Press release

**The Czech audiovisual industry is booming, with a turnover of over CZK 15 billion in 2022, but the clogged system of historically highest incentives threatens a return to crisis**

According to the Audiovisual Producer´ Association (APA), the Czech audiovisual industry is on the rise, as evidenced by its last year's turnover of CZK 15.4 billion, which even surpassed the record of almost
CZK 12 billion in 2021. Growth is apparent across the board – in advertising, as well as in international and domestic production. The Czech audiovisual market has stabilized after the covid crisis, with growth driven primarily by foreign investment, domestic online platforms, and the activities of independent producers. Despite significant changes in viewer habits and the boost of digital distribution, Czech content continues to enjoy
an unprecedented share of cinema attendance and viewership on TV and digital platforms. However, the potential for further growth faces systemic challenges, including closed incentives and now also the looming disagreement over the amendment to the Audiovisual Act.

**It's closed again**

Last year, the APA predicted an outflow of especially international projects if the incentive system is underfunded or closed. Thanks to the reasoning of the APA and the Czech Film Fund, and the consideration of the Ministry of Culture and the Ministry of Finance, the incentives for 2022 were increased by a record CZK 570 million to a total of CZK 1.37 billion, and this year, the government has allocated an all-time high of CZK 1.4 billion to the Czech Film Fund´s incentives budget. However, incentives are currently on hold, replacing a period of success with uncertainty.

*"In spite of the huge demand for Czech services and the highest level of support ever, we are 'closed'. This is
paradox and an international disgrace. Although we have never been better off, we look untrustworthy to
the outside world. The reason for this is the outdated and unclear system of registering and recording incentives, which generates invalid data based on unrealistic estimates and makes the system appear overloaded and clogged. However, this does not reflect the true capacity of the market."* **says APA Chairman Vratislav Šlajer.** According to the APA, The Czech Film Fund could reopen the incentives, but due to complex legislation, it is obliged to follow these misleading figures. The situation should be resolved by an amendment to the Audiovisual Act. However, it won't come into force until 2025. *"By then, the system will collapse, this time for purely technical reasons, and the Czech Republic's reputation as a promising filming destination will be destroyed for good.
The APA therefore appeals to the Ministry of Culture and the Czech Film Fund to find a way to unblock the otherwise healthy system,"* **adds Vratislav Šlajer**.

**Amendment to the Audiovisual Act**

The APA highly appreciates the ongoing discussion on the amendment to the Audiovisual Act, which will bring major changes to the functioning of the Czech Film Fund. It is to be submitted by the Ministry of Culture for inter-ministerial comments in the coming weeks. One of the most important changes, in addition to
the reform of the incentive system, is that the transformed Fund will newly also support the so-called "small screen" projects – i.e., television and online projects – while continuing the existing support for film projects, distribution and education. In this way, the Czech Audiovisual Fund will adapt to changing viewer habits and at the same time support quality also in emerging areas of audiovisual production.

The amendment will also increase the Fund's resources, half of which have traditionally come from
the so-called parafiscal levies, i.e., a percentage on the revenues of cinemas, TV, VOD, and acquired broadcasting. The State then contributes a 'mirror' amount – equal to the amount collected from these parafiscal fees. Currently, however, only VOD platforms based in the Czech Republic contribute a percentage of their revenues to the fund, while foreign platforms such as Netflix do not participate in the system. Moreover, the level of parafiscal levies is set unevenly, with cinemas and TV contributing a higher percentage than the currently dynamic VOD. In line with the European Audiovisual Directive, which the Czech Republic transposed last year, the draft amendment also includes a so-called direct investment, which obliges VOD platforms to invest a small percentage of their revenues in Czech content, while granting them a full freedom in the selection of these projects.

According to the APA, the new audiovisual fund will benefit all players in the market, including TV stations and streaming platforms. After years when some contributors to the fund were not eligible for support,
the situation will be rectified. APA representatives believe that the situation in which foreign platforms that benefit from the Czech market also contribute to the system is a basic condition in today's globalized market. This includes the Ministry's proposal that everyone pay the same percentage., i.e., 2 percent from cinemas, TV, and streaming, which would help rectify the unbalanced situation where cinemas and TV pay more than VOD. “*Unfortunately, this fair proposal is surprisingly being resisted by international streamers as well as domestic broadcasters and VOD platforms, threatening to repeat the situation of 2006, when the then amended law fell under the table due to pressure from commercial broadcasters.* *When the amendment was later pushed through, it helped create the current system and strong international position that the Czech industry enjoys today. If
the amendment doesn't pass, not only will the financing of the Czech audiovisual industry be disrupted, but
the incentive system will be blocked forever,"* **explains APA President Vratislav Šlajer.** Currently, only platforms based in the Czech Republic contribute 0.5 percent, while in neighboring Germany or in France, for example, all pay 2.5 and 5 percent respectively.

**The audiovisual market is growing**

The Czech audiovisual industry, which has stabilized after the covid recession, has experienced dynamic growth for the second year in a row. The largest share of the record turnover of CZK 15.4 billion last year came from international productions. However, the highest year-on-year growth was recorded in advertising production, whose total revenues increased by 30 percent compared to 2021, from CZK 1.86 billion to CZK 2.45 billion. Czech production´s turnover increased from CZK 1.26 billion to 1.73 billion and the revenues from international productions grew from CZK 8.73 billion to CZK 11.25 billion, which means that international projects account for almost 73 percent of the audiovisual industry's total revenues.

It is obvious that with the increase in funding for film incentives, the turnover of foreign productions has also increased, and so has their economic benefit for the Czech Republic – with 40 percent of the funds spent in the Czech Republic remaining in Czech public budgets. This makes it even more alarming that the film incentive system has been closed since January this year.



**Achievements of 2022**

Czech audiovisual production has traditionally included both audience-oriented and artistic projects, thus maintaining its popularity with Czech audiences, and, with increasing quality also succeeding on foreign markets. As a result of numerous international productions, it has strong infrastructure and quality crews, and thanks to film education, a strong creative potential in the young generation of filmmakers. This balance between
the pursuit of artistic quality and audience appeal gives the Czech audiovisual industry
a unique position in Central Europe and the world. All this is possible thanks to the strong Film Fund, investments in the TV and VOD markets, but especially thanks to the quality work of independent producers and filmmakers.

The Czech Republic has become a magnet for filmmakers from around the world due to its timely adoption of covid regulations that allow for safe filming, and thanks to this interest in filming did not wane during the covid period or at the end of the pandemic in 2022. Even large projects that could not be realized in their originally intended locations moved to the Czech Republic. Production companies from the USA, such as MGM, Lionsgate, and streaming platforms Netflix or Apple TV+, and traditionally filmmakers from Germany or Scandinavia, filmed here most often. However, large domestic projects remain important for the Czech film industry, which, thanks to incentives, prefer mainly Czech locations. The most important international productions shot in the Czech Republic in 2022 included the sequel to Netflix's popular original film *Extraction 2* with Chris Hemsworth,
the second series of the sci-fi series Foundation based on Isaac Asimov's book for Apple TV+, and the spin-off of the Hollywood blockbuster *John Wick* with the working title *Ballerina* starring Keanu Reeves. International productions film all over the country, bringing work and money to all regions. In 2022, in addition to thrillers or period films, the Christmas fairy tale *Das Märchen vom Frosch und der goldenen Kugel* for ZDF TV, a sequel to *Der Zürich-Krimi*, were filmed here. Post-production work on the Netlix film *The Rescue* based on a true story, or *Kingswood* project shot for ABC Signature Studios, which is a part of Disney, was also done here. Due to
the suspended incentives, the Czech Republic has lost some projects, including the action film *Breakout* starring Arnold Schwarzenegger with a planned spending of CZK 500 million mostly in the North Moravian Region, which ended up in Hungary, as well as the HBO series *Dune*, which was to have spent CZK 2 billion in the Czech Republic.

Advertising production in 2022 has seen a jump in turnover of over 31 percent after previous year's very modest post-covid growth. This is partly due to price increases, but mainly due to the volume and type of work coming into the country. Domestic advertising volumes tended to stagnate or decline, mostly due to the uncertainty caused by the general geopolitical situation. The Czech Republic is one of the more expensive countries for advertising production, attracting large budget projects that are willing to pay extra for quality service and often return.

Cinema revenues in 2022 reached 2.11 billion, an increase of almost 100 percent over the previous year, considering that from January 1 to March 13, 2021, cinemas were still restricted by anti-covid measures. Attendance rose from 7.14 million to 13.49 million. The year 2022 saw a partial return to the normal situation for Czech cinema, both in terms of cinema attendance in the Czech Republic and participation of Czech films in international film festivals.

As in previous years, comedies, romantic films, and fairy tales scored best in the cinemas. The best attendance was reached by the football comedy *Lavi* with more than 690,000 viewers, followed by the fairy tale *The Old Blunderbuss Mystery 2* with more than 460,000 viewers, and in the third place was the period epic *Medieval* with the attendance of more than 350,000. A total of 96 Czech feature films were released in cinemas or at festivals, including minority co-productions – which is a significant increase in comparison with previous years, partly due to a number of postponed premieres from the two pandemic years.

On the other hand, dramas, documentary portraits, and Czech animation for children and adults have attracted attention at festivals abroad. In February 2022, five projects with Czech participation were presented at
the Berlinale, including *Somewhere Over the Chemtrails*, *Beautiful Beings*, *Suzie in the Garden*, the restored *Larks on a String,* and the miniseries *Suspicion*. Feature debut *Victim* had its world premiere at the Venice Film Festival. *Kapr Code*, *Adam Ondra: Pushing the Limits*, *Boylesque*, *The Killing of a Journalist* *Pongo Calling* were among presented documentaries at international festivals. The co-production film *Butterfly Vision* had its world premiere in a competition section at Cannes, while the restored *Daisies*, the animated *Scale*, and the student film *At Spiral´s End* were screened in other festival´s sections. The period biopic *Il Boemo* celebrated its world premiere at
the San Sebastian IFF, *Nightsiren* took home an award from Locarno and *My Sunny Maad* received the French César for Best Animated Film.

The strong position of domestic television production continues, with a share of between 20 and 30 percent in prime time across all TV channels, with successful TV projects reaching an audience of between 1.2 and
2 million viewers. Czech VOD platforms are celebrating success too, whether Voyo, which is gradually becoming one of the largest platforms in the Czech Republic and Slovakia, or specialized platforms such as KVIFF.TV (formerly Aerovod) or DAFilms. Domestic films and series are successful on all platforms, both domestic and international. They are among the most popular on VOD platforms, regularly appearing in the top 10 charts of Netflix and Voyo.

**Responsibility and sustainability**

The sustainability of audiovisual production and the permeability of the industry have also been an important topic for Czech producers in recent years. The APA is dedicated to sustainable filmmaking, the so-called "green filming", both through awareness-raising activities and through the concrete implementation of sustainable filmmaking, e.g., in cooperation with TV NOVA and the Albert program. On the platform www.greenfilming.cz, interested parties can find useful manuals, tools, links to CO2 calculators, a database of "green" suppliers etc.

*"We are not indifferent to the fate of our only location, our planet. Our mission is first and foremost to educate and motivate people to apply the principles of sustainability. Audiovisual industry has a great power in its hands, and that's why we try to set trends, create tools to help filmmakers and harness the potential of our industry, even in terms of the content itself. In addition to sustainability, we also address other important issues, such as gender permeability in our industry, well-being and, most recently, the current issue of the impact of artificial intelligence on audiovisual content production,"* says **the association's Executive Director, Magdaléna Králová.**

**APA - Audiovisual Producer´ Association**

Martina Reková, martina.rekova@4press.cz, +420 731 573 993
Klára Bobková, klara.bobkova@4press.cz, +420 731 514 462
Národní 28, Praha 1 www.asociaceproducentu.cz