PRESS RELEASE
EUROPEAN AUDIOVISUAL OBSERVATORY
Strasbourg, 16 November 2004

EUROPEAN AUDIOVISUAL MARKET VALUED AT 99 BILLION EUROS

- The European Audiovisual Observatory has just published the first volume of the 2004 edition of its *Yearbook*, entitled "Economy of the Radio and Television Industry in Europe". This is the tenth edition of the publication, which has become an uncontested reference tool for European audiovisual sector professionals.

- The European Union audiovisual market (EUR 15) was worth 98.6 billion euros in 2002.

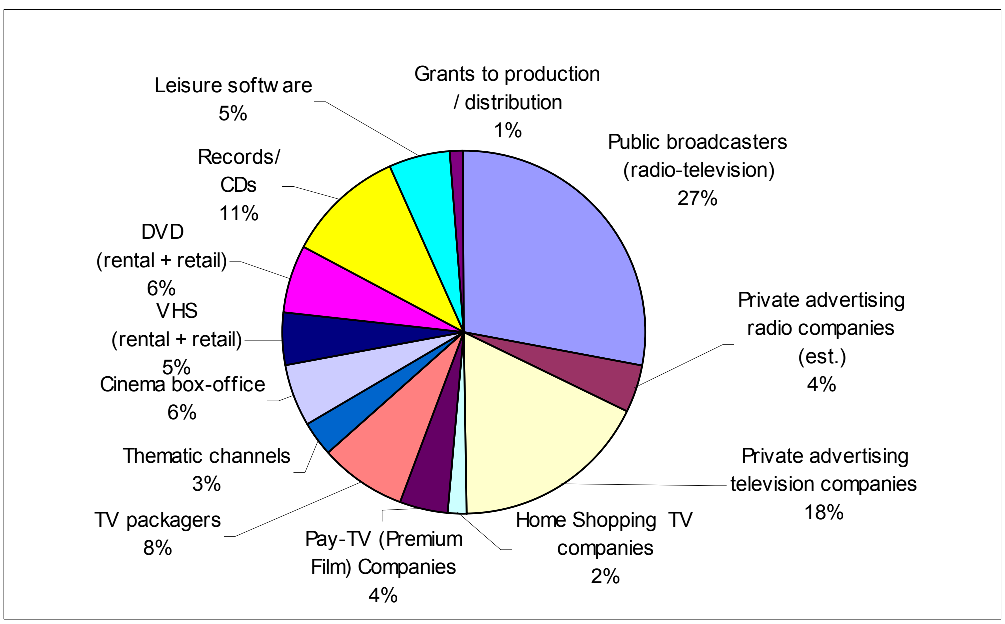
- Growth in the radio and television sector is flagging, and television companies financed by advertising form the only group to have shown a profit.

DVDs are driving growth in the sector

During the period 1998-2002, the average annual growth rate in the European audiovisual sector was 6.5%. However, growth for the sector as a whole stood still in 2002, with a growth rate of just 0.2%.

Sales and rentals of DVDs showed by far the highest average annual growth over this period (+223%), while sales and rentals of VHS cassettes saw an average annual decline of -6.5%. Sales of records/CDs and entertainment software (including video games) had an average annual growth rate of nil during the reference period. Box-office revenue, however, saw an average annual growth rate of 6.54%.

Breakdown of revenue in the audiovisual sector in the European Union (EUR 15) in 2002 ***(in %)***



Source: European Audiovisual Observatory

Size of the audiovisual market in the European Union (EUR 15) 1998-2002 – In EUR million

	1998	1999	2000	2001	2002	*2002/2001*
Broadcasters net revenues	***50 213***	***56 961***	***63 269***	***66 259***	***65 386***	***-1.3%***
Public broadcasters (radio and television)	23 353	25 689	26 896	28 549	27 769	***-2.7%***
Private radio stations financed by advertising (estimated)	3 302	3 302	3 893	3 898	3 935	***1.0%***
Private television channels financed by advertising	14 548	16 640	18 713	18 187	17 349	***-4.6%***
Home Shopping companies	727	1 034	1 297	1 518	1 730	***13.9%***
Film Premium Pay-TV companies	2 989	3 320	3 569	3 784	3 915	***3.5%***
TV packagers	3 671	4 956	6 485	7 410	7 722	***4.2%***
Thematic channels	1 623	2 019	2 416	2 912	2 967	***1.9%***
Retail revenues (including taxes)	***25 425***	***26 180***	***28 041***	***30 926***	***31 993***	***3.5%***
Cinema box-office	4 269	4 290	4 635	5 287	5 501	***4.0%***
VHS video cassettes (rentals + purchases)	5 965	5 654	5 886	5 640	4 554	***-19.3%***
DVDs (rentals + purchases)	56	391	1 388	3 161	6 072	***92.1%***
Records/CDs	10 571	10 759	11 074	10 893	10 601	***-2.7%***
Leisure software	4 564	5 086	5 058	5 945	5 266	***-11.4%***
Grants to production/distribution	***908***	***970***	***1 055***	***1 177***	***1 189***	***1.0%***
Total	**76 546**	**84 111**	**92 365**	**98 362**	**98 569**	***0.2%***

Source: European Audiovisual Observatory

Radio and television growth is flagging

The radio and television branch as a whole has seen an average annual growth rate of 6.82%, but there are substantial differences among the various groups of operators – Home Shopping channels recorded an average annual growth rate of 24.2%, digital TV packagers 20.4%, and thematic channels 16.3%. The crisis in the advertising market was reflected in fairly low average annual growth rates for the television channels financed by advertising (4.5%); the growth rates of 14.4% in 1999 and 12.5% in 2000 took a downward plunge in 2001 (-2.8%) and 2002 (-4.6%). Private radio stations also saw a relatively low average annual growth of 4.5% over the reference period. Public-sector radio and television broadcasting, which at 27% of the European audiovisual market remains the most important group, experienced a similar average annual growth rate of 4.4% over the reference period and a slightly less important downturn (-2.7%) in 2002.

The European television sector has shown a loss for four years running, but the losses are getting smaller.

As in previous years, the Observatory has put a figure on the financial performances of the television companies in the European Union. On the basis of analysis of the accounts of 391 television companies, of all types, the Observatory notes that, in 2002, for the fourth year running, the "television" branch of the audiovisual industry made a loss. With operational income of 59.7 billion euros in 2002, net losses amounted to 2.9 billion in 2002 (compared with 2.6 billion in 2000 and 4 billion in 2001).

Only the group of television channels financed by advertising proved to be profitable, but margins are shrinking.

Television channels financed by advertising constituted the only group to show a profit over the period 1999-2002, although there has been significant shrinkage in profit margins, which fell from 18.9% in 2000 to 10.7% in 2001 and 7.8% in 2002. In contrast, the group to show the biggest losses (net losses of more than 3 billion euros in 2000 and 2001), although there was a move towards improvement in 2002, was that of the companies that compile digital packages (for distribution by satellite or by terrestrially-broadcast digital television), following the disappearance of several platforms as a result of bankruptcy. Companies making available film Pay-TV channels and thematic channels reduced their losses.

Profit or loss of the various groups of television companies in the European Union (EUR 15) 1999-2002 – In EUR million

	1999	2000	2001	2002
Television stations financed by advertising	1 519	1 922	755	726
Pay-TV channels (film)	-90	-241	-199	-13
Thematic channels	-242	-504	-694	-539
Public-sector radio and television broadcasting	-283	-772	-723	-1 397
Digital packages	-2 378	-3 002	-3 165	-1 715

Source: European Audiovisual Observatory

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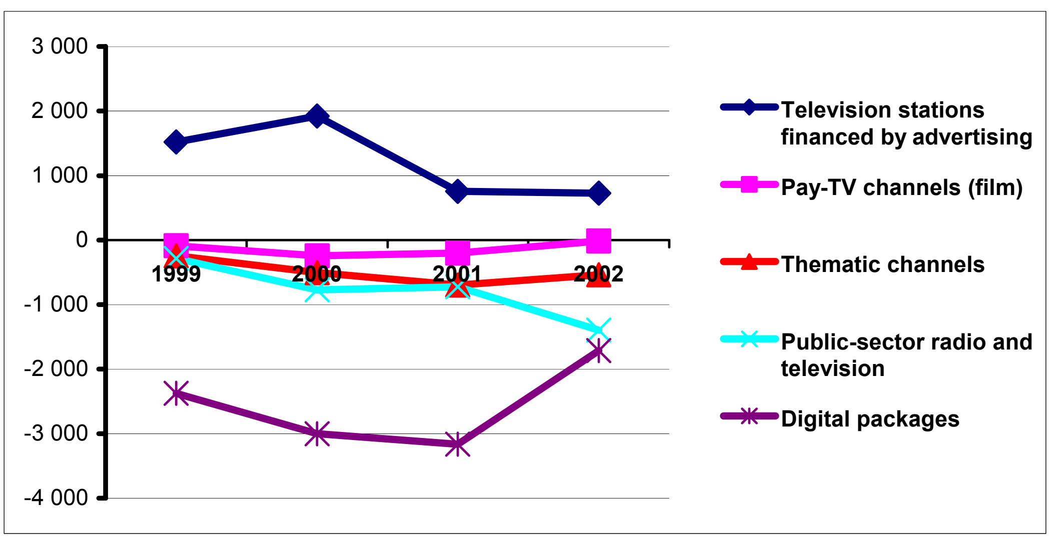

Source: European Audiovisual Observatory

The situation of public-sector radio and television broadcasting continues to deteriorate, with net losses almost doubling in 2002; this was a particularly difficult year for public-sector radio and television broadcasting companies in the Spanish Autonomous Communities (losses of 661 million euros), the BBC Home Service (480 million), RTP (Portugal - 228 million), RTE (Ireland - 56 million), ORF (Austria - 40 million), TVE (Spain - 24 million) and ZDF (Germany - 22 million).

Only the German and French television systems were profitable overall.

In 2002, only the television systems in Germany and France were, overall, profitable. The least successful television systems were those of Spain (where both national and Autonomous Community public-sector companies made serious losses), Portugal and Finland.

Profit margins of television companies (1999-2002) – In %

	1999	2000	2001	2002
FR	3.5	5.3	6.2	5.6
DE	8.7	3.2	0.9	2.8
BE	0.8	4.1	0.9	-0.13
DK	-2.7	1.1	1.4	-0.6
GB	-1.0	-3.0	-8.0	-4.0
GR	1.8	-0.5	-2.4	-5.3
SE	-4.4	-3.2	-9.6	-5.4
IT	-4.3	-7.3	-9.8	-7.3
NL	-0.7	-1.1	-3.1	-7.7
FI	-7.9	-9.9	-29.2	-21.6
ES	-14.7	-17.4	-24.7	-23.4

Source: European Audiovisual Observatory

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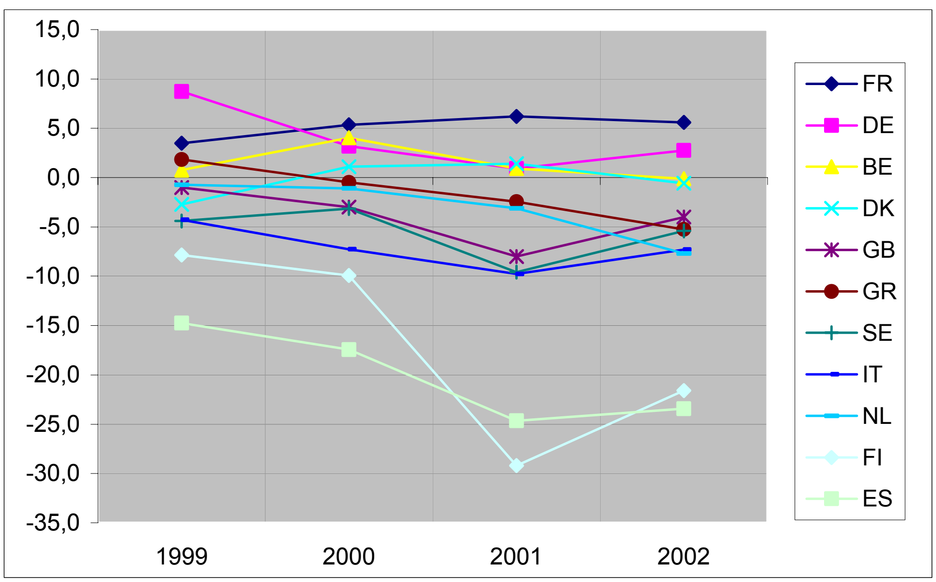

Source: European Audiovisual Observatory

Will 2003-2004 see a return to break-even point in the European television sector?

"Because a number of major companies are slow in publishing their accounts, it is not yet possible to provide final figures for 2003", commented André Lange, Head of the Department for Information on Markets and Financing at the Observatory and scientific editor of the *Yearbook*. "According to the figures already available, however, it is probable that, after the disappearance of bankrupt digital platforms in 2001-2002, after the concentrations that took place in 2003 in Spain and Italy, and after the relative financial recovery of the BBC, ORF and RTE, the European television sector managed to break even in 2003."

***Yearbook 2004 - Film, Television, Video and Multimedia in Europe*, 2004 Edition,**
Volume 1 "Economy of the radio and television industry in Europe"
pp.144, ISBN 92-871-5560-7, 80 €,
European Audiovisual Observatory, Strasbourg, 2004.

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The European Audiovisual Observatory

Set up in December 1992, the European Audiovisual Observatory's goal is to gather and diffuse information on the audiovisual industry in Europe. The Observatory is a European public service body operating within the framework of the Council of Europe, comprising 35 member states and the European Community, represented by the Commission It works alongside a number of partner and professional organisations from within the industry and with a network of correspondents. In addition to contributions to conferences, other major activities are the publication of Yearbooks, newsletters and reports, the compilation and management of databases and the provision of information through the Observatory's Internet site (http://www.obs.coe.int/).

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