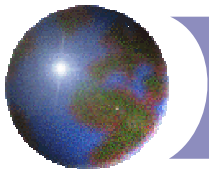


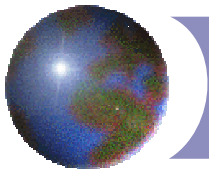
Profile of the Canadian Film and Television Production Industry

Dustin Chodorowicz
Nordicity Group Ltd.



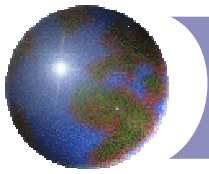
About Nordicity Group Ltd.

- ◆ Business and technology solutions for communications and media companies
- ◆ Economic and policy analysis for public and private sectors
- ◆ Offices: Toronto and Ottawa
- ◆ Clients: Canada, Singapore, Caribbean, Africa, Europe
- ◆ www.nordicity.com



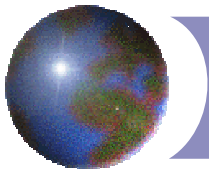
Origins of TV Production in Canada are with the CBC

- ◆ Up to the early 1980s, Canadian TV production was principally the responsibility of the CBC
 - CBC used public funds to produce 'culturally' relevant programming, without consideration of market forces or viewership
 - Private broadcasters could not generally finance Canadian programming
 - ◆ News and sports are an exception, due to consumer appeal

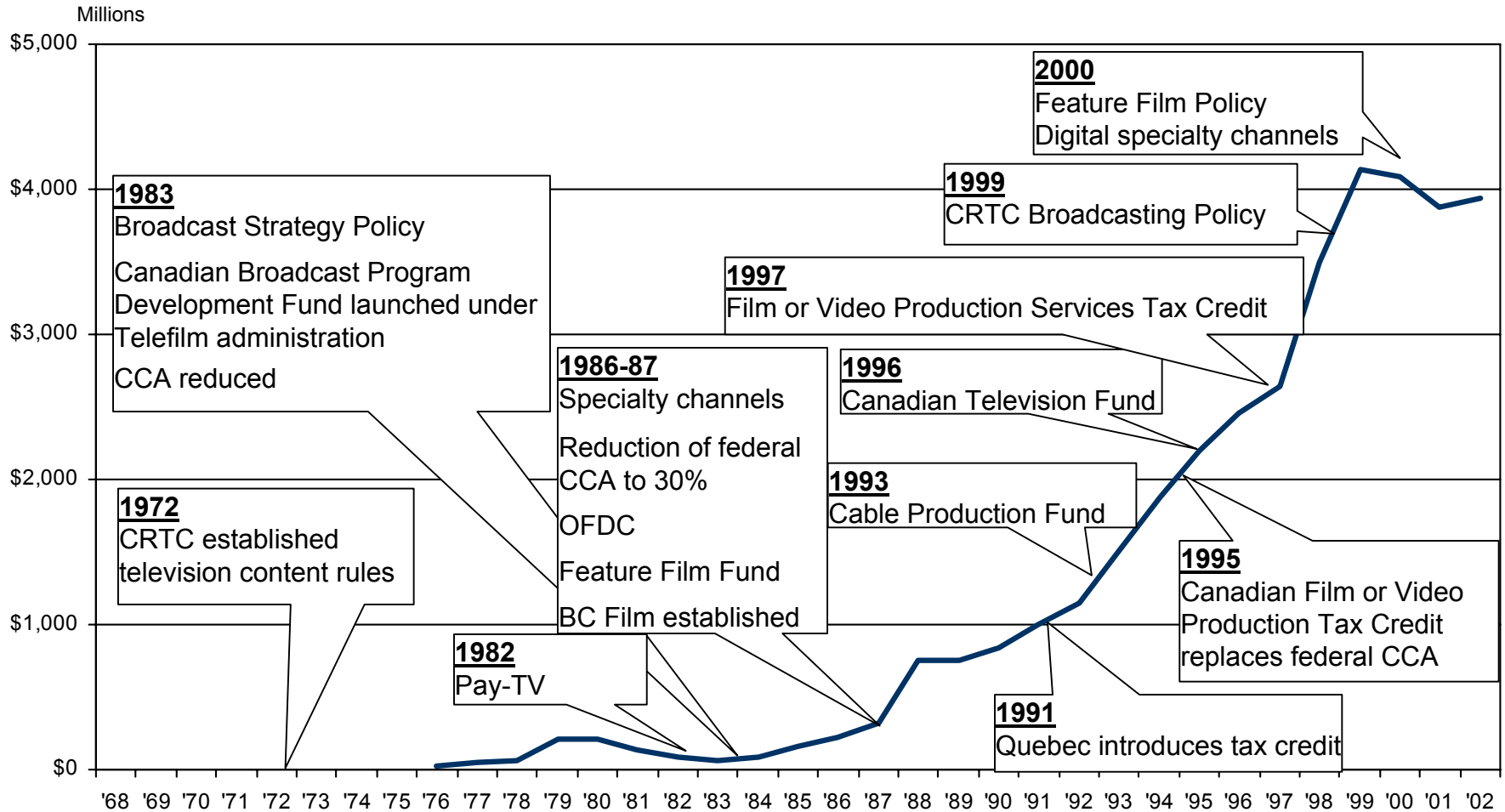


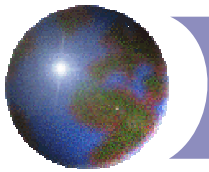
Market forces and shift in public policy established a Canadian independent production sector

- ◆ In the 1980s, public policy shifted from cultural to economic to create an independent production sector
 - CBC funding consistently declined
 - Production funds and tax credits were established to assist the independent production sector
- ◆ Other industry developments assisted in the growth of the independent production sector
 - Canadian specialty and pay TV sector
 - US cable TV
 - US syndication market



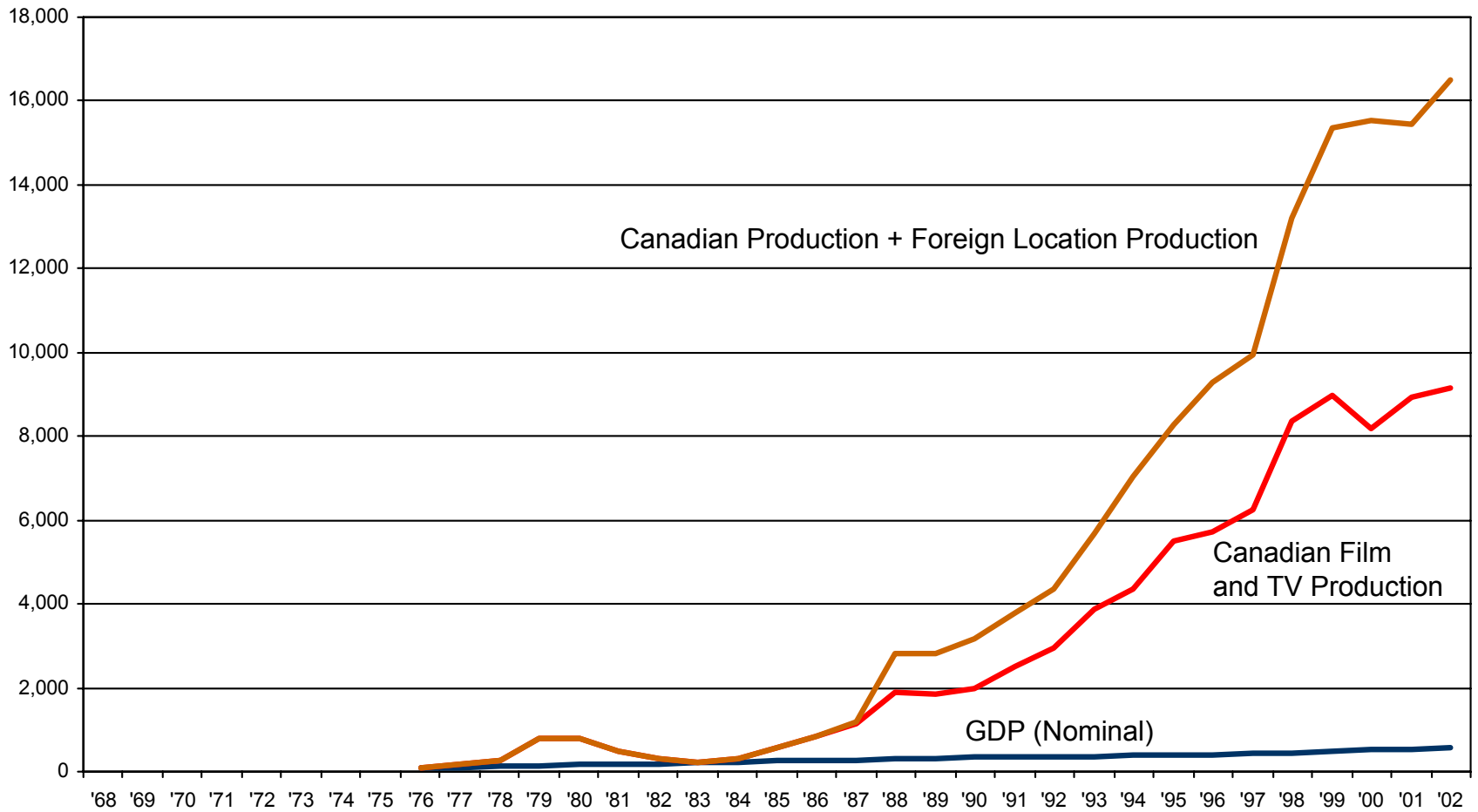
Independent Production in Canada

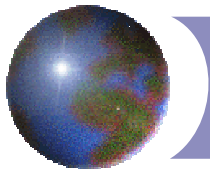




Independent Production in Canada

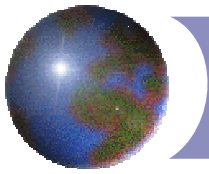
1976 = 100





Economics of Canadian Programming for Broadcasters

	CDN Series Int'l Focus	CDN Series Cdn Focus	US Series
Net/Revenue/Hour	\$ 120,000	\$ 125,000	\$ 200,000
Program Cost/Hour	\$ 100,000	\$ 200,000	\$ 80,000
Margin	\$ 20,000	-\$75,000	\$ 120,000



Production Financing in Canada

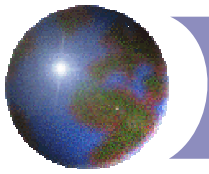
Sources of Production Financing

English-Language Market

Broadcaster Advance	23%
Tax Credits	19%
Distributor	10%
Foreign	21%
Canadian Television Fund	13%
Other Private	9%
Other Public	5%
Total	100%

French-Language Market

Broadcaster Advance	41%
Tax Credits	24%
Distributor	1%
Foreign	1%
Canadian Television Fund	20%
Other Private	5%
Other Public	7%
Total	100%



Production Financing in Canada

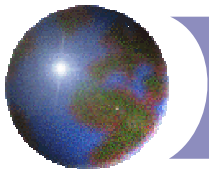
Average Production Budgets, 2001-02 **(Canadian Television Fund productions only)**

English-Language Market

Drama	\$793,000 /hour
Children's	\$480,000 /hour
Documentary	\$198,000 /hour
Perf. Arts/Variety	\$228,000 /hour

French-Language Market

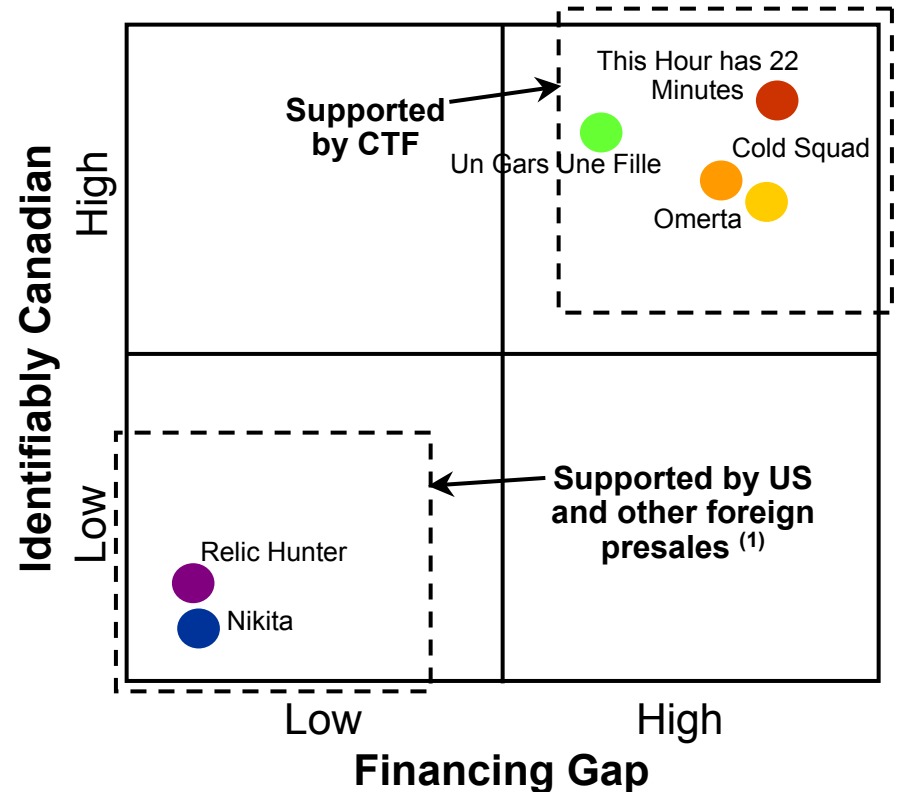
Drama	\$286,000 /hour
Children's	\$114,000 /hour
Documentary	\$136,000 /hour
Perf. Arts/Variety	\$100,000 /hour



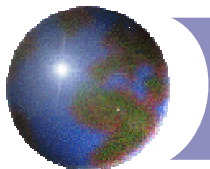
Production Financing in Canada

- ◆ Producers can only expect to get a 25% presale from broadcasters for Canadian productions due to the size of Canadian TV audiences from which to reap a return.
- ◆ In order to cover the remaining 75% financing gap, Canadian producers must turn to a combination of support mechanisms or foreign markets, but they generally cannot do both.
- ◆ Foreign investment helps sustain production in Canada for economic goals, but doesn't satisfy cultural goals that seek the development of 'Canadian stories'.

Reality of Financing Canadian Productions

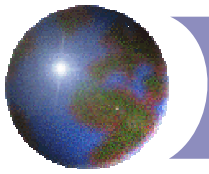


(1) Not a viable model for French-language production.



Key Segments

Segment	Description	Examples
In-House Broadcaster Production	<ul style="list-style-type: none">◆ Television programs produced by broadcasters primarily with internal production resources	News, Sports <i>Hockey Night in Canada</i>
CAVCO Production	<ul style="list-style-type: none">◆ Productions certified as Canadian content by the Canadian Audio-visual Certification Office (CAVCO)◆ 6/10 to 10/10 CAVCO points◆ Canadian producer holds copyright◆ 75% of budget spent in Canada	<i>This Hour has 22 Minutes</i> <i>Cold Squad</i> <i>Degrassi</i> <i>DaVinci's Inquest</i> <i>Lexx</i> <i>Bob & Margaret</i>
Non-CAVCO Production	<ul style="list-style-type: none">◆ Productions certified as Canadian content by the CRTC rather than CAVCO	
Foreign Location Production	<ul style="list-style-type: none">◆ Mostly comprised of Canadian companies that rent production facilities, equipment, and technical expertise primarily to U.S. producers who film productions in Canada◆ Foreign producer often retains the copyright	<i>Chicago</i> <i>The Score</i> <i>The Shipping News</i>

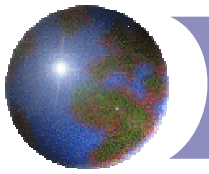


National Industry Highlights 2002/2003

- ◆ \$4.9 billion in total production
 - 4% growth rate
 - Slower growth rate compared to average annual growth in last 5 years of 9%

- ◆ \$1.9 billion in foreign location shooting
 - 8% growth

- ◆ \$1.8 billion in CAVCO certified production
 - 0% growth rate

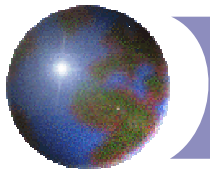


National Industry Highlights

2001/2002 (cont'd)

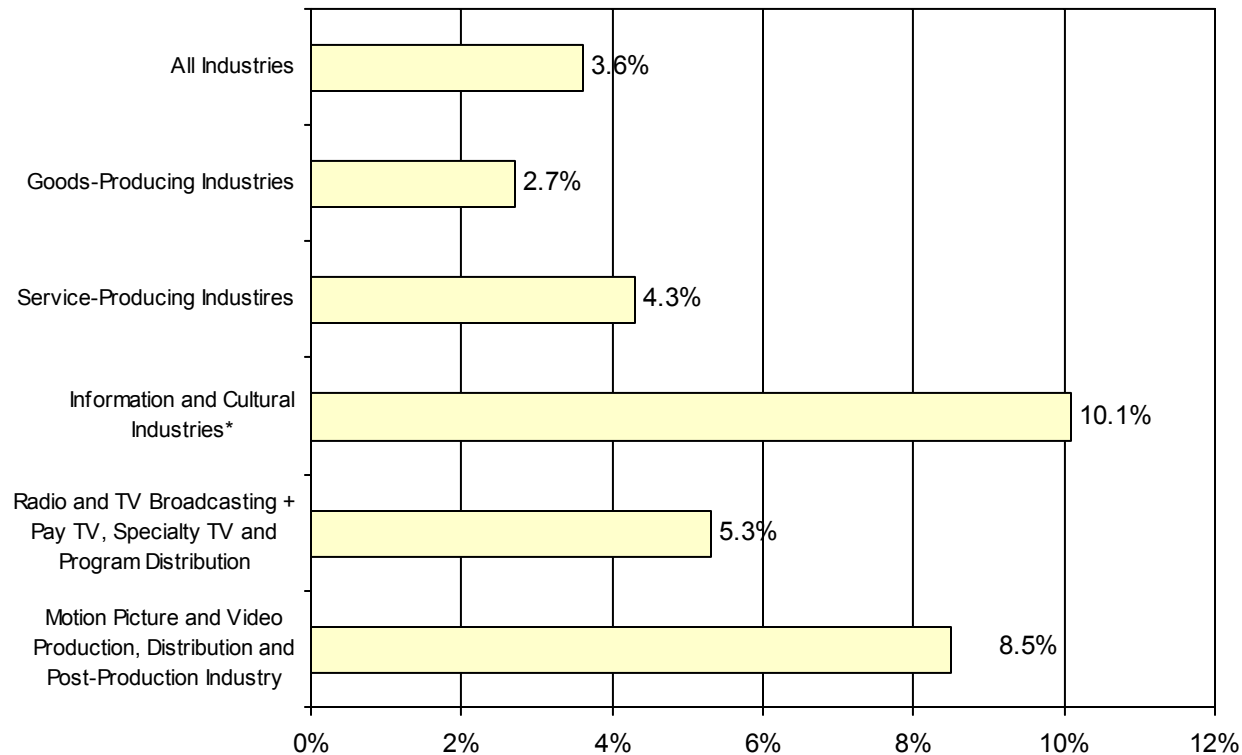
- ◆ Real growth of sector by GDP was 8.5%*
- ◆ 133,400 total direct and indirect jobs
- ◆ Export value of Canadian productions declined to \$2.4 billion

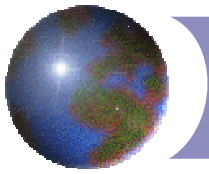
* Compound annual growth rate, 1997 to 2002



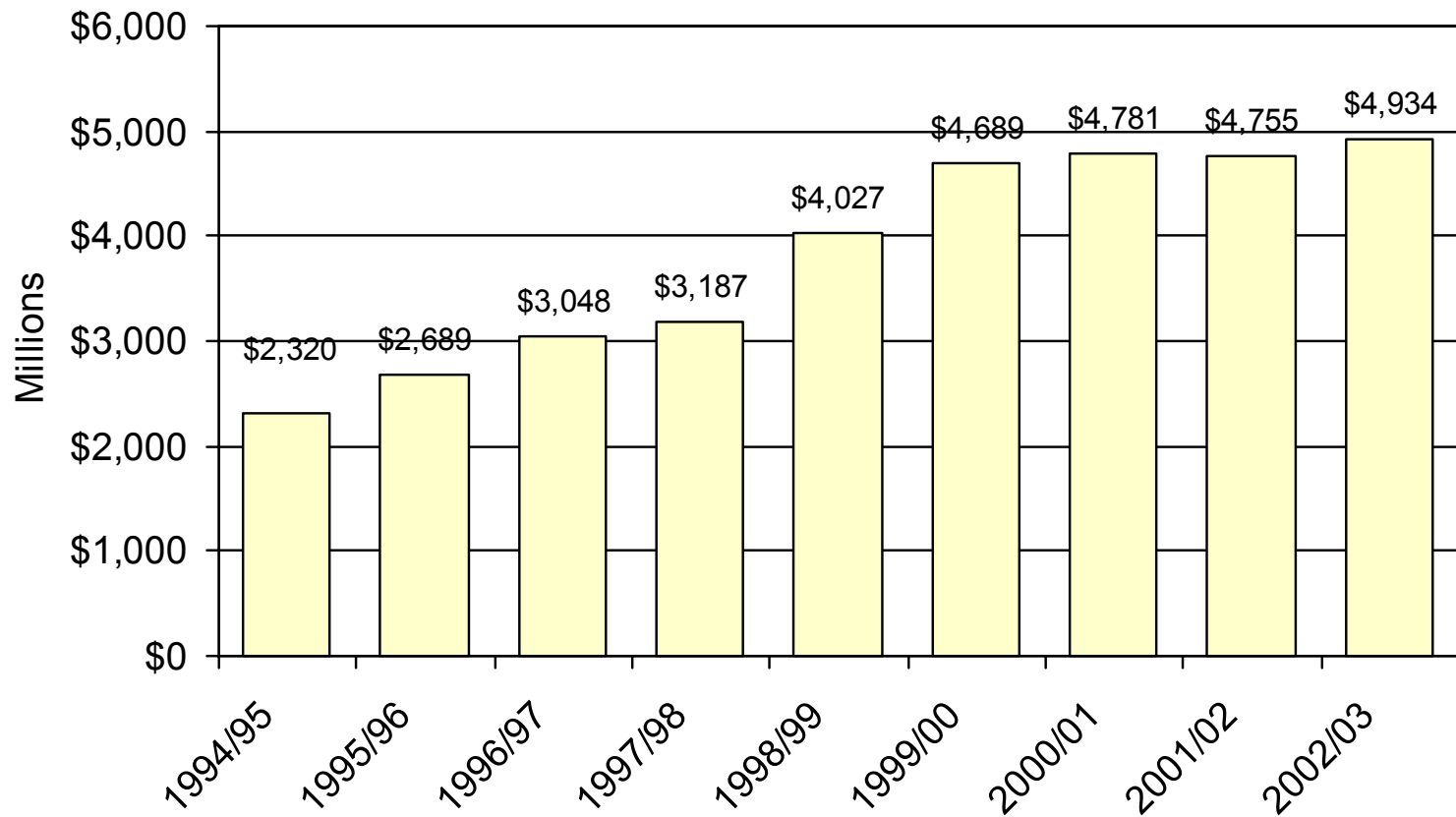
GDP by Industry Sector

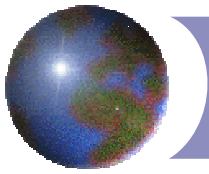
Average Annual Growth, 1997 to 2002



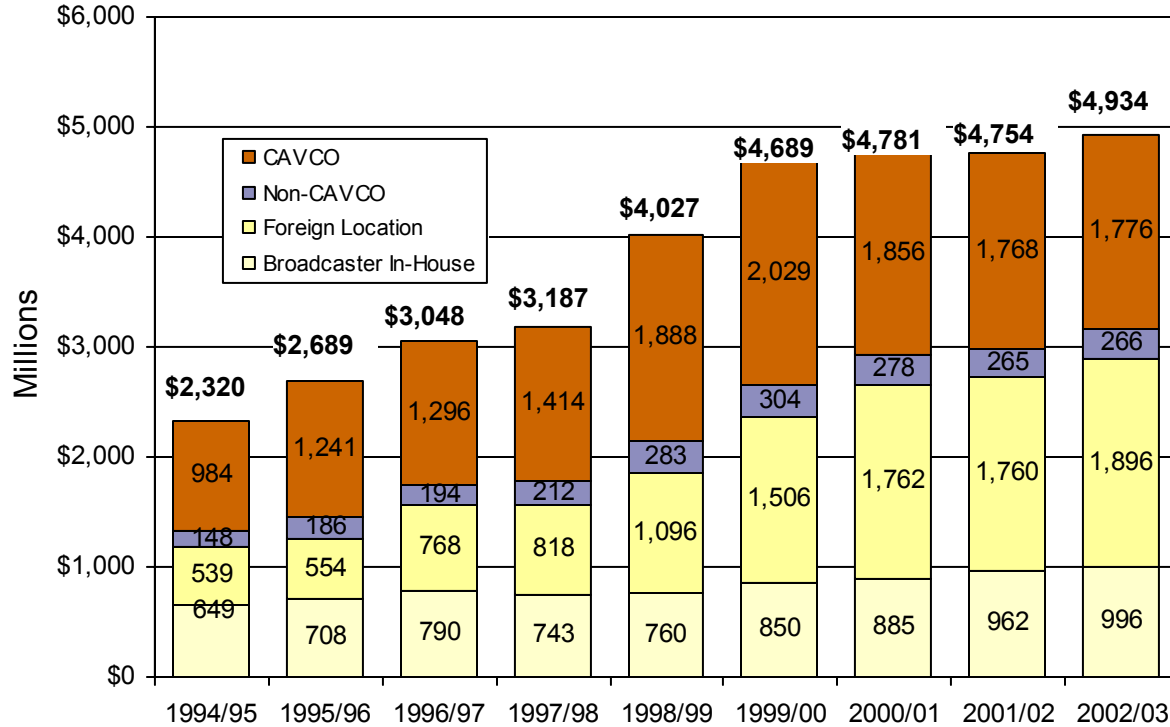


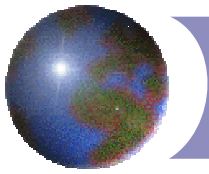
Total Canadian Film and Television Production Volume



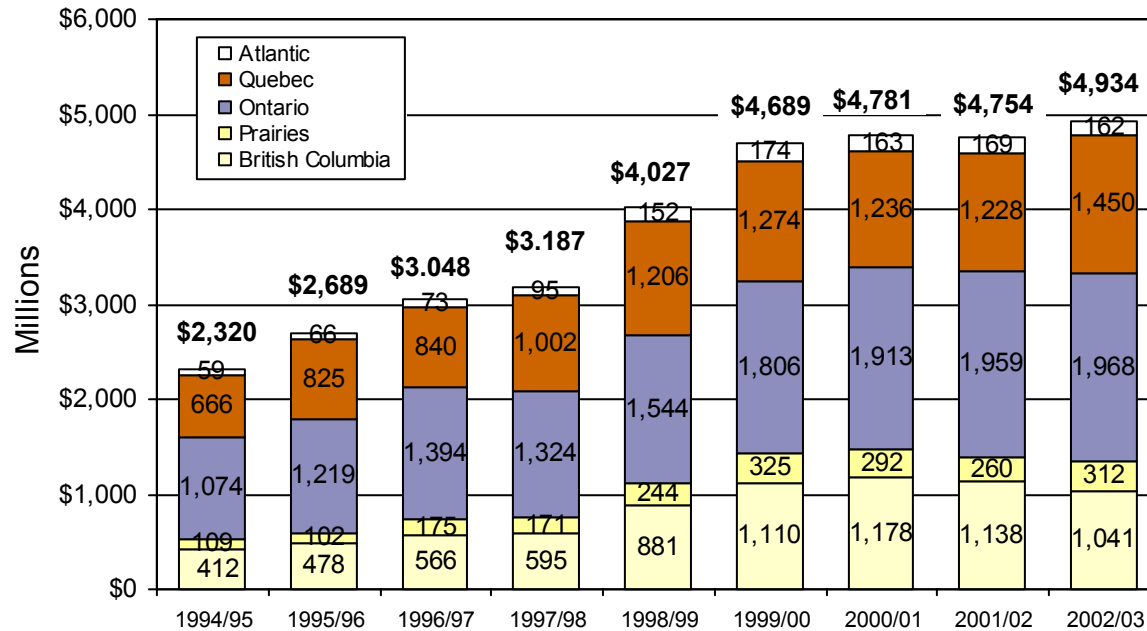


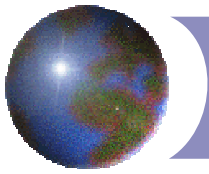
Production Volume by Sector



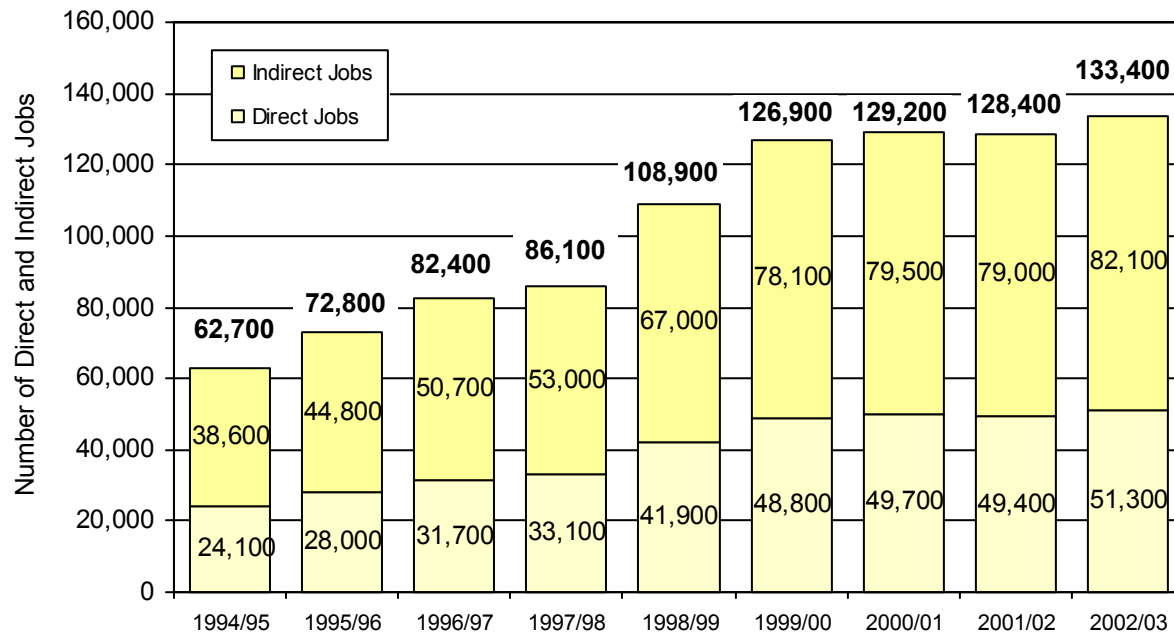


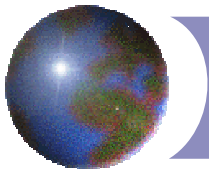
Regional Production



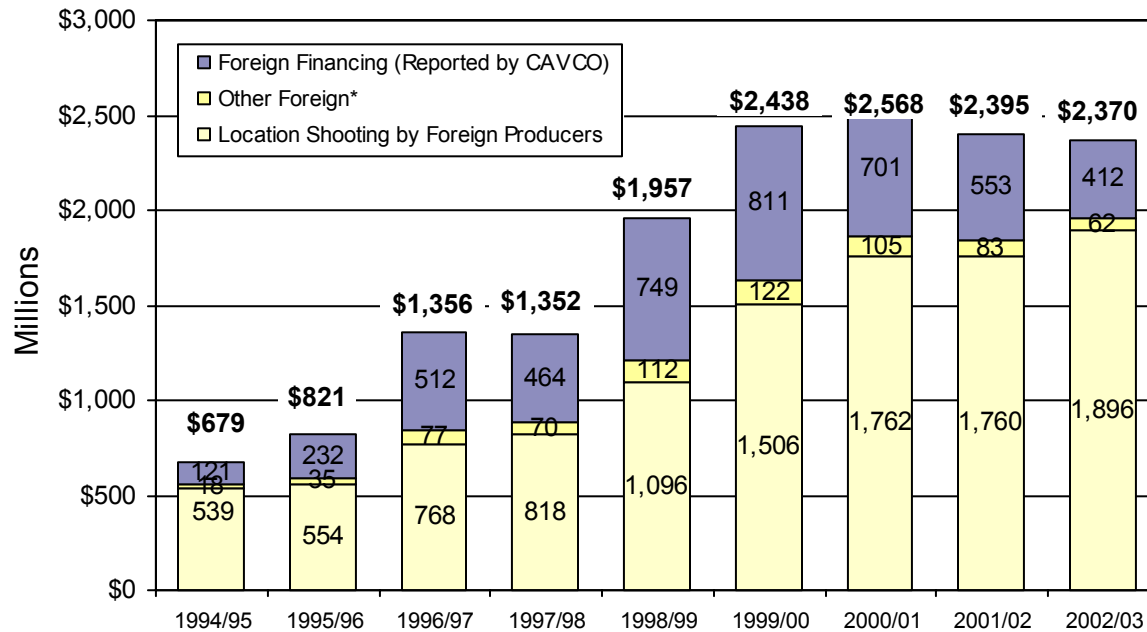


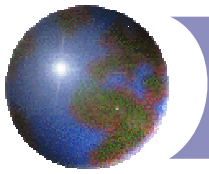
National Employment



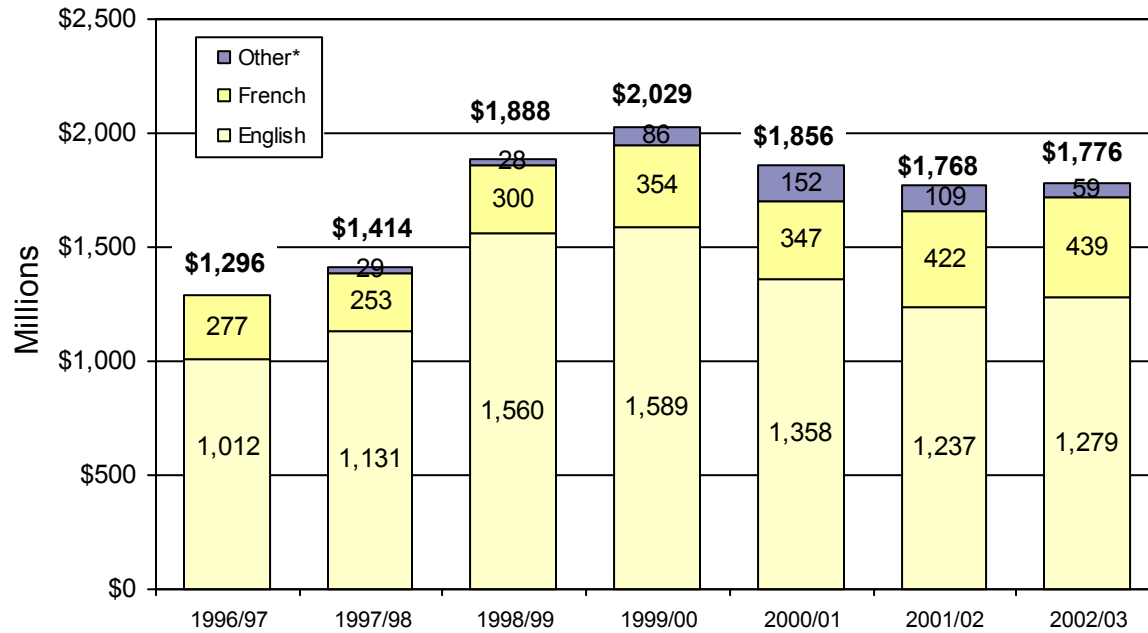


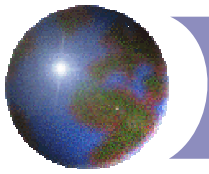
Export Value



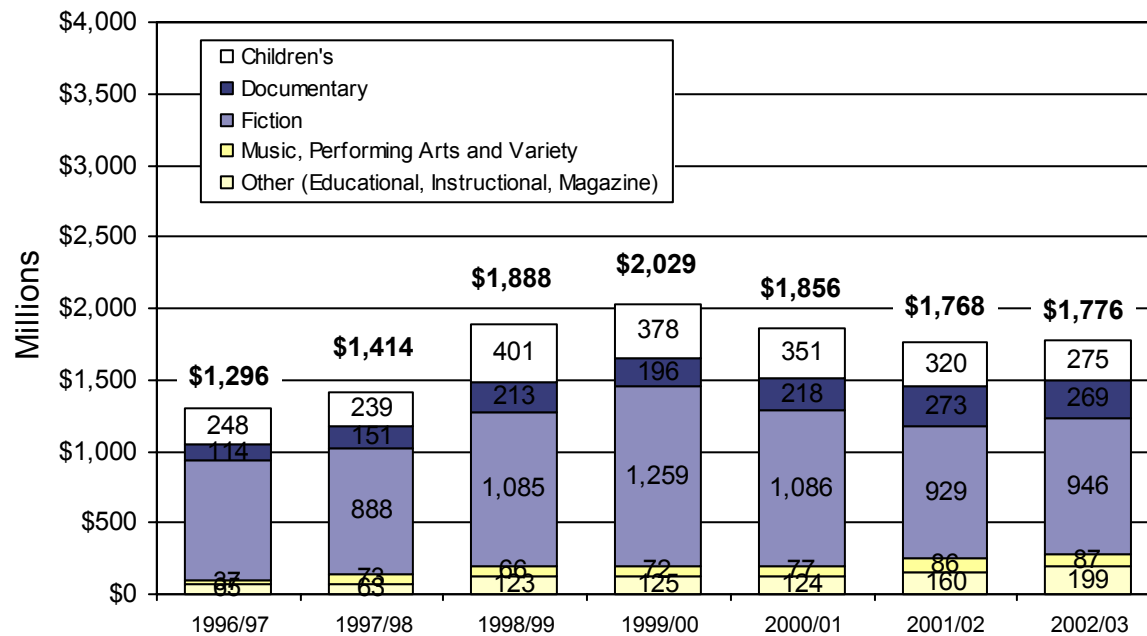


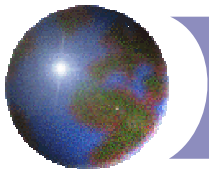
Production Volume by Language



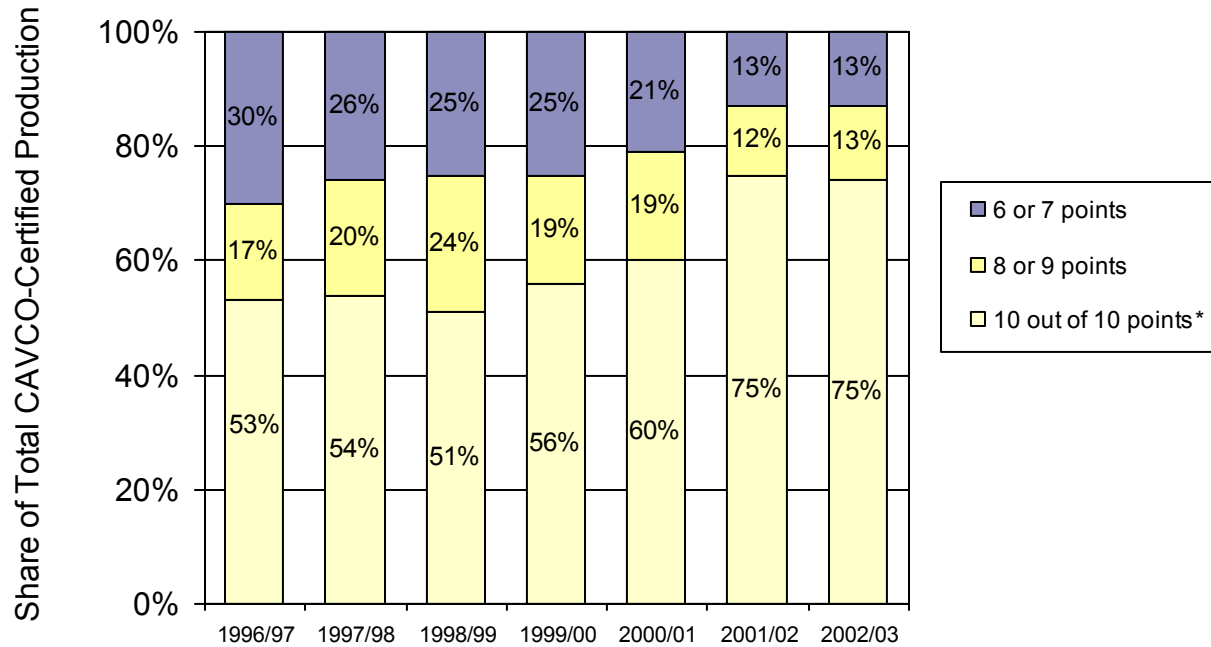


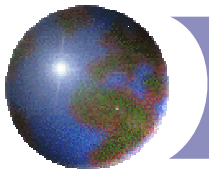
CAVCO Certified Production by Genre



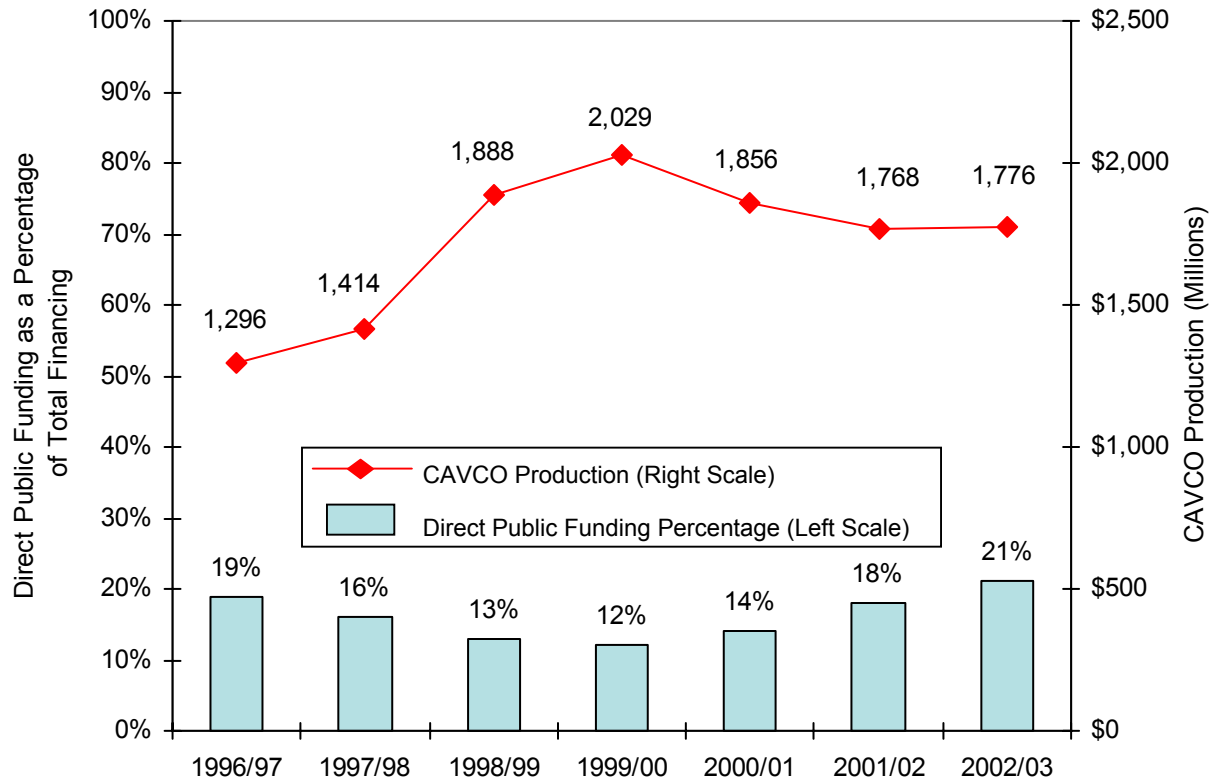


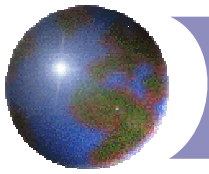
CAVCO Certified Production by Points



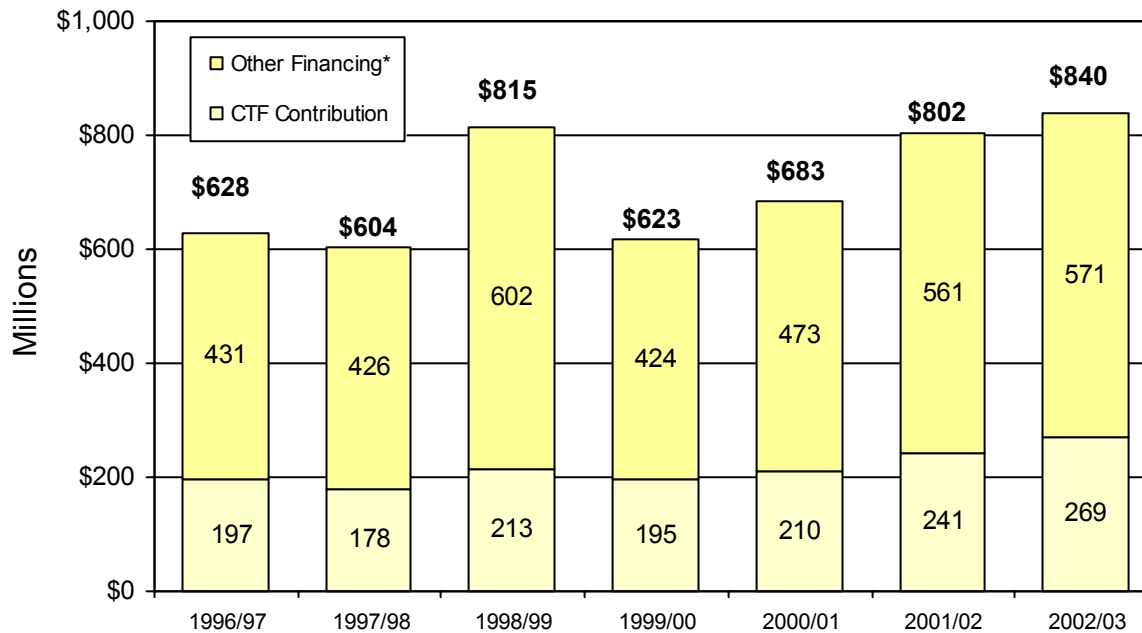


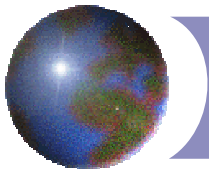
Direct public funding of CAVCO production



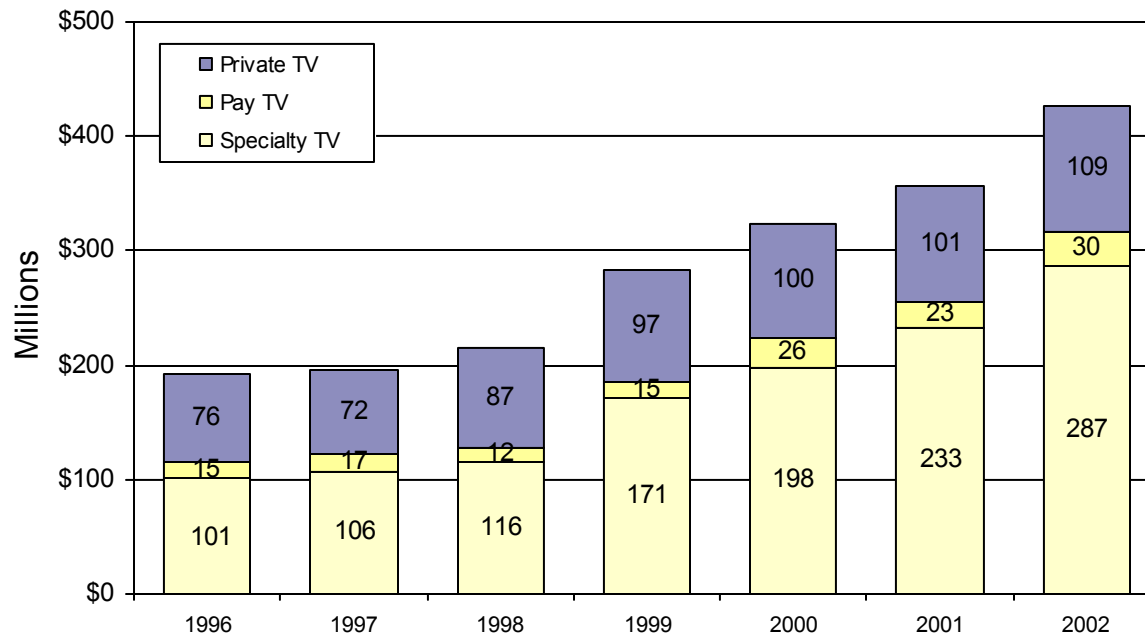


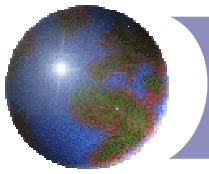
CTF-Supported Production



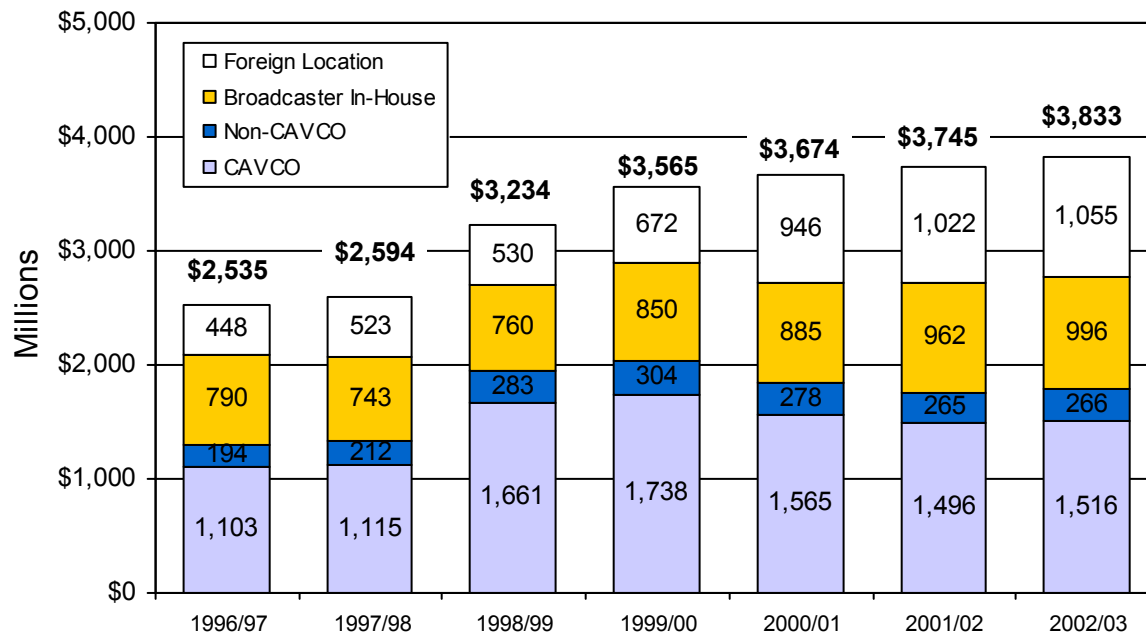


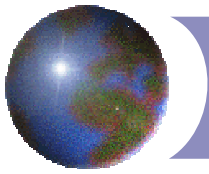
Private, Specialty and Pay TV Spending on Canadian Independent Production



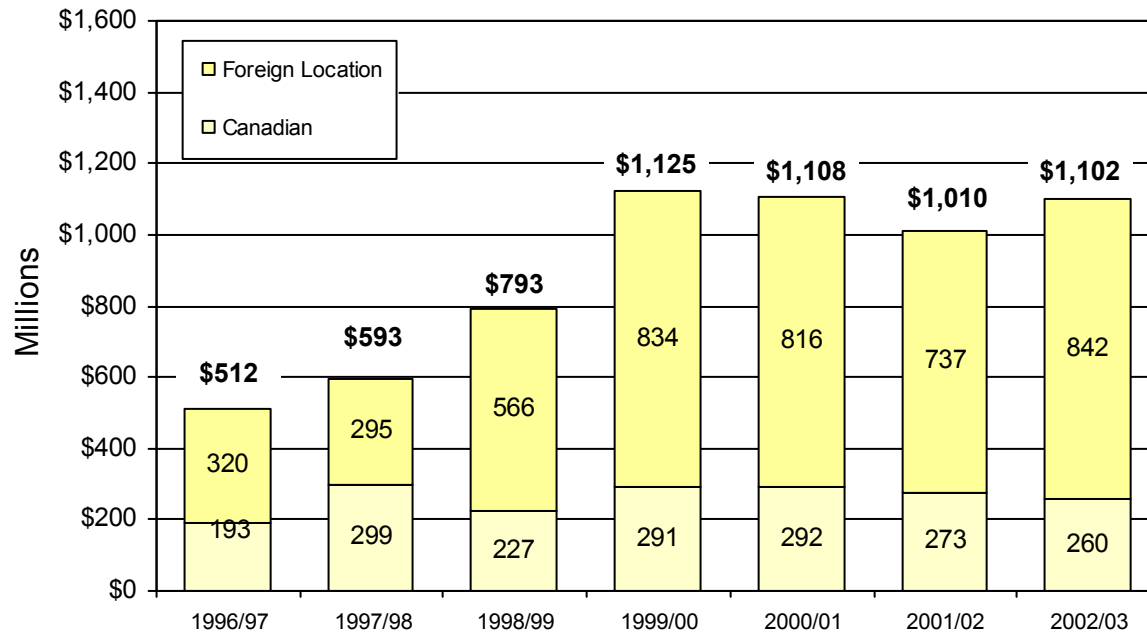


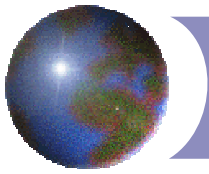
Volume of Television Production by Sector



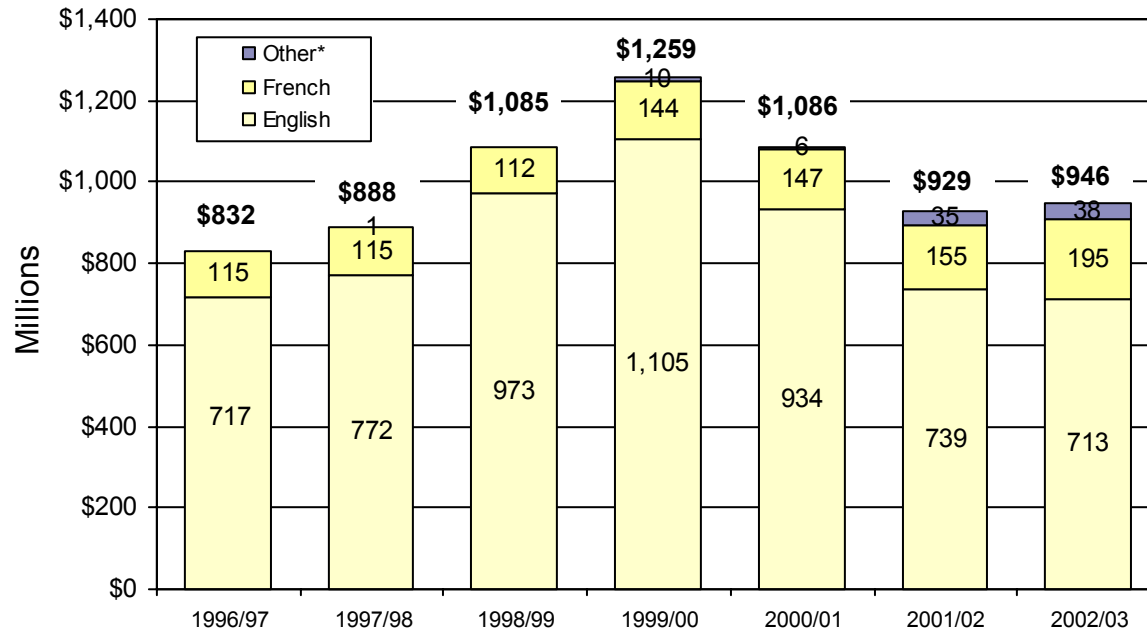


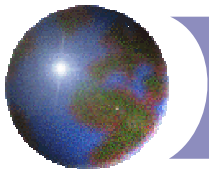
Volume of Theatrical Production by Sector



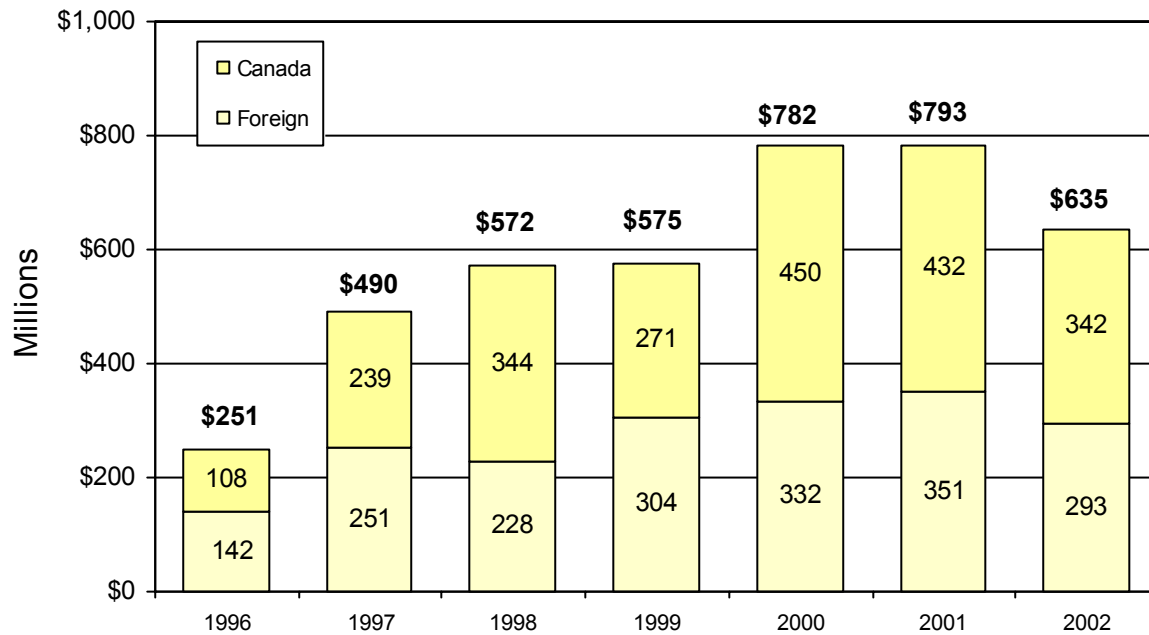


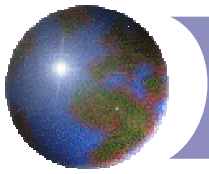
Volume of CAVCO-Certified Fiction Production



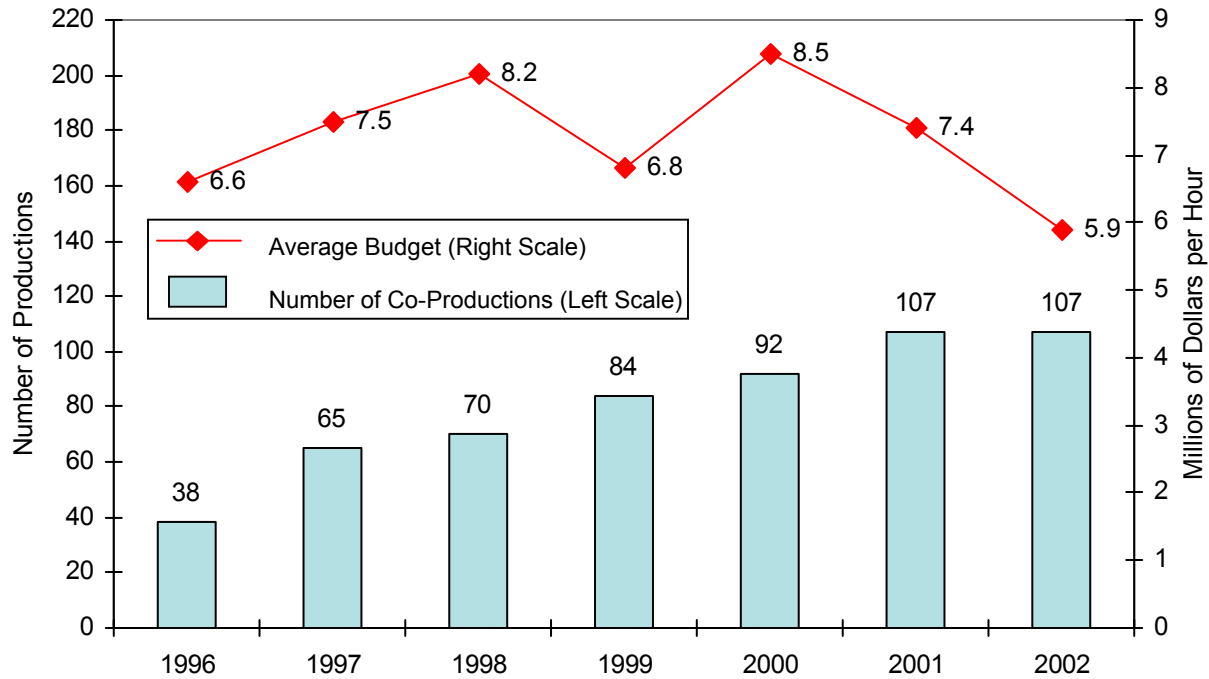


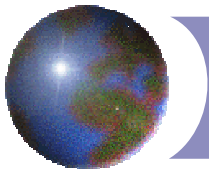
Treaty Co-Production





Treaty Co-Production (cont'd)

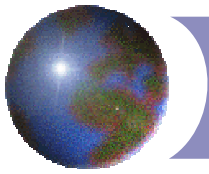




Treaty Co-Production (cont'd)

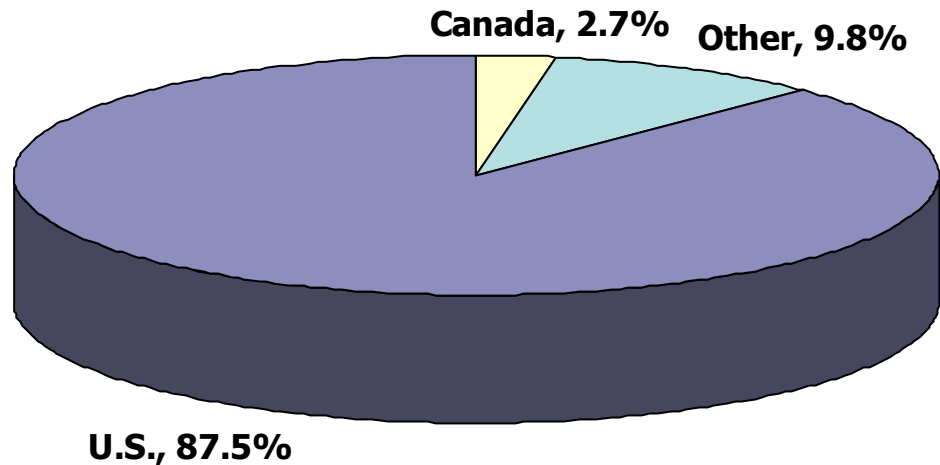
Top-10 Treaty Co-Production Partners, 2003
Total Production Budgets
(Bipartite productions, only)

1. United Kingdom	\$221.2 million
2. France	\$147.0 million
3. South Africa	\$29.3 million
4. Hong Kong	\$21.8 million
5. Italy	\$11.1 million
6. Philippines	\$9.7 million
7. Ireland	\$7.9 million
8. Japan	\$6.0 million
9. Australia	\$5.8 million
10. China	\$5.1 million

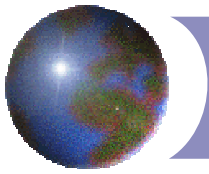


Canadian Theatre Box Office, 2002

Total Box Office: \$964 million



Source: Motion Picture Theatres Association of Canada



Industry Trends

- ◆ While production overall was up by 4% in 2002/03, the shift continued toward foreign location shooting and away from independently produced Canadian programming for foreign and Canadian broadcasters.
- ◆ Canadian-content production is becoming more and more dependent on public funding.
- ◆ Continued weakness in foreign markets hampered Canadian producers ability to sell Canadian programs offshore.
- ◆ The volume of English-language Canadian drama continues to drop.