

divisa celebrates its 25th anniversary

Divisa commemorates its first quarter-century operating in the video industry in a good state of health and proving their expertise on supplying total service to the entertainment stores, its bench mark throughout all these years of commercial activities. This has made them an outstanding wholesale distributing company, supported besides by an inspiring video editorial brand that has brought up a catalogue of more than one thousand titles.



This year is Divisa's 25th anniversary as a distributor in the audiovisual market in Spain. These 25 years almost comprise the whole life of this industry in our country. During this period, Divisa has pursued to supply all range of services to the video rentals and entertainment stores. This is a commitment it has always fulfilled with enthusiasm and expertise and that has enabled the company to have a continuous growth and to stay at the forefront of the sector during these two decades and a half. It all has been possible

thanks to its constant review of new trends of product and industry outlines, technology, and infrastructure, and to its client-orientated services.

This effort has been carried out along together with a second business branch: bringing out its own catalogue which has revealed itself as a wise and essential proposal for home video enthusiasts.

Divisa was founded by five brothers in 1.983, originally as an exclusive distributor

agent of some companies like Record Vision and IVE, throughout Castilla y Leon regional area, but also as a wholesale distributor of the other video companies in the industry at the time.

Their original motto in the beginning was 'All the best of video', which clearly defined the trading philosophy of the company. This philosophy was meant to provide retailers with a range of services that supplied all products available in the video market. Still, it remains as its primary commitment. Initially their premises' extent was approximately 700 m², where 400 m² were dedicated exclusively to products for exchange, an essential trading outline for rental stores as purchasing all new video releases in the market could not be afforded those days. This was a good way to ensure all retailers could offer the wide range of new releases to their customers and it

and downs, is showing it is a remarkable core of the business for entertainment stores.

The emergence of private television channels in the broadcasting environment in the early 90's made it difficult for video industry and also for Divisa, whose annual turnover decreased from 1.000 million pesetas to 370 million pesetas in 1.991, motivating a complex restructuration of the company organisation.

In 1.993 Divisa set up its own video editorial

Since 1991 Divisa has not stopped growing and in 2007 their annual turnover was superior to 23 million euros.



A view of Divisa Red's head office and premises

used to be common practice until direct sell through developed and so exchange turned into a not so relevant trading part. When this new channel emerged Divisa soon integrated it and started to distribute the increasing number of new video releases.

With Nintendo and Sega launching their first video games, Divisa got involved in this sector as an exclusive distributor agent in Castilla y Leon and started to introduce video games in video rental stores as an alternative activity, available both for rent and for sale. Video gaming, despite its ups

brand and catalogue, Divisa Ediciones, considering that some genres could be likely to be very attractive for a certain number of consumers (documentaries, silent film great masterpieces and classic Spanish movies). Since then it has developed a vast catalogue of more than one thousands titles.

Apart from its own editorial brand, Divisa has reached an exclusive distribution agreement with On Pictures for the sell through market. Thanks to this, they are distributing some notable films like 'The Empire of Wolves', 'Scoop', 'Hotel Rwanda', or 'Match Point'.



MATÍAS FRAILE

DIVISA RED Managing Director

As he himself remarks, 'Managing Divisa during 25 years' -company he founded together with four brothers of his, 'means half a life'. Matías Fraile goes through this quarter-century of the company development, which also means the evolvement of video industry in Spain. And Divisa has become part of this sector history on its own merits.

Vídeo Actualidad (V.A.): First of all, congratulations for these 25 years of Divisa's activities. How would you sum up this quarter-century for the company?

No doubt the main key is the people that work for the company, as they are the ones who have made Divisa be what it is now. I'd like to take this opportunity to congratulate and thank everyone.

MATÍAS FRAILE (M.F.): There seems long time but it has passed so fast. It's been 25 years of passionate hard work but very satisfying during which we ourselves have grown and evolved along with the company's development. The best thing of it all is that after these years we can still pride ourselves on feeling encouraged to move on.

V.A.: It could be said with enthusiasm that Divisa has not stopped growing throughout this time. Which are the keys for this success in your opinion?

M.F.: No doubt the main key is the people that work for the company, as they are the ones who have made Divisa be what it is now. I'd like to take this opportunity to congratulate and thank everyone. The effort of this team and a working philosophy always focused on supplying total service and assistance to our clients, on the one hand, and the cooperation with our providers, on the other, have made it possible to achieve the commitment that Divisa has kept from a start: provide with a range of services to all the stages of the retail chain. This implies they can have access to all products available in the market from one single supplier.

V.A.: Divisa has two business arms: on the one side, a video editorial brand and video distributing company, and on the other one, one of biggest wholesale distributors in Spain. How can both trading activities be handled towards the same direction?

M.F.: We have always considered them separately, each one with its own target,



budget, etc.. The wholesale distributing activities are located in Valladolid premises. What we do keep in common for both business outlines is the administration and management and the warehouse facility.

V.A.: Looking back in time, what is your opinion of all the changes that video distribution industry has undergone in Spain?

M.F.: In 2007 there has been a serious downturn in revenues from the rental market, according to our information, a thirty per cent decrease over previous year. And considering the retail channel, it seems the situation remains without great changes, partly due to revenues from tv series sales. We ourselves have not actually suffered so a big downfall, but it has surely been a hard year.

V.A.: What do you expect for the audiovisual industry near future, especially regarding the rental channel?

As long as there is a law that protects us from piracy, the rental channel will obtain results that will be attractive enough to bring back film studios' attention, investment and protection for the rentals.

M.F.: It will depend heavily on the essence of the law or agreements that can be reached, basically. And this should serve as a way to regulate the illegal internet downloads and the illegal itinerant sale of supports, among other things. As long as there is a law that protects us from piracy, the rental channel will obtain results that will be attractive enough to bring back film studios' attention, investment and protection for the rentals. This also goes for the sell-through channel: If there is an anti-piracy law that could be enforced, this sector will meet up again better results.

V.A.: And your expectations for sell-through?

M.F.: Film industry is always on the cutting edge of trends, everybody likes it: the youth, the middle aged and the elder. The sell-through gives the opportunity to own a movie as if it were a physical object, so you have the chance of watching it home every time you feel like it, that's an option it's always there. It will exist side by side with legal downloads and



POPULAR AND PRIZED TITLES

Divisa's constant commitment both as a home video brand and as a distributing company has always been to consider the gaps in the market that other companies have not filled. Aware of the great number of consumers for this commercial line, it has succeeded in bringing up a vast catalogue whose range of styles, genres and proposals is always growing.

Recovering classic titles of Spanish and Mexican cinema was Divisa's hallmark during its first stage, as well as the distribution of Lina Morgan's plays in VHS, which was very welcomed by consumers. Some of the Spanish classic films Divisa has released are 'Atraco a las tres', 'El pico' and 'El pico 2', among other Eloy de la Iglesia's works, and a series of titles that gathers more than 300 video releases of Spanish films. The company has also brought back attention to international classic films like 'The Cid', 'For Some Dollars

More', 'Dersu Uzala', etc..

Following this path, Divisa has also distributed some of the most remarkable Televisión Española 's series, namely 'Teresa de Jesús', 'La barraca' or 'Celia', as well as brand new tv series like 'Hermanos y detectives' or 'Vientos de agua'. It should be pointed out that Divisa has commercialized the historic tv series 'I, Claudius'.

Divisa has integrated rental distribution for titles distinguished by their high cinematographic quality and by their box-office success, for instance, 'The Woodsman' and 'The White Masai'.

Animation is a genre that has been also relevant in Divisa's development, some of the main titles that stand out are 'Ulysses 31', 'Dungeons and Dragons' and films like 'Azur & Asmar' or the film series of Corto Maltes, the character created by Hugo Prat.

Not to mention their wide range of documentaries.





therefore we will have to take part in this new channel as both will pull together the audiovisual market as allies.

V.A.: France and United Kingdom have recently taken new steps against audiovisual piracy, do you think these measures could be applied in Spain too?

M.F.: Every step is welcome; at least it's better than to lack initiative, as it has been our case. I think every of their measures would be very helpful.

ADSL services that many telephone companies have developed under some institutions' consent have opened up the market and as they already have a good share of subscribers I think that legal downloads will start to increase. Therefore I hope similar initiatives to the French or British ones will be adopted this year in Spain.

V.A.: Which is the most important achievement of the video industry during these years Divisa is been involved in?

M.F.: During these 25 years many and very different achievements have been fulfilled. For example, the television campaign supporting video rentals and the rental channel; It was a very good initiative and in the same way it made the market grow bigger at that time, again a campaign

backing our sector it would be useful to move people to the video stores. Meetings, conventions, etc., in fact, very frequently held in the distributing sector, enhance the industry and make the communication between video companies and retailers or wholesalers be more fluent.

We went through a bit of a divergence episode due to the suppression of certain holdback obligations but now there is no need to say we are all going in the same direction.

And good examples are the public demonstrations in Galicia and in Madrid.

V.A.: Now that the competition of next format standard has concluded, do you think high definition will develop quickly and become the great hope able to reactivate this industry?

M.F.: For video industry we think it convenient one standard. Its quickly development depends on the agreements to be reached between the manufacturers of video reproducers and the content management companies. Blu-ray surely will help to activate this market and attract consumers' interest again.

V.A.: Does Divisa plan to start releasing programs in high definition?

M.F.: Within 2008 we will have some products due for distribution in Blu-ray.

V.A.: Do you think legal downloads mean a strong rival for the traditional rental and sell through channels? In your opinion, will people make common use of this new channel soon?

M.F.: Considering audiovisual piracy, the day it finishes, the legal downloading will expand steadily. What we do not know is the percentage it will take over in the market, but it will certainly have its place in the video industry. This percentage surely will be higher in the big cities rather than it will probably be in the smaller ones, but anyway the video rentals or outlets will keep on existing. Both channels will compete and there will be consumers for both options.

V.A.: Regarding near and long future, which are Divisa's main expectations?

The crisis in the 90's was very severe, and, as I explained before, our revenue decreased a 70% over the previous year. Nevertheless from that time we have been continuously growing

M.F.: In the shortest term, carry on developing both lines of business we are engaged in through continuous investment. We have always thought that part of the company's revenue should be constantly invested back. Following our total service orientation, we have just introduced a new computerizing system for our distribution activities so as to improve our operational excellence. As this is our 25th anniversary, we will release special editions of the most important titles of our catalogue. The year 2008 is a very special one for us, as special as the products we will be distributing next, among others, tv series like 'Hermanos y detectives' and 'Sin tetas no hay paraíso', documentaries like 'La edad de oro - El pop español' (the best of this legendary TVE program about the 80's music and vanguard), animation series like 'Robotech' (one of most longed for series for fans of animation), so as not to forget cinema and films like 'This is England' (BAFTA Film Award in Best British Film Category), 'Moscow Does Not Believe in Tears' (Oscar in Foreign Language Film Category), 'Las chicas de la Cruz Roja' (one of most loved Spanish movies of over the last 50 years).

V.A.: Referring to Divisa, how would you describe these 25 years?

M.F.: Divisa was founded in 1.983, when the five brothers of ours joined forces and became a partnership. We started up as a wholesale distributor in the home video business, operating as an exclusive



THE COLLECTION 'ORIGINS OF CINEMA'

There are many reasons to justify and appreciate the work of a home video brand like Divisa in the Spanish market, and the collection 'Origins of Cinema' is just one among them. From its beginning, this collection keeps a firm and honest commitment that sticks to consumers' expectations and it stands out as a landmark

for new generations of film lovers, as thanks to this collection they can have access to the most significant silent films that unfortunately cannot be so frequently enjoyed through other trading channels. Divisa has not confined itself to spread this masterpieces by Lang, Murnau, Eisenstein or Méliès to the curious, eager and enthusiast followers of this period of cinema, as well they have been so careful so as to achieve that each of these titles released under the collection represents an example of its commitment and passion for excellence: films

digitally restored and including extra content and relevant comments. This effort and dedication have been compensated by collectors, whose recognition and gratitude reveal that consumers still feel a strong concern with these movies. All this has made this collection the biggest commercial and editorial success



achieved by Divisa. A recognition that has been recently supported by Cahiers du Cinéma España's choice of 'Lubitsch en Berlin' as the best Spanish dvd set release of 2007. And apart from this, it also stands out the edition of two packs containing, each, Buster Keaton and Charlie Chaplin's shorts, followed with a special edition of 'Potemkin' and 'Aelita', one of early first science fictions works, and 'The Man With a Camera', directed by Dziga Vertov... a fundamental collection of cinema greatest films, more than enough to celebrate Divisa's catalogue.

distributor agent of some companies and as a wholesale distributor for the other companies at that time. Our original motto was 'All the best of video' and our philosophy has been up to now to offer total service to the video stores so they could be provided with all products available in the market just through one supplier. At the beginning we used to keep a relevant section for exchange, which was essential for the video stores those days if they wanted to have access to all product range available in the market. Later on, direct sell through arose and soon we also adopted this channel for our own brand products. I mean we have always kept a commitment to new and leading moves taken in the market. We have supported direct sell through in the video stores from its start by distributing all range of products released in the market.

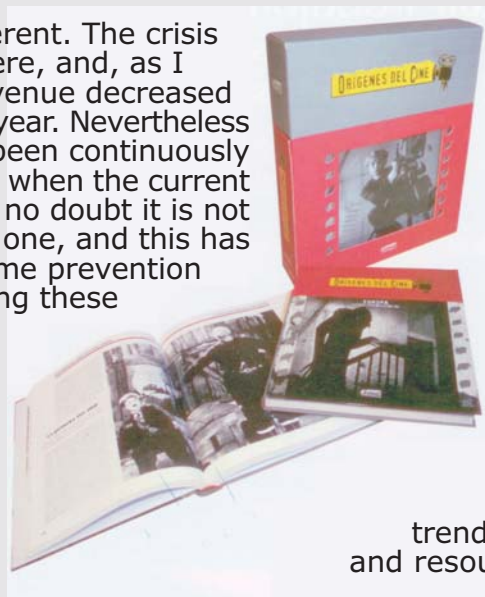
In 1988, videogaming started to evolve, with Nintendo's NES and Sega's Master System releases. Loyal to our philosophy, we started up to distribute video games in the region of Castilla y León among the outlets as an alternative trading source, both for the rental and direct sell through channel.

V.A.: Could the crisis in the 90's be compared to the current crisis we are living now?

We'd like to thank the whole sector for their trust in us. We will carry on working to keep to everyone's expectations, both our clients, they are our 'engine', and our suppliers, our ally at this.

M.F.: They are quite different. The crisis in the 90's was very severe, and, as I explained before, our revenue decreased a 70% over the previous year. Nevertheless from that time we have been continuously growing. We do not know when the current crisis will end but there's no doubt it is not so tough as the previous one, and this has allowed us to take up some prevention measures somehow during these months.

Taking into account that Blu-ray is now the standard high definition format, and that, definitely, we must achieve audiovisual piracy gets lower share rate, we



hope 2008 will be the start of a new stage.

V.A.: When was Canal Ocio set up and why?

M.F.: In 2002 some national wholesale distributors reached an agreement so as to found Canal Ocio Europa, S.L. encouraged with the aim of supplying better total services to the outlets compared with the services each company could provide separately. Our main goal has been to implement a series of tools that allow outlets to be more competitive.

V.A.: Before closing, what would you like to express to our readers?

M.F.: First of all, we'd like to thank the whole sector for their trust in us. We will carry on working to keep to everyone's expectations, both our clients, they are our 'engine', and our suppliers, our ally at this. We are involved in the film industry which is more than 100 years old and is always changing and stepping forward. We will fight against piracy, our current disease, so it hopefully diminishes soon. It's going to be a hard task but we'll surely get over it. As well, it is very important that outlets do not limit themselves to rental. In order to survive this situation we should catch up on new trends and diversify the range of products and resources of our business.