UNIC ANNUAL REPORT 2017

KEY TRENDS IN EUROPEAN CINEMA

2017

UNIC
Union Internationale des Cinémas
International Union of Cinemas

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WELCOME FROM PHIL CLAPP

Welcome to this, our 2017 annual report, which sets out the key cinema trends in one of the most diverse, innovative and dynamic regions in the World – Europe. UNIC, the Union Internationale des Cinémas / International Union of Cinemas, is the European grouping of cinema trade associations and key operators, covering 36 territories across the region. We promote the cultural, social and economic benefits of a vibrant cinema-going culture in Europe and provide a strong and influential voice for European cinema operators on issues of shared interest.

In 2016, cinemas across UNIC territories accounted for 1.28 billion admissions and €8.4 billion of box office revenue – 24 per cent of the global theatrical market for films, confirming once again the importance of Europe as a key building block of the global film business.

That strong performance alone underlines our belief that cinemas should remain at the centre of efforts by governments and industry leaders across Europe to equip the European film sector for future business and audience growth.

We hope you enjoy reading this report.

Phil Clapp
CEO of the UK Cinema Association,
is President of the International Union of Cinemas

EXECUTIVE SUMMARY

2016 has been another year of growth for the cinema industry across the 36 territories represented by UNIC. Beating a twelve-year European record, admissions increased by 2.8 per cent, totalling more than 1.28 billion. Box office returns across the region reached €8.4 billion – a slight decrease from the previous year due to currency devaluations in some territories.

This overall positive trend illustrates how cinema-going in Europe is thriving, becoming an ever more engaging, diverse and immersive experience, all thanks to constant investment and creativity from cinema operators and their partners.

Through continuous upgrades of the cinema "offer" and by experimenting with new services and marketing approaches the sector has managed to confidently engage with increasingly connected audiences, as a cinema visit remains one of the most popular leisure activities that exists today.

That said, our sector faces a number of key trends that are often both an opportunity as well as a challenge for individual operators:

Cinemas large and small navigate an increasingly global and connected landscape, as illustrated by on-going consolidation within a certain tier of the industry – a phenomenon that is expected to continue in years to come and which adds to the efficiency and investment-readiness of larger groups. At the same time, Europe continues to benefit from a dynamic tier of highly successful independent and local cinemas, sometimes complemented by successful local film production, both adding to the resilience of the European cinema ecosystem.

770 MILLION
INHABITANTS IN UNIC TERRITORIES

36
TERRITORIES REPRESENTED BY UNIC

35
OFFICIAL LANGUAGES SPOKEN IN UNIC TERRITORIES

Looking towards the future, we are confident that changing consumption habits and audience demographics present operators with a huge opportunity to interact in a more personal and seamless fashion with younger generations through the help of new technologies and more collaborative marketing strategies.

UNIC will continue actively to monitor these trends and support its members in keeping up to date with the many exciting developments that influence the cinema business today.

We will continue to build on the strong relationships we have established with European, national as well as international government bodies and regulators in order to help shape the political and legal framework that influences our industry, with a view to enable all cinemas to flourish. What follows therefore also documents our advocacy efforts on behalf of our members in Brussels and elsewhere.

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CINEMA-GOING IN 2016 EUROPEAN UPDATE

CINEMA-GOING ACROSS UNIC TERRITORIES IN 2016

2016 was an overall positive year for cinema operators in most European territories. Building on an already strong previous year, admissions across UNIC territories in 2016 grew by 2.8 per cent to reach 1.28 billion cinema-goers – a twelve-year high.

Box office revenue for the region reached €8.4 billion, representing 24 per cent of the global theatrical market for films. Despite the positive trend in admissions and due to currency devaluations in some countries, the total box office figure in € decreased by 4.5 per cent across UNIC territories.

While strong international titles, including *Rogue One: A Star Wars Story, Zootopia, Fantastic Beasts and Where to Find Them, The Secret Life of Pets* and *Ice Age: Collision* Course dominated at the box office, the success seen in 2016 was also the result of a wide range of highly successful local films.

1.28 BILLION ADMISSIONS
2.8% INCREASE FROM 2015

€ 8.4 BILLION BOX OFFICE REVENUE
4.5% DECREASE FROM 2015

1.6 ANNUAL VISITS
TO THE CINEMA ACROSS UNIC TERRITORIES

3.3
IN FRANCE AND IRELAND

TOP 5
UNIC TERRITORIES IN TERMS OF ADMISSIONS:

FRANCE
213 MILLION

RUSSIA
195 MILLION

UK
168 MILLION

GERMANY
121 MILLION

ITALY
105 MILLION

GROWTH IN FRANCE, RUSSIA AND SOUTHERN EUROPE

France saw admissions increase by 3.8 per cent compared to 2015, reaching more than 213 million, its second-best performance in the past 50 years, bolstered by strong local titles. Similarly, Russia enjoyed very positive results as admissions increased by 11.6 per cent, totalling almost 195 million cinema-goers in 2016 – the second-best performance across UNIC territories – with box office increasing by 7.4 per cent.

While the UK box office increased by 0.5 per cent in 2016 – beating a record set in 2015 – admissions slightly decreased by 2.1 per cent. This was primarily due to the unprecedented success of *SPECTRE* and *Star Wars: The Force Awakens* in the previous year. A similar trend could be observed in Turkey (box office +2.2 per cent / admissions -3 per cent), where box office was once again dominated by local productions.

Positive results were seen across much of Southern Europe, most significantly in Spain where the cinema industry passed the symbolic mark of 100 million admissions thanks to a range of sector-led audience development initiatives. In Italy, the local films *Quo Vado?* and *Perfetti Sconosciuti* helped the industry reach positive results (box office +3.9 per cent / admissions +6.1 per cent). Following a highly successful 2015, Portugal again enjoyed a further increase in results (box office +2.2 per cent / admissions +2.2 per cent).

VARYING FORTUNES IN GERMANY AND SCANDINAVIA

The German cinema sector suffered a 12.4 per cent decrease in box office and 13 per cent decrease in admissions in 2016, as local films in particular found it hard to reproduce the record-breaking performances of 2015. A similar trend could be observed in Austria (box office -2.4 per cent / admissions -5.2 per cent) and Switzerland (box office -9.3 per cent / admissions -7.1 per cent).

As has often been the case, box office and admissions in Scandinavian countries were bolstered by strong local titles, such as *En man som heter Ove* in Sweden (box office + 6.3 per cent / admissions +4.2 per cent) and *Konges nei* in Norway (box office +11.7 per cent / admissions +9 per cent). Following record performances in 2015 and despite local productions leading the box office in 2016, Denmark (box office -6 per cent / admissions -5.1 per cent) and Finland (box office -0.8 per cent / admissions -1.8 per cent) did not share the same good fortune.

CENTRAL AND EASTERN EUROPEAN MARKETS RECORD FURTHER GROWTH IN 2016

Following highly positive results in 2015, the Polish industry recorded its best year ever in 2016, reaching over 50 million admissions. Box office increased by 17.6 per cent, with three local productions in the box office top five. Similarly, the Czech Republic (box office +20.5 per cent / admissions +20.6 per cent) Romania (box office +16.8 / admissions +16.7 per cent) and Bulgaria (box office +5.5 per cent / admissions +3.7 per cent) enjoyed another year of growth. Several smaller Central and Eastern European countries enjoyed spectacular developments in 2016, most notably Slovakia where box office increased by an impressive 22.5 per cent and admissions by 23.2 per cent, illustrating the continued upward trend across the region.

AVERAGE 1.6 VISITS TO THE CINEMA IN 2016 ACROSS UNIC TERRITORIES

Admissions per capita for all UNIC territories in 2016 averaged 1.6 visits to the cinema per year, a slight 0.1 point year-on-year increase. France (3.3) and Ireland (3.3) again saw the highest cinema-going rates for the region. Average attendance continued to increase in Spain (2.2), Czech Republic (1.5) and Poland (1.4), highlighting opportunities for future growth.

MARKET SHARE OF NATIONAL FILMS

The market share of national films across UNIC territories decreased slightly in 2016, reaching 26.7 per cent.* As was the case in the past few years, Turkey led with a local share of 50.7 per cent, followed by France (35.8 per cent).

13 UNIC territories had a local film leading box office in 2016, including the Czech Republic with *Anděl Páně 2* and Poland with *Pitbull. Niebezpieczne Kobiety.*

€ 6.6

AVERAGE TICKET PRICE IN THE EU IN 2016

TOP 5

UNIC TERRITORIES IN TERMS OF NATIONAL FILMS' MARKET SHARE:

TURKEY
50.7 %

FRANCE
35.8 %

UK
34.9 %**

ITALY
28.7 %

CZECH REPUBLIC
27 %

* Source: European Audiovisual Observatory
** Including UK qualified films

52 SCREENS

PER MILLION INHABITANTS IN UNIC TERRITORIES

83
IN NORWAY

74
IN SPAIN

35
IN POLAND

39,300

SCREENS ACROSS UNIC TERRITORIES

96 %

DIGITIZED SCREENS IN EUROPE IN 2016

DIGITAL CONVERSION

Digital conversion amongst cinemas across UNIC territories reached 96 per cent in 2016, with this revolutionary transition now effectively completed in Europe. Impressive progress over the last five years has led several Southern and Eastern European territories closer to the 100 per cent mark, most significantly Turkey (94 per cent), Romania (96 per cent) and Poland (98 per cent).

SCREEN DENSITY

The total number of cinema screens across UNIC territories increased slightly in 2016, coming in at approximately 39,300. UNIC territories averaged 52 screens per million inhabitants, showing a slight increase from 2015.

OUTLOOK FOR 2017

The industry looks forward to a busy and exciting release schedule in 2017, one full of promising European as well as international titles. The continuing existence of a tier of highly successful independent and local cinemas in many territories is complemented by dynamic local film production, ensuring the resilience of the European cinema ecosystem. The ongoing consolidation within the industry will continue, driving further growth and efficiencies across UNIC territories.

COUNTRY (CURRENCY)	BOX OFFICE IN LOCAL CURRENCY 2016	CHANGE	ADMISSIONS 2016	CHANGE	PER CAPITA	NATIONAL FILMS' SHARE	SCREEN DENSITY	AVERAGE TICKET PRICE IN LOCAL CURRENCY
Bosnia and Herzegovina (BAM)	4.7	+2.4%	0.9	-2.5%	0.2	n/d	9	5.9 (2015)
Austria (EUR)	132.8	-2.4%	15.0	-5.2%	2.0	4.2%	74	8.9
Belgium (EUR)	148.2	-5.8%	19.4	-8.2%	1.7	9.6%	46	n/d
Bulgaria (BGN)	48.4	+5.5%	5.5	+3.7%	0.8	2.5%	29	8.8
Croatia (HRK)	126.8	+10.3%	4.3	+9.1%	1.0	4.2%	39	29.5
Czech Republic (CZK)	2,011.0	+20.5%	15.6	+20.6%	1.5	27.0%	88	128.7
Denmark (DKK)	1,127.5	-6.0%	13.5	-5.1%	2.4	21.0%	79	83.8
Estonia (EUR)	17.7	+13.5%	3.3	+6.4%	2.5	10.5%	66	5.4
Finland (EUR)	90.3	-0.8%	8.6	-1.8%	1.6	27.7%	60	10.5
France (EUR)	1,387.7	+4.2%	213.1	+3.8%	3.3	35.8%	90	6.5
Germany (EUR)	1,023.0	-12.4%	121.1	-13.0%	1.5	22.7%	58	8.6
Greece (EUR)	64.4	+1.6%	10.0	+2.2%	0.9	9.0%	50	7.0
Hungary (HUF)	19,845.2	+13.2%	14.6	+12.3%	1.5	3.5%	23	1,357.0
Ireland (EUR)	107.5	+3.3%	15.8	+4.0%	3.3	3.0%	104	6.8
Israel (ILS)	544.3	+7.4%	17.0	+9.1%	2.0	9.7%	48	32.0
Italy (EUR)*	662.0	+3.9%	105.4	+6.1%	1.7	28.7%	65	6.3
Latvia (EUR)	12.2	+8.6%	2.5	+6.3%	1.3	7.0%	32	4.9
Lithuania (EUR)	17.7	+15.2%	3.7	+10.1%	1.3	20.0%	27	4.8
Luxembourg (EUR)	8.6	-9.2%	1.1	-10.9%	2.0	1.2%	63	6.6
Montenegro / Serbia (RSD)**	1,374.1	+16.2%	3.5	+11.5%	0.4	13.5%	17	390.0
Netherlands (EUR)	287.7	+4.3%	34.2	+3.7%	2.0	11.4%	55	8.4
Norway (NOK)	1,375.2	+11.7%	13.1	+9.0%	2.5	22.6%	83	104.8
Poland (PLN)	967.5	+17.6%	52.1	+16.5%	1.4	24.8%	35	18.6
Portugal (EUR)	76.7	+2.2%	14.9	+2.2%	1.4	2.1%	52	5.2
Romania (RON)	241.6	+16.8%	13.0	+16.7%	0.7	3.8%	20	18.5
Russia (RUB)	47,501.4	+7.4%	194.7	+11.6%	1.3	17.4%	30	252.8
Slovakia (EUR)	29.0	+22.5%	5.7	+23.2%	1.0	4.6%	42	5.1
Slovenia (EUR)	11.9	+14.7%	2.3	+11.5%	1.1	10.2%	54	5.1
Spain (EUR)	605.5	+5.9%	101.0	+7.2%	2.2	18.2%	74	6.0
Sweden (SEK)	1,931.7	+6.3%	17.8	+4.2%	1.8	14.0%	83	108.8
Switzerland (CHF)	207.9	-9.3%	13.7	-7.1%	1.6	4.5%	67	15.1
Turkey (TRY)	696.2	+2.2%	58.6	-3.0%	0.7	50.7%	31	11.8
UK (GBP)	1,246.6	+0.5%	168.3	-2.1%	2.6	34.9%	64	7.4

*Cinetel: 90 per cent of the market. SIAE global results to be published in June 2017

** Data collected for Montenegro and Serbia is combined due to local distribution practices

1.28 BILLION ADMISSIONS

2.8% INCREASE FROM 2015

€

€ 8.4 BILLION BOX OFFICE REVENUE

4.5% DECREASE FROM 2015

Source: UNIC members 2015/2016
Complementary information from BU (Bulgarian National Film Centre), CZ (Unie Filmovych Distributoru), EE (Eesti Filmi Instituut & Baltic Films Co-operation Platform), HR (Hrvatski Audiovizualni Centar), HU (Nemzeti Média- és Hírközlési Hatóság), LT (Lietuviu Filmu Centras & Baltic Films Co-operation Platform), LV (Nacionàlais kino centrs & Baltic Films Co-operation Platform), PL (Polski Instytut Sztuki Filmowej), PT (Instituto do Cinema e do Audiovisual), RU (Nevafilm Research), SI (Slovenski filmski center), SK (Únia filmov'ych distribútorov) and IHS Markit.

COUNTRY	TOP 1	TOP 2	TOP 3	TOP 4	TOP 5
Austria	The Secret Life of Pets	Finding Dory	Ice Age: Collision Course	Rogue One: A Star Wars Story	The Revenant
Belgium	Finding Dory	The Secret Life of Pets	Fantastic Beasts and Where to Find Them	Zootopia	The Jungle Book
Bulgaria	Ice Age: Collision Course	The Secret Life of Pets	Zootopia	The Angry Birds Movie	The Jungle Book
Croatia	Ice Age: Collision Course	Deadpool	Suicide Squad	Rogue One: A Star Wars Story	Batman v Superman: Dawn of Justice
Czech Republic	Anděl Páně 2	The Secret Life of Pets	Fantastic Beasts and Where to Find Them	Bridget Jones's Baby	Lída Baarová
Denmark	Flaskepost fra P	Klassefesten 3	The Revenant	Zootopia	Rogue One: A Star Wars Story
Estonia	Klassikokkutulek	Ice Age: Collision Course	The Secret Life of Pets	Zootopia	Trolls
Finland	Risto Räppääjä ja yöhaukka	The Angry Birds Movie	Kanelia kainaloon, Tatu ja Patu!	The Secret Life of Pets	Luokkakokous 2 - Polttarit
France	Zootopia	Les Tuche 2: le rêve américain	Moana	The Revenant	Deadpool
Germany	Zootopia	The Secret Life of Pets	Finding Dory	Star Wars: Episode VII - The Force Awakens	Rogue One: A Star Wars Story
Greece	Worlds Apart	The Revenant	Finding Dory	Batman v Superman: Dawn of Justice	Inferno
Hungary	The Secret Life of Pets	Rogue One: A Star Wars Story	Deadpool	Star Wars: Episode VII - The Force Awakens	Dirty Grandpa
Ireland	Bridget Jones's Baby	Finding Dory	The Secret Life of Pets	The Jungle Book	Fantastic Beasts and Where to Find Them
Israel	The Secret Life of Pets	Zootopia	Trolls	The Jungle Book	Batman v Superman: Dawn of Justice
Italy*	Quo Vado?	Perfetti Sconosciuti	Finding Dory	Fantastic Beasts and Where to Find Them	The Revenant
Latvia	The Secret Life of Pets	Ice Age: Collision Course	Zootopia	Melānijas hronika	The Angry Birds Movie
Lithuania	Tarp mūsų, berniukų	Gautas Iskvietimas	Gautas Iskvietimas 3	Ice Age: Collision Course	The Secret Life of Pets
Luxembourg	Rogue One: A Star Wars Story	Deadpool	Moana	Star Wars: Episode VII - The Force Awakens	Suicide Squad
Montenegro / Serbia**	Stado	Ice Age: Collision Course	Jesen Samuraja	The Secret Life of Pets	Deadpool
Netherlands	Bridget Jones's Baby	Finding Dory	The Secret Life of Pets	The Jungle Book	Fantastic Beasts and Where to Find Them
Norway	Kongens nei	Snekker Andersen og Julenissen	Børning 2	Me Before You	Ice Age: Collision Course
Poland	Pitbull. Niebezpieczne Kobiety	Planeta Singli	Rogue One: A Star Wars Story	Pitbull. Nowe Porzadki	Ice Age: Collision Course
Portugal	The Secret Life of Pets	Suicide Squad	Finding Dory	Deadpool	Zootopia
Romania	Suicide Squad	Deadpool	The Jungle Book	Dirty Grandpa	Batman v Superman: Dawn of Justice
Russia	Zootopia	The Secret Life of Pets	Deadpool	Suicide Squad	Ekipazh
Slovakia	Finding Dory	The Secret Life of Pets	Ice Age: Collision Course	Fantastic Beasts and Where to Find Them	Zootopia
Spain	A Monster Calls	The Secret Life of Pets	Finding Dory	The Jungle Book	The Revenant
Sweden	En man som heter Ove	Zootopia	Finding Dory	The Jungle Book	Rogue One: A Star Wars Story
Switzerland	The Secret Life of Pets	The Revenant	Heidi	Zootopia	Finding Dory
Turkey	Dag 2	Kardesim Benim	Denemin Fisi	Osman Pazarlama	Gorumce
UK	Rogue One: A Star Wars Story	Fantastic Beasts and Where to Find Them	Bridget Jones's Baby	The Jungle Book	Finding Dory

National films   Non-national EU films   EU/national qualified production

*Cinetel: 90 per cent of the market. SIAE global results to be published in June 2017
**Data collected for Montenegro and Serbia is combined due to local distribution practices

Source: UNIC members 2016
Complementary information from BU (Bulgarian National Film Centre), CZ (Unie Filmovych Distributoru), EE (Eesti Filmi Instituut & Baltic Films Co-operation Platform), HR (Hrvatski Audiovizualni Centar), HU (Nemzeti Média- és Hírközlési Hatóság), LT (Lietuviu Filmu Centras & Baltic Films Co-operation Platform), LV (Nacionàlais kino centrs & Baltic Films Co-operation Platform), PL (Polski Instytut Sztuki Filmowej), PT (Instituto do Cinema e do Audiovisual), RU (Nevafilm Research), SI (Slovenski filmski center), SK (Únia filmov´ych distribútorov).

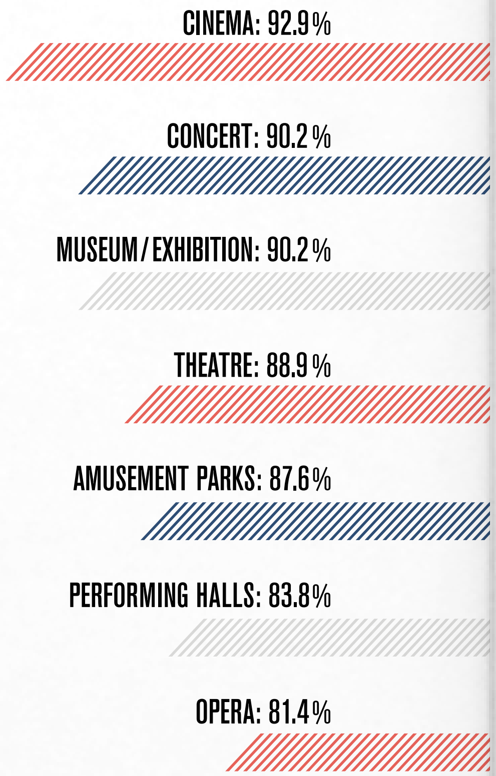
LOOKING FORWARD

Cinema-going across UNIC territories is thriving. The positive trends highlighted earlier in this report are also reflected in consumer attitudes towards cinema-going: respondents to a survey conducted across the five biggest EU territories attributed higher value to the cinema experience than to other "out-of-home" cultural activities, including trips to a concert, an amusement park or the opera, as illustrated on the right.

Nevertheless, current business trends underline that now is not the time for complacency amongst the European cinema exhibition community. As major film studios increasingly focus on creating films for global audiences, the importance of high quality and audience-focused local production as well as smart programming and audience engagement by operators is growing. Similarly, those who invest in diversified cinema offers – from high-end boutique theatres to state-of-the-art multiplexes – can further grow returns at a time when consumer preferences become increasingly personalised and fragmented.

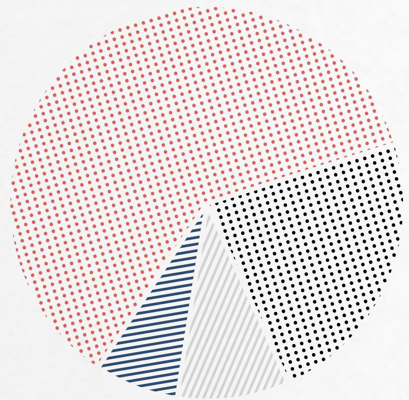
What follows provides a snapshot of the various factors currently shaping our increasingly international and connected cinema industry – a dynamic cornerstone of a constantly evolving entertainment landscape.

EU 5* cultural activity satisfaction rates in 2016 (AVERAGE)



Source: CNC
* France, Germany, UK, Spain and Italy

EU 10* box office vs. home entertainment revenue in 2016



61% CINEMA

23% PHYSICAL VIDEO

9% PAY-TV VOD

7% DIGITAL VIDEO

Source: IHS Markit
* Czech Republic, Denmark, France, Germany, Italy, Poland, Portugal, Spain, Sweden, UK

POSITIONING CINEMAS AT THE CENTRE OF THE FILM VALUE CHAIN

As digital technology and evolving consumer preferences continue to transform the wider film sector, industry professionals as well as policy-makers increasingly recognise how important the theatrical success of a film is to its performance on subsequent release platforms. The graph on the left indicates that growth in all film markets – including Video on Demand (VOD) – should be based on these strong foundations.

The cinema theatre remains the place were value is created around individual film releases. Whereas the average revenue per view on a subscription VOD service, such as Netflix, is around € 0.20 the average price for a cinema ticket in the EU is € 6.6 – a striking multiple of 33 compared to the latter. Audiences therefore clearly continue to attach great value to the shared experience of seeing a film on the big screen and are ready to reward creativity as well as the investments made into providing state-of-the-art cinematic experiences.

At the same time, VOD platforms of course continue to grow and are increasingly investing in the creation of original films – a development that is welcomed by cinema operators. Amazon Studios, which finance films benefiting from a theatrical release, are an excellent example of this trend, and should be applauded for their investment into original and daring content. In Europe, cinema operators would welcome further commitments to investment in local production and increased transparency and data sharing by major international platforms – including iTunes and Netflix – as will be further explored in our section on policy trends.

As is the case in all industries that have been transformed by digital technology over recent decades, there is an increasing need for all industry stakeholders to experiment and collaborate more closely with diverse partners along the value chain in order to become more customer-centered.

In the highly dynamic area of data analytics, experts promise a 10–20 per cent increase in admissions if cinemas, who increasingly possess personalised customer insights, and film distributors, who are responsible for the vast amount of marketing efforts around a film release, shared data in order to make cinema marketing more fine grained and personalised. Similar transformative impacts could be unleashed in other fields, including for example mobile ticketing, dynamic pricing or brand partnerships with third parties.

On an entirely different level, there is also a need for the cinema operator community to engage in a dialogue with film directors and post-production professionals around the capacities and limitations of film presentations in theatres to ensure that audiences get to see a film as the director intended.

As the wider motion picture industry evolves, so do film release practices around the World. While the cinema sector is well-placed to continue to build its business around exclusive theatrical releases, industry leaders are starting to engage in a dialogue on how better to integrate subsequent release platforms into the distribution model for individual film titles. In the end, the objectives of these negotiations should be that all stakeholders – including smaller independent cinemas – reap the benefits of greater inter-industry collaboration.

In Europe, governments would be well-advised to let the industry take the lead in this complex process, as it is foreseen in European copyright and audiovisual industry rules.

MORE THAN
80%
OF EUROPEANS WATCH FILM TRAILERS ONLINE

87%
OF CINEMA-GOERS USE THEIR MOBILE PHONE AFTER SEEING A TRAILER

PAVING THE WAY FOR THE NEXT GENERATION OF CINEMA-GOERS

The future growth and sustainability of our sector depends on the ability of cinemas and their partners in film distribution to attract, retain and further grow cinema attendance amongst younger generations.

While the cinema customer base has become increasingly broad over the last 5–10 years, with ageing audiences and segmented consumer markets, young people below the age of 25 years still constitute the largest group of cinema-goers, and account for around 20 to 35 per cent of admissions, depending on the territory.

• UNIC TECHNOLOGY GROUP

The UNIC Technology Group brings together senior cinema technology executives from more than 20 member territories. It monitors and evaluates technology trends and innovation cycles in the film industry and advises UNIC's Board of Directors on key positions regarding ongoing technological developments across the cinema landscape.

MORE THAN
50%
OF CINEMA-GOERS DISCUSS THEIR EXPERIENCE ON SOCIAL MEDIA PLATFORMS

In growth markets such as Poland, the Czech Republic and Turkey, the share of total admissions represented by young people continues to increase, paving the way for further sector development in years to come. In more mature markets, including some Western European territories, that admissions share – and visit frequency – has levelled out or even slightly decreased over the past decade. In the UK, for example, the number of cinema-goers between 15 and 25 years old dropped by 7 per cent between 2008 and 2015.

From teenage screenings to engaging film education or social media activity, individual cinema operators as well as collective sector initiatives are tackling the opportunity to grow young audiences head-on. Collecting, analysing and sharing best practice around what works and what doesn't with regard to driving youth attendance is a key element of UNIC's work plan in the coming years.

A current pan-European research project commissioned by UNIC and key industry partners and conducted across three European territories – Germany, the UK and Spain – has examined the drivers of and barriers to cinema-going amongst younger people. It suggests that operators have to think creatively about further developing the social and community elements as well as the convenience factors of cinema-going in order to attract teenagers and young adults, many of whom feel increasingly pressed for time in an era characterised by a multitude of competing leisure offers and social media use. Detailed results of this research will be presented by UNIC and partners during CineEurope 2017 and will soon be available on our website.

• UNIC MARKETING GROUP

The UNIC Marketing Group brings together marketing executives from major European cinema operators. It shares insights and opinions regarding key audience trends across Europe and examines the latest engagement opportunities in cinema as well as in other industries.

• UNIC RETAIL GROUP

The UNIC Retail Group brings together retail and concessions managers from leading cinema operators. In order to help European exhibitors of all sizes and locations optimise their retail business, the group conducts research, shares best practices and initiates experiments to make retail in cinemas more imaginative and consumer-friendly.

INNOVATING THE CINEMATIC EXPERIENCE

Notwithstanding the transition from film to digital technology, continued investment into innovation and change has over the last 5–10 years become “the new normal” for operators large and small. Massive improvements in sound and projection quality, more flexible and efficient theatre operations and creative audience engagement strategies continue to transform the customer experience and attract increasing numbers of guests to cinema theatres.

These developments are complemented by a rapid diversification of the offer itself. While many operators are investing in ground-breaking technologies – from immersive sound systems to the extra large screens of “Premium Large Formats” – others are experimenting with new theatre designs to further improve immersion and comfort inside the auditorium. Similarly, by further integrating innovative restaurant or retail concepts, a new category of upscale boutique cinemas has helped bring about a new era for city centre-based theatres.

The cinema-going experience today of course starts days before a visit to the theatre – often on a mobile device – and operators are as a result experimenting with new techniques to engage with potential guests before, during and after a film screening.

Digital engagement strategies are multifaceted and can include collaborative group booking options (such as ourscreen.com in the UK), automated social media engagement (such as the Odeon booking chatbot on Facebook Messenger) as well as innovative customer loyalty schemes, to name but a few examples. At best, these endeavours are underpinned by sophisticated data analytics programmes that help engage with individual cinema-goers in more personalised ways to drive further footfall in theatres.

As continuous innovation and change become a central element of the cinema business, identifying “game-changing” technologies and marketing approaches, evaluating new consumer trends and ensuring that investments lead to tangible returns have become key challenges for the sector. Bringing together senior cinema executives from more than 20 countries – in partnership with key suppliers, service providers and international bodies such as the European Digital Cinema Forum, the Society of Motion Picture and Television Engineers and the International Cinema Technology Association – UNIC’s expert groups on technology, retail and marketing assist cinemas in their attempts to navigate this constantly-evolving and technologically complex cinema landscape.

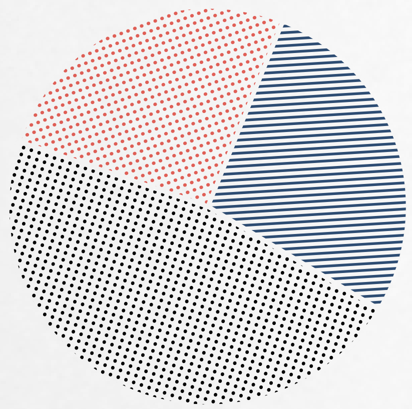
98%
DIGITISED SCREENS WORLDWIDE

2,100
PREMIUM LARGE SCREENS AND

3,000
IMMERSIVE SOUND INSTALLATIONS WORLD WIDE IN 2016

Source: IHS Markit

European box office vs. B.O. in the US and Rest of the World in 2016



24%
EUROPE

27%
US

49%
REST OF THE WORLD

AN INTERNATIONAL LANDSCAPE

2016 yet again confirmed that cinema-going is an increasingly global phenomenon that enthralls billions of film fans around the world. Global box office revenues reached around $38 billion last year, up one percent from 2015, reflecting – despite several local currency devaluations – the dynamic development of the sector.* While the centre of gravity of the global cinema community is shifting East, due to unprecedented growth in admissions in the Asia-Pacific region, and particularly in China, Europe remains a key building block of the global motion picture industry, accounting for around 24 per cent of total box office returns.

This increasingly international and inter-connected dimension is also reflected in the market’s structure, where ongoing consolidation is creating a tier of large international cinema groups that benefit from increased efficiencies and economies of scale. In Europe, 2016 saw for example two of the biggest European theatre operators – Odeon & UCI Cinemas and the Nordic Cinema Group – acquired by AMC, which in turn is owned by Chinese development and entertainment company Dalian Wanda. At the same time, the continuing strength of a tier of highly successful independent operators and local cinemas across Europe helps ensure the resilience of the European ecosystem.

As such, the cinema sector benefits both from international investment and from trade partnerships that - in accordance with WTO rules - seek to limit imposed barriers to trade such as screening quotas and levies on the importation of cinema technology. At the same time, UNIC welcomes the desire by public bodies to support local production and distribution activities with the objective of developing and sustaining a strong local cinema ecosystem. Promoting international trade and investment into cinema, and celebrating local cinema culture can in our view go hand in hand and are in the vast majority of cases not mutually exclusive.

As the focus of major film studios increasingly rests on creating films that appeal to global audiences, new opportunities emerge for independent European film distributors and cinema companies to provide offers that meet local audience demand. Understanding global trends and developing local business strategies are both a necessity, and smaller and independent organisations in particular might require assistance and support in understanding and navigating this constantly changing landscape. European support bodies as well as UNIC should provide such assistance where they can in order to maintain a diverse and competitive cinema sector.

* Source: MPAA 2016 Theatrical Market Statistics Report

WHAT'S ON OFFER?

Due to an ever-increasing supply of films across UNIC territories and as a result of increased programming flexibility of cinemas there has never been a time with more film or event cinema screenings on offer in European cinemas than today. As the graph on the next page shows, the numbers of films screened in cinemas has in several UNIC territories doubled over the last decade. Event cinema – ranging from opera to mass online video gaming – already makes up 2–3 per cent of European box office, and is predicted by many to further increase its revenue share over the coming years.

As audience tastes become ever more diverse, this development is a welcome one for an industry that often strongly depends on the success of a few global hits. Data for 2016 to some degree shows a reverse trend, with more – and more diverse – films generating healthy profits in Europe and around the world, as is also documented by the large number of local titles that made it into the list of top five feature films presented on page 10 of this report.

Europe rightly prides itself on the unparalleled and diverse offer of local and European films that get made each year. The role of cinemas in raising awareness around and providing access to a selection of these titles is essential in order to maintain diversity and enable investment into local production, even if operators at times will find it challenging to programme every single film that gets produced. Support networks such as Europa Cinemas help maintain audience demand for non-national European films and are in UNIC's view a key way in which to promote a pan-European market for films.

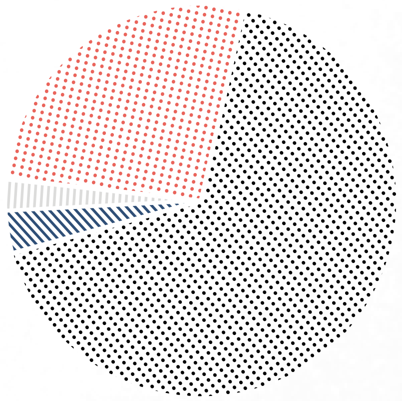
TOWARDS MORE GENDER BALANCE IN CINEMA

In many UNIC territories, more than half of the cinema audience is female. Yet women occupy less than 5 per cent of senior positions in European cinema exhibition. For an industry which relies on understanding and responding to the tastes of the public, increasing the number of female executives in senior management positions is therefore an imperative for business growth as well as for better governance and equity.

To discuss the issue, UNIC organised during CineEurope 2016 an internal meeting – "Equity and Growth: Towards Gender Balance in Cinema" – bringing together senior executives from leading cinema companies, heads of national associations as well as representatives from the European Commission, all with the purpose of exploring how the issue could be best addressed by companies as well as by trade bodies such as UNIC.

Market share of films in EU cinemas in 2016

BY REGION OF ORIGIN



26.7 %
EU

67.4 %
US

3.6 %
EU INCLUDING US INVEST.

2.3 %
REST OF THE WORLD

Source: European Audiovisual Observatory

• INDUSTRY ENGAGEMENT

UNIC has been involved in many industry events in the last twelve months, across Europe and globally, from the Cannes Film Festival to the CinemaCon convention in Las Vegas, where we presented our latest report on innovation in cinema to an audience of exhibitors from around the world. We also hosted in November 2016 in Brussels a two-day workshop for UNIC members to discuss recent trends and developments in the industry, and have participated to a wide range of similar events organised by our partners.

ALTERNATIVE CONTENT FORECAST TO CONTRIBUTE

$1 BILLION

IN 2019

x2

NUMBER OF FILMS SCREENED IN CINEMAS HAS ALMOST DOUBLED IN 15 YEARS

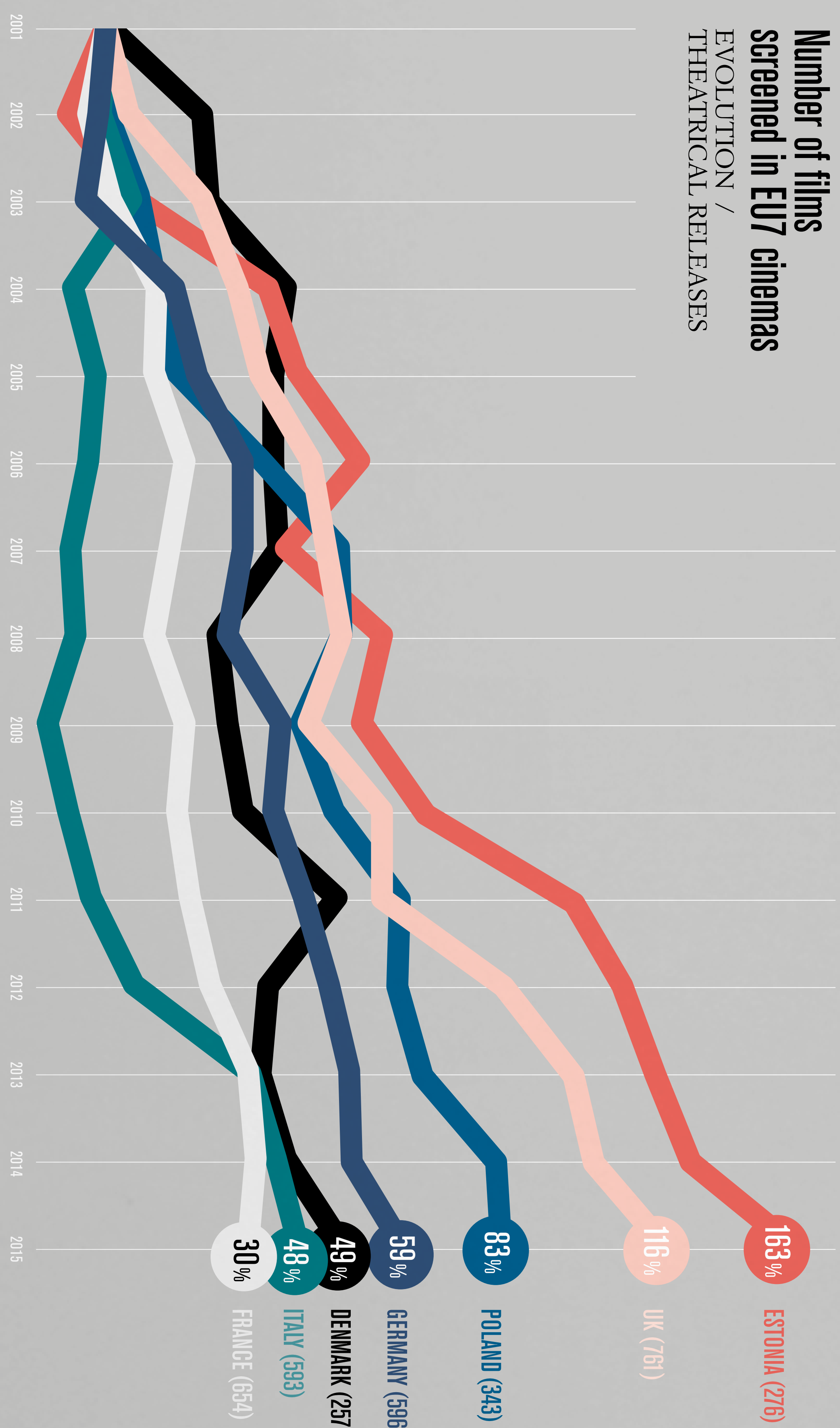
(see next page)

Given the strength of feeling about the importance of this issue revealed at the meeting, we have nevertheless taken things further and created a database of senior female industry executives in order to promote their inclusion as speakers and guests during high profile industry events such as film festivals or international cinema conventions. At CineEurope 2017 there will also be a major panel debate around "Women in Cinema – the Business Case" which will explore the issue of gender balanced leadership in the industry.

Furthermore, UNIC is delighted to launch a pilot initiative during CineEurope 2017 – the Women's Cinema Leadership Programme – a pan-European and cross-sector mentorship scheme for ten high potential female cinema professionals.

19–22 JUNE 2017

CineEurope, the official convention of UNIC, is the perfect opportunity to celebrate cinema-going and discuss many of the issues outlined in this report. With support from all of the major US studios as well as leading independent and European film companies, the event has become one of the biggest cinema conventions in the international theatrical market.



POLICY UPDATE

KEY EUROPEAN POLICY DEVELOPMENTS

The organisation's principal objective is to represent the interests of European cinema operators and their national cinema associations when dealing with policy-makers in Brussels and to support its members across Europe.

Following EU elections and the appointment of new leaders in 2014, the European Commission developed reform proposals regarding copyright, European audiovisual industry rules and wider Internet governance under its "Digital Single Market" (DSM) initiative. While some of these proposals have already been or are in the process of being adopted by the European Parliament and the Council, the outcome of others remains uncertain.

A number of the proposals above seem to recognise the need to promote and protect European cinema. However, UNIC's overall assessment is that the sector continues to be under significant pressure not only from some EU policy-makers but also from developments within a number of EU Member States.

When the European Commission announced its "Digital Single Market" strategy in early 2015, its objective for the audiovisual industries was to promote cross-border access to films and television programmes in order to enable consumers to access content offered by digital platforms based in other EU Member States. At the time, the Commission seemed not to be overly concerned about the (potentially devastating) impacts that such unlimited cross-border access could have on theatrical exclusivity and current financing of films and television programmes.

• CREATIVITY WORKS!

The Creativity Works! coalition was established by UNIC and our partners from across the cultural and creative sectors to share real stories and facts concerning the work of artists, creative professionals and their business partners, including, of course, cinema operators. A core objective of the coalition is to showcase how copyright contributes to cultural diversity, employment and community development across Europe.

www.creativity-works.eu

• "INNOVATION AND THE BIG SCREEN" CONFERENCE IN THE EUROPEAN PARLIAMENT

In February 2017, and in partnership with four leading Members of the European Parliament (MEP Bogdan Wenta, MEP Mircea Diaconu, MEP Helga Trüpel and MEP Virginie Rozière), UNIC organised a conference exploring key trends in European cinema exhibition. The event was a major success and attracted around 120 key EU decision-makers and cinema industry stakeholders who shared experiences and views about the cinema-going experience and current policy developments aimed at fostering innovation in cinemas. A third edition is planned for 2018.

• UNIC FILM PREMIERES

The best way to share our passion for the big screen is to let EU policy-makers experience cinema-going first hand, which is why UNIC – in collaboration with major European film companies and partners – has over the last two years organised a series of exclusive premieres of outstanding European films, coupled with policy debates and presentations by film industry professionals. After *A Perfect Day* (ES), *Our Kind of Traitor* (UK) and *Noces* (BE) in 2016, we organised the screening of *Django* (FR) in May 2017 and are on the lookout for upcoming European cinema success stories to be showcased in the heart of Europe.

UNIC in collaboration with other trade organisations has since that time continued to voice its concerns regarding the Commission's over-zealous approach and promoted more reasonable and market-led solutions to improving cross-border access in certain cases.

The European institutions have now settled on a final text for a "Portability Regulation" that (overall at least) seems more acceptable to cinema operators, in that it does not limit theatrical exclusivity across UNIC territories. On the other hand, current EC anti-trust investigations into territorial licensing practises between major Hollywood studios and the UK pay-TV operator Sky, as well as a proposal by the Commission to extend certain licensing rules applicable to satellite and cable broadcasting to catch-up VOD services, continue to pose a significant threat to cinemas and their business partners. Here, UNIC continues to work in close co-ordination with partners to address these remaining risks.

Elsewhere, as part of a major overhaul of European audiovisual sector rules, there seems to be increasing consensus amongst EU policy-makers in enabling Member States to request that international VOD platforms such as Netflix and iTunes participate in national film funding schemes – a position that UNIC supports given the significant levies that cinema operators contribute to public film funds in certain EU Member States.

Furthermore, UNIC emphasises in its work with government representatives that film theft remains the biggest threat to the well-being of the cinema industry. The illegal and unlicensed use of films deprives cinema operators, film distributors, producers and creators – in fact all of the thousands of people involved in the production and exhibition of any film – of important revenues. We therefore continue to advocate for more transparency from online intermediaries that benefit from the wealth of European and international works available online.

UNIC has also increased its engagement with the Creative Europe MEDIA Unit, which oversees Europe's general strategy for cinema and is currently reviewing its major support scheme for the sector. UNIC's goal in this regard is to ensure that EU support to cinemas – through the Creative Europe MEDIA programme – is at least maintained, if not further increased.

• EU OUTREACH DAYS

Members of the European Parliament and Commission officials value insights from and exchanges with senior executives from the European cinema industry to develop sound policies for the wider film sector. UNIC therefore organises EU outreach days, both for UNIC member associations and CEOs of key European cinema operators. We organised five such days throughout the past two years and aim to increase that number over 2017 and beyond.

• UNIC INTELLIGENCE

UNIC offers a range of bespoke research, policy analysis and data collection to its members and partners. We continue to be the first European organisation to release estimates concerning the performance of cinemas in our 36 territories each year and pride ourselves on the accuracy of our results. Our partners IHS Markit, comScore and Vista Group International share with us their expertise concerning key developments in the industry, so we can convincingly communicate the value of cinema in Europe.

UNIC POLICY ACTION MAP

UNIC, on behalf of its members, works with all EU institutions and its cinema sector partners to ensure that current EU policy developments continue to enable film and cinema to thrive.

More information on
www.unic-cinemas.org/position-papers/policy

UNIC Positions

UNIC contribution to the public consultation on the Creative Europe MEDIA programme

A Bright Future for the Big Screen – UNIC/CICAE Statement

UNIC Statement on AVMS Directive review

UNIC contribution to the consultation on the role of online platforms and intermediaries

UNIC contribution to the consultation on the enforcement of intellectual property rights

UNIC contribution to the Satellite and Cable Directive consultation

Audiovisual coalition letter on the European Commission Draft Regulation Applying the Country of Origin Principle to Licensing of Certain Broadcasters' Rights Online, co-signed by 411 organisations and companies from the value chain

Audiovisual coalition letter on the proposed Geo-blocking Regulation

Audiovisual coalition letter on the proposed Regulation on the cross-border portability of online content services

EU Initiatives

CREATIVE EUROPE MEDIA

Mid-term review of European support programme for the cinema sector

AUDIOVISUAL MEDIA SERVICES

Reform of the AVMS Directive, regulating television and on-demand services

REWARDING INVESTMENT INTO CINEMA

European "Follow the Money" strategy, underpinned by a review of rules related to copyright enforcement

DIGITAL SINGLE MARKET

Europe's attempts to increase consumers' cross-border access to films online via a range of reform proposals related to the portability of content services, the extension of the country of origin principle to the licensing of ancillary broadcasters' rights online and the banning of geo-blocking practices

TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP

Ongoing free trade talks between the US and Europe, so far excluding film and television

UNIC Engagement

"Innovation and the Big Screen" conference in the European Parliament

European Film Forum during CineEurope 2017

UNIC research into drivers and barriers of cinema-going among young audiences

Outreach days to introduce UNIC members to EU decision-makers

Exclusive premiere screenings for EU policy-makers

One-to-one meetings with EU officials to present UNIC positions

Expert panel on fighting the proliferation of IPTV and set-stop boxes used for the illegal viewing of films

Organisation of cinema exhibition-focused expert talks during film festivals

Participation in EU expert groups around audiovisual policy

Member of the Creativity Works! coalition of European cultural and creative sectors associations

Member of the Audiovisual stakeholders' coalition

Advocacy campaigns against VAT increases on cinema tickets in Sweden, Spain, Austria and the Balkans

A further key objective of UNIC is to strengthen the organisation's relations with policy-makers and industry representatives across all EU Member States. Establishing stronger relations with national associations, operators and informal cinema networks in Central and Eastern Europe is a key priority, given UNIC's lack of representation in certain territories and the weight that this region plays in influencing EU decisions. This goes hand-in-hand with the need for even closer collaboration with all film and cinema organisations based in Brussels.

Finally, UNIC on occasion engages with national governments and regulators to ensure that cinemas are placed at the centre of national growth strategies for film. For example, UNIC worked with various members to convince national governments that rises in VAT or increased entertainment taxes would only create short-term increases in government returns but in the long-term damage the industry as well as the state budget.

Given what's above, all of UNIC's efforts in the near future rely on ensuring that the EU continues to enable cinema operators to provide audiences with unparalleled and diverse film-viewing experiences, while at the same time promoting a fair, competitive and culturally diverse cinema ecosystem.

UNIC KEY POLICY POSITIONS

Visit our website to learn more about UNIC's policy positions on the following issues

- Culture, Business and Community
- Digital Opportunities
- Disability and Access
- Music Rights Payments
- Taxation
- Rewarding Creativity and Investment into Cinema
- Film Release Practices

MEMBERS AND PARTNERS

ASSOCIATION MEMBERS

AUSTRIA
Fachverband der Kino-, Kultur- und Vergnügungsbetriebe

BELGIUM
Fédération des Cinémas de Belgique

DENMARK
Danske Biografer

FINLAND
Finnish Cinema Exhibitors' Association

FRANCE
Fédération Nationale des Cinémas Français

GERMANY
HDF KINO e.V.

GREECE
Federation of Greek Cinemas

HUNGARY
Mozisok Orszagos Szovetsege

ISRAEL
Cinema Industry Association

ITALY
Associazione Nazionale Esercenti Cinema,
Associazione Nazionale Esercenti Multiplex

NETHERLANDS
Nederlandse Vereniging van Bioscoopexploitanten

NORWAY
Film & Kino

POLAND
Polish Exhibitors' Association

RUSSIA
Kino Alliance

SPAIN
Federación de Cines de España

SWEDEN
Sveriges Biografägareförbund

SWITZERLAND
SKV – ACS Association Cinématographique Suisse

TURKEY
Turkish Cinema Operators' Association

UK
UK Cinema Association

OPERATOR MEMBERS

LES CINÉMAS GAUMONT PATHÉ
Belgium, France, the Netherlands, Switzerland

CINEMAX
Slovakia

CINEPLEX
Germany

CINEPLEXX
Albania, Austria, Croatia, Greece, Italy, Kosovo, Macedonia, Montenegro, Serbia, Slovenia

CINEWORLD AND CINEMA CITY INTERNATIONAL
Israel, Ireland, Hungary, Poland, Czech Republic, Romania, Bulgaria, Slovakia, United Kingdom

KARO FILM
Russia

KINEPOLIS GROUP
Belgium, France, Luxembourg, the Netherlands, Poland, Spain, Switzerland

KINOPOLIS
Germany

KINO ARENA
Bulgaria

MARS ENTERTAINMENT (CJ CGV GROUP)
Turkey

MOVIES@CINEMAS
Ireland

NORDISK FILM BIOGRAFER
Denmark, Norway

ODEON & UCI CINEMAS (AMC GROUP)
Austria, Estonia, Finland, Germany, Italy, Ireland, Latvia, Lithuania, Norway, Portugal, Spain, Sweden, United Kingdom

OMNIPLEX CINEMAS
Ireland, Northern Ireland

SVENSKA BIO
Denmark, Finland, Sweden

UGC
Belgium, France

VUE INTERNATIONAL
Denmark, Germany, Ireland, Italy, Latvia, Lithuania, Poland, Taiwan, United Kingdom

YELMO CINES (CINEPOLIS GROUP)
Spain

PARTNERS OF EUROPEAN CINEMA EXHIBITION PROGRAMME

UNIC is proud of its partnership with leading brands in the European cinema space

SHOULD YOU WISH TO JOIN UNIC, PLEASE GET IN TOUCH WITH COMMUNICATIONS@UNIC-CINEMAS.ORG TEL: +32 2 880 99 39

UNIC
Union Internationale des Cinémas
International Union of Cinemas

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* A new Board of Directors will be elected during UNIC's General Assembly in June 2017. Please refer to our website for updated information afterwards.

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