

30 September 2009

64th Congress
National Federation of French Cinemas

Digitalising the cinemas



Digitalising the cinemas

The main objectives:

- to guarantee the digital transformation of all cinemas
- to avoid a “multi-speed” screenage
- to safeguard the relationship between exhibitors and distributors: liberty of programming / control over release plans
- to ensure the diversity of films released / and the diversity of total screenage

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Sources of financing:

- **part of distributors' savings**
- **exhibitors' contribution**
- **public subsidies (CNC / communities / Europe)**

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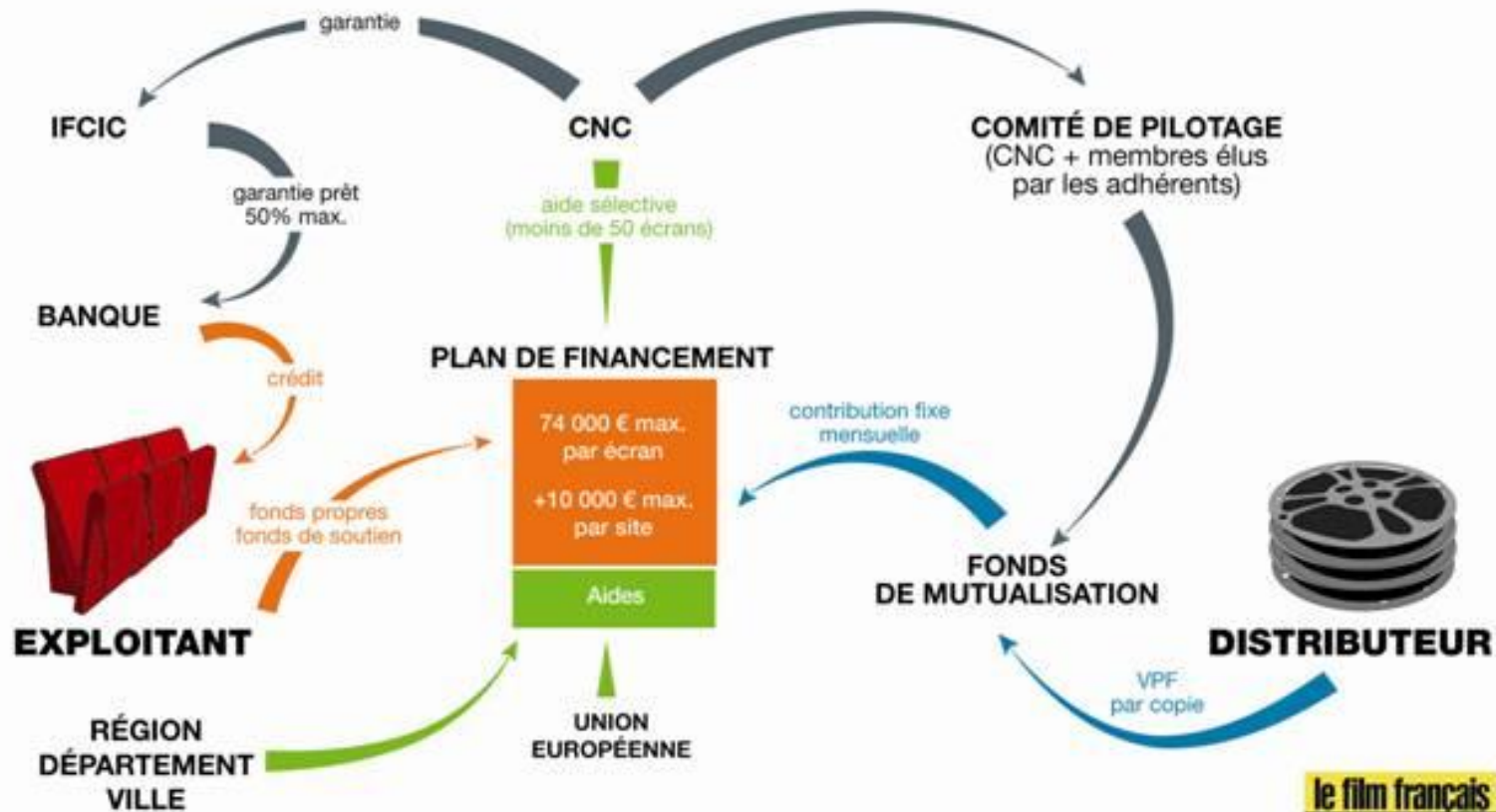
The instruments:

- **selective support for modernising and creating new theatres**
- **bank guarantee by the IFCIC**
- **resource-sharing fund**

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The instruments:

Projet de système de financement pour le numérique en salle



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Selective support for modernising and creating new theatres

- **open to all exhibitors owning less than 50 screens**
- **increased budgetary resources**
- **coordination with local communities**

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IFCIC bank guarantee

- **specific allocation**
- **open to all exhibitors**
- **guarantee of up to 50% of loans for financing digitalisation and other directly related work**
- **sensitisation of the bank sector to the financing model for digital transition**

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Resource-sharing fund

The principles

- open to all exhibitors and distributors
- transparency
- co-decision making
- equality of treatment
- maintaining exhibitors' programming liberty
- maintaining distributors' liberty over release plans

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Resource-sharing fund

The principles

- **total separation between collection and redistribution of VPF**
- **consistency: the same rate of coverage regardless of the theatre's programming**

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Resource-sharing fund

The calendar

- **deployment: 5 years**
- **fund participation: 7 years per theatre**
(based on the duration of reimbursement of bank loans / depreciation of the equipment)
- **collection of VPF: 7, 8 or 9 years starting from the creation of the fund**

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Resource-sharing fund

The hypotheses

- **between 3,000 and 3,500 cinemas**
- **single rate of coverage: 75% of the investment**
- **ceiling of eligible expenditures**
(including financial expenses and extension of the guarantee):
 - **74,000 € per theatre:** server, projector, renovations
in the projection room...
 - **10,000 € per establishment:** central library, cabling
- **fixed deduction ceiling of public support**
- **unique amount of VPF: between 550 € and 650 €**

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Resource-sharing fund

Example of financing of a screen receiving support

25% public support

Deduction ceiling: 15,000 €

Plan de financement exploitant :

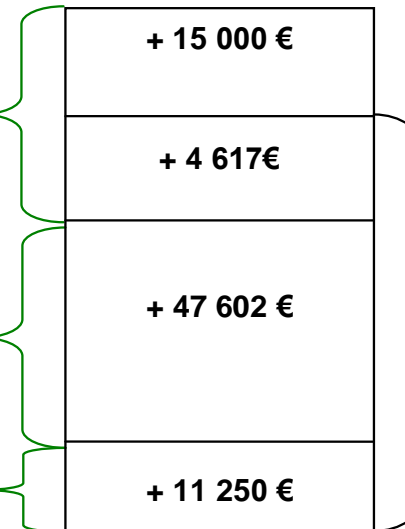
78 469 € : coût moyen d'équipement d'un écran
(dépenses éligibles)

=

Aides publiques sélectives : 19 617 €
25 %

Prise en charge du fonds : 75 % x 63 469 € = 47 602 €
61 %

Fonds propres exploitant : 78 469 – 47 602 – 19 617 = 11 250 €
(soutien automatique)
14 %



Assiette du fonds :
 $78\ 469 - 15\ 000 = 63\ 469$
Plafond de déduction

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Resource-sharing fund

Example of financing of a screen without public support

Plan de financement exploitant :

78 469 € : coût moyen d'équipement d'un écran
(dépenses éligibles)

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Prise en charge du fonds : 75 % x 78 469 € = 58 852 €
75 %

+ 58 852 €

Fonds propres exploitant : 78 469 – 58 852 = 19 617 €
25 %

+ 19 617 €

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Resource-sharing fund

Steps for exhibitors

1. joining the fund
2. obtaining estimates
3. applying for public subsidies
(possibly not disclosed)
1. allocation of resource-sharing fund
(possibly subject to reservations)
1. obtaining bank loan / IFCIC guarantee
2. definitive costing
3. installation of material
(work – related services)
1. reimbursement of the bank loan
collection of fund's contribution

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Resource-sharing fund

The next stages

- consultations with professionals and local communities
- pre-membership campaign
- fixing of financial parameters
- establishment of the fund operator

*Subject to the authorisation of
the competition authorities*

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Thank you for your attention