



Fiction film financing in Europe: A sample analysis of films released in 2016

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Martin Kanzler

EFARN



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Executive summary

Purpose of the report

This report constitutes the output of an extensive collaboration project between the European Audiovisual Observatory and the European Film Agency Research Network (EFARN). It aims to provide robust figures on how European theatrical fiction films are being financed. This analysis offers a big-picture, pan-European perspective, and complements work done at national levels. It provides unique fact-based insights on a wide variety of research questions, from those relating to quantification of the average budget of theatrical European fiction films, to those illustrating the importance of individual financing sources. The Observatory and EFARN members regard the outcome of this sample analysis as a big step forward in providing reliable facts and insights on the financing of European fiction films.

Definition and representativeness of the data sample

This analysis is based on a data sample comprising detailed financing plans for 445 European live-action fiction films - theatrically released in 2016 - from 21 European countries. The data sample includes both 100% national as well as European-majority-led co-productions. It covers a cumulative financing volume of EUR 1.41 billion. The data sample is estimated to cover 41% of the total number of European¹ fiction films released in 2016. This is - as far as the Observatory knows - the largest pan-European data sample available to date for the analysis of financing of European fiction films.

While certain caveats² must be considered when interpreting the data, it appears to be of high quality and is sufficiently comparable among countries thanks to an underlying common methodology.

¹ In the context of this report, Europe (EUR 34) is defined as the 28 EU member states plus Bosnia-Herzegovina, FYRO Macedonia, Iceland, Montenegro, Norway and Switzerland.

² In interpreting the analysis insights one must however keep in mind that there is a systematic **selection bias**, as the data sample refers only to a very specific subset of films, namely fiction films for which national film agencies have financing plans. In most countries, this limits the sample to films receiving direct public support from national film agencies and **may exaggerate the importance of public funding**. One also has to recognise that the overall analysis results on the pan-European level, and within the large market cluster, are heavily influenced by the over-proportional weight and the special characteristics of French films (**“French bias”**): On the one hand, French films represent 36% of the sample films and 52% of the cumulative sample financing volume. At the same time, the analysis reveals broadcaster financing plays an exceptionally



The Observatory and EFARN members regard the outcome of this sample analysis as reliable and representative at the pan-European and the market cluster levels. However, analysis results are not representative for all individual sample countries, which is why indicators are not published on a country-by-country level. This is also consistent with the main focus of this analysis which lies on the analysis of aggregate data on the European level, rather than on the analysis of financing structures in individual countries.

Average budget of European fiction films

The data sample suggests that the mean budget of a European theatrical fiction film released in 2016 amounted to EUR 3.17 million while the **median sample budget** amounted to **EUR 2.07 million**. Given the substantial impact of a comparatively small number of high budget sample films on the mean, the median possibly constitutes a more representative value for the majority of European films.

Average budgets differ widely among countries. Not surprisingly, average budgets are **higher in larger markets** and lower in countries with lower box-office potential, as exploitation in national markets remains key for most films. The median budget of a European fiction film originating in France, Germany, Italy or the UK (the large markets included in the sample) amounted to EUR 3.3 million in 2016, compared to EUR 1.6 million for fiction films produced in a medium-sized European market (markets with 10 to 50 million admissions per year), compared to a median budget of EUR 0.9 million for fiction films from small markets (markets with less than 10 million admissions). The data analysis also suggests that **international co-productions tend to have higher budgets than 100% national films**, with the median budgets of co-productions exceeding those of 100% national films by around 30%, or EUR 500 000 to EUR 600 000.

Financing structure of European fiction films

In 2016, the **financing** of European theatrical fiction films **relied primarily on five financing sources**: direct public funding; broadcaster investments; producer investments; pre-sales; and fiscal incentives. The **two most important financing sources** clearly were **direct public funding** and **broadcaster investments**, which accounted for 29% and 25% of total financing, respectively. At a distance, the second-most important pair of financing sources were pre-sales (excl. national broadcasting rights) and producer investments, which both accounted for 15% of total financing, respectively. Apart from these four main sources, only fiscal incentives stand out as a fifth, significant financing source, funding 10% of the sample total production spend in 2016. Other financing sources, including

prominent role in film financing in France while direct public funding plays a comparatively limited role compared to most other European markets. In order to address this bias, indicators were analysed in a two-fold manner: once for the full data sample including French films; and once for the data sample excluding French films.



private equity, debt financing or in-kind investments are negligible from a cumulative perspective.

However, the exclusion of French films from the sample analysis produces significantly different results and illustrates the “French bias” which is introduced to the full sample analysis because of the exceptional importance of broadcaster financing in France. **Leaving French films aside, direct public funding** clearly emerges as **by far the single-most important financing source** of European fiction films, accounting for 41% of the cumulative financing volume, far ahead of **pre-sales (16%) and producer investments (15%)**, while broadcaster investments contributed only 11% to fiction film productions outside France. When French films are taken out of the sample, fiscal incentives play a slightly less pronounced role in film financing, accounting for 8% of cumulative production spend in the other 20 sample markets, compared to the 10% when French films are included. It is however important to keep the selection bias in mind, which may be assumed to exaggerate the importance of direct public funding.

There appear to be **significant structural differences among countries** when it comes to how theatrical fiction films are financed and some of these differences are apparently **linked to market size**. The two most obvious differences concern direct public funding and pre-sales. The data clearly suggests that the weight of direct public funding in film financing decreases with increasing market size. Phrased differently, the smaller the market and hence the lower the national market exploitation potential, the more important is public funding. While comprising only 24% of total financing in the four large sample markets, public funding accounted for 43% in medium-sized and 58% in small sample markets. In contrast, the importance of pre-sales (other than those to broadcasters) as a financing source decreases with market size. Pre-sales tend to be most important in large markets, where they in 2016 accounted for 17% (all films included) or 22% (excl. French films), respectively, compared to ‘only’ 11% in medium-sized and 8% in small sample markets.

Differences among budget types

The sample analysis also suggests that there are **structural differences in how films of different budget sizes are financed**. Generally speaking, films with a budget of up to EUR 3 million depend to a higher degree on direct public support, while films with higher budgets finance their production with proportionally higher shares of pre-sales and broadcaster investments.

The smaller the budget, the more important is **direct public funding**, generally accounting for at least 40% of the total budget for films with a budget of less than EUR 3 million. The share of public funding drops to 26% for films with a budget between EUR 3 and 10 million, and to 19% for films with budgets above EUR 10 million. These large drops are however primarily due to the financing structures of French films and they are much less pronounced for other European films. Excluding French films from the analysis, direct public funding accounted for about 45% of total financing of films with a budget of less than EUR 3 million, but remained as high as 41% in the case of high-



budget films (EUR 3 to 10 million) while dropping to 26% for super-high-budget films (>EUR 10 million).

The importance of **pre-sales** clearly correlates with the budget volume, increasing along with the budget - from a share of 4% for micro-budget films (less than EUR 500 000), up to 24% for films with a budget exceeding EUR 10 million. The same appears to hold true for **broadcaster investments**, which increase from 6% for micro-budget films to 30% for super-high budget films. However, the sample data suggests that in the case of broadcaster investments this correlation applies primarily to French films and not to the majority of other European sample films.

Fiscal incentive-related financing appears to be particularly important for medium- and high-budget films, but less so for films below EUR 1 million and **films above EUR 10 million** - the latter primarily financed by broadcaster investments (30%) and pre-sales (24%). **Producer investments** - like direct public funding - appear proportionally more important for the financing of **micro- and low-budget films**, as they have very limited access to financing through pre-sales, fiscal incentives and broadcasters.

Differences between 100% national films and co-productions

The data sample suggests **distinct differences between the financing structures of 100% national films and international co-productions**. However, some of these differences appear specific to French films and are somewhat less pronounced when they are excluded from the analysis. Generally speaking, international co-productions depend to a larger degree on direct public funding and producer investments, while 100% national films raise a proportionally higher share of their financing through pre-sales and broadcaster investments.

Direct public funding accounted for 36% of the total financing volume of international co-productions, compared to 24% for 100% national films. This observation also holds true outside of France, however the difference between the two film types was only four percentage points (43% compared to 39% in the case of 100% national films). Similarly, **producer investments** contributed 19% to the cumulative financing volume of international co-productions, compared to 'only' 13% for 100% national films.

In contrast, **broadcaster investments and pre-sales** appear more important for the financing of 100% national films than international co-productions, accounting for 29% and 18% of the financing volume of 100% national films, respectively, compared to only 19% and 12%, respectively, in the case of international co-productions. This also holds true outside of France, although with a substantially smaller weight of broadcaster investments.

Distribution of financing sources among budget types

Breaking down the cumulative financing volume of EUR 1.41 billion by film budget cluster shows that by far the largest share of financing funds went to the production of high-budget films (54%), followed by medium-budget films (25%) and super-high-budget



films (17%). Excluding France, it was still high-budget films that took the largest share (46%), but the share of medium-budget films increases to 38% as the share of super-high-budget films drops to 9%.

While it is true that the largest share of funding from all five main financing sources went to high-budget films (EUR 3 to 10 million), the data sample reveals some interesting insights into differences with regard to the allocation of the individual financing sources. For instance, direct public funding and fiscal incentives were over-proportionally allocated to medium-budget films (EUR 1 to 3 million), while pre-sales were over-proportionally allocated to high- and super-high-budget films. The latter was also true for broadcaster investments when French films are included. Excluding them, however, the largest (and hence over-proportional) share of broadcaster investments went to medium-budget films. And medium- and high-budget films, while still capturing the largest shares of producer investments in absolute terms, were proportionally under-financed by producer investments.





Synthèse

Finalité du rapport

Le présent rapport est le résultat d'un vaste projet de collaboration entre l'Observatoire européen de l'audiovisuel et l'EFARN (le réseau européen des chercheurs des agences de cinéma). Il vise à fournir des chiffres fiables sur la manière dont les films de fiction européens sont financés. Cette analyse paneuropéenne a pour finalité de donner une vue d'ensemble et de compléter le travail effectué au niveau national. Elle fournit des informations factuelles uniques sur plusieurs questions de recherche, allant de la quantification du budget moyen des films de fiction européens destinés aux salles à l'illustration de l'importance des sources de financement individuelles. L'Observatoire et les membres de l'EFARN considèrent le résultat de cette analyse d'échantillon comme une avancée notable dans la mise à disposition de données et d'éléments factuels fiables sur le financement des films de fiction européens.

Définition et représentativité de l'échantillon de données

Cette analyse est basée sur un échantillon de données qui comprend les plans de financement détaillés de 445 films de fiction européens en prises de vue réelles – sortis en salles en 2016 – de 21 pays européens. L'échantillon de données comprend à la fois des coproductions 100 % nationales et des coproductions européennes majoritaires. Il couvre un volume de financement cumulé de 1,41 milliard d'EUR. L'échantillon de données est donc estimé couvrir 41 % du nombre total de films de fiction européens³ sortis en 2016. Il s'agit – à la connaissance de l'Observatoire – du plus grand échantillon de données paneuropéen disponible à ce jour pour l'analyse du financement des films de fiction européens.

S'il convient de garder certaines réserves⁴ à l'esprit lors de leur interprétation, les données collectées semblent être de bonne qualité et sont considérées comme

³ Dans le contexte du présent rapport, l'Europe (EUR 34) est définie comme les 28 États membres de l'UE plus la Bosnie-Herzégovine, l'ARYM, l'Islande, le Monténégro, la Norvège et la Suisse.

⁴ Lors de l'interprétation des résultats de l'analyse, il faut toutefois garder à l'esprit qu'il existe un **biais de sélection** systématique car l'échantillon de données ne se réfère qu'à un sous-ensemble très spécifique de films, à savoir les films de fiction pour lesquels les agences nationales du film ont des plans de financement. Dans la plupart des pays, cela limite l'échantillon aux films bénéficiant d'un soutien public direct de la part des agences nationales du film et **peut exagérer l'importance des aides publiques**. Il faut également garder à l'esprit que les résultats globaux de l'analyse au niveau paneuropéen et au niveau du groupe des grands



suffisamment comparables entre les pays grâce à une méthodologie commune sous-jacente.

L'Observatoire et les membres de l'EFARN considèrent donc que les résultats de cette analyse sont fiables et représentatifs au niveau paneuropéen et au niveau des groupes de marchés. Toutefois, les résultats des analyses ne sont pas représentatifs pour tous les pays de l'échantillon, ce qui explique pourquoi les indicateurs ne sont pas publiés au niveau national. Cela est également cohérent avec l'objectif principal de la présente analyse, qui consiste à analyser des données agrégées au niveau européen plutôt qu'à analyser les structures de financement dans les différents pays.

Budget moyen des films de fiction européens

Dans l'échantillon, le budget moyen d'un film de fiction européen sorti en salles en 2016 s'élevait à 3,17 millions d'EUR alors que le **budget médian de l'échantillon** était de **2,07 millions d'EUR**. Les films à budget élevé ayant un effet significatif sur la moyenne alors qu'ils sont relativement peu nombreux dans l'échantillon, la médiane constitue peut-être une valeur plus représentative pour la majorité des films européens.

Les budgets moyens varient considérablement d'un pays à l'autre. Il n'est pas surprenant de constater que les budgets moyens sont plus élevés sur les grands marchés et plus bas dans les pays à plus faible potentiel de recettes au guichet, car l'exploitation sur les marchés nationaux reste essentielle pour la plupart des films. Le budget médian d'un film de fiction européen originaire de France, d'Allemagne, d'Italie ou du Royaume-Uni (les grands marchés inclus dans l'échantillon) s'élevait à 3,3 millions d'EUR en 2016, contre 1,6 million d'EUR pour les films de fiction produits sur un marché européen moyen (marchés comptant entre 10 et 50 millions d'entrées par an) et 0,9 million d'EUR sur les petits budgets (marchés comptant moins de 10 millions d'entrées). L'analyse des données suggère également que les coproductions internationales ont tendance à avoir des budgets plus élevés que les films nationaux à 100 %, les budgets médians des coproductions dépassant ceux des films nationaux à 100 % d'environ 30 % soit de 500 000 à 600 000 EUR.

marchés sont fortement influencés par le poids des films français ainsi que par leurs caractéristiques particulières (le « **biais français** ») : les films français représentent 36 % de l'échantillon de films et 52 % du volume cumulé de financement de l'échantillon. Dans le même temps, l'analyse révèle que le financement des radiodiffuseurs joue un rôle exceptionnellement important dans le financement des films en France alors que les aides publiques directes jouent un rôle relativement limité par rapport à la plupart des autres marchés européens. Afin de remédier à ce biais, les indicateurs ont été analysés de deux façons, une fois pour l'échantillon complet de données incluant les films français et une fois pour l'échantillon de données excluant les films français.



Structure de financement des films de fiction européens

En 2016, le **financement** des films de fiction européens destinés aux salles de cinéma **reposait essentiellement sur cinq sources de financement** : les aides publiques directes, les investissements des radiodiffuseurs, les investissements des producteurs, les préventes et les incitations fiscales. Les **deux principales sources de financement** étaient clairement les **aides publiques directes** et les **investissements des radiodiffuseurs**, représentant respectivement 29 % et 25 % du financement total. Suivent ensuite, à distance, les préventes (hors droits nationaux de radiodiffusion) et les investissements des producteurs, qui représentaient chacun 15 % du financement total. En dehors de ces quatre sources principales, seules les incitations fiscales se distinguent comme source de financement pour 10 % des dépenses totales de production de l'échantillon en 2016. Les autres sources de financement, notamment le capital-investissement, le financement par emprunt ou les investissements en nature, sont négligeables d'un point de vue cumulatif.

Toutefois, l'exclusion des films français de l'analyse de l'échantillon produit des résultats très différents et illustre le « biais français » qui est introduit dans l'analyse complète de l'échantillon en raison de l'importance exceptionnelle du financement des radiodiffuseurs en France. **Abstraction faite des films français, les aides publiques directes** apparaissent clairement comme la **source de financement de loin la plus importante** des films de fiction européens, représentant 41 % du volume de financement cumulé, **suivies à distance par les préventes (16 %) et les investissements des producteurs (15 %)** alors que les investissements des radiodiffuseurs ne contribuent qu'à hauteur de 11 % à la production de films de fiction hors France. Les incitations fiscales jouent également un rôle un peu moins prononcé dans le financement des films, représentant 8 % des dépenses de production cumulées sur les 20 autres marchés de l'échantillon. Il est toutefois important de garder à l'esprit le biais de sélection qui est supposé exagérer l'importance des aides publiques directes.

Il semble y avoir d'**importantes différences structurelles entre les pays** en ce qui concerne le mode de financement des films de fiction destinés aux salles et certaines de ces différences sont apparemment **liées à la taille du marché**. Les deux différences les plus évidentes concernent les aides publiques directes et les préventes. Les données suggèrent clairement que le poids des aides publiques directes dans le financement des films diminue avec l'augmentation de la taille du marché ou, en d'autres termes : plus le marché est petit et donc le potentiel d'exploitation sur le marché national réduit, plus les aides publiques sont importantes. Alors qu'ils ne représentaient que 24 % du financement total sur les quatre grands marchés de l'échantillon, les financements publics représentaient 43 % sur les marchés de taille moyenne et 58 % sur les petits marchés de l'échantillon. En revanche, l'importance des préventes (autres que celles destinées aux radiodiffuseurs nationaux) comme source de financement diminue avec la taille du marché. Les préventes ont tendance à être plus importantes dans les grands marchés où elles représentaient respectivement 17 % (tous les films) ou 22 % (hors films français), contre « seulement » 11 % dans les marchés de taille moyenne et 8 % dans les petits marchés de l'échantillon.



Différences entre les types de budget

L'analyse de l'échantillon fait également ressortir des **différences structurelles dans le mode de financement des films de tailles budgétaires différentes**. D'une manière générale, les films disposant d'un budget inférieur à 3 millions d'EUR dépendent dans une plus large mesure d'un soutien public direct, tandis que les films disposant de budgets plus importants financent leur production avec des parts proportionnellement plus élevées de préventes et d'investissements des radiodiffuseurs.

Plus le budget est réduit, plus les **aides publiques directes** sont importantes ; elles représentent généralement au moins 40 % du budget total pour les films dont le budget est inférieur à 3 millions d'EUR. La part des aides publiques tombe à 26 % pour les films dont le budget est compris entre 3 et 10 millions d'EUR et à 19 % pour les films dont le budget est supérieur à 10 millions d'EUR. Ces fortes baisses sont cependant dues principalement aux structures de financement des films français et elles sont beaucoup moins prononcées pour les autres films européens. Si l'on exclut les films français de l'analyse, les aides publiques directes représentaient environ 45 % du financement total des films disposant d'un budget inférieur à 3 millions d'EUR, mais aussi 41 % dans le cas des films à budget élevé (3 à 10 millions d'EUR) alors que seulement 26 % dans le cas des films à très haut budget (> 10 millions d'EUR).

En revanche, il existe un lien direct entre les **préventes** et le budget, car leur part augmente proportionnellement à ce dernier : de 4 % pour les films à petit budget (moins de 500 000 EUR) à 24 % pour les films dont le budget dépasse 10 millions d'EUR. Il semble en aller de même pour les **investissements des radiodiffuseurs** qui passent de 6 % pour les films à petit budget à 30 % pour les films à très gros budget. Toutefois, les données de l'échantillon suggèrent que, dans le cas des investissements des radiodiffuseurs, cette corrélation s'applique principalement aux films français, alors qu'elle ne peut pas être observée pour la majorité des autres échantillons de films européens.

Le financement lié aux **incitations fiscales** semble être particulièrement important pour les films à moyen et haut budget, mais moins important pour les films dont le budget est inférieur à 1 million d'EUR et **supérieur à 10 millions d'EUR**. Ces derniers sont principalement financés par les investissements des radiodiffuseurs (30 %) et les préventes (24 %). Les **investissements des producteurs** – comme les aides publiques directes – semblent proportionnellement plus importants pour le financement des **films à très petit et à petit budget** car ces films ont un accès très limité au financement par les préventes, les incitations fiscales et les radiodiffuseurs.

Différences entre les films 100 % nationaux et les coproductions

L'échantillon de données suggère qu'il existe de **nettes différences entre les structures de financement des films 100 % nationaux et des coproductions internationales**. Cependant, certaines de ces différences semblent être spécifiques aux films français et sont un peu moins prononcées lorsqu'on les exclut de l'analyse. D'une manière générale, les coproductions internationales dépendent dans une plus large mesure des aides publiques



directes et des investissements des producteurs, tandis que les films 100 % nationaux obtiennent une part proportionnellement plus élevée de leur financement par le biais des préventes et des investissements des radiodiffuseurs.

Les **aides publiques directes** représentaient 36 % du volume total de financement des coproductions internationales, contre 24 % dans le cas des films 100 % nationaux. Cette observation vaut également en excluant les films français, mais la différence entre les deux types de films n'est que de 4 points de pourcentage (43 % contre 39 % pour les films 100 % nationaux). De même, les **investissements des producteurs** ont contribué à hauteur de 19 % au volume cumulé de financement des coproductions internationales, contre « seulement » 13 % pour les films 100 % nationaux.

En revanche, les **investissements des radiodiffuseurs et les préventes** semblent être plus importants pour le financement de films 100 % nationaux que pour les coproductions internationales : ils représentaient 29 % et 18 % du volume de financement des films 100 % nationaux contre seulement 19 % et 12 % dans le cas des coproductions internationales. Ces observations s'appliquent également en excluant les films français, même si le poids des investissements des radiodiffuseurs est alors nettement moindre.

Répartition des sources de financement en fonction des types de budget

Si l'on ventile le volume de financement cumulé de 1,41 milliard d'EUR par groupes de budgets de films, on constate que la part de loin la plus importante des fonds de financement est allée à la production de films à budget élevé (54 %), suivis par les films à budget moyen (25 %) et les films à budget très élevé (17 %). En excluant les films français, ce sont encore les films à budget élevé qui ont pris la plus grande part (46 %), mais la part des films à budget moyen passe à 38 % alors que celle des films à très haut budget tombe à 9 %.

S'il est vrai que la plus grande part du financement provenant des cinq principales sources de financement va aux films à budget élevé (3 à 10 millions d'EUR), l'échantillon révèle des différences intéressantes en ce qui concerne l'affectation des différentes sources de financement. Par exemple, les aides publiques directes et les incitations fiscales sont allées de façon disproportionnée aux films à budget moyen (1 à 3 millions d'EUR), tandis que les préventes ont été attribuées de façon disproportionnée aux films à budget élevé et très élevé. C'était également le cas pour les investissements des radiodiffuseurs lorsque l'on inclut les films français. Toutefois, en excluant la France, la plus grande partie des investissements des diffuseurs, et donc une part disproportionnée, a été consacrée aux films à budget moyen. En outre, tout en attirant la part la plus importante des investissements des producteurs en valeur absolue, les films à budget moyen et à budget élevé ont été proportionnellement sous-financés par les investissements des producteurs.





Zusammenfassung

Zweck des Berichts

Der Bericht ist das Ergebnis eines umfangreichen Gemeinschaftsprojekts zwischen der Europäischen Audiovisuellen Informationsstelle und dem EFARN-Netzwerk (*European Film Agency Research Network*), mit dem Ziel, verlässliche Zahlen bereitzustellen, wie europäische Kinospielefilme finanziert werden. Diese Analyse soll eine Grossbildperspektive aus gesamteuropäischer Sicht eröffnen und Studien, die auf nationaler Ebene ausgeführt wurden, ergänzen. Sie bietet einzigartige, faktengestützte Erkenntnisse zu einem breiten Spektrum an Forschungsfragen, angefangen von einer Quantifizierung des durchschnittlichen Budgets europäischer Kinospielefilme bis hin zu einer Veranschaulichung der Bedeutung der einzelnen Finanzquellen. Die Vertreter der Informationsstelle und des EFARN betrachten das Ergebnis dieser Auswahlanalyse als einen großen Schritt bei der Bereitstellung verlässlicher Fakten und Erkenntnisse zur Finanzierung europäischer Spielfilme.

Definition und Repräsentativität der Datenauswahl

Die vorliegende Analyse stützt sich auf eine Datenauswahl, welche detaillierte Finanzierungspläne für 445 europäische Realspielfilme, die 2016 in den Kinos anliefen, aus 21 europäischen Ländern umfasst. Die Datenauswahl beinhaltet sowohl rein nationale Produktionen als auch Koproduktionen mit europäischer Mehrheitsbeteiligung. Sie umfasst ein kumulatives Finanzierungsvolumen von EUR 1,41 Milliarden. Geschätzt erfasst die Datenauswahl somit 41 % aller 2016 gestarteten europäischen⁵ Spielfilme. Soweit der Informationsstelle bekannt, ist dies die größte aktuell verfügbare europäische Datenauswahl zur Analyse der Finanzierung europäischer Spielfilme.

Wenngleich bei der Interpretation der Daten eine gewisse Vorsicht geboten ist,⁶ scheinen die erhobenen Daten doch von hoher Qualität und werden dank einer zugrunde

⁵ Im Kontext dieses Berichts ist Europa (EUR 34) definiert als die 28 EU-Mitgliedstaaten plus Bosnien-Herzegowina, die ehemalige jugoslawische Republik Mazedonien, Island, Montenegro, Norwegen und die Schweiz.

⁶ Bei der Interpretation der Erkenntnisse aus der Analyse muss jedoch berücksichtigt werden, dass es eine systematische **Selektionsverzerrung** gibt, da sich die Datenauswahl lediglich auf ein sehr spezifisches Segment an Filmen bezieht, das heißt auf Spielfilme, für die nationalen Filmbehörden Finanzierungspläne vorliegen. In den meisten Ländern begrenzt dies die Auswahl auf Filme, die direkte öffentliche Förderung von nationalen Filmbehörden erhalten, und **kann öffentlicher Förderung überhöhte Bedeutung beimessen**.



liegenden gemeinsamen Methodik als unter den Ländern hinreichend vergleichbar betrachtet.

Die Vertreter der Informationsstelle und der EFARN betrachten das Ergebnis dieser Auswahlanalyse daher auf der gesamteuropäischen und auf der Marktclusterebene als verlässlich und repräsentativ. Für die Auswahlländer im Einzelnen sind die Analyseergebnisse jedoch nicht repräsentativ, weshalb Indikatoren nicht nach Ländern veröffentlicht werden. Dies steht auch im Einklang mit dem zentralen Fokus der Analyse, der auf einer Analyse aggregierter Daten auf europäischer Ebene und weniger auf einer Analyse von Finanzierungsstrukturen in einzelnen Ländern liegt.

Durchschnittliches Budget europäischer Spielfilme

Laut Datenauswahl beträgt das durchschnittliche Budget eines 2016 angelaufenen europäischen Kinospiefilms EUR 3,17 Mio., während sich das **mittlere Budget der Auswahl** auf **EUR 2,07 Mio.** beläuft. Angesichts des beträchtlichen Einflusses einer vergleichsweise geringen Zahl an Filmen mit hohem Budget in der Auswahl auf den Durchschnittswert hat der mittlere Wert möglicherweise für die Mehrheit der europäischen Filme eine repräsentativere Aussagekraft.

Durchschnittliche Budgets unterscheiden sich stark von Land zu Land. Es ist nicht verwunderlich, dass durchschnittliche Budgets in größeren Märkten höher und in Länder mit geringerem Zuschauerpotenzial niedriger sind, da die Verwertung auf nationalen Märkten für die meisten Filme nach wie vor entscheidend ist. Das mittlere Budget für europäische Spielfilme aus Deutschland, Frankreich, Italien oder dem Vereinigten Königreich (den großen Märkten in dieser Auswahl) beläuft sich 2016 auf EUR 3,3 Mio., verglichen mit EUR 1,6 Mio. für Spielfilme, die in einem europäischen Markt mittlerer Größe (Märkte mit 10 bis 50 Millionen Kinobesuchern pro Jahr) produziert wurden, und einem mittleren Budget von EUR 0,9 Mio. für Spielfilme von kleinen Märkten (Märkte mit weniger als 10 Millionen Kinobesuchern). Die Datenanalyse deutet auch darauf hin, dass **internationale Koproduktionen tendenziell höhere Budgets aufweisen als rein nationale Filme**, wobei das mittlere Budget von Koproduktionen das von rein nationalen Filmen um rund 30 % oder EUR 500.000 bis EUR 600.000 übersteigt.

Darüber hinaus ist zu berücksichtigen, dass die Gesamtergebnisse der Analyse auf gesamteuropäischer Ebene und innerhalb des großen Marktclusters stark durch das überproportionale Gewicht wie auch die besonderen Eigenheiten französischer Filme („**französische Verzerrung**“) beeinflusst werden. Einerseits machen französische Filme 36 % der Filmauswahl und 52 % des kumulativen Finanzierungsvolumens der Auswahl aus. Gleichzeitig zeigt die Analyse andererseits auf, dass Finanzierung durch Rundfunkveranstalter eine außergewöhnlich starke Rolle bei der Filmfinanzierung in Frankreich spielt, während die Rolle öffentlicher Förderung im Vergleich zu den meisten anderen europäischen Märkten vergleichsweise begrenzt ist. Um dieser Verzerrung Rechnung zu tragen, wurden die Indikatoren auf zweierlei Weise analysiert, zum einen für die gesamte Datenauswahl einschließlich französischer Filme und zum anderen ohne französische Filme.



Finanzierungsstruktur europäischer Spielfilme

2016 stützt sich die **Finanzierung** europäischer Kinospiele in **erster Linie auf fünf Finanzierungsquellen**: direkte öffentliche Förderung, Investitionen von Rundfunkveranstaltern, Investitionen von Produzenten, Vorabverkäufe und steuerliche Anreize. Die **beiden wichtigsten Finanzierungsquellen** sind eindeutig **direkte öffentliche Förderung** und **Investitionen von Rundfunkveranstaltern**, welche 29 % beziehungsweise 25 % der Gesamtfinanzierung ausmachen. In einigem Abstand folgen dann die beiden zweitwichtigsten Finanzierungsquellen Vorabverkäufe (ohne nationale Rundfunkrechte) und Investitionen von Produzenten, die jeweils 15 % der Gesamtfinanzierung ausmachen. Abgesehen von diesen vier Hauptquellen spielen nur noch steuerliche Anreize als fünfte relevante Finanzierungsquelle eine Rolle. Sie tragen 2016 10 % zu den gesamten Produktionskosten der Auswahl bei. Andere Finanzierungsquellen wie Privatkapital, Fremdfinanzierung oder Sacheinlagen sind aus kumulativer Sicht vernachlässigbar.

Die Ausnahme französischer Filme aus der Auswahlanalyse bringt jedoch wesentlich andere Ergebnisse hervor und veranschaulicht die „französische Verzerrung“, welche durch die außerordentliche Bedeutung der Finanzierung durch Rundfunkveranstalter in Frankreich in die Analyse der Gesamtauswahl einfließt. **Lässt man französische Filme außen vor**, erweist sich **direkte öffentliche Förderung** mit einem Anteil von 41 % am kumulativen Finanzierungsvolumen als **die bei Weitem wichtigste Einzelfinanzierungsquelle** für europäische Spielfilme, **mit einigem Abstand gefolgt von Vorabverkäufen (16 %) und Investitionen von Produzenten (15 %)**, während Investitionen von Rundfunkveranstaltern lediglich 11 % zu Spielfilmproduktionen außerhalb Frankreichs beitragen. Auch steuerliche Anreize spielen eine weniger ausgeprägte Rolle bei der Filmfinanzierung und machen lediglich 8 % der kumulativen Produktionsaufwendungen in den anderen 20 Märkten der Auswahl aus. Es ist jedoch wichtig, die Selektionsverzerrung im Gedächtnis zu behalten, die für die überhöhte Bedeutung direkter öffentlicher Förderung verantwortlich gemacht wird.

Es scheint **wesentliche strukturelle Unterschiede zwischen den Ländern** zu geben, wenn es um die Frage geht, wie Kinospiele finanziert werden, und einige dieser Unterschiede stehen offensichtlich **im Zusammenhang mit der Marktgröße**. Die beiden augenfälligsten Unterschiede betreffen direkte öffentliche Förderung und Vorabverkäufe. Die Daten besagen eindeutig, dass das Gewicht direkter öffentlicher Förderung bei der Filmfinanzierung mit zunehmender Marktgröße abnimmt, oder mit anderen Worten, je kleiner der Markt und somit je kleiner das Verwertungspotenzial auf dem nationalen Markt ist, desto wichtiger wird öffentliche Förderung. Während öffentliche Förderung in den vier großen Auswahlmärkten lediglich für 24 % der Gesamtfinanzierung steht, macht sie 43 % in mittelgroßen und 58 % in kleinen Auswahlmärkten aus. Im Gegensatz dazu nimmt die Bedeutung von Vorabverkäufen (außer an nationale Rundfunkveranstalter) als Finanzierungsquelle mit der Marktgröße ab. Vorabverkäufe sind eher in großen Märkten von Bedeutung, wo sie 17 % (alle Filme) beziehungsweise 22 % (ohne französische Filme) im Vergleich zu „nur“ 11 % in mittelgroßen und 8 % in kleinen Beispielmärkten ausmachen.



Unterschiede in Abhängigkeit von Budgethöhe

Die Auswahlanalyse zeigt auch, dass es **strukturelle Unterschiede** gibt, **wie Filme mit unterschiedlichen Budgetrahmen finanziert werden**. Allgemein gesagt sind Filme mit einem Budget bis EUR 3 Mio. in höherem Maße von direkter öffentlicher Förderung abhängig, während Filme mit höheren Budgets ihre Produktion durch proportional höhere Anteile an Vorabverkäufen und Investitionen von Rundfunkveranstaltern finanzieren.

Je niedriger das Budget, desto wichtiger ist direkte öffentliche Förderung, die im Allgemeinen mindestens 40 % des Gesamtbudgets für Filme mit einem Budget unter 3 Mio. ausmacht. Der Anteil öffentlicher Förderung sinkt auf 26 % bei Filmen mit einem Budget zwischen EUR 3 Mio. und EUR 10 Mio. und auf 19 % bei Filmen mit Budgets über EUR 10 Mio. Diese großen Rückgänge sind jedoch primär auf die Finanzierungsstruktur französischer Filme zurückzuführen und für andere europäische Filme deutlich weniger ausgeprägt. Nach der Ausnahme französischer Filme von der Analyse beträgt direkte öffentliche Förderung rund 45 % der Gesamtfinanzierung von Filmen mit einem Budget unter EUR 3 Mio. und liegt immer noch bei 41 % im Fall von Filmen mit hohem Budget (EUR 3 bis 10 Mio.), während sie bei Filmen mit extrem hohem Budget (> EUR 10 Mio.) auf 26 % zurückgeht.

Die Bedeutung von **Vorabverkäufen** korreliert andererseits eindeutig mit dem Budgetvolumen und steigt mit dem Budget von einem Anteil von 4 % für Filme mit Kleinstbudget (unter EUR 500.000) auf bis zu 24 % bei Filmen mit einem Budget über EUR 10 Mio. Gleiches scheint für **Investitionen von Rundfunkveranstaltern** zu gelten, die von 6 % bei Filmen mit Kleinstbudget auf bis zu 30 % für Filme mit einem extrem hohen Budget steigen. Die Datenauswahl besagt jedoch, dass diese Korrelation im Fall von Investitionen von Rundfunkveranstaltern in erster Linie für französische Filme gilt, während sie für die Mehrheit der anderen europäischen Auswahlfilme nicht auszumachen ist.

Finanzierung im Zusammenhang mit **steuerlichen Anreizen** scheint insbesondere für Filme mit mittlerem und hohem Budget wichtig, weniger für Filme unter EUR 1 Mio. und **Filme über EUR 10 Mio.** Letztere werden vorrangig durch Investitionen von Rundfunkveranstaltern (30 %) und Vorverkäufe (24 %) finanziert. **Investitionen von Produzenten** - wie bereits direkte öffentliche Förderung - scheinen im Verhältnis wichtiger für die Finanzierung von **Filmen mit Kleinst- und niedrigem Budget** zu sein, da diese sehr begrenzten Zugang zu Finanzierung über Vorabverkäufe, steuerliche Anreize und Rundfunkveranstalter haben.

Unterschiede zwischen rein nationalen Filmen und Koproduktionen

Laut Datenauswahl bestehen **ausgeprägte Unterschiede zwischen den Finanzierungsstrukturen rein nationaler Filme und internationaler Koproduktionen**. Einige dieser Unterschiede scheinen jedoch insbesondere für französische Filme spezifisch zu sein und zeigen sich weniger ausgeprägt, wenn man die französischen Filme von der Analyse ausnimmt. Allgemein gesagt sind internationale Koproduktionen in höherem



Maße von direkter öffentlicher Förderung und Investitionen von Produzenten abhängig, während sich rein nationale Filme durch einen proportional höheren Anteil an Vorabverkäufen und Investitionen von Rundfunkveranstaltern finanzieren.

Direkte öffentliche Förderung macht 36 % des gesamten Finanzierungsvolumens internationaler Koproduktionen aus, verglichen mit 24 % im Fall rein nationaler Filme. Diese Feststellung gilt auch außerhalb Frankreichs, wenngleich der Unterschied zwischen den beiden Filmarten hier lediglich 4 Prozentpunkte beträgt (43 % im Vergleich zu 39 % im Fall rein nationaler Filme). In ähnlicher Weise tragen **Investitionen von Produzenten** 19 % zum kumulativen Finanzierungsvolumen internationaler Koproduktionen im Vergleich zu „nur“ 13 % bei rein nationalen Filmen bei.

Im Gegensatz dazu scheinen **Investitionen von Rundfunkveranstaltern und Vorabverkäufe** wichtiger für die Finanzierung rein nationaler Filme als internationaler Koproduktionen zu sein. Sie machen 29 % beziehungsweise 18 % des Finanzierungsvolumens rein nationaler Filme im Vergleich zu nur 19 % beziehungsweise 12 % im Fall internationaler Koproduktionen aus. Diese Feststellungen gelten auch außerhalb Frankreichs, wenngleich mit deutlich geringerem Gewicht der Investitionen von Rundfunkveranstaltern.

Verteilung der Finanzierungsquellen bei den Budgetarten

Eine Aufschlüsselung des kumulativen Finanzierungsvolumens von EUR 1,41 Mrd. nach Filmbudgetclustern zeigt, dass der Löwenanteil an Finanzmitteln in die Produktion von Filmen mit hohem Budget fließt (54 %), gefolgt von Filmen mit mittlerem Budget (25 %) und Filmen mit extrem hohem Budget (17 %). Außerhalb Frankreichs sind es immer noch die Filme mit hohem Budget, die den größten Anteil für sich verbuchen (46 %), der Anteil an Filmen mit mittlerem Budget steigt jedoch auf 38 %, während der von Filmen mit extrem hohem Budget auf 9 % sinkt.

Es ist zwar richtig, dass der größte Förderanteil aus allen fünf Hauptfinanzierungsquellen an Filme mit hohem Budget (EUR 3 bis 10 Mio.) geht, die Datenauswahl zeigt jedoch einige interessante Erkenntnisse zu den Unterschieden in der Aufteilung individueller Finanzierungsquellen auf. So finden sich zum Beispiel direkte öffentliche Förderung und steuerliche Anreize überproportional bei Filmen mit mittlerem Budget (EUR 1 bis 3 Mio.), während Vorabverkäufe überproportional bei Filmen mit hohem und extrem hohem Budget zu verzeichnen sind. Letzteres gilt auch für Investitionen von Rundfunkveranstaltern, wenn man französische Filme mit berücksichtigt. Außerhalb Frankreichs geht der größte Teil der Investitionen von Rundfunkveranstaltern und somit ein überproportionaler Anteil jedoch tatsächlich an Filme mit mittlerem Budget. Zudem erhalten Filme mit mittlerem und hohem Budget absolut die größten Anteile der Investitionen von Produzenten, proportional sind sie jedoch unterdurchschnittlich durch Investitionen von Produzenten finanziert.





1. Background & Purpose

This report comprises the output of an extensive collaboration project between the European Audiovisual Observatory (Observatory) and the European Film Agency Research Network (EFARN). The project aims to **provide reliable figures on the development of budgets and financing structures of European theatrical live-action fiction films**. The project focuses on the analysis of aggregate data on the European level rather than on the analysis of financing structures in individual countries. It offers a **big-picture, pan-European perspective**, and complements work done at national levels.

Back in October 2016, EFARN members agreed to undertake a pilot project to test the feasibility of analysing film financing across Europe. The Observatory took on the project implementation, developing - in co-operation with EFARN members - a common methodology for allocating film financing monies to individual financing sources, to ensure comparability of data across countries. Financing plan data were then collected via an annual questionnaire sent to European film agencies, asking them to return anonymised financing plans on a film-by-film basis. The pilot project was limited to a snapshot analysis of 100% national fiction films theatrically released in 2015 and funded by national film agencies. Its primary purpose was to test and fine-tune the methodology and research angles. Given the promising results of the pilot project, the Observatory and EFARN members agreed to transform it into a recurring project on an annual basis, including - where feasible - international co-productions as well as films that did not receive any funding from national film agencies, in order to improve the representativeness of data.

In 2018, the Observatory thus collected and analysed, in collaboration with EFARN members, financing plan data for European theatrical live-action fiction films released in 2016. Thanks to the outstanding collaboration with film agencies, financing plan data for 445 films with a cumulative budget of EUR 1.41 billion was gathered. This represents – as far as the Observatory is aware - the largest data sample ever used to analyse financing structures of European fiction films on a pan-European level. Key results of this analysis are published for the first time in this report. They address various aspects of the two main research questions: What is the typical budget of a European live-action fiction film? How are European live-action fiction films financed?

One other research question, relating to the development of financing structures over time, can evidently not be addressed by the snapshot analysis at hand but requires the continuation of the data collection on an annual basis which will not only allow for the identification of structural changes in how films are being financed over time but will also enhance our ability to further evaluate the representativeness of the sample data and thereby further improve the quality of insights gained from the analysis. These very



insights should prove valuable for all stakeholders involved in shaping film financing amid the fundamental structural changes the film industry is currently undergoing.

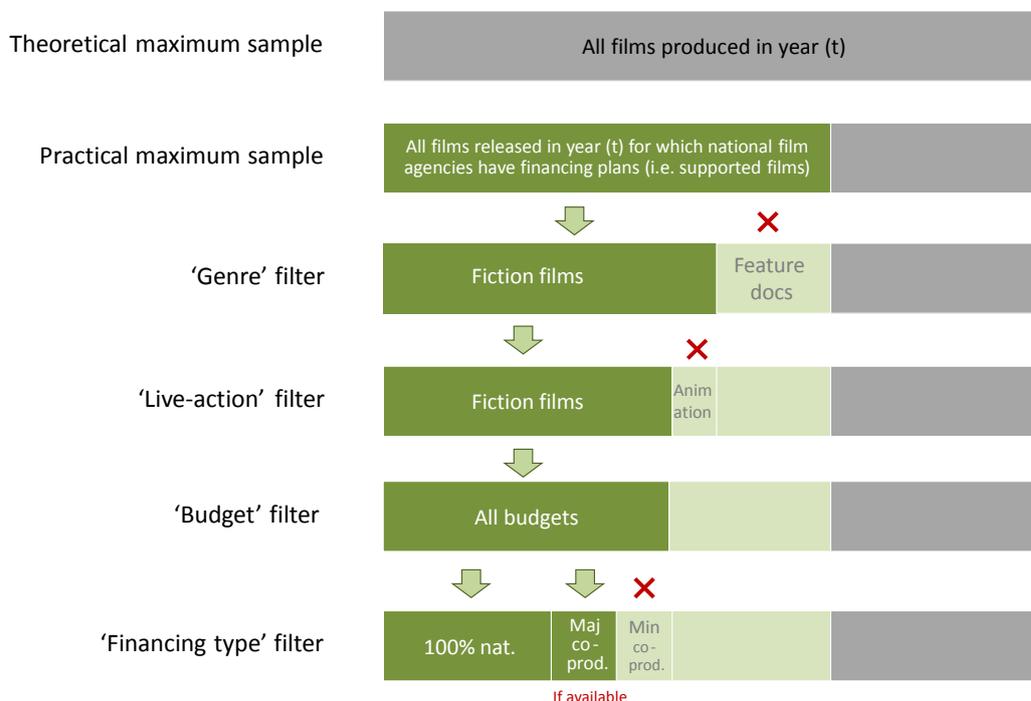
2. Data sample & Methodology

2.1. The data sample

Which films are being analysed?

This study focuses on analysing the financing plans of European 100% national, and majority-co-produced live-action fiction films theatrically released in 2016. The financing of these films is estimated to have occurred some time between 2013 and 2016. By definition, only films for which national film agencies actually do have financing plans can be included in the analysis. In most cases this applies primarily to films funded by the national film agency. This of course introduces a selection bias to the analysis which may exaggerate the importance of direct public funding in the analysis results⁷.

Figure 1. Definition of film data sample (2016)



⁷ See chapter 2.3 for further remarks on caveats with regard to the interpretation of analysis results.



- **Rationale for limitation to *films for which national agencies have financing plans readily available*:** Feasibility. Film agencies can evidently only share financing plan data available to them. In most countries this is only the case with films that receive funding by national film agencies, as the producers of such films are generally obliged to share their financing plans as part of the funding process. In selected countries, film agencies also have access to financing plans of other films thanks to other reporting obligations / practices. This is however the exception. It would go beyond the current capacity of agencies, to collect financing plan data for films where no reporting obligations exist. The data sample analysed here is hence limited to films for which national agencies have financing plan data readily available. This of course introduces a selection bias into the analysis which must be kept in mind when interpreting the analysis results.
- **Rationale for limitation to *fiction films*:** Reduction of workload. The main reason for further limiting the scope of the film sample is to reduce the extra workload for film agencies and allow them to participate in the project. There are significant differences with regard to budget requirements and financing structures between fiction films and feature documentaries. The analysis of the financing of fiction films was considered to be of greater strategic importance than the analysis of the financing of feature documentaries.
- **Rationale for limitation to *live-action films*:** Representativeness of data. The number of European live-action films by far exceeds the number of animation films, which tend to have exceptionally high budgets and therefore financing structures that differ from those of the vast majority of live-action fiction films. Including a very small number of big-budget, animation films in the data sample would reduce the representativeness of analysis results for both live-action as well as animation films, as the resulting average values would not apply to either of them.
- **Rationale for focusing on *100% national films and majority co-productions (wherever possible)*:** Representativeness of data. The Observatory estimates that one out of four European fiction films is produced as an international co-production. When addressing the question of how European fiction films are being financed it must hence be the goal to collect financing plan data on both 100% national films as well as international co-productions. In a few countries it is not possible for agencies to properly analyse the financing structure of international co-productions, as the financing plans available to them generally show “foreign minority co-production investments” only as a lump sum and do not allow for a more detailed breakdown by (foreign) financing source. Such a breakdown is however required for a meaningful analysis of financing structures. However, the vast majority of sample countries (18 out of 21) managed to allocate foreign financing sources in a sufficiently meaningful manner, so that international majority co-productions were included in the data sample, representing an important share of the European fiction film production volume. To avoid double counting films, however, the analysis cannot take into consideration minority co-productions.
- **Rationale for limitation to *films released theatrically in 2016*:** Timeliness of analysis and reliability of financing plan data. EFARN members agreed to use the ‘release year’ rather than the ‘financing year’ as the common reference year for the analysis,



for the following reasons: On the one hand, definitions of ‘financing year’ differ widely between agencies, and mixing financing plans from different years in one data set would impair our ability to analyse structural changes over time. Basing the analysis on ‘release year’, on the other hand, is not only feasible for most agencies but also provides data that can be easily interpreted, is clearly allocated to a specific year, is reliable and is comparatively timely. In those cases where data collection was not practicable on a release year basis, film agencies collected data as close to the release year as possible. The reason for introducing a two-year time lag (i.e. analysing 2016 film releases in 2018, rather than 2017 film releases) was to give agencies sufficient time to collect updated financing plans which better reflect the final financing structure of the films.

Which financing plans are used?

In some agencies, financing plan data refers to “agreement financing plans”, in others to “answer print financing plans” or “final financing plans”. For the purposes of this project, EFARN members agreed to adopt a **pragmatic approach** and base the analysis on the **latest financing plan available at the time of the data collection**, provided that it is considered “sufficiently reliable”. Practically, this means that it is up to the individual film agencies to decide which financing plan to use and to assess the robustness of the financing plan data. Most agencies expressed confidence that the introduction of a two-year time lag (i.e. the analysis of financing plans of 2016 releases in 2018) would give them enough time to collect sufficiently reliable financing plans.

How is data collected and analysed?

The Observatory sent a questionnaire to all European film agencies, asking them to return anonymous financing plans on a film-by-film basis. The data collection is based on a common methodology developed in co-operation with the EFARN and can be found in the appendix of this report. Film agencies are asked to allocate the individual positions of their “national financing plans” to the corresponding financing sources as defined in the common methodology (see appendix 8.2). This is done in order to ensure comparability of data across countries. The Observatory consequently collates the data sets, performs plausibility checks and conducts the analysis. Analysis results were reviewed by all participating agencies before being published in this report, to ensure the meaningfulness of the analysis insights and avoid misleading ‘technical results’.

2.2. Size and composition of the data sample

The Observatory contacted film agencies in 34 European countries and applied a special focus on following up on EU member states and countries fully participating in the MEDIA programme. As of November 2018, 21 countries had provided the Observatory with detailed financing plans for a total of **445 sample films**. The data sample includes 289 100% national fiction films and 156 European-led co-productions. As shown in Table 1, this represents about 54% of the estimated total number of live-action fiction films released in 2016 in the 21 sample countries. Taking into consideration the number of



fiction films released in those 13 European countries that could not share any financing plan data, the coverage rate of the data sample is **estimated at 41% of all national live-action films⁸ released in Europe in 2016.**

Table 1. Size and estimated coverage rates of data sample by country (2016)

Please note that the data sample mostly refers to films theatrically released in 2016. Only French sample films are those that received production approval in 2016. To estimate the coverage rate, the number of sample films was therefore compared to the estimated number of national live-action fiction films theatrically released in the various countries. Due to the lack of official figures on this specific sub-set of film releases in several countries, the number of first releases was partly estimated based on data from the LUMIERE database. Given the only partial LUMIERE coverage in certain countries, the actual number of fiction films released may be slightly higher than the estimated values shown below. This is particularly true for the UK.

Nr.	Country	Sample fiction films released 2016			Total fiction films released 2016 est.			Sample coverage rate (in %)		
		100% national films	Majority Co-prod.	Total sample	100% national films	Majority co-prod.	Total	100% national films	Majority co-prod.	Total
1	AT	10	4	14	13	4	17	77%	100%	82%
2	BA	0	1	1	0	1	1		100%	100%
3	BE	7	9	16	15	10	25	47%	90%	64%
4	CH	7	3	10	9	3	12	78%	100%	83%
5	CZ	13	9	22	24	17	41	54%	53%	54%
6	DE	32	20	52	82	41	123	39%	49%	42%
7	EE	7	0	7	7	2	9	100%	0%	78%
8	FI	15	3	18	15	7	22	100%	43%	82%
9	FR	110	49	159	138	72	210	80%	68%	76%
10	GB	6	4	10	38	28	66	16%	14%	15%
11	HR	5	4	9	5	4	9	100%	100%	100%
12	IE	5	8	13	5	8	13	100%	100%	100%
13	IT	24	0	24	134	19	153	18%	0%	16%
14	LT	0	2	2	8	2	10	0%	100%	20%
15	LV	1	2	3	2	2	4	50%	100%	75%
16	ME	1	1	2	1	1	2	100%	100%	100%
17	NL	21	14	35	21	14	35	100%	100%	100%
18	NO	6	11	17	6	12	18	100%	92%	94%
19	PT	3	4	7	9	4	13	33%	100%	54%
20	RO	4	3	7	8	8	16	50%	38%	44%
21	SE	12	5	17	16	6	22	75%	83%	77%
TOTAL SAMPLE		289	156	445	556	265	821	52%	59%	54%
Fiction films from countries where no data is available*					209	65	274	n/a	n/a	n/a
TOTAL - EUROPE (34 countries)					765	330	1 095	38%	47%	41%

* Estimated number of releases for Bulgaria, Cyprus, Denmark, Spain, Greece, Hungary, Iceland, Luxemburg, FYRO Macedonia, Malta, Poland, Slovenia and Slovakia.

Source: European Audiovisual Observatory / LUMIERE

⁸ In the case of int. co-productions, the coverage of the data sample is estimated to account for almost 47% of total co-productions released in Europe, while the coverage rate for 100% national fiction films is estimated to be 38%.



Table 2. Number of sample films and sample financing volume by country (2016)

Nr.	Country	100% national films		International Co-prod.		Total sample films	
		Sample films	Financing volume (in MEUR)	Sample films	Financing volume (in MEUR)	Sample films	Financing volume (in MEUR)
1	AT	10	28.8	4	13.8	14	42.6
2	BA	0	0.0	1	1.0	1	1.0
3	BE	7	7.1	9	25.4	16	32.4
4	CH	7	12.8	3	6.3	10	19.2
5	CZ	13	11.2	9	11.3	22	22.6
6	DE	32	152.8	20	87.4	52	240.1
7	EE	7	3.2	0	0.0	7	3.2
8	FI	15	19.4	3	4.6	18	24.0
9	FR	110	499.4	49	233.7	159	733.1
10	GB	6	12.1	4	19.2	10	31.3
11	HR	5	2.2	4	3.8	9	6.0
12	IE	5	3.8	8	30.1	13	33.9
13	IT	24	58.9	0	0.0	24	58.9
14	LT	0	0.0	2	1.7	2	1.7
15	LV	1	0.5	2	1.5	3	2.0
16	ME	1	0.2	1	0.4	2	0.6
17	NL	21	31.9	14	28.5	35	60.5
18	NO	6	11.2	11	39.4	17	50.6
19	PT	3	2.8	4	3.8	7	6.7
20	RO	4	2.6	3	1.9	7	4.5
21	SE	12	24.4	5	12.4	17	36.8
TOTAL SAMPLE		289	885.4	156	526.3	445	1 411.7
% share		65%	63%	35%	37%	100%	100%

Source: European Audiovisual Observatory

As illustrated in Table 2, the data sample covers a **cumulative financing volume of EUR 1.41 billion**, which breaks down into EUR 885 million for 100% national films and EUR 526 million for international co-productions.

Breakdown by market cluster

As budgets and financing structures are expected to differ among individual countries depending among other aspects on their market size, indicators are also analysed by market cluster, based on annual admission levels, and according to the following categorisation scheme:

Table 3. Definition of market clusters

Market clusters	Admissions in 2016
Small markets	< 10 million
Medium-sized markets	[10 million to 50 million[
Large markets	> 50 million

Table 4 lists all countries within the three market clusters for which sample data was available, as well as those countries for which no sample data was available.

**Table 4. Sample markets by market cluster (2016)**

Market clusters	Sample countries	Countries not included in sample
Small markets	7 countries: BA, EE, FI, HR, LT, LV, ME	8 countries: BG, CY, IS, LU, MK, MT, SI, SK
Medium-sized markets	10 countries: AT, BE, CH, CZ, IE, NL, NO, PT, RO, SE	3 countries: DK, GR, HU
Large markets	4 countries: DE, FR, GB, IT	2 countries: ES, PL

The 2016 data sample hence covers 21 out of 34 European countries (62%). Sample coverage is particularly high for medium-sized markets with 10 out of 13 such markets covered (77%), and large markets (four out of six countries), while it is somewhat lower for the small markets (seven out of 15 countries covered).

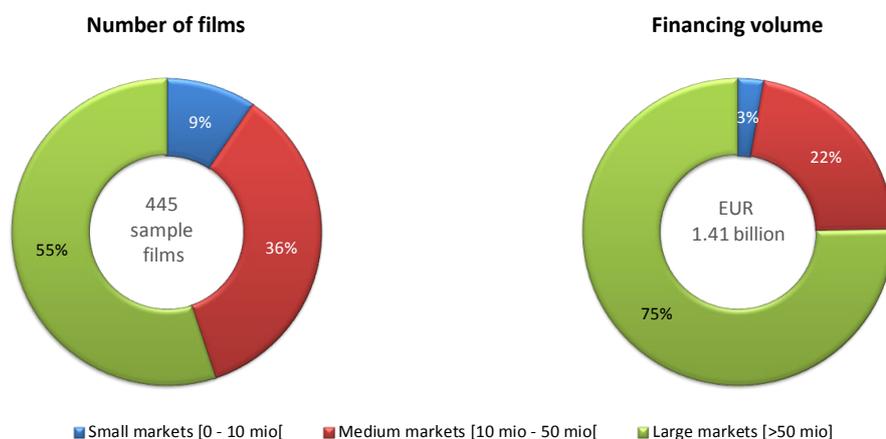
Table 5. Overview of estimated sample coverage by market cluster (2016)

Market clusters	Country coverage	Film coverage
Small markets	47%	39%
Medium-sized markets	77%	58%
Large markets	67%	34%
Total Europe	62%	41%

Coverage rates consequently also differ among market clusters. Not surprisingly coverage rates are highest for the medium-sized market cluster where it is estimated to cover 58% of the live-action fiction films released compared to an estimated coverage rate of 39% in small and 34% for large markets.

Looking at the **composition of the data sample in terms of market clusters**, large markets represent the majority of sample films. This is not surprising given their comparatively high production / release volume. Live-action fiction films originating from large European markets represent 55% of the sample films and 75% of the cumulative sample financing volume. This compares to an estimated share of large markets of 60%, when considering all European live-action fiction films released in 2016. While slightly underrepresented in terms of sample films, it is estimated that the data sample features a representative share of ‘large-market films’ with regard to the sample financing volume. In contrast, films originating from medium-sized European markets are overrepresented in terms of sample films (accounting for 36% of the sample films compared to an estimated 29% of total European live-action fiction films released in 2016). In the case of “small market films”, the data sample appears to closely reflect the share of small-market films out of the total European release volume. The data sample can thus be assumed to properly reflect the release landscape of fiction films in the various market clusters.

Figure 2. Breakdown of number and financing volume of data sample - by market size (2016)



Source: European Audiovisual Observatory

Table 6. Comparison of sample composition with European release volume (2016)

Market clusters	Share of sample films	Share of European fiction films (est.)
Small markets	9%	11%
Medium-sized markets	36%	29%
Large markets	55%	60%
Total Europe	445 films	955 films

Breakdown by budget clusters

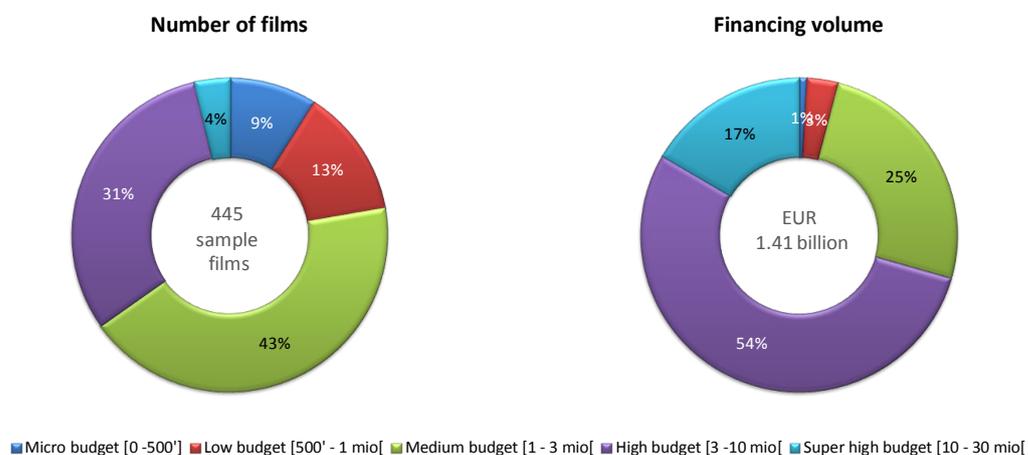
As financing structures are expected to differ between films with different budget sizes, indicators are also analysed here by budget cluster, according to the following categorisation scheme:

Table 7. Definition of budget clusters

Film budget types	Budget bandwidth in EUR
Micro-budget films	< 500'
Low-budget films	[500' to 1 million[
Medium-budget films	[1 million to 3 million[
High-budget films	[3 million to 10 million[
Super-high-budget films	[10 million to 30 million[
Blockbuster-budget films	> 30 million

To better interpret the analysis results, it is important to keep in mind the composition of the data sample in terms of budget clusters.

Figure 3. Breakdown of number and financing volume of data sample by budget size (2016)



Source: European Audiovisual Observatory

As illustrated in Figure 3, medium-budget films, i.e. films with budgets between EUR 1 million and EUR 3 million, represent the largest number of films in the data sample (43%) but they cumulatively account for only 25% of the cumulative production spend / financing volume. The largest chunk of the cumulative sample financing volume of EUR 1.41 billion (54%) was invested in high-budget films costing between EUR 3 million and EUR 10 million. High-budget films accounted for 31% of the sample films. While super-high-budget films costing more than EUR 10 million represent the smallest number of films in the data sample (4%), they account for 17% of total production spend. A total of 22% of the sample films were low- or micro-budget productions cumulatively accounting for only 4% of total production spend. Differences between the characteristics of individual budget clusters with regard to financing structures are shown in chapter 7.

Breakdown by financing type

Financing structures, too, differ between 100% national films and international co-productions. To better interpret the analysis results, it is important to bear in mind the composition of the data sample in terms of these two film financing types.

Figure 4. Breakdown of number and financing volume of data sample by financing type (2016)



Source: European Audiovisual Observatory

As shown in Figure 4, international co-productions account for 35% of the 445 sample fiction films and 37% of the cumulative sample financing volume. In comparison, international co-productions represent an estimated 30% of the total number of live-action fiction films released in 2016 in the 34 European countries contacted for this study. International co-productions are hence slightly over-represented in the data sample.

2.3. Remarks on the quality of analysis insights

This sample analysis provides data on the budget and financing structures of European fiction films which have - as far as the Observatory is aware - never been produced before. There are thus no established benchmark figures that can be used to check the accuracy of the analysis results. The Observatory and EFARN members have however undertaken a significant effort to collect data of good quality and to make it comparable across countries. Plausibility checks were performed both at the pan-European and at the country levels. The insights gained from this sample analysis may therefore be considered robust and a major step forward in the provision of reliable facts and figures on how European fiction films are being financed. It is however important to address a few caveats with regard to the interpretation of the analysis results.

Representativeness of the data sample

Probably the most important question with regard to the reliability of analysis insights concerns the **representativeness of the data sample**. Is the coverage rate of the data sample sufficient to ensure representative results in addressing the question of how European fiction films are being financed?

As mentioned above, the 445 sample films represent an estimated 54% of the fiction films released within those countries providing financing plans and 41% of the



estimated total European release volume in 2016. The analysis spans a cumulative financing volume of EUR 1.41 billion. This is – as far as the Observatory is aware - the largest data sample of financing plans for European films released in a single year available to date. While it is impossible to make a conclusive assessment about the representativeness of the data sample, the Observatory and EFARN regard the size and the quality of the data sample as sufficiently high to produce valid, unique ‘big-picture’ insights into how European fiction films released in 2016 were financed, both at the pan-European and at the market cluster level.

At the same time, Table 1 clearly shows that the coverage rates - and thus the representativeness - of data samples can differ significantly among individual countries. The data sample is clearly representative in the 12 out of 21 sample markets where it covers more than 75% of the estimated fiction film release volume in 2016. In another four sample countries, coverage rates range between 50% and 75%, again suggesting a high probability of representativeness. In two countries, however, the coverage rate is below 50% (Germany, 42%; and Romania, 44%) and in three other sample countries the data sample covers less than 21% of the country’s estimated production volume: UK (15%), Italy (16%) and Lithuania (20%).

Another issue with the representativeness of data for individual countries concerns the number of sample films in countries with a very low production output of theatrical fiction films. Even though they may cover 100% of the national films released in a single year, results for these countries are not necessarily ‘representative’ in terms of how films were financed in that country in the preceding or subsequent years. In the case of a very small number of sample films, a single film - with a possibly exceptional financing structure - heavily influences the overall breakdown of financing volume in that country in a specific year. In these cases one, can only increase the data sample by comparing film releases over a couple of years. The representativeness of the data sample can therefore not be guaranteed on a country-by-country level. However, this does not pose a problem, as the main focus of this analysis lies on the analysis of aggregate data on the European level rather than on the analysis of financing structures in individual countries.

Selection bias

In interpreting the analysis insights regarding financing structures, it is important to note that there is a systematic selection bias, as the data sample refers only to a very specific subset of films, namely fiction films, for which national film agencies have financing plans. In most cases, this limits the sample to films receiving direct public support from national film agencies. This selection bias may exaggerate the importance of public



funding, as the data sample does not include - in most countries⁹ - films produced without national public support.

While the representativeness of the data sample for fiction films receiving public national support can be assumed with high confidence, it cannot be assessed for films produced without direct public national support, due to the lack of financing plans for this control group. The financing structures of films falling into the latter category may possibly look substantially different from the forms envisaged in the results published in this report.

“French bias”

One must also keep in mind that the overall analysis results on the pan-European level and within the large market cluster are heavily influenced by the weight and characteristics of French films. On the one hand, French films represent 36% of the sample films and 52% of the cumulative financing volume in the data sample. On the other hand, the analysis reveals significant structural differences in how films are financed in France when compared to the vast majority of other European countries. This is particularly true with regard to the comparatively prominent role of broadcaster financing and the comparatively limited role of direct public funding. In order to address this bias, pan-European indicators are analysed in a two-fold manner, once for the full data sample including French films, and once for the data sample excluding French films.

“Co-production bias”

As shown in chapter 2.2, the share of international co-productions in the data sample is five percentage points higher than it is for the estimated total production volume. Pan-European analysis results may hence have a slight “co-production bias” in the sense that indicator values may in some cases be overproportionally influenced by features characteristic to international co-productions. This is however not considered to have a material impact on the representativeness of the data sample. Differences between the characteristics of international co-productions and 100% national films with regard to budget size and financing structures are shown in chapter 7. Keeping these in mind helps better interpret the analysis results based on the full data sample.

Comparability of financing plan data

Another important question concerns the comparability of the financing plans provided by the different countries, i.e. the consistent labelling and accounting of funds based on the common methodology. While the Observatory can neither verify nor guarantee that

⁹ The only exception being France, the Czech Republic, the Netherlands and Norway, where the respective national film agencies have access to financing plans for films benefitting from fiscal incentives or other regulation.



financing plan data has been allocated in a consistent manner across all agencies, the Observatory and EFARN members regard the data provided by the various agencies - based on several plausibility checks and discussions with film agencies - to be by and large comparable and of good quality.

2.4. Analysis approach and structure of the report

The data sample provides a large set of data and indicators which can be used to analyse a wide-ranging field of research angles.

The purpose of this report is to make available a wide array of data shedding light on a large number of relevant questions, in order to provide readers with the possibility to use the data according to their own needs and priorities. This is done by posing a relevant research question at the top of each page, followed by a table and / or figure shedding light on that particular question, as well as selected insights that can be drawn from the corresponding table / figure. By doing so, the Observatory fulfils its role to provide neutral facts and figures without giving particular weight to any specific research angle.

Indicators referring to the three main indicators, namely the average budget, the financing structure and the role of individual financing sources, are presented on the pan-European level (with and without French films, in order to address the “French bias”) as well as the market cluster level but not at the country level, as the representativeness of data for selected countries cannot be guaranteed. Only average sample budget data is shown on a country level as it serves to describe the characteristics of the data sample.

This analysis is complemented by two special chapters highlighting the differences between the different budget clusters as well as differences between 100% national films and international co-productions. This analysis refers only to the pan-European level, as a breakdown by market cluster offers very limited added value.



Figure 5. Overview of analysis approach

		Pan-European level	Cluster level	Country level	
1	Production budget	✓	✓	✓	
2	Financing structures	✓	✓		
3	Individual financing sources	✓	✓		+ Indicator-specific details
↓					
4	Differences b/w budget clusters	✓			
5	Differences b/w 100% and co-prod	✓			

Source: European Audiovisual Observatory





3. Analysis of average production budgets

Please note that all figures refer only to live-action fiction films.

WHAT IS THE AVERAGE BUDGET OF A EUROPEAN FICTION FILM? - PAN-EUROPEAN PERSPECTIVE

Table 8. Average budget of European sample live-action fiction films (2016)

	Nr. of sample films	Mean budget	Median budget
All sample films	445	MEUR 3.17	MEUR 2.07
All sample films excl. FR	286	MEUR 2.38	MEUR 1.67

Source: European Audiovisual Observatory

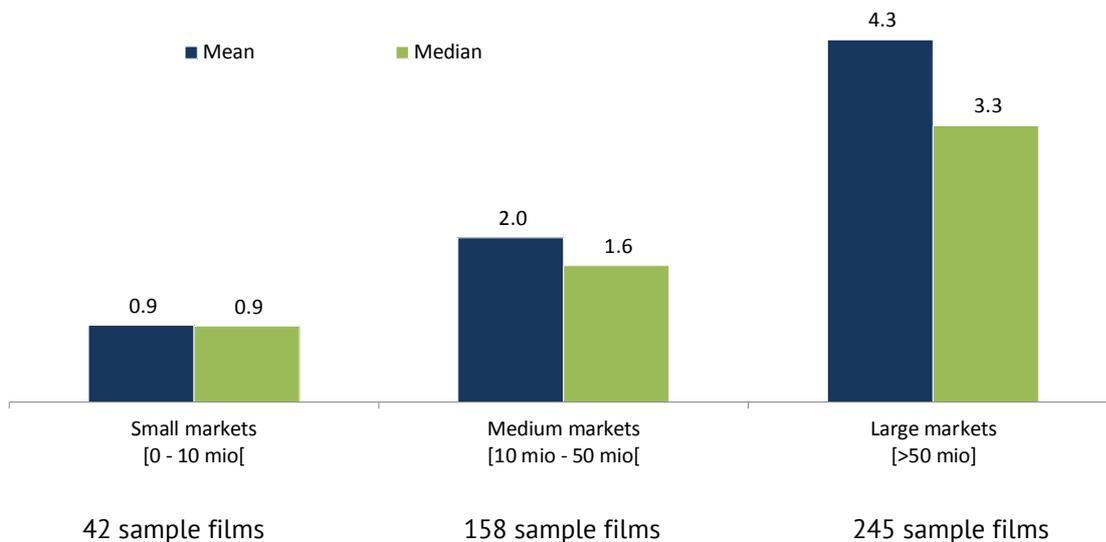
SELECTED INSIGHTS

- The data sample suggests that the mean budget of a European theatrical live-action fiction film released in 2016 amounted to EUR 3.17 million.
- The mean can of course be significantly impacted by a comparatively low number of films with very high budgets. The median budget of EUR 2.07 million hence possibly constitutes a more representative value for the majority of European films.
- Excluding French films from the analysis lowers the mean and median budget of European theatrical fiction films significantly, namely to EUR 2.38 million and EUR 1.67 million, respectively. This illustrates that French films tend to have above-average budgets compared to most other European countries.
- In this context, it is important to remember that the coverage rate of the data sample for films originating in small markets is lower than the coverage rate for medium and large markets. Given the fact that films produced in smaller markets tend to have lower budgets it can be assumed that the values indicated in Table 8 may somewhat exaggerate the average budgets for European fiction films when applied to all European films.



HOW DO AVERAGE BUDGETS DIFFER BETWEEN MARKET CLUSTERS? - MARKET CLUSTER PERSPECTIVE

Figure 6. Mean and median budgets of European fiction films by market size (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Average budgets differ widely among countries. Not surprisingly, average budgets are higher in larger markets and lower in countries with lesser box-office potential.
- The mean budget of a European fiction film originating in France, Germany, Italy or the UK¹⁰ (the large markets included in the sample) amounted to EUR 4.3 million in 2016 (EUR 3.8 million when one excludes French films) while the median budget amounted to EUR 3.3 million.
- This is more than twice as big as the average budget of a fiction film that originated in a medium-sized European market (markets with 10 to 50 million admissions per year) whose mean budget amounted to EUR 2.0 million (median budget of EUR 1.6 million).
- Again, budgets appear to be twice as low when it comes to small European markets (markets with fewer than 10 million admissions) where the mean as well as median budget amounted to EUR 0.9 million.

¹⁰ Remark: UK sample data is based on only 10 sample films which received direct production funding from the British Film Institute. The median budget for domestic UK features was EUR 343 000, EUR 2.3 million for UK co-productions, and EUR 8.5 million for UK inward investment features.



HOW DO AVERAGE BUDGETS DIFFER AMONG COUNTRIES?

Table 9. Average sample budgets of European fiction films – country ranking (2016)

Ranked by median budget. Note that these mean and median budgets represent sample averages and may differ from the official figures published by national film agencies. This is particularly true for countries where sample films represent less than 50% of the country's estimated annual production volume or where the number of film releases is very low in absolute terms.

Rank	Country	Mean budget 2016 (in MEUR)	Median budget 2016 (in MEUR)	Number of sample films 2016
Countries with a median budget > EUR 3 million				
1	DE Germany*	4.62	4.06	52
2	FR France	4.61	3.49	159
Countries with a median budget between EUR 1 million to 3 million				
3	AT Austria	3.04	2.32	14
4	NO Norway	2.98	2.26	17
5	IT Italy*	2.45	2.12	24
6	IE Ireland	2.61	2.02	13
7	BE Belgium*	2.03	1.98	16
8	GB UK*	3.13	1.96	10
9	SE Sweden	2.14	1.94	17
10	CH Switzerland	1.92	1.94	10
11	NL Netherlands	1.73	1.55	35
12	FI Finland	1.33	1.26	18
13	BA Bosnia-Herzegovina*	1.02	1.02	1
Countries with a median budget between EUR 500' and EUR 1 million				
14	PT Portugal	0.95	0.98	7
15	LT Lithuania*	0.84	0.84	2
16	CZ Czech Republic	1.03	0.83	22
17	HR Croatia	0.67	0.64	9
18	RO Romania*	0.80	0.63	7
Countries with a median budget < EUR 500'				
19	LV Latvia	0.67	0.48	3
20	EE Estonia	0.46	0.45	7
21	ME Montenegro*	0.29	0.29	2
TOTAL SAMPLE		3.17	2.07	445

* Due to either low coverage rates or a very low number of sample films, the average values are to be considered 'technical' values which describe the data sample rather than as representative values for the respective countries.

Source: European Audiovisual Observatory

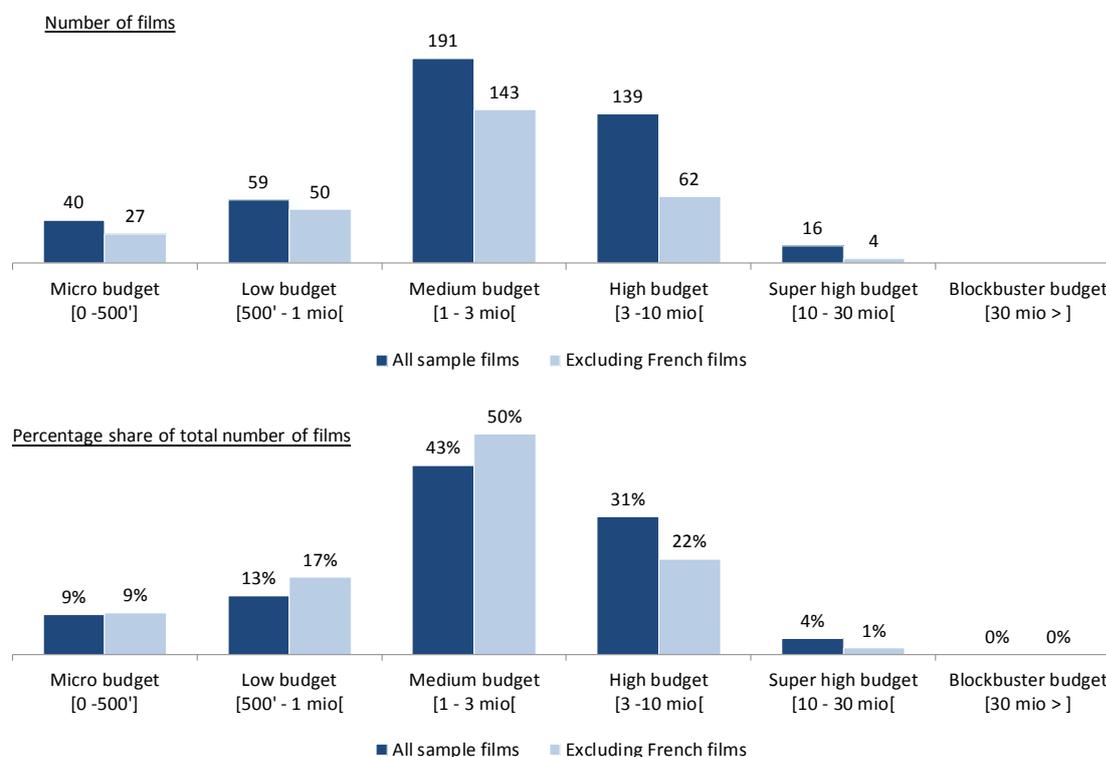
SELECTED INSIGHTS

- Among the sample markets in 2016, Germany and France stood out with median budgets of EUR 4.1 million and EUR 3.5 million, respectively, while the median budget for the sample films from the other two large sample markets, the UK and Italy, were significantly lower at EUR 2.1 million and EUR 1.96 million, respectively¹¹.
- Median budgets in medium-sized Western European markets tend to range between EUR 1 million (Finland) and EUR 2.3 million (Austria), while average budgets in Eastern European and smaller markets tend to be below EUR 1 million.

¹¹ In this context, it is important to remember that the data samples for the UK and Italy represent only 15% and 16% of the respective number of films released..

**BREAKDOWN OF THE NUMBER OF FILMS BY BUDGET RANGE**

- PAN-EUROPEAN PERSPECTIVE

Table 10. Number of sample films by budget range (2016)

Source: European Audiovisual Observatory

SELECTED INSIGHTS

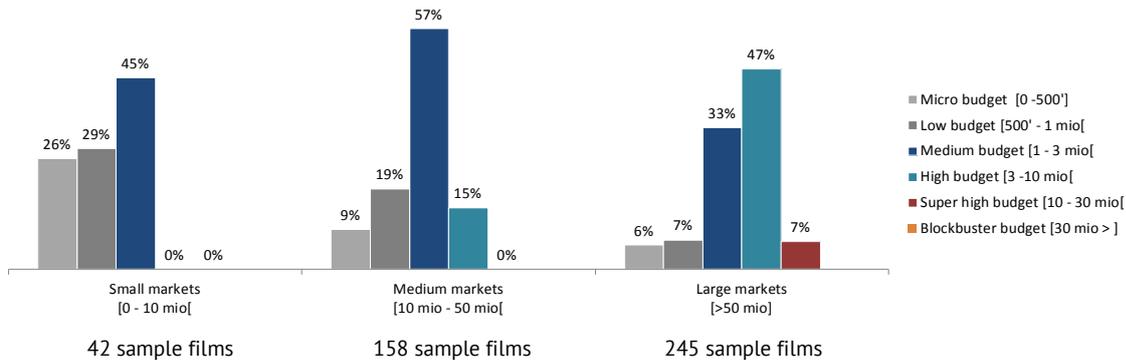
- Consistent with mean and median budgets, the largest number of films in the data sample fell into the medium-budget category, namely 191 (43%) out of 445 sample films.
- The second largest number of sample films fell into the high-budget category with budgets ranging from EUR 3 million to EUR 10 million: 139 films (31%).
- Low-budget films (with budgets ranging from EUR 500 000 to EUR 1 million and micro-budget films (with budgets below EUR 500 000) accounted for 59 and 40 films, representing 13% and 9% of the total sample films, respectively.
- Only 16 out of the 445 sample films had a budget above EUR 10 million, and none of them exceeded EUR 30 million.
- The distribution weights shift slightly when one excludes the comparatively 'expensive' French films from the analysis, with every second European fiction film falling into the medium-budget category and only 22% of films falling into the-high budget range (compared to 31% when French films are included).



BUDGET RANGE: DIFFERENCES AMONG SMALL, MEDIUM AND LARGE MARKETS? - MARKET CLUSTER PERSPECTIVE

Figure 7. Breakdown of number of sample films by budget range and market size (2016)

In % of total number of sample films released within each market cluster.



Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Not surprisingly, there are significant budget bandwidth differences among the sample films when differences between small, medium and large markets are considered. The larger the market, the larger the share of films falling into higher budget bandwidths.
- High-budget films accounted for the majority of fiction film releases in large markets (47%) while the majority of film releases in small- and medium-sized markets fell into the medium-budget category, accounting for 57% and 45% of films in these market clusters, respectively.
- Films with a budget above EUR 10 million were exclusively produced in large markets while no sample film produced in a small European market cost more than EUR 3 million.
- When one excludes French films from the analysis, the percentage share of high-budget and super-high-budget films in the large markets cluster decreases slightly from 47% to 45%, and 7% to 5%, respectively. In contrast, the share of medium-budget films increases from 33% to 40%.



COUNTRY BREAKDOWN OF THE NUMBER OF FILMS BY BUDGET RANGE?

Table 11. Number of sample films by budget range and country (2016)

Ranked by number of films within budget clusters

Country	Micro budget [0 - 500'€]	Low budget [500' - 1 mio€]	Medium budget [1 - 3 mio€]	High budget [3 - 10 mio€]	Super high budget [10 - 30 mio€]	Blockbuster budget >30 mio€	Avg. budget 2016 (in MEUR)	Median budget 2016 (in MEUR)	Nr of sample films 2016
Countries with HIGH BUDGET productions representing largest cluster of sample films									
FR	13	9	48	77	12		4.61	3.49	159
DE		1	20	27	4		4.62	4.06	52
NO	3	1	5	8			2.98	2.26	17
GB	1	2	3	4			3.13	1.96	10
Countries with MEDIUM budget productions representing the majority of films									
NL	4	2	26	3			1.73	1.55	35
FI		4	14				1.33	1.26	18
SE	1	1	13	2			2.14	1.94	17
IT		5	11	8			2.45	2.12	24
BE	3		10	3			2.03	1.98	16
AT			9	5			3.04	2.32	14
IE	1	2	8	2			2.61	2.02	13
CH		1	9				1.92	1.94	10
BA			1				1.02	1.02	1
Countries with LOW and MICRO budget productions representing the majority of films									
CZ	2	13	7				1.03	0.83	22
PT		5	2				0.95	0.98	7
HR	2	5	2				0.67	0.64	9
RO	1	5	1				0.80	0.63	7
EE	4	3					0.46	0.45	7
LV	2		1				0.67	0.48	3
LT	1		1				0.84	0.84	2
ME	2						0.29	0.29	2
TOTAL	40	59	191	139	16	0	3.17	2.07	445
%	9%	13%	43%	31%	4%	0%	-	-	100%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- There were only two countries in which productions with a budget above EUR 3 million represented the majority of sample fiction films: France, where 89 out of 159 films fell into the high- and super-high-budget categories, and Germany, with 31 out of 52 sample films.
- While high-budget films represented the category with the largest number of sample films in Norway and the UK, there were cumulatively more films released with a budget of less than EUR 3 million in both countries.
- Medium-budget films appear to account for the majority of national film releases in medium-sized Western European markets, while smaller and Eastern European markets tend to produce more low- or micro-budget films.



4. Analysis of financing structures

4.1. Breakdown of cumulative financing volume by financing sources

Reminder:

When interpreting the analysis results it is important to keep in mind the various caveats described in chapter 2.2. This is particularly true for the selection bias which may exaggerate the role of direct public funding.

HOW ARE EUROPEAN FICTION FILMS FINANCED?

- PAN-EUROPEAN PERSPECTIVE

Table 12. Breakdown of cumulative financing volume by source (2016)

Ranked by percentage share. Based on all 445 sample films.

Rank	Financing sources	Amount in MEUR	% share
1	Direct public funding	407.7	29%
2	Broadcaster investments	357.9	25%
3	Pre-sales (excl. broadcasters)	222.4	16%
4	Producer investments (excl. broadcasters)	215.7	15%
5	Fiscal incentives	144.1	10%
6	Debt financing	23.4	2%
7	Other financing sources	18.0	1%
8	Private equity cash investments	16.2	1%
9	In-kind investments	6.3	0%
	Total sample	1 411.7	100%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- In 2016, the financing of European theatrical live-action fiction films relied primarily on five financing sources: direct public funding; broadcaster investments; pre-sales; producer investments; and fiscal incentives.



- The two most important financing sources clearly were direct public funding and broadcaster investments, which accounted for 29% and 25% of total financing, respectively. Direct public funding includes public funding from national, regional and local bodies in the country of origin as well as from minority financing countries and supranational sources. Broadcaster investments combine co-production investments by broadcasters as well as pre-sales made to broadcasters based in any of the co-producing countries. Cumulatively, these two sources accounted for 54% of fiction film financing.
- Following at a distance, the second most important pair of financing sources consisted of pre-sales (excl. national broadcasting rights) and producer investments (excl. broadcasters) which accounted for 16% and 15% of total financing, respectively. While pre-sales combine national as well as international pre-sales, national pre-sales in the country of origin accounted for 91% of total pre-sales, rendering international pre-sales a negligible source of film financing (see chapter 6.3.2).
- Apart from these four main sources, only fiscal incentives stood out as a fifth relevant financing source, funding 10% of the total sample production spend in 2016. Other financing sources, including private equity, debt financing or in-kind investments were negligible from an aggregate perspective.



DETAILED FINANCING STRUCTURE

– PAN-EUROPEAN PERSPECTIVE

Table 13. Detailed breakdown of cumulative financing volume by source (2016)

Financing sources	Amount in EUR	% share
Σ PUBLIC FUNDING	407 696 307	29%
- Σ Public funding from country of origin	316 528 078	22%
- National public funding	235 357 891	17%
- Regional public funding	80 955 887	6%
- Local public funding	214 299	0%
- Σ Public funding from minority financing countries	75 259 543	5%
- National public funding	70 692 652	5%
- Regional public funding	4 242 439	0%
- Local public funding	324 451	0%
- Σ Supra-national public funding	15 711 320	1%
Σ BROADCASTER INVESTMENTS	357 926 982	25%
- Σ Broadcaster investments from country of origin	354 595 062	25%
- Co-production investments	72 981 795	5%
- Pre-sales	281 613 267	20%
- Σ Broadcaster investments from minority financing countries	3 331 920	0%
- Co-production investments	1 465 676	0%
- Pre-sales	1 866 244	0%
Σ PRE-SALES (excl. broadcasters)	222 352 727	16%
- Σ Pre-sales in country of origin	201 342 547	14%
- Outright sales	29 743 396	2%
- Minimum guarantees	171 599 151	12%
- Σ Pre-sales in minority financing countries	12 326 235	1%
- Outright sales	12 326 235	1%
- Minimum guarantees	6 988 377	0%
Σ PRODUCER INVESTMENTS (excl. broadcasters)	215 683 604	15%
- Σ Producer investments from country of origin	159 700 817	11%
- Σ Independent production companies	156 707 439	11%
- Σ VOD	849 839	0%
- Σ Other	1 932 894	0%
- Σ Producer investments from minority financing countries	57 448 463	4%
- Σ Independent production companies	52 783 658	4%
- Σ VOD		0%
- Σ Other	3 199 130	0%
Σ FISCAL INCENTIVES	144 138 505	10%
- Σ Fiscal incentives from country of origin	135 584 286	10%
- Σ Fiscal incentives from minority financing countries	8 554 218	1%
Σ DEBT FINANCING	23 425 639	2%
Σ OTHER FINANCING SOURCES	17 999 964	1%
Σ PRIVATE EQUITY CASH INVESTMENTS	16 216 135	1%
Σ IN-KIND INVESTMENTS	6 283 113	0%
Σ FINANCING VOLUME	1 411 722 976	100%

Source: European Audiovisual Observatory

**HOW ARE EUROPEAN FICTION FILMS FINANCED?****- PAN-EUROPEAN PERSPECTIVE EXCLUDING FRENCH FILMS****Table 14. Breakdown of cumulative financing volume by source – excluding French films (2016)**

Ranked by percentage share. Based on 289 sample films, i.e. full data sample excluding French films.

Rank	Financing sources	Amount in MEUR	% share
1	Direct public funding	276.9	41%
2	Pre-sales (excl. broadcasters)	109.7	16%
3	Producer investments (excl. broadcasters)	100.4	15%
4	Broadcaster investments	75.5	11%
5	Fiscal incentives	52.1	8%
6	Debt financing	23.4	3%
7	Other financing sources	18.0	3%
8	Private equity cash investments	16.2	2%
9	In-kind investments	6.3	1%
	Total sample	678.6	100%

*Source: European Audiovisual Observatory***SELECTED INSIGHTS**

- The exclusion of French films from the sample analysis produces significantly different results and illustrates the “French bias” which is introduced to the full sample analysis because of significant structural differences in financing structures in France on the one hand, and the large number of French films - representing 36% of films and 52% of the cumulative financing volume in the data sample, respectively - on the other.
- Leaving French films aside, direct public funding clearly emerges as the runaway single most important financing source of European fiction films, accounting for 41% of the cumulative financing volume.¹²
- Following at a distance, pre-sales (excl. national broadcasters) represents the second most important financing source with a funding share of 16%, closely followed by producer investments (15%).
- Broadcaster investments cumulatively contributed only 11% to fiction film productions outside France, illustrating the exceptional importance of broadcaster financing in France.

¹² The percentage share of direct public funding may however be exaggerated due to the selection bias.



- Omitting France, fiscal incentives played a slightly less pronounced role in film financing, accounting for 8% (compared to 10% when France is included) of cumulative production spend in the other 20 sample markets.

DETAILED FINANCING STRUCTURE

– PAN-EUROPEAN PERSPECTIVE EXCLUDING FRENCH FILMS

Table 15. Detailed breakdown of cumulative financing volume by source – excluding French films (2016)

Financing sources	Amount in EUR	% share
Σ PUBLIC FUNDING	276 935 508	41%
- Σ Public funding from country of origin	240 122 216	35%
- National public funding	174 110 099	26%
- Regional public funding	65 797 817	10%
- Local public funding	214 299	0%
- Σ Public funding from minority financing countries	23 470 684	3%
- National public funding	18 903 793	3%
- Regional public funding	4 242 439	1%
- Local public funding	324 451	0%
- Σ Supra-national public funding	13 145 242	2%
Σ BROADCASTER INVESTMENTS	75 538 579	11%
- Σ Broadcaster investments from country of origin	72 206 659	11%
- Co-production investments	36 279 295	5%
- Pre-sales	35 927 363	5%
- Σ Broadcaster investments from minority financing countries	3 331 920	0%
- Co-production investments	1 465 676	0%
- Pre-sales	1 866 244	0%
Σ PRE-SALES (excl. broadcasters)	109 723 752	16%
- Σ Pre-sales in country of origin	93 939 605	14%
- Outright sales	29 743 396	4%
- Minimum guarantees	64 196 209	9%
- Σ Pre-sales in minority financing countries	7 100 202	1%
- Outright sales	7 100 202	1%
- Minimum guarantees	1 762 344	0%
Σ PRODUCER INVESTMENTS (excl. broadcasters)	100 402 195	15%
- Σ Producer investments from country of origin	66 195 558	10%
- Σ Independent production companies	63 202 181	9%
- Σ VOD	849 839	0%
- Σ Other	1 932 894	0%
- Σ Producer investments from minority financing countries	35 672 313	5%
- Σ Independent production companies	31 007 507	5%
- Σ VOD		0%
- Σ Other	3 199 130	0%
Σ FISCAL INCENTIVES	52 085 145	8%
- Σ Fiscal incentives from country of origin	43 530 926	6%
- Σ Fiscal incentives from minority financing countries	8 554 218	1%
Σ DEBT FINANCING	23 425 639	3%
Σ OTHER FINANCING SOURCES	17 999 964	3%
Σ PRIVATE EQUITY CASH INVESTMENTS	16 216 135	2%
Σ IN-KIND INVESTMENTS	6 283 113	1%
Σ FINANCING VOLUME	678 610 030	100%

Source: European Audiovisual Observatory



HOW DO FINANCING STRUCTURES DIFFER AMONG MARKET SIZES?

- MARKET CLUSTER PERSPECTIVE

Table 16. Breakdown of cumulative financing volume by source - by market size (2016)

ALL EUROPE	Small markets [0 - 10 mio[	Medium markets [10 mio - 50 mio[	Large markets [>50 mio]	Total sample
Direct public funding	58%	43%	24%	29%
Broadcaster investments	12%	11%	30%	25%
Pre-sales (excl. broadcasters)	8%	11%	17%	16%
Producer investments (excl. broadcasters)	8%	14%	16%	15%
Fiscal incentives	0%	11%	10%	10%
Debt financing	1%	2%	2%	2%
Other financing sources	8%	4%	0%	1%
Private equity cash investments	0%	2%	1%	1%
In-kind investments	3%	2%	0%	0%
Total financing volume	38.5	309.8	1 063.4	1 411.7
Number of sample films	42	158	245	445

EXCLUDING FRENCH FILMS	Small markets [0 - 10 mio[	Medium markets [10 mio - 50 mio[	Large markets [>50 mio]	Total sample
Direct public funding	58%	43%	37%	41%
Pre-sales (excl. broadcasters)	8%	11%	22%	16%
Producer investments (excl. broadcasters)	8%	14%	17%	15%
Broadcaster investments	12%	11%	11%	11%
Fiscal incentives	0%	11%	5%	8%
Debt financing	1%	2%	5%	3%
Other financing sources	8%	4%	1%	3%
Private equity cash investments	0%	2%	3%	2%
In-kind investments	3%	2%	0%	1%
Total financing volume	38.5	309.8	330.3	678.6
Number of sample films	42	158	86	286

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- There appear to be significant structural differences among countries when it comes to how fiction films are financed, and some of these differences are apparently linked to market size. The two most obvious differences concern public funding and pre-sales.
- The data clearly suggests that the weight of direct public funding in film financing decreases with increasing market size or, phrased differently, the smaller the market, the more important is direct public funding. While accounting for only 24% of total financing in the four large sample markets, public funding accounted for 43% in medium-sized and 58% in small sample markets.
- In contrast, the importance of pre-sales (other than those to broadcasters) as a financing source increases with market size. Pre-sales tend to be most important in large markets where they accounted for 17% (all films) or 22% (excl. French films) of total financing, respectively. This rendered them the third and second most important financing source in large markets, respectively, whereas pre-sales contributed 'only' 11% to film financing in medium-sized markets and 8% in small sample markets, giving it rank 5.



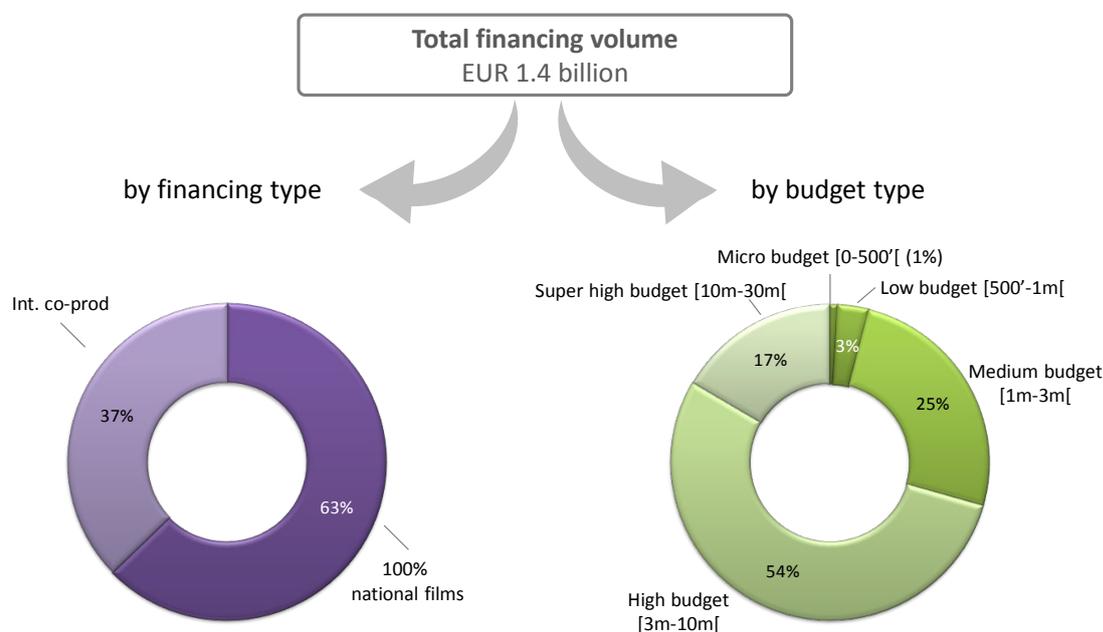
- Also, film productions in medium-sized markets appear to rely proportionally more on fiscal incentives, which were not available to films produced in the small sample markets. The latter were hence relying, apart from direct public funding, on a more diverse financing mix than films in medium-sized and large markets.

4.2. Distribution of film financing by film type

HOW IS FILM FINANCING ALLOCATED AMONG FILM TYPES?

- PAN-EUROPEAN PERSPECTIVE

Figure 8. Breakdown of cumulative fiction film financing by film type (2016)



Source: European Audiovisual Observatory

Figure 9. Allocation of financing funds by film types – top 5 film types (2016)

Rank	Budget type	Financing type	Amount in MEUR	% share of total financing
1	High budget [3 -10 mio[	100% national	466.3	33%
2	High budget [3 -10 mio[	Int. co-production	296.4	21%
3	Medium budget [1 - 3 mio[	100% national	217.9	15%
4	Super high budget [10 - 30 mio[	100% national	160.4	11%
5	Medium budget [1 - 3 mio[	Int. co-production	141.2	10%
Other	-	-	129.5	9%
Total			1 411.7	100%

Source: European Audiovisual Observatory



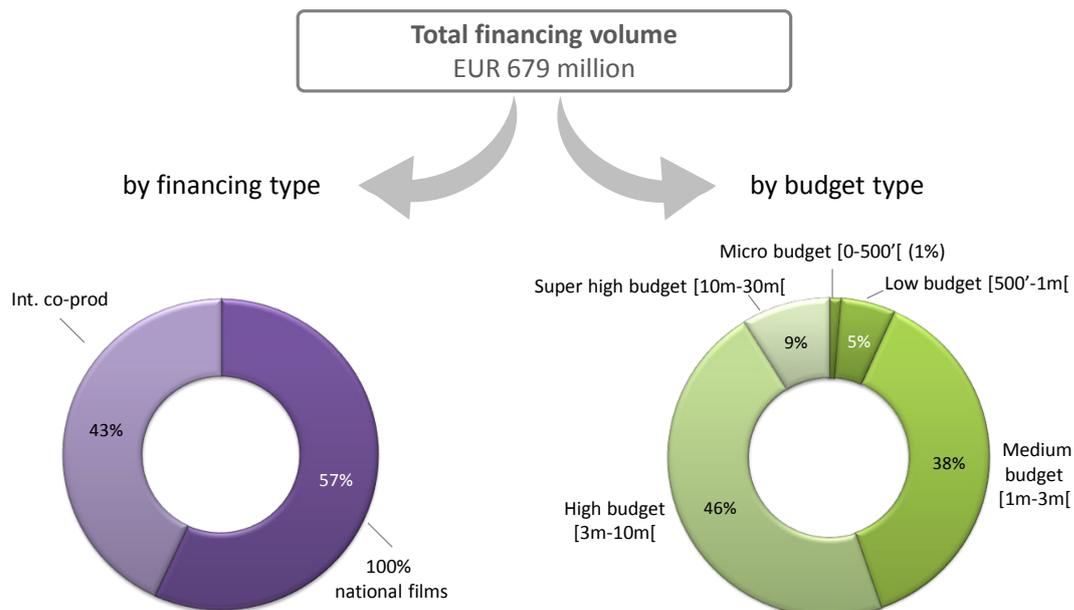
SELECTED INSIGHTS

- Accounting for 65 % of the sample films, 100% national films captured 63% of the total sample financing volume, while international co-productions accounted for 35% of the sample films and 37% of the cumulative financing funds.
- Breaking cumulative financing volume down by film budget cluster shows that by far the largest share of financing went to the production of high-budget films (54%), followed by medium-budget films (25%) and super-high-budget films (17%).
- Crossing financing and budget types, one can for example observe that the largest chunk of funds (33%) went to financing the production of high-budget, 100% national films, followed by high-budget co-productions, which captured 21% of the cumulative financing funds.

HOW IS FILM FINANCING ALLOCATED AMONG FILM TYPES?

- PAN-EUROPEAN PERSPECTIVE EXCLUDING FRENCH FILMS

Figure 10. Breakdown of cumulative fiction film financing by film type (2016)



Source: European Audiovisual Observatory

**Figure 11. Allocation of financing funds by film type – top 5 film types (2016)**

Rank	Budget type	Financing type	Amount in MEUR	% share of total financing
1	High budget [3 -10 mio[	100% national	166.7	25%
2	Medium budget [1 - 3 mio[	100% national	151.9	22%
3	High budget [3 -10 mio[	Int. co-production	148.6	22%
4	Medium budget [1 - 3 mio[	Int. co-production	105.8	16%
5	Super high budget [10 - 30 mio[	100% national	33.9	5%
Other	-	-	71.8	11%
Total			678.6	100%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Excluding French films, 100% national films captured 57% of the total sample financing volume while accounting for 63% of the sample films. Co-productions accounted for 43% of the cumulative financing funds and 37% of the sample films.
- In terms of distribution of financing funds by budget types, high-budget films again took the largest share (46%), but the share of medium-budget films increased from 25% to 38%, while the share of super-high-budget films dropped from 17% to 9%.
- Crossing financing and budget types, one can for example observe that the largest chunk of funds (25%) went to financing the production of high-budget 100% national films, followed by medium-budget 100% national films and high-budget international co-productions - both of which attracted 22% of the cumulative financing funds.





5. A closer look at individual financing sources

5.1. Direct public funding

5.1.1. Importance of direct public funding as a financing source

Methodological remarks:

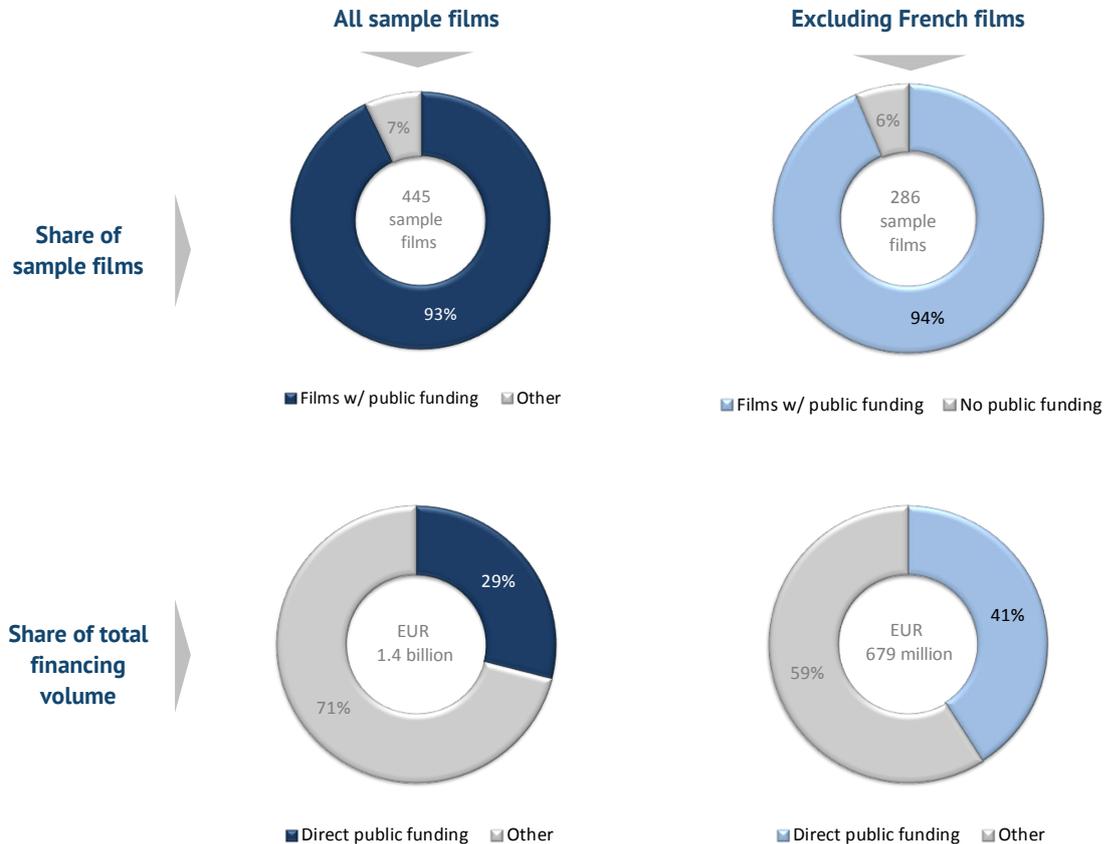
Please note that direct public funding refers only to production support granted by national, regional or local film funding bodies but does not include other forms of public money, such as production / fiscal incentives - which are treated as a separate financing source for reasons of transparency. It includes national, regional and local direct public funding from agencies within the country of origin, as well as from agencies in minority financing countries. See appendix 8.2 for detailed definitions.

In interpreting the analysis insights regarding financing structures one must bear in mind that the significance of direct public funding may be exaggerated due to the inherent selection bias as a result of the exclusion - in most countries - of films produced without national public support.



HOW IMPORTANT IS DIRECT PUBLIC FUNDING ACROSS EUROPE? - PAN-EUROPEAN PERSPECTIVE

Figure 12. Share of direct public funding in financing European fiction films (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Reminder: The selection bias of the data sample may result in an exaggeration of the importance of direct public funding as a financing source for films.
- A total of 93% of the sample films (94% when excluding French films) was partly financed by direct public support. This high share may suggest either that almost all European theatrical fiction films have access to direct public funding, or – looking at it from the other side – that only few films make it to production without direct public funding.
- Public funding contributed EUR 408 million to the cumulative production spend of EUR 1.41 billion, representing 29% of the total cumulative funding volume of the data sample. It was therefore the single most important financing source of European fiction films in 2016. Excluding French films, the share of direct public funding increases to 41%, accounting for EUR 277 million out of a total EUR 679 million.



HOW IMPORTANT IS DIRECT PUBLIC FUNDING IN MARKETS OF DIFFERENT SIZES? - MARKET CLUSTER PERSPECTIVE

Table 17. Direct public funding – differences among market clusters (2016)

All sample films	Total sample films	Films with public funding	% share films with public funding	Total financing volume (in MEUR)	Total public funding (in MEUR)	% share public funding
Small market [0 - 10 mio[	42	42	100%	38.5	22.4	58%
Medium market [10 mio - 50 mio[	158	141	89%	309.8	133.7	43%
Large market [>50 mio]	245	231	94%	1 063.4	251.6	24%
TOTAL	445	414	93%	1 411.7	407.7	29%

Excluding French films	Total sample films	Films with public funding	% share films with public funding	Total financing volume (in MEUR)	Total public funding (in MEUR)	% share public funding
Small market [0 - 10 mio[	42	42	100%	38.5	22.4	58%
Medium market [10 mio - 50 mio[	158	141	89%	309.8	133.7	43%
Large market [>50 mio]	86	85	99%	330.3	120.8	37%
TOTAL	286	268	94%	678.6	276.9	41%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Analysis of direct public funding by market cluster, based on admissions volume, clearly reveals that the importance of direct public funding as a financing source for European fiction films is closely linked to the market size of the country of origin - which typically is the film's primary exploitation market.
- The data sample shows that the weight of direct public funding in film financing increases with declining market size or, phrased differently, the smaller the market, the more important is direct public funding.
- While accounting for only 24% of total financing in the four large sample markets (37% excluding French films), direct public funding accounted for 45% in medium-sized markets and 58% in small sample markets.
- Access to direct public funding does not seem to differ significantly across market clusters, with nine out of 10 films in medium and large markets receiving some form of direct public funding. In contrast, all sample films from small markets received direct public funding, but this is most likely due to the selection bias, as data from small markets was only available for those films that received direct public funding from national film agencies in the respective countries.

5.1.2. Forms and national origin of direct public funding

BREAKDOWN OF DIRECT PUBLIC FUNDING BY GEOGRAPHICAL LEVEL - PAN-EUROPEAN PERSPECTIVE

Table 18. Direct public funding by geographical level (2016)

Please note: This table shows a breakdown of direct public funding granted to sample films both in the main country of origin as well as in minority co-producing /-financing countries, by the geographical level on which it has been granted, i.e. the amounts granted by national, regional and local funding bodies.

Geographical level	Nr. of films	% share of total	% share of public funding	Amounts in MEUR	% share of total	% share of public funding
National public funding	409	92%	99%	306.1	22%	75%
Regional public funding	193	43%	47%	85.2	6%	21%
Local public funding (0%)	15	3%	4%	0.5	0%	0%
Supranational public funding	94	21%	23%	15.9	1%	4%
Total public funding	414	93%	100%	407.7	29%	100%
Total sample films	445	100%		1 411.7	100%	

Source: European Audiovisual Observatory

Figure 13. Breakdown of cumulative funds from direct public funding by geographical level (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Reminder: The selection bias of the data sample, which includes – for reasons of data availability – primarily films receiving funding from national film agencies, may result in an exaggeration of the importance of public funding provided by national film agencies, as it does not cover for example films which received only regional public funding.
- National film agencies clearly were the most significant providers of direct public funding for the films in the data sample, accounting for 75% of cumulative public funding, followed by regional public funding (21%). Local funding was negligible while supranational public funding contributed 4% to the total sample financing volume.



- Nine out of 10 sample films received funding from a national film agency, while less than half of the sample films (45%) received regional public funding. A total of 22% obtained supranational funding and only 3% had local public funding in their financing mix.

BREAKDOWN OF DIRECT PUBLIC FUNDING BY NATIONAL ORIGIN

- PAN-EUROPEAN PERSPECTIVE

Table 19. Direct public funding by national origin (2016)

Please note: This table shows a breakdown of direct public funding by national origin of the funds, i.e. the amounts granted by funding bodies (at all geographical levels) located in the main country of origin, the amounts granted by foreign funding bodies (located in minority co-producing /-financing countries), as well as the amounts granted by supranational bodies like Eurimages.

National origin	Nr. of films	% share of total	% share of public funding	Amounts in MEUR	% share of total	% share of public funding
National funding bodies	0	0%	0%	316.5	22%	78%
Foreign funding bodies	0	0%	0%	75.3	5%	18%
Supranational funding bodies	94	21%	23%	15.9	1%	4%
Total public funding	414	93%	100%	407.7	29%	100%
Total sample films	445	100%		1 411.7	100%	

Source: European Audiovisual Observatory

Figure 14. Breakdown of cumulative public funding by national origin (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

- The vast majority of direct public funding was raised within the main country of origin: 78% of cumulative direct public funding was provided by funding agencies within the main country of origin, while 18% of direct public funding was provided by funding agencies within minority financing countries. Supranational funding agencies contributed 4% to the cumulative direct public funding volume granted to the production of European fiction films in the data sample.
- Almost all (98%) of the sample films received funding from a film agency in the main country of origin, while only 29% received public funding provided by funding bodies



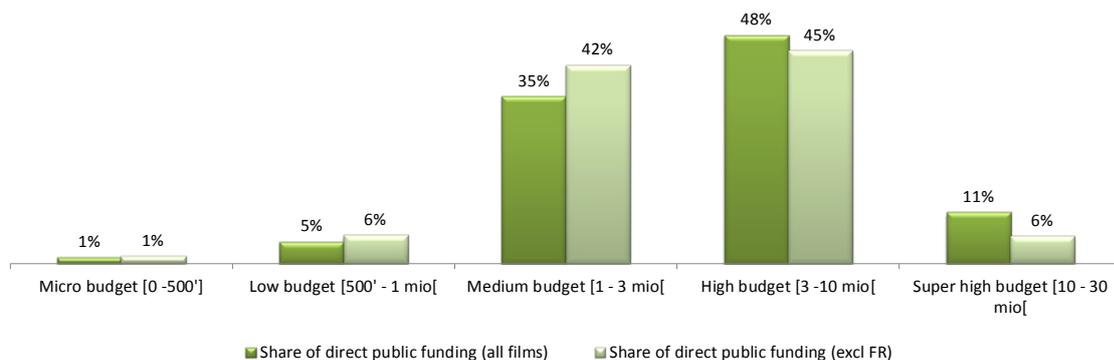
located in a minority co-producing / -financing country, and only 4% of the sample films were partly financed by supranational public funding.

- Of course, the share of national and foreign direct public funding differs significantly between 100% national films, which obtain public funding primarily from national agencies, and international co-productions, which obtain a much more significant share of their public funding from foreign film bodies (see chapter 8.2).

5.1.3. Distribution of direct public funding by film type

HOW IS DIRECT PUBLIC FUNDING DISTRIBUTED AMONG BUDGET CLUSTERS? - PAN-EUROPEAN PERSPECTIVE

Figure 15. Distribution of direct public funding across film budget types (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

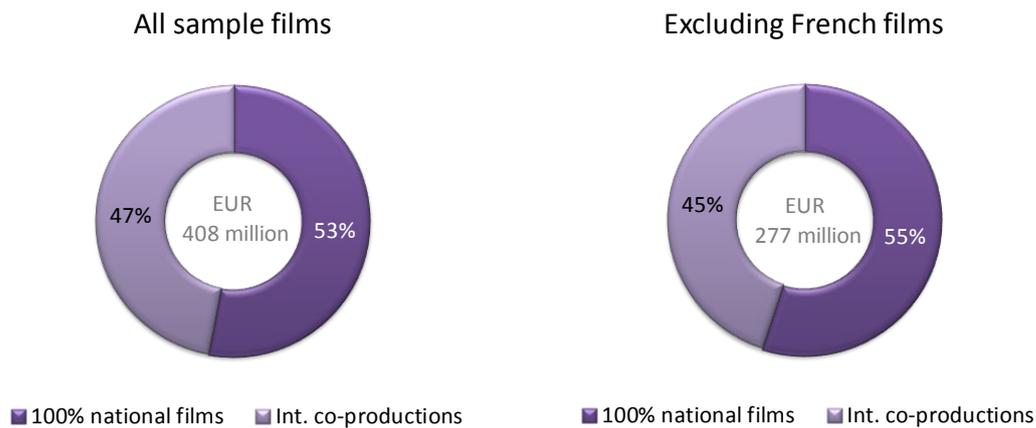
- High budget films - which accounted for 32% of the sample films (22% excluding French films) - captured the largest share of direct public funding, accounting for 48% of total direct public funding of EUR 408 million (45% excluding French films).
- Medium-budget films - which accounted for 42% of the sample films (49% excluding French films) - obtained the second largest slice of direct public funding, accounting for 35% of total direct public funding (42% excluding French films).
- By far the biggest portion of direct public funding was thus dedicated to high- and medium-budget films: 83% of total direct public funding in the case of the full data sample; and 87% excluding French films.



HOW IS DIRECT PUBLIC FUNDING DISTRIBUTED BETWEEN 100% NATIONAL FILMS AND INTERNATIONAL CO-PRODUCTIONS?

- PAN-EUROPEAN PERSPECTIVE

Figure 16. Distribution of direct public funding between 100% national films and international co-productions (2016)



Source: European Audiovisual Observatory

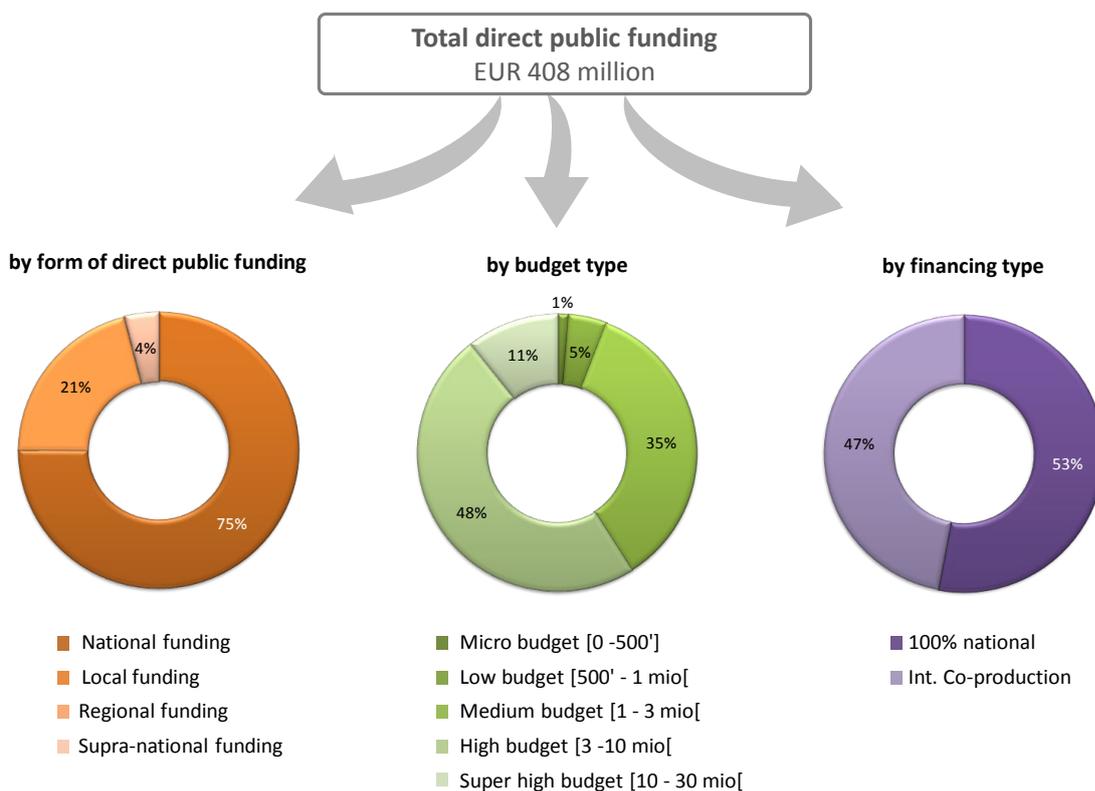
SELECTED INSIGHTS

- International co-productions received proportionally more direct public funding than 100% national fiction films, which resulted in a comparatively even distribution of cumulative direct public funding across these two film types.
- Films that were 100% national accounted for 65% of the sample films, but only 53% of cumulative direct public funding was allocated to them. By contrast, international co-productions accounted for 35% of the sample films and 47% of total direct public funding.
- With regard to the proportional distribution of direct public funding across 100% national films and international co-productions, there does not appear to be a structural difference between France and the other European markets, as the split is comparable even when excluding French films from the analysis: 55% of direct public funding went to the production of 100% national films, and 45% went to international co-productions.



AT A GLANCE: HOW IS DIRECT PUBLIC FUNDING DISTRIBUTED ?
- PAN-EUROPEAN PERSPECTIVE

Figure 17. Breakdown of cumulative direct public funding by funding form, budget and financing type of films (2016)



Source: European Audiovisual Observatory

Table 20. Ranking of direct public funding – top 5 forms / film types (2016)

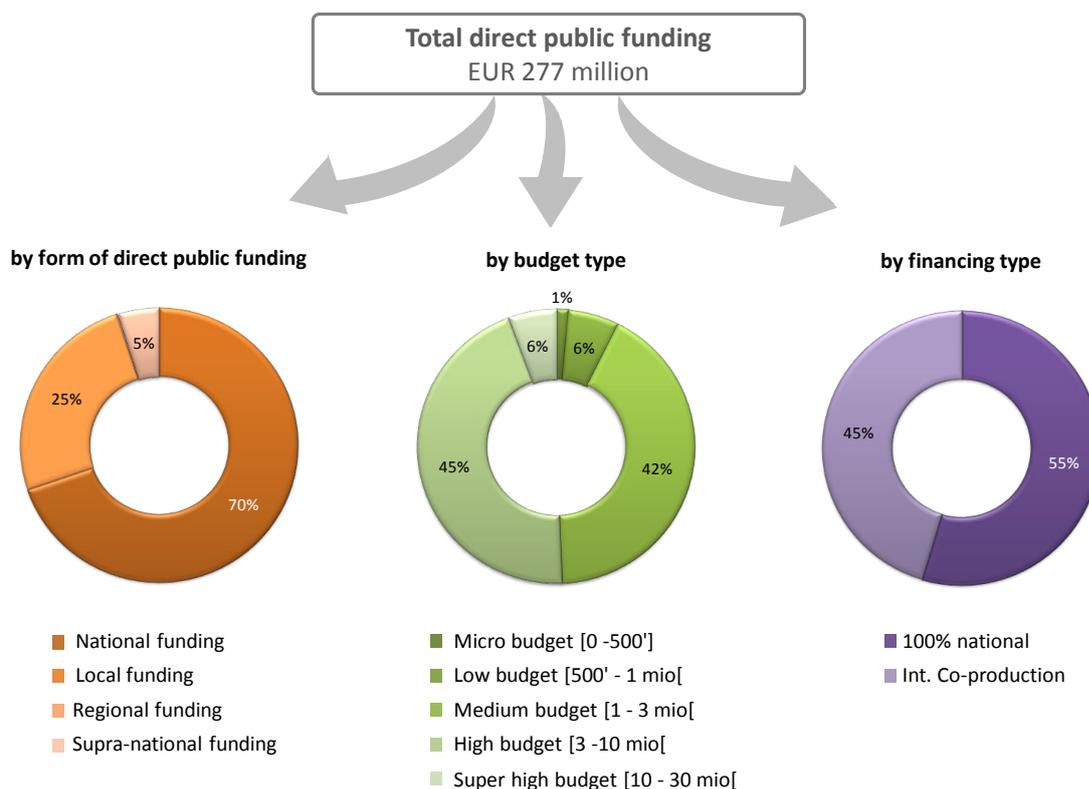
Rank	Form of direct public funding	Budget type	Financing type	Amount in MEUR	% share
1	National public funding	High budget [3 -10 mio[	Int. co-production	79.1	18%
2	National public funding	High budget [3 -10 mio[	100% national	62.3	16%
3	National public funding	Medium budget [1 - 3 mio[	100% national	60.4	16%
4	National public funding	Medium budget [1 - 3 mio[	Int. co-production	47.2	8%
5	Regional public funding	High budget [3 -10 mio[	100% national	31.2	5%
Other	-	-	-	127.5	36%
Total direct public funding				407.7	100%

Source: European Audiovisual Observatory



AT A GLANCE: HOW IS DIRECT PUBLIC FUNDING DISTRIBUTED?
 – EXCLUDING FRENCH FILMS

Figure 18. Breakdown of cumulative direct public funding by funding form, budget and financing type of films - excluding French films (2016)



Source: European Audiovisual Observatory

Table 21. Ranking of direct public funding – top 5 forms / film types excluding French films (2016)

Rank	Form of direct public funding	Budget type	Financing type	Amount in MEUR	% share
1	National public funding	Medium budget [1 - 3 mio[	100% national	49.4	18%
2	National public funding	High budget [3 -10 mio[	Int. co-production	41.7	15%
3	National public funding	High budget [3 -10 mio[	Int. co-production	38.0	14%
4	National public funding	Medium budget [1 - 3 mio[	Int. co-production	36.5	13%
5	Regional public funding	High budget [3 -10 mio[	100% national	24.0	9%
Other	-	-	-	87.3	32%
Total direct public funding				276.9	100%

Source: European Audiovisual Observatory



5.2. Broadcaster investments

5.2.1. Importance of broadcaster investments as a financing source

Methodological remarks:

Please note that “broadcaster investments” refer to the cumulative amount of two different types of broadcaster investments: pre-sales to broadcasters as well as direct producer equity cash investments undertaken by broadcasters both in the main country of origin as well as in minority co-producing/-financing countries. Combining these two forms of broadcaster investments aims to address the role of broadcasters in financing European fiction films which was regarded as an important research angle.

Pre-sales (for financing purposes) are defined as a sale of distribution rights (licence to distribute) that takes place at any time prior to the completion of a film production. To be considered as financing funds, receipts from pre-sales have to go into the production account in order to be used to finance the production, rather than into the collection account.

Producers’ equity cash investments (own investment) are defined as cash invested by producers¹³ in the production of the film, giving them an equity share in the film, i.e. (partial) ownership of the negative and copyrights linked to the film. This excludes, for instance, payments made by broadcasters in exchange for TV rights; in-kind investments (“facilities for equity”) for example by equipment rental companies, studios or post-production houses as well as deferrals or loans made by producers. Producers’ equity generally comes last in the recoupment schedule.

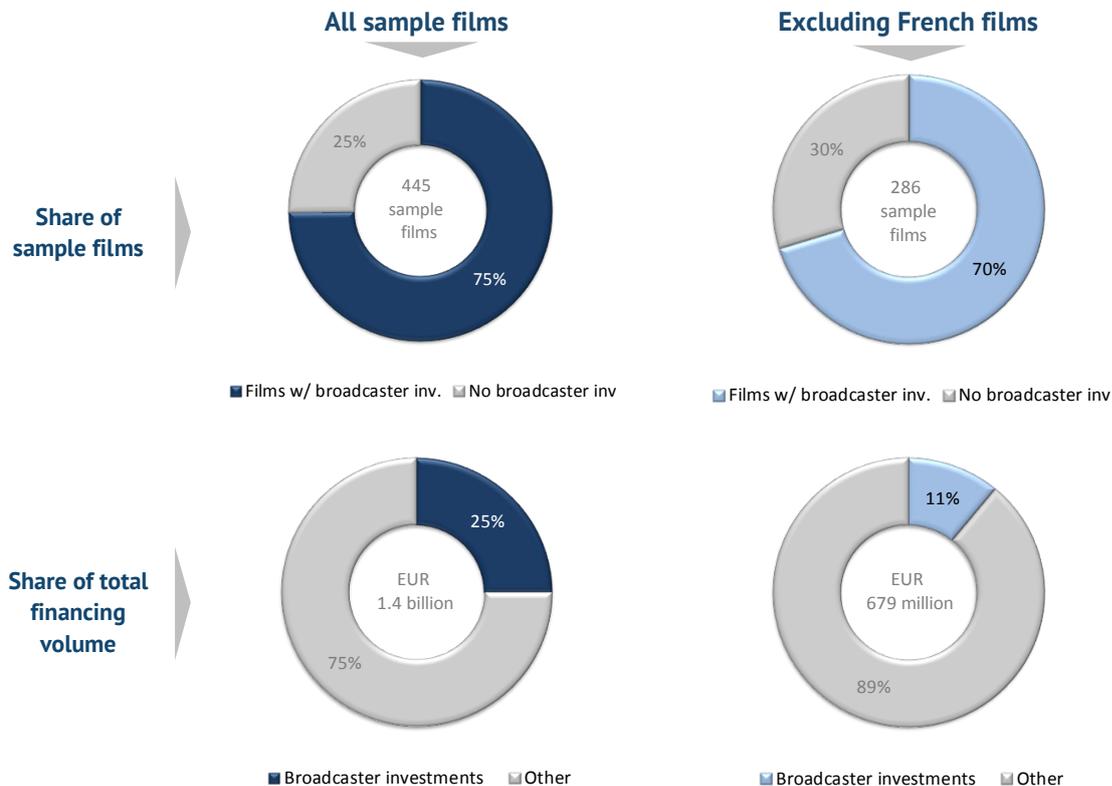
See appendix 8.2 for detailed definitions.

¹³ All persons, either corporate or individual, responsible for developing, packaging and making the film. Producers ultimately own and control the copyright in the finished product. This includes both the lead producer as well as co-producers but excludes production service companies, which are only engaged by the production company to make the film on its behalf but do not invest their own equity.



HOW IMPORTANT ARE BROADCASTER INVESTMENTS? - PAN-EUROPEAN PERSPECTIVE

Figure 19. Share of broadcaster investments in financing European fiction films (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Three out of four sample films were partly financed by broadcaster investments, either pre-sales or direct producer investments. The sample analysis indicates that the vast majority of European fiction films (70% to 75% in our sample) are produced with broadcaster investments. Put differently, only one in four theatrical fiction sample films was produced without broadcaster financing.
- In total, broadcasters contributed EUR 358 million to the cumulative production spend of EUR 1.41 billion, representing 25% of the total cumulative sample financing volume. Broadcasters represented the second most important financing source of theatrical fiction films on a pan-European level.
- However, broadcaster financing is much more significant in France than it is in most other European countries. Excluding French films from the analysis fundamentally changes the results: Instead of being the second most important funding source, broadcaster investments contributed only 11% (EUR 76 million) to the cumulative total financing volume (EUR 679 million), rendering it only the fourth largest



financing source of European fiction films, when France is excluded from the equation.

HOW IMPORTANT ARE BROADCASTER INVESTMENTS AMONG MARKET CLUSTERS?
- MARKET CLUSTER PERSPECTIVE

Table 22. Broadcaster investments – differences among market clusters (2016)

All sample films	Total sample films	Films with broadcaster inv.	% share films with broadcaster inv.	Total financing volume (in MEUR)	Total broadcaster inv. (in MEUR)	% share broadcaster inv.
Small markets [0 - 10 mio[	42	34	81%	38.5	4.7	12%
Medium markets [10 mio - 50 mio[	158	119	75%	309.8	35.0	11%
Large markets [>50 mio]	245	180	73%	1 063.4	318.2	30%
Total broadcaster investments	445	333	75%	1 411.7	357.9	25%

Excluding French films	Total sample films	Films with broadcaster inv.	% share films with broadcaster inv.	Total financing volume (in MEUR)	Total broadcaster inv. (in MEUR)	% share broadcaster inv.
Small market [0 - 10 mio[	42	34	81%	38.5	4.7	12%
Medium market [10 mio - 50 mio[	158	119	75%	309.8	35.0	11%
Large market [>50 mio]	86	48	56%	330.3	35.8	11%
Total broadcaster investments	286	201	70%	678.6	75.5	11%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- With the exception of France, where broadcaster investments are comparatively high, broadcasters appear to have contributed between 11% and 12% to the total financing volume in small, medium and large markets. The analysis therefore suggests that there are no inherent structural differences with regard to the significance of broadcaster financing between countries of different market sizes.
- In France, however, broadcasters play an exceptionally important role in film financing as clearly indicated by the fact that – when considering all sample films – broadcaster investments accounted for 30% of total financing volume in the large sample markets compared to only 11% when excluding French films from the analysis.
- Excluding French films, the data suggests a difference in access to broadcaster financing linked to market size. In the other three large sample markets, only 56% of the sample films had broadcasters in their financing mix. This compares to 75% of films in medium-sized markets and 81% of films in small markets. However, given the limited coverage of the data sample in Germany, the UK and Italy, the representativity of this observation cannot be established.



5.2.2. Forms and national origin of broadcaster investments

BREAKDOWN OF BROADCASTER INVESTMENTS BY INVESTMENT FORM - PAN-EUROPEAN PERSPECTIVE

Table 23. Broadcaster financing by investment form (2016)

All sample films	Nr. of films	% share of total	% share of broadcaster investment	Amounts in MEUR	% share of total	% share of broadcaster investment
Broadcaster co-production	203	46%	61%	74.4	5%	21%
Broadcaster pre-sales	277	62%	83%	283.5	20%	79%
Total broadcaster investments	333	75%	100%	357.9	25%	100%
Total Sample films	445	100%		1 411.7	100%	

Excluding French films	Nr. of films	% share of total	% share of broadcaster investment	Amounts in MEUR	% share of total	% share of broadcaster investment
Broadcaster co-production	117	41%	58%	37.7	6%	50%
Broadcaster pre-sales	145	51%	72%	37.8	6%	50%
Total broadcaster investments	201	70%	100%	75.5	11%	100%
Total Sample films	286	100%		678.6	100%	

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- On a pan-European level, broadcasters financed fiction film production primarily through pre-sales rather than (co-)production investments: 79% of the sample broadcaster investments took the form of pre-sales while (co-)production investments accounted for only 21% of the cumulative broadcaster investments of EUR 357.9 million.
- The picture is very different, however, when French films are excluded from the analysis. In this case, broadcaster film financing was equally spread between pre-sales and (co-)production investments, both of which accounted for 50% of the cumulative sample broadcaster investments of EUR 75.5 million.



BREAKDOWN OF BROADCASTER INVESTMENTS BY INVESTMENT FORM
- MARKET CLUSTER PERSPECTIVE

Table 24. Broadcaster financing by investment form – by market cluster (2016)

All sample films	Films with broadcaster investments	Total broadcaster inv. (in MEUR)	Broadcaster (co-) production inv. (in MEUR)	% share of total broadcaster inv.	Broadcaster pre-sales (in MEUR)	% share of total broadcaster inv.
Small markets [0 - 10 mio[	34	4.7	1.1	23%	3.6	77%
Medium markets [10 mio - 50 mio[	119	35.0	24.4	70%	10.5	30%
Large markets [>50 mio]	180	318.2	48.9	15%	269.3	85%
Total broadcaster inv.	333	357.9	74.4	21%	283.5	79%

Excluding French films	Films with broadcaster investments	Total broadcaster inv. (in MEUR)	Broadcaster (co-) production inv. (in MEUR)	% share of total broadcaster inv.	Broadcaster pre-sales (in MEUR)	% share of total broadcaster inv.
Small markets [0 - 10 mio[	34	4.7	1.1	23%	3.6	77%
Medium markets [10 mio - 50 mio[	119	35.0	24.4	70%	10.5	30%
Large markets [>50 mio]	48	35.8	12.2	34%	23.6	66%
Total broadcaster inv.	201	75.5	37.7	50%	37.8	50%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- A comparison of broadcaster pre-sales and co-production investments by market size suggests that pre-sales tend to be the dominant form of broadcaster investments in small and large markets, while (co-)production investments tend to be more common and financially more significant in medium-sized markets.
- There are, however, significant differences between individual markets where, according to the sample data, one of the two broadcaster investment forms generally dominates, with only three sample countries showing a fairly balanced mix between broadcaster pre-sales and direct production investments. While there are more medium-sized markets where broadcaster financing typically takes the form of direct production investments, broadcaster pre-sales tend to dominate in other medium-sized markets, particularly the Scandinavian markets.

BREAKDOWN OF BROADCASTER INVESTMENTS BY NATIONAL ORIGIN

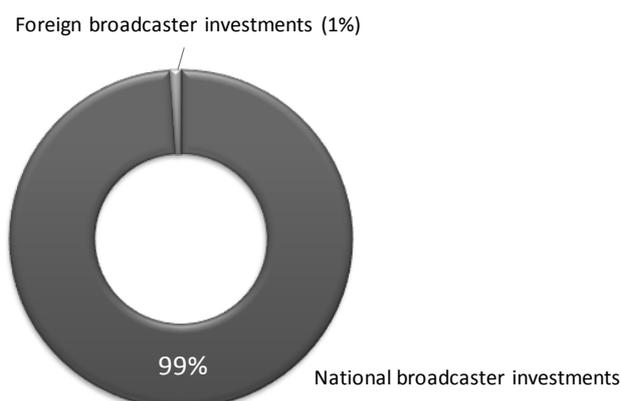
- PAN-EUROPEAN PERSPECTIVE

Table 25. Broadcaster investments by national origin (2016)

National origin	Nr of films	% share of total	% share of broadcaster investment	Amounts in MEUR	% share of total	% share of broadcaster investment
National broadcaster investments	332	75%	100%	354.6	25%	99%
Foreign broadcaster investments	28	6%	8%	3.3	0%	1%
Total broadcaster investments	333	75%	100%	357.9	25%	100%
Total sample films	445	100%		1 411.7	100%	

Source: European Audiovisual Observatory

Figure 20. Breakdown of cumulative broadcaster investments by national origin (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

- The data analysis clearly shows that only national broadcaster investments, i.e. investments from broadcasters based in the main country of origin, matter as a financing source of theatrical fiction films: investments from national broadcasters accounted for 99% of total broadcaster financings with only 1% coming from broadcasters based in minority financing countries.
- This is also reflected in the number of films partly financed by broadcasters: while three out of four sample films were partly financed by national broadcasters, only 6% were co-financed by foreign broadcasters.

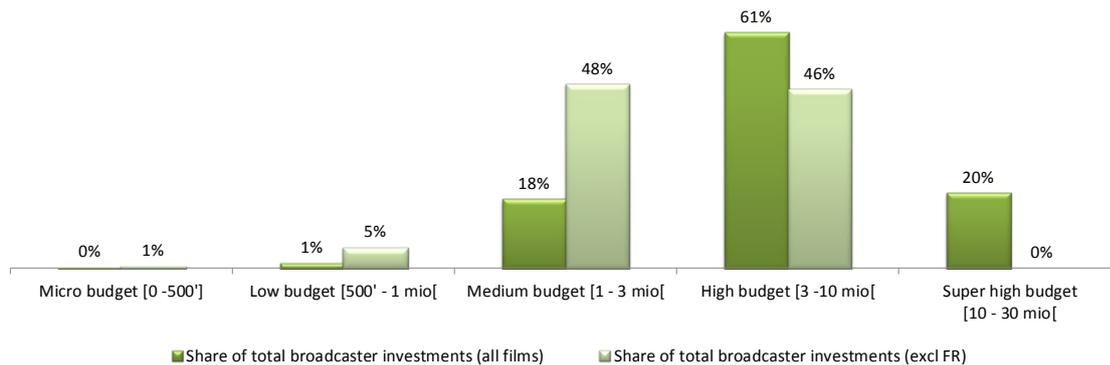


5.2.3. Distribution of broadcaster investments by film types

HOW ARE BROADCASTER INVESTMENTS DISTRIBUTED AMONG BUDGET TYPES?

- PAN-EUROPEAN PERSPECTIVE

Figure 21. Distribution of broadcaster investments across film budget types (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

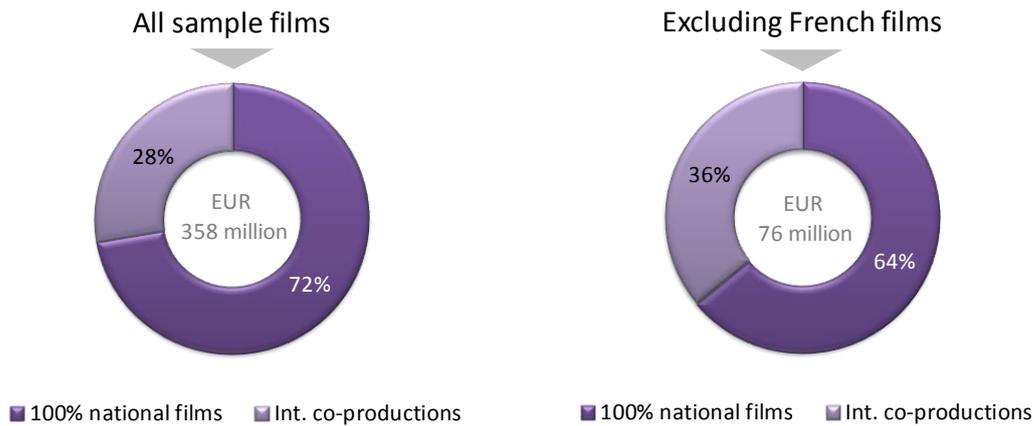
- Including French films, the lion's share of broadcaster investments went to high-budget films (61%), with another 20% going to super-high-budget films and 18% to medium-budget films. More than eight out of 10 Euros invested by European broadcasters in sample films were thus invested in fiction films with budgets exceeding EUR 3 million, i.e. films with above-average budgets.
- Excluding French films changes the analysis results significantly, as broadcaster investments are now distributed almost equal parts medium-budget (48%) and high-budget (46%).



HOW ARE BROADCASTER INVESTMENTS DISTRIBUTED BETWEEN 100% NATIONAL FILMS AND INTERNATIONAL CO-PRODUCTIONS?

- PAN-EUROPEAN PERSPECTIVE

Figure 22. Distribution of broadcaster investments between 100% national films and international co-productions (2016)



Source: European Audiovisual Observatory

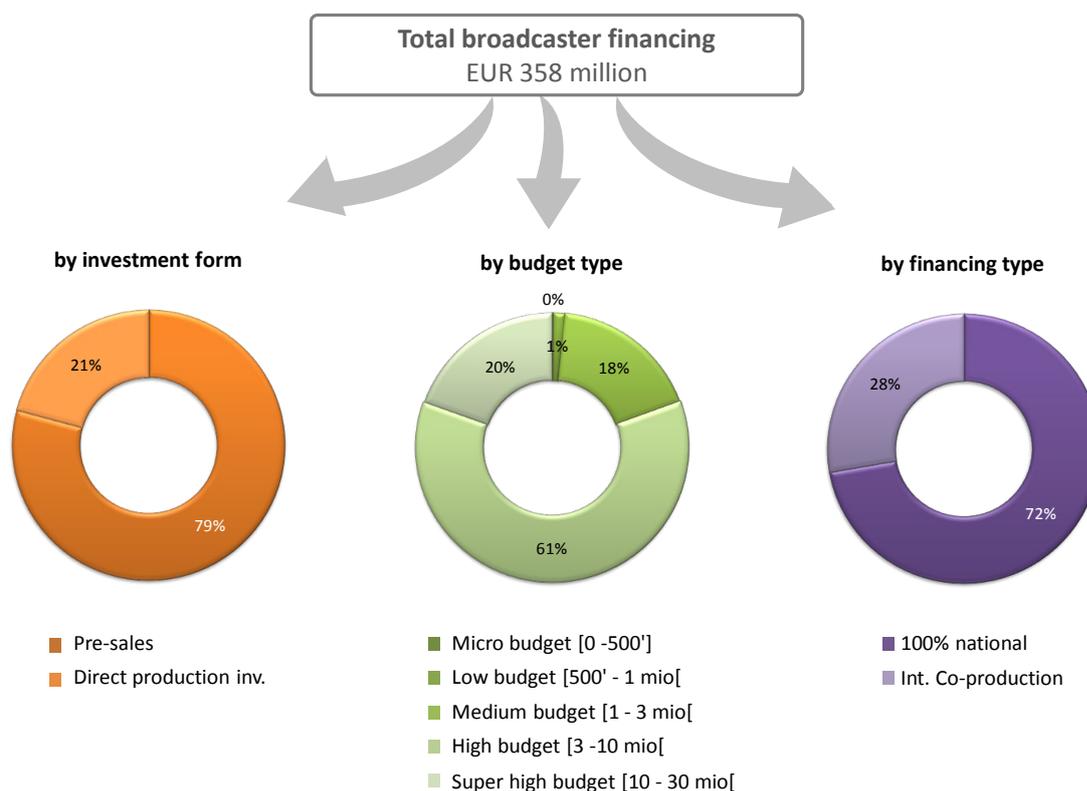
SELECTED INSIGHTS

- With the exception of France, broadcaster investments appear to be proportionally distributed between 100% national films and international co-productions: 100% national films accounted for 65% of the sample films and captured 64% of cumulative broadcaster investments, while international co-productions - which accounted for 35% of the sample films - captured 36% of broadcaster investments.
- In France, however, broadcaster investments were attributed overproportionally to 100% national films, altering the results for the overall data sample - with 100% national films receiving proportionally more broadcaster financing than international co-productions. In this case, 100% national films accounted for 63% of the sample films and captured 72% of cumulative broadcaster investments. In contrast, international co-productions accounted for 37% of the sample films but captured only 28% of total broadcaster investments.



AT A GLANCE: HOW IS BROADCASTER FINANCING DISTRIBUTED AMONG FILM TYPES?
- PAN-EUROPEAN PERSPECTIVE

Figure 23. Breakdown of cumulative broadcaster financing volume by investment form, budget and financing type of films (2016)



Source: European Audiovisual Observatory

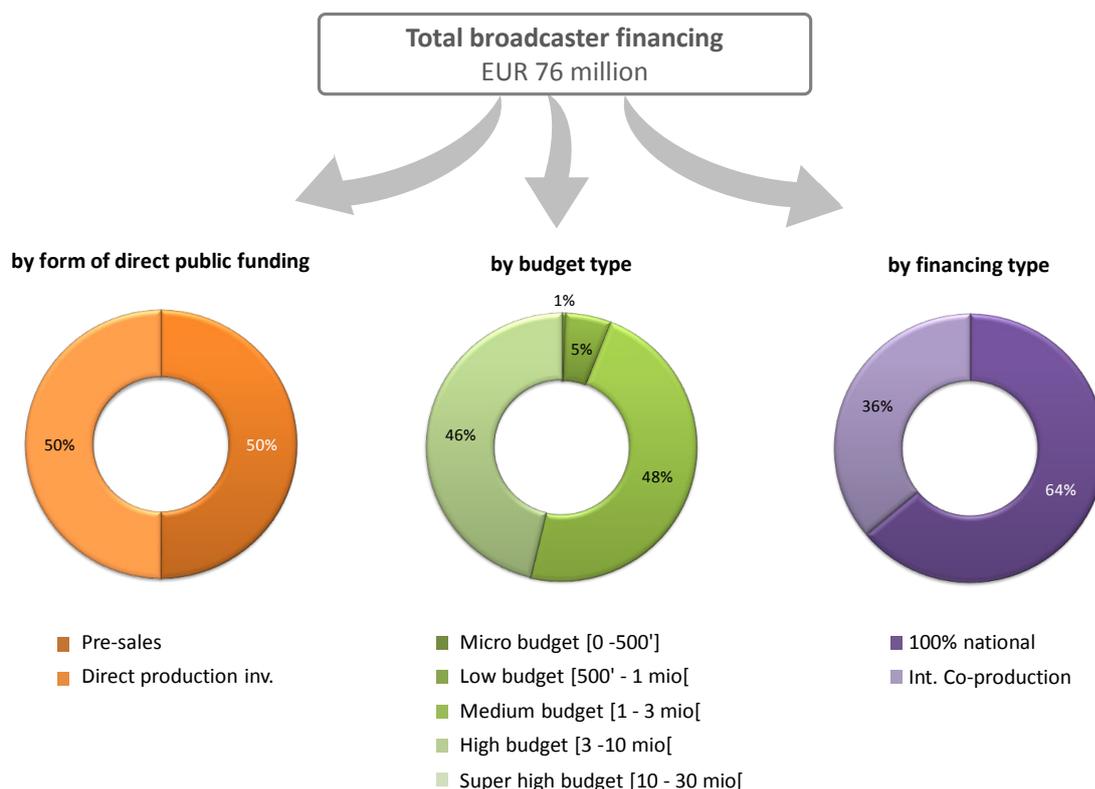
Table 26. Ranking of broadcaster financing – top 5 forms / film types (2016)

Rank	Form of broadcaster financing	Budget type	Financing type	Amount in MEUR	% share
1	Pre-sales	High budget [3 -10 mio[	100% national	129.8	36%
2	Pre-sales	High budget [3 -10 mio[	Int. co-production	49.1	14%
3	Pre-sales	Super high budget [10 - 30 mio[	100% national	47.4	13%
4	Pre-sales	Medium budget [1 - 3 mio[	100% national	28.6	8%
5	(Co-)Production investment	High budget [3 -10 mio[	100% national	27.7	8%
Other	-	-	-	75.4	21%
Total broadcaster investments				357.9	100%

Source: European Audiovisual Observatory

AT A GLANCE: HOW IS BROADCASTER FINANCING DISTRIBUTED AMONG FILM TYPES?
 - PAN-EUROPEAN PERSPECTIVE EXCLUDING FRENCH FILMS

Figure 24. Breakdown of cumulative broadcaster financing volume by investment form, budget and financing type of films - excluding French films (2016)



Source: European Audiovisual Observatory

Table 27. Ranking of broadcaster financing – top 5 forms / film types excluding French films (2016)

Rank	Form of broadcaster financing	Budget type	Financing type	Amount in MEUR	% share
1	(Co-)Production investment	Medium budget [1 - 3 mio[	100% national	14.1	19%
2	Pre-sales	High budget [3 -10 mio[	100% national	11.2	15%
3	Pre-sales	Medium budget [1 - 3 mio[	100% national	11.2	15%
4	Pre-sales	High budget [3 -10 mio[	Int. co-production	10.0	13%
5	(Co-)Production investment	High budget [3 -10 mio[	100% national	8.7	12%
Other	-	-	-	20.4	27%
Total broadcaster investments				75.5	100%

Source: European Audiovisual Observatory



5.3. Pre-sales (excluding broadcasters)

5.3.1. Importance of pre-sales as a financing source

Methodological remarks:

Please note that 'pre-sales' refers to the cumulative amount of all financing raised from pre-sales of national distribution rights in the (co-)producing /-financing countries as well as multi-territory presales. In order to avoid double counting pre-sales to broadcasters based in (co-)producing countries are counted as broadcaster investments rather than pre-sales for the purpose of this analysis. For research angles focusing on pre-sales rather than broadcaster financing, broadcaster pre-sales would have to be added to pre-sales. Pre-sales can either take the form of outright sales or minimum guarantees.

A pre-sale (for financing purpose) is defined as the sale of distribution rights (licence to distribute) that takes place at any time prior to the completion of a film production. To be considered as financing funds, receipts from pre-sales have to go into the production account in order to be used to finance the production, rather than into the collection account.

In an outright sale / split rights deal, a financier pays (cash) in return for specific distribution rights. In contrast to a producer equity cash investment, which creates (partial) ownership of the negative and copyrights linked to the film, the financier in a split rights deal only acquires distribution rights but does not share responsibility for actually developing, packaging and making the film. In contrast to a pre-sale based on minimum guarantees, these deals are generally structured as an outright sale in which the buying party pays the full purchase price up-front (i.e. before production is completed / started) as a one-off payment, with the producer receiving no further revenues from the subsequent exploitation of the right in question.

A minimum guarantee (MG) refers to the fee a distributor agrees to pay for the licence of copyright allowing them to distribute the film exclusively in their territory in the specified formats for a specified period of time. In contrast to an outright sale, the producer will participate in all revenues generated by the distributor during the life time of their distribution licence according to contractually defined splits. In fact, the minimum guarantee is actually an advance against future revenues payable to the producer pursuant to the distributors' sales contract.

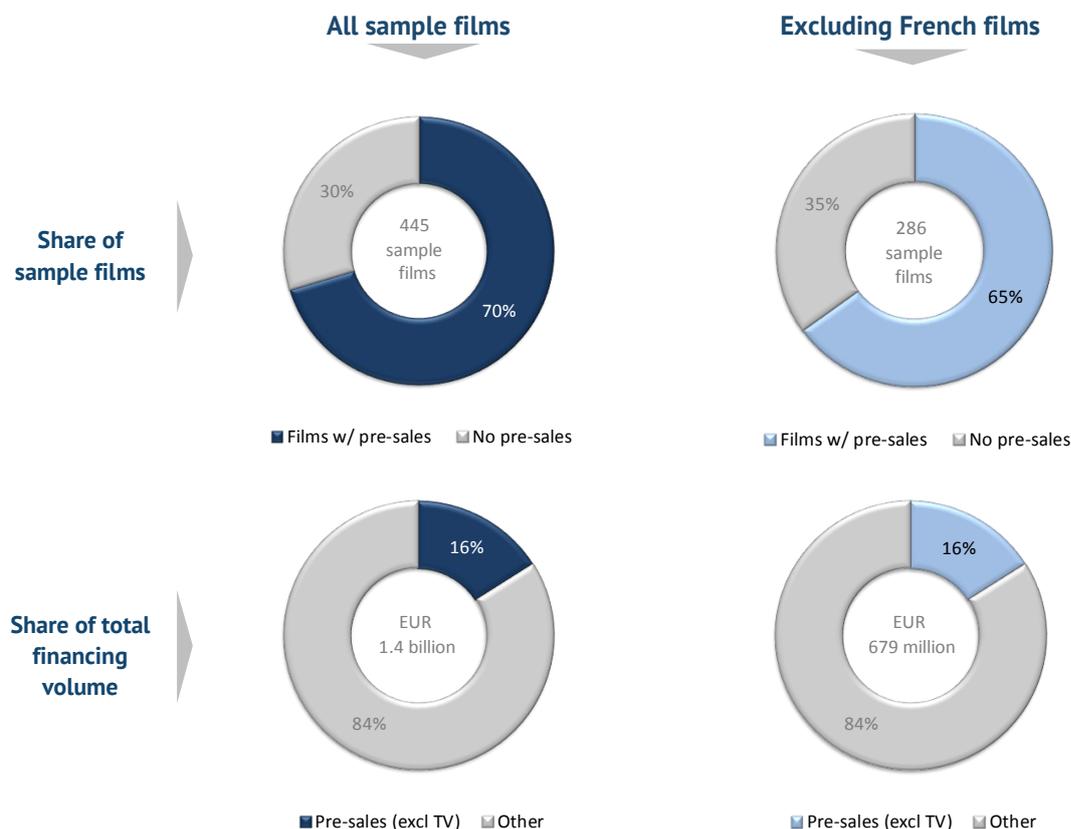
See appendix 8.2 for detailed definitions.



HOW IMPORTANT ARE PRE-SALES?

– PAN-EUROPEAN PERSPECTIVE

Figure 25. Share of pre-sales (excl. TV) in financing European fiction films (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Seven out of 10 sample films were partly financed by pre-sales (other than pre-sales to broadcasters), either taking the form of outright sales or minimum guarantees. The sample analysis suggests that the majority of European fiction films (65% to 70%) relied on pre-sales to finance their production budgets.
- In total, pre-sales contributed EUR 222 million to the cumulative sample financing volume of EUR 1.41 billion, representing 16% of the total cumulative funding volume of the data sample.
- In the case of pre-sales, the exclusion of French films from the analysis does not alter the results, with pre-sales also accounting for 16% of the total financing volume.



HOW IMPORTANT ARE PRE-SALES IN MARKETS OF DIFFERENT SIZES? – MARKET CLUSTER PERSPECTIVE

Table 28. Pre-sales – differences among market clusters (2016)

All sample films	Total sample films	Films with pre-sales	% share films with pre-sales	Total financing volume (in MEUR)	Total pre-sales (in MEUR)	% share pre-sales
Small markets [0 - 10 mio[	42	21	50%	38.5	3.2	8%
Medium markets [10 mio - 50 mio[	158	92	58%	309.8	34.0	11%
Large markets (>50 mio]	245	200	82%	1 063.4	185.1	17%
Total broadcaster investments	445	313	70%	1 411.7	222.4	16%

Excluding French films	Total sample films	Films with pre-sales	% share films with pre-sales	Total financing volume (in MEUR)	Total pre-sales (in MEUR)	% share pre-sales
Small market [0 - 10 mio[	42	21	50%	38.5	3.2	8%
Medium market [10 mio - 50 mio[	158	92	58%	309.8	34.0	11%
Large market (>50 mio]	86	73	85%	330.3	72.5	22%
Total broadcaster investments	286	186	65%	678.6	109.7	16%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- The analysis of pre-sales by market cluster based on admissions volume suggests that the proportional significance of pre-sales as a financing source for European fiction films increases with market size: Pre-sales contributed 17% (22% excluding French films) to cumulative financing volume in large markets, compared to 11% in medium-sized and 8% in small markets.
- The data also suggests that access to pre-sales financing increases with market size. Only 50% of the sample films produced in small markets were able to finance their production with pre-sales, while this ratio increases to 58% of films in medium-sized markets and 82% in large markets (85% excluding French films).



5.3.2. Forms and national origin of pre-sales

PRE-SALES : MINIMUM GUARANTEE OR OUTHRIGHT SALES? – PAN-EUROPEAN PERSPECTIVE

Table 29. Pre-sales financing: Minimum guarantees vs. outright sales (2016)

All sample films	Nr of films	% share of total	% share of pre-sales	Amounts in MEUR	% share of total	% share of pre-sales
Minimum guarantees	253	57%	81%	182.2	13%	82%
Outright sales (excl national TV)	83	19%	27%	40.2	3%	18%
Total pre-sales	313	70%	100%	222.4	16%	100%
Total sample films	445	100%		1 411.7	100%	

Excluding French films	Nr of films	% share of total	% share of pre-sales	Amounts in MEUR	% share of total	% share of pre-sales
Minimum guarantees	126	44%	68%	69.5	10%	63%
Outright sales (excl national TV)	83	29%	45%	40.2	6%	37%
Total pre-sales	186	65%	100%	109.7	16%	100%
Total sample films	286	100%		678.6	100%	

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- The data sample suggests that in 2016 minimum guarantees were the dominant form of pre-sales financing: On a pan-European level, 82% (63% excluding French films) of pre-sales financing was structured as minimum guarantees, while outright sales only accounted for 18% (37% excluding French films) of cumulative pre-sales funding.
- A total of 57% (44% excluding French films) of the sample films secured a minimum guarantee to finance their budgets, while only 19% (29% excluding French films) of films made an outright sale.



PRE-SALES : MINIMUM GUARANTEES OR OUTRIGHT SALES?
- MARKET CLUSTER PERSPECTIVE

Table 30. Minimum guarantees vs. outright sales – by market cluster (2016)

All sample films	Films with pre-sales	Total pre-sales (MEUR)	Minimum guarantees (MEUR)	% share of total pre-sales	Outright sales (MEUR)	% share of total pre-sales
Small markets [0 - 10 mio[	21	3.2	0.0	0%	3.2	100%
Medium markets [10 mio - 50 mio[	92	34.0	18.6	55%	15.4	45%
Large markets [>50 mio]	200	185.1	163.5	88%	21.6	12%
Total broadcaster inv.	313	222.4	182.2	82%	40.2	18%

Excluding French films	Films with pre-sales	Total pre-sales (MEUR)	Minimum guarantees (MEUR)	% share of total pre-sales	Outright sales (MEUR)	% share of total pre-sales
Small markets [0 - 10 mio[	21	3.2	0.0	0%	3.2	100%
Medium markets [10 mio - 50 mio[	92	34.0	18.6	55%	15.4	45%
Large markets [>50 mio]	73	72.5	50.9	70%	21.6	30%
Total broadcaster inv.	186	109.7	69.5	63%	40.2	37%

Source: European Audiovisual Observatory

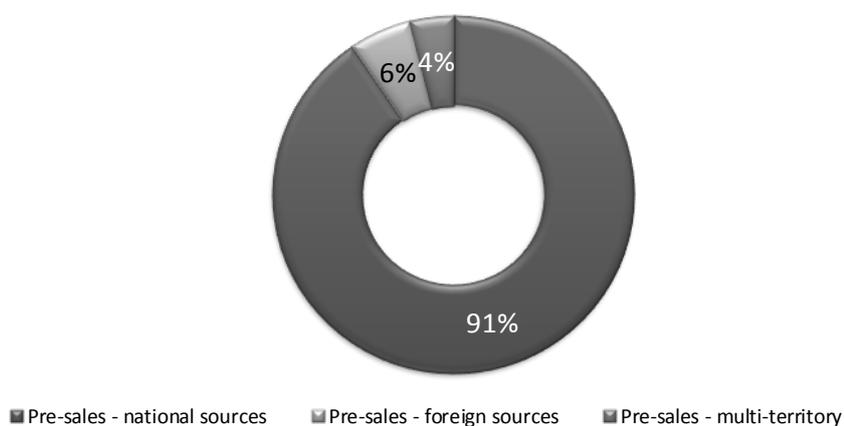
SELECTED INSIGHTS

- As indicated earlier, minimum guarantees appear to be the dominant form of pre-sales financing. However, there appear to be significant differences among countries, as reflected by differences among market clusters.
- The sample results suggest that minimum guarantees are primarily available in large markets, where they also represented the dominant form of pre-sales financing, accounting for 88% of total pre-sales (70% excluding French films).
- At the other end of the spectrum, the sample analysis suggests that pre-sales for films produced in small markets – when available at all – can only be achieved in the form of outright sales.
- In medium-sized market clusters there appears to be a fairly balanced mix between minimum guarantees and outright sales, which accounted for 55% and 45% of total pre-sales, respectively. However, the sample data also shows that most countries tend – by a significant margin - to either favour minimum guarantees or outright sales, with only two sample markets showing a fairly balanced mix between minimum guarantees and outright sales. The balanced mix in the medium-sized market cluster thus indicates that a fair number of medium-sized countries prefer minimum guarantees, while outright sales are more common in other medium-sized markets.

**BREAKDOWN OF PRE-SALES BY NATIONAL ORIGIN**
– PAN-EUROPEAN PERSPECTIVE**Table 31. Pre-sales by national origin (2016)**

National origin	Nr of films	% share of total	% share of pre-sales	Amounts in MEUR	% share of total	% share of pre-sales
Pre-sales - national sources	290	65%	93%	201.3	14%	91%
Pre-sales - foreign sources	59	13%	19%	12.3	1%	6%
Pre-sales - multi-territory	34	8%	11%	8.7	1%	4%
Total pre-sales	313	70%	100%	222.4	16%	100%
Total sample films	445	100%		1 411.7	100%	

Source: European Audiovisual Observatory

Figure 26. Breakdown of cumulative pre-sales by national origin (2016)

Source: European Audiovisual Observatory

SELECTED INSIGHTS

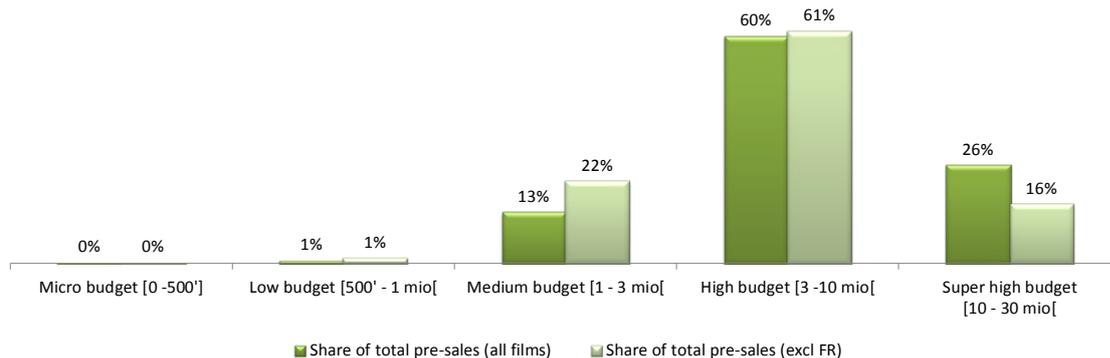
- The data analysis suggests that pre-sales financing can mostly be raised only on the national market, i.e. pre-sales for the main country of origin, as illustrated by the fact that 91% of the total sample pre-sales financing volume came from the national market.
- While one in five sample films managed to make a pre-sale outside the main country of origin, the raised amounts accounted for only 6% of total pre-sales.
- Only one in 10 sample films financed its production through a multi-territory pre-sale. Cumulatively, such pre-sales accounted for 4% of the total pre-sales financing volume.



5.3.3. Distribution of pre-sales by film type

HOW ARE PRE-SALES DISTRIBUTED AMONG BUDGET CLUSTERS? – PAN-EUROPEAN PERSPECTIVE

Figure 27. Distribution of pre-sales across film budget types (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

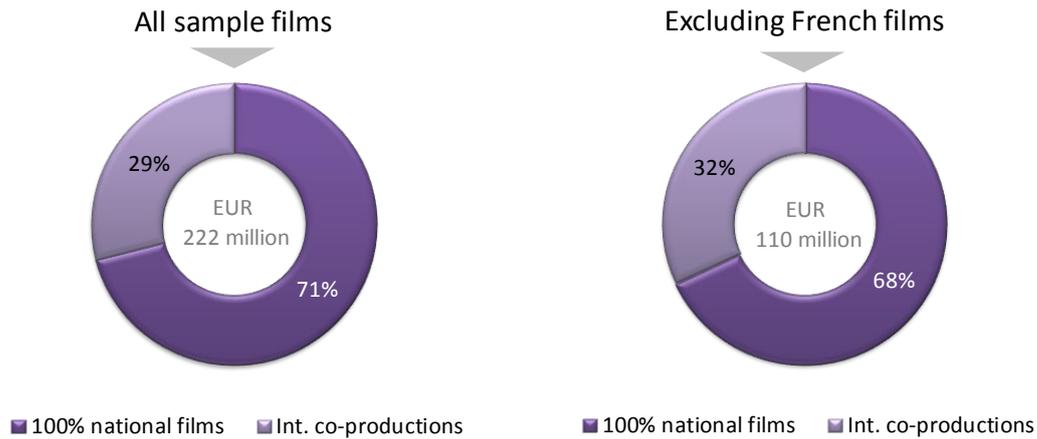
- The sample analysis suggests that pre-sales financing goes primarily to high- and super-high-budget films, i.e. films that can be expected to have a comparatively high commercial potential.
- The largest share of pre-sales financing went to the production of high-budget films, namely 60% of total pre-sales financing (61% excluding French films).
- A total of 26% of the financing amounts generated through pre-sales was invested in the production of super-high-budget films (16% excluding French films) and 13% went to medium-budget films (22% excluding French films).
- Cumulative pre-sales for low- and micro-budget films were negligible.



HOW ARE PRE-SALES DISTRIBUTED BETWEEN 100% NATIONAL FILMS AND INTERNATIONAL CO-PRODUCTIONS?

– PAN-EUROPEAN PERSPECTIVE

Figure 28. Distribution of pre-sales financing volume between 100% national films and international co-productions (2016)



Source: European Audiovisual Observatory

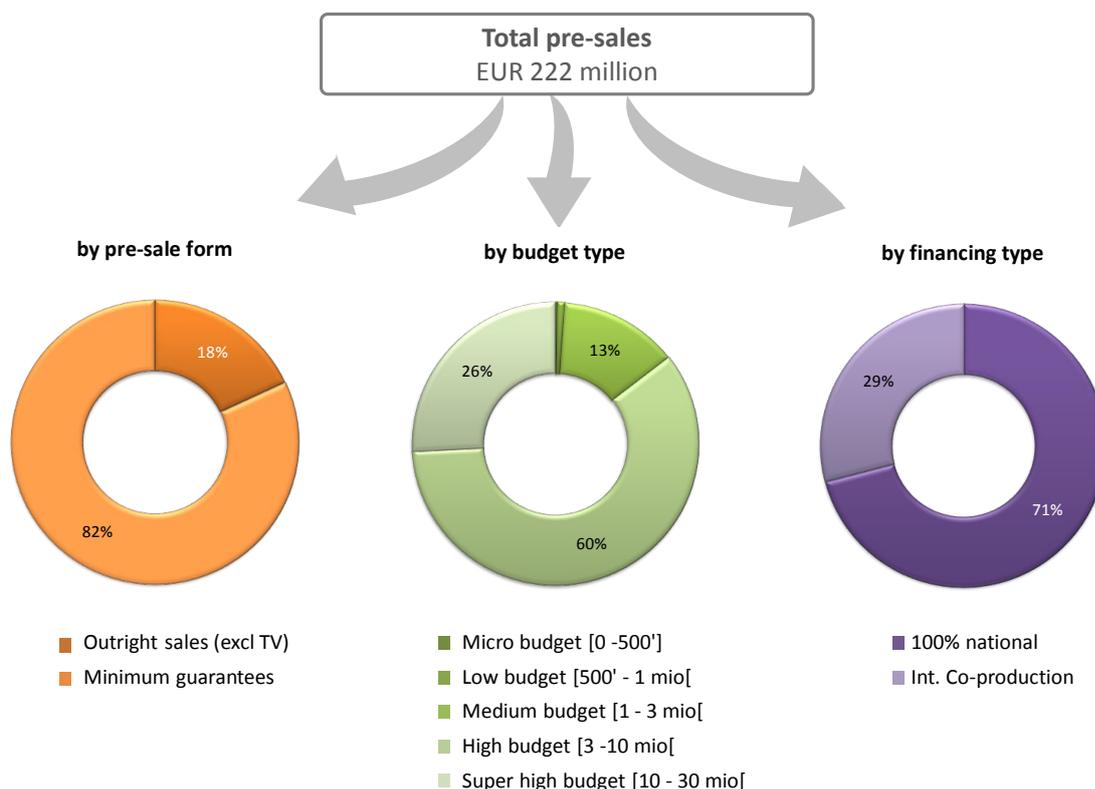
SELECTED INSIGHTS

- Pre-sales financing appears overproportionally allocated to 100% national films representing 65% of the sample films while capturing 71% of cumulative pre-sales; international co-productions – accounting for 35% of the sample films – captured 29% of pre-sales.
- These analysis results do not change substantially when French films are excluded from the analysis: 100% national films account for 63% of the sample films but captured 88% of cumulative broadcaster investments. In contrast, international co-productions account for 37% of the sample films but captured 32% of total broadcaster investments.



AT A GLANCE: HOW IS PRE-SALES FINANCING DISTRIBUTED AMONG FILM TYPES?
– PAN-EUROPEAN PERSPECTIVE

Figure 29. Breakdown of cumulative pre-sales by pre-sale form, budget and financing type of films (2016)



Source: European Audiovisual Observatory

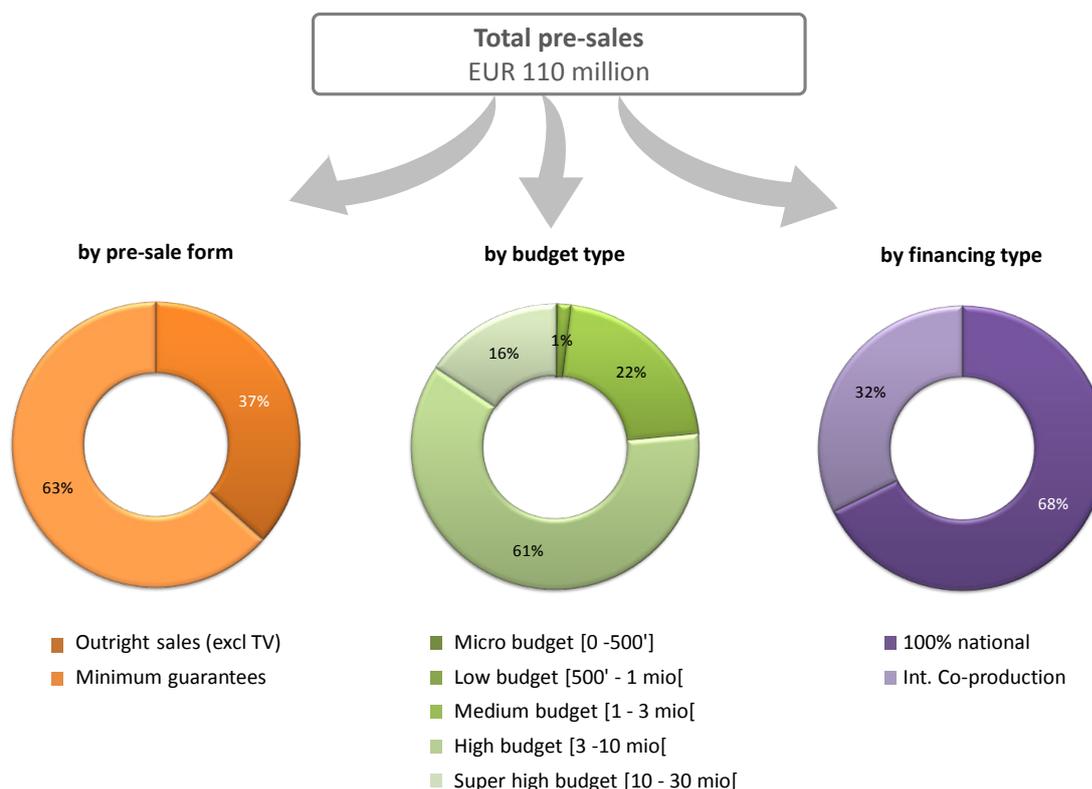
Table 32. Ranking of pre-sales financing – top 5 forms / film types (2016)

Rank	Form of pre-sales	Budget type	Financing type	Amount in MEUR	% share
1	Minimum guarantee	High budget [3 - 10 mio[	100% national	78.9	35%
2	Minimum guarantee	Super high budget [10 - 30 mio[	100% national	44.1	20%
3	Minimum guarantee	High budget [3 - 10 mio[	Int. co-production	31.0	14%
4	Outright sale	High budget [3 - 10 mio[	Int. co-production	12.6	6%
5	Minimum guarantee	Medium budget [1 - 3 mio[	100% national	12.3	6%
Other	-	-	-	43.5	20%
Total pre-sales				222.4	100%

Source: European Audiovisual Observatory

AT A GLANCE: HOW IS PRE-SALES FINANCING DISTRIBUTED AMONG FILM TYPES?
 -PAN-EUROPEAN PERSPECTIVE EXCLUDING FRENCH FILMS

Figure 30. Breakdown of cumulative pre-sales by pre-sale form, budget and financing type of films - excluding French films (2016)



Source: European Audiovisual Observatory

Table 33. Ranking of pre-sales financing – top 5 forms / film types excluding French films (2016)

Rank	Form of pre-sales	Budget type	Financing type	Amount in MEUR	% share
1	Minimum guarantee	High budget [3 -10 mio[	100% national	34.5	31%
2	Outright sale	High budget [3 -10 mio[	Int. co-production	12.6	11%
3	Outright sale	High budget [3 -10 mio[	100% national	10.3	9%
4	Minimum guarantee	High budget [3 -10 mio[	Int. co-production	9.5	9%
5	Minimum guarantee	Super high budget [10 - 30 mio[	100% national	9.4	9%
Other	-	-	-	33.5	31%
Total pre-sales				109.7	100%

Source: European Audiovisual Observatory



5.4. Producer Investments (excl. broadcasters)

5.4.1. Importance of producer investments as a financing source

Methodological remarks:

Please note that this category combines all equity cash investments (own investments) from producers based either in the main production country or one of the minority co-producing countries. To avoid double counting producer investments from broadcasters are excluded, as they are treated as broadcaster investments for the purpose of this analysis. For research angles focusing on producer rather than broadcaster financing, broadcaster producer investments would have to be added to this category.

Producers are defined as persons, either corporate or individual, responsible for developing, packaging and making the film. Producers ultimately own and control the copyright in the finished product. This includes both the lead producer as well as co-producers but excludes production service companies which are only engaged by the production company to make the film on its behalf but do not invest their own equity.

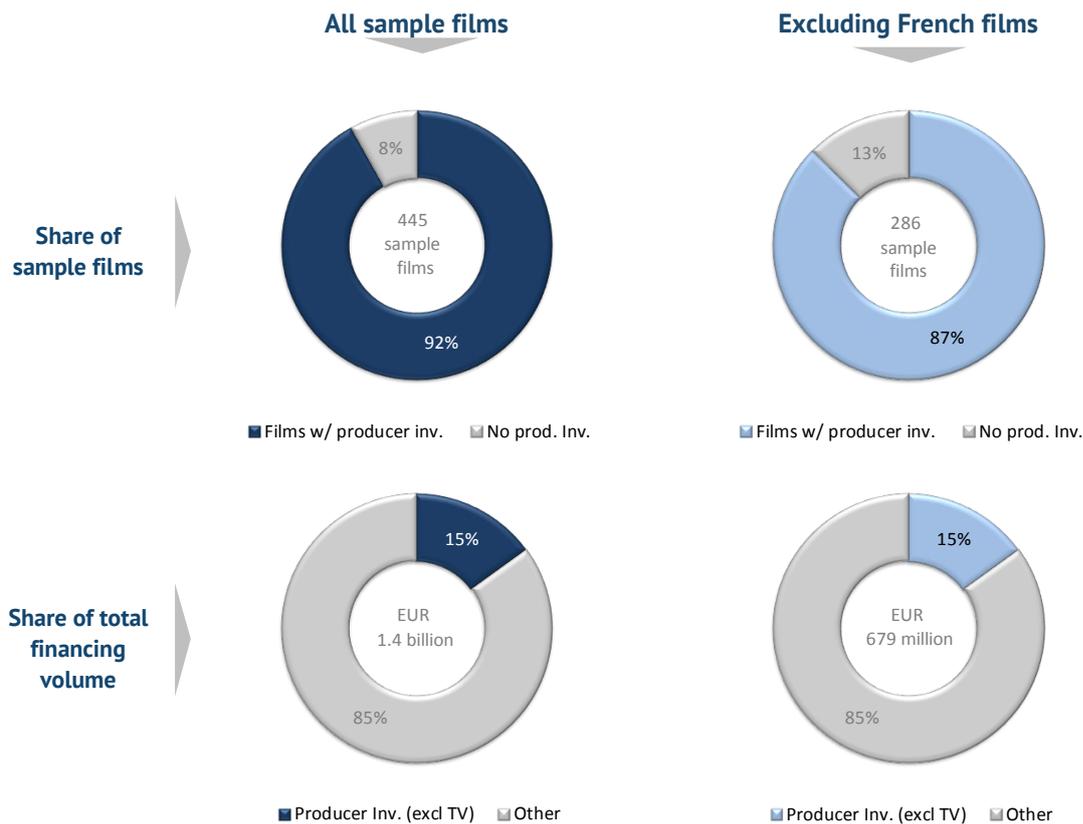
Producers' equity cash investments (own investment): Cash invested by producers in the production of the film, giving them an equity share in the film, i.e. (partial) ownership of the negative and copyrights linked to the film. This excludes, for instance, payments made by broadcasters in exchange for TV rights; in-kind investments ("facilities for equity") for example by equipment rental companies, studios or post-production houses as well as deferments or loans made by producers. Producers' equity generally comes last in the recoupment schedule.

See appendix 8.2 for detailed definitions.



HOW IMPORTANT ARE PPRODUCER INVESTMENTS?
- PAN-EUROPEAN PERSPECTIVE

Figure 31. Share of producer investments in financing European fiction films (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Nine out of 10 sample films were partly financed by producer cash investments (other than producer investments made by broadcasters). Conversely, one in 10 films was produced without direct producer investment.
- In total, producer investments contributed EUR 216 million to the cumulative financing volume of EUR 1.41 billion, representing 15% of the total sample financing volume. As in the case of pre-sales, the exclusion of French films hardly alters the analysis results.



HOW IMPORTANT ARE PRODUCER INVESTMENTS? - MARKET CLUSTER PERSPECTIVE

Table 34. Producer investments – differences among market clusters (2016)

All sample films	Total sample films	Films with producer inv.	% share films with prod. inv.	Total financing volume (in MEUR)	Total producer inv. (in MEUR)	% share producer inv.
Small markets [0 - 10 mio[	42	32	76%	38.5	3.3	8%
Medium markets [10 mio - 50 mio[	158	142	90%	309.8	42.6	14%
Large markets [>50 mio]	245	235	96%	1 063.4	169.9	16%
Total broadcaster investments	445	409	92%	1 411.7	215.7	15%

Excluding French films	Total sample films	Films with producer inv.	% share films with prod. inv.	Total financing volume (in MEUR)	Total producer inv. (in MEUR)	% share producer inv.
Small market [0 - 10 mio[	42	32	76%	38.5	3.3	8%
Medium market [10 mio - 50 mio[	158	142	90%	309.8	42.6	14%
Large market [>50 mio]	86	76	88%	330.3	54.6	17%
Total broadcaster investments	286	250	87%	678.6	100.4	15%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Analysis of producer investments by market cluster based on admissions volume suggests that the share of producer investments tends to increase with the size of the market.
- Producer investments represented only 8% of total financing volume in small markets, compared to 14% in medium-sized markets and 16% (17% excluding French films) in large markets.
- Also, only three out of four films in small sample markets were financed with producer cash investments, vs. nine out of 10 in medium-sized and large markets.

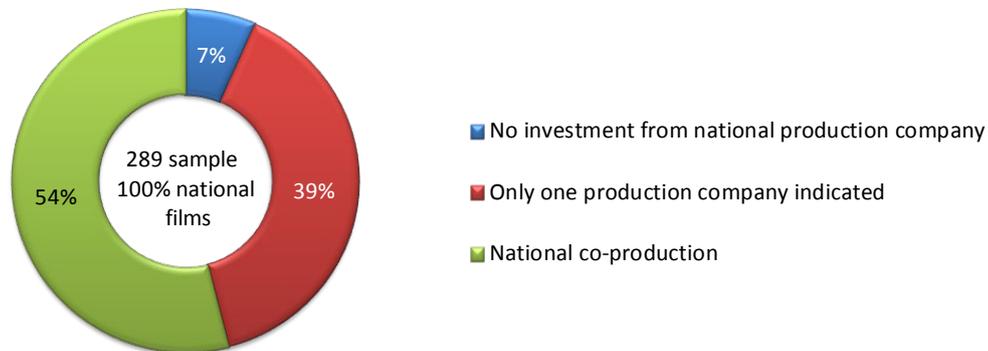
5.4.2. Forms and national origin of producer investments

HOW MANY 100% NATIONAL FILMS ARE CO-PRODUCED? - PAN-EUROPEAN PERSPECTIVE

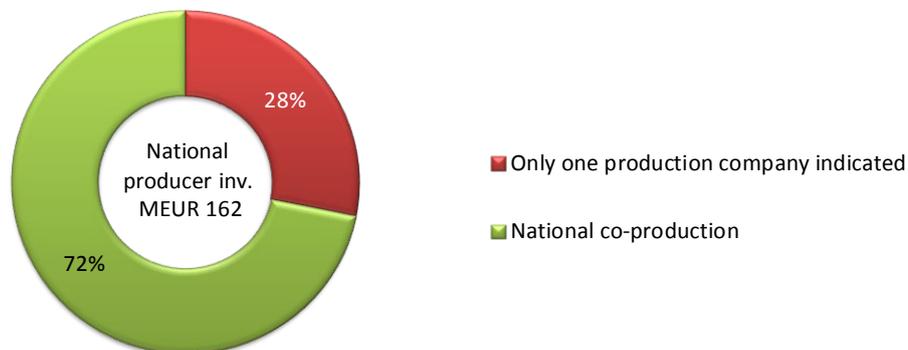
Figure 32. Breakdown of 100% national sample films into national co-productions and single company productions (2016)

Please note that the identification of the number of production companies was not possible for international co-productions, due to insufficient data granularity, which is why the following breakdown of producer investments by producer type is limited to 100% national fiction films. Also note that broadcaster production investments are exceptionally included in this breakdown.

Number of films



Financing volume



Source: European Audiovisual Observatory

SELECTED INSIGHTS

- More than half of the 100% national sample films were produced as national co-productions, with other independent production companies, broadcasters or other co-producers.
- National co-productions accounted for 72% of the cumulative financing volume of 100% national films, clearly indicating that higher-budget productions are more likely to be co-produced than films with lower budgets.

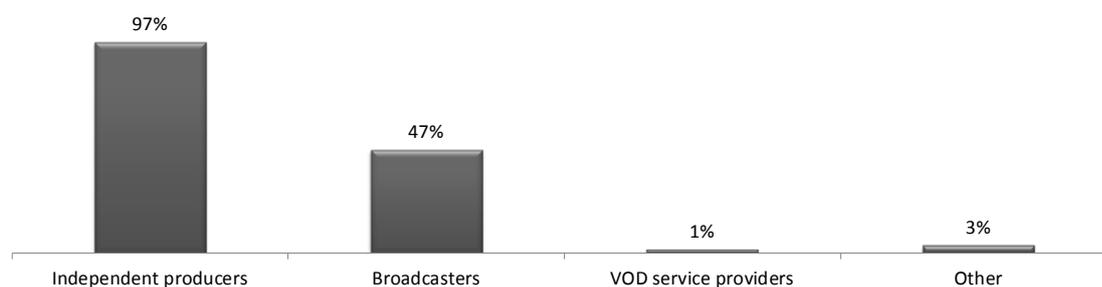


- Four in 10 100% national films were produced by only one production company and accounted for 28% of the cumulative financing volume of 100% national films. No producer investments were indicated for 6% of the sample films.

WHO IS (CO-)PRODUCING 100% NATIONAL FILMS?

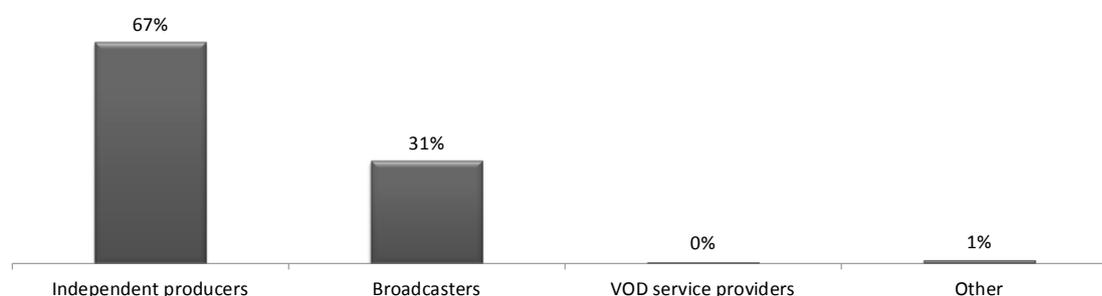
- PAN-EUROPEAN PERSPECTIVE

Figure 33. Share of 100% national films with producer investments by producer type (2016)



Source: European Audiovisual Observatory

Figure 34. Breakdown of national producer investments into 100% national films by producer type (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Almost all 100% national films had an independent producer on board. Independent producers cumulatively accounted for 67% of total producer cash investments in 100% national films.
- Almost half of 100% national films were (co-)produced by broadcasters, cumulatively accounting for 31% of the cumulative producer cash investments in 100% national film productions.
- Co-production investments from VOD service providers or other companies were extremely limited, representing only 1% and 3% of 100% national fiction films,



respectively. Their cumulative investments accounted for only 1% of total producer cash investments in 100% national film productions.

BREAKDOWN OF PRODUCER INVESTMENTS BY NATIONAL ORIGIN

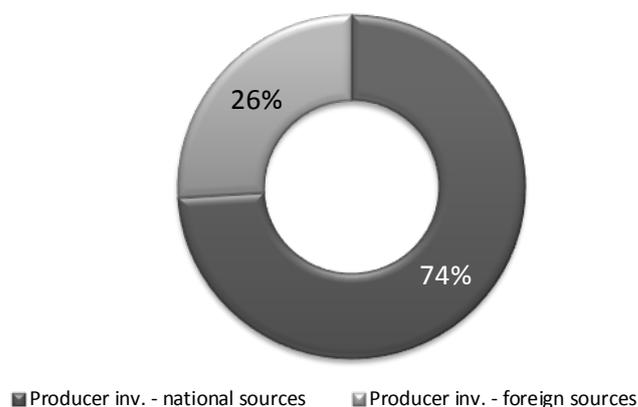
- PAN-EUROPEAN PERSPECTIVE

Table 35. Producer investments by national origin (2016)

All sample films	Nr of films	% share of total	% share of producer inv.	Amounts in MEUR	% share of total	% share of producer inv.
Producer inv. - national source:	399	90%	98%	159.7	11%	74%
Producer inv. - foreign sources	141	32%	34%	56.0	4%	26%
Total producer investments	409	92%	100%	215.7	15%	100%
Total sample films	445	100%		1 411.7	100%	

Source: European Audiovisual Observatory

Figure 35. Breakdown of cumulative producer investments by national origin (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

- A total of 74% of cumulative producer investments in the data sample came from national producers, i.e. producers based in the main country of origin; 25% of producer investments were provided by foreign (co-)producers based in minority co-producing / financing countries.
- While nine out of 10 sample films were financed by national producer investments, only one in three sample films was co-financed by a foreign producer.
- This reflects the share of international co-productions in the data sample, as - by definition - the share of foreign producer investments is significant in the case of

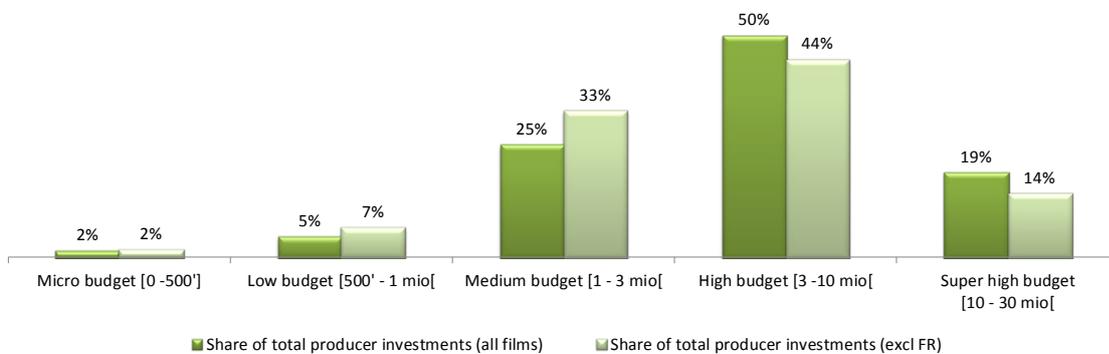


international co-productions (48%) and negligible (4%) in the case of 100% national films.

5.4.3. Distribution of producer investments by film types

HOW ARE PRODUCER INVESTMENTS DISTRIBUTED AMONG BUDGET CLUSTERS? - PAN-EUROPEAN PERSPECTIVE

Figure 36. Distribution of producer investments across film budget types (2016)



Source: European Audiovisual Observatory

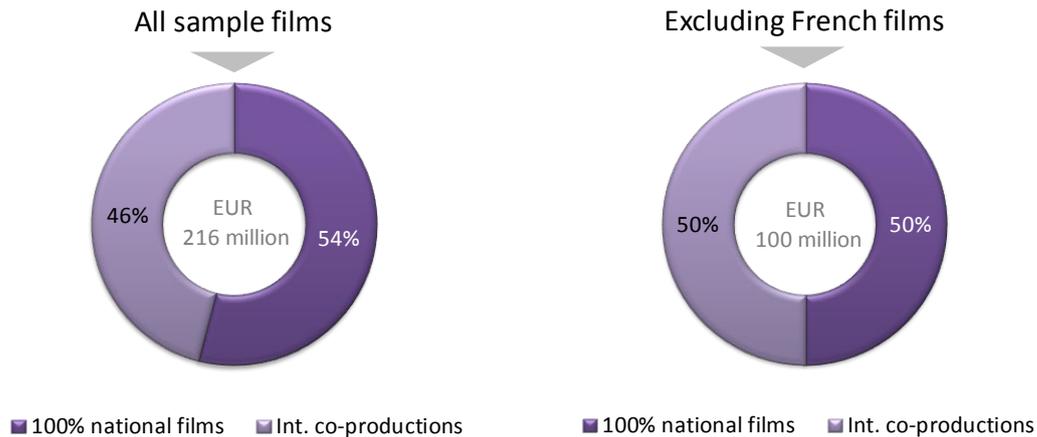
SELECTED INSIGHTS

- High-budget films attracted the largest share of producer cash investments, capturing 50% of cumulative producer investments (44% excluding French films).
- The second-largest chunk of producer investments (25%) went to finance the production of medium-budget films (33% excluding French films) while 19% (14% excluding French films) of producer investments went to super-high-budget films.

HOW ARE PRODUCER INVESTMENTS DISTRIBUTED BETWEEN 100% NATIONAL FILMS AND INTERNATIONAL CO-PRODUCTIONS?

- PAN-EUROPEAN PERSPECTIVE

Figure 37. Distribution of producer investments between 100% national films and international co-productions (2016)



Source: European Audiovisual Observatory

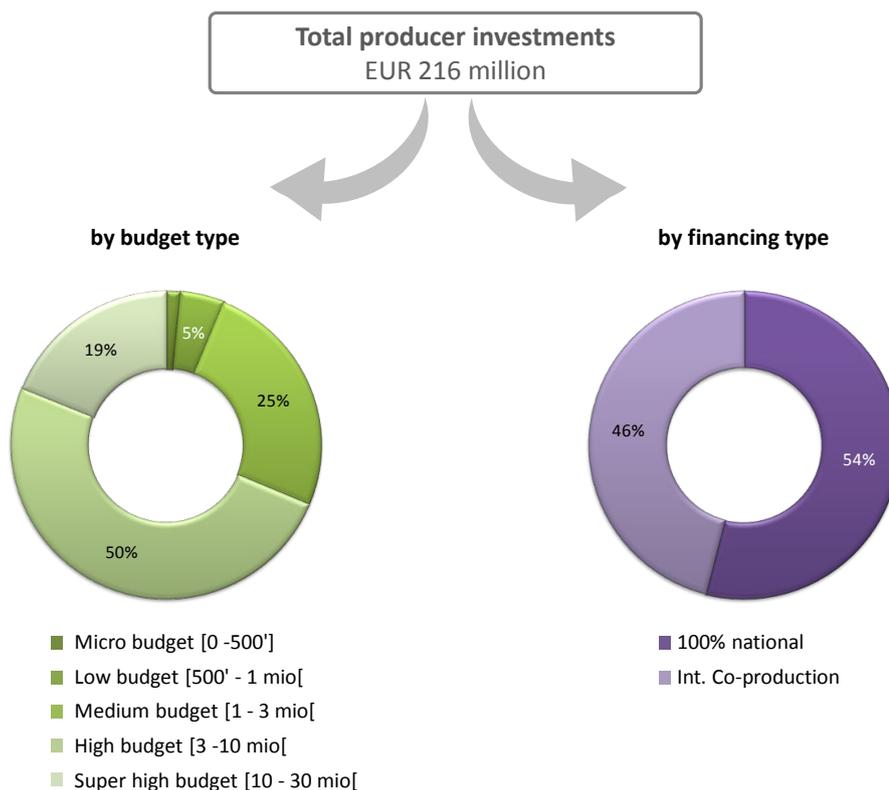
SELECTED INSIGHTS

- Producer investments appear overproportionally allocated to international co-productions representing 35% of the sample films but capturing 46% of cumulative pre-sales; 100% national films - accounting for 65% of the sample films - captured 54% pre-sales.
- These analysis results do not change fundamentally when French films are excluded from the analysis: in this case, 100% national films account for 63% of the sample films and captured 50% of cumulative producer investments, while international co-productions account for 37% of the sample films but captured 50% of total producer investments.

AT A GLANCE: HOW ARE PRODUCER INVESTMENTS DISTRIBUTED AMONG FILM TYPES?

- PAN-EUROPEAN PERSPECTIVE

Figure 38. Breakdown of cumulative producer investments by budget and financing type of films (2016)



Source: European Audiovisual Observatory

Table 36. Ranking of producer investments – top 5 film types (2016)

Rank	Budget type	Financing type	Amount in MEUR	% share
1	High budget [3 -10 mio[	100% national	59.0	27%
2	High budget [3 -10 mio[	Int. co-production	48.4	22%
3	Medium budget [1 - 3 mio[	100% national	29.6	14%
4	Medium budget [1 - 3 mio[	Int. co-production	24.7	11%
5	Super high budget [10 - 30 mio[	Int. co-production	23.2	11%
Other	-	-	30.8	14%
Total producer investments (excl broadcasters)			215.7	100%

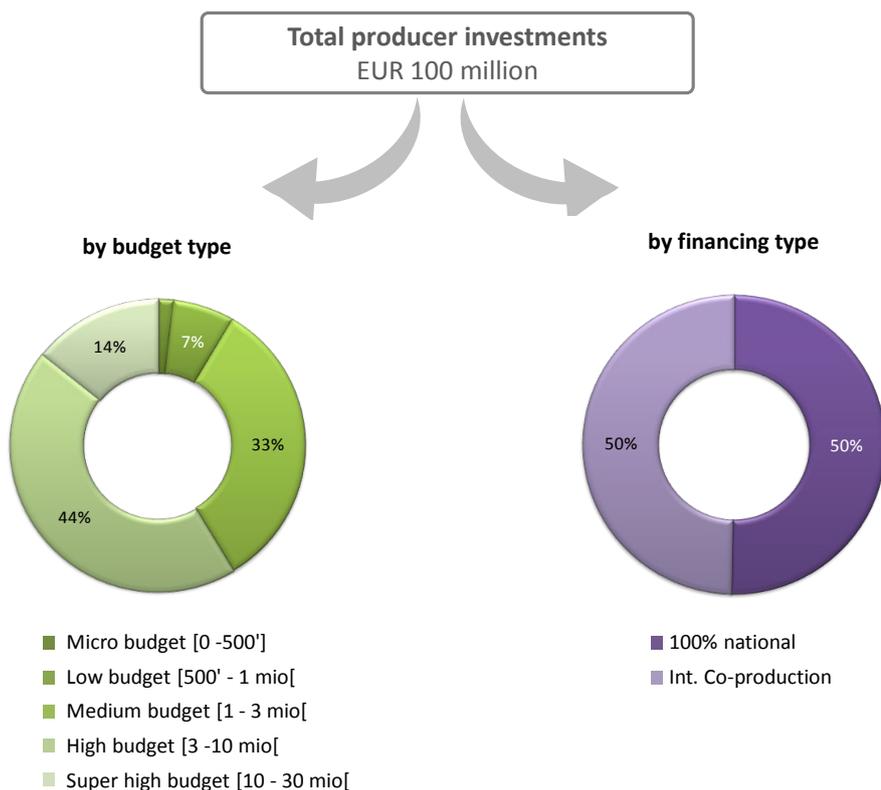
Source: European Audiovisual Observatory



AT A GLANCE: HOW ARE PRODUCER INVESTMENTS DISTRIBUTED AMONG FILM TYPES?

- PAN-EUROPEAN PERSPECTIVE EXCLUDING FRENCH FILMS

Figure 39. Breakdown of cumulative producer investments by financing and budget type of films - excluding French films (2016)



Source: European Audiovisual Observatory

Table 37. Ranking of producer investments – top 5 film types excluding French films (2016)

Rank	Budget type	Financing type	Amount in MEUR	% share
1	High budget [3 - 10 mio[	100% national	24.5	24%
2	High budget [3 - 10 mio[	Int. co-production	20.0	20%
3	Medium budget [1 - 3 mio[	100% national	16.9	17%
4	Medium budget [1 - 3 mio[	Int. co-production	16.1	16%
5	Super high budget [10 - 30 mio[	Int. co-production	12.2	12%
Other	-	-	10.7	11%
Total producer investments (excl broadcasters)			100.4	100%

Source: European Audiovisual Observatory



5.5. Fiscal Incentives

5.5.1. Importance of fiscal incentives as a financing source

Methodological remarks:

Please note, that fiscal incentives refer to the cumulative amounts of certified funds coming from fiscal incentives, such as rebates and tax credits (aiming at production companies), and national private investments benefitting from a tax shelter granted in the main country of origin or a minority financing country. Please note that rebates are also often referred to as production incentives rather than fiscal incentives.

In the case of rebates and tax credits, a certain percentage share of the film's eligible local production expenditures is paid back to the producer. In contrast, tax shelters (or tax allowances) offer an incentive for private investors to provide equity cash investments in film productions (either directly in production or through the acquisition of rights), allowing them to reduce their taxable income base by the amount invested. In the case of tax shelter investments, funds thus become available to the production up-front and are provided by private investors rather than fiscal authorities or the state. Given their hybrid nature as equity investments and soft money, tax shelter funds could in principle also be grouped under "private equity investments". However, in order to facilitate the analysis of fiscal incentives as a financing source, they are shown in the "Fiscal Incentives" section.

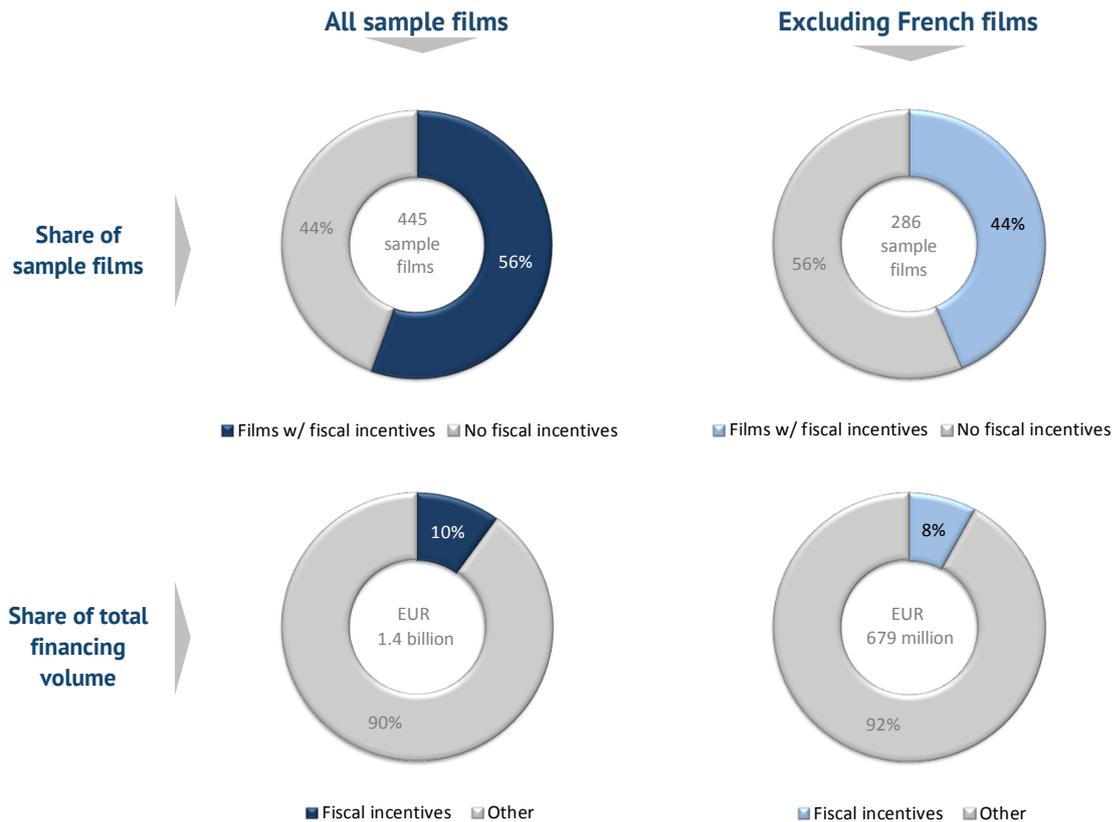
See appendix 8.2 for detailed definitions.



HOW IMPORTANT ARE FISCAL INCENTIVES?

- PAN-EUROPEAN PERSPECTIVE

Figure 40. Share of producer investments in financing of European fiction films (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

- A total of 56% of the sample films were partly financed by fiscal / production incentives taking the form of tax shelters, tax credits or cash rebates. Excluding French films from the analysis, this ratio drops to 44%.
- In total, fiscal incentives contributed EUR 144 million to the cumulative financing volume of EUR 1.41 billion, representing 10% of the total cumulative sample funding volume. Excluding French films, this share drops to 8%.



HOW IMPORTANT ARE FISCAL INCENTIVES?

- MARKET CLUSTER PERSPECTIVE

Table 38. Fiscal incentives by budget and market cluster (2016)

All sample films	Total sample films	Films with fiscal incentives	% share films with fiscal incentives	Total financing volume (in MEUR)	Total fiscal incentives (in MEUR)	% share fiscal incentives
Small markets [0 - 10 mio[	42	2	5%	38.5	0.1	0%
Medium markets [10 mio - 50 mio[	158	91	58%	309.8	35.6	11%
Large markets [>50 mio]	245	154	63%	1 063.4	108.4	10%
Total broadcaster investments	445	247	56%	1 411.7	144.1	10%

Excluding French films	Total sample films	Films with fiscal incentives	% share films with fiscal incentives	Total financing volume (in MEUR)	Total fiscal incentives (in MEUR)	% share fiscal incentives
Small markets [0 - 10 mio[	42	2	5%	38.5	0.1	0%
Medium markets [10 mio - 50 mio[	158	91	58%	309.8	35.6	11%
Large markets [>50 mio]	86	32	37%	330.3	16.4	5%
Total broadcaster investments	286	125	44%	678.6	52.1	8%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- An analysis of fiscal incentives by market cluster based on admissions volume shows that a significant portion of fiscal incentives was only available in medium and large markets, and that fiscal incentives played practically no role in financing films originating in small sample markets.
- Fiscal incentives represented the highest share of total financing volume in medium-sized markets, where funds generated through fiscal incentives accounted for 11% of the cumulative financing volume.
- Fiscal incentive-related financing contributed 10% to total financing volume in the large sample markets. Excluding French films, this share drops to 5%.
- The same is true for the share of the number of films benefitting from fiscal incentives, which is highest in medium-sized markets when one excludes French films from the analysis, at 58%, compared to 37% in large markets.



5.5.2. Forms and national origin of fiscal incentives

BREAKDOWN OF FISCAL INCENTIVES BY INCENTIVE TYPE - PAN-EUROPEAN PERSPECTIVE

Table 39. Breakdown of fiscal incentives broken down by incentive type (2016)

All sample films	Nr of films	% share of total	% share of fiscal incentives	Amounts in MEUR	% share of total	% share of fiscal incentives
Rebates	162	36%	66%	75.8	5%	53%
Tax credits	41	9%	17%	17.2	1%	12%
Tax shelter investments	134	30%	54%	50.9	4%	35%
Total fiscal incentives	247	56%	100%	144.1	10%	100%
Total sample films	445	100%		1 411.7	100%	

Excluding French films	Nr of films	% share of total	% share of fiscal incentives	Amounts in MEUR	% share of total	% share of fiscal incentives
Rebates	56	20%	45%	14.5	2%	28%
Tax credits	41	14%	33%	17.2	3%	33%
Tax shelter investments	48	17%	38%	20.2	3%	39%
Total fiscal incentives	125	44%	100%	52.1	8%	100%
Total sample films	286	100%		678.6	100%	

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Taking into consideration the full data sample, rebates represented the majority of fiscal incentives used to finance theatrical fiction films (53%), followed by tax shelter investments from private investors (35%) and tax credits for producers, which accounted for 12% of cumulative fiscal incentives.
- Excluding French films, the picture changes, with tax shelter investments from private investors representing the most significant form of fiscal incentives, accounting for 39% of cumulative fiscal incentives, followed by tax credits for producers (33%) and rebates (28%).
- The significance of individual forms of fiscal / production incentives differs between countries depending on the respective schemes offered. Out of the nine sample countries offering fiscal incentives, only France and Italy provided more than one

type of fiscal incentive. In the other markets fiscal incentives took either the form of rebates, tax credits or tax shelters.

BREAKDOWN OF FISCAL INCENTIVES BY NATIONAL ORIGIN

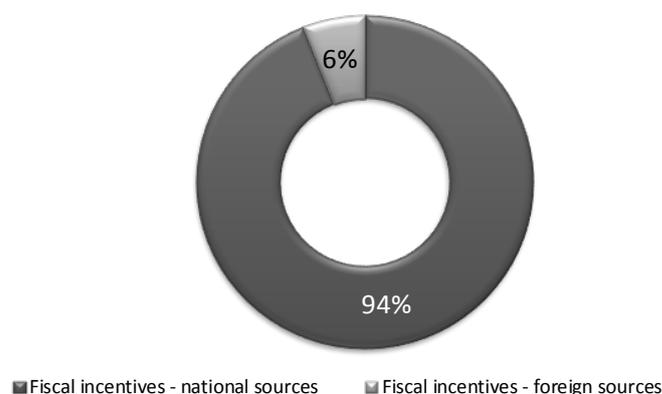
- PAN-EUROPEAN PERSPECTIVE

Table 40. Fiscal Incentives by national origin (2016)

All sample films	Nr of films	% share of total	% share of fiscal incentives	Amounts in MEUR	% share of total	% share of fiscal incentives
Fiscal incentives - national sources	234	53%	95%	135.6	10%	94%
Fiscal incentives - foreign sources	33	7%	13%	8.6	1%	6%
Total fiscal incentives	247	56%	100%	144.1	10%	100%
Total sample films	445	100%		1 411.7	100%	

Source: European Audiovisual Observatory

Figure 41. Breakdown of cumulative financing from fiscal incentives by national origin (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

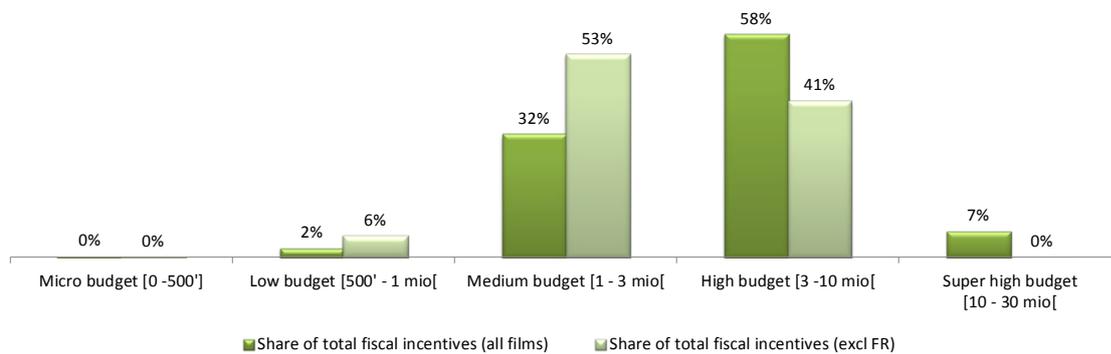
- The analysis by national origin shows that 94% of cumulative fiscal incentives were provided by the main country of origin, and only 6% were obtained in minority co-financing countries.
- This is also reflected in the number of films financed with fiscal incentives. While every second sample film was partly financed by fiscal incentives, only 7% of sample films had foreign fiscal incentives in their financing mix.



5.5.3. Distribution of fiscal incentives by film type

HOW ARE FISCAL INCENTIVES DISTRIBUTED AMONG FILM BUDGET CLUSTERS? - PAN-EUROPEAN PERSPECTIVE

Figure 42. Distribution of fiscal incentives across film budget types (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

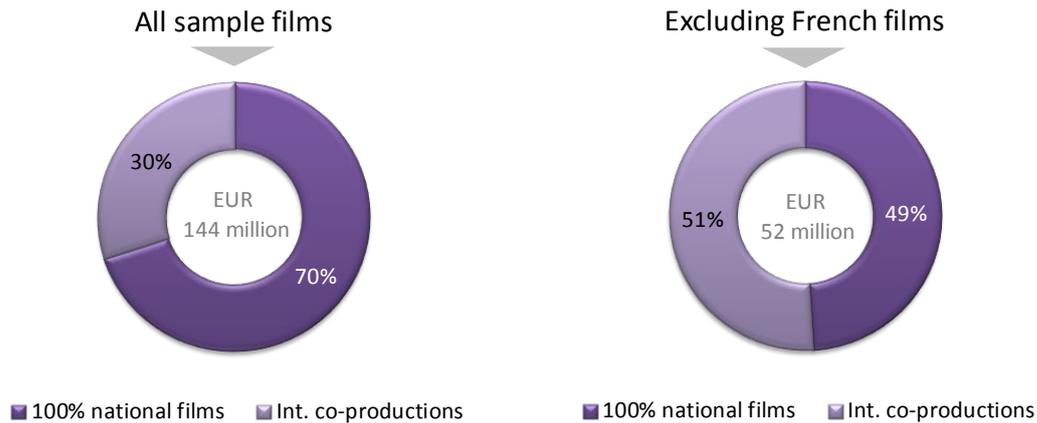
- The largest share of fiscal incentives went to the production of high-budget films (58%), while 32% of fiscal incentives went to medium-budget films and 7% went to super-high-budget films.
- Excluding France, the picture appears different, with the largest share of fiscal incentives allocated to medium-budget films (53%) and another 41% going to high-budget films.



HOW ARE FISCAL INCENTIVES DISTRIBUTED BETWEEN 100% NATIONAL FILMS AND INTERNATIONAL CO-PRODUCTIONS?

- PAN-EUROPEAN PERSPECTIVE

Figure 43. Distribution of fiscal incentives between 100% national films and international co-productions (2016)



Source: European Audiovisual Observatory

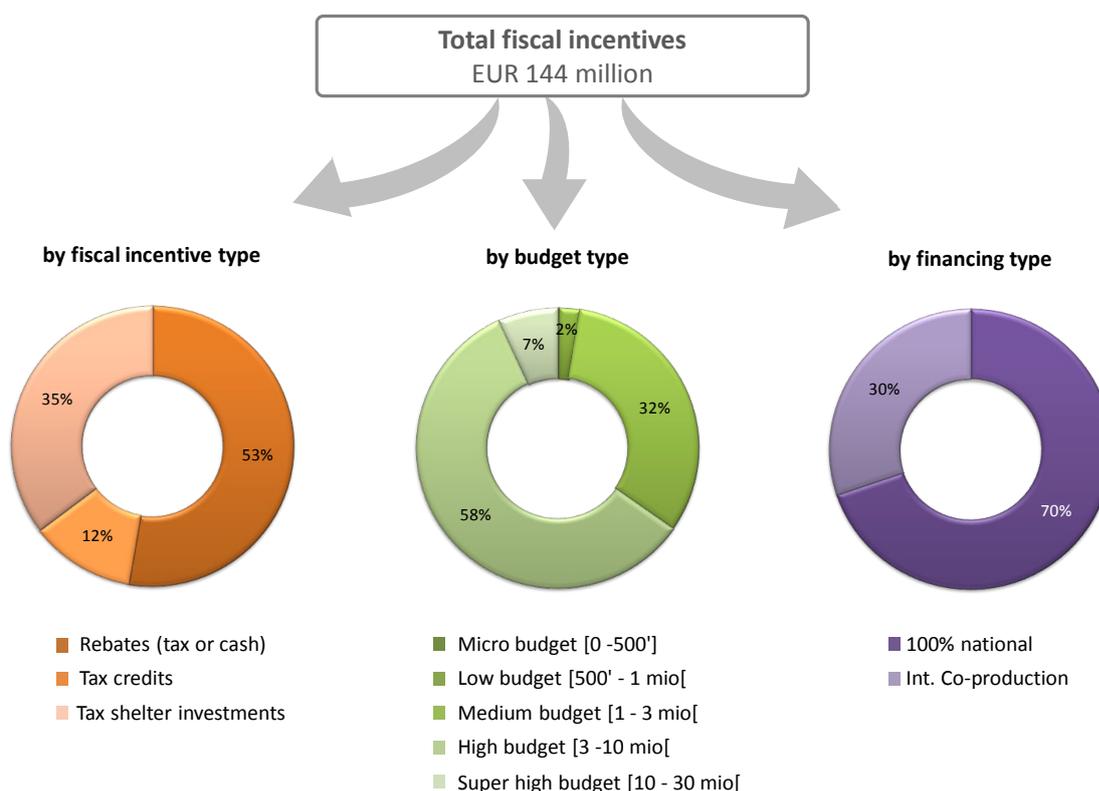
SELECTED INSIGHTS

- Fiscal incentive financing appears overproportionally allocated to 100% national films, which represent 65% of the sample films, capturing 70% of cumulative fiscal incentives - while international co-productions, which account for 35% of the sample films, comprised only 30%.
- These analysis results change fundamentally when French films are excluded from the analysis, with international co-productions receiving an overproportional share of fiscal incentives: such productions account for 37% of the sample films but captured 51% of total fiscal incentive financing. In contrast, 100% national films account for 63% of the sample films but captured only 49% of cumulative sample fiscal incentives.



AT A GLANCE: HOW ARE FISCAL INCENTIVES DISTRIBUTED AMONG FILM TYPES?
- PAN-EUROPEAN PERSPECTIVE

Figure 44. Breakdown of cumulative fiscal incentives by form, budget and financing type of films (2016)



Source: European Audiovisual Observatory

Table 41. Ranking of fiscal incentives – top 5 forms / film types (2016)

Rank	Fiscal incentive type	Budget type	Financing type	Amount in MEUR	% share
1	Rebate	High budget [3 - 10 mio[	100% national	34.6	24%
2	Tax shelter investment	High budget [3 - 10 mio[	100% national	20.9	15%
3	Rebate	Medium budget [1 - 3 mio[	100% national	17.5	12%
4	Tax shelter investment	High budget [3 - 10 mio[	Int. co-production	11.0	8%
5	Rebate	Super high budget [10 - 30 mio[	100% national	7.4	5%
Other	-	-	-	52.7	37%
Total fiscal incentives				144.1	100%

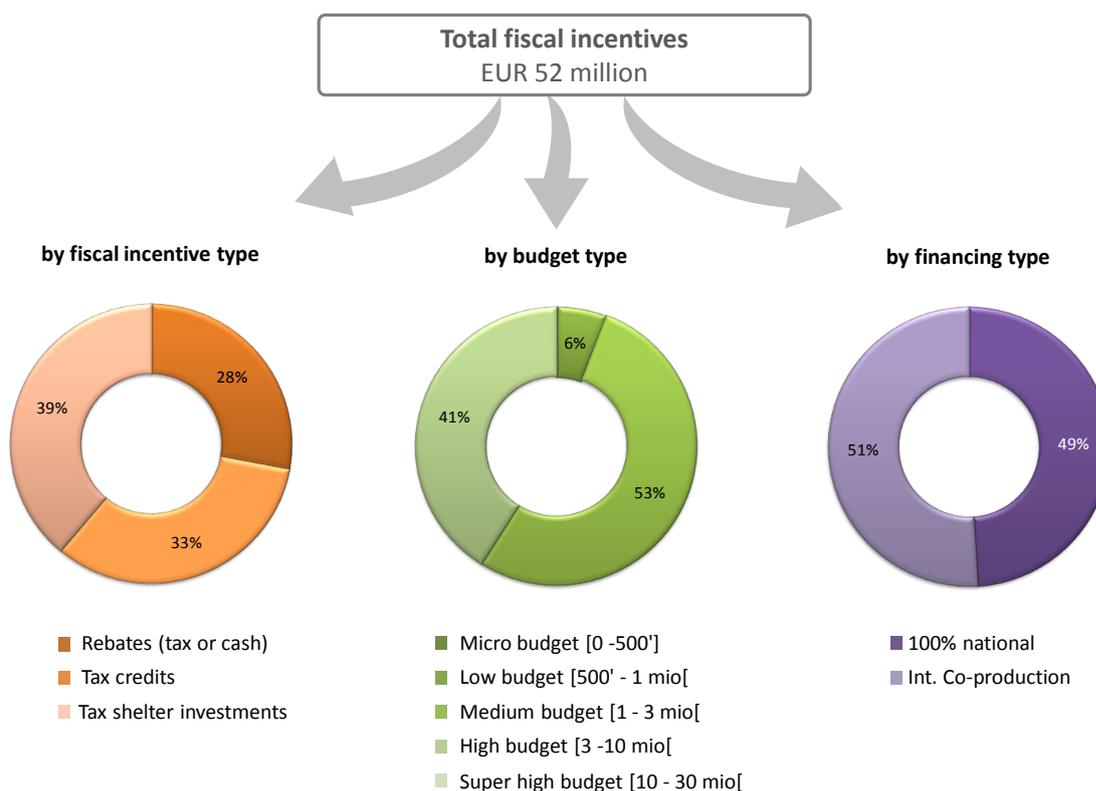
Source: European Audiovisual Observatory



AT A GLANCE: HOW ARE FISCAL INCENTIVES DISTRIBUTED AMONG FILM TYPES?

-- PAN-EUROPEAN PERSPECTIVE EXCLUDING FRENCH FILMS

Figure 45. Breakdown of cumulative fiscal incentives by form, budget and financing type of films - excluding French films (2016)



Source: European Audiovisual Observatory

Table 42. Ranking of fiscal incentives – top 5 forms / film types excluding French films (2016)

Rank	Fiscal incentive type	Budget type	Financing type	Amount in MEUR	% share
1	Rebate	Medium budget [1 - 3 mio[	100% national	7.3	14%
2	Tax credit	High budget [3 -10 mio[	Int. co-production	6.1	12%
3	Tax shelter investment	High budget [3 -10 mio[	Int. co-production	5.4	10%
4	Tax shelter investment	Medium budget [1 - 3 mio[	100% national	5.0	10%
5	Tax credit	High budget [3 -10 mio[	100% national	4.4	8%
Other	-	-	-	23.9	46%
Total fiscal incentives				52.1	100%

Source: European Audiovisual Observatory



6. Differences between budget clusters

6.1. In terms of financing structure

Reminder:

As financing structures are expected to differ between films with different budget sizes, indicators are also analysed here by budget cluster, according to the following categorisation scheme:

Film budget types	Budget bandwidth in EUR
Micro-budget films	< 500'
Low-budget films	[500' to 1 million[
Medium-budget films	[1 million to 3 million[
High-budget films	[3 million to 10 million[
Super-high-budget films	[10 million to 30 million[
Blockbuster-budget films	> 30 million



HOW DO FINANCING STRUCTURES DIFFER AMONG BUDGETS?

- PANEUROPEAN PERSPECTIVE

Table 43. Breakdown of total financing volume by source for film budget types (2016)

All sample films	Micro budget [0 -500']	Low budget [500' - 1 mio[	Medium budget [1 - 3 mio[	High budget [3 -10 mio[	Super high budget [10 - 30 mio[	All films
Direct public funding	42%	42%	40%	26%	19%	29%
Broadcaster investments	6%	11%	18%	29%	30%	25%
Pre-sales (excluding national TV)	4%	4%	8%	17%	24%	16%
Producer investments (excluding broadcasters)	27%	23%	15%	14%	17%	15%
Fiscal incentives	3%	8%	13%	11%	4%	10%
Debt financing	1%	1%	1%	2%	3%	2%
Other financing sources	6%	5%	3%	1%	0%	1%
Private equity cash investments	5%	2%	1%	0%	3%	1%
In-kind investments	5%	4%	1%	0%	0%	0%
Total financing volume (in EUR)	11 963 894	44 132 815	359 104 946	762 725 592	233 795 730	1 411 722 976
Nr of films	40	59	191	139	16	445

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- The smaller the budget, the more significant is **direct public funding**, generally accounting for at least 40% of the total financing volume of films with a budget of less than EUR 3 million. The share of public funding drops to 26% for films with a budget between EUR 3 and 10 million, and to 19% for films with budgets above EUR 10 million.
- By contrast, the importance of **pre-sales** clearly correlates with the budget volume, increasing along with the budget: from a share of 4% for micro- and low-budget films, up to 24% for films with a budget exceeding EUR 10 million.
- The same appears to hold true for **broadcaster investments**, which increase from 6% in the case of micro-budget films, to 30% for super high budget films.
- **Fiscal incentive**-related financing appears particularly significant for medium- and high-budget films, but proportionally less so for films below EUR 500 000 and films above EUR 10 million.
- For **films with a budget above EUR 10 million**, direct public funding appears a significant (19%) but secondary form of funding, with the largest share of financing coming from broadcaster investments (30%) and pre-sales (24%).
- Producer investments were (like direct public funding) proportionally more important for the financing of **micro- and low-budget films**, as they had very limited access to financing through pre-sales, fiscal incentives and broadcasters.

**HOW DO FINANCING STRUCTURES DIFFER AMONG BUDGETS?****- PAN-EUROPEAN PERSPECTIVE EXCLUDING FRENCH FILMS****Table 44. Breakdown of total financing volume by source for film budget - excluding French films (2016)**

Excluding French films	Micro budget [0 -500']	Low budget [500' - 1 mio[	Medium budget [1 - 3 mio[	High budget [3 -10 mio[	Super high budget [10 - 30 mio[	All films
Direct public funding	46%	44%	45%	40%	26%	41%
Broadcaster investments	5%	11%	14%	11%	0%	11%
Pre-sales (excluding national TV)	4%	4%	9%	21%	29%	16%
Producer investments (excluding broadcasters)	21%	18%	13%	14%	24%	15%
Fiscal incentives	1%	8%	11%	7%	0%	8%
Debt financing	1%	1%	2%	4%	10%	3%
Other financing sources	8%	6%	4%	2%	0%	3%
Private equity cash investments	7%	3%	2%	1%	12%	2%
In-kind investments	7%	5%	1%	0%	0%	1%
Total financing volume (in EUR)	8 819 252	37 110 867	257 686 068	315 224 806	59 769 037	678 610 030
Nr of films	26	48	135	60	4	273

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Most of the observations relating to the analysis of the full data sample on the previous page also hold true, in essence, when excluding French films. The only exception is the role of **broadcaster financing**, for which there is no longer a clear correlation with budget size. The sample data suggests that the correlation between broadcaster investments and budget size applies primarily to French films but not to the majority of other European sample films.
- While the share of **direct public funding** remains highest for micro-, low- and medium-budget films (ranging between 44% and 46%) and decreases for films with budgets above EUR 3 million, the drops are significantly less pronounced when excluding French films: direct public funding accounted for 41% of high-budget (compared to 26% excluding French films) and 26% of super-high-budget films (compared to 19% excluding French films).
- The significance of **pre-sales** still clearly increased along with the budget, from a share of 4% for micro-budget films, up to 29% for films with a budget exceeding EUR 10 million.
- **Fiscal incentive**-related financing continues to be most significant for medium-budget films, but is now equally important for low- and high-budget films, accounting for 8% and 7% of total financing, respectively.



6.2. In terms of role of individual financing sources

SIGNIFICANCE OF DIRECT PUBLIC FUNDING FOR BUDGET CLUSTERS - PAN-EUROPEAN PERSPECTIVE

Table 45. Direct public funding by budget clusters (2016)

Please note that with regard to monetary values in EUR, the average amount of direct public funding is calculated as the arithmetic average (mean) of those films that received direct public funding

All sample films	Micro budget [0 - 500']	Low budget [500' - 1 mio[	Medium budget [1 - 3 mio[	High budget [3 - 10 mio[	Super high budget [10 - 30 mio[	Grand Total
Total sample films	40	59	191	139	16	445
Films with direct public funding	32	48	183	136	15	414
% share	80%	81%	96%	98%	94%	93%
Cumulative financing volume of all films	11 963 894	44 132 815	359 104 946	762 725 592	233 795 730	1 411 722 976
Cumulative funds from public funding	5 056 073	18 438 023	143 887 573	196 985 525	43 329 113	407 696 307
% share	42%	42%	40%	26%	19%	29%
Avg budget of sample films	299 097	748 014	1 880 131	5 487 234	14 612 233	3 172 411
Avg amount of public funding (when available)	158 002	384 125	786 271	1 448 423	2 888 608	984 774
% share	53%	51%	42%	26%	20%	31%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Nine out of 10 sample films received direct public funding. The ratio drops slightly, to eight out of 10, for micro- and low-budget films.- eight Bearing in mind the selection bias, the data sample thus suggests that budget size per se does not have a significant impact on access to direct public funding, with a slight exception for micro- and low-budget films.
- The significance of direct public funding decreases as budgets increase, accounting for 42% of the total financing volume of micro- and low-budget films, compared to 40% for medium-budget films, 26% for high-budget films and 19% or less for super-high-budget films.
- In absolute terms, the average direct public support granted to a European live-action fiction film ranges from EUR 158 000 for micro-budget films, EUR 384 000 for low-budget films and EUR 786 000 for medium budget films, all the way up to EUR 1.4 million for high-budget films and EUR 2.9 million for super-high-budget films.



IMPORTANCE OF PUBLIC FUNDING FOR BUDGET CLUSTERS
- PAN-EUROPEAN PERSPECTIVE EXCLUDING FRENCH FILMS

Table 46. Direct public funding by budget clusters - excluding French films (2016)

Please note that with regard to onetary values in EUR, the average amount of direct public funding is calculated as the arithmetic average (mean) of those films that received direct public funding

Excluding French films	Micro budget [0 - 500']	Low budget [500' - 1 mio[	Medium budget [1 - 3 mio[	High budget [3 - 10 mio[	Super high budget [10 - 30 mio[	Grand Total
Total sample films	27	50	143	62	4	286
Films with direct public funding	24	41	137	62	4	268
% share	89%	82%	96%	100%	100%	94%
Cumulative financing volume of all films	8 819 252	37 110 867	257 686 068	315 224 806	59 769 037	678 610 030
Cumulative funds from public funding	4 013 895	16 351 320	116 304 270	124 710 103	15 555 920	276 935 508
% share	46%	44%	45%	40%	26%	41%
Avg budget of sample films	326 639	742 217	1 802 000	5 084 271	14 942 259	2 372 762
Avg amount of public funding (when availabl	167 246	398 813	848 936	2 011 453	3 888 980	1 033 341
% share	51%	54%	47%	40%	26%	44%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Excluding French films shows that the importance of direct public funding for European fiction films is significantly more pronounced for European fiction films outside France.
- In total, direct public funding - excluding France - contributed EUR 276.9 million to the cumulative financing volume of EUR 679 million, representing 41% of the total cumulative funding volume of the reduced data sample.
- Again, nine out of 10 sample films received direct public funding, with the share dropping slightly for low- and micro-budget films, while more or less all films with budgets above EUR 1 million received direct public funding.
- The observation that the share of public funding tends to decrease for films with a budget of over EUR 3 million is also applicable to the reduced data sample. The shares of direct public funding were, however, significantly higher for high-budget films (40% compared to 26%) and super-high-budget films (26% compared to 19%).
- In absolute terms, the average direct public support granted to a European (not French) fiction film was higher than in the total sample, ranging from EUR 167 000 for micro-budget films, to EUR 399 000 for low-budget films and EUR 849 000 for medium-budget films, all the way up to EUR 2.0 million for high-budget and EUR 3.9 million for super-high-budget films.



PROPORTIONAL DISTRIBUTION OF DIRECT PUBLIC FUNDING AMONG BUDGET CLUSTERS - PAN-EUROPEAN PERSPECTIVE

Table 47. Distribution of direct public funding compared to the distribution of total financing among budget clusters (2016)

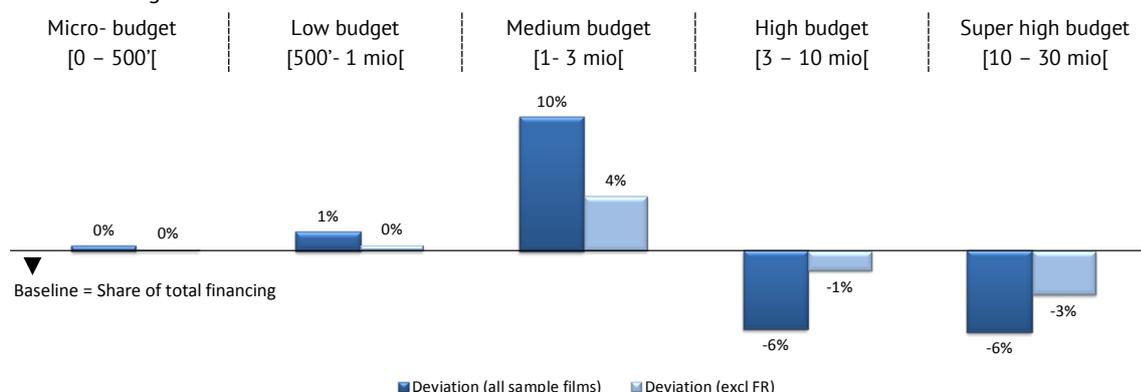
All sample films	Micro budget [0 -500']	Low budget [500' - 1 mio[	Medium budget [1 - 3 mio[	High budget [3 -10 mio[	Super high budget [10 - 30 mio[	Total in MEUR
Share of direct public funding	1%	5%	35%	48%	11%	407.7
Share of total financing	1%	3%	25%	54%	17%	1 411.7
Deviation (all sample films)	0%	1%	10%	-6%	-6%	-

Excluding French films	Micro budget [0 -500']	Low budget [500' - 1 mio[	Medium budget [1 - 3 mio[	High budget [3 -10 mio[	Super high budget [10 - 30 mio[	Total in MEUR
Share of direct public funding	1%	6%	42%	45%	6%	276.9
Share of total financing	1%	5%	38%	46%	9%	678.6
Deviation (excl FR)	0%	0%	4%	-1%	-3%	-

Source: European Audiovisual Observatory

Figure 46. “Over-/undershooting” of direct public funding allocation by budget cluster (2016)

Deviation in percentage points between share of public funding allocated to a budget cluster and the share of total financing allocated to that budget cluster. Value indicates extent to which the proportional allocation of public funding to a specific budget cluster exceeds or falls below the corresponding allocation of cumulative total financing.



Source: European Audiovisual Observatory

SELECTED INSIGHTS

- A comparison of the distribution of direct public funding with the distribution of total financing volume among budget clusters reveals that medium-budget films are proportionally “over-financed” by direct public funding: while comprising only 25% of total financing volume, they received 35% of direct public funding. In contrast, proportionally less direct public funding was allocated to high- and super-high budget films (six percentage points less).
- While these observations also hold true excluding French films, the difference is much less pronounced.



IMPORTANCE OF BROADCASTER INVESTMENTS FOR BUDGET CLUSTERS - PAN-EUROPEAN PERSPECTIVE

Table 48. Broadcaster investments by budget cluster (2016)

Please note that with regard to monetary values in EUR, the average amount of broadcaster investments is calculated as the arithmetic average (mean) of those films partly financed by broadcaster investments.

All sample films	Micro budget [0 -500'	Low budget [500' - 1 mio[	Medium budget [1 - 3 mio[	High budget [3 -10 mio[	Super high budget [10 - 30 mio[	Grand Total
Total sample films	40	59	191	139	16	445
Films with broadcaster investments	12	34	158	117	12	333
% share	30%	58%	83%	84%	75%	75%
Cumulative financing volume of all films	11 963 894	44 132 815	359 104 946	762 725 592	233 795 730	1 411 722 976
Cumulative funds from broadcaster inv.	715 038	4 936 257	63 904 613	218 529 132	69 841 942	357 926 982
% share	6%	11%	18%	29%	30%	25%
Avg. budget of sample films	299 097	748 014	1 880 131	5 487 234	14 612 233	3 172 411
Avg. amount of broadcaster inv. (when available)	59 587	145 184	404 460	1 867 770	5 820 162	1 074 856
% share	20%	19%	22%	34%	40%	34%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Three out of four sample films were partly financed by broadcaster investments, in the form of co-productions and / or pre-sales of TV rights in the (co-)producing markets.
- The lower the budget the more difficult it appears to be to attract broadcaster financing: only one in three micro-budget and 58% of low-budget films managed to do so. This compares to 83% of medium-, 84% of high- and 75% of super-high-budget films.
- In contrast to public funding, the significance of national broadcaster investments rises in tandem with budgets, accounting for 6% and 12% of the total financing volume of micro- and low-budget films, respectively, compared to 18% for medium-budget films, 29% for high-budget films and 30% for super-high-budget films.
- In absolute terms average broadcaster investments for European fiction films ranged from EUR 60 000 for micro-budget films, EUR 145 000 for low-budget films and EUR 404 000 for medium-budget films, all the way up to EUR 1.9 million for high-budget films and EUR 5.8 million for super-high-budget films.



IMPORTANCE OF BROADCASTER INVESTMENTS FOR BUDGET CLUSTERS - PAN-EUROPEAN PERSPECTIVE EXCLUDING FRANCE

Table 49. Broadcaster investments by budget clusters - excluding French films (2016)

Please note that with regard to monetary values in EUR, the average amount of broadcaster investments is calculated as the arithmetic average (mean) of those films partly financed by broadcaster investments.

Excluding French films	Micro budget [0 - 500']	Low budget [500' - 1 mio[	Medium budget [1 - 3 mio[	High budget [3 - 10 mio[	Super high budget [10 - 30 mio[	Grand Total
Total sample films	27	50	143	62	4	286
Films with broadcaster investments	10	30	120	41	0	201
% share	37%	60%	84%	66%	0%	70%
Cumulative financing volume of all films	8 819 252	37 110 867	257 686 068	315 224 806	59 769 037	678 610 030
Cumulative funds from broadcaster inv.	455 038	4 048 382	36 070 839	34 964 320	0	75 538 579
% share	5%	11%	14%	11%	0%	11%
Avg. budget of sample films	326 639	742 217	1 802 000	5 084 271	14 942 259	2 372 762
Avg. amount of broadcaster inv. (when available)	45 504	134 946	300 590	852 788	0	375 814
% share	14%	18%	17%	17%	0%	16%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Broadcaster financing of fiction films is significantly more important in France than in most other European countries. Therefore, discarding French films from the analysis changes some of the observations:
- The overall share of films attracting broadcaster investments is slightly lower at 70% (compared to 75%). On the other hand, the frequency with which micro- and low-budget films secure broadcaster financing rises slightly, with 37% of micro- and 60% of low-budget films partly financed by broadcaster contributions outside France (compared to 30% and 58% in the full data sample).
- The percentage share of broadcaster investments is more homogeneous among the different budget categories, accounting for 5% of micro- film budgets, 11% of low-budget films, 14% of medium-budget film and 11 % of high-budget films.
- Compared to the total sample, average broadcaster investments in a European fiction film are lower for all budget clusters, the largest differences observable for medium- and high-budget films, with EUR 300 000 rather than EUR 404 000, and EUR 853 000 rather than EUR 1.9 million, respectively.



PROPORTIONAL DISTRIBUTION OF BROADCASTER INVESTMENTS AMONG FILM TYPES? - PAN-EUROPEAN PERSPECTIVE

Table 50. Distribution of broadcaster investments by budget cluster compared to distribution of total financing among budget clusters (2016)

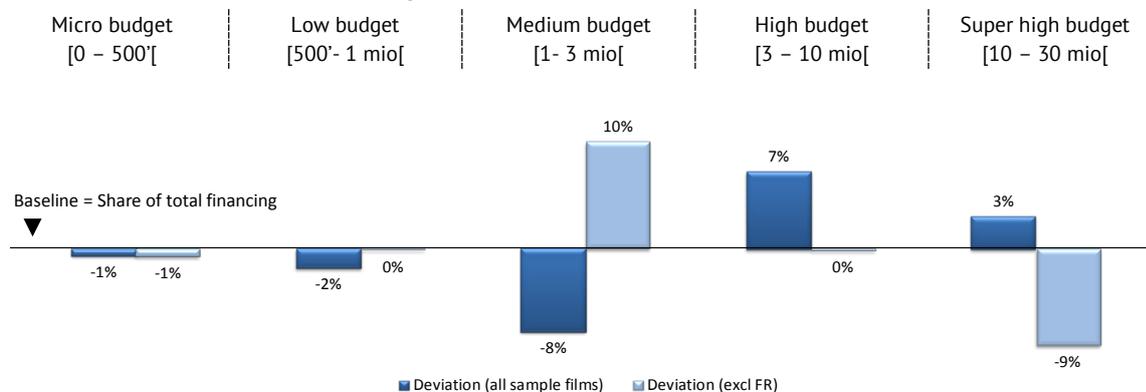
All sample films	Micro budget [0 - 500']	Low budget [500' - 1 mio]	Medium budget [1 - 3 mio]	High budget [3 - 10 mio]	Super high budget [10 - 30 mio]	Total in MEUR
Share of total broadcaster investments	0%	1%	18%	61%	20%	357.9
Share of total financing	1%	3%	25%	54%	17%	1 411.7
Deviation (all sample films)	-1%	-2%	-8%	7%	3%	-

Excluding French films	Micro budget [0 - 500']	Low budget [500' - 1 mio]	Medium budget [1 - 3 mio]	High budget [3 - 10 mio]	Super high budget [10 - 30 mio]	Total in MEUR
Share of total broadcaster investments	1%	5%	48%	46%	0%	75.5
Share of total financing	1%	5%	38%	46%	9%	678.6
Deviation (excl FR)	-1%	0%	10%	0%	-9%	-

Source: European Audiovisual Observatory

Figure 47. “Over-/undershooting” of broadcaster investment allocation by budget cluster (2016)

Deviation in percentage points between share of broadcaster investments allocated to a budget cluster and the share of total financing allocated to that budget cluster. Value indicates extent to which the proportional allocation of broadcaster investments to a specific budget cluster exceeds or falls below the corresponding allocation of cumulative total financing.



Source: European Audiovisual Observatory

SELECTED INSIGHTS

- A comparison with the distribution of total financing among budget clusters reveals that high- and super-high-budget films were proportionally “over-financed” through broadcaster investments (by 7% and 3%, respectively), while films with a budget of less than EUR 3 million captured proportionally less broadcaster investment.
- The picture changes completely, however, when excluding French films from the analysis. Now, medium-budget films were proportionally “over-financed” through broadcaster investments, while the high budget films’ share of broadcaster



investments corresponds to their share in total financing, and none of the four super-high-budget sample films raised broadcaster financing.

IMPORTANCE OF PRE-SALES FOR BUDGET CLUSTERS
- PAN-EUROPEAN PERSPECTIVE

Table 51. Pre-sales by budget cluster (2016)

Please note that with regard to monetary values in EUR, the average amount of pre-sales is calculated as the arithmetic average (mean) of those films partly financed by pre-sales.

All sample films	Micro budget [0 - 500']	Low budget [500' - 1 mio[	Medium budget [1 - 3 mio[	High budget [3 - 10 mio[	Super high budget [10 - 30 mio[	All films
Total sample films	40	59	191	139	16	445
Films with pre-sales (excl national TV)	9	24	140	126	14	313
% share	23%	41%	73%	91%	88%	70%
Cumulative financing volume of all films	11 963 894	44 132 815	359 104 946	762 725 592	233 795 730	1 411 722 976
Cumulative funds from pre-sales	520 280	1 872 311	29 877 689	132 806 025	57 276 422	222 352 727
% share	4%	4%	8%	17%	24%	16%
Avg budget of sample films	299 097	748 014	1 880 131	5 487 234	14 612 233	3 172 411
Avg amount of pre-sales (when available)	57 809	78 013	213 412	1 054 016	4 091 173	710 392
% share	19%	10%	11%	19%	28%	22%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Only seven out of 10 sample films managed to pre-sell distribution rights.
- The data suggests that only high- and super-high-budget films, i.e. films with a budget above EUR 3 million, have no problem pre-selling distribution rights.
- The lower the budget, the less likely it appears that a film secures a pre-sale. Only 23% of micro-budget films in the data sample were able to partially finance their budget via a pre-sale. This compares to 41% of low-budget films and 73% of medium-budget sample films.
- Also, pre-sales only contributed between 4% and 8% to the financing of films with a budget of less than EUR 3 million. Pre-sales were however an essential financing form for high- and super-high-budget films, accounting for 17% and 24% of total cumulative production spend, respectively.
- In absolute terms, average pre-sales for European fiction films ranged from EUR 58 000 for micro-budget films, EUR 78 000 for low-budget films and EUR 213 000 for medium-budget films, all the way up to EUR 1.1 million for high-budget films and EUR 4.1 million for super-high-budget films.



IMPORTANCE OF PRE-SALES FOR BUDGET CLUSTERS
- PAN-EUROPEAN PERSPECTIVE EXCLUDING FRANCE

Table 52. Pre-sales by budget cluster - excluding French films (2016)

Please note that with regard to monetary values in EUR, the average amount of pre-sales is calculated as the arithmetic average (mean) of those films partly financed by pre-sales.

Excluding French films	Micro budget [0 - 500']	Low budget [500' - 1 mio]	Medium budget [1 - 3 mio]	High budget [3 - 10 mio]	Super high budget [10 - 30 mio]	All films
Total sample films	27	50	143	62	4	286
Films with pre-sales (excl national TV)	5	18	103	56	4	186
% share	19%	36%	72%	90%	100%	65%
Cumulative financing volume of all films	8 819 252	37 110 867	257 686 068	315 224 806	59 769 037	678 610 030
Cumulative funds from pre-sales	360 030	1 640 311	23 760 731	66 850 840	17 111 840	109 723 752
% share	4%	4%	9%	21%	29%	16%
Avg budget of sample films	326 639	742 217	1 802 000	5 084 271	14 942 259	2 372 762
Avg amount of pre-sales (when available)	72 006	91 128	230 687	1 193 765	4 277 960	589 913
% share	22%	12%	13%	23%	29%	25%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Excluding French films doesn't fundamentally alter the analysis results but prompts a few additional observations:
- The difficulty with which films with a budget of less than EUR 3 million conclude a pre-sale is even more pronounced outside France: Only 19% of micro-budget films were able to partially finance their budget via a pre-sale (compared to 23%). Also, only 36% (compared to 41%) of low-budget films outside France used pre-sale financing.
- As in the full sample, high-budget and super-high-budget films, i.e. films with a budget exceeding EUR 3 million, had no problem pre-selling distribution rights.
- As in the full sample, pre-sales only contributed between 4% and 9% to films with a budget of less than EUR 3 million. National pre-sales were however a more substantial financing form for high- and super-high budget films, accounting for 21% and 29% of the total cumulative financing volume, respectively (compared to 17% and 24% in the full sample, respectively).
- Interestingly, average amounts of pre-sales for European fiction films were slightly higher excluding the large number of French sample films, ranging from EUR 72 000 for micro-budget films, EUR 91 000 for low budget films and EUR 231 000 for medium-budget films all the way up to EUR 1.2 million for high-budget films and EUR 4.3 million for super-high-budget films.



PROPORTIONAL DISTRIBUTION OF PRE-SALES AMONG BUDGET CLUSTERS
- PAN-EUROPEAN PERSPECTIVE EXCL FRANCE

Table 53. Distribution of pre-sales compared to distribution of total financing among budget clusters (2016)

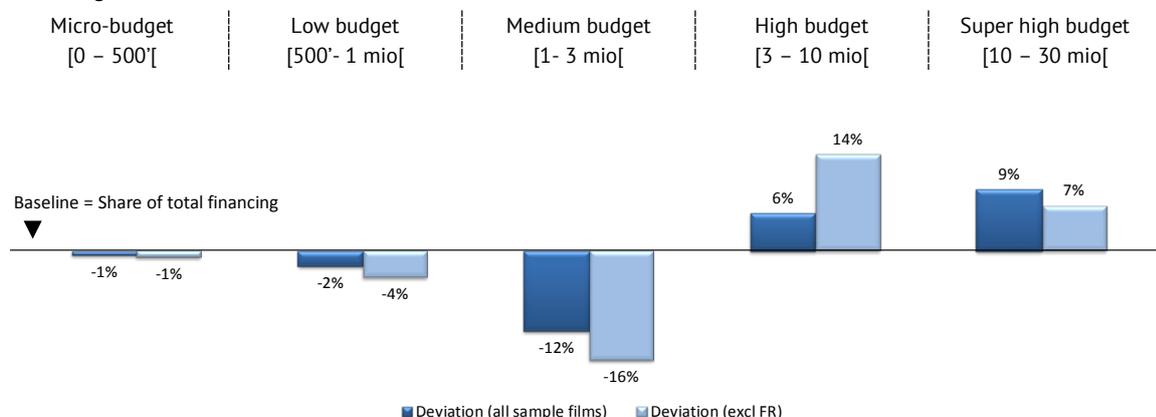
All sample films	Micro budget [0 -500’]	Low budget [500’ - 1 mio[	Medium budget [1 - 3 mio[	High budget [3 -10 mio[	Super high budget [10 - 30 mio[	Total in MEUR
Share of total pre-sales	0%	1%	13%	60%	26%	222.4
Share of total financing	1%	3%	25%	54%	17%	1 411.7
Deviation (all sample films)	-1%	-2%	-12%	6%	9%	-

All sample films	Micro budget [0 -500’]	Low budget [500’ - 1 mio[	Medium budget [1 - 3 mio[	High budget [3 -10 mio[	Super high budget [10 - 30 mio[	Total in MEUR
Share of total pre-sales	0%	1%	22%	61%	16%	109.7
Share of total financing	1%	5%	38%	46%	9%	678.6
Deviation (excl FR)	-1%	-4%	-16%	14%	7%	-

Source: European Audiovisual Observatory

Figure 48. “Over-/undershooting” of pre-sales allocation by budget cluster (2016)

Deviation in percentage points between share of pre-sales allocated to a budget cluster and the share of total financing allocated to that budget cluster. Value indicates extent to which the proportional allocation of pre-sales to a specific budget cluster exceeds or falls below the corresponding allocation of cumulative total financing.



Source: European Audiovisual Observatory

SELECTED INSIGHTS

- A comparison with the distribution of total financing volume among budget clusters clearly shows that films with a budget of less than EUR 3 million and in particular medium-budget films are proportionally “under-financed” through pre-sales, while proportionally more financing from pre-sales is available to high- and super-high-budget films. This is true for the full data sample as well as for the reduced data sample excluding French films.

**HOW SIGNIFICANT ARE PRODUCER INVESTMENTS?****-PAN-EUROPEAN PERSPECTIVE****Table 54. Producer investments by budget cluster (2016)**

Please note that with regard to monetary values in EUR, the average amount of producer investments is calculated as the arithmetic average (mean) of those films partly financed by producer investments.

All sample films	Micro budget [0 - 500']	Low budget [500' - 1 mio]	Medium budget [1 - 3 mio]	High budget [3 - 10 mio]	Super high budget [10 - 30 mio]	All films
Total sample films	40	59	191	139	16	445
Films with producer inv. (excl TV)	34	48	176	135	16	409
% share	85%	81%	92%	97%	100%	92%
Cumulative financing volume of all films	11 963 894	44 132 815	359 104 946	762 725 592	233 795 730	1 411 722 976
Cumulative funds from producer inv.	3 280 030	9 952 920	54 287 235	107 408 745	40 754 675	215 683 604
% share	27%	23%	15%	14%	17%	15%
Avg budget of sample films	299 097	748 014	1 880 131	5 487 234	14 612 233	3 172 411
Avg amount of producer inv. (when available)	96 471	207 353	308 450	795 620	2 547 167	527 344
% share	32%	28%	16%	14%	17%	17%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Nine out of 10 sample films were partly financed with producer cash investments.
- As with direct public funding, producer investments appear proportionally more significant for lower-budget films and less significant for higher-budget films, with the share of producer investments in the financing mix decreasing as budgets increase: producer investments accounted for 27% and 23% of the total financing volume of micro- and low-budget films, respectively, compared to 15% for medium-budget films, 14% for high-budget films and 17% for super-high-budget films.
- In absolute terms, average producer investment in European theatrical fiction films amounted to EUR 96 000 for micro-budget films, EUR 207 000 for low-budget films, EUR 308 000 for medium-budget films, and up to EUR 795 000 for high-budget films and EUR 2.5 million for super-high-budget films.



HOW IMPORTANT ARE PRODUCER INVESTMENTS?

- PAN-EUROPEAN PERSPECTIVE EXCLUDING FRENCH FILMS

Table 55. Producer investments by budget cluster - excluding French films (2016)

Please note that with regard to monetary values in EUR, the average amount of producer investments is calculated as the arithmetic average (mean) of those films partly financed by producer investments.

Excluding French films	Micro budget [0 - 500']	Low budget [500' - 1 mio]	Medium budget [1 - 3 mio]	High budget [3 - 10 mio]	Super high budget [10 - 30 mio]	All films
Total sample films	27	50	143	62	4	286
Films with producer inv. (excl TV)	21	39	128	58	4	250
% share	78%	78%	90%	94%	100%	87%
Cumulative financing volume of all films	8 819 252	37 110 867	257 686 068	315 224 806	59 769 037	678 610 030
Cumulative funds from producer inv.	1 824 838	6 679 180	33 032 930	44 547 252	14 317 995	100 402 195
% share	21%	18%	13%	14%	24%	15%
Avg budget of sample films	326 639	742 217	1 802 000	5 084 271	14 942 259	2 372 762
Avg amount of producer inv. (when available)	86 897	171 261	258 070	768 056	3 579 499	401 609
% share	27%	23%	14%	15%	24%	17%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Excluding French films doesn't fundamentally alter the analysis results even though the proportional significance of producer investments for micro- and low-budget films is comparatively lower.
- In the case of super-high-budget films: here, producer investments now represent the highest financing share of any budget cluster, accounting for 24% of total financing.
- The average value of producer investments is slightly lower, with the exception of super-high-budget films.



PRODUCER INVESTMENTS BY FILM BUDGET CLUSTER

- PAN-EUROPEAN PERSPECTIVE

Table 56. Distribution of producer investments compared to distribution of total financing among budget clusters (2016)

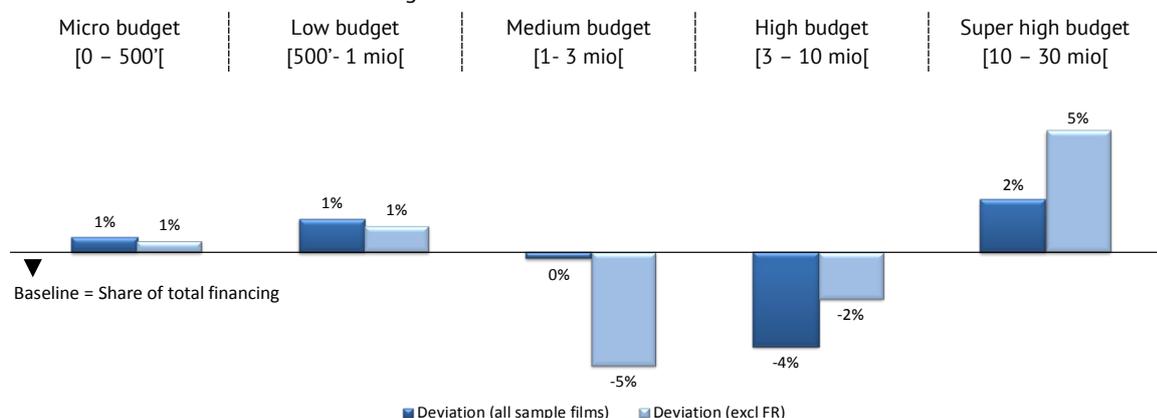
All sample films	Micro budget [0 - 500']	Low budget [500' - 1 mio]	Medium budget [1 - 3 mio]	High budget [3 - 10 mio]	Super high budget [10 - 30 mio]	Total in MEUR
Share of total producer investments	2%	5%	25%	50%	19%	215.7
Share of total financing	1%	3%	25%	54%	17%	1 411.7
Deviation (all sample films)	1%	1%	0%	-4%	2%	-

Excluding French films	Micro budget [0 - 500']	Low budget [500' - 1 mio]	Medium budget [1 - 3 mio]	High budget [3 - 10 mio]	Super high budget [10 - 30 mio]	Total in MEUR
Share of total producer investments	2%	7%	33%	44%	14%	100.4
Share of total financing	1%	5%	38%	46%	9%	678.6
Deviation (excl FR)	1%	1%	-5%	-2%	5%	-

Source: European Audiovisual Observatory

Figure 49. “Over-/undershooting” of producer investment allocation by budget cluster (2016)

Deviation in percentage points between share of producer investments allocated to a budget cluster and the share of total financing allocated to that budget cluster. Value indicates extent to which the proportional allocation of producer investments to a specific budget cluster exceeds or falls below the corresponding allocation of cumulative total financing.



Source: European Audiovisual Observatory

SELECTED INSIGHTS

- A comparison with the distribution of total financing volume among budget clusters reveals that medium- and high-budget films were proportionally “under-financed” through producer investments, while producers carried a proportionally higher financing share in the case of micro-, low- and super-high-budget films.



HOW IMPORTANT ARE FISCAL INCENTIVES?

- THE PAN-EUROPEAN PERSPECTIVE

Table 57. Fiscal incentives by budget cluster (2016)

Please note that with regard to monetary values in EUR, the average amount of fiscal incentives is calculated as the arithmetic average (mean) of those films partly financed by fiscal incentives.

All sample films	Micro budget [0 -500']	Low budget [500' - 1 mio]	Medium budget [1 - 3 mio]	High budget [3 -10 mio]	Super high budget [10 - 30 mio]	All films
Total sample films	40	59	191	139	16	445
Films with fiscal incentives	8	27	114	92	6	247
% share	20%	46%	60%	66%	38%	56%
Cumulative financing volume of all films	11 963 894	44 132 815	359 104 946	762 725 592	233 795 730	1 411 722 976
Cumulative funds from fiscal incentives	320 179	3 454 053	46 321 468	84 232 509	9 810 296	144 138 505
% share	3%	8%	13%	11%	4%	10%
Avg budget of sample films	299 097	748 014	1 880 131	5 487 234	14 612 233	3 172 411
Avg amount of fiscal incentives (when availa	40 022	127 928	406 329	915 571	1 635 049	583 557
% share	13%	17%	22%	17%	11%	18%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- More than half of the sample films were partly financed with fiscal incentives.
- The data shows that the proportion of films benefitting from fiscal incentives increases with budget size: while only one in five micro-budget films in the data sample was partly financed by fiscal incentives, six out of 10 medium- and two out of three high-budget films obtained fiscal incentives.
- The weight of fiscal incentives in the financing mix appears to increase with budget size up to medium-budget films, and then drops again for high- and super-high-budget films: fiscal incentives accounted for 3% of the total financing of micro-budget films, 8% of low-budget films, 13% of medium-budget films, 11% of high-budget films and 4% of super-high-budget films.
- In absolute terms, average fiscal incentives in European theatrical fiction films amounted to EUR 40 000 for micro-budget films, EUR 128 000 for low-budget films, EUR 406 000 for medium-budget films, and up to EUR 916 000 for high-budget films and EUR 1.6 million for super-high-budget films.

**HOW IMPORTANT ARE FISCAL INCENTIVES?****-PAN-EUROPEAN PERSPECTIVE EXCLUDING FRENCH FILMS****Table 58. Fiscal incentives by budget cluster - excluding French films (2016)**

Please note that with regard to monetary values in EUR, the average amount of fiscal incentives is calculated as the arithmetic average (mean) of those films partly financed by fiscal incentives.

Excluding French films	Micro budget [0 - 500']	Low budget [500' - 1 mio[	Medium budget [1 - 3 mio[	High budget [3 - 10 mio[	Super high budget [10 - 30 mio[	All films
Total sample films	27	50	143	62	4	286
Films with fiscal incentives	4	24	73	24	0	125
% share	15%	48%	51%	39%	0%	44%
Cumulative financing volume of all films	8 819 252	37 110 867	257 686 068	315 224 806	59 769 037	678 610 030
Cumulative funds from fiscal incentives	93 157	2 912 423	27 690 930	21 388 635	0	52 085 145
% share	1%	8%	11%	7%	0%	8%
Avg budget of sample films	326 639	742 217	1 802 000	5 084 271	14 942 259	2 372 762
Avg amount of fiscal incentives (when availa	23 289	121 351	379 328	891 193	0	416 681
% share	7%	16%	21%	18%	0%	18%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Excluding French films decreases the significance of fiscal incentives for all budget types, reflecting the comparative significance of fiscal incentives as a financing source in France.
- While micro-budget films still rely least on fiscal incentives, the difference between low-, medium- and high-budget films is less pronounced, both in terms of the share of films benefitting from fiscal incentives as well as the share of fiscal incentives in the financing mix. The share of fiscal incentives in the financing mix remains highest for medium-budget films (11%).
- Excluding French films, average fiscal incentives in European theatrical fiction films are slightly lower, amounting to EUR 23 000 for micro-budget films, EUR 121 000 for low-budget films, EUR 379 000 for medium-budget films and EUR 891 000 for high-budget films.



FISCAL INCENTIVES BY FILM BUDGET CLUSTER

- PAN-EUROPEAN PERSPECTIVE

Table 59. Distribution of fiscal incentives compared to distribution of total financing among budget clusters (2016)

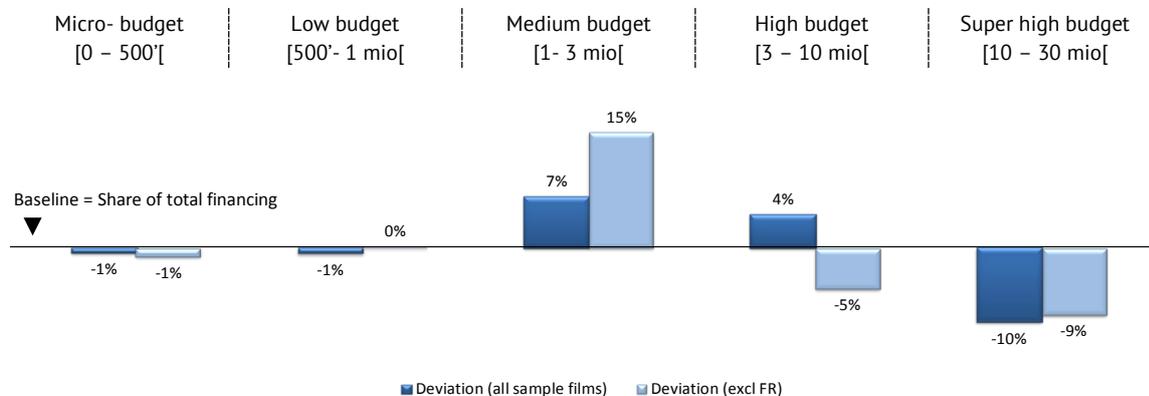
All sample films	Micro budget [0 - 500']	Low budget [500' - 1 mio]	Medium budget [1 - 3 mio]	High budget [3 - 10 mio]	Super high budget [10 - 30 mio]	Total in MEUR
Share of total fiscal incentives	0%	2%	32%	58%	7%	144.1
Share of total financing	1%	3%	25%	54%	17%	1 411.7
Deviation (all sample films)	-1%	-1%	7%	4%	-10%	-

Excluding French films	Micro budget [0 - 500']	Low budget [500' - 1 mio]	Medium budget [1 - 3 mio]	High budget [3 - 10 mio]	Super high budget [10 - 30 mio]	Total in MEUR
Share of total fiscal incentives	0%	6%	53%	41%	0%	52.1
Share of total financing	1%	5%	38%	46%	9%	678.6
Deviation (excl FR)	-1%	0%	15%	-5%	-9%	-

Source: European Audiovisual Observatory

Figure 50. “Over-/undershooting” of fiscal incentive allocation by budget cluster (2016)

Deviation in percentage points between share of fiscal incentives allocated to a budget cluster and the share of total financing allocated to that budget cluster. Value indicates extent to which the proportional allocation of fiscal incentives to a specific budget cluster exceeds or falls below the corresponding allocation of cumulative total financing.



Source: European Audiovisual Observatory

SELECTED INSIGHTS

- A comparison with the distribution of total financing volume among budget clusters reveals that medium- and high-budget films were proportionally “over-financed” through fiscal incentives, while all other budget types received proportionally fewer fiscal incentives than total financing.
- Excluding French films from the analysis, only medium-budget films were proportionally “over-financed” through fiscal incentives, while all other budget types received proportionally fewer fiscal incentives than total financing.



7. Differences between 100% national films and international co-productions

7.1. In terms of budget

HOW DO AVERAGE BUDGETS DIFFER BETWEEN 100% NATIONAL FILMS AND INTERNATIONAL CO-PRODUCTIONS?

- PAN-EUROPEAN PERSPECTIVE

Table 60. Average budget of European fiction films – all sample countries (2016)

	Nr. of sample films	Mean budget	Median budget
All sample films	445	MEUR 3.17	MEUR 2.07
- 100% national films	289	MEUR 3.06	MEUR 1.98
- Int. co-productions	156	MEUR 3.38	MEUR 2.55

Source: European Audiovisual Observatory

Table 61. Average budget of European fiction films – excluding France (2016)

	Nr. of sample films	Mean budget	Median budget
All sample films (excl. FR)	286	MEUR 2.38	MEUR 1.67
- 100% national films	179	MEUR 2.16	MEUR 1.50
- Int. co-productions	107	MEUR 2.74	MEUR 1.99

Source: European Audiovisual Observatory



SELECTED INSIGHTS

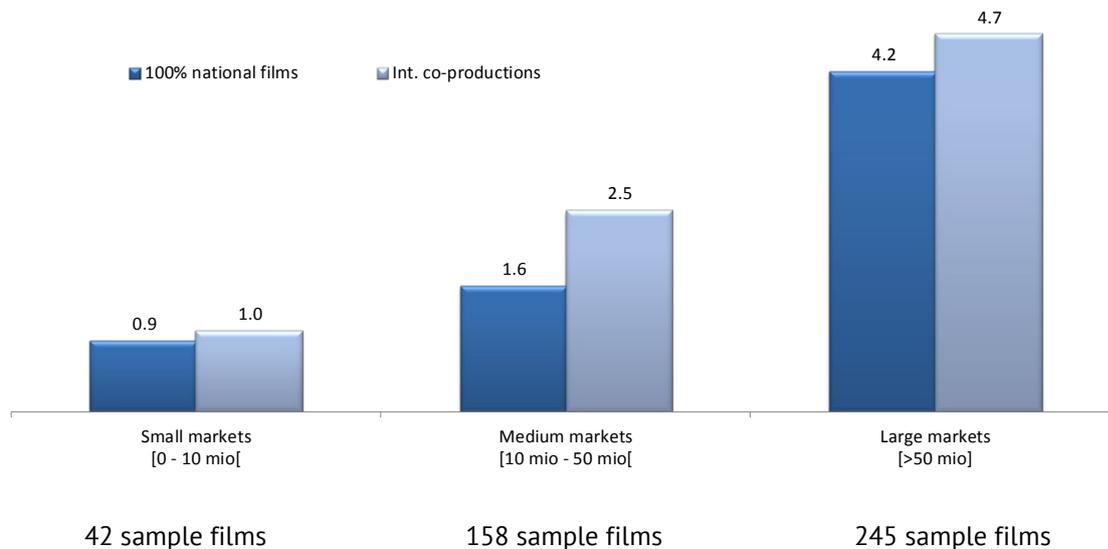
- Median budgets for international co-productions were higher than those of 100% national films, exceeding the latter by around EUR 500 000 to EUR 600 000. This means that the median budget of a European co-production was roughly 30% higher than the median budget of a 100% national film. This is consistent with their assumed ability to raise - on average - larger amounts of financing than 100% national films.
- The median budget of an international co-production in the data sample amounted to EUR 2.55 million compared to EUR 1.98 million for 100% national films. Excluding French films, the median budget dropped to EUR 1.99 million for international co-productions and EUR 1.50 million for 100% national films.
- Mean budgets were higher than median budgets for both co-productions as well as 100% national films, reflecting the impact of a comparatively low number of films with exceptionally high budgets.



HOW DO AVERAGE BUDGETS DIFFER BETWEEN INTERNATIONAL CO-PRODUCTIONS AND 100% NATIONAL FILMS BY MARKET SIZE?

- MARKET CLUSTER PERSPECTIVE

Figure 51. Mean budgets of European fiction films – by market size (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

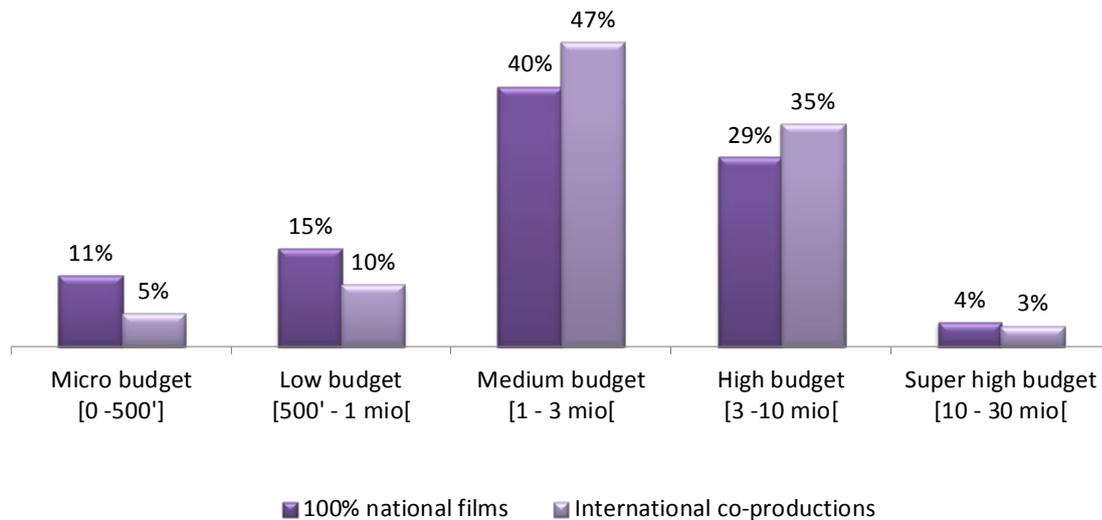
- While international co-productions had higher average budgets than 100% national films in all three market types, there appear to be differences with regard to the extent to which average budgets of international co-productions exceeded those of 100% national films.
- The difference between mean budgets was most pronounced in medium-sized markets where international co-productions cost almost EUR 1 million more than 100% national films, with the average budget at EUR 2.5 million compared to EUR 1.6 million for 100% national films.
- The gap between these two film types was somewhat less pronounced in the large sample markets, where international co-productions cost on average EUR 4.7 million compared to EUR 4.2 million for 100% national films. Excluding French films increases the gap, with international co-productions costing on average EUR 4.4 million compared to EUR 3.6 million in the case of 100% national films.
- In small markets the mean budgets of international co-productions and 100% national films were almost equal, with the former costing on average EUR 1 million and the latter EUR 0.9 million.

**DISTRIBUTION OF SAMPLE FILMS AMONG BUDGET TYPES: DIFFERENCES BETWEEN 100% NATIONAL FILMS AND CO-PRODUCTIONS?**

- PAN-EUROPEAN PERSPECTIVE

Figure 52. Breakdown of 100% national films and co-productions by budget range (2016)

In percentage of total number of 100% national films and majority co-productions in the data sample

*Source: European Audiovisual Observatory***SELECTED INSIGHTS**

- In line with the observation associating higher budgets with international co-productions, the share of European co-productions falling into the medium- and high-budget bandwidths was higher when compared to 100% national films and lower when for micro-budget and low-budget films.
- A total of 74 (47%) of the 156 European-led international sample co-productions fell into the medium-budget category, costing between EUR 1 million and EUR 3 million, while 35% of them cost between EUR 3 million and EUR 10 million.
- By contrast, 117 (40%) of the 289 100% national sample films were produced with a medium budget and 29% of them with a high budget.



7.2. In terms of financing structures

HOW DO FINANCING STRUCTURES DIFFER BETWEEN 100% NATIONAL FILMS AND INTERNATIONAL CO-PRODUCTIONS?

- PAN-EUROPEAN PERSPECTIVE

Table 62. Breakdown of cumulative financing volume by source – 100% national films vs. international co-productions (2016)

Rank	Financing sources	100% national films		Int. co-productions	
		Amount in MEUR	% share	Amount in MEUR	% share
1	Direct public funding	215.9	24%	191.8	36%
2	Broadcaster investments	258.6	29%	99.3	19%
3	Pre-sales (excl. broadcasters)	157.7	18%	64.7	12%
4	Producer investments (excl. broadcasters)	116.4	13%	99.3	19%
5	Fiscal incentives	100.6	11%	43.5	8%
6	Debt financing	12.1	1%	11.3	2%
7	Other financing sources	9.4	1%	8.6	2%
8	Private equity cash investments	11.5	1%	4.7	1%
9	In-kind investments	3.2	0%	3.1	1%
Total financing volume		885.4	100%	526.3	100%
Nr. of sample films		289	65%	156	35%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- The data sample suggests significant differences between the financing structures of 100% national films and international co-productions.
- Public funding was more important to international co-productions, accounting for 36% of their total financing volume, compared to 24% in the case of 100% national films.
- Broadcaster investments, by contrast, appear more important to 100% national films than to international co-productions, accounting for 29% of the financing volume of 100% national films compared to only 19% in the case of international co-productions.
- Interestingly, co-productions appear to attract less of their financing from pre-sales and require a higher share of producer investments than 100% national films. While pre-sales contributed 18% to the financing of 100% national films, it was only 12% for co-productions. In contrast, producer investments contributed only 13% to the financing of 100% national films compared to 19% in the case of co-productions.



- Fiscal incentives also played a more important role in the financing mix of 100% national films than in co-productions, contributing 11% compared to 8% of total financing, respectively.

HOW DO FINANCING STRUCTURES DIFFER BETWEEN 100% NATIONAL FILMS AND INTERNATIONAL CO-PRODUCTIONS?

- PAN-EUROPEAN PERSPECTIVE EXCLUDING FRENCH FILMS

Table 63. Breakdown of cumulative financing volume by source – 100% national films vs. international co-productions (2016)

Rank	Financing sources	100% national films		Int. co-productions	
		Amount in MEUR	% share	Amount in MEUR	% share
1	Direct public funding	151.2	39%	125.7	43%
2	Broadcaster investments	48.2	12%	27.3	9%
3	Pre-sales (excl. broadcasters)	74.3	19%	35.5	12%
4	Producer investments (excl. broadcasters)	50.5	13%	49.9	17%
5	Fiscal incentives	25.5	7%	26.5	9%
6	Debt financing	12.1	3%	11.3	4%
7	Other financing sources	9.4	2%	8.6	3%
8	Private equity cash investments	11.5	3%	4.7	2%
9	In-kind investments	3.2	1%	3.1	1%
Total financing volume		386.0	44%	292.6	100%
N.r of sample films		179	63%	107	37%

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- The differences in financing structures between 100% national films and international co-productions were somewhat less pronounced excluding French films from the analysis. Distinct differences concerning the weight of direct public funding, pre-sales, producer and broadcaster investments remain.
- While direct public funding was also more important to co-productions outside of France, the difference between the two film types was only four percentage points (compared to 12 percentage points in the full data sample), with the share of direct public funding in the financing mix of international co-productions accounting for 43% compared to 39% in the case of 100% national films.
- Again, co-productions appear to attract less of their financing from pre-sales and broadcaster investments and require a higher share of producer investments than 100% national films, with pre-sales contributing 19% to the financing of 100% national films compared to 12% for international co-productions, and producer investments contributing only 13% to the financing of 100% national films compared to 17% for co-productions.

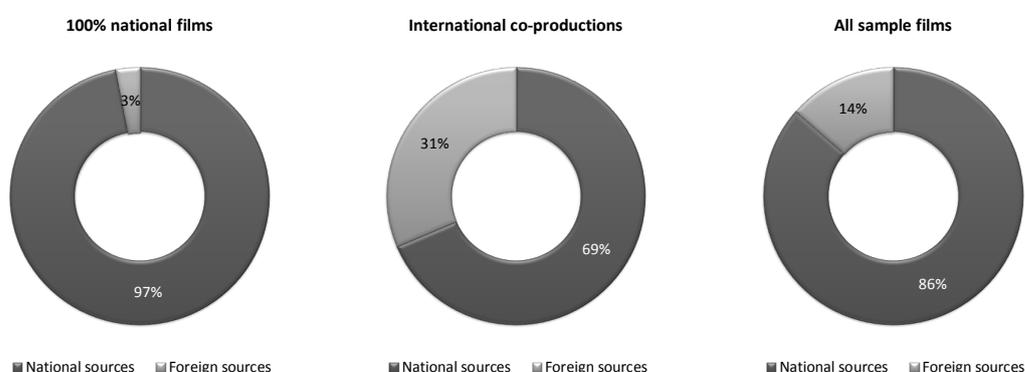


- In contrast to the full data sample, fiscal incentives played a slightly more important role in the financing mix of co-productions (9%) compared to 100% national films (7%).

7.3. In terms of national origin of financing

HOW IMPORTANT ARE NATIONAL AND FOREIGN FINANCING SOURCES, RESPECTIVELY?
- PAN-EUROPEAN PERSPECTIVE

Figure 53. Breakdown of cumulative financing volume by national and foreign source (2016)



Financing volume in MEUR	National sources	Foreign sources	Total
100% national films	859.4	26.0	885.4
International co-productions	361.1	165.3	526.3
All sample films	1 220.5	191.2	1 411.7

Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Not surprisingly there is a significant difference between 100% national films, which are - by definition - almost exclusively financed by national sources (97%), and international co-productions, for which national sources provided 69%, and foreign sources 31%, of funding. The exclusion of French films doesn't alter these breakdowns in a significant manner.
- National sources are defined as sources within the country of origin. In the case of international co-productions, the country of origin is defined as the country that contributes the largest share of financing among the co-producing countries.



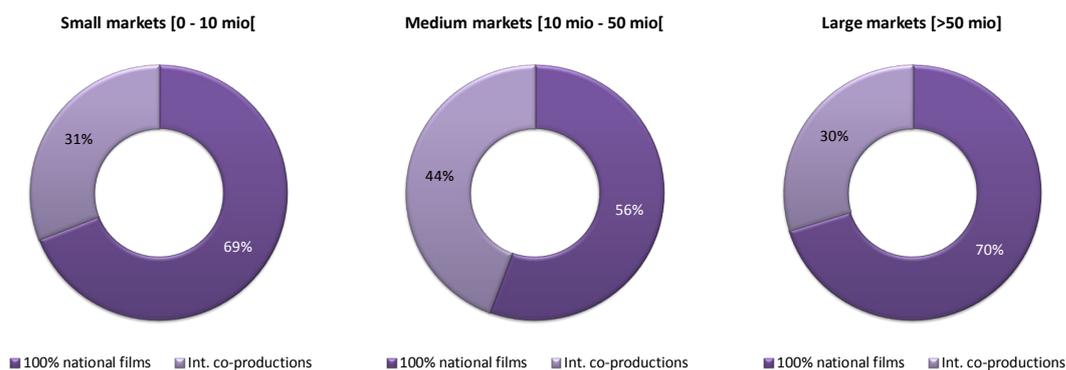
HOW IMPORTANT ARE FOREIGN FINANCING SOURCES BY FINANCING TYPE?
- MARKET CLUSTER PERSPECTIVE

Table 64. Breakdown of cumulative financing volume by national origin (2016)

	National sources	Foreign sources	Total
Large markets [>50 mio]	89%	11%	100%
100% national	97%	3%	100%
Majority co-prod	70%	30%	100%
Medium markets [10 mio - 50 mio]	78%	22%	100%
100% national	95%	5%	100%
Majority co-prod	65%	35%	100%
Small markets [0 - 10 mio]	88%	12%	100%
100% national	97%	3%	100%
Majority co-prod	71%	29%	100%

Source: European Audiovisual Observatory

Figure 54. Breakdown of number of sample films by financing type and market size (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

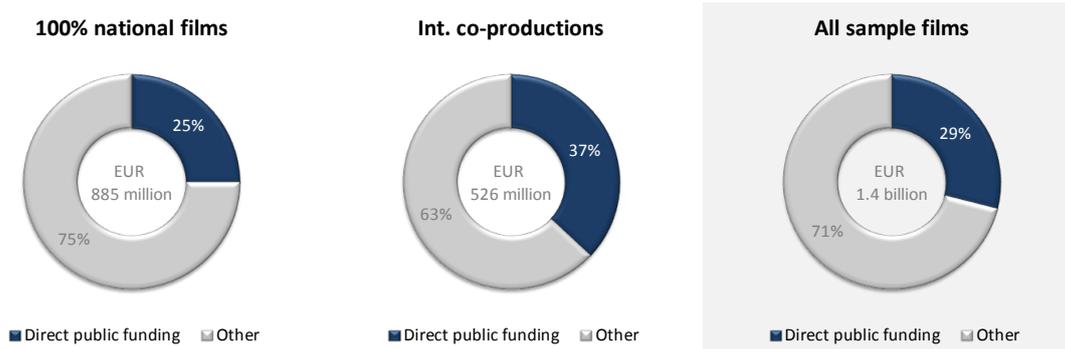
- The data sample suggests that films produced in medium-sized European markets depend to a larger degree on foreign financing sources than films produced in large or small markets: while accounting for only 11% and 12% of total financing in large and small markets, respectively, foreign sources represented 22% of total sample financing in medium-sized markets. This is due to the comparatively high share of international co-productions in medium-sized markets, where they accounted for 44% of the sample films (compared to 31% and 30% in small and large sample markets, respectively) and the fact that co-productions – by their very nature – raise a larger share of their financing from foreign sources, i.e. sources located outside the main country of origin.

7.4. In terms of the role of individual financing sources

DIFFERENCES IN THE ROLE OF FINANCING SOURCES BETWEEN 100% NATIONAL FILMS AND INTERNATIONAL CO-PRODUCTIONS?

- DIRECT PUBLIC FUNDING

Figure 55. Share of direct public funding by film type (2016)



Source: European Audiovisual Observatory

Figure 56. Share of direct public funding by film type – excluding French films (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

- Reminder: The selection bias of the data sample, which includes – for reasons of data availability – primarily films receiving funding from national film agencies, may exaggerate the significance of public funding as a financing source for films.
- The data sample shows a clear difference between 100% national films and international co-productions, with direct public funding playing a significantly more pronounced role in financing international co-productions compared to 100% national films: public funding accounted for 37% of the total financing volume of international co-productions compared to only 25% of 100% national films.

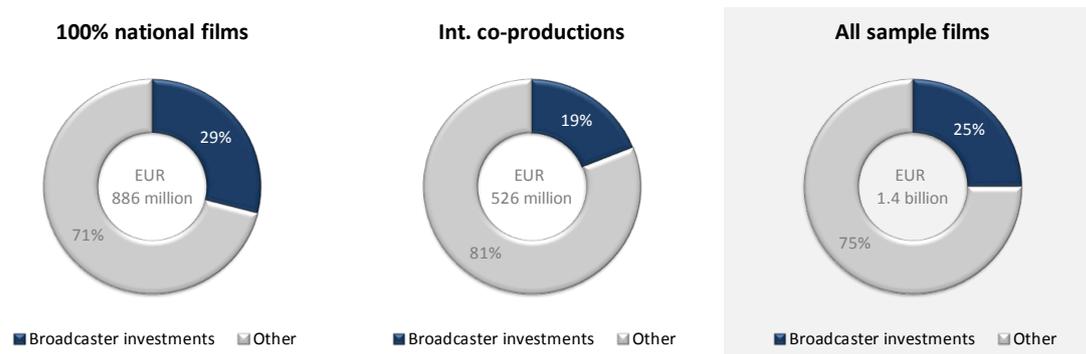


- Excluding French films, the significance of direct public funding increases to 39% for 100% national films but remains inferior to the share of direct public funding for international co-productions (45%).

DIFFERENCES IN THE ROLE OF FINANCING SOURCES BETWEEN 100% NATIONAL FILMS AND INTERNATIONAL CO-PRODUCTIONS?

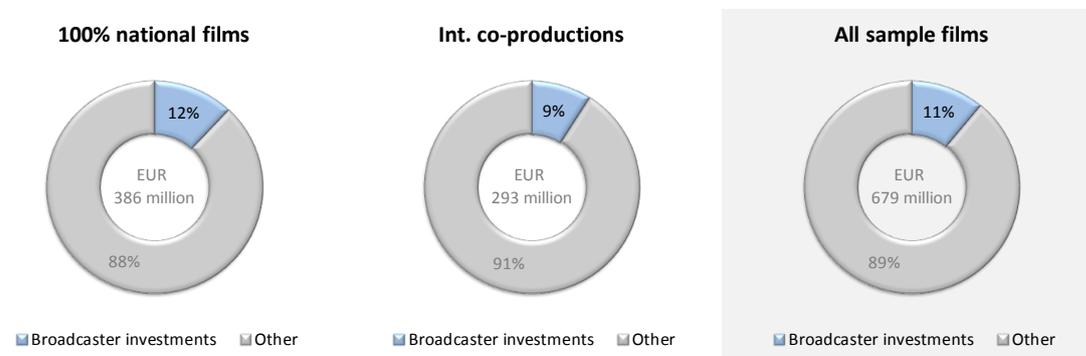
- BROADCASTER INVESTMENTS

Figure 57. Share of broadcaster investments by film type (2016)



Source: European Audiovisual Observatory

Figure 58. Share of broadcaster investments by film type – excluding French films (2016)



Source: European Audiovisual Observatory

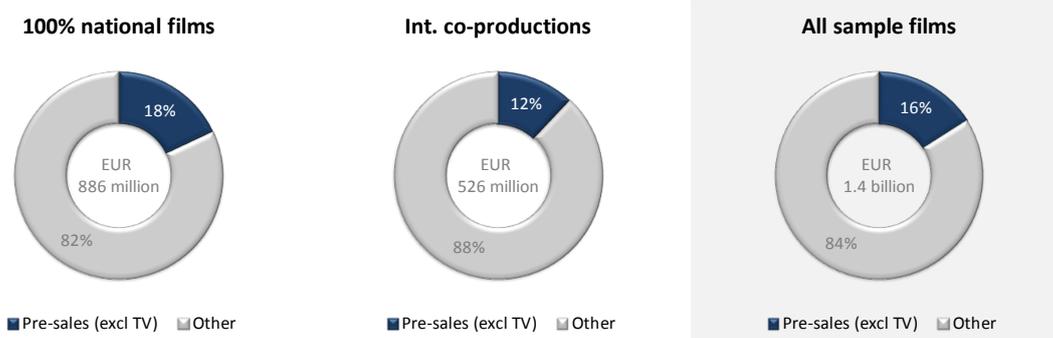
SELECTED INSIGHTS

- The data sample suggests a difference between 100% national films and international co-productions when it comes to the role of broadcaster investments, with the latter playing a slightly more pronounced role in financing 100% national films compared to international co-productions. This is particularly true for the full data sample, due to the exceptional significance of broadcaster investments in France.



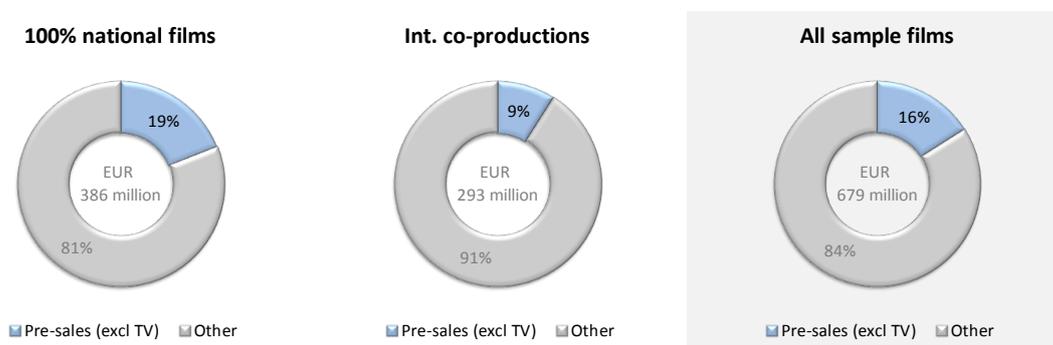
DIFFERENCES IN THE ROLE OF FINANCING SOURCES BETWEEN 100% NATIONAL FILMS AND INTERNATIONAL CO-PRODUCTIONS
- PRE-SALES (EXCL. BROADCASTERS)

Figure 59. Share of pre-sales financing by film type (2016)



Source: European Audiovisual Observatory

Figure 60. Share of pre-sales financing by film type excluding French films (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

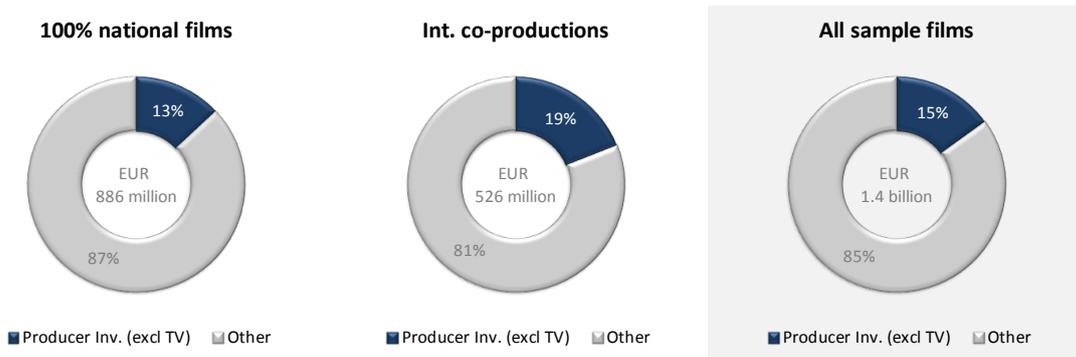
- The data sample suggests pre-sales were significantly more important for 100% national films, for which they contributed 18% (19% excluding French films) of cumulative financing, compared to international co-productions, for which they represent only 12% (9%) of the financing mix.



DIFFERENCES IN THE ROLE OF FINANCING SOURCES BETWEEN 100% NATIONAL FILMS AND INTERNATIONAL CO-PRODUCTIONS

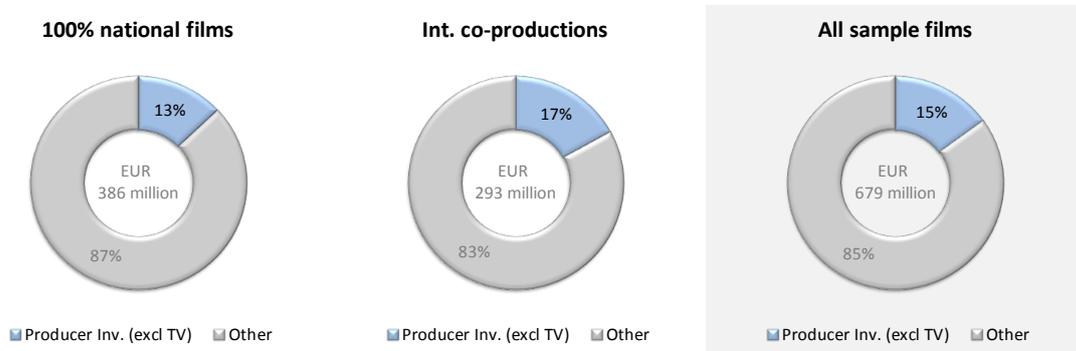
- PRODUCER INVESTMENTS (EXCL. BROADCASTERS)

Figure 61. Share of producer investments in financing volume by film type (2016)



Source: European Audiovisual Observatory

Figure 62. Share of producer investments in financing volume – excluding French films (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

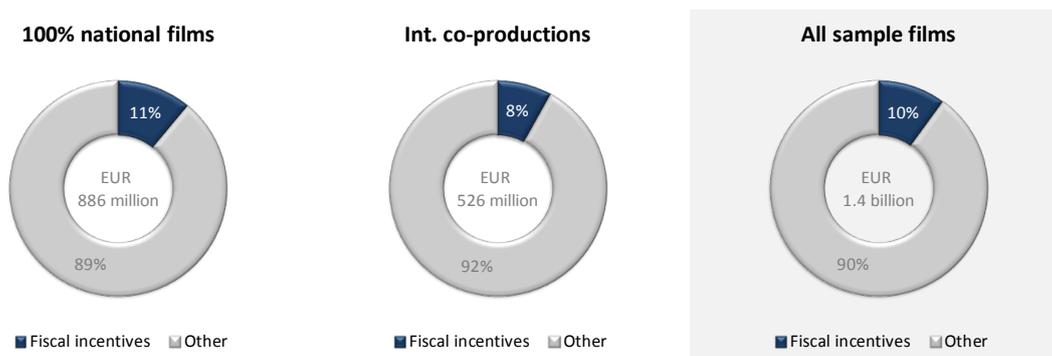
- The data sample suggests that – in contrast to pre-sales – producer investments were more important for international co-productions, for which they contributed 19% (17% excluding French films) of cumulative financing, compared to 100% national films, for which they represented only 13% of the financing mix.



DIFFERENCES IN THE ROLE OF FINANCING SOURCES BETWEEN 100% NATIONAL FILMS AND INTERNATIONAL CO-PRODUCTIONS?

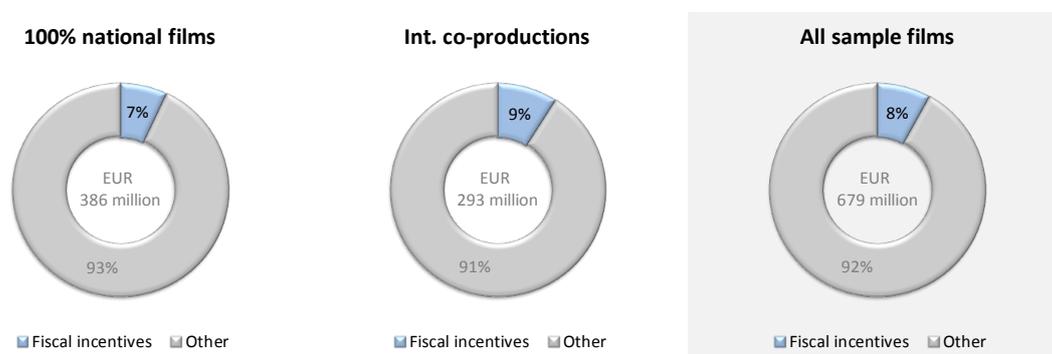
- FISCAL INCENTIVES

Figure 63. Share of fiscal incentives in financing volume by film type (2016)



Source: European Audiovisual Observatory

Figure 64. Share of fiscal incentives in financing volume – excluding French films (2016)



Source: European Audiovisual Observatory

SELECTED INSIGHTS

- The data sample suggests no significant difference in the role of fiscal incentives financing 100% national films and international co-productions.
- In the full data sample, i.e. due to the inclusion of French films, fiscal incentives accounted for a higher share of the financing mix of 100% national films (11%) compared to international co-productions (8%).
- Excluding French films from the analysis, however, this changes: fiscal incentives now account for a slightly higher portion of the financing mix of international co-productions (9%) compared to 100% national films (7%).





8. Appendix

8.1. Standard indicator list

The following indicator forms the basis for the XLS worksheet used to collect the data (see attachment).



QUESTIONNAIRE FOR MONITORING FINANCING OF EUROPEAN THEATRICAL FEATURE FILMS						
Nr	Indicators	CHECKBOX		Film 1	Film 2	...
B. FINANCING FROM NATIONAL SOURCES (MAIN PRODUCTION COUNTRY)						
1	Public Funding	Checkbox: Repayable	Checkbox: Non-repayable			
1.1	National					
1.1.1	Selective funding					
1.1.2	Automatic funding					
1.2	Regional					
1.2.1	Selective funding					
1.2.2	Automatic funding					
1.3	Local					
2	Fiscal Incentives					
2.1	Rebates (tax or cash)					
2.2	Tax credits (for producers)					
2.3	Tax shelter based investments from private investors					
2.3.1	Investments from tax funds (e.g. SOFICA)					
2.3.2	Other tax shelter investments from individuals or corporations					
3	Producer cash investments					
3.1	Independent Film Production Companies					
3.1.1	Lead Production Company					
3.1.2	National minority co-production companies					
3.2	Broadcasters (co-production)					
3.2.1	Public broadcasters					
3.2.2	Private broadcasters					
3.3	VOD service providers (Co-production)					
3.4	Other (co-production)					
4	In-kind investments					
5	Private equity cash investments					
6	Pre-sales					
6.1	Split Rights Deals / Outright Pre-Sales (no MG)					
6.1.1	Distributor					
6.1.2	Broadcasters					
6.1.2.a	- Public broadcasters					
6.1.2.b	- Private broadcasters					
6.1.3	Other					
6.2	Minimum Guarantees					
7	Debt financing					
7.1	Gap Financing					
7.1.1	Bank gap loans					
7.1.2	Private gap funds					
7.2	Deferments					
7.3	Other					
8	Other					
8.1	Sponsoring					
8.2	Product Placement					
8.3	Donations (e.g. through crowdfunding)					
8.4	Other					



C. FINANCING FROM FOREIGN SOURCES		
9	Supranational Public Funding	Checkbox: Repayable Checkbox: Non-repayable
9.1	Supranational public funding	
9.1.1	Selective funding	
9.1.2	Automatic funding	
10	Multi-Territory Pre-Sales	
10.1	Split Rights Deals / Outright Pre-Sales (no MG)	
10.1.1	Sales Agents	
10.1.2	Distributor	
10.1.3	Other	
10.2	Minimum Guarantees	
C.1	Financing funds from minority financig country 1	
1	Public Funding	Checkbox: Repayable Checkbox: Non-repayable
1.1	National	
1.1.1	Selective funding	
1.1.2	Automatic funding	
1.2	Regional	
1.2.1	Selective funding	
1.2.2	Automatic funding	
1.3	Local	
2	Fiscal Incentives	
2.1	Rebates (tax or cash)	
2.2	Tax credits (for producers)	
2.3	Tax shelter based investments from private investors	
2.3.1	Investments from tax funds (e.g. SOFICA)	
2.3.2	Other tax shelter investments from individuals or corporations	
3	Producer cash investments	
3.1	Independent Film Production Companies	
3.1.1	Lead Production Company	
3.1.2	National minority co-production companies	
3.2	Broadcasters (co-production)	
3.2.1	Public broadcasters	
3.2.2	Private broadcasters	
3.3	VOD service providers (Co-production)	
3.4	Other (co-production)	
4	In-kind investments	
5	Private equity cash investments	
6	Pre-sales	
6.1	Split Rights Deals / Outright Pre-Sales (no MG)	
6.1.1	Distributor	
6.1.2	Broadcaster	
6.1.2.a	- Public broadcasters	
6.1.2.b	- Private broadcasters	
6.1.3	Other	
6.2	Minimum Guarantees	
7	Debt financing	
7.1	Gap Financing	
7.1.1	Bank gap loans	
7.1.2	Private gap funds	
7.2	Deferments	
7.3	Other	
8	Other	
8.1	Sponsoring	
8.2	Product Placement	
8.3	Donations (e.g. through crowdfunding)	
8.4	Other	
C.2	Financing funds from minority financig country 2	
C.3	Financing funds from minority financig country 3	
C.4	Financing funds from minority financig country 4	
C.5	Financing funds from minority financig country 5	



8.2. Key aspects of the common methodology

8.2.1. How to collect the raw data?

In principle, all the raw data comes from the financing plans of the individual sample films: **For each film**, the financing **data must** be taken **from its financing plan** and **entered (as one column) into the agreed-upon XLS template**, which follows the standard indicator list defined below in this section. Film titles must not be shown, in order to respect confidentiality agreements. Instead **films must simply be numbered (Film 1, Film 2, etc.)**.

Clearly, the categories and level of detail used in the financing plans will differ from the standard indicator list defined below. One of the key challenges is thus the correct **'translation' of financing plans, i.e. the allocation of financing funds as displayed in the financing plan to the appropriate standardised indicator category**.

In this context, familiarity with the details of the individual projects and their support materials may be helpful, as not all required information will be evident from the financing plan itself. For instance, the financing plan may indicate the names of the individual financiers but not specify their category. Someone familiar with the project, in particular the project administrator, will however know immediately how to categorise the financier.

In contrast to the actual financing plan, there is no need to indicate the actual name of the financier. **Only the cumulative amounts** coming from all financiers falling into a specific **category** need to be filled in. That means financing amounts coming from two different organisations that fall into the same category need to be summed up, and only the cumulative amount is entered in the XLS template. There is no need to indicate the names or the number of financiers falling into the category.

Example: If a film receives EUR 100 000 in production funding from Eurimages and EUR 50 000 from MEDIA for the project development, only the cumulative EUR 150 000 needs to be indicated under the indicator "Supranational Public Funding".

Ideally the data is entered at the most detailed level and then (automatically) summed up at each preceding higher level. However, if data is only available at "summary level", it can be entered in the summary line (overriding the SUM formula).

Example: If the national TV rights are pre-sold, through a split rights deal, to a Public Broadcaster paying EUR 40 000 for the rights, this would ideally be entered in category 6.1.2.a Public Broadcasters. By default, the EUR 40 000 are taken into consideration when calculating Split Right Deals with Broadcasters (6.1.2), which in turn contributes to total financing funds from Split Right Deals (6.1) and ultimately forms part of total Pre-Sales (6). If, however, the film agency only knows the total amount of pre-sales without any further breakdown, it can enter the EUR 40 000 directly under Pre-Sales (6).



8.2.2. Detailed definition of indicators

The following section contains the definitions of all indicators listed in the standard indicator list above. EFARN members agreed to base the data collection in the pilot project on these definitions. Please note that these definitions are in a sense a work in progress, as they will incorporate feedback received from agencies throughout the project and will be, if necessary, adjusted consequently.

A- FINANCING FROM NATIONAL SOURCES

This section combines all funds coming from NATIONAL sources, i.e. financiers with a registered residence or paying non-resident income tax in the main production country.

Main production country: The country which provides the (relative) majority share of financing, or, phrased differently, the country from which the largest share of financing funds originates. In the case of international co-productions, this refers to the majority co-producing country.

1. Public funding

Please note: The purpose of this category is to assess the significance of direct public funding provided by the different types of public film funds to support film production.

This category combines funds granted (committed) by a public film fund to support the development and production of a theatrical feature film.

Public film funds: For the purposes of this analysis, public film funds are defined as public bodies that provide subsidies and grants to film projects. This definition excludes for example private institutions, funds or foundations, and publicly funded banks or other credit institutions.

Public funding can take various forms, including for example repayable loans, grants and equity investments, and can be granted via selective or automatic schemes. For most research questions it is not necessary to collect data for each of these categories separately, as the crucial element of public funding, namely its soft recoupment position, is common to all these forms of public funding. It is however important to show which amounts are being provided by supranational, national, regional or local film funding bodies.

Furthermore, some agencies expressed interest in collecting separate data for selective and automatic public support, as well as in distinguishing between repayable loans and non-repayable grants. The standard indicator list has consequently been widened to include a breakdown between selective and automatic support for each “geographical type” of fund, with the exception of “local funding”, which is assumed to contain only selective schemes. For the sake of simplicity, the qualification of a specific type of support as “repayable” or “non-repayable” is to be indicated via a checkbox next to the indicator name (see practical example below), rather than in the form of additional indicators with dedicated rows. This approach is based on the simplifying assumption that



all selective or automatic support granted is either fully repayable, at least in principle, or not repayable at all.

Indicators	Definition
1.1 National funds	Cumulative funding granted by national film fund → To be calculated as the sum of 1.1.1 and 1.1.2 (if breakdown between selective and automatic funding is available). <i>National film funds:</i> National film funds – or film agencies – are administered by national authorities and provide support on a national level. National funds include for example the CNC in France, the BFI in the UK or the Finnish Film Foundation in Finland.
1.1.1 Selective funding	Cumulative funding granted by national film funds at the discretion of the relevant issuing body.
1.1.2 Automatic funding	Cumulative funding provided by national film funds to which a producer has an absolute entitlement so long as they (or the firm) meet certain prescribed conditions.
1.2 Regional funds	Cumulative funding granted by regional or community film funds → To be calculated as the sum of 1.2.1 and 1.2.2 (if breakdown between selective and automatic funding is available). <i>Regional film funds:</i> Regional funds cover funding put in place by regional authorities and exist for example in BE, DK, FR, HU, IT, NO, PL, GB, SE (including for example Film London, Wallimage) <i>Community film funds:</i> Community funds exist in countries where Cantons (CH), Communities (BE, ES), Entities (BA), Länder (AT, DE) or Nations (GB) have been granted constitutional competence in the field of culture (including for example Filmfonds Wien, Zürcher Filmstiftung, Scottish Screen).
1.2.1 Selective funding	Cumulative funding granted by community or regional film funds at the discretion of the relevant issuing body.
1.2.2 Automatic funding	Cumulative funding provided by community or regional film funds to which a producer has an absolute entitlement so long as they (or the firm) meet certain prescribed conditions.
1.3 Local funds	Cumulative funding granted by municipal authorities and at the level of French <i>départements</i> (including for example the Rotterdam Media Fonds). It is assumed that local funding is always of a selective character.

Practical example of how to enter public funding data:

Film 1: A German film is funded by the FFA (national funding), the Bavarian Film Fund (regional funding) and MEDIA and Eurimages (supranational funding). The questionnaire is being filled out by the FFA based on the financing plan provided by the producer as part of its funding agreement. Clearly, the FFA knows whether its own funding is selective or automatic and whether it needs to be repaid or not. It is hence in a position to enter the corresponding amounts in the dedicated indicator line: in the example given, the FFA provided EUR 200 in non-repayable automatic funding. This amount is entered in line 1.1.1 and the “non-repayable box” is checked next to the indicator “automatic funding”.



The EUR 50 provided by the Bavarian Film Fund (regional funding) are repayable but the FFA does not know whether they come from an automatic or selective support scheme. In this case, the EUR 50 cannot be shown in the selective or automatic supranational funding line (1.2.1. or 1.2.1) but need to be added (manually) to the cumulative regional funding line (1.2). As all regional funding is known to be repayable in this scenario, the “repayable” checkbox can be ticked for the cumulative regional funding (1.2).

B. FINANCING FROM NATIONAL SOURCES									
1	Public Funding	Checkbox: Repayable	Checkbox: Non-repayable		250	0	0	0	0
1.1	National				200	0	0	0	0
1.1.1	Selective funding								
1.1.2	Automatic funding		X		200				
1.2	Regional	X			50	0	0	0	0
1.2.1	Selective funding								
1.2.2	Automatic funding								
1.3	Local								

As support granted from an organisation outside Germany, MEDIA and EURIMAGES support (supranational funding) must be registered in section C. FINANCING FROM FOREIGN SOURCES, or more specifically in section 9. Supranational Public Funding. Let’s assume the FFA does not know with absolute certainty whether the EURIMAGES (EUR 100) and MEDIA (EUR 50) support is automatic or selective, nor whether it needs to be repaid or not. In this case, the EUR 50 cannot be shown in the selective or automatic supranational funding line (9.1.1 or 9.2.1) but need to be added (manually) to the cumulative supranational funding line (9): EUR 100 (from Eurimages) + EUR 50 (from MEDIA) makes a total of EUR 150 in supranational funding. No checkbox can be ticked for the cumulative supranational funding (9.1), as the character of the cumulative supranational funding is unclear.

C. FINANCING FROM FOREIGN SOURCES									
9	Supranational Public Funding	Checkbox: Repayable	Checkbox: Non-repayable		150	0	0	0	0
9.1	Supranational public funding				150	0	0	0	0
9.1.1	Selective funding								
9.1.2	Automatic funding								

2. Fiscal incentives

Please note: The purpose of this category is to contribute to assessing the impact of fiscal incentives on financing European films. It is therefore not meant to assess the success of fiscal incentive schemes as such, as most of these schemes aim to attract foreign film productions and boost the national film (service) industry.

This category combines certified funds coming from national fiscal incentives, such as rebates and tax credits (aiming at production companies), and national private investments benefitting from a tax shelter.

In the case of **rebates and tax credits**, a certain percentage share of the film’s eligible local production expenditures is paid back to the producer. Funds from rebates and tax credits are generally not paid out until after the production budget is spent, but they can be *discounted (cash-flowed)* by the producer in order to finance the production up-front. A part of the rebate or tax credit hence goes to financial intermediaries rather than into the production as such. Assuming that the related financing costs are properly factored into the production budget, funding from fiscal incentives can nevertheless be



indicated at face value as noted in the documentation **certifying** the production’s right to benefit from rebates or tax credits.

In contrast, **tax shelters** (or tax allowances) offer an incentive for **private investors** to provide equity cash investments in film productions (either directly in production or through the acquisition of rights), allowing them to reduce their taxable income base by the amount invested. In the case of **tax shelter** investments, **funds** thus become available to the production **up-front** and are provided by private investors rather than fiscal authorities or the state. Given their **hybrid nature as equity investments and soft money**, tax shelter funds could in principle also be grouped under “private equity investments”. However, in order to facilitate the analysis of fiscal incentives as a financing source, they are shown in the “Fiscal Incentives” section¹⁴.

Private investors: All equity investors other than producers or public film funds financing the film production with cash in exchange for an equity share in the film, i.e. (partial) ownership of the negative and copyrights linked to the film, and / or a share in net profits. Private investors generally demand a premium to be recouped on top of the repayment of their investment. In contrast to producers, private investors are only financing the film production but are not actively involved in the making of the film. Also, they generally take a preferential recoupment position.

Indicators	Definition
2.1 Rebates	<p>Cumulative certified funds coming from cash or tax rebates. Rebate funds should be shown at face-value as (pre-)certified.</p> <p><i>Rebates:</i> Incentive schemes that pay back a certain percentage share of the film’s eligible production expenditures to the producer, either as a straight repayment of that amount (cash rebate) or as a refund of local taxes paid by the producer (tax rebate). Rebates are funded from the state budget.</p>
2.2 Tax credits	<p>Cumulative certified funds coming from tax credits. Tax credit funds should be shown at face-value as (pre-)certified, no matter whether they are transferable (and can hence be pre-sold) or not.</p> <p><i>Tax credits:</i> Like rebates, tax credits are designed to repay a percentage of qualifying production costs. However, rather than being paid out directly to the producer, they are deducted from their annual taxable income.</p>
2.3 Tax shelter (tax allowance)	<p>Cumulative equity cash investments (either in the production or acquisition of rights) made by private investors or tax funds which benefit from a tax shelter related to their film investments. In contrast to rebates or tax credits, tax shelter investments are provided up-front to finance → To be calculated as the sum of 2.3.1 and 2.3.2.</p> <p><i>Equity cash investments:</i> Cash investments that give investors an equity share in the film, i.e. (partial)</p>

¹⁴Depending on the research question analysed, these funds may of course be considered under any of these two categories (tags).



	ownership of the negative and copyrights linked to the film. <i>Tax shelter:</i> Fiscal incentive scheme that permits private investors to reduce their taxable income by deducting their investments in qualifying film productions.
2.3.1 Tax funds	Cumulative equity cash investments (either in the production or acquisition of rights) made by tax funds. <i>Tax funds</i> Equity funds investing in film productions making use of tax shelters (for example the French SOFICA).
2.3.2 Other tax shelter-related equity investments	Cumulative equity cash investments (either in the production or acquisition of rights) made by private investors other than tax funds which benefit from a tax shelter related to their film investments.

3. Producer cash investments (national)

Please note: The purpose of this category is two-fold. By quantifying the percentage share of producers' own investments, it forms part of the research question *How are European films financed?* The breakdown of (co-)producer investments by type of business activity furthermore aims to address the research questions related to broadcaster investments and "new players" such as VOD service providers.

This category combines all *equity cash investments (own investments)* from national producers.

Producers: Persons, either corporate or individual, responsible for developing, packaging and making the film. Producers ultimately own and control the copyright in the finished product. This includes both the lead producer as well as co-producers but excludes production service companies, which are only engaged by the production company to make the film on its behalf but do not invest their own equity. Producers can come from different business sectors including for example dedicated film production companies, broadcasters or VOD service providers.

National producer: Any producer with a registered residence or paying non-resident income tax in the country in question (in this context: the majority producing country).

Producers' equity cash investments (own investment): Cash invested by producers in the production of the film, giving them an equity share in the film, i.e. (partial) ownership of the negative and copyrights linked to the film. This excludes, for instance, payments made by broadcasters in exchange for TV rights; in-kind investments ("facilities for equity") for example by equipment rental companies, studios or post-production houses as well as deferrals or loans made by producers. Producers' equity generally comes last in the recoupment schedule.



Indicators	Definition
<p>3.1 Independent film production companies</p>	<p>Cumulative equity cash investments from independent national film production companies, including both the lead production company and national co-production companies → To be calculated as the sum of 3.1.1 and 3.1.2.</p> <p><i>Film production company:</i> Companies whose main business activity is to produce and exploit / sell exploitation rights to theatrical and / or TV films.</p> <p><i>Independent production company:</i> In this context, the term <i>independent</i> refers to film production companies not wholly or partly owned by a broadcaster, a VOD company or a US studio.</p>
<p>3.1.1 Lead production company</p>	<p>Cumulative equity cash investments from the independent lead production company. To be calculated as sum of 3.1.1.1 and 3.1.1.2</p> <p><i>Lead production company:</i> Film production company ultimately responsible for producing the film and usually owning and controlling the copyright in the finished product. In the case of co-productions, this generally refers to the production company providing the largest share of equity investment, i.e. the majority rights-holder.</p>
<p>3.1.2 National minority co-production companies</p>	<p>Cumulative equity cash investments from all independent national minority co-production companies.</p> <p><i>Minority co-production company:</i> Producer contributing a minority share of producers' equity investment.</p>
<p>3.2 Broadcasters</p>	<p>Cumulative equity cash investments from national broadcasters.</p> <p>If the financing plan does not allow for a split of broadcaster investments into co-production investment on the one hand and the purchase of broadcasting rights on the other, we assume a 50/50 split, i.e. 50% of the total broadcaster investment to be accounted for as producer equity cash investment and 50% as a pre-sale taking the form of a split rights deal. To be calculated as sum of 3.2.1 and 3.2.2.</p> <p><i>Broadcaster:</i> Companies whose main business activity is the broadcasting of audiovisual content.</p>
<p>3.2.1 Public broadcasters</p>	<p>Cumulative equity cash investments from national public broadcasters.</p> <p><i>Public broadcasters:</i> TV, radio and other electronic media outlets whose primary mission is public service. Public broadcasters are generally funded by the government, especially via annual fees.</p>
<p>3.2.2 Private broadcasters</p>	<p>Cumulative equity cash investments from national private broadcasters.</p> <p><i>Private broadcasters:</i> TV, radio and other electronic media outlets that provide audiovisual programming for purely commercial reasons.</p>
<p>3.3 VOD service provider</p>	<p>Cumulative equity cash investments from national VOD service providers.</p> <p><i>VOD service providers:</i> Companies whose main business activity is the provision of VOD services.</p>
<p>3.4 Other producer cash investments</p>	<p>Cumulative equity cash investments from other producers, possibly including distributors.</p>



4. In-kind investments (national)

Please note: The purpose of this category is to keep other categories “clean” and thereby improve their comparability and explanatory power. In-kind investments in themselves are not the subject of any research question analysed here.

This category combines all in-kind investments, no matter where they come from, including for example equipment rental companies, studios, laboratories, dubbing theatres or post-production houses.

In-kind investments: Any kind of provision of services or products free of charge or at favourable rates provided for example by equipment rental companies, studios, laboratories, dubbing theatres or post-production houses in exchange for a share of net profits or equity or deferrals (“facilities for equity”).

5. Private equity cash investments (national)

Please note: The purpose of this category is to quantify to which extent European film productions succeed in attracting private equity investments that do not benefit from tax shelters. It is hence complementary to the “Tax Shelter Investments” indicator in the Fiscal Incentives category. Together these two indicators show the full amount of private equity investments available to film productions. The two indicators are separated in order to enable insights with regard to the impact of tax shelters.

This category combines all non-tax shelter-related equity cash investments from national private investors including for example private equity funds, venture capital funds, individual investors or crowd-funding campaigns.

Private investors: All equity investors other than producers or public film funds providing cash to the film production in exchange for a share of equity, net profits or copyrights. Private investors generally demand a premium to be recouped on top of the repayment of their investment. In contrast to producers, private investors are only financing the film production but are not actively involved in the making of the film. Also, they generally take a preferential recoupment position.

National private investors: Any private investor with a registered residence or paying non-resident income tax in the country in question (in this context: the majority producing country).

Private equity cash investments: Complementing the tax shelter investment indicators already captured in the Fiscal Incentives category, this indicator refers only to equity cash investments made by private investors that do not benefit from a tax shelter, i.e. that cannot deduct their investment from their taxable income base.

6. Pre-sales

Please note: The purpose of this category is two-fold. By quantifying the percentage share of pre-sales available for financing the production, it forms part of the research question *How are European films financed?* The breakdown by type of pre-sales as well as distinguishing between for example distributors and broadcasters provides important additional insights in understanding the development of pre-sales and the role of



broadcasters and distributors in financing film production through the acquisition of rights.

This category combines the cumulative proceeds from two different types of pre-sales made to national exploitation companies (typically for national distribution rights): split rights seals / outright pre-sales and minimum guarantees.

Pre-sale (for financing purpose):

A sale of distribution rights (licence to distribute) that takes place at any time prior to the completion of a film production. To be considered as financing funds, receipts from pre-sales have to go into the production account¹⁵ in order to be used to finance the production, rather than into the collection account¹⁶.

Split rights deal / Outright pre-sale: In a split rights deal, a financier pays (cash) in return for specific distribution rights. In contrast to a producer equity cash investment, which creates (partial) ownership of the negative and copyrights linked to the film, the financier in a split rights deal only acquires distribution rights but does not share responsibility for actually developing, packaging and making the film. In contrast to a pre-sale based on minimum guarantees, these deals are generally structured as an outright sale in which the buying party pays the full purchase price up-front (i.e. before production is completed / started) as a one-off payment, with the producer receiving no further revenues from the subsequent exploitation of the right in question. Broadcasters pre-buying broadcasting rights rather than investing in equity fall into this category. Another example would be sales agents or distributors who purchase the distribution rights for certain territories.

Minimum guarantee (MG): The fee a distributor agrees to pay for the licence of copyright allowing them to distribute the film exclusively in their territory in the specified formats for a specified period of time. In contrast to an outright sale, the producer will participate in all revenues generated by the distributor during the life time of their distribution licence according to contractually defined splits. In fact, the minimum guarantee is actually an advance against future revenues payable to the producer pursuant to the distributors' sales contract (distribution agreement).

MGs are generally only paid upon satisfactory delivery of the finished film to the distributors. A certain percentage share of the MG can however be paid as a deposit already at the time of the pre-sale. The rest of the MG can be discounted, i.e. a bank lends the producer a discounted amount of money up-front and collects the corresponding MG amount directly from the distributor when the film is delivered by the producer. The bank charges interest and fees so that the actual loan made available to the producer is lower than the contractually agreed MG. The related financing costs (interests, fees) are factored into the production budget (which needs to be financed). MGs thus need to be **indicated**

¹⁵ Production account = segregated bank account into which all the production funds are placed, and from which all production expenses are paid by the producers.

¹⁶ Collection account = the account into which income from sales is received and from which payments to financiers and profit participants is made.



with the full amount as agreed in the distribution agreement (face value). Please note: Pre-sales without any proceeds, i.e. the purchase price or an MG, going into the production account, do not contribute any funds to the production and can hence not be part of the financing plan.

Indicators	Definition (draft)
6.1 Split rights deal / Outright pre-sale	<p>Cumulative amount of financing monies coming from split rights deals, i.e. cash investments made by any national financier in return for specific distribution rights (without becoming a co-producer) → To be calculated as sum of 6.1.1 to 6.1.4.</p> <p><i>Split rights deal</i> In a split rights deal, a financier pays (cash) in return for specific distribution rights rather than becoming a co-producer. In contrast to pre-sales based on minimum guarantees, these deals are generally structured as an outright sale in which the buying party pays the full purchase price up-front (i.e. before production is completed / started) as a one-off payment with the producer receiving no further revenues through splits from the subsequent exploitation of the right in question. Broadcasters pre-buying broadcasting rights rather than investing in equity fall into this category. Another example would be sales agents or distributors who purchase the distribution rights for certain territories.</p>
6.1.1 w/ distributors	<p>Cumulative amount paid by a national distributor in return for distribution rights for the national territory.</p> <p>Reminder: In contrast to a pre-sale based on minimum guarantees, the distributor pays the full purchase price up-front, instead of a minimum guarantee after delivery, for the finished film (see definition of split rights deal above).</p>
6.1.2 w/ broadcasters	<p>Cumulative amount paid by national broadcasters pre-buying broadcasting rights for the national market → To be calculated as sum of 6.1.2.a and 6.1.2.b.</p> <p>If the financing plan does not allow for a split of broadcaster investments into co-production investment on the one hand and the purchase of broadcasting rights on the other, we assume a 50/50 split, i.e. 50% of the total broadcaster investment is accounted for as producer equity cash investment and 50% as a pre-sale taking the form of a split rights deal.</p>
6.1.2.a w/ public broadcasters	<p>Cumulative amount paid by national public broadcasters pre-buying broadcasting rights.</p> <p><i>Public broadcasters (see definition under 3.2.1).</i></p>
6.1.2.b w/ private Broadcasters	<p>Cumulative amount paid by national private broadcasters pre-buying broadcasting rights.</p> <p><i>Private broadcasters (see definition under 3.2.2)..</i></p>
6.1.4 w/ others	<p>Cumulative amount paid by other national financiers pre-buying distribution rights for the national market.</p>
6.2 Minimum guarantees	<p>Cumulative amount of contractually agreed minimum guarantees for any single or bundle of national distribution rights paid by a national financier / distributor. Given the fact that distribution rights can be bundled and sold in a plethora of different combinations to one or more buyers, it does not make sense to break this indicator down further .</p> <p><i>National distribution rights:</i> The rights to commercially exploit a film on the national market (in the case of co-productions: the majority producing country).</p>



7. Debt Financing

Please note: The purpose of this category is to quantify to which extent European film productions have access to debt financing. It forms part of the research question *How are European films financed?* In an indirect manner, this category may provide useful insights with regard to the question of whether loan guarantees are effective in increasing the availability of gap financing.

This category combines the cumulative financing funds raised through debt financing from national financiers. This includes gap financing, deferrals and other debt.

Debt: Money that is actually owed (in contrast to equity), including for example loans and deferred payments for goods and services. Debt financing generally comes with *fees and interest rates, takes priority* recoupment positions (i.e. gets paid back before any equity financiers) and generally does not involve any back-end participation (share in net profits).

Gap financing: Loans provided to finance the gap between a film’s budget and the other finance raised. Gap financing is provided against the projected sales estimates¹⁷ relating to unsold territories. This specifically excludes loans discounting rebates, tax credits, tax shelters or pre-sales, all of which are to be taken account of in their respective separate categories. Gap financing is usually provided by banks (7.1.1) but can also be offered by specialist private gap funds (7.1.2).

Deferment: The pre-agreed delaying of payment of all or part of a fee, often referring to the producer and / or talent being paid a proportion of their contractual fee out of receipts from distribution / exploitation of the film (either before or after break-even) rather than from the production account, thereby reducing the cash budget.

Indicators	Definition
7.1 Gap financing	Cumulative amount of loans provided by national financiers as gap financing → To be calculated as sum of 7.1.1 and 7.1.2.
7.1.1 Bank gap loans	Cumulative amount of loans issued by a bank as gap financing. Reminder: This category refers to gap loans only, i.e. it does not include bank loans discounting rebates, tax credits, tax shelters or pre-sales.
7.1.2 Private gap funds	Cumulative amount of cash provided by private gap funds. <i>Please note: Private gap funds generally offer a hybrid between a pure gap loan and equity finance, as they often require a net profit participation. However, given the fact that they recoup in first position and charge interest rates and fees, they are considered closer in character to debt financing than equity and are hence accounted for as a debt category.</i>
7.2 Deferrals	Cumulative amount of all deferrals made for example by producers, cast or crew.

¹⁷ Territory-by-territory estimates of sale prices of a film considered likely and / or possible by a sales agent.



7.3 Other debt	Cumulative amount of other debt financing.
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8. Other

Please note: The purpose of this category is to provide a catchment category for all other sources of financing assumed to not be of major relevance for public film policy considerations regarding film financing.

This catchment category combines the cumulative financing funds raised from all other national financing sources including for example sponsoring, product placement or donations.

Indicators	Definition
8.1 Sponsoring	Cumulative amount of cash or value of services provided by national sponsors solely in return for an on-screen credit.
8.2 Product placement	Cumulative amount of fees paid by national third parties in exchange for the inclusion of their commercial products in the film.
8.3 Donations	Cumulative amount of cash or value of services donated by national third parties. This category includes for example crowd-funding monies which do not establish any equity rights and / or net profit participation.
8.4 Other	Cumulative amount of funds provided by other national financing sources.

B- FINANCING FROM FOREIGN SOURCES

Please note: The purpose of separating national from foreign financing funds is to address questions related to the significance of international co-productions and / or the dependence of national film productions on international co-financing.

This section combines all funds coming from foreign / non-national sources, i.e. financiers that do not have a registered residence and do not pay non-resident income tax in the main production country (in the case of international co-productions: the majority producing country).

9. Supranational public funding

This category combines funds granted (committed) by supranational film funds to support the development and production of a theatrical feature film.

Supranational film fund: For the purposes of this analysis, supranational film funds are defined as public (often international) bodies providing subsidies and grants to film projects originating from various (qualifying) countries. This category includes for example Eurimages, the MEDIA programme, Ibermedia and the Nordisk Film & TV Fond. For the sake of simplicity, this category also covers publicly financed 'outreach funds'



based in Europe which primarily support filmmakers originating from outside Europe (including for example World Cinema Fund, ACP Films, Vision Sud-Est).

Please refer to section 1. *Public Funding* (provided by national funds) for a practical example of how to enter data related to selective / automatic and repayable / non-repayable funding schemes.

Indicators	Definition
9 Supranational public funding	Cumulative funding granted by supranational film funds like Eurimages, the MEDIA programme, Ibermedia, the Nordisk Film & TV Fond, World Cinema Fund, ACP Films, Vision Sud-Est, etc.
9.1.1 Selective funding	Cumulative funding granted by supranational film funds at the discretion of the relevant issuing body.
9.1.2 Automatic funding	Cumulative funding provided by supranational film funds to which a producer has an absolute entitlement so long as they (or the firm) meet certain prescribed conditions.

10. Multi-territory pre-sales

Please note: The purpose of this category is to cover proceeds from pre-sales to territories other than the national market or co-producing markets. It hence complements pre-sales made for national distribution rights (Category 6) in the national market as well as in the minority co-producing countries for which financing data are available. All these categories need to be taken into account in addressing research questions related to pre-sales.

This category combines the cumulative proceeds from pre-sales which cover several territories and can thus not be linked exclusively to either the main country of origin or two of the minority co-producing / -financing countries. Pre-sales can either take the form of split rights deals / Outright pre-sales or of minimum guarantees. For the sake of simplicity, all pre-sales to sales agents are included in this category.

See 6 *Pre-sales for relevant definitions.*

Indicators	Definition (draft)
10.1 Split rights deals	Cumulative amount of financing monies coming from split rights deals, i.e. cash investments made by sales agents or any other non-national financier in return for distribution rights (without becoming a co-producer) for several territories → To be calculated as sum of 10.1.1 to 10.1.3. <i>Split rights deal → see 6.1 for definition</i>
10.1.1 w/ sales agents	Cumulative amount paid by a sales agent in return for distribution rights for worldwide or (certain) international territories.
10.1.2 w/ distributors	Cumulative amount paid by a non-national distributor in return for distribution rights for certain non-national territories.
10.1.3 w/ others	Cumulative amount paid by other non-national financiers pre-buying distribution



		rights for a non-national territory.
9.2	Minimum guarantees	Cumulative amount of contractually agreed minimum guarantees for international distribution rights, i.e. distribution rights for several territories. <i>International distribution rights:</i> The rights to commercially exploit a film on any territory other than the (co-)producing countries.

11. C.1 / C.2. / C.3 / etc. Financing from foreign country 1 / 2 / 3 / etc.

All financing funds coming from any foreign financier based in a minority co-producing / - financing country, i.e. any country other than the main production country.

Foreign financier: Any financier, i.e. any person or entity providing financing funds to the film production that does not have a registered residence and does not pay non-resident income tax in the main production country.

Minority financing country: Any country other than the main production country that contributes financing funds to the film production. In other words, any country in which a foreign financier providing a (relative) minority share of the financing is registered.

The financing raised in any foreign country needs to be indicated separately for each minority financing country. Within each minority financing country, the financing sources must be broken down by the same indicator categories as the financing from national sources (indicator categories 1 to 8).

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