

Latham Advises Spectrum Equity Investors on Sale of Classic Media Holdings

Entertainment Rights plc, a UK children's television character rights group, conditionally acquired US company Classic Media Holdings, Inc. for a total of \$210 million, as noted in the press release below. The acquisition will be paid for with \$170 million in cash, the issue of up to \$40 million worth of shares, and the repayment of \$95 million of debt. The acquisition is being financed by Entertainment Rights in part by way of a £71 million placing and open offer. The deal extends Entertainment's character portfolio, which already includes Postman Pat, with characters such as Lassie and the Lone Ranger. Latham & Watkins acted as UK counsel to Classic Media Holdings, Inc. and Spectrum Equity Investors, a private equity shareholder in Classic. The Latham team is being led by London corporate partner Charles Fuller and corporate associate Richard Butterwick.

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ER TO ACQUIRE CLASSIC MEDIA HOLDINGS

Entertainment Rights Plc ("ER"), the largest specialist supplier of children's and family programming to UK broadcasters by distribution turnover, is pleased to announce that the Company has conditionally agreed to acquire the entire issued share capital of Classic Media Holdings, Inc. for a total consideration of US\$210.0 million (£106.9 million).

Classic Media Holdings, Inc. ("Classic") is the US-based owner of an extensive portfolio of intellectual properties focused on children's and family characters and brands.

The Acquisition will create a leading force in the independent global children's and family entertainment market - combining key children's and family brands such as 'Postman Pat', 'Basil Brush', 'Rudolph the Red-Nosed Reindeer', 'Lassie', 'Casper the Friendly Ghost', 'Dick Tracy', 'George of the Jungle', 'Jim Jam & Sunny', 'Gerald McBoing Boing', 'Lone Ranger', 'Underdog', 'Pat the Bunny', 'Felix the Cat', 'Rupert Bear', 'He-Man', 'She-Ra', 'Jess the Cat', 'Ghostbusters' and the award winning 'Veggie Tales'.

ER's acquisition of Classic offers opportunities for cross-selling Classic's existing properties and programming into Europe and other key international markets. Classic's strong relationships with broadcasters and key retailers in the US present significant opportunities to exploit ER's extensive library of programming and brands in the US market.

ER will exploit Classic's existing portfolio to create new revenue streams, including expanding Classic's licensing, music and new technology opportunities.

The combined library of The Enlarged Group will consist of approximately 8,700 episodes of high quality programming, characters and brands.

The Acquisition of Classic is subject to Shareholder approval at an Extraordinary General Meeting scheduled for 10.00 a.m. on 8 January 2007.

Mike Heap, CEO, Entertainment Rights plc, commented:

"This Acquisition results in the creation of a major global force in children's and family content, characters and brands. It will unite the characters and brands of ER and Classic, creating one of the strongest portfolios of contemporary classic and new children's brands in the world.

"The Acquisition transforms ER's presence in the world's largest media market - the US - and offers an unprecedented opportunity to air ER's programming on US television and to sell its merchandise through American retail outlets. Similarly we will be exploiting Classic's high level content for non-US markets. There are strong cross-selling opportunities and synergies across the two portfolios.

"The Enlarged Group's portfolio will cover a broad demographic from pre-school to teens, providing a library of approximately 8,700 episodes of high quality programming that will delight children around the globe, and provide enhanced sales and distribution opportunities across the world creating a compelling offering for existing and new broadcasters, retailers and licensees."

-Ends-

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Prospectus: Entertainment Rights PLC Proposed Acquisition of Classic Media Holdings, Inc. Available for download in PDF format from the Corporate page

Editors Notes:

Information on the Entertainment Rights Group

The Company was established in 1989 and admitted to the Official List in 1996. The current management team joined the Group between 1999 and October 2002 and, since that time, the Group has developed rapidly to become the largest specialist supplier of children's and family programming to UK broadcasters by distribution turnover (source: Broadcast Distributors Survey, September 2006), with 49 shows currently licensed to both terrestrial and digital channels in the UK.

In order to capitalise upon the growing market place in children's and family intellectual property rights exploitation, the Entertainment Rights Group has evolved a strategy focused upon both the ownership of characters and brands, and the representation of third party characters and brands, creating a large and diverse portfolio of intellectual property rights.

The Group owns or controls distribution and exploitation rights to a broad ranging catalogue of children's and family programming including 'Basil Brush', 'Postman Pat', 'Rupert Bear', 'Jim Jam & Sunny', 'He-Man', 'She-Ra', 'Transformers', 'Duel Masters', 'Barbie', 'The Archies' and 'Fat Albert' as part of its library of over 5,200 episodes of digital content.

Information on the Classic Group

The Classic Group was founded in 2000 and is a US-based owner and distributor of a collection of children's and family programming and related character-based intellectual properties rights. Classic exploits its rights through a range of sales channels including home video sales, TV licensing and merchandising. In the year ended 31 December 2005, a significant proportion of Classic revenue was generated through home video sales. Classic has offices in New York, Nashville and Los Angeles and, as at 30 September 2006, employed 80 staff.

Classic has an extensive library of approximately 3,500 episodes of animation programming across in excess of 210 programme titles, and includes well known brands such as '*Casper the Friendly Ghost*', '*Mr. Magoo*', '*Richie Rich*', '*Rudolph the Red-Nosed Reindeer*', '*The Lone Ranger*', '*Lassie*', '*Underdog*', '*Little Lulu*', '*Pat the Bunny*', '*Lamb Chop*', '*Rocky & Bullwinkle*', '*Dick Tracy*', '*Gerald McBoing Boing*', '*Roger Ramjet*' and '*George of the Jungle*'.

In December 2003, Classic entered the faith-based children's entertainment market with the acquisition of certain assets of Big Idea Productions Inc., a producer and creator of values-based family entertainment programming. Amongst the assets purchased were the intellectual property and distribution rights to '*Larry boy*', '*3-2-1- Penguins!*' and the award-winning '*VeggieTales*' series of programming which, to date, has sold over 45 million home entertainment units in the US.

In August 2006, Classic entered into an operating agreement with ION Media Networks Inc. NBC Universal Inc. Scholastic Entertainment Inc. and a subsidiary of Corus Entertainment Inc. to form Children's Network Venture LLC for the purposes of developing, managing and owning a branded children's multi-platform programming service distributed broadly and free to the American public. Classic's initial investment was US\$2.4 million. As a result of this agreement the branded block entitled '*Qubo*' launched in the US on 9 September 2006 on NBC and Telemundo and is broadcast in English and Spanish with access to approximately 80 million households in the US. Future '*Qubo*' multi-platform offerings will include a dedicated 24/7 digital television kids network that will launch across ION Media Networks' nationwide television station group, a branded website and video-on-demand services.

Classic actively exploits the motion picture rights of a number of its brands, including '*Lassie*' (released in the UK in 2005 and in the US in 2006), '*Underdog*' (due for release by Spyglass/Disney in 2007) and '*VeggieTales*' (due for release by Universal in 2008), and its rights across licensing and merchandising video games and e-commerce.

Included within Classic's library are a number of classic Christmas titles, including '*Frosty the Snowman*', '*Rudolph the Red-Nosed Reindeer*', '*Santa Claus is coming to Town*' and '*Little Drummer Boy*'. As a result, Christmas has proven to be a lucrative seasonal market for Classic and the exploitation of its Christmas titles, combined with sales of its faith-based home entertainment units, represents a significant proportion of Classic's annual revenues. In the year ended 31 December 2005, a significant proportion

of the Classic Group's revenues were booked in the final quarter of the year. The Directors expect a similar weighting to Classic's 2006 revenues.