

European films in the United States: theatrical distribution

On 19 December 2000 the evening dedicated to Italian Cinema, organised by Cinecittà Holding, saw the presentation of the second issue of the magazine "Cinecittà", which published the research study carried out by MEDIA Salles and entitled *European films in the United States: theatrical distribution*.

What is the situation of European cinema in the United States? And what are the access routes to this market? These are some of the themes that motivated the research by MEDIA Salles and led to the preparation of this report, which highlights the conditions that facilitate or hinder the presence of European films in the USA.

number of cinemas altered from 176 to 135 (-23,3%).

Higher growth rates in screen numbers are those of Austria (21,2%), Switzerland (16,9%), Italy (19,6% for screens operating at least 60 days a year), Portugal (29,4%) and Germany where screen numbers rose from 3 706 in 1991 to 4 651 in 1999 with a 25,5% increase. The countries that have the lion's share of the growth rate are: Spain which saw a rise of around 1 550 screens (86,1%), Ireland, which had a 75% increase (from 160 to 280 screens during the period under consideration) and Great Britain where numbers grew from 1 763 screens in 1992 to 2 826 in 1999 (60,3%).

This example shows how the Yearbook, thanks to its analytical nature, offers professional players and researchers the tools by which to gain an accurate picture both of the general trends and of the specific nature of each market, something of prime importance in a case such as Europe, characterised by a large variety of situations.

Following the "opening" in Paris, the new Yearbook was also presented in the United States during "Focus on Europe", the event organised by MEDIA Salles in Orlando, and in Washington DC at the headquarters of the European Commission. A presentation was also held in Strasbourg, during the "European Film Forum".

MEDIA Salles Focus on Europe at ShowEast 2000

MEDIA Salles ran a new edition of the "Focus on Europe" initiative for the promotion



From the left: Jorge Enrique Gutiérrez (PROCINAL, Colombia) and Elisabetta Brunella (MEDIA Salles) at Focus on Europe at ShowEast 2000.

2001 Subscription to the Newsletter

If you have received the European Cinema Journal by post, this means that you are on our mailing list and will receive, free of charge, all the issues for the year 2001. If you became acquainted with our Newsletter during a cinema event and wish to be included on our mailing list, send a message to: newsletter@mediasalles.it or by fax to +1 781 9988427.

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erwise not have any other opportunity of reaching American audiences.

La Lanterna Magica, a children's film club

La Lanterna Magica is a film club especially for children aged 6 to 12, which was founded in 1992 at Neuchâtel, in French-speaking Switzerland. To meet demands by various cultural operators and cinema exhibitors, the idea spread, first throughout Switzerland and then, as from 1999, to several other European countries: France, Belgium, Italy and Spain. La Lanterna Magica now exists in over 70 localities and joins together 30 000 children as its members. In 1998 an experimental project also developed in the Philippines. La Lanterna Magica obtained the sponsorship of the UNESCO and the support of the European Union (Connect Programme) in 1999.

The aim of La Lanterna Magica is to give its young members the opportunity to discover the cinema in an enjoyable way. Each year, from September to June, the club suggests 9 films, both old and new, divided into three cycles based on the emotions - films that make you laugh, dream or cry (because they are sad). By paying a small sum of money (around 15 Euro), each child becomes a member of the club for the whole school year and receives a membership card that allows him or her to take part in all the club's activities. About ten days before each screening, the members receive through the mail an illustrated magazine, with information about the film to be shown, and which shows them how a film is constructed and how it conveys emotions. On the day of the screening the members are welcomed to the movie theatre by two entertainers, who converse with them on the theme of the cinema and its big secrets. Finally, before the screening, a theatrical performance acts as an entertaining end to the presentation of the film.

For further information:
ASSOCIATION LA LANTERNA MAGICA
DIE ZAUBERLATERNE
LA LANTERNA MAGICA
LA LINTERNA MAGICA
PO Box 118
CH - 2001 Neuchâtel
Phone +41 32 721 12 52
Fax +41 32 724 41 75
E-Mail: box@lanterne.ch



an initiative of the European Union
MEDIA II Programme with the support of the Italian Government
Via Soperga, 2 • 20127 Milano
tel. +39.02.66984405
fax +39.02.6691574
e-mail: infocinema@mediasalles.it
<http://www.mediasalles.it>

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MEDIA PLUS 2001-2005: the new European Community programme in support of the European audiovisual industry

On 23 November last the Council of European Ministers for Cultural Affairs approved a new version of the now-famous MEDIA Programme. MEDIA Plus, as the new Community Programme for the support of the audiovisual industry is called, will come into force on 1 January 2001 and terminate on 31 December 2005.

The new Programme is structured in four distinct sectors: professional training, development of European audiovisual works, transnational distribution of European films and audiovisual works and promotion of European companies and films on international markets. Whilst the training sector will be finally approved by the European Parliament and the Council of Ministers during December 2000, the other three sectors have already been the object of a unanimous agreement by the Ministers for Cultural Affairs.

MEDIA Plus draws on an overall budget of 400 million Euro for a five-year period: a 29% increase in financing compared to the last version of the Community programme (MEDIA II 1996-2000), whose total budget amounted to 310 million Euro. The approval of this new financial tool was laboured, because of strong opposition by three of the Union's member states (United Kingdom, Netherlands and Germany), according to whom the budget proposed by the Commission was excessive, in comparison to the real needs of the European industry. After long negotiations between the ministers of the fifteen countries, the position of the Commission - upheld mainly by France, Italy and Spain - won the day and allowed the Council of Ministers of the Union to approve a stronger programme (hence the name MEDIA Plus) in support of European audiovisual products.

In approving the new Programme, the Ministers for Cultural Affairs decided to break down the budget assigned to MEDIA Plus in such a way as to guarantee that at least 20% of funding went to the development sector, at least 57,5% to distribution, around 8,5% to promotion and 5% to pilot projects in the field of the new technologies.

In order to guarantee a smooth transition from the MEDIA II Programme to MEDIA

Capital Courageous. Cinema & Finance: investing in the Seventh Art

On 1 November, during the Mifed, a conference entitled "Capital Courageous. Cinema & Finance: investing in the Seventh Art" took place, organised by MEDIA Salles and Mifed in collaboration with Box Office, the Hollywood Reporter and Radio 24 and promoted by Eptaconsors, Eptafund, Eptatrading with the participation of I.G. Cinema.

Speakers included: Romano Fattorossi, president of MEDIA Salles, who opened proceedings; Severino Salvemini, professor at the Bocconi University, Milan, who chaired the conference; Paul Johnson, sales director for Europe of "The Hollywood Reporter"; Christian Solomon, general manager of Helkon International Pictures, the company belonging to the German group Helkon Media; Gian Paolo Sodano, president of Eagle Pictures; Paolo Baretta, board member of B&S Electra; Anna Gervasoni, general manager of A.I.F.I. (Associazione Italiana degli Investitori Istituzionali nel Capitale di Rischio - Italian Association of Institutional Investors in Risk Capital); Giulio De Rita, responsible for I.G. Cinema, the project of the "Sviluppo Italia" programme that promotes and finances the creation of young companies in the field of the cinema and, lastly, Marco Bolgiani, managing director of Eptaconsors (the holding company of Epta, a group operating on the Italian financial market).

Speakers with different backgrounds and pro-

Plus, the Commission is now examining various solutions. The most likely possibility would seem to be that of entrusting this task to the Intermediary Organisations of MEDIA II. If this choice is finally confirmed by the relevant Community authorities, the Intermediary Organisations of MEDIA II will continue to function for the first half of 2001. During this six-month transition period the Commission will publish calls for tender to select the new Intermediary Organisations to work alongside the Community for running the MEDIA Plus Programme. The aim of this is clearly to guarantee continuity in the Programme's activities through the regular publication of new calls for proposals for the selection of projects.

Roberto Olla
Legal Counsellor - MEDIA Programme

fessions who agreed that, after years of diffidence and incompatibility, the time has come for the worlds of cinema and finance to meet to their mutual benefit. The suspicion with which operators in the film industry have regarded the values of economic culture, fearful that an encounter between art and industry would compromise the nature and content of the former, has now changed to the conviction that collaboration is necessary, since the awareness has now grown that only with considerable capital behind it, can the Italian and European cinema reach beyond domestic borders and thus attain competitive dimensions. Moreover the many new channels through which film products are exploited have opened up new opportunities. From this point of view many companies are adopting vertical integration policies. According to the experts, in order to com-



pete on the international market certain elements are essential, amongst which the "reduction of wastage", by means of (for example) a thorough evaluation of the potential success of products to be financed; adequate development, investing in new technologies; a business plan (formulated on the basis of a careful feasibility study): in one word, in order to grow, the European cinema needs managerial skills to become competitive on the global market. To achieve success, finance can offer valuable tools.

We are pleased to offer space to the contributions that two speakers have kindly offered to write for our Newsletter. Contrary to previous announcements, this issue is published after the MIFED in order to give resonance to the talks at the Conference.

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5th Annual Meeting of Exhibitors belonging to Euro Kids Network - Varese, 27-29 October 2000



Anne Ingvar, producer of the film "Tsasiki, Mum and the Policeman", receives the Euro Kids Network 2000 award.

The fifth annual meeting of exhibitors belonging to the Euro Kids Network circuit was held in Varese, Italy. Founded in 1996 to support and link theatres committed to programming films for children and young people and for the promotion of European films, the Network now counts over 300 screens in 16 European countries.

The meeting, conceived as an opportunity for training and for comparing notes, was held, as in the previous years, in connection with Kid Screen, the international cinema event for young people and media education, organised by the E.C.F.A. (European Children's Film Association), and in close collaboration with the Region of Lombardy. A novelty in the Year 2000 meeting of Euro Kids Network was the "showcase" of European films suitable for young audiences. This included full-screen showings of titles which will be internationally distrib-

*Severino Salvemini
Bocconi University, Milan*

A conference with a very Milanese flavour was organised by MEDIA Salles at Mifed on 1 November 2000. Not only because the venue was the Milan Trade Fair but also because of the atmosphere surrounding the fast-moving and original talks of the speakers: those working in the world of the cinema and those who, instead, are fully occupied in the world of finance. A conference with a Milanese flavour that we hope to see repeated soon in Rome, where the diffidence between these two worlds is traditionally a little more deeply entrenched. History bears witness to the difficulty of communication between the two parties, a typically Italian feature. On the one hand intellectuals and artists who regard the values of economic culture with suspicion, fearful of an overbearing influence of capital and excessive contamination by industry compromising the quality of film production and the aesthetic value of artistic expression. On the other hand, the financial operators and the entrepreneurs, who have always been convinced that cultural products are something that produces little short-term profit and who are thus not particularly interested in the seventh art, since the cinema is not considered capable of appealing to the eye for opportunity and speculative orientation of the "money-makers".

Yet there have been changes in recent years. Nowadays the world of the cinema (authors included) realises that, without a strong industry and financing behind it, Italian cinema will find it hard to reach competitive dimensions and see its quality products appreciated outside domestic borders. What a lot of water has passed under the bridge since the sixties, when the great critic Luigi Chiarini, then director of the Venice Festival (not by chance an Art festival), remarked that, "Film-making is art, whilst the cinema is an industry." Today, in a film-industry like that in Italy, which is too fragmented and cannot compete with the global giants and their heavy investments, producers and distributors realise that new finance can play the role of assembler and organiser of phases which, alas, are far too scattered. The financier has the range of vision to see that the various professions, if properly managed, can multiply value to produce critical mass. Moreover operators in the cinema industry have recently discovered (a miracle of the new economy and its innumerable multimedia channels!) the value of the permanent rights of their libraries and the necessity of retaining ownership of their own contents as far as possible (national television companies have, in fact, always asked for lifetime rights for

all media, in return for their financial contribution). This, however, requires heavy investment, rarely available in the patrimony of present-day film companies. This is why there needs to be integration between the world of the cinema and the financial/business world. A renewed, mutual interest in both sectors has led to examples of recent start-ups of business initiatives and strengthening of existing companies, now projected towards more ambitious objectives (at the conference joint ventures were quoted between Livolsi and Rita Rusic, Cattleya and San Paolo IMI, Euphon and Sidecar, Eagle Pictures and B&S Electra). It is as well to remember that the contribution made by the world of finance is not limited to fresh cash resources. Many talks - such as that by Marco Bolgiani of Eptaconsors or Christian Solomon of Helkon International - analysed the hard, but useful, managerial transformations involved in keeping a constant eye on economic results, as opposed to the more traditional way of managing a film company. It is a novelty to think in terms of development, both planned and long-term. It is a new habit to consider resources in terms of objective and finite criteria, accounting to private or public shareholders for the moves contemplated. It means a continuous search for more international challenges. Paul Johnson of the Hollywood Reporter reminded listeners that, as the last to come in this business-oriented evolution, we Italians can perhaps learn from what has happened in the German, French and British media and that our delay may therefore not be so harmful. Giulio De Rita, manager of I.G. Cinema, emphasised that the change to this new era can be seen as an opportunity for development, not only for companies that wish to see themselves quoted on the stock exchange but also for younger players, particularly in Southern areas, who want to set out as entrepreneurs in the world of cinema, audiovisuals and cartoons.

To sum up, a new, fresh conference, full of inspiration. Let us hope that the operators realise that this is a train coming through now, bringing great opportunities, and that they do not miss it. As always, opportunities turn into concrete possibilities as long as there is someone who will take the risk. "Take your chance", say the Anglo-Saxons. The atmosphere breathed at Mifed that morning has made us optimistic and confident that the motto is finally gaining a foothold in the seventh art of our country, too.

*Paul Johnson
European Sales Director
"The Hollywood Reporter"*

2000 marks the beginning of a new era not

just in the European entertainment industry but also as a reality check to those companies who are public and are considering an IPO.

Clearly the equity markets either in Europe and the United States offer the cheapest form of raising capital today. I am only surprised it has taken so long for the European entertainment industry to adopt this standard after decades of private banking/financing. What is happening now is going to be difficult for some companies but an opportunity for others. The stock market is tanking and we are by all means moving into a bear market, this will inevitably lead to lower share prices for everyone in the short term as more fund managers leave the market.

This, however, is only a hiccup in the overall potential of the European media industry. I have met with every major investment bank in London and they all concur that this is by far the most exciting growth industry for the next decade. Therefore, although we are dipping into a trough, the future could not look brighter. In addition, the downturn that we are experiencing is an opportunity to focus on what the market looks for inevitably anyway when choosing stocks to purchase: - growth, sales and performance (read profit).

This is what has been available to them in entertainment all along, an industry that has a track record and established brands across the world. The Internet stocks ballooned based on people's future blue sky dreams, however, the entertainment and media companies are delivering sales and continued growth now.

So what do companies need to concern themselves most with? First of all let's break them up into two categories; (a) public company with shares listed on one or more markets (b) company that is considering an IPO.

(a) Now is a time to retrench and focus on sales and profits because that is what investors are scared to death now of not seeing. Many companies have done just that. EMTV still continues to be the leader in the European equity market. Despite its latest share dips it still has a price (after many stock splits) which has a 500% increase over their IPO price. Their recent appointment of their new CFO has brought more comfort to the market that was slightly worried about an accounting error in their first quarter. Thomas Haffa delivered the right medicine at the right time: - exactly what the market needed. He still has a tough job ahead in proving to the markets that he will lead EMTV through this very difficult transition. Now the stock looks like it is a bargain to accumulate.

Another company on the acquisition trail has

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uted over the next few months, thanks to the success obtained in their countries of origin. The traditional session for the sharing of experiences was not forgotten and gave particular emphasis to the most significant initiatives taken in the circuit's theatres on behalf of their younger audiences and schools. The objective here is to develop the theatres' ability to bring alive and promote European films for their younger spectators. The meeting concluded with an evening that included the prize-giving ceremony of the Euro Kids Network award, now in its second year, to the Swedish film "Tsatsiki, Mum and the Policeman" by Ella Lamhagen.

The films at the Euro Kids Network meeting 2000

- "Preferisco il rumore del mare" by Mimmo Calopresti (Italy)
- "Tsatsiki, Mum and the Policeman" by Ella Lamhagen (Sweden)
- "Princes et Princesses" by Michel Ocelot (France)

been TV Loonland out of Munich. After their successful IPO on the Neue Markt they went on to acquire a British producer as well as the Paris based Salsa Distribution. Now they are in a great position to capitalize on their reach while creating vastly more value to shareholders.

Helkon Media has been through some very traumatic times. The worst possible scenario that could have happened did, they lost their CEO in a tragic ski accident. Despite this horrific news Helkon continues to be a company to watch. Werner Koenig had put into place a very strong management team which will continue to realise his goals for the company, including the much anticipated movie, Rollerball which they are producing with MGM.

(b) There are of course many companies in light of the recent success on the European stock markets considering IPOs. The one main objective is again how to raise money in the cheapest possible way. However, companies need to be aware of the pitfalls as well. Having a solid business plan, the right management, delivering strong profits and a track record in place will allow you to sell your company much more effectively to the fund managers who will single-handedly be responsible for your first day closing price.

Eagle Pictures is a great example of how a family run business gets prepared for the big leagues. The management has had a single focus this year, prepare everything for an IPO. The company profile is perfect and will convince many fund managers that they are a hot company to invest in. They have beefed up their TV division and certainly turned into an Italian player in the film market. Tele Image in Paris has been considering an IPO for some time. It will really hit the big time with their initial offering as their library is medium size but attractive and they have positioned themselves well beyond their French borders with operations, production and distribution outside their French borders.

Telefonica Media (read Lola Films, Antenna 3, Via Digital, Telefe, and more) recently shelved their IPO plans because of the recent appointment of the hard core new CEO, Juan Jose Nieto. He rightfully wants to sink his teeth into this huge conglomerate before any ideas of taking it to market are realised. Telefonica Media is also in a powerful cash position therefore they don't need to rush to market and are probably wisely waiting for market conditions to improve and for them to solidify the acquisitions they have swallowed in the last few years. He has done an incredible job at turning a near bankrupt Antenna 3 into one of the most profitable commercial TV stations

in Europe in under three years. Look to Juan Jose to do the same at the Telefonica Media helm.

In closing there are always three points to remember, management, profits and sales. In order of importance it is essential that media companies in Europe who are not public take the time to structure their management in order to be attractive to the fund managers of the world. That invariably means increasing your management for a few key staff positions. Remember you can take up to 50% extra in time if you are a Chairman, CEO, CFO, board member or key manager with your liaisons with banks and institutional investors. Profits: - make sure you have them, and that you are continuously striving to increase them. Sales: - if they don't go up you had better have a great reason.

Here's to the next bull market. But remember, it is during the bear market that the leaders of tomorrow really perform their best.

"European Cinema Yearbook - 2000 advance edition" Paris, 9 October 2000 Strasbourg, 12 November 2000

Once again this year the new - ninth - edition of the European Cinema Yearbook came out at Eurovisioni. This year on 9 October it was the turn of Paris to host the presentation of the survey that "photographs" cinema consumption in a number of countries in Western, Central and Eastern Europe that today, with the extension to Lithuania, reaches a total of 32.



From the right: Patrice Vivancos (Strasbourg European Film Forum), Elisabetta Brunella (MEDIA Salles) and Peter Fleischmann (Strasbourg European Film Forum).

Organised in easily consulted comparative tables, the Yearbook provides the main indicators on European cinema exhibition. It is completed by an analysis which gives a detailed account of the 527 multiplexes operating in Europe on 1 January 2000. For these it offers country-by-country information on the number of sites, screens, seats and exhibition companies.

It also includes a comparison between Western Europe and important world markets: the USA, Australia, Japan, Hong Kong and Canada. The different typologies of information allow an in-depth analysis of cinema-going in theatres, as well as of the transformations that are affecting the structure of exhibition. Taking, for example, the situation of screens in 1999 it emerges that in the 18 Western European countries surveyed by MEDIA Salles, there are 23 975. These theatres serve a population of 387 million Europeans. In other words, there is one screen per 16 975 inhabitants. It may seem as though there are few screens, if this data is compared to that of the United States (one screen per 7 334 inhabitants). In fact there are not so few if the number of screens is compared to the surface area: in this case it emerges that there are 6,7 screens per 1 000 sq. km. in Europe, compared to 4 in the United States.

One result that seems to be undeniable is that the number of screens has increased in the past ten years. In the 18 countries of Western Europe the number has risen from 19 479 in 1989 to 23 975 in 1999 with a growth rate equal to 23%. On closer analysis of the European situation it can be seen that the increase in the number of screens is not equally distributed. Some territories have even seen a more or less significant drop: they are Denmark -7,3% (although the 331 screens of 1999 represent an increase of 8,5% compared to the minimum 309 in 1995), Norway (-1,2%) and Sweden (-1,3%). In the latter country the decrease is all the more striking considering that the total number of screens, which was 1 138 in 1989, had risen to 1 177 in 1994.

Other territories show a growth rate that is decidedly lower than average. This category includes France (4,4%), Finland (4,9%) and Belgium (7,6%). The 492 screens present in the latter country in 1999, compared to the 429 of 1991, the year of the historical low point, represent an increase of 14,7%, however. It is also interesting to note that in Belgium, this moderate increase in screen numbers is balanced by a large reduction in the number of cinemas. Between 1991 and 1999 the

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