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# Digital Cinema Progress?

Michael Karagosian

11 September, 2006

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# Are We There Yet?

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- **X-Men 2:** 1<sup>st</sup> weekend US box office in May 2003 was \$85M
- **X-Men 3:** 1<sup>st</sup> weekend US box office in May 2006 was \$120M
  - **Question #1:** X-Men 3 was booked on 51 less screens than X-Men 2. How did US exhibitors bring in a 50% increase in box office?
  - **Question #2:** Could this increase in box office have been achieved with 100% digital cinema systems?

# If you believe the press...

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Aug. 29, 2006

### Technicolor, National ink for d-cinema

By Nicole Sperling  
Technicolor Digital Cinema, a unit of Thomson, is set to announce today that it has signed an agreement with Boston-based exhibitor National Amusements Inc. to install digital cinema systems in National's theaters as part of its beta test.



HAVE Variety headli

Posted: Tue., Jun. 21, 2005, 4:28pm PT

## Duo project digital cinema effort AccessIT, Christie Digital Systems pact on projectors

By **BEN FRITZ**

Digital cinema companies **AccessIT** and Christie Digital Systems have set up a venture to fund the rollout of digital projectors in the nation's theaters.

Studio and exhibitor partners have not yet been secured, and more funding will be required.

**AccessIT** has set up subsid Christie/AIX to administer the plan, which calls for 200 digital cinema systems utilizing **AccessIT** servers and Christie projectors to be rolled out by the end of this year.

Company claims to be working out deal points with several studios and an exhib for "virtual print" fees and equipment rental costs of the new cinema systems.

to install digital Amusement sites. select locations, ew York, and will

ussions on ant throughout reens.

nal Amusements is good facilities," cinema operations deal is also the beta test into of our desire to



FOR IMMEDIATE RELEASE

## Rave Motion Pictures Commits 445 \$ As Digital Cinema Roll

**MORRISTOWN, N.J., July 5, 2006** — **Access Integr** today announced that Rave Motion Pictures ("Rave") and most prominent independent exhibitors in the c owned subsidiary of **AccessIT**, for the initial installa currently has 23 multiplexes in nine states with plans I has operations in Illinois, Indiana, Ohio, Texas, Arkan part of its 2006 expansion, it will add two additione exhibition company to contract with **AccessIT** for its the total number of screens for the Christie/AIX deploy

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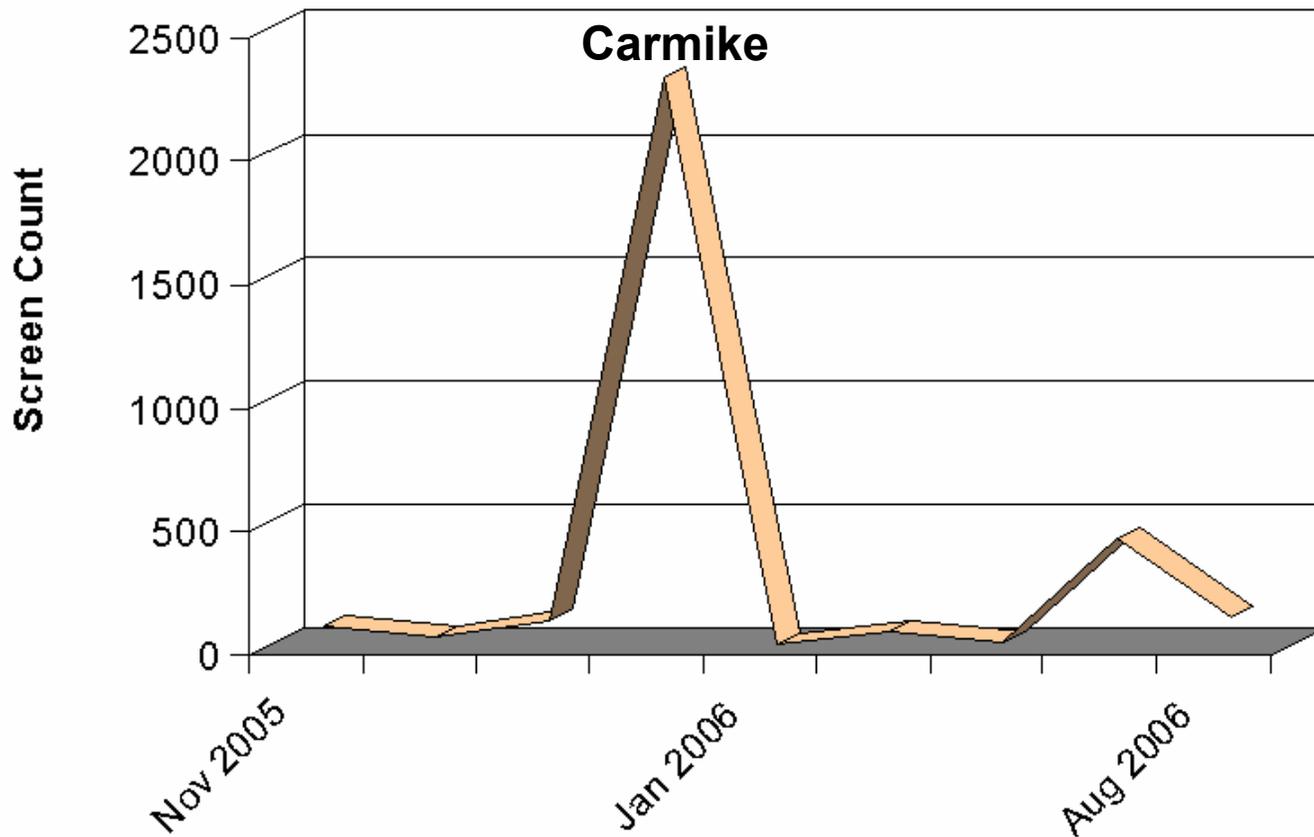
## Cinema de Lux 14 leading way in U.S. with new digital projectors

By Dave Larsen  
Staff Writer

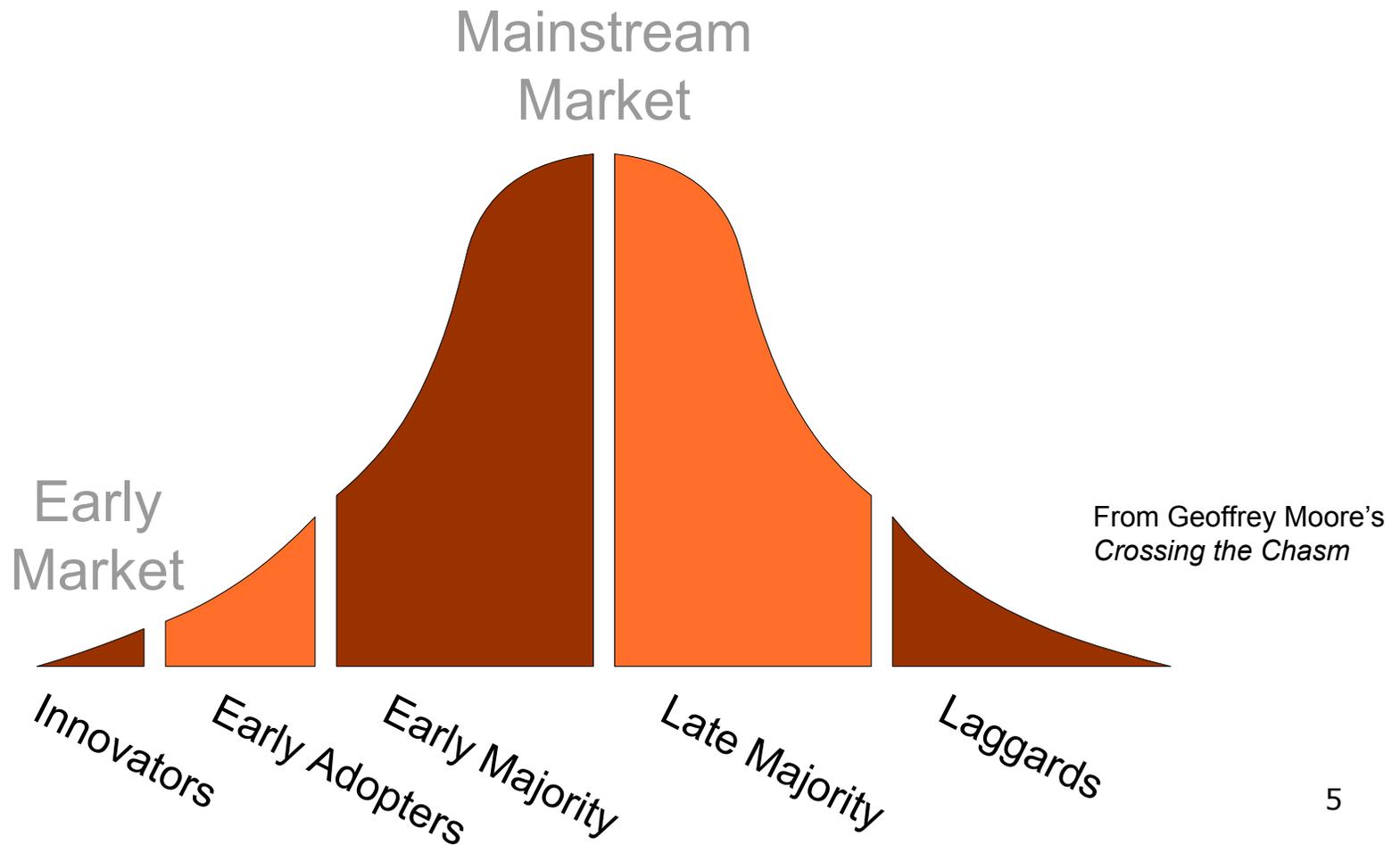
**BEAVERCREEK** — The new Cinema de Lux 14 at The Greene boasts seven digital cinema projectors, the most to date at any Ohio movie theater.

# What the press hasn't noticed...

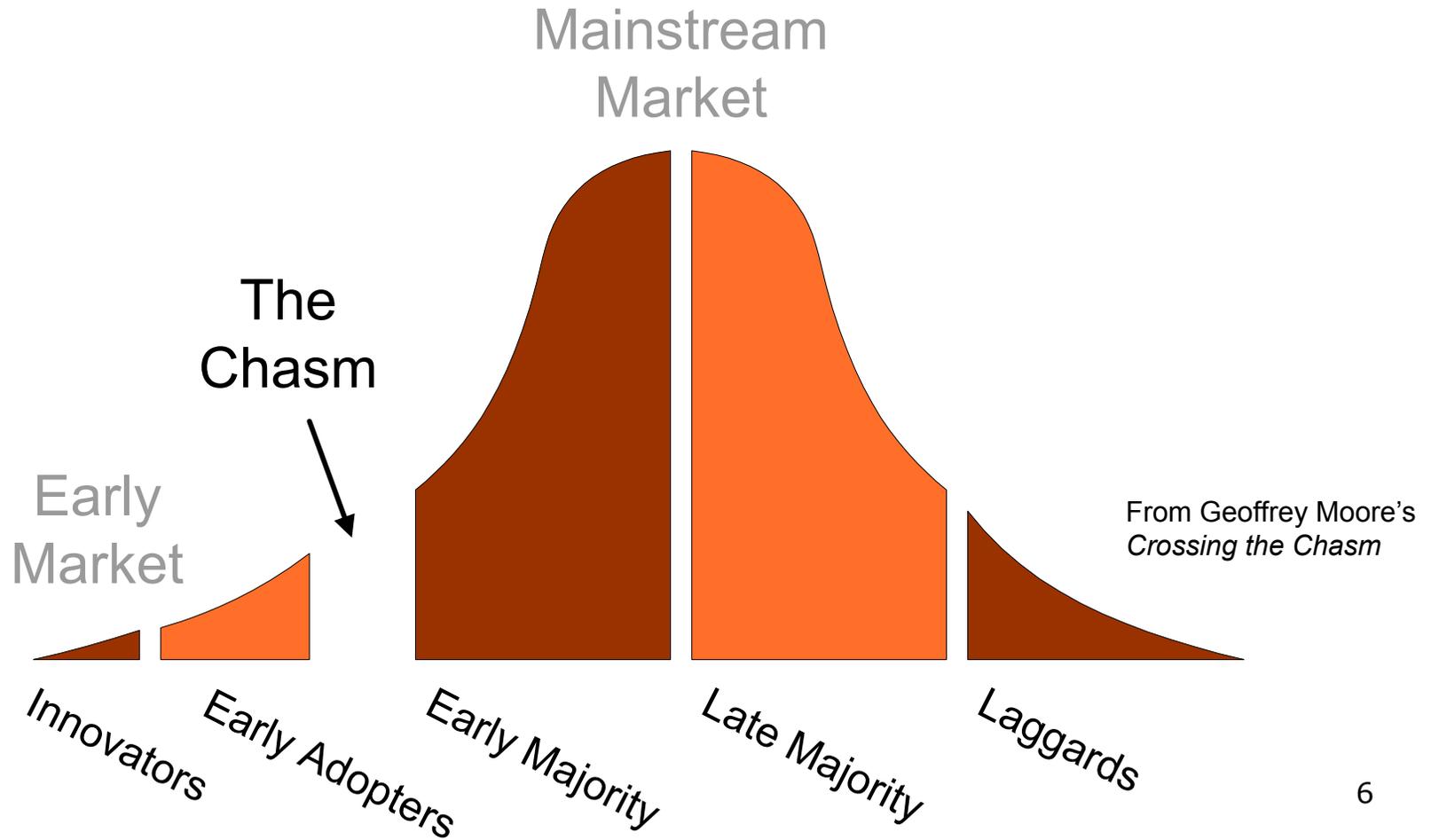
## Digital Cinema Sales Curve



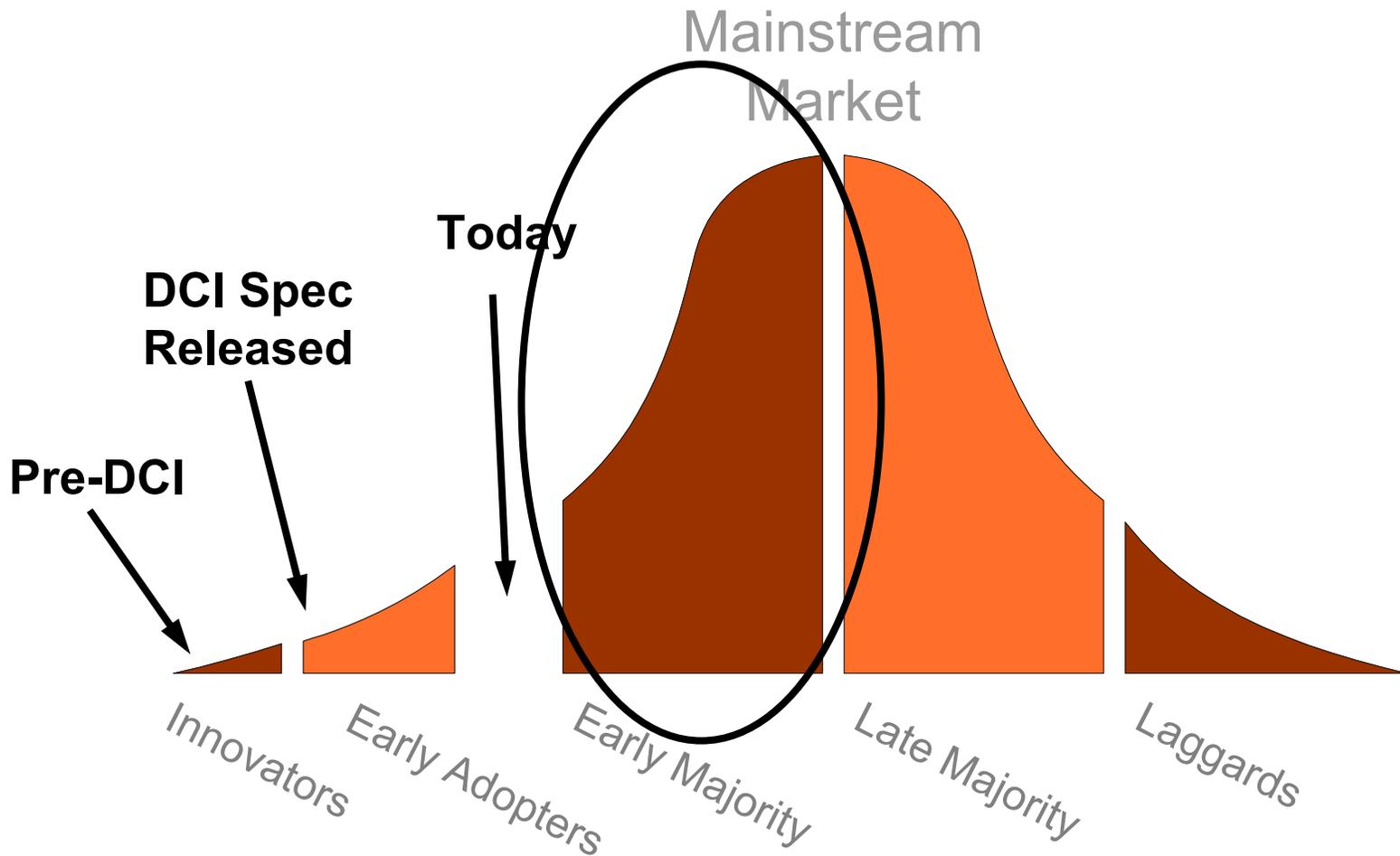
# Technology Adoption Curve



# Technology Adoption Curve



# D-Cinema Adoption



# What does the Mainstream Market say?

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- “More attention has been paid to the technology than the business model.”
- “The technology is too expensive.”
- “The technology doesn’t match the operational capability of film.”
- “There is no certification – we have no guarantees when we buy-in.”
- “The lowest cost system solution is not being offered on the market.”

# Should the market be confident?

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From DCI's Digital Cinema System Specification v1.0, page ii:

“Each DCI member company shall decide independently the extent to which it will utilize, or require adherence to, these specifications.”

Other issues:

DCI's full security system – and the potential business issues that may accompany it – remains untested.

# What do Mainstream Exhibitors want?

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- Fast movement of shows
- Automated loading of content and keys
- Integration with booking and point-of-sale systems
- Lowest cost system solution

With the exception of lack of certification, factors that can be solved with technology are driving business issues.

# Who leads the Early Majority market?



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June 29, 2006

### NCM finds man with a plan

By Sheigh Crabtree  
Travis Reid has been tapped to c planning for three of the world's exhibition companies as they ma film to digital projection.

National CineMedia CEO Kurt Hal previously president and CEO at create a business plan for the co cinema rollout with the major st.

NCM, a joint venture of AMC Ent and Regal Entertainment Group, JPMorgan to develop a financing company's transition.

Reid will work with NCM's execut sources and the major studios to company's digital cinema busine: model.

"The appointment of JPMorgan at of Travis Reid to our team are cr our effort to make digital cinema

Reid will work with Tom Galley, t and technology officer, who is re cinema system design, procurer implementation.

"Over the past several months o has made great progress workin on the preliminary architecture a cinema systems and now it is tim development of a detailed financ supported by the major studios s said.



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Dec. 15, 2005

### Top exhibitors team up to take d-cinema wide

By Nicole Sperling  
In a move that constitutes the largest exhibitor commitment yet to digital cinema, Regal Entert Group, AMC Entertainment Inc. and Cinemark l have partnered to work on the development of cinema business plan. National CineMedia, the venture owned by the three companies that wa founded to create a national digital preshow advertising network, will manage the process u the guidance of NCM chairman and CEO Kurt H resigned his title of co-CEO of Regal Entertainr Group when the National CineMedia joint ventu formed in March.

The plan will be open to all industry exhibitors i as NCM's founding partners with the goal of driving down digital cinema costs through the sheer size of NCM's network of theaters.

"NCM's primary objective is to work with manufacturers to reduce the cost of digital cinema equipment through volume purchasing for NCM partners' 13,000 screens and other participating exhibitor screens," Hall said. "NCM will also seek to develop an efficient financing structure for the purchase of the digital cinema equipment that will be open to all capital sources and that will provide a



Posted: Wed., Aug. 16, 2006, 4:11pm PT

### Kodak snaps up loop deal Application will manage ads, ticket sales from one interface

By BEN FRITZ

Kodak has signed a deal with National CineMedia, the digital cinema joint venture of major exhibs AMC, Cinemark and Regal, to develop software to run all aspects of newly digitized theaters

Application, on which Kodak's digi already begun working, will mana advertising, trailers, movie presen sales from one interface. Currentl pre-show advertising systems or t from separate companies, they co software to manage their operatio

Kodak is developing the software specifications, which all but assur customer in the three parent chair screens if development goes well

Beta testing of the software is expi fourth quarter.



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Sep. 01, 2006

### Cineplex part of NCM digital plan

By Nicole Sperling  
National CineMedia an-nounced Thursday an exclusive agreement with Cineplex Entertainment, Canada's largest exhibition company, to be included in its digital-cinema initiative.

NCM, the digital venture of AMC Entertainment, Cinemark USA and Regal Entertainment Group, is developing a digital-cinema system design and acquisition program to bring down the costs of the systems with volume purchasing and shorten the time needed for installation. The program is being created to address the functional requirements of exhibitors and to create efficiencies in the implementation of the system. Cineplex said it is entering the association to investigate implementation of digital cinema in its theaters across Canada.

# NCM leads the Early Majority market

- Owned by Regal, AMC, & Cinemark
- ~14,500 screens
- With Cineplex deal, ~15,750 screens
- Will seek new features and a lower price point



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National CineMedia CEO Kurt Hall previously president and CEO at AMC, has been tapped to create a business plan for the major studio rollout with the major studios.

NCM, a joint venture of AMC Entertainment Group, Regal Entertainment Group, and Cinemark Group, is currently in the process of developing a financing company's transition.

Reid will work with NCM's executive vice president of operations, Travis Reid, and technology officer, who is responsible for the company's digital cinema business.

"The appointment of Travis Reid to our team is a key part of our effort to make digital cinema a reality. Reid will work with Tom Galley, NCM's executive vice president of operations, and technology officer, who is responsible for the company's digital cinema business.

"Over the past several months we have made great progress working on the preliminary architecture of a digital cinema system and now it is time to develop a detailed financial plan supported by the major studios."

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Application, on which Kodak's digital cinema already begun working, will manage advertising, trailers, movie presentation sales from one interface. Current pre-show advertising systems are from separate companies, they say, and software to manage their operations.

Kodak is developing the software specifications, which all but assure customer in the three parent companies if development goes well.

Beta testing of the software is expected to begin in the fourth quarter.

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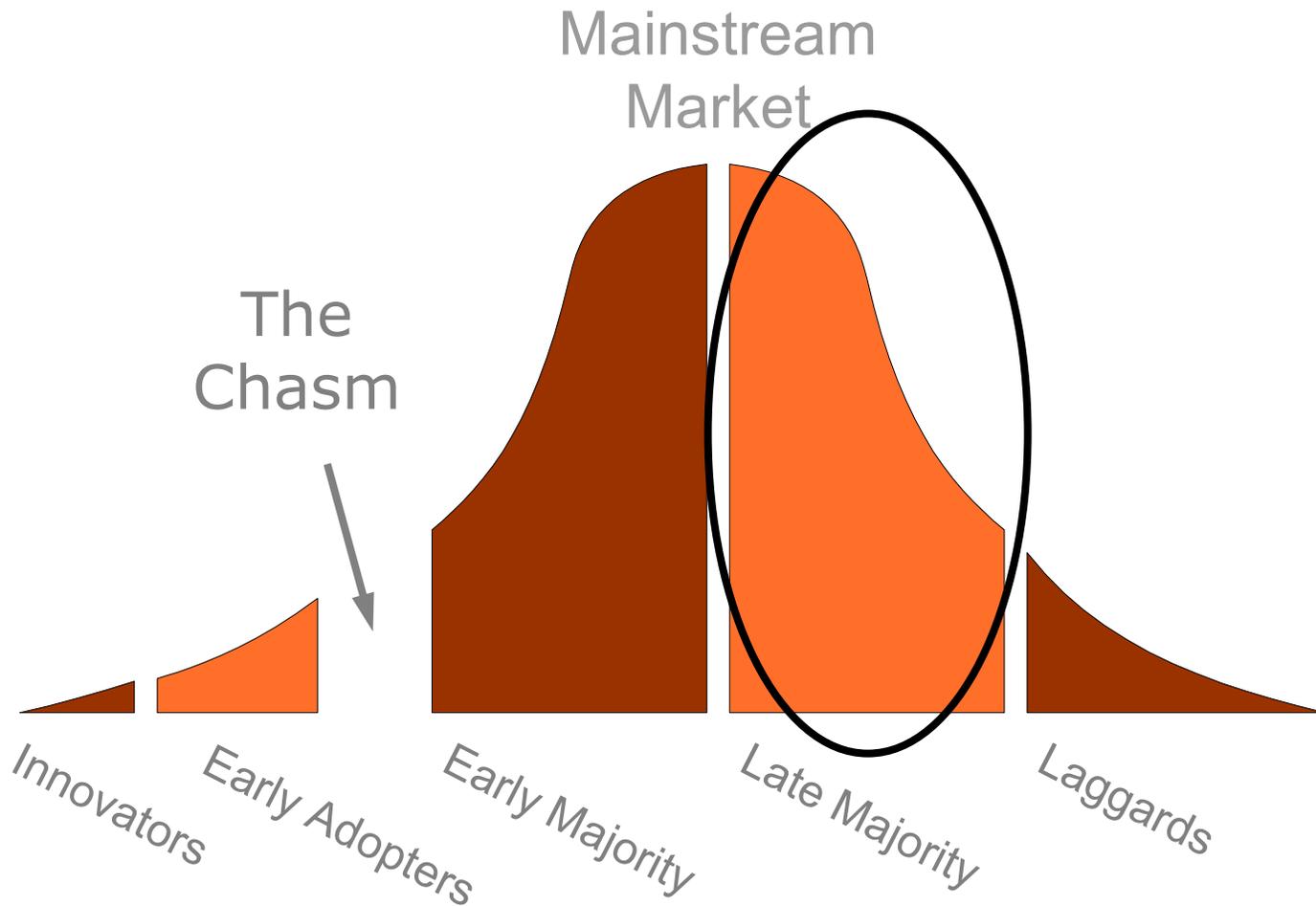
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# Don't forget the Late Majority...



# In Review

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- Success in selling to Early Adopters does not guarantee success in selling to the Mainstream market.
- Digital cinema manufacturers have yet another round of design to go to insure that exhibitors are getting the features they want, and the lowest cost system solution.
- Business issues remain to be solved before market confidence improves.
- When will digital cinema succeed in attracting the mainstream market? NCM says 2008.

