Distribution/Exhibition I

39 TOTAL Theatrical Distributors

(24 considering continuity)

Very high competition -> high MG

5 US

(FOX, BVI, SONY, UIP, WARNER)

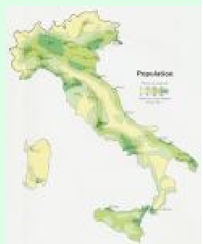
2 Italian Distributors part of a broadcasting group

01 Distribution -> owned by RAI

Medusa -> same group as MEDIASET

1 State-owned Distributor

(Istituto Luce)



Distribution/Exhibition II

Market share first 10 distributors 2005

	MS%
UIP	20,1
Warner	14,1
Medusa	10,5
01 Distribution	10,1
Buena Vista	9,0
Eagle Pictures	**7,4**
Sony Pictures	6,7
Filmauro	**6,2**
Fox	6,0
BIM	**1,8**
Total	91,9

First five = 63,8%

Distribution/Exhibition III

First 20 distributors (independent in **bold**)

UIP	20,1	**Lucky Red**	**1,7**
Warner	14,1	Istituto Luce	1,3
Medusa	10,5	**Mikado**	**1,3**
01 Distribution	10,1	**Moviemax**	**0,7**
Buena Vista	9,0	**IIF**	**0,7**
Eagle Pictures	**7,4**	**Mediafilm**	**0,6**
Sony Pictures	6,7	**Fandango**	**0,5**
Filmauro	**6,2**	**Nexo**	**0,4**
Fox	6,0	**Lady Film**	**0,2**
BIM	**1,8**	**Teodora**	**0,2**

Market share indp distributors: 21,7%

Distribution/Exhibition IV
Horizontal/Vertical Integration

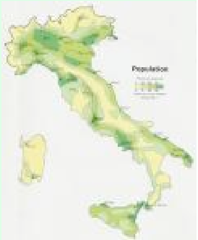
Medusa (Theatrical, HV) -> Mediaset (Free TV) -> Medusa (theatres)

01 (Theatrical, HV)-> RAI (Free TV)

Independent: Circuito Cinema (100 theatres controlled by independent distributors)

Cinecittà Holding
(lab, theatres, fund, distributor)

National Exhibitors: distribution or production companies?
Nexo (from exhibition to distribution)
Lumière (from exhibition to production)



Distribution/Exhibition V

American Majors directly operating in:

Distribution

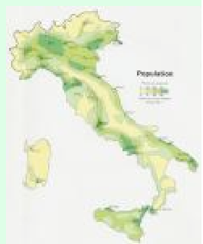
(Warner, Fox, Sony, Buena Vista, UIP)

Production

(Warner, Sony)

Multiplex

(Warner, UCI ex-USA)



Distribution/Exhibition VI

Exhibition of European and Italian films:

"Europa Cinemas"

60% EU+ITA (EU at least 25%)

EU + FR funding

"Cinema d'essai"

70%

(Festivals, Academy Awards)

Italian Government funding

"Premio Qualità" (ex Cento Città)

tbd

RELEASE OF MOVIES I

Italian Population: 58,5 million

Admissions 2005: 90.670.934 Cinetel (85%)

(total estimation 108 million

-> -8 ml vs 2004)

Release day: Friday

Number of screens: 3200 Cinetel

(estimated 3700)

Independent screens: 2800

Multiplex:

129 theatres

787 screens

RELEASE OF MOVIES II

2004

Films released: 369

Number of prints circulating: 40.200

2005

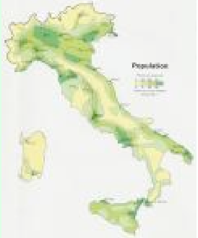
Films released: 392

Number of prints circulating: 45.100

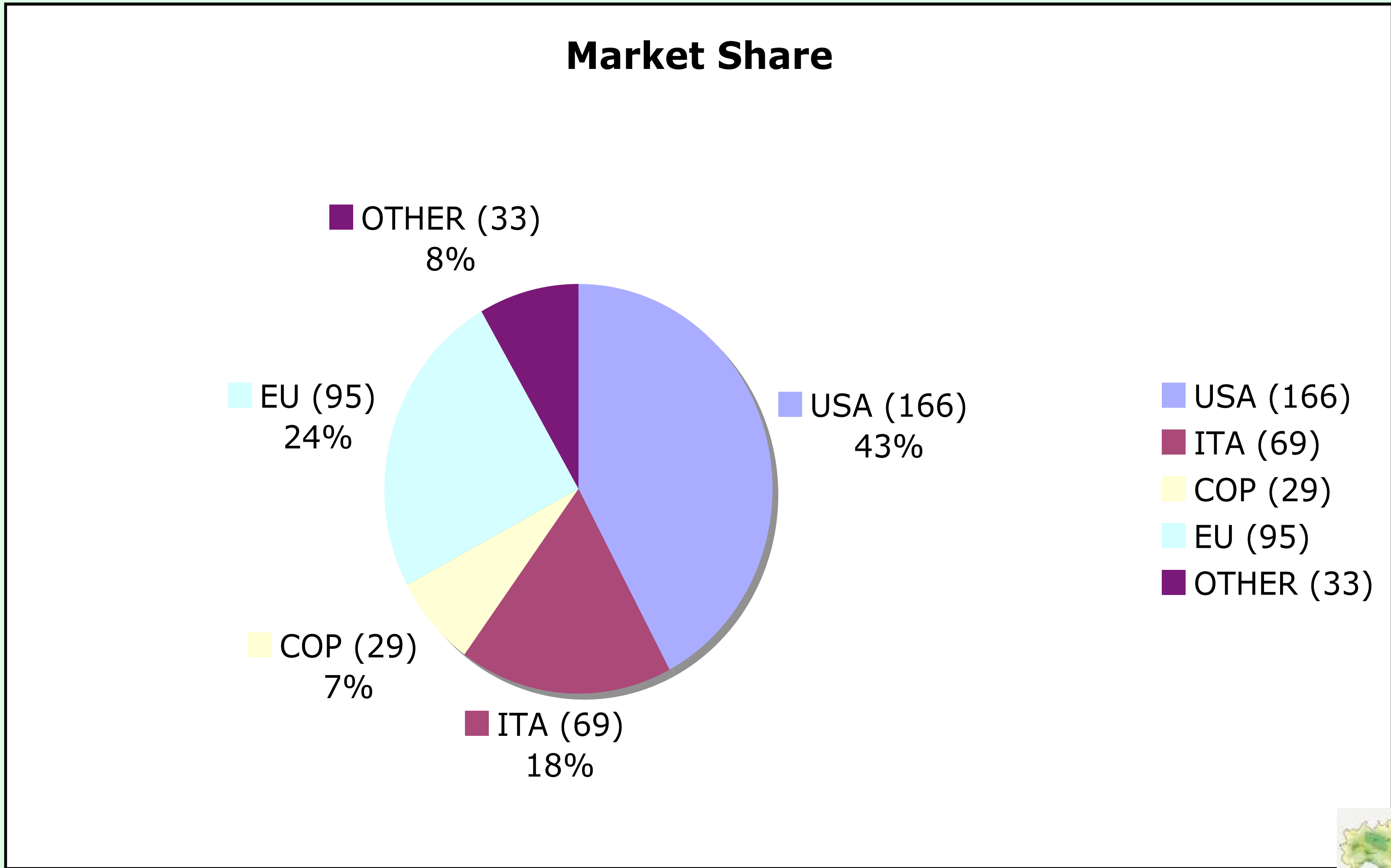
Films released by indp distributors: 196

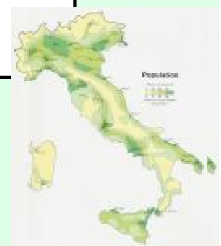
Average releases per week: 8

Average stay in theatres: 2/3 weeks



RELEASE OF MOVIES III



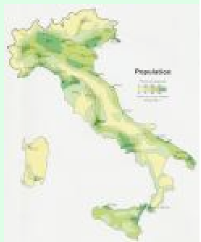


PROMOTION

Average costs of promotion of blockbuster: €1,5 ml (75% of P&A)

Average costs of promotion of independent distributor: €300.000 (75% of P&A)

Cost higher, +5/10% last 10 years (€ conversion)



TV I

Main Free TV broadcasters:

RAI

(Rai 1, 2, 3) - Government controlled

Owns 01 Distribution

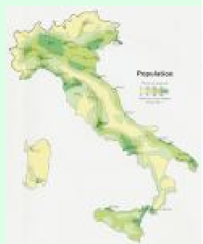
MEDIASET

(Canale 5, Italia 1, rete 4) - Private

Same group as Medusa

PAY TV

SKY



TV II

RAI & MEDIASET

(Public service & commercial broadcaster)

Very same programming, direct competition

Mainly output deals with majors

Coproduction/Pre-acquisition -> favouring their distribution arms 01 Distribution or Medusa

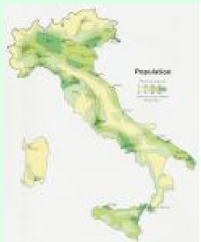
Just a few slots in prime time for cinema: blockbuster

Conservative policy, punishing towards “small”, independent cinema

SKY

Monopoly, prices from €15.000 up to 400.000

Italian movies: if 25.000 admissions-> €75.000, 500.000 adm -> €500.000, max over 4ml adm -> €1.8ml



PUBLIC SUPPORT

Ministero per i Beni e le Attività Culturali - Direzione Generale per il Cinema

Subsidies for Distribution: FUS (Entertainment Fund)

<u>New production law</u>

50% state - 50% producer up to €5 ml budget

€2 ml for production

€400.000 for P&A

€100.000 for intl sales

<u>Automatic support</u>

Pro quota: funds generated by admissions of film recognized of “cultural and national interest” (fund = €2ml)