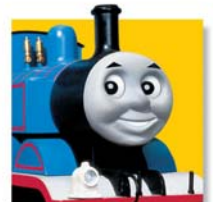




HIT entertainment



SHUTTERFLY AND HIT ENTERTAINMENT ANNOUNCE LICENSING AGREEMENT

Company Expands Character-Themed Photo Book Line With Popular Preschool Characters: *Thomas & Friends*™ And *Angelina Ballerina*™

REDWOOD CITY, Calif. (October 25, 2006) — Shutterfly, Inc. (NASDAQ: SFLY), an Internet-based social expression and personal publishing service, and HIT Entertainment, a leading provider of quality preschool entertainment, today announced a licensing agreement to create and distribute a line of personalized Photo Books that will feature some of the world's most popular children's characters: *Thomas & Friends* and *Angelina Ballerina*. This deal expands Shutterfly's licensed product catalogue and enables customers to create personalized books by adding their pictures into new thematic backgrounds.

"Shutterfly is an innovative leader in the online photo sharing and personal publishing world," said Jamie Cygielman, Senior Vice President, Consumer Products, HIT Entertainment. "We're excited to be working with them to introduce new ways for parents and children to share favorite moments with *Thomas & Friends* and *Angelina Ballerina*."

"We're delighted that our customers have embraced our personal publishing platform to create photo story books featuring their children," said Jeffrey Housenbold, CEO of Shutterfly. "Now, with the addition of *Thomas & Friends* and *Angelina Ballerina* to Shutterfly's collection of licensed content, we can offer new ways for parents to transform their photos into original stories featuring their children's favorite characters."

Only available at Shutterfly, the HIT character-themed personalized Photo Books encourage family story telling and photo sharing with young children. The new character-themed personalized Photo Books come in two square formats: the 8x8 Story Book and the 12x12 Memory Book. As with all products in Shutterfly's award-winning Photo Book line, the HIT character-themed Photo Books are designed to be easy to create. Customers simply drag-and-drop their favorite pictures into the HIT character-themed page templates and add captions to create their own original story. Shutterfly customers also have the opportunity to personalize the front and back covers of their Photo Book with pictures and captions and add a title and date on the spine. To easily share a personalized Photo Book project electronically, customers can take advantage of the "share Photo Book projects" feature which allows the recipient to view, add their own pictures and text to the book or simply order their own copy of the Photo Book.

Introductory prices for Shutterfly's *Thomas & Friends* and *Angelina Ballerina* personalized Photo Books start at \$34.99 for the 8x8 Story Book and \$59.99 for the 12x12 Memory Book. For more information on Shutterfly's new personalized Photo Books, visit www.shutterfly.com/photobooks

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About Angelina Ballerina™

Angelina Ballerina is a little star with big dreams of becoming a prima ballerina. This feisty little mouse works hard to reach her goal and along the way, always learns from her mistakes. When little girls share in Angelina's experiences, they're inspired to go after their big dreams too. In addition to the critically acclaimed story books created by Katharine Holabird and Helen Craig, *Angelina Ballerina* dances her way into the hearts of young girls weekly on PBS KIDS® and PBS KIDS SproutSM. For more information about *Angelina Ballerina*, please visit www.angelinaballerina.com.

About Thomas & Friends

Created by a father for his son, *Thomas & Friends*, the #1 preschool brand in the US (source: NPD: Jan-Aug 2006) invites children to enter a world of imagination through the tracks of a train and the words of a story. Today, families in more than 100 countries enjoy fun and adventure with their engine friends while experiencing timeless life lessons of discovery, friendship and cooperation. *Thomas & Friends* is making tracks to great destinations on PBS KIDS® and PBS KIDS SproutSM. For more information about the world of *Thomas the Tank Engine* and his friends, please visit www.thomasandfriends.com.

About Shutterfly

Founded in 1999, Shutterfly, Inc. (NASDAQ: SFLY) (www.shutterfly.com) is an Internet-based social expression and personal publishing service. Shutterfly provides a range of products and services that make it easy, convenient and fun for consumers to upload, edit, enhance, organize, find, share, create, print and preserve their digital photos in a creative and thoughtful manner. Shutterfly and Shutterfly.com are trademarks of Shutterfly, Inc.

About HIT Entertainment

HIT Entertainment, owned by private equity investment group Apax Partners since June 2005, is one of the world's leading independent children's entertainment producers and rights-owners. HIT's portfolio includes internationally renowned children's properties, such as *Bob the Builder*TM, *Barney*TM, *Thomas & Friends*, *Pingu*TM, *Rubbadubbers*TM and *Angelina Ballerina*TM. HIT acts as a representative for *The Wiggles*® in the UK, US and Canada and as worldwide representative for The Jim Henson Company's library of classic family brands, including *Fraggle Rock*TM. HIT also owns the Guinness World RecordsTM publishing and television property and *Fireman Sam*TM, a joint venture with S4C. Launched in 1989, HIT's lines of business span television and video production (including studios in the US and the UK), publishing, consumer products licensing and live events. With a catalog of more than 1,000 hours of young children's programming, HIT sells its shows to more than 240 countries worldwide, in more than 40 different languages and has operations in the UK, US, Canada, Hong Kong and Japan. In 2005, the Company joined Comcast Corporation, PBS and Sesame Workshop to launch PBS KIDS SproutSM, a 24-hour digital cable channel and VOD service for preschoolers. For more information, visit www.hitentertainment.com.

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HIT Entertainment

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