

NATO RELEASES KEY TOPIC POINTS FOR SHOWEST 2003

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John Fithian, president of the National Association of Theatre Owners, today released a brief description of key topic points for the 2003 ShoWest Convention.

2002 Produced Largest North American Movie Admissions Since 1957

According to official MPAA and NATO tallies, 2002 produced another record-breaking year for box office receipts. For theatre operators, perhaps even more important than total dollars, however, is that admissions also came in at a record number. At 1.639 billion U.S. admissions, 2002 beat the previous year by 10.2 percent, for the best moviegoing year since 1957.

Canadian theatres also experienced significant gains. Admissions “up north” rose from 132 million in 2001 to 145 million in 2002, an increase of 9.8 percent. That means that U.S. and Canadian admissions combined for a North American total of 1.784 billion tickets sold.

John Fithian: “In a year of continuing economic malaise and serious geo-political stress, North Americans flocked to movie theatres in record numbers. The magic of the movies continues to provide a much needed escape from the pressures of the day.”

Family Friendly Films Drove Box Office

Part of the explanation for the success of 2002 comes from an important trend toward family friendly films – a trend strongly supported by NATO. The seven top films each grossed more than \$200 million and none were rated “R.” Indeed, none of the top 20 films, all of which grossed over \$100 million, were rated “R.” Only two pictures rated “R” grossed over \$100 million, and they came in 21st and 22nd respectively.

John Fithian: “Year after year the box office results tell an important story about movies and the ratings. Most family friendly films sell big. Most R-rated features do not.”

Domestic Screen Count Held Steady in 2002 While the Number of Sites Declined

Domestic screen count grew to well over 37,000 screens during the 1990s and into the year 2000. Beginning in mid-2000, U.S. exhibitors began to close older properties faster than they opened new ones. At the conclusion of 2001, total screen count stood at 35,459, located in 6,327 sites. During the year 2002, exhibitors held screen count

relatively stable, while decreasing the total number of sites. At year's end, there were 35,592 screens located at 6,134 sites.

John Fithian: "With 10 percent growth in admissions and a stable screen count, American exhibitors significantly improved their profitability in 2002."

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 2002 was \$5.80, up 2.5 percent from 2001. Movies remain the most affordable out-of-home entertainment, with the slowest growth in prices. Consider the ticket price increases last year in other entertainment venues. Average Broadway ticket prices increased 4.9 percent to \$58.73, NBA ticket prices went up 4.2 percent to \$43.65, music concert tickets shot up 6.2 percent to \$46.56, and NFL ticket prices increased 5.3 percent to \$50.02. Even Major League Baseball tickets increased 3.7 percent to an average price of \$18.30.

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 Come Together on Digital Cinema

The year 2002 marked a historic transition point in the industry's evolution 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. Also during the year 2002, exhibitors resisted immense pressure from some leading filmmakers, technology providers and others to implement digital cinema prematurely. Most importantly, this year DCI and NATO have begun discussions on the business issues involved.

John Fithian: "Theatre owners established certain principles for the transition to digital cinema. The quality must exceed that of film. The technology must be standardized. The costs must be proportional to the benefits. And proper planning must be made for the rollout. Not even George Lucas could force exhibitors to deviate from these principles. Now, digital cinema planning is coming together as it should. The fact that DCI and NATO have begun business talks represents a significant step forward."

For more information, contact:

John Fithian, President
National Association of Theatre Owners
North Hollywood, California
(818) 506-1778

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