



Channel 4 gains record ratings, share of revenues and recognition in 2008 despite severe advertising downturn

Competitive performance

- Record share of peak viewing at 12.7%, up 1%
- Record share of UK TV advertising at 24.1%
- Achieved on a reduced programme budget of £598.6m, down 4%

Creative recognition

- Channel of the Year
- More Bafta TV and RTS Programme awards than any other channel
- 8 Oscars for **Slumdog Millionaire**

Financial performance

- Surplus of £1.8m (£0.5m, 2007) on lower revenues, reflecting efficiencies and reduced programme spend
- Total revenues down 4% to £906.1m (£944.9m, 2007)
- Advertising revenues down 4% to £789.7m (£825.2m, 2007)
- Transmission and sales costs down £41.6m or 5% to £846.9m (£888.5m, 07)

Channel 4 performed as strongly during 2008 as at any time in its history despite having to manage a severe downturn in TV advertising revenues in the second half of the year.

Channel 4's Report and Financial Statements for 2008 reveal the Group won its highest-ever share of peak TV viewing, with a 12.7% audience share between 5.30pm and midnight, while maintaining its share of total viewing at 11.9%, close to its historic high.

Record ratings were matched by a best-ever haul of major awards, with Channel 4 being named Channel of the Year and winning more BAFTA and RTS Programme Awards than any other channel. Film4 won its biggest and most prestigious annual haul of awards with films released during 2008, including eight Oscars for **Slumdog Millionaire**.

The quality of its creative output helped the Group raise its share of total TV advertising in the UK for the fifth year running to a record level of 24.1%.

Channel 4 competed strongly in 2008 despite having to make significant cuts to its programme budget for the first time in its history to maintain operational break even in the face of the advertising downturn in the second half of the year.

Group spend on programmes and content reduced by £25.6 million or 4% to £598.6m (£624.2m, 2007) in response to a £35.5m reduction in its TV advertising revenues to £789.7m (£825.2m, 2007). The reduction in the programme budget contributed towards the cost of transmission and sales falling by £41.6m or 5% to £846.9m (£888.5m, 2007).

The combination of competitive growth and efficiencies allowed Channel 4 to maintain positive operating break even with a surplus for the year up slightly to £1.8m (£500k, 2007) despite the £38.8m or 4% decrease in turnover to £906.1m (£944.9m, 2007).

Chief Executive Andy Duncan said: "Channel 4 again outperformed the market both creatively and in terms of its share of viewing and advertising revenues during 2008. We have also taken strong action to further improve efficiency and align our cost base with the advertising market downturn. But we are facing the worst economic conditions in our history as well as the digital migration of audiences and revenues online and cost reductions will inevitably be even deeper in 2009. To maintain Channel 4's creative and public impact a new and more sustainable funding model is needed for the future."

Chairman Luke Johnson commented: "All commercial broadcasters are under significant pressure, but Channel 4 is better placed than some. We continue to increase efficiency in order to cope with a declining advertising market. Reducing headcount and cutting programme budgets have been painful but necessary steps to ensure our viability. But decisive action is now needed if there is to be genuine public service choice."

Channel 4 estimates TV advertising revenues will decrease by 18% in the first half of 2009. Although the Group is again outperforming the market, it is currently budgeting to reduce editorial spend by at least 10% across its network in response.

The Group continues to look at other ways of reducing its cost base, having cut more than a quarter of its workforce during 2008 to reduce Group headcount to close to 700.

Public Impact Report

Fulfilling commitments given in Channel 4's 'Next on 4' strategic blueprint, for the first time the 2008 annual report includes a public impact report, giving a detailed assessment of the difference Channel 4 believes it has made to the UK and its delivery against its core public service purposes during the year. Measurable outcomes include:

- £430m on UK originations, including £331m on qualifying independent productions from 300 companies (£115m spent outside London) and £153m on key PSB genres
- 276 new/one-off programmes (6pm-midnight), more than any other channel
- 271 hours of long-form news & current affairs in peak, more than any other channel
- 284 hours of first run documentary across Channel 4 and More 4
- 155 hours of originated programmes with an international theme
- 112 hours of first run originations covering diversity issues
- 47 hours of first-run originations in strands dedicated to new talent, including **3 Minute Wonder, Comedy Lab** and **First Cut**

Editorial highlights across Channel 4's network during 2008 include: **Battlefront, A Boy Called Alex, The Big Food Fight, Britain's Got the Pop Factor..., City of Vice, Dead Set, The Devil's Whore**, the Disarming Britain Season including **Fall Out, The Family, The Inbetweeners, Jamie's Ministry of Food, Poppy Shakespeare, The Qur'an, The Sex Education Show, The Shooting of Thomas Hurndall, True Stories: Chosen**.

There were 133m views of Channel 4 programmes via on demand services in 2008, as well as 175m visits to channel4.com and E4.com and 1.1bn page views.

Duncan concluded: "Creatively and commercially Channel 4 has again done everything in its power and delivered an amazing public dividend at no cost to the tax payer. It is vitally important that, after years of debate, we reach a positive conclusion to the Digital Britain process that enables Channel 4 to continue fulfilling the valuable creative role that the public demands of it."

Contact: Matt Baker: 020 7306 8666/ 07775 845 480; mbaker@channel4.co.uk
The 2008 report is available at <http://www.channel4.com/annualreport>