



Dear readers,

From 25 February to 1 March 2009, MEDIA Salles successfully ran its sixth edition of the "DigiTraining Plus" course in London, with the support of the MEDIA Programme and the Italian Government.

Digital implementation in cinemas worldwide is still the hottest issue that all players have to face in the business. Now that the teething troubles have been overcome, from a technical point of view, financing problems are still piling up in most countries, especially for middle-sized and small independent operators. The MEDIA Salles courses, however, offer participants a great opportunity to exchange ideas, discuss business plans and to "think" digital. The truth of the matter is that the digital changeover demands a completely new way of business culture. Alternative content, new staff skills, maintenance plans present serious opportunities and demands that each and every cinema manager has to face today. Nobody knows for how long we shall still have our traditional 35mm distribution running parallel with the digital version (some believe 10 more years), but still it is strange that in so many countries politicians and institutions are sitting on their hands waiting for – yes, for what? Figures provided by MEDIA Salles to the European Audiovisual Observatory and that are about to be presented in Cannes in the framework of the partnership established last year, will clearly show that the train has left the platform.

In this respect it is with pleasure that MEDIA Salles will continue its efforts to lighten the digital challenge by organizing yet another edition of the "Digi-Training Plus" course from 17 to 21 February 2010.

Jens Rykaer
 President of MEDIA Salles

EUROPEAN DIGITAL SCREEN BASE GROWS BY 70% IN 2008 REACHING 1,529 UNITS AS AT 1st JANUARY 2009

Digital cinema is gaining ground in Europe. According to recent figures updated as at 1st January 2009 provided by MEDIA Salles, the number of digital screens equipped with DLP Cinema or Sony 4K technology increased during 2008 by 70% to 1,529 digital screens. The European Audiovisual Observatory estimates that between 4 and 5% of all European screens had been converted to digital by the end of 2008. The number of theatres equipped with at least one digital screen grew to 815 sites, up 48% from 2007.

By the end of 2008 each European digital theatre operated on average 1.9 digital screens, compared to 1.6 in the previous year. This indicates that exhibitors are increasingly opting to convert more than one screen to digital in their theatres in order to enable digital screening along a film's commercial life cycle and to guarantee the flexibility to react to changes in demand.

MEDIA Salles also reports 3D as a major driver stimulating conversion to digital. This would appear to be particularly true for Italy where, according to the local trade press, *Journey to the Centre of the Earth* opened on just 42 3D screens

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SAVE THE DATE

The seventh edition of the "DigiTraining Plus: European Cinemas Experiencing New Technologies" course will take place from 17 to 21 February 2010.

Further information will be published on our website, at the page dedicated to the course:
<http://www.mediasalles.it/training/training.htm>

MEDIA Salles at the 62nd Cannes Film Festival

MEDIA Salles latest data on digital cinemas and screens in Europe will be presented during the European Audiovisual Observatory's Afternoon Workshop in Cannes: "Show me the money! Monitoring film revenues and collecting rightholders' money".



Marché du Film 2009, Sunday 17 May 2009, from 4.00 pm to 6.00 pm at the Salon des Ambassadeurs, Fourth Floor, Palais des Festivals, Cannes.

DGT

"DIGITRAINING PLUS: EUROPEAN CINEMAS EXPERIENCING NEW TECHNOLOGIES"

MEDIA Salles organized the sixth edition of the "DigiTraining Plus" course: "European Cinemas Experiencing New Technologies" in London and Hull (UK), from 25 February to 1 March 2009. 32 participants from 13 different European countries took part in the DGT, the only initiative in the MEDIA Programme to concentrate on new technologies from the cinemas' point of view, which updates and informs exhibitors and representatives of professional associations and public institutions on the latest news and information about digital cinema technology, not only from a technical point of view but also from the perspective of those who may be considering adopting

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Table 1: Digital cinema sites and screens in Europe (as at 1st January 2009)

	2004	2005	2006	2007	2008	2009
Digital screens	30	55	204	527	897	1,529
Digital sites	27	45	148	358	550	815
Average screens per site	1.1	1.2	1.4	1.5	1.6	1.9

Source: MEDIA Salles

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in January while *Monsters and Aliens* was released on a total of 102 3D screens in April 2009.

Based on an early roll-out in the framework of its Digital Screen Network - the first public initiative to support digitalisation of cinemas in Europe which began roll-out in autumn 2005 - the United Kingdom still leads the European digital cinema market with 303 digital screens operational at the end of 2008. However, with no further public funding available, screen growth has slowed down, with only 19 new digital screen installations throughout 2008. In contrast, France is rapidly catching up on the UK, with digital screens almost quadrupling to 253 units in 2008, up from only 66 in the previous year. This growth

is chiefly due to the decision by CGR, the third largest French exhibitor, to start conversion of its approx. 400 screens. While awaiting the outcome of negotiations over a funding scheme to support the digitalisation of German cinemas – the so-called 100 model – German exhibitors were hesitant to invest heavily in conversion, transforming only an additional 10 screens throughout the year. This brought the German total digital screen base to 161, now the third largest base in Europe. Relative to their size, Luxembourg and Belgium show the highest density of digital cinema installations, with 21 and 98 digital screens respectively in operation by the end of 2008.

While many countries are still developing schemes to support the transition to digital, the Polish Filmmakers Association scheme to support the installation of up

to 300 digital projectors in smaller cinemas contributed to increasing Poland's digital screen base to 53, up from only 8 in 2007. In other countries larger exhibitors such as Cineplexx Kinobetriebe in Austria or ZON Lusomondo in Portugal followed CGR's example and decided to go ahead with the conversion of their screens, often in response to the perceived attraction of 3D screenings. As a result of these initiatives a significant increase in digital projection systems could be observed in Russia (+59), Austria (+49), Italy (+42) and Portugal (+30) throughout 2008.

This text is based on the press release jointly circulated by MEDIA Salles and the European Audiovisual Observatory on the occasion of the 2009 Cannes Film Festival

Table 2: Digital cinema sites and screens in Europe

Country	Digital Sites		Digital Screens	
	as at 1 st January 2008	as at 1 st January 2009	as at 1 st January 2008	as at 1 st January 2009
Austria	17	26	35	84
Belgium	16	17	76	98
Bulgaria	2	8	4	17
Croatia	0	2	0	2
Czech Republic	1	2	1	2
Denmark	4	8	6	10
Estonia	0	1	0	2
Finland	1	8	1	12
France	44	72	66	253
Germany	72	70	151	161
Great Britain	220	229	284	303
Greece	2	6	2	6
Hungary	2	4	2	7
Iceland	2	4	3	7
Ireland	12	9	36	38
Italy	21	46	38	80
Latvia	0	1	0	2
Luxembourg	2	4	13	21
Malta	0	1	0	2
Netherlands	18	33	34	56
Norway	24	26	35	48
Poland	7	42	8	53
Portugal	14	36	14	44
Romania	0	3	0	14
Russian Federation	27	71	31	90
Slovenia	2	9	2	9
Spain	21	31	33	53
Sweden	5	7	5	7
Switzerland	13	19	16	28
Turkey	1	20	1	20
Total Europe	550	815	897	1,529

Note: Europe is defined as the 30 countries covered by MEDIA Salles with regard to digital cinema data.

Table 3: Degree of penetration of digital screens

	as at 1 st January 2008	as at 1 st January 2009
Austria	6.1%	14.6%
Belgium	14.8%	18.8%
Bulgaria	3.1%	12.1%
Croatia	-	1.5%
Czech Republic	0.1%	0.3%
Denmark	1.5%	2.5%
Estonia	-	3.0%
Finland	0.3%	3.9%
France	1.2%	4.8%
Germany	3.1%	3.3%
Great Britain	8.1%	8.5%
Greece	0.4%	1.1%
Hungary	0.5%	1.8%
Iceland	7.0%	16.3%
Ireland	8.3%	8.4%
Italy	1.0%	2.1%
Latvia	-	5.0%
Luxembourg	50.0%	75.0%
Malta	-	4.8%
Netherlands	5.4%	8.9%
Norway	8.2%	11.2%
Poland	0.8%	5.1%
Portugal	2.6%	7.7%
Romania	-	11.7%
Russian Federation	2.0%	5.3%
Slovenia	1.9%	8.2%
Spain	0.8%	1.3%
Sweden	0.5%	0.7%
Switzerland	2.9%	5.0%
Turkey	0.1%	1.3%

Note: Figures as at 01 January 2009 are based on estimated total numbers of screens

Interview with Michael Karagosian, Senior Digital Consultant at NATO (US)

Michael Karagosian, Senior Consultant for digital cinema at the National Association of Theatre Owners in the US (NATO), held two lectures during the five-days training course “DigiTraining Plus 2009”, that MEDIA Salles carried out from 25 February to 1 March 2009 in London and Hull (UK). He presented an accurate analysis on the state of the art of digital cinema worldwide, with a focus on the situation in the US, and gave a precise overview on 3D digital cinema, its technology and the challenges and threats connected to this important new subject in the film industry.

During his stay in London he was also able to answer some of our questions.

In Europe a lot of attention is given to the VPF model adopted in the United States but there is also talk of alternatives, such as, for example, a reduction in the rental fees.

“To facilitate digital transition,” said Karagosian, “studios are ready to contribute money to the purchase of equipment for installation in cinemas for a limited period: the contracts signed up to

now stipulate ten years. To make it clear that this is a special, temporary form of assistance, the studios do not wish to simply discount the rental fee. Moreover up to now they have provided this money through deployment entities, the so-called “integrators”, only. Paramount has recently offered US exhibitors a di-

rect form of VPF. This is yet to be proposed to other countries and it remains to be seen if other studios are ready to do the same. It is always clear that the primary objective of the majors in applying VPF is that the studios wish to remain cost neutral: they want to spend no more on digital prints and VPF than they spend on 35 mm film prints”.

On another burning issue – the technical specifications of the equipment – Karagosian stressed from a positive point of view that DCI had initiated a testing programme for equipment compliance: “This is an important step towards reaching an objective exhibitors consider essential, that the equipment they buy is the right investment”. In connection with this comes the initiative taken by NATO in publishing a document on specifics: according to Karagosian, “this complements DCI specs, with the aim of providing an exhibitor perspective on how digital equipment should operate”.

Again on the role of the exhibitors’ associations, Karagosian confirmed that “they should focus on preserving the existing business rules, which would include the ability of theatre owners to shift a movie within a cinema complex to the most suitable screen during the period of engagement”.

And finally an optimistic light on the future of cinema exhibition. Karagosian stated that: “The whole economics of the motion picture industry is changing. Many feel that this is in part due to changes in consumer behaviour. However, whilst overall revenues for the sector are down, cinema revenues remain high. Nielsen studies show that cinema-going is the least affected by competition from new media”.

Elisabetta Brunella
Secretary General of MEDIA Salles



Group of participants at the DGT 2009 visiting the gigantic screen 1 at the Empire Leicester Square Cinema in London - photo: courtesy of Miroslav Sochor

THE FILMS FROM CANNES AT THE DGT 2009

Digital cinema proves itself to be the right choice for successful movies. The hit movies from the 61st Cannes Film Festival, such as the Palme d'Or *Entre les Murs* and the Dardenne brothers' *Le silence de Lorna* were distributed in digital around Europe. Thanks to XDC, the participants of the "DigiTraining Plus 2009" course were able to watch some excerpts from those movies during their visit to the Empire Leicester Square Cinema in London, experiencing the quality of screening and the entity of the European offer of films in digital format.



From left: Gwendal Auffret, Senior Vice President, Digital Cinema of Arts Alliance Media and Michael Karagosian, Senior Consultant to the National Association of Theatre Owners (NATO) on digital cinema at the "DigiTraining Plus 2009" course

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new technologies themselves in the near future.

The 2009 Course featured a unique and intensive programme, including:

- **Lectures**, covering the main points involved in making the digital transition as trouble-free as possible, whilst also drawing attention to the risks and opportunities involved. Professionals of the cinema industry from other parts of the world have shared their knowledge on burning issues such as standards, availability of digital contents and the prospects for 3D. Among the speakers were: Michael Karagosian, Senior Consultant on digital cinema for NATO (US), Peter Buckingham, Head of Distribution & Exhibition at the UK Film Council and Rolv Gjestland, Adviser in Cinema Technology and Design for Film&Kino (Norway);
- **Visits to significant sites and screenings**: an important source of added value, which has greatly enhanced the

programme, were the field visits to cinemas that already use digital projection, thus giving participants the chance to assess the technology at close quarters, on the basis of hands-on experience. In particular, this year the participants visited the **Vue Digital Multiplex in Hull** and they assisted to an exclusive **4K screening at Sony private screening room** at Sony Pictures Europe offices in London, as well as visiting the **Empire Leicester Square cinema in London**;

- **Reports** by exhibitors who have already experimented with digital technology: to make the approach more realistic, the case-study method has been used, to identify the business models that have been adopted in Europe. For instance Harri Ahokas and Tero Koistinen talked about their experiences in Finland and Derek Cownty, Head of Programming at Empire Leicester Square, talked about how to manage a digital cinema.

DGT 2009: A VERY SUCCESSFUL EDITION!

- 74% of participants declared to have "very or extremely increased their knowledge on the state of art of digital cinema and its future";
- 68% of participants declared that the knowledge gained at the course will be "very or extremely useful for their profession";
- 87% of participants declared themselves "very or extremely satisfied with the course".



Elisabetta Brunella, Secretary General of MEDIA Salles, and Oliver Pasch, Sony Professional, during the 4K special screening at Sony Pictures Europe in London



32 participants from 13 different European countries took part in the DGT 2009



DGT 2009 participants during their visit at the Vue Princes Quay Cinema in Hull. This is a 10-screen complex equipped exclusively with digital projectors: it is the first purely digital multiplex in Europe



Marcello Mazzucotelli, MEDIA Salles, and Aleksandra Szczerback, KIPA (PL) receiving the DGT 2009 certificate of attendance