



THE MARKET

The home entertainment market in Australia is big business and that business is being driven by the DVD format. Australians embraced the DVD format faster than any other technological or entertainment format in history. Since hitting the market in 1998, the DVD format has grown to over 51 per cent penetration into households.

The entertainment product now available on DVD is widely varied with movies representing 72 per cent of all sales. The movie category isn't just driven by the big ticket new release films like 'X-Men 2' and 'Daredevil', the real growth area has been catalogue product or films in home entertainment release for four months or longer. Catalogue product at the end of 2003 represented a 69 per cent growth in shipped units year on year proving that Australians are avid collectors as well as renters. 20th Century Fox Home Entertainment has a very strong back catalogue of films from the classics like 'The Sound of Music' to new family favourites like 'Ice Age'.

Other product categories showing excellent growth are Music and Television programming. 20th Century Fox Home Entertainment is the market leader in the rapidly growing television DVD sub category. Key brands include Buffy the Vampire Slayer, Angel, The Simpsons, Futurama and 24.

In addition to the rapid growth in the retail area, the rental market remains very strong with Australians still the world's biggest renters of video and DVD per capita. Rental outlets still number over 2000 nationwide with a large number of outlets

both selling and renting product to a dedicated consumer base.

At the end of 2003 the total rental market was valued at \$236.5 million while the retail market had grown to over \$800 million. Fox's revenue has grown in that period by more than 40 per cent across the market with an average market share in rental of 16.34 per cent placing it in the top three of software distributors and at the top of retail sales with an average 15.9 per cent market share.

ACHIEVEMENTS

The growth of Fox Home Entertainment has been spectacular. Sales in fiscal 1995 were \$28 million with sales in fiscal 2003 forecast at over \$140 million. Fox has been listed by BRW as one of Australia's 100 fastest growing companies and also as one of the top employers listed in the 'Best Companies To Work For In Australia' as published by Allen & Unwin. As part of an international organisation, the Australian Fox subsidiary has tended to grow faster than many others around the world and now ranks 5th in Fox Home Entertainment internationally.

Fox Home Entertainment has fostered lucrative distribution partnerships with other major international studios such as MGM and Regency Films, as well as high-profile Australian independents like Palace Films. These partnerships have allowed Fox to distribute some of the most highly regarded and commercial films outside of its own studio's production facilities.

As a company born out of the development of new technologies, Fox continually embraces their

use to become more competitive and cost effective in its trading environment. Fox has adopted a flexible approach to sales, marketing and distribution that has made it an agent of change in a highly competitive environment.

The greatest strength Fox has is its relationship with the major retailers in both the rental and retail channels. This is partly due to the focus Fox maintains on achieving profitable and sustainable gains for all its business partners. Relationship marketing is a key strategy and, as a result, trading relationships are robust and co-operative.

Fox marketing sets standards both at home and internationally earning multiple awards and industry recognition for innovative and effective campaigns within both the rental and retail channels.

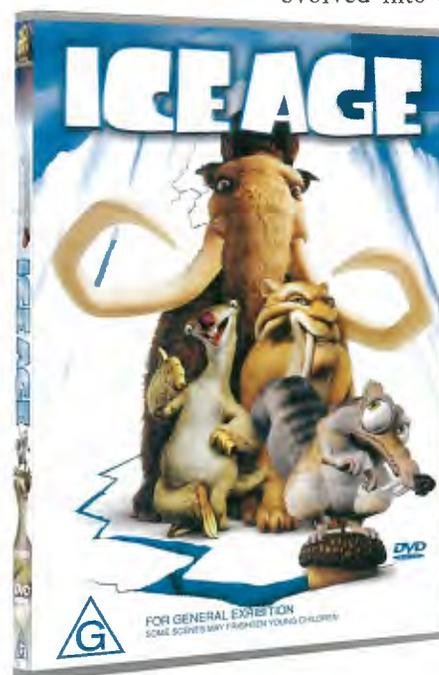
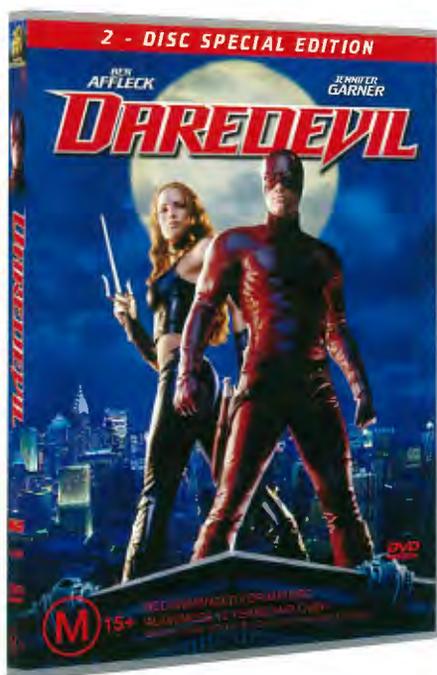
The competitive advantage Fox enjoys is due not only to a well-developed understanding of these channels but also to the implementation of sophisticated Electronic Data Interchange (EDI) processes. Retail inventory management at Fox is handled by the VISION system, and world's best practice supply chain processes are being introduced with leading retailers. The use of EDI, POS scan data and scan picking and production of shipping cartons enables error-free and paperless supply.

HISTORY

20th Century Fox Home Entertainment has a long history of successful distribution in Australia, beginning before 1983 when Magnetic Video evolved into an international joint venture between CBS-Fox and the studio.

The studio took complete control in 1991 and, as a result, the relationship was strengthened further. Fox became a retail channel distributor in 1996 and has since gained market leadership through the use of superior technology, experienced sales and marketing personnel and the development of close retailer relationships.

In 1999, the



Australian offices of 20th Century Fox Home Entertainment relocated to the Fox Studio at the site of the old Sydney Showground.

THE PRODUCT

Over 70 per cent of the DVDs sold in Australia are live action movies, and Fox has established market leadership in the marketing, promotion, sales and distribution of feature films.

Fox has adopted a portfolio management style to platform each area of its product offering. From new release films for the rental market to a catalogue of over 400 films on both formats to the retail market, Fox has enjoyed outstanding distribution successes and many record breaking results.

With a mix of outstanding 'evergreen' films such as 'Braveheart', 'Titanic', 'The Sound of Music', 'Fight Club', and 'X-Men' to mention only a few, Fox has one of the strongest video and DVD catalogues available. Complementing the individual films are the strong film and television franchises including the TV hits The Simpsons, X-Files, Buffy-The Vampire Slayer and Angel as well as many others.

In addition to an outstanding new release lineup, Fox will continue to drive category growth via the extensive catalogue.

RECENT DEVELOPMENTS

New release highlights in 2004 include Peter Weir's epic masterpiece 'Master and Commander' (nominated for 10 Academy Awards and winner of two Oscars plus the BAFTA Award for Best Director), 'The Day After Tomorrow', a special-effects packed mega-event picture from the director of 'Independence Day' (Roland Emmerich), the sci-fi thriller 'I, Robot' starring Will Smith, the action packed 'Alien vs Predator' (whoever wins, we lose!), and Bill Murray brings the famous cartoon-strip fat cat to life on the big screen in 'Garfield'! The most requested DVD ever will also be released in September 2004 when the Star Wars Trilogy comes to DVD for the first time!

The development and consumer acceptance of DVD has created enormous growth in both the rental and retail channels. What was old is new and exciting again with DVD Special Edition releases of films as diverse as 'Independence Day' and 'The Sound of Music'. The excitement of this new format is growing at an unbelievable rate with DVD driving the consumer to rent and purchase with new enthusiasm.

20th Century Fox will continue to invest in the growth of the Home Entertainment category by working closely with rental and retail partners. The goal is to make DVD easily accessible to every Australian via gold standard in-

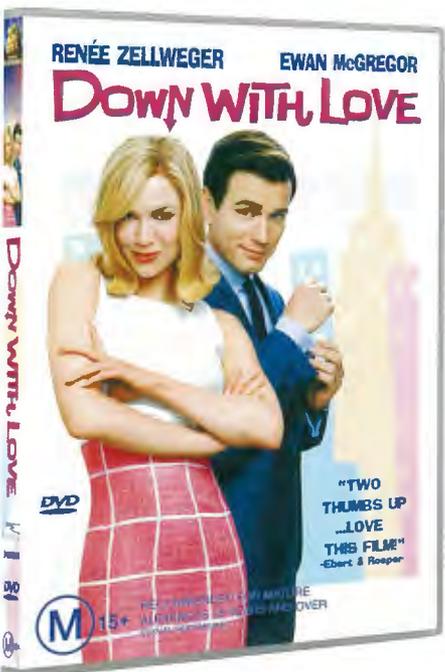
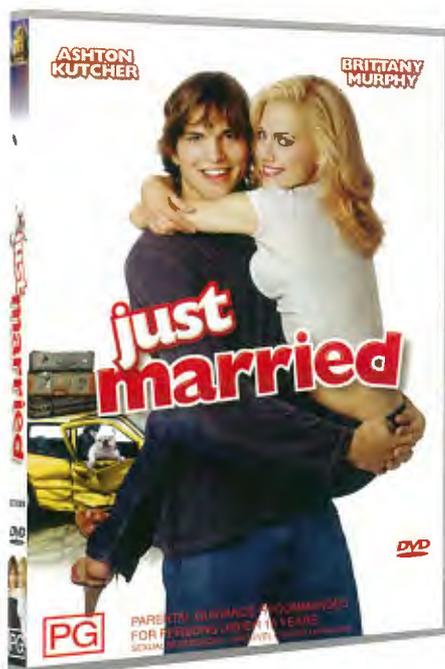
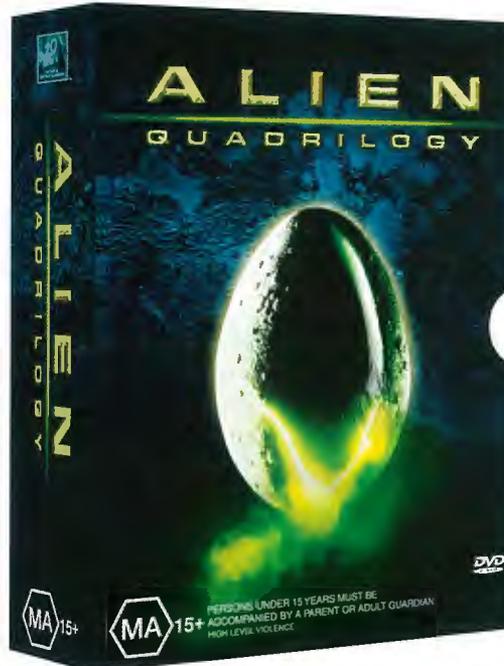
store execution and a marketing activity plan that will include heavy above-the-line media investment and long term promotional partnerships.

PROMOTION

Fox spends both strategically and aggressively on marketing, specifically in the areas of consumer advertising, point of sale, retail execution, publicity and promotions and retailer specific promotions.

Consumer advertising is targeted to reach the individual product's main demographic segment. The primary choice for new release and re-promoted product is terrestrial television, Pay TV, specialist press and radio advertising, supplemented by other forms of media such as database mailers and in-store point of purchase materials.

The Fox publicity and promotions team works



relations; develops long-term third party partner relationships; and engineers and implements strong relationships with key members of the press. The team also plans and implements talent tours, interviews and press opportunities; creates event marketing plans including PR events and trade and retail specific launches; and develops retail campaigns to drive sales and increase retail presence.

As a News Corp company, 20th Century Fox Home Entertainment has formed unprecedented alliances with Fox theatrical, television, Foxtel cable television and News Corp publications. This has created a strong corporate synergy which gives all the organisations involved a competitive edge in their respective markets. Promotional partnerships with News publications, entertainment affiliates and allied firms like Harper Collins in publishing are especially effective.

BRAND VALUES

Fox Home Entertainment carries the name and iconography of its parent

with both rental and retail product to create a competitive edge, concentrating on several key strategies to position Fox product for both the industry and consumers.

Fox has driven enormous market growth with seasonal catalogue campaigns such as X-treme DVD, Father's Day and Best of the Best. These promotions have generated market leading sales results. Fox will continue to drive these campaigns using a broad-based media strategy and catalogue marketing expertise to attract promotional partners and drive category growth.

The team maximises sales potential through cross promotions, product tie-ins and public

20th Century Fox, one of the oldest and most recognised film studios in the world. As a distributor of entertainment and some of the best-loved films of all time Fox represents memories, laughter, drama, songs and emotion to every generation. Fox is committed to delivering high quality replication of these films on VHS and DVD, which conform to the high standards expected by the consumer.

THINGS YOU DIDN'T KNOW ABOUT 20TH CENTURY FOX HOME ENTERTAINMENT

- The 20th Century Fox Home Entertainment team is relatively small, with only 39 full time members.
- The blockbuster hit film, 'Titanic', has sold nearly 1 million units into the Australian marketplace across the video and DVD formats... that's 1 in 6 households.
- The production line which assembles Fox videos automatically opens the video box, inserts the slick, drops in the cassette, closes the box and adds a price label at the rate of 1700 boxes per hour.