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# Pay TV Film Rights

Report for the Competition  
Commission

8th November, 2011

# Scope and timeframe of research



- As part of its enquiry into movies on pay TV, The Competition Commission asked IHS Screen Digest to research the current status of pay TV film rights sales by the six major Hollywood studios (C20th Fox, Paramount, Sony, Universal, Walt Disney, Warner Bros) in markets outside the UK. The aim was to look for examples of where the market for pay TV film rights operates in ways that may ensue from possible remedies the CC brings about in the UK.
- Key remedies to be examined were:
  - Markets where pay TV film rights are split by platform (especially satellite, IPTV) and sold to different companies;
  - Markets where SVoD rights are sold separately from the linear pay TV window;
  - Markets where pay TV film rights sold by different mayor Hollywood studios are sold to different operators;
  - Markets where pay TV film rights are sold non-exclusively.
- IHS Screen Digest focused on ten countries: France, Germany, Italy, Spain, Poland; Denmark, Norway, Sweden; Canada and the USA.
- IHS Screen Digest carried out this research in October-November 2011.

# Executive summary



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- The most common scenario across the markets examined is for pay TV rights to films from the six Hollywood major studios (C20th Fox, Paramount, Sony, Universal, Walt Disney, Warner Bros) to be split between different operators
- We found one example of SVoD rights being exploited separately to a concurrent linear pay TV agreement. Netflix has SVoD rights to Paramount films at the same time that EPIX, the premium film channel owned by Paramount parent company Viacom and two other studios, offers the same films on linear pay TV (as well as its own SVoD service)
- We could not find any examples of the six studios allocating movie rights in the first pay TV window by platform (in other words, selling separate rights in line with different distribution media)
- In Italy, News Corp gave an undertaking to the EC following the Sky Italia merger that the platform would only acquire satellite pay TV rights to movies. However, studios licensing their movies to Sky Italia do not appear to have licensed the same movies to other platforms (DTT or IPTV)
- We did not find any examples of movies being sold on a non-exclusive basis within the pay TV window
- There was only one market—Spain—where a single pay TV operator licenses exclusive pay TV rights from all six major studios. The same was true of Germany until a recent agreement between Paramount and Lovefilm, where Lovefilm has an exclusive window.

# Part one: scenarios

# By-market summary of findings



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Scenario	Examples
Pay TV film rights split by platform and sold to different companies	None
SVoD rights sold separately from the linear pay TV window	USA
Pay TV film rights owned by different Hollywood majors are sold to different operators	Italy, Canada, USA, Scandinavia*, France, Germany, Poland
Pay TV film rights sold non-exclusively	None
None of these scenarios	Spain

\* We refer to Denmark, Norway and Sweden as Scandinavia in the subsequent slides as pay TV platforms operate in and buy movie rights for the whole region.

# Movie rights scenario: rights split by platform



- We did not find any examples of the six Hollywood major studios allocating movie rights in the pay TV window by platform (in other words, via different distribution media)
- In Italy, Sky Italia is subject to undertakings given by News Corp to the European Commission when Sky Italia was formed by merger (2003). These include:
  - "With respect to future agreements with the studios [...] in relation to pay TV broadcasting in Italy, [Sky] shall not acquire exclusive rights, holdback rights, negative exclusive rights or similar protections for means of transmission other than DTH"
- These undertakings expire on 31 Dec 2011
- Current studio rights agreements in Italy are shown on slide 14.

# Movie rights scenario: SVoD rights sold separately from the linear pay TV window



- Having studied in depth all of the VoD and SVoD services available in these countries, we found only one example of a company exploiting SVoD rights to first-run Hollywood films at the same time that linear pay TV rights were held by a different company
- Under its contract with EPIX, Netflix has rights to films from Paramount 90 days after their first transmission on the EPIX linear channel and on the EPIX SVoD service. Netflix is making the films available as part of its Watch Instantly streaming service. EPIX continues to show the movies concurrently with Netflix
- We believe this to be a unique situation, influenced by the fact that EPIX is a fledgling business and also one that is owned and operated by studios (Paramount parent Viacom, MGM and Lionsgate) which are sub-licensing their own rights.

# Movie rights scenario: SVoD rights sold separately from the linear pay TV window (cont.)



- Netflix also has rights to movies from Sony and Disney via a distribution agreement with Starz. The Starz agreement expires in 2012
- In most countries, pay TV deals are exclusive and companies buying pay TV rights feel that the premium that they pay for exclusivity would be undermined by third parties exploiting the same content
- In most cases, film titles available in the SVoD window are 'library titles' which have already been through the pay TV and sometimes free-to-air window. Companies like Netflix and Lovefilm offer subscription access to physical DVDs and Blu-ray Discs in a window ahead of pay TV
- In France, there is a specific, statutory window for SVoD 36 months after theatrical release. Pay TV licensees cannot offer films on their own SVoD services before this time (although, confusingly, they can make them available on 'catch-up' services).

# Movie rights scenario: pay TV film rights owned by different Hollywood majors are sold to different operators



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- We found this scenario in nine of the ten countries investigated
- In France, Italy, Germany, Scandinavia and Poland, no single operator has rights agreements with all six Hollywood studios
- In Canada and the USA, the leading pay TV movie networks do not operate their own platforms and are distributed on third party cable, satellite and IPTV networks
- In Spain, one pay TV operator is understood to have rights agreements with all of the Hollywood studios.

# Movie rights scenario: pay TV film rights sold non-exclusively



- 
- We did not find any examples of rights to first run movies from the six Hollywood major studios being sold on a non-exclusive basis
  - Pay TV deals tend to be exclusive and companies buying pay TV rights would feel the premium that they pay for exclusivity would be undermined by third parties exploiting the same content in the same window.



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## Part two: market profiles

## Italy: summary



- 
- There are two key pay TV channel providers: Sky Italia and Mediaset Premium
  - Sky Italia is a satellite platform, formed by the merger of Telepiu and Stream in 2003
  - Mediaset launched pay-per-view services on digital terrestrial television (DTT) in 2005 and launched pay TV film channels as part of the Premium Gallery service in January 2008.

# Italy: factors influencing the rights market



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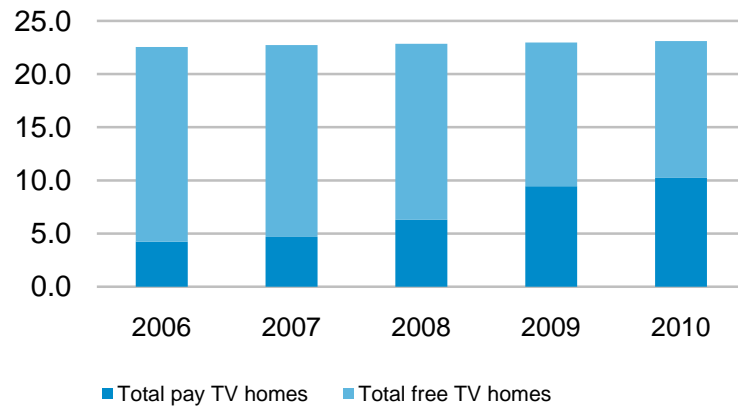
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- The main players in Italy's free-to-air TV market are public broadcaster Rai and private broadcaster Mediaset
- Sky Italia, owned by News Corp, is delivered via satellite and is the leading pay TV company
- Mediaset has exploited the growth of DTT—and Sky's current regulated prohibition from offering its services via DTT—to launch pay DTT service Mediaset Premium
- Initially offering Italian league football matches on a pay-per-view basis, Mediaset Premium has extended to a linear pay TV offering including film channels.

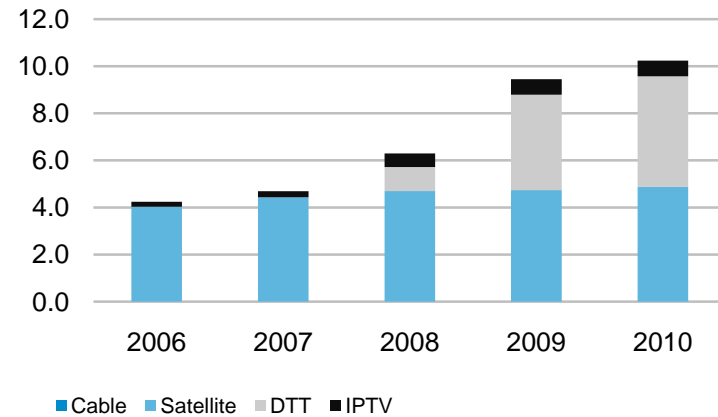
# Italy: pay TV landscape



TV households (m)

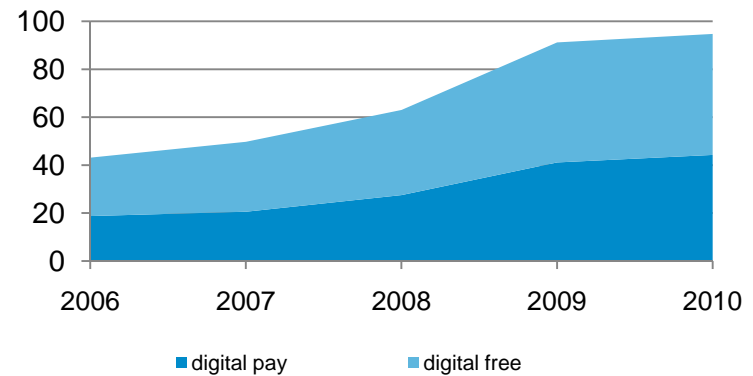


Pay TV by type ( households m)



- Italy still has a relatively low level of pay TV penetration of 44 per cent
- Satellite and DTT are the dominant platforms for pay TV
- 50 per cent of TV households relied primarily on free DTT at the end of 2010.

Digital TV penetration (%)



# Italy: movie rights



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Studio	Pay TV rights holder	Terms
C20th Fox	Sky Italia	Satellite only
Paramount	Sky Italia	Satellite only
Sony Pictures	Sky Italia	Satellite only
Universal	Mediaset	Exclusive, all TV
Walt Disney	Sky Italia	Satellite only
Warner Bros	Mediaset	Exclusive, all TV

- Sky Italia does not report its film supply agreements: we understand these are with C20th Fox, Paramount, Walt Disney and Sony
- Mediaset also buys free TV movie and TV series rights (long-term agreements with C20th Fox, Disney and Warner Bros listed in 2010 annual report)
- Sky Italia has channel carriage agreements with all six of the majors which could provide leverage to secure movie rights for its channels
- Mediaset has sublicensed rights (to Serie A football) to Sky Italia in the past and could do so with its WB/Universal rights.

# Italy: channel offers and market share

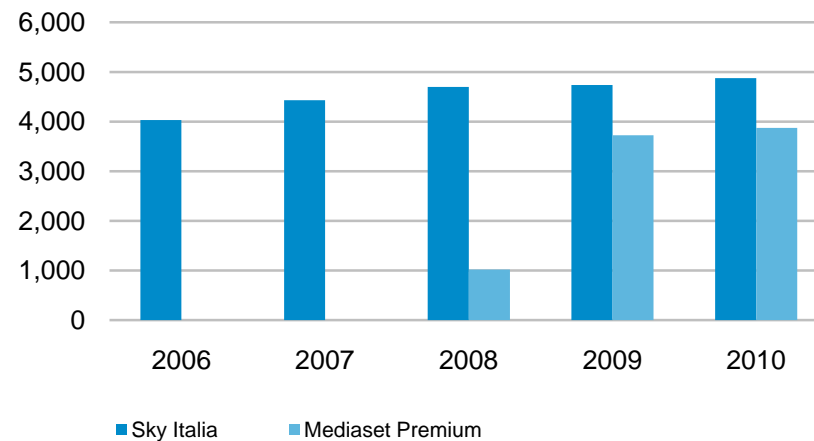


## Sky Italia and Mediaset compete head-on in Italy

Owner: News Corp	Mediaset
<i>Film channels:</i> Sky Cinema Sky Hits Sky Family Sky Passion Sky Comedy Sky Max Sky Classics	Premium Cinema Premium Cinema HD Premium Cinema Emotion Premium Cinema Energy Premium Cinema Comedy Studio Universal

- All Sky Italia subscribers take at least one of its premium film or sport packages
- All Sky Italia film channels are available in high definition (HD) as well as standard definition (SD)
- Sky Italia had 4.9m subscribers at the end of 2010, ARPU was €42
- Mediaset Premium reported 3.9m customers at the end of 2010. Half were taking ‘Easy Pay’ one-year packages
- Mediaset Premium ARPU was €10.50 at the end of 2010.

**Subscribers (end year, 000s)**



# Italy: distribution of film channels



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Platform	Type	Sky Cinema	Mediaset Premium Cinema
Sky Italia	Satellite	Y	
Mediaset Premium	DTT		Y
Fastweb	IPTV, FTTH*	Y	
Alice (Telecom Italia)	IPTV	Y	Y
Exclusive studio agreements		Universal, Warner Bros	C20th Fox, Paramount, Sony, Walt Disney

\*Fibre to the home

## Canada: summary



- As in the US, the main pay TV programme networks do not have their own platforms; they are distributed by third party operators on cable, satellite and IPTV
- The main pay TV movie networks are: The Movie Network (distributed in eastern Canada), Movie Central (western Canada), Super Channel and Super Ecran (French-language)
- Movie channels typically buy SVoD rights as well as pay TV rights
- Netflix Canada (launched in September 2010) is a streaming-only subscription video-on-demand service.

# Canada: factors influencing the rights market



- Canada's TV market is similar to the US in that the majority of households receive pay TV via cable
- Canada's TV industry is highly regulated. All pay TV channels require a licence from communications regulator the CRTC
- Premium pay channels are licensed for specific areas of the country; English and French-language versions of the same channel brands are often available
- US DVD-by-mail company Netflix launched its first international service in Canada in September 2010, a streaming-only service
- Netflix has so far been exempt from CRTC licensing.

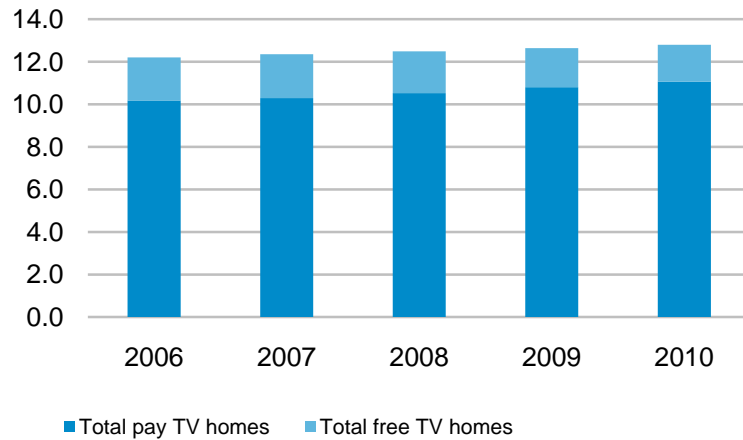
# Canada: pay TV landscape



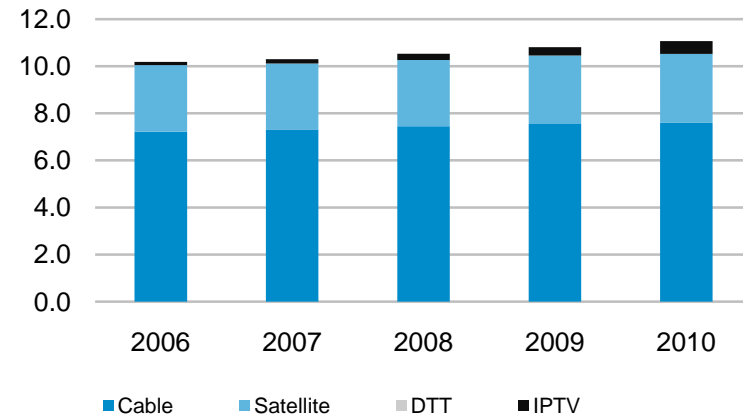
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TV households (m)

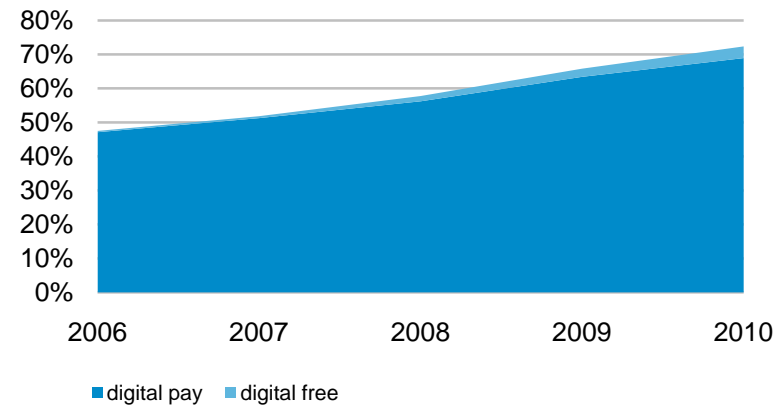


Pay TV by type ( households m)



- Canada has a very high level of pay TV penetration
- Cable has the largest market share of any pay TV medium
- Free DTT—and free digital TV—is almost non-existent.

Digital TV penetration (%)



# Canada: movie rights



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Studio	Pay TV rights holder	Terms
C20th Fox	Movie Central	
Paramount	Netflix Canada	
Sony Pictures		
Universal	Movie Central	
Walt Disney		
Warner Bros	Movie Central	

- The Movie Network and Super Channel did not disclose current agreements
- In 2008, Super Channel renewed an agreement with C20th Fox which may still be in effect
- Netflix Canada—a streaming-only SVoD service—has a five-year exclusive agreement with Paramount which started in 2010.

# Canada: channel offers and market share

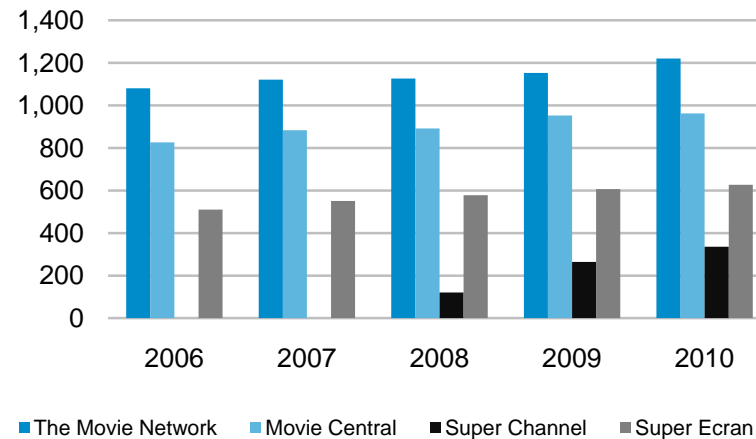


No ownership link between pay TV channels and pay TV platforms

			
Corus Ent	Allarco Ent	Astral Media	Astral Media
Movie Central Movie Central 2 Movie Central 3 HBO Canada HBO Canada HD Movie Central 1 & 2 HD Movie Central On Demand HBO Canada On Demand	Super Channel 1-4 Super Channel HD 1,2 Super Channel On Demand	The Movie Network or Mfun! Mfest Mexcess HBO Canada The Movie Network OnDemand	Super Ecran Super Ecran HD

- The Movie Network was the leading pay TV film channel at the end of 2010 with 1.2m subscribers (according to regulator the CRTC)
- Movie Central had 963,000 subscribers, followed by Super Ecran (627,000) and Super Channel (336,000)
- Average revenue per user for TMN and Movie Central was roughly the same (Can \$9 per month ), with Can\$6.30 for Super Channel and \$4.59 for Super Ecran
- Netflix Canada reached 1m subscribers in August 2011.

**Subscribers (end year, 000s)**



# Canada: distribution of film channels



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Platform	Type	TMN	Movie Central	Super Channel	Super Ecran
Various	Satellite	Y	Y	Y	Y
Various	Cable	Y	Y	Y	Y
Various	IPTV	Y	Y	Y	Y
Netflix	OTT				
Exclusive studio agreements			C20th Fox, Universal, Warner Bros		

Note: Netflix Canada has an exclusive agreement with Paramount

## USA: summary



- The main pay TV networks do not have their own platforms; they are distributed by third party operators on cable, satellite and IPTV
- The main pay TV movie network operators are: Home Box Office (HBO, owned by Time Warner), Showtime Networks (CBS Corp), Starz (Liberty Media) and EPIX (Viacom, Lionsgate, MGM)
- Movie channels typically exploit SVoD rights as well as pay TV (eg HBO On Demand)
- Netflix has an agreement with EPIX which allows it to stream movies from EPIX partners Viacom (Paramount), MGM and Lionsgate 90 days after transmission on EPIX
- Netflix also distributes Sony and Disney films via an agreement with Starz; this is due to expire imminently and is not being renewed
- Netflix streams movies online via Watch Instantly, available as standalone option or bundled with disc rental. Dreamworks Animation has signed a deal to stream its films exclusively via Netflix from 2013.

# USA: factors influencing the rights market



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- Home Box Office (HBO), launched in 1972, is the world's oldest pay TV network
- HBO guarantees one movie premiere a week (on Saturday nights) but has gradually reduced its dependence on film rights by increasing its original TV productions
- Main rival Showtime has followed a similar strategy and now does not have any agreements with the major Hollywood studios
- As a consequence of its deal with Showtime expiring, Viacom (in collaboration with studios MGM and Lionsgate) formed its own pay TV network, EPIX in 2009
- DVD-by-mail firm Netflix launched its 'Watch Instantly' online streaming option in 2007. Netflix has dropped plans to separate its physical and streaming businesses operationally
- Netflix has started to acquire exclusive pay TV rights (e.g. films from Dreamworks Animation, investment in TV series *House of Cards*).

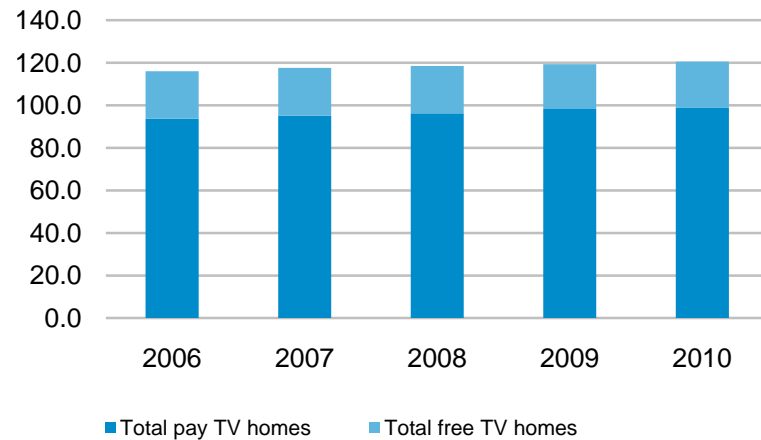
# USA: pay TV landscape



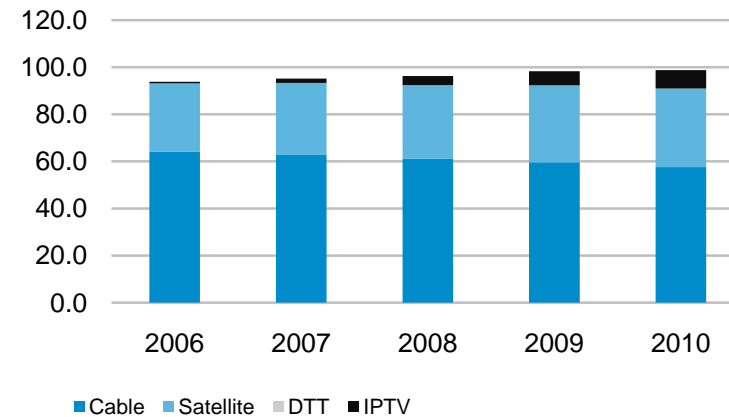
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**TV households (m)**

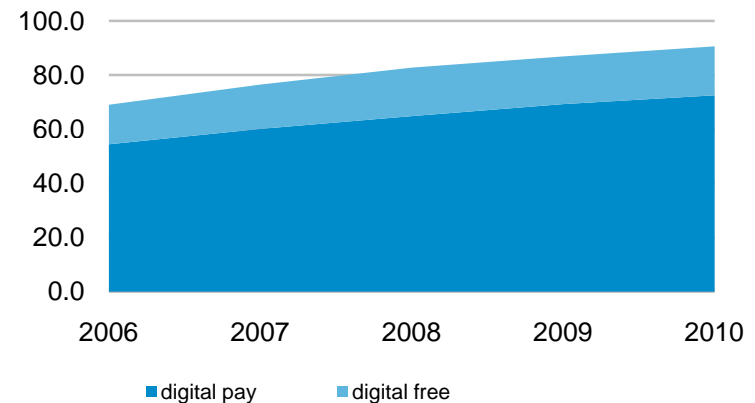


**Pay TV by type ( households m)**



- The USA has a very high level of pay TV penetration
- Cable has the largest market share, although digital satellite and IPTV services have shown rapid growth
- A large majority of digital TV homes are pay.

**Digital TV penetration (%)**



# USA: movie rights



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Studio	Pay TV rights holder	Terms
C20th Fox	HBO	First run pay TV to 2017
Paramount	EPIX	First run pay TV
Sony Pictures	Starz	First run pay TV to 2013
Universal	HBO	First run pay TV to 2015
Walt Disney	Starz	First run pay TV to 2015
Warner Bros	HBO	First run pay TV to 2014

- HBO also has a second window pay TV deal with Walt Disney and a first window pay TV deal with Dreamworks Animation (to 2012)
- Showtime Networks does not have any current pay TV deals with major studios (it has deals with CBS Films and Summit)
- Starz has a second window pay TV deal with C20th Fox
- Netflix will have the first-run pay TV window for Dreamworks Animation from 2013.

# USA: channel offers and market share

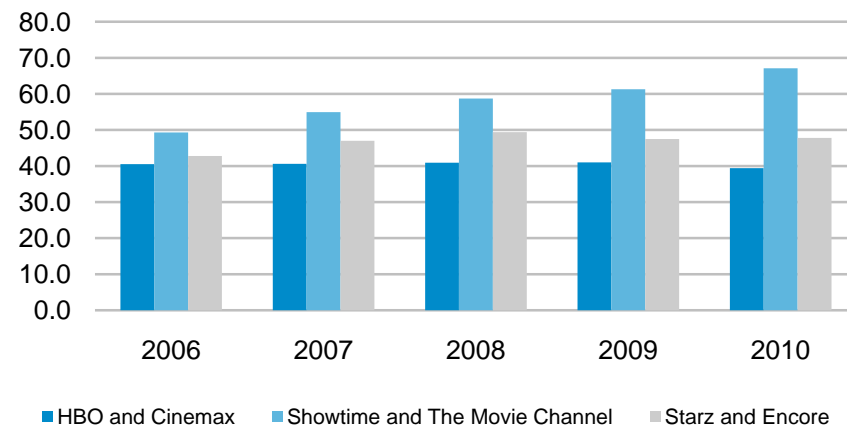


## HBO remains dominant in premium pay TV

Time Warner	CBS	Liberty Media	Paramount, MGM, Lionsgate
HBO Cinemax HBO Family HBO Comedy HBO Signature HBO Zone HBO Latino	Showtime Showtime 2 Showcase Showtime Extreme Showtime Beyond Showtime Next Showtime Family Zone Showtime Women The Movie Channel Flix	Encore Action Encore Drama Encore Love Encore Mystery Encore Wam Encore Westerns INDIEplex RETROplex Starz Cinema Starz Comedy Starz Edge Starz InBlack Starz Kids & Family	EPIX EPIX2 The 3 from EPIX

- Pay channels are not platform-exclusive: a household may subscribe to more than one pay TV service
- Showtime's channels had 67.1m subscribers at end 2010 (boosted in particular by Flix)
- HBO subscriptions were 39.4m, while the Starz family of channels were on 47.8m and newcomer EPIX on 1.7m
- HBO's annual net revenue per sub was estimated at \$99, compared to \$18 for Showtime and \$24 for Starz
- Netflix had 20m subs at the end of 2010 and reported an average revenue per sub of \$12.06.

### Subscribers (end year, 000s)



# USA: distribution of film channels



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Platform	Type	HBO	Showtime	Starz	Epix
Various	Satellite	Y	Y	Y	Y
Various	Cable	Y	Y	Y	Y
Various	IPTV	Y	Y	Y	Y
Netflix	OTT				
Exclusive studio agreements		C20th Fox, Universal, Warner Bros		Sony, Walt Disney	Paramount

Note: Movie rights sublicensed to Netflix by Starz and EPIX

## Scandinavia: summary



- There are two key pay TV channel providers: Viasat and C More
- C More is exclusive to Canal Digital (satellite platform owned by Telenor, a 33 per cent shareholder in C More since May 2010)
- Modern Times Group's Viasat is exclusive to its own satellite platform
- C More is carried on DTT in Sweden, Denmark and Norway
- Otherwise Viasat and C More channels are both distributed on cable and IPTV.

# Scandinavia: factors influencing the rights market



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- Scandinavia is relatively unusual in a European context in supporting competing pay TV services that offer premium content
- Modern Times Group operates both free-to-air and pay TV channels in the region. TV1000, one of the first pay TV networks in the region, was launched by Kinnevik and later acquired by MTG
- C More was acquired by TV4 Group—the largest private free-to-air broadcaster in Sweden—in 2008
- C More was originally launched by Canal Plus and continues to use the brand under licence from Vivendi.

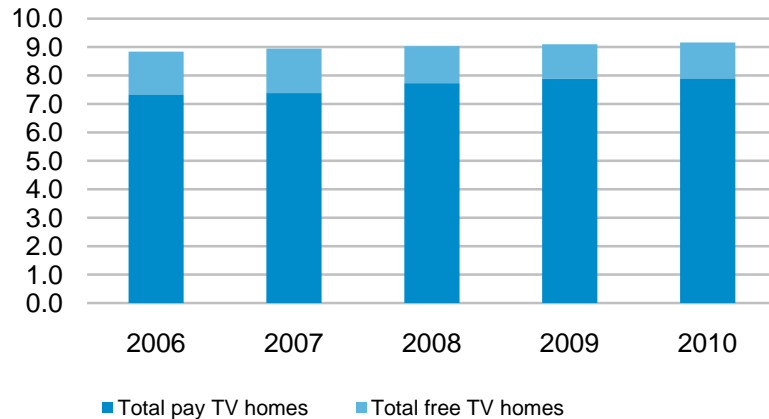
# Scandinavia: pay TV landscape



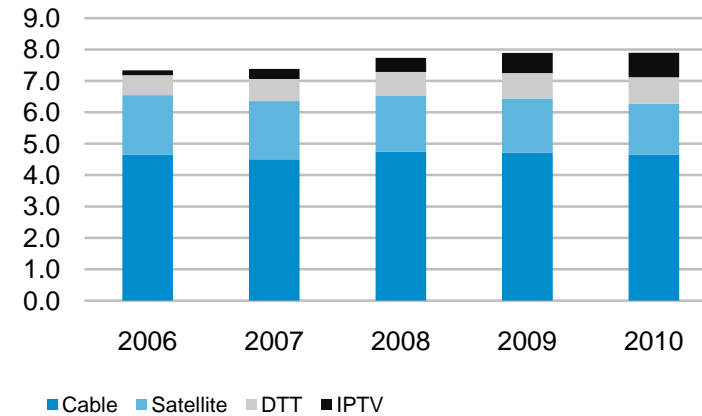
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TV households (m)

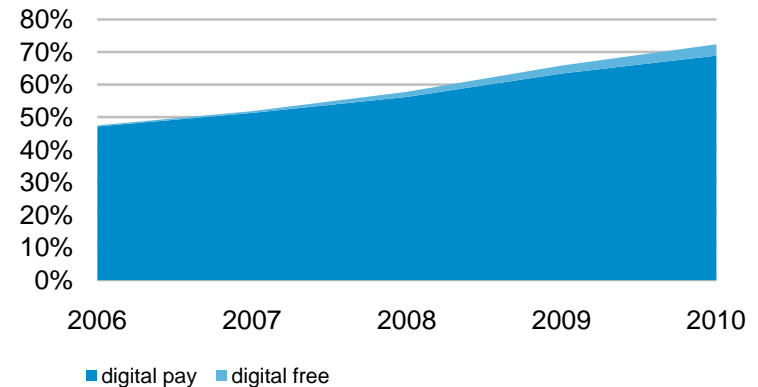


Pay TV by type ( households m)



- Scandinavian territories have high levels of cable penetration
- Satellite pay TV market share has changed little for several years
- Pay TV DTT has launched in all three markets.

Digital TV penetration (%)



# Scandinavia: movie rights



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Studio	Pay TV rights holder	Terms
C20th Fox	C More	First pay TV window
Paramount	C More	First pay TV window
Sony Pictures	Viasat	First pay TV window
Universal	Viasat	First pay TV window
Walt Disney	Viasat	First pay TV window
Warner Bros	C More	First pay TV window

- C More also has agreements with Dreamworks SKG and MGM
- Viasat also has deals with Nordisk Film, Scanbox and Svensk Filmindustri
- Both companies additionally have second window pay TV deals for some Hollywood studios (C More with Disney).

# Scandinavia: channel offers and market share



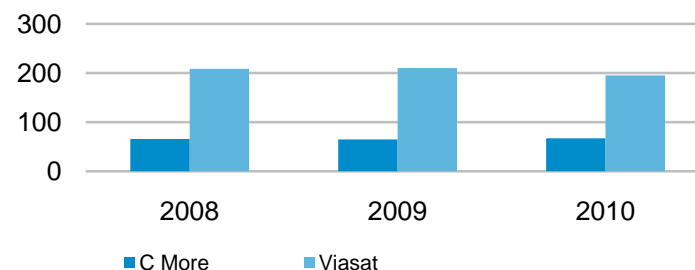
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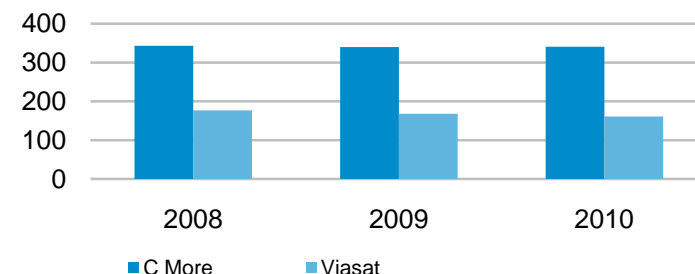
	
Modern Times Group	TV4
<ul style="list-style-type: none"> <li>TV1000</li> <li>TV1000 Action</li> <li>TV1000 Nordic</li> <li>TV1000 Family</li> <li>TV1000 Classic</li> <li>TV1000 Drama</li> </ul>	<ul style="list-style-type: none"> <li>Canal+ First</li> <li>Canal+ Hits</li> <li>Canal+ Action</li> <li>Canal+ Drama</li> <li>Canal+ Comedy</li> <li>Canal+ Film HD</li> <li>Canal+ SF-Kanalen</li> </ul>

- Both MTG and C More show movies on a premium channel and other channels showing different film genres
- TV1000 was one of the first premium pay TV channels in Scandinavia
- C More originated as Canal Plus and licences the Canal Plus brand name (there is no ownership link).

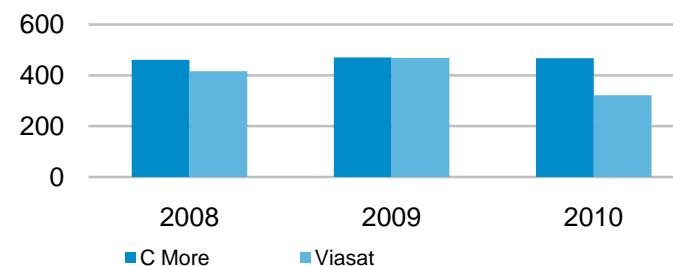
Denmark (subscribers, m)



Norway (subscribers, m)



Sweden (subscribers, m)



# Denmark: distribution of film channels



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Platform	Type	Canal Plus/C More	TV1000
Viasat	Satellite/IPTV		Y
Canal Digital	Satellite	Y	
Boxer	DTT	Y	
TDC	IPTV		Y
YouSee IPTV	IPTV	Y	
Exclusive studio agreements		C20th Fox, Paramount, Warner Bros	Sony, Universal, Walt Disney

# Norway: distribution of film channels



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Platform	Type	Canal Plus/C More	TV1000
Viasat	Satellite/IPTV		Y
Canal Digital	Satellite	Y	
Riks TV	DTT	Y	
Lyse	IPTV	Y	Y
NextgenTel	IPTV	Y	Y
Telenor	IPTV	Y	Y
ComVie	IPTV	Y	
Exclusive studio agreements		C20th Fox, Paramount, Warner Bros	Sony, Universal, Walt Disney

# Sweden: distribution of film channels



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Platform	Type	Canal Plus/C More	TV1000
Viasat	Satellite/IPTV		Y
Canal Digital	Satellite	Y	
Boxer	DTT	Y	
Viasat Anytime	OTT		Y
TeliaSonera	IPTV	Y	Y
Exclusive studio agreements		C20th Fox, Paramount, Warner Bros	Sony, Universal, Walt Disney

## France: summary



- There are two key pay TV channel providers: Canal Plus (Vivendi) and Orange (France Telecom)
- Orange is reducing its investment in rights and is negotiating a co-operation agreement with Canal Plus for its film channels
- The exact form is to be confirmed, but Canal Plus and Orange will no longer compete head-to-head for subscribers
- Orange Cinema Series will be distributed on non-Orange platforms (including Vivendi's Canalsat) for the first time
- Canal Plus shows films on its Canal Plus family of channels and on the Canalsat platform.

# France: factors influencing the rights market



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- Canal Plus started in the 1980s as a single, terrestrial pay TV channel, diversifying into multichannel with the launch of the Canalsatellite platform
- It continues to operate a flagship pay TV channel of the same name, though it exploits movie rights on other channels
- Canal Plus successfully saw off competition from satellite platform TPS (backed by TF1 and M6), merging in 2006
- France Telecom has competed with Canal Plus for pay TV movie rights but is now negotiating a partnership after deciding to reduce its investments in media
- Both Canal Plus and Orange invest heavily in French films, which form an important element of their output alongside Hollywood movies.

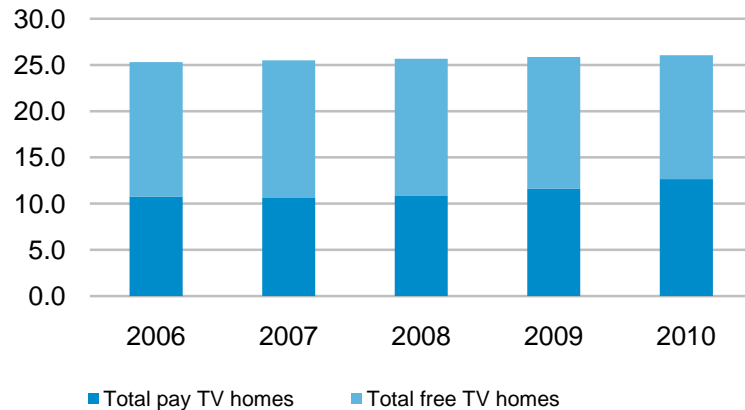
# France: pay TV landscape



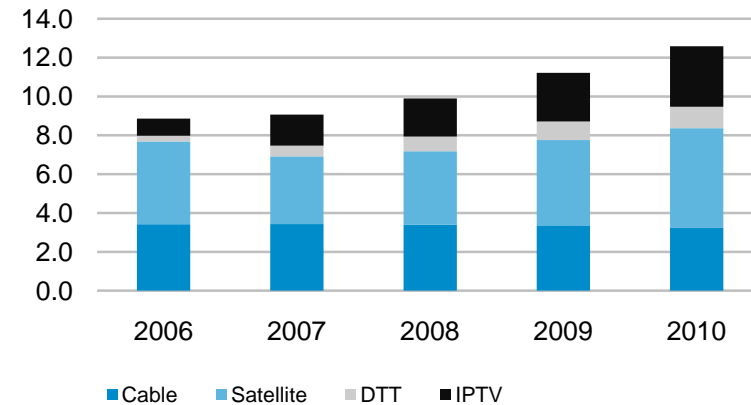
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**TV households (m)**

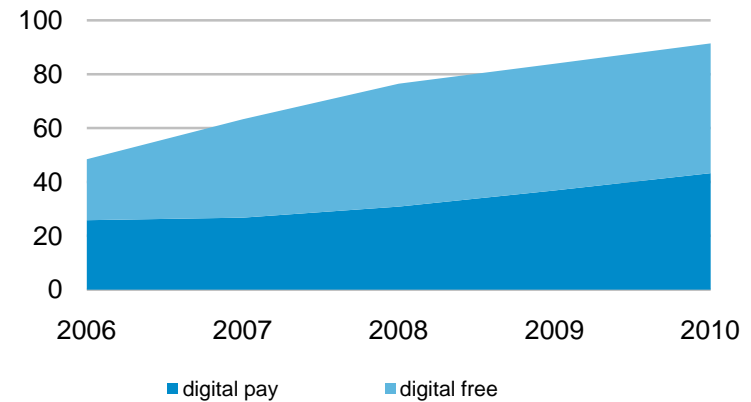


**Pay TV by type ( households m)**



- Despite being the first European market to launch pay TV (on analogue terrestrial), pay TV penetration remains relatively low
- Satellite is the leading pay TV medium
- France has a highly developed IPTV market, with several competing operators
- Free DTT has taken hold very quickly and appears to have dampened pay TV growth.

**Digital TV penetration (%)**



# France: movie rights



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Studio	Pay TV rights holder	Terms
C20th Fox	Canal Plus	First pay TV window
Paramount	Canal Plus	First pay TV window
Sony Pictures	Canal Plus	First pay TV window
Universal	Canal Plus	First pay TV window
Walt Disney	Canal Plus	First pay TV window
Warner Bros	Orange	First pay TV window, expires 2011

All Canal Plus agreements were confirmed to be in effect in February 2011 (Canal Plus Prospectus)

# France: channel offers and market share



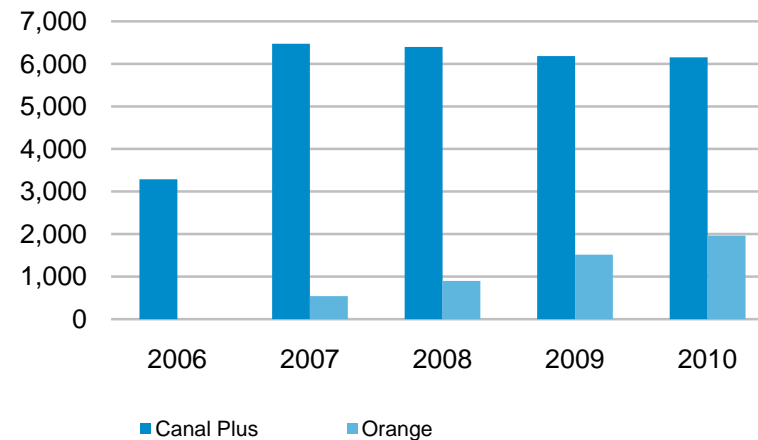
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France Telecom is calling a halt to its battle with Canal Plus

<b>CANAL+</b>	<b>Orange cinéma séries</b>
Vivendi (80%), Lagardere (20%)	France Telecom
Canal Plus Canal Plus Cinéma Ciné Plus Premier Ciné Plus Frisson Ciné Plus Emotion Ciné Plus Famiz Ciné Plus Star Ciné Plus Club Ciné Plus Classic TPS Star	Orange ciné max Orange ciné happy Orange ciné choc Orange ciné novo Orange ciné géants

Subscribers (end year, 000s)



# France: distribution of film channels



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Platform	Type	Canal Plus	Cine + channels	Orange Cinema Series
Canalsat	Satellite	Y	Y	
Orange	Sat, IPTV	Y	Y	Y
Numericable	Cable		Y	
Bouygues	IPTV	Y	Y	
Free	IPTV	Y	Y	
Neuf Cegetel	IPTV	Y	Y	
Canal Plus/Canal Plus Cinema*	DTT	Y		
Exclusive studio agreements		C20th Fox, Paramount, Sony, Universal, Walt Disney		Warner Bros

# Poland: summary



- Poland's pay TV market is highly competitive, with several platforms competing for customers
- HBO Polska (owned by Time Warner) is, like the US HBO, distributed on all available platforms
- Canal Plus offers films on its flagship channel and via film channels on its Cyfra Plus satellite platform
- Rival satellite platform Cyfrowy Polsat distributes its own channel, Polsat Film, as well as HBO and Kino Polska
- Alternative satellite operator Platform n distributes the same channels plus its own film channel, nFilm
- Incumbent telco TPSA does not operate its own channel but distributes HBO and nFilm.

# Poland: factors influencing the rights market



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- 
- Canal Plus launched a single premium pay TV channel in 1995
  - The company's digital satellite platform, Cyfra Plus, launched in 1998 and merged with rival platform, Wizja TV
  - Polsat, the leading commercial broadcaster, launched a satellite platform called Cyfrowy Polsat in 1999. It is now the leading pay TV platform in Poland
  - TVN, the second largest commercial broadcaster, launched a satellite platform called n in 2006
  - HBO launched in Poland in 1997
  - TP launched its pay TV services in 2008 and signed a co-operation agreement with TVN in 2010, adding its channels to its TV service.

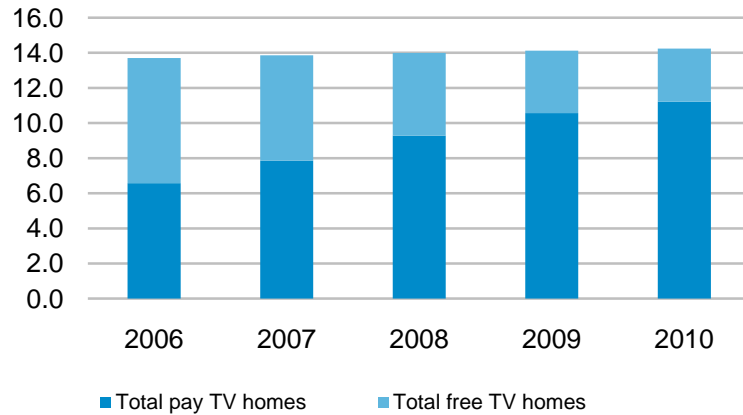
# Poland: pay TV landscape



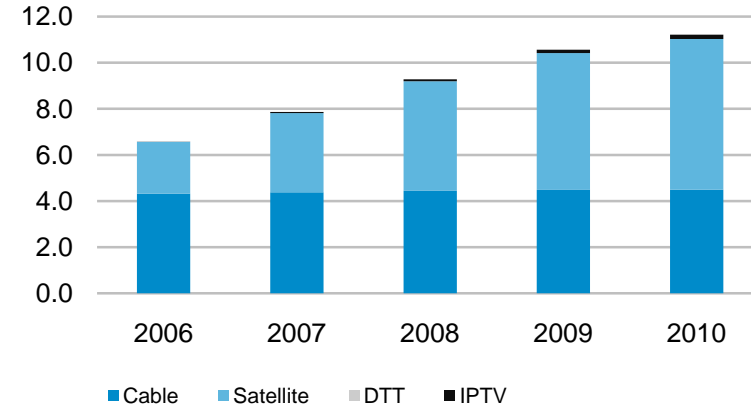
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TV households (m)

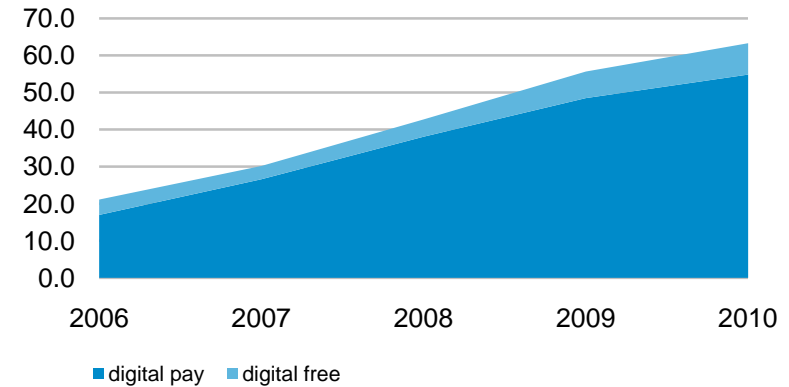


Pay TV by type ( households m)



- Satellite pay TV has grown rapidly to become the main pay TV medium
- Cable TV is significant but has declined slightly over the last few years
- DTT services have been late to launch; most free digital is via satellite.

Digital TV penetration (%)



## Poland: movie rights



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Studio	Pay TV rights holder	Terms
C20th Fox	TVN Canal Plus	Pay TV rights to 65 movies (from 2012) Pay TV (to 2012)
Paramount	TVN	Free to air and pay TV, 2009-14
Sony Pictures	Cyfrowy Polsat Canal Plus HBO Polska	Pay TV and nVoD, 2011-14 Second window pay TV Not disclosed – our assumption (possibly to 2011)
Universal	Canal Plus	Pay TV exclusive, signed in 2009
Walt Disney	HBO Polska	Not disclosed – our assumption
Warner Bros	HBO Polska	Not disclosed – our assumption

# Poland: channel offers and market share



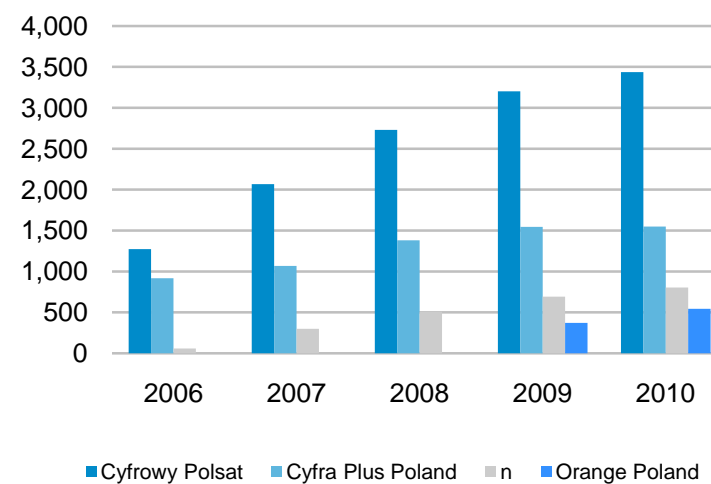
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Satellite pay TV platforms show the fastest growth

Vivendi	Polsat	TVN	Time Warner
Canal Plus Canal Plus Family Canal Plus Film Ale Kino!	Polsat Film	nFilm	HBO Cinemax

Subscribers (end year, 000s)



# Poland: distribution of film channels



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Platform	Type	Canal Plus	Polsat Film	Film n	HBO
Cyfra Plus	Satellite	Y	Y		Y
Cyfrowy Polsat	Satellite		Y		Y
N	Satellite			Y	Y
UPC and others	Cable	Y		Y	Y
TPSA	IPTV	Y		Y	Y
Dialog Telekom	IPTV	Y			
Exclusive studio agreements		C20th Fox, Sony (2 <sup>nd</sup> window), Universal	Sony (from 2011)	C20th Fox, Paramount	Sony (to 2011), Walt Disney, Warner Bros

## Germany: summary



- 
- There is one key pay TV channel provider in Germany: satellite provider Sky Deutschland
  - Sky Deutschland pay TV channels are exclusive to its own platform
  - Sky Deutschland maintains agreements with key cable providers for redistribution of its pay TV packages
  - Digital terrestrial services have witnessed low uptake, due to local reliance on cable/satellite
  - As a consequence, there are no pay DTT services in Germany.

# Germany: factors influencing the rights market



- Germany has exceptionally high penetration of free cable and satellite; premium pay TV has therefore met with low uptake despite being available since the 1990s
- Premiere, backed by Canal Plus and Bertelsmann, and DF1, backed by the Kirch Group, merged to form Premiere World—now Sky Deutschland—in 1999
- More recently, Deutsche Telekom launched an IPTV service, competing using access to domestic football rights to drive subscriber additions.

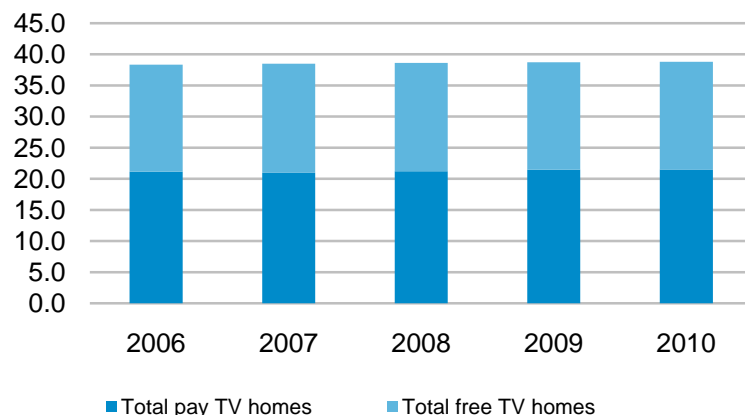
# Germany: pay TV landscape



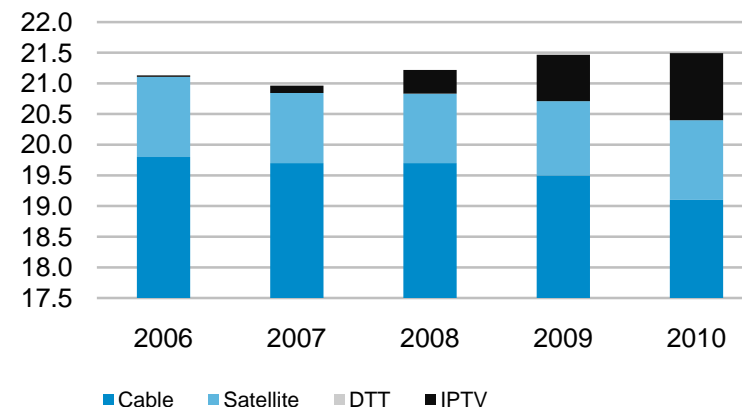
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TV households (m)

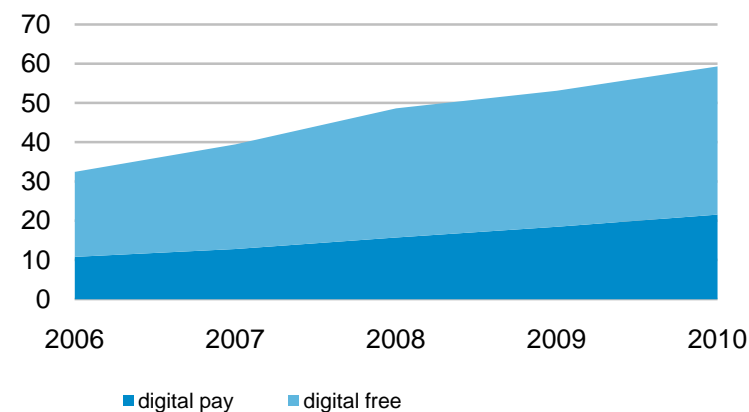


Pay TV by type ( households m)



- Germany is Europe's major 'utility' pay market where most homes receive free multichannel via cable or satellite
- Cable subscription numbers are declining as networks convert to digital
- Satellite pay TV has struggled to take root
- Pay IPTV backed by Deutsche Telekom has a significant share of the market .

Digital TV penetration (%)



## Germany: movie rights



- 
- Sky Deutschland is understood to have had, until recently, pay TV deals with all of the Hollywood studios
  - On 27 October, Lovefilm announced an exclusive agreement with Paramount. This is reported to give Lovefilm exclusive VoD streaming rights during the first pay TV window in Germany.

# Germany: channel offers and market share



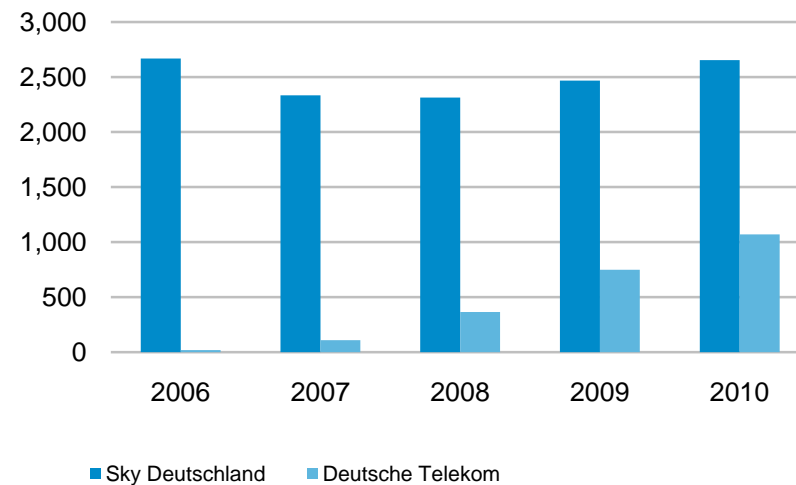
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Sky Deutschland was—until recently—unchallenged in the market for pay TV movie rights.

	
News Corp (40%)	
Channel brands	Sky Cinema Sky Cinema+1 Sky Cinema+24 Sky Action Sky Comedy Sky Emotion Sky Nostalgie Sky Cinema Hits Disney Cinemagic

**Subscribers (end year, 000s)**



# Germany: distribution of film channels



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Platform	Type	Sky Cinema
Sky Deutschland	Satellite	Y
Deutsche Telekom	IPTV	
Various	Cable	Y
LoveFilm	OTT	
Exclusive studio agreements		All except Paramount

## Spain: summary



- 
- One key pay TV channel provider: Prisa TV, owner of premium channel group Canal Plus and satellite operator Digital Plus
  - Canal Plus and other Prisa TV film channels have historically been exclusive to the Digital Plus satellite platform
  - Canal Plus is now carried on IPTV (Imagenio and Orange) and since 2010 on cable.

# Spain: factors influencing the rights market



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- Canal Plus Espana launched in 1991 as a terrestrial pay TV network on similar lines to Canal Plus in France
- Its satellite platform, Canal Satelite Espana, merged with competitor Via Digital to form Digital Plus in 2003
- Canal Plus ceased analogue terrestrial transmissions in 2005 and was replaced by a free-to-air channel, Cuatro
- Canal Plus was available exclusively via Digital Plus and on Imagenio (Telefonica's IPTV service) until 2010
- In 2010, Prisa TV changed its distribution strategy to allow Canal Plus to be available on cable and other IPTV platforms.

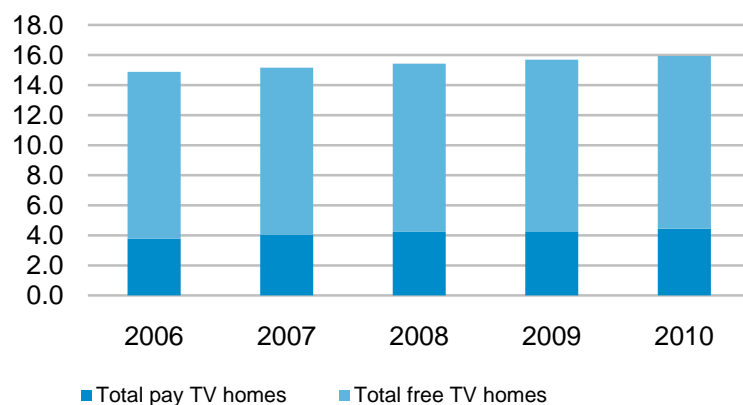
# Spain: pay TV landscape



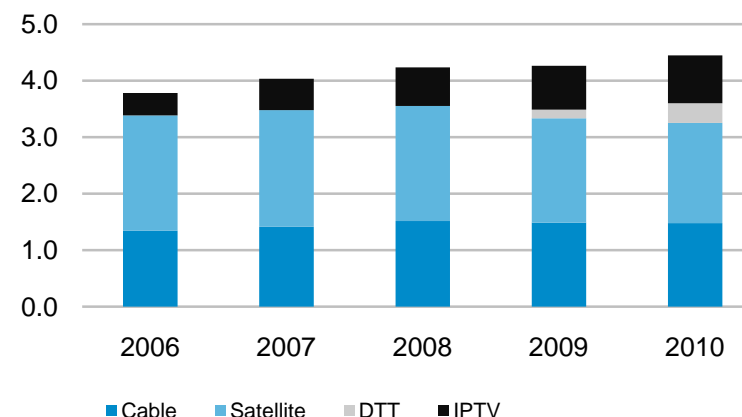
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TV households (m)

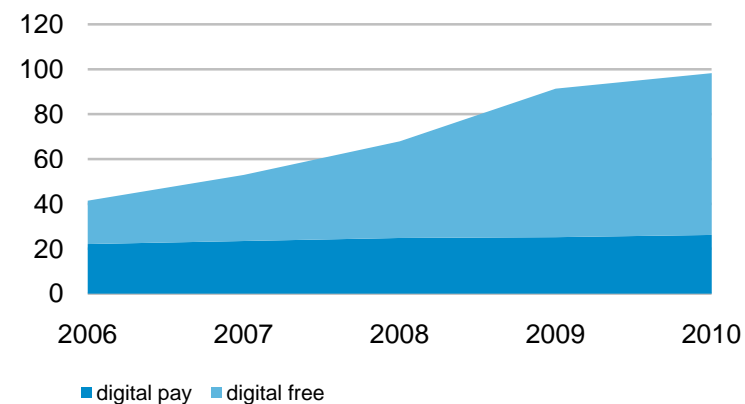


Pay TV by type ( households m)



- Pay TV has barely increased in the last five years
- The main satellite operator and cable have both struggled to grow their subscriber bases
- IPTV and pay DTT have made some inroads recently
- Free DTT has grown very quickly and analogue TV switched off in 2010.

Digital TV penetration (%)



# Spain: movie rights



has  
acquired

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- 
- Prisa TV is understood to have pay TV deals with all of the Hollywood studios.

# Spain: distribution of film channels



has  
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Platform	Type	Canal Plus	Canal+ DCine
Digital Plus	Satellite	Y	Y
Ono	Cable	Y	
Imagenio	IPTV	Y	
Orange	IPTV	Y	
Exclusive studio agreements		All studios (though not confirmed by company – our assumption)	

# Spain: channel offers and market share



has  
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Prisa TV parent Digital Plus is the only company acquiring pay TV movie rights

<b>DIGITAL+</b>	
Prisa TV	
Channel brands	Canal Plus Canal Plus Dos Canal Plus Accion Canal Plus Comedia Canal Plus Dcine MultiCine

Subscribers (end year, 000s)

