

An aerial photograph of a coastline with a film strip overlay. The film strip is black with white sprocket holes and numbers (5, 6, 7, 8, 9) and the text 'D-8A' printed on it. The background is a high-angle view of a coastline with blue water, green land, and white buildings. The film strip is curved and runs diagonally across the image.

Report

The market and the cinema industry in Italy

2010

Executive Summary



fondazione ente
dello spettacolo

In collaborazione con

**CINECITTÀ
LUCE**

Con il sostegno di



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Presentation



The 2010 report on *The Market and the Cinema Industry in Italy*, by the Fondazione Ente dello Spettacolo now in its third edition, has an even more substantial structure than the previous ones in terms of data and subject matters.


Apart from the analysis of future scenarios that are bringing film towards a digital dimension, the 2010 Report focuses on the heart of the Italian film industry, revealing its structure, production capacity and more importantly its potential to compete in international markets.

The 2010 Report shows a lively and healthy Italian cinema, capable of obtaining unexpected results: last year, 141 films were produced, one of the greatest achievements in the last 30 years, making Italy the second biggest European producer (after France) and seventh in the world (after India, USA, Japan, China, South Korea and France).

A rich productive capacity that is the result of a renewed desire to invest in a field that has proved to be capable of giving satisfaction, not only in terms of image and international prestige, but also at the box office.

In 2010, 424 million euros were invested in the production of Italian films; of these 276,9 million from private investors, an absolute record in Italy. 111,8 million euros from foreign investors and 35,4 million from state funds from FUS (single fund for entertainment). The overwhelming predominance of private finance confirms the increasing value represented by the Italian producers who in 2010 put in 65,3% of the total resources.

Starting from this data, an indicator of renewed commercial interests towards the cinema industry, the 2010 Report unravels and highlights



over 6 chapters the different features of Italian cinema: the map of the companies and their makeup, the professional community working with a flexible and uneven market, future businesses tied to digitalization, the role of public contribution and the cuts from the single fund for entertainment (Fondo Unico per lo Spettacolo).

After all, the fragmentation of the sector all comes down to numbers: 42,6% of the production companies are small or medium sized and have a turnover that varies from 5 to 250 thousand euros, while only 1,9% go over 5 million and 0,2% 50 million.

The consequence of this fragmentation regarding production is a parallel phenomenon for the workforce: in 2010 only 21% of all workers in the cinema field had permanent contracts.


In spite of these elements of instability, the image that emerges from the 2010 *Report* is that of a deeply thriving sector, that despite the international economic crisis, has maintained and exceeded the levels from the previous years, receiving plaudits and appreciation at international festivals and in the cinema halls.

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Introduction

The year 2010 was extremely gratifying for the Italian film and thanks to the results obtained at the box office, it can be considered a decisive year for the entire national cinema. It was forecasted for example that the film production would confirm the comforting vitality already experienced in 2009, despite having to face a contracting economic situation. However it got even better and with a “plus” sign in front of all the market indicators it obtained results above all expectations. The success of the films and of those who produced them correspond with the positive results of the other sections of the chain and the cinema sector revealed itself to be one of the few sectors of the national productive system to show an opposing trend, with indexes on the rise on almost all fronts (investments, work performance, sales, consumption, takings) making it one of the “stars” of Italian business. In an open contrast with the general external conditions – of continuing stagnation – of the economic framework, this capacity does not seem however to be fruit of occasionally favorable circumstances, but a natural consequence of the evolution matured in the most recent years by the cinema industry, in particular through a process of recomposition and development of the operative structures that were started in 2007 and then gradually built, even though with numerous difficulties.

The overall pattern and the consistency of the growth indicate a well defined and articulated trend and represents another stage of the virtuous journey in which Italian film changed pace and the national cinema is changing face.

THE 2010 REPORT

The 2010 Report – *The Market and the Cinema Industry in Italy*, edited by the Fondazione Ente dello Spettacolo analyzes this reality, from the same point of view that inspired the creation of the initiative by the Fondazione Ente dello Spettacolo and this has shaped it from the first publication, in collaboration with Cinecittà Luce SpA and with the support of the General Direction for Cinema of MiBAC (Ministry for the Cultural Heritage and Activities). Thus defining the real trend and value of activities and market not only of the demand but also the supply, with the contextual control of the economic model of the national cinema and of its compatibility on an organizational and strategic content level, based on the principle factors of change and innovation that drive the sector.

1. A Fundamental Plus: the Investment Cycle

In 2010 the national cinema made 141 new films: the highest production in the twenty first century, after the record in 2008 with 154 titles, and second in the last 30 years (in 1989 163 were produced). The performance backed up by the number of films produced with only Italian capital – 114, with 27 co productions with foreign companies – only lower than the record in 2008 (123) and in 1980 (130).

TABLE 1
THE NUMBER OF FILMS PRODUCED BY ITALIAN CINEMA

NUMBER OF FILMS	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
ITALIAN FILMS PRODUCED *	86	68	96	98	96	68	90	90	123	97	114
WITH ONLY ITALIAN CAPITAL	57	37	44	45	55	50	69	61	82	71	83
WITH STATE CONTRIBUTION **	29	31	52	53	41	18	21	29	41	26	31
COPRODUCED ITALIAN FILMS	17	35	34	19	38	30	26	31	31	34	27
WITH ONLY ITALIAN CAPITAL	17	35	34	15	33	26	23	14	16	22	18
WITH STATE CONTRIBUTION **	-	-	-	5	5	4	3	17	15	12	9
TOTAL	103	103	130	117	134	98	116	121	154	131	141

* For films produced it means films that obtained censorship licence in the year referred to and pornographic films are excluded. Italian films mean films produced with 100% Italian capital.

** Among the FUS contributions, also those given out in previous years are considered.

Source: Il cinema italiano in numeri (2000-2010) edited by the EDP ANICA (Associazione Nazionale Industrie Cinematografiche Audiovisive e Multimediali; Rome).

There is only one European country, that is France, and only five others in the world – India, the United States, Japan, China and South Korea – that can boast higher numbers of films produced.

ITALIAN PRIVATE CAPITAL: THERE HAVE NEVER BEEN SO MUCH

With regards to the capital invested, altogether 424 million euros were registered, the fifth highest amount ever. The contribution of private capital (between production and coproduction) was 388,6 million, fourth highest in the history, thanks to the 276,9 million of Italian funds and the 111,8 million from abroad. But concerning only productions the Italian

TABLE 2
CAPITAL INVESTED IN THE NATIONAL PRODUCTION

AMOUNT IN MILLIONS OF EUROS	2003	2004	2005	2006	2007	2008	2009	2010
IN FILMS PRODUCED	237,1	197,4	152,0	187,6	221,0	253,3	218,9	254,7
IN FILMS COPRODUCED	146,6	307,1	194,5	209,4	298,9	181,5	220,6	169,3
TOTAL AMOUNT OF INVESTMENTS	383,7	504,5	346,5	397,0	519,9	434,8	439,5	424,0
COPRODUCTION QUOTA	38,2%	60,8%	56,1%	52,7%	57,5%	41,7%	50,2%	39,9%

Source: Il cinema italiano in numeri (2000-2010) edited by the EDP ANICA (Associazione Nazionale Industrie Cinematografiche Audiovisive e Multimediali; Rome).

contribution of 254,7 million was the highest ever, as was its incidence of 81,6% with regards to the total including the co produced films.

The allocation of state contributions by the single state fund for entertainment (FUS), run by MiBAC, however stopped at 35,7 million, which represents the second lowest public financing after 29,5 million in 2005, with a percentage that is however still inferior: 8,3% compared to 8,5%. On the other hand the FUS, through all its interventions for all sectors, has reached the lowest point of its institution and if in present terms, that is purely monetary, it seems to have lost only 14,6% of its value since 1985, in reality it has ceded at a constant value in 25 years 50,5%. The amount of funds designated to the cinema has lightened to a greater degree, decreasing by 16,59% at present values and 56,81% at constant values. Converting the 75,79 million of 2010 in the money in 1985 the actual availability would for example correspond to

TABLE 3

ALL THE INVESTMENT CAPITAL IN ITALIAN FILMS

AMOUNTS IN MILLIONS OF EUROS	2003	2004	2005	2006	2007	2008	2009	2010
PRIVATE ITALIAN CAPITAL	192,9	189,6	184,9	214,0	249,4	259,1	257,9	276,9
PERCENTAGE	50,3%	37,6%	53,4%	53,9%	48,0%	59,6%	58,7%	65,3%
FOREIGN PRIVATE CAPITAL	82,0	220,1	132,1	139,7	207,5	104,7	143,5	111,8
PERCENTAGE	21,3%	43,6%	38,1%	35,2%	39,9%	24,1%	32,7%	26,4%
STATE FUS FUNDS	108,8	94,8	29,5	43,3	63,0	71,0	38,0	35,4
PERCENTAGE	28,4%	18,8%	8,5%	10,9%	12,1%	16,3%	8,6%	8,3%
TOTAL INVESTMENTS	383,7	504,5	346,5	397,0	519,9	434,8	439,5	424,0

Source: Il cinema italiano in numeri (2000-2010) edited by the EDP ANICA (Associazione Nazionale Industrie Cinematografiche Audiovisive e Multimediali; Rome).

39,25 million at that time (when the grants, translated into euros, was equal to 90,87 million). In view of this data the record of the private national capital takes on a particular importance. These native investments of the Italian cinema have reached a total of 276,9 million euro, with an impact on the grand total of 65,3%, this has also never been seen before.

TABLE 4

HOW MUCH ARE THE INVESTMENTS WHICH ARE ONLY ITALIAN

AMOUNT IN MILLIONS OF EUROS	2003	2004	2005	2006	2007	2008	2009	2010
IN FILMS PRODUCED	237,1	197,4	152,0	187,6	221,0	253,3	218,9	254,7
IN FILMS COPRODUCED	64,6	87,0	62,4	69,7	91,4	76,8	77,1	57,5
TOTAL	301,7	284,4	214,4	257,3	312,4	330,1	296,0	312,2
PRODUCTION QUOTA	78,5%	69,4%	70,9%	72,9%	70,7%	76,7%	73,9%	81,6%

Source: Il cinema italiano in numeri (2000-2010) edited by the EDP ANICA (Associazione Nazionale Industrie Cinematografiche Audiovisive e Multimediali; Rome).

The performance appears to be even more significant with reference to the 114 films produced, with a record of 228,8 million and record rates compared to the 48,1 million dedicated to the co productions, and the FUS contributions: the first has risen to a record limit of 82,6%, and the second climbed up to 89,8%.

TABLE 5
YEAR BY YEAR THE PRIVATE ITALIAN CAPITAL

AMOUNT IN MILLIONS OF EUROS	2003	2004	2005	2006	2007	2008	2009	2010
IN FILMS PRODUCED	138,4	114,0	130,2	150,5	179,5	204,0	194,4	228,8
IN FILMS COPRODUCED	54,5	75,6	54,7	63,5	69,8	55,1	63,5	48,1
TOTAL	192,9	189,6	184,9	214,0	249,3	259,1	257,9	276,9
PRODUCTION QUOTA	71,7%	60,1%	70,4%	70,3%	72,0%	78,7%	75,3%	82,6%

Source: Il cinema italiano in numeri (2000-2010) edited by the EDP ANICA (Associazione Nazionale Industrie Cinematografiche Audiovisive e Multimediali; Rome).

MORE RESOURCES AND MORE HIGH BUDGET FILMS

The dedication of Italian workers confirmed two trends already revealed in 2009 and pertained to the contents of the investment plans. The first one looks at the choice of Italian producers to set a budget suitable to support the quality of their projects. In the previous season the total national capital available had decreased compared to 2008 (from 330,1 to 296,0), but with the choice by the filmmakers to make fewer films (131 instead of 154) they planned to favor the financial investments for each single film: 2,25 million compared to 2,05 in 2008 for productions and 6,48 compared to 5,85 for co productions.

In 2010 the national resources invested, (+5,47%) increased significantly only for the films produced (+16,35%) and not for the co productions which also include foreign contributions

TABLE 6
THE CALIBER OF FILMS PRODUCED WITH ONLY ITALIAN CAPITAL

INVESTMENTS IN EUROS	2007	2008	2009	2010
LOW BUDGET- UP TO 200.000 EUROS				
NUMBER OF FILMS PRODUCED	5	29	25	27
CAPITAL INVESTED	265.443	2.602.489	2.412.332	2.174.860
YEARLY VARIATIONS	-17,8%	+980,4%	-7,3%	-9,8%
AVERAGE INVESTMENT	53.088	89.741	96.493	80.550
YEARLY VARIATIONS	-16,1%	+68,8%	+7,5%	-16,5%
MEDIUM BUDGET - FROM 200.00 TO 1.500.000 EUROS				
NUMBER OF FILMS PRODUCED	40	44	28	37
CAPITAL INVESTED	34.252.175	35.864.600	19.622.584	30.923.945
YEARLY VARIATIONS	+13,6%	+4,7%	-45,2%	+57,5%
AVERAGE INVESTMENT	856.304	815.404	700.806	835.782
YEARLY VARIATIONS	+17,2%	-4,7%	-14,0%	+19,2%
HIGH BUDGET - OVER 1.500.000 EUROS				
NUMBER OF FILMS PRODUCED	45	50	44	50
CAPITAL INVESTED	186.537.960	214.887.450	196.887.680	223.544.450
YEARLY VARIATIONS	+11,8%	+15,2%	-8,3%	+13,5%
AVERAGE INVESTMENT	4.145.288	4.297.749	4.474.720	4.470.889
YEARLY VARIATIONS	+1,0%	+3,6%	+4,1%	-0,1%

Source: Il cinema italiano in numeri (2000-2010) edited by the EDP ANICA (Associazione Nazionale Industrie Cinematografiche Audiovisive e Multimediali; Rome).

(-25,42%). At the same time workers' commitment increased, producing a greater number of films (+17,53%). They however confirmed the range of financial commitment already reached previously and for a good part they were also able to better it, both for the more consistent category of films produced – average budget from 200 thousand to 1,5 million – and those with higher investment standards, films which are more successful and that require more substantial economic planning.

It is evident that the public response, according to the results gathered in 2010 and the first data collected from 2011, is the best way of judging the quality that the national cinema demonstrates to be continually encouraging and it has been doing so for the last few years, probably with greater conviction and awareness.

2. A New Mix and a New Way of Fundraising

The second trend is in the growing mix of procurement sources of financing, due to a range of ways of raising capital, that through diversification, increases its capacity, with the possibilities of attracting funds increasing proportionally in line with the expected intensity of the success of the Italian film. Marked by a yearly increase of 7,3%, the development of private resources confirms the dynamics that were already seen the year before, that showed new fundraising opportunities (also through product placement that reached 11 million euros in receipts and 14 million with the barter method) that workers can now use as a measurement.

This evolution is the result of three big change factors of different origin and nature, although with numerous interdependencies, that pass through innovation, technological and institutional management of the sector.

3. What Do the Tax Measures Mean

New investment models for film companies were introduced through powerful public incentive channels in the last 25 years (that is in 1985, with the formal institution of the FUS): the system of tax incentives with tax credit and tax shelter. Despite the fact that their formalization dates back to December 2007, they can only be considered operative from July 2009 because of the first implementation laws; only fully up and running from July 2009, with further implementation laws following a long approval procedure by the Community. The results from the first activities demonstrate the functionality of turning to tax credit, to favor the flow of resources for the whole cinema chain, and to reduce taxes for the profits, to “stimulate” the interests of companies or single individuals and people outside the sector to invest in film projects.

THE EFFECTS OF TAX CREDIT AND TAX SHELTER ON PRODUCTION

According to what was reported from situations that are still ongoing and still current, an initial account written by the Osservatorio dello Spettacolo of the Ministry of Culture and Heritage in Italy (the Italian path for tax credit and tax shelter for cinema) shows the intense adherence to the possibility of resourcing to tax measurements.

The practical experience has shown the validity of the so called tax expenditure according to what the workers had been pointing out for a long time in their requests for the introduction of tools that are already wide spread in many other European countries. In particular for the impulses that favor production.

TABLE 7
WHAT IS THE VALUE OF THE TAX BENEFITS THAT HAVE ALREADY BEEN GIVEN

Type of tax benefits	Amount in euros at 28-2-2011	Quota of the total
TAX CREDIT		
Tax credit to production	49.264.936,00	70,42%
Tax credit to distribution	1.117.712,00	1,60%
Tax credit to external investors	800.000,00	1,14%
Digital tax credit	15.855.066,79	22,66%
TAX SHELTER		
Tax shelter	2.921.713,42	4,18%
TOTAL TAX BENEFITS 2008-2010	69.959.428,21	100,00%

Source: La via italiana al tax credit e al tax shelter per il cinema (coordinator Antonio Di Lascio) and edited by the Osservatorio dello Spettacolo of MiBAC – Ministry for Cultural Heritage (Rome, March 2011).

An acknowledgement of the functionality of the support devices derives from the comparison between films produced in absence of the tax support options and those made when tax helps were operative. According to the revelations by the Ministry of Culture and Heritage – based on the total amount of investments declared by the production houses for the 292 films where one or more requests for tax credit were made – the average resources invested for each film

TABLE 8
TAX CREDIT ALREADY USED IN PRODUCTION

Amount in millions of euros	Production 2009	Production 2010	Total film produced
PRIVATE INVESTMENTS	258,0	276,9	534,9
Credit requested	8,5	94,6	103,1
Credit authorized	49,2	1,2	50,4
Credit compensated	46,7	10,3	57,0
Earnings on resources invested	18,1%	3,7%	10,6%

Source: Il cinema italiano in numeri (2000-2010) edited by the EDP ANICA (Associazione Nazionale Industrie Cinematografiche Audiovisive e Multimediali; Rome).

results to be 3,80 million, placing itself at a clearly superior level compared to all the films made in the last seasons (2,05 in 2008; 2,25 in 2009 and 2,23 in 2010)

A further clear indication is given from the study – *The impact of tax credit* – by the Luiss Business School in collaboration with the Anica, based on the data from the General Direction

of Cinema of the Ministry of Culture and Heritage, with the aim to determine the increasing effect of the incentive measures on the final value of the investments.

Through a comparison between a sample of films produced before the introduction of the tax credit (but qualified to request retrospectively the fiscal compensation) and a number of films made with the incentive tools in full swing, the latter obtains an average difference of an additional 1,3 million euros, equal to 22,23% of their total average cost. Similar results emerge concerning the so called input-side, that is the effects generated in the sectors directly linked to the core business: the costs of acquiring goods and services for the realization of projects show a positive differential of 22,16%, while the specific value of social contributions rises to a third (34,01%) of the total.

TABLE 9
IMPACT OF TAX CREDIT ON PRODUCTION

Average values per sample	Retroactive tax credit	Full tax credit	Difference	Additional Quota
Total cost of film	4.595.140	5.908.653	1.313.513	22,23%
Amount of social security taxes	343.991	521.251	177.260	34,01%
Acquisition of goods and services	1.484.132	1.906.536	422.404	22,16%

Source: L'impatto del tax credit. Prime analisi e percorsi di sviluppo edited by Paolo Boccardelli, Francesca Medolago Albani and Barbara Bettelli (ANICA-Luiss Business School, Rome, October 2010).

To further define the productivity of this fiscal regime, the indirect effects – the so called *input-outside* – on the other components of the film chain have been considered, comparing (with the matching process) similar samples of films produced with or without resorting to tax incentives.

TABLE 10
DIRECT AND INDIRECT EFFECTS ON FILMS PRODUCED

Average per film samples*	Without incentives	With incentives	Difference	Additional quota
Budget invested	3.623.089	4.897.661	1.274.572	26,02%
Takings at the box office	2.030.014	2.984.774	918.760	30,78%
Paying spectators	341.643	485.424	143.781	29,61%
Copies in the 1 st weekend	113	238	126	52,94%

** The average values are attributed to 146 films subdivided – according to the matching procedures – into two samples (“without incentives” and “with incentives” with tax credit), made up of 73 films with similar features and probability of success.*

The table reproduces data from L'impatto del tax credit. Prime analisi e percorsi di sviluppo edited by Paolo Boccardelli, Francesca Medolago Albani and Barbara Bettelli (ANICA-Luiss Business School, Rome, October 2010).

THE EFFECT OF TAX CREDIT ON CINEMAS

Cinemas have also played a leading role in the intense appeal for tax credit, with 514 requests put forward for technological updating of structures and to provide the cinema halls with digital technology and satellite connection. These are requests for conversions and renovations carried out by 303 different companies (with an average of 1,7 cinema hall) out of a total number of 760 screens (1,4 requests and 2,3 for each cinema).

It is of prime importance to evaluate the extent of the effect of the total amount of resources invested, equal to 66,9 million euros, that corresponds to a capital investment of the companies of 220,9 thousand euros and to a cost for each single screen of almost 88,1 thousand euros.

TABLE 11
THE EFFECT OF TAX CREDIT FOR DIGITAL CINEMAS

Division per structure type	Number of cinema halls	Quota	Digital screens	Quota
Mono halls	110	21,40%	110	14,47%
Multiplexes with up to 4 screens	144	28,02%	174	22,89%
From 5 to 10 screens (up to 50 thousand inhabitants)	95	18,48%	163	21,45%
From 5 to 10 screens (over 50 thousand inhabitants)	97	18,87%	164	21,58%
Multiplexes with over 10 screens	68	13,23%	149	19,61%
TOTAL COMPLEXES SUBSIDISED	514	100,00%	760	100,00%

Source: La via italiana al tax credit e al tax shelter per il cinema (coordinator Antonio Di Lascio) and edited by the Osservatorio dello Spettacolo of MiBAC – Ministry for Cultural Heritage (Rome, March 2011).

TABLE 12
INVESTMENTS AND TAX CREDITS FOR DIGITAL HALLS AND SCREENS

Amount of support in euros	Total amount	Average per company	Average per screen
Expenses incurred	66.947.555,71	220.949,03	88.088,89
Eligible expenses	66.594.353,84	219.783,35	87.624,15
TOTAL CREDIT	20.510.816,23	67.692,46	26.987,92

Source: La via italiana al tax credit e al tax shelter per il cinema (coordinator Antonio Di Lascio) and edited by the Osservatorio dello Spettacolo of MiBAC – Ministry for Cultural Heritage (Rome, March 2011).

4. The Digital Revolution: the Film's Days are Numbered

This data is to be read in light of the technological innovation process that the cinemas are facing and it represents the second big change factor in the investments cycle at the base of the entire national cinema. In the last four years cinemas with digital halls have multiplied 36 times going from 16 to 577 and screens by 27, becoming 841 from 31, with a total number of 1071 cinema structures and 3217 screens. At the end of 2008 the respective numbers were 46 and 80, so the increases at that date were not overly significant (+187,5% and +158,1%); from then on however one can talk about an exponential increase equal to 1.154,3% and 951,2%.

SWITCH-OFF LEVEL INVESTMENTS

The rhythm of growth gained by D-cinema is extremely indicative, the acceleration in 2010 highlights how the 428 digital screens registered on 1st January had already risen to 609 by the 30th June and by 31st December another 232 had been added. The data from MiBAC indicate amongst other things that only in the first two months of 2011 new requests were put forward for tax credit for 221 halls and 327 screens.

TABLE 13
THE MULTIPLICATION OF DIGITAL HALLS AND SCREENS

Diffusion in the Italian circuit	2006	2007	2008	2009	2010
Digital sites	16	21	46	284	577
Digital screens	31	38	80	428	841
Average screen per site	1,9	1,8	1,7	1,5	1,4

Source: Digitalk. Ideas, Experience and Figures on Digital Cinema edited by Media Salles (2011).

Inside this pervading phenomenon of innovation, added to it is the gradual increase of cinema halls intended for “three dimensional” screening, that in only 24 months have multiplied from 40 to 342, in 169 different complexes. On an economic level these numbers mean that in 2010, apart from the 100 million designated, according to estimates, for investments for property inauguration of new structures and the 220 million for Merger and Acquisition operations, the sector of the Italian cinemas put in further resources of 135 million euros in the technological innovation of cinemas: about 125 million for the 302 new digital screens for 3D screening and more that 10 million for the remaining 111 new digital screens that however are not equipped with 3D technology.

THE SHOWDOWN HAS ALREADY BEGUN

In order to understand the real value and to be able to fully evaluate the importance of this data on the spread of digital structures –which can justifiably be defined as extraordinary in 2010 – we have to look at the data in an international context. According to Media Salles, a EU research centre for cinema (office in Turin) that constantly monitors the distribution and cinemas sectors, the growth of complexes and of digital halls in the six principle European markets in the last year registered a rate of 117,6%. As we have already underlined for the national field, this development index in the first six markets (France, Great Britain, Germany, Russia, Italy and Spain) is the result of two distinct trends: the positive change referred to in the first semester reports a +43,1%, while the trend of the other six months expressed an increase of 52%.

Based on the revelations from Media Salles, the 6.907 digital screens of the six major European markets, makeup nearly 70% of the 10 thousand digital screens present in the whole continent and little less than 30% of the world total estimated at 36 thousand. Compared to the total number of screens active in all of Europe – 37,000 – the most recent digitalization rates of the six countries have forced the film industry to update the screenings to the speed of the introduction of digital technology in cinema halls. Now it is predicted that while European cinemas will reach about 19 thousand digital screens at the end of 2011 and the beginning of 2012 the global cinemas will at the same time reach a number from 55 to 57 thousand.

This means, over time, European cinema will manage to digitalize at least 50% of all its screens available – which is also planned for in the specific Italian field – and the same thing will happen for world screening. A crucial threshold will be reached and passed, the important

point – with no return, in an economic sense – beyond which the European and International distribution department will have more interests in supplying the cinema with 3D films rather than less convenient (at that date) 35 millimeters films.

This will have two main effects: the spreading of digitalization that concerns the multi halls risks to further jeopardize the competitiveness of the minor cinemas and their profit margins, that are already considered to be low, firstly for the mono halls in urban centres; the possibility is emerging that cinemas without digitalized screens will find themselves facing a parallel distribution market, with few newly produced films in digital format (on hard disk and CDs) and limited to old celluloid works, whose maintenance would at that point bring about increases for logistics and rental costs. Moving from a medium-long period to short term, the hypothesis of “digital for everyone”, in the past thought unlikely but now looking more likely, calls for a prompt showdown and a new financial commitment by companies and cinema owners. The effects of the digital revolution involve the entire cinema chain. They descend from the production department and go through the distribution, with a high reduction of publication and printing costs, hitting private channels, from the primary circuit of the business to the secondary ones, all established on networks in digital connection – from television to internet, according to the different ways of use – and that have been showing for some time a certain “obtrusiveness” in what has been up until now the rather traditional profit making structure of the sector.

TABLE 14
THE RISE OF DIGITAL SCREENS IN EUROPE

First six markets	1 st January	1 st June	31 st December	Six monthly trend		Rate 2010
France	904	1.262	1.836	+39,6%	+45,4%	+103,1%
Great Britain	667	997	1.350	+45,0%	+35,4%	+102,4%
Germany	566	738	1.190	+30,4%	+61,2%	+110,2%
Russia	351	525	940	+49,5%	+79,0%	+167,8%
Italy	434	609	841	+40,3%	+38,1%	+93,8%
Spain	252	412	750	+63,5%	+82,0%	+197,6%
TOTALE D-SCREEN	3.174	4.543	6.907	+43,1%	+52,0%	+117,6%

Source: Il cinema Italiano in numeri (2000-2010) edited by the EDP ANICA (Associazione Nazionale Industrie Cinematografiche Audiovisive e Multimediali; Rome).

5. The Competitiveness of the Institutional Market

The introduction of tax incentives and the percentage of its use on production investments and the technological innovation of the business make up the principal body of the third factor of change – which can be defined as institutional innovation – of the investments cycle, whose importance in cinema means above all that the sector bases its activity on the creation of new initiatives and every year designates 30% of its resources to it. The system of public contribution on the other hand belong to a category of economic competition, at an

international level, that is now defined as “competitiveness of the institutional market” and refers to (not only in the cinema field) the structure of public interventions available and to the consistency of the relative resources distributed. All countries, included the USA, forecast forms of tax incentive – France being first, having designated 375 million euros in 2011 in favor of filmmakers– and their influence on national films often appears to be decisive. Italian operators for example have criticized for a long time the fact that the country had remained amongst the few in Europe, to still not have passed tax expenditure measures for the cinema.

WHAT IS STATE INVESTMENT WORTH

With regard to the issuing of funds, it can be seen that, if the 59 million euros granted in 2010 in the form of tax credit are added to the 75,79 million of funds allocated by the FUS for cinema, the real overall total amounts to 135 million, an amount that State support has never reached previously.

The contributions from the European funds Eurimages and the programme Media have remained at the same level as 2009, just over 10 million euros, and of the Film Commission and regional film funds (for further 11 million euros), because of the cuts made to the transferring of State resources to the authorities and because of the rigidity of their main source of procurement, made up of cohesion and development funds allocated by the European Union in the framework of the agreements for the support of underdeveloped areas. Regarding the nature of the means, it should be pointed out that the film sector is the only one, among those supported by MiBAC, that is not allocated free grants – but interest rate subsidies, that foresee a refund thanks to returns on the market of the initiatives supported – and following the inspirational path of FUS that intended to favor the operative financing per project, finalized to produce new films or activities with the implicit possibility of measuring their validity, compared to the so called stable funding, in favor of bodies or organizations, simply increasing their operating costs. The Osservatorio dello Spettacolo of MiBAC, in its last *Report* on the use of the FUS, also underlined the positive impact of State support, evaluating the results of the titles accepted for contributions in the 2005-2008 period that have already been released in the cinema. According to the report, the 55 films of the sample proved capable of generating a total of takings of 50,4 million euros with a State contribution of 24,5 million, meaning euros of takings for every euro of funding.

TABLE 15
TOTAL AMOUNT OF TAX BENEFITS

Amounts 2008-2010 in millions of euros	Credit requested	Linked investments	Credit conceded*
Tax credit to production	109,0	775,0	59,4
Tax credit to distribution	5,8	46,5	1,2
Tax credit external investors	8,5	21,4	0,8
Digital tax credit	20,5	66,9	15,6
TOTAL INCENTIVES ESTIMATED	143,8	909,8	77,0

* The data communicated from MiBAC the Ministry for Cultural Heritage are updated at 28 February 2001, except from those related to the credit already conceded, which refer to a previous estimation on 2 February 2011.

An even more detailed study – *Il sostegno Statale alla Produzione cinematografica* (2005-2009) – was carried out recently by the Direzione Generale Cinema del Ministero, with the precise examination of the merit of selecting the first and second and those of cultural interest with public support, calculating the subsidy effects (for every euro of contribution, there are 3,4 euros of production costs) and the relationship between private capital and public capital (for every euro invested by the state, 2,4 euros was invested by the Industry).

TABLE 16
HOW DO THE FILMS WITH FUS HELP DO IN THE CINEMAS

Assessment of 55 film-Fus 2005-2008*	Total result	Average unit result
TAKINGS PRODUCED IN EUROS	50.400.000	916.363,6
FUS INVESTMENT IN EUROS	24.500.000	445.454,5
NUMBER OF COPIES DISTRIBUTED	5.284	96,0
PROGRAMMING DAYS	98.900	1.798,2
TOTAL PRESENCE OF SPECTATORS	8.700.000	158.181,8
AVERAGE DAILY SPECTATORS	87,9	1,6

* of the 116 films financed in the period 2005-2008, 55 have already been released and only 40 of these received money contribution, while 15 only obtained the acknowledgement of "cultural interest" by MiBAC.

Source: Relazione sull'utilizzazione del Fondo Unico per lo Spettacolo, Anno 2009, edited by the Osservatorio dello Spettacolo by MiBAC- Ministry for Cultural Heritage (Rome 2010).

IF FUS ALSO TURNS OVER A NEW LEAF

After having newly acquired a certain stability with the legislation number 133 on 23 March 2010 – after four precarious years experienced by the Industry including reductions, reintegration, stand stills, postponements, protests and suspensions – the incentive system seems to be on the eve of a deep review. The Head of MiBAC, Giancarlo Galan, when he communicated the allocation of funds for 2011 spoke about the opportunity «to go ahead, as soon as possible, with the reformulation of the mechanisms for the allocation of contributions», and further and more explicit considerations were stated in the quoted survey of the Direction General: «The main aim is to give the State a role of incentivizing and regulation, rather than that of the main player. [...] now that Italian cinema production is almost completely free from direct state contributions and this is the line that is to be continued. [...] The State no longer decides to "finance films" but intends to "finance the cinema" that the producers wish to make».

6. What Type of Cinema is Being Prepared

In spite of a certain image that was schematically planted at the beginning of the twenty first century, the cinema proves itself to be an activity which is developing while at the same time undergoing a deep morphological change. A clear sign of a turning point for example is the fact that the figure of intermediaries and financiers are now becoming business partners of the credit institutes.

In accordance to the law that also grants tax benefits to those who are not involved the sector producing new films, Ini Investimenti of the group Intesa Sanpaolo contributed 2,5 million euros to the total production budget of the film *This Must Be the Place* by Paolo Sorrentino (co produced by Lucky Red, Indigo and Medusa Film) for a 10% share. A similar allocation was given by the Banca Popolare di Vicenza to open a fund to finance new works through joint venture or profit sharing contracts and part of the resources have already been used in the co production of the film *Nessuno mi può giudicare* by Massimiliano Bruno and *C'è chi dice no* by Giambattista Avellino, both in partnership with IIF-Italian International Film and Cattleya. A further contribution expected through the agreement for access to standard financing form the production houses, signed recently by MedioCredito Centrale (gruppo Intesa Sanpaolo) and ANICA Servizi.

ON THE LOOK OUT FOR NEW MARKET OPENINGS

The effects of the digital revolution obviously concern the whole cinema chain. Starting from the production department, going through the distribution, with a strong reduction in editing and printing costs, and finally hitting the private channels, from the primary circuit of the cinema to the secondary ones, all established on the networks with digital connection – from television to internet, according to the different ways of consumption –and that have been showing a growing intrusiveness in the profit structure of the sector for some time.

Further signs of the vitality of the investment cycle come from the distribution department, where more and more positions are made available favoring film promotion (the estimated value for 2010 was 75 million euros), marketing and co marketing operations (10 million) and to the campaigns to launch new opportunities for cinema channels through pay tv or video on demand on different platforms (in the last 12 months about 25 million euros). Without forgetting the intense business of almost 300 festivals and events – from the big events like the Venice Film Festival, the International Film Festival in Rome, that require an average of 12 million euros, and the more local events where the total amount of resources invested is at least 125 million. In 2010 the national cinema also opened a new chapter, with the creation of theme parks like Rainbow Magic Land in Valmontone, that cost almost 300 million and opened in May 2011, and the future project Cinecittà World in the ex Dino Studios in Rome, that Cinecittà Studios – with a project budget near to 500 million euros – plans to open a part of it by 2012. Apulia Film Commission opened Cineporto in Bari and Lecce; in Milan the ex Manifattura Tabacchi is being converted into the new cinema centre of the city; at the same time new production centres and theatres are opening in the industrial areas of Termini Imerese and Bagnoli.

7. The Competitive Challenge of Italian Film

The newly found energy from the flow of finance reflects the trend of the productive activity that is the core business. For Italian film, 2010 was a year of regaining a consistent and very competitive market share. The share based on box office profits went from 23,4% to 29,28%, getting close to the record of 2007 at 31,98%, while the public attendances recorded an even

greater progress, not only for having earned 7,6 percentage points, going from 24,3% to 31,98%, and having improved the record of 3 years before (31,8% in 2007), but above all because the regaining of ground was made in view of a total global box office returns helped by the higher ticket prices for 3D films made in Usa.

THE PRODUCTION DEPARTMENT RESULTS

These forward steps made by the national production are based on, to start with, the validity of demand: when the “packet” of new releases is substantial, the market results are presented further ahead. The same run of new releases put forward to the public in 2010 was fuller – 16 more films (+13,9%) – than the previous list. It is not only a question of numbers, because if the change in the number of new films change in the same way as the data for taking, it means that the quality of the films – and consequently their appreciation in terms of takings – is on average up to the standards of what is expected, with a tendency in the most recent years to increase even more.

The progress made is confirmed by the positions reached on a European level, compared to the number of cinema entries of different nationalities compared to the total number of tickets sold in all countries.

THE DISTRIBUTION'S STRATEGIC GAME

After the conflicting trend of national cinema in 2009, from the 2010 market one expected first of all comforting results and the assessment of the yearly balance sheets' results can be rated amongst the best in the last ten years. With 109,9 million admissions the goal of reaching a total of 100 million attendances was exceeded, a percentage that had been reached only once in the twenty first century, in the record year, 2007, with 103 million tickets at the box office. The profit made, thanks to the increase of 10,9 million spectators compared to 2009, was equal to 11,0% and it was verified by the even greater growth of receipts that went from 622,6 to 734,2 million euros, with an increase of 17,9%.

Rather than the actual number of blockbusters, the total amount of their proceeds at the box office seems to be important: compared to the total domestic production takings, their

TABLE 17

ITALIAN COMEBACK ON THE MARKET OF NEW RELEASES

ORIGIN OF NEW RELEASES	2006		2007		2008		2009		2010	
	num.	perc.	num.	perc.	num.	perc.	num.	perc.	num.	perc.
ITALY	100	26,0%	110	29,7%	130	34,6%	115	32,4%	131	34,5%
FRANCE	23	6,0%	20	5,4%	25	6,6%	14	3,9%	24	6,3%
UK	30	7,8%	31	8,4%	18	4,8%	22	6,2%	16	4,2%
USA	161	41,8%	154	41,7%	163	43,3%	159	44,8%	161	42,4%
OTHER COUNTRIES	71	18,4%	55	14,8%	40	10,7%	45	12,7%	48	12,6%
FOREIGN	285	74,0%	260	70,3%	246	65,4%	240	67,6%	249	65,5%
TOTAL	385	100,0%	370	100,0%	376	100,0%	355	100,0%	380	100,0%

Source: Il cinema Italiano in numeri (2000-2010) edited by the EDP Anica (Associazione Nazionale Industrie Cinematografiche Audiovisive e Multimediali; Rome).

TABLE 18
ITALIAN FILM COMPARED WITH THE EUROPEAN MARKET

Market share on tickets sold	2006	2007	2008	2009	2010
European production	27,9%	28,1%	28,3%	26,8%	25,3%
Italy	3,0%	3,8%	3,6%	2,7%	4,1%
France	10,6%	8,4%	12,4%	8,8%	9,4%
Great Britain	2,8%	5,6%	2,3%	3,8%	2,7%
Germany	4,8%	3,8%	3,6%	4,2%	3,1%
Spain	2,8%	2,1%	1,6%	2,2%	1,4%
Rest of Europe	4,0%	4,6%	5,0%	5,0%	4,6%
USA	63,4%	62,6%	65,5%	66,9%	68,0%
Co productions Europe-USA	5,6%	7,5%	4,4%	4,0%	5,4%
Other countries (outside Europe and USA)	3,2%	1,8%	1,8%	2,3%	1,3%

Source: European Audiovisual Observatory from LUMIERE database.

TABLE 19
MARKET COMPETITION BETWEEN ITALIAN AND FOREIGN FILMS

Film nationality*	TITLES	QUOTA	TAKINGS IN EUROS	QUOTA	ADMISSIONS	QUOTA
2009						
100% Italian	225	26,3%	140.587.029	22,6%	23.231.987	23,5%
Co productions	69	8,0%	4.979.621	0,8%	863.356	0,9%
Total Italy	294	34,3%	145.566.650	23,4%	24.095.343	24,3%
Europe	189	22,0%	71.465.077	11,5%	11.999.655	12,1%
United States	313	36,6%	395.789.059	63,5%	61.176.001	61,8%
Other countries	61	7,1%	9.840.535	1,6%	1.668.879	1,7%
Total foreign	563	65,7%	477.094.671	76,6%	74.844.535	75,6%
GENERAL TOTAL	857	100,0%	622.661.321	100,0%	98.939.878	100,0%
2010						
100% Italian	221	26,5%	200.167.854	27,26%	32.535.136	29,62%
Co productions	52	6,3%	14.835.399	2,02%	2.602.964	2,36%
Total Italy	273	32,8%	215.003.252	29,28%	35.138.100	31,98%
Europe	185	22,2%	71.531.685	9,75%	11.249.966	10,23%
United States	328	39,4%	442.265.056	60,23%	62.605.504	57,01%
Other countries	47	5,6%	5.434.150	0,74%	865.355	0,78%
Total foreign	560	67,2%	528.230.891	70,72%	74.720.825	68,02%
GENERAL TOTAL	833	100,0%	734.234.143	100,0%	109.858.925	100,0%

* the data refers to all films in distribution (until 31st December for takings and presences), including the continuations.

Source: Il cinema Italiano in numeri (2000-2010) edited by the EDP ANICA (Associazione Nazionale Industrie Cinematografiche Audiovisive e Multimediali; Rome).

percentage indicates a rise from 10,47% in 2007 to 13, 80% showing a different and more profitable approach to the making of products and to their introduction to the cinema circuit.

THE GROWTH OF CINEMAS

In the favorable picture of the year 2010, a good season was also experienced by cinema exhibitions, with a sharp increase in admissions and takings for all types of structures; from small cinemas such as mono halls and with 2 to 4 halls – that make up the biggest number

TABLE 20
ITALIAN-USA COMPARISON ON THE DISTRIBUTION MARKET

Distribution market*	2006	2007	2008	2009	2010
Number of films by USA majors	255	248	198	247	229
Percentage Takings by USA majors	53,57%	53,35%	48,73%	55,88%	54,80%
Number of films by Italian houses	543	446	446	387	431
Percentage takings by Italian houses	45,81%	46,31%	50,69%	43,68%	46,02%

* The table compares the presence on the Italian distribution market of the 5 US majors and the first 17 Italian distribution houses. The sum of the two percentage takings is not equal to 100% to a few decimal points, because of the occasional activity of other small distribution companies.

Source: Il cinema Italiano in numeri (2000-2010) edited by the EDP ANICA (Associazione Nazionale Industrie Cinematografiche Audiovisive e Multimediali; Rome).

TABLE 21
TEN YEARS OF ITALIAN FILMS WITH MILLIONAIRE TAKINGS

Years, values in euros	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 *
From 1 to 5 million	11	13	15	21	18	13	17	19	17	8*
From 5 to 10 million	4	2	3	3	3	4	7	5	2	6
From 10 to 15 million	2	3	3	4	4	1	3	3	4	3
Over 15 million	-	3	1	-	-	2	2	1	1	2
FILM TOTAL	17	21	22	28	25	20	29	28	24	19*
YEARLY TAKINGS	94,3	100,5	110,5	120,0	125,5	98,5	171,7	142,3	119,0	163,6*
AVERAGE PER FILM	5,55	4,78	5,02	4,28	5,02	4,92	5,92	5,08	4,95	8,61*

* The data for 2010 refer only to films with takings of over 3 million euros and not from 1 million like in the previous years. The table is based on the results obtained at the box office from 100% Italian films (excluding those co produced) between 1st January and 31st December of each year.

Source: Il cinema Italiano in numeri (2000-2010) edited by the EDP ANICA (Associazione Nazionale Industrie Cinematografiche Audiovisive e Multimediali; Rome).

of cinemas despite being in continuous decrease (for the first time their numeric consistence has gone down under the 80% mark) – to those multipurpose – with 5 to 7 halls and multiplexes with more than 7 halls – with a average total of entrances per screen that has overtaken the record mark of 80 thousand.

In the context of general growth, it emerges that the incremental variations have rewarded, in greater proportion – essentially regarding the average amount of takings – the complexes with 5 to 7 halls, confirming their greater profitability compared to those of other types. The increases from tickets sales clearly exceed those recorded for the average attendances, as with the results obtained – even in a relatively more contained measure – from multiplexes, probably because of the possibility of screening the most successful films of the season in 3D with an increase of the price of tickets of 40%-50%.

Italian cinema almost doubled the percentage of increase of the proceeds from the box office, rising in twelve months from 145,5 million euros – amongst the lowest in the most recent season – to 215,0 million, marking a progress of 47,7%, while it has contributed to the expansion of the number of spectators in the same way of 11,0% of the whole sector, cumulating in 35,1 million presences compared to the previous 24,1 million.

The comeback of the Italian cinema in multipurpose centres, attended now by 80% of the

TABLE 22

WHO MAKES THE MOST ON AVERAGE FOR EACH FILM DISTRIBUTED

Average takings per film in euros	2007	2008	2009	2010
FIRST FIVE ITALIAN COMPANIES				
Filmauro	3.895.162	5.916.895	7.113.777	4.816.510
Medusa Film	1.425.790	1.201.937	1.154.854	1.824.850
Eagle Pictures	540.828	584.593	1.271.275	1.099.255
01 Distribution	912.030	941.787	713.838	1.092.829
Moviemax	674.932	665.076	610.070	909.139
BRANCHES OF THE FIVE FOREIGN MAJORS				
20th Century Fox It.	1.508.063	859.397	1.568.112	2.291.895
Walt Disney-B.V.	1.188.751	1.469.242	1.661.892	2.074.275
Warner Bros. Pict. Italia	1.379.797	949.322	1.201.028	1.804.619
Universal-Uip	1.161.245	2.384.942	1.432.363	1.688.552
Sony Pict. Italia	871.147	1.256.946	1.339.919	773.718

Source: Il cinema Italiano in numeri (2000-2010) edited by the EDP ANICA (Associazione Nazionale Industrie Cinematografiche Audiovisive e Multimediali; Rome).

TABLE 23

THE EXTENT OF GROWTH OF CINEMA HALLS IN 2010

Percentage variations of average values for type in 2009	average growth per site		average growth per screen	
	admission	takings	admission	takings
MONO HALLS	+7,7%	+13,5%	+7,7%	+13,5%
FROM 2 TO 4 HALLS	+11,8%	+18,6%	+17,0%	+10,2%
FROM 5 TO 7 HALLS	+11,5%	+21,2%	+10,9%	+20,7%
MULTIPLEXES WITH MORE THAN 7 HALLS	+9,2%	+15,1%	+9,6%	+15,5%
SECTION TOTAL	+14,5%	+21,5%	+14,5%	+17,5%

Source: Cinetel (Rome 2011).

paying public, has specific economic outcomes. From the data of the distribution of attendances and takings between Italian films and foreign films, it emerges that for every spectator of a film of national production, 2,1 presences are counted in the halls that show foreign produced films, while for every euro spent at the box office of cinemas that program domestic productions a proportion of 2,4 euros is counted when foreign films are shown on screens.

This means, at close examination at a first instance, that apart from feeling the effects of some American 3D blockbusters, Italian film faces the consequences of being offered to the public in times that are not favorable. From the accounts of the cinemas it emerges in addition the proportion that the extra services available to the public (starting with restaurant industries, pre sale booking, cloakrooms and so on) increases with the growing flow of people by at least two percentage points, going from 9% to 11%, to the contrary of alternative activities (publicity, sponsorship, renting of halls for conventions) whose quota has a certain consistency only in less fortunate times (+5,4% in 2008) and it goes back down below 1% in the years when the flow of spectators is greater, like in 2010. Only three big chains move away

TABLE 24
TAKINGS AND ADMISSIONS PER ITALIAN FILM IN HALLS

Absolute values in thousands of euros	2008		2009		2010	
	TAKINGS	QUOTA	TAKINGS	QUOTA	TAKINGS	QUOTA
BOX OFFICE TAKINGS FOR ITALIAN FILMS						
MONO HALLS	24.653,3	14,3%	20.826,2	14,3%	28.195,1	13,1%
FROM 2 TO 4 HALLS	41.505,7	24,2%	32.316,7	22,2%	50.064,0	23,3%
FROM 5 TO 7 HALLS	25.706,7	15,0%	22.968,1	15,8%	36.940,7	17,2%
MULTIPLEXES WITH MORE THAN 7 HALLS	79.988,4	46,5%	69.549,0	47,7%	99.897,2	46,4%
TOTAL COMPLEXES	171.854,3	100,0%	145.660,2	100,0%	215.097,2	100,0%
ADMISSIONS FOR ITALIAN FILMS						
MONO HALLS	4.491,3	15,4%	3.735,7	15,5%	4.977,8	14,2%
FROM 2 TO 4 HALLS	7.348,5	25,3%	5.649,2	23,4%	8.572,5	24,4%
FROM 5 TO 7 HALLS	4.275,5	14,7%	3.760,9	15,6%	5.904,5	16,8%
MULTIPLEXES WITH MORE THAN 7 HALLS	12.978,5	44,6%	10.963,4	45,5%	15.702,0	44,7%
TOTAL COMPLEXES	29.094,0	100,0%	24.109,3	100,0%	35.156,9	100,0%

Source: Il cinema Italiano in numeri (2000-2010) edited by the EDP ANICA (Associazione Nazionale Industrie Cinematografiche Audiovisive e Multimediali; Rome).

TABLE 25
TAKINGS AND ADMISSIONS AT THE BOX OFFICE FOR FOREIGN FILMS

Absolute values in thousands of euros	2008		2009		2010	
	TAKINGS	QUOTA	TAKINGS	QUOTA	TAKINGS	QUOTA
BOX OFFICE TAKINGS FOR FOREIGN FILMS						
MONO HALLS	41.174,0	9,5%	38.765,9	8,1%	35.363,3	6,8%
FROM 2 TO 4 HALLS	75.879,0	17,8%	80.222,1	16,8%	80.377,1	15,4%
FROM 5 TO 7 HALLS	67.341,7	15,8%	82.072,1	17,2%	95.182,2	18,4%
MULTIPLEXES WITH MORE THAN 7 HALLS	240.441,9	56,9%	277.014,2	57,9%	308.955,5	59,4%
TOTAL COMPLEXES	422.403,4	100,0%	478.074,5	100,0%	519.878,3	100,0%
ADMISSIONS FOR FOREIGN FILMS						
MONO HALLS	6.978,1	9,9%	6.771,2	9,1%	5.726,3	7,7%
FROM 2 TO 4 HALLS	13.375,9	19,0%	13.543,2	18,2%	12.289,6	16,6%
FROM 5 TO 7 HALLS	11.177,1	15,9%	12.781,4	17,1%	13.356,5	18,0%
MULTIPLEXES WITH MORE THAN 7 HALLS	38.787,2	55,2%	41.910,9	55,6%	43.464,0	58,7%
TOTAL COMPLEXES	70.318,5	100,0%	75.066,6	100,0%	73.834,5	100,0%

Source: Il cinema Italiano in numeri (2000-2010) edited by the EDP ANICA (Associazione Nazionale Industrie Cinematografiche Audiovisive e Multimediali; Rome).

from this trend, who are even able to bring the contribution of extra services over 20% and keep the contribution of the alternative activities steady around 8%-10%.

8. The Evolution of the Organization and the Structure of the Sector

Underlying the positive situation of national cinema that has taken shape in 2010, a gradual strengthening of the population of entrepreneurs has also been recorded, through a

physiological selection of potentially active businesses. After years of turbulent development between 2000 and 2007, from a period when little fewer than 5 thousand companies had registered at the register office of businesses, the number then more than doubled, becoming 10,656. Followed by a decrease in the starting of new companies. This trend reached its peak in 2009 in the first negative accounts: the companies registered had gone down from 10,731 to 10,673 and those formally active from 9,958 to 9,919, with a limited regression, that was however important in positively representing the turnaround of the trend.

THE MAP OF THE COMPANIES

As always these flows are numerically calculated from the entries and exits of small and very small companies, that work in the production department, and which only partly influence the real trend of the total business of the sector.

TABLE 26
CHANGES IN REGISTERED CINEMA COMPANIES

Redistribution per type	Sector	Production	Distribution	Exhibition
Registered companies	10.673	7.764	662	1.878
Active companies	9.919	7.222	606	1.775
Newly registered vi a vis registered*	5,74%	7,31%	2,07%	1,37%
Closed down-bankrupt vi a vis registered*	7,63%	8,06%	6,65%	6,93%

* The percentages are calculated on previous numbers of companies registered with the registry office.

Source: Telemaco-InfoCamere, Cerved and Movimprese.

TABLE 27
SUBDIVISION OF COMPANIES BY TYPE

Firm name for business	Sector	Production	Distribution	Cinemas
Public limited company	2,5%	2,8%	4,5%	1,5%
Limited liability company	42,0%	41,7%	66,2%	29,4%
Other corporations	6,6%	6,3%	6,4%	7,0%
Corporations	51,1%	50,8%	77,1%	37,9%
Partnerships	14,5%	13,4%	12,4%	20,9%
Sole traders	30,5%	35,2%	9,7%	22,6%
Other forms	3,9%	0,6%	0,8%	18,6%
Uncapitalised companies	48,9%	49,2%	22,9%	62,1%
Total	100,0%	100,0%	100,0%	100,0%

Source: Cerved Business Information.

What seems to be of greater impact however, is the other selective evolution that has brought about the rotation at the basis of the business units: i.e the overtaking of partnerships by corporations, that for the first time fell to below the 50% mark at the beginning of 2009. The change to mostly corporations compared to partnerships hit the productions department, that makes up the basis of the entire sector, in a big way as they comprise more than 73% of companies, represented in a large part by the vast area of technical companies and services that work in the pre and post production phases.

TABLE 28

OCCUPATIONAL AND PRODUCTIVE TREND OF THE CINEMA SECTOR

Variations from the previous year	2004	2005	2006	2007	2008	2009
Corporations' turnover	+0,7%	+8,1%	+4,7%	-1,2%	-0,3%	+4,9%
Workers who contribute to Enpals*	+5,6%	+8,4%	+2,3%	-5,0%	+6,1%	+4,6%
Total working days	+6,3%	+3,8%	+0,1%	-10,2%	+1,4%	-0,6%
Total yearly earnings	+5,9%	+13,5%	+7,3%	-6,9%	+16,5%	-4,2%

* Enpals – Ente Nazionale di Previdenza e di Assistenza per i Lavoratori dello Spettacolo e dello Sport Professionistico (National Board of Welfare and Assistance for Workers in the Entertainment and Sport Business).

Source: data taken from Cerved, based on the assessments deposited by corporations during the indicated years (concerning the total turnover of the sector) and from the report *Lavoratori e imprese dello spettacolo e dello sport professionistico: principali dati occupazionali e retributivi – 2009*, edited by the *Coordinamento Statistico-Attuariale dell'Enpals (Rome 2010)*.

It is possible that the demographic assessment reflects the objective difficulties faced in the last two years by these companies, severely involved by the technological transformation of the production processes with the switch-off between film and digital in addition to the bitter battle on prices previously triggered by the demands of television clients. It is commonly thought and is also confirmed by the most recent data, even though provisional, that the choice of a more articulate and structural legal form also belongs to the group of new production houses that are appearing on the scene.

THE WORK MARKET

The recovery of Italian film, generated by the investments in production in 2009 and subsequently seen to have matured shown in the results obtained in the 2010 season by the distribution sector and the cinemas, correspond to the statistical disclosures by Enpals, the Ente Nazionale di Previdenza e di Assistenza per i Lavoratori dello Spettacolo e dello Sport Professionistico, in which all the companies and workers must by law pay tax contributions. The number of taxpayers (+4,6%) and companies (+5,0%) registered have increased; the average number of workers per company has increased (from 19,5% to 20,5%); the average daily wages, even if only by a little, have risen (1,2%). This is contradicted by the idea, that in the real professional community, the cinema continues to be the real engine of the whole macro sector, that the activities of the entertainment business is often extended towards cultural and recreational activities. It is the power house behind the number of workers, the number of active companies and for the earnings rise. Its productive body continues to grow (+11,3%) from 2007 and it has become equal to 27,9% of the total workers of the entertainment sector increasing its percentage quota of the sector total; the companies that they fall under have been in constant growth since 2005 (+21,8%) and now represent 14,6% of the whole sector; the profits that it generates from its work involved in filmmaking are worth 28,4% of the global wages of all sectors.

As proof of the variety of specializations involved in film making, those of the cinema result in addition to be the one with the most components in 11 of the 20 groups of the Enpals classifications and in seven of these with a consistency of over 50%.

Its extreme relevance, the cinema activity, under the occupational aspect presents some elements of structural weakness. Firstly the real employment rate in some of its artistic

TABLE 29

CONSISTENCY AND ECONOMIC TREATMENT FOR PROFESSIONAL QUALIFICATIONS

Contributors according to the groups of professional categories Enpals	Number	Average working days per year	Average compensation in euros per day	
			2008	2009
Actors and extras	45.137	9,6	306,49	
Office workers	10.697	239,3	104,46	
Operators and crew (A)*	7.219	104,4	105,07	
Organizers, directors, inspectors and secretaries **	3.956	116,1	146,14	
Directors, helping director, screenwriters	3.230	95,0	346,07	
Operators and crew (B)*	3.128	182,3	56,69	
Technicians (production and creation)	2.665	159,2	118,94	
Set designers, interior designers and costume designers	1.623	103,8	173,20	
Makeup artists and hairstylist	740	62,3	197,48	
Employees of film rental companies	513	260,5	115,65	
Terpsichoreans, dancers and models	471	49,3	176,80	
Presenters and animators	327	74,0	1.925,76	
Stage managers and dubbing directors	236	111,5	197,83	
Lyrical artists and singers	213	15,8	501,60	
Concert performers and orchestra	199	31,2	106,91	
Freelancers working in the music business	100	22,1	78,20	
Administrators	83	159,2	185,47	
Orchestra directors	56	65,7	172,60	
GENERAL TOTAL	80.863	73,6	142,74	

* The classification of Enpals has two groups from the "operators and crew" category: group A («those who work on a fixed term contract, artistic and technical activities directly connected to the production and creation of showings») and group B («those who work on a fixed term contract, on different activities from group A»).

** The official name of the category is "Gruppo produzione cinematografica, di audiovisivi e di spettacolo".

Source: Lavoratori e imprese dello spettacolo e dello sport professionistico: principali dati occupazionali e retributivi – 2009, edited by the Coordinamento Statistico-Attuariale dell'Enpals (Rome 2010).

TABLE 30

DISTRIBUTION OF PERIODS OF WORK AND PAYMENTS

Values of deciles for all workers	Maximum no. of working days yearly		Value of max yearly payment in euros		
	2008	2009	2008	2009	Variations
Up to 10% of employees	1	1	69,44	67,50	-2,8%
Up to 20%	1	1	121,66	96,74	-20,5%
Up to 30%	2	2	200,00	159,00	-20,5%
Up to 40%	3	3	396,00	300,00	-24,2%
First 50% of workers	8	6	918,00	660,00	-28,1%
Up to 60%	23	21	2.878,45	2.335,30	-18,9%
Up to 70%	78	78	7.843,77	7.539,87	-3,9%
Up to 80%	156	170	15.816,98	17.247,25	+9,0%
Up to 90% of workers	266	302	26.152,88	30.842,93	+17,9%
Last 10%	312	312	27.309,90	-	-

Source: Lavoratori e imprese dello spettacolo e dello sport professionistico: principali dati occupazionali e retributivi, edited by Coordinamento Statistico – Attuariale dell'Enpals (Rome 2010).

components, starting from the most numerous one, the actors, its percentage is such – equal to 55,8% of the total – that it is of great importance to the sector as a whole.

The subdivision of employment and wage levels into deciles that show lower values to those found 12 months before for the seven inferior levels, with greatest reductions in the two central bands: (-28,1%-24,2%), contribute to establishing the relationship between a large number of subjects and the employment level in the national cinema.

If one considers that the average value for the whole amount of workers corresponds to 73,6 concerning the annual working days, to 142,74 in relation to the average daily compensation and to 10,1 thousand euros regarding yearly payments, it can be noticed that the comparison put forward by the distribution per deciles shows the capability of the last 20% of subjects (16,172 out of over 80,8 thousand) to compensate the standards of daily remuneration of the other 80% of colleagues and to rebalance almost all of the low standard of yearly payments.

GROUP AND COMPANY BUSINESS

The gaps related to the seasonal alternation of particularly successful or unsuccessful films, that historically characterizes the cinema, have very different findings in the accounts of single companies, also because of the different working conditions. From the examination of the

TABLE 31

ESTIMATION OF PROCEEDS AND TRENDS OF THE SECTOR

Values in thousands of euros	Sector	Production	Distribution	Exhibition
Corporations*	5.088	3.624	474	679
Total turnover	4.290.076	2.157.665	926.776	621.306
Average turnover per unit	843,1	595,3	1.955,2	915,0
Companies with increasing proceeds	60,9%	59,2%	61,0%	69,8%
Companies with decreasing proceeds	39,1%	40,8%	39,0%	30,2%

* The number of assessments examined (these are annual reports drawn up and registered by only corporations) of the sector on the whole are higher than the accounting documents examined for each single sector.

Source: from the Cerved database based on the business assessments of corporations that were deposited and inserted in the database.

TABLE 32

SUBDIVISION OF CINEMA COMPANIES BY TURNOVER CLASSIFICATION

Turnover classification euro	Sector	Production	Distribution	Exhibition
5-250 thousand	61,1%	63,0%	57,6%	52,8%
250-500 thousand	12,5%	12,3%	13,0%	14,4%
500 thousand – 1 million	9,1%	8,8%	6,5%	11,5%
1-2 million	7,6%	7,0%	7,1%	11,3%
2-5 million	5,7%	5,4%	6,5%	6,2%
5-10 million	1,9%	1,9%	3,3%	1,6%
10-20 million	0,9%	0,7%	2,2%	1,5%
20-50 million	0,9%	0,7%	2,7%	0,5%
Over 50 million	0,3%	0,2%	2,1%	0,2%
Total	100,0%	100,0%	100,0%	100,0%

Source: From Cerved database.

accounts deposited to the Chamber of Commerce a rather net gap between the groups of a larger size and the units that belong to the classes with a lower turnover emerges. Almost all of the companies from the upper division, with proceeds of over 60 million euros, for example in 2009 increase the value of their production; those from the middle division show a mainly growing trend, even though the progress made seems to be of little importance and does not fully compensate for the contraction experienced by companies going through difficulties; however, small companies show to an equal extent the same trend based on their final accounts concerning the balance between income and expenditure and the percentage variations compared to the previous year.

TABLE 33
HOW THE COMPANIES ARE DIVIDED BY SIZE

Companies per turnover classification	Sector	Production	Distribution	Exhibition
From 0 – 1 million euros	82,7%	84,1%	76,1%	78,7%
From 1-20 million euros	16,1%	15,0%	19,1%	20,6%
Over 20 million euros	1,2%	0,9%	4,8%	0,7%
THE EFFECT THAT CLASSIFICATION HAS ON TURNOVER				
Turnover quota per classification	Sector	Production	Distribution	Exhibition
From 0 – 1 million euros	10,4%	14,6%	2,5%	14,2%
From 1-20 million euros	38,3%	57,3%	16,5%	49,4%
Over 20 million euros	51,3%	28,1%	81,0%	36,4%

Source: from Cerved Business Information

Even against controversial trends – in relation for example to the stability of the public contribution regime and to present technological changes – overlapping the 2008 season that was undoubtedly much disputed, it was revealed that was a clear number of companies able to increase their turnover, expressed in a comforting ratio of 60 to 40, which in the sector of cinema halls means 70-30. From this the extreme importance that the small number of big groups and national mini-majors have in sustaining the professional commitment of all the more or less small indies of the sector and in animating the production of the entire cinema, is shown.

Their ability and tendency to invest resources is the fuel that nourishes the entrepreneurial chain.

If on one hand it was possible over time to reveal the discontinuity of small companies of production and distribution, whose efficiency is tied to projects or titles released in alternate years, on the other hand a constant turnover of companies is recorded on the market, even though it is relatively contained, on average, every 12 months, 1 % of the division of about 750 units with a turnover of over 1 million that make up 17,3% of the corporations.

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