	128	135	141	148
Saudi Arabia/Pan Arab [‡]	86	89	93	99	100	102	105	108	111	114
South Africa	90	100	120	133	133	140	147	157	166	177
Middle East/Africa Total	284	290	325	350	352	365	380	400	418	439
EMEA Total	17,031	19,988	21,509	23,446	22,556	23,330	24,462	25,658	26,879	28,087
Online Rentals and Streaming	—	—	31	122	216	372	620	1,018	1,623	2,204
Total	17,031	19,988	21,540	23,568	22,772	23,702	25,082	26,676	28,502	30,291

[†]At average 2005 exchange rates.

[‡]Comprises Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Syria, and the United Arab Emirates.

^{††}European Union members.

^{‡‡}European Union applicants.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Filmed Entertainment Market Growth (%)

EMEA	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Box Office and Home Video											
Western Europe											
Austria ^{††}	20.1	15.6	-9.5	4.7	-4.2	2.9	3.2	4.4	3.9	4.4	3.8
Belgium ^{††}	20.2	21.6	11.0	12.3	0.8	3.7	4.2	4.1	4.3	3.6	4.0
Denmark ^{††}	17.9	23.8	4.3	8.6	0.6	3.5	6.5	5.8	5.7	4.7	5.2
Finland ^{††}	12.0	16.4	20.9	7.6	-1.9	3.0	3.3	4.6	4.8	4.9	4.1
France ^{††}	15.2	11.4	7.4	11.0	-7.2	5.0	5.6	5.3	5.1	4.8	5.2
Germany ^{††}	20.5	10.6	1.9	9.8	-5.1	3.0	4.6	5.0	4.8	4.5	4.4
Greece ^{††}	1.5	9.6	3.4	3.3	-3.8	0.0	2.6	0.6	3.2	1.2	1.5
Ireland ^{††}	6.9	11.4	14.4	8.7	0.5	4.4	4.4	4.7	4.7	4.5	4.5
Italy ^{††}	8.7	15.0	9.0	11.9	1.8	4.4	5.4	4.9	4.2	3.5	4.5
Netherlands ^{††}	20.1	39.2	-1.5	0.3	-1.0	3.6	3.6	3.6	3.5	3.2	3.5
Norway	28.9	36.3	22.5	11.3	2.3	5.2	5.3	5.8	4.6	5.0	5.2
Portugal ^{††}	13.0	21.8	6.5	7.5	-1.3	3.5	4.3	3.7	4.7	3.8	4.0
Spain ^{††}	12.9	11.7	10.4	4.4	-6.2	1.3	2.5	2.9	4.0	4.0	2.9
Sweden ^{††}	21.3	13.0	9.9	5.7	4.0	6.3	6.1	5.6	5.1	4.8	5.6
Switzerland	20.4	16.1	-0.2	12.0	-4.6	3.4	3.8	3.6	3.9	3.4	3.6
United Kingdom ^{††}	18.9	23.9	10.1	7.9	-6.8	1.7	4.5	4.6	4.4	4.3	3.9
Western Europe Total	16.9	17.7	7.6	8.5	-4.3	3.1	4.6	4.6	4.5	4.2	4.2
Central and Eastern Europe											
Czech Republic ^{††}	20.6	6.6	8.6	9.1	-8.3	2.3	6.7	6.3	5.9	7.4	5.7
Hungary ^{††}	20.2	6.5	-0.9	6.2	-5.0	4.4	4.2	5.6	5.3	4.3	4.8
Poland ^{††}	32.0	-1.9	-3.2	28.1	-21.4	1.3	0.6	1.9	1.9	3.1	1.8
Romania ^{††}	0.0	0.0	0.0	0.0	-16.7	0.0	20.0	0.0	0.0	16.7	7.0
Russia	31.3	28.5	10.0	18.3	16.0	12.9	11.8	11.0	10.3	9.7	11.1
Turkey ^{††}	13.3	22.1	2.4	40.0	19.3	12.0	10.7	10.2	9.8	9.4	10.4
Central and Eastern Europe Total	26.6	16.0	5.3	19.4	5.2	9.6	9.3	9.1	8.6	8.4	9.0
Middle East/Africa											
Israel	13.7	-6.5	10.9	5.4	0.8	3.4	4.1	5.5	4.4	5.0	4.5
Saudi Arabia/Pan Arab [†]	1.2	3.5	4.5	6.5	1.0	2.0	2.9	2.9	2.8	2.7	2.7
South Africa	5.9	11.1	20.0	10.8	0.0	5.3	5.0	6.8	5.7	6.6	5.9
Middle East/Africa Total	7.2	2.1	12.1	7.7	0.6	3.7	4.1	5.3	4.5	5.0	4.5
EMEA Total	17.1	17.4	7.6	9.0	-3.8	3.4	4.9	4.9	4.8	4.5	4.5
Online Rentals and Streaming	—	—	—	293.5	77.0	72.2	66.7	64.2	59.4	35.8	59.1
Total	17.1	17.4	7.8	9.4	-3.4	4.1	5.8	6.4	6.8	6.3	5.9

[†]Comprises Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Syria, and the United Arab Emirates.

^{††}European Union members.

^{‡‡}European Union applicants.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Box Office

- Box office spending fell 7.3 percent in 2005, the steepest decline in more than a decade. The market suffered from adverse comparisons to a strong 2004.
- International day-and-date releasing—when U.S. films are released internationally on the same day in order to combat piracy and economize on marketing—encountered difficulties in 2005. The summer is a peak season for movies in the United States, and studios try to capitalize by releasing major films during that season. Summer releases, however, often fare less well in EMEA, where many theaters are not air-conditioned and where people want to be outside in summer and tend to go on vacation away from cities where movie theaters are located. Day-and-date releasing also makes it more difficult to tailor marketing campaigns to individual countries.
- Except for Russia and Turkey, where new, modern theaters are attracting patrons, admissions were down for each country in EMEA: 95.5 million lower than in 2004, a 7.9 percent drop. Western Europe was the hardest hit, recording a 10.4 percent decrease. Gains in Russia and Turkey offset double-digit declines in the Czech Republic, Hungary, Poland, and Romania, and Central and Eastern Europe admissions were up 3.7 percent. Admissions in Middle East/Africa mirrored the overall trend, falling 6.1 percent.
- Despite the sharp drop in 2005, admissions were only 2.8 million lower than in 2003, highlighting the fact that film appeal goes in cycles and is difficult to predict. The market in 2004 reflected a particularly strong roster of films, while 2005 proved to be unusually weak.
- In France, for example, strong local films such as *The Chorus* and *A Very Long Engagement* contributed to the 21.3-million jump in admissions in 2004. In 2005, without comparable local films, admissions fell 10.1 percent but were still higher than in 2003. In just the first two months of 2006, by contrast, local films proved to be so popular that they outperformed local films during 2005 as a whole.
- In the United Kingdom, a number of Hollywood releases were either set in the country or had U.K. origins. Such films as *Wallace & Gromit: The Curse of the Were-Rabbit*, *Charlie and the Chocolate Factory*, *Chicken Little*, *Harry Potter and the Goblet of Fire*, and *The Chronicles of Narnia* did relatively well. Overall admissions were down only 0.8 percent, the best performance of any country in EMEA except Russia and Turkey.
- In Germany, on the other hand, admissions plunged 20.2 percent to only 125 million, their lowest level in more than a decade. A weaker slate of local films—compared with the unusually strong roster in 2004 and combined with rising unemployment and a weak economy—contributed to the downturn. An aging cinema base is also curbing the market.
- In Russia and Turkey, by contrast, admissions boomed in 2005, rising by 19.0 percent and 7.7 percent, respectively. In both countries, the construction of modern theaters that can play current releases is driving the market by effectively extending the reach of movies to more people.
- With the quality and release patterns of U.S. films beyond the control of EMEA, countries are looking to bolster local film industries. Most are seeking to both support local production and attract international producers. In the United Kingdom, a new tax plan was approved in March 2006 that will allow producers to write off 16 percent of U.K. expenditures for films budgeted at £20 million (\$36 million) or more, and 20 percent for films of less than £20 million. Films will be required to spend 25 percent of the budget in the U.K., down from the 40 percent that was originally proposed. The number of local productions in the U.K. increased to 37 in 2005 from 27 in 2004, and local films generated more than a third of total box office receipts—their highest share in more than a decade.
- In Germany, tax-sheltered film funds have been discontinued. The coalition German government has committed to set up new film financing incentive programs by July 2006 to bolster private investment in the film industry. A commission has been created to discuss alternative schemes, but at this writing, the outcome remains unclear.
- In France, investment in film production rose by more than 20 percent in 2005 to €1.2 billion (\$1.5 billion), an all-time high. The number of local films produced rose to 187 from 167 in 2004.
- In Spain, a state-of-the-art production facility, Ciudad de la Luz, opened in late 2005 at a cost of €270 million (\$336 million). When fully operational, the studio will have a deepwater tank, nine soundstages, and views of the Mediterranean Sea, providing both local and international producers with an excellent production facility.
- In early 2006, the Irish government increased the amount of tax relief offered for film production. Producers will now be able to write off up to 80 percent of the budget spent in Ireland, compared with less than 66 percent under the prior plan. The amount eligible for tax relief was also raised—to \$42 million per project from \$18 million.
- Sweden's new film agreement went into effect in early 2006, raising subsidies for local films to \$40 million annually, a 30 percent increase. The subsidy will be funded by a 10 percent tax on admission prices.

- In Spain, a fund was created to underwrite bank credit for film projects, with the goal of underwriting nearly \$100 million during the next five years.
- Hungary's tax incentive plan introduced in 2004 raised \$23 million in its first year and is beginning to stimulate domestic film production. Two new facilities—Stern Film Studio and Korda Sandor Film Studio—will open in 2006, and producers will receive a 20 percent tax refund for budgets spent in Hungary.
- In Poland, a law enacted in June 2005 establishes a fund that will be distributed annually to support domestic film projects, with the hope that higher-budget films will attract more patrons. The fund will be created from mandatory payments of 1.5 percent of Polish theaters' revenues from the sale of tickets and advertisements.
- These initiatives and improved funding will support local films and improve their chances of succeeding. A strong roster of local films can make a significant difference in box office spending, as occurred in many countries in 2004.
- Another development that should help the box office market is the proliferation of digital cinemas. XDC, for example, installed 200 digital screens in some Western European countries in 2005 and plans an additional 500 to 600 screens by 2007. XDC plans to focus on 10 countries: Austria, Belgium, France, Germany, Italy, Luxembourg, Netherlands, Spain, Sweden, and Switzerland. Exhibitors pay a rental fee for the digital equipment.
- There are also a number of local initiatives. Ireland is leading the way in digital cinemas, embarking on a project to convert all screens to digital within the next few years. Each theater will be equipped with a server that can hold up to 40 movies. Digital projectors are being installed at a total cost of €40 million (\$50 million). Theater owners will receive the projectors for free, but Avica Technology, the manufacturer, will collect a fee from distributors for each digital copy.
- In Austria, Cineplexx installed seven high-end digital screens in 2005 and plans more in the next few years as part of the XDC initiative. In the United Kingdom, Digital Screen Network is spending £12 million (\$22 million) to install digital projectors, and in South Africa, 20 digital cinemas were installed in community centers in late 2005, and others are planned in areas where access is limited.
- Within the next few years, approximately 4 percent of the screens in EMEA will be converted to digital, with more than 7 percent expected to be digital by 2010. Digital cinemas reduce distribution costs by 50 percent. Historically, the trend in the marketplace has been to put more resources into production subject to limitations in funding, so this reduction in costs should free up resources to improve production. Digital cinemas also allow new releases to be available sooner and provide a better-quality picture that does not deteriorate after repeated screenings. These characteristics should improve the theatrical experience and boost admissions.
- Modern theaters will also expand the market, as evidenced by the experience of Russia and Turkey. More than a thousand screens were renovated in Russia during the past few years, and more are planned. Turkey is adding approximately a hundred new screens annually.
- Large-format theaters, such as those from Imax, also provide patrons with an enhanced experience. Imax sites are planned for Kuwait, Qatar, and the United Arab Emirates. Cinema also returned to Saudi Arabia after a 20-year absence, with a theater opening in late 2005, currently screening cartoons.
- More funding for local films should increase prospects for more appealing product, while digital cinemas and modern theaters attract patrons. We project admissions to increase at a 3.1 percent compound annual rate to 1.3 billion in 2010.

Admissions (Millions)

EMEA	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Western Europe										
Austria ^{††}	18.8	19.3	17.7	19.4	17.5	17.7	18.0	18.5	19.0	19.5
Belgium ^{††}	24.0	24.4	22.7	23.8	22.5	23.0	23.5	24.0	24.5	25.0
Denmark ^{††}	11.9	12.9	12.3	12.8	12.2	12.4	12.7	13.0	13.3	13.6
Finland ^{††}	6.5	7.7	7.9	7.0	5.8	6.0	6.3	6.6	6.9	7.2
France ^{††}	187.5	184.4	173.5	194.8	175.1	185.0	190.0	195.0	200.0	205.0
Germany ^{††}	177.9	163.9	149.0	156.7	125.0	127.0	130.0	135.0	140.0	145.0
Greece ^{††}	13.5	13.5	13.7	14.0	13.0	13.2	13.4	13.6	13.8	14.0
Ireland ^{††}	15.9	17.3	17.4	17.3	16.0	16.3	16.7	17.1	17.5	18.0
Italy ^{††}	110.0	112.0	109.5	122.0	113.0	115.0	118.0	122.0	126.0	130.0
Netherlands ^{††}	23.8	24.1	24.9	23.0	20.4	20.7	21.0	21.5	22.0	22.5
Norway	12.0	12.0	12.5	13.0	12.0	12.2	12.5	12.8	13.1	13.5
Portugal ^{††}	20.9	19.5	19.5	19.8	17.5	17.7	18.0	18.3	18.7	19.1
Spain ^{††}	143.3	139.8	135.8	141.0	120.0	120.0	122.0	125.0	130.0	135.0
Sweden ^{††}	18.1	18.3	18.2	16.5	14.5	14.5	14.7	15.0	15.2	15.4
Switzerland	17.1	18.8	17.0	18.7	16.0	16.2	16.4	16.6	16.8	17.0
United Kingdom ^{††}	155.9	175.9	167.3	171.3	170.0	172.0	175.0	180.0	185.0	190.0
Western Europe Total	957.1	963.8	918.9	971.1	870.5	888.9	908.2	934.0	961.8	989.8
Central and Eastern Europe										
Czech Republic ^{††}	10.4	10.7	12.1	12.0	9.5	9.6	9.8	10.1	10.4	10.7
Hungary ^{††}	17.2	17.4	16.0	16.6	14.0	14.4	14.8	15.3	15.8	16.3
Poland ^{††}	27.6	25.5	23.6	33.3	24.0	24.1	24.3	24.6	25.0	25.5
Romania ^{††}	5.5	5.1	4.3	3.8	3.3	3.3	3.4	3.5	3.6	3.7
Russia	55.0	65.0	82.0	105.0	125.0	135.0	145.0	155.0	165.0	175.0
Turkey ^{††}	34.5	29.3	24.5	29.7	32.0	33.0	34.0	35.0	36.0	37.0
Central and Eastern Europe Total	150.2	153.0	162.5	200.4	207.8	219.4	231.3	243.5	255.8	268.2
Middle East/Africa										
Israel	10.7	9.2	9.5	9.5	9.2	9.3	9.5	9.8	10.1	10.4
Saudi Arabia/Pan Arab [†]	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
South Africa	23.5	24.6	25.4	28.0	26.0	26.5	27.5	28.5	29.5	30.5
Middle East/Africa Total	34.2	33.8	34.9	37.5	35.2	35.8	37.0	38.3	39.6	40.9
EMEA Total	1,141.5	1,150.6	1,116.3	1,209.0	1,113.5	1,144.1	1,176.5	1,215.8	1,257.2	1,298.9

[†]Comprises Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Syria, and the United Arab Emirates.

^{††}European Union members.

^{‡‡}European Union applicants.

Sources: Centre National de la Cinématographie, Danish Film Institute, Finnish Chamber of Films, German Federal Film Board, Ministry of Culture of the Czech Republic, Nederlandse Federatie voor de Cinematografie, PricewaterhouseCoopers LLP, Spain Culture Ministry, U.K. Film Council, Wilkofsky Gruen Associates

Admissions Growth (%)

EMEA	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006-10 CAGR
Western Europe											
Austria ^{††}	15.3	2.7	-8.3	9.6	-9.8	1.1	1.7	2.8	2.7	2.6	2.2
Belgium ^{††}	3.0	1.7	-7.0	4.8	-5.5	2.2	2.2	2.1	2.1	2.0	2.1
Denmark ^{††}	11.2	8.4	-4.7	4.1	-4.7	1.6	2.4	2.4	2.3	2.3	2.2
Finland ^{††}	-8.5	18.5	2.6	-11.4	-17.1	3.4	5.0	4.8	4.5	4.3	4.4
France ^{††}	13.3	-1.7	-5.9	12.3	-10.1	5.7	2.7	2.6	2.6	2.5	3.2
Germany ^{††}	16.7	-7.9	-9.1	5.2	-20.2	1.6	2.4	3.8	3.7	3.6	3.0
Greece ^{††}	0.0	0.0	1.5	2.2	-7.1	1.5	1.5	1.5	1.5	1.4	1.5
Ireland ^{††}	6.7	8.8	0.6	-0.6	-7.5	1.9	2.5	2.4	2.3	2.9	2.4
Italy ^{††}	6.4	1.8	-2.2	11.4	-7.4	1.8	2.6	3.4	3.3	3.2	2.8
Netherlands ^{††}	10.7	1.3	3.3	-7.6	-11.3	1.5	1.4	2.4	2.3	2.3	2.0
Norway	3.4	0.0	4.2	4.0	-7.7	1.7	2.5	2.4	2.3	3.1	2.4
Portugal ^{††}	10.0	-6.7	0.0	1.5	-11.6	1.1	1.7	1.7	2.2	2.1	1.8
Spain ^{††}	6.5	-2.4	-2.9	3.8	-14.9	0.0	1.7	2.5	4.0	3.8	2.4
Sweden ^{††}	6.5	1.1	-0.5	-9.3	-12.1	0.0	1.4	2.0	1.3	1.3	1.2
Switzerland	9.6	9.9	-9.6	10.0	-14.4	1.3	1.2	1.2	1.2	1.2	1.2
United Kingdom ^{††}	9.4	12.8	-4.9	2.4	-0.8	1.2	1.7	2.9	2.8	2.7	2.2
Western Europe Total	10.2	0.7	-4.7	5.7	-10.4	2.1	2.2	2.8	3.0	2.9	2.6
Central and Eastern Europe											
Czech Republic ^{††}	19.5	2.9	13.1	-0.8	-20.8	1.1	2.1	3.1	3.0	2.9	2.4
Hungary ^{††}	8.9	1.2	-8.0	3.8	-15.7	2.9	2.8	3.4	3.3	3.2	3.1
Poland ^{††}	32.1	-7.6	-7.5	41.1	-27.9	0.4	0.8	1.2	1.6	2.0	1.2
Romania ^{††}	12.2	-7.3	-15.7	-11.6	-13.2	0.0	3.0	2.9	2.9	2.8	2.3
Russia	120.0	18.2	26.2	28.0	19.0	8.0	7.4	6.9	6.5	6.1	7.0
Turkey ^{††}	6.8	-15.1	-16.4	21.2	7.7	3.1	3.0	2.9	2.9	2.8	2.9
Central and Eastern Europe Total	39.6	1.9	6.2	23.3	3.7	5.6	5.4	5.3	5.1	4.8	5.2
Middle East/Africa											
Israel	7.0	-14.0	3.3	0.0	-3.2	1.1	2.2	3.2	3.1	3.0	2.5
Saudi Arabia/Pan Arab [†]	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
South Africa	-17.5	4.7	3.3	10.2	-7.1	1.9	3.8	3.6	3.5	3.4	3.2
Middle East/Africa Total	-11.2	-1.2	3.3	7.4	-6.1	1.7	3.4	3.5	3.4	3.3	3.0
EMEA Total	12.5	0.8	-3.0	8.3	-7.9	2.7	2.8	3.3	3.4	3.3	3.1

[†]Comprises Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Syria, and the United Arab Emirates.

^{††}European Union members.

^{†††}European Union applicants.

Sources: Centre National de la Cinématographie, Danish Film Institute, Finnish Chamber of Films, German Federal Film Board, Ministry of Culture of the Czech Republic, Nederlandse Federatie voor de Cinematografie, PricewaterhouseCoopers LLP, Spain Culture Ministry, U.K. Film Council, Wilkofsky Gruen Associates

Admission prices

- Admission prices averaged \$7.49 in Western Europe in 2005 compared with \$3.21 in Central and Eastern Europe and \$4.66 in Middle East/Africa.

- The average price for EMEA as a whole rose 0.8 percent to \$6.61. Prices rose 2.2 percent in Western Europe and 5.2 percent in Middle East/Africa but fell 0.6 percent in Central and Eastern Europe. Admissions in Central and Eastern Europe rose in 2005, while they fell in Western Europe and Middle East/Africa. Consequently, Central and Eastern Europe constituted a larger share of the overall market, and its price decline nearly offset gains in other areas.

- We expect that the advent of digital cinemas and modern theaters will lead to higher prices and somewhat faster growth compared with the past two years. However, we do not expect exhibitors to aggressively raise prices given the weak admissions base. On balance, we project average prices to expand by 1.8 percent compounded annually through 2010 to \$7.22.

Average Admission Price[†] (US\$)

EMEA	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Western Europe										
Austria ^{††}	7.21	7.40	7.43	7.52	7.64	7.83	8.02	8.20	8.39	8.58
Belgium ^{††}	6.46	6.53	6.84	7.15	7.46	7.77	8.08	8.39	8.70	9.01
Denmark ^{††}	9.08	9.54	9.84	10.17	10.47	10.84	11.17	11.51	11.84	12.18
Finland ^{††}	8.83	8.70	8.95	9.20	9.45	9.70	9.94	10.19	10.44	10.69
France ^{††}	6.84	6.90	6.99	7.02	7.08	7.15	7.21	7.27	7.33	7.40
Germany ^{††}	6.90	7.28	7.08	7.08	7.27	7.33	7.40	7.46	7.52	7.58
Greece ^{††}	6.34	6.53	6.69	6.84	6.96	7.08	7.21	7.33	7.46	7.58
Ireland ^{††}	6.40	6.46	6.96	7.02	7.15	7.27	7.40	7.52	7.64	7.77
Italy ^{††}	6.28	6.84	7.15	7.01	7.02	7.02	7.08	7.15	7.21	7.27
Netherlands ^{††}	7.78	8.04	8.14	8.33	8.20	8.20	8.33	8.45	8.58	8.70
Norway	8.57	9.14	10.24	10.55	11.17	11.79	12.41	13.03	13.65	14.28
Portugal ^{††}	4.10	4.66	4.54	4.60	4.72	4.85	4.97	5.10	5.22	5.34
Spain ^{††}	5.27	5.57	5.82	6.00	6.21	6.40	6.59	6.77	6.96	7.15
Sweden ^{††}	9.65	9.93	10.27	10.61	11.02	11.43	11.84	12.25	12.65	13.06
Switzerland	11.88	11.20	11.44	11.64	11.84	12.04	12.24	12.44	12.64	12.84
United Kingdom ^{††}	7.53	7.80	8.07	8.18	8.33	8.45	8.64	8.82	9.00	9.18
Western Europe Total	6.81	7.12	7.27	7.33	7.49	7.61	7.75	7.88	8.02	8.15
Central and Eastern Europe										
Czech Republic ^{††}	3.28	3.68	3.73	3.84	3.88	3.96	4.08	4.21	4.34	4.46
Hungary ^{††}	3.07	3.18	3.35	3.50	3.65	3.80	3.95	4.10	4.25	4.40
Poland ^{††}	3.72	3.78	4.24	4.30	4.26	4.28	4.29	4.31	4.32	4.34
Romania ^{††}	1.07	1.14	1.50	1.55	1.60	1.65	1.70	1.75	1.81	1.86
Russia	1.12	1.91	2.48	2.62	2.65	2.83	3.00	3.18	3.36	3.53
Turkey ^{††}	1.96	2.85	3.48	3.99	4.44	4.81	5.18	5.55	5.92	6.29
Central and Eastern Europe Total	2.16	2.63	3.03	3.23	3.21	3.38	3.55	3.72	3.88	4.06
Middle East/Africa										
Israel	6.84	6.85	7.51	7.78	8.01	8.23	8.45	8.67	8.90	9.12
Saudi Arabia/Pan Arab [‡]	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
South Africa	2.35	2.51	3.13	3.29	3.45	3.60	3.76	3.92	4.07	4.23
Middle East/Africa Total	3.74	3.70	4.33	4.43	4.66	4.80	4.95	5.14	5.30	5.48
EMEA Total	6.11	6.42	6.56	6.56	6.61	6.71	6.83	6.96	7.09	7.22

[†]At average 2005 exchange rates.

[‡]Comprises Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Syria, and the United Arab Emirates.

^{††}European Union members.

^{†††}European Union applicants.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Average Admission Price Growth (%)

EMEA	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Western Europe											
Austria ^{††}	1.8	2.6	0.4	1.2	1.6	2.5	2.4	2.2	2.3	2.3	2.3
Belgium ^{††}	4.0	1.1	4.7	4.5	4.3	4.2	4.0	3.8	3.7	3.6	3.8
Denmark ^{††}	5.3	5.1	3.1	3.4	2.9	3.5	3.0	3.0	2.9	2.9	3.1
Finland ^{††}	0.8	-1.5	2.9	2.8	2.7	2.6	2.5	2.5	2.5	2.4	2.5
France ^{††}	1.0	0.9	1.3	0.4	0.9	1.0	0.8	0.8	0.8	1.0	0.9
Germany ^{††}	2.7	5.5	-2.7	0.0	2.7	0.8	1.0	0.8	0.8	0.8	0.8
Greece ^{††}	-2.9	3.0	2.5	2.2	1.8	1.7	1.8	1.7	1.8	1.6	1.7
Ireland ^{††}	1.9	0.9	7.7	0.9	1.9	1.7	1.8	1.6	1.6	1.7	1.7
Italy ^{††}	-0.9	8.9	4.5	-2.0	0.1	0.0	0.9	1.0	0.8	0.8	0.7
Netherlands ^{††}	5.0	3.3	1.2	2.3	-1.6	0.0	1.6	1.4	1.5	1.4	1.2
Norway	5.2	6.7	12.0	3.0	5.9	5.6	5.3	5.0	4.8	4.6	5.0
Portugal ^{††}	0.0	13.7	-2.6	1.3	2.6	2.8	2.5	2.6	2.4	2.3	2.5
Spain ^{††}	6.0	5.7	4.5	3.1	3.5	3.1	3.0	2.7	2.8	2.7	2.9
Sweden ^{††}	6.0	2.9	3.4	3.3	3.9	3.7	3.6	3.5	3.3	3.2	3.5
Switzerland	2.1	-5.7	2.1	1.7	1.7	1.7	1.7	1.6	1.6	1.6	1.6
United Kingdom ^{††}	1.2	3.6	3.5	1.4	1.8	1.4	2.2	2.1	2.0	2.0	2.0
Western Europe Total	2.1	4.6	2.1	0.8	2.2	1.6	1.8	1.7	1.8	1.6	1.7
Central and Eastern Europe											
Czech Republic ^{††}	15.1	12.2	1.4	2.9	1.0	2.1	3.0	3.2	3.1	2.8	2.8
Hungary ^{††}	12.0	3.6	5.3	4.5	4.3	4.1	3.9	3.8	3.7	3.5	3.8
Poland ^{††}	0.8	1.6	12.2	1.4	-0.9	0.5	0.2	0.5	0.2	0.5	0.4
Romania ^{††}	-10.1	6.5	31.6	3.3	3.2	3.1	3.0	2.9	3.4	2.8	3.1
Russia	-28.2	70.5	29.8	5.6	1.1	6.8	6.0	6.0	5.7	5.1	5.9
Turkey ^{††}	5.4	45.4	22.1	14.7	11.3	8.3	7.7	7.1	6.7	6.3	7.2
Central and Eastern Europe Total	-6.9	21.8	15.2	6.6	-0.6	5.3	5.0	4.8	4.3	4.6	4.8
Middle East/Africa											
Israel	8.1	0.1	9.6	3.6	3.0	2.7	2.7	2.6	2.7	2.5	2.6
Saudi Arabia/Pan Arab [†]	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
South Africa	27.7	6.8	24.7	5.1	4.9	4.3	4.4	4.3	3.8	3.9	4.2
Middle East/Africa Total	25.1	-1.1	17.0	2.3	5.2	3.0	3.1	3.8	3.1	3.4	3.3
EMEA Total	0.7	5.1	2.2	0.0	0.8	1.5	1.8	1.9	1.9	1.8	1.8

[†]Comprises Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Syria, and the United Arab Emirates.

^{††}European Union members.

^{†††}European Union applicants.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Box office spending

- Box office spending will expand at a projected 5.0 percent compound annual rate to \$9.4 billion in 2010 from \$7.4 billion in 2005.
- Growth in Western Europe will average 4.3 percent compounded annually, with spending increasing from \$6.5 billion in 2005 to \$8.1 billion in 2010.

Box Office Market [†] (US\$ Millions)										
EMEA	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Western Europe										
Austria ^{††}	135	143	132	145	134	139	144	152	159	168
Belgium ^{††}	155	159	155	170	168	179	190	201	214	225
Denmark ^{††}	108	123	121	130	128	134	142	150	157	166
Finland ^{††}	57	67	71	65	55	58	62	67	72	77
France ^{††}	1,281	1,272	1,212	1,369	1,240	1,323	1,370	1,418	1,467	1,516
Germany ^{††}	1,227	1,193	1,057	1,110	907	931	962	1,007	1,053	1,100
Greece ^{††}	86	88	92	96	91	93	97	99	103	106
Ireland ^{††}	102	112	121	122	114	118	123	128	134	140
Italy ^{††}	691	766	783	855	793	808	837	873	909	946
Netherlands ^{††}	185	194	203	191	168	170	175	181	189	196
Norway	103	110	126	137	134	144	155	167	179	193
Portugal ^{††}	86	91	88	91	83	86	89	93	98	102
Spain ^{††}	754	779	791	846	746	768	804	846	905	965
Sweden ^{††}	175	182	187	175	160	166	174	184	192	201
Switzerland	203	210	194	218	189	195	201	206	213	218
United Kingdom ^{††}	1,173	1,373	1,349	1,400	1,414	1,454	1,511	1,587	1,665	1,745
Western Europe Total	6,521	6,862	6,682	7,120	6,524	6,766	7,036	7,359	7,709	8,064
Central and Eastern Europe										
Czech Republic ^{††}	34	39	45	46	37	38	40	43	45	48
Hungary ^{††}	53	55	54	58	51	55	58	63	67	72
Poland ^{††}	103	96	100	143	102	103	104	106	108	111
Romania ^{††}	6	6	6	6	5	5	6	6	6	7
Russia	61	124	203	275	331	382	436	493	554	619
Turkey ^{††}	68	83	85	119	142	159	176	194	213	233
Central and Eastern Europe Total	325	403	493	647	668	742	820	905	993	1,090
Middle East/Africa										
Israel	73	63	71	74	74	76	80	85	90	95
Saudi Arabia/Pan Arab [‡]	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
South Africa	55	62	80	92	90	96	103	112	120	129
Middle East/Africa Total	128	125	151	166	164	172	183	197	210	224
EMEA Total	6,974	7,390	7,326	7,933	7,356	7,680	8,039	8,461	8,912	9,378

[†]At average 2005 exchange rates.

[‡]Comprises Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Syria, and the United Arab Emirates.

^{††}European Union members.

^{‡‡}European Union applicants.

Sources: Centre National de la Cinématographie, Danish Film Institute, Finnish Chamber of Films, German Federal Film Board, Ministry of Culture of the Czech Republic, Nederlandse Federatie voor de Cinematografie, PricewaterhouseCoopers LLP, Spain Culture Ministry, U.K. Film Council, Wilkofsky Gruen Associates

- Central and Eastern Europe will expand from \$668 million in 2005 to \$1.1 billion in 2010, a 10.3 percent compound annual increase due principally to projected increases of 13.3 percent compounded annually in Russia and 10.4 percent compounded annually in Turkey.
- Middle East/Africa will total \$224 million in 2010 from \$164 million in 2005, a 6.4 percent increase compounded annually.

Box Office Market Growth (%)											
EMEA	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Western Europe											
Austria ^{††}	16.4	5.9	-7.7	9.8	-7.6	3.7	3.6	5.6	4.6	5.7	4.6
Belgium ^{††}	6.9	2.6	-2.5	9.7	-1.2	6.5	6.1	5.8	6.5	5.1	6.0
Denmark ^{††}	17.4	13.9	-1.6	7.4	-1.5	4.7	6.0	5.6	4.7	5.7	5.3
Finland ^{††}	-8.1	17.5	6.0	-8.5	-15.4	5.5	6.9	8.1	7.5	6.9	7.0
France ^{††}	14.3	-0.7	-4.7	13.0	-9.4	6.7	3.6	3.5	3.5	3.3	4.1
Germany ^{††}	19.7	-2.8	-11.4	5.0	-18.3	2.6	3.3	4.7	4.6	4.5	3.9
Greece ^{††}	-2.3	2.3	4.5	4.3	-5.2	2.2	4.3	2.1	4.0	2.9	3.1
Ireland ^{††}	9.7	9.8	8.0	0.8	-6.6	3.5	4.2	4.1	4.7	4.5	4.2
Italy ^{††}	5.5	10.9	2.2	9.2	-7.3	1.9	3.6	4.3	4.1	4.1	3.6
Netherlands ^{††}	16.4	4.9	4.6	-5.9	-12.0	1.2	2.9	3.4	4.4	3.7	3.1
Norway	9.6	6.8	14.5	8.7	-2.2	7.5	7.6	7.7	7.2	7.8	7.6
Portugal ^{††}	10.3	5.8	-3.3	3.4	-8.8	3.6	3.5	4.5	5.4	4.1	4.2
Spain ^{††}	12.7	3.3	1.5	7.0	-11.8	2.9	4.7	5.2	7.0	6.6	5.3
Sweden ^{††}	12.9	4.0	2.7	-6.4	-8.6	3.8	4.8	5.7	4.3	4.7	4.7
Switzerland	12.2	3.4	-7.6	12.4	-13.3	3.2	3.1	2.5	3.4	2.3	2.9
United Kingdom ^{††}	10.7	17.1	-1.7	3.8	1.0	2.8	3.9	5.0	4.9	4.8	4.3
Western Europe Total	12.6	5.2	-2.6	6.6	-8.4	3.7	4.0	4.6	4.8	4.6	4.3
Central and Eastern Europe											
Czech Republic ^{††}	36.0	14.7	15.4	2.2	-19.6	2.7	5.3	7.5	4.7	6.7	5.3
Hungary ^{††}	23.3	3.8	-1.8	7.4	-12.1	7.8	5.5	8.6	6.3	7.5	7.1
Poland ^{††}	33.8	-6.8	4.2	43.0	-28.7	1.0	1.0	1.9	1.9	2.8	1.7
Romania ^{††}	0.0	0.0	0.0	0.0	-16.7	0.0	20.0	0.0	0.0	16.7	7.0
Russia	56.4	103.3	63.7	35.5	20.4	15.4	14.1	13.1	12.4	11.7	13.3
Turkey ^{††}	13.3	22.1	2.4	40.0	19.3	12.0	10.7	10.2	9.8	9.4	10.4
Central and Eastern Europe Total	30.0	24.0	22.3	31.2	3.2	11.1	10.5	10.4	9.7	9.8	10.3
Middle East/Africa											
Israel	15.9	-13.7	12.7	4.2	0.0	2.7	5.3	6.3	5.9	5.6	5.1
Saudi Arabia/Pan Arab [†]	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
South Africa	5.8	12.7	29.0	15.0	-2.2	6.7	7.3	8.7	7.1	7.5	7.5
Middle East/Africa Total	11.3	-2.3	20.8	9.9	-1.2	4.9	6.4	7.7	6.6	6.7	6.4
EMEA Total	13.3	6.0	-0.9	8.3	-7.3	4.4	4.7	5.2	5.3	5.2	5.0

[†]Comprises Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Syria, and the United Arab Emirates.

^{††}European Union members.

^{†††}European Union applicants.

Sources: Centre National de la Cinématographie, Danish Film Institute, Finnish Chamber of Films, German Federal Film Board, Ministry of Culture of the Czech Republic, Nederlandse Federatie voor de Cinematografie, PricewaterhouseCoopers LLP, Spain Culture Ministry, U.K. Film Council, Wilkofsky Gruen Associates

Home video sell-through

- Sell-through spending fell 2.5 percent in 2005 following five years of double-digit gains. The decline was centered in Western Europe, which accounts for 96 percent of the region. Spending fell 3.0 percent in Western Europe, offsetting increases of 9.6 percent in Central and Eastern Europe and 4.7 percent in Middle East/Africa.
 - Within Western Europe, decreases in the United Kingdom and France recorded offset single-digit gains in other countries. In France, DVDs selling for as little as €1 (\$1.24) in grocery/discount outlets generated a third of total DVD sales. The large share of DVDs selling at low price points contributed to the 5.1 percent drop in overall sell-through spending.
 - In the United Kingdom, DVDs in 2005 were being given away as covermounts. For publishers, covermounts were very successful, adding several hundred thousand to an issue's sales, but they hurt the DVD market. A giveaway of children's DVDs, for example, led to a sharp drop in children's DVD sales during the subsequent two weeks. Covermounts contributed to the 10.0 percent decline in sell-through spending in the United Kingdom in 2005.
 - Although the rest of the region did better, growth slowed to single-digit gains, which we believe reflected the appeal of films entering the home video market. Typically, movies that perform well at the box office are also successful in home video, and poor-performing releases at the box office are generally not among the top sellers in home video.
 - In the past, sell-through has substantially outpaced box office growth, as new DVD households bought both current and older titles for their film library. In 2005, however, the sell-through pattern began to be influenced by the box office pattern, suggesting that the sell-through market is approaching maturity.
 - A bright spot in sell-through appeared via TV programs on DVD, which accounted for approximately \$2.8 billion in 2005, up from \$2 billion in 2004, a 40 percent increase.
- TV shows, generally packaged as an entire season or a large number of episodes, provide good value for the money. Although they generally cost more than individual films, they have many times the number of hours of programming. The United Kingdom and France have the largest TV DVD markets. Growth in this component of the market indicates that there is still a strong underlying demand for DVDs of TV shows.
- The industry was also adversely affected in 2005 by piracy, an ongoing problem. In the United Kingdom, seizures of domestic pirated DVDs were up substantially, but they decreased for imports. In Germany, in an attempt to limit illegal downloads, a German-language peer-to-peer network is being launched in 2006 that will allow registered users to download films when films are released in home video. The service will also be available in Austria and Switzerland.
 - In the past, a narrowing of the release window between theatrical and home video has helped the sell-through market as the initial marketing initiative for a film's theatrical release carried over to home video. There have been isolated cases of the window's narrowing further, but because of strong opposition from exhibitors, we do not expect that to occur on a widespread basis. In Germany, for example, several local exhibitors refused to screen *Herbie: Fully Loaded* in 2005 because the release window to DVD had been reduced to four months. Consequently, we do not anticipate a major boost to sell-through from a shorter release window.
 - TV DVDs will contribute to a rebound in sell-through spending, but declining prices will dampen spending as the market continues to mature. We project sell-through spending in EMEA to rise from \$12.2 billion in 2005 to \$16.0 billion in 2010, a compound annual increase of 5.5 percent. Western Europe will grow at a 5.4 percent annual rate to \$15.2 billion from \$11.7 billion in 2005. Spending in Central and Eastern Europe will expand from \$455 million to \$674 million—an 8.2 percent compound annual increase—and Middle East/Africa will increase by 6.3 percent compounded annually to \$121 million in 2010 from \$89 million in 2005.

Sell-Through Market† (US\$ Millions)

EMEA	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Western Europe										
Austria††	94	124	118	124	127	131	137	143	149	155
Belgium††	231	322	392	460	472	491	516	541	566	590
Denmark††	107	150	165	183	187	193	208	223	239	250
Finland††	83	99	137	162	168	174	181	190	200	211
France††	883	1,150	1,405	1,572	1,492	1,554	1,678	1,802	1,927	2,051
Germany††	982	1,294	1,557	1,790	1,802	1,852	1,958	2,076	2,200	2,324
Greece††	14	20	25	30	31	32	34	36	39	41
Ireland††	62	86	124	155	168	183	199	218	236	255
Italy††	534	597	684	771	820	870	932	994	1,057	1,119
Netherlands††	232	423	401	436	461	491	517	544	568	590
Norway	105	143	209	248	256	268	283	303	318	334
Portugal††	63	91	106	118	123	129	137	144	152	159
Spain††	318	487	634	685	708	733	758	783	808	833
Sweden††	167	194	234	272	306	333	361	388	415	442
Switzerland	116	157	177	209	221	234	249	265	281	297
United Kingdom††	2,798	3,727	4,401	4,849	4,363	4,454	4,727	5,000	5,272	5,545
Western Europe Total	6,789	9,064	10,769	12,064	11,705	12,122	12,875	13,650	14,427	15,196
Central and Eastern Europe										
Czech Republic††	27	28	33	42	44	47	51	55	59	64
Hungary††	28	31	31	34	35	37	39	41	44	46
Poland††	40	43	37	39	40	42	44	46	49	52
Romania††	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Russia	283	318	283	300	336	371	406	442	477	512
Turkey††	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Central and Eastern Europe Total	378	420	384	415	455	497	540	584	629	674
Middle East/Africa										
Israel	15	17	20	23	24	26	27	29	30	32
Saudi Arabia/Pan Arab‡	34	37	42	48	50	52	56	60	64	68
South Africa	9	11	13	14	15	16	17	18	19	21
Middle East/Africa Total	58	65	75	85	89	94	100	107	113	121
EMEA Total	7,225	9,549	11,228	12,564	12,249	12,713	13,515	14,341	15,169	15,991

†At average 2005 exchange rates.

‡Comprises Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Syria, and the United Arab Emirates.

††European Union members.

‡‡European Union applicants.

Sources: British Video Association, Danish Film Institute, GfK Gruppe, NVPI, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Sell-Through Market Growth (%)

EMEA	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Western Europe											
Austria ^{††}	28.8	31.9	-4.8	5.1	2.4	3.1	4.6	4.4	4.2	4.0	4.1
Belgium ^{††}	34.3	39.4	21.7	17.3	2.6	4.0	5.1	4.8	4.6	4.2	4.6
Denmark ^{††}	24.4	40.2	10.0	10.9	2.2	3.2	7.8	7.2	7.2	4.6	6.0
Finland ^{††}	33.9	19.3	38.4	18.2	3.7	3.6	4.0	5.0	5.3	5.5	4.7
France ^{††}	16.5	30.2	22.2	11.9	-5.1	4.2	8.0	7.4	6.9	6.4	6.6
Germany ^{††}	33.2	31.8	20.3	15.0	0.7	2.8	5.7	6.0	6.0	5.6	5.2
Greece ^{††}	27.3	42.9	25.0	20.0	3.3	3.2	6.3	5.9	8.3	5.1	5.8
Ireland ^{††}	12.7	38.7	44.2	25.0	8.4	8.9	8.7	9.5	8.3	8.1	8.7
Italy ^{††}	13.1	11.8	14.6	12.7	6.4	6.1	7.1	6.7	6.3	5.9	6.4
Netherlands ^{††}	26.8	82.3	-5.2	8.7	5.7	6.5	5.3	5.2	4.4	3.9	5.1
Norway	50.0	36.2	46.2	18.7	3.2	4.7	5.6	7.1	5.0	5.0	5.5
Portugal ^{††}	18.9	44.4	16.5	11.3	4.2	4.9	6.2	5.1	5.6	4.6	5.3
Spain ^{††}	9.3	53.1	30.2	8.0	3.4	3.5	3.4	3.3	3.2	3.1	3.3
Sweden ^{††}	19.3	16.2	20.6	16.2	12.5	8.8	8.4	7.5	7.0	6.5	7.6
Switzerland	45.0	35.3	12.7	18.1	5.7	5.9	6.4	6.4	6.0	5.7	6.1
United Kingdom ^{††}	28.2	33.2	18.1	10.2	-10.0	2.1	6.1	5.8	5.4	5.2	4.9
Western Europe Total	25.1	33.5	18.8	12.0	-3.0	3.6	6.2	6.0	5.7	5.3	5.4
Central and Eastern Europe											
Czech Republic ^{††}	12.5	3.7	17.9	27.3	4.8	6.8	8.5	7.8	7.3	8.5	7.8
Hungary ^{††}	64.7	10.7	0.0	9.7	2.9	5.7	5.4	5.1	7.3	4.5	5.6
Poland ^{††}	48.1	7.5	-14.0	5.4	2.6	5.0	4.8	4.5	6.5	6.1	5.4
Romania ^{††}	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Russia	26.9	12.4	-11.0	6.0	12.0	10.4	9.4	8.9	7.9	7.3	8.8
Turkey ^{††}	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Central and Eastern Europe Total	29.9	11.1	-8.6	8.1	9.6	9.2	8.7	8.1	7.7	7.2	8.2
Middle East/Africa											
Israel	15.4	13.3	17.6	15.0	4.3	8.3	3.8	7.4	3.4	6.7	5.9
Saudi Arabia/Pan Arab [†]	3.0	8.8	13.5	14.3	4.2	4.0	7.7	7.1	6.7	6.3	6.3
South Africa	12.5	22.2	18.2	7.7	7.1	6.7	6.3	5.9	5.6	10.5	7.0
Middle East/Africa Total	7.4	12.1	15.4	13.3	4.7	5.6	6.4	7.0	5.6	7.1	6.3
EMEA Total	25.2	32.2	17.6	11.9	-2.5	3.8	6.3	6.1	5.8	5.4	5.5

[†]Comprises Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Syria, and the United Arab Emirates.

^{††}European Union members.

^{†††}European Union applicants.

Sources: British Video Association, Danish Film Institute, GfK Gruppe, NVPI, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Home video rentals

- The in-store rental market rose 0.1 percent in 2005, the third consecutive year that the market either grew slowly or declined. Germany and Italy were the best-performing countries, posting increases of 5.8 percent and 12.3 percent, respectively. Rental spending for the rest of the region declined.

- In Italy, the rental market was bolstered by distribution through kiosks, which have become popular and convenient.
- The increase in Germany was the largest gain in rental spending since 1999. People spent less on sell-through in 2005—reflecting the relatively weak roster of releases, as evidenced by box office performance—and shifted resources to rental, where there is less of a commitment

compared with the cost of buying and owning a movie and therefore less sensitivity to film appeal.

- Although benefiting from the convenience of kiosks and vending machines, the traditional rental market is facing increased competition from another convenient alternative: online rental subscription services. As online subscriptions expand, traditional rentals will begin to fall.
- We expect the traditional rental market to resume its downward path in 2006, falling to \$2.7 billion in 2010

from \$3.0 billion in 2005, a 1.6 percent compound annual decrease.

- Rental spending in Western Europe will also fall, at a 1.6 percent rate to \$2.6 billion in 2010 from \$2.8 billion in 2005. Central and Eastern Europe will decrease from \$47 million in 2005 to \$35 million in 2010, a 5.7 percent compound annual decline. Middle East/Africa will drop from \$99 million to \$94 million, a 1.0 percent compound annual rate.

In-Store Rental Market† (US\$ Millions)

EMEA	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Western Europe										
Austria††	34	37	25	19	15	14	12	11	10	9
Belgium††	91	99	97	93	89	86	82	78	75	71
Denmark††	29	29	29	29	29	29	29	28	28	28
Finland††	37	40	41	41	40	39	37	36	35	34
France††	107	107	99	75	68	62	56	50	44	37
Germany††	444	446	375	382	404	423	435	441	441	435
Greece††	35	40	36	32	30	27	25	22	20	17
Ireland††	116	114	112	111	108	106	103	99	96	92
Italy††	218	297	342	398	447	472	497	510	510	497
Netherlands††	162	189	190	169	159	155	153	150	149	149
Norway	95	160	171	178	186	194	200	205	209	214
Portugal††	16	19	20	21	21	20	19	17	16	15
Spain††	298	264	264	232	199	174	155	137	124	112
Sweden††	113	138	144	150	155	161	165	167	170	171
Switzerland	35	44	39	32	28	24	20	16	12	8
United Kingdom††	845	865	818	838	827	809	782	754	727	700
Western Europe Total	2,675	2,888	2,802	2,800	2,805	2,795	2,770	2,721	2,666	2,589
Central and Eastern Europe										
Czech Republic††	15	14	10	8	7	5	5	4	4	4
Hungary††	26	28	28	28	28	27	27	27	27	26
Poland††	18	19	16	14	12	11	9	8	6	5
Romania††	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Russia	—	—	—	—	—	—	—	—	—	—
Turkey††	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Central and Eastern Europe Total	59	61	54	50	47	43	41	39	37	35
Middle East/Africa										
Israel	20	21	21	21	21	21	21	21	21	21
Saudi Arabia/Pan Arab‡	52	52	51	51	50	50	49	48	47	46
South Africa	26	27	27	27	28	28	27	27	27	27
Middle East/Africa Total	98	100	99	99	99	99	97	96	95	94
EMEA Total	2,832	3,049	2,955	2,949	2,951	2,937	2,908	2,856	2,798	2,718

†At average 2005 exchange rates.

‡Comprises Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Syria, and the United Arab Emirates.

††European Union members.

‡‡European Union applicants.

Sources: British Video Association, Danish Film Institute, GfK Gruppe, NVPI, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

In-Store Rental Market Growth (%)

EMEA	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006-10 CAGR
Western Europe											
Austria ^{††}	13.3	8.8	-32.4	-24.0	-21.1	-6.7	-14.3	-8.3	-9.1	-10.0	-9.7
Belgium ^{††}	13.8	8.8	-2.0	-4.1	-4.3	-3.4	-4.7	-4.9	-3.8	-5.3	-4.4
Denmark ^{††}	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-3.4	0.0	0.0	-0.7
Finland ^{††}	8.8	8.1	2.5	0.0	-2.4	-2.5	-5.1	-2.7	-2.8	-2.9	-3.2
France ^{††}	15.1	0.0	-7.5	-24.2	-9.3	-8.8	-9.7	-10.7	-12.0	-15.9	-11.5
Germany ^{††}	0.9	0.5	-15.9	1.9	5.8	4.7	2.8	1.4	0.0	-1.4	1.5
Greece ^{††}	2.9	14.3	-10.0	-11.1	-6.3	-10.0	-7.4	-12.0	-9.1	-15.0	-10.7
Ireland ^{††}	1.8	-1.7	-1.8	-0.9	-2.7	-1.9	-2.8	-3.9	-3.0	-4.2	-3.2
Italy ^{††}	9.0	36.2	15.2	16.4	12.3	5.6	5.3	2.6	0.0	-2.5	2.1
Netherlands ^{††}	15.7	16.7	0.5	-11.1	-5.9	-2.5	-1.3	-2.0	-0.7	0.0	-1.3
Norway	33.8	68.4	6.9	4.1	4.5	4.3	3.1	2.5	2.0	2.4	2.8
Portugal ^{††}	6.7	18.8	5.3	5.0	0.0	-4.8	-5.0	-10.5	-5.9	-6.3	-6.5
Spain ^{††}	17.3	-11.4	0.0	-12.1	-14.2	-12.6	-10.9	-11.6	-9.5	-9.7	-10.9
Sweden ^{††}	41.3	22.1	4.3	4.2	3.3	3.9	2.5	1.2	1.8	0.6	2.0
Switzerland	6.1	25.7	-11.4	-17.9	-12.5	-14.3	-16.7	-20.0	-25.0	-33.3	-22.2
United Kingdom ^{††}	4.7	2.4	-5.4	2.4	-1.3	-2.2	-3.3	-3.6	-3.6	-3.7	-3.3
Western Europe Total	9.0	8.0	-3.0	-0.1	0.2	-0.4	-0.9	-1.8	-2.0	-2.9	-1.6
Central and Eastern Europe											
Czech Republic ^{††}	7.1	-6.7	-28.6	-20.0	-12.5	-28.6	0.0	-20.0	0.0	0.0	-10.6
Hungary ^{††}	-10.3	7.7	0.0	0.0	0.0	-3.6	0.0	0.0	0.0	-3.7	-1.5
Poland ^{††}	0.0	5.6	-15.8	-12.5	-14.3	-8.3	-18.2	-11.1	-25.0	-16.7	-16.1
Romania ^{††}	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Russia	—	—	—	—	—	—	—	—	—	—	—
Turkey ^{††}	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Central and Eastern Europe Total	-3.3	3.4	-11.5	-7.4	-6.0	-8.5	-4.7	-4.9	-5.1	-5.4	-5.7
Middle East/Africa											
Israel	5.3	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Saudi Arabia/Pan Arab [†]	0.0	0.0	-1.9	0.0	-2.0	0.0	-2.0	-2.0	-2.1	-2.1	-1.7
South Africa	4.0	3.8	0.0	0.0	3.7	0.0	-3.6	0.0	0.0	0.0	-0.7
Middle East/Africa Total	2.1	2.0	-1.0	0.0	0.0	0.0	-2.0	-1.0	-1.0	-1.1	-1.0
EMEA Total	8.5	7.7	-3.1	-0.2	0.1	-0.5	-1.0	-1.8	-2.0	-2.9	-1.6

[†]Comprises Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Syria, and the United Arab Emirates.

^{††}European Union members.

^{†††}European Union applicants.

Sources: British Video Association, Danish Film Institute, GfK Gruppe, NVPI, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

- An emerging component of the rental market is the online rental subscription, which includes delivery of films via overnight mail. The market is taking off, rising to \$216 million in 2005 from \$122 million in 2004. The United Kingdom has the most-advanced market in the region. Blockbuster has had a service since 2002, and Video Island and Lovefilm are now major players. Amazon introduced a rental subscription service in December

2004, and Tesco and Asda, the major supermarket chains, also offer rental subscriptions.

- Rental subscription services are also growing in Germany and Italy, and we expect they will expand in other countries as well. We project that by 2010 there will be 14 million subscribers in the region, spending \$2.0 billion—73 percent of the traditional rental total.

Online Rental Subscriptions

EMEA	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Subscribers† (Millions)	0.1	0.4	1.1	2.0	3.5	6.0	10.0	14.0	
% Change		300.0	175.0	81.8	75.0	71.4	66.7	40.0	66.3
Monthly Fee (US\$)	25.63	25.45	16.36	15.45	14.54	13.64	12.73	11.82	
% Change		-0.7	-35.7	-5.6	-5.9	-6.2	-6.7	-7.1	-6.3
Annual Spending (US\$ Millions)	31	122	216	371	611	982	1,528	1,986	
% Change		293.5	77.0	71.8	64.7	60.7	55.6	30.0	55.8

†Annual average.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

- We also expect digital streaming distribution to contribute to home video spending. In2Movies began operations in Germany in early 2006, and in the United Kingdom, British Internet Broadcasting Company launched a download service that will allow consumers to buy movies rather than rent them. With broadband's becoming widespread throughout the region, we expect this market to expand.
- We project that in 2010, 40 million movies will be downloaded that will generate \$218 million.

Digital Streaming Services

EMEA	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Units† (Millions)	0.01	0.1	1.0	5.0	15.0	40.0	
% Change		900.0	900.0	400.0	200.0	166.7	425.3
Average Price (US\$)	12.73	10.91	9.09	7.27	6.36	5.45	
% Change		-14.3	-16.7	-20.0	-12.5	-14.3	-15.6
Total Spending (US\$ Millions)	0	1	9	36	95	218	
% Change		—	800.0	300.0	163.9	129.5	—

†Annual average.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Total home video

- The overall home video market will expand at a 6.3 percent compound annual rate, rising to \$20.9 billion in 2010 from \$15.4 billion in 2005.
- The in-store market—sales and rentals of videos over the counter and at the checkout from video stores and similar retail outlets and through kiosks—will grow at a 4.2 percent annual rate from \$15.2 billion to \$18.7 billion.
- Western Europe will total \$17.8 billion in 2010, up 4.2 percent on a compound annual basis from \$14.5 billion in 2005. Central and Eastern Europe will grow at a 7.1 percent rate compounded annually to \$709 million, and Middle East/Africa will rise to \$215 million, a 2.7 percent compound annual gain.
- Online rentals and video streaming will expand from \$216 million to \$2.2 billion, growing at a 59.1 percent rate compounded annually.

Home Video Market† (US\$ Millions)

EMEA	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Traditional										
Western Europe										
Austria††	128	161	143	143	142	145	149	154	159	164
Belgium††	322	421	489	553	561	577	598	619	641	661
Denmark††	136	179	194	212	216	222	237	251	267	278
Finland††	120	139	178	203	208	213	218	226	235	245
France††	990	1,257	1,504	1,647	1,560	1,616	1,734	1,852	1,971	2,088
Germany††	1,426	1,740	1,932	2,172	2,206	2,275	2,393	2,517	2,641	2,759
Greece††	49	60	61	62	61	59	59	58	59	58
Ireland††	178	200	236	266	276	289	302	317	332	347
Italy††	752	894	1,026	1,169	1,267	1,342	1,429	1,504	1,567	1,616
Netherlands††	394	612	591	605	620	646	670	694	717	739
Norway	200	303	380	426	442	462	483	508	527	548
Portugal††	79	110	126	139	144	149	156	161	168	174
Spain††	616	751	898	917	907	907	913	920	932	945
Sweden††	280	332	378	422	461	494	526	555	585	613
Switzerland	151	201	216	241	249	258	269	281	293	305
United Kingdom††	3,643	4,592	5,219	5,687	5,190	5,263	5,509	5,754	5,999	6,245
Western Europe Total	9,464	11,952	13,571	14,864	14,510	14,917	15,645	16,371	17,093	17,785
Central and Eastern Europe										
Czech Republic††	42	42	43	50	51	52	56	59	63	68
Hungary††	54	59	59	62	63	64	66	68	71	72
Poland††	58	62	53	53	52	53	53	54	55	57
Romania††	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Russia	283	318	283	300	336	371	406	442	477	512
Turkey††	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Central and Eastern Europe Total	437	481	438	465	502	540	581	623	666	709
Middle East/Africa										
Israel	35	38	41	44	45	47	48	50	51	53
Saudi Arabia/Pan Arab [‡]	86	89	93	99	100	102	105	108	111	114
South Africa	35	38	40	41	43	44	44	45	46	48
Middle East/Africa Total	156	165	174	184	188	193	197	203	208	215
EMEA Total	10,057	12,598	14,183	15,513	15,200	15,650	16,423	17,197	17,967	18,709
Online Rentals and Streaming	—	—	31	122	216	372	620	1,018	1,623	2,204
Total	10,057	12,598	14,214	15,635	15,416	16,022	17,043	18,215	19,590	20,913

†At average 2005 exchange rates.

‡Comprises Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Syria, and the United Arab Emirates.

††European Union members.

‡‡European Union applicants.

Sources: British Video Association, Danish Film Institute, GfK Gruppe, NVPI, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Home Video Market Growth (%)

EMEA	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Traditional											
Western Europe											
Austria ^{††}	24.3	25.8	-11.2	0.0	-0.7	2.1	2.8	3.4	3.2	3.1	2.9
Belgium ^{††}	27.8	30.7	16.2	13.1	1.4	2.9	3.6	3.5	3.6	3.1	3.3
Denmark ^{††}	18.3	31.6	8.4	9.3	1.9	2.8	6.8	5.9	6.4	4.1	5.2
Finland ^{††}	25.0	15.8	28.1	14.0	2.5	2.4	2.3	3.7	4.0	4.3	3.3
France ^{††}	16.3	27.0	19.6	9.5	-5.3	3.6	7.3	6.8	6.4	5.9	6.0
Germany ^{††}	21.2	22.0	11.0	12.4	1.6	3.1	5.2	5.2	4.9	4.5	4.6
Greece ^{††}	8.9	22.4	1.7	1.6	-1.6	-3.3	0.0	-1.7	1.7	-1.7	-1.0
Ireland ^{††}	5.3	12.4	18.0	12.7	3.8	4.7	4.5	5.0	4.7	4.5	4.7
Italy ^{††}	11.9	18.9	14.8	13.9	8.4	5.9	6.5	5.2	4.2	3.1	5.0
Netherlands ^{††}	22.0	55.3	-3.4	2.4	2.5	4.2	3.7	3.6	3.3	3.1	3.6
Norway	41.8	51.5	25.4	12.1	3.8	4.5	4.5	5.2	3.7	4.0	4.4
Portugal ^{††}	16.2	39.2	14.5	10.3	3.6	3.5	4.7	3.2	4.3	3.6	3.9
Spain ^{††}	13.0	21.9	19.6	2.1	-1.1	0.0	0.7	0.8	1.3	1.4	0.8
Sweden ^{††}	27.3	18.6	13.9	11.6	9.2	7.2	6.5	5.5	5.4	4.8	5.9
Switzerland	33.6	33.1	7.5	11.6	3.3	3.6	4.3	4.5	4.3	4.1	4.1
United Kingdom ^{††}	21.9	26.0	13.7	9.0	-8.7	1.4	4.7	4.4	4.3	4.1	3.8
Western Europe Total	20.1	26.3	13.5	9.5	-2.4	2.8	4.9	4.6	4.4	4.0	4.2
Central and Eastern Europe											
Czech Republic ^{††}	10.5	0.0	2.4	16.3	2.0	2.0	7.7	5.4	6.8	7.9	5.9
Hungary ^{††}	17.4	9.3	0.0	5.1	1.6	1.6	3.1	3.0	4.4	1.4	2.7
Poland ^{††}	28.9	6.9	-14.5	0.0	-1.9	1.9	0.0	1.9	1.9	3.6	1.9
Romania ^{††}	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Russia	26.9	12.4	-11.0	6.0	12.0	10.4	9.4	8.9	7.9	7.3	8.8
Turkey ^{††}	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Central and Eastern Europe Total	24.1	10.1	-8.9	6.2	8.0	7.6	7.6	7.2	6.9	6.5	7.1
Middle East/Africa											
Israel	9.4	8.6	7.9	7.3	2.3	4.4	2.1	4.2	2.0	3.9	3.3
Saudi Arabia/Pan Arab [†]	1.2	3.5	4.5	6.5	1.0	2.0	2.9	2.9	2.8	2.7	2.7
South Africa	6.1	8.6	5.3	2.5	4.9	2.3	0.0	2.3	2.2	4.3	2.2
Middle East/Africa Total	4.0	5.8	5.5	5.7	2.2	2.7	2.1	3.0	2.5	3.4	2.7
EMEA Total	20.0	25.3	12.6	9.4	-2.0	3.0	4.9	4.7	4.5	4.1	4.2
Online Rentals and Streaming	—	—	—	293.5	77.0	72.2	66.7	64.2	59.4	35.8	59.1
Total	20.0	25.3	12.8	10.0	-1.4	3.9	6.4	6.9	7.5	6.8	6.3

[†]Comprises Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Syria, and the United Arab Emirates.

^{††}European Union members.

^{‡‡}European Union applicants.

Sources: British Video Association, Danish Film Institute, GfK Gruppe, NVPI, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Asia Pacific

The outlook in brief

- Digital cinemas, modern theaters, and support of local films will boost the box office market.
- High-definition videos will enhance the sell-through market, but piracy will continue to limit growth.
- Online rentals will grow rapidly, cutting into in-store activity but boosting the overall rental market.

Overview

- Filmed entertainment spending will expand at a 4.9 percent compound annual rate to \$20.9 billion in 2010 from \$16.5 billion in 2005.
- Box office will rise from \$5.9 billion to \$7.4 billion, a 4.7 percent increase compounded annually.
- In-store home video will grow by 2.7 percent compounded annually to \$12.1 billion.
- Online subscription services will grow explosively from \$17 million in 2005 to \$1.4 billion by 2010.

Filmed Entertainment Market† (US\$ Millions)

Asia Pacific	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Box Office	5,084	5,167	5,356	5,774	5,893	6,203	6,516	6,807	7,131	7,425	
% Change	12.5	1.6	3.7	7.8	2.1	5.3	5.0	4.5	4.8	4.1	4.7
In-Store Home Video	8,965	9,480	10,219	10,784	10,560	10,710	11,055	11,401	11,779	12,067	
% Change	5.0	5.7	7.8	5.5	-2.1	1.4	3.2	3.1	3.3	2.4	2.7
Online Subscription Rentals	—	—	—	3	17	44	141	480	914	1,390	
% Change	—	—	—	—	466.7	158.8	220.5	240.4	90.4	52.1	141.3
Total	14,049	14,647	15,575	16,561	16,470	16,957	17,712	18,688	19,824	20,882	
% Change	7.6	4.3	6.3	6.3	-0.5	3.0	4.5	5.5	6.1	5.3	4.9

†At average 2005 exchange rates.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

- Japan is the dominant market in the region, at \$7.7 billion, 47 percent of total spending. South Korea, Australia, the People's Republic of China (PRC), and India are next, with totals ranging from \$1.3 billion to \$1.9 billion. Together, these four countries generated \$6.3 billion in 2005, 38 percent of total spending in the region.
- The overall market fell 0.5 percent in 2005, in large part because of the 5.8 percent decline in Japan. Excluding Japan, the market increased by 4.6 percent. Domestic films did well at the box office in Japan, increasing their share of the market to more than 41 percent, their highest ever, but overall box office spending fell. U.S. films were weak in Japan in 2005 compared with 2004, and admissions fell back to 2001–03 levels in 2005. The weakness of U.S. films at the box office hurt Japan's home video market as well, and that market also faltered.
- The PRC rose 14.8 percent in 2005, led by a 30 percent increase in box office spending and by continued double-digit growth in sell-through spending. Local films did very well and were among the leading attractions, contributing to the strong box office performance.
- India rose 11.6 percent, led by double-digit growth at the box office. Box office spending rose 12.2 percent, its largest gain during the past five years. Box office was fueled by higher average prices as new, higher-priced multiplexes gained share. Home video growth, however, slowed to 4.2 percent following double-digit gains during 2003–04.
- Led by popular local films, box office spending in South Korea rose 9.2 percent, offsetting a declining home video market and leading to 3.2 percent growth for filmed entertainment as a whole.
- The Australian market fell 4.0 percent in 2005, its first decline during the past five years. Home video edged down 0.5 percent, and box office spending declined by 9.6 percent.
- In countries where box office declined—Australia, Hong Kong, Japan, New Zealand, and Taiwan—weaker performance by U.S. films was the principal cause. In 2004, by contrast, U.S. films did unusually well.

Filmed Entertainment Market† (US\$ Millions)

Asia Pacific	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Box Office and Traditional Home Video										
Australia	1,240	1,445	1,639	1,785	1,713	1,750	1,803	1,880	1,960	2,038
China	799	877	980	1,186	1,361	1,530	1,670	1,798	1,923	2,036
Hong Kong	258	249	269	316	321	329	345	355	375	386
India	1,146	1,079	1,103	1,184	1,321	1,479	1,762	1,986	2,191	2,314
Indonesia	244	274	286	312	333	350	367	384	402	419
Japan	7,308	7,471	7,905	8,175	7,701	7,659	7,673	7,734	7,843	7,953
Malaysia	45	59	66	73	84	88	94	101	106	112
New Zealand	190	211	231	244	234	240	252	260	274	282
Pakistan	113	120	127	138	140	145	150	154	159	165
Philippines	185	192	199	206	222	233	243	255	265	275
Singapore	124	123	134	144	148	153	164	172	183	191
South Korea	1,538	1,646	1,708	1,805	1,862	1,916	1,969	2,018	2,075	2,132
Taiwan	654	676	678	729	734	749	775	794	826	849
Thailand	205	225	250	261	279	292	304	317	328	340
Total	14,049	14,647	15,575	16,558	16,453	16,913	17,571	18,208	18,910	19,492
Online Rental Subscriptions	—	—	—	3	17	44	141	480	914	1,390
Total	14,049	14,647	15,575	16,561	16,470	16,957	17,712	18,688	19,824	20,882

†At average 2005 exchange rates.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Filmed Entertainment Market Growth (%)

Asia Pacific	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Box Office and Traditional Home Video											
Australia	14.5	16.5	13.4	8.9	-4.0	2.2	3.0	4.3	4.3	4.0	3.5
China	13.8	9.8	11.7	21.0	14.8	12.4	9.2	7.7	7.0	5.9	8.4
Hong Kong	4.9	-3.5	8.0	17.5	1.6	2.5	4.9	2.9	5.6	2.9	3.8
India	-0.4	-5.8	2.2	7.3	11.6	12.0	19.1	12.7	10.3	5.6	11.9
Indonesia	22.0	12.3	4.4	9.1	6.7	5.1	4.9	4.6	4.7	4.2	4.7
Japan	6.7	2.2	5.8	3.4	-5.8	-0.5	0.2	0.8	1.4	1.4	0.6
Malaysia	7.1	31.1	11.9	10.6	15.1	4.8	6.8	7.4	5.0	5.7	5.9
New Zealand	11.1	11.1	9.5	5.6	-4.1	2.6	5.0	3.2	5.4	2.9	3.8
Pakistan	6.6	6.2	5.8	8.7	1.4	3.6	3.4	2.7	3.2	3.8	3.3
Philippines	3.9	3.8	3.6	3.5	7.8	5.0	4.3	4.9	3.9	3.8	4.4
Singapore	4.2	-0.8	8.9	7.5	2.8	3.4	7.2	4.9	6.4	4.4	5.2
South Korea	13.6	7.0	3.8	5.7	3.2	2.9	2.8	2.5	2.8	2.7	2.7
Taiwan	-0.6	3.4	0.3	7.5	0.7	2.0	3.5	2.5	4.0	2.8	3.0
Thailand	3.5	9.8	11.1	4.4	6.9	4.7	4.1	4.3	3.5	3.7	4.0
Total	7.6	4.3	6.3	6.3	-0.6	2.8	3.9	3.6	3.9	3.1	3.4
Online Rental Subscriptions	—	—	—	—	—	158.8	220.5	240.4	90.4	52.1	141.3
Total	7.6	4.3	6.3	6.3	-0.5	3.0	4.5	5.5	6.1	5.3	4.9

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Box office

Admissions

- Box office spending rose 2.1 percent in 2005, the smallest gain since 2002, fueled principally by double-digit and high-single-digit increases in the PRC, India, and South Korea that offset declines in Japan, Australia, and several other countries. Admissions increased 3.1 percent to 4.5 billion, the average price dipped 0.8 percent, and box office totaled \$5.9 billion.
- In general, U.S. films proved to be a drag on the market, but strong local product in a number of countries propelled spending. Even in countries that recorded an overall decline, local films generally prospered. In Australia, for example, box office for local films rose by more than 94 percent and doubled their market share to 3 percent, and in Japan, box office for local films rose 2.3 percent. Local films were also strong in Thailand and Indonesia.
- In Pakistan, the ban on Indian movies is having an adverse impact on admissions because illegal imports of Indian DVDs are cutting into admissions. Exhibitors in Pakistan are calling for the elimination of the ban on Indian films.
- A number of countries introduced programs to support local films. In South Korea, for example, the Ministry of Culture and Tourism in early 2006 introduced a \$400-million film development fund that will be used to support local films and to provide tax relief for investment in the film industry, among other things. The 6.5 percent tax on admissions was ruled unconstitutional in 2004, but it will be partially replaced by a 5 percent levy to support the new development fund.
- In Taiwan, the government discontinued its tax exemption program for foreign distributors in 2005 and introduced a 20 percent tax on foreign imports.
- India and the PRC joined forces to create the India-China Film Cooperation Commission. The commission will consider raising film quotas for each country's product. The PRC currently has a quota of 20 imported films from all countries.
- In an effort to curb piracy and reduce costs, countries throughout the region are investing in digital cinemas. Digital cinemas eliminate human contact with prints. Films are encrypted and cannot be shown except on digital projectors. Digital distribution also reduces print duplication costs while permitting films to be distributed to small cities and towns at the same time as they are shown in major cities. Digital also provides superior quality and durability because films do not deteriorate after multiple showings.
- The PRC is particularly active in digital development. There were 50 digital screens at year-end 2005, and an additional 2,500 more are expected by the end of the decade, representing approximately 4 percent of all screens. In 2005, 52 films were shot in digital, representing 20 percent of the 260 films shot in the PRC.
- In Japan, a consortium of domestic and foreign companies tested 4K digital, which provides higher resolution than 2K formats generally used. The 4K standards have also been approved in the U.S.
- In India, a satellite-delivered digital cinema network is being formed. As of late 2005, 65 cinemas were participating, and an additional 400 had signed up. The network expects to have 2,000 screens by 2008. In a separate deal, 150 theaters are converting to digital in 2006. By year-end 2006, there will be approximately 1,000 digital screens, up from 200 in 2005. By the end of the decade, 15 to 20 percent of screens in India will be digital.
- In South Korea, leading exhibitors are embarking on aggressive digital deployments. CGV plans to convert all of its multiplexes to digital in 2006, and Megabox Cineplex is installing 42 digital screens in its Seoul theaters.
- Australia is also entering digital distribution. Kodak and Real D teamed up to install five digital cinema systems in 2006.
- In addition to digital, modern multiplexes are enhancing the market. In India, multiplexes are relatively new, having been introduced in 2001. As of early 2006, there were 85 multiplexes that had replaced a number of older, single-screen theaters. Multiplexes are proving to be popular, and consumers are willing to pay higher prices to see films in those theaters. In addition to offering increased choice, the new multiplexes provide more-comfortable surroundings along with high-quality picture and sound.
- New theaters are contributing to box office growth in the PRC too. Foreign companies are now permitted to own up to 75 percent of exhibition circuits in major cities. Japanese and South Korean companies are investing \$13 million in 20 cinemas in the PRC during the next three years, and local companies have a deal with a South Korean company to build multiplexes in the PRC.
- Large-format theaters are also popular, particularly in South Korea and the PRC. Several new sites are planned for the region, which will contribute to box office growth.
- Digital cinemas and modern multiplexes should attract patrons to theaters. Digital distribution will allow people in small towns to see new releases much sooner than they can at present, which should further stimulate the market. The strong performance of local films in 2005 helped offset declines experienced in other regions. Increased funding in some countries will strengthen the local market. We project admissions will rise at a 1.6 percent compound annual rate to 4.9 billion in 2010 from 4.5 billion in 2005.

Admissions (Millions)

Asia Pacific	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Australia	93	93	90	91	82	83	84	85	86	87
China	120	115	117	175	220	250	265	275	285	290
Hong Kong	20	18	17	19	18	18	19	19	20	20
India	3,000	2,800	3,100	3,200	3,300	3,350	3,400	3,450	3,500	3,550
Indonesia	350	375	372	390	400	405	410	415	420	425
Japan	163	161	162	170	160	160	161	162	163	164
Malaysia	11	16	18	20	23	24	25	26	27	28
New Zealand	17	18	18	17	15	15	16	16	17	17
Pakistan	33	34	34	34	33	33	33	34	34	34
Philippines	90	88	86	83	81	81	81	82	82	82
Singapore	15	15	16	16	16	16	17	17	18	18
South Korea	89	105	120	130	134	137	139	141	143	145
Taiwan	21	21	18	19	18	18	19	19	20	20
Thailand	23	26	29	29	31	32	33	34	35	36
Total	4,045	3,885	4,197	4,393	4,531	4,622	4,702	4,775	4,850	4,916

Sources: Korean Film Commission, Motion Picture Distributors Association of Australia, Motion Picture Distributors Association of New Zealand, Motion Picture Producers Association of Japan, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Admissions Growth (%)

Asia Pacific	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Australia	13.4	0.0	-3.2	1.1	-9.9	1.2	1.2	1.2	1.2	1.2	1.2
China	4.3	-4.2	1.7	49.6	25.7	13.6	6.0	3.8	3.6	1.8	5.7
Hong Kong	-4.8	-10.0	-5.6	11.8	-5.3	0.0	5.6	0.0	5.3	0.0	2.1
India	-9.1	-6.7	10.7	3.2	3.1	1.5	1.5	1.5	1.4	1.4	1.5
Indonesia	16.7	7.1	-0.8	4.8	2.6	1.3	1.2	1.2	1.2	1.2	1.2
Japan	20.7	-1.2	0.6	4.9	-5.9	0.0	0.6	0.6	0.6	0.6	0.5
Malaysia	-8.3	45.5	12.5	11.1	15.0	4.3	4.2	4.0	3.8	3.7	4.0
New Zealand	13.3	5.9	0.0	-5.6	-11.8	0.0	6.7	0.0	6.3	0.0	2.5
Pakistan	0.0	3.0	0.0	0.0	-2.9	0.0	0.0	3.0	0.0	0.0	0.6
Philippines	-2.2	-2.2	-2.3	-3.5	-2.4	0.0	0.0	1.2	0.0	0.0	0.2
Singapore	7.1	0.0	6.7	0.0	0.0	0.0	6.3	0.0	5.9	0.0	2.4
South Korea	32.8	18.0	14.3	8.3	3.1	2.2	1.5	1.4	1.4	1.4	1.6
Taiwan	-8.7	0.0	-14.3	5.6	-5.3	0.0	5.6	0.0	5.3	0.0	2.1
Thailand	9.5	13.0	11.5	0.0	6.9	3.2	3.1	3.0	2.9	2.9	3.0
Total	-4.4	-4.0	8.0	4.7	3.1	2.0	1.7	1.6	1.6	1.4	1.6

Sources: Korean Film Commission, Motion Picture Distributors Association of Australia, Motion Picture Distributors Association of New Zealand, Motion Picture Producers Association of Japan, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Admission prices

- The average admission price fell 0.8 percent in 2005, principally because admissions in countries with high prices—Japan, Australia, Taiwan, and Hong Kong—declined in 2005, while admissions in low-priced countries such as the PRC and India rose. Consequently, low-priced countries gained share and the overall average dropped.
- On a country-by-country basis, prices increased everywhere except Japan, where admission prices declined during four of the past five years, and even there the decline in 2005 was only 0.1 percent. In 2005, the Philippines, India, and South

Korea recorded the largest percentage increases. The Philippines has been among the leaders in price growth during the past five years—a factor contributing to steadily declining admissions. In India, rising admissions in higher-priced multiplexes led to an increase in the overall average price, while in South Korea, several years of strong admissions growth has enabled exhibitors to raise prices.

- With digital cinemas and modern multiplexes expected to account for a growing share of admissions, we expect average prices to increase at faster rates compared with the past few years. We project the average price to rise by 3.0 percent compounded annually.

Average Admission Price [†] (US\$)										
Asia Pacific	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Australia	6.65	6.93	7.33	7.60	7.62	7.81	8.00	8.19	8.38	8.57
China	0.98	1.04	1.05	1.07	1.11	1.15	1.18	1.22	1.26	1.29
Hong Kong	6.63	6.22	6.51	6.56	6.81	6.94	7.07	7.20	7.33	7.46
India	0.36	0.36	0.33	0.34	0.37	0.40	0.42	0.45	0.47	0.49
Indonesia	0.65	0.68	0.71	0.74	0.77	0.80	0.83	0.86	0.89	0.93
Japan	11.15	11.10	11.40	11.26	11.25	11.26	11.28	11.31	11.35	11.40
Malaysia	1.73	2.01	2.05	2.16	2.24	2.31	2.38	2.44	2.51	2.57
New Zealand	5.17	5.60	5.98	6.29	6.34	6.51	6.69	6.86	7.04	7.22
Pakistan	0.54	0.57	0.59	0.60	0.62	0.64	0.65	0.67	0.69	0.70
Philippines	1.72	1.81	1.90	2.03	2.27	2.39	2.50	2.61	2.72	2.83
Singapore	4.60	4.42	4.60	4.81	4.87	4.96	5.11	5.26	5.41	5.56
South Korea	5.73	5.88	5.77	6.27	6.64	7.06	7.49	7.93	8.37	8.81
Taiwan	7.82	8.00	7.83	7.92	8.07	8.23	8.39	8.54	8.70	8.85
Thailand	2.86	2.95	3.23	3.35	3.47	3.60	3.72	3.85	3.97	4.09
Total	1.26	1.33	1.28	1.31	1.30	1.34	1.39	1.43	1.47	1.51

†At average 2005 exchange rates.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Average Admission Price Growth (%)											
Asia Pacific	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Australia	3.7	4.2	5.8	3.7	0.3	2.5	2.4	2.4	2.3	2.3	2.4
China	12.6	6.1	1.0	1.9	3.7	3.6	2.6	3.4	3.3	2.4	3.1
Hong Kong	4.4	-6.2	4.7	0.8	3.8	1.9	1.9	1.8	1.8	1.8	1.8
India	9.1	0.0	-8.3	3.0	8.8	8.1	5.0	7.1	4.4	4.3	5.8
Indonesia	4.8	4.6	4.4	4.2	4.1	3.9	3.7	3.6	3.5	4.5	3.8
Japan	-3.1	-0.4	2.7	-1.2	-0.1	0.1	0.2	0.3	0.4	0.4	0.3
Malaysia	21.0	16.2	2.0	5.4	3.7	3.1	3.0	2.5	2.9	2.4	2.8
New Zealand	2.8	8.3	6.8	5.2	0.8	2.7	2.8	2.5	2.6	2.6	2.6
Pakistan	0.0	5.6	3.5	1.7	3.3	3.2	1.6	3.1	3.0	1.4	2.5
Philippines	5.5	5.2	5.0	6.8	11.8	5.3	4.6	4.4	4.2	4.0	4.5
Singapore	-5.5	-3.9	4.1	4.6	1.2	1.8	3.0	2.9	2.9	2.8	2.7
South Korea	10.4	2.6	-1.9	8.7	5.9	6.3	6.1	5.9	5.5	5.3	5.8
Taiwan	-1.8	2.3	-2.1	1.1	1.9	2.0	1.9	1.8	1.9	1.7	1.9
Thailand	-17.3	3.1	9.5	3.7	3.6	3.7	3.3	3.5	3.1	3.0	3.3
Total	17.8	5.6	-3.8	2.3	-0.8	3.1	3.7	2.9	2.8	2.7	3.0

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Box office spending

- Box office spending will increase to \$7.4 billion in 2010, a 4.7 percent compound annual growth rate. Japan will remain the box office leader, at \$1.9 billion, followed closely by India at \$1.7 billion and South Korea at \$1.3 billion.

Box Office Market [†] (US\$ Millions)										
Asia Pacific	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Australia	619	644	660	691	625	648	672	696	721	746
China	118	120	123	188	244	286	313	335	358	375
Hong Kong	133	112	111	125	123	125	134	137	147	149
India	1,080	1,008	1,023	1,088	1,221	1,340	1,437	1,537	1,638	1,742
Indonesia	227	255	264	289	309	325	342	359	376	393
Japan	1,818	1,787	1,846	1,915	1,799	1,802	1,816	1,831	1,850	1,869
Malaysia	19	32	37	43	52	55	59	64	68	72
New Zealand	88	101	108	107	95	98	107	110	120	122
Pakistan	18	20	20	20	20	21	22	23	23	24
Philippines	155	160	164	169	184	194	203	214	223	232
Singapore	69	66	73	77	78	79	87	90	97	100
South Korea	510	617	692	815	890	967	1,042	1,118	1,197	1,277
Taiwan	164	168	141	150	145	148	159	162	174	177
Thailand	66	77	94	97	108	115	123	131	139	147
Total	5,084	5,167	5,356	5,774	5,893	6,203	6,516	6,807	7,131	7,425

†At average 2005 exchange rates.

Sources: Korean Film Commission, Motion Picture Distributors Association of Australia, Motion Picture Distributors Association of New Zealand, Motion Picture Producers Association of Japan, State Administration of Radio, Film, and Television, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Box Office Market Growth (%)											
Asia Pacific	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Australia	17.7	4.0	2.5	4.7	-9.6	3.7	3.7	3.6	3.6	3.5	3.6
China	18.0	1.7	2.5	52.8	29.8	17.2	9.4	7.0	6.9	4.7	9.0
Hong Kong	0.0	-15.8	-0.9	12.6	-1.6	1.6	7.2	2.2	7.3	1.4	3.9
India	-1.1	-6.7	1.5	6.4	12.2	9.7	7.2	7.0	6.6	6.3	7.4
Indonesia	22.7	12.3	3.5	9.5	6.9	5.2	5.2	5.0	4.7	4.5	4.9
Japan	17.1	-1.7	3.3	3.7	-6.1	0.2	0.8	0.8	1.0	1.0	0.8
Malaysia	11.8	68.4	15.6	16.2	20.9	5.8	7.3	8.5	6.3	5.9	6.7
New Zealand	17.3	14.8	6.9	-0.9	-11.2	3.2	9.2	2.8	9.1	1.7	5.1
Pakistan	0.0	11.1	0.0	0.0	0.0	5.0	4.8	4.5	0.0	4.3	3.7
Philippines	3.3	3.2	2.5	3.0	8.9	5.4	4.6	5.4	4.2	4.0	4.7
Singapore	1.5	-4.3	10.6	5.5	1.3	1.3	10.1	3.4	7.8	3.1	5.1
South Korea	46.6	21.0	12.2	17.8	9.2	8.7	7.8	7.3	7.1	6.7	7.5
Taiwan	-10.4	2.4	-16.1	6.4	-3.3	2.1	7.4	1.9	7.4	1.7	4.1
Thailand	-9.6	16.7	22.1	3.2	11.3	6.5	7.0	6.5	6.1	5.8	6.4
Total	12.5	1.6	3.7	7.8	2.1	5.3	5.0	4.5	4.8	4.1	4.7

Sources: Korean Film Commission, Motion Picture Distributors Association of Australia, Motion Picture Distributors Association of New Zealand, Motion Picture Producers Association of Japan, State Administration of Radio, Film, and Television, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Home video sell-through

- Home video sell-through fell 1.4 percent in 2005, following five years of double-digit annual growth. An 8.2 percent decrease in Japan led to the overall decline. Sell-through in the remaining countries was either flat or up. Excluding Japan, sell-through rose 6.4 percent. The Japanese market was hurt by the poor performance of U.S. titles and by the accelerated drop in the VHS format.
- In the PRC, by contrast, sell-through rose at double-digit rates, boosted by growing DVD penetration.
- The advent of high-definition DVDs should provide a lift for the sell-through market during the next few years. Toshiba's HD DVD format was introduced in early 2006 in Japan, and Sony's Blu-ray format is expected later in the year. Video game consoles with high-definition capabilities will provide a channel for high-definition penetration throughout the region.
- The PRC had been working on developing its own next-generation DVD standard to avoid paying royalties to foreign companies. In early 2005, enhanced versatile disc (EVD) was selected as the PRC standard. The new standard will reduce royalties on DVD players by approximately \$16 per unit. Lower price points will stimulate player sales and sell-through growth. Local films will be made available on this format, and international films that want to sell in the PRC will also be produced in the format.
- The sell-through market—home video in general—is substantially lower than its potential because of high rates of piracy. In India, for example, pirated DVDs are estimated at three times the rate of legitimate DVDs. In the PRC, pirated DVDs are available for less than \$1 compared with retail prices for legitimate DVDs in the \$3 to \$4 range. High-capacity DVDs are also available that allow five films to be compressed on a single disc that often sells for \$1 or less.
- Countries are taking steps to combat piracy. In the PRC, for example, the government in mid-2005 announced it would increase its criminal prosecutions of intellectual copyright infringement. The Film Copyright Protection Association was established in 2005 to educate people about the costs of copyright infringement. In Malaysia, a major piracy operation was uncovered in 2005, and 500,000 DVDs were seized. The digital cinema initiatives represent another approach to combat piracy by making it more difficult to obtain film copies prior to their theatrical release.
- In the Philippines, the war against piracy continues, with the Optical Media Board (OMB) taking on a major role. In 2005, several million DVDs were intercepted by the Bureau of Customs. Major establishments have also prohibited vendors from selling pirated DVDs after repeated raids by the OMB.
- A sell-through market is beginning to emerge in India, buoyed by rising penetration and lower price points. Although still small, sell-through spending will rise to \$10 million in 2010 from only \$1 million in 2005.
- High-definition video and reduced piracy will stimulate the sell-through market. We project sell-through spending to grow at a 6.2 percent compound annual rate to \$6.2 billion in 2010 from \$4.6 billion in 2005.

Sell-Through Market† (US\$ Millions)

Asia Pacific	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Australia	291	485	677	808	814	838	876	933	991	1,048
China	378	424	494	610	707	817	914	1,006	1,097	1,182
Hong Kong	105	115	135	167	174	180	188	196	206	216
India	1	1	1	1	1	2	4	6	10	10
Indonesia	1	1	2	2	2	2	2	2	3	3
Japan	1,628	1,766	2,200	2,473	2,270	2,316	2,406	2,543	2,724	2,906
Malaysia	15	16	18	20	22	24	26	29	30	32
New Zealand	54	63	77	92	95	99	103	108	113	120
Pakistan	30	34	40	49	50	52	54	56	59	62
Philippines	7	8	10	12	12	13	14	15	16	17
Singapore	41	43	48	54	57	61	65	70	75	80
South Korea	10	11	14	17	18	20	22	24	26	28
Taiwan	196	214	248	295	311	328	348	370	394	419
Thailand	14	16	19	23	25	28	30	33	35	38
Total	2,771	3,197	3,983	4,623	4,558	4,780	5,052	5,391	5,779	6,161

†At average 2005 exchange rates.

Sources: GfK Australia, Japan Video Software Association, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Sell-Through Market Growth (%)

Asia Pacific	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Australia	36.0	66.7	39.6	19.4	0.7	2.9	4.5	6.5	6.2	5.8	5.2
China	13.5	12.2	16.5	23.5	15.9	15.6	11.9	10.1	9.0	7.7	10.8
Hong Kong	10.5	9.5	17.4	23.7	4.2	3.4	4.4	4.3	5.1	4.9	4.4
India	0.0	0.0	0.0	0.0	0.0	100.0	100.0	50.0	66.7	0.0	58.5
Indonesia	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	50.0	0.0	8.4
Japan	9.3	8.5	24.6	12.4	-8.2	2.0	3.9	5.7	7.1	6.7	5.1
Malaysia	0.0	6.7	12.5	11.1	10.0	9.1	8.3	11.5	3.4	6.7	7.8
New Zealand	8.0	16.7	22.2	19.5	3.3	4.2	4.0	4.9	4.6	6.2	4.8
Pakistan	15.4	13.3	17.6	22.5	2.0	4.0	3.8	3.7	5.4	5.1	4.4
Philippines	16.7	14.3	25.0	20.0	0.0	8.3	7.7	7.1	6.7	6.3	7.2
Singapore	7.9	4.9	11.6	12.5	5.6	7.0	6.6	7.7	7.1	6.7	7.0
South Korea	11.1	10.0	27.3	21.4	5.9	11.1	10.0	9.1	8.3	7.7	9.2
Taiwan	3.7	9.2	15.9	19.0	5.4	5.5	6.1	6.3	6.5	6.3	6.1
Thailand	7.7	14.3	18.8	21.1	8.7	12.0	7.1	10.0	6.1	8.6	8.7
Total	11.7	15.4	24.6	16.1	-1.4	4.9	5.7	6.7	7.2	6.6	6.2

Sources: GfK Australia, Japan Video Software Association, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Home video rentals

- Piracy is an even greater problem for the rental market because the picture and sound quality of the video—pirated videos are often substantially poorer in quality compared with legitimate product—are less important for films intended to be viewed one time compared with films that people would like to own.
- Rental spending has declined during each of the past three years, including a 2.6 percent decrease in 2005. Japan is the dominant rental market, at 61 percent of in-store spending. Excluding Japan, where rentals fell by 4.1 percent, the rental market was flat in 2005.
- The rental market is poised to take off in India, fueled by rising penetration from a very low base and increased spending per household. Rental spending will jump from \$99 million in 2005 to \$562 million in 2010, a 41.5 percent compound annual increase.
- In other countries, however, the rental market is not faring nearly as well. Retail outlets are closing in many countries, making it more difficult to rent films. At the same time, an online rental subscription market is emerging that we expect will attract rental activity. We expect the overall in-store rental market to continue to decline through 2010, falling to \$5.9 billion from \$6.0 billion in 2005, a 0.3 percent compound annual decrease.

In-Store Rental Market† (US\$ Millions)

Asia Pacific	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Australia	330	316	302	286	274	264	255	251	248	244
China	303	333	363	388	410	427	443	457	468	479
Hong Kong	20	22	23	24	24	24	23	22	22	21
India	65	70	79	95	99	137	321	443	543	562
Indonesia	16	18	20	21	22	23	23	23	23	23
Japan	3,862	3,918	3,859	3,787	3,632	3,541	3,451	3,360	3,269	3,178
Malaysia	11	11	11	10	10	9	9	8	8	8
New Zealand	48	47	46	45	44	43	42	42	41	40
Pakistan	65	66	67	69	70	72	74	75	77	79
Philippines	23	24	25	25	26	26	26	26	26	26
Singapore	14	14	13	13	13	13	12	12	11	11
South Korea	1,018	1,018	1,002	973	954	929	905	876	852	827
Taiwan	294	294	289	284	278	273	268	262	258	253
Thailand	125	132	137	141	146	149	151	153	154	155
Total	6,194	6,283	6,236	6,161	6,002	5,930	6,003	6,010	6,000	5,906

†At average 2005 exchange rates.

Sources: Japan Video Software Association, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

In-Store Rental Market Growth (%)

Asia Pacific	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006-10 CAGR
Australia	-3.8	-4.2	-4.4	-5.3	-4.2	-3.6	-3.4	-1.6	-1.2	-1.6	-2.3
China	12.6	9.9	9.0	6.9	5.7	4.1	3.7	3.2	2.4	2.4	3.2
Hong Kong	11.1	10.0	4.5	4.3	0.0	0.0	-4.2	-4.3	0.0	-4.5	-2.6
India	12.1	7.7	12.9	20.3	4.2	38.4	134.3	38.0	22.6	3.5	41.5
Indonesia	14.3	12.5	11.1	5.0	4.8	4.5	0.0	0.0	0.0	0.0	0.9
Japan	1.4	1.5	-1.5	-1.9	-4.1	-2.5	-2.5	-2.6	-2.7	-2.8	-2.6
Malaysia	10.0	0.0	0.0	-9.1	0.0	-10.0	0.0	-11.1	0.0	0.0	-4.4
New Zealand	4.3	-2.1	-2.1	-2.2	-2.2	-2.3	-2.3	0.0	-2.4	-2.4	-1.9
Pakistan	4.8	1.5	1.5	3.0	1.4	2.9	2.8	1.4	2.7	2.6	2.4
Philippines	4.5	4.3	4.2	0.0	4.0	0.0	0.0	0.0	0.0	0.0	0.0
Singapore	7.7	0.0	-7.1	0.0	0.0	0.0	-7.7	0.0	-8.3	0.0	-3.3
South Korea	2.1	0.0	-1.6	-2.9	-2.0	-2.6	-2.6	-3.2	-2.7	-2.9	-2.8
Taiwan	2.8	0.0	-1.7	-1.7	-2.1	-1.8	-1.8	-2.2	-1.5	-1.9	-1.9
Thailand	11.6	5.6	3.8	2.9	3.5	2.1	1.3	1.3	0.7	0.6	1.2
Total	2.3	1.4	-0.7	-1.2	-2.6	-1.2	1.2	0.1	-0.2	-1.6	-0.3

Sources: Japan Video Software Association, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

- Offsetting the projected drop in in-store rentals is a growing online film rental market. Services have been launched in Australia and New Zealand, and Japanese companies are testing broadband distribution to DVD recorders via fiber-optic cable.
- As services are introduced, we expect the online market to surge, with large absolute increases projected during 2009–10.
- We project subscription services will expand to 8 million subscribers in 2010 and spending will rise to \$1.4 billion, up from only \$17 million in 2005.

Online Rental Subscriptions

Asia Pacific	2004	2005p	2006	2007	2008	2009	2010
Subscribers† (Millions)	0.01	0.07	0.2	0.7	2.5	5.0	8.0
Monthly Fee (US\$)	21.34	19.81	18.29	16.76	16.00	15.24	14.48
Annual Spending (US\$ Millions)	3	17	44	141	480	914	1,390

†Annual average.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Total home video

- The in-store home video market will expand at a projected 2.7 percent compound annual rate. Spending will rise from \$10.6 billion in 2005 to \$12.1 billion in 2010.
- India is projected to be the fastest growing, with a 41.7 percent compound annual increase. High-single-digit growth is projected for the PRC, while South Korea, where the market is mostly rental, is projected to decline.
- When online rental subscriptions are included, spending will rise at a 4.9 percent compound annual rate to \$13.5 billion.

Home Video Market† (US\$ Millions)

Asia Pacific	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
In-Store										
Australia	621	801	979	1,094	1,088	1,102	1,131	1,184	1,239	1,292
China	681	757	857	998	1,117	1,244	1,357	1,463	1,565	1,661
Hong Kong	125	137	158	191	198	204	211	218	228	237
India	66	71	80	96	100	139	325	449	553	572
Indonesia	17	19	22	23	24	25	25	25	26	26
Japan	5,490	5,684	6,059	6,260	5,902	5,857	5,857	5,903	5,993	6,084
Malaysia	26	27	29	30	32	33	35	37	38	40
New Zealand	102	110	123	137	139	142	145	150	154	160
Pakistan	95	100	107	118	120	124	128	131	136	141
Philippines	30	32	35	37	38	39	40	41	42	43
Singapore	55	57	61	67	70	74	77	82	86	91
South Korea	1,028	1,029	1,016	990	972	949	927	900	878	855
Taiwan	490	508	537	579	589	601	616	632	652	672
Thailand	139	148	156	164	171	177	181	186	189	193
Total In-Store	8,965	9,480	10,219	10,784	10,560	10,710	11,055	11,401	11,779	12,067
Online Rental Subscriptions	—	—	—	3	17	44	141	480	914	1,390
Total	8,965	9,480	10,219	10,787	10,577	10,754	11,196	11,881	12,693	13,457

†At average 2005 exchange rates.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Home Video Market Growth (%)

Asia Pacific	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006-10 CAGR
In-Store											
Australia	11.5	29.0	22.2	11.7	-0.5	1.3	2.6	4.7	4.6	4.3	3.5
China	13.1	11.2	13.2	16.5	11.9	11.4	9.1	7.8	7.0	6.1	8.3
Hong Kong	10.6	9.6	15.3	20.9	3.7	3.0	3.4	3.3	4.6	3.9	3.7
India	11.9	7.6	12.7	20.0	4.2	39.0	133.8	38.2	23.2	3.4	41.7
Indonesia	13.3	11.8	15.8	4.5	4.3	4.2	0.0	0.0	4.0	0.0	1.6
Japan	3.6	3.5	6.6	3.3	-5.7	-0.8	0.0	0.8	1.5	1.5	0.6
Malaysia	4.0	3.8	7.4	3.4	6.7	3.1	6.1	5.7	2.7	5.3	4.6
New Zealand	6.3	7.8	11.8	11.4	1.5	2.2	2.1	3.4	2.7	3.9	2.9
Pakistan	8.0	5.3	7.0	10.3	1.7	3.3	3.2	2.3	3.8	3.7	3.3
Philippines	7.1	6.7	9.4	5.7	2.7	2.6	2.6	2.5	2.4	2.4	2.5
Singapore	7.8	3.6	7.0	9.8	4.5	5.7	4.1	6.5	4.9	5.8	5.4
South Korea	2.2	0.1	-1.3	-2.6	-1.8	-2.4	-2.3	-2.9	-2.4	-2.6	-2.5
Taiwan	3.2	3.7	5.7	7.8	1.7	2.0	2.5	2.6	3.2	3.1	2.7
Thailand	11.2	6.5	5.4	5.1	4.3	3.5	2.3	2.8	1.6	2.1	2.5
Total In-Store	5.0	5.7	7.8	5.5	-2.1	1.4	3.2	3.1	3.3	2.4	2.7
Online Rental Subscriptions	—	—	—	—	466.7	158.8	220.5	240.4	90.4	52.1	141.3
Total	5.0	5.7	7.8	5.6	-1.9	1.7	4.1	6.1	6.8	6.0	4.9

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Latin America

The outlook in brief

- Remodeled multiplexes, additional screens, and large-format theaters will support higher prices without adversely affecting admissions.
- Increased funding will stimulate growth in local production and improve the chances that local films will contribute to box office growth.
- TV DVDs will expand home video, but high piracy rates will continue to depress the market.

Overview

- Filmed entertainment spending will rise at a 5.1 percent compound annual rate to \$2.3 billion in 2010 from \$1.8 billion in 2005.
- Box office spending will increase from \$1.1 billion in 2005 to \$1.4 billion in 2010, a 5.6 percent compound annual growth.
- Home video growth will average 4.1 percent compounded annually from \$703 million to \$861 million.

Filmed Entertainment Market† (US\$ Millions)

Latin America	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Box Office	663	763	874	1,096	1,064	1,114	1,176	1,245	1,319	1,400	
% Change	5.7	15.1	14.5	25.4	-2.9	4.7	5.6	5.9	5.9	6.1	5.6
Home Video	618	631	655	686	703	735	767	802	831	861	
% Change	2.8	2.1	3.8	4.7	2.5	4.6	4.4	4.6	3.6	3.6	4.1
Total	1,281	1,394	1,529	1,782	1,767	1,849	1,943	2,047	2,150	2,261	
% Change	4.3	8.8	9.7	16.5	-0.8	4.6	5.1	5.4	5.0	5.2	5.1

†At average 2005 exchange rates.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

- Mexico is the largest market in the region, at \$816 million, up 4.3 percent in 2005, buoyed by healthy box office and home video sell-through.
- Brazil is next largest, at \$567 million, but spending fell 7.5 percent in 2005 because of a sharp drop in box office.
- Weak box office also hurt Argentina, where filmed entertainment spending fell 3.6 percent to \$188 million, third highest in the region.

Filmed Entertainment Market† (US\$ Millions)

Latin America	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Argentina	147	160	179	195	188	190	196	205	214	222
Brazil	448	504	555	613	567	591	617	650	683	722
Chile	72	73	80	84	84	86	91	96	100	105
Colombia	46	56	66	77	80	85	90	94	99	104
Mexico	536	575	621	782	816	862	912	963	1,013	1,066
Venezuela	32	26	28	31	32	35	37	39	41	42
Total	1,281	1,394	1,529	1,782	1,767	1,849	1,943	2,047	2,150	2,261

†At average 2005 exchange rates.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Filmed Entertainment Market Growth (%)

Latin America	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Argentina	-8.1	8.8	11.9	8.9	-3.6	1.1	3.2	4.6	4.4	3.7	3.4
Brazil	3.9	12.5	10.1	10.5	-7.5	4.2	4.4	5.3	5.1	5.7	5.0
Chile	9.1	1.4	9.6	5.0	0.0	2.4	5.8	5.5	4.2	5.0	4.6
Colombia	15.0	21.7	17.9	16.7	3.9	6.3	5.9	4.4	5.3	5.1	5.4
Mexico	5.5	7.3	8.0	25.9	4.3	5.6	5.8	5.6	5.2	5.2	5.5
Venezuela	39.1	-18.8	7.7	10.7	3.2	9.4	5.7	5.4	5.1	2.4	5.6
Total	4.3	8.8	9.7	16.5	-0.8	4.6	5.1	5.4	5.0	5.2	5.1

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

New theaters

- Box office attendance fell 7.9 percent in 2005, partially reversing the 13.3 percent increase in 2004 and reflecting the volatile nature of the industry. The appeal of films in any year is generally a more important determinant of box office spending than underlying trends that are more predictable. In 2004, for example, strong local films led to double-digit and high-single-digit admissions growth in Mexico, Brazil, and Argentina. In 2005, however, local films did relatively poorly, and U.S. films were also weak, with the result that admissions fell 21.1 percent in Brazil, fell 14.3 percent in Argentina, and declined in Chile and Venezuela. Admissions were flat in Colombia and were up only 1.2 percent in Mexico.
- While we cannot predict the appeal of releases from year to year, other factors are in play that should enhance the underlying market. More screens, for example, should lead to higher admissions because more people will have access to more movies. Despite the poor box office performance in 2005, the multiplex market remains strong, with new theaters planned throughout the region.
- Large-format theaters are also entering the market and should positively influence growth.
- The Brazilian government is taking an active role in promoting theater development by offering credit lines

and low-interest loans for exhibitors to build new theaters and renovate existing ones. More than a hundred screens were opened in Brazil in 2005, and the government expects that a thousand new screens will be built during the next five years.

- New screens, modernized theaters, and large-format theaters, which historically have higher sellout rates than conventional theaters do, can command higher prices than old single-screen theaters with poor amenities can.
- Average admission prices have grown substantially during the past four years, posting double-digit increases during 2003–04 and with a 5.7 percent rise in 2005. Higher price points reflect (1) the impact of the new theaters that have already entered the market and (2) the improved economic climate. Disposable income in the region is rising, and people are willing to pay higher prices to see movies in modern theaters. The ability to charge higher rates is one of the factors attracting investors—both domestic and foreign—to build theaters in the region.
- We do not expect ticket price growth to continue at the recent pace and expect growth to moderate to a 3.1 percent increase compounded annually. The average price will rise to \$3.69 by 2010 from \$3.16 in 2005.

Average Admission Price[†] (US\$)

Latin America	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Argentina	1.35	1.65	1.84	1.98	2.05	2.13	2.20	2.27	2.34	2.41
Brazil	2.26	2.40	2.57	2.75	2.94	3.08	3.20	3.33	3.45	3.57
Chile	2.79	2.85	2.88	2.92	2.96	3.01	3.05	3.10	3.14	3.19
Colombia	2.22	2.60	3.28	3.65	3.86	4.07	4.29	4.50	4.72	4.93
Mexico	2.49	2.52	3.09	3.48	3.58	3.67	3.76	3.85	3.94	4.03
Venezuela	1.14	1.24	1.56	1.71	1.80	1.90	1.99	2.08	2.18	2.27
Total	2.20	2.34	2.71	2.99	3.16	3.28	3.38	3.48	3.58	3.69

†At average 2005 exchange rates.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Average Admission Price Growth (%)

Latin America	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Argentina	-19.2	22.2	11.5	7.6	3.5	3.9	3.3	3.2	3.1	3.0	3.3
Brazil	3.7	6.2	7.1	7.0	6.9	4.8	3.9	4.1	3.6	3.5	4.0
Chile	3.0	2.2	1.1	1.4	1.4	1.7	1.3	1.6	1.3	1.6	1.5
Colombia	49.0	17.1	26.2	11.3	5.8	5.4	5.4	4.9	4.9	4.4	5.0
Mexico	-3.1	1.2	22.6	12.6	2.9	2.5	2.5	2.4	2.3	2.3	2.4
Venezuela	34.1	8.8	25.8	9.6	5.3	5.6	4.7	4.5	4.8	4.1	4.7
Total	1.4	6.4	15.8	10.3	5.7	3.8	3.0	3.0	2.9	3.1	3.1

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

- New theaters will enhance the box office experience for consumers, while screen growth will make movies accessible to more people. Multiplexes also provide wider choice, which tends to be associated with higher admissions.
- Except for Argentina, where rising inflation is hurting the market, we project admissions to stabilize in 2006 and to expand at a 2.4 percent compound annual rate to 379.5 million in 2010 from 337 million in 2005.

Admissions (Millions)

Latin America	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Argentina	33.0	35.0	39.0	42.0	36.0	33.5	33.5	34.5	35.5	36.5
Brazil	75.0	91.0	103.0	114.0	90.0	91.0	93.0	96.0	100.0	105.0
Chile	11.0	11.0	12.0	12.5	12.0	12.0	12.5	13.0	13.5	14.0
Colombia	17.0	18.0	17.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
Mexico	142.0	154.0	137.0	164.0	166.0	170.0	175.0	180.0	185.0	190.0
Venezuela	24.0	17.0	15.0	15.5	15.0	15.2	15.5	16.0	16.0	16.0
Total	302.0	326.0	323.0	366.0	337.0	339.7	347.5	357.5	368.0	379.5

Sources: Motion Picture Association of America, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Admissions Growth (%)

Latin America	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Argentina	-5.7	6.1	11.4	7.7	-14.3	-6.9	0.0	3.0	2.9	2.8	0.3
Brazil	1.4	21.3	13.2	10.7	-21.1	1.1	2.2	3.2	4.2	5.0	3.1
Chile	15.8	0.0	9.1	4.2	-4.0	0.0	4.2	4.0	3.8	3.7	3.1
Colombia	-22.7	5.9	-5.6	5.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mexico	10.1	8.5	-11.0	19.7	1.2	2.4	2.9	2.9	2.8	2.7	2.7
Venezuela	20.0	-29.2	-11.8	3.3	-3.2	1.3	2.0	3.2	0.0	0.0	1.3
Total	4.3	7.9	-0.9	13.3	-7.9	0.8	2.3	2.9	2.9	3.1	2.4

Sources: Motion Picture Association of America, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Local films

- Countries in the region are supporting local production through various subsidy programs. As the experience of 2004–05 indicates, the success of local films can have a dramatic impact on the overall market.
- In late 2005, Mexico approved a new incentive program that allows any investor to deduct up to 10 percent of funds provided for the domestic industry. The new plan is a substitute for Mexico's previous tax rebate program, which failed to attract producers. The government hopes that a more generalized incentive plan open to all will attract funds to the market. Even though the previous plan had little impact, the number of local releases in Mexico rose to 23 in 2005 from 18 in 2004.
- Argentina provides more than \$30 million to support local productions. Film production has risen significantly, from around 30 productions in the 1990s to around 70 annually during the past few years. The government also supports the industry by exempting film print imports from tariffs and by implementing quotas for local films that require exhibitors to show a local film on each screen in each calendar quarter.
- In Brazil, companies not in the film industry can invest a portion of their income tax payments in local films, and in Colombia, the government established a film fund in 2003 that boosted the number of local releases to 18 in 2005 from the previous average of 5.
- Of course, there is no guarantee that government support and more product will result in better movies. In Mexico, for example, the 23 releases in 2005 attracted 2 million fewer patrons compared with the 18 releases in 2004.
- Nevertheless, additional funding enables higher-budget movies to be produced and increases the chances that they will succeed. We therefore expect that an increase in local films will contribute to box office growth.

- We project box office spending to increase from \$1.1 billion in 2005 to \$1.4 billion in 2010, a 5.6 percent compound annual increase. That projected gain, however, will not match the double-digit increases recorded during 2002–04.

Box Office Market† (US\$ Millions)										
Latin America	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Argentina	44	58	72	83	74	71	74	78	83	88
Brazil	170	218	264	314	264	281	298	320	345	375
Chile	31	31	35	36	36	36	38	40	42	45
Colombia	38	47	56	66	69	73	77	81	85	89
Mexico	353	388	424	571	594	624	658	693	729	767
Venezuela	27	21	23	26	27	29	31	33	35	36
Total	663	763	874	1,096	1,064	1,114	1,176	1,245	1,319	1,400

†At average 2005 exchange rates.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Box Office Market Growth (%)											
Latin America	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Argentina	-25.4	31.8	24.1	15.3	-10.8	-4.1	4.2	5.4	6.4	6.0	3.5
Brazil	5.6	28.2	21.1	18.9	-15.9	6.4	6.0	7.4	7.8	8.7	7.3
Chile	19.2	0.0	12.9	2.9	0.0	0.0	5.6	5.3	5.0	7.1	4.6
Colombia	15.2	23.7	19.1	17.9	4.5	5.8	5.5	5.2	4.9	4.7	5.2
Mexico	6.6	9.9	9.3	34.7	4.0	5.1	5.4	5.3	5.2	5.2	5.2
Venezuela	58.8	-22.2	9.5	13.0	3.8	7.4	6.9	6.5	6.1	2.9	5.9
Total	5.7	15.1	14.5	25.4	-2.9	4.7	5.6	5.9	5.9	6.1	5.6

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Home video

- The home video market in Latin America is smaller than the box office market, the only region where that is the case. Piracy plays a major role, as it does in Asia Pacific, except that every country in Latin America is affected, while in Asia Pacific, piracy is less of a problem in Japan, Australia, and other major markets. In the leading markets in Latin America, by contrast, piracy rates are large, estimated at 65 percent in Mexico, 45 percent in Argentina, and 30 percent in Brazil.
- Mexico is the dominant sell-through market, at \$151 million in 2005, 59 percent of the total. Mexico also posted the largest increase: 6.3 percent. U.S. television series on DVD have become very popular in Mexico and contributed to the 2005 expansion. Sell-through in Mexico is also bolstered by an active direct-to-video market wherein low-budget releases bypass theaters. Because there are few cinemas in areas outside the major cities, direct-to-video is a way for producers to reach

people in those areas. TV series and direct-to-video will boost sell-through spending in Mexico. We project growth to average 7.8 percent compounded annually, with spending rising to \$220 million by 2010.

- In Argentina and Brazil, by contrast, sell-through spending fell in 2005, reflecting the weak box office market and the diminished appeal of new releases. Brazil has the second-largest sell-through market, at \$46 million, but Argentina's home video market is primarily rental, and sell-through was only \$12 million.
- For the region as a whole, sell-through rose 2.8 percent, its smallest gain during the past five years. We expect that TV DVDs and stronger local releases from increased funding will stimulate sell-through during the next five years.
- We project spending to expand at a 7.1 percent compound annual rate to \$358 million in 2010 from \$254 million in 2005.

Sell-Through Market† (US\$ Millions)

Latin America	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Argentina	11	10	11	13	12	13	13	14	15	15
Brazil	39	42	45	48	46	47	48	51	55	60
Chile	26	28	31	34	35	37	40	43	45	48
Colombia	6	6	7	8	8	9	10	10	11	12
Mexico	119	122	130	142	151	165	179	193	206	220
Venezuela	2	2	2	2	2	3	3	3	3	3
Total	203	210	226	247	254	274	293	314	335	358

†At average 2005 exchange rates.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Sell-Through Market Growth (%)

Latin America	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Argentina	-8.3	-9.1	10.0	18.2	-7.7	8.3	0.0	7.7	7.1	0.0	4.6
Brazil	8.3	7.7	7.1	6.7	-4.2	2.2	2.1	6.3	7.8	9.1	5.5
Chile	8.3	7.7	10.7	9.7	2.9	5.7	8.1	7.5	4.7	6.7	6.5
Colombia	20.0	0.0	16.7	14.3	0.0	12.5	11.1	0.0	10.0	9.1	8.4
Mexico	3.5	2.5	6.6	9.2	6.3	9.3	8.5	7.8	6.7	6.8	7.8
Venezuela	0.0	0.0	0.0	0.0	0.0	50.0	0.0	0.0	0.0	0.0	8.4
Total	4.6	3.4	7.6	9.3	2.8	7.9	6.9	7.2	6.7	6.9	7.1

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

- Also in contrast with other regions, rentals are the dominant component of home video, with spending at \$449 million in 2005, 77 percent higher than sell-through. A thriving sell-through market has never really developed in Latin America, probably because of the relatively high prices for sell-through compared with rental. Brazil and Argentina are the leading rental markets, at \$257 million and \$102 million, respectively. Mexico, which accounted for the majority of sell-through spending, ranked only third in rentals, at \$71 million.
- Rental spending has grown more slowly than sell-through, averaging low-single-digit increases during the past five years and reflecting the impact of piracy.
- The quality of releases is less a factor for the rental market because the commitment is less. Consumers often rent low-performing titles they missed at the box office, while they typically choose only favorite movies to buy.
- We project the rental market to expand at about the same rate as during the past two years: 2.3 percent compounded annually to \$503 million in 2010.

Rental Market† (US\$ Millions)

Latin America	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Argentina	92	92	96	99	102	106	109	113	116	119
Brazil	239	244	246	251	257	263	271	279	283	287
Chile	15	14	14	14	13	13	13	13	13	12
Colombia	2	3	3	3	3	3	3	3	3	3
Mexico	64	65	67	69	71	73	75	77	78	79
Venezuela	3	3	3	3	3	3	3	3	3	3
Total	415	421	429	439	449	461	474	488	496	503

†At average 2005 exchange rates.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Rental Market Growth (%)

Latin America	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006-10 CAGR
Argentina	3.4	0.0	4.3	3.1	3.0	3.9	2.8	3.7	2.7	2.6	3.1
Brazil	2.1	2.1	0.8	2.0	2.4	2.3	3.0	3.0	1.4	1.4	2.2
Chile	-6.3	-6.7	0.0	0.0	-7.1	0.0	0.0	0.0	0.0	-7.7	-1.6
Colombia	0.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mexico	3.2	1.6	3.1	3.0	2.9	2.8	2.7	2.7	1.3	1.3	2.2
Venezuela	-25.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	2.0	1.4	1.9	2.3	2.3	2.7	2.8	3.0	1.6	1.4	2.3

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

- The total home video market will increase from \$703 million in 2005 to \$861 million in 2010, a 4.1 percent compound annual increase.

Home Video Market† (US\$ Millions)

Latin America	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Argentina	103	102	107	112	114	119	122	127	131	134
Brazil	278	286	291	299	303	310	319	330	338	347
Chile	41	42	45	48	48	50	53	56	58	60
Colombia	8	9	10	11	11	12	13	13	14	15
Mexico	183	187	197	211	222	238	254	270	284	299
Venezuela	5	5	5	5	5	6	6	6	6	6
Total	618	631	655	686	703	735	767	802	831	861

†At average 2005 exchange rates.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Home Video Market Growth (%)

Latin America	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006-10 CAGR
Argentina	2.0	-1.0	4.9	4.7	1.8	4.4	2.5	4.1	3.1	2.3	3.3
Brazil	3.0	2.9	1.7	2.7	1.3	2.3	2.9	3.4	2.4	2.7	2.7
Chile	2.5	2.4	7.1	6.7	0.0	4.2	6.0	5.7	3.6	3.4	4.6
Colombia	14.3	12.5	11.1	10.0	0.0	9.1	8.3	0.0	7.7	7.1	6.4
Mexico	3.4	2.2	5.3	7.1	5.2	7.2	6.7	6.3	5.2	5.3	6.1
Venezuela	-16.7	0.0	0.0	0.0	0.0	20.0	0.0	0.0	0.0	0.0	3.7
Total	2.8	2.1	3.8	4.7	2.5	4.6	4.4	4.6	3.6	3.6	4.1

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Canada

The outlook in brief

- Increased funding will help local productions, stimulating local box office, but the market will continue to be dependent on U.S. films.
- The declining VHS market will be less of a drag on overall sell-through, while DVD growth will remain at single-digit levels as the market matures.
- Online film rental subscriptions will augment a flat in-store rental market and boost overall rental activity.

Overview

- Filmed entertainment spending will grow at a 5.0 percent compound annual rate to \$6.5 billion in 2010 from \$5.1 billion in 2005.
- Box office spending will expand by 5.6 percent compounded annually to \$908 million.
- The in-store home video market will increase to \$5.2 billion in 2010 from \$4.4 billion in 2005, a 3.5 percent compound annual increase.
- Sell-through growth will average 4.9 percent compounded annually to \$3.8 billion, and rentals will be flat at \$1.3 billion.
- Online rental subscriptions will rise to \$374 million in 2010 from only \$14 million in 2005, a 92.9 percent increase compounded annually.
- The overall home video market will expand from \$4.4 billion to \$5.5 billion, averaging 4.9 percent growth on a compound annual basis.

Filmed Entertainment Market† (US\$ Millions)

Canada	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Box Office	583	644	704	707	693	726	765	812	859	908
In-Store Home Video	2,264	3,167	3,722	4,374	4,358	4,478	4,650	4,820	4,993	5,169
Sell-Through	1,175	1,861	2,319	2,971	3,021	3,157	3,321	3,491	3,660	3,830
Rental	1,089	1,306	1,403	1,403	1,337	1,321	1,329	1,329	1,333	1,339
Online Rental Subscriptions	—	—	—	5	14	26	83	178	282	374
Total Home Video	2,264	3,167	3,722	4,379	4,372	4,504	4,733	4,998	5,275	5,543
Total	2,847	3,811	4,426	5,086	5,065	5,230	5,498	5,810	6,134	6,451

†At average 2005 exchange rates.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Filmed Entertainment Market Growth (%)

Canada	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Box Office	8.0	10.5	9.3	0.4	-2.0	4.8	5.4	6.1	5.8	5.7	5.6
In-Store Home Video	21.5	39.9	17.5	17.5	-0.4	2.8	3.8	3.7	3.6	3.5	3.5
Sell-Through	38.1	58.4	24.6	28.1	1.7	4.5	5.2	5.1	4.8	4.6	4.9
Rental	7.6	19.9	7.4	0.0	-4.7	-1.2	0.6	0.0	0.3	0.5	0.0
Online Rental Subscriptions	—	—	—	—	180.0	85.7	219.2	114.5	58.4	32.6	92.9
Total Home Video	21.5	39.9	17.5	17.7	-0.2	3.0	5.1	5.6	5.5	5.1	4.9
Total	18.5	33.9	16.1	14.9	-0.4	3.3	5.1	5.7	5.6	5.2	5.0

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Box office

- The Canadian market is dominated by U.S. films, and the weak performance of U.S. films adversely affected Canadian box office in 2005. The market was also adversely affected by the poor performance of Canadian English-language films. These films' share of the overall English-language market in Canada fell to just 1.2 percent from 1.6 percent in 2004.
- Local French-language films, however, did well in 2005, led by the film *C.R.A.Z.Y.* The local share of the French-language market jumped from 21 percent in 2004 to 26 percent in 2005.
- Overall admissions fell 6.6 percent in 2005, the second consecutive decline and a steeper drop compared with the 4.6 percent decrease in 2004. A 4.9 percent increase in ticket prices limited the spending impact, and box office fell 2.0 percent, but it was the first decrease during the past five years.
- The Canadian Feature Film Fund supports local films with budgetary assistance. *C.R.A.Z.Y.* was one of the successful local features in 2005 that received funding.
- Local films and television program productions would also benefit from state-of-the-art facilities. In 2005, Toronto Film Studios signed a 99-year lease for waterfront property in Toronto to build Filmport, a C\$100-million (US\$83-million) studio that will have six soundstages and more than 200,000 square feet. Support of such a facility will require international projects because the local market is not large enough to generate sufficient production volume. However, local and international TV productions and *Movies of the Week* should also provide demand for production facilities in Canada.
- To make Canada a more attractive production site, several tax incentives were implemented in late 2004 and early 2005. Production service tax credits were increased in Ontario, Quebec, and British Columbia for both domestic and foreign producers. The credits give producers a tax rebate against labor costs incurred in Canada. Despite the higher tax credit, the rising value of the Canadian dollar made Canada a less attractive venue. In British Columbia, for example, foreign filming fell by 50 percent in 2005.
- Nevertheless, tax credits should help neutralize the rising value of the Canadian dollar and help attract international production, while support for local producers will enhance the Canadian production market and improve

the chances that Filmport will thrive. If it does, domestic producers will benefit.

- Although prospects for improved local films will help the market if they materialize, box office spending in Canada ultimately depends on the success of U.S. films, but success in any year is difficult to predict.
- We project admissions will rise at a 1.2 percent compound annual rate to 119 million in 2010 from 112 million in 2005.

- Price growth has averaged mid-single-digit increases in recent years, a trend we expect will continue. We project the average price to increase from \$6.19 in 2005 to \$7.63 in 2010, a 4.3 percent compound annual increase.
- Fueled primarily by price growth, box office spending will grow at a 5.6 percent compound annual rate to a projected \$908 million in 2010.

Box Office Market

Canada	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006-10 CAGR
Admissions (Millions)	119.6	122.7	125.7	119.9	112.0	112.0	113.0	115.0	117.0	119.0	
% Change	0.3	2.6	2.4	-4.6	-6.6	0.0	0.9	1.8	1.7	1.7	1.2
Average Price† (US\$)	4.87	5.25	5.60	5.90	6.19	6.48	6.77	7.06	7.34	7.63	
% Change	7.5	7.8	6.7	5.4	4.9	4.7	4.5	4.3	4.0	4.0	4.3
Box Office Spending† (US\$ Millions)	583	644	704	707	693	726	765	812	859	908	
% Change	8.0	10.5	9.3	0.4	-2.0	4.8	5.4	6.1	5.8	5.7	5.6

†At average 2005 exchange rates.

Sources: PricewaterhouseCoopers LLP, Statistics Canada, Wilkofsky Gruen Associates

Home video sell-through

- After growing at double-digit annual rates during the past four years, sell-through spending slowed to a 1.7 percent increase. Sell-through, like box office, is affected by the quality of films entering the market, and weak performance at the box office was reflected in a slowdown in sell-through spending. With the home video window down to about four months following theatrical release, the majority of films released in theaters in 2005 were also released in home video in 2005.
- The accelerated demise of the VHS format also contributed to the slowdown. The VHS component went down \$115 million in 2005, a 69.7 percent decline. DVD sales, by contrast, rose 5.9 percent. At \$50 million in

2005, the VHS market cannot lose as much during the next five years as it did in 2005 alone. That factor by itself will lead to improved sell-through growth.

- The DVD market is approaching maturity. Early adopters replenished their video libraries with DVDs, fueling growth in prior years. With fewer new DVD households entering the market and with existing DVD households now buying mostly from current releases, spending growth is slowing.
- We project DVD sales to rise from \$3.0 billion in 2005 to \$3.8 billion in 2010, a 5.2 percent compound annual increase. The VHS market will drop to only \$1 million, and total sell-through of DVD and VHS will grow by 4.9 percent compounded annually.

In-Store Home Video Market† (US\$ Millions)

Canada	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010
Sell-Through										
VHS	503	450	380	165	50	21	12	8	4	1
DVD	672	1,411	1,939	2,806	2,971	3,136	3,309	3,483	3,656	3,829
Total	1,175	1,861	2,319	2,971	3,021	3,157	3,321	3,491	3,660	3,830
Rentals										
VHS	880	741	454	248	140	83	50	17	4	2
DVD	209	565	949	1,155	1,197	1,238	1,279	1,312	1,329	1,337
Total	1,089	1,306	1,403	1,403	1,337	1,321	1,329	1,329	1,333	1,339
Total In-Store Home Video										
VHS	1,383	1,191	834	413	190	104	62	25	8	3
DVD	881	1,976	2,888	3,961	4,168	4,374	4,588	4,795	4,985	5,166
Total	2,264	3,167	3,722	4,374	4,358	4,478	4,650	4,820	4,993	5,169

†At average 2005 exchange rates.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

In-Store Home Video Market Growth (%)

Canada	2001	2002	2003	2004	2005p	2006	2007	2008	2009	2010	2006-10 CAGR
Sell-Through											
VHS	-1.2	-10.5	-15.6	-56.6	-69.7	-58.0	-42.9	-33.3	-50.0	-75.0	-54.3
DVD	96.5	110.0	37.4	44.7	5.9	5.6	5.5	5.3	5.0	4.7	5.2
Total	38.1	58.4	24.6	28.1	1.7	4.5	5.2	5.1	4.8	4.6	4.9
Rentals											
VHS	-6.3	-15.8	-38.7	-45.4	-43.5	-40.7	-39.8	-66.0	-76.5	-50.0	-57.2
DVD	186.3	170.3	68.0	21.7	3.6	3.4	3.3	2.6	1.3	0.6	2.2
Total	7.6	19.9	7.4	0.0	-4.7	-1.2	0.6	0.0	0.3	0.5	0.0
Total In-Store Home Video											
VHS	-4.5	-13.9	-30.0	-50.5	-54.0	-45.3	-40.4	-59.7	-68.0	-62.5	-56.4
DVD	112.3	124.3	46.2	37.2	5.2	4.9	4.9	4.5	4.0	3.6	4.4
Total	21.5	39.9	17.5	17.5	-0.4	2.8	3.8	3.7	3.6	3.5	3.5

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Home video rentals

- Rental spending fell 4.7 percent in 2005. VHS constitutes a larger component of the rental market than the sell-through market, and the decline in VHS had a stronger adverse impact on overall rentals. VHS spending went down 43.5 percent. DVD rentals also slowed in 2005 to a 3.6 percent advance.
- We expect the VHS rental market to virtually disappear during the next five years, falling from \$140 million in 2005 to only \$2 million in 2010, as a growing online rental market impacts in-store DVD rentals. DVD in-store

rentals will continue to grow slowly, averaging 2.2 percent compounded annually to \$1.3 billion in 2010 from \$1.2 billion in 2005. The overall rental market will be flat.

- Online DVD rental subscription services were introduced during the past two years, and we expect they will expand during the next five years. These services allow subscribers to order an unlimited number of DVDs online for a flat monthly fee. DVDs are sent via overnight mail, and subscribers must return films before they can order new ones.
- Netflix, Zip.ca, and Cineclix.com are among the online rental services available in Canada.

- The market was small in 2005, at only 60,000 subscribers and \$14 million in spending. The convenience of online rentals and the higher value for people who are avid movie watchers should lead to significant subscriber growth. We project that by 2010, there will be 2.1 million subscribers.
- We expect the average price to decline as new competitors enter the market. Monthly costs averaged \$18.98 in 2005—down 8.0 percent from 2004. We project that that average will fall to \$14.85 in 2010, a 4.8 percent compound annual decline.
- Online rental subscription spending will increase to \$374 million, up 92.9 percent on a compound annual basis from 2005.

Online Rental Subscriptions

Canada	2004	2005p	2006	2007	2008	2009	2010	2006–10 CAGR
Subscribers† (Millions)	0.02	0.06	0.12	0.4	0.9	1.5	2.1	
% Change		200.0	100.0	233.3	125.0	66.7	40.0	103.6
Monthly Fee (US\$)	20.63	18.98	18.16	17.33	16.51	15.68	14.85	
% Change		-8.0	-4.3	-4.6	-4.7	-5.0	-5.3	-4.8
Annual Spending (US\$ Millions)	5	14	26	83	178	282	374	
% Change		180.0	85.7	219.2	114.5	58.4	32.6	92.9

†Annual average.

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

- The in-store home video market will increase from \$4.4 billion in 2005 to \$5.2 billion in 2010, growing at a 3.5 percent compound annual rate. When online rental subscriptions are included, overall home video spending will rise to \$5.5 billion in 2010, a 4.9 percent compound annual increase.

