



DQ ENTERTAINMENT (INTERNATIONAL) LIMITED

EARNINGS RELEASE

SEPTEMBER 2011





DQ Entertainment (International) Limited, India

Earnings Release - September 2011

DQ Entertainment, a leading global entertainment group is in the business of animation, gaming, live action content production, licensing and distribution.

Having established itself as a developer, producer and co-producer of iconic animated television series, TV features, home videos such as The Jungle Book, Charlie Chaplin, Peter Pan, 5 Children & IT, Iron Man, Casper, Little Nicolas, Little Prince, Lassie & Friends and many more in partnership with international and national broadcasters, distributors, licensees and large independent producers, especially in Europe & the USA, DQE has now embarked on the production of 3D Stereoscopic theatrical feature films.

DQE's dynamic and low risk business model of developing classical iconic Intellectual Properties (IPs), tapping co-production opportunities with marquee partners across the globe and expanding distribution network worldwide has enabled us to achieve sustained growth and create value for our customers, partners and shareholders.

Over the years DQE has successfully demonstrated its ability to execute forward thinking strategies and capitalize on the opportunities in the entertainment market place, globally. Timely movement up the value chain of IP development has placed DQE in a unique position as being Asia's first integrated entertainment production and distribution company, focused on 360 degree monetization of its IP's across all platforms.

DQE has a revenue visibility over the coming five years with more than 40 TV series in development pipeline and three animated feature films: The Jungle Book, The New Adventures of Peter Pan and The Phoenix and the Flying Carpet in development, to be released from 2013 onwards.

We believe that new age digital frontiers and new media avenues will create further opportunities for us to license our IPs and exploit our programming library worldwide.



I. Key Financial Highlights for September 30, 2011

The revenue for the second quarter is INR 629.76 mn (YTD INR 909.38 mn) and the profit for the quarter is Rs. 217.25 mn (YTD 81.91 mn) which is as per the company's budget for financial year 2011-12. The company is confident to achieve its targets for the financial year ended March 2012.

The global economic markets especially European and US markets are very weak & volatile and are facing a severe credit squeeze. Hence our partners have requested us to go slow on the projects so as to allow them time to tie up their financial resources. This has resulted in our production revenue being lower than the previous corresponding period. However our licensing and distribution revenue has increased which is a very positive sign as we have started cashing on our IPs and slowly and steadily moving in the direction of our goals.

The profitability has been impacted mainly due to increase in the manpower cost. We being a Human Resource driven Company and being conscious of our responsibility towards our employees had to enhance the salaries to enable us to cope up with ever rising inflation index of our Country. Further the financial costs have also increased substantially on account of increased rates of interest by the banks as well as other financial charges.

Tapaas Chakravarti, CMD & CEO, said

"As the global economic outlook remains subdued, we remain focused on creating the highest quality of content for the kids' entertainment segment worldwide and strive to distribute that content in strategic and profitable ways.

The deals concluded by our teams with market leaders such as Disney, ZDF Group, Germany, TF1 and France TV, Universal Group etc. demonstrate the power of the strategic actions taken by your company to strengthen our business model. We have aimed at being more self-reliant by becoming a global content distributor and amongst the first companies with multiple 3D stereoscopic TV and feature production integrated pipelines. We have increased our ability to monetize our content across geographies through licensing and merchandising based on the Intellectual properties owned and developed by us. Some of the recently concluded licensing deals with Sunmate USA, The Planeta Junior Italia, part of D Augustini Group, Italy, Blue Ocean Entertainment AG, Germany, Home distribution deal with Sony Pictures Entertainment Films, India as well as pre-sale deals with leading international broadcasters stand testimony to our success in de-risking our company for the future, while maximising our revenues over a sustained period of time.

Development of our feature film, The Jungle Book, is progressing at a steady pace with lead writing by Billy Frolick (Madagascar) and storyboard direction by Dan Shefelman (Ice Age). The New Adventures of Peter Pan with lead writing by Philip LaZebnik (Mulan, Pocahontas, Prince of Egypt) is also in development. We have on board, Eric Rollman - a 25-year veteran of animation and recently President of Marvel Animation and prior President, Fox Family/Saban Productions - as Executive producer, for both these films.

Meanwhile we continue to strengthen our position in the international markets by delivering highest quality content such as Little Prince-52x11 TV series, The Prodigies-80' 3D stereoscopic feature film (distributed by Warner Bros), Casper-2 and Iron Man-2, our own IP-The Jungle Book in second season and several other classical and iconic TV series, capitalising on the creativity and quality demonstrated by our teams. Going forward the new developments in the company in the digital space will further strengthen our position as a market leader in the dynamic International markets, while delivering sustained value to shareholders.



II. Operational Highlights

- **MIPCOM 2011:** MIPCOM is the world's leading 'content market' for creating, co-producing, buying, selling, financing and distributing entertainment across all platforms at a global level. Conducted in Cannes (France) every year, this year's MIPCOM was particularly successful for DQE. DQE agreed on a number of co-production and distribution deals for its various properties like The Jungle Book, 5 & IT, Lassie & Friends, The Little Prince, Little Nick, Iron Man, Galactik Football, Feluda, Ravan, Balkand, Omkar, while at MIPCOM. The details of such strategic coproduction and licensing deals can be read through in the balance part of this report.



Franco and Formula Fun series announced at MIPCOM 2011

- **Co-production of Franco and Formula Fun:** DQE signed a co-production agreement with Formula Fun Entertainment Limited ("FFE") in the UK and Telegael in Ireland to co-produce a new CGI (computer-generated imagery) animated pre-school series based on the award-winning property, "Franco and Formula Fun". The series is expected to be available for broadcast in early 2013.
- **5 & IT (52x11 - 3D CGI) TV Series** aimed at children aged 6-10 years old is being co-produced by DQE together with Yowza Digital Inc, La Fabrique, D'image, Luxemburg. JCCTV and Nickelodeon India have acquired the broadcasting rights for this new series in 22 countries.
- **DQE to co-produce Escape Hockey:** DQE along with Imira Entertainment - Spain's leading production and distribution company specialising in youth programming, Enne Entertainment Studios and Spanish broadcaster TVE have joined as co-production partners on new 3D animated series Escape Hockey.
- **Licensing & Distribution:** Increased momentum has been registered on the DQE Licensing & Merchandising business after the successful launch of The Jungle Book. DQE signed licensing and merchandising deals with various licensees such as Sunmate USA, The Planeta Junior Italia, part of D Augustini Group, Italy, Blue Ocean Entertainment AG, Germany, Home distribution deal with Sony Pictures Entertainment Films, India, ATV Turkey, for The Jungle Book, Iron Man-2, Casper 2, Lassie & Friends, new season of Galactik Football etc.



III. Business Update

Summary of some of the major projects under production



Project: Jungle Book - I

Format: 52 x 11' - 3D

Partners/ Broadcasters: ZDF, Moonscoop, TF1

Service/ co-pro: IP-Co-pro

Global Budget: € 9.20 Mn

Territories: Worldwide

Project: Jungle Book - 2

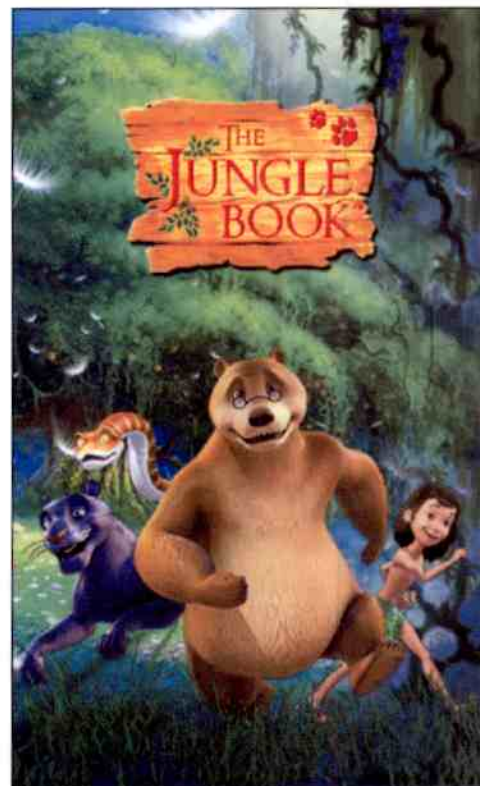
Format: 52 x 11' -3D

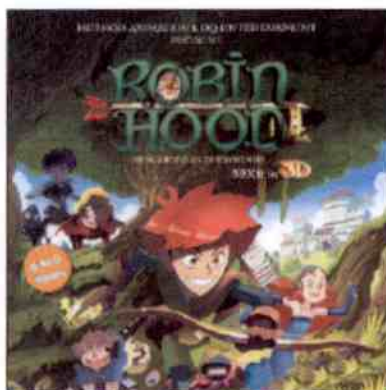
Partners/ Broadcasters: Moonscoop, ZDF, TF1

Service/ co-pro: IP-Co-pro

Global Budget: € 9.20 Mn

Territories: Worldwide





Project:
Robin Hood- Mischief
in Sherwood

Format:
52 x 11' - 3D

Partners/ Broadcasters:
Method Animation, TFI

Service/ co-pro:
Service-Co-pro

Global Budget: € 8.7 Mn

Territories: North America,
Italy, Germany, Arabic nations,
Asia, Australia & New Zealand



Project:
Little Prince

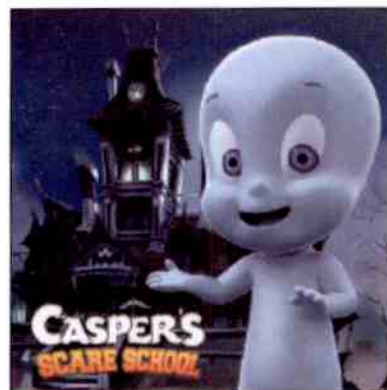
Format:
52 x 22' - 3D

Partners/ Broadcasters:
Method Animation, WDR,
France Television

Service/ co-pro:
Service-Co-pro

Global Budget: €18.40 Mn

Territories: India and SAARC
Territories



Project:
Casper 2

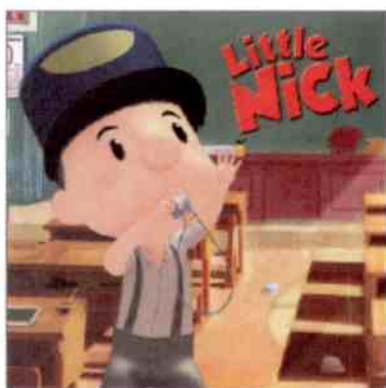
Format:
52 x 12' - 3D

Partners/ Broadcasters:
Moonscoop, Classic Media,
TFI

Service/ co-pro:
Service-Co-pro

Global Budget: € 6.84 Mn

Territories: Asia including
Japan, Australia, New Zealand
& Arabic nations



Project:
Little Nick 2

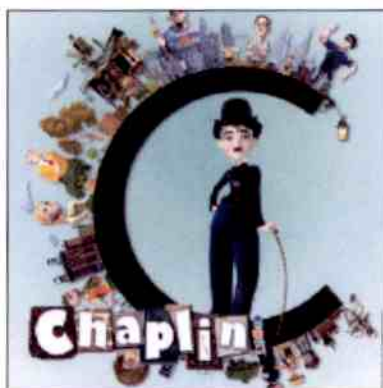
Format:
52 x 12'-3D

Partners/ Broadcasters:
M6 Studios

Service/ co-pro:
Service-Co-pro

Global Budget: € 7.70 Mn

Territories:
CIS countries, China, East
Timor, Afghanistan, SAARC
and SE Asia



Project:
Charlie Chaplin

Format:
104 x 6' - 3D

Partners/ Broadcasters:
Method Animation, France
Television

Service/ co-pro:
Service-Co-pro

Global Budget: € 8 Mn

Territories: Whole of Asia
(excluding Japan and Korea),
Australia & New Zealand
22 Arabic countries



Project:
Ironman 2

Format:
26 x 22' - 3D

Partners/ Broadcasters:
Method Animation, Marvel
Entertainment, Nick Toons,
France Television

Service/ co-pro:
Service-Co-pro

Global Budget: € 8.20 Mn

Territories: Greater ASIA,
including Japan, China, New
Zealand, Australia, Arabic countries
, Israel, Turkey, African nations,
Eastern Europe including Russia,
Italy, Portugal, Greece and Cyprus
["DQE Exclusive Territories"].





Project:
Hive

Format:
78 x 7' - 3D

Partners/ Broadcasters:
Lupus Films, London

Service/ co-pro:
Service-Co-pro

Global Budget: € 3.65 Mn



Project:
The New Adventures of
Peter Pan

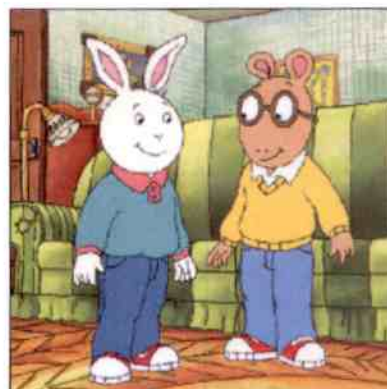
Format:
26 x 22' - 3D

Partners/ Broadcasters:
Method Animation, France
Television, ZDF

Service/ co-pro:
IP-Co-pro

Global Budget: € 9.98 Mn

Territories: World wide rights



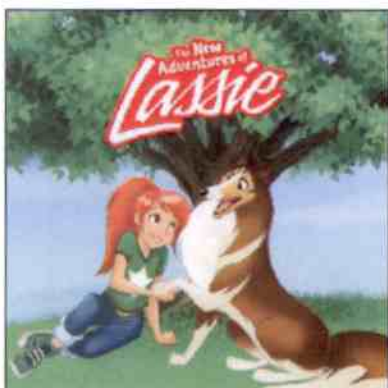
Project:
Post Cards From Buster -5

Format:
2 x 6' -HMY

Partners/ Broadcasters:
9 Story

Service/ co-pro:
Service

Global Budget: NA



Project:
The New Adventures of
Lassie

Format:
52 x 11' - 2D

Partners/ Broadcasters:
Classic Media, Super Prod,
TF1, ZDF

Service/ co-pro:
IP-Co-pro

Global Budget: € 7 Mn

Territories: Global, excluding
North America (Classic Media)
and France and France Europe,
France canada (Super Prod)



Project:
Escape Hockey

Format:
26 x 22-3D

Partners/ Broadcasters:
IMIRA

Service/ co-pro:
Service-Co-pro

Global Budget: € 7 Mn

Territories: Asia including
Japan, Korea, Australia and
New Zealand Middle East
including all the arabic nations



Project:
5 & IT

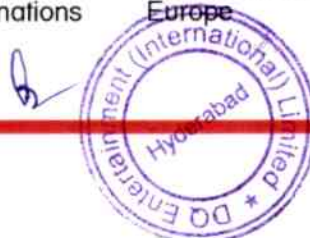
Format:
52 x 11-3D

Partners/ Broadcasters:
Yowza Animation, ZDF
Enterprises, La Fabrique

Service/ co-pro:
IP-Co-pro

Global Budget: € 8.6 Mn

Territories: Global excluding
ZDF distribution territories in
Europe





Project:
Keymon TV Series

Format:
52 X 11' - HMY

Partners/ Broadcasters:
Nickelodeon India

Service/ co-pro:
IP-Co-pro

Territories: World wide rights
(except Indian Sub continent)



Project:
Panchatantra

Format:
52 x 11- HMY

Partners/ Broadcasters:

Service/ co-pro:
Service-Co-pro

Territories: Global Excluding
22 arabic nations



Project:
Feluda TV Series

Format:
13 x 22' - 2D

Partners/ Broadcasters:
Disney India

Service/ co-pro:
IP-Co-pro

Territories: World wide rights
(except Indian Sub continent)



Project:
Surya Putra

Format:
60 Mins -HMY

Partners/ Broadcasters:
Disney India

Service/ co-pro:
Service-Co-pro

Territories: World wide rights
(except Indian Sub continent)



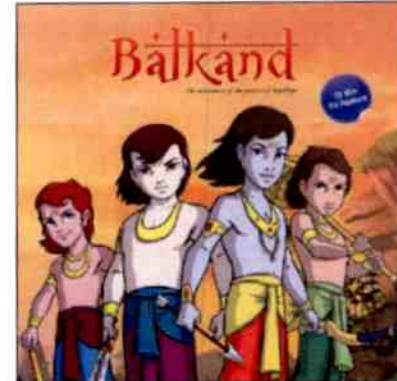
Project:
Omkar 2

Format:
70 Mins - HMY

Partners/ Broadcasters:
TENA, Cartoon Network

Service/ co-pro:
Service-Co-pro

Territories: World wide rights
(except Indian Sub continent)



Project:
Balkand 2

Format:
70 Mins - HMY

Partners/ Broadcasters:
TENA, Cartoon Network

Service/ co-pro:
Service-Co-pro

Territories: World wide rights
(except Indian Sub continent)



Project:
Balkand 3

Format:
70 Mins - HMY

Partners/ Broadcasters:
TENA, Cartoon Network

Service/ co-pro:
IP-Co-pro

Territories: World wide rights
(except Indian Sub continent)

Project: Mickey Mouse Club
House - Season4

Partners/ Broadcasters:
Disney

Service/ co-pro: Service



IV. Licensing and Distribution (L&D)

DQE's business model of co-productions and IP development has enabled us to leverage on the licensing and distribution income generated from our co-production investments and intellectual property development. DQE has built a library of over 600 hours of international programs for distribution and licensing globally for TV, home entertainment, merchandising and publishing is on fast track.

Over the next 3 years, DQE will further accelerate growth in this business vertical, working closely with various licensees to maximise the window of opportunity to coincide with the broadcast of the TV series on leading networks worldwide.

DQE has signed over 30 merchandising deals for back to school products, novelisation, outdoor products, party supplies and toys with well-known licensee companies across the globe such as Sun-mate, Hachette, Mookie Toys, Nestle, Burger Ranch, School Pack in countries like USA, France, Israel, Germany, UK...for The Jungle Book

Over 40 Broadcasting deals signed with the likes of Walt Disney, Sony Pictures, Media Corp – Singapore, Turner Group, Nickelodeon, Noga Communications etc. for various TV series: The Jungle Book, Casper, Twisted Whiskers, Pet Pals, Balkand, Suryaputra, Mysteries & Feluda and many other properties

Following are few of the major L & D deals concluded over the past few months:

- Multi-million dollar licensing and distribution deal with SMC Entertainment Inc. ("SMC"), a division of Sun-Mate Corporation Inc., USA for "The Jungle Book" Season One.
- Acquisition deal concluded with Global TV, Indonesia to broadcast multiple properties including the 3D TV Series 5 and IT (52X11'), Iron Man season 2 (52X11') and Casper season 2 (52X11') in Indonesia over a period of 4 years.
- TV licensing deal with ATV Turkey for the acquisition of Lassie & Friends (52 x11') and the new season of 3D Galactik Football (26x22) for broadcast in Turkey.
- Home distribution deal with Sony Pictures Entertainment Films, India for The Jungle Book, Iron Man, Feluda, Ravan, Balkand & Omkar
- Exclusive Broadcasting agreement with Sun TV Network Ltd for The Little Prince & Little Nick
- Licensing agreement with Bimbambom, Israel and DuMont, Germany for The Jungle Book
- Publishing deal with B. Jain Group, India for The Jungle Book
- The Planeta Junior Italia, part of D Augustini Group, Italy, have been appointed as the licensing and merchandising agents for The Jungle Book in Italy, San Marino, Vatican City, Malta and Italian speaking Switzerland, Greece and Cyprus.
- Licensing Agreement with Blue Ocean Entertainment AG, Germany for The Jungle Book
- Broadcasting agreement of a high end 2D 60 minute animated TV feature Suryaputra Karan with BUENA VISTA INTERNATIONAL, the international distribution arm of Walt Disney Studios.
- DQE produced 60 minute TV feature 'Suryaputra' was acquired by Disney Channel India to be broadcast on its children's channels for the Indian sub-continent.
- Broadcasting agreement of a high end 2D animated TV series Mysteries and Feluda with Disney India.



- New distribution agreement with ZDF Enterprises for a 3D Stereoscopic HD TV series named "5 & IT" as part of a packaged multi million euro deal signed in Hyderabad, India.
- Al Jazeera, Middle Eastern Children's Channel ("JCCTV") signed exclusive five year broadcasting agreements for 22 Arabic states in relation to three iconic DQE animated productions - 'The Jungle Book', 'New Adventures of Lassie' and 'Mysteries and Feluda'.
- Exclusive three year toy licensing agreement for 'The Jungle Book' with Spark Toys Ltd (Spark), an Israel based company.
- Music publishing agreement with London based, Universal Music Publishing International Ltd ("Universal Music").
- Three year licensing agreement in India with Bio World Merchandising, for 'The Jungle Book'. 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.
- Licensing deal for "The Jungle Book" with TV Mania Gmbh to manufacture and distribute Jungle Book apparels and accessories for babies, kids and teenagers
- Licensing deal for 'The Jungle Book' with C. Riethmuller GmbH (Riethmuller), Germany for the distribution of branded party products in Germany, Austria and Switzerland.
- Licensing deal for 'The Jungle Book' with the leading card makers Universal Cards,(Universal) Germany.
- The signing of a home video distribution deal for the 3D animated TV series "The Jungle Book" by Play Records Marketing & Distribution Ltd ("Play Records"), Israel.



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