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Press Release

## Channel 4 balances record creative investment against financial break-even in 2007

- **Programme spend rises 3% to £624m, delivering 2<sup>nd</sup> highest annual viewing share and highest share of total TV advertising in Group history**
- **Most BAFTAs and RTS Awards of any individual channel**
- **Continued growth for digital TV channels delivers first annual profit**
- **Successful launch of full VOD service and +1 catch up channel and winning bid for 2<sup>nd</sup> national commercial DAB multiplex licence**

Channel 4 rose above the difficulties experienced across the UK television industry in 2007 to deliver both record creative investment in award-winning programmes and financial break-even despite almost no growth in turnover.

Programme and content spend across the Group in the financial year to 31<sup>st</sup> December 2007 rose 3% to an historic high of £624 million (£608m, 2006). More than £400 million was invested in commissioning original UK content, with the lion's share being spent with UK based independent producers, 312 of whom supplied content during the year.

This record creative investment produced a range of critically acclaimed public service output, with Channel 4 broadcasting more than 350 new programmes in peak time during the year (between 6pm and midnight), more than any other terrestrial channel and twice as many as ITV1. The quality of Channel 4's creative output was acknowledged by it winning the highest number of awards for any individual channel at both the RTS and BAFTA ceremonies for programmes broadcast during 2007.

At the latest BAFTA TV awards ceremony on Sunday (20<sup>th</sup> April) Channel 4 won eight prizes for **Boy A**, **Britz**, **China's Stolen Children**, **Fonejacker** (E4), **The Lie of the Land**, **The Mark of Cain**, **Peep Show** and **Ramsay's Kitchen Nightmares**. Other award winners during 2007 include **Deep Water**, **Ghosts** (More4), **The IT Crowd**, **It's a Free World...**, **Meet the Natives**, **The Relief of Belsen**, **Secret Life**, **Skins** (E4), **The Trial of Tony Blair** (More4) and **You're Not Splitting Up My Family**. Channel 4 has just won its fifth Oscar in the last four years for **Peter and the Wolf**, following on from the success of **The Last King of Scotland** at the 2007 Academy Awards.

Chief Executive, Andy Duncan, said: "Our 25<sup>th</sup> anniversary year was a vintage creative one. It was gratifying to win the most BAFTA awards for any channel, with recognition across the board from current affairs and documentary to comedy and drama."

The diverse creative output across the Group's TV channels helped it achieve the second highest annual share of all TV viewing in its history at 11.9% (12.1%, 2006). Ratings for the core Channel 4 service fell 11% to 8.7% (9.8%, 2006), as a result of a decline in afternoon performance after ITV1 moved CITV out of its weekday schedule and lower ratings for *Big Brother*. However, this was offset by growth for digital TV channels E4, More4 and Film4, which increased their collective share of all TV viewing by 35%. During 2007, 26% of all viewing of Channel 4's channels was to its digital services, making them the most successful digital portfolio of any terrestrial broadcaster.

In August 2007 Channel 4 became the first terrestrial broadcaster to launch a +1 catch-up service across all digital platforms. By the end of the year, Channel 4 +1 was ahead of plan and was contributing around 6% of all monthly viewing to the core channel.

The strength of Channel 4's overall ratings performance in 2007 allowed the Group to increase its share of the total TV advertising market to 24.1%, its highest ever share. Growth was driven by the digital TV channels, which increased advertising revenue by £35.7 million or 32% to £148.4 million (£112.7m, 2006). The core Channel 4 service grew advertising revenues by £12.4m or 1.9% to £676.8 million (£664.4m, 2006), although this was below overall growth for the TV advertising market at 3.2%.

Programme costs for the core Channel 4 service increased more rapidly than revenues, by £20.8 million or 4% to £536.5 million (£515.7m, 2006). This led to the core channel recording an operating loss of £7.8 million, its first annual deficit since 1992. The digital TV channels were collectively in the black for the first time, returning an operating profit of £16.2 million (loss of £17.6m, 2006), helping the Channel 4 Group return a pre-tax surplus of £1.6m (£21.3m, 2006).

Group turnover was flat during 2007 with the £48.1 million increase in advertising revenue balancing falling revenues from rights and other sources, including reduced income from premium rate telephone services as a result of the problems with phone-in competitions on *Richard & Judy* and *Deal or No Deal*.

Channel 4 is aiming to replicate its success in digital TV on new digital media platforms. Channel 4's New Media division grew revenues by £8.2 million or 44% to £26.7 million (£18.5m, 2006), but recorded an operating loss of £15.4 million (loss of £6m, 2006) largely as a result of start-up investment in its 4oD service. 4oD was the first full VOD service launched by a UK broadcaster and grew rapidly during 2007 – it now has more than 4 million users who have viewed more than 110 million programmes since launch.

Channel 4 is also diversifying into digital radio having led 4 Digital Group's successful bid in July 2007 for the licence to run the second national commercial DAB multiplex. The Group is involved in industry discussions about a proposed DAB platform relaunch as well as continuing to advance plans to launch new national digital radio stations.

During 2007 Channel 4 made a number of disposals in pursuit of maximum cost-efficiency, including its ownership interests in Channel 4 International, Oneword Radio and its commercial education operation, 4 Learning. The Group also entered into a 50% joint venture with Emap Consumer (acquired by H Bauer Verlag KG) in Box TV Ltd.

Duncan said: "Channel 4's key objective each year is successful delivery of its public service remit, not maximising profit. In a difficult year for television, it was a significant achievement to be able to make our highest ever investment in award-winning UK content while still managing to break-even. We recorded the second highest annual share of viewing and the highest share of total TV advertising revenue in our history."

Chairman, Luke Johnson, added: "2007 will be the last year in which Channel 4, under its current funding model, manages the difficult balance between increased creative investment and financial break-even. The tipping point we have been warning about has been reached, with the core channel now in deficit and being supported by profits from secondary activities. In response to market conditions, we are already having to cut editorial budgets and a new public funding solution is now urgently required if we are to maintain such impressive levels of public service plurality in competition with the BBC."

**The 2007 Channel 4 Report and Financial Statements is available at [www.channel4.com/annualreport2007](http://www.channel4.com/annualreport2007)**