



**JETIX EUROPE N.V.**

June 8, 2006

## **PRESS RELEASE**

### **JETIX EUROPE N.V. ANNOUNCES RESULTS FOR THE SIX MONTHS ENDED MARCH 31, 2006**

- **Financial results published under IFRS and in Euros**
- **Revenues<sup>1</sup> up by 21%<sup>2</sup> to €84.5<sup>3</sup> million**
- **EBITDA<sup>4</sup> increased by 32% to €35.4 million**
- **Operating profit up by 115% to €12.6 million**
- **Net profit attributable to shareholders increased by 5% to €10.3 million**
- **Diluted earnings per share marginally up at 12.2 cents per share**
- **Channel subscribers grew by 3.0 million to 44.8 million households**
- **Operating cash flow up by 43% to €16.3 million**
- **Financial position strong with €123.4 million cash balances and no debt**

**Amsterdam, The Netherlands and London, UK** – Jetix Europe N.V. (Jetix Europe or the Company, “we”, “our”) (AMEX: *JETIX*; Reuters *JETIX.AS*; Bloomberg: *JETIX.NA*), a leading pan-European integrated kids’ entertainment company, today announced its financial results for the six months ended March 31, 2006. Revenues increased by 21% to €84.5 million, compared with the six months ended March 31, 2005, operating profit increased by 115% to €12.6 million, while net profit attributable to shareholders increased 5%, to €10.3 million. Subscribers increased by 3.0 million to 44.8 million households in 58 countries as at March 31, 2006.

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<sup>1</sup> Throughout this release, revenues exclude our share of non-consolidated joint ventures. In order to facilitate comparison with our prior releases, revenue including our share of non-consolidated joint ventures was €87.3 million, compared to €71.9 million in the six months ending March 31, 2005.

<sup>2</sup> All comparisons and percentage changes are stated versus the six months ended March 31, 2005; except channel subscribers stated versus September 30, 2005.

<sup>3</sup> 2005 comparatives are presented for the first time under IFRS as set out in note 5.

<sup>4</sup> Consistent with prior years, EBITDA is stated before amortisation, impairment and depreciation. EBITDA less amortisation, impairment and depreciation is equal to operating profit.

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Paul Taylor, Chief Executive Officer said: "I am pleased to be announcing strong operating results today, with growth across all of our business segments. Following the significant changes we have implemented in recent years I believe that we are starting to see the results of building a solid foundation for our ongoing business.

The Jetix brand, and the associated content alliance with The Walt Disney Company (Disney), lies at the heart of all of our operations. The Jetix brand has continued to build its market presence and is now in more homes than ever before. We are conducting a number of trials on a range of emerging digital media distribution channels to ensure that Jetix content can be accessed whenever, and wherever our audience wants. I expect these distribution channels will continue to grow, and we are well placed to take advantage of this.

We recently commissioned a new co-production from Disney's Television Animation (TVA) division. *Yin Yang Yo!* is the fourth global Jetix co-production, and follows on from the success of *Super Robot Monkey Team Hyperforce Go!*, *W.I.T.C.H.* and *Get Ed*. I am also pleased that during the period we have sold two Jetix Europe led co-productions to Disney's Jetix branded blocks in the U.S. (Jetix U.S.). *A.T.O.M. Alpha Teens on Machines* is already airing in the Jetix branded block on Toon Disney, and our new epic series *Oban Star-Racers* will premiere this summer. I am confident that with our three tiered content strategy (comprising Jetix global co-productions, Jetix Europe led co-productions and acquisitions) Jetix Europe is positioned to deliver the very best content for our audiences.

We are also continuing to work with Disney in many other areas, to make sure that we are capturing all the synergy benefits from our relationship with the world's leader in family entertainment. A recent example of this is the renewal of our distribution agreement with Sky in the U.K., where we negotiated alongside Disney to extend our carriage term. Our relationship with Disney Consumer Products (DCP) continues to flourish, and I am very pleased with their development of the *Power Rangers* franchise. The range and success of *Power Rangers* products continues to grow and this is reflected in their impressive financial performance. We have also recently extended our deal for Buena Vista Home Entertainment to represent *Power Rangers* in the U.K. and Ireland."

Dene Stratton, Chief Financial Officer, added "I am pleased we have achieved continued strong revenue, EBITDA and operating profit growth, with all of our business segments contributing to this performance. Net profit growth was affected by a deferred tax benefit in the comparative period, which was not repeated in the current half year.

This is the first period in which the Company has prepared financial information under International Financial Reporting Standards (IFRS). The transition to IFRS has changed the reported profitability of the Company, but has not impacted the underlying business or its ability to generate cash."

## **OPERATING REVIEW**

### **Channels and Online**

- Subscribers grew by 7% to 44.8 million
- Channels broadcasting in 58 countries and 18 languages via 15 channel feeds
- Sky distribution agreement extended in U.K.
- Jetix Kids Cup International Final to be held in Germany in July
- Strong advertising growth in Italy following the launch of a second channel, GXT
- Online monthly page views of our websites exceeded 100 million for the first time

Subscriber numbers grew by 3.0 million to 44.8 million households, with all of our channels increasing the number of households they reach. Notably strong growth was achieved on our Central and Eastern Europe (CEE) and Nordic feeds following new distribution deals, whilst current distributors continued to grow their reach successfully in Poland, Italy, Spain and France.

Jetix Europe continues to be one of the leading kids' entertainment channels across Europe, broadcasting in 18 languages via 15 channel feeds to reach 58 countries.

We have signed a new distribution deal in the U.K. with Sky. This deal extends carriage of our U.K. channel through 2009 with an option for the Company to further extend carriage through 2012, securing our position with the leading platform in Europe's largest pay television market. As part of this deal there will be a stepped reduction in Jetix Europe's subscriber revenue per household, with a reduction in the current financial year, and a further step down in financial year 2008<sup>5</sup>.

Overall advertising revenue has continued to grow, with strong advertising performance in Italy following the launch of the GXT channel, CEE, Poland and France. In Russia we have agreed a new advertising sales deal with NTV Media, enabling Jetix Europe to be the first international kids' channel in Russia to sell local advertising.

Jetix Europe continues to engage with its audiences outside television by staging the Jetix Kids Cup. The international final will be held in July this year in Germany at the Olympic Stadium, during the FIFA World Cup. Teams will be competing from around the world, including Europe, the U.S., Latin America and, for the first time, Japan following the launch of the Jetix branded programming block on Toon Disney in that market.

Jetix Europe has also continued to develop its online presence and its involvement with emerging digital distribution channels. We have a network of 17 localised websites which support our channel operations, allowing our audience to interact with our characters, as well as providing more in-depth ways for our commercial partners to engage with our viewers. These sites have seen increased traffic during the period, with a notable increase in page views, which have grown to well over 100 million per month.

We continue to pursue our strategy of offering our content whenever, and wherever our audience is by developing our presence in emerging broadband and mobile distribution channels. We have agreements to supply mobile operators with our channel in France and mobile trials in Norway and Sweden. We are testing demand for specific programme content through a pan-European agreement to supply one of our leading properties for on-demand download to mobile phones. We are also offering our programming through video-on-demand packages in Germany and the UK, with further trials underway in Israel, Sweden and Norway. Alongside this we are distributing our channel through Internet Protocol Television (IPTV)<sup>6</sup> in the UK, with trials underway in France and Switzerland. Our interactive games service continues to be available in the UK and Israel. Whilst in general these distribution channels are still in the early stages, they are evolving and have a strong affinity with our core kids' audience. As such we expect them to be of increasing importance in the future.

### **Programme Distribution**

- New flagship titles sold in most major markets
- Strong on-air performance from leading programmes
- *A.T.O.M. Alpha Teens on Machines* and *Oban Star-Racers* sold to Jetix U.S.
- Programme pipeline of 209 episodes
- Two new series commissioned – *Yin Yang Yo!* and *Captain Flamingo*
- 87 new episodes delivered

The performance of our programme distribution division, serviced by Disney's Buena Vista International Television (BVITV), has stabilised, when we exclude the sale of *A.T.O.M. Alpha Teens on Machines* to the U.S. and adjust for the phasing of product delivery. Including these items, sales have increased strongly. As we indicated at the 2005 interim results, the timing of

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<sup>5</sup> Additional rate adjustment occurs during option period.

<sup>6</sup> IPTV describes a system where a digital television service is delivered to consumers using the Internet Protocol over a broadband connection.

product sales in any financial year has historically varied. In 2006, we are expecting a slightly higher concentration of distribution sales in the first half of the year compared to the prior year. The performance in the first half has been driven by strong sales from our current flagship titles including *Power Rangers*, *A.T.O.M. Alpha Teens on Machines*, *Sonic X* and *W.I.T.C.H.*, all of which have now sold in at least four of the five major European markets.

The performance of these leading titles continues to deliver large terrestrial audiences. In all of the markets where they aired, they ranked as one of the top two shows in their timeslots, with either all kids or with their target boys audience. *Power Rangers* was the leading programme in its timeslot in the U.K., France and Germany, as was *A.T.O.M. Alpha Teens on Machines* for both kids and boys in the U.K. and Germany, whilst *Sonic X* led its timeslot in Italy.

During the period we have also seen Jetix Europe's first sale to Jetix U.S. under the Jetix global programming alliance. *A.T.O.M. Alpha Teens on Machines* has been sold to Disney's ABC Cable Network Group and is airing in the Jetix branded block on Toon Disney. Jetix Europe's epic new co-production, *Oban Star-Racers*, has also been picked up by Jetix U.S. and is expected to be delivered in the second half of the financial year to air in the Jetix branded block from the summer.

In the first half of the year we have commissioned two new series, bringing our total volume of programming in production to 209 episodes. *Yin Yang Yo!* is a new Jetix global co-production, being produced by Disney's TVA division in the U.S. The series is an animated action-comedy series about twin rabbits Yin and Yang, who live in a strange and mysterious world filled with magic, monsters and mythical creatures. This will be Jetix Europe's fourth co-production with Disney under the Jetix global programming alliance, following the success of earlier co-productions *Get Ed*, *W.I.T.C.H.* and *Super Robot Monkey Team Hyperforce Go!*

*Captain Flamingo* has been acquired from Breakthrough Entertainment, following its success on YTV in Canada. The series follows the adventures of an imaginative little superhero who, tired of being overlooked by the big kids, transforms himself into the hero of little kids everywhere. The series can be presented as traditional half-hours, or as shorter segments, highlighting Jetix Europe's strategy of acquiring shorter formats which can work well on both our network of television channels and emerging digital and mobile distribution platforms.

87 new episodes were delivered in the period, including new episodes from *Power Rangers*, *A.T.O.M. Alpha Teens on Machines*, *Get Ed*, *Super Robot Monkey Team Hyperforce Go!*, *Monster Warriors* and *Pucca*.

## **Consumer Products**

- Strong growth in both revenue and profits
- Significant revenue from *A.T.O.M. Alpha Teens on Machines* and *Sonic X*
- Strong performance from *Power Rangers*, represented by Disney Consumer Products
- *Pucca* strong in merchandising, *A.T.O.M. Alpha Teens on Machines* performing well in Home Video
- New rights secured for *Yin Yang Yo!* and *Captain Flamingo*

The consumer products division experienced strong growth in the period, with revenue up by 75% and EBITDA more than triple the prior period. The key factor driving top line growth has been minimum guaranteed revenue related to master toy deals with Hasbro for *A.T.O.M. Alpha Teens on Machines* and with FEVA for *Sonic X*.

*Power Rangers*, represented by DCP, has also had a strong first half. Action figures remain at the core of the franchise, and have continued to sell well across Europe. In the U.K., *Power Rangers* is the second largest licensed brand in the toy market, and the largest boy targeted property<sup>7</sup>. Growth has also come from the development of other toy categories, such as electronic toys which have been a notable success, as well as new categories such as ride-ons and sports. Overall, the property continues to be one of the leading kids franchises within DCP's portfolio.

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<sup>7</sup> Source : The NPD Group

Our in-house merchandising team, Jetix Consumer Products (JCP), has seen continued high levels of interest in *Pucca*, the unique Korean character property which we are developing into a new television series, as well as *Sonic X*. Jetix branded products have also performed well, particularly in the Netherlands where the Jetix channel reaches almost all households. We have also launched a new Jetix magazine in Spain, with early circulation figures highlighting Jetix's local popularity. Jetix Europe currently has magazines in the UK, Netherlands and Spain, with other territories in the pipeline.

In the home entertainment division we have seen continued sales growth. A notable success has been *A.T.O.M. Alpha Teens on Machines* which is selling well across Europe, and is attracting attention from less traditional forms of home entertainment. *A.T.O.M. Alpha Teens on Machines* was a featured DVD on a branded Easter egg from Nestlé in the UK, and is the first Jetix Europe title to be released on the UMD format, for viewing on Sony PlayStation Portable handhelds. Jetix Europe's strong slate of new titles has also helped us open up new home entertainment markets, with new agreements in the Middle East, Romania, the former Yugoslavia and Turkey. Subsequent to the period end, we have also extended our U.K. and Ireland home entertainment distribution agreement with Buena Vista Home Entertainment (BVHE) for *Power Rangers*.

As part of the *Yin Yang Yo!* co-production we have secured the consumer products and home entertainment rights, and we have also been appointed as the agent for *Captain Flamingo*.

## **FINANCIAL REVIEW**

### **Revenues**

Revenue increased by 21% to €84.5 million. Channels and online revenue increased by 12% to €64.0 million, with subscription revenue increasing by 9% to €39.3 million and advertising revenue increasing by 14% to €22.9 million. Other channel and online revenue, including live events, research and interactive, was up 99% at €1.8 million. The primary drivers of growth in channel and online revenues were an increase in the number of subscribers and strong advertising growth, notably in Italy following the launch of GXT, France and CEE.

Programme distribution revenues increased by 48% to €8.9 million. This increase was primarily due to the timing of revenues recognised in the prior year, in which only 34% of full year revenues fell in the first half. Revenue has been driven by flagship titles such as *A.T.O.M. Alpha Teens on Machines*, of which we achieved a significant sale to Jetix U.S., *Power Rangers*, *Sonic X* and *W.I.T.C.H.*

Our consumer products revenues increased by 75% to €11.6 million. This increase was driven by minimum guaranteed revenues related to a master toy licensing deal on *A.T.O.M. Alpha Teens on Machines*, as well as significant growth in sales related to *Power Rangers*, represented by DCP.

### **Marketing, Selling and Distribution Costs**

Marketing, selling and distribution costs increased by 17% to €25.9 million, primarily due to an increase in selling costs related to *A.T.O.M. Alpha Teens on Machines* and *Power Rangers* resulting from increased consumer products and distribution revenues. Also contributing to the increase were GXT related costs including advertising sales commissions, on-air and marketing expenses and an increase in music license fees. Advertising sales commissions on Jetix channels also increased in line with higher advertising revenues.

### **General and Administrative Costs**

General and administrative costs increased by 11% to €23.9 million. The increase was primarily due to an increase in payroll related costs, including share option charges and taxes. Other cost increases relate mainly to an increase in the bad debt expense due to a bad debt provision released in the prior period, an additional expense arising from a change in the assumptions underlying the provision for lease exit costs and GXT overheads. These increases were partially offset by the one-time re-branding costs incurred in the prior year.

## **EBITDA**

EBITDA increased by 32% to €35.4 million. Channel and online EBITDA increased by 12% to €28.3 million. This was driven mainly by subscription and advertising revenue growth being only partially offset by cost increases described above. Programme distribution increased EBITDA by 71% to €5.3 million driven primarily by flagship titles *A.T.O.M. Alpha Teens on Machines*, *Power Rangers*, *Sonic X* and *W.I.T.C.H.* Consumer products increased EBITDA by 251% to €6.2 million, with strong revenue growth partially offset by increased costs from agency commissions and product development.

## **Amortisation and Impairment of Programme Rights**

Amortisation and impairment of programme rights (defined as cost of sales in the income statement) increased by 10% to €22.2 million. The key accounting difference compared to the prior year is the change in estimate related to the amortisation of the programme library, referred to in note 1 H(2). This revised method of estimation has not led to a significant impact on the programme rights amortisation charge for the interim period. The primary reason for the increase in amortisation and impairment of programme rights was the appreciation of the US dollar versus the euro, as the programme library is predominately US dollar based.

## **Financial Income (net)**

Financial income (net) increased by 106% to €1.4 million due to an increase in interest income earned from higher cash balances and higher interest rates.

## **Profit Before Income Tax and Minority Interest**

Profit before tax and minority interest increased by 75% to €15.6 million, primarily due to increased EBITDA as discussed above.

## **Income Tax**

The effective tax rate was a 33% charge compared with a 10% credit in the prior period. The increase was primarily due to the recording in the prior period of a deferred tax asset resulting from an intragroup transfer of programming rights. This asset will be charged to the income statement over a period of six years beginning with the current period.

## **Minority Interest<sup>8</sup>**

Minority interest increased by €0.12 million to €0.15 million as profits in Poland increased.

## **Earnings per Share**

Basic and diluted earnings per share increased to 12.3 cents and 12.2 cents, respectively. The weighted average number of shares outstanding increased due to options exercised during the period.

## **Cash Flow**

Cash and cash equivalents increased by €20.2 million to €123.4 million from September 30, 2005. Cash generated from operations during the period increased by €4.9 million to €16.3 million due to an increase in net income and an improvement in working capital management.

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<sup>8</sup> Minority interest relates to a third party's 20% interest in Jetix Poland Limited.

**Jetix Europe N.V.**

**Consolidated Statement of Income**  
**for the six months ended March 31, 2006 and March 31, 2005**

In Euro'000	6 Months ended March 31, 2006 Unaudited	6 Months ended March 31, 2005 Unaudited	% Change
<b>Sales</b>	<b>84,471</b>	<b>69,601</b>	<b>21%</b>
Cost of sales	(22,150)	(20,146)	(10%)
<b>Gross Profit</b>	<b>62,321</b>	<b>49,455</b>	<b>26%</b>
Marketing, selling and distribution costs	(25,864)	(22,167)	(17%)
General and administrative costs	(23,851)	(21,421)	(11%)
<b>Operating profit</b>	<b>12,606</b>	<b>5,867</b>	<b>115%</b>

**Analysed as:**

<b>EBITDA</b>	<b>35,353</b>	<b>26,693</b>	<b>32%</b>
Amortisation and impairment of programme rights	(22,150)	(20,146)	(10%)
Depreciation of property and equipment	(303)	(621)	51%
Amortisation of other intangibles	(294)	(59)	(398%)
	<b>12,606</b>	<b>5,867</b>	<b>115%</b>

Finance income (net)	1,370	665	106%
Gain on foreign exchange	466	1,364	(66%)
Share of net profits from joint ventures	1,203	1,049	15%
<b>Profit before income tax and minority interest</b>	<b>15,645</b>	<b>8,945</b>	<b>75%</b>
Income tax (expense) / income	(5,205)	871	(698%)
<b>Net profit before minority interest</b>	<b>10,440</b>	<b>9,816</b>	<b>6%</b>
Attributable to minority interest	(147)	( 25)	(488%)
<b>Net profit attributable to shareholders</b>	<b>10,293</b>	<b>9,791</b>	<b>5%</b>

**Earnings per share for profit attributable to the equity shareholders of the Company during the period (expressed in Euro cents per share)**

Basic	12.3	11.8
Diluted	12.2	11.6

**Jetix Europe N.V.**

**Consolidated Balance Sheet**  
**as at March 31, 2006, September 30, 2005 and March 31, 2005**

In Euro'000	March 31, 2006	September 30, 2005	March 31, 2005
<b>ASSETS</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
<b>Non-current assets</b>			
Intangible assets			
Programme rights	110,139	114,837	116,943
Goodwill	9,834	9,834	9,834
Other	3,241	1,204	540
	<u>123,214</u>	<u>125,875</u>	<u>127,317</u>
Property and equipment, net	1,359	1,447	1,587
Investment in joint ventures	1,272	969	985
Related party receivables	361	889	1,052
Deferred tax assets	8,133	9,727	10,196
	<u>134,339</u>	<u>138,907</u>	<u>141,137</u>
<b>Current assets</b>			
Trade and other receivables, net	56,296	54,114	49,614
Related party receivables	10,976	7,032	8,933
Cash and cash equivalents	123,371	103,170	84,323
	<u>190,643</u>	<u>164,316</u>	<u>142,870</u>
<b>Total assets</b>	<u>324,982</u>	<u>303,223</u>	<u>284,007</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity</b>			
Share capital	21,112	20,992	20,904
Share premium	382,586	377,256	375,198
Other reserves	(166,197)	(164,419)	(178,721)
Retained losses	(6,808)	(17,101)	(13,391)
	<u>230,693</u>	<u>216,728</u>	<u>203,990</u>
<b>Minority interest</b>	<u>1,537</u>	<u>1,428</u>	<u>1,143</u>
<b>Total equity</b>	<u>232,230</u>	<u>218,156</u>	<u>205,133</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other liabilities	361	889	1,052
	<u>361</u>	<u>889</u>	<u>1,052</u>
<b>Current liabilities</b>			
Trade and other payables	47,161	51,569	52,063
Current income tax liabilities	5,423	2,974	3,605
Related party payables	32,841	20,283	18,813
Other liabilities	1,082	1,067	789
Provisions for other liabilities	5,884	8,285	2,552
	<u>92,391</u>	<u>84,178</u>	<u>77,822</u>
<b>Total liabilities</b>	<u>92,752</u>	<u>85,067</u>	<u>78,874</u>
<b>Total equity and liabilities</b>	<u>324,982</u>	<u>303,223</u>	<u>284,007</u>

## Jetix Europe N.V.

### Consolidated Statement of Changes in Equity

In Euro '000	Share capital	Share premium	Currency translation adjustment	Additional paid-in-capital	Share option reserve	Retained losses	Minority interest	Total equity
Unaudited								
<b>Balance at October 1, 2004</b>	<b>20,799</b>	<b>371,511</b>	<b>-</b>	<b>(168,606)</b>	<b>1,601</b>	<b>(23,182)</b>	<b>978</b>	<b>203,101</b>
Currency translation differences	-	-	(11,963)	-	-	-	140	(11,823)
Net profit recognised directly in equity	-	-	(11,963)	-	-	-	140	(11,823)
Profit for the period	-	-	-	-	-	9,791	25	9,816
<b>Total recognised income for period</b>	<b>-</b>	<b>-</b>	<b>(11,963)</b>	<b>-</b>	<b>-</b>	<b>9,791</b>	<b>165</b>	<b>(2,007)</b>
<b>Employee share option scheme</b>								
Value of employee services	-	-	-	-	247	-	-	247
Proceeds from shares issued	105	3,687	-	-	-	-	-	3,792
<b>Balance at March 31, 2005</b>	<b>20,904</b>	<b>375,198</b>	<b>(11,963)</b>	<b>(168,606)</b>	<b>1,848</b>	<b>(13,391)</b>	<b>1,143</b>	<b>205,133</b>
Currency translation differences	-	-	13,942	-	-	-	16	13,958
Net profit recognised directly in equity	-	-	13,942	-	-	-	16	13,958
(Loss)/profit for the period	-	-	-	-	-	(3,710)	269	(3,441)
<b>Total recognised loss for period</b>	<b>-</b>	<b>-</b>	<b>13,942</b>	<b>-</b>	<b>-</b>	<b>(3,710)</b>	<b>285</b>	<b>10,517</b>
<b>Employee share option scheme</b>								
Value of employee services	-	-	-	-	360	-	-	360
Proceeds from shares issued	88	2,058	-	-	-	-	-	2,146
<b>Balance at September 30, 2005</b>	<b>20,992</b>	<b>377,256</b>	<b>1,979</b>	<b>(168,606)</b>	<b>2,208</b>	<b>(17,101)</b>	<b>1,428</b>	<b>218,156</b>
Currency translation differences	-	-	(2,212)	-	-	-	(38)	(2,250)
Net profit recognised directly in equity	-	-	(2,212)	-	-	-	(38)	(2,250)
Profit for the period	-	-	-	-	-	10,293	147	10,440
<b>Total recognised income for period</b>	<b>-</b>	<b>-</b>	<b>(2,212)</b>	<b>-</b>	<b>-</b>	<b>10,293</b>	<b>109</b>	<b>8,190</b>
<b>Employee share option scheme</b>								
Value of employee services	-	-	-	-	434	-	-	434
Proceeds from shares issued	120	5,330	-	-	-	-	-	5,450
<b>Balance at March 31, 2006</b>	<b>21,112</b>	<b>382,586</b>	<b>(233)</b>	<b>(168,606)</b>	<b>2,642</b>	<b>(6,808)</b>	<b>1,537</b>	<b>232,230</b>

**Jetix Europe N.V.**

**Consolidated Cash Flow Statement for the  
six months ended March 31, 2006 and March 31, 2005**

In Euro' 000	Notes	6 Months ended March 31, 2006 Unaudited	6 Months ended March 31, 2005 Unaudited
<b>Cash flows from operating activities</b>			
Net profit before minority interest		10,440	9,816
Depreciation		303	621
Amortisation		22,444	20,205
Share option charge		434	279
Equity in income of joint ventures		(1,203)	(1,049)
Provision for bad and doubtful debts		381	(349)
Increase in programme rights		(17,461)	(15,211)
Increase in intangible assets		(2,356)	-
Decrease in other liabilities		(891)	(1,803)
Deferred taxation		1,594	(1,913)
Decrease in amounts due from related parties		513	720
Operating cash flows before changes in working capital		<b>14,198</b>	<b>11,316</b>
Change in non-cash working capital	<b>3</b>	3,345	1,100
Cash generated from operations		<b>17,543</b>	<b>12,416</b>
Income tax paid		(1,230)	(1,032)
<b>Net cash generated from operating activities</b>		<b>16,313</b>	<b>11,384</b>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment		(233)	(313)
Purchases of software		(12)	(10)
Net cash from investing activities		<b>(245)</b>	<b>(323)</b>
<b>Cash flows from financing activities</b>			
Proceeds from exercise of employee share options		5,450	3,792
<b>Net cash from financing activities</b>		<b>5,450</b>	<b>3,792</b>
<b>Increase in cash and cash equivalents</b>		<b>21,518</b>	<b>14,853</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>103,170</b>	<b>71,057</b>
Effects of exchange rate changes on cash and cash equivalents		(1,317)	(1,587)
<b>Cash and cash equivalents at the end of the interim period</b>		<b>123,371</b>	<b>84,323</b>
<b>Supplemental cash flow information</b>			
Interest paid		(1,379)	(1,125)
Interest received		2,749	1,790

**Jetix Europe N.V.**

**Operating Results by Business Segment for the  
six months ended March 31, 2006 and March 31, 2005**

In Euro' 000	<b>6 Months ended March 31, 2006 Unaudited</b>	<b>6 Months ended March 31, 2005 Unaudited</b>	<b>% Change</b>
<b><u>BUSINESS SEGMENT</u></b>			
<b><u>Segment Revenue</u></b>			
Channels & online	63,983	56,961	12%
Programme distribution	8,863	5,986	48%
Consumer products	11,625	6,654	75%
<b>Total revenue</b>	<b>84,471</b>	<b>69,601</b>	<b>21%</b>
<b><u>EBITDA</u></b>			
Channels & online	28,328	25,296	12%
Programme distribution	5,279	3,094	71%
Consumer products	6,225	1,774	251%
Shared costs not allocated to segments	(4,479)	(3,471)	(29%)
<b>Total EBITDA</b>	<b>35,353</b>	<b>26,693</b>	<b>32%</b>
<b><u>Segment Result</u></b>			
Channels & online	12,471	9,155	36%
Programme distribution	1,945	293	564%
Consumer products	2,776	79	3414%
Shared costs not allocated to segments	(4,586)	(3,660)	(25%)
<b>Operating profit</b>	<b>12,606</b>	<b>5,867</b>	<b>115%</b>

## Jetix Europe N.V.

### Operating Results by Geographic Segment for the six months ended March 31, 2006 and March 31, 2005

In Euro '000	6 Months ended March 31, 2006 Unaudited	6 Months ended March 31, 2005 Unaudited	% Change
<b><u>GEOGRAPHIC SEGMENT</u></b>			
<b><u>Revenues</u></b>			
United Kingdom & Ireland	23,159	22,474	3%
Italy	11,771	8,925	32%
France	11,306	8,919	27%
Benelux	10,764	8,159	32%
Central and Eastern Europe	7,901	5,667	39%
Germany	5,886	5,234	12%
Middle East	3,934	3,224	22%
Nordic Region	2,962	3,059	(3%)
Poland	2,850	2,117	35%
Spain & Portugal	2,189	1,564	40%
Other	1,749	259	575%
<b>Total revenues</b>	<b>84,471</b>	<b>69,601</b>	<b>21%</b>
<b><u>EBITDA</u></b>			
United Kingdom & Ireland	13,509	13,818	(2%)
Italy	5,927	4,277	39%
France	5,120	2,768	85%
Benelux	3,565	3,018	18%
Central and Eastern Europe	3,251	1,351	141%
Germany	2,578	1,693	52%
Middle East	1,732	1,190	46%
Nordic Region	695	729	(5%)
Poland	1,327	711	87%
Spain & Portugal	1,085	471	130%
Other	1,043	138	656%
Shared costs not allocated to segments	(4,479)	(3,471)	(29%)
<b>EBITDA</b>	<b>35,353</b>	<b>26,693</b>	<b>32%</b>
Less: amortisation, impairment and depreciation	(22,747)	(20,826)	(9%)
<b>Operating profit</b>	<b>12,606</b>	<b>5,867</b>	<b>115%</b>

# Notes to the consolidated financial information

## 1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### A Basis of preparation

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union that are in effect as at March 31, 2006. These standards are subject to ongoing amendment by the International Accounting Standards Board (IASB) and subsequent endorsement by the European Commission and are therefore subject to possible change. Further standards and interpretations may also be issued that will be applicable for financial years beginning on or after January 1, 2005 or that are applicable to later accounting periods but may be adopted early. It is possible that the information for March 31, 2006, September 30, 2005 and March 31, 2005 presented in this document may be subject to change before its inclusion in the 2006 Annual Report and Accounts, which will contain the Company's first full financial statements prepared in accordance with IFRS.

The consolidated financial information has been prepared under the historical cost convention, except as disclosed in the accounting policies presented below, which are expected to be the accounting policies in the first IFRS financial statements at September 30, 2006, subject to possible changes explained above.

The Company adopted IFRS as of October 1, 2004 and has accordingly restated its previously reported consolidated financial statements to comply with IFRS. The effects of the adoption of IFRS are included in Note 5 "Effects of IFRS on previously reported equity and results". A detailed report on the impact of IFRS on the Company's financial statements for the year ended September 30, 2005 (the IFRS impact statement), issued on April 21, 2006, can be found on the Company's website at [www.jetixeuropa.com](http://www.jetixeuropa.com). The Company was required to use its statutory accounts as the basis to convert to IFRS. Whilst US GAAP accounts were filed with Euronext through fiscal year 2005, the Company's statutory accounts had been prepared under Dutch GAAP. Therefore Dutch GAAP formed the basis for the transition to IFRS.

The interim financial statements do not include all the financial disclosure included in the annual financial statements and therefore should be read in conjunction with the most recent annual financial statements and the IFRS impact statement.

### B Consolidation

#### (1) Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company.

Inter-company transactions, balances and unrealised gains on transactions between Group companies (the Company and its subsidiaries) are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies for subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

#### (2) Joint Ventures

The Company's interests in jointly controlled entities are accounted for by the equity method of accounting and are initially recognised at cost. Under this method of accounting the carrying value of the investment is increased or decreased by the company's share of income or losses and decreased by any dividends. Unrecognised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures.

# Notes to the consolidated financial information

## 1 Summary of significant accounting policies

### C Revenue Recognition

#### (1) Channels & Online

Subscriber fees receivable from cable operators and Direct-to-home (DTH) broadcasters are recognised as revenue over the period for which the channels are provided and to which the fees relate. Subscriber revenue is recognised as contracted based upon the level of subscribers. Television advertising revenue is recognised as the commercials are aired. In certain countries, the Company commits to provide advertisers with certain rating levels in connection with their advertising. Revenue is recorded net of estimated shortfalls, which are usually settled by providing the advertiser additional advertising time. Barter revenues, representing the exchange of goods and services for advertising time on a television station, are recognised upon the airing of an advertisement, where the fair value of the advertising surrendered is determinable based on the Company's own historical practice of receiving cash or other consideration that is readily convertible to a known cash amount for similar advertising from buyers unrelated to the counterparty in the barter transaction.

#### (2) Programme Distribution

Programme distribution revenue is recognised when the relevant agreement has been entered into, the product has been delivered or is available for delivery, collectability of the cash is reasonably assured and all of the Company's contractual obligations have been satisfied.

#### (3) Consumer Products

Revenues from home entertainment and licensing and merchandising agreements which provide for the receipt by the Company of non-refundable guaranteed amounts, are recognised when the licence or distribution period begins, the payments are due under the terms of the contract, collectability is reasonably assured and all performance obligations of the Company have been fulfilled. Amounts in excess of minimum guarantees under these agreements are recognised when earned. Amounts received in advance of recognition of revenue are recorded as deferred revenue.

### D Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### E Advertising costs

Advertising costs are expensed as incurred.

### F Earnings per share

Basic earnings per ordinary share is calculated using income available to ordinary shareholders divided by the weighted average number of shares outstanding. The difference between basic and diluted earnings per share arises after adjusting for the dilutive effect of all dilutive potential ordinary share equivalents that were outstanding during the period.

### G Property and equipment

All property and equipment is stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent asset costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the

# Notes to the consolidated financial information

## 1 Summary of significant accounting policies

Company and the cost of the item can be measured reliably. All repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to write off the cost of each asset, to its residual value over its estimated useful life as follows:

Computer equipment	3-10 years
Office furniture and fittings	3-10 years

Leasehold improvements are amortised over the shorter of the term of the lease or the estimated life of the improvements.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note I).

Gains and losses on disposals are determined by comparing proceeds with the asset carrying amount, and are included in the income statement.

### H Intangible assets

#### (1) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing (Note I).

#### (2) Programme rights

Programme rights that are produced (programme library) or acquired are stated at cost less accumulated amortisation and impairment. On incorporation of the Company, certain programme rights (IPO Programme Library), were accounted for at the fair value at that time.

The amortisation profile reflects the timing of the revenue stream that each programme library property is expected to generate. The carrying value relating to the IPO Programme Library is amortised on a straight-line basis over four years from October 1, 2005. For the remaining programme library, the amortisation profile is as follows from the date of acquisition:

Year 1 – 40 Percent
Year 2 – 20 Percent
Year 3 – 10 Percent
Year 4 – 10 Percent
Year 5 – 10 Percent
Year 6 – 5 Percent
Year 7 – 5 Percent

If the recoverable amount from a programme is less than its carrying amount, an impairment loss is taken to reduce the carrying amount of the programme to its recoverable amount.

For method used in prior year to determine programme amortisation please refer to the 2005 annual financial statements.

# Notes to the consolidated financial information

## 1 Summary of significant accounting policies

Acquired programme rights are licensed from third parties for broadcasting on the Company's channels, usually for periods of two to five years. These programme rights are amortised in accordance with their expected usage over that defined period. Acquired television programme rights and related liabilities are recorded when the license period begins and the programme is available for use.

### (3) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an allocated overhead amount.

### (4) Impairment of assets

Where an indication of impairment exists, the carrying amount of any intangible asset including goodwill is assessed and written down immediately to its recoverable amount (Note I).

#### I Measurement of impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

#### J Trade receivables

Trade receivables are recognised initially at fair value less any provision for recoverability. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at an appropriate effective interest rate. The amount of the provision is recognised in the income statement.

#### K Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash on hand and marketable securities with original maturities of three months or less.

#### L Share capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options are included in the cost of acquisition as part of the purchase consideration.

#### M Deferred income taxes

Deferred income tax is provided for in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the consolidated financial

# Notes to the consolidated financial information

## 1 Summary of significant accounting policies

statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### **N Employee benefits**

#### (1) Pension obligations

Group companies have various schemes in accordance with the local conditions and practices in the countries in which they operate. The Company has defined contribution plans under which it pays fixed contributions into publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in current and prior periods.

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### (2) Share-based compensation

The Company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

#### (3) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

### **O Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

### **P Foreign currency translation**

#### (1) *Presentation currency*

Items included in the financial statements of the Company and each of the Company's subsidiaries and joint ventures are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Due to the growing usage of the Euro since its introduction and the growth in our channels and online business, management has determined the Euro to be the most significant currency in which revenues and costs originate. Therefore, effective October 1, 2005 the consolidated financial statements are presented in Euros, which is the Company's functional and presentation currency. Prior to the year ended September 30, 2006 the Company's presentation currency was US Dollars.

# Notes to the consolidated financial information

## 1 Summary of significant accounting policies

### (2) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### (3) *Group companies*

The results and financial position of all the Company entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as local currency assets and liabilities of the foreign entity and are translated at the closing rate.

## Q Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

## R Use of Estimates

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet, the disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

## 2 Changes in accounting estimates

Effective October 1, 2005, the Company changed its estimate of the amortisation of programme rights. Previously the amortisation charge was based on the ratio of the current period's gross revenues to estimated remaining total gross revenues from such programmes. See Note 1 H(2) for discussion on the method of estimation applied in the current period. The change has been applied on a prospective basis in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

## Notes to the consolidated financial information

### 3 Change in non-cash working capital

	6 Months ended March 31, 2006 Unaudited	6 Months ended March 31, 2005 Unaudited
<b>Change in non-cash working capital</b>		
Increase in trade and other receivables	(2,562)	(3,959)
Increase in amounts due from related parties	(3,929)	(2,021)
Increase/(decrease) in trade and other payables	(729)	(3,079)
Increase in amounts due to related parties	12,557	10,159
Decrease in provision for other liabilities	(1,992)	-
	3,345	1,100

### 4 Earnings per share

Basic earnings per share (eps) is net profit attributable to shareholders divided by the weighted average number of shares outstanding. Diluted eps reflect the potential dilution that could occur if dilutive share options and non-vested restricted shares were exercised. A reconciliation of the weighted average number of shares is as follows:

(000's of shares)	6 Months ended March 31, 2006 Unaudited	6 Months ended March 31, 2005 Unaudited
Weighted average number of common shares used in calculated basic eps	83,698	83,309
Effect of dilutive securities		
- Share options	488	786
- Unvested restricted shares	30	-
Weighted average number of common shares used in calculating diluted eps	84,216	84,095

### 5 Effects of IFRS on previously reported equity and results

As approved by Euronext, the Company reported financial information for the six months ended March 31, 2005 (the comparative period) publicly under US GAAP on June 9, 2005. The reconciliation between the shareholders' equity and the net result for the comparative period between US GAAP and IFRS is as follows:

Euro' 000	Equity at March 31, 2005 Unaudited	Net result for period ended March 31, 2005 Unaudited
<b>As presented under US GAAP</b>	<b>187,340</b>	<b>10,716</b>
Programme rights	30,211	(4,076)
Goodwill	(13,310)	-
Deferred taxation	1,843	3,555
Share options	(241)	(279)
Investment in joint ventures	(125)	(125)
Currency translation adjustment	(585)	-
<b>As presented under IFRS</b>	<b>205,133</b>	<b>9,791</b>