Digital Cinema
An overview of the market
Monday, April 10, 2006

Glenn Wastyn
Market Director Digital Cinema
BARCO

glenn.wastyn@barco.com
+32 495 521 813

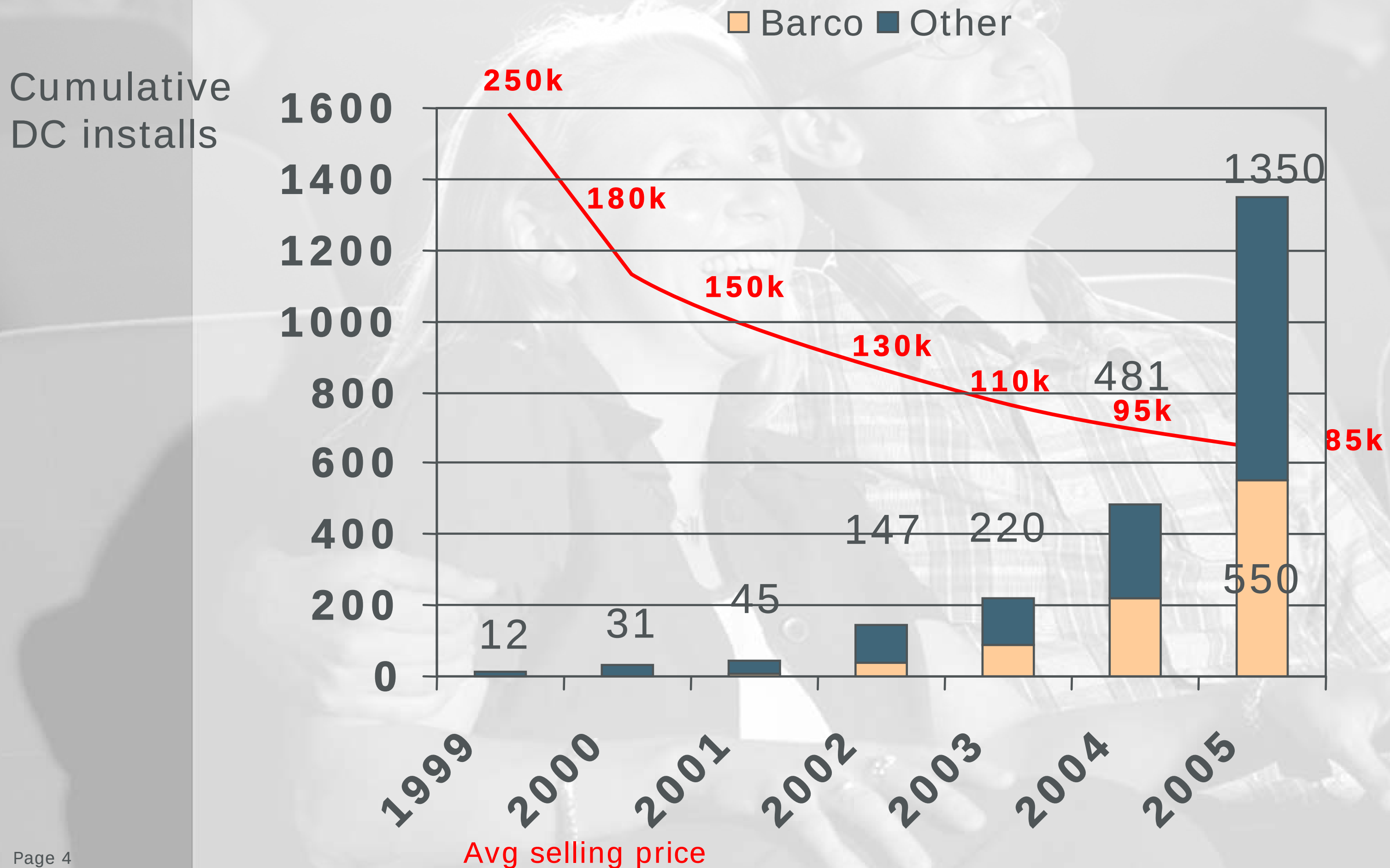
Agenda

- Original Assumptions 2005
- Review 2005
- Forecast 2006

Original Assumptions 2005

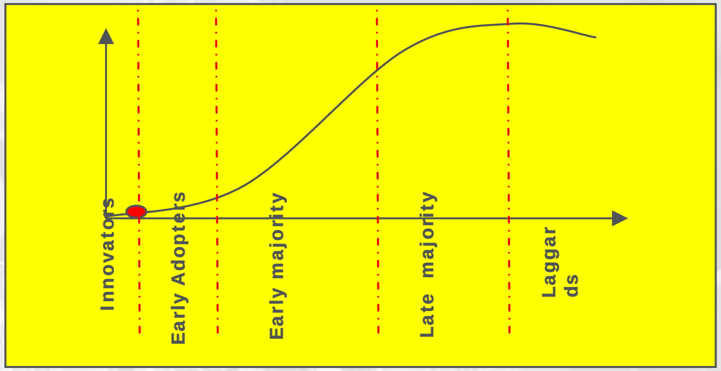
Market Assumptions 2005

- Total Available Market 2005 (TAM): +900 units (76M$) to 1350
- Market Share Barco: +/- 39% or +350 units (30M$) to 550
- Pricing down to 85K$



Market Assumptions 2005

- Market Readiness
  - Technologically Ready: 2K DLP Cinema
  - DCI finalizing
  - Financing structures unclear -> 2006/2007
- Product Life Cycle (PLC)



- Competition
  - Christie: price competition
  - NEC: ?will the DPI transfer have positive effect?
  - SONY: ? Stalling market with promise of 4K
- Recurring Sales:
  - 2004: 8% of customers generate 45% of business
  - 2005: bigger order sizes, by key early adopters
    - 2004: 55% single unit sales
    - 2005: assume sales size to go to 3-5 units average => focus
- Critical Success Factor = TRUST, SERVICE, PRICE
  - Cinema is trust industry (service is key)
  - Existing 35mm suppliers have proven relationship

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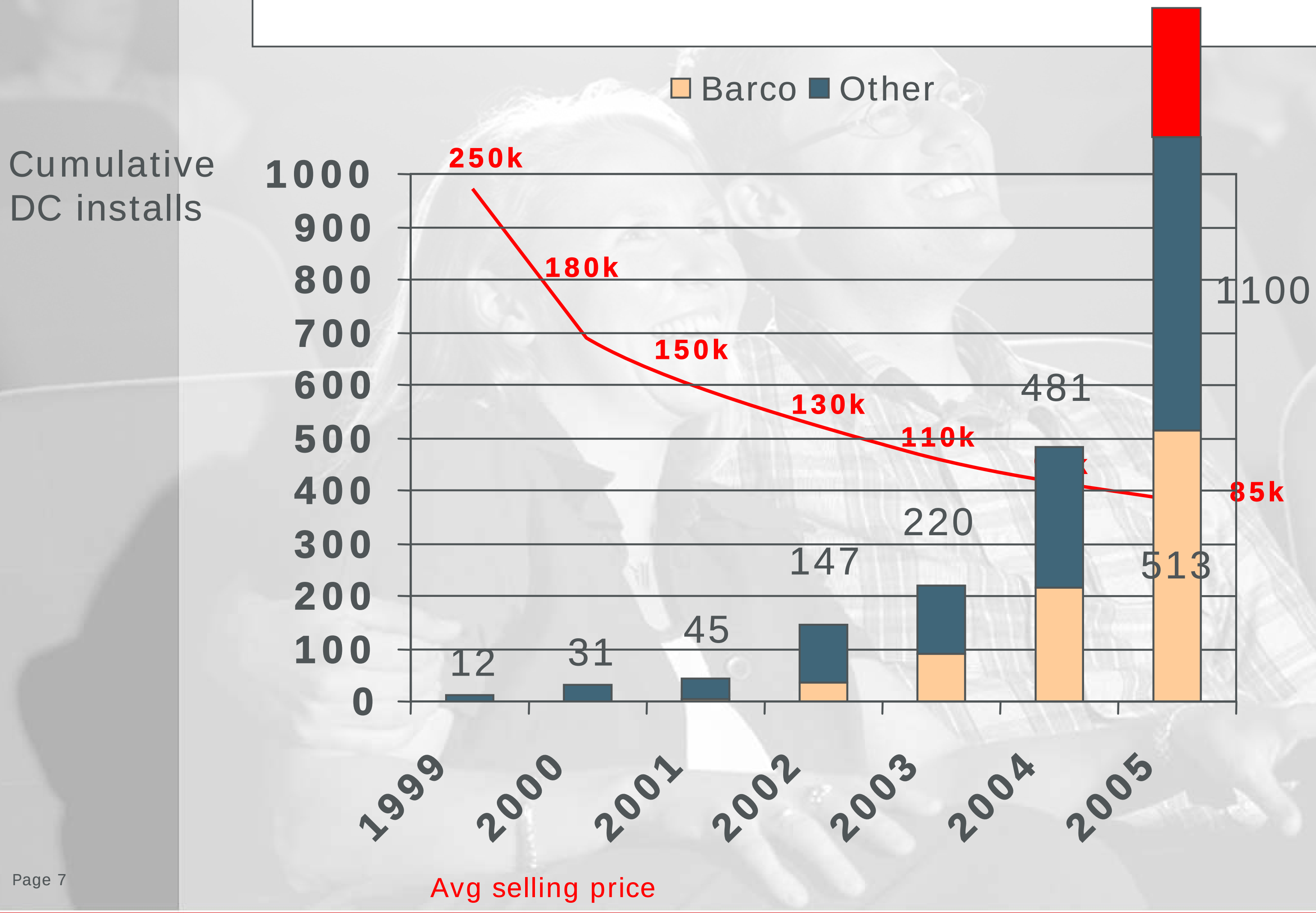
Review 2005

Market Review 2005

Assumption:

- Total Available Market (TAM): +900 units (76M$) to 1350



Market Review 2005

Assumption:

- Market Share Barco: +/- 39% or +350 units (30M$) to 550

Digital Cinema Global Market Status

October 2005 – DCinema Today

Continent	Barco			Christie			NEC			Totals		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
Asia	23	106	120	34	64	84	13	16	25	70	186	229
Europe	28	60	125	3	13	56	5	8	8	36	81	189
America's	36	51	94	73	128	205	30	34	22	139	213	321
Totals:	87	217	339	110	205	345	48	58	55	245	480	739
		45,2%	45,9%		42,7%	46,7%		12,1%	7,4%			

Remark:

• October 2005 : WW install base 739 2K DLP units
• December 2005 : WW install +1100 units of which 400 with Barco 2K (513 total DC DLP)

• Currently Barco produces 70 units/month
• We assume Christie does 70-100/month
• Therefore, MS% is relative
• Install base will have doubled in 5 months => MS could change rapidly

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Market Review 2005

Assumption:
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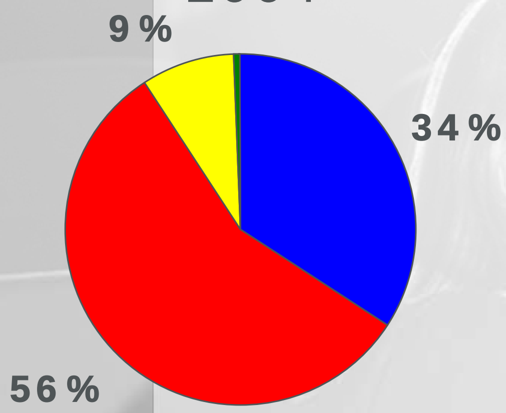
2004



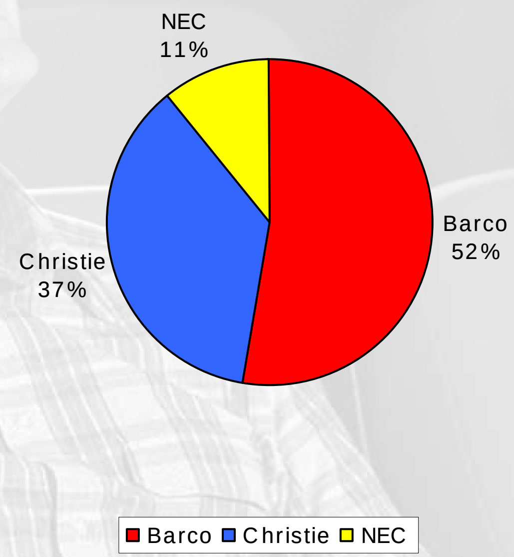
Asia

-4%

+3%

Total Asia

2005



- INCLUDED:
  - Korea

    CGV (17) ,
    not yet Dong Young (16) - DECEMBER
    not yet KODAK Australia (5) - DECEMBER

Includes Theaters, Screening Rooms and Post

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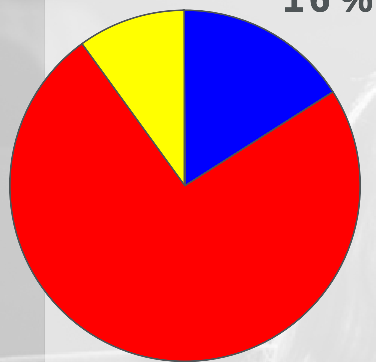
Digital Cinema Global Market Status

2004

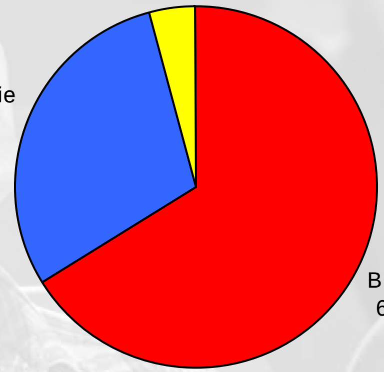


Europe

-8%

+14%

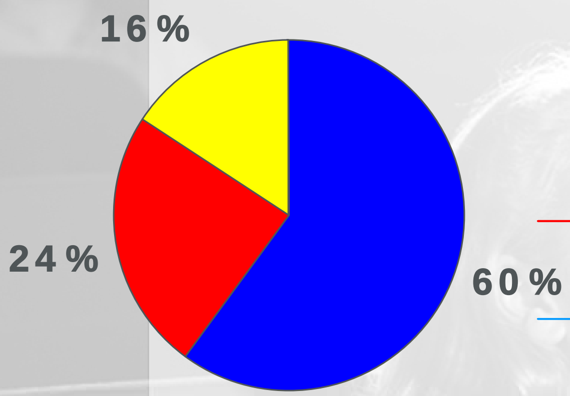
Total EU
2005



- INCLUDED ? :
  - XDC rentals (40) ,
    not Cinemeccanica (+45) -

Digital Cinema Global Market Status

2004



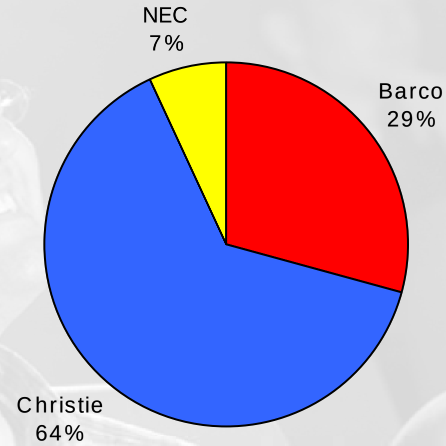
America's

+5%

+4%

Total US

2005



- INCLUDED ? :
  - Dolby roll-out
  - Dolby roll-out

Market Review 2005

Assumption:

- Market Readiness
  - **Technologically Ready: 2K DLP Cinema**
  - **DCI finalizing**
  - **Financing structures unclear -> 2006/2007**

– **Technologically Ready: 2K DLP Cinema (install base +739)**

– **DCI 1.0 (JULY 20th, 2005)**

- 2K/4K standard

=> DCI compliant projectors (HW) by May 2006

– **Financing structures crystallizing -> 2005**

- XDC
- AIX/Christie
- Dolby 3D Roll Out in North America
- Kodak 3D roll out in Australia
- Many Banks and Venture Capitalist are investigating this market, as it is now clear it is coming fast -> Innovating market evolves in early adopters.

Market Review 2005

Assumption:

- Recurring Sales:
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– Key projects 2005

- XDC (EU)+**50** units
- Dolby (USA) +**32** units
- Cinemeccanica (EU) +**50** units
- Cinetech (PRC)+**20** units
- Dong Young (KOREA) +**40** units
- BTS (UK) +**10** units

202 units (+/-60%) with 6 customers

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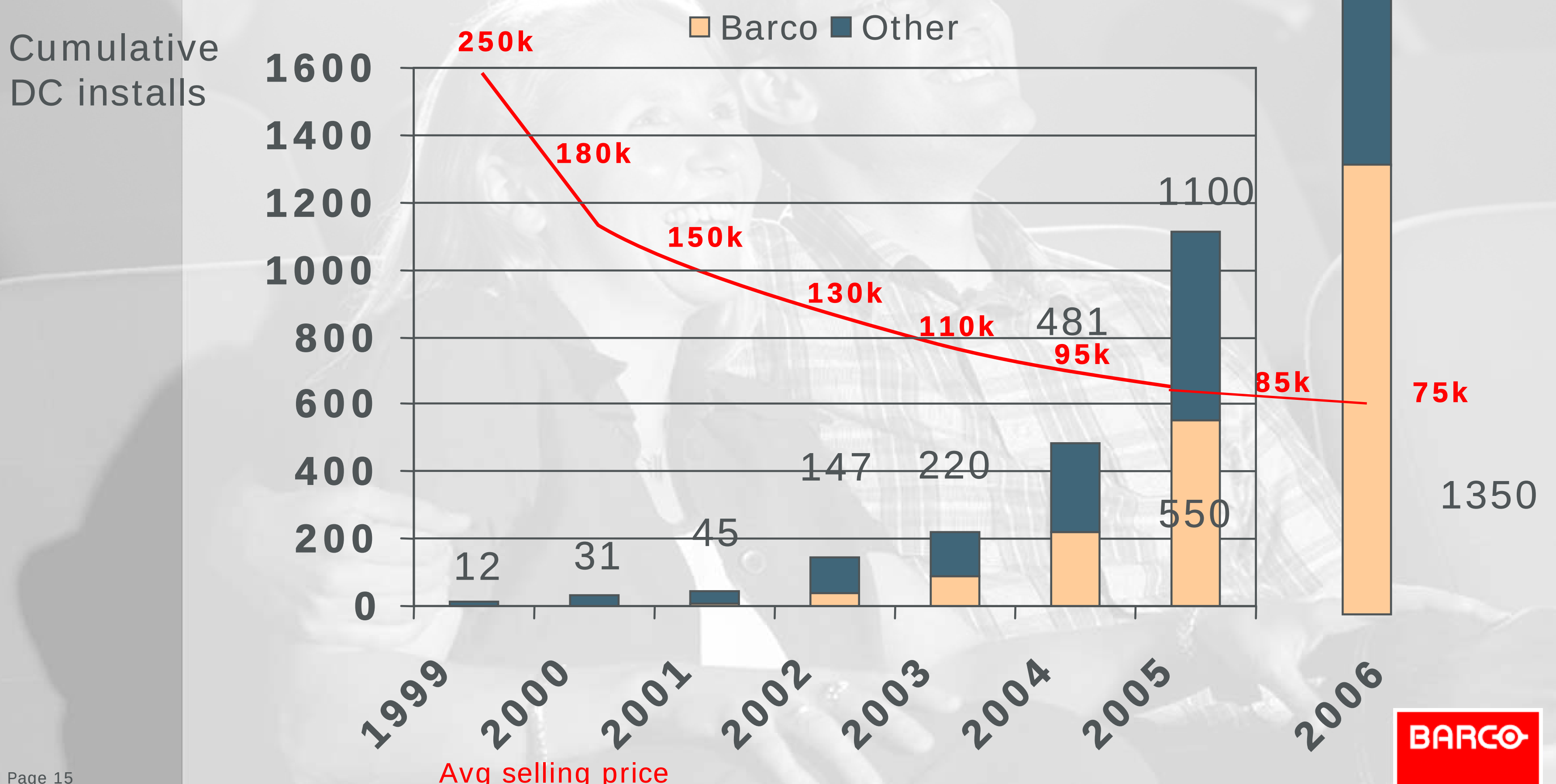
Market Assumptions 2006

Market Assumptions 2006

- Total Available Market 2006 (TAM): +2000-2500 units
- Market Share Barco: +/- 39% or +800 units 1350
- MS=43%-38%
- Pricing down to +/-75K$



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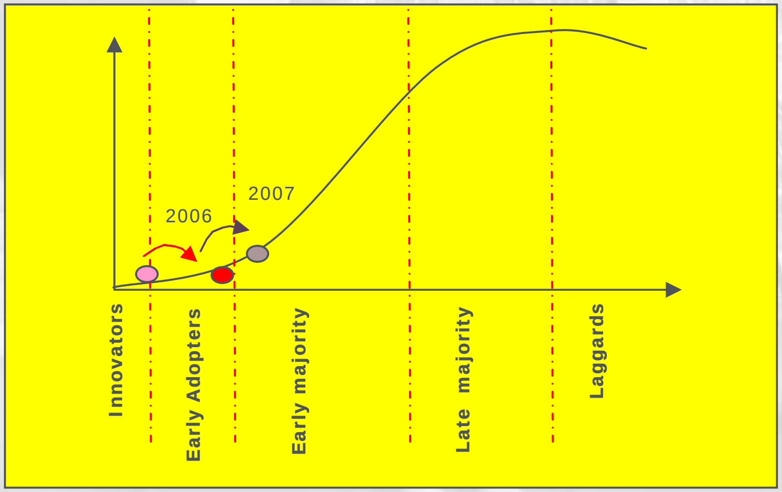
Market Assumptions 2006

- Market Readiness Customers
  - **Technology & DCI standards = OK**
  - **Financing models : Projects test bed finalized**

USA (Q1/2)	**EUROPE (=)**	**ASIA (Q2/4)**
Technicolor	XDC	CFG/Alfa Spacecom
AIX/Christie	Éclair	SINO-I
Regal	AAM	Cinetech
Dolby	UNIQUE	Warner
Kodak	UK chains	Kodak

- Product Life Cycle (PLC)



Market Assumptions 2006

- Competition
  - **DLP versus LCOS**
    - Total Cost of Ownership higher with LCOS
      - 2 lamps instead of one (5GBP/h <-> 0,47GBP/h with DLP)
      - New lamp house every 4 lamps refurbishments
      - Consumable LCD panels
    - Non-DCI compliant
      - 10 bit processing instead of required 12 bit
      - No color and brightness uniformity at DCI specs
        - » Play for an hour to equalize color uniformity -> cost
    - Availability standard servers?
      - No Cinelink
      - ⇒ only SONY proprietary servers, not existing servers
        - ⇒ No Doremi
        - ⇒ No Dolby
        - ⇒ No Kodak
        - ⇒ No EVS/XDC

      => no content

Market Assumptions 2006

- Competition
  - **Amongst DLP partners**
    - Price
      - Same technology, +/- same prices
    - Image quality
      - Short term: Same technology, same starting point quality
      - Long term: Design cuts (lower purchase cost) influence TCO and long term Q
        - » Heat (cooling air or liquid; peltier elements?)
        - » Dust (sealing engine)
    - Service
      - Modularity of projector, defines ease of service -> cost
        - » Lamp house (lower down time, 2D-3D changeover)
        - » Modular engine (fast repairs)
        - » Easy Convergence
    - Support
      - Availability of support
        - » proprietary supplier teams
        - » local trusted 3rd party (35mm dealers)
      - Software support
        - » Ease of remote Access
        - » Proprietary or open SNMP software (NOC)
    - Capacity
      - Currently Christie and Barco 70-100/month
      - Barco max. capacity : 300/month

Market Assumptions 2006

- Recurring Sales:
  - **2005: bigger order sizes, by key early adopters**
  - **2006:**
    - USA:
      - test beds Q2 + Start roll-out Q4
    - EU:
      - evenly spread per quarter
      - Gradual, steady growth towards 2007
    - ASIA:
      - Korea highly innovative leaping into DC
      - China and Taiwan waiting for external money
      - Australia via advertising networks or 3D.

Thank you

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