SG13-1067

2014

SUSTAINING CREATIVITY

GROWTH IN CREATORS' ROYALTIES AS MARKETS GO DIGITAL

CISAC

SERVING AUTHORS WORLDWIDE
AU SERVICE DES AUTEURS DANS LE MONDE
AL SERVICIO DE LOS AUTORES EN EL MUNDO

A NOTE ON CISAC CREATORS' ROYALTY COLLECTIONS

CISAC – the International Confederation of Societies of Authors and Composers – aims to increase both the protection and the promotion of creators' rights worldwide.

As the leading worldwide network of creators' societies, CISAC enables collective management organisations (CMOs) to seamlessly represent creators across the globe and ensure that royalties flow to rights holders for the use of their works anywhere in the world. To this end, CISAC provides the highest business, legal and IT standards to protect creators' rights and to support the development of the international network of collective management societies.

CISAC represents 227 societies in 120 countries. This survey shows a steady increase in the societies' collections over the last 9 years since 2003, adding €1.6 billion in collections over that period, illustrating the viability and resilience of the collective management of authors' rights.

The growth in collections in 2012 out-paced GDP growth in 68 of the territories surveyed, illustrating the added value to the economies of the cultural and creative industries in those countries and the solidity of the network of authors' societies.

Efforts continue by the authors' societies around the world to reduce their administration costs and to expand their coverage of the various forms of use of creative works across all repertoires.

CISAC's objective is to support member societies in order to increase the revenues accruing to the three million creators they represent for the use of their works. CISAC is committed to developing the global network of authors' societies and ensuring that each society benefits from the best tools for the management and administration of works and rights.

CISAC's 2014 Global Collections Report presents the 2012 collection figures based on the CISAC member societies' gross national collections, as notified to CISAC in November 2013.

The figures presented in this survey cover the following:

- CISAC members reported figures only (CISAC has no information on collections by societies that are not its members)
- Domestic collections, excluding those collections received from sister societies through reciprocal agreements
- The survey does not include rights paid directly (e.g. synchronisation rights) to music publishers

For more information on data collection methodology, please see the Appendix.

KEY NUMBERS IN 2012

€7.8bn

TOTAL COLLECTIONS BY CISAC MEMBER SOCIETIES IN 2012

75%

(€5.9BN) COLLECTIONS MADE FROM PERFORMANCE/ COMMUNICATION RIGHTS

1.6%

PERFORMANCE/ COMMUNICATION RIGHTS ACCOUNTED FOR 1.6% OF THE GLOBAL ADVERTISING MARKET

6.3%

AUTHORS' ROYALTIES FROM MUSIC PHONOGRAPHIC AND LIVE PERFORMANCE AS A PERCENTAGE OF THE TOTAL SIZE OF THE GLOBAL MUSIC INDUSTRY (RETAIL VALUE RECORDED MUSIC AND LIVE)

+2%

GROWTH IN TOTAL COLLECTIONS YEAR-ON-YEAR

59%

(€4.6BN) OF TOTAL COLLECTIONS CAME FROM EUROPE

€301m

IN DIGITAL COLLECTIONS WHICH IS NOW 4% OF TOTAL COLLECTIONS

87%

MUSICAL REPERTOIRE ACCOUNTED FOR 87% OF OVERALL COLLECTIONS (€6.8BN)

31%

RADIO AND TELEVISION MADE UP 31% OF REVENUE FOR CREATORS

CREATORS' ROYALTIES —FIVE KEY TRENDS

Royalties collected by collective management organisations provide a steady source of revenue for both creators and the cultural and creative industries. Royalties proved to be less volatile than advertising revenues, or even country GDP, during the recent economic downturn.

However, royalty collections vary according to commercial strategies of the collecting society members, enforcement and legislation, the efficiency and effectiveness of collection processes and technology, as well as direct trends in some of the end user markets.

Overall the outlook for collective rights remains positive, with growth coming from five key areas:

1

Regional growth, with increasing collections particularly in Asia, Latin America and Africa.

2

Repertoire growth, with strong contributions to overall collections from digital rights, cable & satellite TV and live music & theatrical rights.

3

Growth in digital distribution of repertoires such as music & film is driving new platforms and formats for digital advertising.

4

Economic growth, with most indicators suggesting the regions are beginning to emerge from the major global recession. The cultural and creative industries can expect to thrive as economic growth returns, particularly as the growing middle-class in emerging economies will see their disposable incomes rise.

5

Growth in new repertoires such as electronic dance music, along with smaller creators signing up to collecting societies around the world. This longer-term growth will require investments in collection tracking and distribution technologies.

PART ONE

OVERALL PICTURE AND TRENDS IN ROYALTY COLLECTIONS 2012

€7.8bn

Total royalty collections reached yet another all-time high of €7.8 billion in 2012. This translates into a 2% increase from 2011 and is in line with global GDP growth.

Performance/communication royalty collections continued to grow in 2012 to €5.9 billion, an increase of 3.3%. This was despite a slight drop in collections in the largest category of radio & television (where collections fell by 1.6% but still made up over one-third of performance/communication). Performance/communication represents just over 75% of total collections.

The growth in performance/communication royalty collections were largely driven by cable and satellite television (which contributed to half of the growth in total collections). However, the smaller categories of cinema, digital and live theatre also contributed to growth and together helped compensate for the slight drop in radio & television.

Mechanical royalties continue to fall, largely due to declining physical recorded music sales, and dropped another 5.1% from 2011. As a result, mechanical royalties now account for 17.5% of total collections, compared with 20% two years ago.

Other rights (reprography, private copying, resale right, multimedia, lending right and other types of rights) also grew in 2012 by 9%, to a sum of €559 million. The largest category, reprography (the reproduction of graphics) grew by 19% in 2012 to €242million, driven mainly by growth in Canada and Australia.

Private copying made a slight recovery in 2012, growing 2.3% to €194 million. This was due to increased private copying collections in some European societies. Europe was also the largest contributor to growth for resale right, largely driven by the UK where this right recently came into effect for visual artists.

Fig 1 – LONG-TERM TREND IN GLOBAL COLLECTIONS (€M)

2012 REPRESENTED ANOTHER RECORD HIGH IN OVERALL ROYALTY COLLECTIONS WITH A 2% INCREASE PROVIDING A STEADILY GROWING MARKET, IN LINE WITH GLOBAL GDP GROWTH (2.2% ACCORDING TO WORLD BANK).

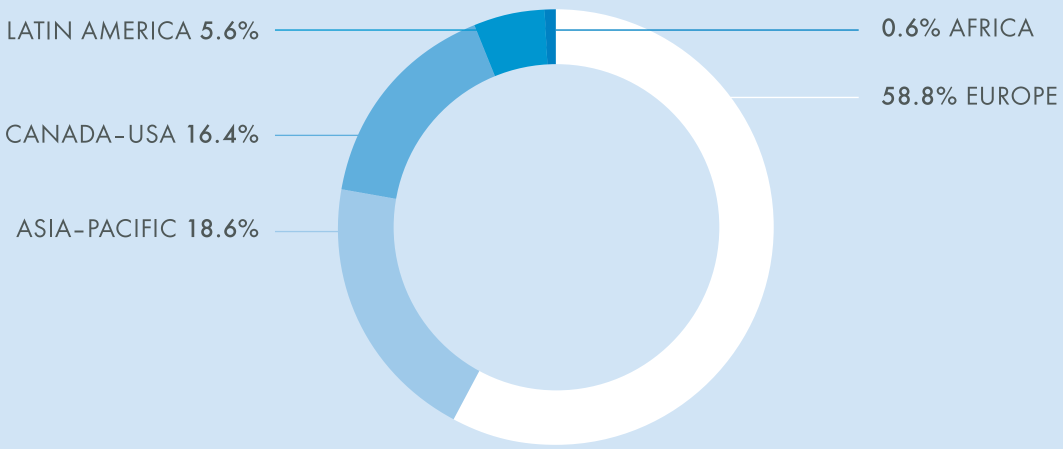
+2%

2012 represented another record high in overall royalty collections with a 2% increase

2013 COLLECTIONS FROM THE TOP SOCIETIES

Based on 2013 data collated from 20 of the largest societies, CISAC predicts that income is set to increase further in 2013, by 2.5% (constant Euros). The top 20 societies used in the analysis make up two thirds of total collections each year, so this figure provides an estimate only.

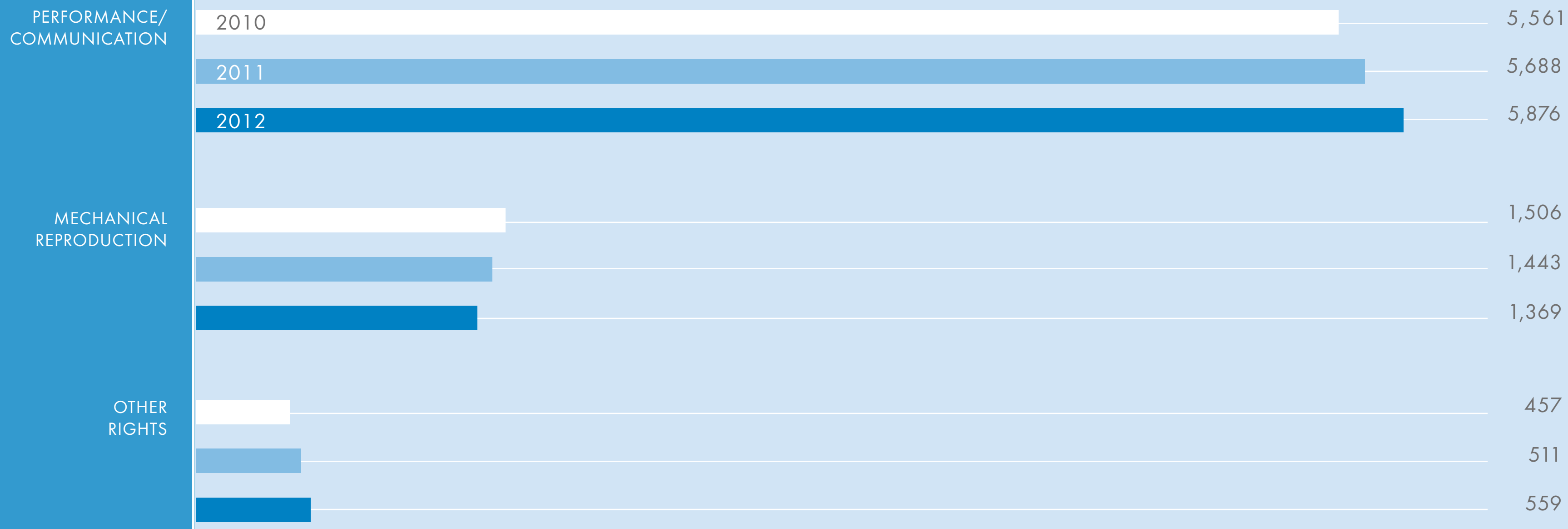
Fig 2 – SHARE OF GLOBAL COLLECTIONS BY REGION IN 2012



EUROPE REPRESENTS JUST UNDER 59% OF WORLDWIDE ROYALTY COLLECTIONS. COLLECTIONS FROM THE ASIA-PACIFIC REGION HAVE FOR THE FIRST TIME CONTRIBUTED TO A LARGER SHARE OF WORLDWIDE COLLECTIONS THAN CANADA-USA.

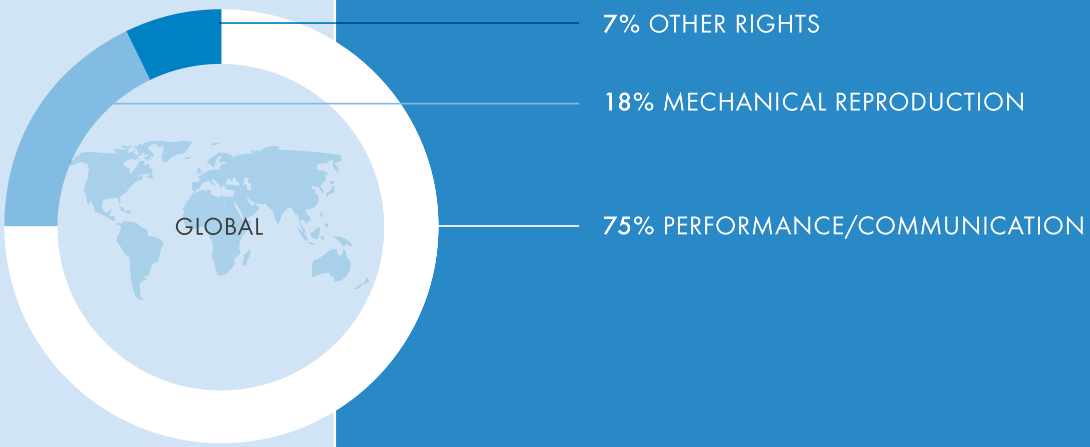
EUROPE'S SHARE OF COLLECTIONS FELL BY ONE PERCENTAGE POINT AND CANADA-USA BY 1.5 POINTS, COMPARED WITH 2011. ASIA-PACIFIC'S SHARE INCREASED TWO POINTS FROM 16.6% IN 2011, AND LATIN AMERICA'S SHARE ALSO INCREASED SLIGHTLY.

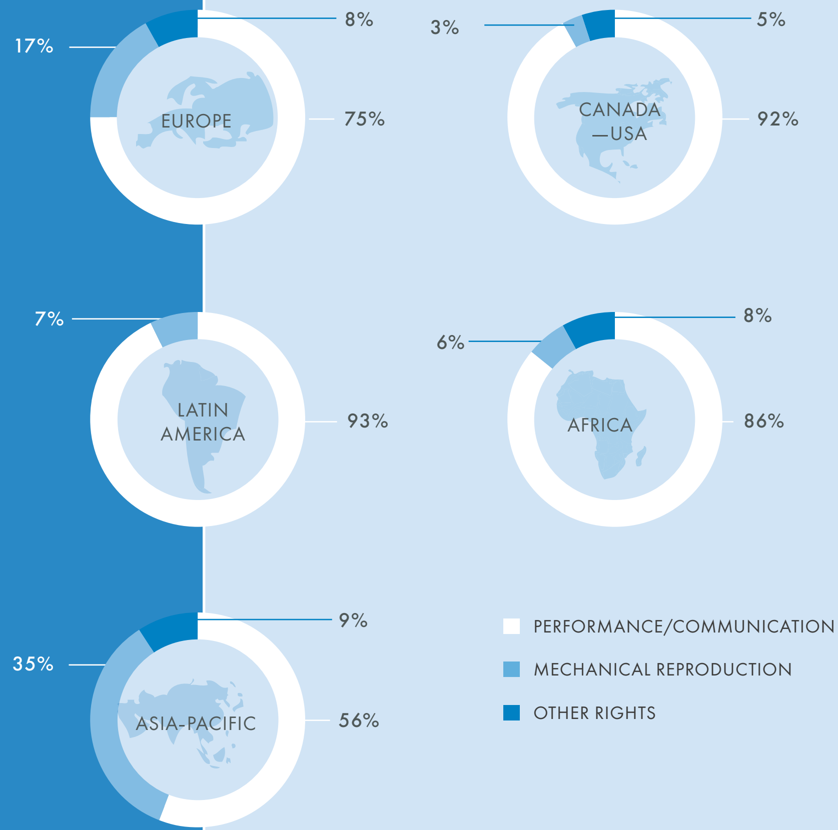
Fig 3 – TREND IN COLLECTIONS BY TYPE OF RIGHTS (€M)



INCOME FROM PERFORMANCE/COMMUNICATION RIGHTS CONTINUE TO GROW, WHILE MECHANICAL RIGHTS HAVE BEEN STEADILY DECLINING SINCE 2010. OTHER RIGHTS (PRIVATE COPYING; REPROGRAPHY; RESALE RIGHT; LENDING RIGHT; MULTIMEDIA), HAVE BEEN STEADILY INCREASING SINCE 2010.

Fig 4 – SHARE OF COLLECTIONS BY TYPE OF RIGHTS
AND BY REGION IN 2012





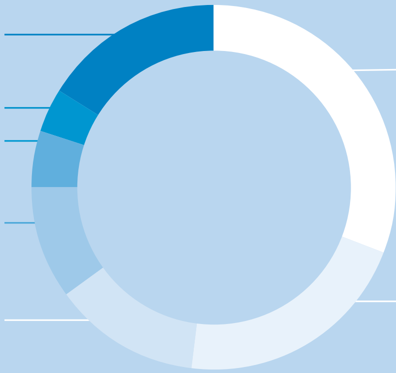
PERFORMANCE/COMMUNICATION RIGHTS MAKE UP THE VAST MAJORITY OF ROYALTY COLLECTIONS IN ALL REGIONS EXCEPT ASIA-PACIFIC, WHERE MECHANICAL ROYALTIES ACCOUNT FOR 35% OF COLLECTIONS (THE MAJORITY OF THIS FROM DVD AND CD ROYALTIES WHICH ARE STILL INCREASING IN JAPAN).

ANALYSIS BY TYPE OF RIGHTS

€301m

The growth in collections from digital channels rose 7% in 2012 to €301 million.

Fig 5 – ORIGIN OF RIGHTS BY SECTOR IN 2012: GLOBAL



THE LARGEST CATEGORY OF RADIO & TELEVISION SAW A SLIGHT DROP IN SHARE, WITH CABLE & SATELLITE, VIDEO & CINEMA AND DIGITAL OCCUPYING A SLIGHTLY GREATER SHARE IN 2012. DESPITE A GROWTH IN COLLECTIONS, DIGITAL STILL ONLY MAKES UP 4% OF RIGHTS.

REGIONAL VARIATIONS

Distinctive regional variations in the origin of rights include:

- A significant (and increasing) share of royalties represented by cable & satellite in Canada-USA (29%)
- Video and cinema generate sizeable collections (14%) in Asia, driven by a major increase in music video rights in Japan
- Live entertainment (music & theatre) are particularly significant in Latin America (23%) and Europe (14%)
- Radio & television account for 55% of collections in Africa

DIGITAL GROWTH

The growth in collections from digital channels rose 7% in 2012 to €301 million. While this still only represented 4% of overall global rights, one could argue that it leaves significant scope for growth in the coming years. Even as the number of direct licensing deals increase in the digital space, the role for collecting societies is also set to become critical in ensuring digital services get access to creators' rights at a fair price for their use.

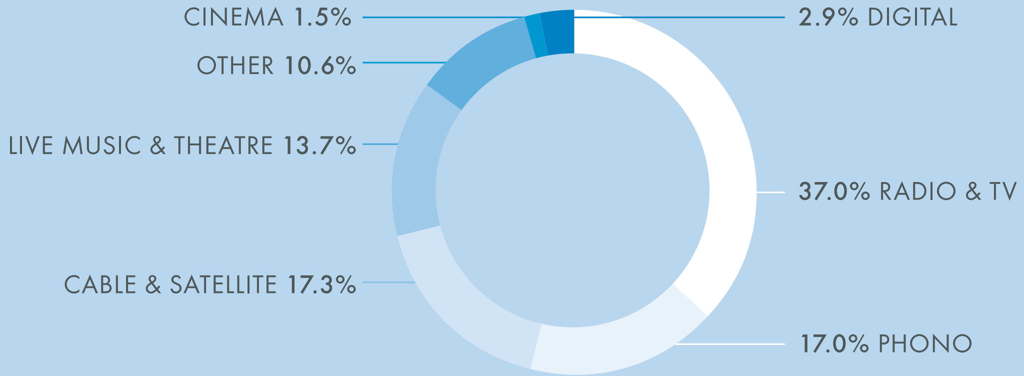
The growth in digital in 2012 was driven predominantly by the largest European markets (digital collections grew by 17% in Europe) where digital performing rights continued to grow. This was offset by a drop in digital revenues of 17% in the Canada-USA region, where some major publishers have withdrawn collective rights in favour of direct deals with large digital music services.

Digital's share of performance/communication rights has an even greater scope for growth. Overall digital performing rights grew 13% to €172 million in 2012 – but still accounted for just 2.9% of global collections.

20%

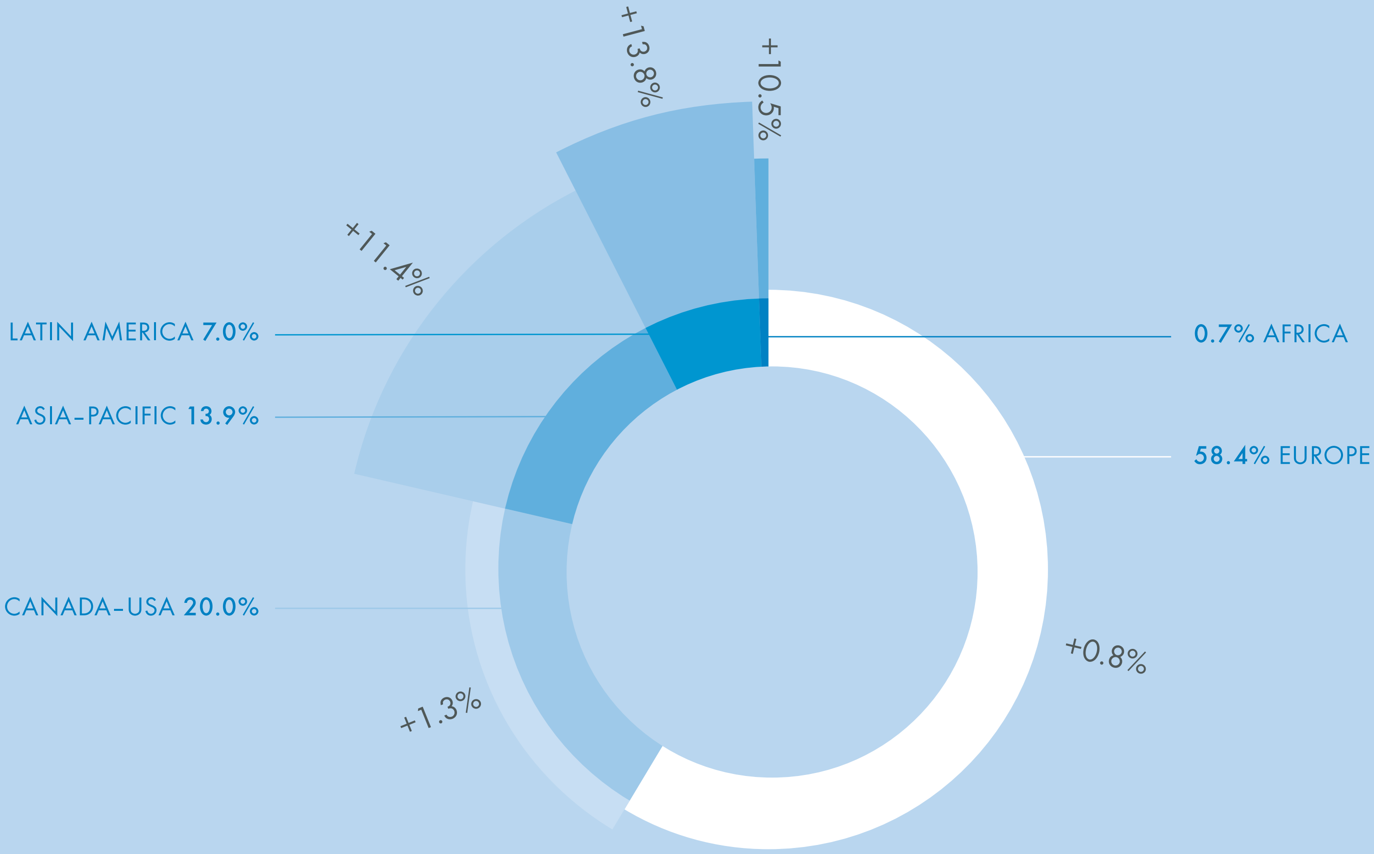
Share for both cable & satellite and digital increased, and combined represented nearly 20% of performance/communication rights.

Fig 6 – ORIGIN OF PERFORMANCE/COMMUNICATION RIGHTS BY SECTOR IN 2012: GLOBAL



RADIO & TELEVISION IS STILL THE PREDOMINANT SOURCE OF PERFORMANCE/COMMUNICATION ROYALTIES ACROSS THE GLOBE, ALTHOUGH ITS SHARE HAS FALLEN FROM 39% IN 2011 TO 37% IN 2012. THE SHARE OF BOTH CABLE & SATELLITE AND DIGITAL INCREASED, AND COMBINED REPRESENTED NEARLY 20% OF INCOME.

Fig 7 – REGIONAL SHARE & GROWTH IN PERFORMANCE/COMMUNICATION RIGHTS 2011-2012



THE INNER CIRCLE CHART SHOWS THE SHARE OF PERFORMANCE/ COMMUNICATION RIGHTS BY REGION. THE OUTER WEDGES SHOW THE GROWTH FOR EACH REGION IN 2012.

PERFORMANCE/COMMUNICATION RIGHTS –GROWTH ANALYSIS

The growth in performance/communication (3.3%) was due to:

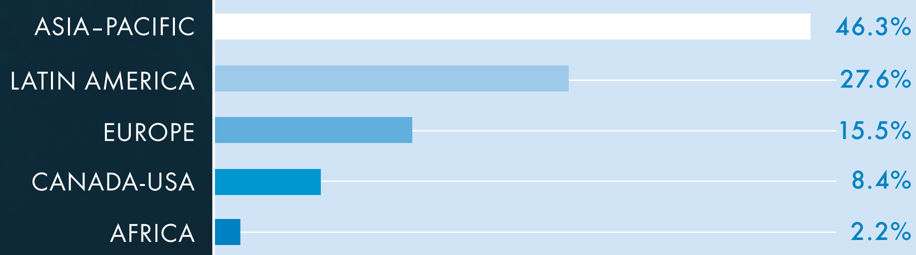
1. Significant increases in specific regions, such as Asia-Pacific and Latin America.
2. The growth in cable & satellite, live music & theatre, digital and other rights, which outweighed the reduction in radio & television.

GROWTH DRIVER: ASIA-PACIFIC AND LATIN AMERICA SEE STEADILY INCREASING COLLECTIONS

The strong growth in Asia was driven by radio & television, with big increases in collections in this category in Australia, Japan, China and Korea.

Growth in Latin America was a balanced mix of cable & satellite (Brazil, Argentina), live music & theatre (Argentina) and other rights (Brazil, Mexico).

Fig 8 – REGIONAL CONTRIBUTION TO GROWTH IN PERFORMANCE/ COMMUNICATION RIGHTS



46%

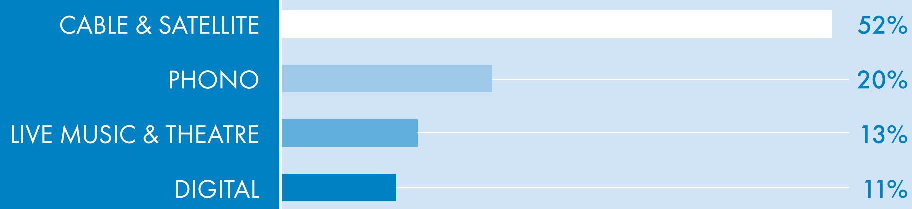
Asia-Pacific made up nearly half of global growth in performing rights in 2012

ASIA-PACIFIC MADE UP NEARLY HALF OF GLOBAL GROWTH IN PERFORMING RIGHTS IN 2012, WITH LATIN AMERICA ALSO GROWING STRONGLY. ALL REGIONS CONTRIBUTED TO GROWTH.

GROWTH DRIVER: CABLE & SATELLITE, LIVE MUSIC & THEATRE AND OTHER TYPES OF RIGHTS

Cable & satellite made up over half of the total growth in performance/communication. Phonographic collections also made a recovery, driven by resurgence in some of the major European markets. Live music & theatre grew strongly in Latin America, Canada-USA and Asia. Finally digital rights grew – mainly in the major European markets.

Fig 9 – TYPE OF RIGHTS CONTRIBUTION TO GROWTH IN PERFORMANCE/ COMMUNICATION RIGHTS



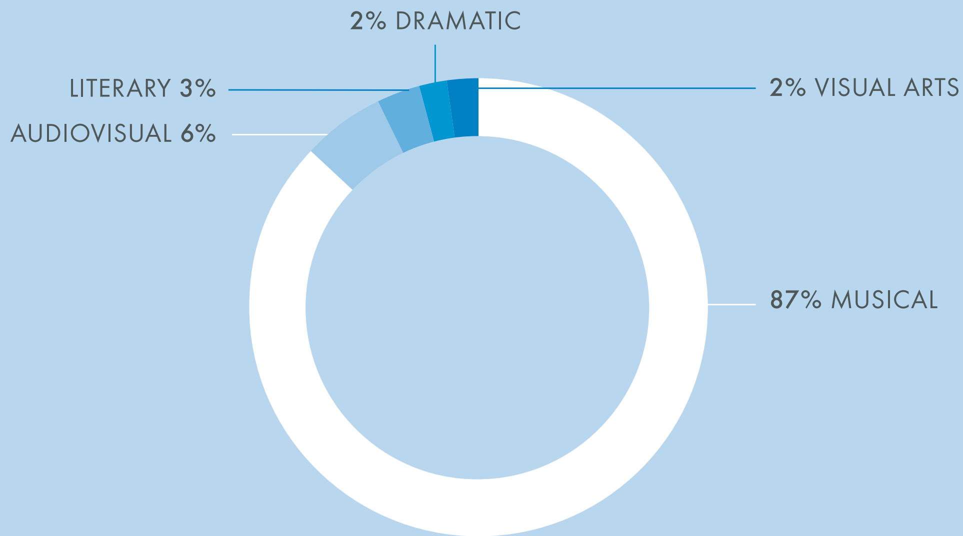
ORIGIN OF COLLECTIONS BY REPERTOIRE –GLOBAL

Some 87% (€6.8 billion) of collections are from music repertoire. This is the result of the music sector's reliance on collective management for many types of rights when compared to other sectors, where most uses are negotiated and licensed directly by the creator, producer or publisher.

Music has a wide variety of uses and has historically built up a mature infrastructure of collections.

The other repertoires, totalling €1 billion, grew in 2012 by nearly 2.9%, largely driven by a substantial increase in reprography and a recovery in private copying.

Fig 10 – ORIGIN OF COLLECTIONS BY REPERTOIRE – WORLDWIDE PICTURE IN 2012



MUSICAL WORKS REPRESENTS THE VAST MAJORITY OF COLLECTIONS ACROSS THE GLOBE, WITH OTHER REPERTOIRES ACCOUNTING FOR 13% OF COLLECTIONS OVERALL.

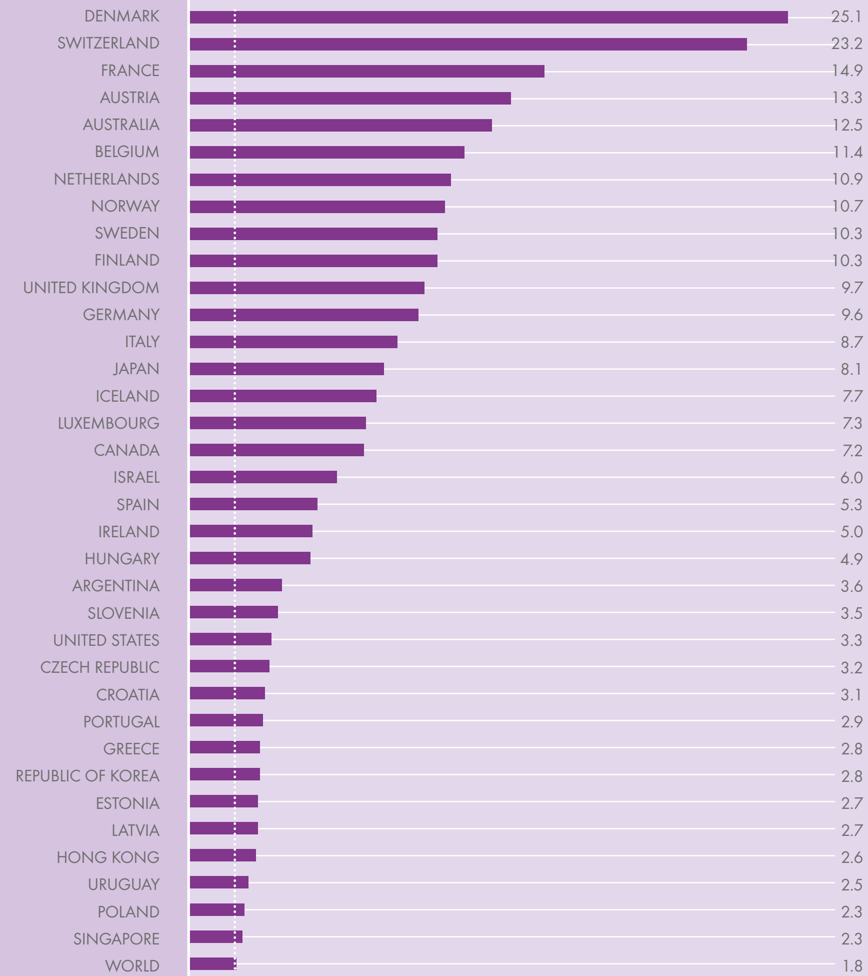
PART TWO

AN ECONOMIC PERSPECTIVE ON COLLECTIONS

35

35 countries exceeded the world average figure of €1.8 collected per head of population

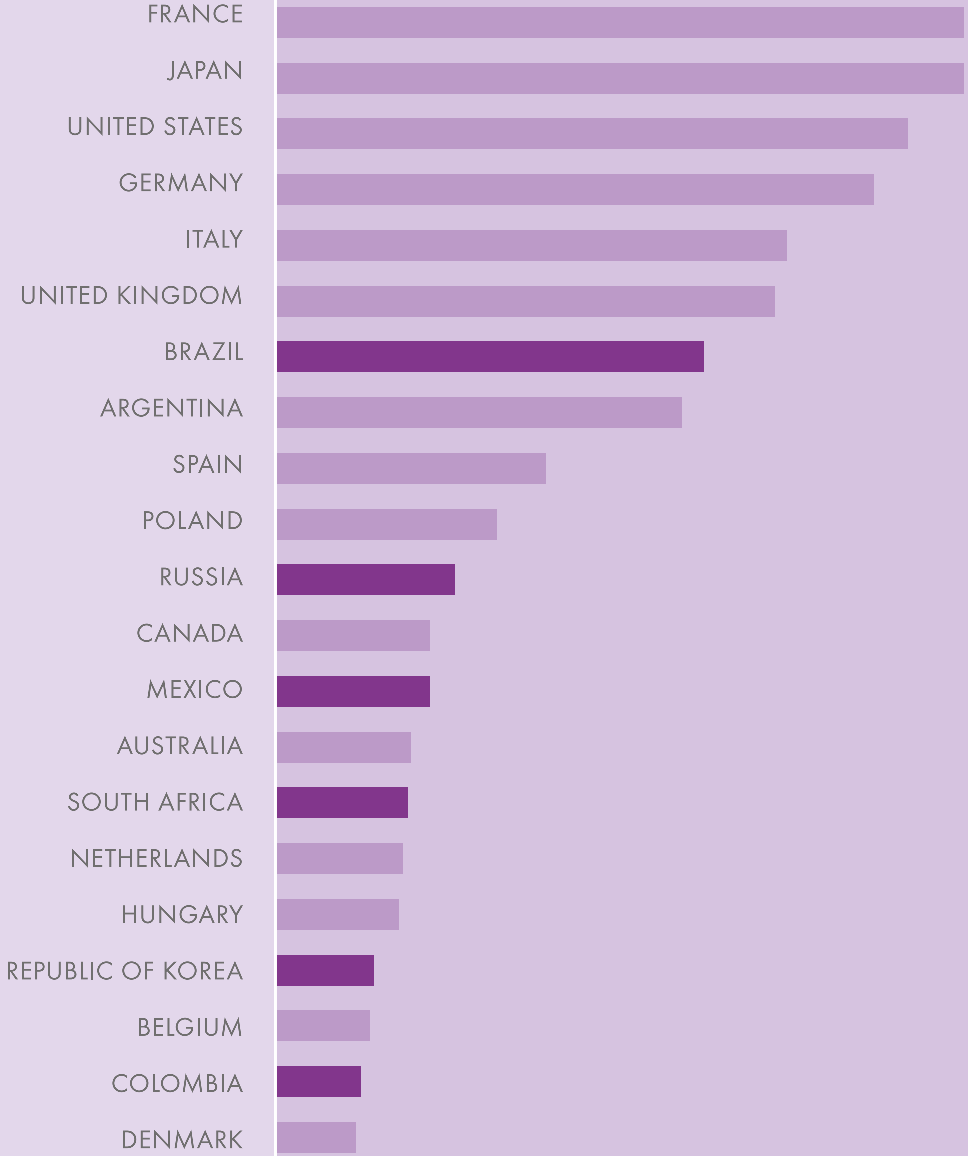
Fig 11 — ANNUAL COLLECTIONS PER HEAD OF POPULATION (€ PER CAPITA)



Source: CISAC, World Bank 2013

35 COUNTRIES EXCEEDED THE WORLD AVERAGE FIGURE OF €1.79 COLLECTED PER HEAD OF POPULATION. WESTERN EUROPE REMAINS THE REGION WITH THE HIGHEST AVERAGE ANNUAL COLLECTIONS PER HEAD OF POPULATION (ABOVE €9 PER CAPITA).

Fig 12 – ANNUAL COLLECTIONS PER GDP/CAPITA IN MAJOR COUNTRIES



THIS INDICATES THE PERFORMANCE OF AUTHORS' ROYALTY COLLECTIONS BY COUNTRY ACCORDING TO TOTAL SPENDING PER HEAD OF POPULATION. IT TAKES INTO ACCOUNT 'PURCHASING POWER PARITY' OR THE RELATIVE WEALTH OF INHABITANTS WITHIN COUNTRIES.

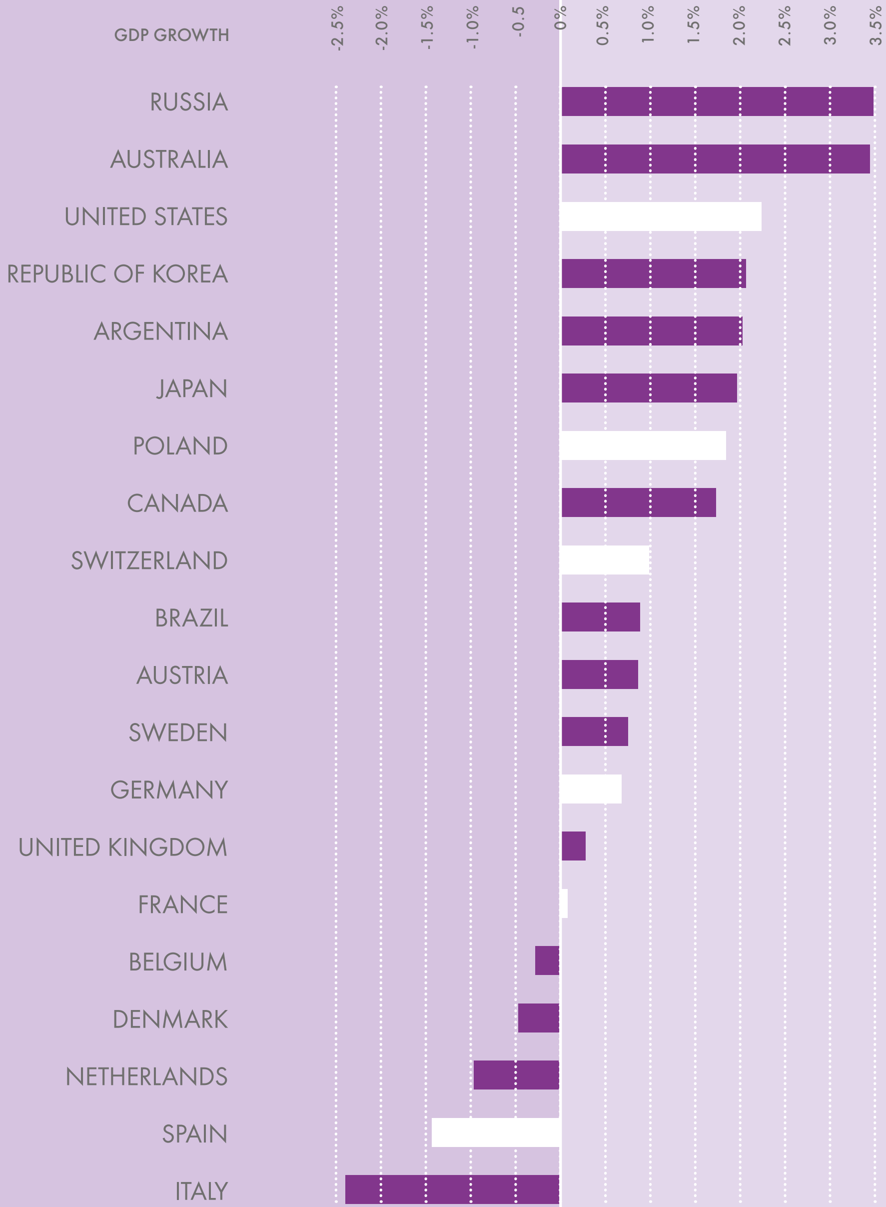
Source: CISAC, World Bank 2013

Different countries emerge in the top rankings when using purchasing power parity, such as Brazil, Russia, Mexico, Columbia, Republic of Korea and South Africa – these are highlighted in Figure 12. There is a potential for growth in authors' rights in these countries as their economies grow, particularly if collective management processes are in place and properly implemented.

14

14 of the top 20 territories saw collections outpace GDP

Fig 13 – TOP 20 COUNTRIES FOR COLLECTION IN 2012 (GDP GROWTH%)



Source: CISAC, UN 2013

THE CHART SHOWS THE TOP 20 COUNTRIES FOR COLLECTIONS, RANKED BY GDP GROWTH IN 2012. 14 OF THE TOP 20 COUNTRIES SAW THE GROWTH IN COLLECTIONS OUTPACE GDP. THE EXCEPTIONS WERE THE UNITED STATES, POLAND, SWITZERLAND, GERMANY, FRANCE AND SPAIN, SHOWN IN WHITE.

PART THREE

CISAC'S OUTLOOK ON CREATIVE SECTOR MARKETS

In order to provide a wider context to the trend in collections, CISAC has researched the major sectors of business related to the main types of repertoire and rights collected. The purpose of this section is to provide both a snapshot and an outlook for each of the key source sectors of creative royalties, with very brief observations on the data from the perspective of collections.

For consistency between the sectors and with the 2011 report, CISAC has referred to PwC Global Entertainment and Media Outlook: 2013-2017*, ZenithOptimedia and the IFPI.

*WWW.PWC.COM/OUTLOOK

GLOBAL ADVERTISING

According to ZenithOptimedia, the global advertising market is set to experience the same levels of growth in 2013 as the previous year, despite the lack of major global events (primarily the London Olympics and the US elections) which boosted 2012 advertising spend to €380 billion. This illustrates that the advertising market is now returning to long-term growth in line with the slow recovery from global recession.

The global advertising market is on course to grow 3.5% in 2013 to a total value of US$504 billion (€393 billion). The key driver of growth in advertising is the shifting and increasing spend on digital advertising.

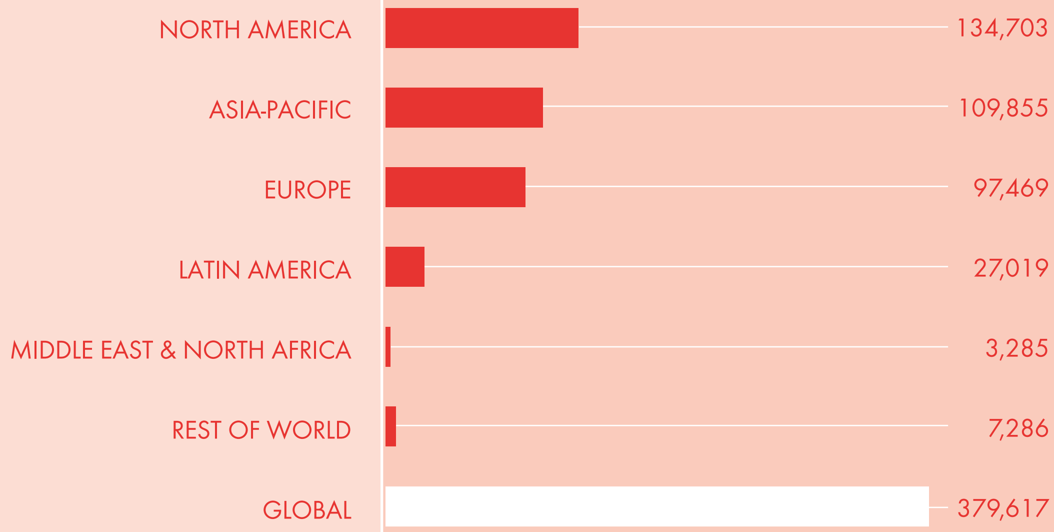
KEY REGIONAL DRIVERS IN ADVERTISING

Although Western Europe saw a 1.6% decline in ad-revenue in 2012, all other regions have grown, with a recovery in Canada-USA and continued growth in Asia and particularly, in Latin America.

ZenithOptimedia, has increased its forecasts for ad-spend growth in emerging markets in 2013 to 7.6%. There has been no sign of an advertising slowdown in emerging markets, despite concerns over short-term economic prospects.

Argentina recorded the highest growth in total ad-spend according to ZenithOptimedia with an increase of 26% from 2011. Hong Kong (14.7%), Vietnam (13.8%) and Russia (13.6%) all grew too. These increases very much mirrored the growth in creators' royalties for Latin America, Asia and Russia.

Fig 14 – TOTAL ADVERTISING REVENUES BY REGION 2013 (€ BILLION, ZENITHOPTIMEDIA)



3.5%

The global advertising market is on course to grow 3.5% in 2013

THE GLOBAL ADVERTISING MARKET REACHED €380 BILLION IN 2012, UP 3.5% FROM 2011, AND IS PREDICTED TO GROW A FURTHER 3.5% IN 2013.

Source: Zenith Optimedia
N.B. Other sources of advertising trends appear in-line with Zenith Optimedia which seems to provide a realistic view in terms of short-term growth.

ADVERTISING–A PERSPECTIVE ON COLLECTIONS

Global performance/communication collections were €5.9 billion in 2012, which amounted to 1.6% of global advertising revenue as measured by ZenithOptimedia. The expected growth in advertising points to a positive outlook for creators' societies in general, as collections closely follow advertising expenditure.

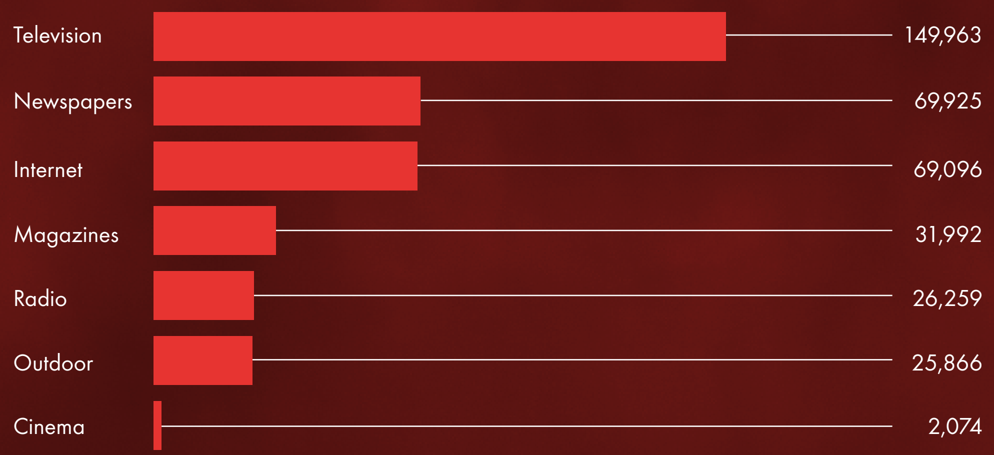
Europe significantly outweighs other regions with collections amounting to 3.5% of advertising revenue.

Fig 15 – TOTAL PERFORMANCE/COMMUNICATION COLLECTIONS COMPARED WITH GLOBAL ADVERTISING REVENUES (€ MILLION)

	Ad-Spend in 2012	Performance Rights Collections	Collections As % Advertising
North America	134,703	1,174	0.9%
Europe	97,469	3,432	3.5%
Asia-Pacific	109,855	819	0.8%
Latin America	27,019	410	1.5%
Middle East & North Africa*	3,285	41	1.3%
Global	379,616	5,876	1.6%

Source: ZenithOptimedia and CISAC
* Advertising data includes 'rest of world' but fits with CISAC region definitions

Fig 16 – GLOBAL ADVERTISING SPENDING BY MEDIUM IN 2012 (€MILLION)



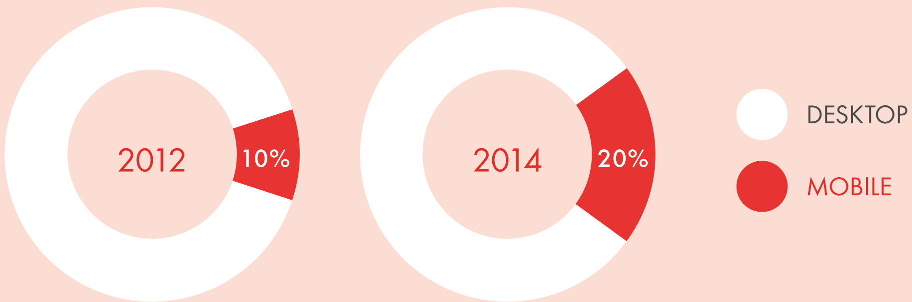
Source: ZenithOptimedia

IN 2012 TELEVISION MADE UP 40% OF TOTAL AD-SPEND WHICH REMAINS UNCHANGED FROM 2011, INTERNET HAS INCREASED FROM 16% IN 2011 TO 18% IN 2012 AND WILL OVERTAKE NEWPAPERS IN 2013. RADIO ADVERTISING REMAINS STEADY AT 7% AND CINEMA ACCOUNTS FOR JUST 1% OF AD-SPEND.

MOBILE ADVERTISING SET TO DRIVE FUTURE GROWTH

Worldwide mobile ad-spend will reach over €11 billion in 2013, an increase of nearly 60%. Rapid mobile internet adoption combined with high smartphone ownership and usage will help push advertisers to allocate larger portions of their budgets toward mobile. In addition, the continued development of mobile ad networks and greater choice of advertising formats will significantly drive spend, especially in the more advanced advertising economies of Canada-USA and Western Europe. By 2014, spending on mobile advertising is predicted to be one fifth of internet advertising spend.

Fig 17 – COMPOSITION OF INTERNET ADVERTISING SPEND, 2012/2014



Source: ZenithOptimedia

DIGITAL AUDIO FORMATS AND ADVERTISING ON MUSIC SERVICES, A MAJOR FUTURE GROWTH AREA

Currently the advertising industry does not produce data on the size of the audio advertising market, for which there would be a direct link back to authors' payments and collections. Nor does it quantify ad-spend across the range of services directly driven from musical works, such as Pandora, Spotify, iTunes Radio and Deezer – all of which have a large proportion of revenue generated from advertising.

However, the signs are that audio advertising formats are growing. Audio advertising networks such as TargetSpot, InStream and Google Audio Ads, are providing easier ways for advertisers and media buyers to place audio advertising onto all forms of digital platforms. These include websites, web applications and online music services, where they can reach huge but also highly targeted audiences.

The IFPI estimates that ad-funded music services accounted for 7% of global music sales in 2012, which equates to €320 million in music trade revenues, increasing from the previous year of €210 million. Online streaming services have far more users than paying subscribers. Spotify for example, has 24 million regular users but around 6 million are paying subscribers. Their service is now available in 65 countries.

Advertising is set to be a major driver of music services as more streaming services are launched and both advertising and sponsorship deals are sought. Major ad-funded music video platforms such as YouTube and Vevo are good examples, attracting huge and growing spend from brands for in-video advertising as well as 'home page takeovers'.

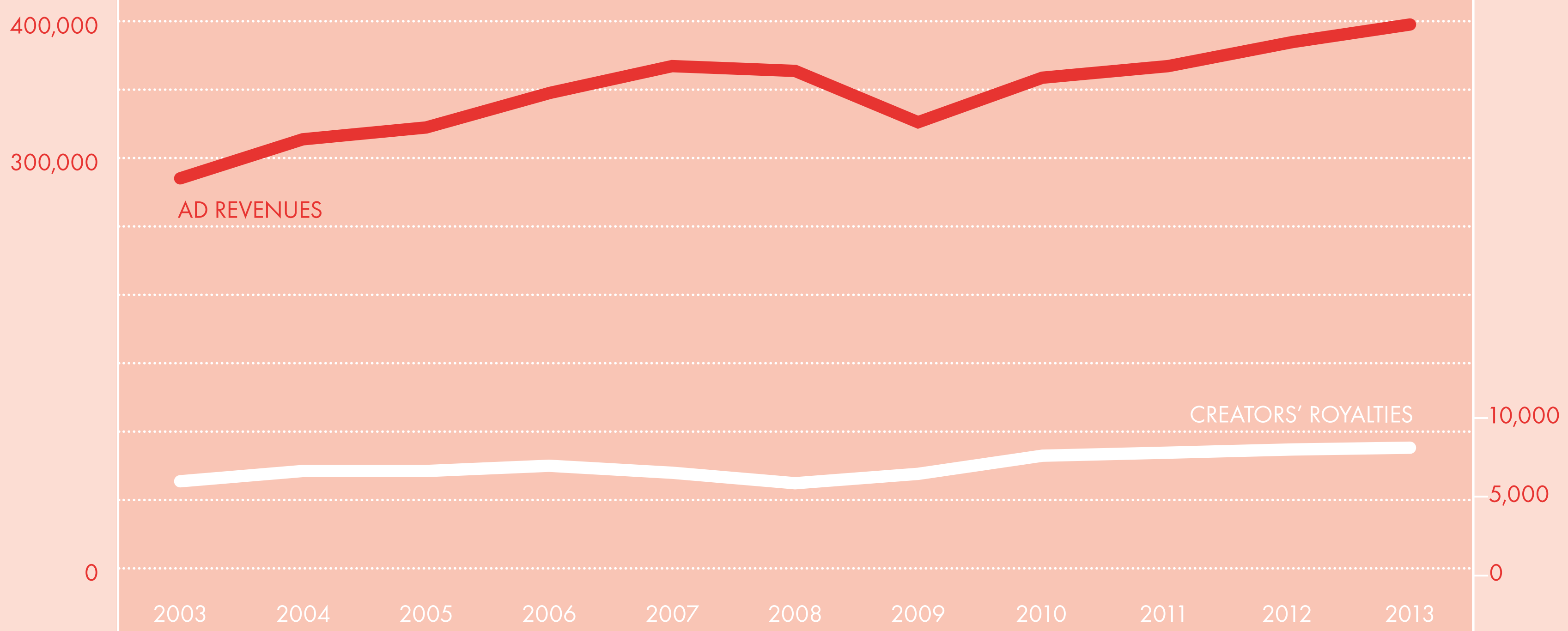
LONG-TERM TREND IN ADVERTISING AND COLLECTIONS

Authors' royalties collections follow a similar long-term trend to the global advertising industry. Post recession, global ad-spend dropped by 13% and did not begin to recover until 2010. Collections experienced a less marked dip in revenues and the recovery since 2010 has remained steadily in line with advertising trends.

According to a recent report on advertising in the UK economy by Deloitte, £16 billion expenditure on advertising in 2011 subsequently generated a £100 billion contribution to UK GDP. The research behind the report also found that advertising is a particularly strong driver of the creative industries.

(Advertising Pays: How Advertising Fuels the UK Economy, Advertising Association, Deloitte).

Fig 18 – TOTAL ADVERTISING REVENUES COMPARED WITH TOTAL COLLECTIONS (€ MILLION)



Source: ZenithOptimedia, CISAC

TELEVISION

TV advertising expenditure was worth US$162 billion in 2012 (€126 bn)*, and is expected to grow steadily to 2017, reaching US$209 billion (€163 bn).

€126bn

TV advertising expenditure was worth €126 billion in 2012

The US dominates global television advertising, accounting for 39% of global revenues. Cable & satellite will continue to be a major contributor to collections in the US.

The fastest rates of growth to 2017 will be in developing markets, including Kenya, Indonesia, India, Nigeria and Brazil. It will be interesting to see how these markets perform in terms of author's revenues from the television sector in the next few years. Rights collections from television and radio equate to 1.5% of total global revenue in those two sectors.

Key market drivers in television advertising:

- On-demand channels and online platforms. These will have some substitution impact on traditional broadcast viewing but are also likely to drive up viewing overall and attract new revenue via more targeted ads
- Increased viewing on tablet and mobile devices. Total tablet shipments globally reached 116 million in 2012 (according to Gartner) and will increase by nearly 70% in 2013 to 197 million, driven by more available products and falling prices
- Growth in primetime content. The so called 'golden age of television' is driving greater audiences for blockbuster TV shows than ever, with broadcasters increasingly focused on worldwide distribution of original programming

*PWC GLOBAL ENTERTAINMENT AND MEDIA OUTLOOK: 2013-2017 WWW.PWC.COM/OUTLOOK

RADIO

Over the next five years to 2017, global radio revenue is expected to grow to €39.8 billion, a rate of 3% per year.

Revenues in Canada-USA and Europe are set to grow at a slower pace than in emerging radio markets – particularly Latin America, Asia and Africa. However, Canada-USA and Europe are the most developed global radio regions in terms of technology, listenership and revenue and these two regions accounted for 78% of global radio revenue in 2012.

As advertisers' confidence in radio increases, collections are expected to remain strong in this category and will continue to be a major contributor to overall income. Collections in Latin America, Asia and Africa grew in 2012, whereas Canada-USA and Europe fell slightly, showing clear signs that collections follow advertising trends.

Key market drivers in radio advertising:

- China and South Africa are particularly strong growth markets along with India, Argentina, Venezuela, Pakistan and the Philippines - all estimated to grow at a double-digit rate each year to 2017
- Digital advertising and global syndication of rights, with many original radio programmes being distributed around the world via digital platforms

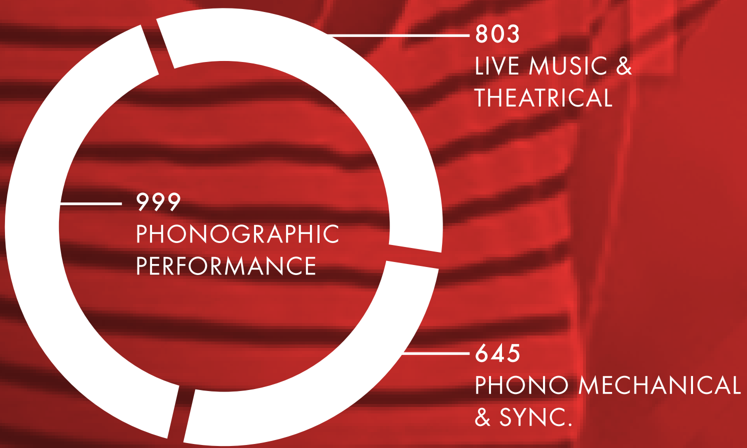
€39.8bn

Over the next five years to 2017, global radio revenue is expected to grow to €39.8 billion

MUSIC

After a volatile decade for the music industry, consistency and growth are returning. Based on growth in digital and live music, overall spending on music will grow from US$49.9 billion in 2012 (€38.9 bn) to US$53.8 billion in 2017 (€42 bn)*. EMEA remains the largest region by revenue.

Fig 19 – MUSIC RELATED COLLECTIONS IN 2012: GLOBAL (€M)



MUSIC COLLECTIONS ARE FAIRLY EVENLY SPLIT, ALTHOUGH IN 2012 INCREASES IN PHONOGRAPHIC PERFORMANCE RIGHTS AND LIVE MUSIC & THEATRICAL WERE OFFSET BY A SUBSTANTIAL DROP IN MECHANICAL REVENUES OF 17%. MUSIC RELATED COLLECTIONS ARE THOSE CATEGORIES OF RIGHTS MOST CLOSELY RELATED TO MUSIC SALES AND LIVE MUSICAL PERFORMANCE, AS OPPOSED TO USE OF MUSIC IN OTHER MEDIA.

However, according to IFPI, Japan is now the world's largest single music market for physical music formats, which helped mechanical rights to grow, contrary to the global drop in mechanicals. This has been driven by the phenomenon of collectable CDs, many of which are sold with special packaging or tickets. This has helped Japan's music market return to growth after five years of declining sales.

Authors' performing rights from music phonographic, sync and live combined stood at €2.4 billion, down slightly on 2011. This figure equates to just over 6% of the total size of the music sector.

IFPI reported that global recorded music sales totalled €12.9 billion in 2012, an increase of 0.2% on the previous year. It was the first year of industry growth since 1999.

The key trend driving music's resurgence is the growth in digital audio formats and services. By offering new digital services such as Spotify, iTunes and others, mature music markets such as Sweden and North America now attribute more than 50% of total music revenue to digital channels. In addition, emerging markets such as Brazil, India and Mexico have also experienced growth due to digital formats.

Key market drivers in music:

- Digital music revenues are expected to exceed physical revenues by 2016, demonstrating the importance of digital to the industry
- Widespread access to broadband and smartphones will encourage further growth in music subscription services, although there will be much variation between streaming and downloads across different markets
- Live music continued to grow, with sales of tickets and sponsorship recovering in line with the economy and is being driven by the increasing numbers of live performance venues and music festivals around the world

*PWC GLOBAL ENTERTAINMENT AND MEDIA OUTLOOK: 2013-2017 WWW.PWC.COM/OUTLOOK

FILM, CINEMA & VIDEO

The filmed entertainment sector (cinema, in-home, video, subscription and on-demand movies) was worth US$87 billion in 2012 (€69 bn) globally*. Although the industry is predicted to grow to US$106 billion (€83 bn) by 2017, some major challenges lay ahead as cinema release windows shorten and physical home video sales enter a slow decline phase similar to that of music CDs.

€69bn

The filmed entertainment sector was worth €69 billion in 2012 globally

However, global box office revenues reached a new high of US$34.6 billion (€27 billion) in 2012 (IHS Screen Digest), a rise of 4.1% over 2011, driven by blockbuster content, 3D film releases and the rapid growth of cinemas in China and other emerging markets.

PwC Global Entertainment and Media Outlook: 2013-2017 predicts that China will become the fastest-growing filmed entertainment market in the world, expanding by a CAGR of 14.7% from 2012 to 2017, followed in the Asia-Pacific region by Thailand (10.5%) and India (9.9%). Other markets with double-digit growth include Venezuela, Russia, and Argentina.

Although cinema remains a small proportion of royalty collections (1.5% of performance rights), the sector has shown good growth in 2012 with cinema, sync and video collections growing by 14% to €360 million. Growth was particularly strong in Asia, Latin America and Russia in line with growth in the film sector.

Key market drivers in film, cinema & video:

- Global cinema admissions recovered in 2012 as the total number of cinema screens continued to rise (to reach over 131,500 screens, according to IHS Screen Digest). Emerging markets like China, Russia, Turkey and Brazil were the major driving force behind this trend
- A reduction in the growth of physical formats such as DVD & Blu-ray, as consumers seek more on-demand content. This will result in reduced physical retail outlets and space for discs, already occurring in the major European markets
- The digitisation of content and the subsequent opening up of new distribution channels will create further opportunities for content providers to reach consumers, especially in the home. For example, the increase in online movie subscriptions driven by Netflix, Amazon and other distributors

*PWC GLOBAL ENTERTAINMENT AND MEDIA OUTLOOK: 2013-2017 WWW.PWC.COM/OUTLOOK

APPENDIX

DATA COLLECTIONS METHODOLOGY

The 2012 collection figures presented in this report are based on the CISAC member societies' gross national collections, as notified to CISAC in November 2013 (Declaration of Income and Expenditure). These figures correspond to the royalties collected by creators' societies – which are members of CISAC – for the use of the global repertoire in their respective territories. International exchanges between sister societies are not covered. In other words, royalties that the societies may receive from sister societies for use outside each society's own national territory are excluded.

MORE DETAILS ON METHODOLOGY:

- For comparative purposes, the collection figures are calculated in current EUR, unless otherwise stated. Therefore, the figures for the previous years were not recalculated based on the value of the Euro in 2012. The exchange rate was calculated by reference to the average exchange rate over the whole calendar year. Exchange rate volatility may have had an impact on the aggregate results in some sub-regions.
- The figures presented in this survey cover CISAC members reported figures only (CISAC has no information on collections by societies that are not its members). The survey does not include rights paid directly (e.g. synchronisation rights) to publisher organisations.
- The regional division adopted for this survey reflects the territorial remit of the five CISAC regions (Africa, Latin America and the Caribbean, Canada/ USA, Asia-Pacific and Europe) rather than the regions as defined by the United Nations.

ATTRIBUTIONS

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The report will be available in French and Spanish on CISAC website: www.cisac.org
For more information, please contact: cisac@cisac.org

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