

MARKET ANALYSIS OF THE CULTURAL AND CREATIVE SECTORS IN EUROPE

A sector to invest in

EXECUTIVE SUMMARY (1/2)

The CCS represents a key market for the EU in terms of size, employment, value added and turnover

The CCS experienced overall positive growth in terms of the number of companies (+4.3%) in most EU countries during the period 2008-2016. CCS companies play an important role in the majority of European economies as their share reaches at least 10% in most countries of total companies in the business services sector. The majority of CCS sub-sectors has seen an increase in the number of companies in past years reaching a total of 2.45 million companies in 2016. Overall, employment in CCS, which reached 6.7 million employees in 2016 has grown since 2008 with some sub-sectors seeing significant growth rates such as *Audio-visual & Multimedia* activities.

The value added in *Audio-visual and Multimedia* has seen a tremendous growth over the past years. Activities related to the Publishing of computer games have seen compound average growth of more than 25% in terms of total gross value added over the period 2008-2016.

The CCS' economic weight is comparable to that of *ICT* and the *Accommodation and food services sectors* yielding more than 4% of EU GDP. Furthermore, the surplus in the EU trade balance for cultural goods indicates an increased demand for EU cultural goods.

In terms of business resilience, CCS companies in most sub-sectors outperform the benchmark survival rates of service enterprises in the EU and perform well compared to other sectors such as *ICT*.

P. 5-20

The digital entertainment market shows constant growth rates in the EU and at global level

The global game market is growing rapidly due to the expansion of new technologies. In particular revenues of mobile games, music, AV, OTT, design and craft services are expected to grow considerably in the coming years as well as cultural tourism. The EU entertainment software industry has seen a constant growth of yearly revenues. *EBITDA* margins outperform those of the EU Software and *ICT* services industry reaching margins of up to 29.8% in 2015.

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EXECUTIVE SUMMARY (2/2)

CCS value chains are focused on content creation and delivery as well as rights management

FIs need to have knowledge of the value chains of CCS sub-sectors when making investment decisions as key actors and activities vary significantly. Intellectual property rights (IPR) are at the core of CCS value chains through the creative process of content creation
Additionally, the value chains are affected by digitalisation, which may present new business opportunities (e.g. new subscription models for music producers via streaming services)

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CCS funding needs depend on the positioning on the value chain and stem from various sources

The funding mix of many CCS companies relies predominantly on own resources and public support
With the exception of audio-visual production, CCS SMEs use short-term loans with small amounts. These loans are mainly project-led and less driven by long-term development objectives of CCS companies
The financing needs of CCS SMEs depend on their positioning on the value chain of the different CCS sub-sectors

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CCS access-to-finance is often limited but may be facilitated through a tailored risk assessment approach and supported by the CCS Loan Guarantee Facility

CCS' access to finance through banks is hindered by low levels of mutual understanding combined with complex business models and specific risk factors. To mitigate these risks Financial Intermediaries should:

- Apply a CCS specific tailored risk assessment process
- Make use of the CCS Loan Guarantee Facility, which can help financial intermediaries to share CCS specific risks and turn CCS projects into bankable ventures

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Trends in CCS indicate strong growth in the audio-visual and multimedia sub-sector

Within the context of the financial crisis and globalisation the digital shift opens ways for new funding streams. For instance as regards the audio-visual and multimedia sector, the subscription model is replacing the traditional ownership model, giving CCS companies new growth opportunities. This is shown by strong growth forecast for entertainment and media in the areas of virtual reality (VR) and OTT

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CULTURAL AND CREATIVE SECTORS ARE A DRIVER OF CREATIVITY AND INNOVATION, THE MAIN SOURCE OF THE CREATIVE ECONOMY.

Cultural Activities

Correspond to “those activities, whether ending in themselves or contributing to the production of cultural goods and services, which embody or convey cultural expressions, irrespective of the commercial value they may have” (UNESCO) AND/OR “industries producing and distributing goods or services that, at the time they are developed, are considered to have a specific attribute, use or purpose that embodies or conveys cultural expressions, irrespective of the commercial value they may have. Besides the traditional arts sectors, they include film, DVD and video, television and radio, video games, new media, music, books and press (EC 183/2010)

Creative Industries

Correspond to “those industries that use culture as an input and have a cultural dimension, although their outputs are mainly functional. They include architecture and design, which integrate creative elements into wider processes, as well as sub-sectors such as graphic design, fashion design, or advertising” (EC 183/2010)

Cultural and Creative Sectors (CCS)

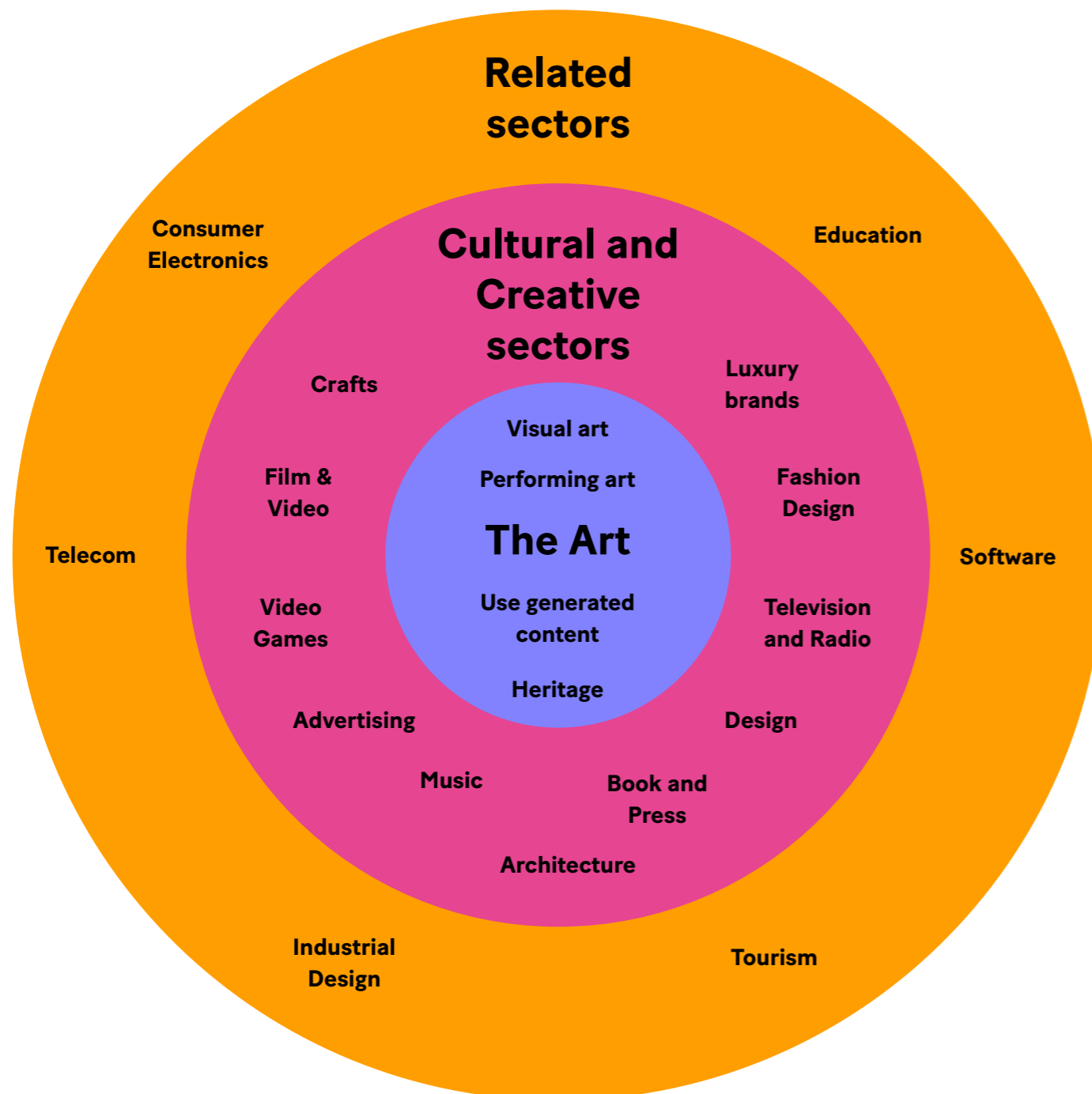
CCS means all cultural and creative sectors whose activities are based on cultural values and/or artistic and other creative expressions, whether those activities are market- or non-market-oriented, whatever the type of structure that carries them out, and irrespective of how that structure is financed. Those activities include the development, the creation, the production, the dissemination and the preservation of goods and services which embody cultural, artistic or other creative expressions, as well as related functions such as education or management. The cultural and creative sectors include inter alia architecture, archives, libraries and museums, artistic crafts, audio-visual (including film, television, video games and multimedia), tangible and intangible cultural heritage, design, festivals, music, literature, performing arts, publishing, radio and visual arts (EIF)

Sub-sectors

Description

Heritage, Archives and Libraries	<ul style="list-style-type: none"> ● Library and archives activities ● Museums activities ● Operation of historical sites and buildings
Books and Press	<ul style="list-style-type: none"> ● Books', newspapers' and journals' publishing activities and retail sales in specialised stores
Visual arts	<ul style="list-style-type: none"> ● Artistic creation ● Photographic activities ● Specialised design activities
Architecture	<ul style="list-style-type: none"> ● Architectural activities (advisory, technical consultancy, design and planning)
Performing arts	<ul style="list-style-type: none"> ● Operation of arts facilities ● Performing arts and its support activities
Audio-Visual and Multimedia	<ul style="list-style-type: none"> ● Production, recording and distribution of motion picture, video and music ● Radio and TV broadcasting ● Publishing of computer/video games
Education & Memberships	<ul style="list-style-type: none"> ● Tertiary education ● Cultural education ● Activities of professional membership organisations ● Activities of other membership organisations
Other cultural and creative sectors activities	<ul style="list-style-type: none"> ● Wholesale of musical instruments ● Retail activities of auctioning houses ● Renting of jewellery, musical instruments, scenery and costumes ● Repair of books, musical instruments

ARTISTIC AND CREATIVE EXPRESSIONS ARE AT THE HEART OF CCS. THIS CREATION NOURISHES CCS AS WELL AS A WIDE RANGE OF INDUSTRIES DEPENDENT ON CREATIVE OR CULTURAL RESOURCES



Key Observations

The content creation process lies at the heart of the CCS i.e. the artistic process

The created content provides input for both the cultural as well as the creative sub-sectors of the CCS market

However, beyond the classical CCS sub-sectors, the artistic content created has an impact on a wide range of industries that depend on the creative output stemming from CCS:

- **Consumer electronics** e.g. TV, Tuners, DVD
- **Telecom services** and hardware e.g. smartphones, computers
- **Industrial design**
- **Tourism** e.g. Cultural heritage, historical sites, recreation parks
- **Software**
- **Education** e.g. cultural and tertiary education

THE EUROPEAN CCS ARE RENOWNED ON A GLOBAL SCALE AND RANK AMONG THE TOP PERFORMERS

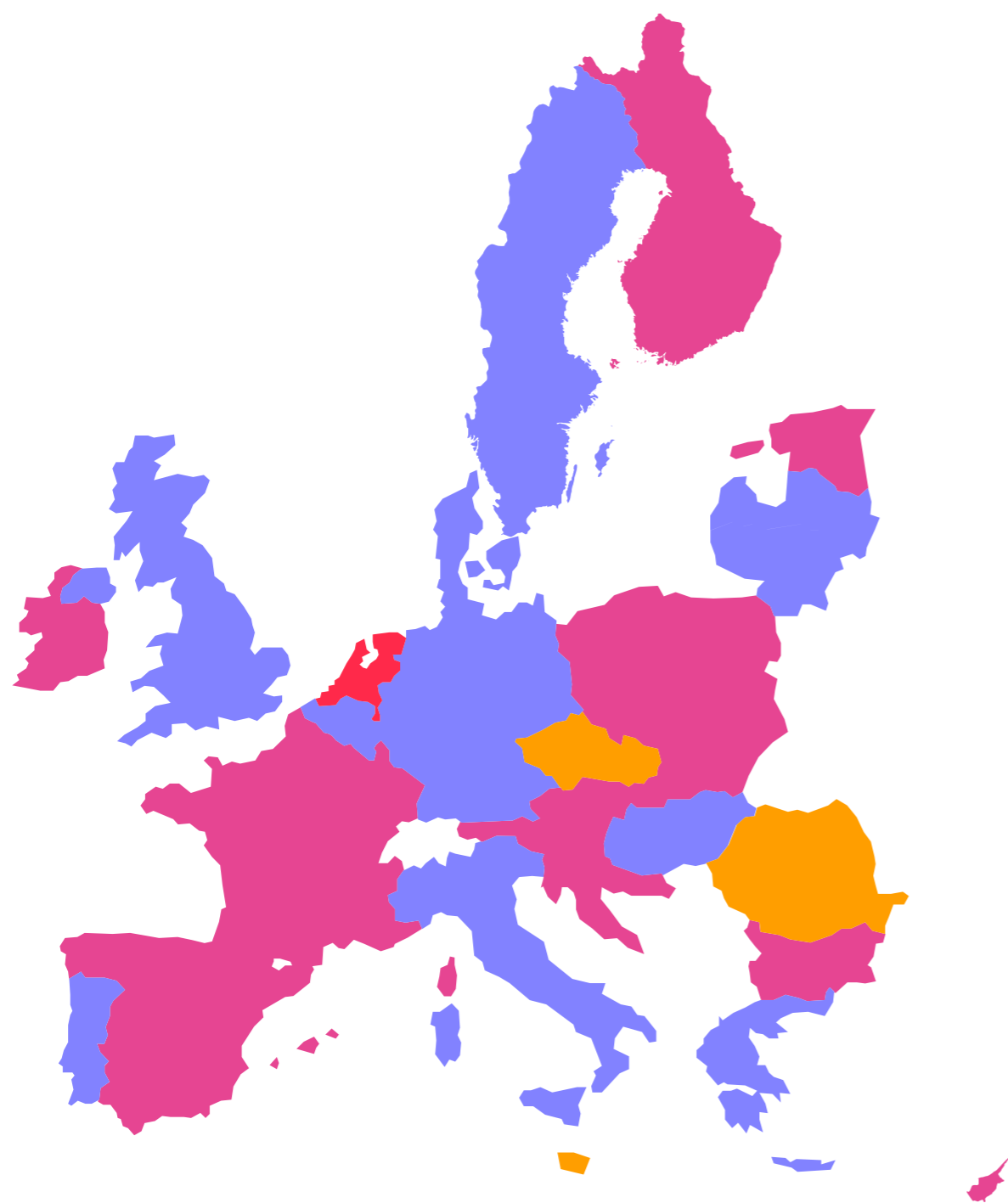


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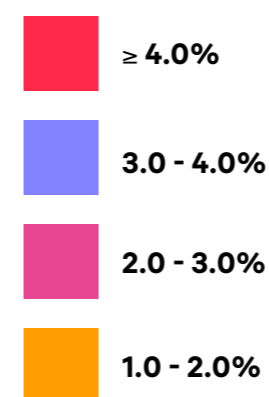
Key observations about the European CCS:

- European CCS companies count among the **leading world brands** e.g. Universal, Bertelsmann, Pearson, LVMH, Gucci, Sotheby's, Rovio, Pathé, Nordisk, Spotify, KING, Supercell and many more
- European CCS activities achieve a **significant market share**: TV programme, Animation, Film, Music, Publishing, Art market, Fashion (international and local market)
- Europe hosts a **thriving, agile and highly creative independent** sector e.g. film, music, publishing, games
- Europe is renowned for **excellence in Arts management and Live Events** e.g. Museums/ Festivals/Events
- European festivals and international trade fairs are amongst the largest in the world e.g. Frankfurt Book Fair, Cologne "Gamescom", "Sonar" Barcelona, Cannes (Midem/MIPTV/ Film Market), "Art" Basel, Salone Mobile/ Milano, Sziget
- European **Art and Design schools rank among the best in the world** e.g. Royal College of Art (UK), Aalto (FI), Politecnico di Milano (IT)
- Europe is home to a **great number of heritage and gastronomic sites/tourism sites** (most visited sites) – 50% of UNESCO sites

THE CCS REPRESENTS A KEY MARKET FOR THE EU IN TERMS OF SIZE, EMPLOYMENT AND VALUE ADDED



CCS SHARE OF EMPLOYMENT OUT OF TOTAL EMPLOYMENT*



Key Observations

In 2016:

- The CCS represents more than 6.7 million employees in the EU
- The CCS accounts for 2.45 million companies
- Total value added amounts to EUR 290 billion
- CCS employment represents:
 - ≥ 4.0 % of total employment in 1 country
 - 3.0 – 4.0% of total employment in 11 countries
 - 2.0 – 3.0% of total employment in 13 countries
 - 1.0 – 2.0% of total employment in 3 countries

*Source Eurostat, data for 2015

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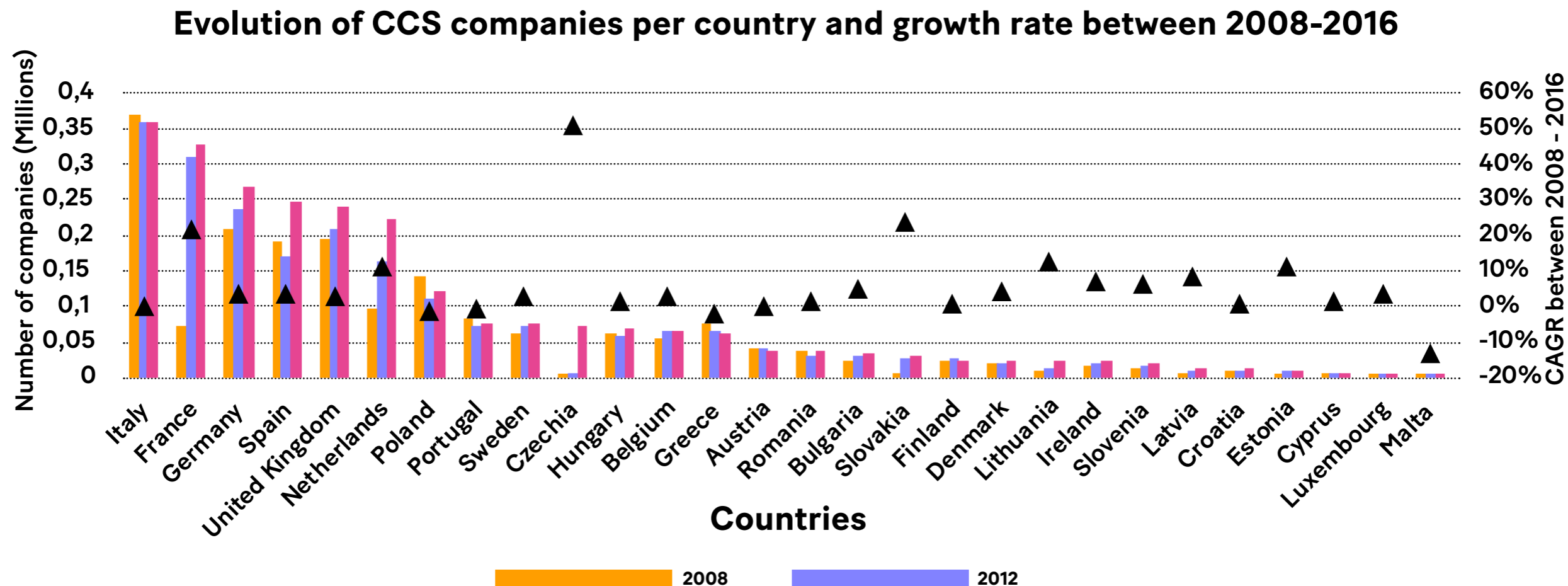
THE CCS' ECONOMIC WEIGHT IS COMPARABLE TO THAT OF ICT AND THE ACCOMMODATION AND FOOD SERVICES SECTORS

Criteria	ICT	Accommodation and food services	CCS
Percentage of EU GDP ⁽²⁰¹⁵⁾	4% ⁽²⁰¹⁵⁾	4% ⁽²⁰¹⁵⁾	4.2% ⁽²⁰¹⁴⁾
Value added	EUR 570 billion ⁽²⁰¹⁵⁾	EUR 252.9 billion ⁽²⁰¹⁵⁾	EUR 290 billion ⁽²⁰¹⁶⁾
Employment	6.3 million ⁽²⁰¹⁵⁾	11.1 million ⁽²⁰¹⁵⁾	6.7 million ⁽²⁰¹⁶⁾
Number of companies	1.1 million ⁽²⁰¹⁵⁾	1.9 million ⁽²⁰¹⁵⁾	2.45 million ⁽²⁰¹⁶⁾
Average company size (Employment /Number of companies)	5.73 employees per company ⁽²⁰¹⁵⁾	5.84 employees per company ⁽²⁰¹⁵⁾	2.7 employees per company ⁽²⁰¹⁶⁾

Key Observations

- CCS' contribution to GDP is similar to the sectors of ICT and Accommodation and food services
- CCS generates a higher level of value added than the Accommodation and food services sector
- The number of companies in CCS exceeds those in ICT and Accommodation and food services

THE CCS EXPERIENCED OVERALL POSITIVE GROWTH IN TERMS OF THE NUMBER OF COMPANIES IN MOST EU COUNTRIES



Key Observations

- Overall, the number of CCS companies has steadily increased over the period 2008-2016 with a CAGR of 4%
- In the EU, 22 countries experienced growth in the CCS between 2008 and 2016. Only 6 countries* saw a decrease in the number of CCS companies
- Regarding CAGR, the Netherlands, Slovakia, Lithuania and Estonia are the top performing countries (over 10% growth)**
- In 2016, the countries counting the most CCS companies were Italy (355,836), France (324,579), Germany (267,118), Spain (244,762), the United Kingdom (239,062) and the Netherlands (221,031)

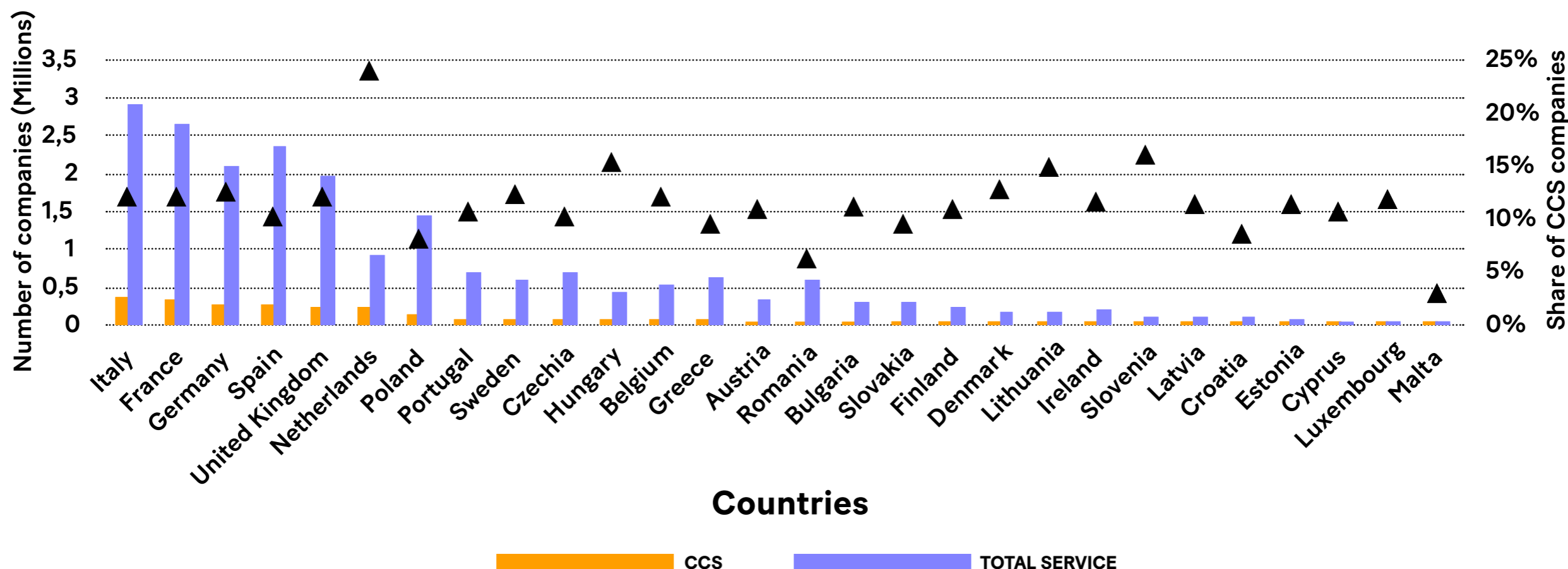
Source: Eurostat (figures based on NACE codes shown in Appendix)

*The 6 countries that saw a decrease in CCS companies over the period 2008-2016 are: Italy, Greece, Malta, Austria, Poland and Portugal

** Please note that the high CAGR for Czechia is due the unavailability of data at the start of the reference period leading to an overestimation. The same applies to France where the total number of CCS companies in 2008 is underestimated due to unavailability of data in that year for several sub-sectors.

CCS COMPANIES PLAY AN IMPORTANT ROLE IN THE MAJORITY OF EUROPEAN ECONOMIES AS THEIR SHARE OUT OF TOTAL SERVICE COMPANIES REACHES AT LEAST 10% IN MOST COUNTRIES

Share of CCS companies out of total services companies in 2016

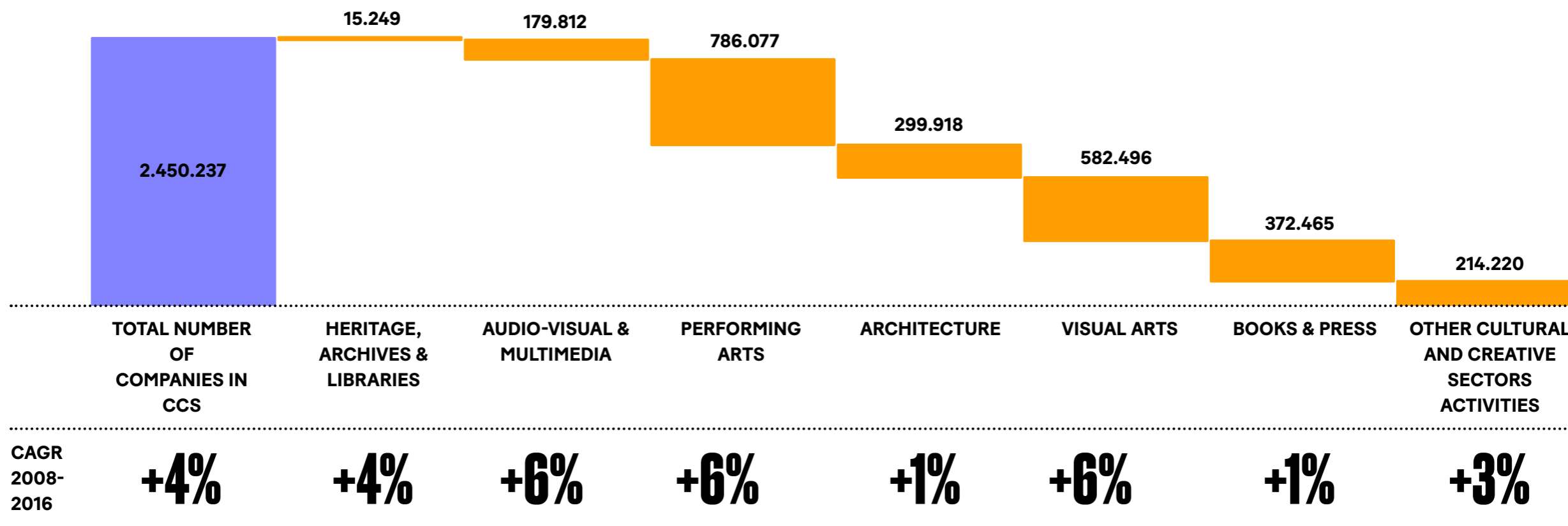


Key Observations

- The Netherlands, Hungary, Lithuania and Slovenia are amongst the countries with the highest share of CCS companies in their economies
- On average the share of CCS companies out of all companies (i.e. total services) across the EU28 exceeds 10% making it an important contributor to local economies

ALL CCS SUB-SECTORS HAVE SEEN AN INCREASE IN THE NUMBER OF COMPANIES IN PAST YEARS

Distribution of companies by CCS sub-sector in 2016



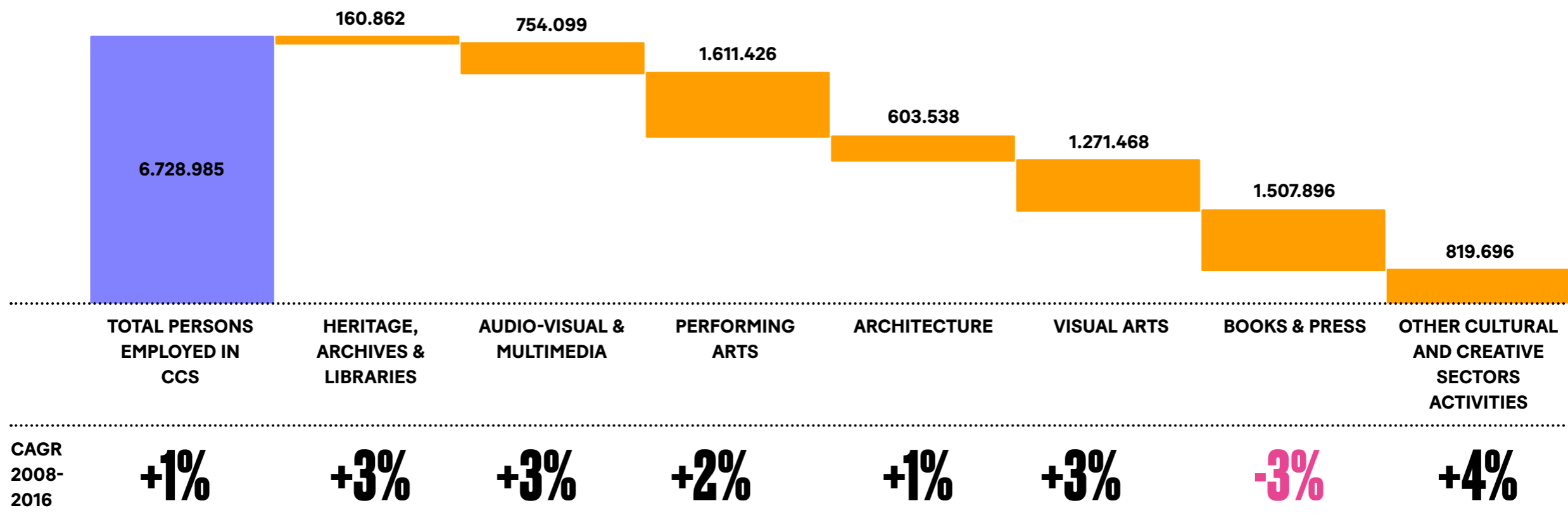
Key Observations

- In the EU28 the number of companies has grown by 4% (CAGR) in the period 2008-2016 across all sub-sectors
- In 2016, the largest sub-sectors in terms of number of companies are:
 - Performing Arts
 - Visual Arts
 - Books & Press

- Architecture
- Sub-sectors with the strongest growth rates:
 - Audio-visual & Multimedia
 - Performing arts
 - Visual Arts

OVERALL, EMPLOYMENT IN CCS HAS GROWN SINCE 2008 WITH SOME SUB-SECTORS SEEING SIGNIFICANT GROWTH RATES

Distribution of persons employed by CCS sub-sector in 2016

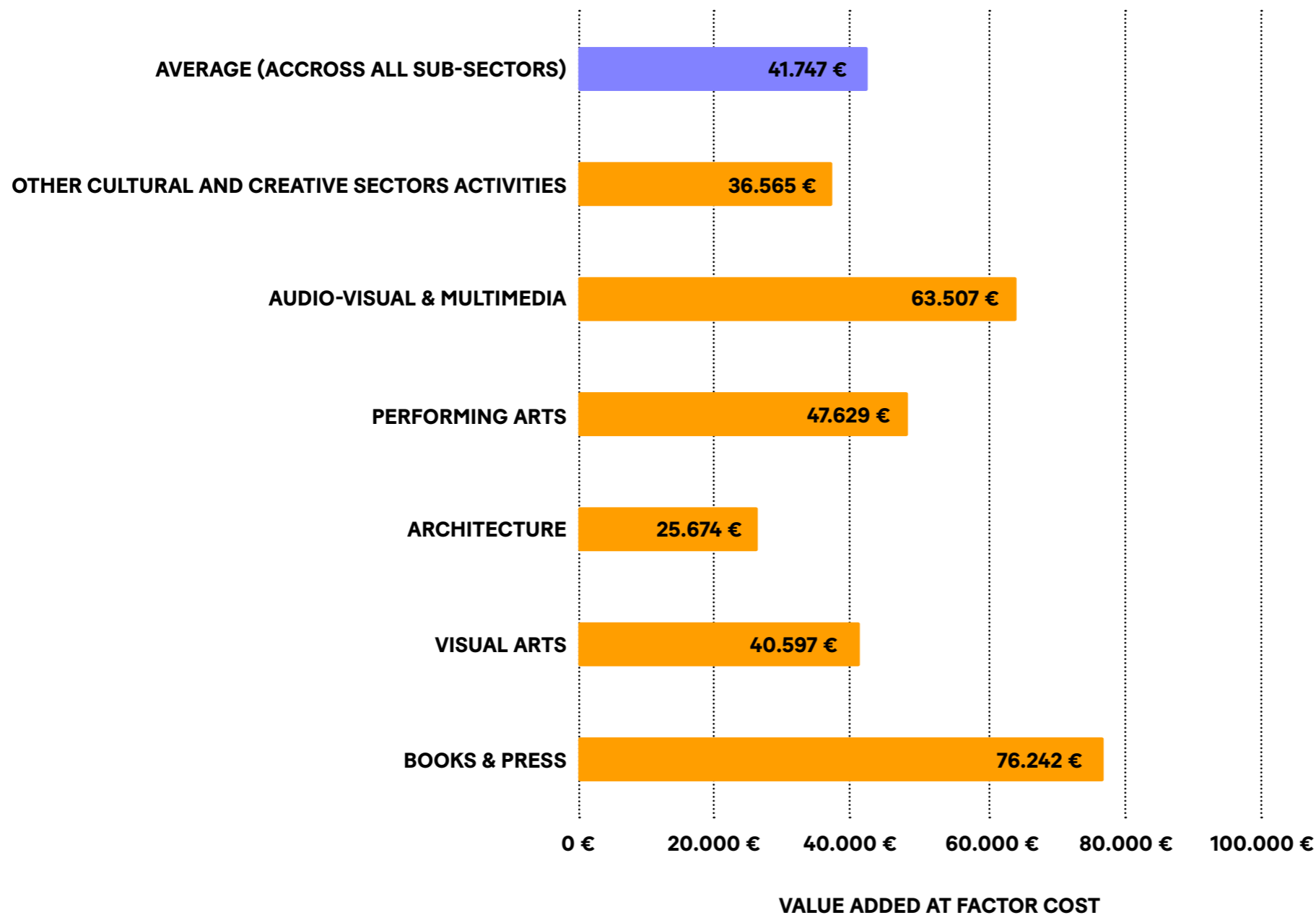


Key Observations

- Total employment in CCS amounts to more than 6.7 million in 2016. It has remained stable over the period 2008-2016 with a CAGR of 1%
- The sub-sectors with the highest number of persons employed are *Books & Press*, *Performing arts*, *Visual arts* and *Audio-visual & Multimedia*
- The sub-sectors *Other cultural and creative sectors activities*, *Audio-visual & Multimedia*, *Visual arts* and *Heritage, Archives & Libraries* have seen the highest CAGR over the reference period
- The sub-sector *Books & press* has seen a decline in the number of persons employed over the reference period

VALUE ADDED IN THE CCS HAS SEEN CONSTANT GROWTH IN PAST YEARS REACHING EUR 290 BILLION IN 2016

Value added at factor cost 2016 (million EUR)

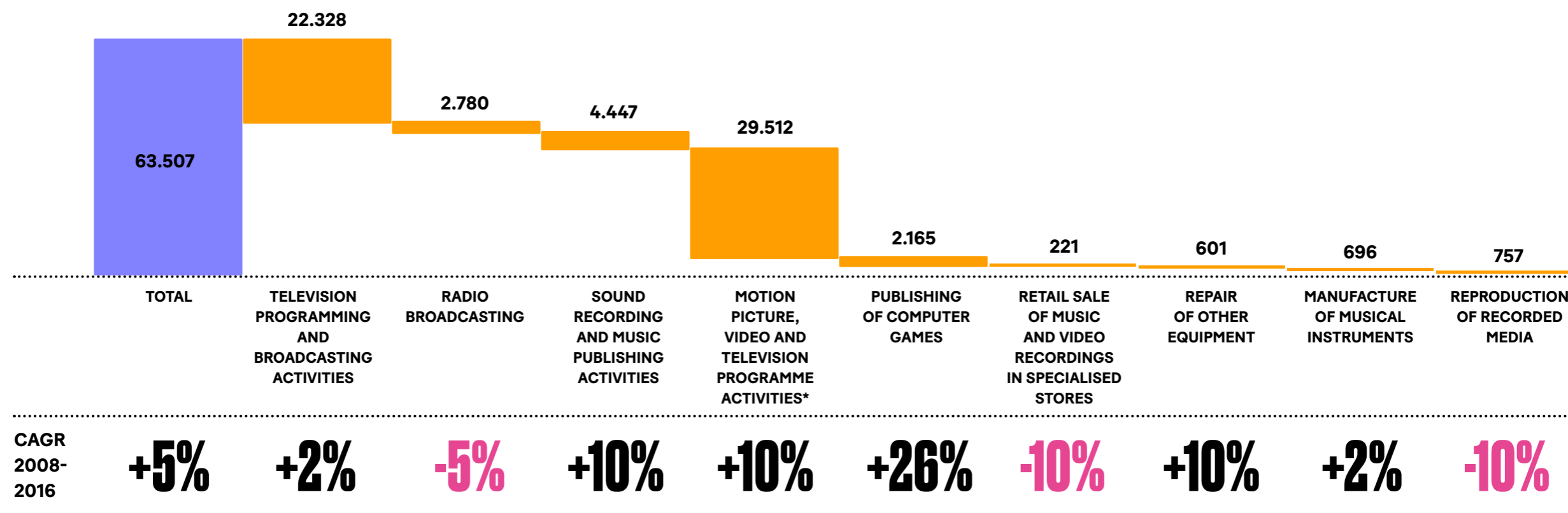


Key Observations

- In 2016, total gross value added at factor cost amounts to EUR 290.2 billion. The average gross value added across CCS sub-sectors amounts to 41.7 billion Euro
- Over the reference period (2008-2106) the gross value added has consistently grown with a CAGR of more than 2%
- Out of the 6 CCS sub-sectors for which data on gross value added was available, 5 have seen an increase in the gross value added over the reference period. The only sector that has experienced a moderate decline in gross value added is *Books & Press*
- The sub-sectors *Books & Press* and *Audio-visual & Multimedia* achieve the highest gross value added. Furthermore *Audio-visual & Multimedia* achieves the highest compound average growth rate over the reference period in gross value added

VALUE ADDED IN THE AUDIO-VISUAL AND MULTIMEDIA SUB-SECTOR HAS SEEN TREMENDOUS GROWTH OVER THE PAST YEARS

Distribution of value added in the AVM** sub-sector in 2016 (Million EUR)



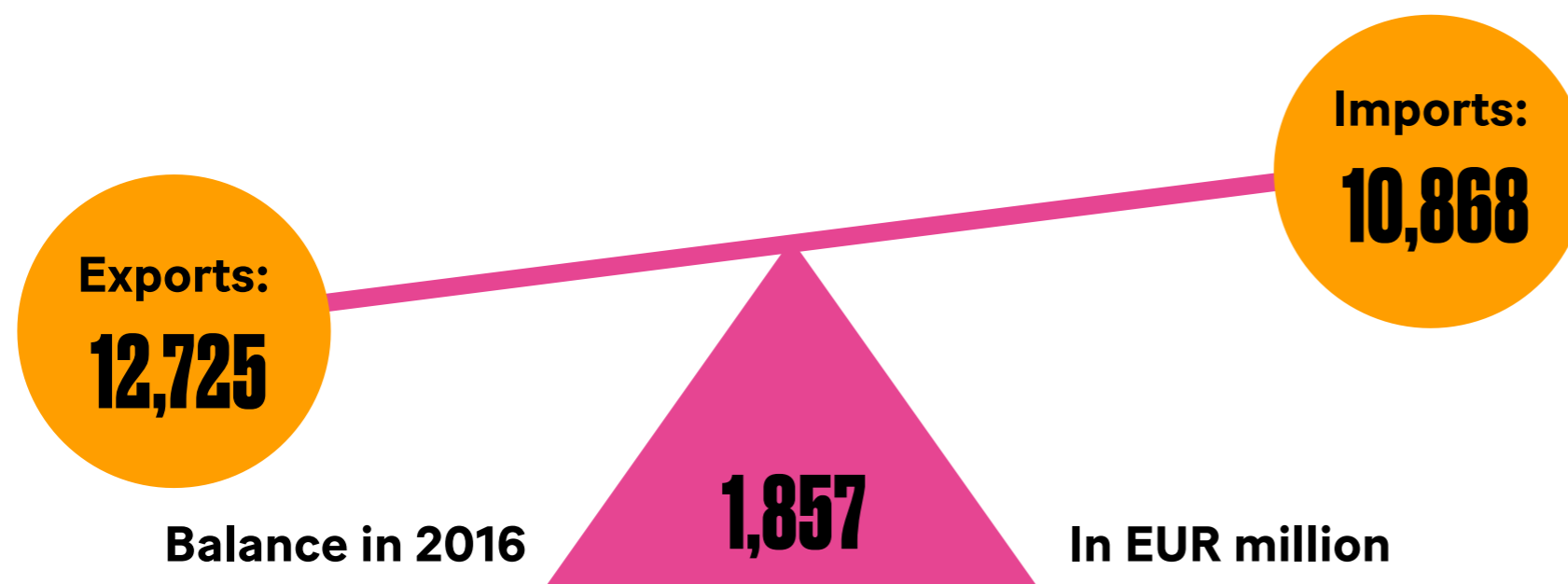
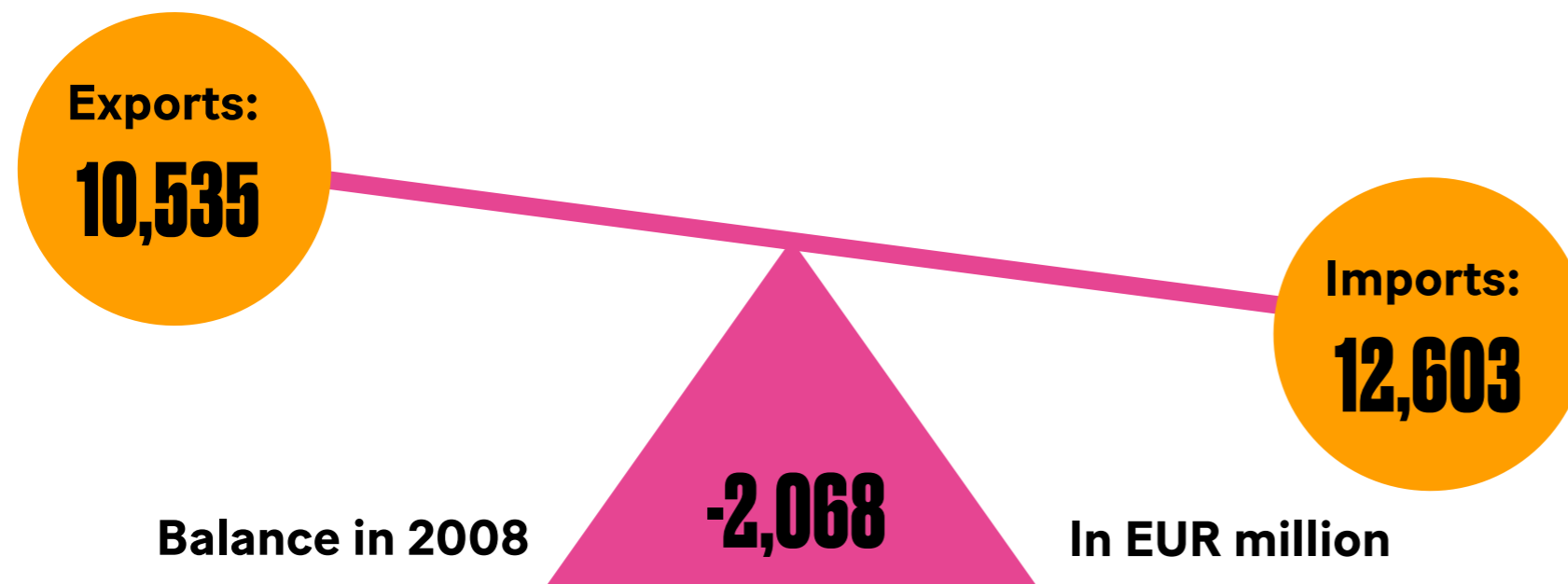
Key Observations

- In 2016, nearly half of the gross value added in the AVM sub-sector is generated by Motion picture, video and television programme activities
- Activities related to Television programming and broadcasting activities, Sound recording and music publishing as well as Publishing of computer games contribute more than 40% to total gross value added
- While overall gross value added has seen a constant growth with a CAGR of more than 5%, Publishing of computer games has seen the strongest growth in the reference period amounting to over 26% (CAGR)

* The category consists of: Motion picture, video and television programme production activities, Motion picture, video and television programme post-production activities, Motion picture, video and television

programme distribution activities, Motion picture projection activities
 ** AVM: Audio-visual and Multimedia

THE SURPLUS IN THE EU TRADE BALANCE FOR CULTURAL GOODS INDICATES AN INCREASED DEMAND FOR EU CULTURAL GOODS

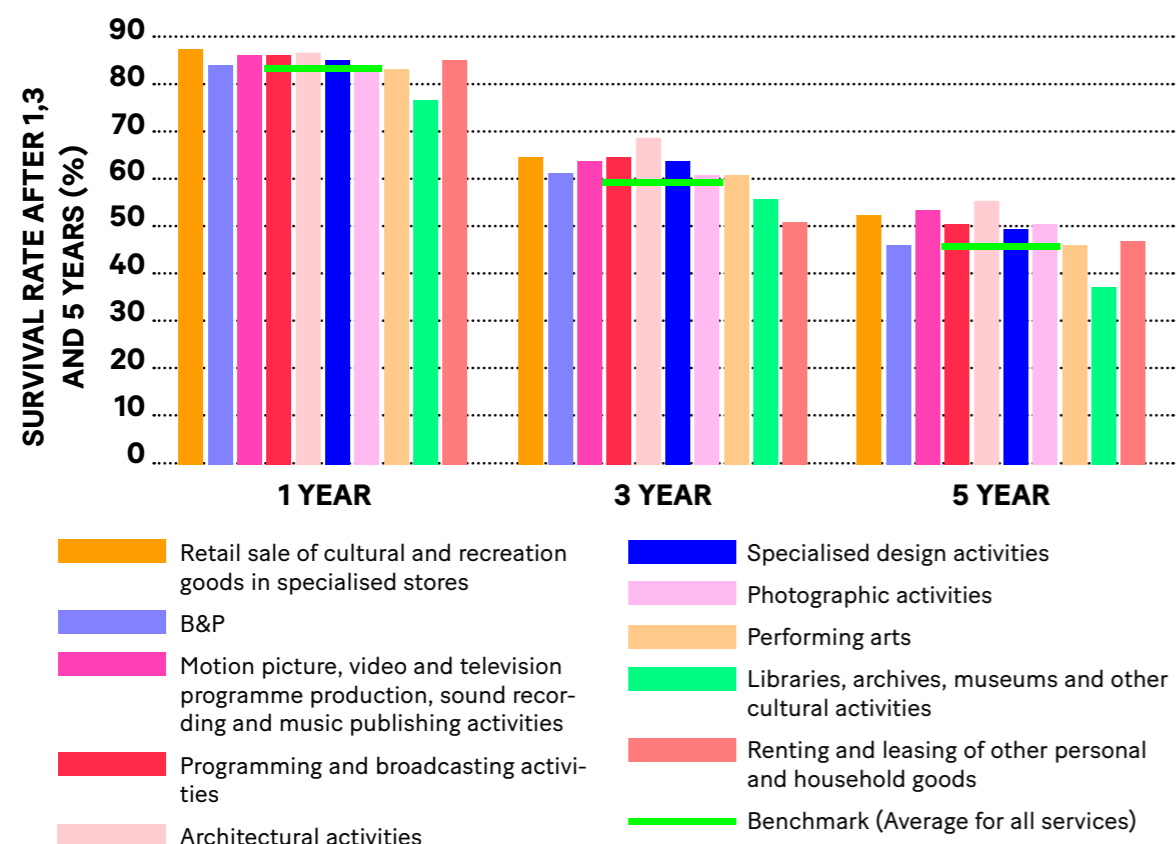


Key Observations

- Cultural goods are the products of artistic creativity that convey artistic, symbolic and aesthetic values; examples are antiques, works of art, books, newspapers, photos, films and music
- The EU's cultural goods trade balance switched from a trade deficit of EUR 2.068 million in 2008 to a trade surplus of EUR 1.857 million indicating an **increased demand for EU cultural goods**
- This change can be explained by an increase in exports (+3,2%) and a decrease in imports (-2.4%)
- The main contributors to the surplus in the balance of trade for cultural goods are **works of art and books**
- Cultural goods make up **0.65% of the total EU imports** in 2014
- Cultural goods accounted for a **0.75% of total EU exports**

SURVIVAL RATES OF COMPANIES IN MOST CCS SUB-SECTORS OUTPERFORM THE BENCHMARK OF SERVICE ENTERPRISES IN THE EU

Survival rates of CCS companies after 1, 3 and 5 years compared to a benchmark of all services enterprises

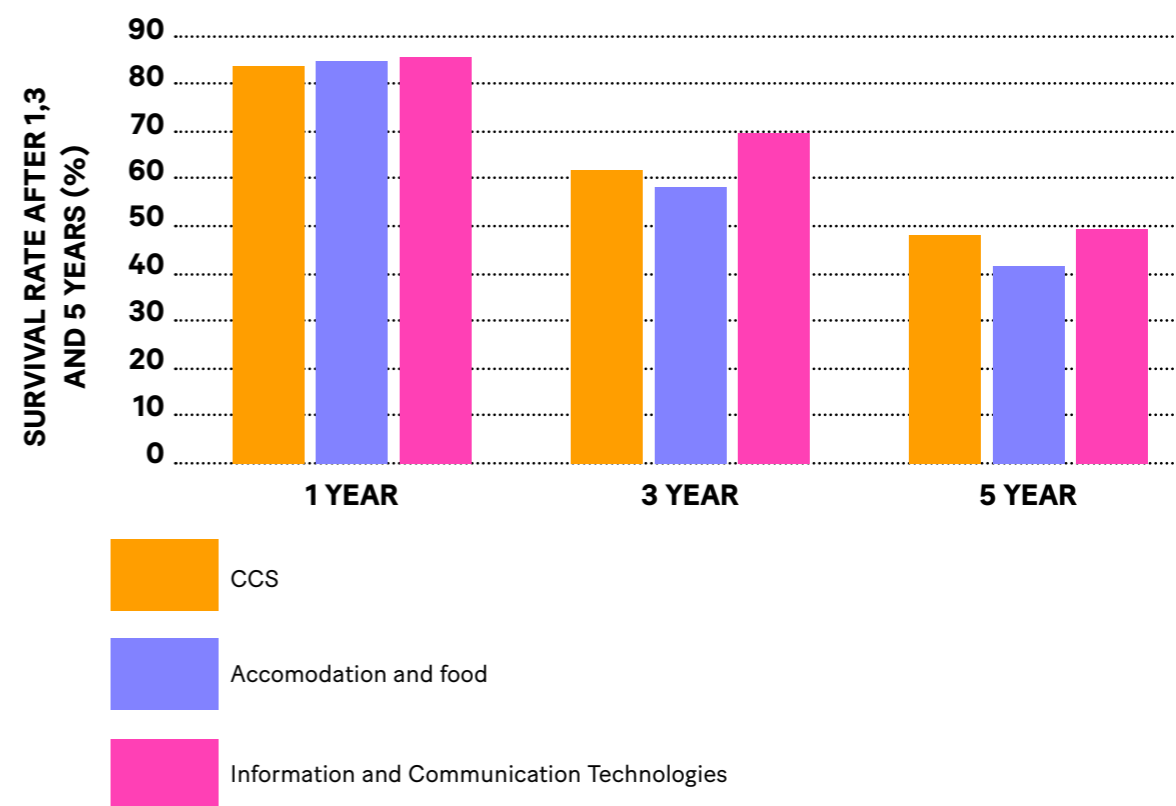


Key Observations

- Survival rates* for service enterprises** across the EU were:
 - 83% after 1 year
 - 59% after 3 years
 - 45% after 5 years
- The CCS sub-sectors with the highest survival rates after 5 years are Architectural activities and Motion picture, video and television programme production, sound recording and music publishing activities

* Survival rates are calculated based on an unweighted average across EU28 countries
 ** "Service enterprise": services of the business economy except activities of holding companies

Survival rates of CCS companies after 1, 3 and 5 years compared to other industries



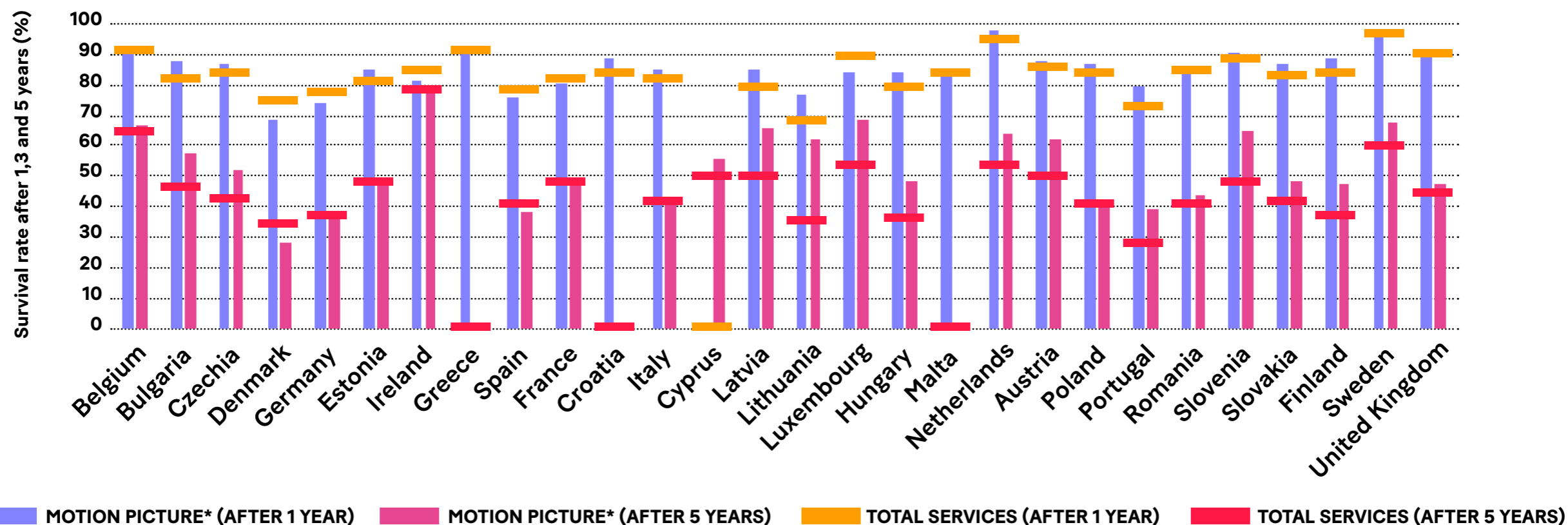
Key Observations

- In the EU, CCS SMEs have similar survival rates after 1 and 5 years as companies in the ICT sector
- After 3 years, CCS companies still have a higher survival rate than the accommodation/food sector

*** Motion picture: Motion picture, video and television programme production, sound recording and music publishing activities

SURVIVAL RATES IN THE MOTION PICTURE* SECTOR OUTPERFORM THE TOTAL SERVICES BENCHMARK AFTER 1 YEAR AND 5 YEARS IN MOST EU COUNTRIES IN 2016

Survival rates in motion picture* (base year 2016)



Key Observations

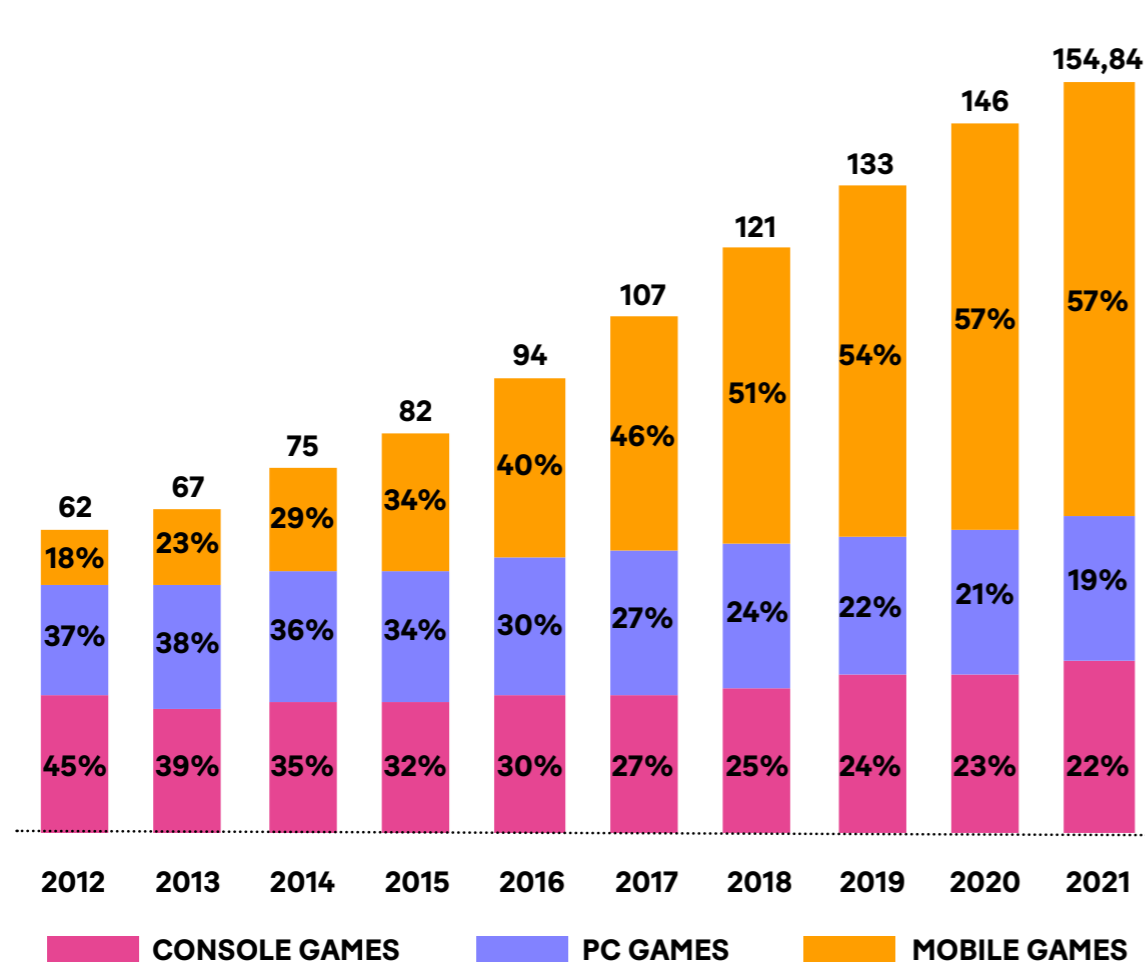
- In 2016, CCS companies in the motion picture* sub-sector had **survival rates after one year of over 90% in 5 EU countries** (Belgium, Greece, the Netherlands, Slovenia and Sweden)
- After 5 years companies in **9 countries** (Belgium, Ireland, Latvia, Lithuania, Luxembourg, the Netherlands, Austria, Slovenia and Sweden) had a **survival rate of over 60%**
- Compared to the all services benchmark, survival rates in the Motion picture* sub-sector are higher:
 - in 19 countries after 1 year**
 - in all countries except for Denmark, Spain and France after 5 years

* Motion picture: Motion picture, video and television programme production, sound recording and music publishing activities

** Belgium, Bulgaria, Czech Republic, Estonia, Croatia, Italy, Cyprus, Latvia, Lithuania, Hungary, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland and Sweden

THE GLOBAL VIDEO GAMES MARKET IS GROWING RAPIDLY DUE TO THE EXPANSION OF NEW TECHNOLOGIES

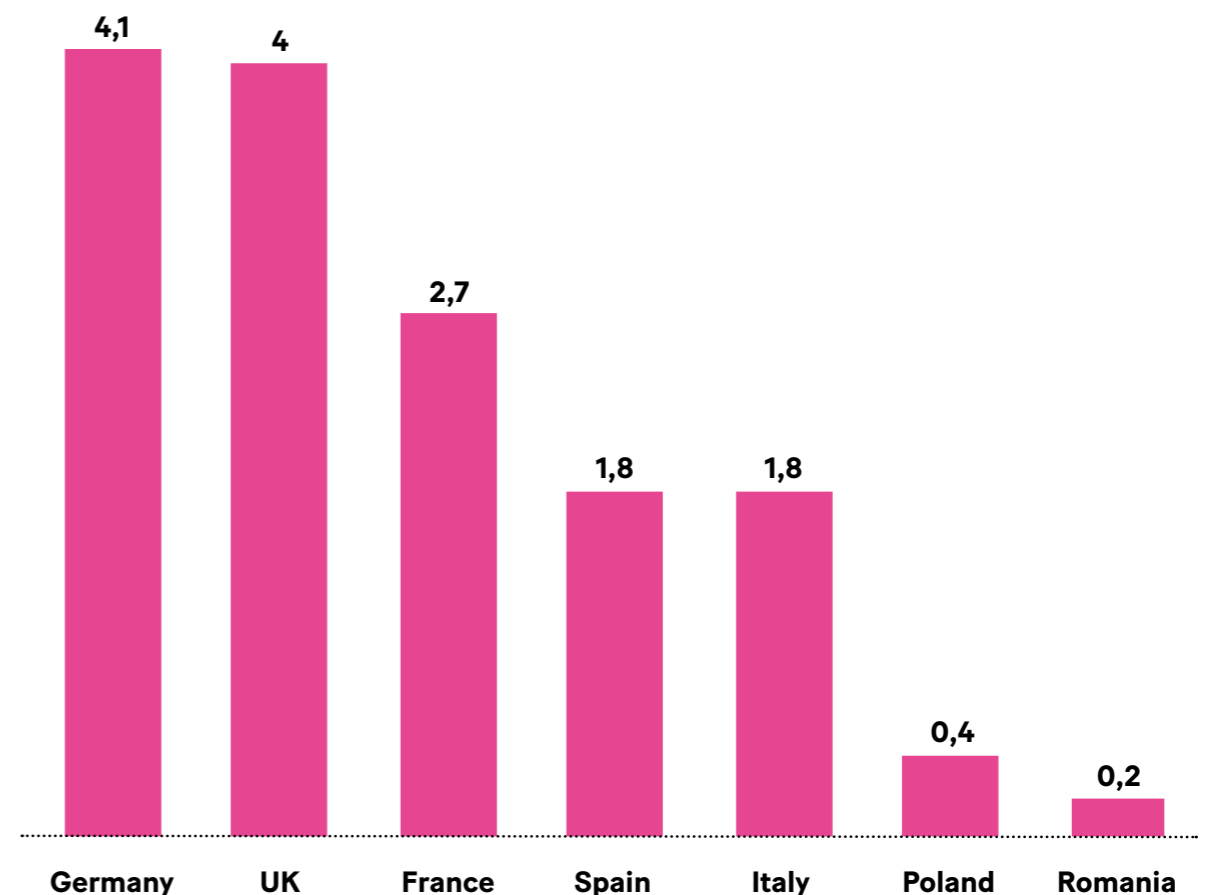
Global video games market revenues (EUR, billion)



Key Observations

- The global video games market is growing. In 2018, it was worth around EUR 121 billion and is projected to grow by 27% until 2021
- Mobile gaming is the largest segment accounting for around 50% of the market in 2018

European video games market revenues (EUR, billion)

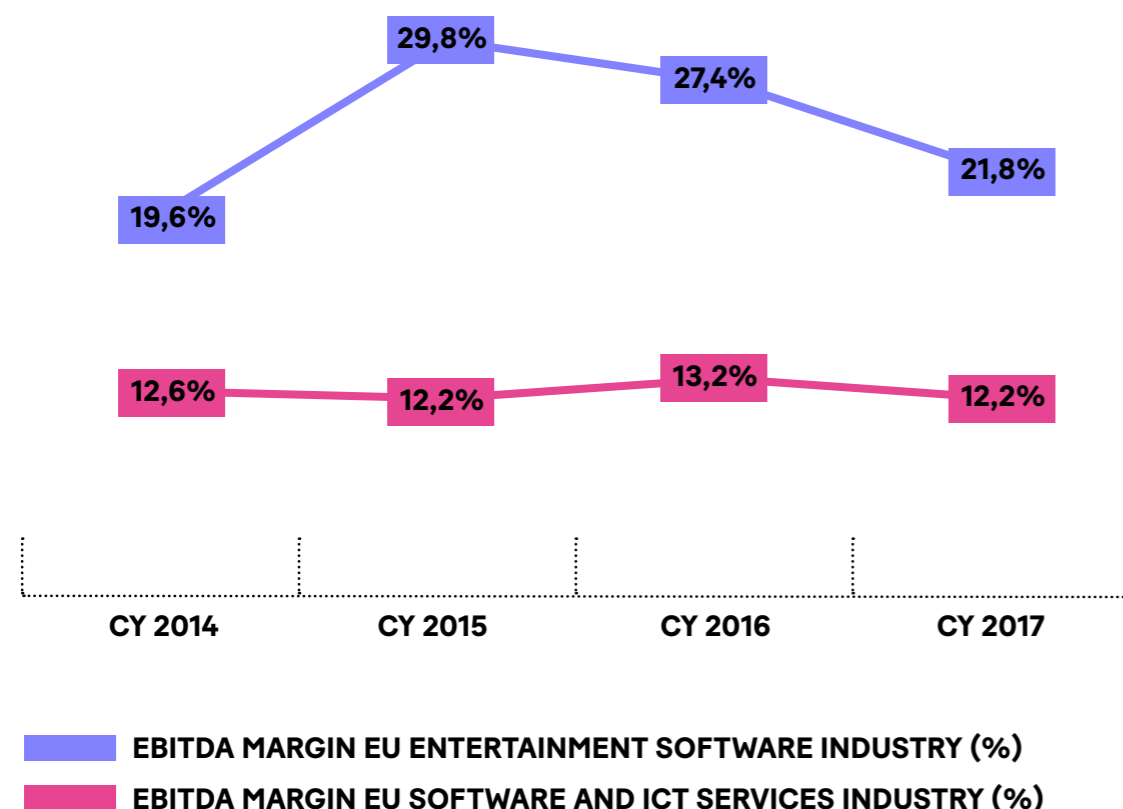


Key Observations

- The biggest EU players account for around EUR 15 billion of the total EU market representing around 12% of the global market
- The biggest markets are Germany, UK followed by France, Spain and Italy

THE EU ENTERTAINMENT SOFTWARE INDUSTRY HAS SEEN A CONSTANT GROWTH OF YEARLY REVENUES AND EBITDA MARGINS OUTPERFORMED THOSE OF THE EU SOFTWARE AND ICT SERVICES INDUSTRY

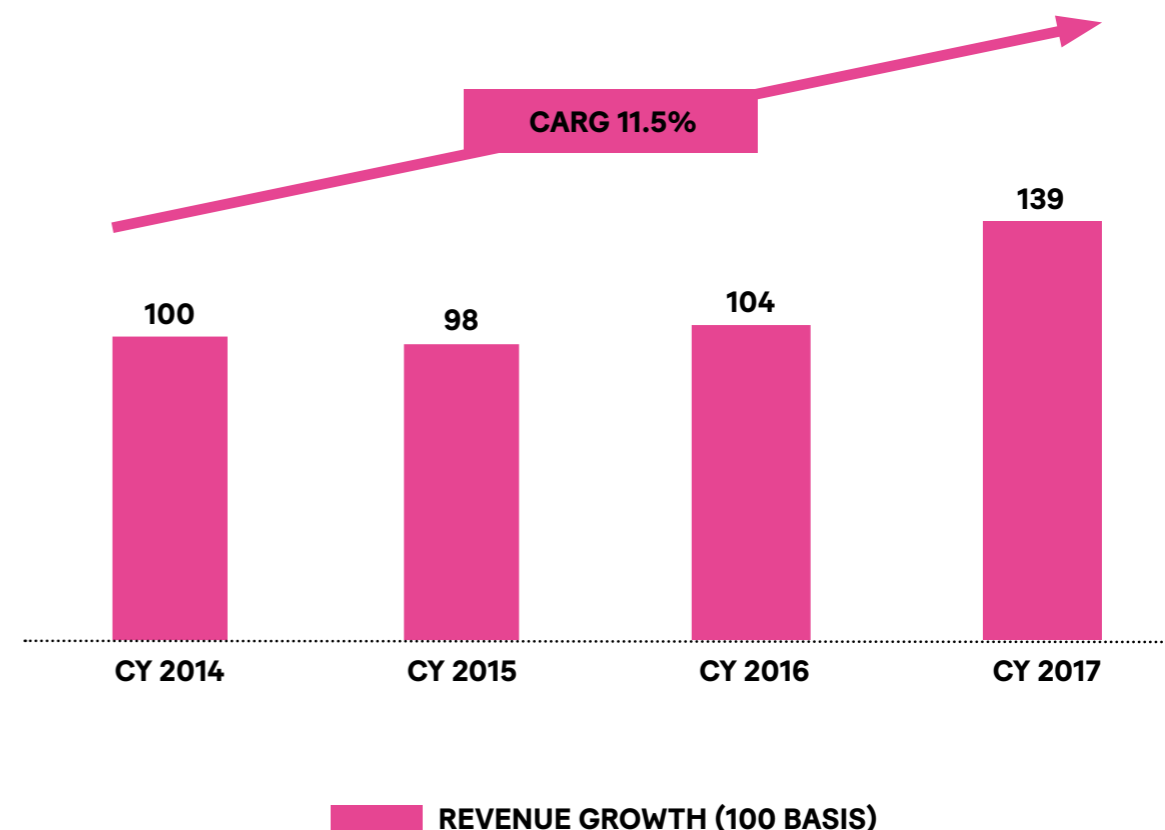
EBITDA Margin (%)



Key Observations

- The EU entertainment software industry had a **higher EBITDA margin** than the EU software and ICT services industry during the last 4 years
- The industry in EU reached a record EBITDA margin of 29.8% in 2015 and has decreased ever since to a level of 21.8% in 2017

Revenues – Yearly growth (%)



Key Observations

- The entertainment software industry in the EU had a **CAGR of 11.5%** for the last 4 years
- The entertainment software industry’s total revenue growth in EU increased by 39% since 2014

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UNDERSTANDING THE VALUE CHAINS OF CCS SUB-SECTORS IS IMPORTANT FOR FIS WHEN MAKING INVESTMENT DECISIONS

- The analysis of the European CCS market has shown that it is indeed an attractive and growing market.
- Furthermore, the CCS consists of various sub-sectors that are different in terms of size and growth dynamics
- In order for an FI to be able to make an investment decision it is important to understand the key steps, activities and actors in the various value chains

This section aims to give an overview of 4 key sectors, by presenting their value chains and the significant impact of digitalisation on CCS business models:

Book publishing

*Music publishing,
recording*

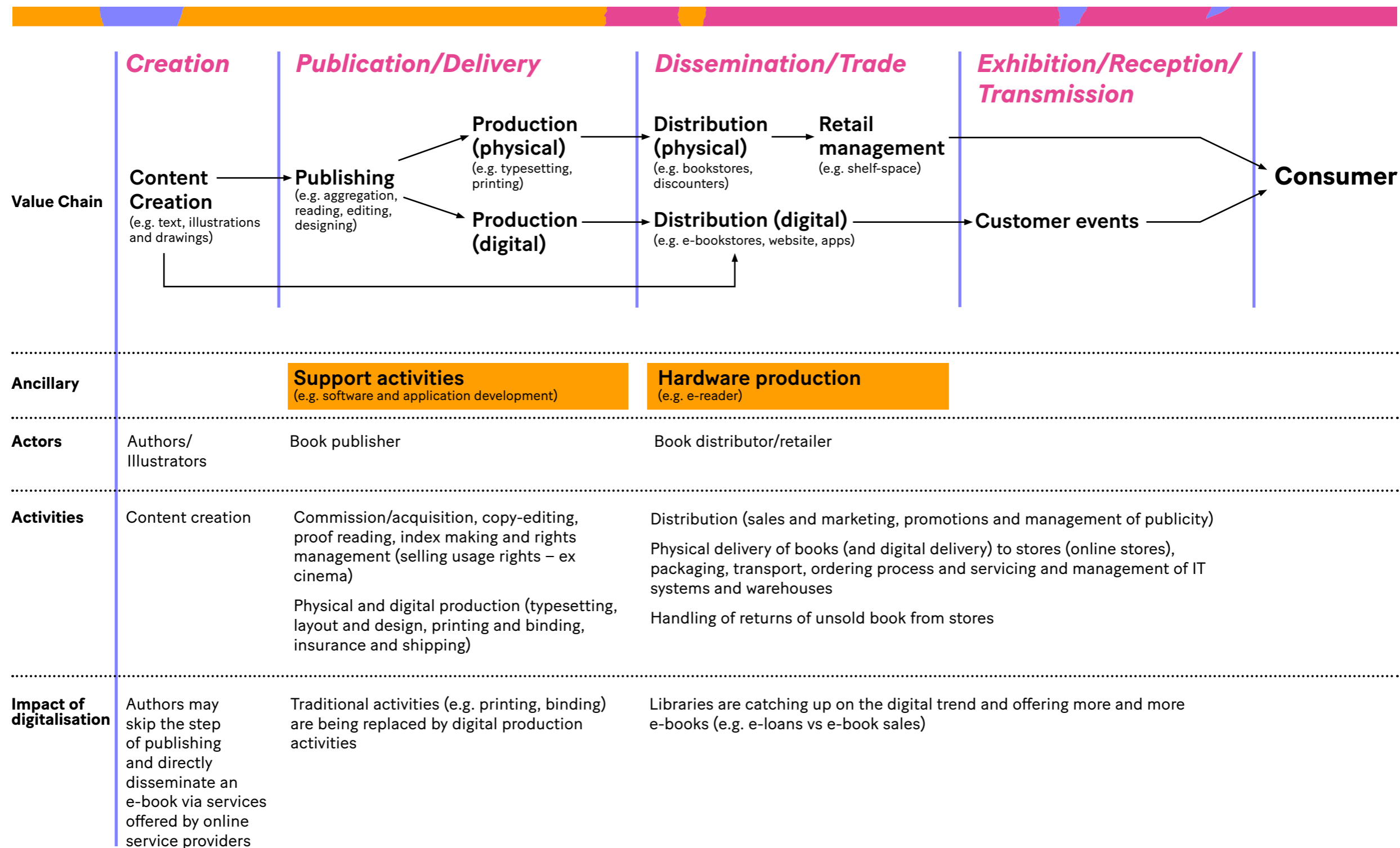
Films

*Video games /
Multimedia*

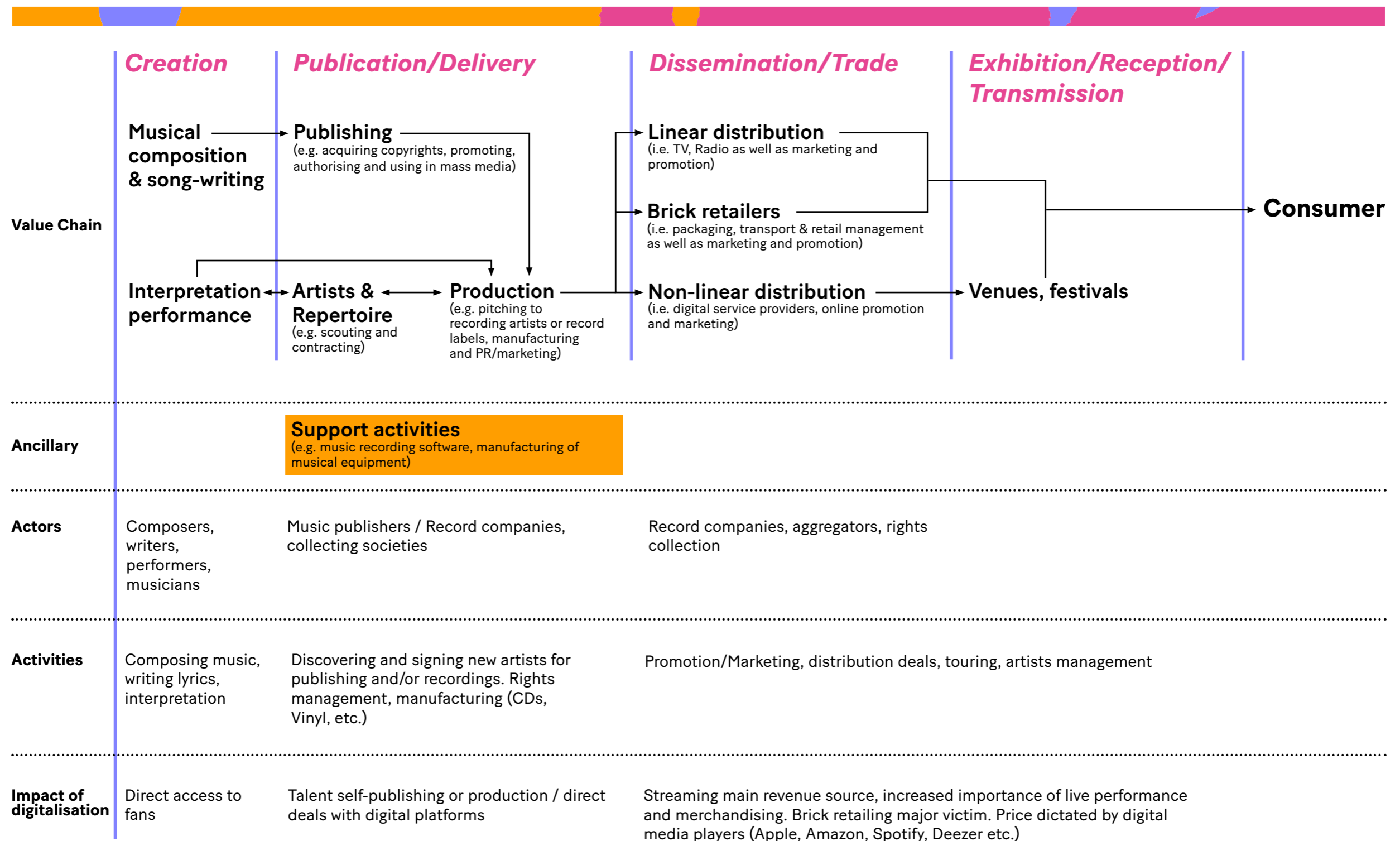
CCS VALUE CHAINS ARE FOCUSED ON CREATION AND DELIVERY AS WELL AS RIGHTS MANAGEMENT. ALL VALUE CHAINS ARE AFFECTED BY DIGITALISATION



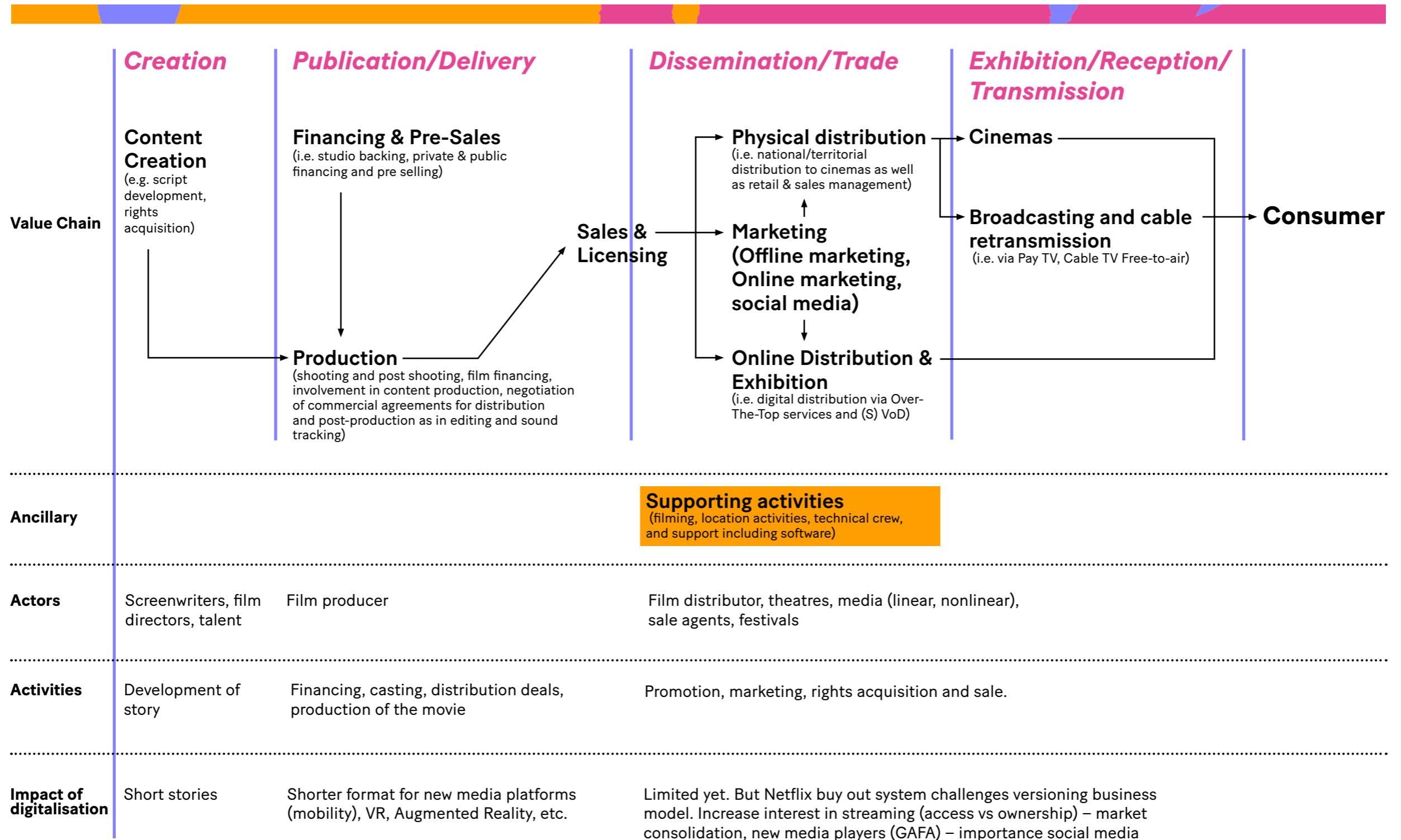
CCS TRADITIONAL VALUE CHAINS: BOOK PUBLISHING – ILLUSTRATION



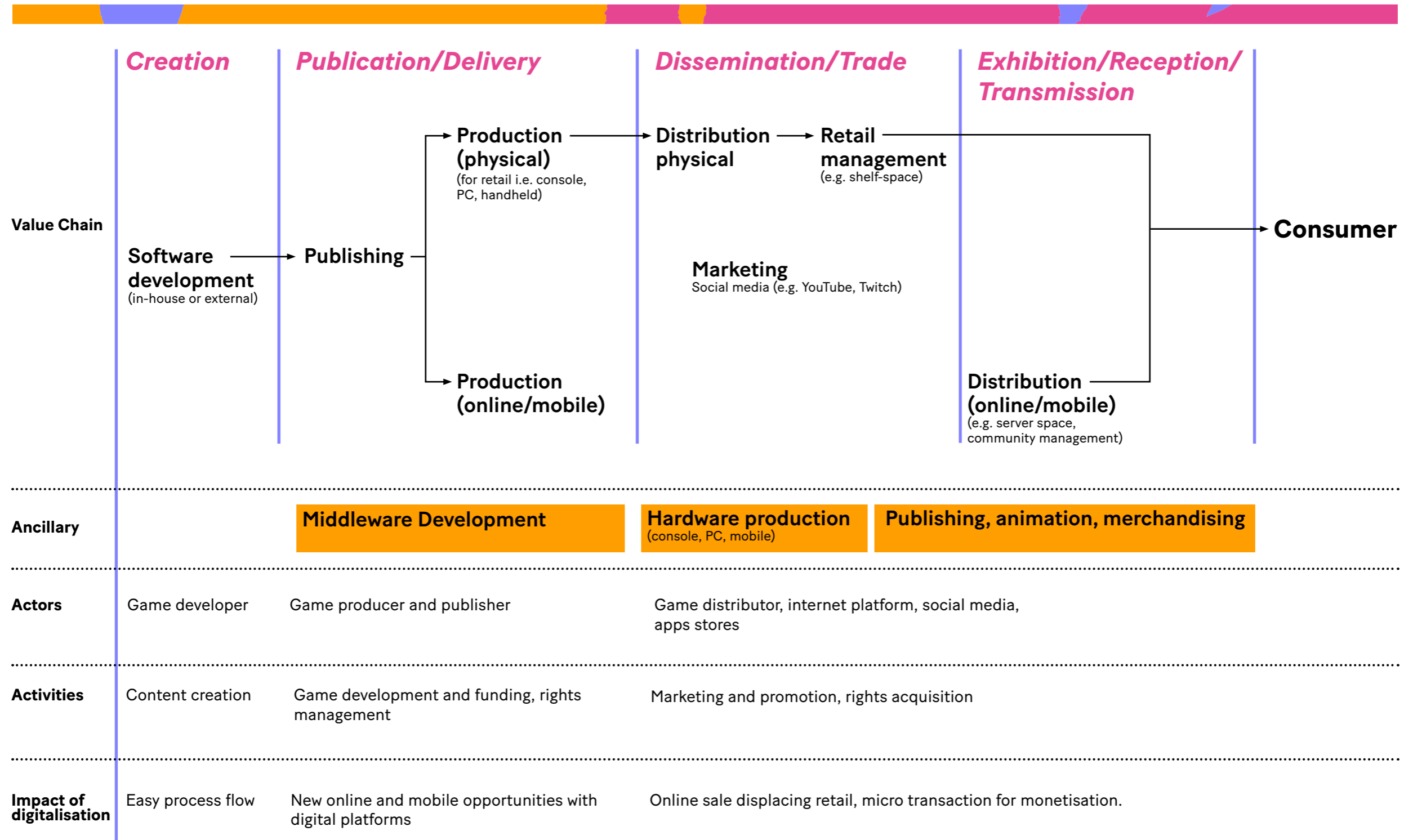
CCS TRADITIONAL VALUE CHAINS: MUSIC, PUBLISHING, RECORDING – ILLUSTRATION



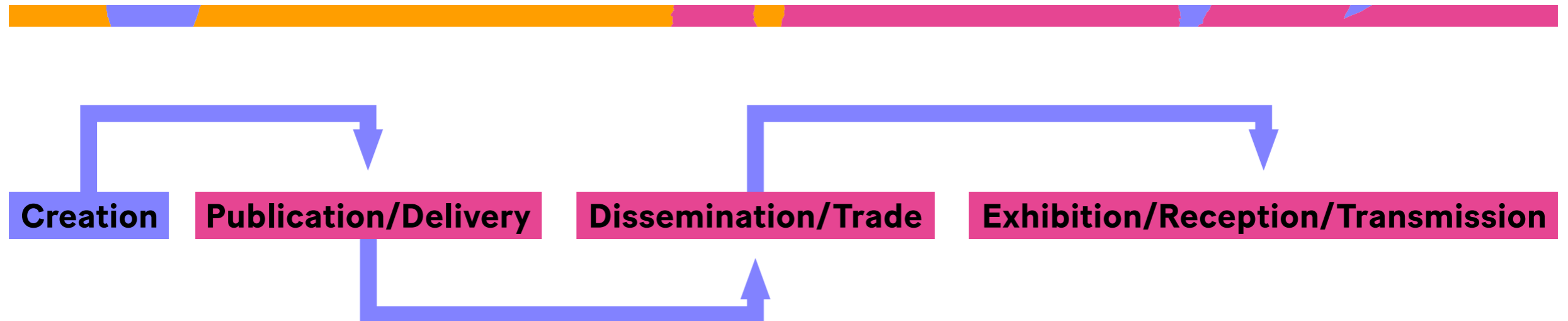
CCS TRADITIONAL VALUE CHAINS: FILMS – ILLUSTRATION



CCS TRADITIONAL VALUE CHAINS: GAMES/MULTIMEDIA – ILLUSTRATION



COPYRIGHT INDUSTRIES BENEFIT FROM STRONG IP ASSETS GUARANTEEING A MONOPOLY OF EXPLOITATION FOR A LONG TIME PERIOD



The analysis of CSS value chains has shown that while there are significant differences between the various CCS sub-sectors all value chains start with the creative process of **content creation**

Typically created content may be an author's first script, lyrics or a script for a film. The content as such is the creator's Intellectual property (IP) and represents the starting point of each CCS project

For this reason it is important to understand IP in cultural and creative industries. By virtue of such IP rights authors and producers of cultural content are granted exclusive rights of exploitation (monopoly of exploitation):

- An **author** is protected for his/her life and **70 years after death** (so is an Audio Visual producer by way of assignment or licensing)
- A **performer** is protected **70 years from the date of the fixation** of his performance
- A **publisher/producer** is protected **70 years from publication** or communication to the public

By virtue of international treaty these IP terms are valid worldwide (pending ability to enforce)
– Bern and WIPO Treaties

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4. Funding

- Sources of funding
- Funding gaps
- The role of the CCS loan GF

5. CCS trends

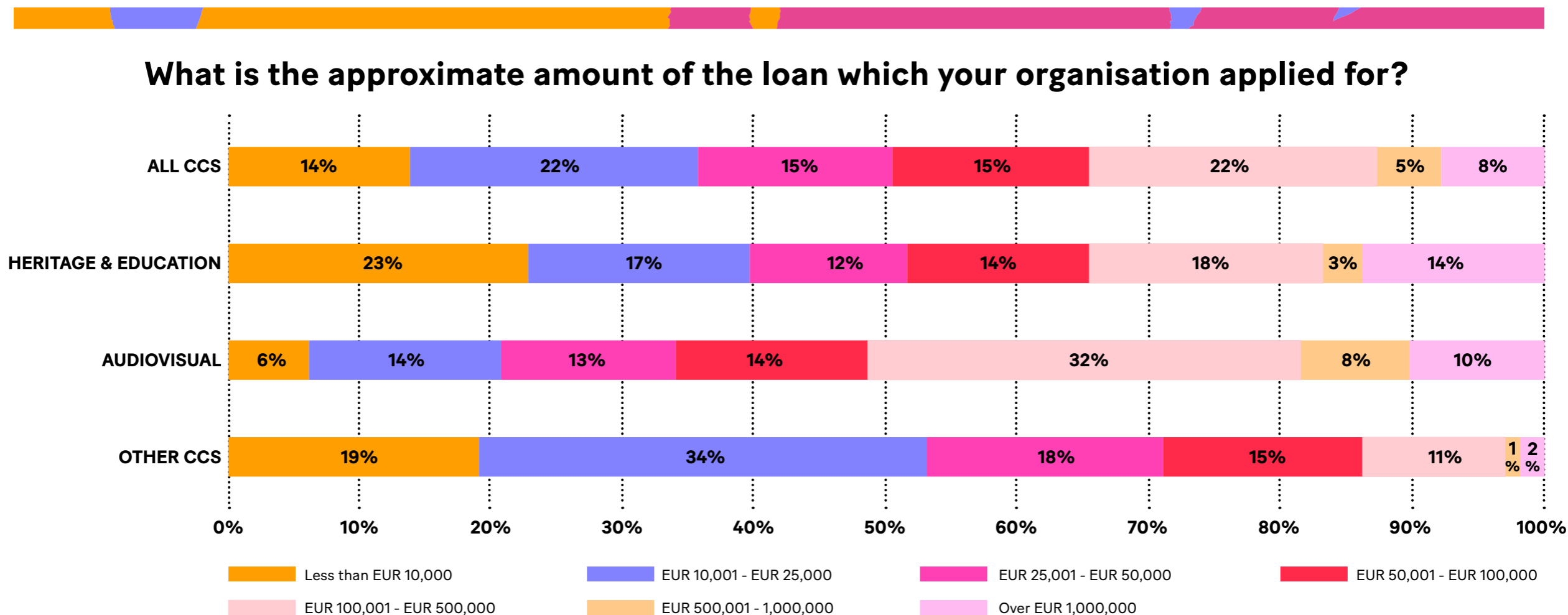
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THE FUNDING MIX OF MANY CCS COMPANIES RELIES PREDOMINANTLY ON OWN RESOURCES AND PUBLIC SUPPORT

Self Finance	<ul style="list-style-type: none"> ● Personal resources ● Retained profits / own earnings 	<p>CCS suffer from lack of "own capital (e.g. equity)", which is a main hindrance for their growth. Self financing remains the most important source of finance for most small and very small CCS organisations</p>
Public Support	<ul style="list-style-type: none"> ● Grants ● Tax incentives ● Guarantee schemes 	<p>Government funding is a very important funding source for enterprises in CCS (exceeding EUR 80 billion in 2014), in particular for large SMEs. However, public support has been constantly reduced since the 2008 financial crisis due to general public spending cuts</p>
Debt Finance	<ul style="list-style-type: none"> ● Loans ● Micro-credit ● Overdrafts ● Invoice finance ● Leasing 	<p>The use of debt varies among sub-sectors and according to the size of the company</p>
Equity Finance	<ul style="list-style-type: none"> ● Business angels ● Venture capital ● Mezzanine venture capital 	<p>Equity finance is the least used funding source in the CCS. The high risk of audio-visual projects in combination with high amounts involved makes this sector less attractive for equity investors</p>
Other	<ul style="list-style-type: none"> ● Donation ● Sponsorship ● Patronage ● Crowdfunding 	<p>Between 2013 and 2017, CCS firms launched more than 75.000 crowdfunding campaigns, raising for example more than EUR 247 million, just for audio-visual and music</p>

WITH THE EXCEPTION OF AUDIO-VISUAL PRODUCTION, CCS SMES USE SHORT TERM LOANS WITH SMALL AMOUNTS



Key Observations

- In CCS, financing through loans is less common than in other economic sectors. Bank financing in the CCS is primarily short term and projected (maturity of 3 years or less) and much less driven by long term development objectives of the SME
- CCS organisations apply for bank loans primarily to bridge the period of waiting for the payment of subsidies / earnings or to finance working capital
- Amounts strongly vary between CCS sub-sectors: Large loan amounts (>EUR 100,000) are concentrated within the audio-visual sub-sector in particular in production. In contrast, most SMEs in other CC sub-sectors applied for a bank loan with an amount less than EUR 25,000. There is a strong correlation between loan size and size of the company. This is especially relevant as the CCS is dominated by small and very small enterprises

THE FINANCING NEEDS OF CCS SMES DEPEND ON THEIR POSITIONING IN THE VALUE CHAIN OF THE DIFFERENT CCS SUB-SECTORS: FINANCIAL FLOW/REVENUES

	Creation	Publication/Delivery	Dissemination/Trade	Exhibition/Reception/ Transmission
Book publishing	<p>Financial flow: Upfront lump sum payment from publisher</p> <p>Revenue sharing with author (% of total revenue): 6-11%</p>	<p>Financial flow: Publishers receive revenues via rights management originating from story sales (scripts, podcast ...) – long exclusivity</p> <p>Revenue sharing (% of total revenue):</p> <ul style="list-style-type: none"> ● Book: 16-20% ● E-book: 25-30% 	<p>Financial flow: Publishers/Distributors receive revenues from physical sales or e-sales</p> <p>Revenue sharing (% of total revenue):</p> <p>Distributors</p> <ul style="list-style-type: none"> ● Book: 33-35% ● E-book: 15-25% 	
Music, publishing, recording	<p>Financial flow: authors paid by publishers and users through CMO. Artists paid by record companies (RC) and CMO</p>	<p>Financial flow: publishers paid by RC and other users through CMO. Record companies paid by retailers and digital networks. Collect performance royalty via CMO.</p> <p>Revenue sharing (% of total revenue):</p> <p>9% writers/composers, 15-20% performers</p>	<p>Financial flow: direct payment to RC or via CMO (linear). Festivals pay artists</p> <p>Revenue sharing (% of total revenue):</p> <p>60/40 split in non linear 30% distributor / 30% retail Performance rights (TV, Radio) paid via CMO (% of turnover according to usage)</p>	
Films	<p>Financial flow: Cost / Development funding</p>	<p>Financial flow: Cost / production and management, revenue through pre financing, prod. subsidies and tax credits</p> <p>Revenue sharing (% of total revenue):</p> <p>Revenue depend on distribution deals (country by country, film by film) – to cover production fees.</p>	<p>Financial flow: cost of distribution rights, marketing costs EU and national support for international distribution and marketing.</p> <p>Revenue sharing (% of total revenue):</p> <p>usually 40% for theatrical / 30% distributor / Streaming (rental, buy)</p>	
Video games / Multimedia	<p>Financial flow: Cost of development</p>	<p>Financial flow: publisher buys exploitation rights from game developer</p> <p>Revenue sharing (% of total revenue):</p> <p>Game developer receives between 20-30% of distribution or buy out.</p>	<p>Financial flow: mainly app store (mobile gaming) and internet platforms. Large platforms taking equity position in game development companies or publisher.</p> <p>Revenue sharing (% of total revenue):</p> <p>App store 80/20 % in favour of publisher/distributor Sega/Nintendo/Sony large margin in distribution</p>	

THE FINANCING NEEDS OF CCS SMES DEPEND ON THEIR POSITIONING IN THE VALUE CHAIN OF THE DIFFERENT CCS SUB-SECTORS: FUNDING NEED AND AVAILABILITY

	Creation	Publication/Delivery	Dissemination/Trade	Exhibition/Reception/ Transmission
Book publishing	<p>High upfront costs to famous writers (best sellers)</p> <p>Strong reliance on subsidies</p>	<p>Gap Financing to sustain investment in production and distribution or to enable acquisition of catalogues</p>	<p>Some public support to attend trade fairs and for translation (help to access markets) – Fixed price in some countries and lower VAT</p> <p>Loans to cover high marketing costs (especially for international distribution).</p> <p>Loans to support distribution network</p>	
Music, publishing, recording	<p>Cost of recording</p> <p>Strong reliance on subsidies</p>	<p>Advances to artists, acquisition of catalogues</p> <p>Some public funding for investment in local repertoire (France)</p>	<p>Loans to support Marketing and promotion costs/ International development/acquisitions</p>	
Films	<p>Fund slates of films for development</p> <p>Some EU and national support</p>	<p>Financing gaps to cover time-lapse between production and revenue flow.</p> <p>Depending on country existence of significant subsidies and tax schemes.</p>	<p>Financing need to support marketing and promotion costs for national and international distribution</p>	
Video games / Multimedia	<p>Some state support and tax incentives</p> <p>Engine development costs</p>	<p>State support in some countries and tax incentives</p> <p>Rights acquisition</p> <p>Catalogue purchase</p> <p>Costs of free lancers / production team</p>	<p>Marketing and distribution costs, international expansion</p>	

CCS' ACCESS TO FINANCE THROUGH BANKS IS HINDERED BY LOW LEVELS OF MUTUAL UNDERSTANDING COMBINED WITH COMPLEX BUSINESS MODELS AND SPECIFIC RISK FACTORS

Financiers's view: CCS-specific risk factors

Intrinsic characteristics

- Long term projects and generation of value over a long period of time
- High uncertainty of market success ("hit-based" business) and project pipeline volatility
- Complex value chain dominated by B2B relationships
- Dependence on **intangible assets** (Intellectual property "IP") providing few (or no) capital release as collateral for credit risk

Market-level risks

- Highly **fragmented market** (culturally, linguistically)
- Niche and difficult to reach critical mass except for IP based business
- Lack of good market intelligence (i.e. uniform sector definitions and harmonised data)
- Digitalisation and other **technology trends disrupting** traditional value chains
- Competitive pressure for GAFAs like global actors
- Shifts in consumer behaviour
- Working capital needs are relatively important and there are typically treasury constraints

Company-level risks

- Lack of management skills, financial and business planning
- In some cases, lack of commercial ambition and scalability opportunities
- Insufficient operating track records and cash flow volatility depending on project success
- Business model driven by creative process built on personal talents and charisma
- Strong reliance on key people skills and company reputation

CCS SME's view: financial constraints & negative perception

Insufficient internal assets

- High share of CCS companies **believe not having sufficient internal assets** to offer as collateral or guarantee compared to market average (38% vs. 6%)

Perception of lack of understanding

- Apart from lacking assets, SMEs in CCS were discouraged because they believe that **Banks lack sufficient understanding** of their business and that they are not part of the bank's target group

Perception of not being part of a bank's target group

- **Lack of knowledge** of banking systems and processes
- Executives may feel like they do not master the mechanisms of funding
- Perception to waste time during meetings with bank advisors

KEY OBSERVATIONS TO UNDERSTAND MARKET DYNAMICS IN CCS

CCS Funding & Access-to-markets

- While the funding and subsidy focus is on the **production** (Creation) phase, the money/margin is in the distribution phase. The **Distribution phase** involves higher risk (high marketing and distribution costs, in particular on the international level)
- **Access to market for CCS companies** is more difficult because distribution is subject to often high market concentration rates (cinema, book, music, music festivals, fashion, digital distribution)
- Access to **international markets** is expensive (non-English language productions are at a disadvantage e.g. publishing, music, cinema) but are subsidised in many countries

CCS project success & risk diversification

- **CSS ventures/projects are hit driven** businesses – one hit will pay for 5 failures. For example, in the film industry **slates of production and catalogues*** are an important means to spread risk
- **Catalogues*** can act as a “hedged portfolio of exploitation rights” that are an important source of revenues to weather bad « creative » years

Digital trends

- **Digital** developments have changed the relation with intermediaries (new entrants), however, revenue splits have not dramatically changed in the value chain. CSS companies’ digital offers are key to building a reputation as consumers become « gate keepers » via social media
- **Value chain** lines are blurred between creative disciplines. The **pressure from technological opportunities** leads to stronger collaboration among the different actors along the value chain
- For the particular case of **video games**, the importance of mobile and app stores to by-pass traditional gatekeepers (publishers/distributors) is increasing. In many cases access to games is free via mobile stores or apps. Monetisation is ensured via in-game purchases, advertising and merchandising
- Creative firms will often have « first look » deals with **major distributors** (e.g. Hollywood, Universal, LVMH, Canal +, SEGA, Nintendo, Tencent) with the aim of identifying attractive content to feed their pipelines

***Slates of production & Catalogues:** These are mostly used in the audio-visual industry but the reasoning remains similar for other copyright based industries such as music and publishing):

- **Slates of production** refer to “packages of production” where for instance several films are produced in one go to diversify risk
- **Catalogues** are aggregations of content (e.g. films) for which the exploitation rights are owned. However, in this case it should be noted that (1) it is possible that a producer may have partially sold exploitation rights to a distributor and (2) the exploitation of content such as films spans over long term horizons and generated revenue streams follow a similar pattern

CCS SPECIFIC RISK FACTORS CAN BE ASSESSED THROUGH A TAILORED RISK ASSESSMENT PROCESS

Approach	Top down and macro-economic	Bottom up & micro-economic	Mixed approach specific to sub-sector
Phase	1. Origination	2. Underwriting	3. Closing and monitoring
Key steps	1.1 CCS sector awareness	2.1 CCS SME risk	Signing & Closing*
	1.2 CCS Industry risk	2.2 Owner's track record	3.1 Monitoring
	1.3 CCS strategy & prospecting	2.3 Risk mitigation	3.2 Distressed situations management
	1.4 Partnering & support schemes	Structuring*	
Challenge	<ul style="list-style-type: none"> Reluctance to lend in the CCS market due to perceived complexity of the business models and associated risks 	<ul style="list-style-type: none"> Limited track record and experience with CCS SME's risk assessment Inflexibility and lack of willingness to structure tailored products 	<ul style="list-style-type: none"> Lack of operational resources and tools of financial KRIs** set-up and risk monitoring Lack of tangible collateral in case of loan default and restructuring
Result	<ul style="list-style-type: none"> Dashboard by targeted sub-sector describing key risk indicators* Newsletter on main events 	<ul style="list-style-type: none"> SME risk assessment based on CCS specific criteria 	<ul style="list-style-type: none"> Regular monitoring of targeted CCS sub-sectors and evaluation of CCS SMEs according to defined KRIs

These steps do not depend on CCS specifics but are included for completeness.

*e.g. sample of macro-economic factors that drive the business in each sub-sector, number of entities under default per sub-sector etc.

** KRI: Key Risk Indicator

THE CCS LOAN GUARANTEE FACILITY CAN HELP FINANCIAL INTERMEDIARIES TO SHARE CCS SPECIFIC RISKS AND TURN CCS PROJECTS INTO BANKABLE VENTURES...

- New action from the European Commission as part of the **Creative Europe programme**
- **EC facility** enhancing access to finance for SMEs in CCS through:
 - portfolio credit risk transfer via (counter-) guarantees and
 - provision of Capacity Building i.e. technical assistance, knowledge transfer and networking measures in the CCS field to financial intermediaries
- CCS GF provides free-of-charge capped portfolio (counter-) guarantees for partial credit risk coverage
- CCS GF is implemented through financial intermediaries like guarantee schemes and banks

Thanks to CCS GF, financial intermediaries would increase their lending volumes to CCS SMEs* and Small Public Enterprises** active in:

.....
Heritage, Archives and Libraries
.....

Books and Press
.....

Visual arts
.....

Architecture
.....

Performing arts
.....

Audio Visual and Multimedia
.....

Education & Memberships
.....

Other cultural and creative sectors activities
.....

*As per the EU definition

**Entities that do not fall under the scope of SME definition exclusively due to detention of shares of the SME by public bodies

...AND ON TOP OF THAT THE CCS GUARANTEE FACILITY PROVIDES ADDITIONAL SUPPORT IN THE FORM OF CAPACITY BUILDING TO PARTICIPATING FIS

The CCS Guarantee Facility seeks to incentivise commercial/retail banks, promotional banks and other financial intermediaries ("FI") to extend loans to SMEs and small public organisations within the Cultural and Creative Sectors

Incentives provided

1

EIF provides a completely free-of-charge (capped) portfolio guarantee covering a portfolio of eligible debt financing

2

The portfolio guarantee provided is meant to be a "final loss" guarantee i.e. on each covered loan, the CCS GF will cover 70% of outstanding final loss after recovery procedures are terminated up to a maximum amount (cap). A cap on losses covered applies on a portfolio level – such cap is set by EIF at a maximum level of 25%

3

To develop in-house necessary expertise for the Financial Intermediaries to evaluate the risk associated with SMEs in CCS and its specific characteristics, Capacity building offers: technical assistance, knowledge-building as well as networking and best-practices sharing measures

4

Capacity building will increase the leverage effect of Guarantee program

APART FROM FINANCIAL AND RISK CONSIDERATIONS, CCS INVESTMENT DECISIONS SHOULD ALSO TAKE INTO CONSIDERATION THE SOCIAL IMPACT OF CCS PROJECTS

1

CCS is important for young employment, inclusion and entrepreneurship

- CCS in the EU employs more people aged 15–29 years than any other sector

2

CCS encourages the participation of women compared to other sectors

- For instance, in the UK, in 2014, the share of women amounted to more than 50% of employees in the music industry

3

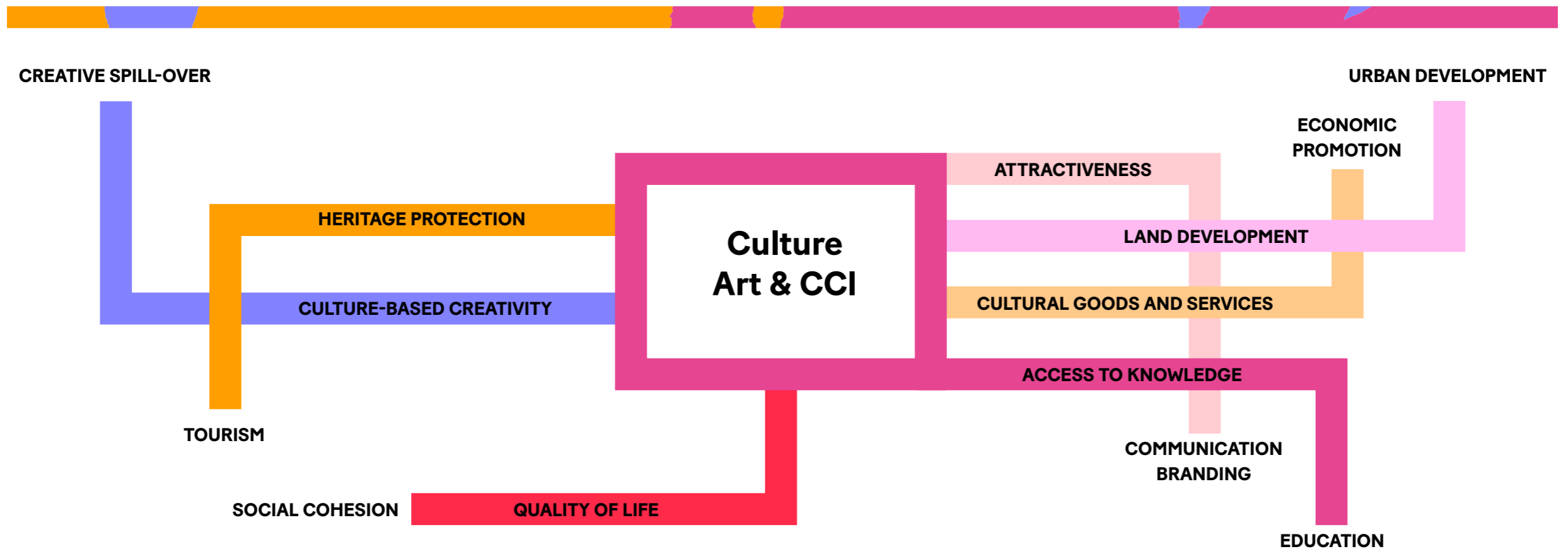
The CCS is driven by small businesses or individuals, which attracts agile and innovative employers

4

The CCS enhances the attractiveness of cities

- It provides the opportunity to engage in large urban development projects
- It has a positive impact on tourism
- It contributes to the creation of a local identity supporting social cohesion

CITIES ARE MAIN INVESTORS IN CCS TO DEVELOP TERRITORIAL ATTRACTIVENESS/ REGENERATION AND TO SUPPORT ENTREPRENEURSHIP



"I have long believed that talent attracts capital far more effectively and consistently than capital attracts talent. The most creative individuals want to live in places that protect personal freedoms, prize diversity and offer an abundance of cultural opportunities."

Michael Bloomberg, former mayor of New York City and founder of Bloomberg

CCS are at the heart of urban development strategies and a main contributor to urban economies and social development:

- CCS increase cultural offers and make cities attractive to talents, tourists as well as investors
- CCS encourage innovation (fablabs*, makerspace, cultural hubs and clusters) and hybridisation acting as laboratories to the new economy
- In large European cities 1 in 7 jobs are in the cultural and creative sectors
- In Greater London gross value added from CCS activities has risen from EUR 23 billion in 2003 to nearly EUR 47 billion in 2015

*Fablab: fabrication laboratory

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WITHIN THE CONTEXT OF THE FINANCIAL CRISIS & GLOBALISATION THE DIGITAL SHIFT OPENS WAYS FOR NEW FUNDING STREAMS

Context

Since the financial crisis...

...Traditional cultural sectors feel a certain pressure to develop own resources because of a fall in public funding (e.g. -30% in the Netherlands)

...There is increased support at the EU level as part of innovation and regional development policies notably through Smart Specialisation Strategies implemented in 100 regions in the EU

General Trends

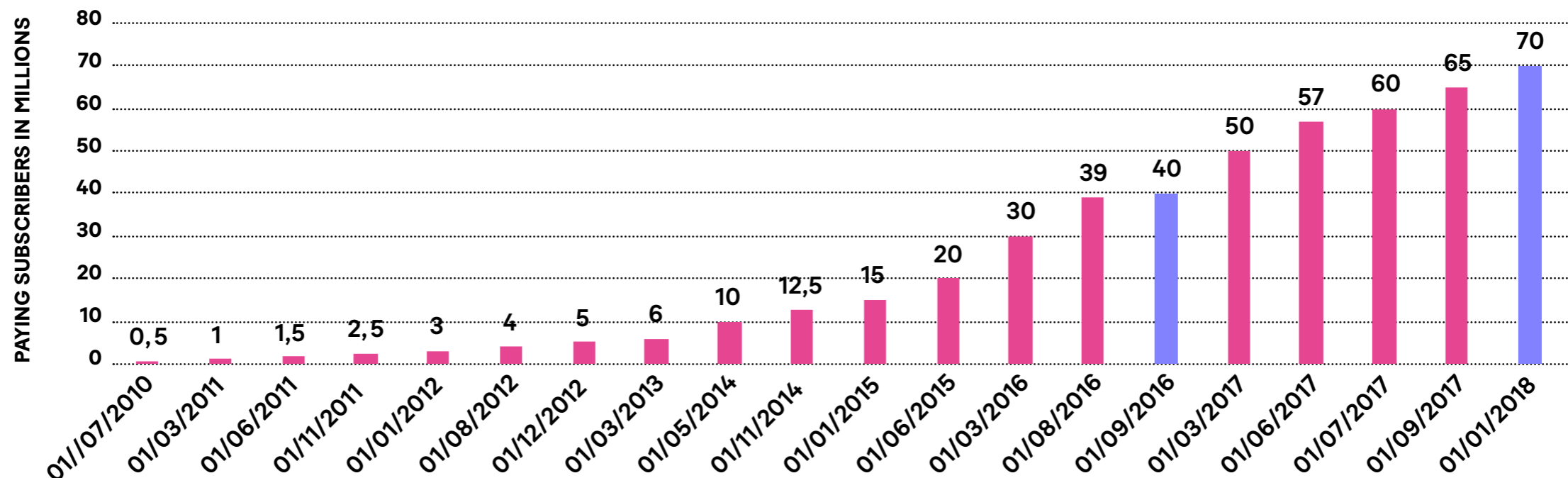
- Increase in crowdfunding: There have been 75,000 campaigns in CCS since 2013
- Importance of multinationals in films, music, games and fashion to fund indie brands and talent
- Increase in public funding in relation to urban regeneration (real estate), creative spill overs, innovation, regional, social and education policies

Specific trends in the Audio-visual sector (Cinema, animation, video games)

- Decrease in advertising income in Television
- Less public funding but more tax incentives:
 - France, UK, Ireland, Belgium, Lithuania, Hungary, Italy
 - in Europe EUR 3 billion total public support per year with EUR 1 billion through tax incentives (2013)
- New business models (Netflix) – buy-out outside versioning cycles
- Increase in international co-productions in films (to leverage public support)

THE SUBSCRIPTION MODEL IS REPLACING THE TRADITIONAL OWNERSHIP MODEL, GIVING CCS NEW GROWTH OPPORTUNITIES

Number of paying Spotify subscribers worldwide from July 2010 to January 2018 (millions)

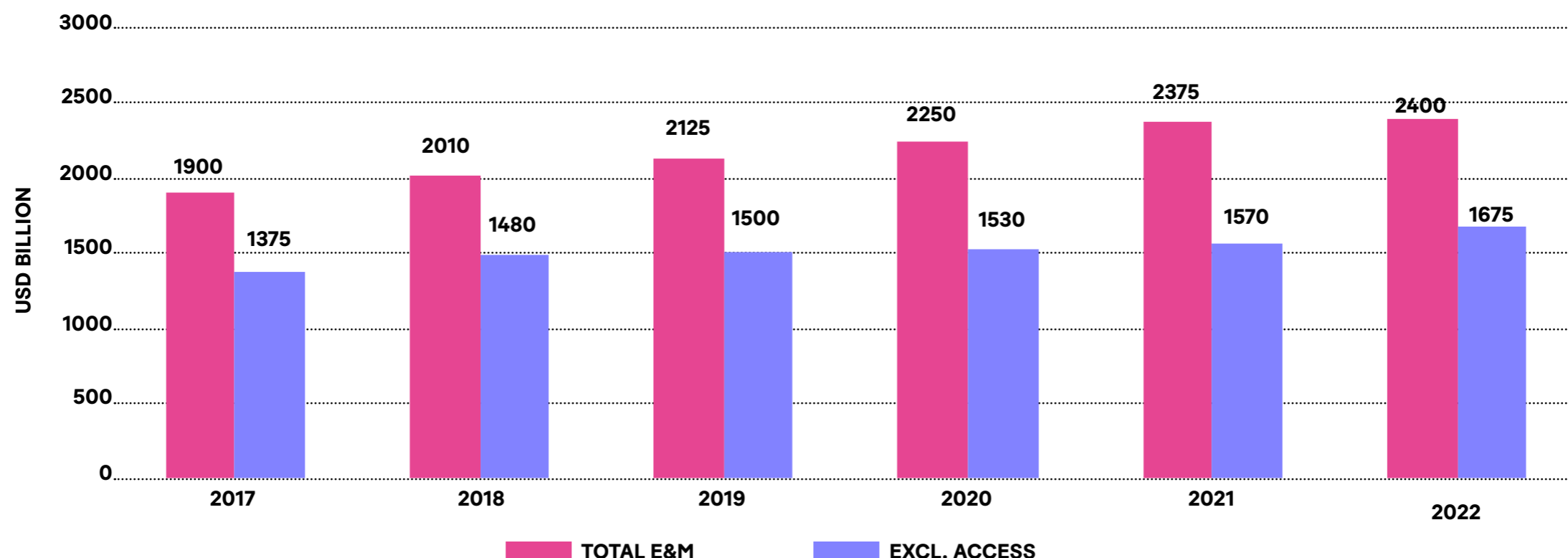


New Ways to Generate Revenues

- The subscription business model is gradually replacing the ownership model and becoming the main point of access to content e.g. Spotify, Apple Music, Amazon, Netflix, Google, Deezer, etc.
- Spotify has seen an increase in paying users from 40 million in September 2016 to 70 million in June 2018.
- There is an increased importance of social media, merchandising and live performances to generate revenues
- The main victims of this trend are retailers as well as actors in the lucrative home video market and CD sales (see also impact of digitalisation in section 3)
- In general, it can be observed that the younger generation shows new consumption patterns (more mobile in taste and usage)

GROWTH FORECAST FOR ENTERTAINMENT AND MEDIA PREDICT FAST GROWTH FOR VIRTUAL REALITY (VR) AND OVER-THE-TOP VIDEOS (OTT**)

Total E&M* revenue with and without access spending***, 2017-2022)



Growth and productivity

- Total global Entertainment and Media (E&M) revenue will see a 4.4% CAGR rise over the five year forecast period through 2022, reaching USD 2.4 trillion in that year, from USD 1.9 trillion in 2017
- In the EU, the video on demand (VOD****) market has grown from revenues worth EUR 1.165 billion in 2013 to EUR 5.131 billion in 2017. In particular, **SVOD***** revenues have experienced exponential growth**, from EUR 363 million to EUR 3.649 billion
- Magazines and Newspapers are experiencing a negative trend

Source: Global Entertainment and Media Outlook, 2018

*E&M: Entertainment and Media

**OTT: over the top videos – OTT refers to content providers that distribute streaming media as a standalone product directly to viewers without dedicated distributors/telecommunications, broadcasting companies etc.

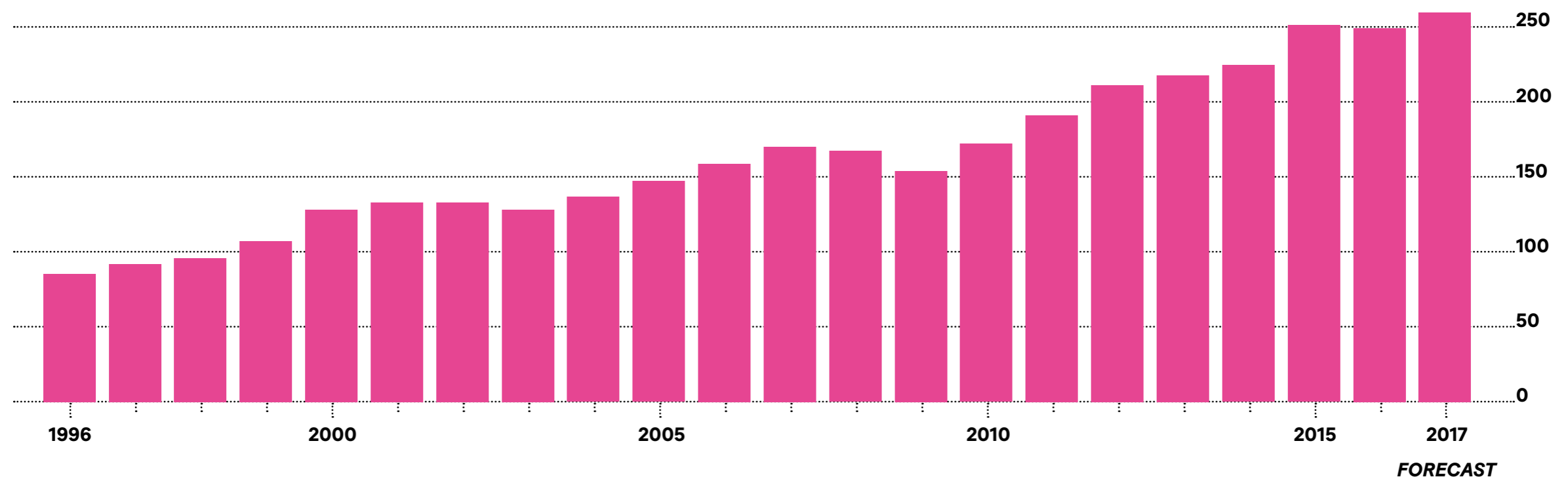
*** With access spending refers to the total spending of accessing content including the subscription cost required to access content (e.g. broadband access and mobile internet) without access spending excludes these costs

**** VOD: Video-on-Demand

*****SVOD: Subscription-Video-on-Demand

IN LUXURY AND FASHION, GLOBAL SALES HAVE SEEN A STRONG RISE IN RECENT YEARS AND EU BASED PLAYERS ARE AMONG THE KEY PLAYERS

Luxury goods global sales between 1996 and 2017 (in EUR billion)



Market leaders pulling smaller actors

- Europe is leading in fashion, with several multinational firms such as LVMH, Gucci, Hermes, Burberry or Richemont
- Global sales of luxury goods were almost multiplied by three in the last twenty years
- Important investment in craftsmanship (France, Italy) to keep up with demand on quality products (leather, glass, ceramics, embroidery)
- Demand fuelled by consumers in developing economies (China notably)
- Significant M&A in the sector (Versace but also smaller brands largely foreign acquisitions)
- Importance of E-commerce platform (Zalando)

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CONCLUSIONS

The European CCS represent an **important market of 6.7 million employees and more than 2.4 million companies** in 2016

Overall the CCS represented over **4% of total European GDP** in 2014, which is comparable to sectors such as ICT and the Accommodation and food services sector

CCS financing relies on a **combination of public and private sources** but is typically characterised by a strong reliance on public support in some sub-sectors (cinema, public TV, performing arts, heritage)

Compared to other sectors, CCS companies face risks stemming from intrinsic characteristics, specific market-level and company-level risks. This requires a **specific approach to assessing CCS company risks**

These risks and related funding needs can be remediated by:

- Developing a portfolio of loan products tailor-made for the targeted CC sub-sector(s)
- Applying, a sector specific approach when assessing the level of risk of a CCS company
- Making use of the CCS Loan Guarantee Facility offered by the EIF

In terms of market trends, there is a **strong growth prospect in the Audio-visual and Multimedia sub-sector**, which is predominantly fuelled by **digital disruptions of established value chains** e.g. subscription models replacing ownership models for film, music or other content

Finally, it is important to **foster the mutual understanding of the CCS among CCS companies and financial intermediaries**

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APPENDIX – NACE CODES

AVAILABLE DATA ON EUROSTAT AND LIMITATIONS

- The CCS GF aims at enhancing access to finance for SMEs and Small Public Enterprises active in the CCS and in particular in the eight sub sectors specified below
- Each sub sector includes a number of activities (or NACE codes) that are presented in the following slides
- The data (or NACE codes) have been collected from Eurostat and specifically, from the Business Demography (BD) database and the Structural business statistics (SBS) database for services, industry and trade
- For the sub-sector Education and Memberships there is no data available that is sufficiently accurate to be included in the quantitative analysis
- Whenever data is not available (either due to unavailability in a particular database or because the sought after data was not sufficiently accurate) it is marked as "NA" in the following slides
- The data availability, the database form which the data was collected as well as the variables for which data was extracted can be seen in the following slides

Heritage, Archives and Libraries

Books and Press

Visual arts

Architecture

Performing arts

Audio Visual and Multimedia

Education & Memberships

Other cultural and creative sectors activities

APPENDIX – NACE CODES

AVAILABLE DATA ON EUROSTAT AND LIMITATIONS

Cultural Domain of CCS GF	Nace Code (NACE Rev. 2)	Enterprises number V111100 (SBS) / V11910 (BD)	Persons employed V 16110(SBS) / V16910 (BD)	Value added at factor cost – million euro V12150	Survival rate 1 / 3 / 5 V97041 / V97043 / V97045
Heritage, Archives and Libraries	R91.01 • Library and archives activities			N/A*****	
	R91.02 • Museums activities	BD (R91)*	BD (R91)*	N/A*****	BD (R91)*
	R91.03 • Operation of historical sites and buildings and similar visitor attractions			N/A*****	
Books and Press	C18.11 • Printing of newspapers	SBS (industry)	SBS (industry)	SBS (industry)	N/A**
	C18.12 • Other printing	SBS (industry)	SBS (industry)	SBS (industry)	N/A**
	C18.13 • Pre-press and pre-media services	SBS (industry)	SBS (industry)	SBS (industry)	N/A**
	C18.14 • Binding and related services	SBS (industry)	SBS (industry)	SBS (industry)	N/A**
	J58.11 • Book publishing	SBS (services)	SBS (services)	SBS (services)	
	J58.13 • Publishing of newspapers	SBS (services)	SBS (services)	SBS (services)	BD (J58)*
	J58.14 • Publishing of journals and periodicals	SBS (services)	SBS (services)	SBS (services)	
	J63.91 • News agency activities	SBS (services)	SBS (services)	SBS (services)	N/A****
	G47.61 • Retail sale of books in specialised stores	SBS (trade)	SBS (trade)	SBS (trade)	
	G47.62 • Retail sale of newspapers and stationery in specialised stores	SBS (trade)	SBS (trade)	SBS (trade)	BD (G47.6)***
M74.30 • Translation and interpretation activities	SBS (services)	SBS (services)	SBS (services)	BD	

* Only 2 digit NACE code available

** Only category C17_C18 available, covering too many additional sub-activities that are not included

*** Only 3 digit NACE code available

**** Only 2 digit NACE code available, covering too many additional sub-activities that are not included

***** Data on value added not available in BD database

APPENDIX – NACE CODES

AVAILABLE DATA ON EUROSTAT AND LIMITATIONS

Cultural Domain of CCS GF	Nace Code (NACE Rev. 2)	Enterprises number V111100 (SBS) / V11910 (BD)	Persons employed V 16110(SBS) / V16910 (BD)	Value added at factor cost – million euro V12150	Survival rate 1 / 3 / 5 V97041 / V97043 / V97045
Visual Arts	G47.78 • Other retail sale of new goods in specialised stores	SBS (trade)	SBS (trade)	SBS (trade)	N/A***
	J58.19 • Other publishing activities	SBS (services)	SBS (services)	SBS (services)	BD (J58)****
	M74.10 • Specialised design activities	SBS (services)	SBS (services)	SBS (services)	BD
	M74.20 • Photographic activities	SBS (services)	SBS (services)	SBS (services)	BD
	R90.03 • Artistic creation	BD (R90)*	BD (R90)*	N/A**	BD (R90)*
Architecture	M71.11 • Architectural activities	SBS (services)	SBS (services)	SBS (services)	BD
Performing Arts	M74.90 • Other professional, scientific and technical activities n.e.c.	SBS (services)	SBS (services)	SBS (services)	BD
	N78.10 • Activities of employment placement agencies	SBS (services)	SBS (services)	SBS (services)	BD
	R90.01 • Performing arts	BD (R90)*	BD (R90)*	N/A**	
	R90.02 • Support activities to performing arts	BD (R90)*	BD (R90)*	N/A**	BD (R90)****
	R90.04 • Operation of arts facilities	BD (R90)*	BD (R90)*	N/A**	

* Only 2 digit NACE code available, to avoid double counting the data is excluded from the Visual Arts sub-sector and included in the analysis of the Performing Arts sub-sector

** Data on value added not available in BD database

*** Only 3 digit NACE code available, covering too many additional sub-activities that are not included

**** Only 2 digit NACE code available

APPENDIX – NACE CODES

AVAILABLE DATA ON EUROSTAT AND LIMITATIONS

Cultural Domain of CCS GF	Nace Code (NACE Rev. 2)	Enterprises number V111100 (SBS) / V11910 (BD)	Persons employed V 16110(SBS) / V16910 (BD)	Value added at factor cost – million euro V12150	Survival rate 1 / 3 / 5 V97041 / V97043 / V97045
Audio-Visual & Multimedia	C18.20 • Reproduction of recorded media	SBS (industry)	SBS (industry)	SBS (industry)	N/A*
	C32.20 • Manufacture of musical instruments	SBS (industry)	SBS (industry)	SBS (industry)	N/A**
	C33.19 • Repair of other equipment	SBS (industry)	SBS (industry)	SBS (industry)	N/A***
	G47.63 • Retail sale of music and video recordings in specialised stores	SBS (trade)	SBS (trade)	SBS (trade)	BD (G47.6)****
	J59.11 • Motion picture, video and television programme production activities	SBS (services)	SBS (services)	SBS (services)	
	J59.12 • Motion picture, video and television programme post-production activities	SBS (services)	SBS (services)	SBS (services)	BD (J59)*****
	J59.13 • Motion picture, video and television programme distribution activities	SBS (services)	SBS (services)	SBS (services)	
	J59.14 • Motion picture projection activities	SBS (services)	SBS (services)	SBS (services)	
	J58.21 • Publishing of computer games	SBS (services)	SBS (services)	SBS (services)	BD (J58)*****
	J59.20 • Sound recording and music publishing activities	SBS (services)	SBS (services)	SBS (services)	BD (J59)*****
	J60.10 • Radio broadcasting	SBS (services)	SBS (services)	SBS (services)	
J60.20 • Television programming and broadcasting activities	SBS (services)	SBS (services)	SBS (services)	BD (J60)*****	

* Only category C17_C18 available, covering too many additional sub-activities that are not included
 ** Only category C31_C32 available, covering too many additional sub-activities that are not included
 *** Only category C33 available, covering too many additional sub-activities that are not included

**** Only 3 digit NACE code available
 ***** Only 2 digit NACE code available

APPENDIX – NACE CODES

AVAILABLE DATA ON EUROSTAT AND LIMITATIONS

Cultural Domain of CCS GF	Nace Code (NACE Rev. 2)	Enterprises number V111100 (SBS) / V11910 (BD)	Persons employed V 16110(SBS) / V16910 (BD)	Value added at factor cost – million euro V12150	Survival rate 1 / 3 / 5 V97041 / V97043 / V97045
Education & Memberships***	P85.42 • Tertiary education	N/A*	N/A*	N/A*	N/A*
	P85.52 • Cultural education	N/A*	N/A*	N/A*	N/A*
	S94.12 • Activities of professional membership organisations	N/A*	N/A*	N/A*	N/A*
	S94.99 • Activities of other membership organisations n.e.c.	N/A*	N/A*	N/A*	N/A*
Other cultural and creative sectors activities	G46.49 • Wholesale of other household goods	SBS (trade)	SBS (trade)	SBS (trade)	N/A*
	G47.79 • Retail sale of second-hand goods in stores	SBS (trade)	SBS (trade)	SBS (trade)	N/A**
	N77.29 • Renting and leasing of other personal and household goods	SBS (services)	SBS (services)	SBS (services)	BD
	S95.29 • Repair of other personal and household goods	SBS (services)	SBS (services)	SBS (services)	N/A*

* Only 2 digit NACE code available, covering too many additional sub-activities that are not included
 ** Only 3 digit NACE code available, covering too many additional sub-activities that are not included

*** Due to the lack of sufficiently accurate data on Eurostat (at 4 digit NACE code level) this sub-sector is excluded from the quantitative analysis

APPENDIX – NACE CODES

AVAILABLE DATA ON EUROSTAT AND LIMITATIONS

Limitations of the quantitative analysis using Eurostat data (based on NACE codes)

The quantitative data on CCS underestimates the size of the CCS in the EU as:

- NACE codes are outdated and do not capture the digital economy and services
- Country reporting varies greatly and is often not comparable
- Countries have different definitions on what constitutes CCS
- Trade figures only capture trade in goods
- Data collection is poor or non-existent in a large number of sub-sectors (notably design, heritage, performing art, royalty collection and digital services)

APPENDIX - SOURCES

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- **Interreg Europe** (2017) Joint event: SME competitiveness [online] [Accessed November 2018]

APPENDIX - GLOSSARY OF ABBREVIATIONS

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- AVM** • Audio-visual & Multimedia
 - CAGR** • Compound Annual Growth Rate
 - CCS** • Cultural and Creative Sectors
 - CMO** • Collective management organisation
 - EBITDA** • Earnings Before Interests, Taxes, Depreciation and Amortisation
 - ETF** • Exchange-Traded Fund
 - EU** • European Union
 - FI** • Financial Intermediaries
 - GAFA** • Google, Amazon, Facebook, Apple
 - GDP** • Gross Domestic Product
 - GF Loan** • Guarantee Facility Loan
 - ICT** • Information and Communication Technology
 - IP** • Intellectual Property
 - KRI** • Key Risk Indicator
 - M&A** • Mergers and Acquisitions
 - NACE** • EU statistical classification of economic activities
 - OTT** • Over the Top
 - RC** • Record Company
 - SME** • Small and Medium Enterprise
 - UNESCO** • United Nations Educational, Scientific and Cultural Organisation

