



**Press release  
European Audiovisual Observatory  
12.09.2005**

**IMPROVEMENT OF THE ECONOMIC SITUATION OF  
EUROPEAN TELEVISION COMPANIES  
BUT THE BRANCH AS A WHOLE REMAINS IN DEFICIT**

The European Audiovisual Observatory has just published the first volume of the 2005 edition of its *Yearbook – Film, television, video and multimedia in Europe*. This volume presents a detailed economic analysis of television companies throughout Europe.

- After the 2001-2002 period, when huge losses were recorded, the overall situation of television companies in the 25 European Union member states improved in 2003 and 2004.
- TV company revenue rose by EUR 10 billion between 1999 and 2003, reaching EUR 64.5 billion in 2003, an average annual increase of 4.4%.
- The sector as a whole achieved a small but positive profit margin in 2003 (0.4% compared to -5.7% in 2001 and -3.7% in 2002), although the net deficit remains considerable: EUR 2.4 billion compared to EUR 4.7 billion in 2001 and EUR 3.1 billion in 2002.

The European Audiovisual Observatory analysed the annual accounts and balance sheets of around 550 television companies for the years 1999-2003. There are not yet enough figures available for 2004 to carry out a similar analysis for that year, although all the indications are that the financial recovery of this sector continued.

***Growth rates vary from country to country***

The United Kingdom is by far the country with the largest TV company revenue: EUR 17.3 billion in 2003, compared to EUR 13.6 billion in Germany, EUR 10.5 billion in France and EUR 7.6 billion in Italy. This is due to the high level of funding of public service television, the advanced development of digital television and the number of channels available, but also to the fact that many pan-European broadcasting companies are based in Great Britain.

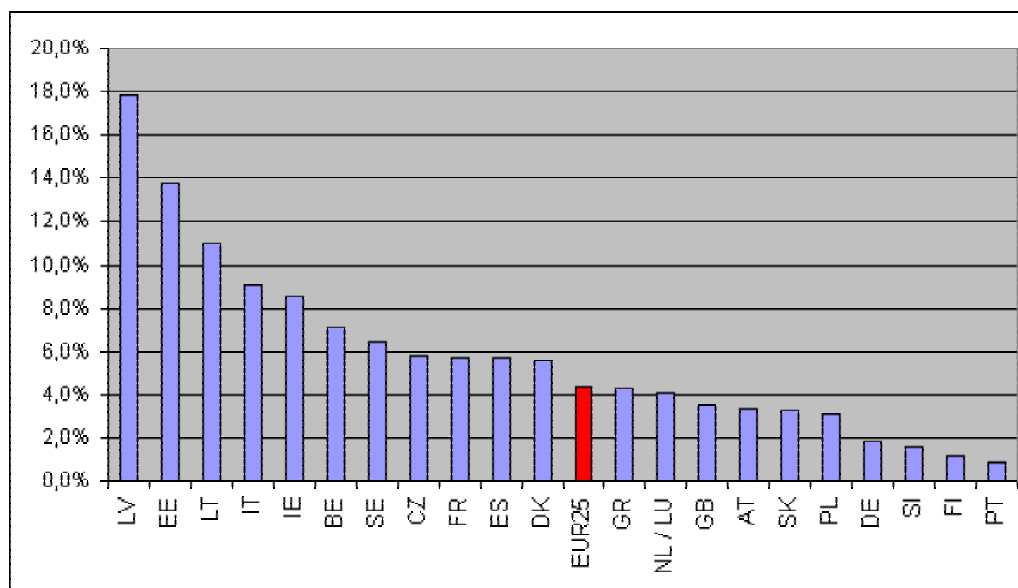
The yearly average growth of 4.4% is fairly disappointing compared to the two-figure growth rates enjoyed by the sector in the 1980s and 1990s (it was still 10% in 2000). The poorest growth figure was recorded in 2002 (0.4%), although it rose to 3.2% in 2003. Of the larger countries, only France achieved average growth higher than the European average (5.7%), although the growth stimulated at the start of the decade by the increasing importance of thematic packages and channels is, in France as elsewhere, beginning to tail off. Germany suffered a 1.6% drop in 2003, mainly due to a recession in the advertising market. The apparent slump in the British and Polish markets is actually due to the conversion of figures into euros. The revenue of British companies rose from GBP 10.8 billion in 2001 to GBP 12.2 billion in 2003. In the national currency, the Polish market remained quite stable at around PLN 4.1 billion between 2001 and 2003.

Operating revenue of European Union television companies (1999-2003) - EUR thousand

	1999	2000	2001	2002	2003
Great Britain	15 077 283	16 635 532	17 877 253	17 225 398	17 268 269
Germany	12 626 897	13 526 700	13 772 000	13 806 111	13 583 899
France	8 415 658	9 361 000	9 686 000	10 020 131	10 507 285
Italy	5 349 582	5 992 117	6 129 108	6 313 221	7 580 650
Spain	3 824 581	4 304 234	4 457 549	4 497 706	4 777 624
Netherlands/ Luxemburg	1 768 489	1 880 000	2 016 000	2 092 274	2 075 105
Sweden	1 011 630	1 069 791	1 080 744	1 205 736	1 300 418
Belgium	968 771	1 076 217	1 097 110	1 185 208	1 273 124
Austria	857 349	944 499	928 860	930 151	979 398
Greece	760 209	881 833	866 933	909 475	898 941
Denmark	715 084	793 849	823 052	856 687	888 700
Poland	763 004	986 292	1 151 026	1 023 188	862 386
Finland	554 121	580 160	581 059	578 182	581 091
Portugal	401 237	428 320	426 625	389 518	415 780
Czech Republic	283 759	284 026	312 879	330 769	354 891
Ireland	250 973	263 646	278 846	313 778	348 468
Hungary	207 721	244 676	276 068	305 737	n.c.
Slovenia	126 492	135 149	144 373	141 181	134 890
Slovakia	68 668	69 436	78 474	74 396	78 035
Lithuania	21 169	23 657	28 107	30 208	32 134
Latvia	14 383	21 979	22 118	21 015	27 711
Estonia	15 944	16 011	15 828	22 852	26 734
Malta	8 812	9 078	8 729	8 179	7 908
Cyprus	n.c.	n.c.	n.c.	n.c.	n.c.
<b>EUR 25</b>	<b>54 093 815</b>	<b>59 530 202</b>	<b>62 060 742</b>	<b>62 283 103</b>	<b>64 292 515</b>

Source : European Audiovisual Observatory

**Yearly average growth of television companies in the European Union (EUR 25 - 1999-2003)**  
In %.



Source: European Audiovisual Observatory

**Operating revenue of the different categories of television company in the European Union (1999-2003)**  
*EUR thousand*

	1999	2000	2001	2002	2003
Public broadcasters	25 188 375	26 068 185	27 171 695	27 357 839	27 440 565
Private advertising TV companies	17 272 044	19 479 894	19 001 825	18 220 058	18 292 527
Pay TV premium companies	3 156 856	3 343 030	3 641 581	3 698 639	3 332 345
TV packagers	5 153 822	6 724 909	7 646 472	8 221 956	10 274 679
Thematic channels	2 290 292	2 732 000	3 247 638	3 374 132	3 405 301
Home shopping companies	1 152 060	1 324 325	1 465 000	1 659 117	1 782 814
<b>Total</b>	<b>54 213 449</b>	<b>59 672 343</b>	<b>62 174 211</b>	<b>62 531 741</b>	<b>64 528 231</b>

Source: European Audiovisual Observatory

**Rate of growth of the different categories of television company in the European Union (EUR 25 - 1999-2003)**

	2000/1999	2001/2000	2002/2001	2003/2002
Public broadcasters	3.5%	4.2%	0.7%	0.3%
Private advertising TV companies	12.8%	-2.5%	-4.1%	0.4%
Pay TV premium companies	5.9%	8.9%	1.6%	-9.9%
TV packagers	30.5%	13.7%	7.5%	25.0%
Thematic channels	19.3%	18.9%	3.9%	0.9%
Home shopping companies	15.0%	10.6%	13.3%	7.5%
<b>Total</b>	<b>10.1%</b>	<b>4.2%</b>	<b>0.6%</b>	<b>3.2%</b>

Source: European Audiovisual Observatory

***A clear improvement in the financial situation as a whole, but very varied results according to country***

On the whole, the financial situation of the television sector in the European Union improved markedly in 2003 and the first figures available for 2004 tend to confirm this pattern. There are three main reasons for this:

- Following the general recession of the European economy in 2001, which was particularly evident in a drop in advertising investment, the economy began to grow again and advertising revenue increased in most countries (with the notable exception of Germany). Furthermore, digital television packagers (following the spectacular bankruptcies of ITV Digital in the United Kingdom and Quiero in Spain and the mergers between satellite platforms in Germany, Spain, Italy and Poland) are gradually reaching break-even point;
- Operating costs have fallen, leading to a considerable improvement in operating margins, which rose from -3.8% in 2001 to 0.5% in 2003. The Observatory does not have sufficient information to analyse this reduction in operating costs in any detail. However, it can be assumed that the merger of digital platforms in several countries has reduced programme acquisition costs. Moreover, despite a few gaps, the Observatory has been able to analyse in detail permanent employment in European Union television companies: the total number of employees rose from 189 800 in 1999 to 196 600 in 2003 (+ 3.6%), reaching a peak of 198 400 in 2001 before dropping by 1 800 in the space of two following years;<sup>1</sup>
- The financial operations deficit was cut from EUR 1.4 billion in 1999 to EUR 120 million in 2003.<sup>2</sup>

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<sup>1</sup> It should be noted that the analysis of permanent employment includes local and small regional television channels which are not taken into account elsewhere.

<sup>2</sup> It should be noted, however, that the continuation of a largely negative net result at a time when pre-tax results have become positive is the result of an increase in the deficit linked to extraordinary operations, which are always difficult to analyse where television companies are concerned.

## Profit margins of national television systems in the European Union (1999-2003)

In %

	1999	2000	2001	2002	2003
Denmark	-2.0	1.1	1.3	-0.8	10.4
France	3.2	5.9	6.7	5.7	5.4
Sweden	-4.4	-3.0	-9.2	-4.1	4.4
Estonia	-53	-31.1	-18.5	0.3	4.1
Great Britain	1.3	-2.8	-7.9	-3.7	3.3
Germany	1.1	0.9	-3.0	2.4	2.2
Ireland	37.59	-5.38	-16.32	-7.39	0.30
Belgium	0.6	3.8	-0.1	-0.3	-1.7
Poland	-10.5	-18.1	-18.3	-42.3	-1.2
Austria	1.9	-2.4	-1.3	-5.1	-3.7
Netherlands	0.2	1.6	-7.2	-5.4	n.a.
Italy	-4.2	-7.2	-12.1	-10.6	-6.9
Greece	1.9	-0.5	-2.4	-5.2	-7.2
Finland	-7.9	-9.8	-29.3	-21.9	-11.3
Spain	-13.8	-16.2	-24.1	-23.6	-15.4
Portugal	-20.9	-30.0	-70.5	-57.6	-17.5

Source: European Audiovisual Observatory

### *Digital packagers lead the way*

The digital television packagers category, with an average annual growth rate of 18.8%, has contributed most to the growth of the market. This growth was particularly strong at the start of the period under consideration (30.5%), fell away in 2002 (7.5%) and increased again in 2003 (25%). However, it is expected to drop again in 2004 (between 3 and 4%), now that the impact of the launch of Sky Italia has worn off. According to available data on the results of four companies in 2004, this group of operators should nevertheless, for the first time, achieve a profit margin of around 6% compared to -4.5% in 2003. However, the development of a free multi-channel service via digital terrestrial television could curb the growth of digital pay-TV platforms in the coming years.

## Profit margins of the different categories of television company in the European Union (1999-2003)

In %

	1999	2000	2001	2002	2003
Public broadcasters	-1.5	-2.7	-2.7	-4.6	-1.5
Private advertising TV companies	15.2	18.0	9.6	7.2	10.2
Pay TV premium companies	-0.1	-3.9	-2.6	-1.7	4.5
TV packagers	-45.4	-49.7	-49.5	-22.8	-9.6
Thematic channels	-6.1	-12.2	-19.7	-10.1	-10.8
Home shopping companies	0.1	-5.5	-8.4	-5.6	-0.9
<b>Total</b>	<b>-0.5</b>	<b>-1.8</b>	<b>-5.7</b>	<b>-3.7</b>	<b>0.4</b>

Source: European Audiovisual Observatory

To obtain a press copy of volume 1 of  
***The Yearbook 2005 – Film, television, video and multimedia in Europe, 11th edition***  
***Volume 1 – The Economy of the Radio and Television Industry in Europe***  
Trilingual edition (English, French, German)  
ISBN 92-871-5784-7, 85 €

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Set up in December 1992, the European Audiovisual Observatory's goal is to gather and diffuse information on the audiovisual industry in Europe. The Observatory is a European public service body comprised of 35 member states and the European Community, represented by the European Commission. It operates as a partial agreement of the Council of Europe and works alongside a number of partner and professional organisations from within the industry, together with a Europe-wide network of correspondents. In addition to contributions to conferences, other major activities are the publication of a Yearbook, a newsletter and reports, the management of the LUMIERE, KORDA and IRIS MERLIN databases, and the provision of information through the Observatory's Internet site: (<http://www.obs.coe.int/>).

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