PRESS RELEASE
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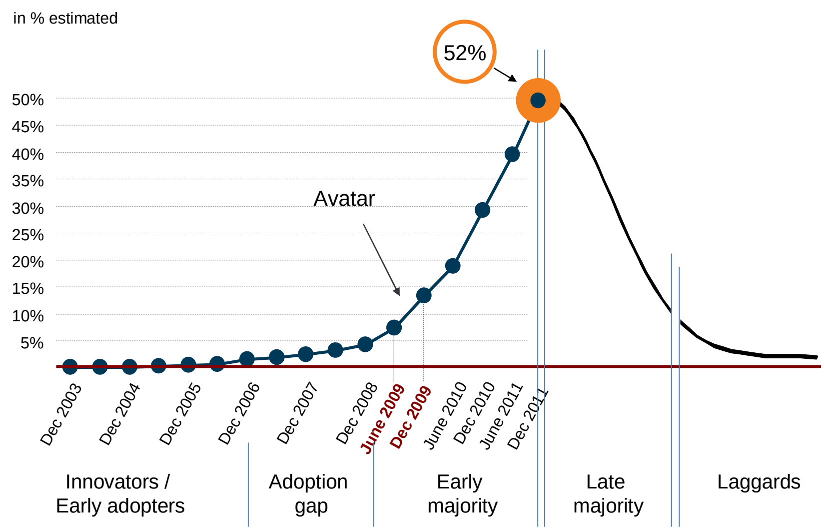
Over half of Europe's screens are now digital but single-screen cinemas are struggling

A new report from the European Audiovisual Observatory and MEDIA Salles shows that around 18 500 digital screens had been installed in Europe by the end of 2011. This means that over 52% of European screens are now capable of digital projection, up from just 4% three years ago (see graph).

Development of digital screen penetration in Europe



Source: *The European Digital Cinema Report* (European Audiovisual Observatory, MEDIA Salles)

While the initial phase of large-scale digital conversion during 2009 and 2010 had been more or less entirely driven by 3D installations, roll-out in 2011 was – for the first time – driven by 2D screens. This suggests that roll-out has entered its second major phase and is now driven primarily by full conversions of larger circuits under VPF* schemes and by public initiatives ranging from legislation (France), publicly funded industry-wide conversion schemes (Norway and the Netherlands) to direct public funding schemes, 60 of which have been identified at national, sub-national and pan-European level, including the new MEDIA 2007 scheme.

Digital screen & site penetration by cinema site type – 2010
- in % of total sites / screens by site type

Site type	Digital site penetration	Digital screen penetration
Monoscreens	11%	11%
Small Miniplex (2-3 screens)	39%	26%
Large Miniplex (4 to 7 screens)	75%	34%
Multiplex (8 or more screens)	89%	36%

Source: *The European Digital Cinema Report* (European Audiovisual Observatory, MEDIA Salles)

Analysis based on a comprehensive site-by-site listing of analogue and digital cinemas as of 2010 clearly shows that small cinemas and exhibitors have significant problems converting to digital. By the end of 2010 only 11% of single-screen cinemas had installed a digital screen, compared to 89% of multiplexes (see table). These small cinemas, however, form a characteristic part of the European cinema landscape, with single-screen cinemas alone accounting for almost 60% of all European cinemas. Though presumably not vital for overall box office results, these smaller cinemas play an important social and cultural role in many communities. The fact that these screens have not yet converted highlights tends to confirm that commercial financing models cannot cover all

* The Virtual Print Fee (VPF) is a financing mechanism for funding the first purchase of digital cinema equipment. It is based on distributors and alternative content suppliers paying a fee every time a digital copy of their content is booked.

European cinemas, causing a funding gap for between 15% and 20% of European screens.

At the same time, given the high penetration rates in various European markets, the end of 35mm distribution seems to be approaching rapidly. Distributors in Belgium, Luxembourg and Norway, which was the first country worldwide to become fully digital in mid-2011, were expected to end 35mm distribution as early as 2011/2012 and a total of 11 territories had converted at least 50% of their screens by mid-2011, including the two leading markets France and the UK.

Once large distributors switch to digital distribution in such major markets, demand for film stock will drop significantly, putting pressure on 35mm economics on a pan-European level. This could cause financial strain for those distributors and exhibitors still depending on it. Many of these are presumably small companies now faced with a growing competitive disadvantage: digital cinema increases the economies of scale related to both film exhibition as well as distribution so bigger companies stand to benefit more than smaller players from the transition to digital, both in terms of cost savings as well as in increased revenue potential. This economic reality will ultimately lead to fundamental change in the fragmented European theatrical landscape and poses a challenge to the European independent sector, characterised as it is by a large number of small exhibitors and distributors.

The 'European Digital Cinema Report' (130 pages) is published jointly by the European Audiovisual Observatory and MEDIA Salles and provides the latest figures on digital screens and penetration rates across 35 European markets, analyses the development of digital roll-out and provides in-depth structural analysis with regard to concentration levels by exhibitors and cinemas of different sizes. It also features a list of the top 50 digital exhibitors in Europe as well as estimated market shares for 3D technology, projector and server manufacturers on a country-by-country basis. A special chapter deals with the specific challenges faced by the European independent sector. The report lists 60 dedicated public funding schemes supporting the digitisation process at national, sub-national and pan-European level, including the new MEDIA 2007 scheme. It also provides a comprehensive set of key indicators for each of the 35 European markets covered in the report.

For further information see :
http://www.obs.coe.int/oea_publ/market/european_digital_cinema.html

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The European Audiovisual Observatory, Council of Europe

Set up in December 1992, the European Audiovisual Observatory's mission is to gather and distribute information on the audiovisual industry in Europe. The Observatory is a European public service body comprised of 37 member states and the European Community, represented by the European Commission. It operates within the legal framework of the Council of Europe and works alongside a number of partner and professional organisations from within the industry and with a network of correspondents. In addition to contributions to conferences, other major activities are the publication of a Yearbook, newsletters and reports, the compilation and management of databases and the provision of information through the Observatory's Internet site (http://www.obs.coe.int).

Contacts at the European Audiovisual Observatory:
André Lange (Head of Department, Information on Markets & Financing) - andre.lange@coe.int
Martin Kanzler (Analyst, Abteilung Märkte & Finanzierung) - martin.kanzler@coe.int

MEDIA Salles

The MEDIA Salles project has been operating since 1991 within the framework of the European Union's MEDIA Programme, with the support of the Italian Government. MEDIA Salles fosters the theatrical distribution of European films. This aim is pursued both by events involving Europe's cinema exhibitors and by initiatives to raise the visibility of European productions with industry players and potential audiences. Current initiatives from MEDIA Salles dovetail in a programme with a triple focus - training, promotion and information. Training initiatives are specifically aimed at exhibitors and include professional courses on digital cinema. Information services include the European Cinema Yearbook and the DGT online informer, the newsletter focusing on digital cinema. See: http://www.mediasalles.it/

Contact at MEDIA Salles:
Elisabetta Brunella (Secretary General), infocinema@mediasalles.it