APACE MEDIA PLC INTERIM RESULTS

SIX MONTHS ENDED 30 JUNE 2006

HIGHLIGHTS

Using unaudited proforma comparative results for the six months ended 30 June 2005 as if all currently owned businesses were part of the group throughout that period.

- Turnover up 56% to £4.5 million
- EBITDA of £124,000, despite start-up losses of £200,000 (2005: £171,000)
- Pre tax loss of £67,000, despite start-up losses of £230,000 (2005: profit of £50,000)
- Strong balance sheet: net assets of £12.8 million with £1.8 million cash at 30 June 2006.
- Eastern European Broadcasting
  - 38% growth in revenues and 93% increase in EBITDA
  - Launched new Bulgarian Family Channel
  - Secured key football and movie rights
  - New management team in place
- Content Division
  - Produced or has in development 250 hours of factual and sports programming for UK and international broadcasters
  - Confirmed commissions for 25 hours of new factual programming for leading UK and international broadcasters, including Sky Cops currently screening on BBC
  - Music activities growing with rapid expansion of UK and international retail distribution and negotiated major catalogue deal with Sony/BMG going forwards
  - Slower than anticipated development of branded content shows in the UK

Chairman and Chief Executive Didier Stoessel commented:

"Compared to the same period last year the business has now been totally transformed and repositioned. We are building a media group with great growth prospects:

- our content creation activities are proving to be very successful securing a raft of international and UK commissions. As discussed previously, we are building this business organically at a fraction of the costs paid by our competitors for existing businesses.

- On the broadcasting front we are now an important player in the faster growing emerging Eastern European markets with the resources and know-how to take advantage of the significant opportunities that exist in the region.

In both businesses, the directors have decided to accelerate our expenditure in Steadfast and Eastern Europe by approximately £400,000 compared to plan to boost our projected 2007 growth.”

For further information please contact:

Simon Forrest 07885317746

Chairman's Statement and Operational Review

I am pleased to be able to report on a successful first half of the financial year, a period that saw great strategic and financial progress. While Apace Media is still "work in progress", the Company is well on course to becoming a leading content producer in the UK and a sizeable broadcaster in the fast growing economies of Eastern Europe.

For comparative purposes we are using proforma results for the six months ended 30 June 2005 as if all currently owned businesses were part of the group throughout that period. During the half year turnover grew 56% to £4.5 million (2005: £2.9m), generating EBITDA of £124,000 (2005: £171,000) and making a pre tax loss of £67,000 (2005: profit of £50,000). This is a strong performance given the high degree of business development investment. Content Creation contributed 61% of the turnover and Eastern European Broadcasting 39%. Our balance sheet remains strong with net assets of £12.8 million, of which £1.8 million was in cash.

The period under review was characterised by continuing investment in developing the business. This involved the hiring of high quality creative and management staff in both Eastern Europe and the UK as well as start-up costs for new channels in Bulgaria. Across the Group we also strengthened the business structure to manage future growth investing in additional administration including IT and finance skills.

Operationally we re-organised the business into two divisions – Eastern European Broadcasting and Content Creation.

Within the Eastern European operations we grouped Diema Vision and MM Televizia under one management. In January we acquired 50% of Diema Vision AD followed in March by a further 16%, giving the Company a 66% holding in the digital channels company. We brought in a new Chief Executive for Eastern Europe in April and an executive team to improve operations, seeking out synergies and ways to capitalise on our position as a leader in Bulgarian broadcasting.

During the period our start-up factual TV production company secured significant commissions. We also further integrated the various content creation activities.

Eastern European Broadcasting

Our Eastern European media activities generated EBITDA of £0.34 million (up 93% compared to 2005) on a turnover of £1.72 million (up 38% compared to 2005). This strong performance was achieved even though we increased costs by approximately £200,000 per annum to expand our channels' platform and capabilities:

- Headcount increased by 20%
- Leasing of new studio space
- Continued funding of M2, our new Bulgarian music-only channel
- Preparation for launch of Diema Family channel
- Creation of Diema DVD label
- Continued expansion of theatrical distribution capabilities
- Our EBITDA margin has increased year-on-year from 14% in 2005 to nearly 20% in the period under review.

We have spent the first half of the year focussed on enhancing the quality and performance of our operations. Since June all our seven channels are being distributed through Diema. We have also combined our marketing, PR and advertising sales activities to offer a greatly enhanced cross-channel proposition to advertisers. Key to driving the business forward and taking advantage of the huge media opportunities in Eastern Europe has been the hiring of highly experienced and successful executives in sales, marketing, finance and legal affairs. These appointments included that of Anatoli Belchev as Executive Director for Central and Eastern Europe, with responsibility for managing our growth across the region. Anatoli has extensive development, investment and financing experience in the Eastern European TMT sector and as a Corporate Finance Director with Deloitte & Touche in the region leading numerous privatisation, disposal, M&A, restructuring and development projects. Year-on-year staff numbers in our Eastern European operations have grown by 20% to 159.

We are already seeing the benefits of these improved operations with first half advertising revenues enjoying over 100% year-on-year growth. Bulgaria is an extremely buoyant advertising market as more international brands enter the market ahead of EU membership. With the further liberalisation of the advertising market, advertising prospects are excellent and the Apace team is working hard to take advantage of these opportunities.

During the period we confirmed our position as the leading Bulgarian sports broadcaster by securing exclusive rights for Primera Division of Spain for another three years. We also broke the state broadcaster's monopoly of World and European football championship coverage by acquiring rights to the UEFA European 2008 Championships. As holder of the rights for other major sports events such as English and French top division football and major international tennis and basketball tournaments (extremely popular in Bulgaria), Apace is now firmly positioned as the major sports broadcaster in Bulgaria. In June, as part of our strategy of becoming the biggest multi-channel broadcaster across a wide range of genres in Bulgaria, we added a new channel, Diema Family, to cater for children's and family viewing.

In addition to its broadcasting activities, Diema also acquired a large number of new top flight movies for cinema and home entertainment release, which have started generating steady revenues and which will further strengthen our broadcasting offer during the second half of 2006.

<u>Content Creation</u>
These activities generated EBITDA of £0.18 million on a turnover of £2.7 million. Our Content Creation activities are television production and the creation and licensing of music content. This result does not reflect the real potential of this division since our UK factual and entertainment production business is still in a start-up phase and therefore generated losses. Before those losses, Content Creation generated EBITDA of £0.39 million for the period, a significant increase of 116% over the first half in 2005.

The directors believe that our organic strategy in this division is the one that will generate the highest return for our shareholders. This approach obviously has a depleting effect on the profitability of this business but will allow us to create a significant content business at a fraction of the cost and risk involved in buying an existing content creation business.

Television Production

The first half of the year saw Steadfast Television, the group's factual programme specialist, establish itself as a major independent producer with some 35 hours now confirmed from leading UK and international broadcasters. This is a great achievement given that Steadfast was a start-up in July of last year. The key to this early success has been the quality of the ideas originating from our highly focused creative team combined with their reputations to deliver successful programming on time and on budget. In addition to the creative team we have also hired first class production, sales and distribution executives, all seasoned specialists with equally fine reputations.

Our first commissioned series during the period was the 13 part *Fans United,* an advertiser funded programme, which was screened very successfully on ITV and internationally. The BBC also expanded their initial commission for two one-hour prime time specials on police helicopters to five hours. Now called *Sky Cops* the series started peak time transmission on BBC1 in mid-September securing strong viewing figures with an average 21% share of the audience and one of the largest audiences of the year in that time slot. A further one-hour special on identity theft and a further two hours on the history of CCTV in the UK were also commissioned by the BBC. In addition to these existing commissions, the National Geographic Channel in Washington has confirmed its intention to order between two and six hours of popular science programming, subject to appropriate co-production funding being in place. In addition, the first half of the year saw the generation of a raft of development projects – many with broadcaster funding attached – creating a pipeline of new ideas attracting considerable attention from UK and international partners.

Pro-Active, our sports programming specialists had a very busy first half producing over 200 hours of live and packaged sports television across a wide range of sports, seen by audiences in over 150 territories world-wide. This included a significant growth in live sports coverage. The period saw Pro-Active confirmed as one of the leading producers of televised rugby, being involved in almost all the major tournaments outside the IRB World Cup including the Under 19 and Under 21s World Cups and the IRB Rugby 7s series where we supplied over 1100 hours of broadcast in 136 territories screened to 475 million viewers, an 85% increase on last year's performance. In addition we covered the Dubai Sevens, the Cayman Sevens and the Women's Rugby World Cup.

Other highlights of our sports production business included our squash coverage where we are on course to deliver over 20 hours of live broadcasting including coverage for Sky and BBC 1 of the English Open. In the field of watersports, we continued to be a major international producer with highlights including supplying global broadcast coverage of the WISF Waterski tour and over 100 hours of magazine and event programming to the increasingly successful Sailing Channel.

A key part of our content development strategy has been to focus on creating and distributing programming funded by advertisers, an increasingly important alternative to spot advertising. While generating advertiser funded programming is part of our strategy the revenues for the first half of 2006 did not justify a stand alone business. To that end we have now integrated Apace Branded Content (ABC) into Steadfast with a reduced overhead. We did however make significant progress in the period. The first production of the operation was *Fans United*, a 13 part series sponsored by the Unilever Sure/Rexona brand and produced by Steadfast Television. The programme, which charted the passions, rituals and obsessions of football fans worldwide was, as referred to above, played successfully on ITV in the run up to the FIFA World Cup. In addition the series was also placed on 35 international networks. ABC also launched

Nissan's first Europe-wide advertiser supported programme. Entitled *Nissan Sports Adventure* the programme was produced by Pro-Active and was used by Nissan to support the European promotion of their 4 x 4 range. A second 26 part series has just been commissioned with significantly higher fees.

Music

The half year saw the continued growth of Apace Music, our compilation CD company, operating in the mid-price sector. In the half year sales had already reached over 70% of the previous year total by unit. Apace Music has broadened its range of music titles and significantly expanded the number of retail clients both in the UK and abroad. In the UK, for example, new accounts were opened in Boots, Woolworths, Music Zone and Impulse, significantly expanding national distribution. In Virgin music stores, the Mastercuts brand secured a permanent presence guaranteeing shelf space for new releases and ASDA and HMV featured multiple campaigns throughout the period. In continental Europe Apace Music's in-store presence developed with campaigns in the major music chains in Germany, Holland, Italy and Spain. Other highlights included the continued expansion of the Apace music catalogue with a further 250 100% owned tracks. During the period we also re-negotiated our current distribution agreement, ensuring better margins on the growing sales volumes.

In the first half of the year we also saw a deliberate strategic shift away from producing world music to increasing releases across other genres and type of music. This previous 80% focus on world music by revenue was around 30% by the end of the half year. Since June we have concluded a significant deal with Sony/BMG where we now can utilise their catalogue of key artists for our releases. This has the potential to transform our business because, although the margins on this range will be lower, the volumes of sales of these higher profile artists will be significant.

Staff

I would like to thank all the staff for their contribution to the half year's excellent performance. Throughout a period of great activity Apace's staff has shown flexibility, commitment and adaptability. I also believe we have one of the best management teams around, one capable of having great strategic vision and then going out and making it a reality.

Dividend

As we focus on developing the business over the next few years we shall be investing in people, rights and marketing. Consequently we do not intend to propose a dividend for the interim period. We will however keep this policy under regular review.

Current Trading and Future Prospects

Current trading is in line with the Board's expectations although we anticipate lower full year profitability due to our decision to accelerate continuing business development expenditure in Steadfast and Eastern Europe to take advantage of the great opportunities in this area. As explained previously, the full year results will be heavily biased towards the second half of the year, when most of the EBITDA contribution will be generated. This is due to a) the seasonal nature of our broadcasting revenues and b) revenues from our first raft of Steadfast factual commissions beginning to flow after the half year.

In my opinion, the future prospects for the Content Creation business remain excellent: Steadfast has now established itself as a respected producer of factual programming with a number of exciting projects in development; Pro-Active continues to build its business through a combination of more commissions and greater efficiencies. Overall we have created a diverse content production entity combining top creative, production and distribution skills generating over 400 hours of programming a year. Apace Music's expanding UK and international retail distribution alongside the broadening of its content offer will continue to bring strong growth.

In our Eastern European broadcasting activities the new management is in place and we are seeing very tangible results. The channels offer some of the strongest schedules available in Bulgaria and we are an undoubted leader in sports broadcasting in the country. The strength of this schedule combined with the growing local advertising market presents an extremely strong proposition. As far as regional expansion is concerned, our next targeted markets for acquiring broadcasting assets are Macedonia and Albania. Our strategy remains to create a pan-regional Eastern European broadcasting business in the countries where the large media players are absent.

Didier Stoessel
Chairman and Chief Executive
Apace Media plc
28 September 2006

Profit and loss account

	Notes	6 months to 30 June 2006 (unaudited) £'000	6 months to 30 June 2005 (unaudited) £'000	18 months ended 31 December 2005 (audited) £'000
Turnover		4,464	450	1,986
Cost of sales		(2,528)	(295)	(1,112)
Gross profit		1,935	155	874
Other income		-	-	59
Administrative expenses				
Exceptional		-	-	(135)
Normal		(2,042)	(364)	(1,338)
Operating loss and loss on ordinary activities before interest		(107)	(209)	(540)
Interest payable		-	-	(16)
Interest receivable		39	14	60
Loss on ordinary activities before taxation		(68)	(195)	(496)
Tax on loss on ordinary activities	2	(31)	-	(11)
Loss on ordinary activities after taxation		(99)	(195)	(507)
Minority interests		(74)	(2)	(52)
Retained loss		(173)	(197)	(559)
Loss per share - basic and diluted (pence)	3	(0.25)	(2.22)	(3.37)

All amounts relate to continuing activities.

Information regarding acquired trading activities for the period is given in note 4 to the accounts.

All recognised gains or losses are included in the profit & loss account..

Consolidated balance sheet

	Notes	30 June 2006 (unaudited) £'000	30 June 2005 (unaudited) £'000	31 December 2005 (audited) £'000
Fixed assets				
Intangible assets		805	115	221
Goodwill	4	7,541	3,183	3,943
Tangible assets		1,814	449	581
Investments		170	147	383
		10,330	3,894	5,128
Current assets				
Stocks		741	153	292
Debtors		2,322	837	4,716
Cash at bank and in hand	7	1,824	2,288	3,683
		4,887	3,278	8,691
Creditors: amounts falling due within one year		(2,212)	(915)	(1,277)
Net current assets		2,675	2,363	7,414
Total assets less current liabilities		13,005	6,257	12,542
Creditors: amounts falling due after more than one year		(160)	(275)	(1)
Provisions for liabilities and charges		(45)	(36)	(45)
Net assets		12,800	5,946	12,496
Capital and reserves				
Called up share capital	5	6,792	4,359	6,792
Share premium	6	4,990	528	4,990
Other reserve	6	1,375	1,375	1,375
Profit & loss account	6	(847)	(367)	(674)
Equity shareholders' funds		12,310	5,895	12,483
Minority interests		490	51	13
Capital employed		12,800	5,946	12,496

Consolidated cash flow statement

	Notes	6 months to 30 June 2006 £'000 (unaudited)	6 months to 30 June 2005 £'000 (unaudited)	18 months to 31 December 2005 £'000 (audited)
Reconciliation of operating result to net cash flow from operating activities				
Operating loss		(107)	(209)	(540)
Amortisation of intangible fixed assets		60	59	60
Depreciation of tangible fixed assets		171	2	51
Profit on disposal of investments		-	-	(59)
Profit on disposal of tangible fixed assets		-	(40)	(40)
Increase in stocks		(414)	(14)	(153)
Decrease / (increase) in debtors		3,787	212	(3,605)
(Decrease) / increase in creditors		(1,482)	168	146
Net cash flow from operating activities		2,015	178	(4,140)
Cash flow statement				
Net cash flow from operating activities		2,015	178	(4,140)
Returns on investments and servicing of finance				
Interest received		42	19	59
Interest paid		-	-	(16)
Dividends paid – minority interest		(30)	-	(85)
Net cash inflow / (outflow)		12	19	(42)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(523)	(41)	(166)
Disposal of tangible fixed assets		-	62	62
Purchase of intangible fixed assets		(257)	(38)	(189)
Purchase of investments		-	-	(143)
Disposal of investments		-	-	350
Investment project work in progress		(103)	-	(383)
Net cash outflow		(882)	(17)	(469)
Acquisitions and disposals				
Purchase of subsidiary undertakings		(3,461)	(100)	(665)
Cash acquired with acquisition of subsidiary undertakings		407	221	225
Net cash (outflow) / inflow		(3,054)	121	(440)
Financing				
Proceeds from issue of ordinary shares		-	2,000	9,000
Related expenses		-	(352)	(607)
Proceeds from issue of shares in subsidiaries to minority interests		50	-	-
Net cash inflow		50	1,648	8,393
(Decrease) / increase in cash in the period	7,8	**(1,859)**	**1,949**	**3,302**

Notes to the interim report

1. Basis of preparation

The interim report has been prepared on the basis of accounting policies drawn up in accordance with UK Generally Accepted Accounting Principles, as they are expected to be applicable when the accounts for the period ending 31 December 2006 are prepared. The accounting policies are consistent with those used in preparing the Group's accounts for the period ended 31 December 2005.

The interim results for the 6 months to 30 June 2006 and 30 June 2005 are unaudited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 (as amended). The statutory accounts of the Company for the 18 months ended 31 December 2005 were audited and the auditor's opinion on those accounts was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985. Copies have been filed with the Registrar of Companies.

This interim report was approved by the Board on 28 September 2006. A copy of this report will shortly be sent to shareholders and further copies are available from the Company's registered office, Unit LG3, Shepherds Central, Charecroft Way, London W14 0EH.

2. Tax on loss on ordinary activities

Due to the losses incurred and brought forward from the previous period, no provision has been made for U.K. taxation. Tax has been provided for on the Group's non-U.K. profits at the appropriate local rate of taxation.

3. Loss per ordinary share

The calculations of loss per share are based on the following losses and numbers of shares:

	6 months ended 30 June 2006		6 months ended 30 June 2005		18 months ended 31 December 2005	
	Loss £'000	per share p	Loss £'000	Per share p	Loss £'000	per share p
Loss						
Loss after taxation	(173)	(0.25)	(197)	(2.22)	(559)	(3.37)
Dilutive effect of options	-	-	-	-	-	-
	(173)	(0.25)	(197)	(2.22)	(559)	(3.37)
Shares	**No.**		**No.**		**No.**	
Weighted average number of shares:						
Basic	68,959,742		8,862,521		16,594,675	
Shares under option	564,647		-		-	
Diluted	69,524,389		8,862,521		16,594,675	

There is no potential dilution of loss per share.

4. Subsidiary undertakings

On 4 January 2006 the Company acquired 50% of the issued share capital of Diema Vision AD. On 31 March 2006 the Company acquired a further 16% of the issued share capital of Diema Vision AD. At 30 June 2006, the Company owned the following subsidiary undertakings:

Subsidiary undertaking	Principal activity	Country of incorporation	% of equity and votes held
Apace Sports Limited	Sponsorship consultancy	England	100%
Pro-Active Projects Limited	Television production	England	90%
Apace Music Limited	Record label and music publishing	England	100%
Apace Branded Content Limited (formerly Sports and Entertainment Television Limited)	Television programme distribution	England	90%
Steadfast Television Limited	Television production	England	75%
Television MM OOD	Television broadcasting	Bulgaria	66%
Apace Media Bulgaria OOD	Group services	Bulgaria	100%
Diema Vision AD	Television broadcasting	Bulgaria	66%

The operating assets and liabilities of Diema Vision AD on 4 January 2006 and 31 March 2006 were as follows:

	4 January 2006			31 March 2006		
	Book value	Adjustments	Fair value	Book value	Adjustments	Fair value
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets	1,268	-	1,268	1,512	-	1,512
Stock	35	-	35	83	-	83
Debtors	1,393	-	1,393	871	-	871
Cash	407	-	407	616	-	616
Creditors (short-term)	(1,618)	-	(1,618)	(1,287)	-	(1,287)
Creditors (long-term)	(970)	-	(970)	(530)	-	(530)
Net assets	**515**	**-**	**515**	**1,264**	**-**	**1,264**
Acquired by the Company		50%	**257**		16%	**202**
Consideration			(2,762)			(902)
Related expenses			(367)			(16)
Goodwill			2,872			716

The adjustments shown above are provisional and will be reviewed based on additional information up to 31 December 2006. The directors do not anticipate that any net adjustments resulting from such review would be material to the Group.

Diema Vision contributed turnover of £1,492,000, Operating profit of £224,000 and Retained profit after tax and minority interests of £105,000 for the period.

Goodwill

Goodwill arising on acquisitions is stated at cost less any accumulated impairment losses.

	Cost £'000	Impairment provision £'000	Net book value £'000
Balance brought forward 1 January 2006	3,943	-	3,943
Further expenses for the acquisition of Television MM EOOD	10	-	10
Goodwill arising on the acquisition of Diema Vision AD:		-	
4 January 2006	2,872	-	2,872
31 March 2006	716	-	716
Net book value at 30 June 2006	7,541	-	7,541

5. Share capital

Ordinary shares of 5p each	Number	£'000
Authorised		
1 January 2006 & 30 June 2006	138,500,000	6,925
Issued, called up and fully paid		
1 January 2006 & 30 June 2006	68,959,742	3,448
Deferred shares of 15p each		
Authorised, issued, called up and fully paid		
1 January 2006 & 30 June 2006	22,293,076	3,344
Total shares		6,792

6. Reserves

	Share premium account £'000	Other reserve £'000	Profit & loss account £'000
At 1 January 2006	4,990	1,375	(674)
Loss for the period	-	-	(173)
At 30 June 2005	4,990	1,375	(847)

7. Analysis and reconciliation of net funds

	1 January 2006 £'000	Cash flow £'000	30 June 2006 £'000
Net cash			
Cash at bank and in hand	3,683	(1,859)	1,824

Net funds	3,683	(1,859)	1,824

8. Reconciliation of net cash flow to movements in net funds

	6 months to 30 June 2006 £'000	6 months to 30 June 2005 £'000	18 months ended 31 December 2005 £'000
Increase / (decrease) in cash in the period	(1,859)	1,949	3,302
Net funds at beginning of period	3,683	339	381
Net funds at end of period	1,824	2,288	3,683

Directors and advisers

Directors
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C J Rowlands (deputy chairman & chief operating officer)
M J H Johnston (finance director)
C V Thompson
M G Morris (non-executive)
A C Vickers (non-executive)
W W Vanderfelt (non-executive)

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