



May 28, 2012

DQ ENTERTAINMENT (INTERNATIONAL) LIMITED

CHAIRMANS' STATEMENT

1. Introduction:

I am delighted to announce a positive set of results for the financial year ended March 2012, which further endorse our belief that DQ Entertainment is one among the leading animation studio's working today globally. The depth and breadth of our talent coupled with the strong stable in IP we have amassed over a relatively short period of time leaves us extremely well placed to capitalise on the global demand for quality and technologically advanced animation services.

We believe both our short and long term strategies are providing tangible evidence of our ability to grow despite continuing adverse economic market conditions in USA and Europe, our main markets. The Group has had quantifiable growth in terms of content production and distribution and capitalized on opportunities in the entertainment marketplace, globally.

Our project pipeline has never been stronger and we continue to seek new and dynamic IP opportunities to further expand production and licensing revenue opportunities. We have started the current financial year well and look forward to another period of strong revenue and profit growth.

2. Important Milestones during the year:

- Successfully concluded and delivered 11 TV series and television features which are already being broadcast in prominent networks and territories worldwide.
- Commenced productions of 7 new international television series which are being co-produced with our global partners and broadcasters.
- Our local presence has been further consolidated with a third season of Omkaar with Turner (Cartoon Networks)- Asia, a second season of Keymon TV series and Keymon TV Feature with Nickelodeon, India.
- Signed 5 new international production / co-production deals
- 28 new merchandising deals have been signed in the year majority pertaining to 'The Jungle Book'
- More than 25 new broadcasting deals have been signed during the year for a variety of properties including The Jungle Book, Peter Pan, Iron Man, Charlie Chaplin, Little Nick etc.



3. Financial Highlights:

- Revenue up 9.3% to Rs. 2271.95 mn (2011: Rs. 2078.47m)
- Profit before tax up 22 % to Rs. 429.86mn (2011: Rs. 352.46 mn)
- EBITDA up 29.60% at Rs. 941.74 mn (2011: Rs. 726.67 mn)
- Order book currently at Rs. 8090.42 mn (2011: Rs.5387.2mn)*
- Cash and cash equivalents of Rs.688.20 m (2011: Rs. 522.64 m)

**Includes contracted forward production revenues and signed licensing and distribution deals*

In line with our business vision and plan, revenues from distribution and licensing have significantly gone up by 129.2% to Rs. 516.88mn from Rs. 225.51 mn in the previous year. This growth is an indication that the decision by the Group to co-produce IPs and develop its own content for a 360 degree monetization, has been in the right direction. We are confident that slowly and steadily the returns from the investment will continue to accrue in the future. However, the revenues from production declined to Rs. 1755.07 mn as compared to the previous year of Rs. 1852.96mn. The reason for the same are twofold – delay in commissioning of some of the new projects and deliberate slowdown of deliveries so as to recover the overdue payments from the customers.

The Group's order book is healthy and higher than at the same time last year. With this in mind, the Board are comfortable that revenue growth from co-productions, service orders, own IP and L&D sales will be maintained in the next financial year.

4. Operational Highlights:

Production

The strong operating performance of the Group is demonstrated by the volume of work started, progressed and/or completed during the year, as summarised below:

Productions successfully completed and delivered during the year:

- The Jungle Book Season 1 – 52 x 11' 3D TV series with ZDF, Moonscoop, TF1, B-Channel, TVO-Canada, BBC-UK, Disney-SE Asia, ABC-Aus, ATV-Turkey and Dea,RAI-2
- Iron Man Season 2 – 26 x 22' 3D TV series with Marvel Entertainment and Method Animation, Nick Toons, France Television, ABC-Australia, RAI-Italy, Nicktoons-USA, Disney-Asia and Jetix-Europe
- Little Nick Season 2 – 52 x 12' 3D TV series with M6 studios-France, ZDF-Germany and Sun Network.
- Little Prince Season 1 & 2 – 52 x 22' 3D TV series with Method Animation, WDR-Germany, LLPTV- France, SONY BMG, RAI-Italy and France-3
- Hive Season 1- 78 x 7' 3D TV Series with Lupus Films
- Post Card from Busters Season 5 – 2 x 6' 2D TV series with 9 story
- Feluda TV Series – 13x 22' 2D TV series with Disney India ,JCCTV
- Suryaputra – 60 mins 2D TV feature with Disney India
- Balkand 2 & 3 – 70 mins 2D TV feature with Turner Group, Cartoon Network
- Omkaar 2 – 70 mins 2D TV feature with Turner Group, Cartoon Network
- Keymon – Season 1 with Nickelodeon



New commissions and ongoing projects:

- The Jungle Book Season 2 – 52 x 11 3D TV series with ZDF TV (Germany), TF1 TV (France), Moonscoop (France)
- The New Adventures of Peter Pan – 26 x 22' 3D HD Stereoscopic TV series with ZDF Group and Method Animation supported by France Televisions, De Agostini Group, ATV and B Channel-Indonesia, SBA, JCCTV-Middle east and Noga-Israel.
- Lassie & Friends – 52 x 11' 2D TV series with Classic Media-USA, Super Prod, TF1-France, ZDF-Germany and Noga-Israel
- Mickey Mouse Club House Season 4 – 7 x 24' + 8 x 30' 3D TV Series for Walt Disney Television Animation (USA)
- Speak – A – Boos – 52 x 11 2D e-book with Conscious Content Media (Speakaboos)
- Keymon Ache – 1 x 70' 2D TV feature with Nickelodeon India
- Charlie Chaplin Season 1 – 104 x 6' 3D TV Series with Method Animation, France Television, MK 2 (France) and WDR-Germany.
- Casper Season 2 – 52 x 11' 3D TV Series with Harvey Entertainment (USA), Moonscoop & Cartoon Network (USA) and TF-1,
- Omkaar 3 – 3 x 23' 2D TV series with Turner Group and Cartoon Network

New projects signed during the year:

- Robin Hood, Mischief in Sherwood – 52 x 11 3D TV series with Method Animation and TF1, ATV-Turkey, De Agostini and ZDF-Germany,
- Escape Hockey – 26 x 22' 3D TV series IMIRA, Spain.
- Lanfeust – 26 x 22' 3D TV series with Alphanim
- Mickey Mouse Club House Season 5 – 8 x 22' 3D TV series for Walt Disney Television Animation
- Keymon Ache Season 2 – 52 x 11' 2D TV series with Nickelodeon India
- Franco and Formula Fun – 52 x 11' 3D TV series with Formula Fun Entertainment Limited (UK) and Telegael (Ireland)

Other productions currently in development:

- The Jungle Book Feature Film – 90' 3D stereoscopic feature film
- 5 & IT.: 52 x 11' 3D HD TV series with ZDF Enterprises, (Germany)
- The New Adventures of Treasure Island
- Little Prince – Feature Film

Licensing and Distribution: A path to content monetization

DQE's sales force is continuing to negotiate new licensing deals across its library of IPs. Numerous deals were entered into during the year resulting in increased revenue from licensing and distribution. DQE concluded deals with:

- Jungle Online, Belgium to produce Jungle Book comic books in French in France, Monaco, Belgium, Switzerland and Luxembourg.
- Gruppo Edicart, Italy, to produce pop up books, activity and games books, sticker albums and story books in Italy, San Marino and the Vatican City



- Swadesh Essfil, India, to produce Jungle Book stationary, stamps, writing pads, white boards, water bottles, lunch boxes, cookie jars etc.
- Haksan, Marken Dosi South Korea to produce Jungle Book colouring books, sticker albums, puzzles, wall paper decorations and souvenirs
- Showtime Attraction, Australia, for character appearances of Jungle Book characters in malls and various festivals/shows
- Blue Ocean, Germany for publishing a Jungle Book Magazine in Germany and German speaking Europe and
- Exim Licensing, USA to represent the licensing interests for The Jungle Book TV series in Mexico.

5. New Market Opportunities:

New digital opportunities have emerged making it possible to further monetize our commercial IP library for mobile applications, mobile games and mobile porting for all major platforms such as iPhone, iPad, ipod, itunes, blackberry, android, tablets, windows and internet platforms.

DQE will aim to develop a sustainable business model to monetize and distribute digital content through paid or sponsored hosting. Both mobile and internet usage has grown at a tremendous pace compared with traditional platforms (including print, primarily, and TV) and many more new media platforms for content delivery are emerging. Recognizing the need to leveraging our existing and future IPs on these platforms, DQE has established an in-house team dedicated to producing content for mobiles, tablets and internet platforms.

6. Cinema:

2011 witnessed several animated movies in the Top 20 movies at the Global Box office including Car2, Kung Fu Panda 2, Puss in Boots and Rio with box office collections in excess of US\$500M for each. 'The Adventures of Tintin' a 3D film based on a comic book was also lauded by audience in India and abroad.

With global animated movies experiencing increased demand and tremendous success at the box office, DQE has commenced developing its own animated films to be released from 2014 onwards. The release of our first feature film The Jungle Book for world wide release in the summer of 2014 is expected to generate significant revenues for the group.

7. Industry Dynamics:

Continuing economic weakness in the US and the Eurozone during 2011 unsurprisingly had a negative impact on the global as well as Indian Media and Entertainment ('M&E') industry.

However, India is gradually moving away from the shadow of being only an outsourcing destination for animated content. It is increasingly recognized as a location capable of creating end to end high quality content for global audiences. DQE has been a leader in utilizing local resources to create world class content and is spearheading the vision for Indian companies to achieve success on a global level through creation and monetization of IP.



The Indian M&E industry has grown from INR 652 Billion in 2010 to INR 728 Billion in 2011. The Global animation Industry is estimated at US\$100 billion and a 9 % CAGR till 2016 while Indian animation industry continues to grow at a CAGR of 17 % until 2016. (Source: FICCI KPMG Report 2012).

8. Awards and Accolades:

I am delighted to announce that once again, DQE has received several prestigious international awards recognising our achievements in the industry during the year.

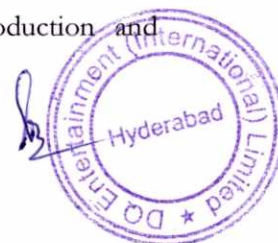
- DQE received the prestigious “International studio of the year” award at the 16th ceremony of Cartoons on the Bay, Pulcinella Award, Italy 2012.
- The CG animated TV series titled ‘Iron Man’ co-produced with Marvel Entertainment; USA won the Pulcinella Awards for ‘Best TV series for Teens’ at the festival of Cartoons on the Bay.
- ‘Charlie Chaplin’, DQE’s CGI animated TV series, co-produced with Method Animation, France was also nominated for the Pulcinella Awards for ‘Best TV series for Kids’ at the festival of Cartoons on the Bay.

9. Our key strategic priorities include:

- Increase portfolio of global and Indian branded and popular Intellectual Properties
- Capitalise on 3D stereoscopic theatrical animation production and distribution through global partners
- Continued focus on co-production business model for TV series
- Accelerate growth in licensing and distribution through acquisition of new iconic properties
- As an independent producer, offer diversified range of services from script to screen
- Exploitation through newer delivery formats through development of apps and interactive games

Through the year we have remained focused on building the Company's position as a leader in the creation of high quality animation using latest technologies and creativity to ensure audiences are captivated by our content. Our licensing and distribution efforts are proving increasingly successful on a global scale and created long term and sustained value for DQE by forging new partnerships across various markets, platforms and product categories. Our broadcast agreements in over 150 countries as well as the global licensing and merchandising deals for The Jungle Book, Peter Pan and New adventures of Lassie demonstrate how we have and intend to exploit and monetise our IPs and content library.

DQE is uniquely positioned being India’s first integrated entertainment production and Distribution Company, focused on 360 degree monetization across all platforms.

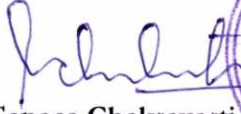


10. Outlook:

The demand for our services remains strong and we continue to develop an extremely healthy pipeline for our services across production, licensing and distribution activities. Therefore we are confident that the Group remains on track to meet market expectations for the current financial year. We look forward to updating the market on our continued progress later in the year.

11. Appreciation:

I would like to take this opportunity to acknowledge the tireless efforts, creativity and excellence of DQE associates and their constant efforts to stay ahead of the game in the global marketplace. I would also like to thank my colleagues on the Board, whose continuous guidance and advice is invaluable for the growth and performance of the Company. I sincerely thank our valued stakeholders; including our customers, business associates, bankers, government authorities and shareholders for their continuous support and trust.


Tapaas Chakravarti
Chairman, Managing Director & Chief Executive Officer

