

Territorial licenses as a guarantee for a strong film industry and a lively film culture

Europe needs a strong film industry. European cinema cannot speak with one voice because it speaks many languages. This is its quality, its unique selling point. Preserving and consolidating this is the creative economy's task in the present time. A time, moreover, where creative goods are, on the one hand, in danger of losing economic value and, on the other hand, have never been so much in demand. In order to fulfil this task effectively in both economic and cultural terms, the filmmakers must be able to have control over the exploitation of their own works since the question of which offer can be made available via which distribution channel and at which location and which time depends on cost and demand - as in every industry. But, more than in any other sector, these factors can vary considerably from country to country. They are culturally determined.

Territorial licenses take economic account of these cultural differences in the cinemas as

well as on the VoD portals. So, the territorial exclusivity has to apply equally for each exploitation right and without any exception. Territorial licenses facilitate diverse projects being able to tailor their marketing and thus find investors in both the online and offline spheres and especially in the interplay of these two worlds. They ensure that established medium-sized companies and recently launched start-ups can also have international successes alongside the major global concerns. And they guarantee that the Europeans can choose from a wide range of their own films in the cinemas, on television, DVD and online. Territorial licenses create cultural diversity and a pluralism of opinions. They are a political instrument for strengthening the film industry and preserving cultural diversity. Producers, distributors and exhibitors are therefore explaining in this dossier how their business is presently functioning – and how it can be even better in the future.

Film Production

The German production sector consists predominantly of small and medium-sized companies. In 2014, 211 production companies were involved in the 149 feature films premiered in the cinemas. In addition, 65 of the premiered films were made in co-production with partners from abroad. The preferred co-production territories for German producers were France, Switzerland, Austria, Belgium, the USA and The Netherlands. The average production budget for a German feature film was around 5.6 million Euros. Co-productions with foreign partners had access to budgets of 8.2 million Euros, sole German productions had budgets of 4 million Euros. In total, the production compa-

nies generated a turnover of around 4.6 billion Euros.

Apart from film subsidies (40%), the presales of licenses (at least 35%) as well as the shares of participating (co-)producers (up to 25%) play a key role in the financing of German feature films. Evidence of license agreements with distribution partners at home and abroad are a prerequisite, for example, for raising own funds and, consequently, attracting public funding. License trading is thus a decisive element when deciding whether a film can be produced. The license packages basically cover the rights for film distribution in the cinema, on DVD and online services, on pay TV and in free TV.

Jakob Claussen, Claussen + Putz Filmproduktion

What characterises your company and your films?

We have specialised in projects for the German-speaking market and annually produce between three and five TV and feature films that are all supervised very closely by Uli Putz and me. Every two years, we co-produce a feature film with a European partner, and this has recently been very frequently with Switzerland. Content-wise, we are well-versed in all genres, we have produced contemporary and historical dramas, comedies, horror films, fantasy films and children's films. We prefer established literary properties in particular, for family films. We are trying by adopting this project strategy to diversify the investment risk. The decision to make films as co-productions is based on the size of the total budget, the story's attractiveness in the co-producing territory and content-related factors.

What criteria do you use to decide whether to make a film from a story idea?

It must challenge us intellectually to want to tell this particular story. The film should be unique and distinctive, have a commercial potential and be convincing through originality and the courage to surprise. We carefully consider the possible audience for a story idea, the cinemas where the film can find its place, and how many cinema-goers can be reached. The film must be financed in accordance with this potential. The costs must be in reasonable proportion to the anticipated revenues.

How do you finance your feature films?

Through the presales of territorial distribution rights, conditionally repayable subsidies, own funds, investment from financing partners, and grants from culturally oriented institutions. On feature films financed as co-productions, we share the territories with the partners. As our films are primarily aimed at the German market, we do not include the foreign sales in the

financing. On family films like „Heidi“ or dramas like „Labyrinth of Lies“, the interest abroad is bigger, for example, than for a German comedy. How big the foreign revenues will be is very difficult to forecast for our films in advance.

How would the abolition of territorial online licenses change your business?

If we finance our films as previously described, the abolition of territorial online licenses would rob us of the chance of generating money from the distribution in specific countries. We are an owner-managed company without any investors in the background. We can only maintain our independence as long as we also keep generating revenues from the territorial exploitation of our films which are mainly successful in Europe.

What chances do European films have on internet services before their theatrical release?

I still think that it's nice when feature films are initially and exclusively distributed in the cinemas. Cinema is the supreme medium from which films draw their attractiveness for the subsequent stages in exploitation. I am naturally following the cases where films are appearing online either ahead of, or parallel to, the theatrical release. That's something that we have to pay particular attention to. Personally, I think that there's nothing nicer than having a film screened in a packed cinema and watching the audience react to the film precisely in the way one wanted and intended. This common feeling of happiness is only made possible when the film is shown in the cinema.

Does European cinema need a vision?

European cinema needs good films and the willingness to show and watch them. Europe is determined by the characteristics and cultural differences of the member states, that's the

really nice thing about our continent. The European audiences should respond to the films of the European neighbours with interest and joyful curiosity. The really good and long-lasting

films are created by individual artists, a joint vision would only get in the way.

Martin Moszkowicz, Constantin Film AG

What characterises your company and your films?

Constantin Film is an integrated media enterprise, we are involved in both film and TV production as well as film distribution. We produce German and English-language feature films for the German and global market. We are the market leader in Germany in this field with 10 to 15 feature films a year. We try to be solely responsible for the production of our films. Beyond technical co-productions where the focus is on financing a higher budget, co-productions don't therefore play a crucial role for us.

What criteria do you use to decide whether to make a film from a story idea?

First of all, it is important for us that a film finds an audience. Therefore, we undertake intensive market research and think long and hard about which films we are producing and for which audience segments.

How do you finance your feature films?

In principle, we finance all of our films via bank loans. These are so-called revolving loans. On average, we have up to 200 million Euros at our disposal annually through these loans. In part, we also use subsidies for financing, but this is at a downstream level. Thirdly, we make use of presales, especially for the international titles. Today, the presales are the most important financing criterion for these films with respect to the banks, i.e. the bank discounts the foreign contracts we have previously concluded. On English-language films, presales constitute between 40 and 80% of the total financing and between 10 and 20% on Ger-

man-language ones, which, however, can only be realised after the film's completion.

How would the abolition of territorial online licenses change your business?

The way the plans of the EU Commission currently look would mean them wreaking extreme damage on Europe as a market for film production and distribution. Because sensible presales would no longer be possible without territorial licenses, and the pan-European licenses to be achieved will not be offset by a long chalk what one loses in territorial licenses. At the same time, it is extremely difficult for distributors to organise synchronised pan-European release campaigns for films. In lots of countries there are quite different criteria as to why a film works better or worse in one season or another. Every country has different market conditions, there are historical peculiarities. A pan-European online license would no longer make it possible to take account of these particularities. That would be extremely damaging for European cinema per se and also for our business model as an independent German company. Because a large part of the theatrical potential of our films would cease to exist and we would have to produce for considerably less money and less attractively – with this also having repercussions for the employees in Europe. We would then certainly try to become more involved in working outside of Europe, i.e. in countries which don't have such restrictive market conditions. We would probably also simply make fewer films and have to restrict our already reduced cinema activities even further. Overall, this would severely curtail the diversity of European cinema.

What chances do European films have on internet services before their theatrical release?

It is theoretically possible to release films first of all online and throughout Europe, and there's been the one or other film where this has been a sensible option: such as for those films which are rarely or never sold to other parts of Europe. However, the major problem with the current proposal is that there is to be regulatory interference in the market so that each film is treated equally. I consider to be extremely dangerous. Because you have to realise that, from the moment a film is made available all over Europe on a SvoD platform, all the other distribution possibilities drop to zero. The online distribution would then have to cover and replace the whole distribution cycle in economic terms – from theatrical through video and pay TV to television. Europe-wide. You can do that if the numbers add up. However, we are an extremely long way away from that today unless you are talking about a film

for a global audience. The decision about how a film is distributed is something I would always want to entrust with the producer or the distributor who know the product best of all and can best assess the market.

Does European cinema need a vision?

Vision is a difficult concept and I can't really precisely say what European cinema actually is as a concept. For me, there are films that are made for the global market, and local productions that are made for local markets. And many films from Europe belong, above all, to the latter category. So, I don't believe that there has to be a European vision per se. What I'd like to see for cinema per se is to have films that reach the audience. That's something the filmmakers must remember: that films are not produced according to financing criteria but because of an interesting story. That is my vision of cinema.

Roman Paul, Razor Film Produktion

What characterises your company and your films?

At Razor Film, we have specialised in international co-productions. We work with completely different territories, do a lot in the Middle East and in South America. We produce two to two-and-a-half feature films a year aimed at the international arthouse and crossover market. In addition, we are experimenting with digital formats. Last year, for example, „Last Hijack“ was a film we made which had its own web experience and won the Digital Emmy for this.

What criteria do you use to decide whether to make a film from a story idea?

First of all, we ask ourselves why we are needed as a partner in a production and what we can contribute. We work mostly with teams

who could not produce in their own territory – for example, due to political or religious reasons. Of course, for these projects, there isn't any or only very little money in their own country, i.e. you have to develop the film in such a way that it can be financed and sold on the international market. That's when we come into play.

How do you finance your feature films?

We finance via film funding, presales and, in part, also through private investment. We do the presales via sales companies, i.e. we sell a package of licenses to a sales company who, in turn, sells the rights in various territories to the respective distributors and distribution partners. Depending on the project, our films cost between one and five million Euros.

How would the abolition of territorial online licenses change your business?

We work for the presales together with established sales companies and distributors. They are professionals who know their markets and know how to make money out of licenses. We can't do that ourselves, that's why we rely on our partners. We hear from them that, without territorial licenses in the online market, it would be much, much harder to find buyers for the other licenses. Because if a distributor knows that a film will soon be released online all over Europe, they may possibly not acquire the rights, for example, for theatrical. His business is then in extreme peril, and the same goes for the sales company. For us, this means that we can forget film financing through pre-sales. We won't then have the money for making films. And there won't be any professionals for distribution because every single country has quite individual cultural characteristics, tastes as well as different release seasons that require a specific response.

What chances do European films have on internet services before their theatrical release?

Personally, I regard this rather critically. I accept that there may indeed be examples in the USA where this functions. But, unlike the USA, we don't have such extremely big rural areas where people naturally go crazy when a film immediately appears online. The nearest town, the nearest cinema is never very far away in our country. So, an online release would be an absolute experiment with the audience. And the question of whether you try this experiment with your own film in which you've invested a lot of time and your own money, is something that everybody has to decide for themselves. That's not to say that you can never do this! But it must suit the project and you have to coordinate and agree on what you are doing in the film's distribution. At the same time, I have

to state clearly: we are making films for the cinema. We produce our stories for the big screen and not for the iPad. Of course, the iPad is also a form of distribution that should be catered for. But that is really at the end of the distribution chain for us, by virtue of the aesthetic experience alone. Making a film for the cinema is very clearly an artistic decision.

Does European cinema need a vision?

Yes, we definitely need European cinema and a vision for it! If we were satisfied with only one product, i.e American cinema, we could just as well decide to go to McDonalds every day. Many people like this and you also have everything there: breakfast, lunch, evening meal. But one must ask whether the world could not in fact be presented in a more diverse way. And narration is then a very important instrument for interpreting and understanding political and intercultural processes as well as changing and shaping them.

At Razor Film, we make many films which are set in the Middle East. These are stories which depict individual sides and cultural experiences beyond the news and often beyond an American perspective. Even though we Europeans have our own cultural exchange with the USA, our view of things is not the same. Our geographic location in itself means that very different questions are being directed to us Europeans. So, it's naturally important to also find our own answers. Therefore, we need our European films, we need our experiences. And we need to use our privileged situation in the world to let people speak from other, not so privileged areas. This is an obligation and a chance. Something like international understanding may then develop out of a film project. This is perhaps an old-fashioned concept, but it gets to the heart of what European cinema can achieve.

Film Distribution

Film distributors and sales companies ensure that films find their audience. They are the license traders who plan and manage the distribution of films in the cinemas and on television, on physical image-carriers and online platforms. In 2014, Germany alone saw around 130 film distributors and sales companies premiering more than 580 films in the cinemas and then releasing them on DVD and online platforms as well as television and pay TV.

As part of these distribution activities, they are also significantly involved in the financing of the films for whose marketing they are exclusively responsible. In times of audiovisual

complexity, it is becoming increasingly important and challenging to attract the attention of the target audience. Distributors invest in communications on the ground with poster campaigns and viral marketing, press work, events and various promotional ideas – thereby generating revenues not only for themselves, but also concluding major deals with communications agencies, freelance designers, event managers, dubbing studios, subtitlers, translators and many other local partners. On average, they invest around 750,000 Euros in the marketing of a theatrical film in Germany so that it can be a success.

Stephan Hutter, Prokino

What characterises your distribution company?

Around 80% of our programme consists of European films, the remaining 20% are predominantly films from the USA and also increasingly from South America. We basically have all rights to these films, theatrical, video, TV and VoD rights. Nowadays, VoD represents 10-15% of our turnover, video 25-30%, theatrical 40%, while television has fallen sharply to 20%. Unfortunately, we find that the theatrical film in German television is losing considerable ground, quality films as well as blockbusters. The number of programmes is falling, the schedule slots are not being maintained, primetime films are not airing until the late-night schedule. This, of course, isn't very helpful for the German cinema and our sector.

US cinema has a strong position in the German market. Given this situation, what status and importance does European cinema have?

In the 1980s and 1990s, we in the German film industry thought that the Americans were

exporting so many films to us that they would congest the whole market. This is no longer the case today. It is increasingly the individual film that counts, and we have the suitable screening venue for each one. The majority of these arthouse productions are European productions. So, European cinema sustains a whole cinema segment. And, for our company, it is the foundation of our business with an 80% programme share.

What criteria do you use to decide whether to invest in the financing of a European film?

For about 40% of our films, we are already onboard from an early stage - for example, on the basis of a screenplay or exposé. The decisive factor in European arthouse film is the story. The subjects don't have to be particularly popular, on the contrary. They must be unique and the stories as fresh as possible. Despite placing the focus on our own licensing business, we distributors are naturally also aware that acquiring rights at an early stage plays a fundamental role in the financing of every sin-

gle European film. The rights buyers for the German, French and British territories are the most important financiers for European cinema. However, what is indispensable for this to happen is that I have the exclusive rights for my territory. I will never invest if I don't have the opportunity through exclusive rights of monetising my licenses. All the marketing concepts would be thrown overboard if national target groups can no longer be addressed in a targeted way and thus separated from one another – and this would also include the added value we generate through a film's communication. We invest between 300,000 and 1.5 million Euros in the marketing for a European film. In addition, the overwhelming majority of the population in Germany doesn't have any kind of desire of being able simultaneously to see all the films everywhere and on all the channels. That's surely enough of a reason why one can't call a functioning system generally into question.

Do you expect that the abolition of territorial online licenses will change the proportion of European films in your programme?

Rather, yes. The abolition of the territorial license territories for VoD would inevitably result in the simultaneous availability of the films throughout Europe. Under these conditions, I would not buy any licenses of European films in my capacity as a distributor, nor would I buy those of German or American films. These films cannot be made without the investment from distributors, with the exception perhaps of four or five blockbusters. In my company, this would mean losses of 70 to 80% in the overall turnover.

What chances does a European film have in the internet services before the theatrical release?

When a film is now simultaneously available online throughout Europe before it had been in the cinemas in the central markets, this then tells me: the distributors in the other European territories don't believe in the film. The film may therefore possibly not fulfil the prerequisites for a theatrical film and the other distributors are reluctant to take on the license and marketing costs for the theatrical release. That is disastrous for cinema. Bad films, therefore, that are unlikely to be successful in the cinemas, or films that were simply not made for the cinema, would have the chance of saving the high marketing costs through direct marketing via the internet services. But then we're talking about another form of cinema. I don't see any opportunities here for theatrical films.

What is your vision of European cinema?

Our great European speciality compared to the USA are the many languages. The European cinema will lose face if we switch to producing everything in English so that everything can be understood by everyone. So, we must continue to work at focusing on those national or regional characteristics in our films, which one can also convey in other European territories. Then our films can be successful. By the way, I would much rather have five million admissions from all over Europe than five million admissions just in Germany. You can build up a network with such films and then draw on that for the next films. That is also a way we can increase the quality and international compatibility of our films.

Manuela Stehr, X Verleih

What characterises your distribution company?

Our programme consists of highly individual films. They are primarily arthouse films for the repertory cinemas, the majority being German productions and European co-productions with German participation. Around 15% of our films are European without any German participation. Our license package normally consists of licenses for theatrical, video, VoD and pay TV. The theatrical release is the most important source of revenue for us, with cinema bringing in around 60% of our turnover. Furthermore, the old rule still applies that success in the cinema is the motor for the subsequent exploitation.

US cinema has a strong position in the German market. Given this situation, what status and importance does European cinema have?

In my opinion, German and European cinema is extremely important for our society because it still reflects the real lives of the cinema-goers, is close to their experience, their history, their culture. Films can also be sold well abroad if their storyline, on the one hand, has a very clearly defined setting, but also transport another subject of emotional global relevance alongside the concrete narrative. Releasing European non-national films in the cinemas has most recently become unfortunately very difficult because we can scarcely find any buyers for the TV rights. The broadcasters are simply buying too few films. Consequently, the risk for the distributor is very high, often too high. For we need the certainty of being able to sell the TV rights in order to be able to acquire the films in the first place and then also release them properly. In German cinemas, on the other hand, the importance of arthouse films, and thus of films from Europe, is growing. However, the new structure of the cinema business and not least digitisation have result-

ed in more and more films having to share a screen so that there are ever fewer admissions in the cinemas per film. It has consequently become harder to generate relevant admission figures per film.

What criteria do you use to decide whether to invest in the financing of a European film?

We invest in films at the point when we think the story is wonderful and say that the subject matter could also interest our audience. Producer, director and actors are naturally also criteria. In total, we acquire 90% of our film rights on the basis of screenplays. For a co-production with German participation, the distributor always has to commit on the basis of the screenplay because the producer must furnish proof before the first funding application that his film will definitely be released. The distributor is a guarantee for this. Therefore, the distributor is - after the producer - the first one taking the decision for a film to go into the financing stage.

Do you expect that the abolition of territorial online licenses will change the proportion of European films in your programme?

I am afraid we would then have to close down. If territorial licenses no longer existed, there wouldn't be any guarantee that my film is not already available online at the same time in the neighbouring territories or throughout Europe while I'm here in Germany still releasing it into the cinemas with high marketing costs. Nobody would then go to the cinema here anymore! And even if the audience still went to the cinema, we couldn't operate effectively just with the cinemas given the money we spend on marketing. The cinema revenues alone never cover the costs. Distributors are thus just as reliant on video, VoD and pay TV. If this area for refinancing were to cease because it has already been catered for elsewhere, and possibly

also in the German language, this would mean that every release of a film would be a loss-making venture from the outset.

What chances does a European film have in the internet services before the theatrical release?

There are naturally cinema-goers who are interested in a film, but for various demonstrable reasons cannot go to the cinema and would therefore think it great if they could also see it at home at least simultaneously with the theatrical release. That is totally understandable. But you also have to ask what would be endangered by this – our cinema landscape as well as the theatrical film would be at stake here. For we are not producing TV series that one might, on reflection, watch casually. Theatrical films are made so that you sit in a dark hall, concentrate, are not distracted and become engaged along with other audience members in a story and its emotions. That is also the really great charm of cinema, particu-

larly in our completely medialised world. In my assessment, I would therefore always say: cinema must be protected. However, if we're talking about films where it's clear that they cannot function in the cinema or are already taken out of the programme after just a week: that's where I see scope for putting them promptly available online. But, of course, only on the basis of territorial licenses.

What is your vision of European cinema?

European cinema must continue focusing on the fact that, unlike any other medium and unlike any blockbuster from the USA, it can convey our own everyday reality, identity and culture. That is our forte. But, unlike like the big technology and internet concerns whose goals are always oriented to the global market, we need territorial licenses to do this. Without them, one can no longer obtain the financing for European films according to the previous practice, and without them, there will no longer be any European cinema.

Cinemas

Germany has a dense and diverse exhibition landscape with more than 1,600 cinemas showing feature films on around 4,600 screens at over 880 locations. The cinemas annually generate turnover approaching one billion Euros in the process. In 2015, this figure was even significantly higher.

The proportion of German and European films in German cinemas has steadily increased in recent years. In 2014, for example, German cinema reached an audience market share of 27%. It's not only the small, often family-owned operators with up to six screens per cinema who are putting a focus on German and Euro-

pean films, but also the multiplex cinemas with many locations and screens who are making a substantial contribution to the promotion of German and European cinema. Especially independent arthouse cinemas, which include many smaller operators focusing on the programming of European films, were most recently the revenue drivers in the German exhibition sector: in 2014, they posted a particularly good result with an increase in admissions of around half a million cinema-goers.

A guaranteed offer of German and European films is an essential element for safeguarding the future of cinemas in Germany.

Dr. Christian Bräuer, Yorck Kinos

What characterises the Yorck Cinema Group and its programme?

Quite a lot can be deduced from our slogan „When you are in the right cinema, you're never in the wrong film.“ Our goal is to set standards in Berlin with lovely traditional cinemas which have that certain flair as well as modern technology and quality furnishings. Thematically, we are focused on the arthouse market. The whole range of quality cinema has a home with us – i.e. auteur and newcomer cinema, documentaries, children's films and shorts as well as upmarket Hollywood and independent world cinema.

US cinema has a strong position in the German market. Given this situation, what status and importance does European cinema have?

European films have an audience market share of around 80% in our cinemas, while German films in turn have a share of between 40 and over 50%. We are a member of the Europa Cinemas network with most of our cinemas, standing up with our partners for the circulation and visibility of European non-national films. This also involves us committing to offer a varied programme and meet certain quotas. French cinema is very much to the fore here. In addition, we have specialised in some cinemas in showing films in the original language. In recent years, we have expanded this concept – especially to also attract a young audience and the many expats and exchange students.

European films are not only financially important for us, but also crucial for the profile of our cinemas as European cinema stands out thanks to its narrative style and usually corresponds with what we define as arthouse. In my opinion, that is also its niche. America dominates the whole entertainment sector. But European cinema is simply closer to our daily

reality, our history. At the same time, there isn't the European culture or the European cinema. While a German film is home for us, a French film is then a glimpse into another society. No matter how close we may be and are fortunately coming ever closer, the awareness of language, history and regional specialities and peculiarities, in particular, is the central chance for European cinema. Enabling people to experience the diversity of the cultures, building bridges and letting the audience get confused for once and questioning one's own standards is its mission in the best sense of the word.

Do you expect that the abolition of territorial online licenses will change the proportion of European films in your programme?

Yes, definitely. The European film market is one characterised by medium-sized enterprises and predominantly oriented towards territorial and linguistic borders; there is hardly any vertical integration along the value chain – in Germany, for example, because of historical reasons. If the digital single market was to be realised without any territorial licenses in the online market, who would have the capacity to market films systematically throughout all of Europe. Especially since, as was previously said, the European cinema doesn't exist. Hardly anyone outside of the home market really knows the names behind most of the films produced in Europe. With stories that are influenced by the cultural codes, history and daily reality of a country. Apart from the fact that many works are concentrated on the national market, their prospects of success on a pan-European level are usually extremely difficult to evaluate during production. The distribution potential abroad often can't therefore be evaluated until the success at film festivals and in the home market. And if the films were already available online because they had been released in one territory, it would scarcely be

economically feasible anymore for distributors and cinemas in other territories to give them a decent release. The result would be even more mainstream and globalised entertainment. This would be life threatening for us arthouse cinemas. This is a danger for cinema as a whole because, with every cinema closure, we will irretrievably lose audiences. On the other hand, there would be an increase in the mainstream offer, paradoxically the very product which is not characterised as being European. We would then be exactly in the situation that will face us if the TTIP agreement is also applied to the audiovisual market. Whoever says that cinema should be excluded from TTIP because cinema is first and foremost culture for us, but an entertainment industry in the USA, cannot in any way be in support of a digital single market without national license markets, Both of them are diametrically opposed to the goal of preserving cultural diversity.

What chances does a European film have in the internet services before the theatrical release?

First of all, it should be remembered that mainstream, and thus US films and series, dominate the online catalogues. European cinema will therefore always have a hard time without sufficient marketing – this is already the case on a national level and even more so beyond territorial and linguistic borders. The theatrical release helps to give films visibility, the success in the cinemas supports the distribution in the other channels. But the cinemas need an exclusivity to be able to operate in sufficiently effective way and achieve appropriate admission prices,

Put in a nutshell: whoever wants to strengthen European films must protect and promote the cinemas! In this context, one should not forget that a scarcity of resources is a classic economic asset. Moreover, that's something that the big streaming services also know: they produce their own content in order to be able to offer an exclusive product that distinguishes them from the competition. Making everything available, ideally for free, will certainly not result in any more added value. Besides, it must be clear: cinemas are more than just a platform for the reception of films. Cinemas are in themselves important, cultural and social places which must be protected.

What is your vision for European cinema?

Cinema makes us dream. But seduction and seductiveness are in close proximity to one another in cinema. It's also all the more important to have a cinema offering new insights, discovering alien cultures that question one's own standards and confuse the cinema-goers in the best sense of the word. We are living in an increasingly globalised and rapidly changing world. Wars, terrorism and the financial crisis and all of their social, economic and cultural consequences dominated the past year. All of this needs to be processed, but the people are also hankering at the same time for some distraction. In this sense, cinematic art in Europe must show what it can achieve. I would therefore like there to be a cinema which regularly holds us accountable, clever stories, passionate films that simultaneously exploit all of the medium's artistic clout, thereby moving, irritating, impressing and constantly enchanting people. And we are fighting for these passionate and talented filmmakers.

Dr. Thomas Negele, Citydom

What characterises your cinemas and their programme?

My cinemas are located in medium-sized locations, i.e. towns with fewer than 50,000 inhabitants. We have seven screens in Straubing, and five in Sinsheim. We have to present the whole range of films on these screens because we are locally the only screens. These are blockbusters, genre films, documentaries, children's films and films which also deal with challenging subjects. This means for the programming: we try to screen many films and offer them for a long time and at various times.

US cinema has a strong position in the German market. Given this situation, what status and importance does European cinema have?

German and European films play an extremely important role for my cinemas. Although they aren't arthouse cinemas, in Straubing, for example, we have an audience share of between 32 and 34% with European and German films. Two of seven screens are permanently reserved for films from Europe. In total, this cinema has an audience share of around 18% for European non-national films. We want to expand the market share of European films to between 35 and 40%, not only in my cinemas, but nationwide. We have seen that the US blockbuster is becoming increasingly less attractive for our audiences. We must and want to use this trend to not only show European films to a highly interested target group in arthouse cinemas, but also to offer them increasingly to the whole range of cinema audiences in Germany.

A prerequisite for this, though, is that the European films are suitable for the big screen. This means that they have a cinematic narrative structure and a financing structure which makes them competitive. That's something we have to work on. We have the interest of the

European cinema-goers, now we have to offer them the right films.

Do you expect that the abolition of territorial online licenses will change the proportion of European films in your programme?

Yes, most certainly. I am expecting that the selection of European films suitable for the big screen would significantly decrease. For without territorial licenses, films would have to be financed on a pan-European level. But the financing of European films is based upon films being marketed individually by territory – they are simply culturally-specific. Should this marketing no longer be possible, many European films could no longer be financed, especially the bigger films, by the way. The cinemas would then be losing those works which have the greatest prospects of success.

This would then see us losing the diversity of films on offer in the cinemas and thus relinquishing a crucial advantage of our cinemas vis-a-vis the big American platforms. They don't actually offer any diversity, and certainly not any diversity from Europe. At least in the mid-term, cinemas would then lose the competition with the platforms because we would no longer be able to satisfy the wishes of all the cinema-goers. In medium-sized and small towns, this would not only be a great loss in economic terms. These towns would also see major losses on a cultural level.

What chances does a European film have in the internet services before the theatrical release?

Basically, films have a chance on the web that is generally also open to online information: they are available on mobile devices. However, the prerequisite for their success is that they are noticed. And that's something the cinema can achieve. Cinema is the brand which enno-

bles films and ensures that they reach a high added value in the subsequent stages of exploitation. When a film is successful in the cinemas, it can generate up to an additional 25% of the cinema box-office from DVD and VoD, respectively. As long as cinema keeps its exclusivity, it is an extremely valuable brand for the whole film industry. Of course, that can only happen if theatrical films can be produced and marketed on the basis of territorial licenses for all film rights.

My cinemas are of course open for alternative content – such as a Netflix series that doesn't want forgo cinema as a promotional platform,

or an opera transmission -, but we would make it clear through its placement and promotion that this isn't a theatrical film.

What is your vision for European cinema?

European cinemas must reach a standard where they can compete with home entertainment in all criteria: really good seats, outstanding sound quality, top picture quality on a big screen, a top-class gastronomic offer, a price system to suit every budget, digital communications and, above all, a varied choice of films for the big screen.

Dr. Gregory Theile, Kinopolis

What characterises your cinemas and their programme?

We are an exhibitor who has been in the market for a very long time and operate both traditional cinemas and multiplexes, with a focus on the latter. At two of the sites, we are also running cinemas that I'd consider to be repertory cinemas, While the multiplexes have a very broad programme and a greater focus on international productions, the traditional cinemas, in particular, have European films taking up a larger share of the programme. This is extremely important for the cinema's profile.

US cinema has a strong position in the German market. Given this situation, what status and importance does European cinema have?

This depends on the location, We definitely have cinemas where the audience share for US films accounts for only 30%. I.e. a disproportionately large share of German and European films is definitely financially attractive. And European cinema is also vital at the multiplex sites where the American productions have a market share of 60 to 70%. By the way, the same goes for Turkish films that we show in

areas with a large Turkish population. For the cinema structure is like this: if you don't reach certain admissions, the costs will destroy your business. I.e. even smaller audience shares are decisive. Some of our cinemas would soon be in the red if just 10-20% of the cinema-goers didn't come to the cinema. We cinemas need every per cent.

Do you expect that the abolition of territorial online licenses will change the proportion of European films in your programme?

Yes, I definitely expect this will happen. I think that this policy will result in an increase in the risks for a national release of a European production. Many distributors don't have the financial clout to release these films on appropriately large scale and give them a platform that will lead to success and justify the acquisition of the license. Consequently, this policy has a massive influence on the range of films which the exhibitor has for his programme. This will in turn be directly reflected in the diversity of films in the cinemas. At the same time, our cinemas live from the fact that we can choose the films from a large portfolio, which are suit-

able for our cinemas and then become successful on our screens. If the films that would have appealed to our audiences are missing in this offer, we will very soon be missing the corresponding 10% which takes a cinema into break even. This is particularly true of the traditional cinemas, i.e. those which show exceptionally many European films. It would also be disadvantageous for the whole cinema market: we would particularly lose the older target groups who are very interested in European cinema.

What chances does a European film have in the internet services before the theatrical release?

The lead time and the advance laurels from its respective territory are of the most importance for the success of a European, non-national film. This is crucial. A film like „Les Intouchables“ would have never have functioned in Germany the way it did if it had been released at the same time in France. This applies to both cinema and online distribution. We must never have a situation where a film is already available online throughout Europe when it is only just coming into the cinemas in a European territory. For you can only really release a film once by territory. So, I consider the possibility of a staggered release as being extremely important.

What is your vision for European cinema?

I believe that globalisation will lead people to revert back to certain areas like culture; that they are looking for and will happily accept something that gives them an identity. Films do this, and that is also indicated by the growing market share for German cinema in Germany. My hope is that European cinema can also expand its market share. However, I'm afraid that the current efforts to abolish territorial online licenses will precisely prevent this because the sale of licenses and promotion would then have to be undertaken on a pan-European level detached from the respective market. But that can't work. You can only develop advertising pressure and attract clients in Germany if the license and advertising money is spent in Germany. So, I don't see any kind of advantage for entrepreneurs, including those in online distribution, to release and distribute films simultaneously and on a pan-European level. If you don't take any account of national specificities, this will lead, on the contrary, to a situation where you will never be able to exploit a film's economic potential. This is particularly bad at this point in time since, on the production side, we have only just created the prerequisites for producing successful European films. Large-scale European productions as co-productions have become increasingly common in recent years. This is a great success that we should not ignore. At long last, larger budgets have now also been raised via incentive mechanisms.