

PRESS RELEASE

Canada's digital revolution continues: high consumer demand for digital cameras

Toronto, Ontario (April 1, 2004) - Canadians have gone digital when shopping for cameras. We purchased twice as many digital cameras as traditional photo cameras in 2003. This is based on data released today by the Canadian Imaging Trade Association (CITA). In 2004, based on industry forecasts, approximately three-quarters of all camera sales will be digital.

This is a phenomenal situation, considering that, in 1999, digital camera sales represented just 6 percent of all camera sales in Canada.

This doesn't mean Canadians have had to give up their love affair with prints. Increasingly, digital camera users are returning to stores to have photo-quality prints made from their electronic images, or are using retailers' do-it-yourself kiosks or online print-making services. Whichever method they are using, the result is the same: the number of prints made from electronic images is increasing, as consumers become more aware of the availability of these services.

Digital Cameras

Manufacturers shipped 1.5 million digital cameras to Canadian retailers in 2003. That's a 69 percent increase over the 880,000 shipped in 2002. By way of comparison, in 2002 digital camera sales increased 103 percent over 2001 levels, and in the year 2001, the growth in digital camera sales was 84 percent higher than those of 2000.

The growth in the digital camera market has been nothing short of exceptional. The rate of consumers shifting from conventional photography to digital has been far faster than many industry experts had predicted. In 2003, digital camera sales represented more than 67 percent of all camera sales in Canada. This was up from 44 percent in 2002. For 2004, CITA anticipates another 30 percent growth in digital camera sales.

Total camera sales -- photo and digital -- in 2003 were well in excess of half a billion dollars. In terms of dollar sales (shipments to retail), digital cameras generated industry revenue (in wholesale dollars) of \$567 million in 2003, an increase of 33 percent compared to 2002. Film camera sales contributed \$69 million to the category.

Consumer demand for digital cameras ramped up significantly, beginning in the second half of 2000. Digital cameras are now the number two home electronics product in terms of dollar sales. While digital cameras follow TV sales in dollars, they have surpassed the annual sales of computers, printers, PDAs and DVD players.

Growth is now being helped along by lower camera costs, improved camera performance, increased consumer awareness and the wider availability of consumer digital imaging printing services.

Traditional Film Cameras

Canada's imaging industry is in transition. With digital camera sales in full stride, sales of traditional cameras -- those using film as the capture medium -- continued to decline in 2003. Statistics gathered by CITA show an approximately 35 percent decline in traditional camera sales last year, to 739,000 units.

Of those cameras sold, 95 percent were 35 mm single lens reflex (SLR) and point-and-shoot models. Advanced Photo System (APS) camera sales represented only a small fraction of this number.

In spite of those declines, CITA is forecasting that approximately 516,000 35 mm cameras will be

needed to satisfy the 2004 film camera demand in Canada. The majority of these will be point-and-shoot cameras.

Consumer Film

Film sales in 2003 were adversely affected by the boom in digital camera sales. Sales of traditional 35 mm and APS film closed out the year at a total of 46.3 million rolls. That's a decline of 15.1 percent compared to 2002. The APS category has consistently represented 10 percent of the total film sales -- 4.7 million rolls in 2003.

With no end in sight to the avid adoption of digital by consumers, there seems little doubt film sales will continue to decline. CITA forecasts an 18 percent decline in 35 mm film sales to 34.1 million rolls, and a 20 percent fall in APS film sales to 3.75 million rolls. Total film sales for 2004 are forecast by CITA to be 37.85 million rolls.

Because of improvements in film design, films with higher speeds -- ISO 400 and 800 -- continue to increase in popularity. They deliver greater versatility, being able to shoot under a variety of conditions yet still deliver excellent quality results. ISO 400- and 800-speed films currently account for approximately 58 percent of sales. The expectation is that this will grow to more than 60 percent in 2004.

Single-Use Cameras

Single-use cameras have been adopted wholeheartedly by the consuming public because of their ease of use and good results. In fact, single-use camera sales once again enjoyed double-digit growth in 2003, surprising many.

Unit shipments in 2003 were 7.7 million, representing an amazing 16 percent growth compared to 2002. Single-use cameras are inexpensive, available everywhere, take good quality pictures, and are a handy substitute when you have forgotten your main camera. They take good quality pictures, remarkable for a product that is completely recyclable when the entire camera is returned for photofinishing.

That double-digit growth is projected to continue in 2004, with a forecast of 8.7 million cameras to be shipped this year, representing a growth of 13 percent.

Professional Film

Professional photographers (and advanced amateur photographers) clearly are making the switch to professional digital cameras, shown by a 46 percent increase in their sales. But sales of professional films held to a decline of 18 percent in 2003. Both print and slide film formats are included in the 500,000 roll decline.

Professional film products consisted of the equivalent of 692,000 rolls of colour reversal film and 1.45 million rolls of colour negative film (translating to 32 percent slide vs. 68 percent print in unit volume breakdown). In terms of total volume reduction, print film softened at a greater rate than slide film.

The most popular pro film format in 2003 was 35 mm at 51 percent of the category, followed closely by medium-format (120 and 220 rolls) at 46 percent, with sheet film representing 3 percent of the category.

Film Scanners

Film scanners provide a convenient way for photo camera users to convert their existing photographic images, captured on film, into high quality digital content.

Due to the increasing popularity of digital cameras, therefore, the overall size of the film scanner market in Canada decreased about 3.5 percent compared to 2002.

Binoculars

Overall demand for binoculars softened in 2003, with almost 344,000 units sold. That's a decrease of 9.5 percent compared to 2002. Compact binoculars continue to be the most popular, outselling full size binoculars by a ratio of nearly 3:1. Compact binoculars sales declined slightly to about 255,000 units. A six-fold increase in the compact 8X and under category suggests these models were the focus of promotional activity through mass market and premium-incentive programs. Sales of full size binoculars returned to 2001 levels with more than 89,000 units sold.

Several manufacturers launched "digital binoculars" in 2003, models with image-capturing capabilities. This new category is expected to grow substantially in 2004.

Spotting scope sales in Canada during 2003 were only at about one-quarter those of 2002, with almost 11,000 units sold. Sales of spotting scopes traditionally have cycled over two or more years, and demand is expected to increase in 2004.

Ink Jet Printers & Paper

Many Canadians depend on ink jet printers, as part of their home computer systems, for the output of their digital photos.

This year will be the first full year for which the Association collects data on ink jet printer sales. Therefore, the Canadian Imaging Trade Assoc. will offer no trending in this category, there being no reliable historical data from which to determine trends.

For 2004, the Association is forecasting sales of multi-function ink jet devices to be about 964,000 units, with single function printer sales at the 747,000 level. Ink jet printers specifically designed for photo-quality output will sell at about the 332,000 mark in 2004.

Coated ink jet paper sales are forecast to rise about 34 percent this year, to more than 129.5 million sheets. Bright white and specialty paper sales are forecast to decline slightly -- about 1.5 percent -- to approximately 67 million sheets. Specialty papers include brochures, flyers, greeting cards, and transparencies, among others.

-30-

Founded in 1955, the Canadian Imaging Trade Association is the association of manufacturers/importers and distributors of photographic/electronic imaging equipment and sensitized materials.

For further information:

Dori Gospodaric, General Manager
 Canadian Imaging Trade Association
 145 Upper Canada Dr.
 Toronto, ON, M2P 1S9
 (416) 226-2750
 fax (416) 226-3347