



THE NATIONAL ASSOCIATION
OF THEATRE OWNERS

NATO RELEASES KEY TOPIC POINTS FOR SHOWEST 2004

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Las Vegas, Nevada

John Fithian, president of the National Association of Theatre Owners, today released a brief description of key topic points for the 2004 ShoWest Convention.

2003 Produced Second-Largest North American Movie Admissions Since 1957

According to official MPAA and NATO tallies, 2003 produced another strong year for box office receipts. For theatre operators, perhaps even more important than total dollars, however, is that admissions were also strong. 1.574 billion people went to the movies in the United States in 2003. Though down 4% from 2002, 2003 still produced the second highest admissions year since 1957.

Canadian theatres also experienced strong attendance numbers. Admissions “up north” came in at 130.9 million, down a scant .3% from 2002. That means that U.S. and Canadian admissions combined for a North American total of 1.705 billion tickets sold.

The overall admissions trend since 1970 is very positive. Here are some U.S. admissions numbers over the past 34 years (in millions):

1970	920.6
1980	1,021.5
1990	1,188.6
2000	1,420.8
2001	1,487.3
2002	1,639.3
2003	1,574.0

Theatre admissions increased 71% from 1970 to 2003. During the same time frame, the U.S. population increased 43%.

John Fithian: “North American movie theatre attendance remains strong. The magic of the movies continues to provide a much needed escape from the pressures of the day.”

Domestic Screen Count Held Steady in 2003, While the Number of Sites Declined

Theatre company profitability depends both on the number of people coming to the movies, and the number of movie theatres serving those patrons. Exhibition must avoid the over screening problems that occurred in the late 1990s. During 2003, domestic screen count held steady while the number of sites declined. At the end of 2003, there were 35,774 screens at 6,060 U.S. sites. At the end of 2002, by comparison, there were 35,837 screens at 6,145 sites.

John Fithian: “In 2003, admissions remained strong and screen count did not increase. That is a good formula for theatre company profitability.”

Movie Ticket Prices Remain Affordable When Compared to Other Industries

Based on NATO’s survey of the majority of theatres in the country, the average movie ticket price in the U.S. for 2003 was \$6.03, up 4 percent from 2002. Movies remain the most affordable out-of-home entertainment, with the slowest growth in prices. Consider the ticket price increases over the past decade in several entertainment/sporting categories:

<u>Category</u>	<u>Average Ticket Price 2003</u>	<u>Ten year Percentage Increase</u>
Movies	\$6.03	45.7%
Broadway	\$63.11	51.2%
NBA	\$44.68	64.7%
Concerts	\$50.35	95.1% (seven years)
MLB	\$18.69	92.1%
NFL	\$52.95	85.1%

John Fithian: “Compared to other out-of-home entertainment options, movies remain more affordable and continue to experience slower increases in prices.”

Studios and Theatre Owners Coming Together on Digital Cinema

During the year 2003, studios and theatre owners continued to make progress in the historic transition from film to digital cinema. Through their “Digital Cinema Initiatives” joint venture, the major studios have come together with theatre owners and other interested parties to craft important specifications for the technology. In most areas, theatre owners support the DCI draft specifications. On the issue of digital cinema

security specifications, however, theatre owners raised serious concerns in December 2003. Now, DCI and NATO are charting a path to address those concerns. Perhaps most importantly, DCI has made substantial progress with business models for the transition.

John Fithian: “Theatre owners believe that the potential transition to digital cinema depends on the existence of fair business models, uniform technical specifications, and high quality. We are very encouraged that business models are finally coming together. We are also hopeful that studios and theatre owners can design digital cinema security specifications that will protect us against piracy without interfering with normal business operations within the cinema.”

NATO Tackles Piracy Head On

NATO and its members have undertaken important initiatives to combat movie piracy. Theatre companies are improving employee education and policies to detect and thwart piracy in the cinema. Theatre operators have exhibited anti-piracy trailer messages to the public in more than 5,000 theatres. NATO works with the MPAA to support federal and state legislation, as well as international trade policy, to protect movies against thievery. Anti-piracy initiatives will be a major theme at ShoWest 2004.

John Fithian: “NATO’s members have made the fight against movie piracy a much bigger priority for our association. Working with our studio partners, we aim to educate the public and our own employees about the harm caused by movie theft.”

NATO Supports the Environmentally Friendly Conversion to Cyan Dye Audio Tracks

Traditional film print sound tracks contain silver and create environmental hazards. New cyan dye tracks eliminate these environmental dangers. With the support of a unanimous NATO Board of Directors resolution, theatre owners have worked to install readers for the new prints. Now MGM and Disney have announced that they will begin to release all pictures in the new format.

John Fithian: “Theatre owners and studios have worked together to make the important conversion to new movie sound tracks that will provide significant environmental benefits. We are proud of this accomplishment.

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