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# Annual Report on Czech Television Activities in 2005

## 1. Foreword

Dear Television Viewers,

Below you will find a report on activities of Czech Television submitted, in conformity with Act on Czech Television no. 483/1991 Coll., by the Czech Television Council to the Chamber of Deputies of the Czech Parliament and passed by MPs in 2006.

An amendment to the Act passed in 2005 imposes on Czech Television the duty to distribute its signal not only in the form of traditional terrestrial analogue broadcasting, but also by digital terrestrial television broadcasting called public service multiplex. By launching on 21 October 2005 its CT24 channel Czech Television became the first Czech TV station to operate regular digital television broadcasting. Czech Television also expressed its preparedness to cooperate with other television broadcasters in the Czech Republic as well as with operators of electronic communication networks in order to contribute to the introduction of the new technology in general.

The management of Czech Television has prepared a strategy of CT development till 2010, which is based on new conditions for television broadcasting using digital technology, and which reflects all the benefits it offers. Its main part is a definition of content of the public service multiplex which, when ready, will contain five interconnected channels and a host of related services. All these development projects, besides being based on a realistic strategy, are financially feasible, with necessary funds available. Thus, for the mentioned period, economic stability of CT as a whole is fully guaranteed.

2005 saw successful continuation of the channel's "Programme on Introducing Changes, Cutting Costs and Boosting Profits" when, for the second time in a row, Czech Television's financial performance was balanced. Fundamental changes made to financial management of Czech Television in 2004-2005 served as a basis for devising the above-mentioned strategy of further development of CT, with balanced financial performance foreseen until 2010. Act no. 348/2005 Coll. on radio and television fees has increased the amount of the licence fee for the first time since 1997 and opened a way towards the development of programme content in terms of both quality and quantity, as well as towards the development of the company's technological base (digitization) and gradual elimination of the technology gap caused by serious underinvestment over the past years.

The management of CT has dramatically changed its approach to licence fee dodgers and the ways of exacting fees owed. A year-long effort in this respect has not only resulted in substantial financial benefits for 2005 and beyond but, after many years during which the number of fee payers kept steadily dropping by tens of thousands, 2005 saw a marked increase in their numbers. .

## **2. Czech Television in 2005 – chronological overview of events**

This chronological overview of events lists changes to the legal framework governing activities of Czech Television as well as changes to the scope of services provided by Czech Television.

### **January**

21 January

The Chamber of Deputies of the Czech Parliament passes Act no. 82/2005 Coll., that amends Act no. 483/1991 Coll. on Czech Television and Act no. 231/2001 Coll. on operating radio and television broadcasting thus harmonizing the Czech Television Act with legal regulations of the European Communities and making changes to the provisions regulating activities of the Czech Television Council and its Supervisory Commission.

27 January

The Senate returns to the Chamber of Deputies a bill on electronic communications

### **February**

2 February

President Klaus signs Act no. 82/2005 that changes Act no. 483/1991 Coll. on Czech Television, as amended, and Act no. 231/2001 Coll. on operating radio and television broadcasting and on changes to other laws, as amended.

22 February

The Chamber of Deputies passes Act no.127/2005 Coll. on electronic communications in its original wording after overruling changes proposed by the Senate on 27 January 2005. The Act codifies the public service multiplex and opens way for Czech Television to launch regular terrestrial digital broadcasting on new channels.

### **March**

21 March

President Klaus signs Act no. 127/2005 Coll. on electronic communications.

### **April**

1 April

Act no. 82/2005 Coll. that changes Act no. 483/1991 Coll. on Czech Television, as amended, and Act no. 231/2001 Coll. on operating radio and television broadcasting and other laws, as amended, comes into force.

### **May**

1 May

Act no. 127/2005 Coll. on electronic communications comes into force. The Act imposes on Czech Television the duty to operate at least two additional channels distributed via the public service multiplex.

### **June**

29 June

The Chamber of Deputies passes the radio and television licence fee act.

### **July**

20 July

The Czech Telecommunications Office assigns to Czech Television frequencies for the distribution of signals of channels CT1 and CT2 operating under the DVB-T system within telecommunication network "A". The assignment is conditioned by CT starting exploitation of the frequencies within six months after the assignment comes into legal force.

### **August**

5 August

The Senate decides not to consider the bill on radio and television licence fees, thus enabling the President to sign the bill into act.

29 August

President Klaus signs Act no. 348/2005 Coll. on radio and television licence fees.

### **September**

13 September

Act no. 348/2005 Coll. on radio and television licence fees comes into force.

20 September

The Czech Telecommunications Office assigns to Czech Television frequencies for the distribution of CT24 signal operating under the DVB-T system within telecommunication network "A". The assignment is conditioned by CT starting exploitation of the frequencies within four months after the assignment comes into legal force.

26 September

General Director of Czech Television Jiří Janeček and General Director of TV Nova Petr Dvořák publish "Memorandum on the willingness of Czech Television and TV Nova to jointly exploit, over a transitional period, electronic communication network "A" for broadcasting television programmes under the DVB-T system.

**October**

21 October

Czech Television and TV Nova launch regular terrestrial digital broadcasting on channels CT1, CT2, CT24 and TV Nova within the electronic communications network "A". At the same time, Czech Radio starts broadcasting on its five radio channels within the same network.

### **3. Changes to the legal framework regulating Czech Television activities in 2005.**

The adoption in 2005 of Act no. 82/2005 Coll., Act no. 127/2005 Coll. on electronic communications and Act no. 348/2005 Coll. on radio and television licence fees had a major impact on the legal framework regulating Czech Television activities. Act no. 483/1991 Coll. on Czech Television, as amended by Act no. 82/2005 Coll., harmonizes the Czech Television Act with legal requirements of the European Communities. It imposes on Czech Television the duty to *"organizationally separate public service activities in the field of television broadcasting from entrepreneurial activities"* and the obligation to *"keep such accounting as to enable to differentiate between costs and incomes generated by the provision of public service and costs and incomes generated by entrepreneurial activities."* The amendment also specifies in more detail the authority and functioning of the Czech Television Council and its Supervisory Commission. Act no. 82/2005 Coll. came into force on 1 April 2005. Czech Television adopted all the necessary measures to meet the provisions of the Act.

The adoption of the Electronic Communications Act no. 127/2005 Coll. has extended in a decisive manner the duties of Czech Television. Apart from other things, the Act amends the Czech Television Act no. 483/1991 Coll. by stipulating in Article 3, Section 1, Letter b) that besides the duty to distribute its two existing analogue channels also in the digital form, Czech Television is obligated to operate at least two additional channels, multimedia content and complementary public services by the means of array data flow, i.e. a public service multiplex. Under Article 3, Section 1, Letter c) of the Czech Television Act and under the Electronic Communications Act Czech Television *"together with Czech Radio, sets up array data flow (public service multiplex) and is responsible for its administration and submission for distribution by a terrestrial broadcasting network"*. By the adoption of the Electronic Communications Act Czech Television has obtained conditions for operating terrestrial digital television broadcasting similar to those of other public television broadcasters in the European Union. The Electronic Communications Act came into force on 1 May 2005. Based on the Act, Czech Television launched its CT24 news channel on 2 May 2005.

The adoption of the Act has enabled the management of Czech Television to prepare documents for long-term planning of the company's development in the fields of programming, technology and economy.

The Radio and Television Fees Act no. 348/2005 Coll. that replaces the original Radio and Television Fees Act no. 252/1994 is the first modern legal regulation in the Czech Republic that satisfactorily provides for middle-term funding of public electronic media. While maintaining the solidarity principle introduced for the first time by Act no. 135/1997 Coll., the Radio and Television Fees Act enhances the enforceability of radio and television fees, removes some unclear definitions contained in the previous legal arrangement and for the first time introduces an automatic increase in the fees in a middle-term horizon. The Act also takes into consideration technological development thus enabling Czech Television to switch to terrestrial digital broadcasting.

The Radio and Television Fees Act increases the television licence fee from CZK 75/month to CZK 100/month with effect from 1 October 2005, to CZK 120/month from 1 January 2007 and to CZK 135/month from 1 January 2008. These increases will be compensated by a decrease in the allowed advertising time on Czech Television's channels. In reaction to the growing number of Czech Television's channels the lawmakers banned, with effect from 1 January 2006, combining advertising times on Czech Television's channels with the exception of CT1 and CT2 analogue channels. Further, advertising will be phased-out from the current 1% of the total daily airtime to 0.5% of the total daily airtime from 1 January 2007. From 1 January 2008, Czech Television will be allowed to broadcast only advertising connected with sports and cultural programmes provided such advertising does not exceed 0.5% of the total daily airtime. Thus, the Radio and Television Fees Act benefits also those television channels that operate under broadcasting licence. The Act provides for funding of Czech Television till 2010.

The Radio and Television Fees Act came into force on 13 September 2005. Changes to the legal framework for Czech Television's activities adopted in 2005 harmonize the relevant Czech laws with the laws of the European Communities. At the same time, the changes allow Czech Television to follow current European trends in public service programme making, broadcasting, technology and financing.

#### **4. Provision of information under Act no. 106/1999 Coll. on Free Access to Information**

In 2005, Czech Television received the total of six requests from organizations, viewers and journalists for information pursuant to Act no. 106/1999 on free access to information. The questions asked pertained to financial management of Czech Television, a programme taken off air, programmes for the hard of hearing, exacting the licence fee and communication with the public. There was no appeal lodged against Czech Television's answers to these questions. Czech Television has no knowledge of any contentious case scrutinized in court in connection with any decision Czech Television has made under the Free Information Act. In 2005, Czech Television was not penalized for any breach of the Act.

#### **5. Development of Czech media environment in 2005 with special focus on activities of full-format television channels**

In 2005 there were 3,745,000 households equipped with at least one television receiver, i.e. 97.9% of all households in the Czech Republic. Of that number, 16.4% of households could receive cable TV, 6.5% had own satellite receiver and 2.2% shared communal satellite dishes. That means that the total of 74.9% of households was dependent on analogue

television broadcasting, a huge number in comparison with surrounding countries: in Austria the 2005 figure was 11.9%, in Germany 3.3% and in Poland 46.5%, with the highest figure of 51.7% in Slovakia.

It means that in 2005 the Czech Republic was a place with exceptionally high share of terrestrial analogue broadcasting. Of the EU countries, only Spain had similar number of households dependent solely on terrestrial analogue broadcasting in 2005: 75%. This fact has a twofold significance:

- a decisive part of television advertising incomes is shared by only four nationwide terrestrial analogue broadcasters;
- the introduction in the Czech Republic of terrestrial digital television broadcasting in the DVB-T system will impact much higher percentage of television viewers than in surrounding countries or in other European countries with comparable number of inhabitants.

It means that the outset of terrestrial digital television broadcasting in the Czech Republic will potentially bring its operators substantially higher market share than in countries with higher penetration of cable and satellite broadcasting while increasing the state's responsibility for a quick and successful switch to the new technology. That is why Czech Television paid exceptional attention to the launching of regular broadcasting in DVB-T system in 2005 (see Chapter 2.8 of this Report).

According to qualified estimates, advertising space and time costs in the Czech Republic grew from CZK 17.135 billion in 2004 to CZK 17.765 billion in 2005. This y/y growth rate of 3.7% is similar to that of Germany (3.6%). The y/y growth rate of television advertising costs was lower than the total advertising costs growth rate.

Television advertising costs grew 3.1 % from CZK 8.330 billion to CZK 8.590 billion. Printed advertising saw the slowest growth rate in 2005: 2%. On the other hand, radio and outdoor advertising costs grew markedly above average (6.7% and 4.8% respectively). Internet advertising saw the fastest y/y growth rate of 32.3%. These data, however, relate to classic media only. By far, the fastest y/y growth of 32.3% was achieved by Internet advertising costs.

One must take into account, however, that the total share of Internet advertising costs, despite a dramatic growth over several last years, made only 2.3% of the total advertising costs in the Czech Republic in 2005: CZK 0.4510 billion, an amount far below the television and printed media advertising costs.

The y/y growth rate of television advertising costs dropped significantly in 2005. For comparison: the 2003-2004 growth of television advertising costs in the Czech Republic was 6.1%. In spite of the downward trend, the share of television advertising time costs saw a slight y/y increase from 47.9% of the total advertising costs in the Czech Republic in 2004 to 48.4% in 2005. The share of television advertising costs in the total advertising costs in the Czech Republic remained exceptionally high in 2005; printed media advertising costs placed second with only 34.4% or CZK 6.120 billion.

On the 2005 Czech media market Czech Television was perceived as an operator of only two nationwide full-format channels because the impact of the digital CT24 channel on the advertising market was still negligible.

Czech Television succeeded in keeping its audience despite increased competition by the other nationwide channels that had adopted some of Czech Television genres and launched reality shows. Aggressive market strategy of cable televisions did not weaken the position of Czech Television. A sought-after alternative, Czech Television gained new viewers, offered new programmes and started discussion on digitization.

Households with satisfactory reception of TV signal  
Public service television • CT1 3,730,000, i.e. 100.0 %  
• CT2 3,685,000, i.e. 98.8 %  
• CT24 466,000, i.e. 12.5 %  
• C4 SPORT 320,000, i.e. 8.6 %  
Commercial channels • TV Nova 3,708,000, i.e. 99.4 %  
• Prima TV 3,555,000, i.e. 95.3 %

Average daily watching time

- viewers aged over 15 216 minutes, of which Czech Television 64 minutes,
- men 198 minutes, of which Czech Television 64 minutes,
- women 232 minutes, of which Czech Television 64 minutes,
- viewers aged 4–14 139 minutes, of which Czech Television 42 minutes.

<sup>1</sup> source: ATO – Mediaresearch, data for 2005 • <sup>2</sup> at 31 December 2005 • <sup>3</sup> fee-exempt viewers not included • <sup>4</sup> source: ATO – Mediaresearch, as at 20 March 2006 • <sup>5</sup> source: ATO – Mediaresearch, data for 2005 • <sup>6</sup> as at 1 May 2006

## **6. Czech Television's activities in 2005**

### **6.1 Czech Television as an institution in 2005**

#### 6.1.1 Organization of Czech Television and changes made in 2005

Changes to the organizational structure of Czech Television were started in 2004 and continued throughout 2005. Some of them were aimed at enhancing the interoperability of individual organizational units and at defining, in an unequivocal way, the responsibilities and authorities of individual managers.

Step-by-step organizational changes were made at all levels of Czech Television. Among the major ones were:

- Transfer of shared technology departments in CT Prague to the Internal Services Department with the goal to enhance the management and interoperability in the fields of administration, technical administration and operations.
- Creation of Long-Term Programming Strategy and the Development Department answerable directly to the Director General. The main task of the new department is to prepare source material for long-term strategic orientation of CT programming, analyze programming possibilities of digital broadcasting and monitor development trends in the Czech Republic, Europe and the rest of the world.
- Organizational changes to CT News Directorate in Prague where an Internet news portal was launched as a multimedia source of topical information.
- Establishment of two new departments within the Television Licence Fee unit answerable to the Director of Commerce: the Licence Fee Administration and Registration Department and the Licence Fee Enforcement Department with the aim to comprehensively cover the issue of the licence fee in Czech Television.

The most significant change was made in October 2005 when all the departments of the Director of Programming, i.e. Programming Centres, Coordination, Programme Planning and Editing, Visual Presentation and Archives and Programme Funds were transferred under the direct supervision of the Chief Executive Director. This move started major changes to the management of CT programming departments. The then existing system of long-term planning and scheduling was changed and a system for evaluating individual programmes and programme makers was introduced together with new rules for selection, production and acquisition of programmes.

October 2005 saw the creation of the External Relations Department with the task to systematically promote the CT brand abroad, coordinate outward presentation of CT and



cooperate and communicate with the EBU in the fields of technology and programming. Another important task of the new department is preparing alternative financing projects through European funds.

### 6.1.2 Relationship between the management of Czech Television and Trade Unions

Generally, the legal relationship between employers and trade unions is regulated by the Labour Code (no. 65/1965 Coll., in its valid wording), the Collective Negotiations Act (no. 2/1991 Coll., in its valid wording), the Employment Act (no. 435/2004 Coll., in its valid wording), the Wages Act (no. 1/1992 Coll., in its valid wording) and some other laws and regulations. The relationship between trade unions and employers has several basic forms:

- · collective bargaining for collective agreement
- · collective agreement and its implementation
- · co-decision-making of trade unions
- · discussing measures adopted by employer
- · provision of information by employer to trade unions

Czech Television employees are represented by Independent Trade Unions Organization in Prague, Trade Unions CT TS Brno and Trade Unions Organization CT TS Ostrava. The relationship between the management of Czech Television and trade unions is based on a constructive dialogue. Part of it are regular meetings of top management with trade unions representatives to discuss issues such as collective bargaining, the Labour Code and other legal instruments, including those pertaining to wages.

The 2005-2006 Collective Agreement was concluded as early as 11 January 2005. The Agreement provides for the collective and individual relationship between Czech Television and its employees for a period of two years and specifies the rights and obligations of both parties. The validity of some of the provisions of the Agreement is limited to one year only, particularly of those pertaining to issues of wages and funding.

In 2005, in reaction to changes in accounting procedures relating to programme production costs, broadcasting rights acquisition costs and the licence fee, in force since 1 January 2004, Appendix 1 to the Agreement was added. The changes resulted in Czech Television generating no profit that could be used for financing its social fund. In line with generally binding legal regulations and based on an agreement with trade unions, financial means earmarked for employees' care are paid, starting 1 January 2005, directly from the social expenses within the agreed budget for given year or, as the case may be, from the balance of social funds of CT Prague and television studios Brno and Ostrava.

The end of 2005 saw the beginning of negotiations of a new collective agreement. The negotiations, both of the new collective agreement and performance under the existing agreement, were carried out in a correct and constructive manner and the first outlines of the 2006 collective agreement emerged as early as the end of 2005. The 2006-2007 collective agreement was signed on 5 January 2006.

### 6.1.3 Employee counts in 2005

The number of employees has dropped dramatically since 1993, the year of inception of Czech Television. 2004 saw the steepest decline when, compared to 2003, the number of employees fell by 158 persons. The redundancy process continued in 2005 when the number of employees dropped by another 63 people. During 2005, the number of employees in individual departments stabilized and at the same time steps were made towards optimization of the professional structure of all Czech Television departments. The following table shows the changes in employee counts over the last five years:

Year	Number of employees	Difference on previous year
	(recalculated average)	
2001	2,879	
2002	2,806	-73
2003	2,732	-74
2004	2,574	-158
2005	2,511	-63

On 2 May 2005, Czech Television became the first Czech broadcaster to start experimental digital broadcasting by launching its CT24 channel, initially on air 18 hours a day, and since October 2005, as a round o'clock service. The CT24 news channel is based on a long-term concept of extending the provision of quality 24-hour newscasting. The resulting increased number of employees in departments directly involved in CT24 broadcasting was made up for by a decrease in other CT departments.

2005 saw an increase in the share of regions in CT broadcasting with particular stress on quality news, education and children's programming. The employee number/output ratio improved substantially in 2005. The following table shows that in 2005, compared to 2004, the number of production hours per employee rose by 1.4 hour

	2004	2005
Number of employees (recalculated average)	2 574	2 511
Programme production (in hours)	7 434	10 857
Total airtime (in hours)	17 568	22 502
Number of production hours per employee	2.9	4.3

#### 6.1.4 Director General's advisory bodies in 2005

There were two Director General's advisory bodies in 2005: Director General's Collegium and Czech Television Ethics Panel.

The 2005 Director General's Collegium members were:

**Director General** Jiří Janeček

**Director of the Brno Television Studio** (till 28 Feb.2005) Marián Kleis

(since 1 March 2005) Vladimír Karmazín

**Director of the Ostrava Television Studio** Ilja Racek

**Chief Executive Director** František Lambert

**Director of Programming** (till 5 May 2005) Eva Vrtišková

(from 6 May to 9 October 2005) Anna Becková

(since 10 October 2005) František Lambert

**Director of Production** Václav Myslík

**Director of Technology** Rudolf Pop

**Director of News** Zdeněk Šámal

**Director of Commerce** (till 9 October 2005) Martin Švehla

(since 10 October 2005) Pavel Krumpár

**Director of External Relations** (since 10 Oct. 2005) Martin Švehla

**Head of Legal Department** Vladimíra Vocetková

**Spokesman** Martin Krafl

## **Czech Television Ethics Panel**

The Ethics Panel keeps an eye on how Czech Television observes the provisions of Czech Television Code and judges disputes arising from broadcasting.

2005 Ethics Panel members:

Prof.Petr Hajn	Masaryk University, Brno
Prof. Dr.Helena Illnerová.	President, Czech Academy of Sciences
František Lobovský	Chairman, Consumer Watchdog Organization
Jiří Peňás	journalist, Týden magazine
Zdeněk Velíšek	CT News Department

## **6.2 Czech Television's service to the public through production and distribution of television programmes in 2005**

### **6.2.1 Outline of Czech Television's broadcasting in 2005**

- In 2005, the share of premieres in the total volume of CT1 and CT2 broadcasting was 43%, 1% down on 2004.
- During 2005, Czech Television aired 45 713.7 minutes of regionally broadcast news and current affairs programmes, i.e. an average of 125.2 minutes a day, more than five-fold increase on 2004.
- Czech Television's commitment to increasing the share of the Brno and Ostrava studios in nationwide broadcasting bore fruit: the 2005 share of 18.2% represents an increase of 7.4% on the 2004 figure.
- Compared to 2004, the percentage of films earmarked for children rose by 0.5% in 2005. In-house production of children's programmes was up 3% over the same period.
- The number of programmes adopted for the hard-of-hearing exceeded the statutory quota in 2005 and rose by 0.6% compared to 2004.
- The volume of European works (European independent works and contemporary European independent works) exceeded substantially the quotas imposed by the law.
- When comparing the share of foreign and Czech works in Czech Television broadcasting one cannot overlook the fact that the 2005 share of Czech works was up 1.3% on 2004, making nearly three quarters of the total airtime.
- As it was the case in 2004, in 2005 two programme types were distinctively in the lead: drama programmes and news programmes, trailed by documentaries and current affairs programmes.
- The share of cinematographic works in the total broadcasting volume dropped by 1% in 2005. On the other hand, 2005 saw a modest growth of 1.5% in the number of films acquired from domestic producers.
- The number live transmissions fell by more than 1% in 2005 compared to 2004 (the 2004 figure being influenced by the Summer Olympics and the Czech elections). Of the total volume of live transmissions sports transmissions fell 13%, news transmissions rose 3.3% (mainly transmissions from Parliament and the Senate), live religious programmes rose 3.6%, live entertainment programmes saw an increase of 6% and live music transmissions rose 1.6 on the 2004 figures.
- Sports programmes, excluding live transmissions (but including sports news and documentaries), fell 2.3% below the 2004 level. Foreign acquisitions saw a drop of over 8% while in-house sports programme production rose at the same rate.

- Art programmes (i.e. documentaries on the arts, all music programmes, theatrical performances and club films) remained at about 2000 hours, or more than 11% of the total airtime. In-house production dropped 3.3% in 2005.
- Documentaries saw an increase of 0.5% as compared to 2004. Foreign documentaries gained 2.5% to the detriment of Czech documentaries, when in-house production fell almost 5% while domestic acquisitions rose over 2%.

## **6.2.2 Characteristic features of Czech Television's programme offer in 2005**

In 2005, in conformity with its long-term strategy, Czech Television offered its viewers a varied choice of programmes broadcast round o'clock on its two complementary nationwide channels. Traditionally, CT1 was a full-format channel aiming at the widest-possible programme offer appealing to all viewers regardless of their age, education, gender, place of residence or other socio-demographic aspects. On the other hand, CT2 was, in a positive sense, a channel of choice, one to cater to viewer minorities sharing the same interests or the same lot (e.g. those incapacitated since birth).

On 2 May 2005, Czech Television launched an experimental broadcasting on its CT24 news channel. (see Appendix 5.2) with the aim to keep up with the development, at home and the world over, of genres, formats and cutting-edge technologies while maintaining the traditionally high standards of Czech production mainly in the field of original drama programmes, the mainstay of Czech Television production. Another priority was original programming for children and young people, Czech Television being the only Czech channel involved in the production of such programmes. The varied and many-sided programme offer included original documentaries, current affairs and education programmes, programmes for the handicapped and ethnic minorities, religious programmes, cultural programmes (music, theatre, literature, visual arts), thematic magazines, entertainment programmes, discussion programmes and talk shows and, last but not least, programmes from Czech Television archives and acquired programmes. News and sports programmes are a huge part of Czech Television broadcasting; that is why they are treated separately in an individual article of this Report.

The aim of the Programme Directorate in 2005 was not only to devise a rich and high-quality programme offer, but also present it to the public in the clearest, most logical and acceptable way. That is why the Directorate paid maximum attention to both the content and the structure of the broadcasting schedule. The effort resulted in fixed broadcasting slots for children's programming (on CT1 between 15:30 and 17:00), education programmes (late afternoons on CT2), lifestyle programmes (17:00 on CT1), culture programming (CT2, 18:00). This fixed timeframe was supported by regular short news bulletins broadcast on CT1 every two hours (so-called newscast-axes). This approach facilitates viewers' orientation in the broadcasting schedule, something that will become increasingly important with the expected growth in the number of digital channels.

### **6.2.2.1 Original drama**

Original drama was represented in 2005 by Czech Television in-house production (Swim or Sink, The Snake Dance, The Flood, I Lived with a Stranger, Black Card), distribution film made in coproduction with Czech Television (Boredom in Brno, Bolero, One Hand Doesn't Clap) and, last but not least, original drama serial, a traditional mainstay of CT broadcasting (Mountain Rescuers, Guardian of Souls, The Seven of Spades Ranch III., Good Neighbourhood and Snowboarders). In spite of reality shows broadcast on commercial channels, the viewers' interest in original Czech serials was overwhelming. This made Czech Television extend its offer from one broadcasting window (on Mondays) to three time slots devoted to original serials from its Prague and Brno archives (by adding rebroadcasts of Hospital at the End of the City Twenty Years On and There Were Five of Us on Wednesdays and Cops and Robbers on Fridays).

### **6.2.2.2 Children and youth programming**

As it was the case in previous years, in 2005 too, Czech Television broadcast a host of programmes for both pre-school children (Magic Nursery School, The Little Building Blocks, Sing a Song) and schoolchildren (Let's Help Each Other, The Green Game, Wisenose, The Feeler, Visiting Card, Medusa, Labyrinth, AZ Quiz Junior, acquired films and series, both feature and animated, school broadcasting, etc).

Both of these age categories enjoyed the lively Sunday morning offer of Ed's Fairy Tale Package, the Sunday fairy tale and, particularly, the original good night fairy tale series Bedtime Stories, a children's evergreen with 40-year tradition. Teenagers and young adults appreciated special programmes (Game Page, Orange and foreign serials and films). For Christmas time, the traditional pinnacle of children's programming, Czech Television prepared not only reruns of children's favourite fairy tales, plays and serials, but also a host of premieres such as The Kingdom of Brooks, a splendid production of Ostrava Television Studio.

### **6.2.2.3 Entertainment programmes**

Entertainment programming included time-tested programme types featuring favourite entertainers (Bolek Polívka's Arena, The Hour of Truth, So Don't Hesitate and Shoot, There Are Stars That Don't Fade), programmes devoted to anniversaries and events (Tribute to Voskovec and Werich, Czech Lion, Angel, Thalia Awards, Tribute to A. Dvořák, Karlovy Vary International Film Festival, The Famous to the Famous, 40 Years of Bedtime Stories, Athlete of the Year) and some innovations (New Century Stars and, particularly, Post Delivery for You). Talk shows, both the "highbrow" By the Swimming Pool on CT2 hosted by Marek Eben, and Halina Pawlowská's Banana Fish and Bolek Polívka's Bolkoviny on CT1, were among the mainstays of Czech Television's 2005 broadcast schedule. A newcomer to the genre was Karel Šíp with his Všechnopárty. Hugely appreciated were family entertainment programmes like The Amazing World of Records and Curiosities, The Smiling Face of Czech Cinematography and AZ Quiz. Programme You Look Great with tips on enhancing one's looks and boosting one's self-confidence was particularly popular with young female viewers. A long-term cooperation between the Centre for Entertainment Programming and the Centre for Current Affairs, Documentaries and Entertainment Programming reached its heights in the project The Greatest Czech in which people all over the country voted for a man or woman they considered the greatest Czech of all times. After an eliminating process, the Centre for Current Affairs, Documentaries and Entertainment Programming in cooperation with leading documentary makers, devised TV portraits of 10 greatest Czechs for peak-time broadcasts. During a live gala evening, the pinnacle of the project, the greatest of them all was elected based on viewers' votes: Emperor Charles IV.

### **6.2.2.4 Current affairs, documentaries and education**

In 2005, Czech Television paid particular attention to making a cycle of programmes to commemorate the 60<sup>th</sup> anniversary of the end of WWII (documentaries Czech Holocaust, The Patriots of Tobruk, Auschwitz, etc.). During the year, the Centre for Current Affairs, Documentaries and Entertainment Programming produced documentaries of different lengths, from the shortest 15-minute ones (Following the Trace, World's Treasures) to long ones (on history, social issues, natural sciences), Czech-made (Czech Dream, Searching for Ester) and foreign (The Rommel Myth, The Third Reich Underground, Political Assassinations, Duel of Warriors), travel stories (From the Four Corners of the World, The Charms of Africa), magazines for minorities (The Key, Television Club for the Hard of Hearing, the Christian Magazine, the Big Dipper, Babylon), magazines on culture (Culture.cz, 333, Cinema Box, Filmpolis), on popular sciences (Popularis), on ecology and nature (Do not Surrender, Do Join Us, Our Countryside, Do You Want Me?), special interest magazines (Do It Yourself, Angling, Auto-Moto-Revue), family magazines (Alone at Home, Family and School), for senior citizens (Colours of Life) and on life-style (Boys in Action, Tips for your Home, Tips for your Garden, Fashion, Extravaganzas). Programme I am Jobless was aimed

at helping to those who had lost their work. Beautiful Losses was among so-called small talks. Jan Kraus' out of the ordinary talk show Relax Please, a combination of discussion, entertainment and satire was particularly successful. Purpose-made documentaries were represented by programmes about health, like documentaries (e.g. Diagnosis) or prevention-orientated cycles (What Can I do for Myself), road safety programmes (Stop) and, particularly, On the Track, a long-term project in which viewers help the police solve criminal cases.

#### 6.2.2.5 Music and theatre

Traditionally, Saturday peak time on CT2 was earmarked for the best performances from Czech theatres and concert halls. Viewers of Czech Television thus could see Chekhov's Thousand and One Passions performed by Prague's Viola theatre, Elisabeth, Queen of England and Nora (Brno), Medardo and Pamela (Drak Hradec Králové), The Servant of Two Masters (National Theatre, Prague), The Cunning Little Vixen (Slovácké divadlo, Uherské Hradiště), Five Reasons for Voo Voo Semafor, Prague), Cinzano (Ostrava), Mask and Face (Činoherní klub Praha), Stavrogin is a Devil (Divadlo Husa na provázku Brno) or He Touches Snow in Defiance of Strict Prohibition (Tyl Theatre, Plzeň) and musicals Jeanne d'Arc and Jesus Christ Superstar. Ballet was represented by EBU's Young Dancers Contest and Bourgeois Gentleman. Pucini's Turandot, the highlight of New Year's Day, was performed by top international singers, as was Carmen by Bizet broadcast later in 2005. Among foreign singers who appeared on Czech Television screen we should mention Renée Fleming and Ramón Vargas. Concerts included Tribute to St. Cecily, the World Youth Orchestra performing in Ostrava, Concertino Praga 2005, Janáček's May (Ostrava), Tribute to Czech Music (110<sup>th</sup> anniversary of Czech Philharmonics), Concertus Moravicae 2005 (Brno), Moravian Autumn 2005 (Brno), St. Wenceslas Music Festival (Ostrava), Smetana's Litomyšl and Concerto Bohemiae 2005 as well as live transmissions of opening concerts of Prague Spring and television festival Golden Prague. Czech Television joined Asia Aid 2004 charity project aimed at helping tsunami victims and the worldwide LIVE 8 concert. Other CT fund raising concerts included Stars for New Orleans and Aneta for Svetluška. Shorter, but no less important musical projects were magazines Terra Musica, Notes (Brno), cycle Where Has the Old Song Gone?, brass music programmes, folklore, folk, country and jazz music programmes, rock and pop music and magazines for young viewers Poprask and Paskvil, as well as popular Night with an Angel. Acquired programmes featuring international rock, pop and jazz stars were a welcomed part of the 2005 programme offer.

#### 6.2.2.6 Acquired programmes

In 2005, with the exception of several Czech programmes earmarked for Christmas, national holidays and major anniversaries, all acquired programmes were foreign-made. Among programmes with the highest viewer appeal were: ten-episode remake of The Forsyte Saga, Amadeus, Pollyanna, Cast Away, Hannibal, Message in a Bottle, Under Suspicion, five-episode L'été rouge, Minority Report, Hart's War, six-episode Frank Riva, The Others, Miss. Marple and famous, Oscar-crowned Chicago. Czech Television is righteously proud of its traditional Film Club. To mark Woody Allen's anniversary, the Monday and Friday Club windows featured a complete filmography of this legendary comedian.

#### 6.2.2.7 2005 audience share

(in %)

24-hour share

	viewers 15 and older	children 4–14
CT	29.77	29.46
TV Nova	40.95	42.89
Prima TV	23.13	19.99
Other	6.15	7.66

Primetime share (19–22 hours)

	viewers 15 and older	children 4-14
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CT	29.53	27.00
TV Nova	42.20	42.42
Prima TV	24.12	25.93
Other	4.16	4.65

Source: Mediaresearch, a. s. – ATO

Electronic audience measurement data for Czech Television – a member of the Association of Television Organizations - are provided by Mediaresearch a.s. The meters are placed in a sample of at least 1,300 households that represent Czech population aged four and more. The measured data, such as TV rating, audience share, reach, average time spent viewing TV (ATS) help TV organizations analyze viewer-appeal of their programming and make programme decisions. Advertising sales houses use audience research information to sell television time.

Selected programmes with highest ratings in the 15+ viewer group in 2005

(programme • rating• audience share)

Events main news bulletin 2 January (CT1 • 26.7 • 49.16). TV film How to Pull Out a Whale's Molar (CT1 • 25.9 • 46.24). Cops and Robbers 16<sup>th</sup> episode (CT1 • 24.5 • 48.09). Sink or Swim episode 1 of serial (CT1 • 24.3 • 42.60). American film Cast Away (CT1 • 24.0 • 48.07). original fairy tale The Kingdom of Brooks (CT1 • 23.2 • 47.44). Ice hockey WC Canada-Czech (CT2 • 32.5 • 60.99). BBC documentary Freak Waves (CT2 • 12.1 • 25.45). American documentary Titanic: Secrets Revealed (CT1 • 10.8 • 20.49). Master League FC Liverpool – AC Milan (CT1 • 10.2 • 30.76). BBC documentary Tiger (CT2 • 9.5 • 19.47). Habemus Papam official announcement of the election of the new Pope (CT2 • 9.0 • 29.39)

## VIEWERS

Viewer satisfaction data is an important programme making tool. Czech Television relays on two type of feedback from viewers: audience satisfaction research and electronic measurement of viewing figures.

Audience satisfaction research gathers on a regular basis data on viewer satisfaction in the form of a questionnaire filled in by a 750-strong panel that represents a sample of the adult population of the Czech Republic.

The data serve for calculating the satisfaction quotient from + 10 to – 10. Audience satisfaction is unrelated to programme ratings.

Selected programmes with highest viewer satisfaction in 2005

(channel • satisfaction quotient•% ratings)

American series Friends VII (CT1 • 9.3 • 4.6). TV film How to get Daddy Into a Fix (CT1 • 9.2 • 4.2). bedtime story The Giant Mountains Fairy Tale (CT1 • 9.1 • 12.6). talk show Relax. Please (CT1 • 9.0 • 15.3). bedtime story The Cubbies (CT1 • 8.9 • 10.5). Mosaic from regions The Wandering Camera (CT1 • 8.9 • 8.5). BBC documentary cycle Supernatural (CT2 • 9.7 • 5.4). Ice hockey WC: Canada-Czech (CT2 • 9.3 • 32.5). BBC documentary Great Natural Wonders (CT2 • 9.3 • 5.2). British family film The Pride (CT1 • 9.3 • 4.3). CT documentary cycle Back to the Sources (CT2 • 9.3 • 4.2). ice hockey WC: Czech-Sweden (CT2 • 9.2 • 22.9)

### 6.2.3 Czech Television on the Internet in 2005

Czech Television's Internet pages marked their 10th anniversary in 2005. Over that time the website had grown and changed several times in terms of its content and graphic layout. With the number of visitors growing each year the website services were extended, including

broadcasting over the Internet launched in April 2000. At the end of 2005, more than 80 regular programmes of Czech Television could be watched on the website.

The highlight of Czech Television Internet pages was the launching in 2005 of [www.ct24.cz](http://www.ct24.cz) news portal together with CT24 news channel. Besides topical text news, the portal offers the possibility to watch CT24 programmes live anywhere in the world. Thus, Czech Television makes its service accessible to Czech expatriates and ethnic Czechs living outside the reach of terrestrial and satellite broadcasting of CT24.

In 2005, users of Czech Television website paid special attention to pages dedicated to the Greatest Czech. More than 380,000 votes were sent through the pages, some 80% of the total votes cast. During the time the programme was running the website provided topical and detailed information included professional information on the history of the Czech lands in 15 historical periods, with maps showing the changing country borders, and a number of discussions and chats. The website also featured the winning pictures of a children's drawing competition, profiles of the TOP 100 personalities, contests and games.

Special Internet editions about programmes You Look Great!, Boys in Action, Home Alone, Auto Moto Revue, Popularis, as well as about the 2005 Ice Hockey World Championship were hugely appreciated. Very popular were regular chats with celebrities. Among the 130 plus such chats held in 2005, the most popular with over 6,000 questions asked was the one with Jiří Mádl who starred in Snowborders, a new Czech Television serial.

In September 2005, Czech Television web pages placed first among corporate websites in Public Administration and Non-Profit Organizations section within the WebTop100 project. A panel of professionals judged the creativity, visual design, informative value, usability, technical solution and marketing value of corporate presentations on the Internet.

User acceptance of Czech Television Internet pages is well illustrated by the following data: In the last three months of 2005, CT website was visited by the average of 475,245 unique users per month with the average of 11,380,504 pages retrieved per month. Average daily counts were 34,000 unique users and 371,103 pages retrieved.

#### **6.2.4 Czech Television's support to publicly beneficial activities in 2005**

Committed to its public service remit, Czech Television systematically supports a host of publicly beneficial activities by providing airtime for broadcasting of non-commercial, enlightenment and fundraising campaigns of the non-profit sector. Czech Television's aim is to inform viewers about major charity, humanitarian, health, social, cultural and fundraising projects of non-commercial nature.

The following criteria apply to the provision of the service by Czech Television:

- Airtime for non-commercial, enlightenment and fundraising spots is provided within Czech Television's self-promotion slots, e.g. mainly in timeslots earmarked for the promotion of its own programmes.
- Due to the limited capacity, Czech Television is able to promote some 40 to 50 projects in its nationwide and regional broadcasting per year.
- In selecting projects to promote, Czech Television's priorities are charity and humanitarian, enlightenment and educational campaigns. Other projects – mainly cultural ones – are categorized as theatre, dance, film, music festivals or exhibition projects. Czech Television is able to promote two to three projects in each category per year.



The selection process has to comply with strict regulations. Applicants are required to submit an application form and other documents, such as description of the project, script of the spot, non-profit organization documents, financial report, project budget, etc. In the selection process Czech Television strives for the highest possible transparency and fairness. Success and efficiency of such spot campaigns depend on correctly selected target group. That is why Czech Television expects the applicants to submit their own campaign strategy. The number of broadcasts of each spot and their placing within the schedule is agreed on a case by case basis depending on the type of the project, its duration and the assigned priority.

#### Selection of projects

The Marketing and Communication Department receives applications and checks their compliance with all formal requirements. The projects are then submitted to the management of Czech Television for approval.

Czech Television reserves the right to conduct enquiries into the background of the applicant organisations and their funding. That is why especially projects of charity, humanitarian, enlightenment, social and fund-raising organizations are first analyzed by an advisory body called the Consulting Group. The Group consists of external experts, non-profit sector professionals. Each year, Czech Television receives over 100 written applications (from cultural and charity organizations) for spot campaigns; in average, there are five telephone or email queries about such campaigns each day.

All applications are judged according to the following criteria:

Each application for a spot campaign must undergo the above selection process and must meet set conditions, the essential one being that the applicant must be a non-profit organization. In the selection process, Czech Television divides applicants into two categories:

- charity, humanitarian, enlightenment, social and fund-raising projects;
- cultural projects.

The Consulting Group analyses all projects and presents its report with recommendations. The Group's experts meet once in three months to analyze the projects received from the viewpoint of their social urgency and weight, quality of elaboration, enlightenment value and trustworthiness of the applicant. In the case of fund-raising projects the Group assesses how the funds collected will be spent and the ways in which the applicant informs the public about using such funds.

Cultural projects are judged based on the non-profit status, credibility and respectability of the applicant and the reach, mission and distinctiveness of each project while taking into account possibilities for Czech Television to present itself within the project. In 2005, selected cultural project were promoted in the form of media partnership that, besides broadcasting spots, includes other programme cooperation and active presentation of Czech Television.

#### **Overview of projects promoted in 2005**

- Nationwide campaign *30 Days for the Non-Profit Sector* with the aim to support non-profit organizations, enhance their credibility and encourage fundraising.
- Chronic pain syndrome enlightenment campaign *Fighting Pain with Verse* met with success when 80% of those who contacted the Chronic Pain Line did so based on information contained in the programme.
- *Antismoking Campaign* was another major project supported by Czech Television.

- *Timely Diagnosis and Prevention of Colon and Rectum Cancer* project had for its goal to inform the public about free cancer screening performed by GPs.
- Other major projects were fundraisers for the blind *White Crayon* and *Firefly* and appeals for help to earthquake victims in Pakistan.

Among cultural projects supported by Czech Television in 2005 were theatre, musical, dance and other projects including exhibitions, such as the permanent exhibition *The Tale of Prague Castle* or *International Biennale of Contemporary Art* in the National Gallery. An important producer and coproducer of cinematographic films, Czech Television traditionally promotes film festivals, such as the international festival of documentary films on human rights *One World* or Czech gay and lesbian film festival the *Mezzanines*. Other film festivals supported by Czech Television in 2005 were *International Festival of Films for Children and Youth in Zlín* and *International Film Festival Karlovy Vary*.

### **Enlightenment, charity and fundraising projects**

Enlightenment campaign Fighting Pain with Verse  
 30 Days for the Non-Profit Sector  
 Early Diagnosis and Prevention of Colon and Rectum Cancer  
 Psycho-Help Line – help to people in psychical crisis  
 Give a Chance to Street Children – prevention and humanitarian programme for sexually abused children and youth  
 Life Without Tobacco – antismoking campaign  
 Let's Build a School in Africa – fundraiser with the goal to build an elementary school in Ethiopia  
 National Epilepsy day  
 Mind your Hart – on healthy lifestyle  
 Czech Lands Against Poverty – information campaign on alleviation of global poverty  
 SOS Pakistan – public fundraiser for earthquake victims  
 SOS Asia – public fundraiser for tsunami victims  
 White Crayon – public fundraiser for teaching programmes for people with severe sight impairment  
 Firefly – public fundraiser for the blind and people with sight impairment

### **Cultural Projects**

Slovak Theatre in Prague  
 Salve Caritas Salve Vita – festival of physically and mentally impaired young musicians  
 International festival of animated films AniFest in Trebon  
 World Romany festival Khamoro  
 Film festival on environment and natural and cultural heritage Ekofilm  
 60th anniversary of Europe V-Day  
 National Theatre – Richard Wagner's Niebelungen Ring  
 Dance Prague  
 International festival Theatre Plzeň  
 International Biennale of Contemporary Art  
 Forfest Czech Republic – festival of contemporary art on spiritual themes  
 Boskovice – Jewish culture festival  
 European Heritage Days  
 Prague German language theatrical festival  
 Summer Film School in Uherské Hradiště  
 International student festival FreshFilmFest  
 Prague Castle – The Tale of Prague Castle  
 National Agriculture Museum – exhibition Where Beer is Brewed  
 Prague ZOO reconstruction – thanks for support  
 Jan Hus Oratorium  
 Student films festival FAMUFEST

## **Media partnership**

International festival of films for children and youth in Zlín  
International music festival Prague Spring  
International festival of documentary films on human rights One World  
Czech gay and lesbian film festival the Mezzanins  
International festival of documentary films in Jihlava  
National Museum – exhibition Golden Times for the Media  
Theatre festival Between Fences  
Bambiriáda – leisure time activities for children and youth

### **2005 projects promoted by Czech Television's regional broadcasting:**

#### THE BRNO TELEVISION STUDIO:

International folklore festival in Strážnice  
International music revue for visually impaired youth Dark Blue World  
The Brno State Philharmonic– celebrations of the 50<sup>th</sup> concert season  
International competition of short films The Brno Sixteen

#### THE OSTRAVA TELEVISION STUDIO :

Pony of Ostrava  
International music festival Janacek's May  
Academia Film Olomouc  
Ostrava days  
Miss Reneta or It's a Wonderful World With You  
Svatováclavský music festival  
Meeting of Valachia cimbalon players  
Folklore without Frontiers  
The Trebovice Koláč  
Accord

Information on Czech Television's support to the non-profit sector and about media partnership is placed on CT Internet pages.

## **Czech Television's involvement in international activities in 2005**

Czech Television's international activities undertaken over the last years were mainly connected with CT's membership in international bodies of public television broadcasters and with the organization of Golden Prague International Television Festival. The level of coordination of foreign contacts of individual workers and departments was limited, foreign information sources were used unsystematically and Czech Television's involvement in foreign coproductions was minimal. That is why, in 2005, CT management introduced fundamental systemic changes. Although it was expected that the changes would bear fruit only in 2006 and later, first positive signs emerged as early as 2005.

The then existing passive approach that, with the exception of membership in several key international organizations (particularly in the European Broadcasting Union – the EBU), had often been formal, unsystematic and based exclusively on personal contacts, was gradually replaced with much better coordinated activities by Commercial and Technical Departments and the Project Office. 10 October 2005 saw the creation of the External Relations Department with the aim to enhance the international standing of Czech Television as a broadcaster, producer and coproducer. Systematic exploitation of information sources and finding alternative ways of financing programme production and technological projects are two of other tasks of the new department. Coordination of Czech Television's international relations, gaining and providing information from foreign public broadcasters, acquiring experience in the field of regulation of television broadcasting and developments on television markets abroad are the department's most important core activities.

Systematic mapping of coproduction opportunities, grants and other forms of support provided by the EU and the EBU that helped Czech Television, within the bounds allowed by the law, enhance its programme offer led to the realization of the following projects in 2005:

***Health in Europe.*** A cycle of eight 52-minute episodes. An EBU coproduction project co-financed by the European Commission up to 80% of the total budget.

***Euro to Schools.*** A five-episode information cycle about possibilities of drawing financial means from the European Education Fund. Czech Television produced and broadcast individual 15-minute episodes in the course of 2005.

International cooperation in introducing terrestrial digital television broadcasting was particularly important. Czech Television was cooperating with national and international institutions on key issues of switching to digital broadcasting. Its part in harmonizing of technological systems with foreign television broadcasters within the European Broadcasting Union was of particular importance. The External Relations Department played an active role in promoting Czech Television's interests in relevant EBU commissions.

In respect of the media policy of the European Union and the International Telecommunication Union (ITU) the External Relations Department was an effective tool in forming European public broadcasters' opinion on issues of transition to terrestrial digital broadcasting in Europe. The Department acted through expert commissions of the EBU and was actively involved in technological projects supported by the European Commission. Thus, Czech Television was able to fulfil its duty to be active in the field of new broadcasting technologies and services as stipulated by the law.

## **Major international events organized by Czech television in 2005**

**The 42<sup>nd</sup> Golden Prague International Television Festival.** Held from 7 to 11 May 2005, the Festival played host to professionals from 28 countries who brought to Prague the total of 147 music and dance competition programmes. Among the events held on the sidelines of the Festival was a seminar on "Grand Rights" (with the IMZ – International Music and Media Centre as co-organizer – see below) and the plenary meeting of music and dance experts of Member Organizations organized by the EBU. The main prize of the Festival, the GOLDEN PRAGUE Grand Prix, was awarded to "The Nightingale" submitted by ARTE France, with coproducers AGAT Films & Cie, EMI Music and Mikros Image.

**The EBU International Marketing Seminar.** On 17 and 18 November 2005 Czech Television and Czech Radio jointly hosted a marketing seminar organized by the EBU called "Cross Media Strategies: Empowering the Audience." The seminar, focused on ways to enhance the efficiency of financial means invested into addressing the audience was attended by 75 participants from 35 organizations in 22 countries.

### **Czech Television's membership in international organizations in 2005**

In 2005, Czech Television was an active member of eight international organizations. One membership was cancelled and accession negotiations were started with three organizations.

**EBU / UER.** European Broadcasting Union, Geneva, Switzerland. The world's largest professional association of national broadcasters with 74 active members from 54 countries in Europe, North Africa and the Middle East. .

**Circom.** Zagreb, Croatia. European association of regional television studios. 376 members, regional public service channels and studios from 38 European countries and regions.

**FIAT – IFTA.** International Federation of TV Archives. 205 members, public and commercial broadcasters and producers.

**IMZ.** International Music and Media Centre, Vienna, Austria. International professional organizations associating over 100 members from radio and television stations, publishers, independent producers and opera houses.

**PRIX ITALIA,** Rome, Italy. The world's oldest radio and television festival. The membership allows Czech Television to present its own programmes.

**EURONEWS,** Lyon, France. International television organization operated by SECEMIE SA (Société Editrice de la Chaîne Européenne Multilingue d'Information, EuroNews), a joint stock company, consortium of 19 European public service shareholders.

**EGTA.** European Group of Television Advertising, Brussels, Belgium. It gathers 31 sales houses and commercial departments from 25 European countries. The EBU is EGTA's umbrella organization.

**PBI.** Public Broadcasters International. A meeting place for CEOs and Directors from public service broadcasters. The organization has no regular operating costs.

### **TERMINATED MEMBERSHIP**

Czech Television was a member of **Eurosport** Consortium, a commercial multinational television broadcaster, in which a majority stake is held by *TF1* and *Canal+*. The Consortium's activity allowing its contact and participation in EBU sports contracts and programme exchange among its members was terminated on 31 December 2004. The members of the Consortium will be receiving financial settlement till the end of 2008, but

Czech Television is no more a party in the Eurosport – EBU relationship. Broadcasting of Czech version of Eurosport is operated without any participation of Czech Television.

#### **MEMBERSHIP UNDER CONSIDERATION**

**DigiTAG**, Geneva, Switzerland. European group for terrestrial digital broadcasting initiated by the EBU. The group associates television broadcasters, providers of broadcasting services, manufacturers of electronic equipment and media and electronic communication networks regulators. Czech Television considers possibilities for cooperation and membership in *DigiTAG*.

**EDN**. *European Documentary Network*, Copenhagen, Denmark. The organization associates some 750 documentary makers, producers, distributors, associations, cinematography institutions, universities, festivals, broadcasters and film and TV agencies. EDN facilitates coproductions and transfrontier cooperation. In 2005, Czech Television launched investigations into the possibilities of cooperation and membership.

**IPI**. *International Press Institute*, Vienna, Austria. Journalist organization for the promotion and protection of freedom of the press. Among its members are press and electronic media, editors, media executives and leading journalists from 120 countries from all over the world. The Institute offers access to a wide network of media contacts, conducts an annual wide-ranging research into media related issues, distributes several publications on freedom of the press, assesses, on a regular basis, new media laws and recommends governments how to harmonize their legislation with internationally accepted standards of freedom of speech. In 2005, Czech Television started investigating the possibilities of cooperation with and becoming member of the IPI.

### **6.2.6 Czech Television and its involvement in litigations in 2005**

Litigations are conducted, on behalf of Czech Television, by its Legal Departments in Prague and television studios in Brno and Ostrava. Major administrative proceedings and those with potential financial impact are conducted by the above Legal Departments while most of the standard administrative proceedings are conducted by operating departments of Czech Television. Czech Television hires external law firms for special or large-scale cases.

#### **Court proceedings**

##### a) Television fees

Cases in which Czech Television was exacting the payment of television licence fees due or punitive surcharges on licence fees were, statistically, the largest group of all court proceedings in which Czech Television was involved in 2005. All registered debtors were reminded of the amounts owed in the first half of 2005. Of the total number of 553,652 debtors, 241,277 paid (fully or partially) the amounts due by 31 December 2005. The total amount thus received at 31 December 2005 was CZK 96.2 million of which CZK 20.5 million was the amount of late payment interest. Currently, there are still 78.5 thousand outstanding debts to be filed for action. Approximately 233 debt claims returned to Czech Television due to lapse of time, non-existence of claim after objections had been considered or due to undeliverable claim. The majority of some 1,500 considered claims were payments sent with wrong variable symbol. Undeliverable claims (about 145 thousand letters) were those addressed either to persons with terminated licences or to persons who moved house. 127 thousand claims addressed to debtors with terminated licences (at the cost of CZK 2.7 million) brought in CZK 7 million.

Of the total of 553 thousand reminders sent, 114 thousand pertained to debts older than three years (lapsed debts). The received amount of CZK 17 million was much higher than the costs involved (CZK 2.5 million).

In October 2005, Czech Television and BSP Lawyer Partners made an agreement on the termination of a frame agreement from April 2005 on assignment of claims and BSP Lawyer Partners returned all the claims assigned to it earlier back to Czech Television. These debts will be exacted by Czech Television on its behalf and at its costs.

#### b) Other litigations

As it was the case in the past years, the majority of other litigations are **active litigations**, i.e. those in which Czech Television is the claimant.

Some 60 litigations related to invoice receivables. This is a lower figure than in the past year mainly thanks to Czech Television's active approach to receivables in general. A large number of cases were settled out-of-court through instalment agreements or a compromise. This approach seems to be particularly suitable for collecting amounts owed by foreign companies in view of the difficulties and high costs connected with court proceedings abroad.

Czech Television entered into some 90 bankruptcy proceedings over licence fee receivables and some ten proceedings over invoice receivables, both home and abroad. The utilization percentage of these proceedings, though, is very low.

Cases of non-payment despite legitimate court decisions in Czech Television's favour are handed over for collection through distraint. Several dozens older cases, mostly licence fee debts, were handed over to bailiffs with at least partial positive outcome.

The number of **passive litigations**, i.e. cases in which Czech Television was the defendant, saw a slight drop in y/y comparison. Most of these litigations were cases of protection of the person, protection of good reputation of legal entity and requests for publication of reply, i.e. rectification of false statements. All these litigations were connected with mostly news and current affairs programmes broadcast or produced by Czech Television. Czech Television won most of these quite time consuming cases. Of 25 such litigations in Prague, Brno and Ostrava 7 were legitimately decided in 2005.

On the other hand, Czech Television filed three actions for the protection of its good name which are still pending.

In one case, Czech Television was sued for a financial amount; one case pertained to registered trademark and two to land ownership.

There were only four court proceedings against Czech Television over copyright under way in 2005 with no new case and no legitimate court decision. There was no active litigation over copyright.

In the area of labour law, 12 persons sued Czech Television over their dismissal or for financial amounts.

In 2005, the Supreme Court of Appeal dismissed an appeal by one of the failed candidates in elections for Director General of Czech Television held in 2003 (Hlinovský vs. CT). At this writing, the Court's decision has not come into force.

#### **Administrative proceedings**

As a television broadcaster, Czech Television is mainly involved in administrative proceedings under the Radio and Television Broadcasting Act, i.e. administrative proceedings initiated by the Council for Radio and Television Broadcasting.

In 2005, the Council initiated the total of 50 administrative proceedings against Czech Television.

In six cases the Council rebuked Czech Television for infringements of objectivity and balance in its programmes. Two of these cases ended by the Council issuing a notice of breach of law, one proceeding was abated and three are pending. Two other cases of infringement of objectivity and balance from 2004 were referred to court; in one case, the court cancelled a fine of CZK 500,000 while in another one it upheld a fine of CZK 100,000.

There were seven administrative proceedings for endangering the development of minors. The Council discontinued two of them without awarding a fine; in once case it issued a notice of breach of law while the last case is still pending.

All the other administrative proceedings pertained to alleged breaches of provisions on advertising and sponsorship of the Act on Radio and Television Broadcasting.

As early as 2004, the Council for Radio and Television Broadcasting focused its attention on sponsor messages. As a result, the Council initiated a number of administrative proceedings against Czech Television for breaches of programme sponsorship rules alleging that Czech Television's sponsorship messages were in fact commercials. In 2005, Czech Television challenged these allegations in court. Czech Television won 19 and lost six of the total of 25 court cases. At this writing, Czech Television's appeal against these six judgements at the Supreme Administrative Court is still pending.

In several cases, the Council decided the disputed sponsor messages were in fact commercials and issued 13 notices of breach of law for Czech Television exceeding daily or hour advertising limits.

Czech Television participated actively in the discussion sparked by the Council's decision. Czech Television maintains, as do other Czech TV broadcasters, that the problem is an incorrect interpretation of law by the Council rather than breach of law by Czech Television. Sponsor messages broadcast by Czech Television undergo standard acceptance procedures both in Czech Television and in ARBOmedia.net, Czech Television's advertising saleshouse, and are in conformity with Czech Television's internal regulations on sponsorship as well as with the relevant European directive.

Czech Television made every effort to explain to the Council the circumstances and development of the advertising market home and abroad. Both parties met on several occasions and exchanged correspondence on the issue. Based on these negotiations, Czech Television introduced even stricter controls and even refused some of its potential sponsors, much to the benefit of the competing channels.

In connection with the issue, Czech Television adopted the following measures:

- 1) Director General's Decision – internal regulation of programme sponsoring;
- 2) General contractual conditions regarding the form and content of sponsor messages with added self-regulatory provision on the unacceptability of evaluation criteria in the form of superlative (e.g. "the daily with the largest readership");
- 3) CT delivered to the Council a CD with foreign sponsor messages;
- 4) CT took active part in the preparation of framework material for self-regulation in this field for the Advertising Council.

Committed to resolving the issue, the Director General's Collegium analyses on a regular basis all such administrative proceedings, makes conclusions and decides on measures to be introduced. Sponsor messages are evaluated by all relevant CT departments in cooperation with ARBOmedia.net, with Czech Television having the deciding voice, and sponsor messages that do not meet legal regulations cannot appear on the screen. Czech Television informs the Czech Television Council about the issue of sponsor messages on a regular basis.

Unlike in previous years, there was only one administrative proceeding led against Czech Television for exceeding advertising time limits in 2005. The overrun being caused by a technical error, the Council only issued a notice to Czech Television. This positive development was a result of systemic measures adopted by Czech Television over several past years.

At the end of 2005, the Council initiated 11 administrative proceedings against Czech Television for exceeding both the daily and hour advertising limits by adding up the advertising times on CT1, CT2 and CT24. Czech Television, being certain that both the Czech Television Act and the Broadcasting Act allowed such an arrangement, informed the Council about its intention to combine the times in advance and delivered to the Council legal analyses and expert opinion (without, at the time, any reaction by the Council). Only later, the Council in apparent disagreement with Czech Television's opinion notified Czech Television about commencing administrative proceedings for each day of an alleged breach, starting 20



September 2005. Czech Television, in its detailed statement, reiterated all its reasons and currently is expecting the Council's decision.

Czech Television is currently involved in dozens of administrative proceedings commenced by the Antimonopoly Office, customs offices, labour security inspectorates, insurance companies and other bodies. So far, none of these administrative proceedings resulted in the imposition of major remedies or fines.

## **7. Report on economic performance**

### **7.1. INTRODUCTION**

On 30 August 2006, the Czech Television Council approved Czech Television's report on economic performance in 2006 that reads as follows:

Economic management of Czech Television is based on valid legislative norms that rule its internal methodology. Czech Television's Financial Statement, audited by an independent auditor, is the main document against which economic performance is evaluated. The Czech Television Council, on the recommendation of its Supervisory Commission, approved Czech Television's Financial Statement and discussed the auditor's report on 26 July 2006.

The Council expressed its support to the Management's willingness to energetically introduce changes leading to cutting costs, boosting profits and improving the transparency of how licence fee payers' money is spent. The 2005 Czech television financial performance was balanced, with markedly increased cash flow. The company's approach to licence fee dodgers and winning new licensees changed significantly, which resulted in some 174 thousand newly registered television sets in 2005. The launch in 2005 of CT24 digital news channel was a major step forward, as was the start of trial terrestrial digital broadcasting in the region of Prague. The upward trend started by the new management in the second half of 2003 continued throughout 2004, 2005 and 2006. The positive trend generated new means and resources for enhancing services to the public. Committed to public service, Czech Television workers managed to maintain and even increase the channel's rating and viewer satisfaction in competition with the tabloid-like level of some programmes broadcast by commercial channels.

#### **7.1.1 FUNDING**

Czech Television, as an institution established under a special law, is not financed from the state budget; instead, it manages its own assets. Its budget is balanced. Czech Television's financial resources are primarily revenues from television licence fees (approximately 68%) and income from business activities connected with programme making and broadcasting.

Under the law, each owner of a television set is bound to pay the licence fee. Czech households pay just one licence fee irrespectively of the number of sets they own. Among those exempt from the fee are handicapped people and those earning less than 1.4 x statutory subsistence minimum. Self-employed individuals and corporations have to pay for each TV set they own.

A new act passed in 2005 sets the amount of the licence fee at CZK 100/month with effect from October 2005. The fee will be further increased to CZK 120 with effect from 1 January 2007 and CZK 135 with effect from 1 January 2008. TV licence fees from individuals are collected through Czech Post. TV households have also the option to pay directly to CT account and register on-line on CT internet (more on <https://tvp.czech-tv.cz/poplatky/domacnosti.php>). Corporations are obligated to pay licence fees by direct transfer to CT account (more on <https://tvp.czech-tv.cz/poplatky/domacnosti.php>).

Under the Czech Television Act, Czech Television is allowed to pursue commercial activities related to programme production and broadcasting. These activities are only a supplementary source of income. They include revenues from broadcasting commercials and sponsored programmes, sale of services and rights, teleshopping, teletext and programme production.

The law limits the volume of commercial broadcast by Czech Television to 1% of the total daily airtime, i.e. maximum of 28.8 minutes/day, and the maximum of 12 minutes within each hour with only 6 minutes within each hour during the peak time. Czech Television is not allowed to interrupt programmes for commercials. This is why Czech Television's share in the TV advertising market is limited: 11.9% in 2005. The allowed total advertising airtime will drop to 0.5% in 2007. From 1 January 2008, Czech Television will be allowed to broadcast only advertising connected with transmissions of sporting or cultural events.

## 7.2. ECONOMIC DEVELOPMENT OF CZECH TELEVISION

### 7.2.1. Organization

The basic organizational structure of Czech Television is detailed in the Organizational Manual. The Organization Manual, together with the Signature Manual lay down authorities and responsibilities of individual managerial levels, the authority to negotiate on behalf of Czech Television, the scope of activities of individual departments and the relationship among departments. Czech Television's organizational chart valid at 21 December 2005 can be found in *Appendix 1* to this Report.

The basic organizational units of Czech Television are Czech Television Prague, Brno Television Studio and Ostrava television Studio.

### 7.2.2. Employment

#### 7.2.2.1. Employee counts

In 2005, the average recalculated number of employees was 2 510.75 persons, down 62.75 persons on 2004. The redundancy process started in 2003 continued in 2005 in spite of the launching, on 2 May 2005, of trial broadcasting of CT24 news channel. The resulting increased number of employees in departments directly involved in CT24 broadcasting was made up for by a decrease in other CT departments.

	2001	2002	2003	2004	2005	total
Number of employees (recalculated average)	2 878.75	2 805.75	2 732.00	2 573.50	2 510.75	x
Difference on previous years		-73.00	-73.75	-158.50	-62.75	368.00

The goal of all the changes realized in 2005 was an enhanced interoperability of individual organizational units.

Employee classification according to CT organizational structure

Department	Average number of employees in 2005
	(in recalculated persons)
<b>CT PRAGUE:</b>	

Department of the Director General incl. Management	51.75
Chief Executive Director's departments	356.00
Programme	187.00
Legal Department	15.50
Commerce and Communication	75.75
News, Current Affairs, Sport	283.00
External Relations Department	1.00
Production	376.50
Technology	711.75
Dismissals due to organizational reasons	4.75
<b>Total CT Prague</b>	<b>2 063.00</b>
<b><u>BRNO Studio:</u></b>	
Studio Director's departments	45.00
Economy and Administration	14.75
Programming	36.00
Production	137.00
Dismissals due to organizational reasons	0.25
<b>Total Brno Studio</b>	<b>233,00</b>
<b><u>OSTRAVA Studio:</u></b>	
Studio Director's departments	21.25
Economy	18.00
Programming	32.25
Production	143.25
Dismissals due to organizational reasons	0.00
<b>Total Ostrava Studio</b>	<b>214.75</b>
<b>CZECH TELEVISION</b>	<b>2 510.75</b>

2005 saw a marked increase in the number of production hours per employee. The following table shows that compared to 2004 the number of production hours per employee rose by 1.43 hour, i.e. 49.5%.

	2001	2002	2003	2004	2005
Programme production (hours)	7 266	7 564	7 383	7 434	10 857
Number of employees (recalculated average)	2 878.75	2 80575	2 732.00	2 573.50	2 510.75
<b>Production hours per one employee</b>	<b>2.52</b>	<b>2.70</b>	<b>2.70</b>	<b>2.89</b>	<b>4.32</b>

#### 7.2.2.2. Salaries

Czech Television's salary policy was ruled by valid remuneration principles and as provided for in the 2005 Collective Agreement. The originally planned total salaries amount of CZK 795,600,000 was increased to CZK 803,900,000 in the course of 2005. This increase of CZK 8,300,000 was approved by the Czech Television Council in view of inflation forecast for the year and its impact on real earnings and, particularly, to boost material incentives of employees and their interest in the company's economic success. The amounts of social security and health insurance were increased accordingly.

Compared to 2004, the average salary grew 4.2% to CZK 26,681 in 2005. Particular stress was laid on the variable, achievement-based portion of the salary. In making salary adjustments, consideration was paid both to achievements and personal skills of individual workers and the relationship among the salaries of individual professions and departments of Czech Television.

#### 7.2.2.3. Social security expenses

Staff benefits are an integral part of the whole system of remuneration and securing employee loyalty. This field saw a fundamental change in 2005. Till 2004, all social security expenses were paid from the social fund. Due to the fact that Czech Television generates no income to supply such a social fund, employee benefits are now paid directly from social security expenses. The benefits include pension insurance contribution, canteen catering contribution, work and personal anniversary bonuses, loans, etc.

### 7.2.3. Budget

Budget is one of the main tools of economic management. Czech Television is funded through so-called dual financing, e.g. combination of licence fee income and income from commercial activities related to programme production and broadcasting. Under the law, such commercial activities must not compromise Czech Television's public remit. Income from commercial activities may only be used for financing the organization's core activities: programme making and broadcasting.

Under the Czech Television Act, the Czech Television Council is obligated to approve the channel's budget, financial statement and an overview of assets and liabilities, keep an eye on purposeful and economical management of financial resources and assets and monitor compliance by Czech Television with financial transparency rules of the European Communities.

The Czech Television Council approved Czech Television's financial statement and an overview of assets and liabilities for 2005 in its meeting on 26 July 2006. The overview of assets and liabilities is given in Appendix 2.5.

The 2005 budget was balanced and amounted to CZK 4,784 million. The actual performance was CZK 187.4 million, i.e. 3.9% lower.

In the course of 2005 Czech Television regularly submitted the breakdown of its financial plan for each quarter for approval by the Czech Television Council.

**Licence fee revenues** amounted to CZK 3 239.6 million in 2005. Of the total amount, CZK 2 529.4 million was used to cover costs connected with the channel's core activities. The difference of CZK 710.2 million, together with CZK 247 million (extra amount generated since 1 October 2005 by increased licence fee) were not included in CT's 2005 budget. Instead, the whole amount went to the television licence fee fund for future investments and programme production.

### 7.2.4. Adherence to economic management rules

Czech Television's annual operational plan is the main tool of economic management. Part of it is the cost and revenue budget approved by the Czech Television Council. The main criteria for preparing the operational plan are programme-making goals of Czech Television stipulated by the law and programming schedules of each of the broadcaster's channel.

The basic economic indicators contained in the operational plan are:

- Plan of registered TV receivers
- Plan of TV licence fee revenues
- Performance plan (production, broadcasting)
- Employment plan
- Investment plan
- Budget

Analyses of achieving the goals of the operational plan are carried out on a monthly basis and the Management is kept up-to-date on the fulfilment of the tasks set. Information provided by such analyses serve as decision making tool in setting tasks for the future and putting in place remedial measures, if needed.

Meeting the goals set by the plan and the budget of Czech Television is a decisive factor in remunerating the employees as it conditions the quarterly payment of the variable portion of wages and salaries.

### 7.2.5. Assets

Development in Czech Television's assets in 2005:

(CZK '000 )

	As at:		Difference ( +/- )
	1 JAN 2005	31 DEC 2005	
Tangible and intangible assets	8 113 188	8 640 250	527 062
Accumulated depreciation	- 5 535 290	- 5 926 522	- 391 232
Receivables	799 728	729 238	- 70 490
Financial assets	502 073	1 014 635	512 562
Other assets	471 645	601 864	130 219
<b>Total assets</b>	<b>4 351 344</b>	<b>5 059 465</b>	<b>708 121</b>
Equity	3 760 018	4 238 029	478 011
Liabilities	512 476	756 502	244 026
Other liabilities	78 850	64 934	- 13 916
<b>Total liabilities</b>	<b>4 351 344</b>	<b>5 059 465</b>	<b>708 121</b>

The table shows that the sum of assets and liabilities increased by CZK 708 121 thousand in 2005.

The increase of CZK 512 562 thousand in financial assets (cash flow) is significant. It is a result of a consistent financial management, better control of funds flow and receivables and of purposeful spending.

Assets connected with programme production and acquisition of broadcasting rights grew by CZK 268 185 thousand. These include production work in progress, products, i.e. finished non-broadcast programmes and long-term intangibles (appreciable rights). These assets are covered by the television licence fee fund.

**The total depreciation amounted to CZK 550 468 thousand including net book value of assets sold amounting to CZK 16 707 thousand.**

The increase of CZK 244 026 thousand in liabilities compared to the situation at 1 January 2005 was caused by delayed investments, when investments made at the end of the year amounted to some CZK 208.7 million. The amount of liabilities was also increased by the acquisition of Czechoslovak film weeklies from Krátký Film Company at the cost of CZK 39.0 million.

#### **7.2.6. Own financial means (cash flow)**

2005 saw the continuation of dramatic changes in Czech Television's economic management. Financial means kept increasing by the month up to CZK 1 014 635 thousand at 31 December 2005, i.e. an increase of CZK 512 562 thousand. This increase in financial means was mainly caused by rising the TV licence fee fund by CZK 483 959 thousand.

#### **7.2.7. Programme of changes, boosting profits and cutting costs**

Czech Television management launched its Programme of changes, boosting profits and cutting costs in August 2003 as a replacement of an earlier failed restructuring initiative. The main goal of the Programme was to find ways out of a very difficult economic situation, put in place a standard system of management and gradually streamline the whole structure, the working and performance of Czech Television. Part of the Programme was a revision of all cost and revenue items, contracts, regulations and the system of management of individual departments, etc. The changes resulted in a balanced economic performance in 2004 with a growth of CZK 600 million over 18 months.

Major changes made in 2005 throughout Czech Television include:

- Preparation of Plan for long-term technological, programme and economic development
- Continuation of digitization, Czech Television being the leader in this field in the Czech Republic
- Preparations for the launching of CT4 Sport channel
- Planning of broadcasting schedules (the PROVYS information system)
- Changes in production, coproduction rules, etc.
- Major increase in the number of licensees

Other projects under way in 2005:

- The 40<sup>th</sup> anniversary of Bedtime Stories programme
- Long-term programme planning in PROVYS
- Circulation of documents
- Analysis into suppliers
- Programme segmentation
- Optimization of controlling
- Coordination of activities in connection with EU membership
- Optimization of activities pertaining to preparation of broadcasting

In 2004, Czech Television started a new era by launching the project "Digitalization of Czech Television". The Director General appointed the Digitization Council to coordinate all activities connected with digitization, optimize costs and achieve aims set.

#### **7.2.8. Commercial activities**

The Czech Television Act provides for funding of Czech Television through television licence fees and entrepreneurial activities. In 2005, revenues from entrepreneurial activities amounted to CZK 1 775 812 thousand, i.e. 38.6% of total revenues.

#### 7.2.8.1. Broadcasting commercials

Broadcasting commercials is a major part of funding of Czech Television. Under the Radio and Television Broadcasting Act, broadcasting commercials by Czech Television was limited to 1% of the total daily airtime in 2005. With the increase in the TV licence fee to CZK 120/month on 1 January 2007, broadcasting commercials will be cut to 0.5% of the total daily airtime and, since 1 January 2008, when the fee will be increased to CZK 135/month, there will be no commercials or teleshopping broadcasting on Czech Television with the exception of advertising connected with sports or cultural events.

In 2005, the total advertising time was sold on behalf of Czech Television by the ARBO Media saleshouse.

Over the year, TV advertising revenue amounted to CZK 1 040 486 thousand with Internet advertising revenue of CZK 1 234 thousand. Thus, the advertising budget was surpassed by CZK 55 406 thousand or 5.6%. This increase was made possible by a hike in advertising rates. Czech Television, thanks to its stable ratings and business policy, succeeded in maintaining its market position. Czech Television provided airtime to the total of 189 advertisers, the major ones being Bongrain, Danone and ČSOB.

Moreover, commercials worth CZK 19 079 thousand were broadcast under barter agreements with periodicals in exchange for promotion of Czech Television and its programmes in the press media.

#### 7.2.8.2. Broadcasting sponsored programmes

In 2005, revenues from broadcasting of sponsored programmes amounted to CZK 197 540 thousand including CZK 1 882 from Internet broadcasting. Thanks to its active acquisition policy Czech Television succeeded in obtaining 29 new sponsorship clients, an increase of 8%. Among the most lucrative sponsorship products were: Weather Forecast, Timekeeping linked to Events and the Ice Hockey World Championship. Sponsors were also increasingly interested in special projects, such as the Greatest Czech.

Other projects included joint coproductions when foreign partners' participation amounted to CZK 17 070 thousand. Barters grossed another CZK 63 482 thousand.

#### 7.2.8.3. Teleshopping

In 2005 Czech Television continued cooperating with clients who promoted their products through teleshopping. Teleshopping programmes promote products like kitchen appliances, fitness products, cosmetics, weight reduction drugs or detergents. Also CDs and DVDs were popular teleshopping items. This activity grossed CZK 63 568 thousand in 2005.

#### 7.2.8.4. Teletext

In 2005, Czech Television Teletext affirmed its leading position on Czech teletext market with the total income of CZK 18 332 thousand. Increased business with betting companies was caused by rising demand by betters for topical teletext data.

#### 7.2.8.5. The Internet

The launching in 2005 of [www.ct24.cz](http://www.ct24.cz) news portal together with CT24 news channel was a major event. The portal, besides topical teletext news, allows watching CT24 live via the Internet all over the world. CT24 and special Internet projects on the Ice Hockey World Championship, the Greatest Czech and You Look Great contributed to a surplus of CZK 4 038 thousand above the planned income figure.

#### 7.2.8.6. New media

There were 30 regular interactive programmes involving SMS voting or telephone competitions. Increasingly popular was viewers' communication directly with live

broadcasting via SMS. The trend was confirmed by the Greatest Czech in which 68 713 voters elected Charles IV the greatest Czech of all times.

#### 7.2.8.7. Sale of rights and editorial activities

Sale of rights and editorial activities are among the responsibilities of Telexport, a sales unit whose revenues amounted to CZK 57 825 thousand in 2005. Sports programme rights sold by the Sports Department brought in CZK 6 456 thousand over the same period.

#### TELEXPORT

Telexport is a Czech Television department involved in the sale of licences for programmes made by Czech Television and former Czechoslovak Television to Czech and foreign television and film distribution companies. Telexport cooperates with a host of leading publishers in the field of audio and video in production of DVDs, VHS cassettes, CDs and MCs with films, serials, music and other programmes produced by or co produced with Czech Television. Among the best-selling titles abroad were Zelary (2003 Oscar Best Foreign Language Film nominee), Up and Down, children's serials about animals The Cubbies, Boys from the Mansion, Little Brothers, The Little Rover, educational series The Children's Encyclopaedia of the World, animation series Niels and the Wild Geese, serial Town Square and documentary serial Travelmania.

The best-selling DVDs and VHS cassettes sold by domestic distributors: Snowboarders, The Best of Bedtime Stories, The Little Building Blocks, Spejbl and Hurvinek Revisited, Thanks for Each New Morning, Up and Down, Hitler: The Rise of Evil, Kaiser and Labus May Come Too, Relax Please, Good Neighbourhood, Cops and Robbers, The Servant of Two Masters, Daniel Landa – Evening of Songs for Czech People by Karel Kryl, Semafor's Greatest Hits – Suchý and Šlitr, Aneta Langerová – Lots of Angels.

The best-selling CD sold by domestic distributors: Petr Spálený – An Ordinary Man, That Was Michal Tučný, I'm Lucky to Have You My Love, The Best Hits 80, Many Happy Returns – Bedtime Stories Birthday.

#### CZECH TELEVISION PUBLISHING

In February 2006, Czech Television launched its own publishing division called Czech Television Publishing. An organizational part of CT, the division publishes titles directly linked to creative activities of Czech Television. Thus, viewers will have the possibility to buy their favourite programmes in the form of books, audiocassettes or DVDs. Czech Television Publishing also cooperates with external publishers. Its editorial plan includes dozens of serials and dramas, children's programmes, factual literature based on CT documentaries, educational and lifestyle books.

#### **Activities of Telexport:**

##### Sale of rights abroad

Sales of rights abroad totalled CZK 13 126 thousand in 2005. Besides sales of individual titles, 2005 saw a number of so-called "package" sales. These involved both television rights and sales of video-rights for children's, mostly animation and educational programmes: ten TV serials to Arabic countries, ten TV serials to Turkey, three serials to Japan (video), four serials to Poland (video) and four to Russia (video). Sales to Slovakia were traditionally high: five serials to STV, two feature films to TV Markíza and 18 documentaries and cycles, like Travelmania, Telescope and Back to Sources to cable operator Nautik TV. 12 programmes, including Town Square and Seven of Spades Ranch were sold to Poland and two animation series to Italian RAI.



### Sale of television rights in the Czech Republic

Licences for serials made by Czechoslovak Television bought in 2005:

- For 2005:
- FTV Prima - Engineer Odyssey, Sons and Daughters of Jakub, the Glassmaker;
  - CET 21 (TV NOVA) – All of Us School Goers;
- For 2006:
- FTV Prima – Sheet Metal Cavalry, There Were Six of Us, The Third Floor;
  - TV NOVA – The Novák Dynasty, A Case for Special Unit

These sales yielded CZK 8 066 thousand.

### Film distribution in the Czech Republic

Film distribution revenues amounted to CZK 5 432 thousand. Among the most sought-after films were: Velvet Murderers (CZK 2 552 thousand), Snowboarders (CZK 1 200 thousand), Doblba (CZK 673 thousand), Angel of the Lord (CZK 338 thousand) and A Piece of Heaven (CZK 304 thousand).

### DVDs and VHS cassettes

Among the 52 titles produced in 2005 were: films (Snowboarders) , serials (Guardian of Souls), documentaries (Travelmania, Back to Sources, The Vltava in Pictures), assemblies (Relax Please, Kaiser and Lábus May Come Too), recordings of concerts (Aneta Langerová and Karel Plíhal), music DVDs (M. Tučný – Wonderful Man, Suchý and Šlitr – Semafor), fairy tales (The Owl Castle Treasure) and bedtime stories (Rumcajs, The Pučálka's Amina, Spejbl and Hurvínek and The Best of Bedtime Stories).

In terms of numbers of units sold, among the most successful titles were: Snowboarders (52 502), Spejbl and Hurvínek (25 259) and The Best of Bedtime Stories (22 204). The Little Bedtime Story Suitcase with five DVDs sold 6 741 units. The first foreign-made programme on DVDs and VHS cassettes was Hitler: The Rise of Evil with 3 608 units sold. DVD and VHS sales totalled CZK 19 092 thousand in 2005.

### Sale of licences for publishing books and merchandising

Telexport granted rights for exploitation of trade mark or cooperated on publishing books based on Czech Television programmes. Among the most popular were: The Wandering Camera, At the Swimming Pool, Etiquette, Good Neighbourhood, Town Square, Under the Lid, Boys in Action. The Wandering Camera sold 30 thousand units, At the Swimming Pool sold 23 thousand units and Please Relax sold 15 thousand units.

As for merchandising rights, children's stories characters František the Goblin totalled CZK 180 thousand and Jů, Hele and Muf CZK 70 thousands for exploitation rights.

The total revenues amounted to CZK 4 593 thousand.

### Sale of audio rights

A total of 34 titles on audio media were published in cooperation with 18 music publishers in 2005. Among the most popular were: I'm Lucky to Have You My Love (17 800 units sold), Věra Martinová (12 000 units sold), Many Happy Returns – Bedtime Stories (10 554 units sold), Songs from Magic School (9 794 units sold) and Easy Listening 3 (9 693 units sold).

Six titles with Czech Television programmes were awarded the Platinum Disc: Many Happy Returns (Bedtime Stories Birthday) M. Tučný and His Friends, I'm Lucky to Have You My Love, Easy Listening 3, Easy Listening 4, Songs from Magic School / Majda & František.

In 2005, audio rights revenues totalled CZK 1 504 thousand.

#### Sale of rights for Czech versions

Telexport provides Czech versions made by Czech Television to other television channels in the Czech Republic and Slovakia and for use on audio media. This activity totalled CZK 4 433 thousand in 2005.

#### Other sales in the Czech Republic

This activity, with total revenues of CZK 1 185 thousand, involved the sale of licences to perform recorded Czech Television programmes (30 contracts) and licences to include TV spots into a client's audiovisual work and their further exploitation (57 contracts). Moreover, there were another 120 non-licence contracts on providing programmes for companies' archives or for private use.

Telexport also took part in non-commercial events, such as the exhibition Golden Time of the Media in the National Museum. Telexport was also involved in events organized by the Lidice Museum, Museum in Příbram and Museum of Romany Culture.

#### 7.2.8.8. Sale of other services

Other services provided by Czech Television included the sale of internal production capacity, particularly film laboratory procedures and audio and video production. Czech Television Production Services Department provides comprehensive services particularly to foreign TV crews. Among major projects in 2005 was the European Futsal Championship – a comprehensive signal production for Eurosport – totalling CZK 3 854 thousand and the World Junior Ice Hockey World Championship – production of TV signal for TSN Canada – for CZK 2 165 thousand. The lease of a SNG van for uplink of TV signal to the EBU grossed CZK 2 602 thousand. All these activities amounted to CZK 95 067 thousand in 2005.

## 7.3. ASSESSMENT OF CZECH TELEVISION'S ECONOMIC RESULTS IN 2005

### 7.3.1. Overall budget

Due to the inexistence, in 2004, of an amendment to the Radio and Television Licence Fee Act, the 2005 budget preparations had to take into account the then existing limited financial means. To achieve a balanced budget, it was necessary to further cut costs, even under the actual level of the previous year. Adherence to the Programme of changes, boosting profits and cutting costs launched in 2003 was a precondition for achieving the goals set. In spite of these limitations, Czech Television succeeded in making a balanced budget of CZK 4 593 040 thousand. This amount, however, did not cover fully the needs of the broadcasting schedule agreed earlier, particularly in the field of pre-production of drama programmes and TV cycles, not to mention the planned extension of regional and foreign newscasting, enhancement of programme offer and preparations for digitization.

Strict adherence, during the first half of 2005, to the Programme of changes, boosting profits and cutting costs resulted in generating own resources to cover costs not provided for in the 2005 budget. This enabled Czech Television to submit to the Czech Television Council a revised budget in which both the incomes and the costs were increased by CZK 191 million. The newly generated resources allowed Czech Television to cover the costs of digital broadcasting on CT24 news channel and to increase production. Direct production costs

rose by CZK 105 million to a total of CZK 1 324 million. Increased means were used for personnel social costs and incentive programmes.

Based on recommendation of its Supervisory Commission, the Czech Television Council approved this revised budget of CZK 4 784 040 thousand on 14 September 2005.

2005 budget structure:

(CZK '000)	
<b>A) REVENUES</b>	<b>4 784 040</b>
of it: licence fees (drawing on licence fee fund)	2 805 580
advertising	986 314
other revenues	992 146
<b>B) COSTS</b>	<b>4 784 040</b>
of it: personnel costs (salaries + statutory insurance)	1 088 360
depreciation of long-term assets	377 000
depreciation of intellectual property	191 700
production task	1 324 000
costs of overheads and service departments	1 802 980

### 7.3.2. Assessment of Czech Television economic performance in 2005

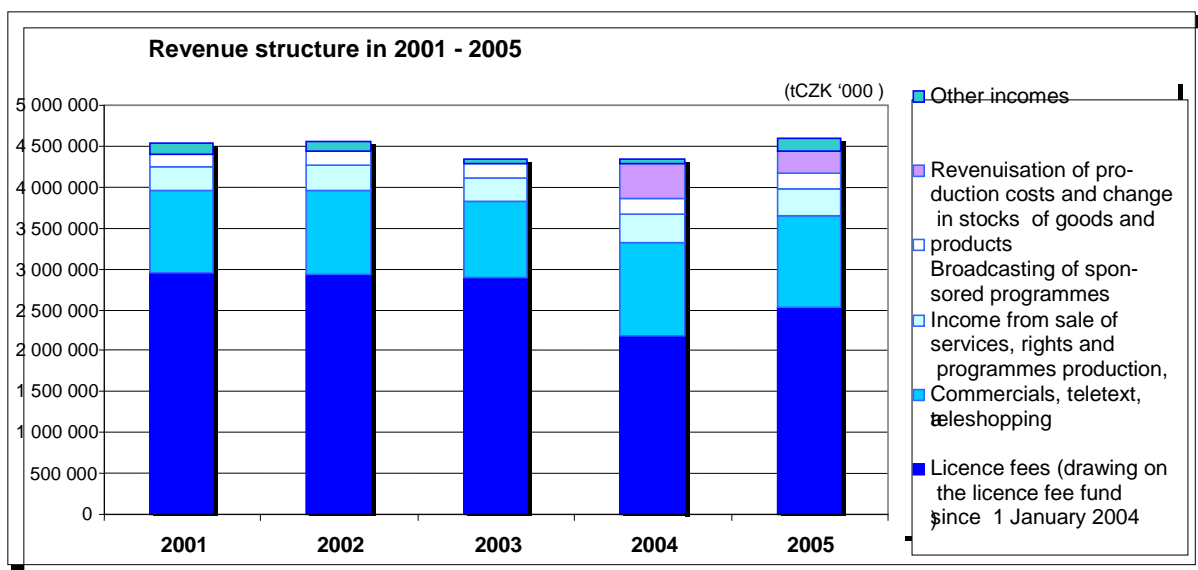
As planned, Czech Television's economic performance ended as balanced thanks to purposeful drawing on the licence fee fund to cover specified costs of Czech Television's core activity, within the budget approved by the Czech Television Council and in accordance with valid rules and Czech Television's internal regulations.

For an overview of main 2005 economic indicators see Appendix 2.1.

#### 7.3.2.1. Revenues

The 2005 actual revenues were CZK 187 353 thousand or 3.9% lower than the budgeted revenues of CZK 4 784 040 thousand. This was caused by lower than planned drawing on the licence fee fund and an improved performance in other revenue items.

Revenues from entrepreneurial activities rose by CZK 68.5 million thanks to advertising incomes that surpassed the budgeted figure by CZK 55.4 million, interest received, exchange rate gains, cancelled provisions for receivables and received licence fee surcharges.



### 2001 – 2005 revenue structure

(CZK'000)

	2001	2002	2003	2004	2005
TV licence fees (drawing on the licence fee fund since 1 January 2004) *)	2 947 311	2 938 713	2 903 385	2 180 951	2 529 382
Broadcasting of commercials, teletext and teleshopping	1 001 166	1 018 442	925 889	1 141 262	1 123 620
Broadcasting of sponsored programmes	143 098	169 786	171 036	184 358	197 540
Income from sale of services, rights and programme production	303 384	308 235	276 504	351 012	323 941
Revenuisation of programme production costs and change in stocks of goods and products	x	x	x	430 474	262 818
Other	149 881	124 921	75 339	48 720	159 386
<b>Total revenue</b>	<b>4 544 840</b>	<b>4 560 097</b>	<b>4 352 153</b>	<b>4 336 777</b>	<b>4 596 687</b>

\*) Data for 2004 and later cannot be compared to previous years due to different methodology used.

### Performance of the 2005 revenue budget

(CZK'000)

	Plan	Actual result	Difference
TV licence fees (drawing on the licence fee fund since 1 January 2004)	2 805 580	2 529 382	-276 198
Broadcasting of commercials, teletext and	1 078 714	1 123 620	44 906

teleshopping			
Broadcasting of sponsored programmes	196 053	197 540	1 487
Incomes from sale of services, rights and programme production	301 794	323 941	22 147
Revenuisation of programme production costs and change in stocks of goods and products	263 750	262 818	-932
Other revenues	138 149	159 386	21 237
<b>Total revenues</b>	<b>4 784 040</b>	<b>4 596 687</b>	<b>-187 353</b>

The actual drawing on the Licence Fee Fund was CZK 276 198 thousand lower than planned thanks to cost-saving measures.

Broadcasting of commercials, teletext and teleshopping

(CZK'000)

	<b>Plan</b>	<b>Actual result</b>	<b>Difference</b>
Broadcasting of commercials	986 314	1 041 720	55 406
Broadcasting of teleshopping	76 000	63 568	-12 432
Broadcasting of teletext	16 400	18 332	1 932
<b>Total</b>	<b>1 078 714</b>	<b>1 123 620</b>	<b>44 906</b>

2005 saw a rise of CZK 55 406 thousand, i.e. 5.6% in advertising revenues despite the absence of major sporting events, such as the Olympic Games or world or European championships. It was the result of an increased price of advertising time as well as of stable ratings of CT programmes and the overall market situation. On the other hand, teleshopping revenues did not reach the target due to financial problems experienced by some clients and cuts made to teleshopping broadcasting time.

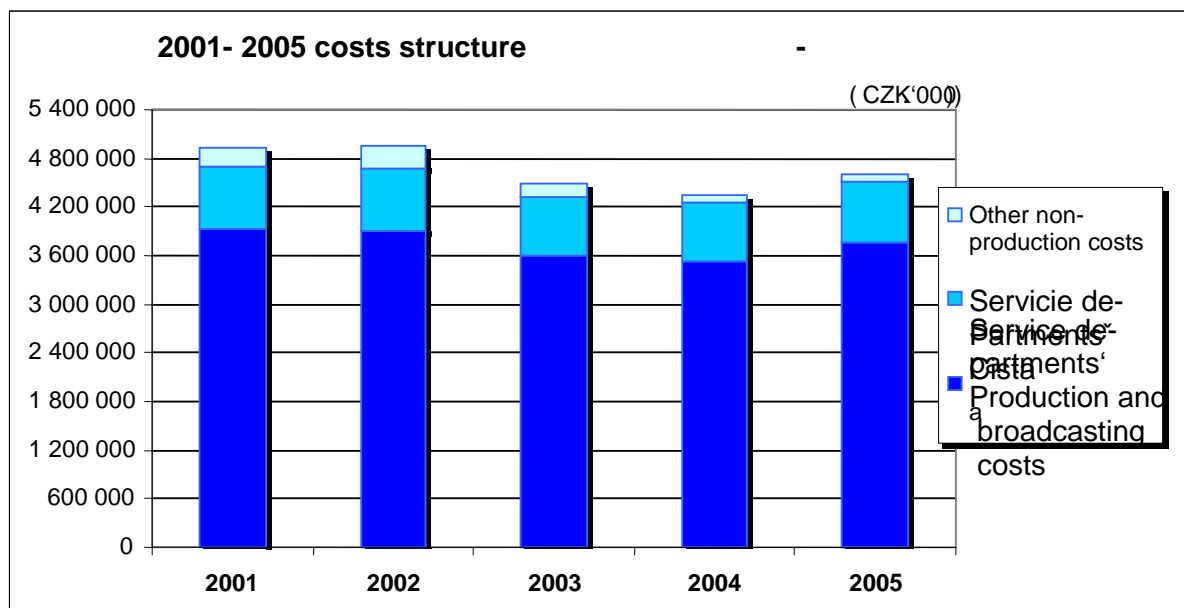
The increase of CZK 1 487 or 0.8% in sponsored programmes bears witness to a rising interest on the part of clients. Most of the incomes were generated through the ARBO Media sales house. The highest earners were Weather Forecast, Timekeeping and the Ice Hockey World Championship.

Sales of services, rights and programme production totalled CZK 323 941 thousand. Incomes from programme coproduction rose by CZK 22 147 thousand mainly thanks to the provision of services during the Ice Hockey World Championship and sale of rights.

Revenuisation of programme production costs and change in stocks of goods and products achieved 99.6% of the planned figure and had hardly any influence on the fulfilment of the revenue budget. Other revenues exceeded the budgeted figure by CZK 21 237 thousand particularly due to cash received as late payment interest and surcharges on licence fees due.

#### 7.3.2.2. Costs

The approved costs budget of CZK 4 784 040 thousand was fulfilled to 96.1%, with economies of CZK 187 353 thousand. This was a result of a substantial drop in expenses incurred by overheads and service departments and by lower production costs brought about by enhanced financial management, a new system of planning and the implementation of the Programme of changes, boosting profits and cutting costs.



(CZK'000)

	2001	2002	2003	2004	2005
Production and broadcasting costs	3 930 332	3 893 082	3 593 610	3 537 535	3 759 570
Service departments' costs	769 699	781 155	738 912	727 359	749 279
Other non-production costs	231 824	284 644	149 451	71 883	87 838
<b>Total costs</b>	<b>4 931 855</b>	<b>4 958 881</b>	<b>4 481 973</b>	<b>4 336 777</b>	<b>4 596 687</b>

### Production and broadcasting costs

CZK 3 759 570 thousand, i.e. 81.8% of the total costs of CZK 4 596 687 thousand, went to fulfilling Czech Television's public remit, i.e. programme production and broadcasting.

**Programme production costs** of CZK 2 538 076 thousand include acquisition of broadcasting rights, costs of commissioned production and acquired programmes. Also included are costs incurred by technical departments involved in production.

Share of individual Czech Television departments in programme production

(hours)

	Actual 2004 figure	Actual 2005 figure	Index (%)
Centre for drama programming	60.9	57.0	93.6
Centre for entertainment programming	139.8	164.1	117.4
Centre for theatre and music programming	493.9	574.8	116.4

Centre for children's and youth programming	158.2	131.1	82.9
Centre for current affairs, documentaries and education	586.2	674.6	115.1
Centre for acquisitions	1 609.0	986.9	61.3
News department	1 756.3	5 209.1	296.6
Current affairs department	154.5	166.6	107.8
Sports department	1 392.5	1 053.4	75.6
Centre for visual presentation	86.3	103.5	119.9
Presentation department	68.8	39.5	57.4
<b>CT PRAGUE</b>	<b>6 506.4</b>	<b>9 160.6</b>	<b>140.8</b>
<b>BRNO TV STUDIO</b>	<b>453.4</b>	<b>958.8</b>	<b>211.5</b>
<b>OSTRAVA TV STUDIO</b>	<b>473.9</b>	<b>737.9</b>	<b>155.7</b>
<b>CZECH TELEVISION</b>	<b>7 433.7</b>	<b>10 857.3</b>	<b>146.1</b>

In 2005, investments into drama programming grew by CZK 15.8 million compared to 2004; the drop in production hours in 2005 was caused by a higher rate of work in progress. The decision of Czech Television's management to produce the programme Good Morning in Brno and Ostrava Television Studios resulted in substantial growth in production volume of these regional studios in line with the statutory quotas for regional broadcasting.

Czech Television's traditional participation in the production of cinematographic films continued also in 2005. Among the major projects were: Beauty in Trouble, Grand Hotel, Angel of the Lord, The Experts, A Thing Called Happiness, Rail Yard Blues and Doblba. Czech Television's total investment in cinematographic films amounted to CZK 60 224 thousand.

#### Joint production and broadcasting costs structure

(CZK'000)

	<b>Actual 2005 figure</b>
Signal distribution costs	530 438
<i>Of it: CT 1 – transmitters and converters</i>	231 608
<i>CT 2 – transmitters and converters</i>	172 204
<i>Distribution network</i>	111 464
<i>Local circuits ( picture, sound )</i>	5 169
<i>Fees to ČTÚ for frequencies assigned</i>	9 573
<i>Broadcasting via the Internet</i>	420
Payments to organizations of collective administration of copyright, performance fees	139 897
Costs of collection and exaction of TV licence fees	153 605
VAT with no claims for deduction	263 445
EBU, EURONEWS – membership fees, coordination costs	21 716

Commission to ARBO for advertising and sponsorship incomes	112 393
<b>JOINT PRODUCTION AND BROADCASTING COSTS</b>	<b>1 221 494</b>

This group includes signal distribution costs, i.e. lease of transmitters and converters, the distribution network, including lease of digital capacity on a satellite transponder and lease of picture and sound circuits. The costs of VAT on which no deductions can be claimed are an important and constantly growing item. This group also includes the costs connected with the collection of TV licence fees paid to Czech Post, payments to organizations for collective administration of copyright and performance fees paid by Czech Television.

### **Service departments' costs**

Costs incurred by service departments for production and broadcasting activities amounted to CZK 749 279 thousand, i.e. 16.3% of the total costs. They included administration, repairs and maintenance costs, depreciation of fixed assets, consumption of water and electricity, catering, cleaning, security guard and copy machines operating. Among other service departments are the IT Department and the Director General's Department.

### **Other non-production costs**

Other non-production costs amounted to CZK 87 838 thousand or 1.9% of the total costs. They include statutory insurance, additions to value adjustments, costs of audits and consultation services, membership fees, costs connected with activities of the Czech television Council and extraordinary costs (currency exchange losses, fines and penalties, redundancy payments, etc.).

A detailed overview of costs and incomes can be found in *Appendix 2.2*.

## **7.3.3. Comparison of economic performance in 2005 and 2004**

When comparing CT's economic performance in 2005 with 2004 figures one must take into account the gradual impact of changes in programme production accounting method and the increased scope of production and broadcasting in 2005.

Comparison of costs and incomes in 2004 and 2005 is set forth in *Appendix 2.3*.

### **7.3.3.1. Revenues**

The total incomes of CZK 259 910 thousand were 6.0% higher than the 2004 figure. The result was influenced particularly by:

▪ Increased drawing on the TV licence fee fund	+ CZK 348 431 thousand
▪ Lower revaluation and change in stocks of finished goods and work in progress	- CZK 167 656 thousand
▪ Increased incomes from sale of immovable assets	+CZK 67 177 thousand
<hr/>	
total	+ CZK 247 952 thousand
▪ Increase of 2004 incomes on the 2004 figure	CZK 259 910 thousand

**D i f f e r e n c e** **+ CZK 11 958 thousand**

represents an enhanced 2005 performance after eliminating the above-mentioned influencing factors.

### **Income structure**

(CZK'000)



	<b>Actual 2004 figure</b>	<b>Actual 2005 figure</b>	<b>Difference</b>
TV licence fees (drawing on the TV licence fee fund since 1 January 2004)	2 180 951	2 529 382	348 431
Broadcasting of commercials, teletext and teleshopping	1 141 262	1 123 620	-17 642
Broadcasting of sponsored programmes	184 358	197 540	13 182
Income from sale of services, rights and programme production	351 012	323 941	-27 071
Revenuisation of programme production costs and change in stocks of finished goods and work in progress	430 474	262 818	-167 656
Other incomes	48 720	159 386	110 666
<b>Total incomes</b>	<b>4 336 777</b>	<b>4 596 687</b>	<b>259 910</b>

Drawing on the **TV television fund** to cover limited costs of the company's core activity amounted to CZK 2 529 382 thousand. The figure represents a growth of CZK 348 431 thousand on the 2004 figure.

#### **Broadcasting of commercials, teletext and teleshopping**

(CZK'000)

	<b>Actual 2004 figure</b>	<b>Actual 2005 figure</b>	<b>difference</b>
Broadcasting of commercials	1 046 871	1 041 720	-5 151
Broadcasting of teleshopping	77 117	63 568	-13 549
Broadcasting of teletext	17 274	18 332	1 058
<b>Total</b>	<b>1 141 262</b>	<b>1 123 620</b>	<b>-17 642</b>

In view of the fact that there were no major sporting events in 2005, the sale of advertising airtime can be considered very satisfactory if compared with 2004. Teleshopping incomes lagged behind both the 2005 plan and the actual 2004 figure.

**Broadcasting of sponsored programmes** saw an increased interest on the part of sponsors with y/y growth of CZK 13 182 thousand, i.e. 7.2%.

The 2004 Incomes from **sales of services, rights and programme production** were strongly influenced by the Ice Hockey World Championship held in Prague. That is why the 2005 figure was CZK 27 071 thousand short of the 2004 figure.

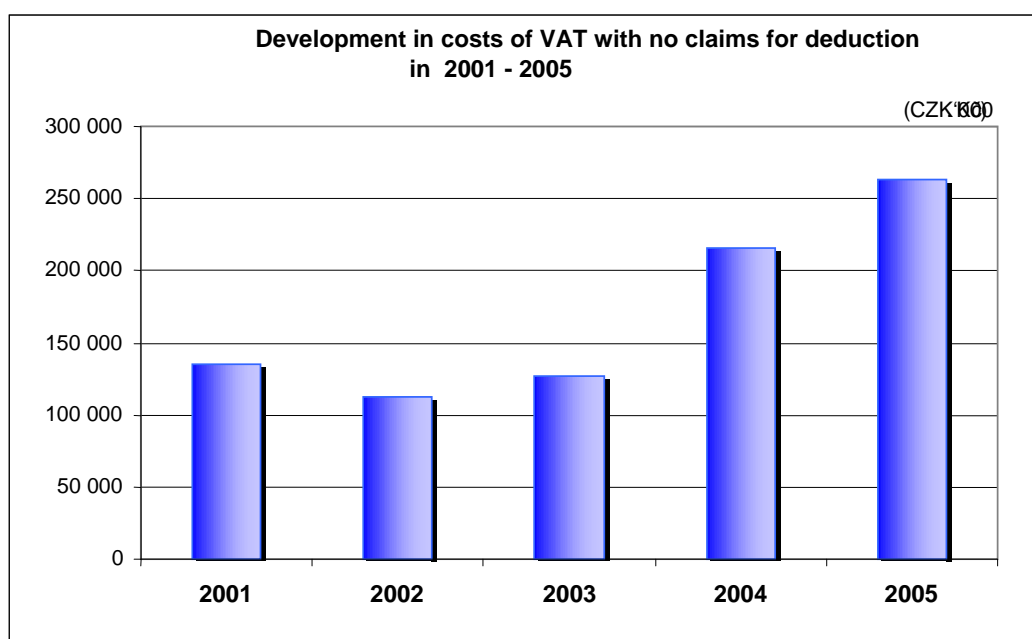
**Revenuisation of programme production costs and change in stocks** of both work in progress and finished programmes increased the 2004 economic performance by CZK 430 474 thousand. This positive impact did not replicate in 2005 when the figure was CZK 167 656 thousand lower. Any comparison of these values is, however, not fully relevant due to the gradual impact of changes to accounting methodology introduced in 2004.

**Other incomes** were boosted by the sale of the EKO building in Prague at the price of CZK 67 177 thousand including the land. Other exceptional incomes were generated by the Licence Fee Department. In total, other incomes rose CZK 110 666 thousand compared to the 2004 figure.

### 7.3.3.2. Costs

The 2004 economic performance was enhanced thanks to a new method of programme production cost accounting. Compared to 2004, the 2005 costs rose CZK 243 363 thousand.

In connection with the launching of CT24 news channel and enhanced programme offer the 2005 direct costs rose by CZK 137 666 thousand. In addition, it was necessary to include in the budget the increased costs of VAT with no claims for deduction amounting to CZK 48 177 thousand (see graph).



(CZK'000)

	2001	2002	2003	2004	2005
<b>VAT with no claims for deduction</b>	135 325	113 123	126 385	215 268	263 445

### Costs structure

(CZK'000)

	Actual 2004 figure	Actual 2005 figure	Difference
Personnel costs	1 116 459	1 138 386	21 927
Consumed purchases	172 408	176 571	4 163
Services	2 302 725	2 357 791	55 066
Taxes, depreciation, value adjustments for receivables	671 029	830 849	159 820
Other costs	74 156	93 090	18 934
<b>TOTAL COSTS</b>	<b>4 336 777</b>	<b>4 596 687</b>	<b>259 910</b>

**Personnel costs** saw an increase of CZK 21 927 thousand, i.e. 2.0% on the 2004 figure mainly due to CZK 11 927 thousand paid from the social fund as personnel social costs. Salaries grew CZK 13 117 thousand or 1.7%. Although there was no salary adjustment budgeted for 2005, the year's figure reflects the adjustment of 4% made in 2004 as well as the means earmarked for workers' incentives. On the other hand, the drop of CZK 9 106 thousand in other personnel costs was hugely influenced by lower redundancy costs paid in 2005.

**Consumed purchases** grew CZK 4 163 thousand or 2.4% compared to 2004. Fuel and energy costs grew particularly due to increased programme production and higher prices

From the total volume of 2005 costs 51.2% were spent on services. The increase of CZK 55 066 thousand on the 2004 figure was caused mainly by increased programme production, particularly in the fields of commissioned and coproduction programmes. On the other hand, performance fees and payments for collective administration of copyright dropped markedly.

Communications cost are an important item that amounted to CZK 760 270 thousand of which CZK 530 438 thousand was paid for signal distribution. Due to austerity measures taken, phone and fax costs dropped CZK 2 988 thousand, i.e. 11.9%. International transmission costs were influenced by major sporting events held in 2004.

(CZK'000)

	Actual 2004 figure	Actual 2005 figure	difference
Broadcasting network	531 091	532 126	1 035
Contribution network	15 571	15 640	69
Mobile transmissions	35 920	33 023	-2 897
International transmissions	35 452	26 244	-9 208
Phones and faxes	25 090	22 102	-2 988
Payment to Czech Post for TV licence fee collection	117 351	116 304	-1 047
Postage and other communications costs	5 070	14 831	9 761
<b>Total communications costs</b>	<b>765 545</b>	<b>760 270</b>	<b>-5 275</b>

Cost items **taxes, depreciation and value adjustments for receivables** exceeded the 2004 figure by CZK 159 820 thousand or 23.8%. The increase was caused particularly by a new way of accounting programme production costs and a higher amount of VAT with no claims for deduction.

(CZK'000)

	actual 2004 figure	actual 2005 figure	difference
VAT with no claims for deduction	215 268	263 445	48 177
Depreciation of fixed assets including residual value	429 975	550 468	120 493
<i>of it: depreciation of appreciable rights</i>	<i>83 324</i>	<i>187 981</i>	<i>104 657</i>

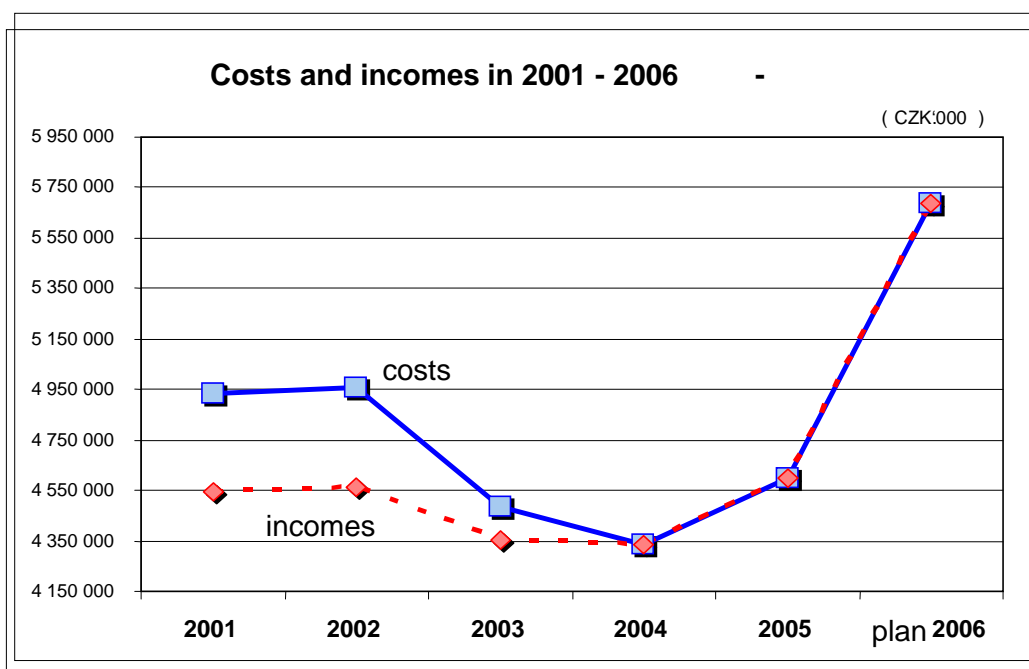
Other	25 786	16 936	- 8 850
<b>Total</b>	<b>671 029</b>	<b>830 849</b>	<b>159 820</b>

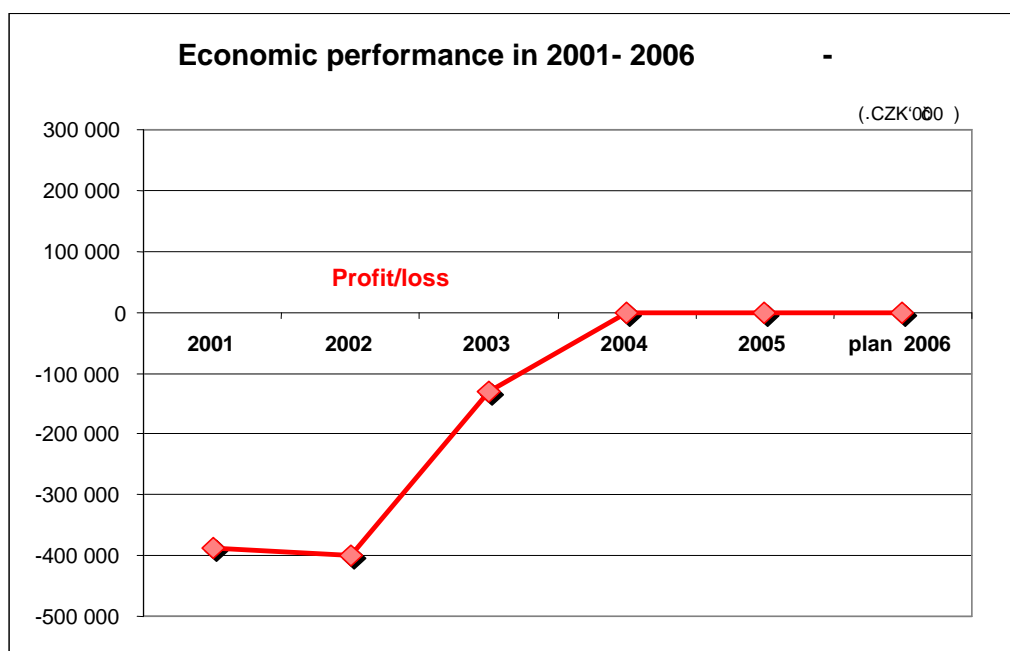
**Other costs** amounted to CZK 93 090 thousand. The increase of CZK 18 934 thousand on 2004 was due to a blanket reminder campaign aimed at TV licence fee dodgers.

#### 7.3.4. Long-term development of economic indicators

The adoption of the amended Act on Radio and TV Licence Fees was an important step towards financial stability of Czech Television and a precondition for the channel's long-term strategic planning. Czech Television's Comprehensive Long-Term Development Plan for 2006-2010 includes a long-term plan of programme, technological and economic development, a basis for the 2006 budget that provides for a gradual switch from analogue to digital broadcasting and digitization of Czech Television. The budget, however, does not cover digitization of Czech Television's archives.

As it is evident from the overview of main economic indicators in Appendix 2.4, the new system of management has reversed the downward trend and turned the losses of some CZK 400 million in 2001 and 2002 into a balanced economic performance in 2004 and beyond.





(CZK'000)

	2001	2002	2003	2004	2005	Plan 2006
Costs	4 931 855	4 958 881	4 481 973	4 336 777	4 596 687	5 686 000
Revenues	4 544 840	4 560 097	4 352 153	4 336 777	4 596 687	5 686 000
<b>Profit/loss</b>	<b>-387 015</b>	<b>-398 784</b>	<b>-129 820</b>	<b>0</b>	<b>0</b>	<b>0</b>

2005 Economic indicators were hugely influenced by the launching of CT24 news channel in 2005 and of CT4 sports channel in 2006. In addition, in 2005 Czech Television started fulfilling the new provisions of the Czech Television Act under which it is obligated to distribute its signal not only in the terrestrial analogue form, but also in the terrestrial digital form called public service multiplex.

The resulting growth in the total broadcasting time also meant higher costs. More importantly, though, the average costs per hour of production kept falling and in 2005 they amounted to just 37.6% of the 2001 figure. The number of programme production hours per one employee was equally on the rise with 4.3 hours/employee in 2005 as opposed to 2.5 hours of programmes produced by one employee in 2001.

	2001	2002	2003	2004	2005	Plan 2006
<b>Programme production (hours)</b>	<b>7 265.7</b>	<b>7 563.8</b>	<b>7 382.9</b>	<b>7 433.7</b>	<b>10 857.3</b>	<b>12 650.0</b>
<b>Costs (CZK'000)</b>	<b>4 931 855</b>	<b>4 958 881</b>	<b>4 481 973</b>	<b>4 336 777</b>	<b>4 596 687</b>	<b>5 686 000</b>
<b>Total costs per one production hour (CZK'000)</b>	<b>678.8</b>	<b>655.6</b>	<b>607.1</b>	<b>583.4</b>	<b>423.4</b>	<b>449.5</b>

## 7.4. INVESTMENT ACTIVITY

Investment activities (not including buying licences) were quite low in the past due to the negative financial performance of Czech Television. Such a lack of investment resulted in gradual ageing of the production base and its over depreciation. Currently, the depreciation of technological equipment amounts to 85.8%.

In 2005 Czech Television, in a bid to modernize its technical equipment, decided to finance its investments by fully depreciating its fixed assets of CZK 377 million and by using an available amount of CZK 23 million for the purpose. The resulting planned investment of CZK 400 million was approved by the Czech Television Council on 12 January 2005.

Major 2005 investments were connected mainly with the launching of CT24 news channel and CT4 sports channel. Other investments included the purchase of equipment for regional and foreign news departments, the graphics department, self-promotion and the Digitization Project Team.

The investment plan was fulfilled to 99.6% with 2005 costs of CZK 398 596 thousand. The investment structure was as follows:

- |  |                             |
|--|-----------------------------|
| ▪ <i>Purchase of piece investments</i>   | <i>CZK 192 777 thousand</i> |
| ▪ <i>Investments of technological nature, including modernization and reconstruction</i> | <i>CZK 169 616 thousand</i> |
| ▪ <i>Intangibles investments into information technology</i>                             | <i>CZK 36 203 thousand</i>  |

Compared to 2004, 2005 saw an investment increase of CZK 108 970 thousand or 37.6 %. Under new accounting procedures, long-term intangible assets include licence, i.e. appreciable rights with validity of over one year, irrespectively of the purchasing cost, and in-house programme production (particularly coproductions with potential distribution incomes).

## 7.5. TV LICENCE FEES

### 7.5.1. System of collection of TV licence fees

TV licence fees are collected under the provisions of the Radio and Television Licence Fees Act.

Under the Act, each physical or legal person connected to the national electricity grid is obligated to pay the licence fee unless exempt under a special provision of the Act. Each household pays just one fee irrespectively of the number of TV sets owned. Self-employed individuals and corporations have to pay for each TV set they use.

TV licence fees from individuals are collected via Czech Post, which is paid CZK 3.10 a month for each registered household, or can be sent directly to CT account. Corporations are obligated to pay licence fees by direct transfers to the Czech Television account.

In May 2005, Czech Television, jointly with BSP Lawyer Partners, launched a blanket campaign to remind TV licence fee dodgers of their debts. The campaign, during which some 550 thousand debtors were contacted, brought in CZK 96 million, of which CZK 20.5 million was late payment interest.

The total 2005 TV licence fee income amounted to CZK 3 245.3 million.

### 7.5.2. Development of the number of registered TV sets

After several years of decline, when the number of registered TV sets kept dropping at the rate of some 30 000 sets per year, 2005 saw an increase of 174 067 registrations.

At 31 December 2005 the total number of registered TV sets stood at 3 445 129. Appendix 3.2 contains a table showing the development of TV registrations throughout 2005; a graph showing the development of TV registrations between 1996 and 2005 is in Appendix 3.3.

The number of TV sets owned by individuals grew by 177 119 in 2005. This increase can be attributed both to a higher media coverage of the issue and changes in relevant laws that allow Czech Television to put in place more efficient controlling and collection methods.

The number of TV sets owned by self-employed individuals and corporations dropped by 3 052 mainly because the new law exempts TV sets owned by primary and secondary schools from the duty to register and pay the fee. On the other hand, the law abolished the then existing exemption of the Czech army, police and penitentiary service.

### 7.5.3. The TV licence Fee Department

The TV Licence Fee Department is in charge of activities connected with the administration and collection of TV licence fees. A new information system for registering TV licence fee payers was launched in 2004. Keeping the system's database update, registering new payers, answering queries and sending out reminders, these just a few tasks performed by the department's staff.

The department also controls and activates decoder cards for CT satellite broadcasting. The number of requests for decoder card activation grew dramatically in 2005 to almost 32 thousand.

A dedicated section of the department is involved in exacting licence fees due and charging punitive surcharges on unregistered TV sets.

### 7.5.4. The TV licence fee fund

Czech Television uses the TV licence fee fund for financing its public remit, i.e. programme making and distribution.

Amount of the TV licence fee fund in 2005	CZK 3 253 422 thousand
Drawing on the fund	CZK 2 529 382 thousand
Unused portion	CZK 724 040 thousand
Dissolution of estimated items – reduction of the fund	- CZK 240 081 thousand
Resulting increase of the fund over 2005	CZK 483 959 thousand
Balance of the TV licence fee fund at 31 December 2005	CZK 1 617 949 thousand
<i>Of it: receivables and estimated items</i>	<i>CZK 201 330 thousand</i>
<b>Available means</b>	<b>CZK 1 416 619 thousand</b>

Available means in the TV licence fee fund are earmarked for:

	(CZK'000)
	<b>as at 31 December 2005</b>
Work in progress	339 653
Programmes finished, but not broadcast	182 860
Licences (minus accumulated depreciations)	267 441

Unfinished DNM (licences)	131 248
Cash in hand	495 417
<b>Total</b>	<b>1 416 619</b>

## 7.6. FINANCIAL STATEMENT AND AUDIT

### 7.6.1. Financial statement

According to the 2005 financial statement audited by independent auditors Nörr Stiefenhofer Lutz CZ Consulting s. r. o., Czech Television's 2005 financial performance was balanced despite an unbalanced economic performance of individual studios. The negative economic result of CT Prague was planned and realized due to the necessary budgetary coverage of increased investments in excess of the amount of depreciation of Brno and Ostrava television studios.

Czech Television does not generate any profit from which to finance the social fund. That is why the employees' social costs are paid from the overall budget. In 2005, the social costs budget of individual studios was set at 2% of the total 2004 wage costs, i.e. CZK 15 815 thousand.

At 31 December 2005, the balance of the social fund created by allotments from earlier periods amounted to CZK 21 437 thousand. .

### 7.6.2. Audit and tax return

The 2005 financial statement was audited by independent auditors Nörr Stiefenhofer Lutz CZ Consulting s.r.o. In the auditor's words, the financial statement presents a true and fair picture of assets, liabilities and financial situation of Czech Television as at 31 December 2005 as well as of the company's costs and incomes, in accordance with accounting regulations valid in the Czech Republic. The report includes a note that, as it was the case in previous years, the valid legislation does not provide for creating reserves or adjustments for risk areas, such as.

- The negative impact of non-assessed tax penalties and interest in connection with the submission of a supplementary corporate income tax return for 1998 and 2000 in the estimated amount of CZK 39 million.
- Potential risks connected with the 19 pending passive court proceedings with potential losses of up to CZK 213.5 million

No corporate income tax was assessed in 2005 because Czech Television did not attain a positive base for such an assessment.

## 7.7. PROSPECTS FOR THE FUTURE

### 7.7.1. Overall Czech Television budget for 2006

The adoption of Act 348/2005 Coll. on radio and television licence fees was a decisive factor both in the preparation of the 2006 budget and long term planning and financing of the company.

The Electronic Communications Act under which Czech Television was allotted a public service multiplex, allows Czech Television to make further steps towards digital television broadcasting. On 2 May 2005 Czech Television launched its third channel called CT24



conceived as a dedicated news and current affairs channel. The channel currently provides a round o'clock service.

CT4 Sport, a channel dedicated to sporting events, was launched on 10 February 2006, in time to cover the Turin Winter Olympics.

The 2006 budget was conceived as balanced with both costs and incomes amounting to CZK 5 686 million. The Czech Television Council approved the budget at its meeting on 18 January 2006.

### **7.7.2. Programme production**

The 2006 budget increases the financial means earmarked for covering direct costs of programme production to CZK 1 800 million, i.e. CZK 476 million more than in 2005, the main beneficiaries being drama, entertainment, children's programming and, particularly, the two new news and sports channels. The aim is to enhance the programme offer particularly by producing more premieres for primetime broadcasting, to extend regional newscasting and to extend the network of foreign correspondents by adding Brussels.

The means earmarked for programme production will secure the production of 12 650 hours of programming, an increase of 2 965 hours compared to 2005.

### **7.7.3. Revenue**

TV licence fees are the main source of funding the working of Czech Television. The 2006 budget includes drawing on the fund of television licence fees to cover specific costs of Czech Television's core activities amounting to CZK 3 689.1 million; TV licence fees thus cover 64.9% of CT funding.

It is expected, however, that in 2006 the income from TV licence fees will amount to CZK 4 070 million. The difference of CZK 380.9 million, instead of being included in the budget, will increase the means in television licence fee fund.

The income from commercial activities is made up primarily by revenues from broadcasting commercials. Taking into account major sporting events to be held in 2006, the budgeted income was set at CZK 1 049.4 million. Thanks to stable viewing figures, sound commercial policy of Czech Television and overall situation of the market the actual income for the first six months exceeds the plan by a healthy margin.

### **7.7.4. Costs**

The 2006 costs were budgeted at CZK 5 686 million. In addition to increasing programme production costs by CZK 476 million and to extending production capacities and costs of service departments in order to secure an increased volume of programme production, the budget provides for the growing costs of VAT without claims for deduction (plus CZK 60 million) and the costs of signal distribution in connection with a gradual transition to digital broadcasting (plus CZK 73.6 million). In connection with increased investments into new technologies and intangible assets (licences) the depreciation of fixed assets grows by CZK 55.3 million.

Available means will allow a 7% growth in the average wages with a guaranteed amount of 5%. Within the 5% growth in the average wages the employees' wages will be adjusted 3% at 1 January 2006 and another 3% at 1 July 2006. 2006 will see further wage adjustments in connection with changes to the remuneration system envisaged by an amendment to the Labour Code.

#### **7.7.5. Own financial assets (cash flow)**

The cash flow plan envisages a moderate growth in own financial assets mainly thanks to the expected balanced financial performance.

### **8. 2005 as a historical milestone: the launching of Czech Television's regular terrestrial digital broadcasting**

The beginning of 2005 coincided with the last stage of preparations by Czech Television for the launching of regular digital broadcasting using the DVB-T system. By launching in September 2004 the project "Digitisation of Czech Television", the company entered a new implementation stage. Due to the inexistence of regulatory legislation on terrestrial digital broadcasting and the fact that the Council for Radio and Television Broadcasting made a call for bids for filling programme positions within the electronic communication webs ,B' and ,C', Czech Television applied by the Czech Telecommunications Office for frequencies for distribution of channels CT1 and CT2 using the DVB-T system.

The adoption of the new legislative framework was of exceptional importance for Czech Television and its activities. At the beginning of 2005, technical and logistic preparations for the CT24 news channel were culminating. At the same time, Czech Television was working on preparations of other channels while analysing options of complementary services within the DVB-T multiplex. The News Department premises in Prague had to be refurbished before launching, in the spring of 2005, experimental broadcasting of full-fledged news programme, initially for 18 and later for 24 hours a day.

In these circumstances, the key event for Czech Television was the passing of the electronic communications bill by the Chamber of Deputies of the Czech Parliament on 17 December 2004. The Senate, however, by its decision no. 44 of 27 January 2004, returned the bill to the Chamber of Deputies after removing from the bill the joint obligation of Czech Television and Czech Radio to set up a public service multiplex and to operate at least two additional TV channels. On 22 February 2005, the Chamber of Deputies overruled the Senate's decision and passed the bill in its original wording thus opening a way to Czech Television to broadcast not only on the existing channels, but also on new channels using the DVB-T system.

In the spring of 2005 Czech Television was gearing up to the launching of its CT24 news channel. At that time, the signal of its CT1 and CT2 channels was distributed in terrestrial digital form within the framework of experiential multiplex broadcasting of the companies České Radiokomunikace a.s. (currently Radikomunikace a.s.) and Czech Digital Group a.s., using five low-output transmitters covering Prague and its environments. Due to the low number of viewers (10,000 to 11,000 households according to qualified estimates) who could receive the DVB-T signal, Czech Television's aim was to distribute the CT24 signal also in other ways, particularly via satellite and cable broadcasting.

Signed by the President of the Republic on 21 March 2005, the Electronic Communications Act entered into force on 1 May 2005; as early as 2 May 2005, Czech Television started broadcasting on its CT254 channel using an experimental multiplex of Czech Digital Group a.s. and, later, a satellite and a gradually growing number of cable television operators. With the growing availability of CT24, Czech Television extended its on-air time from the initial 18 hours to 24 hours a day as part of preparations for the launching of regular terrestrial digital broadcasting. Together with starting CT24, Czech Television launched an Internet news portal of the same name, thus taking advantage of a synergic effect. Convergence in this field allows Czech Television, in line with the Czech Television Act (Czech Television "*shall be active in introducing new technologies and services*"), to complement its offer by the promising IP TV technology (television signal delivered via telephone networks using the Internet technology).

The main strategic goal of Czech Television in 2005 was the launching of regular terrestrial digital broadcasting on all of its channels, the essential precondition for which was frequency assignment. The Czech Telecommunications office assigned to Czech Television, based on its application, frequencies in temporary telecommunication network "A" to distribute its CT1, CT2 and CT24 signals with effect from 30 June 2007, as the last prerequisite for launching regular broadcasting of Czech Television programmes using the DVB-T system.

Due to a time limit attached to the frequency assignment and a temporary nature of the digital multiplex Czech Television decided not to use the network as a public service multiplex within the meaning of the Electronic Communications Act. That is why Czech Television concluded an agreement with the operator of the network that, in addition to distributing five radio channels of Czech Radio, provides for the distribution of TV Nova signal via this temporary net.

The main goal of the broadcasters' cooperation with the operator of the electronic communications network was *"to make available to viewers freely accessible television broadcasting, including one encrypted Czech channel, as well as an electronic programme guide (EPG)"*. This is a quote from a joint memorandum of Director Generals of Czech Television and TV Nova in which the broadcasters also pledge *"to promote the adoption of standards that will not hinder further development of the DVB-T system in the Czech Republic"*.

The memorandum was important for television viewers and – perhaps even more so - for other entities interested in operating DVB-T television broadcasting. In it, the CEOs of two leading television broadcasters in the Czech Republic declare that *"a joint action by broadcasters should help toward a rapid increase in the number of households capable of receiving digital television broadcasting in the DVB-T system"*. Standardization and stress on freely accessible broadcasting are preconditions for a successful introduction of the DVB-T technology in the Czech Republic.

21 October 2005 saw the launching of regular terrestrial digital television broadcasting within multiplex "A". Until the end of 2005, however, both the broadcasters and the network operator were hindered by technical limitations caused by the fact that the network operator's technology was the one used in the earlier experimental broadcasting. That was why Czech Television postponed its main promotional activities till the beginning of 2006 when its 4<sup>th</sup> channel, CT4 SPORT, was to be launched.

Full-scale preparations for CT4 SPORT started in the autumn of 2005. In view of the planned start date Czech Television asked the Czech Communication Office for additional frequencies for CT4 SPORT channel. That, however, goes beyond the scope of this Report.

The end of 2005 brought yet more changes. In December, Radiokomunikace a.s. started testing, in connection with the planned extension of the area covered by signal of the DVB-T network "A", the network's transmitters in Brno. At the end of December, the same company started testing an updated head end of the "A" network that, among other things, enables the inclusion of a fifth television channel in the "A" multiplex in Prague. With regular terrestrial digital television broadcasting of Czech Television up and running, the company Czech Digital Group a.s. excluded, with effect from 31 December 2005, Czech Television channels from its experimental broadcasting in Prague and its vicinity.

Throughout 2005, Czech Television continued its conceptual work, addressing a number of issues. Its representatives presented Czech Television's plans and ideas at meetings, conferences and other professional events. Czech Television participated in preparing the 2005 Media Conference held in Český Krumlov the topic of which was public service electronic media and digitisation. On the occasion of the Conference Czech Television's top management presented a vision of the future of the station's digital broadcasting.

