



DQ Entertainment (International) Limited **Business update – June 2011**

Chairman's statement:

DQ Entertainment's prime Intellectual property, **The Jungle Book** - 52x11', 3D TV Series has recently completed production and successfully been delivered. It is now being aired globally in several territories with top viewer ship and ratings. We are happy to inform that after the tremendous response for season I, major co-producers ZDF TV Group- Germany, TF-1 TV Group - France and MoonScoop - France have green lit the immediate production for second season of The Jungle Book 3D TV Series. Licensing & Merchandising connected directly in relation to the viewer ship and ratings of Season I followed by Season II has also begun for several countries.

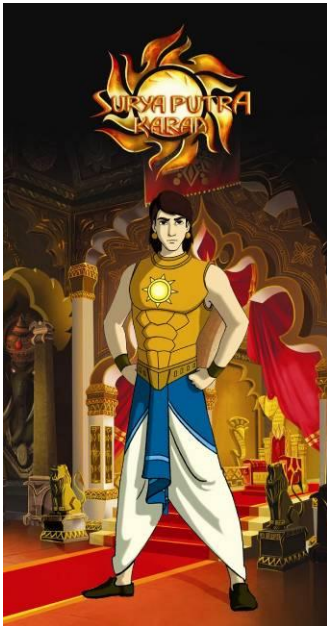
To the existing pool of orders your company has added several iconic productions such as **5 Children & IT** - 3D TV series, **Robin Hood- 'Mischief in Sherwood'** - 52x11' 3D TV Series and has also received confirmation for production of second season of **Little Nicolas** 3D TV Series and second season of **Iron Man** 3D TV series .Several other Indian IP's acquired by premier TV channels will also add substantially as denoted below, to the pool of orders and will accrue as revenue in 12-24 months subsequently.

The progress on the Licensing & Merchandising side has risen substantially after successful launch of Jungle Book TV series Season I with specific success in Israel, Italy, Canada, Spain, Germany, France & UK while several other deals are to be concluded shortly.

Your company has just concluded 3D VFX Feature Film- **The Prodigies** on service to Warner Bros/ Fidelite Films/ Onyx Films, France and in earnest has begun development of DQ Entertainment's feature film pipeline consisting of **The Jungle Book, Peter Pan and The Phoenix and the Flying Carpet**.



Buena Vista International acquires 'Surya Putra Karan –TV Feature' & 'Mysteries and Feluda' TV series from DQE



DQE announces the signing of a broadcasting agreement of a high end 2d animated TV feature **Surya Putra Karan** with BUENA VISTA INTERNATIONAL, the international distribution arm of Walt Disney Studios.

The 60 minute TV feature produced by DQE has been acquired by Disney Channel India to be broadcast in its array of children's channels for the Indian Sub continent.

Suryaputra is a 60 minute high end TV feature that portrays the story of Karan – Surya Putra Karan, one of the most important personalities of the Mahabharata .The feature encompasses mythology with a futuristic feel with realistic backgrounds, high powered action sequences and high drama. Mahabharata's most well known characters are brought to life in this animated feature.



DQE also announces the signing of a broadcasting agreement of another of its high end 2D animated TV series **Mysteries and Feluda** with Disney India.

Mysteries and Feluda is a 13 X 22" TV series which takes Feluda and his aides Topshe, Jatayu and the wily dog, Bones to Europe where they take on the most mind boggling mysteries, go head to head with the most devious criminals and solve crimes of incredulous nature. This action packed, suspense filled, gadget loaded series will take Feluda and his friends to all corners of Europe whether it is to help recover stolen art and jewels, track down hardened criminals, rescue a kidnapped rockstar or save an amusement park from mysterious ghosts.



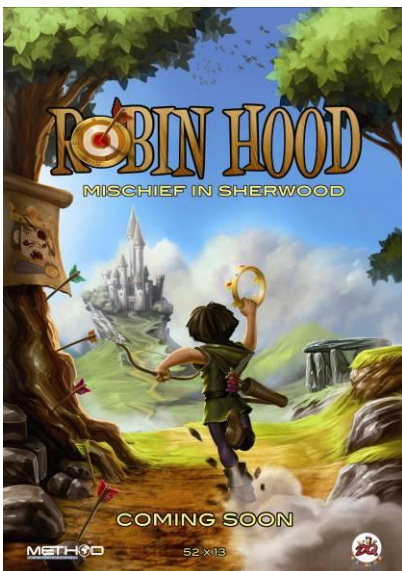
DQE and ZDF Enterprises sign Licensing deal for new 3 D animated series "5 & IT"



DQE recently announced the signing of a new agreement with ZDF Enterprises (ZDFE), Headquartered in Mainz, Germany, for a new 3D Stereoscopic HD TV series named "5 & IT" as part of a packaged multi million euro deal signed in Hyderabad, India.

ZDFE will act as Distributor for the TV series of "5 & IT" being produced and will hold the distribution rights in 64 countries including Western and Eastern Europe (excluding French speaking Europe, U.K. and Ireland) South Africa and Latin America. DQE is presently in discussion with leading broadcasters worldwide for TV broadcast in various territories.

DQE to co-produce animated version of Robin Hood:



DQE has signed a co-production agreement with France based Method Animation for a new 3D HD series **Robin Hood – 'Mischief in Sherwood'** targeted at children aged 6-9 years. The Robin Hood production will comprise 52 episodes of 11 minutes each as a 3D stereoscopic CGI series.

The series will be full of humour and is intended to create an entertaining experience that relaunches the iconic hero that is Robin Hood. The audience will be taken on a journey into Sherwood Forest and discover the youthful, early years of Robin.



“The Jungle Book”: 3D TV Series Season-2 Green lighted by Co-producers from Germany/France



After the worldwide success of Season 1 3D HD animated TV series The Jungle Book (52 x 11'), DQE is producing the **second season of Jungle Book** (52 x 11') in co-production with the German pub caster ZDF, ZDF Enterprises, Moonscoop (France), and TF1 (France) for a second season who are the lead co production partners for the brand. The Second Season series will be delivered by the 2013 beginning. Following the enormous success of this iconic franchise DQE is also producing a TV Movie special, a Christmas special, a Halloween special and many other spin-offs.

DQE signs French Co-production deal for “Little Nick”



DQE has also entered into a co-production agreement for the second Season series of the animation of **Le Petit Nicolas** with M6 Studios (France), a well-known TV broadcaster and producer. The second season of Le Petit Nicolas ("**Little Nick**") comprises 52 episodes of 13 minutes. The series will be developed in high-end CGI and production is scheduled to start in 2011. DQE has the exclusive right to sell and distribute the TV and video rights pertaining to the series in Asian territories in Hindi, English and all local languages. DQE will also distribute the series (both seasons) in all English speaking countries worldwide.

Al Jazeera Children’s Channel acquires multiple properties from DQE

Al Jazeera, Middle Eastern Children’s Channel (“JCCTV”), recently signed multiple exclusive broadcast agreements for the broadcasting rights of three iconic DQE animated productions – ‘**The Jungle Book**’, ‘**New Adventures of Lassie**’ and ‘**Mysteries and Feluda**’ for 22 Arabic states. This five year agreement will provide JCCTV the exclusive broadcasting rights for three animated TV series worldwide in Arabic language only.



DQE sells Italian Jungle Book rights to leading broadcaster RAI DUE



ZDF On behalf of DQE, signed an agreement for the exclusive broadcast right for **The Jungle Book** 3D TV series in Italy with RAI DUE (“RAI 2”), an Italian television broadcaster. The agreement was signed through DQE’s co-production partner ZDF Enterprises, Germany and will see RAI 2 hold all the broadcasting rights to “The Jungle Book” in Italy. Considered to be a major breakthrough for promoting Licensing and Merchandising.

DQE’s foray into the Animated Feature Film Market:



The Company has made an impressive foray into the production of 3D stereoscopic feature films by producing “**The Prodigies**” for Warner Bros, Fidelite Films, Studio 37 and Onyx Films, France. The film was released in France in earlier this month and is expected to release worldwide shortly.

Currently the Company is in development of three 3D stereoscopic feature films for the world market:

1. *The Jungle Book* (2013)
2. *The New Adventures of Peter Pan* (2013-14)
3. *The Phoenix and the Flying Carpet* (2014-15)

to be released from 2013 onwards.

DQE signs Multiple Licensing & Merchandising Deals



DQE recently signed a licensing agreement with Bio World Merchandising, India for their 3D property Jungle Book for the region of India. Bio world has expertise in the licensing, manufacturing and distribution industries to reach an extremely large and powerful audience through various channels like online retail, department and mass market, wholesale departments among others. With the 3 year deal with Bio World; first time DQE properties will be testing Indian markets.



- **DQE signed a publishing licensing deal for ‘The Jungle Book’ with the leading publishers Editorial Bruno, (Bruno) Spain.**

Making substantial headway into 360 degree monetization of this property, DQE - has signed a three year deal with Bruno for publishing across Spain. As per the terms Bruno has rights for publishing and sale of materials like storybooks, colouring books, novelty & sticker books, school diaries, poster books, 3D books & comics .

- **A merchandising deal for ‘The Jungle Book’ with Blue Ocean Entertainment AG (Blue Ocean), Germany was signed recently by DQE.**

Under the terms of the agreement, Blue Ocean will have non-exclusive rights to manufacture, distribute and sell Jungle book magazines. Blue Ocean has the rights for manufacturing these in Germany, Austria and Switzerland for a period of 2 years. The deal was done through DQE's merchandising agents in Germany, ZDF Enterprises.

Blue Ocean 's magazine range include properties like Raven reading, Horse & Co, PLAYMOBIL Magazine , Predators , Princess Lillifee, Princess Lillifee Craft Magic, Princess Lillifee magic world, Shaun The Sheep, Total animals!, Winx Club and several others.

- **DQE also signed an exclusive toy licensing agreement for it's 3D animated series The Jungle book with Spark Toys Ltd (Spark), a Israel based company.**

Under the terms of the agreement, Spark has acquired the toy licensing rights for “The Jungle Book” in Israel. This 3 year agreement allows Spark to sell Jungle book toy merchandise that includes digital camera's for kids; digital talking books, digital board games and talking plush dolls.

- **DQE signed a major music publishing agreement with the London based, Universal Music Publishing International Ltd (“Universal Music”).**

Universal Music has the world wide rights to publish music of DQE's IP “The Jungle Book”. They have the sole and exclusive rights to print, copy and otherwise graphically reproduce and to publish the music compositions in any form that include album, song-books, folios or in other compilation together with any other musical works .Universal also has the sole and exclusive right to advertise, promote, market and to sell the music of the IP. Universal Music has the rights for a period of 7 years.

Universal Music is the industry's largest global music publishing operation. Universal Music represents music in every genre from some of the world's hottest songwriters and catalogs including Abba, Adele, Christina Aguilera, Lily Allen, Beach Boys, Beastie Boys, Mariah Carey, Ciara, The Clash, Coldplay, Elvis Costello, Elton John/Bernie Taupin, Britney Spears, 3 Doors Down, Justin Timberlake, T-Pain, and U2, among many others. Universal Music is also a global leader in the areas of Production Music, Christian and Classical Music.



- DQE recently signed a licensing agreement with TV Mania GmbH through DQE's merchandising agents in France, TF1 Enterprises.



Under the terms of the agreement, TV Mania will have the right to manufacture and distribute Jungle Book apparels and accessories for babies, kids and teenagers over a two year period. DQE will receive a royalty on sales generated from this agreement which is estimated to be circa €1 million over a 2 year period, in addition to a minimum guaranteed amount.

Products to be manufactured include t-shirts, jackets, jogging suits, swimwear, fleece pullovers, shirts, socks, and a host of other garments. TV Mania has the rights for retailing in France & Benelux.

Financial Impact:

These financials are effect of new deals while DQE is executing earlier Business Orders:

As an outcome of the above new co- production agreements for the production of **5&IT, Robin Hood, Jungle Book Season 2** and **Little Nick 2**, DQE will record co-Production service revenue to the extent of **Rs. 138 Cr (\$ 30.65M)** over the production cycle of 12-24 months.

The above licensing and merchandising deals are over and above several deals signed earlier for which effect will be seen in due course of time. The financial impact envisaged from the revenues received on these licensing deals signed will be about **Rs. 29.9 Cr.**

Licensing & Merchandising (L&M) deals will bring financial impact directly with world wide sales happening between first 4 years time before we sign second cycle by end of 4years.

The majority of L & M deals concluded are from Jungle Book alone, while several negotiations are underway for other Iconic on going productions such as **New Adventures of Peter Pan, Iron Man , Casper season 2, Little Nick season 1 & 2, 5 & IT, Lassie & Friends** as well as **Charlie Chaplin** and **Feluda**. The financial impact will be seen on launch of all the projects in the market in subsequent years as additional revenue streams.



Awards & recognitions:

DQE has received several awards at various international festivals in the past from various institutions across the globe. These awards recognize and reiterate the company's mission of relentless pursuit of excellence in its business operations, creativity and quality of productions. Recent recognitions are;

- Little Nicolas season 1 wins the best TV production award

The first season of Little Nicolas that was co-produced by DQE along with M6 Studios (France) and Method animation (France) was awarded "THE BEST TV PRODUCTION AWARD" in the animated TV series category for the year 2010-11 in the 50th Annecy Film Festival, France that recently concluded. The series was conferred the award after it was picked from among 37 other series that were short listed for this category for its quality and freshness in terms of visuals, animation, original story and great scripts.

- **DQE conferred with Excellence Award:**

DQE, has received the **Excellence Award as the Top Indian ITES Company** in the State from the Government of Andhra Pradesh, Information Technology and Communications Department which conferred the award to the organization. The award was presented to Chairman and CEO Tapaas Chakravarti by Sri.N.Kiran Kumar Reddy, Hon'ble Chief Minister of Andhra Pradesh at an Awards distribution function under the auspices of 'Advantage A.P.' on 31st, March 2011.

About DQE

DQE is one of the leading producers of animation, visual effects, game art and live action entertainment content for the global media and entertainment industry. With a workforce of approx 3500 employees and a global client - partner base of over 100 producers, distributors, broadcasters and licensors including Walt Disney Group, Universal Pictures, Nickelodeon Animation Studios Inc., Electronic Arts, Marvel Comics, American Greetings, , BBC Group, M6/ France TV Group / TF-1 - leading broadcasting and Distribution groups from France, ZDF TV and ZDF Enterprises - leading Distributors/ broadcaster and global distributor from Germany, ABC Australia, Al Jazeera – Arabic nations, Disney Channels - Asia, Cartoon Network Group and many more world-wide.

DQE has produced/co-produced and distributed iconic brands such as Iron Man - the first 3D animated TV series, Twisted Whiskers, Mikido, Casper, Pinky & Perky, second season of Large Family, third season of Mickey Mouse Club House, First and Second Season of Madagascar TV Series and is now co-producing properties like Little Prince and Little Nick with major international broadcasters and producers. DQE has a library of over 500 hours of international programs for distribution and licensing globally for TV, home entertainment, merchandising and publishing is on fast track.

While several Indian IPs like Mysteries & Feluda, Omkar, Balkand I, II and III with International Broadcasters have had a successful run.



DQE has also announced the development of a series of animated short films for television in collaboration with French production companies Method Animation and MK2. DQE, Method Animation and MK2 announced the production and worldwide distribution and exploitation of an animated version of 104 six-minute episodes inspired by the legendary film icon Charlie Chaplin's Hollywood films.

DQE has received over 35 awards including EMMY, at several national and international forums fostering creativity and excellence. E & Y Entrepreneur of the Year – 2009 India Awards, The UK Broadcast Awards 2010, Sichuan TV Festival International "Gold Panda" Awards, 11 Emmy nominations and 1 The Emmy Award, administered by the National Academy of Television Arts & Sciences, USA for Tutenstein Animated production. The Jungle Book produced by DQE has recently been nominated in 5 categories at the cartoons on the bay – Pulcinella awards to be held in Italy in April 2011.

For further information:

DQ Entertainment International	Tel: +91 40 2355 3726/27
Sumedha Saraogi	
sumedha@dqentertainment.com	
DQ Entertainment International	Tel: +91 40 2355 3726/27
P. R. Vishnu	
vishnu@dqentertainment.com	

