YEARBOOK 2018/2019
KEY TRENDS

TELEVISION, CINEMA,
VIDEO AND ON-DEMAND
AUDIOVISUAL SERVICES -
THE PAN-EUROPEAN PICTURE

European Audiovisual Observatory

COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

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INTRODUCTION

A transversal look at the US and European audiovisual markets

This fourth edition of the key trends Yearbook offers a broad array of insights and data on the European audiovisual market. As the US market is often seen as a reference for the future of the sector, placing in perspective key figures from the two regions highlights interesting differences and similarities. The European market is obviously still, to a large extent, a mosaic of national realities. The US audiovisual market meanwhile has been built 'bottom-up', from local TV and radio stations and cable companies, to national audiovisual services.

US audiovisual market 50% bigger than European market

The US audiovisual market[1] (187 bn EUR in 2017) supersedes the European market[2] (127 bn EUR, of which 112 bn EUR for the European Union) by close to 50%. Measured per capita, the US audiovisual market is 3.6 times bigger than the European market, and 2.6 when only European Union countries are considered.

Three structural differences are apparent:

• The role of public funding is marginal in the US (where it represents less than 0.5% of the sector's revenues), but essential in Europe (22%).

• The pay-TV market is far more developed in the US, in terms of both penetration and revenues.

• Advertising spend per capita is higher in the US than in Europe; television and radio capture a higher share (38%) of it in the US than in Europe (35%).

More growth in the US, but not for pay-TV and SVOD

Since 2012, the US has experienced more growth (2% per year on average) in its audiovisual sector than Europe (1.5%): radio and TV advertising, and cinema box office takings grew faster in the US; pay-television and subscription video on demand (SVOD) grew faster in Europe; and video home entertainment revenues decreased faster in Europe. However, the two regions manifest several similarities:

• Cinemas (6% in the US and 5% in Europe) and video home entertainment (4% and 5%, respectively) represent about the same share of the total sector's revenues. Cinema box-office takings have proved more dynamic in recent years in the US (+3.2% per year on average since 2012) than in Europe (+0.8%).

• The video home entertainment segment has been rapidly decreasing in both regions (-7% on average between 2012 and 2017 in the US, v. -9% in Europe), with losses in physical transactions not compensated by digital ones. Physical sales and rentals still represent over 50% of revenues in the two territories (63% in the US, 69% in Europe).

• Both the US and Europe are on the same trajectory with regard to SVOD. The share of SVOD out of total pay-services revenues[3] is slightly higher in the US (12%) but comparable with Europe (10%). And in both regions, SVOD is driving the growth of pay-services revenues: it accounted for 75% of 2016-2017 growth in the US, and 58% in Europe, and for an even greater proportion in terms of subscriber growth in both regions.

1 The audiovisual market includes: public funding of public media broadcasters; TV and radio advertising; pay-audiovisual services (pay-TV and subscription video on demand); cinema box-office takings; physical and digital video home entertainment.
2 The European market includes the 28 European Union countries, as well as Albania, Armenia, Bosnia-Herzegovina, "the former Yugoslav Republic of Macedonia", Georgia, Iceland, Liechtenstein, Montenegro, Norway, the Russian Federation, Switzerland and Turkey.
3 SVOD and linear pay-TV.

US more advanced for Internet advertising and on-demand

The US is more advanced than Europe with regard to the significance of new players and business models. On the one hand, 50% of all advertising spend is invested in the Internet, v. only 40% in Europe; on the other hand, on-demand services (subscription and transactional video on demand) account for 5% of total audiovisual revenues in Europe, compared to 8% in the US. In both cases, these relatively low shares indicate that the new players are (for now) disrupting more than actually capturing market share.

Uneven exchanges

The main difference between the US and European audiovisual industries lies in the market share that the players of each respective region have gained in the other. US films account for 66% of admissions in Europe[4], whereas European films comprise only 2% of US cinema admissions[5]. US films also account for half of all films available on video on demand in Europe. And US TV fiction accounts for 45% of all TV fiction broadcast on European television.

Maybe even more important is the weight of US-based audiovisual companies in the European market. The ongoing takeover by US cable company Comcast of the leading European pay-TV operator, Sky (active in the United Kingdom, Italy, Germany and Austria) marks a new milestone in that regard. The Observatory estimates that US-based companies have captured about 26% of the European audiovisual market, more than companies originating from Germany (20%), France (13%) or the United Kingdom (11%)[6]. Excluding public broadcasters, which are by essence of European origin, the proportion rises to 41%. Although precise data is not available, it is likely that, conversely, the share of the US market captured by Europe-based companies is marginal.

Domestic v. international development

To some extent, the US internal audiovisual market may face stronger challenges than the European one in the short term. On the one hand, there is probably a remaining source of growth for pay-TV in Europe, which may limit the impact of SVOD. On the other hand, the weight of public money in the funding of the sector in Europe – although hanging in the balance in many countries – may play a stabilising role, in particular with respect to financing of original production. However, both regions facing the same challenge: the surge of Internet video advertising and the competition it is creating for television advertising.

Nonetheless, the major US audiovisual companies, now transformed into global players, have the scale to diversify their presence and investments in many regions, including Europe, and to fuel their growth by increasing market share in non-domestic markets – an opportunity which, for now, appears open to a highly limited number of European audiovisual groups.

4 European Union.
5 2016 figure.
6 Based on the analysis of the top 100 broadcasters active in Europe.

1 PRODUCTION

1.1 The modernisation of copyright rules

After two years of intense discussion, the European Parliament, the Council and the European Commission finally reached a political agreement on a new Copyright Directive, which was endorsed by the European Parliament's Committee on Legal Affairs on 26 February 2019. The new directive, whose plenary vote in Parliament is scheduled for March 2019, aims to adapt EU copyright rules to a context in which digital technologies have transformed the way audiovisual works and other creative content are produced, distributed and accessed.

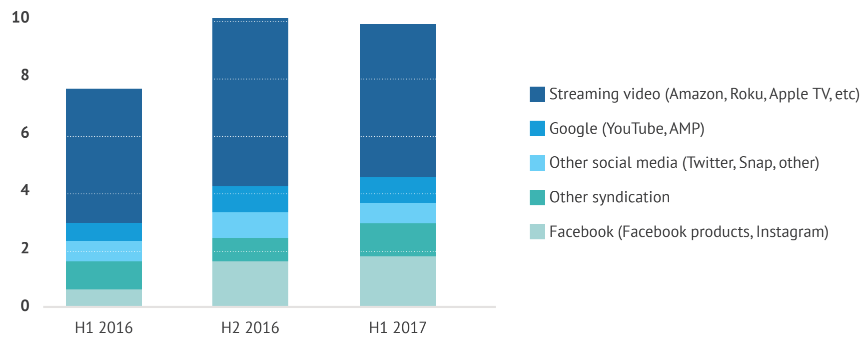
The directive introduces inter alia three new mandatory exceptions to copyright protection in the areas of education, research, and preservation of cultural heritage. It also requires member states to put a legal mechanism in place to facilitate licensing agreements for out-of-commerce works. A new negotiation mechanism will also be created to support the availability and circulation of European films and series on VOD services, with a view to facilitating the conclusion of contractual agreements and unlocking the difficulties related to the licensing of the necessary rights for their exploitation on these services.

In addition, the directive creates a new neighbouring right for press publishers concerning the online use of their press publications by major platforms and services, such as news aggregators, in order to strengthen their bargaining position when they negotiate the use of their content by these services. According to the final political agreement reached, the use of individual words and very short extracts of press publications (so-called 'snippets') does not fall within the scope of the new right. In addition, the directive does not target individual users, who will continue to be able to share content on social media and link to websites and newspapers as of today.

Furthermore, the directive aims to reinforce the position of rightsholders to negotiate and be remunerated for the online use of their content by certain platforms that store and provide access to large numbers of works (the so-called 'value gap'). Such platforms will now be considered to be carrying out acts of communication (or making available) to the public, for which they will need to make best efforts to obtain an authorisation from the rightsholders concerned and ensure the unavailability of unauthorised content. They will be required to act expeditiously to remove any unauthorised content following a notice received and also to make their best efforts to prevent any future uploads. New small platforms will benefit from a lighter regime when there is no authorisation granted by rightsholders.

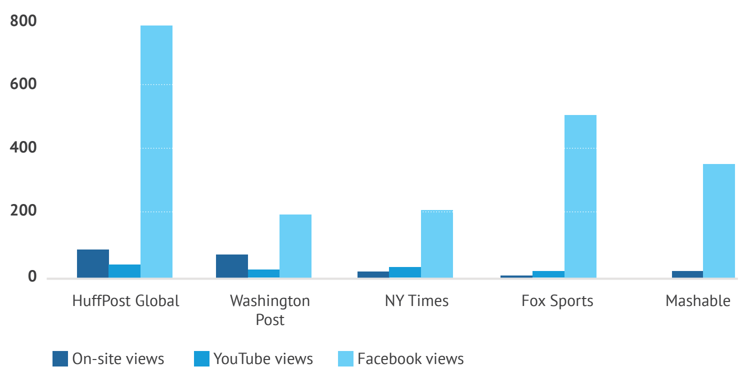
Finally, the directive contains a set of new measures to strengthen the position of authors and performers, including a principle of appropriate and proportionate remuneration; a transparency obligation concerning the exploitation of their works and performances; a contract adjustment mechanism to allow them to obtain a fair share when the remuneration originally agreed becomes disproportionately low compared to the success of their work or performance; a mechanism for the revocation of rights when their works are not being exploited; and a dispute resolution procedure.

→ Revenues for publishers from digital platforms | H1 2016 - H1 2017 *- In USD million*



Source: Financial Times, Digital Content Next

→ Origins of views for a sample of content publishers – publishers' websites, YouTube and Facebook | September 2017 *- 90 days*



Source: Digitalday, Tubular Labs

1.2 Film production slows down as investment falls

Film production stagnates

Following a 4.6% annual increase in 2016, the volume of film production in Europe in 2017 remained constant at 2016 level, with a total of 2 200 feature films produced (only three films more than in 2016). This was mainly due to a decrease in fiction films (-1.1% compared to 2016), while the number of documentaries increased by 2.7% over 2016, to 731 films (a rise of 17.9% compared to 2013). In the EU, feature film production decreased by 3.8%, as a result of a decline in fiction films, while the number of documentary features remained stable.

On a broader European level, the number of majority co-productions decreased for the second year in a row (-11.4%, from 439 films in 2016 to 389 in 2017), while the volume of entirely national films grew to 1 778 feature films (3.0% up on the previous year). Conversely, in the EU, the number of totally national films remained relatively stable (1 414 films, down from 1 429 in 2016) while majority co-productions saw a 14.9% decrease. Film production registered notable growth rates in Russia and Turkey, with 157 and 162 films, respectively (an annual increase of 19.8% and 17.4%). In 2017, Spain was the European country with the highest number of national film productions (a total of 241 productions – 121 of them documentaries), followed by Italy and France. France was the most prolific producer of fiction, with 185 feature films. Within the EU, film production levels rose in nine territories, notably in Croatia (+50.0%), Slovenia (+20.0%) and Poland (+18.8%). In turn, the number of films produced decreased in 14 EU countries and remained relatively stable in five EU countries.

Film budgets lower

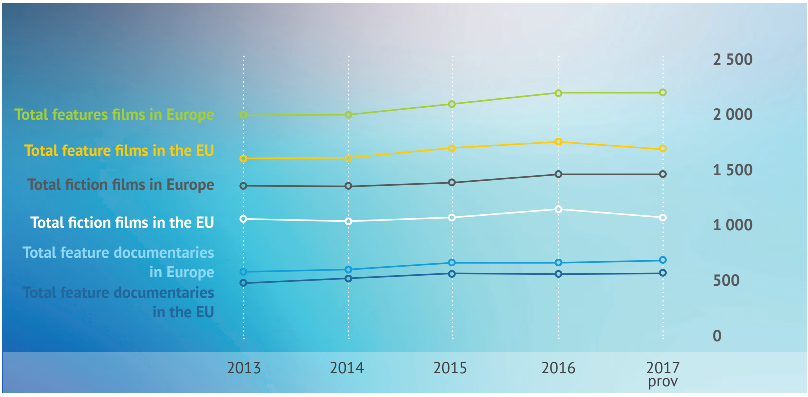
In 2017, average production budgets went up in only six of the 17 European countries for which data was available, while remaining comparatively stable in Italy (+1.6%) and Bulgaria (+0.1%). In turn, nine countries saw their average film budgets drop. The decrease was particularly evident in Hungary (-49.3%), Slovakia (-26.7%) and Germany (-20.5%). Estonian productions represented the highest interannual growth (+98.9%), followed by Czech (78.0%) and GB inward investment[1] films (37.9%). Budgets for British independent and Spanish films were also on the up, confirming an overall upward trend since 2013, with an increase of 8.7% and 3.7%, respectively. Not surprisingly, GB inward investment films were the productions with the highest average budgets in Europe (EUR 12.6 million), followed by French (EUR 4.9 million), Danish (EUR 3.3 million) and German productions (EUR 3.1 million).

Production investment drops

In 2017, overall film production investment declined by 5.8% in the 11 EU countries for which data was available (including France, Germany, Italy and the UK), to EUR 4 438.3 million, down from EUR 4 710.3 million in 2016. This reflected a drop in film investment in the majority of EU countries in the sample, a downturn especially sharp in Germany (-32.5%, accounting for 77.3% of the overall decrease), Italy (-23.6%) and Sweden (-16.3%). French production investment also declined by 4.4% (EUR 60.6 million less than in 2016), accounting for 22.3% of the total downturn in the countries in the sample. An increase in production investment was registered in only three countries: Austria (+6.4%), the UK (+4.2%) and Estonia (+115%).

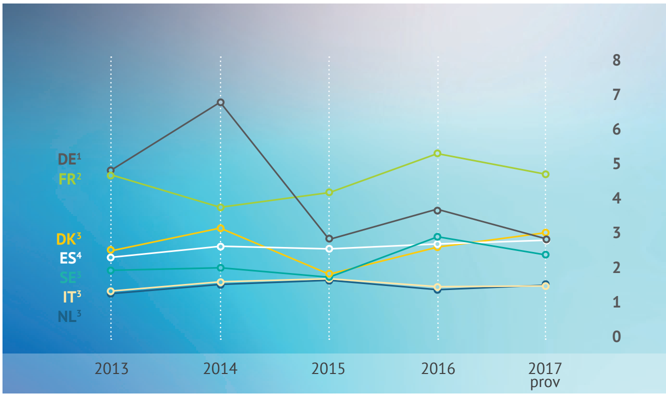
1 A feature film substantially financed and controlled from outside the UK and which is attracted to the UK because of script requirements, the UK's infrastructure or UK tax incentives.

➜ Film production volume in Europe and in the EU | 2013-2017 est *- In number of feature films*



Source: European Audiovisual Observatory, European national film institutes

➜ Average film production budgets in selected countries | 2013-2017 est *- In EUR million*



1 Minority co-productions included. Fiction films only.
2 Minority co-productions included. French initiative films only.
3 Fiction films only.
4 Minority co-productions included. Restated series.

Source: European Audiovisual Observatory, European national film institutes

1.3 Film financing: Public support and broadcasters' main financing sources

Unique insights into the financing of European fiction films

For the first time, the Observatory, in collaboration with the European Film Agency Research Network (EFARN), has analysed in detail the financing structures of European fiction films, 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 analysis comprises a cumulative financing volume of EUR 1.41 billion and is estimated to cover 41% of the total number of European[1] fiction films released in 2016.

European live-action fiction films cost on average EUR 3.2 million

The data sample studied 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 was EUR 2.07 million. However, average budgets differ widely among countries. Not surprisingly, they are higher in larger markets and smaller 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, and EUR 0.9 million for fiction films from small markets.

European fiction films primarily financed by direct public funding and broadcasters

In 2016, the financing of European theatrical fiction films relied primarily on five financing sources: direct public funding; broadcaster investment; producer investment; pre-sales; and fiscal incentives. The two most important financing sources were direct public funding and broadcaster investment, which accounted for 29% and 25% of total financing, respectively.

There appear to be significant structural differences among countries concerning how theatrical fiction films are financed. France, in particular, stands out with an exceptionally high share of broadcaster financing. On a more general level, some differences are apparently linked to market size. The two most obvious ones 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, and vice versa. 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 increases with market size. Pre-sales tend to be most important in large markets, where they in 2016 accounted for 17%, compared to 'only' 11% in medium-sized and 8% in small sample markets. 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.

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

→ Breakdown of cumulative financing volume of European fiction films by source | 2016

Ranked by percentage shares for all 445 sample live-action films theatrically released in 2016

Rank	Financing sources	Total sample		Excl. French films	
		Amount in MEUR	% share	Amount in MEUR	% share
1	Direct public funding	407.7	29%	276.9	41%
2	Brodcaster investments	357.9	25%	75.5	11%
3	Pre-sales (excl. broadcasters)	222.4	16%	109.7	16%
4	Producer investments (excl. broadcasters)	215.7	15%	100.4	15%
5	Fiscal incentives	144.1	10%	52.1	8%
6	Debt financing	23.4	2%	23.4	3%
7	Other financing sources	18.0	1%	18.0	3%
8	Private equity cash investments	16.2	1%	16.2	2%
9	In-kind investments	6.3	0%	6.3	1%
	Total sample	1 411.7	100%	678.6	100%

Source: European Audiovisual Observatory

→ Breakdown of total financing volume by source for film budget types | 2016

Ranked by percentage share for all 445 sample live-action films theatrically released in 2016

Budget clusters in EUR	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
Number of films	40	59	191	139	16	445

Source: European Audiovisual Observatory

1.4 TV fiction: UK leads production of high-end TV series

Over 960 titles and 12 000 hours

Over 960 titles and 12 000 hours of TV fiction were produced in the European Union in 2017[1]. TV series with more than 13 episodes represented the lion's share of the volume produced, due to the weight of daily soaps and telenovelas.

A total of 436 three-to-13-episode high-end TV series titles were produced, 235 of them (54%) new projects, and the others new seasons of returning titles.

Although the production volume of original TV fiction by subscription video on-demand services is expanding rapidly, it still only represented 4% of the titles and hours of high-end TV series in 2017.

Origin of TV fiction

The production of TV fiction is obviously driven by the demand of national broadcasters. Some countries focus mainly on long-running soaps or telenovelas. Others emphasise TV films. And some countries produce mainly high-end three-to-13-episode TV series.

All formats included, the main TV fiction-producing countries (Germany, Portugal, Poland, Spain, and the United Kingdom) are therefore not necessarily the largest television markets. However, when the three-to-13-episode TV series are included in the mix, the United Kingdom, Germany, France, Italy and Spain are the leading producers in terms of hours[2]. And Germany is the runaway main producer of TV films.

Private broadcasters head the production of TV fiction (all formats considered), as they tend, on average, to favour longer-running soaps and telenovelas[3]. Public broadcasters, in turn, originate more three-to-13-episode TV series.

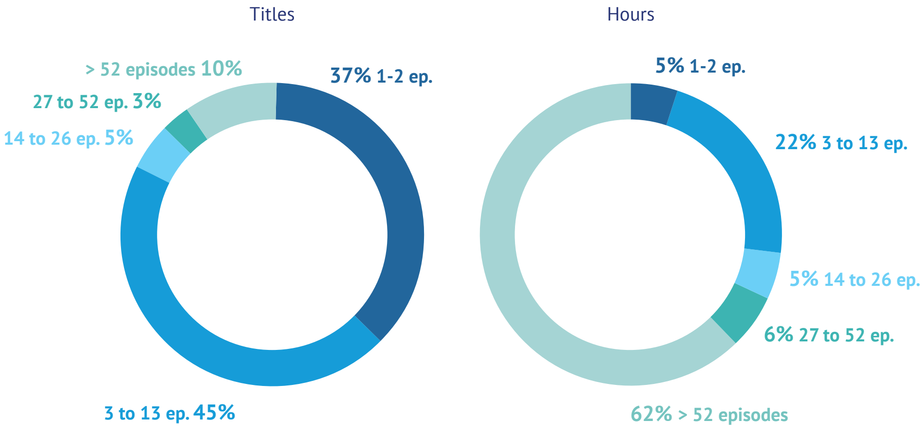
Few international co-productions

There are almost no co-productions for the long-running daily soaps and telenovelas, which are tailored to one individual market. But the share of co-productions (9% in number of titles and hours) appears to be low also for three-to-13-episode TV series, when compared with films[4]. The vast majority of high-end TV series are conceived to maximise the audience of one broadcaster in one country. Co-production is probably still seen as a domestic audience risk because it dilutes the national characteristics of the programme[5].

Co-productions follow, in most cases, an unsurprising 'language pattern': Germany with Austria; France with Belgium; the United Kingdom with the United States. However, Sweden appears to be the country most geared towards co-production and with the largest diversity of partners.

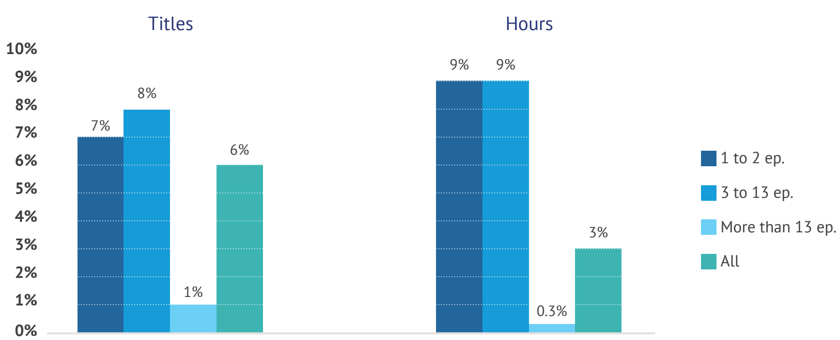
1 EU-28, excluding Cyprus, Estonia, Latvia, Lithuania, Luxembourg and Malta.
2 Of note is the fact that, in terms of number of titles, Sweden, Poland and the Netherlands produce more titles than Spain and Italy.
3 There are of course many exceptions: Private broadcasters RTL Group, Mediaset, ITV, Sky, TF1, among others are strongly active in the production of high-end TV series. And public broadcasters RTVE, ARD, TVP, BBC, RTP, among others, broadcast daily soaps or telenovelas.
4 22% for fiction feature films.
5 Recent moves show an increasing interest of broadcasters to invest more in co-productions.

➔ Breakdown of TV fiction production by format | 2017 *- in %*



Source: European Audiovisual Observatory

➔ Share of international co-productions by format | 2017 *- In %*



Source: European Audiovisual Observatory

1.5 Gender equality in the film and audiovisual industry

Although the Me Too movement has shone the spotlight on gender inequalities in the film and audiovisual industry, concerns for under- and misrepresentation of women on- and off-screen has been at the centre of debate of most national European film industries over the last decade. According to a study of the European Audiovisual Observatory in 2014, only 16.3% of European films produced between 2003 and 2012 were directed by women, accounting for just 8.9% of overall admissions. Evidence also suggests that women remain significantly under-represented at decision-making levels – for example, according to the UK's Ofcom, women account for just 41% of senior management roles in the five main UK broadcasters, even if by and large there is gender equality at an overall level. Moreover, women are less visible across media content as a whole, and they are still often portrayed in stereotyped or subordinate roles. For instance, only 30% of Swedish releases in 2017 had a woman in the leading role. Furthermore, the overall representation of women in European media in 2015 was 25%, and they were more likely to be found in content related to beauty contests, modelling and fashion and cosmetic surgery.

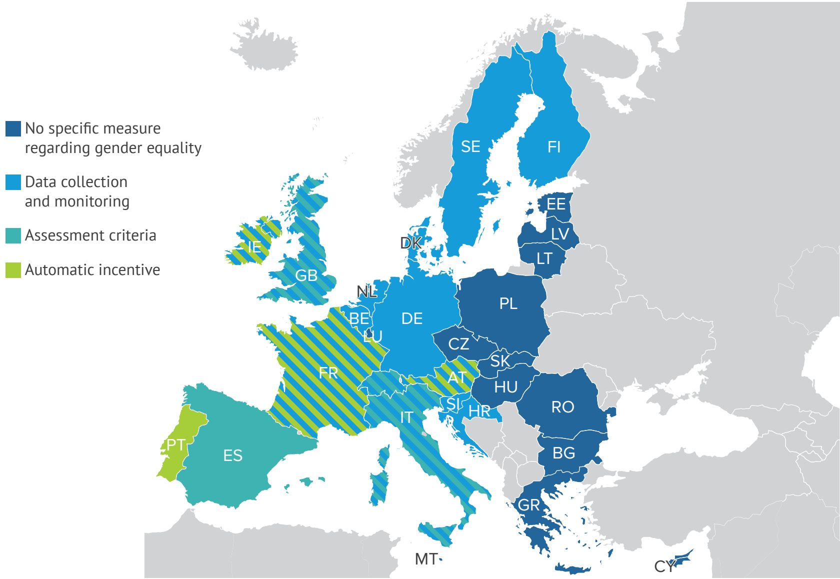
Taking action

At the European level, the Council of Europe Recommendation on gender equality in the audiovisual sector was adopted in September 2017. Earlier that year, the European Parliament adopted a broader Resolution on gender equality in the media sector in the EU. The 50/50-by-2020 movement kicked off at the 2018 Cannes film festival with a pledge for parity and inclusion in cinema festivals, prompted several film festivals around the globe to commit to collect gender-related data, to be more transparent about the list of the members of selection committees and programmers, and to establish a transformation schedule to achieve parity in the executive bodies of festivals.

A range of options

The most common actions across Europe in the direction of gender equality comprise monitoring of gender (currently ongoing on a regular basis in at least 13 EU countries as indicated in the map to the right), and include gender as an assessment criterion for public funding, establishing lines of support devoted to women – such as the Norwegian Film Institute's talent development program, "UP" for Norwegian woman – and the introduction of bonuses for high female representation in films and audiovisual works. From 2019, for instance, the French CNC has been offering a 15% support bonus for film projects with balanced female representation, fostering parity in selection committees. Other measures include the visibility of female and gender-equal films and works – for example, Spain's ICAA has introduced a gender equality label as a way of categorising films "especially recommended for fostering gender equality". In addition, there are training, mentoring and networking measures; for instance, Screen Ireland's "POV: Production and Training Scheme for Female Creative Talent" offers a variety of training options especially oriented towards female professionals. To date, the much-discussed gender quotas (under which women should account for a minimum level of funding or a minimum share of the films and works funded by public funds) have actually never been introduced.

→ Typology of gender equality measures implemented by national film funds in Europe



Source: European Audiovisual Observatory

→ Examples of measures towards gender equality in selected countries

Country	National film fund	Type of measure	Description
AT	ÖFI	Bonus	Bonus of EUR 30 000 to film projects with a gender-balanced participation in key positions of their film crew.
ES	ICAA	Assessment criteria (point system)	Requirement of a minimum of 40% of women in management positions in 10 of the most relevant categories in the production of a film.
FR	CNC	Bonus	Bonus of 15% of the support granted to film projects with a gender-balanced participation in key positions of their film crew.
IE	SI	Funding for female professionals + Training	"Enhanced Production Funding for Female Talent" and "POV Production and Training Scheme for Female Creative Talent" reserved to female talent
SE	SFI	Monitoring	Monitoring of gender-related data, regular publication of gender statistics and reports.

Source: European Audiovisual Observatory

1.6 Focus on film production in the Russian Federation

The Observatory published in September 2018 a report on "Key trends in Russian cinema" prepared by Nevafilm.

Film production on the rise

The number of Russian films on release grew steadily between 2013 and 2016, which was declared the "Year of Russian Cinema". While the number of films released in 2017 nonetheless decreased, it was still an especially fruitful year for Russian documentary film-makers, who released 19 films. And, given the duration of film production cycles, we may see a Russian film rebound in 2018.

Moscow is the leader in film production, followed closely by St. Petersburg. Regional film production companies are also on the rise: 17% of all Russian films in 2017 were produced outside of Russia's two main cities, and regional films constituted 22% of all Russian releases in the period from 2013 to 2017.

Involvement of public funding and TV channels

Since the end of 2009, two institutions have been supporting the production and distribution of films in Russia. The Ministry of Culture is responsible for films for children and young people, debut films, experimental and auteur feature films, educational film series, documentaries, popular science films, and animations. The Cinema Fund provides subsidies and loans for the production and promotion of commercial films for mass audiences. On average, approximately half of all releases receive support, but in 2017, the proportion rose to over 60%.

Between 2013 and 2016, seven to 10 Russian films a year were co-produced by television channels, but the number jumped to 20 in 2017. In turn, the market share for Russian films increased, as they were promoted more on television. The most active TV channel participating in film production in recent years, Rossiya 1, belongs to the VGTRK group of companies. It is followed by CTC and Channel One in second and third place, respectively.

Leading production companies

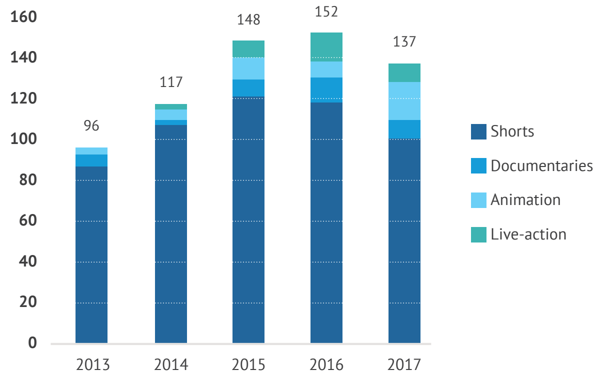
The most prolific domestic production companies in terms of number of films produced are Enjoy Movies and CTB, each of which released 25 or more films between 2013 and 2017. More than 15 films were released by TaBBaK (Bazelevs Group) and Art Pictures Studio. The remaining producers in the top 20 produced and released between five and 11 films.

Each year, the Cinema Fund selects a group of what it calls 'leaders of Russian film production', whom it then prioritises for large amounts of funding. Although only 26% of films screened between 2013 and 2017 were made with the participation of one of the 15 studios included in the list of leaders at least once, box-office returns from these films made up 74% of total returns – demonstrating the influence of leaders on the market.

Gender balance in key film crew positions in Russia

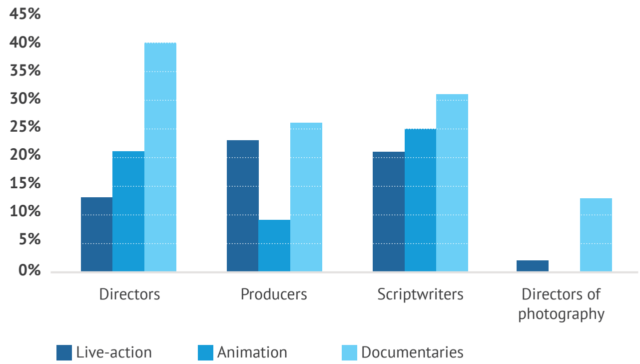
Men dominate in key positions in the Russian film industry. The smallest proportion of women work as director of photography, with the second-smallest proportion of women taking on the role of director; the largest proportion of women work as scriptwriter and producer. As far as film genres are concerned, documentary films have the most women in key roles. But the positive trend in the number of female directors is largely attributable to feature films.

→ Russian films on release in the Russian Federation | 2013-2017 *- In units*



Source: Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research

→ Proportion of women in key film crew positions in Russian films released between 2013 and 2017 *- In %*



Source: Film Business Today Magazine, Booker's Bulletin, comScore, RCFA, Nevafilm Research, kinoposik.ru

2 CIRCULATION

2.1 Export of films: European film exports up in 2017

European film exports up in 2017

The European Audiovisual Observatory estimates that in 2017 European films[1] cumulatively sold at least 470 million tickets in cinemas around the world[2]. This was the highest level in five years and 30 million tickets above the 2013-2017 average of 440 million admissions. At the same time, the share of export admissions for European films increased slightly from an estimated 40% in 2016, to 42% in 2017, with 195 million tickets sold in non-European or non-national European markets, compared to 170 million in 2016.

China drives increase in admissions to European films outside Europe

Half of Europe's total export admissions were generated outside Europe[3]; a total of 671 European films were on theatrical release outside Europe in 2017. This was the largest number of films exported out of Europe in five years. Admissions to European films outside Europe increased from 82 million in 2016 to 97 million. This is well above the 'baseline value' of 80 million admissions, although the year-on-year growth was largely due to a 14.6 million jump in admissions to European films in the Chinese market. Without China, the annual baseline market volume for European films would have been between 60 and 68 million admissions, and the 2017 figures would actually have been the second-lowest in five years. The increase in export admissions outside Europe is also linked to the fact that a total of five European blockbusters accounted for more than five million tickets in 2017, compared to generally only one to three films in other years. As in past years, French and UK films dominated European film exports, cumulatively accounting for one in two export films and 66% of total admissions to European films outside Europe in 2017.

China becomes largest export market for European films in terms of admissions

China became for the first time the largest export market for European films in terms of admissions. Ticket sales to European films in China jumped from 21.2 million in 2016 to 35.8 million in 2017, representing 37% of total admissions to European films outside Europe. This occurred despite the fact that the Chinese market remains accessible only for a limited number of European films (fewer than 30 first releases) and does not (yet) offer a realistic market potential for the vast majority of European films. In contrast, admissions to European films continued to decline in the North American market, to 27.1 million (28% of total international admissions). This was just slightly ahead of Latin America (23.7 million, 24%). Thanks to comparatively high ticket prices, the US and Canada remained, however, the most significant export market for European films in terms of GBO, accounting for an estimated 41% of total international GBO.

1 European films are defined as films produced and majority-financed by a European country. European films produced with incoming investment from US studios (EUR inc) are excluded from this analysis unless they are recognised as European films by the European Commission or Europa Cinemas.

2 The terms "world" or "worldwide" refer to cumulative data for the 33 European and 12 non-European markets for which comprehensive title-by-title admissions data was obtainable for the Observatory's LUMIERE database http://lumiere.obs.coe.int/

3 Data available for the following 12 non-European markets: USA, Canada, China, South Korea, Argentina, Brazil, Chile, Colombia, Mexico, Venezuela, Australia, New Zealand.

→ Worldwide cinema admissions to European films | 2013-2017 *- In millions (est.)*

'Worldwide' refers to cumulative admissions data for the 30 (at least) European markets and 12 non-European markets, as tracked in LUMIERE. Data must hence be considered estimated minimum values. For 2017, data is provisional.

	2013	2014	2015	2016	2017	AVG
'Worldwide'	**397**	**462**	**448**	**425**	**470**	**440**
In national market	238	277	244	255	275	258
In non-national market	159	185	203	170	195	182
% share national	60%	60%	55%	60%	58%	59%
% share non-national	40%	40%	45%	40%	42%	41%
- Non-national in Europe	81	103	97	89	98	94
- Non-national outside Europe	80	82	108	82	97	90
% share export within Europe	20%	22%	22%	21%	21%	21%
% share export outside Europe	20%	18%	24%	19%	21%	20%

Source: European Audiovisual Observatory / LUMIERE, Comscore

→ Top 20 European films outside Europe (12 non European markets) | 2017

Ranked by estimated admissions for calendar year. Excluding EUR inc films (films produced in Europe with incoming investment from US studios) unless they were eligible to receive MEDIA funding from the European Commission.

Rank	Film	Product. year	Country of origin	Director(s)	Nr. of release markets	Admissions outside Europe 2017
1	Valerian and the City of...	2017	FR / CN / US / DE / AE	Luc Besson	12	19 443 234
2	47 Meters Down	2017	GB / US / DO	Johannes Roberts	8	7 411 574
3	Paddington 2	2017	GB / FR	Paul King	3	6 471 138
4	Ballerina	2016	FR / CA	Eric Summer, Éric Warin	12	5 951 993
5	Contratiempo	2016	ES	Oriol Paulo	4	5 501 522
6	Victoria & Abdul	2017	GB / US	Stephen Frears	9	3 511 600
7	Loving Vincent	2017	PL / GB / CH / NL	D. Kobiela, H. Welchman	9	3 302 954
8	The Son of Bigfoot	2017	BE / FR	J. Degruson, B. Stassen	9	3 118 764
9	Happy Family	2017	DE	Holger Tappe	6	2 084 512
10	The Healer	2017	ES / US / CA	Paco Arango	2	1 909 198
11	A Monster Calls	2016	ES / US	J.A. Bayona	10	1 696 681
12	Nevesta	2017	RU	Svyatoslav Podgaevskiy	5	1 381 027
13	Earth: One Amazing Day	2017	GB	R. Dale, L. Fan, P. Webber	2	1 375 128
14	Zashchitniki	2017	RU	Sarik Andreasyan	5	1 339 083
15	A Stork's Journey	2017	DE / BE / LU / NO / US	T. Genkel, R. Memari	9	1 160 846
16	The Promise	2016	ES / US	Terry George	6	1 025 314
17	T2 Trainspotting	2017	GB	Danny Boyle	9	1 000 281
18	The Snowman	2017	GB inc / US	Tomas Alfredson	6	981 102
19	Deep	2017	ES / BE / CH / US / CN / GB	Julio Soto Gurpide	3	921 804
20	I Am Not Your Negro	2016	FR / US / DE / CH /BE	Raoul Peck	6	845 887

Source: European Audiovisual Observatory / LUMIERE, Comscore

2.2 A second chance for older films? The exploitation of catalogue films in the EU

Films are expected to generate most of their revenues during their first exploitation cycle through relevant distribution windows (theatrical release, home video / VOD, TV). After this period, films become part of the 'library' and their commercial value decreases. These films are usually referred to as 'catalogue films' or 'back-catalogue films'. The digitisation of cinemas and film restoration have made it easier for older films to re-enter the theatrical exhibition circuit, while ensuring good image and sound quality. Also, the prevalence of VOD services has opened up new opportunities for older titles. On the other hand, only a limited number of films can realistically benefit from a second run in theatrical distribution for commercial purposes.

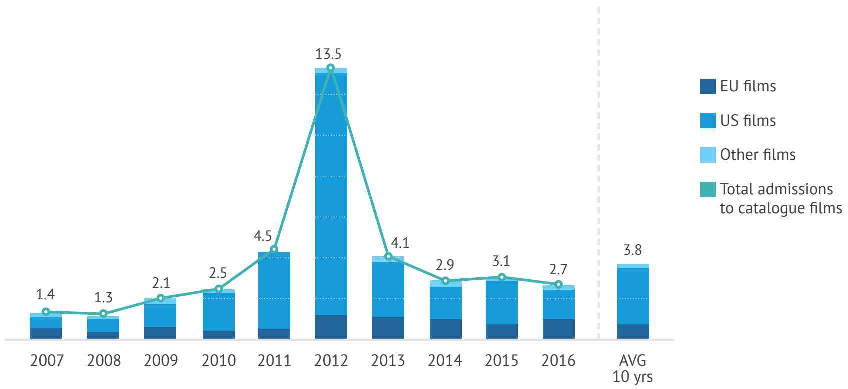
A challenging theatrical market

Catalogue films – films produced at least 10 years prior to the exploitation year taken into consideration – represented on average 12% of all feature films on release in the EU over the period 2007-2016, a share that increased after 2014, to 16% in 2016. EU admissions to catalogue films peaked in 2012, driven by the performance of the re-releases of cult hits *Titanic* and *Star Wars Episode I – The Phantom Menace*. In turn, catalogue films only accounted for a negligible share of total theatrical admissions (0.4%). The market for this type of film is highly concentrated, with the top 10 catalogue films generating on average 56% of admissions to catalogue films, while the vast majority of titles (85%) sold fewer than 1 000 tickets per year in a single EU market. EU films comprised on average 57% of releases of catalogue films, but only generated 30% of admissions. Conversely, US films – on average 33% of catalogue releases – accounted for as much as 62% of admissions. Catalogue films are faced with poor circulation and strong market fragmentation across the EU: on average, almost 84% of catalogue films are only released in one EU market – a share (87%) that is even higher for films of EU origin.

In which windows do older films fare better?

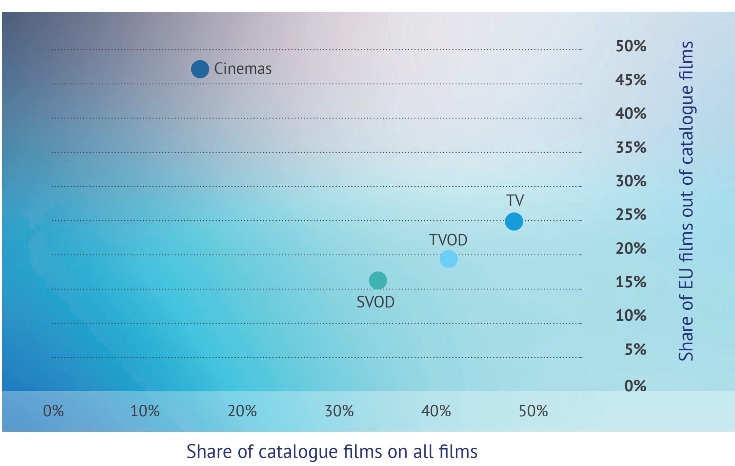
In 2016, TV was the window offering the highest share of catalogue films (47%), followed by TVOD (41%), SVOD (34%) and cinemas (16%). In turn, cinemas accounted for the largest share of EU films among catalogue films (47%), followed by TV (25%), TVOD (19%) and SVOD (16%). Interestingly, VOD services had a larger share of 'recent' catalogue films compared to TV and cinema, particularly on SVOD services, where films aged 11-20 years represented 62% of the titles on offer. Catalogue titles benefited from broader circulation on TVOD services than in other windows – available in an average of 5.3 countries. EU catalogue titles enjoyed better circulation on VOD than in cinemas and on TV channels: on average, EU catalogue films were released in 2.7 countries on TVOD platforms, compared to 2.4 on SVOD. In turn, catalogue titles of US origin circulated better than EU films across all distribution channels. In 2016, 62% of catalogue films theatrically released in the EU were also rendered available on a VOD service, whether TVOD or SVOD. Data also suggests that the theatrical release of a catalogue film helps increase its circulation on VOD services, as catalogue films with a theatrical release were available in a higher number of VOD markets than other catalogue films.

→ Admissions to catalogue films on release in the EU | 2007-2016 - *In millions*



Source: European Audiovisual Observatory / LUMIERE

→ Share of catalogue films and EU catalogue films across distribution windows in the EU | 2016



Source: European Audiovisual Observatory / LUMIERE, analysis of Eurodata TV data

2.3 50% of TV fiction broadcast on TV is European

Over 6 500 different titles broadcast per year[1]

A total of 6 517 different TV series and TV films were broadcast by at least one EU-28 television channel[2] in 2017. About 60% of these titles were European[3]; and among the EU-28 titles, the runaway main country of production was Germany.

TV fiction titles tended to be broadcast in the same year in a relatively low number of countries. On average, a given title was found in 1.5 countries[4]. The number of countries in which a title was present was slightly higher for US TV fiction titles: 15 out of 21 titles found in at least 10 different countries were of US origin, including *Hawaii Five-0*, *Homeland*, *Castle*, *Law & Order: Special Victims Unit* and *Blue Bloods*. Among EU-28 titles, 18 out of 21 TV fiction programmes present in at least seven countries were produced or co-produced by the United Kingdom, including *Sherlock*, *The Night Manager*, *Victoria*, *Father Brown* and *Midsomer Murders*.

A relatively low number of co-productions

Among the 6 517 different TV fiction titles identified, only 5.6% were co-productions, and 41% of these were intra-European co-productions. The 362 co-productions involved an average of 2.2 countries per co-production. The USA, Canada and Germany, were the countries most involved in co-productions. Whatever the origin of TV fiction, the most frequent co-productions associated the USA and Canada, Germany and Austria, and the USA and the United Kingdom.

Half of TV fiction broadcasts for

European TV fiction[5]

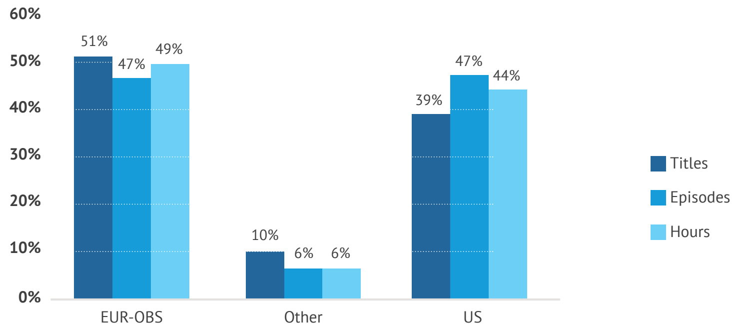
A total of 10 230 TV fiction titles were broadcast in 2017, representing close to 270 000 episodes and nearly 195 000 hours. When compared to TV series, TV films clearly represented a large share of titles (56%) but a minor share of hours (8%).

European TV fiction programmes accounted for 51% (in number of titles), 47% (in number of episodes) and 49% (in hours) of total TV fiction broadcasts in the EU-28. Among EU-28 TV fiction broadcasts, TV fiction originating from Germany led in terms of number of titles (due to the high number of TV films produced in the country) whereas UK TV fiction led in terms of number of episodes and hours.

Public broadcasters tended to broadcast more European TV fiction than private broadcasters. The difference was more significant in terms of number of titles (77% of European titles for public broadcasters v. 29% for private broadcasters) than in terms of number of episodes (63% of European episodes for public broadcasters v. 39% for private broadcasters). This variance can be attributed to the higher share of long-running soaps or telenovelas on the schedules of the private broadcasters.

1 This section deals with unique titles, i.e. titles broadcast by at least one television channel. The figures therefore do not take into account broadcasting of the same title by different television channels.
2 Based on a sample of 124 EU-28 television channels.
3 EU-28 + other European countries that are members of the European Audiovisual Observatory.
4 Whatever the season broadcast in each country.
5 This section deals with the cumulated broadcasting of TV fiction. All broadcasts of a given title by the same television channel or by different TV channels are taken into account.

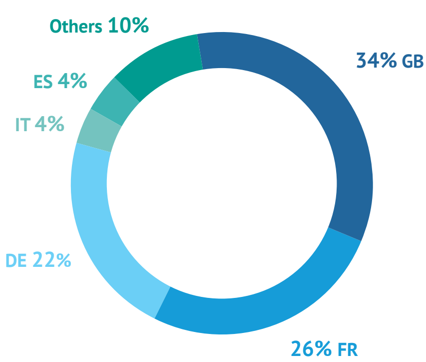
➜ Origin of TV fiction broadcasts in EU-28 | 2017 *- In %*



Note: Includes repeats.

Source: European Audiovisual Observatory analysis of The European Metadata Group data

➜ Origin of EU-28 TV fiction broadcasts in EU-28 –Number of episodes | 2017 *- In %*



Note: Includes repeats.

Source: European Audiovisual Observatory analysis of The European Metadata Group data

2.4 Circulation of TV series on VOD: High-end drama from UK is King

Proportion of European TV series found on TVOD higher than for SVOD

In December 2017, a sample of 47 subscription VOD service catalogues from 27 EU countries, and a sample of 45 transactional VOD service catalogues from 13 EU countries were analysed for this first report on the circulation of TV series on VOD in Europe. On SVOD, 4 140 unique titles represent 25 565 occurrences on a cumulative basis, while on TVOD, 3 136 unique titles represent 8 045 occurrences in cumulative terms.

In absolute cumulative terms, the United Kingdom, with 2 841 titles is, by far, the country with the most titles available on SVOD – almost twice the volume of no. 2 Germany, with 1 605 titles. On TVOD, France (2 254 titles), the United Kingdom (2 101 titles) and Germany (2 085 titles) have, by a wide margin, the most sizeable cumulated catalogues.

Proportionally, EU-28 titles account for 40% of the cumulated number of TV fiction titles available on TVOD (varying between countries from 7% to 55%), and for 25% on SVOD (varying between countries from 19% to 35%).

TVOD more national, SVOD more European non-national

Out of European works, the respective share of national and non-national titles strongly differs between SVOD and TVOD: European non-national titles account for 82% of all European titles on SVOD, but for only 38% on TVOD. The gap can be attributed to the strong weight of Netflix in the SVOD sample, and its policy of purchasing pan-European rights.

Netflix drives, improves circulation on SVOD

On average, a TV fiction programme is available on TVOD in two territories. On SVOD, each title is available, on average, in 6.2 countries. The higher figure for SVOD directly results from the weight of Netflix in the sample. If we take Netflix out of the SVOD sample, the average number of countries of availability per title is 3.1, still higher than for TVOD.

It is important to highlight that almost half of EU-28 non-national titles are available in only one country.

High-end TV series travel better

Miniseries of one to two episodes and 3-13 episode series are considered to represent 'high-end drama' formats (bigger budgets; top writers, directors and cast), as opposed to longer formats (over 52 episodes), which correspond to soaps or telenovelas.

A total of 76% of EU-28 titles available on SVOD and TVOD are 3-13 episode TV series.

The vast majority of European non-national titles are 3-13 episode TV series (77% for SVOD, 80% for TVOD) – evidence that high-end drama is the format that travels best.

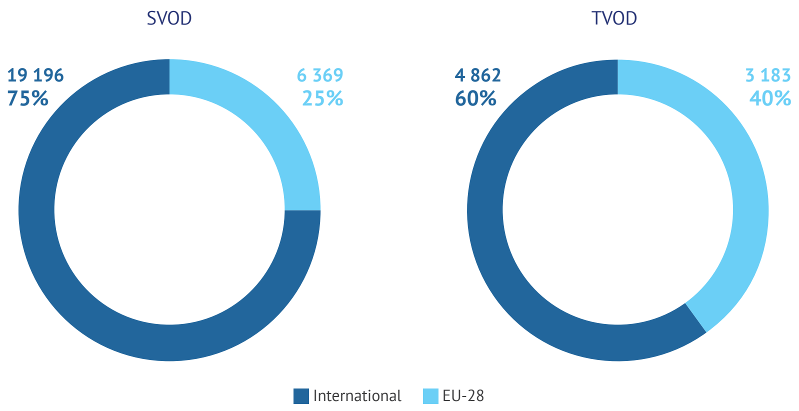
United Kingdom main exporter of TV fiction on VOD

The United Kingdom is the primary country of origin of non-national European fiction, with 64% of cumulated titles on SVOD, and 52% on TVOD (50% of unique titles on both). France and Germany are the two other main exporters for SVOD and TVOD), however well behind the UK. Other significant exporters include Italy, Sweden, Spain, Denmark and Ireland.

Few co-productions available, but they travel slightly better

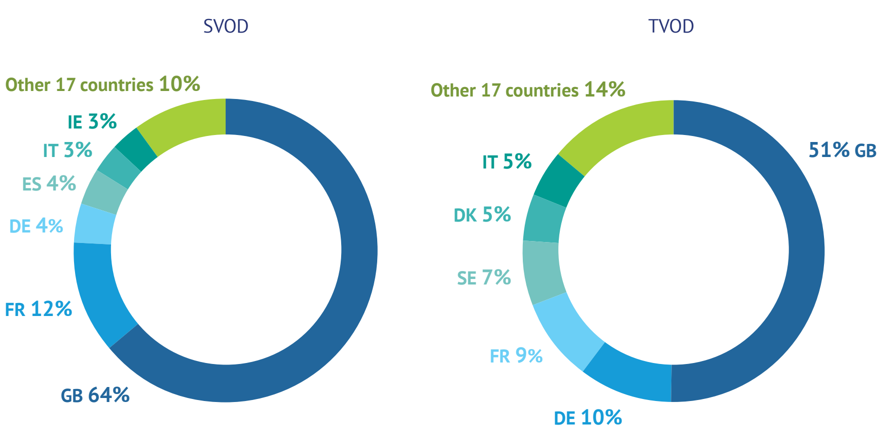
Co-productions account for only 15.3% and 17.6% of EU-28 titles available on SVOD and TVOD, respectively. Co-productions circulate marginally better than 100% national titles, and also travel slightly better beyond the co-producing countries. Co-productions involving a non-EU-28 country tend to circulate better than co-productions involving only EU-28 countries.

➜ Share of EU-28 v. international cumulated titles on VOD | 2017 *- In number of titles and in %*



Source: European Audiovisual Observatory

➜ Origin of EU-28 non-national cumulated titles on VOD | 2017 *- In %*



Source: European Audiovisual Observatory

2.5 29% of films on TVOD are European

This year's sample is composed of a variety of transactional video on demand (TVOD) services, with 28 national TVOD services, such as UniversCiné France and Sky Store, and 49 catalogues of multi-country TVOD services, such as Apple's iTunes catalogues in 25 EU countries, and Rakuten TV catalogues in five countries. The figures presented here are only averages, and do not provide a representative overview of actual shares by region of origin, which should be assessed on an individual catalogue basis.

Region of origin of films in the catalogues of 77 TVOD services

Overall, 29% of the 328 180 films (cumulative) present in the TVOD catalogues were of EU origin, with national films accounting for 9% and EU non-national films for 20%. The share of EU films varied widely, from 6% in the catalogue of Cytavision in Cyprus, to 100% in the catalogue of Kino Fondas in Lithuania. Films of US origin represented 51% of all films. The top five producing countries (respectively, the US, the United Kingdom, France, India and Germany) accounted for 76% of all identified films.

Differences in the share by region of origin existed between national and multi-country services: while national TVOD services held an average share of 45% of EU films (19% of national films and 26% of EU non-national films), multi-country services took an average share of 23% of EU films (6% of national films and 18% of EU non-national films).

When unique film titles are considered, for a grand total of 63 591 unique titles, the share of EU titles rises to 42% while the share of US titles falls to 31%. The top five production countries (respectively, the US, France, the United Kingdom, Italy and Germany) represented 67.5% of all film titles.

Lower country circulation for EU film titles

These differences with regard to cumulative share are explained by a lower country circulation of EU titles. While EU titles were on average available in 2.7 countries, US titles circulated much more widely – in an average of six countries. The average circulation for a film title was 5.1 countries.

The reasons for the lower circulation of EU film titles are numerous: different languages; lack of theatrical release or film promotion in a given country; cultural variances; but also the variety and volume of EU films, with specialised art house and niche VOD services offering films not found in the catalogues of more mainstream VOD services.

Diversity, but also high concentration, of production countries

On average, a TVOD service had films of 64 different production countries in its catalogue. However, the top three production countries represented on average 69% of films in each catalogue. This shows that while a variety of films of different origins exist, TVOD services still tend to offer a large number of films from a small number of production countries.

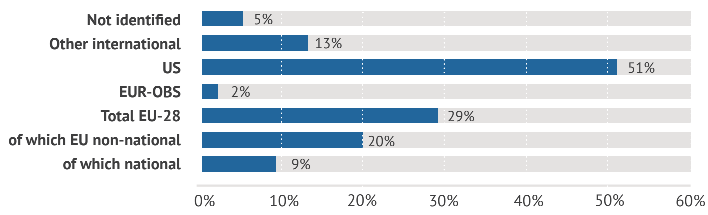
Recent[1] films outweigh older ones in catalogue offerings

On average, 58% of all films in the catalogues were recent – 62% of recent EU films and 52% of recent US films. In general, national films were less recent than EU non-national films of other origins. This tends to underline that audiences will watch older national or US films, while films of other production countries must be more recent to be watched by consumers on TVOD services.

1 A recent film is defined in the report as having been produced in or after 2008.

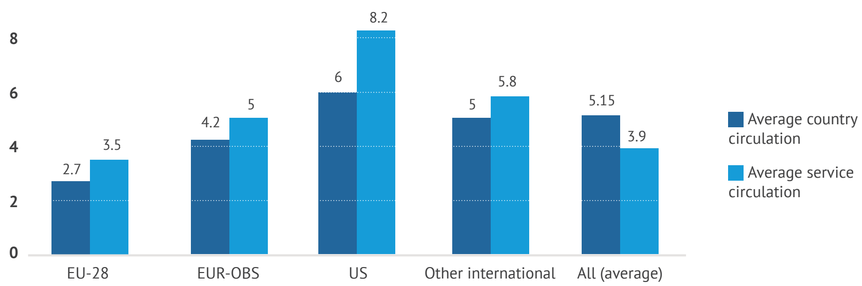
→ Origin of 328 180 films in 77 transactional VOD catalogues by region of origin | 2018

In % of total



Source: European Audiovisual Observatory, Report Films in VOD catalogues – 2018 edition

→ Average country and service circulation for a film title by region of origin | 2018



Source: European Audiovisual Observatory, Report Films in VOD catalogues – 2018 edition

2.6 21% of films on SVOD are European

The sample of subscription video on demand (SVOD) services is composed of 45 SVOD catalogues, with 27 Netflix catalogues, nine national services, such as Sky Now and Uncut Belgium, and nine multi-country services, such as C More in the Nordics or Amazon in the United Kingdom. As was the case for transactional video on demand (TVOD) services, the figures are only averages and stark differences between services and catalogues exist.

Region of origin of films in catalogues of 45 SVOD services

Overall, out of the 84 699 films (cumulative) found in the catalogues, 21% were of EU origin, with 5% of national origin and 16% of EU non-national origin. US films represented half of all films in the SVOD catalogues, and almost 20% of films were of other international origin. The top five producing countries (respectively, the US, India, the United Kingdom, Germany and France) accounted for three quarters of all films in the 45 catalogues.

The same differences in the composition of catalogues as for TVOD services were found between national and multi-country SVOD services. On average, national services had a share of 48% of EU films (20% of national films and 28% of EU non-national films) while multi-country services comprised a share of 18% of EU films (3% of national films and 15% of EU non-national films).

When unique film titles are taken into account, EU titles represented 32% of the 22 781 unique film titles in the catalogues, and US titles 38%, while other international titles accounted for 14%. The top five production countries (respectively, the US, Germany, the United Kingdom, France and India) represented 68.7% of all unique film titles.

EU film titles have lower circulation

On average, EU film titles were available in 2.5 countries and US film titles in 4.8 countries, with other international film titles circulating best – in an average of 5.1 countries. The reasons for the lower circulation of EU film titles are similar to those for TVOD. In addition, though, the presence of 27 Netflix catalogues meant that titles of other international origin (such as Indian or South American ones) circulated widely in the 27 country catalogues whereas EU films or national films were often only found in one to two catalogues (German titles in Germany and Austria for example).

The fact that titles on SVOD services, unlike TVOD, are licensed on a per country or exclusive basis also played a notable role in the lower circulation of EU titles and the wider circulation of other international titles for which exclusive rights were acquired.

Diversity and concentration in production countries

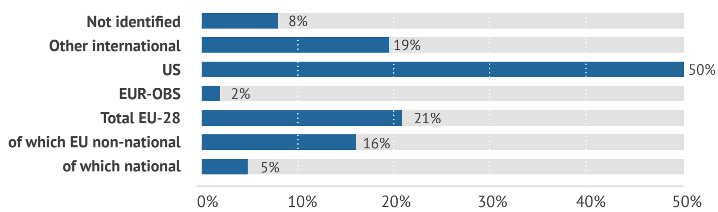
The smaller number of films and services directly impacted the average number (36) of production countries of films in SVOD catalogues, as compared to TVOD services. Netflix had on average 64 different production countries while the maximum number of different production countries (80) was in the catalogue of Amazon in the UK.

The top three production countries represented on average 68% of all films in the SVOD catalogues.

A large share of recent films

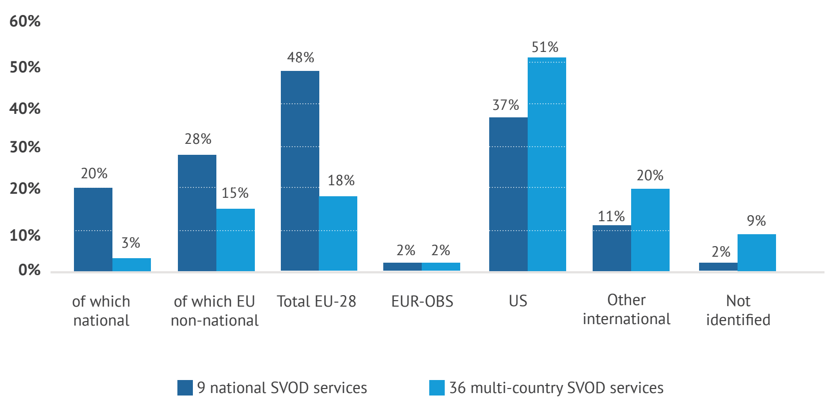
On average, 69% of all films (70% of EU films and 65% of US films) were produced in or after 2008. EU non-national films were also more recent than national films (74% and 56% of recent films, respectively).

➜ Origin of 84 699 films in 45 SVOD catalogues by region of origin | 2018 - *In % of total*



Source: European Audiovisual Observatory, Report Films in VOD catalogues – 2018 edition

➜ Differences in the composition of catalogues between 9 national and 36 multi-country SVOD services | 2018 - *In %*



Source: European Audiovisual Observatory, Report Films in VOD catalogues – 2018 edition

2.7 Visibility on VOD: European films enjoy 27% of promotion

The following data is based on the analysis of the promotional spots of 42 TVOD services from five countries during four weeks in October 2018[1].

Promotion mostly benefits recent films

The bulk of promotional spots (95%) was dedicated to films, in line with the composition of TVOD catalogues. Indeed, most services focus on films, and include limited TV content (often TV series). TV content on TVOD mostly appeals to fans offered the opportunity to preview a TV series episode or to purchase a full season. Direct-to-video children's content is another niche.

Promotion strongly benefits recent films (91%). Not only are recent films more likely to be promoted, but they also receive more promotional spots per film. However, only a limited number of films benefit from intensive promotion. The top 10 most-promoted films represented 28.5% of all promotional spots and were all of US origin.

European film promotion share aligned with catalogue composition

European films do not appear to be discriminated against in terms of promotion efforts: the share of promotional spots for European films (27%) is in line with the share of European films in TVOD catalogues. Out of the countries of the sample, the UK dedicated the fewest promotional efforts to European films, and France the most. This again reflects primarily the composition of the catalogues. National players dedicated significantly more promotional space to European films (34%) than international players (23%), in line, generally speaking, with the composition of the catalogues.

With regard to European content, bigger-volume-producing countries would be expected to rely more on national content than smaller-volume-producing countries which need to include more European non-national content. This principle is generally confirmed as regards the promotion efforts and primarily reflects the composition of the catalogues. Some nuances, however, apply. Whereas Germany and France included more European non-national films in the content promoted at least once, with respect to actual volume of promotional spots, France and the UK are almost aligned in assigning priority to national content rather than European non-national content.

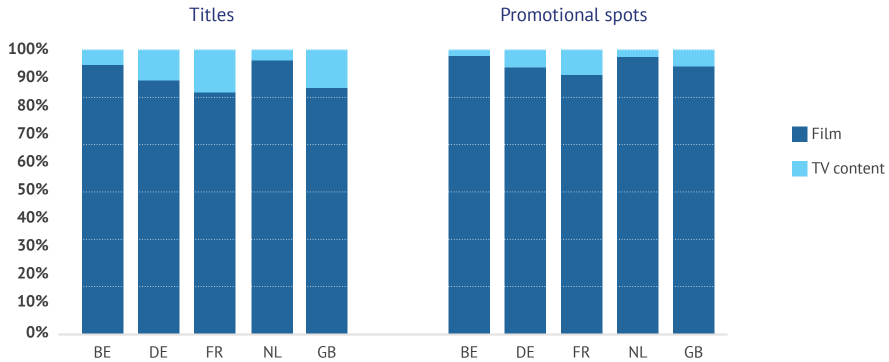
European film promotion efforts concentrated around limited number of titles

The top 10 share of promotional spots for European films is higher than for US films on a country per country basis. The top 10 most-promoted European films reflect a strong presence of the UK (including two productions backed by US studios) and France. The most-promoted European films were mostly promoted in their country of origin, unlike US films, which benefited from a notable presence and intense promotion in many countries and services.

Overall, European films did signal access to promotion, but on a lower level per film than US films. Furthermore, the promotion efforts for European films are concentrated around a limited number of titles and occur mainly in their country of origin.

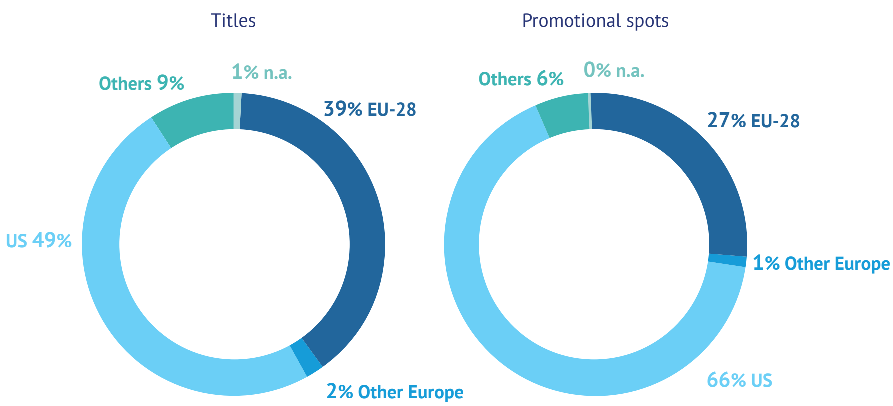
1 The data is provided by AQOA.

➜ Breakdown of unique titles promoted and promotional spots by type of content and by country | October 2018



Source: European Audiovisual Observatory

➜ Breakdown of unique titles promoted and promotional spots by origin of content | October 2018



Source: European Audiovisual Observatory

3 AUDIOVISUAL SERVICES

3.1 Adoption of new AVMS Directive

On 19 December 2018, the new Audiovisual Media Services Directive (AVMSD) entered into force, after almost two years of discussions on the European Commission's initial proposal of May 2016. The Directive was reviewed in order to match changing market realities, the latest technological developments, and the current challenges facing audiovisual industries. The deadline for the implementation of the Directive is 19 September 2020. Member states will have to report on its application two years after implementation, and then every three years. A complete evaluation of the Directive is planned for December 2026.

Extension of scope

The revision of the AVMSD extends the scope of application of the Directive to video-sharing platforms (VSPs), adapting the rules applicable to AVMS within the limits provided by the eCommerce Directive. In that respect, the Directive requires VSPs to take appropriate actions against content harmful to minors, incitement to violence or hatred. However, such actions must not lead to any *ex-ante* control measures or upload-filtering of content. At the same time, VSPs must comply with the same obligations as AVMS providers for commercial communications marketed, sold or arranged by them. For this purpose, both AVMS and VSPs are encouraged to engage in self- and co-regulation through codes of conduct. Such codes should be accepted by the main stakeholders, set out clear objectives, provide for regular transparent and independent monitoring and evaluation, and ensure effective enforcement including proportionate sanctions.

Jurisdiction

The revised Directive reinforces the Country of Origin principle. It provides more clarity regarding the determination of the country of establishment by including the definition of 'editorial decision', as well as specifying the type of workforce to be taken into account for that purpose. Transparency measures have also been introduced: member states are required to keep an updated list of AVMS providers under their jurisdiction, and AVMS providers must inform their audiences about the competent regulatory/supervisory body, and regulators about any changes potentially affecting the determination of the member state of jurisdiction.

Commercial communications

Broadcasters will be allowed more flexibility to show ads. The 12-minutes-per-hour limit has been replaced by a 20% limit within two different time slots (between 6:00 and 18:00, and 18:00 and 24:00), to avoid exposing viewers to an excessive amount of advertising during prime-time.

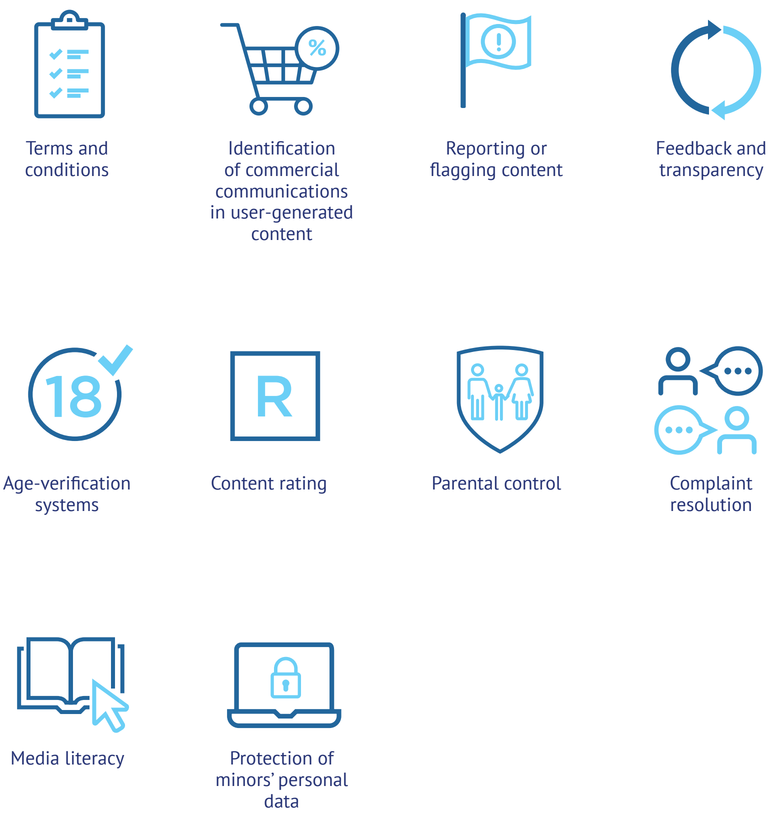
European works

The level of promotion of European works for on-demand services has been increased, with an obligation to guarantee a minimum 30% share of European content in VOD catalogues, and the further obligation to ensure the prominence of such works. Also, member states may impose a financial contribution on service providers targeting local audiences in their country when established in another member state.

Regulatory authorities

The independence of media regulators is reinforced; they will have to be legally distinct and functionally independent from their governments and other public or private bodies. Member states will have to set in law their competences and powers, as well as the rules applicable to their governance including in terms of appointment and dismissal.

→ Measures to be adopted by VSPs to fulfil their obligations under the AVMS Directive



Source: European Audiovisual Observatory

3.2 Audiovisual media in Europe: One in three services is a localised version

Europe boasts a high number of different broadcasting languages for TV channels available to viewers, reflecting the language diversity in the European markets. In the pursuit of increasing viewership and subscriber numbers, the creation of locally adapted ('localised') services tailored to different national markets has further accelerated. Localised versions form a key portion of the services specifically targeting other markets. They tend to operate from one of the central hubs broadcasters and on-demand service providers have chosen to deliver their audiovisual services across Europe, sometimes with a significant impact on national licensing regimes.

Significance of localised audiovisual media services established in Europe

At the end of 2017, one in three audiovisual media services established in the EU-28 was a localised version and in two of three cases these belonged to a US parent company.

While Amazon Prime, iTunes Store, Netflix and HBO Go accounted for only 13% of pay-on-demand services established in the EU-28, they represented 38% of services when localised versions were considered. Similarly, while the top TV brands of US groups Discovery, Twenty-First Century Fox, Viacom and AMC Networks accounted for just 5% of TV channels established in the EU-28, they represented 15% among localised services.

What are the central hubs for audiovisual services targeting foreign markets?

Over two-thirds of linear and pay-on-demand media services established in the EU by 2017, and targeting foreign markets, were concentrated in just three countries: pay-on-demand services based in the United Kingdom, the Netherlands and Ireland accounted for 67% of all services targeting foreign markets, while linear services in the United Kingdom, the Czech Republic and France together comprised 69% of all such services targeting foreign markets.

Three-quarters of all television channels established in the EU and targeting foreign markets were in 2017 divided between five genres: film and TV fiction/series (24%); documentary (15%); sport (13%); children (13%); and entertainment (13%). The predominant genre of pay-on-demand services was film and TV fiction/series, with 86% of all services established in the EU belonging to this category, followed by generalist services at 8%.

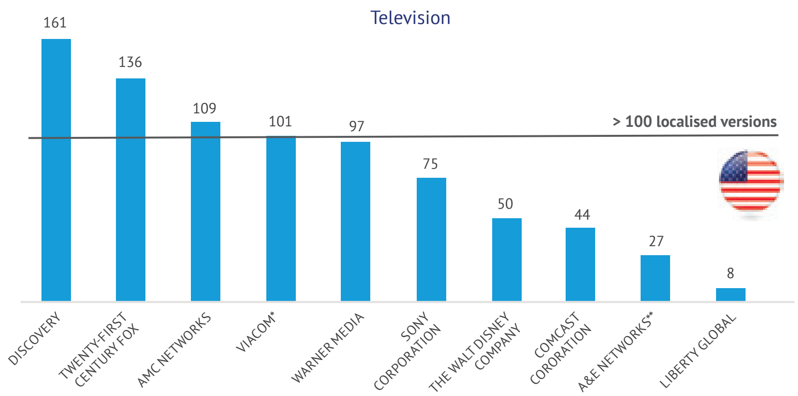
Broadcasting languages in Europe

A total of 61 different languages were being broadcast across the EU-28 at the end of 2017. Combining the EU-28 with 11 other European territories covered by the European Audiovisual Observatory, the number of broadcasting languages rose to 64 in total.

France was the most diverse market with 35 different broadcasting languages available in the country, including Arabic, Turkish and Mandarin Chinese, as well as Hebrew, Tamil and Urdu. Other diverse EU markets in terms of broadcasting languages were Sweden (27), Germany (26), Poland (24), Slovenia (23), the United Kingdom (23), Denmark (22), and Estonia and Slovakia (20 each).

More than half of all TV channels in Iceland were broadcast in English – the highest share in Europe by territory, closely followed by Malta (47%). Other countries where more than one in four TV channels were available in English included Cyprus (30%), Portugal (26%), Norway (26%), Croatia (26%), Finland (25%) and Greece (25%).

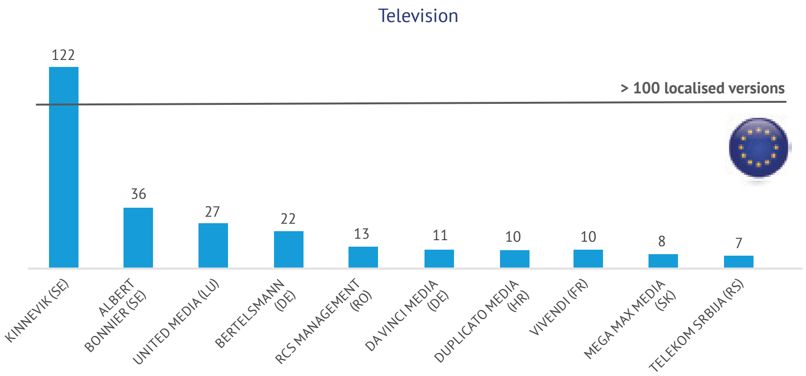
→ Top 10 US companies providing localised TV channels established in the EU-28 | 2017
In number of services



Source: European Audiovisual Observatory analysis of MAVISE database.

Notes:
*Ultimate owner is Sumer M. Redstone National Amusements Trust.
** Joint venture between Hearst Communications and the Disney-ABC Television Group.

→ Top 10 European companies providing localised TV channels established in the EU-28 | 2017
In number of services



Source: European Audiovisual Observatory analysis of MAVISE database.

The full report can be downloaded from the European Audiovisual Observatory website.
See: www.obs.coe.int/industry/television

3.3 Decrease in linear TV viewing offset by rise in time-shifted viewing

Diversity of TV viewing time in Europe

In Europe, total time per day spent watching television varied in the period examined between 1:41 to 5:46 hours. The lowest levels of TV viewing were found in German-speaking Switzerland, Iceland and Norway; and the highest in Portugal, Romania and "the former Yugoslav Republic of Macedonia".

Television viewing tended generally to decline modestly across the years analysed (albeit by only one minute per day in 2017). It should, however, be noted that time-shifted television viewing (by up to seven days) has been gradually integrated into audience data, and can represent a significant part of total television viewing time (e.g. 14% in the United Kingdom and 9% in France in 2017). Linear television viewing is thus on the whole decreasing faster than the figures suggest – but not in every country. Sharp decreases in Denmark, the United Kingdom, Latvia, Iceland and Norway contrasted with a significant increase in Cyprus, Lithuania, Portugal, Romania and Slovenia.

Fragmented v. concentrated TV audience markets

On average, the four leading TV channels accounted for 50% of TV audience in a given European country. This proportion has decreased in recent years, due to an increase in the number of television channels available and therefore a fragmentation of the audience.

The audience is more concentrated at the level of television groups, as they generally manage several TV channels in the same country: on average, the top four TV groups accounted for 69% of total TV viewing. The share of the top four TV groups also declined, but more slowly than the share of the top four TV channels, indicating that, to a certain extent, the leading TV groups added TV channels to their portfolios.

As for television viewing time, the degree of concentration varied significantly between countries: Concentration was especially high in Iceland, Denmark and Sweden – and particularly low in Turkey, "the former Yugoslav Republic of Macedonia" and Greece.

Several pan-European players

Although in most cases the audience ranking was dominated by national players, some TV groups, both Europe- and US-based, had significant audience shares in several European countries. The following companies were among the four main TV groups in at least four European countries: RTL Group (9 countries); Nordic Entertainment (7); 21st Century Fox (6); CEME/Time Warner (6); Discovery (6) and Mediaset (4).

→ **Average daily television viewing in Europe | 2008-2017** *- In hh:mm*

Source: European Audiovisual Observatory analysis of Médiamétrie/Eurodata TV Worldwide data

→ **Average cumulated audience share of the 4 main TV channels and TV groups in Europe | 2011-2017** *- In %*

Source: European Audiovisual Observatory analysis of Médiamétrie/Eurodata TV Worldwide data

3.4 TV news channels in Europe: Pluralistic ownership, varied offerings

140 TV news channels available

Around 140 “news only” TV channels are available in Europe. A total of 43% of the TV news channels are national, meaning that their agenda is focused on one specific European territory and aimed primarily at that territory’s national audience. The rest (57%) are international TV news channels, meaning that either their agenda doesn’t have a national focus or their core audience is not European. On average, 15 TV news channels are available in any given European market but only one in four broadcasts in that market’s official language(s). In the majority of the national markets studied, over 50% of TV news channels broadcasting in the official language(s) of the country are national channels. Four out of five TV news channels available in Europe are also licensed there. The rest are international channels established outside Europe.

Tailored content is key

With very few exceptions, the TV news channels adapt their editorial focus to their core audience, whether national, regional or global. In other words, content localisation is strongly linked to the market relevance of a TV news channel. From this perspective, the market appears to be driven by national players serving national audiences. Almost one in three TV news channels is supported by the public sector, a much higher share than for other TV channel genres. In an effort to globalise the news agenda while remaining relevant for regional and sometimes national audiences, international networks such as Euronews, DW, France 24, RT, Al Jazeera and i24News have developed tailored multi-language and multi-cultural editions for their news channels aimed at transnational markets or global linguistic communities.

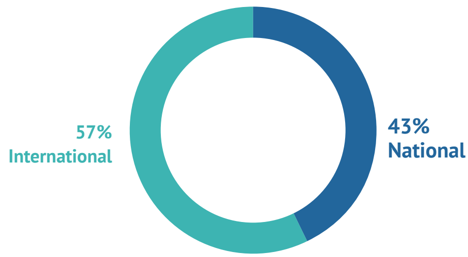
Pluralistic ownership landscape

Almost 70% of all TV news channels established in Europe are controlled by groups owning only one news channel, rendering the ownership landscape for TV news channels fairly pluralistic and varied. Out of the 80 media groups that operate news TV channels in Europe, almost 90% own a single TV news channel established and available in Europe. The fact that 64% of these groups operate TV news channels as part of a generalist media portfolio aimed at one national market appears to indicate that synergies between media assets are paramount in supporting the TV news business model. Since content relevance is key and also dependent on the broadcaster’s resources, this explains why the multi-channel TV news portfolio aimed at several distinct markets lacks popularity in the industry.

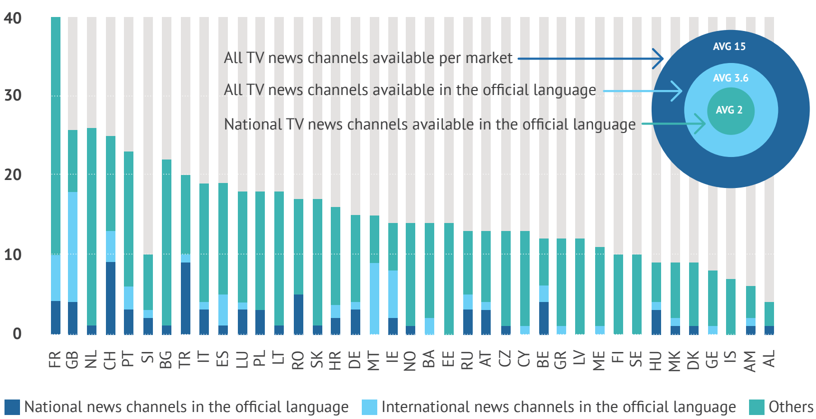
→ Availability of TV news channels | 2018

Source: European Audiovisual Observatory / MAVISE database

→ Typology of available TV news channels in Europe by editorial focus and core audience | 2018

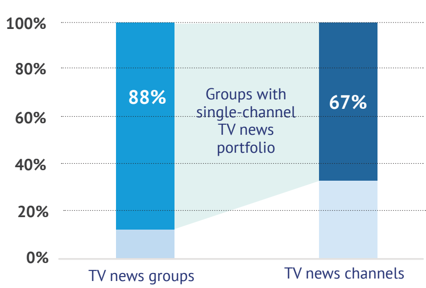


→ Availability of TV news channels at market level in Europe | 2018 - *In number of TV channels*



Source: European Audiovisual Observatory / MAVISE database

→ Breakdown of media groups by number of news channels controlled in Europe | 2018



Source: European Audiovisual Observatory / MAVISE database

4 MARKETS

4.1 Focus on the Observatory presidency country: Italy

DTT is primary delivery network for television

Television reception is fully digitised in Italy. By the end of 2016, Digital Terrestrial Television was the primary access form on the main television set for 61.6% of the households; satellite served 38.2%. IPTV and cable are marginal.

Strong level of TV viewing and high penetration of pay-TV

With 4:43 hours per day in 2017, television viewing was higher than the European average (3.33 hours) and had decreased by 13 mn since 2012.

By the end of 2018, about 280 television channels (excl. local channels) were established in Italy.

Three main broadcasting groups led the audience market:

• The public service broadcaster RAI scored a daily audience share of 36.7% in 2017, including the most-viewed TV channel, Rai Uno.

• Mediaset accounted for 30.6% of the total audience, including the second-most popular channel, Canale 5.

• US-based Discovery Communications garnered 4.6% of the daily audience, including the channels Real Time and DMax.

• Cairo Communications accounted for 3.4% of the audience, with its two channels La Sette and La 7 D.

Only 26% of Italian households subscribed to pay-TV, well under the European Union average. The main pay-TV services were managed by Sky, the operator of the leading pay-satellite service, and Mediaset on digital terrestrial television.

Main on-demand services

All the main international pay on-demand services are available in Italy, including Amazon, iTunes, Mubi, Netflix, Google Play, Microsoft, Rakuten and DPlay. They compete with national on-demand services such as Chili TV (which is also expanding to foreign countries), Infinity (Mediaset), Sky On Demand (Sky) and Timvision (Telecom Italia).

Advertising is the primary revenue source for audiovisual services

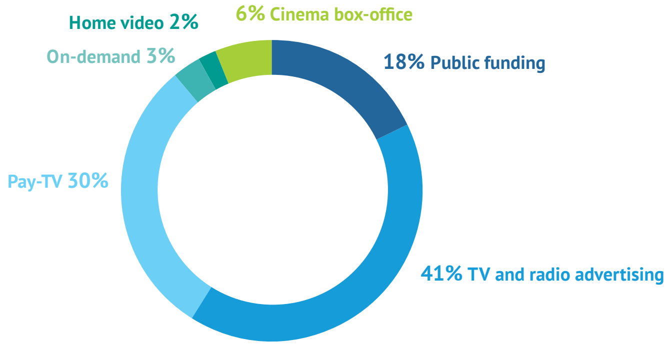
With EUR 10.1 billion, Italy is the fourth-biggest audiovisual market in the European Union. The market has been stagnating since 2012, with average annual growth of 0.1%. TV and radio advertising is the primary revenue source for audiovisual services (41% in 2017, down from 43% in 2012). Public funding accounted for 19% of total sector revenue in 2017, stable compared to 2012. In total, 68% of public service broadcaster resources stem from public funding.

Pay-TV represented 32% of revenues in 2017 (down from 34% in 2012) and on-demand 3%.

Decrease in film admissions

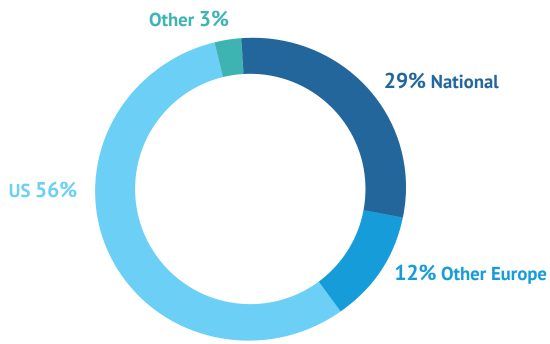
Italy, with 1 204 cinema sites and 5 298 cinema screens in 2017, has one of the highest screen densities in the European Union (11 436 inhabitants per screen v. 15 488 on average in the EU). A total of 235 feature films were produced in Italy in 2017 (including minority co-productions), of which 209 were 100% national films. Admissions and box-office revenues (99 million and EUR 619 million in 2017, respectively) have generally decreased over the last five years. National films captured 29% of 2017 admissions.

➜ Breakdown of the audiovisual market in 2017



Source: European Audiovisual Observatory from Ampere Analysis, EBU/MIS, IHS, Warc data

➜ Market share according to origin of feature films | 2017



Source: European Audiovisual Observatory

4.2 Audiovisual revenues in the EU: 77% of growth from on-demand

1.7% annual average growth between 2012 and 2017

The audiovisual market comprises on the one hand audiovisual services – free television and linear pay-TV and on-demand subscription services (SVOD) – and on the other, the direct sale or renting to the consumer of audiovisual programmes – cinema box-office, physical and digital home video. The total audiovisual market in the European Union grew by 1.5% in 2017, to EUR 111.6 billion. The annual average growth rate between 2012 and 2017 was 1.7% – 0.9% excluding all on-demand revenues.

Audiovisual services represented the bulk of the audiovisual market (89% of revenues) and included three sources of revenues: public funding of the public media broadcasters (23% of total audiovisual revenues with average annual growth of 0.4% between 2012 and 2017); television and radio advertising (33% and +2.5%, respectively); and subscriptions, the most dynamic segment (34% and +3.9%, respectively; 30% and +1.8%, respectively, excluding SVOD).

The direct-to-consumer sale and renting of audiovisual programmes accounted for 11% of the market and included cinema box-office (6% of total audiovisual revenues with average annual growth of 1.3% between 2012 and 2017) and home entertainment (4% and -8.5%, respectively; 3% and -13%, respectively, excluding transactional VOD).

The impact of video on demand

Pay video on-demand has grown much faster than the total market (34% between 2016 and 2017, and 44% on average since 2012, v. 1.5% and 1.7%, respectively). In 2017, on-demand services and programmes accounted for 77% of total market revenue growth, with subscription on-demand services (67%) accounting for the lion's share.

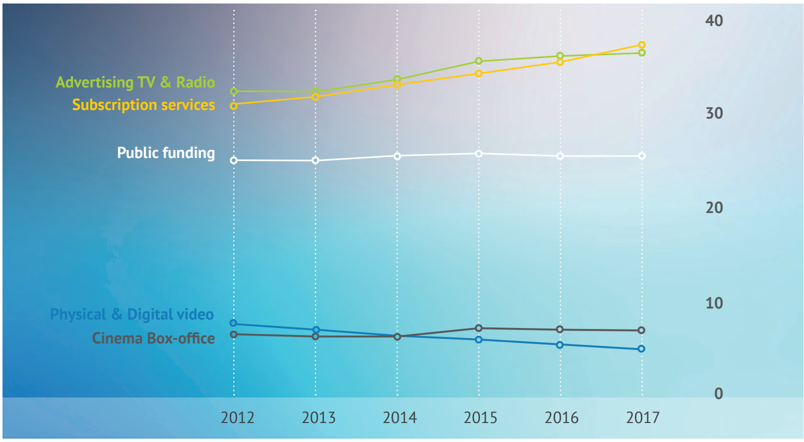
On the one hand, on-demand is bringing a new dynamism to the market, but the migration of physical home entertainment to digital destroys value vis-a-vis the prevalence of rental v. sale in the physical world; the low tariffs of subscription VOD put pressure on average pay-subscription revenues per subscriber; TV advertising is increasingly challenged by Internet advertising, which is mostly captured by non-television players.

Variations between countries

The EU-28 countries are experiencing very different audiovisual market growth. The market grew faster than average in the EU in 2017 in 19 countries, the most dynamic being Portugal, the Slovak Republic, Greece[1], Bulgaria and Slovenia. Growth was particularly modest (or even negative) in Belgium, the United Kingdom, France, Italy and Sweden, for various reasons: saturation of the on-demand market; accelerated digitisation of the market impacting more strongly TV advertising and home video.

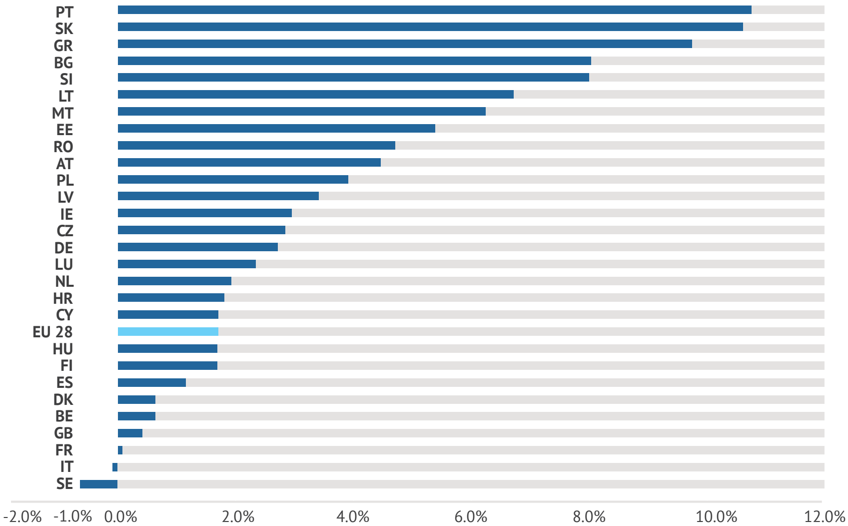
1 Due in particular to the reinstalment of a public service broadcaster.

→ Evolution of the audiovisual market segments in the EU-28 | 2012-2017 - *In EUR billion*



Source: European Audiovisual Observatory analysis of EBU/MIS, Ampere Analysis, IHS, WARC data.

→ Average annual growth rate of the audiovisual market | 2012-2017



GR: No public revenues in 2012 and 2013.
Audiovisual market: Public funding, TV and radio advertising, pay-TV , pay on-demand.

Source: European Audiovisual Observatory analysis of EBU/MIS, Ampere Analysis, IHS, WARC data

4.3 TV advertising: The new challenge of online video ads

Internet advertising grows at expense of newspapers and magazines

On average, media advertising expenditure in Europe[1] grew at an annual rate of 1.1% from 2008, reaching EUR 37.1 billion in 2017.

Since 2016, the Internet has been the primary advertising medium in Europe. In 2017, the Internet advertising market share reached 40%, up from 13% in 2008. This growth has come at the expense of print[2] (18% of advertising in 2017, down from 41% in 2010). Meanwhile, other platforms (television, radio, cinemas, outdoor) have stagnated.

Beyond average figures, the structure of advertising varies strongly between countries. The Internet accounted in 2017 for more than 50% of advertising expenditure in Denmark, the United Kingdom, Sweden, Norway and the Russian Federation, but for less than 10% in Bulgaria, Cyprus, Luxembourg, Malta and "the former Yugoslav Republic of Macedonia". Print remains relatively strong in Austria, Luxembourg, and, to a lesser extent, Finland and Germany.

Television remained the primary advertising platform in 19 of the 35 European countries tracked, with a particularly strong position in Bosnia-Herzegovina, "the former Yugoslav Republic of Macedonia", Georgia, Bulgaria and Cyprus. Schematically, countries with higher advertising expenditure per capita are also those where television has a lower share of that expenditure. Conversely, television has captured a high share of advertising in countries with lower advertising levels per capita.

Television advertising decreasing in real terms

The total advertising television market amounted to EUR 31.4 billion in 2017 in the European Union and EUR 37.1 billion in Europe. In nominal value, TV advertising recovered in 2015 to its pre-crisis 2008 level. But, discounting inflation, the EU market actually decreased in value at an average annual rate of 1.1% between 2008 and 2017. The decrease was particularly sharp in Greece, Cyprus, Spain, Latvia and Romania. Beyond the economic climate, several factors affect the market: The Internet has increasingly become a video medium; television viewing time is no longer growing and is even decreasing among young viewers; the proliferation of TV channels has led to competition on advertising tariffs and has increased the market power of advertisers.

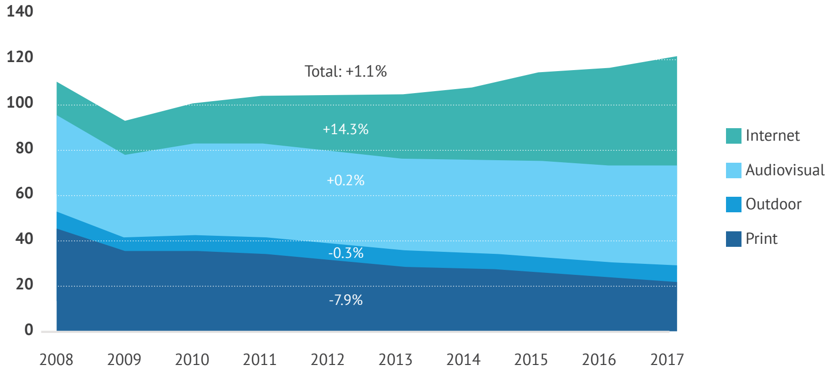
Keeping TV advertising relevant

The fast-growing online video advertising format is likely to further reinforce the Internet's competitive advantage. Factors contributing to the challenges facing television advertising are: limited knowledge of the customer base (analytics inherited from the analogue world); and the impossibility of target differentiation, as the same advertising messages are sent to all viewers.

Broadcasters and TV distributors have, however, started to implement the logic of Internet 'programmatic advertising' into linear television: advanced set-top-boxes gather more data on viewers and enable addressable advertising, adapted to a sub-group of customers on the basis of their profiles, using a largely automated process to match audiences and the advertisers' criteria. Big data-intensive, programmatic advertising implies scale, a challenge for broadcasters when competing with the major Internet platforms.

1 EU-28 + Bosnia-Herzegovina, Georgia, Switzerland, "the former Yugoslav Republic of Macedonia", Norway, the Russian Federation and Turkey.
2 Press and magazines.

➜ The advertising market in Europe[1] | 2008-2017 - *In EUR billion and average growth rate*



1 EU-28 + BA, GE, CH, MK, NO, RU, TR

Audiovisual: television, radio, cinema

Source: European Audiovisual Observatory analysis of WARC data

➜ The top 10 TV advertising markets in Europe | 2017 - *In EUR billion and in %*

	TV advertising expenditure (2017)	Share of total advertising expenditure (2017)	TV advertising average annual growth (2008-2017)
GB	5.6	24.0%	0.9%
DE	5.1	24.1%	1.4%
IT	3.8	46.9%	-2.7%
FR	3.7	27.2%	-0.6%
RU	2.9	33.1%	-2.4%
PT	2.7	62.4%	9.2%
ES	2.1	38.3%	-3.8%
AT	1.1	27.3%	7.1%
NL	1.0	23.8%	1.9%
PL	1.0	39.4%	-0.6%

Source: European Audiovisual Observatory analysis of WARC data

4.4 Pay-TV: Early signs of cord-cutting

Growth of linear pay-TV subscribers chiefly driven by the Russian Federation

The number of linear pay-TV subscribers in European member countries of the Observatory for which data is available[1] increased by 2% in 2017; for EU countries alone, the 2017 growth rate was a mere 1.2%. In fact, 2017 marked the lowest growth rate since 2012 both in the EU and across all European Audiovisual Observatory member countries.

The Russian Federation accounted for about 40% of the growth, while several countries, including Bulgaria, Denmark, Italy, the Netherlands, Sweden and Norway registered a net decrease of linear pay-TV subscribers.

Linear pay-TV revenues grew faster than the number of subscribers, by 2.2% in the EU and 2.7% in all European countries tracked, indicating that, generally speaking, the industry is driven more by the development of services and therefore prices, than by customer growth.

Most of the increase in the number of pay-TV subscribers went to IPTV, primarily at the expense of cable television. Pay-satellite television lost subscribers overall, with the notable exception of Germany, where the number increased by 9% in 2017, probably as a consequence of the revamping of the Sky service. Pay-digital terrestrial television, available in 17 European countries, held to a negative trend.

IPTV on the fast track

A variety of factors, applying differently across Europe, may explain the current trends in linear pay-television:

- The roll-out of IPTV and the attractiveness of triple-play offers combining Internet access, telephony and television: offers combining Internet IPTV was particularly dynamic in 2017 in Ireland, Malta, Poland, Georgia and Turkey.

- The digitisation of cable television, now coming to an end, may have led to price increases and a loss of subscribers: in 2017, cable lost about 100K subscribers (analog and digital) but added 5.1 million digital subscribers (mainly in Germany). However, in the Russian Federation, the main European market for cable television, the digitisation process has hardly begun – the rate stands at about 5%.

- Direct-to-home satellite television is almost flat, and is probably threatened both by pay-DTT packages, IPTV triple-play offers and, now, cable, and the success of SVOD, in particular in Scandinavia, where a cord-cutting phenomenon may have been initiated.

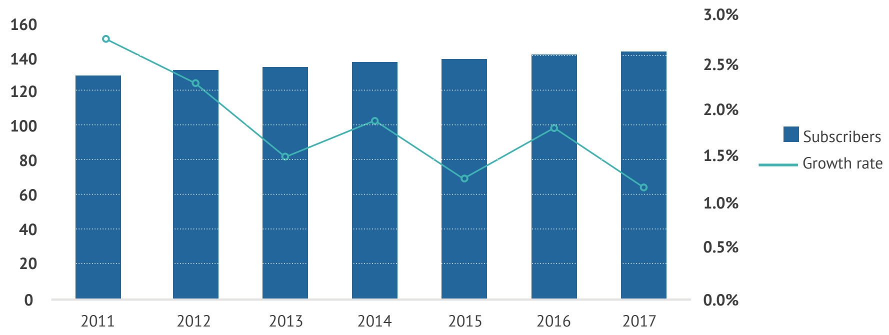
Linear pay-TV v. SVOD

When considering all pay-services (both linear television and SVOD), the market appears to be clearly driven by SVOD: 83% of the 2017 increase in pay-services subscriptions is attributable to SVOD, and SVOD represented 24% of all pay-services subscriptions. SVOD's share of total pay-services subscriptions was especially high in Germany, Denmark, the United Kingdom, Norway and Turkey.

SVOD's contribution to growth was less significant in terms of revenues (58%), as linear pay-TV prices continued to rise and SVOD prices remained lower. In 2017, SVOD represented 11.5% of the pay-services market.

1 EU-28 + "the former Yugoslav Republic of Macedonia", Georgia, Montenegro, Norway, the Russian Federation, Switzerland and Turkey.

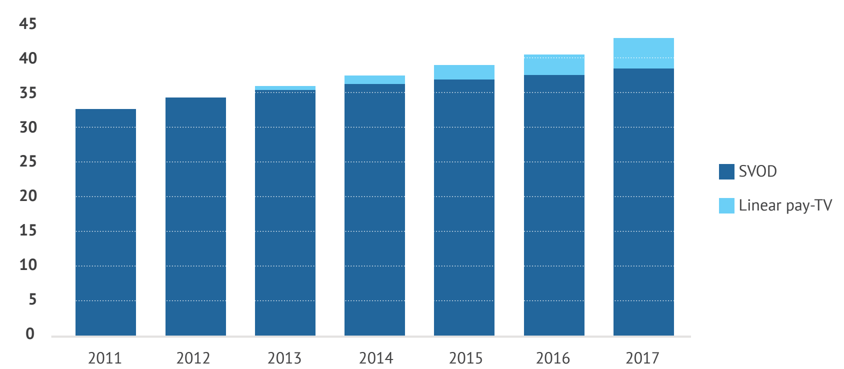
→ Subscribers to linear pay-TV in Europe[1] and annual growth rate | 2011-2017
In million subscribers and in %



1 EU-28 + CH, GE, ME, MK, NO, RU, TR

Source: European Audiovisual Observatory analysis of Ampere Analysis data

→ Pay-services revenues in Europe[1] | 2011-2017 *- In EUR billion*



1 EU-28 + CH, ME, MK, NO, RU, TR

Source: European Audiovisual Observatory analysis of Ampere Analysis data

4.5 Explosive growth for SVOD

Like last year, subscription video on demand (SVOD) services were the main growth driver of the paid video on demand market, but also the pay-TV market.

Explosive growth of SVOD market in terms of revenues and subscribers

SVOD services were once again the main growth driver of the paid video on demand market, which grew by 45.7% year over year; in fact, over the past five years consumer revenues have grown by a factor of 10, from EUR 363.7 million in 2013, to EUR 3.65 billion in 2017.

Out of the 53.9 million subscriptions to SVOD services in the EU in 2017, 80% were taken by Netflix and Amazon, which together also accounted for 74% of EU SVOD revenues.

Growth in the transactional video on demand (TVOD) market has slowed down, with retail growing faster than rental. This slowdown is also due to the impact of SVOD services, with a shift of consumer preferences towards access to – as opposed to ownership of – content, and as a consequence a number of TVOD services have closed.

Are 'over-the-top' direct-to-consumer services, resulting in market consolidation and alliances of traditional players, the future?

The market has seen an increase in the number of scale-gaining mergers and acquisitions, such as Disney and 21st Century Fox, Comcast and Sky, and AT&T and WarnerMedia.

Also, an increased number of alliances between broadcasters for the launch of over-the-top (OTT) and SVOD services emerged in 2018. Examples include the planned Salto SVOD service in France, 7TV in Germany from ProSiebenSat.1 and Discovery Inc., plans by RTVE, Atresmedia and Mediaset in Spain to launch a joint OTT service or the call by the UK's OFCOM head Sharon White for UK broadcasters BBC, ITV and Channel 4 to collaborate on a common service in order to gain scale and compete with global tech giants Netflix, Amazon and in the near future Apple, which are increasingly capturing consumer revenues in the SVOD market, and audience attention.

What lies ahead for traditional EU players in the evolving media landscape?

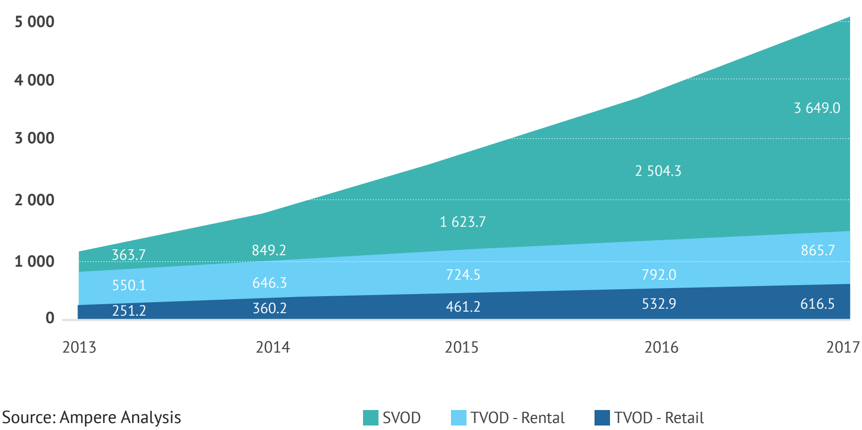
With the announced launches of Disney+ by the Walt Disney Company (which may also launch Hulu in more countries), the SVOD service planned by Apple next year, the expansion of HBO into more European markets after Spain and Portugal this year, the soon-to-be launched SVOD service by WarnerMedia, first in the US and then in other countries, and the stated goal of Comcast to expand Sky into more European countries, traditional EU broadcasters will see increased competition for viewer attention, subscription expenditure and acquisition of premium content.

The main competitive advantages of these new players come from their global scale, huge financial resources, state-of-the art consumer experience and the fact that they own the customer relationship, which is not the case for most of the traditional players in the European market.

These advantages have provided them a central place in the discovery of content for consumers, which in turn gives them power over traditional content suppliers. Competing with them is becoming increasingly difficult – as more and more traditional players are finding out.

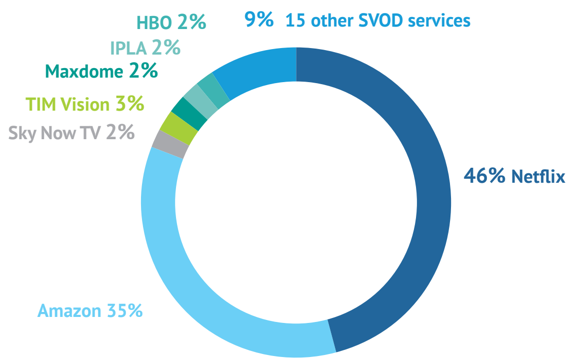
Many established players will have to consider how to respond to these entrants on their turf, with three principle available options: competition; collaboration; or coopetition.

→ Consumer revenues SVOD, TVOD retail and rental in the EU | 2013-2017 *- In EUR million*



Source: Ampere Analysis

→ EU - 53.9 million subscriptions to OTT SVOD services in 2017 *- In % and subscribers by company*



Source: Ampere Analysis

4.6 Cinema screens: Signs of an upward trend

The number of cinema screens in the EU grew by 2.0% over the previous year, to an estimated total of 31 238 in 2017, with only three countries registering a decrease. This represents the third year of interannual growth above 1%, marking the end of a stagnating trend that lasted until 2014. The growth was mainly driven by a steady expansion of the theatrical infrastructure in a number of Eastern European countries, with Estonia registering a 20.8% increase, followed by Hungary (+7.1%), the Czech Republic (+6.5%), Lithuania (+5.1%) and Slovakia (+2.5%). Among the large Western European markets, Italy experienced a 2.0% growth over the previous year, while Spain reversed a long-standing negative trend with a rise of 1.8%, and Germany and France showed a modest increase (1.4% and 1.2%, respectively).

The rise in the number of screens in 2017 was more pronounced at a European level, with a 2.7% year-on-year increase, to 40 002 screens. This growth was mostly due to a sustained development in Russia, where the number of screens increased by 9.7% from 2016 to 2017, part of an overall 37.9% growth rate from 2013 to 2017. Conversely, the number of screens appears to have levelled off in Turkey, after a rapid increase over previous years (+30.2% from 2014 to 2016).

The overall number of cinema sites in the EU remained stable in 2017, compared to 2016. However, it must be noted that the cinema infrastructure landscape is quite heterogeneous within the EU, with strong variations from country to country. At the broader European level, the number of sites grew by 2.7% over 2016, driven by growth rates in Russia, Spain and Turkey.

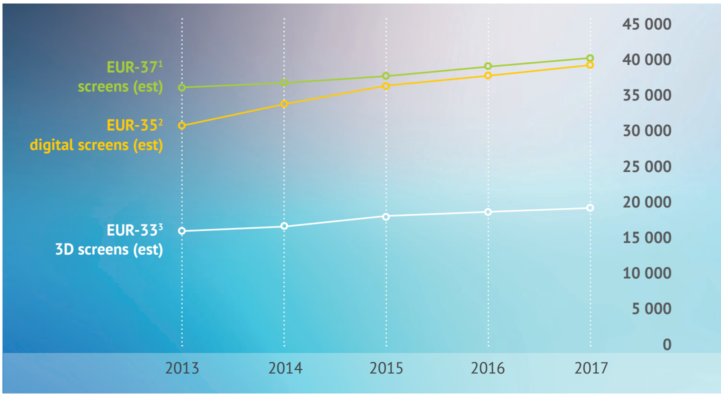
Screen digitisation almost complete

With 39 163 digital screens, the digital penetration rate in Europe reached a peak of 98.0% by the end of 2017, the same level as the one registered in the EU (30 672 digital screens). With some exceptions, the digitisation process is close to completion in the majority of European countries: 17 countries are fully digitised, while 14 have reached a digitisation rate above 90%. However, digital penetration figures are lower in four countries – Lithuania (82%), Greece (79%), Slovakia (77%) and the Czech Republic (51%) – where the conversion process is still underway.

Modest growth in 3D screens

After a hike in 2015, the number of 3D screens in Europe experienced slower growth in the following years. In 2017, 3D screens accounted for 47.5% of digital screens in the EU, up 1.2% on the previous year, to 14 565 screens. The share of 3D out of digital screens was slightly higher (50.0%) when considering the broader European level, with a year-on-year increase of 2.7%, to 19 577 screens – to a large extent a result of sustained growth in Russia (8.5%) and Turkey (8.1%). While 3D screens appear to have already been consolidated in larger Western European markets, a surge in the uptake of 3D equipment in certain EU countries (Latvia, Croatia, Estonia and Slovenia) in 2017 must be placed in relation to the opportunities linked to the ongoing or recent digital rollout.

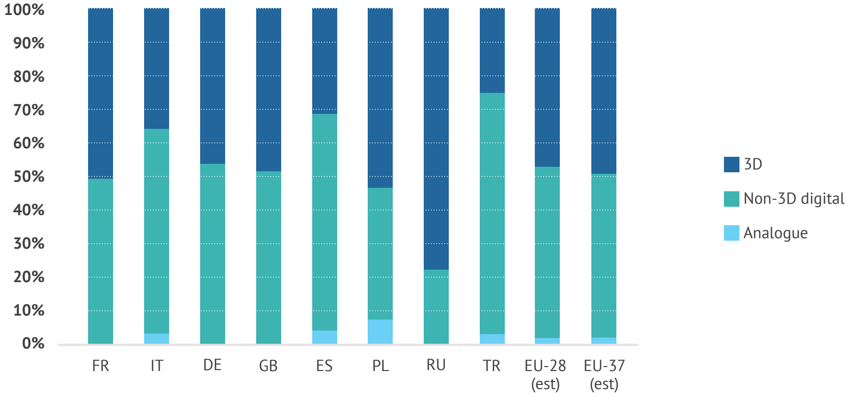
→ Number of screens, digital screens and 3D screens in Europe | 2013-2017



1 EU countries plus BA, CH, GE, IS, LI, ME, NO, RU, TR.
2 EU countries plus CH, GE, IS, LI, NO, RU, TR.
3 EU countries plus CH, IS, NO, RU, TR.

Source: Media Salles, European national film institutes, European Audiovisual Observatory

→ Share of screens, digital screens and 3D screens by country in the primary European market | 2013-2017



Source: Media Salles, European national film institutes, European Audiovisual Observatory

4.7 Cinema: European market share in the EU slightly up in 2017

Market share of European films in the EU increased slightly in 2017

In contrast to 2016, when a significant increase in admissions to US films drove EU cinema attendance to its highest level since 2004, cumulative admissions to US films decreased by an estimated 16 million in 2017. On the one hand, this caused overall EU admission levels to decline slightly, and on the other it led to the estimated US market share declining somewhat, from 67.3% to 66.2%.

Led by *Dunkirk*, which was the only UK incoming investment film to make it into the top 20, European films produced in Europe with incoming US investment (EUR inc) registered a mild increase in admissions while their estimated market share rose from 3.5% to 3.7%.

Similarly, cumulative admissions to European films and other theatrical content[1] in the EU also increased slightly, amounting to over 270 million in 2017. This represents a modest increase of 0.6% over 2016. Against a 0.8% decline in overall cinema attendance in the EU in 2017, the market share for European films rose slightly, from 27.1% to an estimated 27.4%. Although that is the second highest level in the past five years, it remains aligned with the commonly observed spectrum of European films accounting for 26% to 29% of total admissions in the EU. European films continued to perform well in several national markets, particularly in France (37.4%; top film: *Raid Dingue*), Finland (27.0%; top film: *Tuntematon sotilas*), Germany (23.9%; top film: *Fack ju Göhte 3*), Poland (23.4%; top film: *Listy do M. 3*), and the Czech Republic (22.2%; top film: *Po strnisti bos*). Including UK qualifying films such as *Star Wars: The Last Jedi*, UK films captured a market share of 37.4% in 2017, making the UK along with France once again the two EU markets with the highest national market shares. UK independent films, as defined by the British Film Institute (i.e. excluding films with US studio backing), accounted for only 9.6%, however.

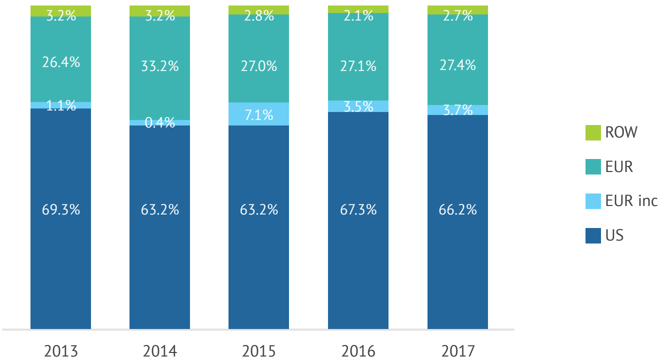
Finally, admissions to films originating from other parts of the world increased by an estimated five million (+24%) in 2017 and the market share of such films grew accordingly, from an estimated 2.1% to 2.7%.

Marginal increase for export admissions to European films within the EU

The Observatory estimates that over 5 700 European feature films were on release in at least one EU market in 2017 and cumulatively sold an estimated 265 million tickets – 69.7% of them (185 million tickets) to EU films in their domestic markets. This is only marginally down from 187 million in 2016 (70.5%). Conversely, an estimated 80 million (30.3%) admissions were generated by European films in non-national EU markets, compared to 78 million (29.5%) in 2016.

1 Films and other theatrical content majority-financed in a European country excluding so-called 'incoming investment' films, i.e. films produced in Europe with incoming investment from US studios (EUR inc).

➜ Breakdown of EU admissions by origin of films | 2013-2017 *- Estimated*



Source: European Audiovisual Observatory / LUMIERE

➜ Top 20 European and EUR inc films ranked by admissions in the European Union | 2017

Estimated admissions for calendar year; 'EUR inc films' refers to films produced in Europe with incoming investment from US studios.

Rank	Original title	Production year	Country of origin	Director(s)	Total admissions in the EU 2017
1	Dunkirk	2017	GB inc / US / FR / NL	Christopher Nolan	17 287 246
2	Paddington 2	2017	GB / FR	Paul King	9 170 946
3	Kingsman: The Golden...	2017	GB inc / US	Matthew Vaughn	8 967 704
4	Valerian and the City of...	2017	FR / CN / US / DE / AE	Luc Besson	8 203 148
5	Fack ju Göhte 3	2017	DE	Bora Dagtekin	6 536 074
6	Baby Driver	2017	GB / US	Edgar Wright	5 183 540
7	Raid dingue	2016	FR / BE	Dany Boon	4 872 479
8	Ballerina	2016	FR / CA	Eric Summer, Éric Warin	4 098 468
9	Alibi.com	2017	FR	Philippe Lacheau	4 025 282
10	T2 Trainspotting	2017	GB	Danny Boyle	3 623 614
11	Demain tout commence	2016	FR / GB	Hugo Gélin	3 604 977
12	Le sens de la fête	2017	FR / CA / BE	O. Nakache, E. Toledano	3 575 525
13	Victoria & Abdul	2017	GB / US	Stephen Frears	3 239 837
14	Perfectos desconocidos	2017	ES / IT	Álex de la Iglesia	3 224 004
15	Tadeo Jones 2: El secreto...	2017	ES	David Alonso, E. Gato	3 174 373
16	Listy do M. 3	2017	PL	Tomasz Konecki	3 072 583
17	The Snowman	2017	GB inc / US / SE	Tomas Alfredson	3 029 801
18	Épouse-moi mon pote	2017	FR	Tarek Boudali	2 535 655
19	Botoks	2017	PL	Patryk Vega	2 470 847
20	The Son of Bigfoot	2017	BE / FR	B. Stassen, J. Degruson	2 403 977

Source: European Audiovisual Observatory / LUMIERE

4.8 Cinema : EU admissions and GBO stable at high levels

EU cinema attendance confirms strength in 2017

In 2017, admissions and GBO levels in the European Union remained strong for the third year in a row. The Observatory estimates that total admissions in the EU amounted to 984.5 million in 2017. This represents a marginal decrease of 0.8% (7.6 million tickets fewer) compared to 2016, but still constitutes the second highest admission level registered in the EU since 2004. The 2017 results thus confirm the regained strength of the European theatrical market, which declined from 2010 to 2014.

As in 2016, admissions developed in a heterogeneous manner across Europe in 2017: cinema attendance increased in 16 and decreased in eight EU markets, while remaining stable in four EU markets. Geographically speaking, the moderate year-on-year decline in EU cinema attendance was primarily caused by a major drop in Italian admissions (-14.2 million,-12.5%) as well as a comparatively poor year-on-year performance in France (-3.7 million, -1.7%). Out of the five major EU markets, only the United Kingdom and Germany registered a 2017 increase in cinema attendance (with +2.4 million, +1.4% and +1.2 million, +1.0%, respectively), while admissions reached record levels in Poland (+4.5 million, +8.7%), the Netherlands (+1.8 million, +5.3%), Romania (+0.8 million, +6.5%) and the Slovak Republic (+1.0 million, +18.1%).

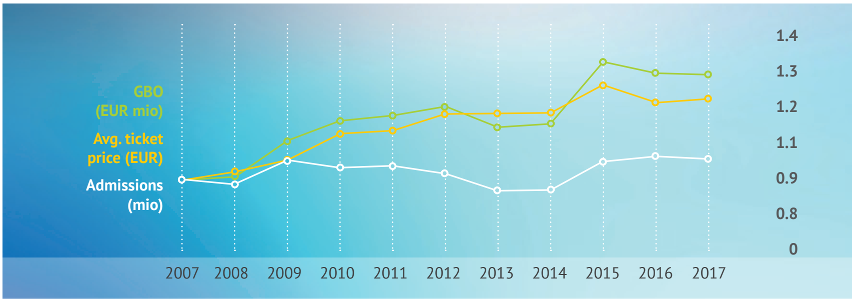
As in 2016, cumulative GBO revenues measured in euros, declined slightly, by 0.2% year-on-year, but remained above the EUR 7 billion level for the third consecutive year, at an estimated EUR 7.02 billion. Not adjusted for inflation, this is the third-highest level on record. With the pan-European average ticket price increasing marginally by 0.5% to an estimated EUR 7.13, the decrease in GBO in 2017 was caused by a slight decline in cinema attendance.

US films continue to dominate EU box office charts

As in previous years, US studio titles dominated the EU box office chart in 2017, representing 19 out of the top 20 films. *Despicable Me 3* (32.6 million admissions) was the most successful film in the EU in 2017, followed by Disney's live-action reboot of *Beauty and the Beast* (30.1 million) and *Star Wars: Episode VIII – The Last Jedi* (29.2 million). Interestingly, *Despicable Me 3* and *Beauty and the Beast* were the only two titles to cross the benchmark of 30 million admissions; no film touched this threshold in 2016. Family animation features continued to perform well, accounting for six out of the top 20 titles, including *The Boss Baby* (18.8 million admissions), *Sing* (15.3 million), *Cars 3* (11.5 million) and *Coco* (10.4 million). Confirming another well-established trend, franchise titles dominated the EU charts in 2017, with sequels, spin-offs or remakes representing 16 titles out of the top 20 (and eight of the top 10). GB inc war drama *Dunkirk* was the only non-US film to rank in the top 20, with 17.3 million tickets sold. Excluding European films financed with incoming US studio investment (EUR inc), no European title reached 10 million admissions in the EU, with the top-performing European film, UK family comedy *Paddington 2*, selling 9.2 million tickets.

➜ Cinema attendance, GBO and average ticket price in the EU | 2007-2017

Estimated indexed development (base year = 2007)



Source: European Audiovisual Observatory

➜ Top 20 films ranked by admissions in the European Union | 2017

Estimated admissions for calendar year

Rank	Original title	Production year	Country of origin	Director(s)	Total admissions in the EU 2017
1	Despicable Me 3	2017	US	P. Coffin, K. Balda, E. Guillon	32 635 997
2	Beauty and the Beast	2017	US	Bill Condon	30 077 333
3	Star Wars: Episode VIII ...	2017	US	Rian Johnson	29 194 332
4	The Fate of the Furious	2017	US/CN/JP	F. Gary Gray	21 896 384
5	Fifty Shades Darker	2017	US/CN	James Foley	20 413 937
6	Pirates of the Caribbean...	2017	US	E. Sandberg, J. Rønning	20 069 153
7	The Boss Baby	2017	US	Tom McGrath	18 754 450
8	It	2017	US/CA	Andy Muschietti	18 150 655
9	Dunkirk	2017	GB inc/US/FR/NL	Christopher Nolan	17 287 246
10	Guardians of the Galaxy Vol. 2	2017	US	James Gunn	17 195 938
11	Sing	2016	US/JP	G. Jennings, C. Lourdelet	15 334 539
12	La La Land	2016	US	Damien Chazelle	14 995 260
13	Thor: Ragnarok	2017	US	Taika Waititi	14 605 755
14	Spider-Man: Homecoming	2017	US	Jon Watts	13 147 238
15	Cars 3	2017	US	Brian Fee	11 521 499
16	Murder on the Orient Express	2017	US/MT	Kenneth Branagh	11 314 554
17	Logan	2017	US	James Mangold	11 314 285
18	Coco	2017	US	Lee Unkrich, Adrian Molina	10 429 045
19	War for the Planet of the Apes	2017	US	Matt Reeves	10 174 117
20	Wonder Woman	2017	US/CN/HK	Patty Jenkins	9 760 455

Source: European Audiovisual Observatory

4.9 Home video: Dramatic revenue decline continues

Penetration: Blu-ray comes to a halt

Although Blu-ray rose in 2017 to one third of the average DVD penetration rate in EU[1] countries – 18.7% v. 61.6% – this year, that trend has halted. The 1% year-on-year drop in the number of households with a Blu-ray disc player (down to 42 million households in 2017) was mainly due to the decrease registered in countries such as the UK (-7% year-on-year), Sweden (-8% year-on-year) and Germany (-10% year-on-year). The number of EU households with a DVD player, decreasing constantly in recent years, plummeted to 124.7 million households in 2017, down 7% year-on-year.

Prices not a game changer

Retail prices continued to decrease slightly in Europe[2] in both DVD and Blu-ray markets in 2017. Dropping in all but one European countries, the average Blu-ray retail price (down by 3% to an average of EUR 14.6) registered a more significant decline than the DVD retail price (down by 1% to an average of EUR 10.5). The year-on-year evolution of the average DVD rental price however was slightly more accelerated than the retail price development (down by 1.2% to an average of EUR 2.8 in Europe), while the average Blu-ray rental price went up for the fourth year in a row, by 2% to an average of EUR 3.25 per Blu-ray.

Rental down to 20% of all transactions

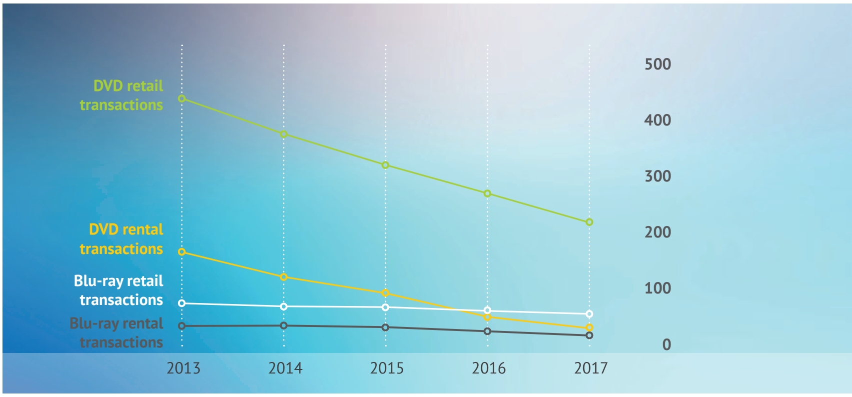
The aggregated number of transactions (retail and rental of DVD and Blu-ray) in Europe[2] has halved over the past five years, down to 357 million in 2017. Over the same period, the weight of retail transactions reached 80% in 2017 (up by 10% to 289.8 million). With the exception of Hungary, Greece and Iceland, all countries registered a faster drop in rental transactions in 2017, over 2016, compared to retail. DVD experienced a year-on-year drop almost twice as sharp as that for Blu-ray – retail down by 18% to 223.8 million and rental down by 37% to 38.5 million across all countries. The only growth was recorded in Blu-ray for rental transactions in Italy (+1%) and retail transactions in Iceland (+5%), Norway (+5%), Denmark (+4%) and Hungary (+2%).

Revenue decrease acceleration confirmed

The aggregate turnover of DVD and Blu-ray rentals and sales in Europe[2] has also halved over the past five years, down to EUR 3.57 billion in 2017. Revenues from rentals dropped to one third of the value recorded at the beginning of this period, down to EUR 0.2 billion. The year 2017 confirmed the acceleration of the decreasing trend that started in 2016 for both retail (-16%) and rental (-39%) business as well as for total DVD (-20%) and Blu-ray (-11%) market revenues. The DVD retail market alone represented more than two-thirds of the aggregated DVD/Blu-ray market in 2017 and dropped for a second year in a row, by 19% over 2016, down to EUR 2.4 billion. Also, for the second year in a row Blu-ray retail dropped by 10% year-on-year to EUR 1 billion in 2017. While varying in magnitude, retail and rental revenues for both formats experienced a year-on-year decrease across all European countries.

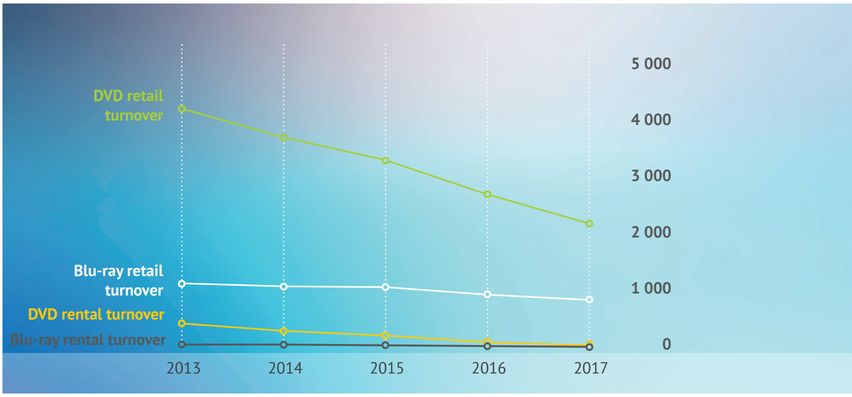
1 In the 19 countries for which data was available: EU-28, minus Bulgaria, Cyprus, Luxembourg, Malta, Romania, Slovenia and the three Baltic republics.
2 In the 23 countries for which data were available: 19 EU countries, plus Iceland, Norway, Russia and Switzerland.

→ **Transactions in Europe by market sector | 2013-2017** - *In million*



Source: IHS

→ **Turnover in Europe by market sector | 2013-2017** - *In EUR million*



Source: IHS

4.10 Brexit in context

Weight of the UK in the European Union audiovisual market

With 12% of TV households, the United Kingdom is, together with Germany, the largest audiovisual market in the EU-28. The UK market[1] is slightly more dynamic, on average, than the EU-28 as a whole, due to the solid position of pay-TV and because the UK is the most developed EU-28 market by far, for on-demand services.

The UK hosts three of the top 10 EU-28 audiovisual groups (Sky, BBC, ITV) also as European subsidiaries of the major US media groups.

The UK is notably a key player in the European film sector. Thanks in particular to a strong domestic cinema market, it produced 16% of all EU-28 films between 2012 and 2016, excluding blockbuster films fully-funded by US majors through their UK subsidiaries. The UK also ranked No. 4 in terms of number of TV fiction hours produced, underpinned by a focus on high-end drama with a strong export potential.

Co-productions

Excluding inward investments and films with a budget under GBP 500 000, 35% of UK films were majority co-productions. In Europe, the UK primarily co-produced with France, Germany and Ireland. Probably as a result of the strong 'exportability' of UK TV programmes, co-productions only accounted for a very minor part of UK TV fiction production. The most frequent TV fiction co-production partners included the US, but also Scandinavian countries and France.

Export and import of films

The share of EU-28 films released in the UK in cinemas, on TV and on transactional video on demand (TVOD) was lower than the EU-28 average. Among EU-28 films, the UK tended to favour national films and imported a relatively low share of EU-28 non-national films.

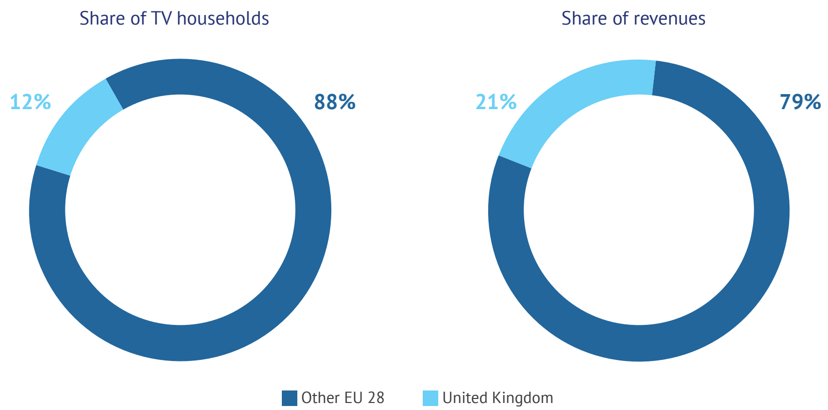
Conversely, the UK is a strong exporter of films to other EU-28 countries. It ranked No. 2 (after France) for the number of film exports in cinemas and on TV, and No. 1 for film exports on TVOD. UK films therefore rely on the other EU-28 countries' markets, which accounted for a quarter of their worldwide theatrical admissions between 2012 and 2016. In turn, the other EU-28 countries' films derived only 1.8% of their worldwide admissions from UK theatres.

Audiovisual services

With about 29% of all TV channels and 27% of all on-demand audiovisual services, the United Kingdom is by far the main country of establishment in the EU-28 for television channels and on-demand services. The UK is also the main 'hub' in Europe for audiovisual services: about two fifths of TV channels established in the UK primarily target another market. At the same time, up to 60% of all European channels targeting another country are established in the UK. These channels include both general interest channels and the various linguistic versions of US-based thematic channels. Similarly, about half of on-demand services established in the UK primarily target another market.

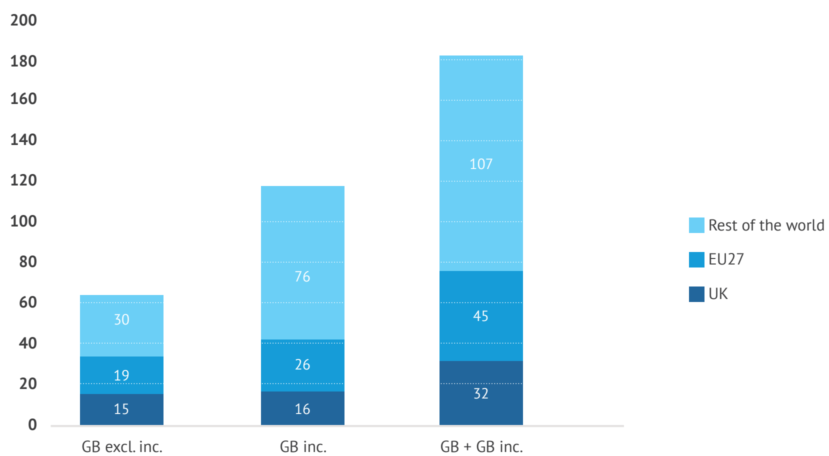
1 Television, radio, on-demand, cinema, physical home video.

➜ United Kingdom share EU-28 audiovisual market | 2016 - *In %*



Source: European Audiovisual Observatory analysis of Ampere Analysis, WARC, EBU/MIS, IHS data

➜ Breakdown of admissions to UK films | 2016 - *In millions*



Note: 'GB inc.' films are under the control of a US studio

Source: European Audiovisual Observatory

4.11 Brexit in context: Legal issues

Legally, the term 'Brexit' corresponds to the withdrawal of the UK from the EU in accordance with the procedure provided for in Article 50 of the Treaty on the Functioning of the European Union, consisting of a notification to the European Council (made on 29 March 2017) followed by a negotiation process for the conclusion of a withdrawal agreement between the UK and the EU. In theory, as a result of this agreement, and unless another date is set, all EU primary and secondary laws will cease to apply in the UK as of 30 March 2019.

Waiting for a final deal (if any)

At the time of writing (January 2019) the situation remains unclear. A final withdrawal agreement has not been signed, and both the EU and the UK authorities are also preparing for the possibility of the 'no deal' scenario, in which the UK leaves the EU without any agreement. In such a case, Brexit would certainly have a considerable impact on the regulatory framework applicable to the UK audiovisual sector, as most of its aspects are currently governed by EU law. Some of the main concerns and priority issues for the industry are listed below.

Freedom of movement

In the absence of an effective agreement to address movement of workers, the outcome of the Brexit negotiations or the introduction of a visa regime between the UK and the EU might affect the ability of highly qualified UK-based staff to seize opportunities in a timely manner, and of UK productions to attract foreign talent.

EU funding streams

Continuing to participate in EU programmes such the Creative Europe MEDIA Sub-programme, the European Regional Development Fund (ERDF), the European Social Fund (ESF) and Horizon 2020 falls within the Brexit red lines for all creative industries, which see these programmes as essential for facilitating partnerships and providing investment, both of which have enabled UK creative industries to innovate and prosper. In a no-deal scenario, the UK would not be part of those programmes.

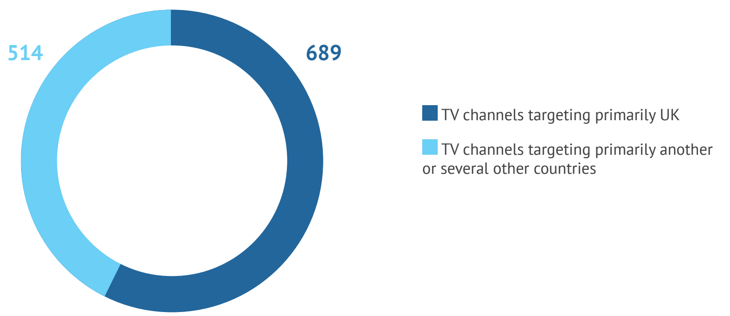
The AVMSD and the 'Country of Origin' principle

The Audiovisual Media Services Directive (AVMSD) would not be applicable to British audiovisual media services, which would therefore not benefit from the 'Country of Origin' principle. This would mean a.o. that UK AVMS received or retransmitted in the EU would no longer benefit from the freedom of reception and retransmission laid down in Article 3 of the AVMSD. Hence, AVMS providers currently under the jurisdiction of the UK authorities would fall under the jurisdiction of one of the EU-27 member states in the quality of 'third country'. Despite this, after Brexit, audiovisual works originated in the UK would still be considered European works since the definition laid down in Article 1(n) AVMSD includes works originating in European third states party to the European Convention on Transfrontier Television, as is the UK.

Portability

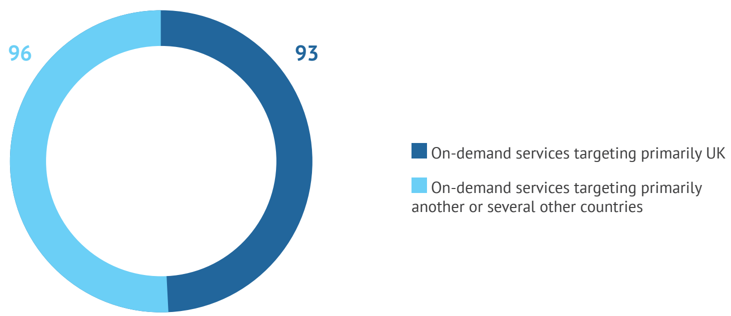
Persons residing in the UK will no longer benefit from their digital content subscriptions when travelling to the EU; and a provider of online content services established in the UK will need to comply with the rules of the relevant EU member state or states where it wishes to offer services to its subscribers.

→ TV channels established in the UK | end 2017 *- In number of channels*



Source: European Audiovisual Observatory

→ On-demand services established in the UK | end 2017 *- In number of services*



Source: European Audiovisual Observatory

5

PLAYERS

5.1 Main TV players in Europe: A US-led consolidation

Analysis of the list of the top 100 groups active in Europe by audiovisual revenues faces several methodological issues. Particular challenges include identification of the exact share of audiovisual revenues of the large telecommunications and cable companies, of the split between broadcasting and distribution activities or, even more difficult, of the share of the US groups' revenues generated in Europe. Still, it provides useful insights into the structure of the audiovisual industry in Europe.

Revenues of top 100 groups are growing faster than the market

With a 4.3% average annual revenue growth rate between 2012 and 2017, the top 100 major European groups grew faster than the audiovisual services market (2.6%) as a whole. The average annual growth rate (4.9%) was even higher for the top 10 groups (Sky, RTL Group, ARD, BBC, Groupe Canal Plus, ProSiebenSat.1, Gruppo Mediaset, ITV, Netflix International B.V. and France Télévisions).

Two main factors account for this trend:

• A concentration process (e.g. the merger of Sky in the United Kingdom, Italy and Germany, the acquisition of Eurosport by Discovery, and the consolidation process in the cable industry or in TV production).

• The surge of SVOD players as main players of the European audiovisual scene. Based on estimates, Netflix is the 9th biggest audiovisual group active in Europe in terms of revenues, and Amazon ranks 18th.

Public broadcasters: Still a majority among top 100 players, but with decreasing revenues

As the consolidation process is being driven by private broadcasters, the weight of public broadcasters among the top 100 players is decreasing: in 2017, 57 out of the leading 100 audiovisual groups were public organisations, but with only a 38% share of the cumulated revenues, down from 47% in 2012.

US-based groups more heavily involved in the European market

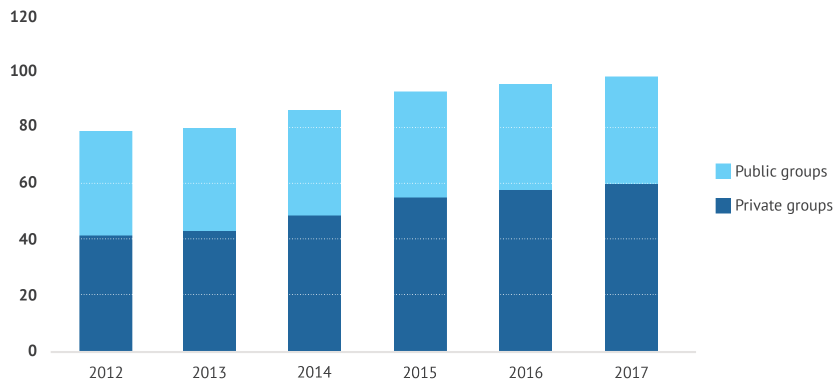
Pro-forma 2017 figures, taking into account the pending acquisition of Sky by Comcast, show that 26% of the revenues of the top 100 main audiovisual groups active in Europe were generated by US-based groups. Excluding public broadcasters, the proportion rises to 41%. Beyond Sky/Comcast, the top US players active in Europe include Netflix, Discovery Communications, Amazon, Viacom, Qurate, 21st Century Fox, and the AT&T media division[1].

Top Europe-based groups with over EUR 1 billion revenues in 2017 were from: Germany (RTL Group, ARD, ProSiebenSat.1, ZDF), France (Groupe Canal Plus, France Télévisions, Groupe TF1), the United Kingdom (BBC, ITV, Channel 4), Italy (Gruppo Mediaset, RAI), Spain (Telefonica Audiovisual, PRISA), Sweden (Nordic Entertainment), Switzerland (SSR-SRG) and Austria (ORF).

Only nine Europe-based groups made it into the worldwide top 50 (Canal Plus/Vivendi; RTL Group; ARD; BBC; ProSiebenSat.1; Gruppo Mediaset; ITV; France Télévisions and RAI).

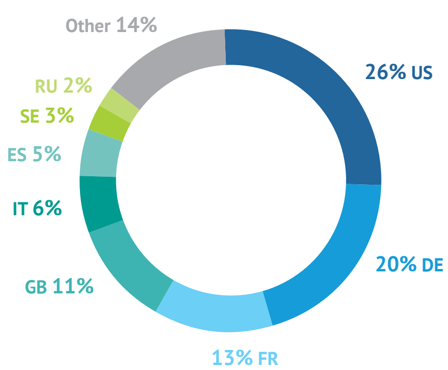
1 No specific data on European activities is available for the Walt Disney Company.

→ Audiovisual revenues of the top 100 companies active in Europe | 2012-2017 *- In EUR billion*



Source: European Audiovisual Observatory analysis of EBU/MIS, Amadeus and company reports data

→ Breakdown of the revenues of the top 100 audiovisual groups active in Europe by country of origin | 2017 *- In %*



Source: European Audiovisual Observatory analysis of EBU/MIS, Amadeus and company reports data

5.2 Public broadcasters: Global competition and new alliances

The multi-billion content production budgets of the likes of Amazon and Netflix and their increased investments in local content paired with the EU's forthcoming video content quota for local productions are set to reshape the European audiovisual industry. Increased global competition by larger international players is prompting local networks to increase original content production, including public service broadcasters (PSBs), which are seeing diminishing financial resources. This has urged national and regional PSBs across Europe to pool resources and collaborate, both in terms of content production and platform. Further, it has stimulated alliances between public and commercial players, all in a bid to staying relevant and compete with dominant video on demand services.

Pressure on public service broadcaster revenues

In 2017, the total operating revenues of PSBs in 38 European Audiovisual Observatory (EAO) countries, for which data was available, were EUR 35.47 billion. The EU-28 organisations accounted for 92% of this total income (i.e. EUR 32.58 billion). PSB revenues decreased on average by -1% in the EU-28 member states (i.e. a loss of EUR 342.09 million) and by -1.1% in the EAO countries (i.e. a loss of EUR 377.55 million) in 2017 compared to the previous year. Excluding Germany, which has by far the most well-funded television public service, the annual decrease was -1.3%, both in the EU-28 and in the EAO markets. A total of 38% of PSBs in the EAO countries and 29% in the EU suffered budget cuts from 2016 to 2017. Those in "the former Yugoslav Republic of Macedonia", Estonia, Romania, Italy and Montenegro experienced the most significant declines in annual revenues.

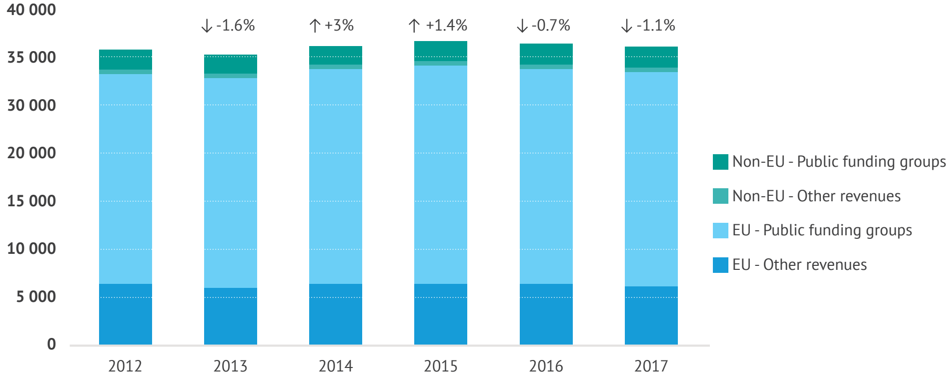
PSB revenues varied strongly between countries, not only in absolute terms, but also per household: For example, the per-inhabitant revenue of SSR-SRG (Switzerland) was EUR 170.6 in 2017, closely followed by Iceland's RÚV (EUR 162.7) and Denmark's DR (EUR 161.1). This compared to EUR 0.7 in Morocco, EUR 4.0 in Georgia and EUR 9.1 in Romania, the latter holding the lowest EU rate for per-inhabitant revenue.

Both pressure on public funding and the advertising crisis explain this stagnation (a downward trend in real terms), as PSBs generally rely on these two resources, although in varying proportions: on average in the European Union, public funding accounted for 78.3% of PSB resources in 2017 (78.8% in the 38 EAO countries) but the share varied between more than 95% in Finland, Greece, Estonia, Luxembourg, Sweden and Norway, and less than 50% in Poland and Malta.

Different trends in viewing shares

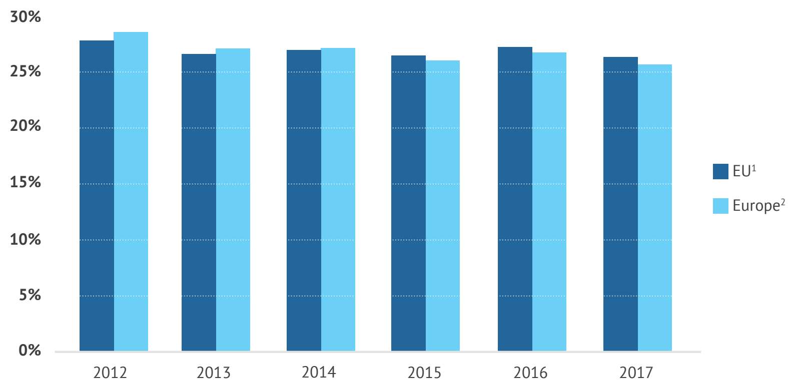
Differences in levels of funding constitute one key factor explaining why European PSB audience shares range from below 5% to more than 70%. Irrespective of audience share, though, PSBs, just like their commercial competitors, face increasing audience fragmentation due to the multiplication of digital television channels. Most of them have reacted by expanding their channel portfolio. However, their audience share has generally decreased since 2012, with notable exceptions: Denmark, Turkey, Germany, the French Community of Belgium and Slovakia. Changing audience tastes fostered by increased consumption of video content on streaming platforms may pose an additional challenge to the preservation of viewing share.

➜ Revenues of public service broadcasters in Europe | 2012-2017 *- In EUR million*



Source: European Audiovisual Observatory analysis of EBU/MIS and company reports data.
Note: Non-EU includes Albania, Bosnia and Herzegovina, Switzerland, Georgia, Iceland, Montenegro, "the former Yugoslav Republic of Macedonia", Norway and Turkey.

➜ Average market share of public service broadcasters in Europe | 2012-2017 *- In %*



1 No data available for Malta; there is no public service media in Luxembourg.
2 Europe includes the EU, Armenia, Bosnia and Herzegovina, Switzerland, Georgia, Iceland, "the former Yugoslav Republic of Macedonia", Norway and Turkey.

Source: European Audiovisual Observatory analysis of Médiamétrie Eurodata TV data

5.3 The blurred boundaries of online video sharing

From specialised platforms to social networks

Video-sharing platforms (YouTube, Vimeo, Dailymotion) were the principal services allowing Internet users to make their videos available to a user community. More recently, social networks have either added the possibility of sharing videos (Facebook, Snapchat, Instagram) or have been specifically created for video sharing (Periscope, BIGO, Live.me, Twitch).

The two categories of service remain quite different from one another as far as their main purpose is concerned. However, they may to some extent be considered as operating on the same market, even if they are also characterised by diversity. Diversity of: the content provision models; the content provided; the origin of the content; the user-funded content models, and the rightsholders remuneration models.

Video-sharing is often only one of the audiovisual activities performed by operators, so it may simply support the main activity of each of these players.

A new generation of producers and the polarisation of content

Video-sharing platforms encourage the emergence of creators evolving from semi-amateurs into professionals. Together, they develop low-cost productions that generally succeed in attracting part of the traditional audience, especially among the younger generations.

For media groups, video platforms may be a tool to promote their own programmes. They may also constitute a further exhibition window for programmes that have attained the end of their exploitation cycle. Platforms also try to encourage these groups to invest in the production of original programmes, and thus to take on the pre-funding costs.

Rather than entering into head-on competition with audiovisual media services, it appears that video-sharing platforms' strategy is based more on the 'Uberisation' of video distribution. To some extent, video-sharing platforms are seeking to bring together content providers, consumers and advertisers with distribution solutions aimed at individual creators, producers and media groups.

Ultimately, a sharply contrasting situation could emerge squaring off high-end programmes reserved for TV channels or SVOD services, against low-cost content available online.

Widespread use and a significant amount of time spent by young people

Video sharing is one of the services contributing to the general growth of on-demand services and therefore to the stagnation of or, indeed, decrease in linear TV viewing time.

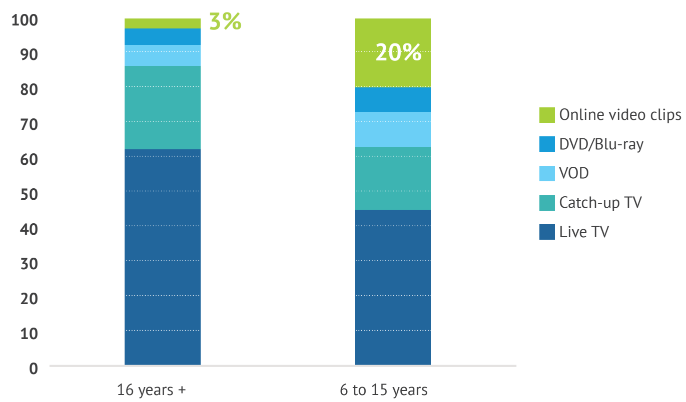
However, the amount of time spent watching content available on video-sharing platforms is still relatively low, except for children and teenagers aged five to 16, for whom it accounts for 19.6% of total video time and 35.8% of delinearised video time.

Advertising as the dominant economic model

Video-sharing platforms are mainly financed by advertising. Revenues may be indirect (general contribution to the traffic of a social network) or directly linked to the insertion of pre-roll, mid-roll, or post-roll advertisements.

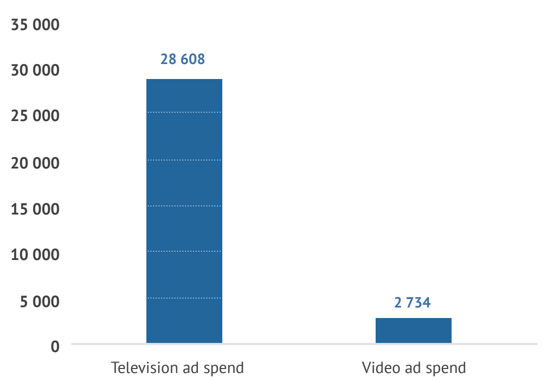
Internet video advertising may constitute a credible alternative for advertisers to TV commercials. In the European Union, online video advertising still only accounts for about 10% of TV advertising revenues, but the growth rate is much higher: 21.4% between 2015 and 2016, compared with 2% for TV advertising and 11% for online advertising as a whole.

→ Proportion of time spent watching in the UK | 2018 - *In % and by age*



Source: OFCOM / Digital Day

→ Video ad spend and TV ad spend in 20 EU-countries | 2016 - *In EUR million*



Source: IAB/IHS Adex Benchmark 2016 for video ad spend, Warc for TV ad spend

Free access

4 Databases

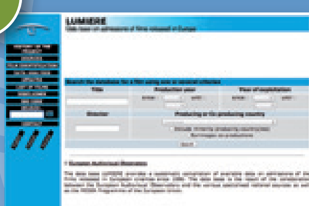
1

MAVISE

Database on television and audiovisual services and companies in Europe
More than 13 000 television channels, 3 000 on-demand audiovisual services and 9 000 companies.

http://mavise.obs.coe.int/

2

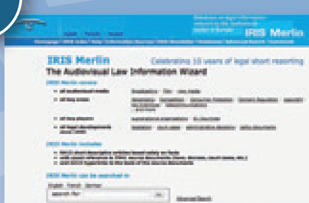


LUMIERE

Database on film admissions in Europe
More than 50 000 films, including co-productions.

http://lumiere.obs.coe.int

3



IRIS MERLIN

Database on legal issues of the audiovisual industry in Europe
More than 8 300 articles and references to 9 998 source documents.

http://merlin.obs.coe.int

4

AVMS

Database on the transposition of the AVMS Directive into national legislation
More than 2 300 articles covering the 28 member states of the EU.

http://avmsd.obs.coe.int

European Audiovisual Observatory

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European Audiovisual Observatory

Set up in December 1992, the European Audiovisual Observatory's mission is to gather and distribute information on the audiovisual industry in Europe. The Observatory is a European public service body comprised of 41 member states and the European Union, represented by the European Commission. It operates within the legal framework of the Council of Europe and works alongside a number of partners and professional organisations from within the industry and with a network of correspondents.

Major activities of the Observatory are

• the online-Yearbook, the online service for data and analysis on television, cinema, VOD and home video in 40 countries
www.yearbook.obs.coe.int

• the publication of newsletters and reports
www.obs.coe.int/publications

• the provision of information through the Observatory's Internet site
www.obs.coe.int

• contributions to conferences
www.obs.coe.int/events

The Observatory also makes available free online databases:

LUMIERE
Database on admissions to films released in Europe
www.lumiere.obs.coe.int

MAVISE
Database on TV and on-demand audiovisual services and companies in Europe
www.mavise.obs.coe.int

IRIS Merlin
Database on legal information relevant to the audiovisual sector in Europe
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