

## Weak dollar drives sales for U.S. pics But currency game is a one-way street

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CANNES -- Dollar-carrying Americans in Cannes scandalized by the price of a cafe au lait (\$8), a bottle of water (\$5) or a short taxi ride (\$17) can take solace in this: Currency devaluation can sometimes be a beautiful thing.

A weak dollar tends to benefit exporters and disadvantage importers. That's good news for U.S. companies at a film market, where the bulk of sales go in one direction: from the U.S. to overseas.

Because these U.S. companies generally finance their movies in dollars but sell to companies who make their money in euros, pounds or other strong currencies, the sellers essentially could get a premium on the market value of a film when they close a deal. Far from taking a further chunk out of their bottom lines, these currency disparities could provide a boost to Yank revenue.

And they could offset what over the last year has otherwise been a rocky foreign market for U.S.-produced films, especially in Japan and Spain.

"U.S. entertainment companies are in the export business, and these currency fluctuations are a big net positive for them," said Stephen Prough, managing director of investment bank Salem Partners.

Or as William Morris Independent's Cassian Elwes put it: "In the current economic climate, this is the one big advantage."

That's good news not just for the sales departments. The foreign-sales efforts at Cannes of U.S.-based companies such as Focus and Summit fund year-round efforts across the company.

Even firms which don't sell huge slates at a fest, like the Weinstein Co., could benefit. TWC will rely on foreign sales of midrange projects like the John Cusack period pic "Shanghai," and it, too, could see higher revenue from international sales as a result of currency fluctuations.

On the down side, it's pricey to buy from those countries if you're paying in dollars to companies who conduct their business in euros: You essentially have to spend that much more for the same rights.

The effect of this currency differential on large U.S. companies may be minimal, however, since most foreign films are sold to the U.S. for token amounts, and are meant more for the cachet of a U.S. theatrical release than actual cash. When asked about what a weak dollar might do to A-title imports, one sales agent quipped: "And a few dollars more than zero makes how much exactly?"

But at the more indie end of Cannes, where many of the prestige Competition titles get snapped up, every dollar counts. That means a weak dollar could be bad news for the distributors looking to acquire specialty movies made with foreign dough like "Waltzing With Bashir."

Take 2007. The Cannes acquisition of the Palme d'Or winner "4 Months, 3 Weeks and 2 Days" by IFC Films was for a low-mid-six figure. A year later, such a deal would automatically cost 16% more right off the bat (the amount that the euro has risen relative to the dollar since the opening of last year's fest). Such an increase could give pause to already jittery U.S. indies.

So what will happen on the Croisette? Expect more skirmishing between American buyers and international sellers over the currency of the transaction itself.

"We always try to do deals in euros. Our buyers all try to do them in dollars," said Ida Martins, head of German sales group Media Luna.

There also is bad news in the currency swings for U.S. companies on the production side -- they're making overseas shoots more expensive by the day.

A specialty movie that could have previously been budgeted at \$10 million shooting in, say, Eastern Europe, will find that it's increasingly difficult as more countries adopt the euro and its value continues to rise.

In a best-case scenario, this will chase productions back to the U.S. In the worst case, it will mean the movie won't get made.

"It's nice to think that we can get a little more out of a foreign sale with a weak dollar, but it's also increasing our budgets in ways we haven't had to think about for a long time," an exec involved in international productions said.

(Producers can at least lock in currency rates in most cases, so they don't get hit further by changing values over the course of a movie's shoot.)

With the Cannes market cranking into gear Thursday, buyers and sellers will go into their usual elaborate dance. Not all foreign buyers will be as willing to spend even as much as they otherwise might.

"I think international buyers are going to be savvy at this festival," one sales agent said. "They know what a movie is worth to them and they also know about the advantages the currency markets give the American seller, and they're going to build that into bids."

As one seller put it, "Without the dollar weakening, the market would really look like a disaster."