

# TAX SHELTER AUDIO-VISUAL AND STAGE

OUR SCENARIO FOR AN  
ATTRACTIVE RETURN



PROMOTIONAL DOCUMENT

This document has been drafted as part of a public offer of an investment instrument in Belgium  
All sales restrictions relating to the offer described in this presentation are included in the prospectus which is available on the website of BNP Paribas Fortis Film Finance



**BNP PARIBAS FORTIS**  

---

**FILM FINANCE**

# Warning

---

- This offer and the financial product are subject to Belgian law. This offer is part of the Belgian tax shelter regime defined in Article 194ter of the Income Tax Code as last amended by the Law of 20 May 2020. BNP Paribas Fortis Film Finance and BNP Paribas Fortis have received the necessary approvals to act as intermediaries in the framework of the tax shelter regime.
- Potential investors are invited to read the prospectus and in particular to examine the risk factors. The prospectus, established in French and translated in Dutch, was approved by the market authority (“FSMA”) on May 18, 2021 (a supplement was approved on September 7, 2021), can be requested by e-mail ([filmfinance@bnpparibasfortis.com](mailto:filmfinance@bnpparibasfortis.com)) and is available free of charge on the BNP Paribas Fortis Film Finance website <https://companies.bnpparibasfortis.be/filmfinance>.  
The approval by the FSMA is not to be considered as a favorable opinion on the proposed financial transaction. The risk factors are described in more detail in this presentation and in the prospectus (in French, see page 14 and following and page 22 and following; in Dutch, see page 13 and following and page 20 and following), including the risks associated with not (fully) obtaining the fiscal exemption.
  - The fiscal return is mainly subject to the risk linked to the fiscal advantage not or only partially obtained, a risk which is covered by the guarantee provided by BNP Paribas Fortis Film Finance (except if the investor is responsible for losing the fiscal advantage, see slide 9).
  - As of December 31, 2020, BNP Paribas Fortis Film Finance’s equity capital (EUR 1,220,943) equalled 1.26% of the amount of the tax shelter financing of projects that are guaranteed by BNPPF Film Finance and that have not yet obtained their tax shelter certificate (96,738,500 EUR)
  - The financial return can be at risk should the producer default. The return can also vary depending on the duration of the financial transaction.
- The global return described in this presentation is constituted by a fiscal return and a financial return. As the fiscal return is linked to a fiscal advantage, this offer has interest only for legal entities qualifying for exemption from their taxable income in accordance with Article 194ter of the Income Tax Code and subject to corporation tax or non-resident tax (companies) in Belgium at a 25% tax rate. If a company is taxed at another rate, the fiscal return can result in a negative return as low as -27.38%.
- Any complaint related to our investment products or services is to be addressed to
  - BNP Paribas Fortis SA – Gestion des plaintes (1QB1D) – Montagne du Parc 3, 1000 Bruxelles ;
  - to the Mediation Department for the Consumer (Ombudsfm) via [www.ombudsfm.be/fr/particuliers/home](http://www.ombudsfm.be/fr/particuliers/home)



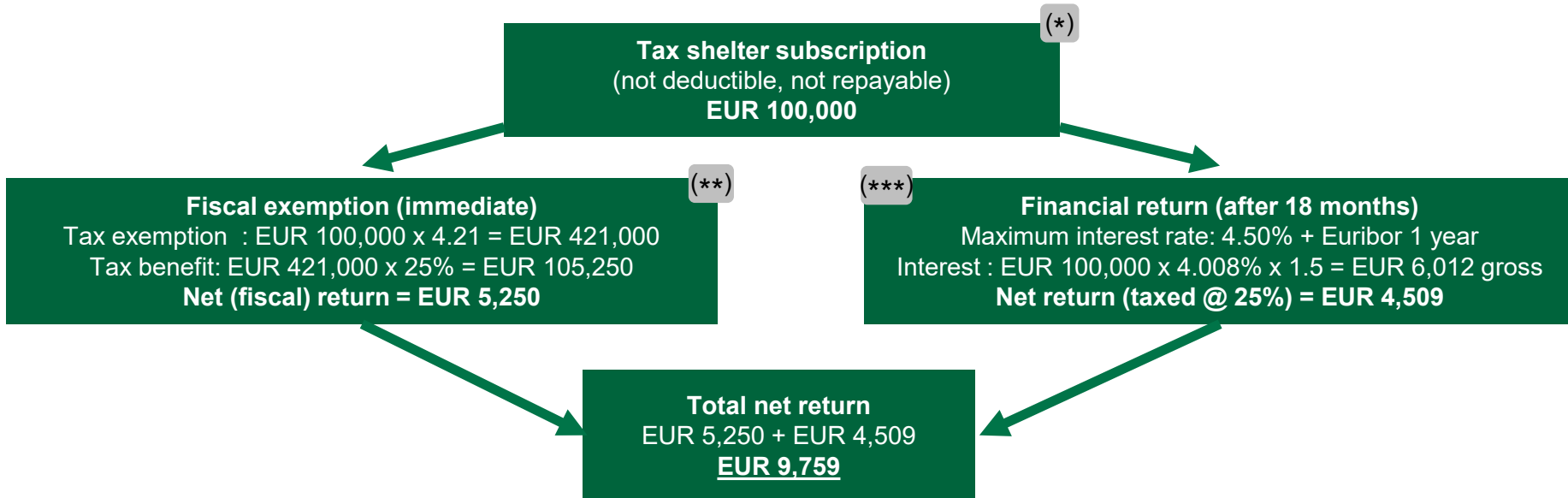
# Introduction

---

- “Tax shelter”: federal legislation in support of the production in Belgium of audio-visual works (film, TV, animation, etc.) and stage arts (theatre, opera, musical; etc.), in force since 2002
- Allows companies to obtain a fiscal exemption in combination with a financial return
  - Fiscal advantage, calculated on the basis of a 25%, and financial return result in a combined potential net return of 9.76% over 18 months. This is the maximum return authorized by the law and varies every calendar half year based on Euribor (return in this presentation applicable until 31 December 2021)
  - The fiscal advantage becomes final only after a tax certificate is delivered. BNP Paribas Fortis Film Finance guarantees that the certificate will be delivered or that the investor will be indemnified in case he loses the fiscal advantage (except if the investor himself is responsible for losing the advantage) (the financial return may not be guaranteed legally)
- BNP Paribas Fortis Film Finance (BNPPFFF), the issuer, has been offering a tax shelter product since 2007
  - Approximately 1,700 companies have already subscribed for more than EUR 330 million in funds raised for almost 500 projects

# How does it work?

- The company enters into an agreement with a producer with a view to obtaining a 'tax shelter certificate'
- The subscription results in: ① a tax exemption of 421% in the year of the contract  
② an interest payment at Euribor + 4,50% after 18 months



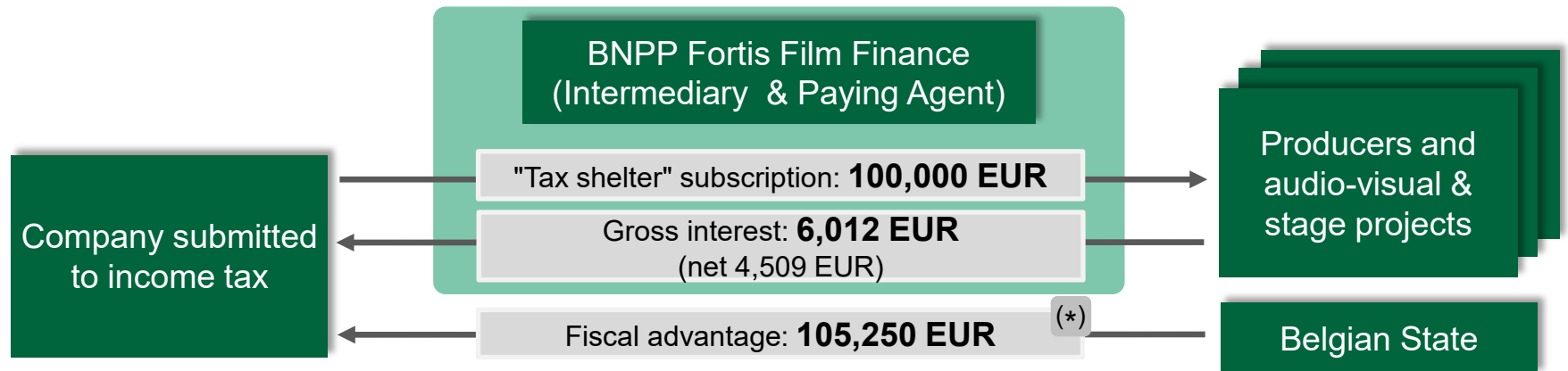
(\*) To subscribe EUR 100,000 in a tax shelter, a company actually taxed at 25% must have a taxable income over EUR 1 million. See slide 6 for the details on how to calculate the optimal tax shelter subscription for a company

(\*\*) Calculated here for a company with a tax rate of 25%. For companies submitted to a different tax rate, the tax shelter may be uninteresting. For a company with a tax rate of 20%, the fiscal advantage will be 84.2% on the part of the income taxed at 20% (negative fiscal return of -15.8% on that part).

(\*\*\*) Average Euribor (12m) of the last day of each month of the last calendar half year preceding the cash out date. For the relevant semester at the date of this presentation, the average Euribor is -0.492%, the interest rate is thus 4.50% - 0.492% = 4.008%.

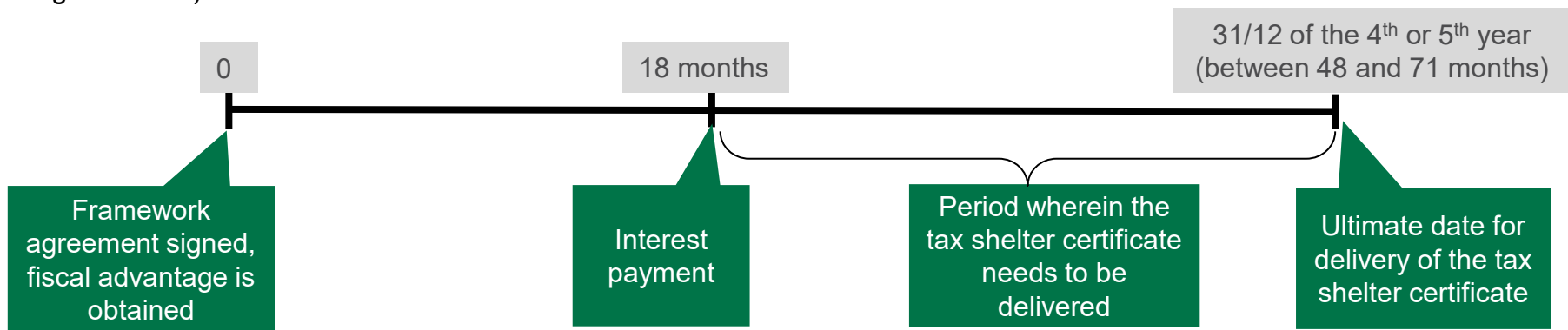


# How does it work?



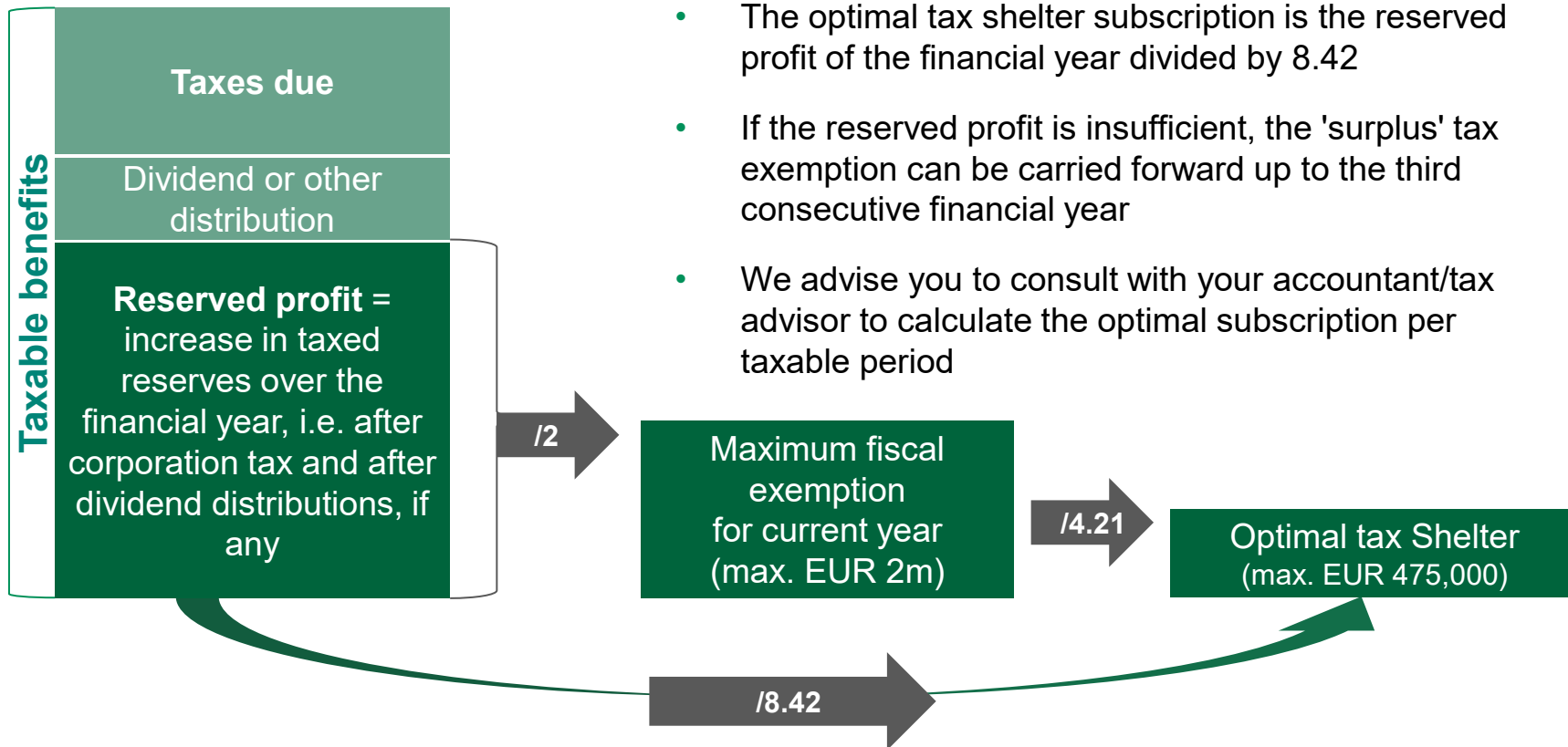
(\*) The fiscal advantage is obtained immediately, but becomes definitive only after delivery of tax shelter certificate that confirms the producers complied with all legal conditions.

**BNPPFFF guarantees the tax shelter certificate will be delivered or that the investor will be indemnified in case the tax shelter is lost** (except if the investor is responsible for such loss)(the interest payment cannot be legally guaranteed).



# What amount can be subscribed?

- The law does not determine the amount that can be invested, but puts a ceiling on the tax exemption:
  - per financial year, max. 50% of the reserved profit of that year
  - With an absolute ceiling of EUR 2m (for 2021 further to COVID related measures, normal ceiling is 1m)



# Example – Tax rate 25%

	Without Tax Shelter	Tax Shelter impact	With Tax Shelter
Profit before taxes	170.000 €		170.000 €
Taxes before Tax Shelter = $155,000 \times 25\% =$	42.500 €		
Dividend	0 €		
After dividend, increase of taxed reserves =		127.500 €	
Possible exemption = variation of reserves * 50% =		63.750 €	
Ideal Tax Shelter = possible exemption / 421% =		15.143 €	
Tax Shelter Investment (rounded down)	0 €		15.000 €
Exemption from taxable income (Investment x 4,21)	0 €		63.150 €
Taxable income	170.000 €		106.850 €
Taxes (@ 25%)	42.500 €		26.713 €
Tax reduction		15.788 €	
<i>Fiscal "income" (after "repayment" of the Tax Shelter amount paid)</i>			788 €
<i>Net financial income (4,008% per year over 18 months, minus taxes @25%)</i>			676 €
Total net revenue over the whole period (EUR)			1.464 €
Total net revenue over the whole period (%)			9,76%



# Subscription details

---

- Subscriptions per EUR 1,000 tranche
  - Min. EUR 15,000 - max. EUR 475,000 (per taxable period)
- Mandate letter signed by the company with indication of desired subscription amount and closing date accounting year
  - Commitment to subscribe to projects selected by BNPPFFF between date of signature and following book year end date (within the validity dates of the prospectus)
  - Subscription shall in principle be raised in one call to finance one or more projects
- As soon as one or more projects are ready to be financed, BNPPFFF will
  - Allocate project(s) to investors in function of their priority
  - Send confirmation letters (one per project) to confirm conclusion of framework agreements
  - Raise funds through automatic debit from the investor's account within 10 calendar days of the date of the confirmation letters
- Projects are allocated to investors on the basis of
  - Proximity to the book year end of the investor
  - Date of reception of signed mandate letter
  - Financing amount required in relation to the amount of the subscription
- Fees and charges:
  - No sign-on fees for the investor
  - BNPPFFF management fee charged to the production budget





# Risks: (partial) loss of fiscal exemption

---

- Fiscal exemption is obtained immediately
  - Becomes definitive after delivery of tax shelter certificate
  - Must be delivered by the end of the 4<sup>th</sup> year (5<sup>th</sup> if COVID-19 measures were applied) after the framework agreement
- Exempted benefits must be booked on a separate reserve account on the liabilities' side of the balance sheet
  - In the year of the contract whether or not the exemption can be fully used in that year
  - Cannot be freed and is not available for distribution (dividend) until delivery of the tax shelter certificate
- Fiscal exemption can be fully or partially lost, for reasons such as:
  - Non-completion of the project or insufficient qualifying production expenditures
  - Exemption cannot be used within the legal delay (insufficient reserves)
  - More generally, non compliance with the legislation
- Risk of (partial) loss of fiscal exemption is essentially a counterparty risk (\*)
  - BNPPFFF contractually commits itself to providing you with the necessary tax certificates
  - If you do not receive the certificates, or if the amount of the certificate is not sufficient, you will be indemnified for the loss of the fiscal advantage (plus, if any, the punitive interests imposed by the tax authority)
- At BNPPFFF, there has been, for each incident, an immediate follow-up in the framework of indemnification of the investors. Amongst the more than 500 projects that were financed for more than 300 million:
  - 4 projects (not finished within the legal delays) did not receive their certificate (299 investors for which the project represented an average of 14% of their investment)
  - 5 projects received partial certificates, with an impact for 22 investors on 322. The average impact for those investors was on 10% of their investment.

All the concerned investors were reimbursed and indemnified for a total amount of ~EUR 3.5m

*(\*) Except for the elements the investor is responsible for, such as ensuring sufficient taxable reserved profit and the correct accounting for the investment*



# Risks: other important risks

---

- Default of the producer of a project
  - Possible impact on the actual finalisation of the project which can however be taken over by another producer
  - Possible impact on the payment of interests for the relevant project
- Risk that the investor does not respect the conditions for the fiscal advantage
  - This is the reason why we insist on consulting the accountant or the fiscal counsel of the company before investing
- BNPPFFF's default may have an impact on the payment of the interest or the guarantee related to the fiscal risk
  - BNPPFFF's only activity is to invest the raised resources in approved projects
- Future changes in the legislation could make the offer less attractive
  - Changes in the law have so far never had an impact on existing subscriptions
- Insufficient raised resources compared with projects or not enough projects compared with raised funds may result in the offer's non-completion
  - Subscription does not go ahead and the company can choose not to subscribe or to subscribe elsewhere



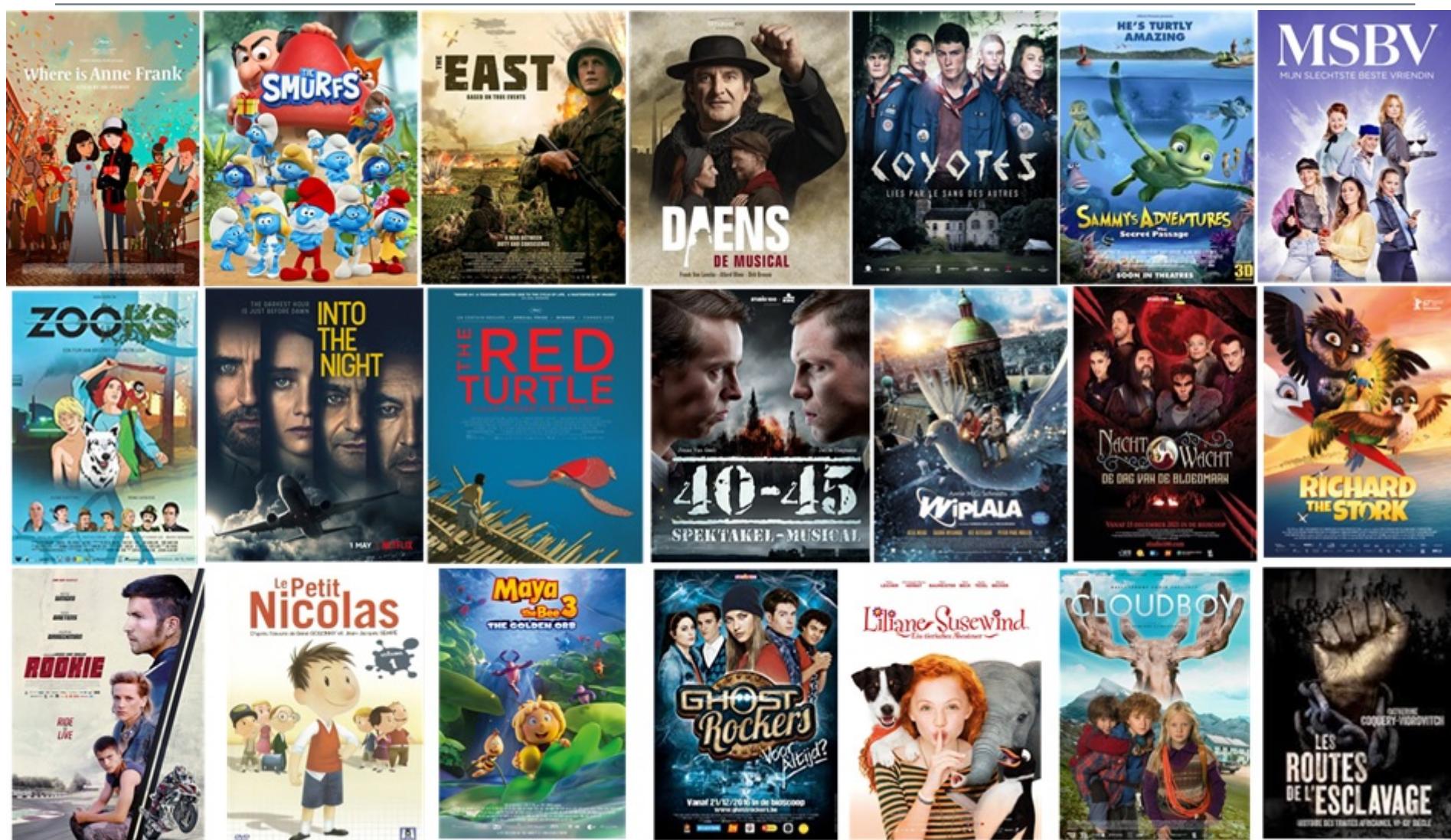
# Impact of COVID-19

---

- The containment measures taken by the Belgian government as part of the fight against covid-19 will likely have an impact on producers, their projects, investors and the tax shelter in general
  - The guarantee of BNPPFFF to unconditionally deliver the tax certificate or to indemnify the investors should this not be the case is valid under all circumstances
    - As of December 31, 2020, BNP Paribas Fortis Film Finance's equity capital equalled 1.26% of the amount of the tax shelter financing of projects that have not yet obtained their tax shelter certificate (EUR 96,735,500).
- The crisis has an effect on the finalization of certain projects (filming and rehearsals interrupted) and therefore on the incurring of expenses (subject to legal deadlines) which are a condition of obtaining the tax certificate
  - The law of May 20, 2020 gives 12 additional months to incur the expenses if the producer can show he was directly impacted by governmental measures (and in that case, the delay for getting the tax shelter certificate becomes 5 years)
- The crisis is delaying the launch of certain projects, which may have the effect that potential investors cannot invest because of a lack of projects. The tax shelter funds raised in 2020 were stable but might be lower than in previous years in 2021
  - An activity decrease would have only a minor impact on the financial stability of BNPPFFF, because the company has a very low level of fixed costs
- The crisis will have an impact on the Belgian economy, hence on the profits of companies in general and thus on their capacity to invest in the tax shelter.
  - The law of May 20, 2020 has increased the ceiling for the tax shelter deduction to EUR 2m 2020 and 2021
- The crisis could have an impact on the financial stability of producers, which could have an impact on their capacity to finalise projects



# Examples of previous offers



# Addendum: combination with advance payments

Assume owed corporation tax of:	300.000
<i>Increase in case of no advance payments (*)</i>	20.250

		75% in AP1		25% in every AP		
Advance payments (without tax shelter)	AP1	9,00%	225.000	20.250	75.000	6.750
	AP2	7,50%	0		75.000	5.625
	AP3	6,00%	0		75.000	4.500
	AP4	4,50%	0		75.000	3.375
Total advance payment benefit			20.250		20.250	
Corporation tax balance at settlement			75.000		0	
Total cash out			300.000		300.000	

<b>Identical situation, but with tax shelter of:</b>	<b>100.000</b>
Tax advantage associated with tax shelter	105.250
Financial return associated with tax shelter	4.509

	0
Payable corporation tax (= 300,000 - 105,250)	194.750
<i>Increase in case of no advance payments (*)</i>	13.146

		75% in AP1		25% in every AP		
Advance payments (with tax shelter)	AP1	9,00%	146.063	13.146	48.688	4.382
	AP2	7,50%	0		48.688	3.652
	AP3	6,00%	0		48.688	2.921
	AP4	4,50%	0		48.688	2.191
Total advance payment benefit			13.146		13.146	
Corporation tax balance at settlement			48.688		0	
Tax shelter			100.000		100.000	
Total cash out			294.750		294.750	

**Net additional return of (5,250 + 4,509):** **9.759**

(\*) Increase percentage for assessment year 2021: 6,75%



# Contact BNP Paribas Fortis Film Finance

---

- General mailbox: [filmfinance@bnpparibasfortis.com](mailto:filmfinance@bnpparibasfortis.com)
- Website : <https://companies.bnpparibasfortis.be/en/solution?n=tax-shelter>
- Your BNPPFFF contact (for any questions regarding the offer and possible subscription):

Vincent Vandevoorde	Guy Pollentier
Tel: 02 228 98 55	Tel: +32(0)2 565 36 37
GSM: 0499 67 91 14	Mobile: +32(0)499 67 92 32
Email: <a href="mailto:vincent.vandevoorde@bnpparibasfortis.com">vincent.vandevoorde@bnpparibasfortis.com</a>	E-mail: <a href="mailto:guy.pollentier@bnpparibasfortis.com">guy.pollentier@bnpparibasfortis.com</a>
- External advisors (for technical questions regarding tax shelter/film financing):  
David Claikens, mobile: +32(0)478 87 89 12

*This document is a promotional document prepared and distributed by BNP Paribas Fortis SA/NV. It does not contain any investment advice or investment research. This document was not prepared in accordance with the provisions promoting independent investment research and is not subject to the ban on trading prior to the distribution of investment research. Although BNP Paribas Fortis SA/NV has taken all necessary measures to ensure the accuracy of the information in this document, neither BNP Paribas Fortis SA/NV nor any of its affiliated persons can be held liable for any damage or costs directly or indirectly resulting from this document or any investment decision based on this document, unless this document contains misleading or inaccurate information or information that is inconsistent with the Prospectus.*

