

## Outlook and risk factors

For financial year 2008 the Group intends to pursue the strategies outlined in the "Message from the Chief Executive" and the "Operating and financial review" sections, as well as continuing to work closely with its majority shareholder, Disney, to capture synergies for the benefit of all the Company's shareholders.

The Group may from time to time make written or oral statements that are "forward looking", including statements in this report and other filings. Such statements may, for example, express expectations or projections about future actions that we may take, including restructuring or strategic initiatives or about developments beyond our control including global economic conditions. These statements are made on the basis of management's views and assumptions as of the time the statements are made and we undertake no obligation to update these statements. There can be no assurance, however, that our expectations will necessarily come to pass. The Group's future performance could be affected by the following risk factors:

**Competition for viewers and ratings could reduce our channel revenues and our profitability**

The multi-channel television broadcast business is highly competitive. We compete for viewers, ratings and related advertising revenues in each of the territories where we broadcast our channels. We currently compete with children-focused terrestrial television programmes and widely distributed cable and satellite channels for market acceptance of our programming, for viewership ratings and for related advertising. For example, we compete with *Cartoon Network* and *Nickelodeon* in many markets and in each of our markets we often also have local competition such as *Trouble* in the United Kingdom, *Teletoon* in France and *Panda* in Spain. In some countries, popular terrestrial channels have also launched digital children's channels.

More generally, we compete with channels that do not exclusively target children, various other leisure-time activities such as home videos and DVDs, movies, print-media, personal computers and other alternative sources of entertainment and information that appeal to children. Competition for our target audiences' viewing time for other forms of entertainment could result in a loss of customers, hinder our growth and negatively affect our revenues and our profitability.

**Distribution of our channels is highly competitive and this may limit our growth plans or result in a decrease in our revenues**  
We currently broadcast our channels over both analogue and digital DTH and cable systems. In most markets, we receive subscription revenues from these systems. We currently compete with other children's channels, as well as with other types of DTH and cable channels, for carriage rights on each system. Competition for carriage is largely based on quality and popularity of programming, price and relationships within the industry. While we have been successful thus far in obtaining carriage in the markets in which we have entered, there can be no assurance of our continued success in connection with our expansion plans or with renewals of our existing arrangements on which our subscription revenues depends.

**The expansion of digital distribution in our markets may increase competition for viewers, ratings and related advertising revenues**

The increased capacity of digital distribution platforms including the introduction of digital terrestrial television (DTT), may result in an increase in the number of competitors in the marketplace. An increasing number of channels will increase competition among channels for viewers and advertisers. Significant declines in ratings could affect our ability to attract advertising and new distribution, and could therefore materially and adversely affect our results of operations and our financial condition.

**We may be hurt should the popularity of current content decline and we cannot be certain about the acceptance of new content**

The success of any content depends partly upon unpredictable and volatile factors beyond our control, such as children's preferences, competing content and the availability of other entertainment activities for children. A shift in children's interests could cause our content to decline in popularity, which would hurt each of our business lines, causing a decline in revenues. We may not be able to anticipate and react effectively to shifts in tastes and interests in our markets. In addition, our competitors may be able to react more quickly and may have greater production, distribution and capital resources. There can be no assurance as to the continuing commercial success of any of our current content or that we will be successful in generating sufficient demand and market acceptance for our new children's content.

**We depend on Disney for operational and other support, as well as for some content**

Our relationship with Disney is valuable to us. Our ability to acquire the European rights to future content from Disney depends upon Disney and its subsidiaries continuing to produce or acquire suitable programmes or properties. Disney has also in the past and will continue to provide us with operational and technical support. Disney Consumer Products acts as licensee for our *Power Rangers* property, Walt Disney Studios Home Entertainment (WDSHE), formally known as Buena Vista Home Entertainment (BVHE), acts as distributor on video and DVD formats for one of the titles within our library, and Disney-ABC International Television (DAIT), formally known as Buena Vista International Television (BVITV), services our programme distribution business.

If Disney is unable or unwilling to continue its productions or acquisitions, or produces or acquires fewer programmes or properties than we anticipate, we may be forced to produce or acquire an increased volume of programmes or properties on our own. If Disney were to decrease its support of our activities our business could suffer. We also cannot assure that Disney will in the future continue to be able to provide us with the same level of, or adequate, operational and other support.

We continue to be controlled by Disney whose interests may be different from those of other shareholders. Disney, through various subsidiaries, owns about 73.3% of our ordinary shares and all of our priority shares. As a result, Disney is able to control the election of all the members of our Board of Management and our Supervisory Board. Certain resolutions of the Board of Management are subject to the approval of our shareholders. Thus, Disney will continue to control our business affairs and policies. Conflicts may arise between the interests of Disney and our other shareholders.

Present and future adverse government regulations may limit our revenue and growth plans

We are subject to detailed legislation regulating broadcasting activities in each of the markets in which we operate. Among other things, the laws we are subject to regulate broadcasting, the relationship between the channel providers and DTH and cable operators, the content and quality of television advertising generally, television advertising targeting children, and local content and language quotas. Failure to adhere to the broadcasting regulations in any of the countries in which we are licensed could result in the relevant broadcasting regulators imposing fines and/or suspending or revoking the relevant broadcasting license, which could have a material adverse effect on our financial condition and results of operations.

The broadcasting laws in each of the European Union ("EU") member states in which we broadcast require us to carry a significant proportion of European programming, and some EU member states also require that a proportion of our programmes be originally produced in the local language. Failure to comply with these quota regulations with respect to any of our channels may lead to the imposition of fines and/or conditions on the broadcast licence for that channel or possible revocation of that licence.

Broadcasting regulations are also subject to changes which may have material effects on our business. For example, in the United Kingdom, "minimum carriage requirements" (whereby channel providers could require distribution to a minimum percentage of a system operator's subscribers) were prohibited by the Independent Television Commission ("ITC") in 1998. As a result, satellite and cable operators can now engage in the "unbundling" of "big basic" tiers (a single tier of all basic channels) and replace them with smaller "mini-basic" tiers, allowing consumers greater choice as to which basic channels they receive as part of their television subscription package. Since our channel is a basic channel, unbundling has the potential to reduce the number of subscribers to our channel and therefore could negatively affect our subscription revenues in the future. The ruling may also result in greater fluctuations in subscription revenues if operators change their packaging of "mini-basic" tiers.

Broadcasting regulations are generally subject to periodic and on-going governmental review and legislative initiatives which may, in the future, affect the nature of programming we are able to offer and the means by which it is distributed. We are unable to predict the timing, scope or outcome of these reviews, which can occur at the national or EU level, or the extent to which any changes to current broadcasting legislation or regulations will affect our operations.

We depend upon satellite transponders to broadcast our channels

We rely on a number of satellites to broadcast our channels. To date, we have not experienced any significant disruption of our broadcast transmissions. However, satellites are subject to significant risks that may prevent or impair proper commercial operations, including satellite defects, destruction and damage. If satellite transmission is interrupted or terminated due to the failure or unavailability of a transponder, the interruption or termination could have a material adverse effect on us. Currently, there is wide availability of digital transponder capacity for most of our markets. The availability of additional transponders in the future, however, is dependent upon a number of factors over which we have no control. These factors include the future authorisation and availability of additional satellites and demand for available transponder space.

We depend on continuing demand from free-to-air broadcasters

A significant portion of our programme distribution revenue is generated by the sale of Jetix's programming to third party free-to-air broadcasters. There is no assurance that our current content will continue to be in demand from free-to-air broadcasters.

Competition for consumer products may limit our revenues and growth plans

The consumer products industry is highly competitive. Our ability to successfully take advantage of the consumer products opportunities afforded by our library of properties will depend upon favourable ratings of the programmes, the availability of new characters and the ability of our characters to continue to provide attractive merchandising opportunities for our licensees. There can be no assurance as to the continuing commercial success of any of our currently licensed properties, or that we will be successful in generating sufficient demand and market acceptance for our new properties.

Our copyrights and trademarks may be diluted and unlawfully infringed upon through unauthorised use by third parties

Our content is protected by copyrights and trademarks, which are generally owned by us or by the producer of the content and licensed to us. Disney has granted the Company a trademark licence without a fixed term to use the "Jetix" name and related logos without material charge. We regard the protection of our copyrights and trademarks as critical to our success, and we intend to vigorously enforce our licenses against unlawful infringement by third parties. However, it is possible that third parties will succeed in commercially exploiting our popular characters and elements or will use our brand name without our permission, and we may not be aware of all instances when such infringement occurs. If third parties succeed in selling products or services using our protected content without our permission, it may negatively affect our revenues. In addition, misuse of our brand name or content by third parties could cause a loss in the value of our brand and content.

## Outlook and risk factors continued

**The application of digital technology may develop in ways which harm some of our business lines**  
The advent of digital technology is likely to lead to convergence between broadcast, telecommunications, internet and other media. This could result in material changes in the economics, regulations, intellectual property usage and technical platforms on which our business lines rely. These changes could fundamentally affect the scale, source and volatility of our revenue streams, cost structures and profitability, and may require us significantly to change our operational processes. There is a risk that our businesses will be harmed by these changes or that we will not adapt to them as quickly as our competitors do.

**We depend on key executives and personnel**  
Our success depends greatly upon the expertise and continued service of certain key executives and personnel. We may not be able to retain existing personnel or hire new, qualified personnel because of strong competition for qualified executives and personnel in our industry. If we fail to attract, hire or retain the necessary personnel, or if we lose the services of our key executives, our business could suffer.

**Foreign currency exchange rate fluctuations may cause financial losses**  
Changes in foreign currency exchange rates can reduce the value of our assets and revenues and increase our liabilities and costs. In general, we try as much as possible to naturally hedge this risk by matching costs and revenues that are incurred in the same currency. However, it is usually not possible to completely eliminate the impact of exchange rate movements and we may therefore suffer losses solely as a result of exchange rate fluctuations.

This list of factors that may affect future performance and the accuracy of forward-looking statements is illustrative, but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.