THE FINANCIAL SITUATION OF THE VARIOUS BRANCHES OF THE EUROPEAN UNION AUDIOVISUAL INDUSTRY

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WHY UNDERTAKE A FINANCIAL ANALYSIS OF THE EUROPEAN AUDIOVISUAL INDUSTRY?

- No sound industrial policy can be developed without a solid and detailed economic understanding of the market and of company performances.
- Public policies frequently take the form of reallocation of resources between the various branches: a precise knowledge of the situation of each one is therefore necessary.
- 1.2 billion EUR per year of direct public funding is involved: professionals, policy makers, journalists and tax payers are entitled to demand economic transparency.

METHODOLOGY

- The Observatory works with the AMADEUS database: financial statements of more than 30 thousand AV companies in the EU

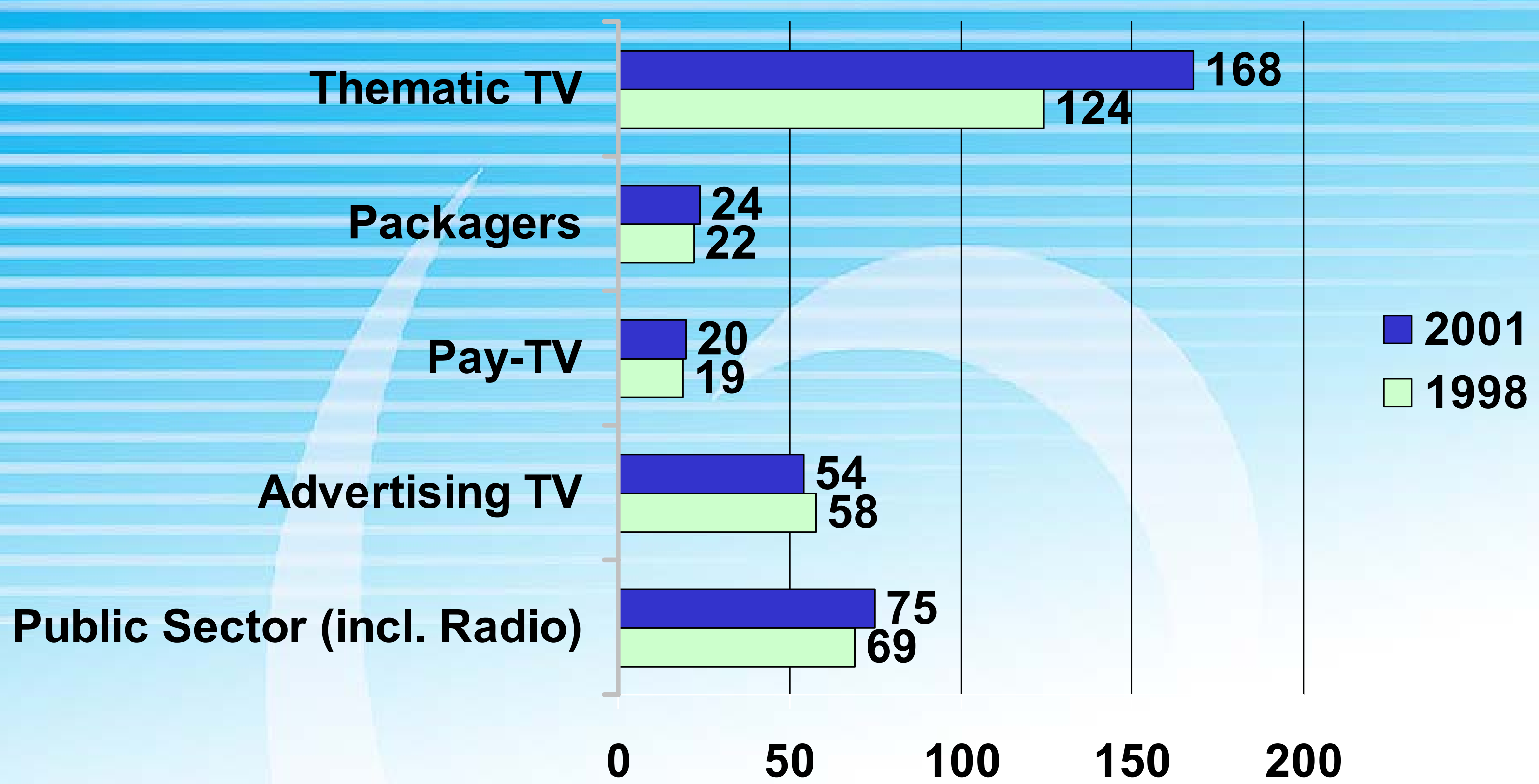
  Difficulties:
- Important gaps in some countries (DE, DK, IE, LU, NL, PT)
- Some major players do not publish their accounts
- Classification of companies by main activity, breakdown of revenues, consolidation issues, concentration issues, delay in publication and accessibility,…

- Nevertheless, we consider that realistic trends may be identified

POPULATION OF TV COMPANIES IN THE EUROPEAN UNION

Number of companies for which data are available (1998-2001)

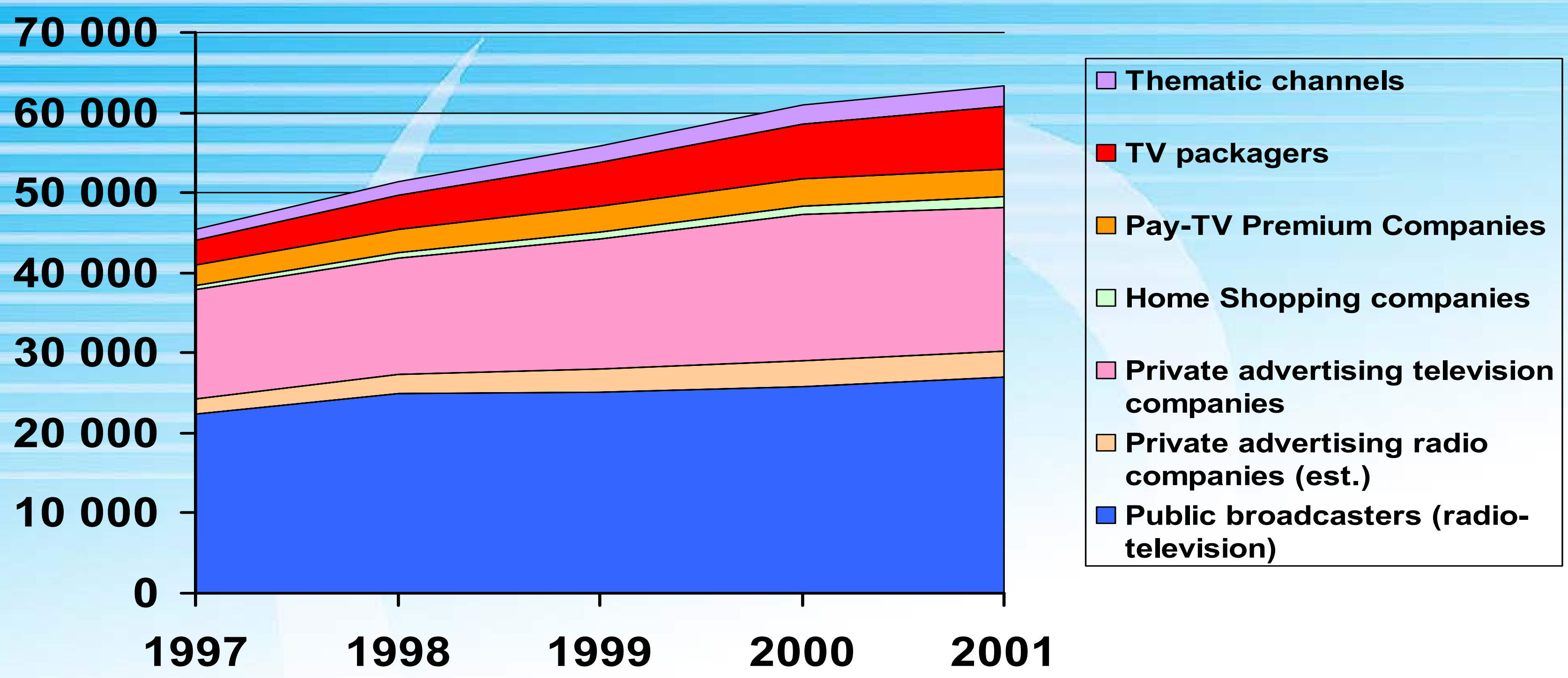
Source: AMADEUS / OBS



OPERATING REVENUES OF VARIOUS CATEGORIES OF RADIO-TV COMPANY IN THE EUROPEAN UNION (1997-2001)

EUR million

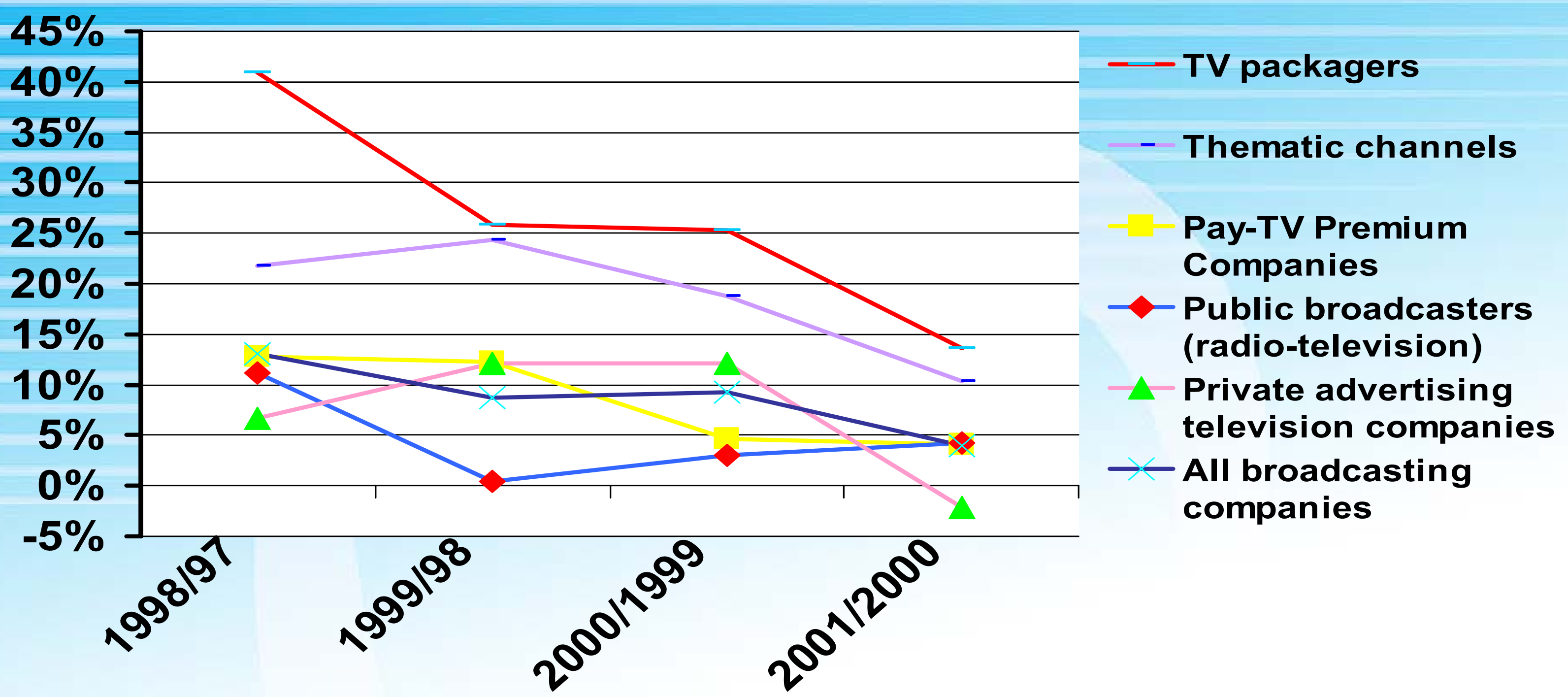
Source: OBS



GROWTH RATE OF VARIOUS CATEGORIES OF TELEVISION COMPANIES (1998-2001)

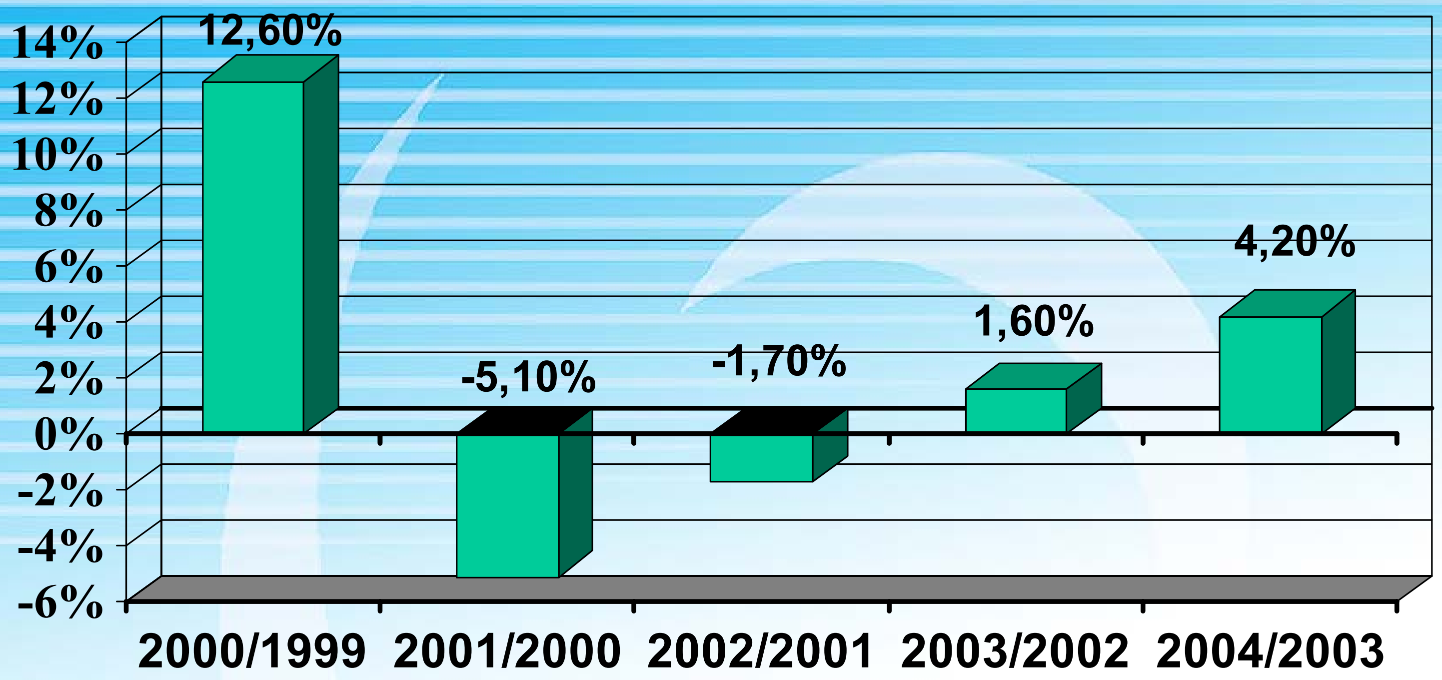
in %

Source: OBS

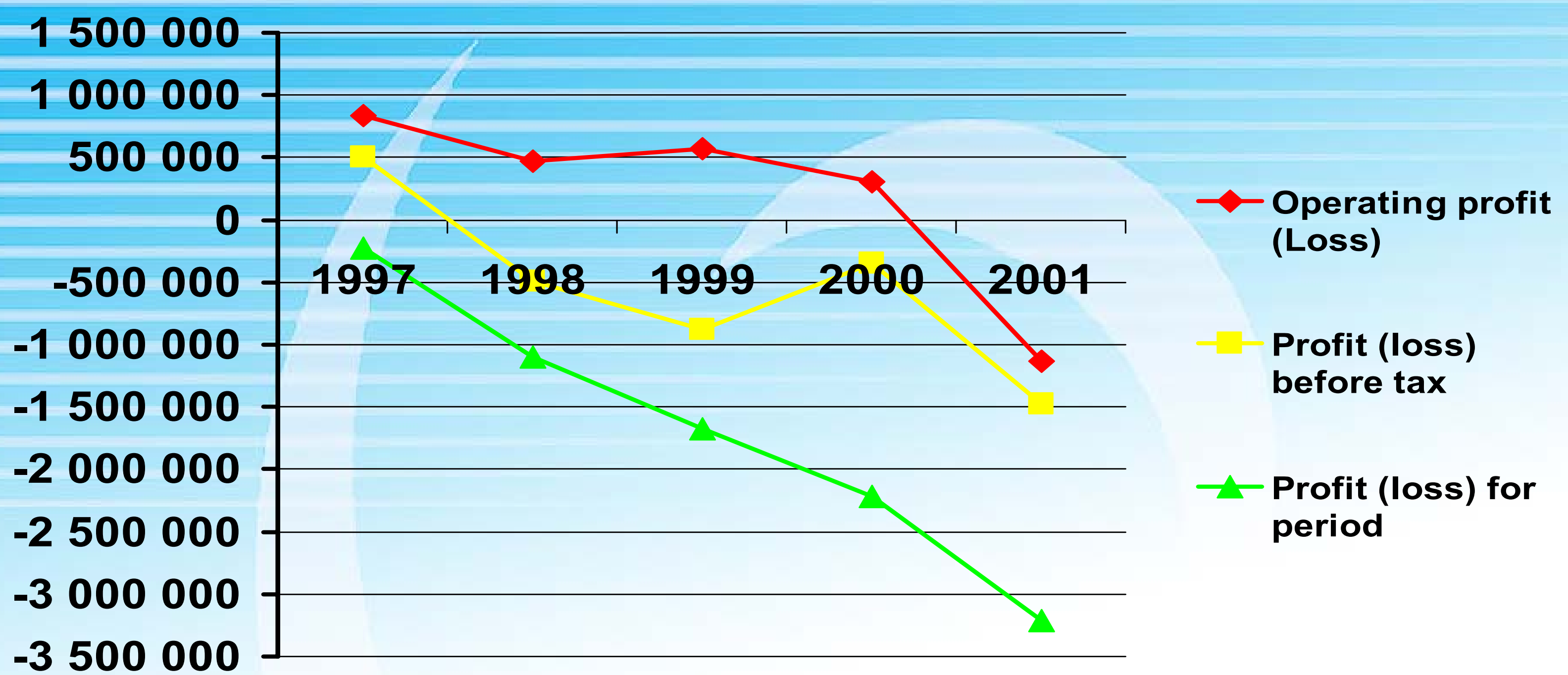


RATE OF GROWTH OF TV ADSPEND IN THE EU (1999-2004) (in %)

Source: ***European and Advertising Media Forecast*** **(October 2003)**

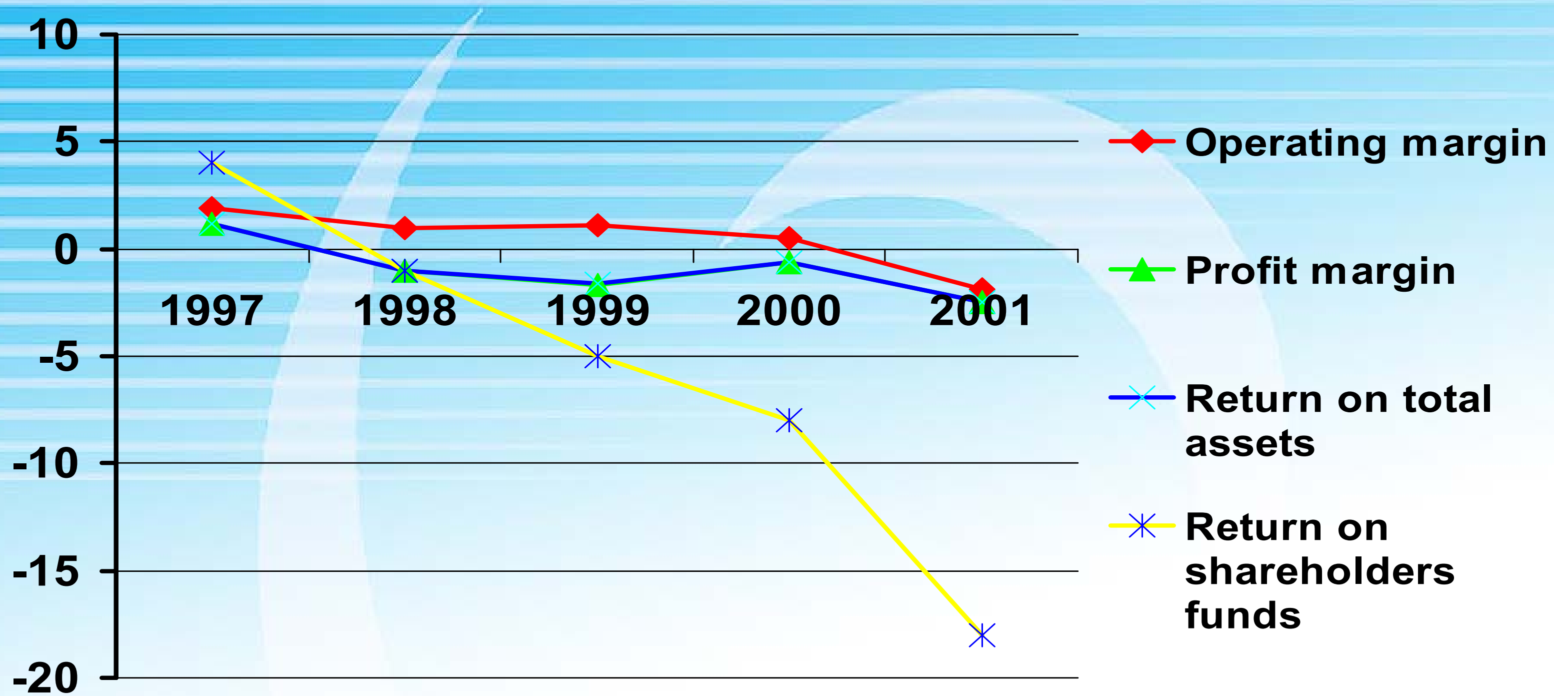


RESULTS OF THE TELEVISION BRANCH IN THE EUROPEAN UNION (1997-2001)
EUR thousand
Source: OBS



FINANCIAL PERFORMANCE RATIOS OF THE TELEVISION BRANCH IN THE EUROPEAN UNION (1997-2001) in %

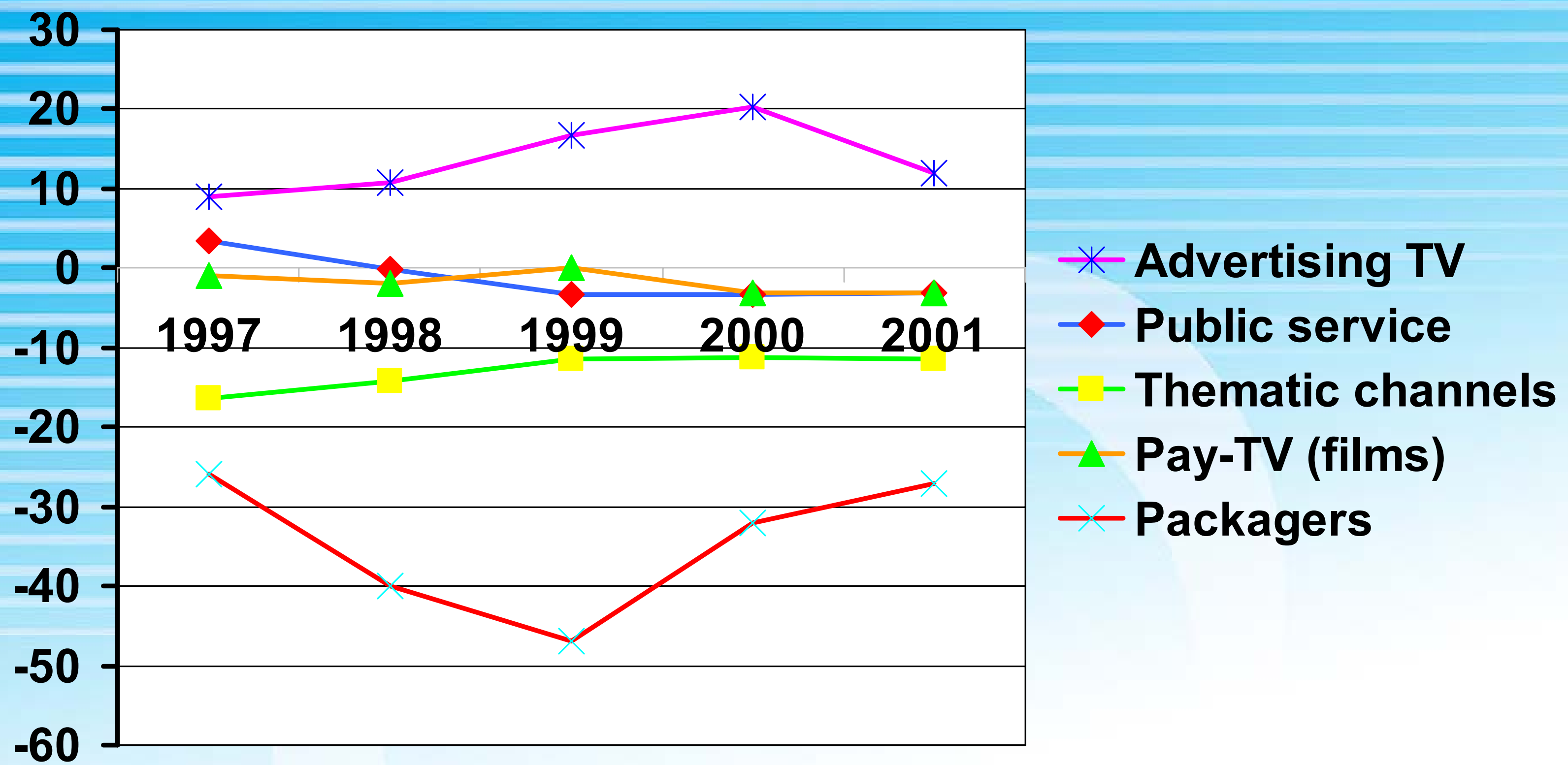
Source: OBS



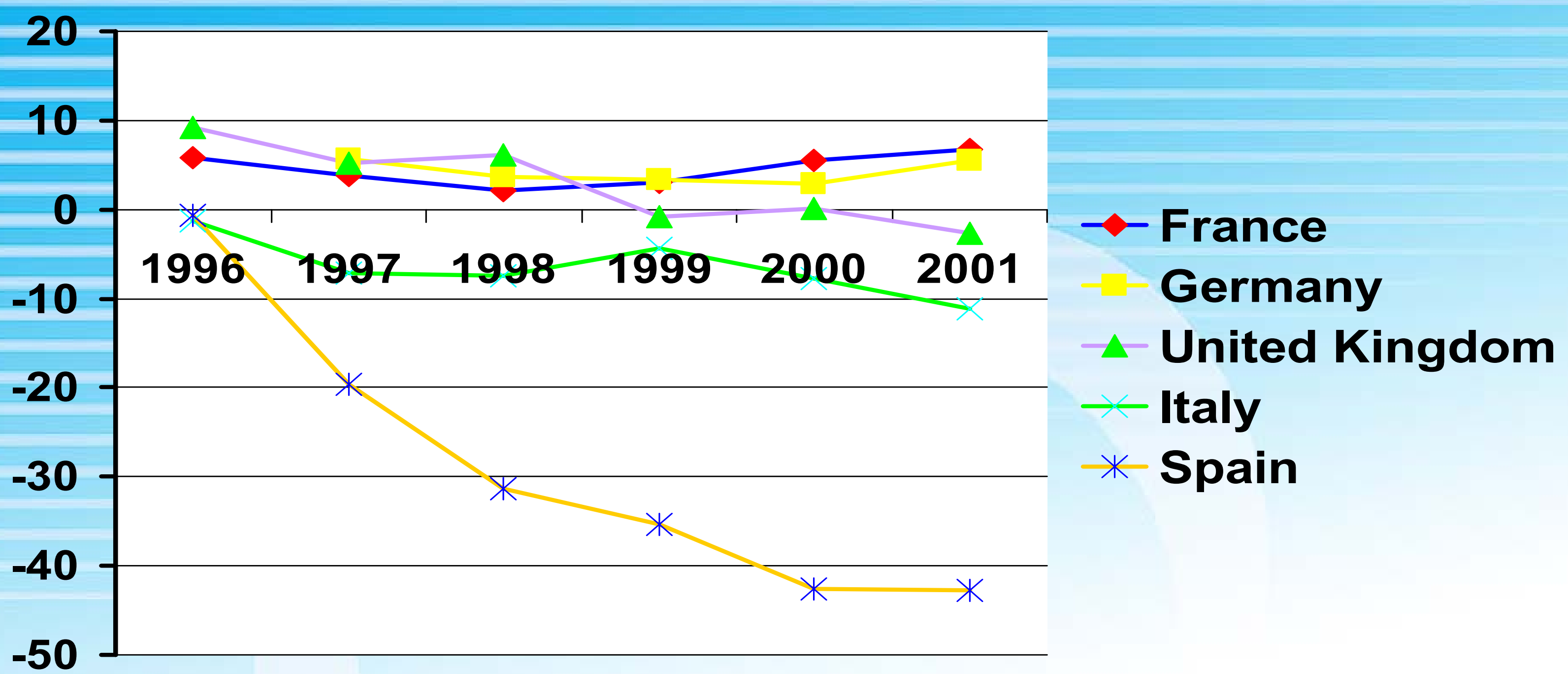
PROFIT MARGINS OF TELEVISION COMPANIES IN THE EUROPEAN UNION (1997-2000)

in %

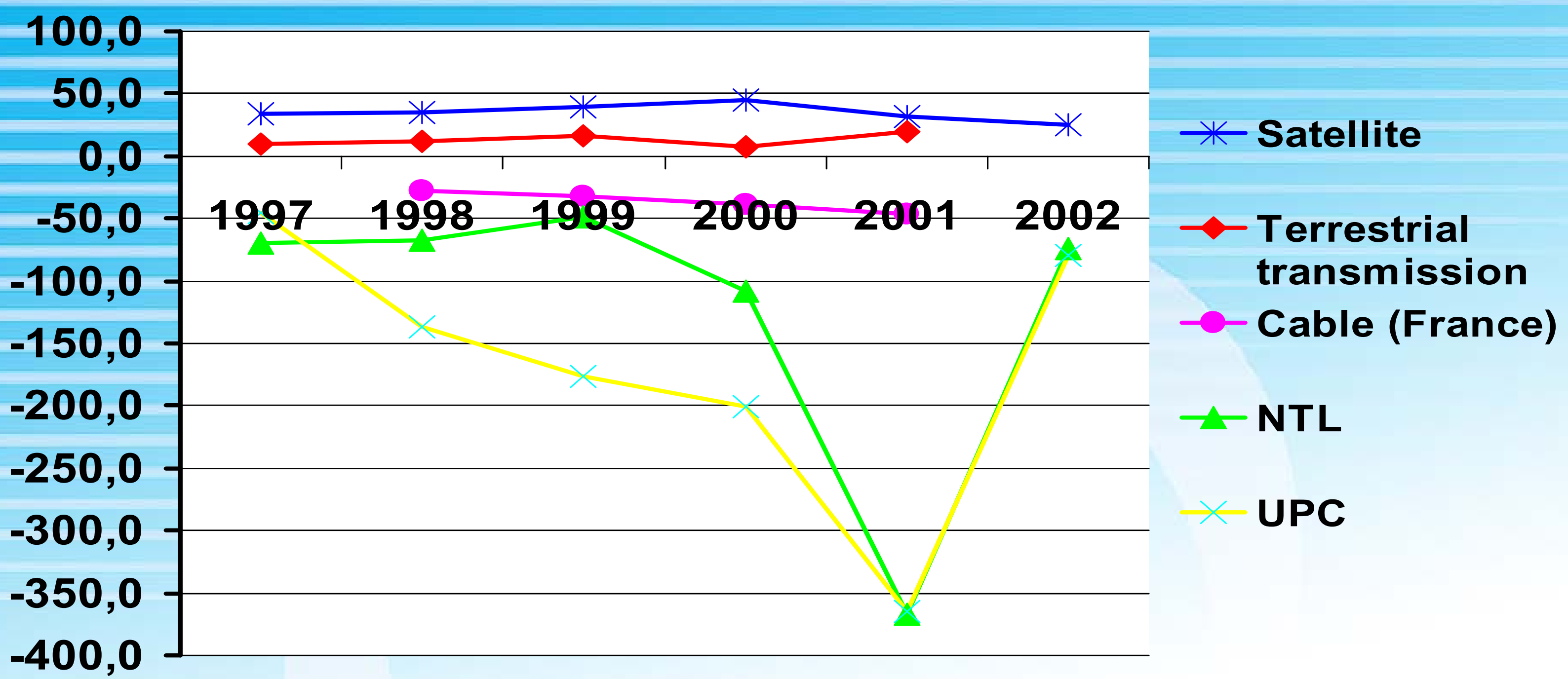
Source: OBS



PROFIT MARGINS OF NATIONAL TV SYSTEMS (1996-2001)
in %
Source: OBS



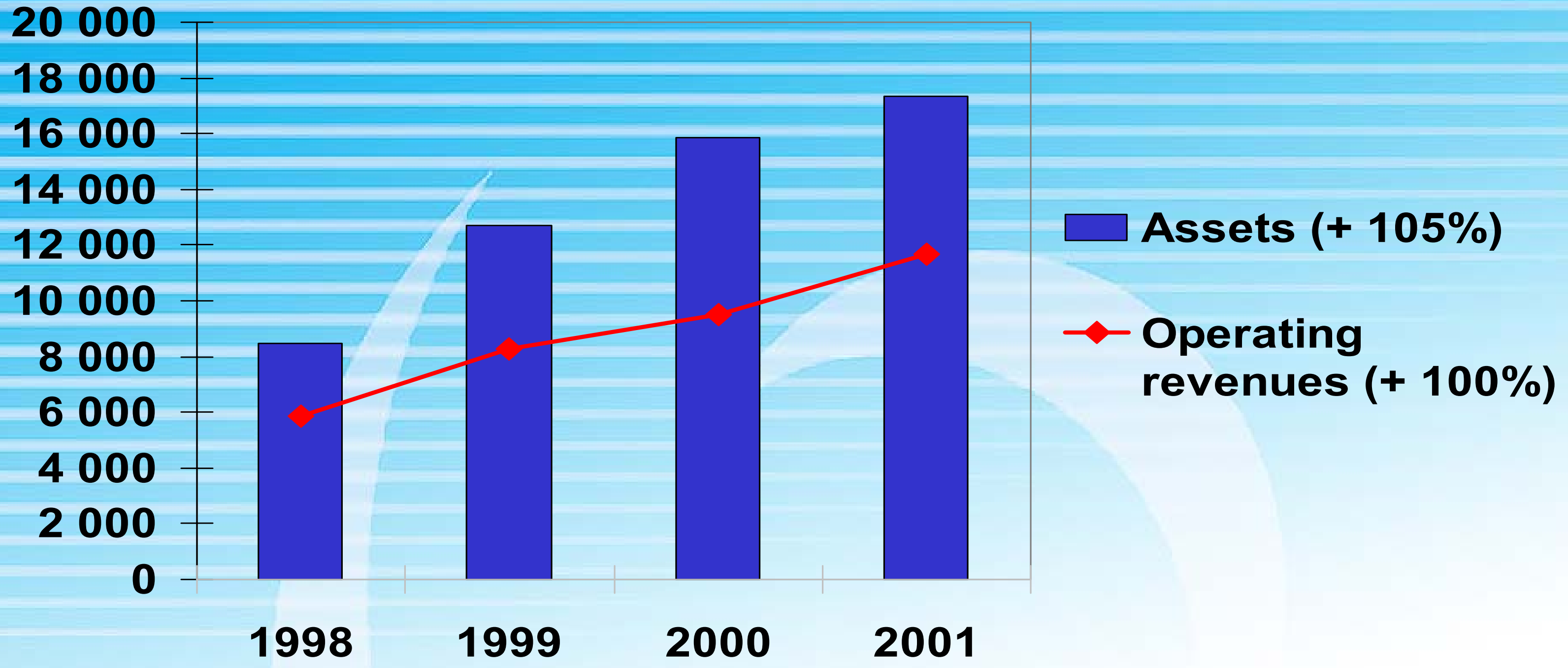
PROFIT MARGINS OF TRANSMISSION COMPANIES IN EUROPE (1997-2002)
in %
Source: OBS



CONCLUSIONS: THE EUROPEAN TV SYSTEM IS FACING THE COSTS OF TRANSITION TO DIGITAL

- The European TV system is in a period of great financial weakness, in particular in Southern Europe
- Most of the digital platforms and thematic channels are still heavily loss-making – Progressive concentration will probably facilitate reduction of losses but the investment period is far from over
- The ‘Eldorado’ of premium pay-TV channels is now at an end
- Financial situation of public sector remains uncertain in several countries
- Commercial TV companies are the only really profitable channels but their rentability and profitability are strongly affected by the crisis
- Satellite operators are the most healthy branch of the industry

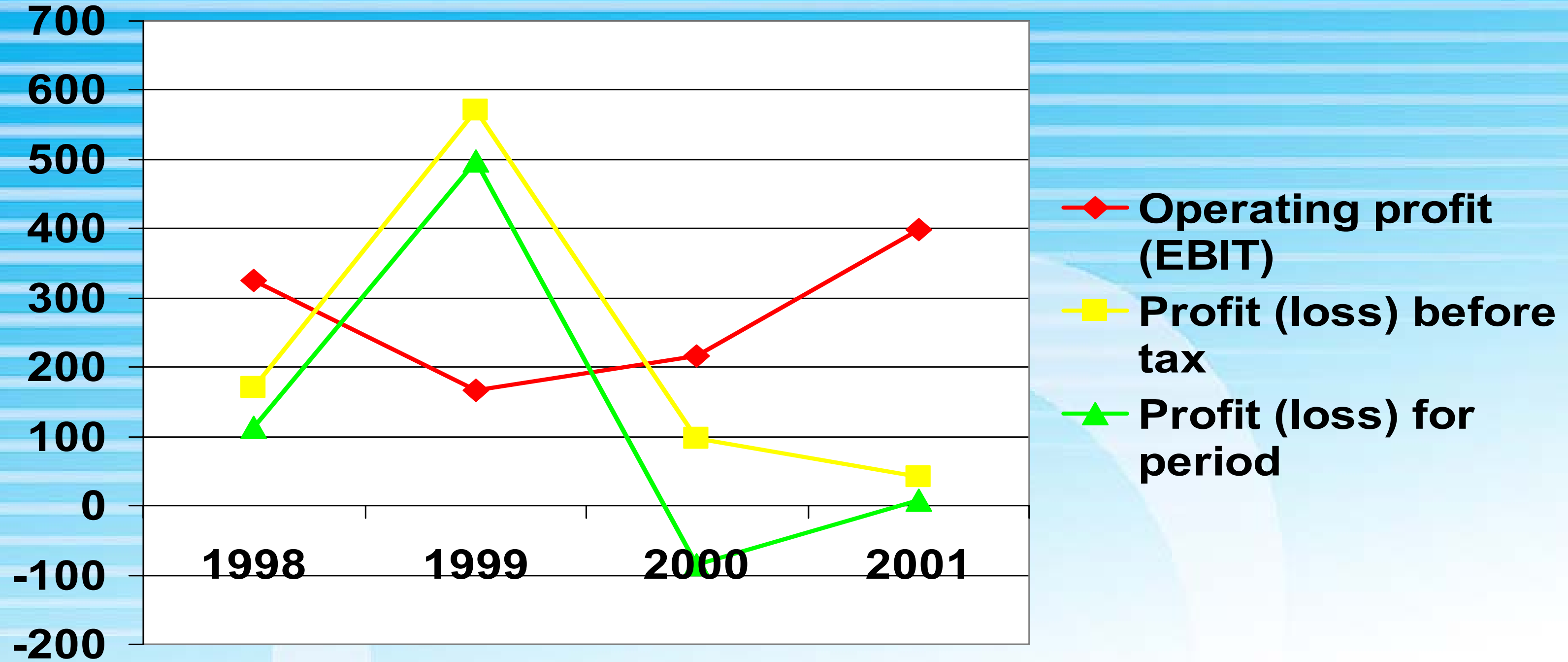
GROWTH OF THE 50 LEADING FILM COMPANIES IN EUROPE (1998-2001)
EUR million
Source : OBS



PROFIT AND LOSS OF THE 50 LEADING FILM COMPANIES IN EUROPE (1998-2001)

EUR million

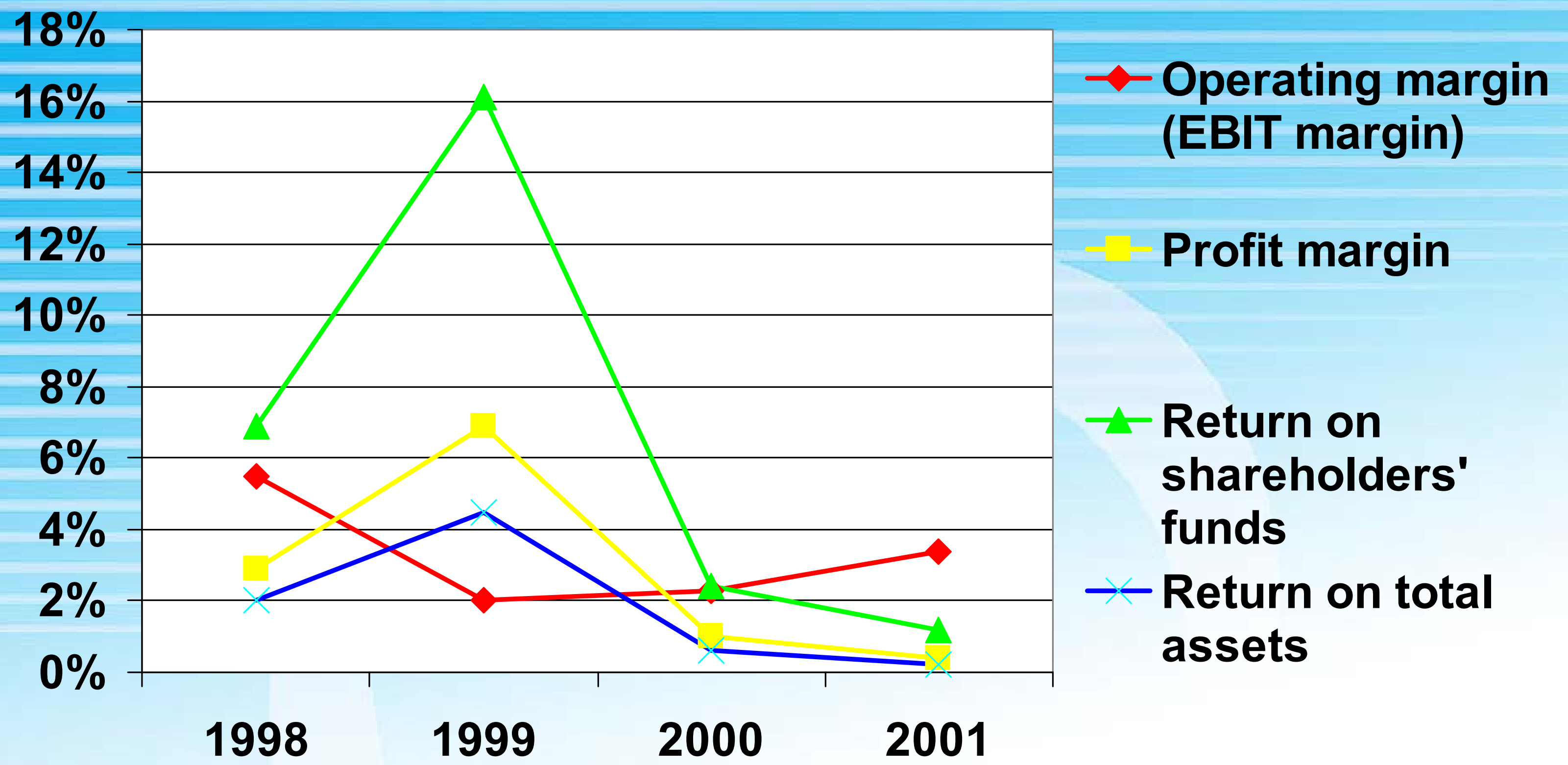
Source: OBS



PERFORMANCE RATIOS OF THE 50 LEADING FILM COMPANIES IN EUROPE (1997-2000)

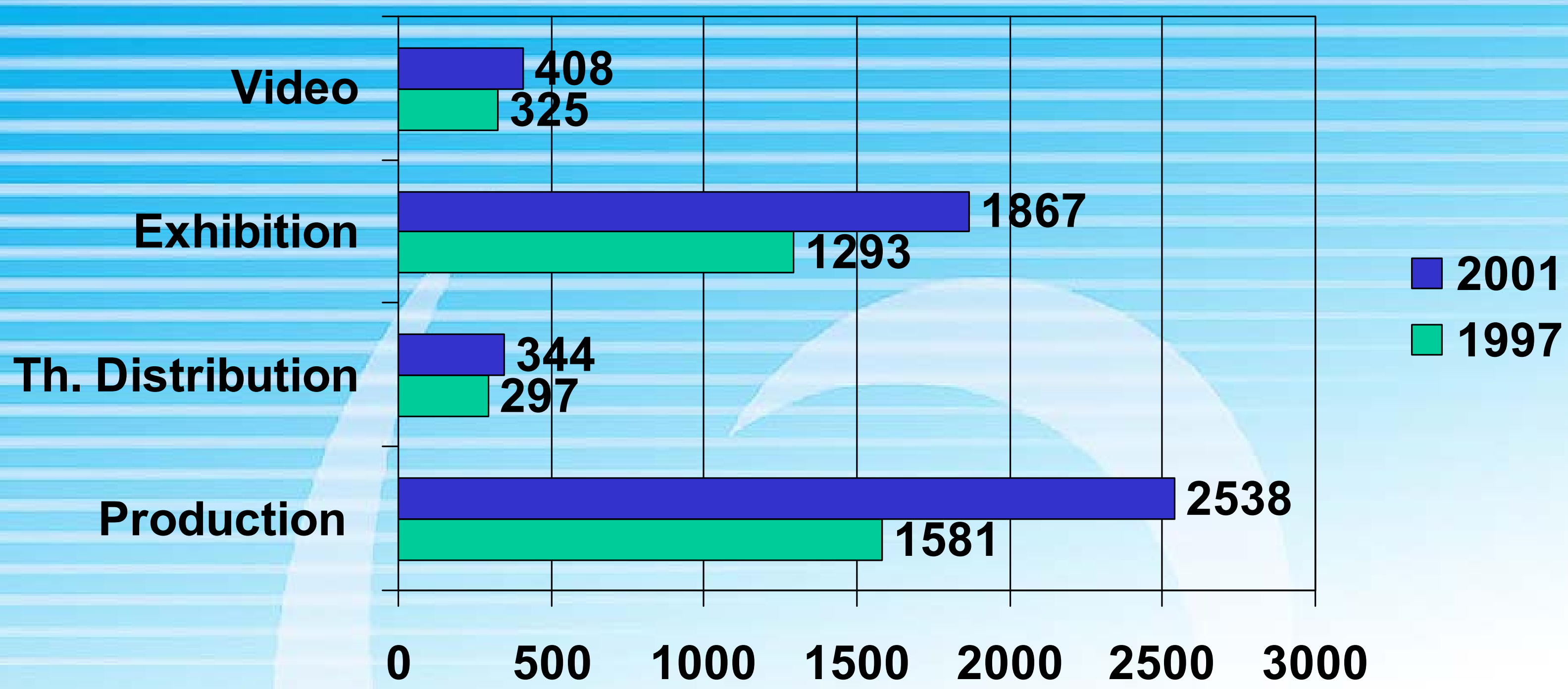
in %

Source : OBS



NUMBER OF FILM COMPANIES BY BRANCH

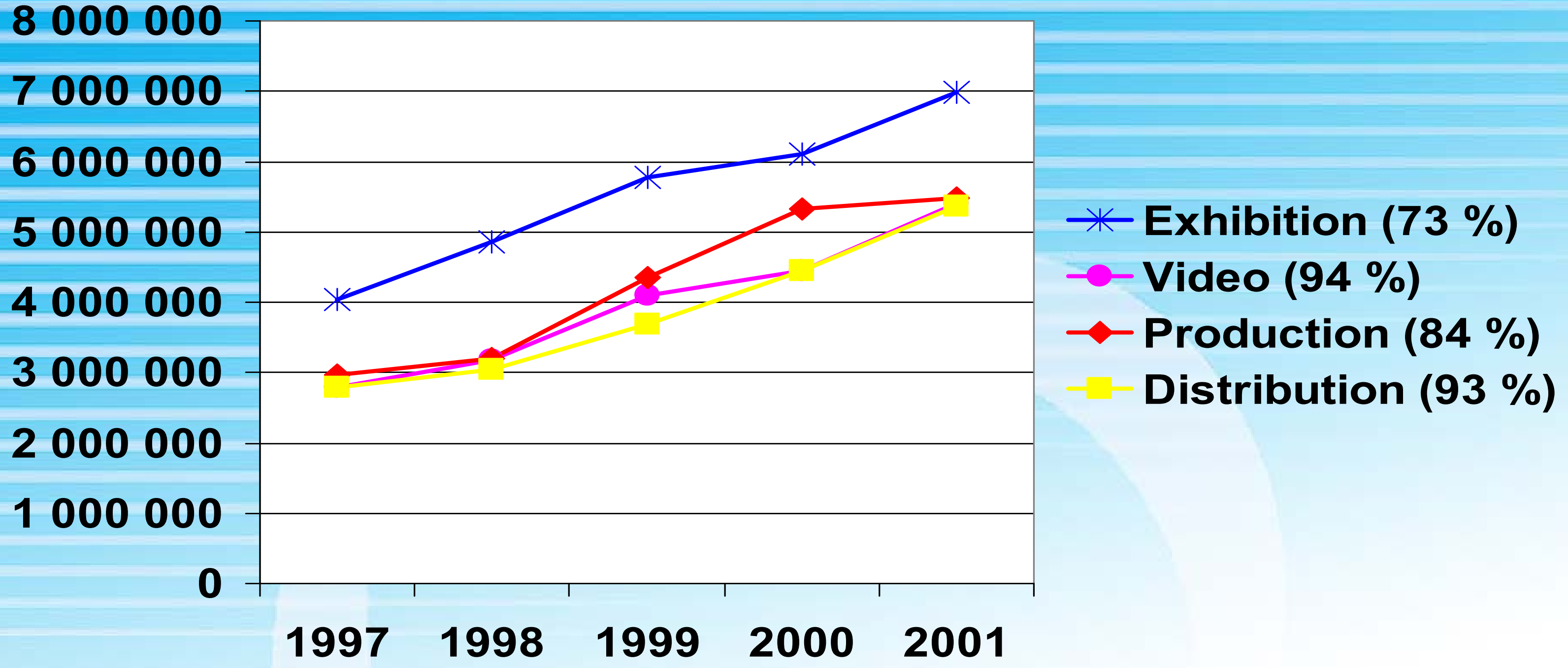
Source: AMADEUS / OBS



GROWTH RATE OF THE VARIOUS BRANCHES OF THE EUROPEAN UNION FILM INDUSTRY (1997-2001)

Operating revenue in thousand EUR

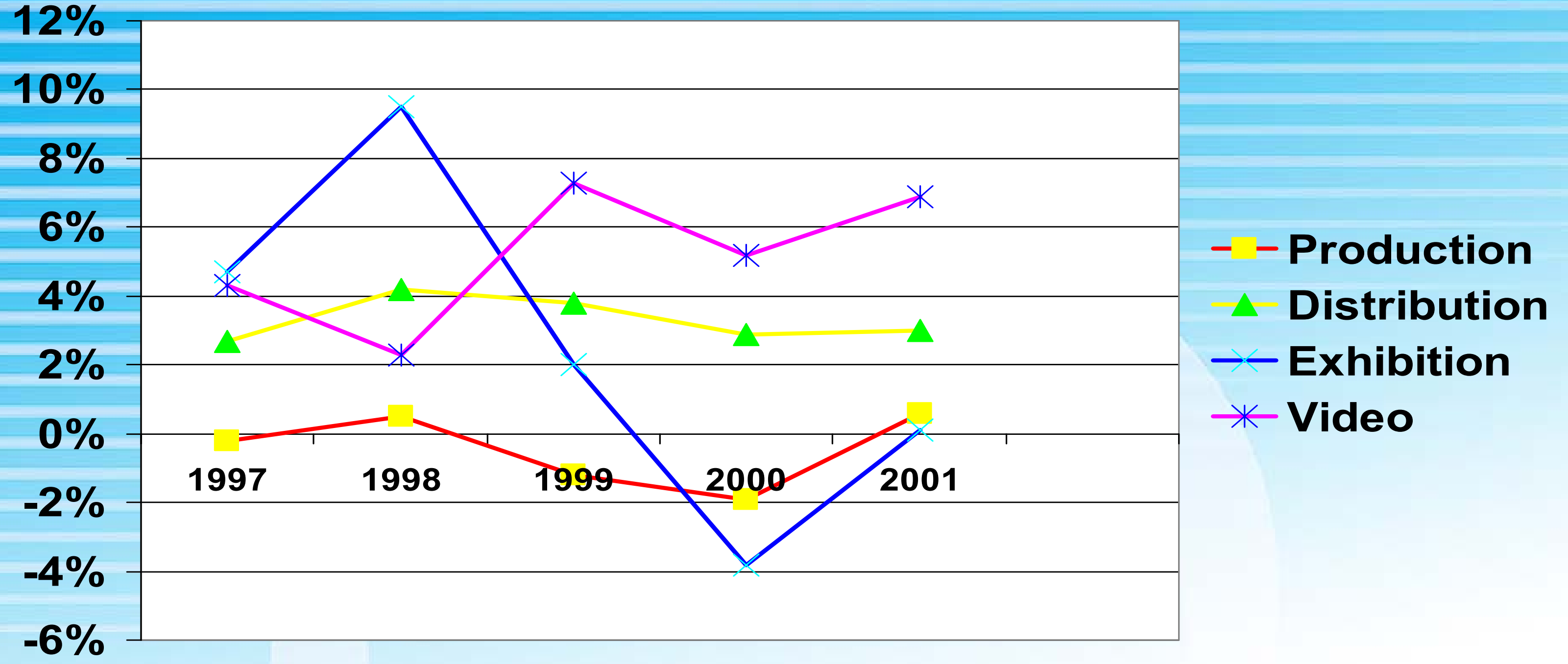
Source: OBS



PROFIT MARGIN OF VARIOUS BRANCHES OF THE EUROPEAN UNION FILM INDUSTRY (1997-2001) in %

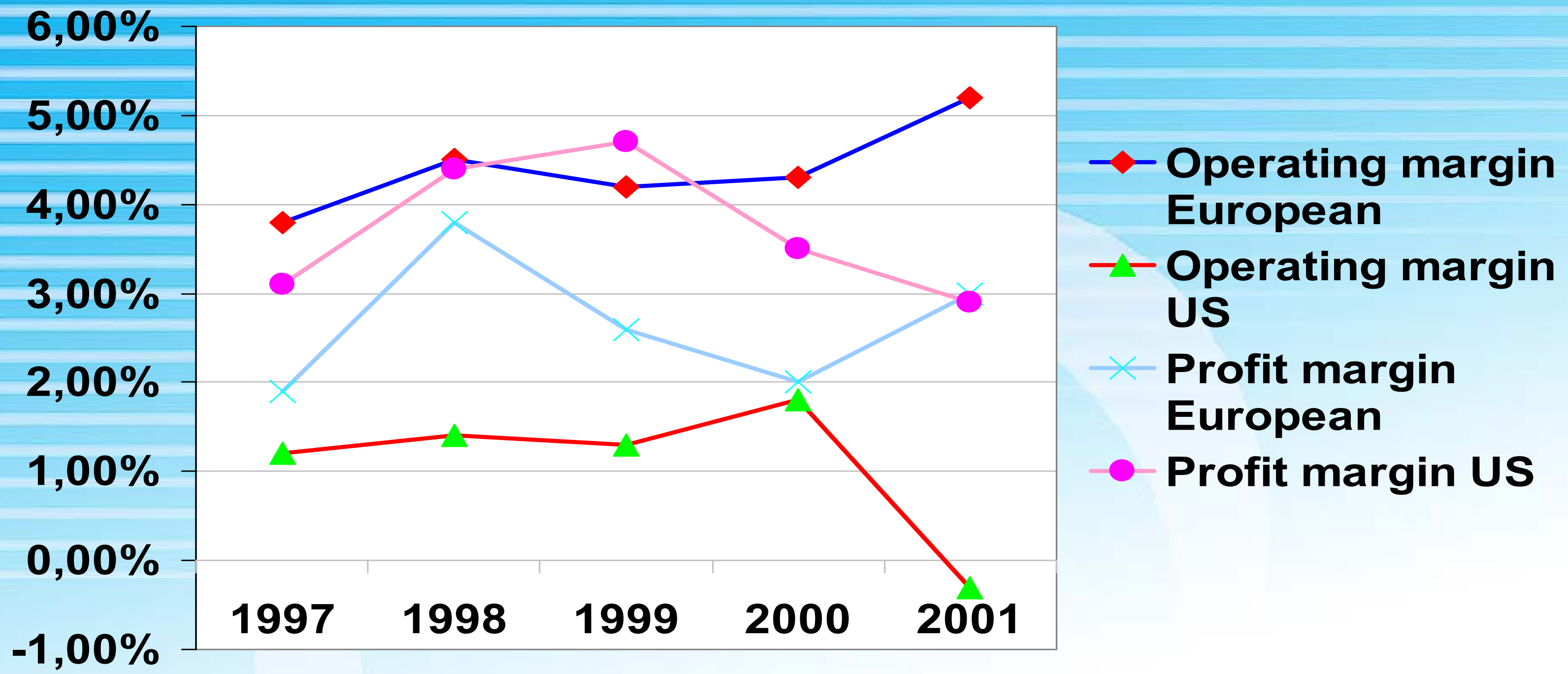
Operating Profit / Operating Revenues

Source : OBS



PERFORMANCE RATIOS OF EUROPEAN AND US-CONTROLLED FILM DISTRIBUTION COMPANIES IN THE EUROPEAN UNION (1997-2001) – in %

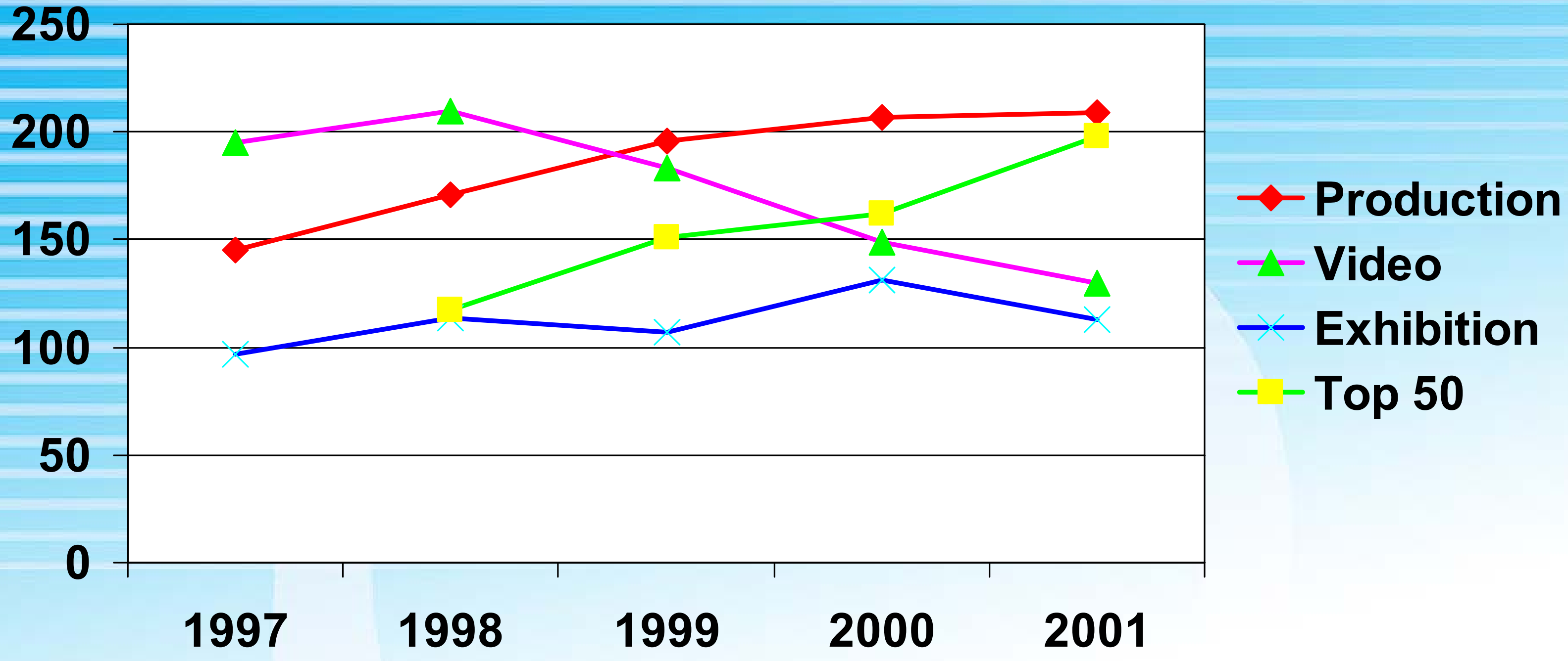
Source : OBS



GEARING RATIO OF FILM INDUSTRY BRANCHES IN THE EU (1997-2001)

(Non Current Liabilities+Loans)/Shareholders Funds in %

Source: OBS



A DIFFICULT PERIOD FOR THE EUROPEAN FILM INDUSTRY

- Growth in revenues and assets is remarkable, but the overall situation of the film industry is deteriorating
- The exhibition branch is facing a major financial crisis after a phase of high investment. The predicted –10 % slow down of admissions in 2003 will not help
- Production companies work on the ‘financial water line ’ and their gearing ratio is deteriorating
- Polarisation of the distribution branch between US and European-controlled companies is reflected in contradictory ratios of performance
- Performances of European-controlled companies have improved in 2000-2001 when those of US controlled companies were deteriorating
- The video branch is the healthiest branch of the industry
- The facilities industry is also suffering: deterioration of margins of film laboratories; insolvency of two of the major European special effects companies,…

THE NEED FOR GREATER TRANSPARENCY

- The IMCA study published by the Commission underlines the lack of transparency of the revenue flows of film producers
- Broadcaster investment in production remains a ‘black hole’ in most of the EU countries
- Great differences in the transparency of company accounts between the various European countries
- Harmonisation of transparency obligations to be debated as a requisite of European audiovisual policy ?

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