



DQ Entertainment (International) Limited, India
Earnings Release – September 2012

DQ Entertainment (DQE), a leading animation, gaming, live action entertainment production and distribution company, today announces its consolidated financial results for the quarter ended September 30, 2012.

I. Financial Highlights for the quarter ended September 2012:

1. Revenue: Rs. 643 mn (2011: Rs. 629mn). Licensing & distribution revenues have increased 21% from Rs. 207 mn to Rs. 251mn for half year ended September 2012. As of now only one home-grown IP i.e The Jungle Book TV Series Season 1 has been launched on a global scale and the story of its success is evident from the increasing revenue numbers achieved from licensing & distribution. With productions of other own IPs namely Peter Pan, Lassie and Robin Hood in process; the Company is confident of achieving its targeted growth in the years to come.
2. The company has invested significantly over the last three years in the distribution business and as at the end of September 30, 2012 the net investments in the distribution business stands at approximately Rs. 4,250 mn. We expect FY13 to be the year of peak investments in the distribution business. With most of the properties expected to be delivered over the next 18-24 months, we expect this business to deliver significant net cash flows from FY14 onwards.
3. The Company's performance is on target as per the approved budget and expects to meet its target for the financial year ending March 2013.
4. The financial liquidity squeeze in the global market has also impacted the Company resulting in delays in recoveries of receivables. The company has made significant efforts to reduce the receivables position and is confident of reducing the overall receivables position by the end of Financial Year 2013.
5. The company has incurred a foreign exchange loss of Rs79.8 mn for the quarter ended September 30, 2012 compared to a gain of Rs27.2 mn for the corresponding quarter in the previous year. These losses have arisen on restatement of the foreign currency balances of receivables and payables at the exchange rate as on the closing date. The foreign exchange loss of Rs79.8 mn has an unrealised loss of Rs74.2 mn. This unrealised loss will be reversed in subsequent quarters. However for the six months period ended 30 September 2012, the impact on account of foreign exchange loss is Rs. 5.63 mn
6. The financial results of DQ Entertainment (International) Limited, India on standalone basis are in line with the internal estimates.
7. The pre-production of the Jungle Book Feature film is in full swing with all the international talent on board. All the expenses are being capitalised resulting in increase of intangible assets by Rs. 257 mn.

Tapaas Chakravarti, CMD & CEO, said: "We have made substantial progress in Licensing and Distribution of our Intellectual Properties and gone from strength to strength with conclusion of several deals with leading networks and licensees globally. The promotional deal for 'The Jungle Book' with Burger King Worldwide is a feather in the cap along with broadcast deals for our properties such as Robin Hood, Iron Man, Casper, Jungle Book and others with leading networks such as ABC Australia, De Agostini Italy, ATV Turkey.

The company's production pipeline is steady and we have successfully completed deliveries of several TV series such as Casper Season 2, Little Prince Season 2 and Mickey Mouse Club House Season 4.

Our foray into theatrical production with 3D Jungle Book Movie has taken wings with several top rated Hollywood talents on board and we are gathering momentum to conclude distribution deals in various territories.

We remain confident that the global entertainment industry has excellent long term growth prospects, while our business remains well placed for projected growth in the current year."

II. Operational highlights:

A. Production Update

1. Some of the projects completed:

- Casper Season 2 – 52 x 11' 3D with Moonscoop (France) and Harvey Entertainment (USA)
- Little Prince Season 2 – 52 x 22' 3D with Method Animation (France), WDR (Germany), LLPTV (France), Sony BMG, RAI (Italy) and France 3
- Mickey Mouse Club House Season 4 – 7 x 24' 3D for Walt Disney Televisions Animation (USA)

2. New Projects Signed:

"Raz& Benny" with Foothill – Europe: DQE and Foothill Europe have agreed to develop, co-produce and distribute the animated buddy comedy, Raz& Benny with a global production budget of approximately \$7m. The agreement also covers the exploitation of the ancillary rights such as merchandising.

"Little Prince" season 3 with Method Animation – France: DQE and Method Animation, France will co-produce the third season of the highly successful animated 3D TV series "The Little Prince" with a budget of approximately \$9.1m.

3. New Commissions:

- NFL Rush Zone : 26 x 22' 2D TV series for Nicktoons, (USA)
- Rising Star: 26 x 22' 2D TV series co-production with TMS Entertainment, (Japan)
- Lanfeust : 26 x 22' 3D TV series for AlphanimGaumont, (France)



4. Ongoing projects:



- **Mickey Mouse Club House Season 5** (8 x 22') for Walt Disney Television Animation, USA



- **The Jungle Book Season 2:** 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



- **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' 2DTV series with Classic Media-USA, Super Prod, TF1-France, ZDF-Germany and Noga-Israel



- **Robin Hood, Mischief in Sherwood:**52 x 11 3D TV series with Method Animation, TF1, ATV-Turkey, De Agostini and ZDF-Germany



- **Keymon Season 2:**52 x 11'2D TV series with Nickelodeon India



- **Little Prince Season 3:**26 x 11' 3D TV Series with Method Animation, France
- **Lanfeust:**26 x 22' 3D TV series with Alphanim

Handwritten signature

5. Other projects 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
- Story of Amulet
- Magic City
- Phoenix & The Flying Carpet

B. MIPCOM 2012: MIPCOM is one of 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, as the Group concluded agreements worth US\$ 6mn including two new co-production agreements and five licensing & distribution deals. The said revenue is expected to be generated over the next 2 years.

C. The Jungle Book Feature Film Update: The development of feature film is progressing well with a sizzle reel expected to be completed by end of this year. DQE has tapped an experienced team of top tier talent from the world of feature animation, including Screenwriter Billy Frolick (Madagascar, Holy Cow), Co-Directors Jun Falkenstein (The Tigger Movie, The Smurfs, Despicable Me,) and Kevin Johnson (Alvin and the Chipmunks: Chipwrecked, Harry Potter & The Sorcerer's Stone, Astro Boy, Stuart Little), and Production Designer James Hegedus (Shrek). Currently DQE is negotiating with various co-production partners for closing the production budget. Once the teaser is ready, DQE will proceed to finalise on the global distributors. DQE is targeting a 2014 theatrical release for The Jungle Book. .

III. Licensing and Distribution:

DQE is now uniquely positioned as an integrated entertainment production and distribution company, focused on 360 degree monetisation across all platforms.

Broadcasting deals signed during the period:

Sr. No	Name of the broadcaster	Project Name	Territories
1	Disney	The Jungle Book	USA
2	ABC Australia	Casper 2 & Peter Pan	Canada
3	JCCTV	Lassie, Charlie Chaplin & Peter Pan	Arabic Nations
4	Workpoint Entertainment	Robinhood, Charlie Chaplin, Iron Man 2, Lassie, Peter Pan	Thailand



Merchandising deals signed during the period:

S.No	Licensee	Category	Territories
1	US Playing Card	Playing Cards	USA & Canada
2	Hilco	Candies & Confectionaries	USA & Canada
3	Walls 360	Wall Graphics , Wall Decals , Wall Stickers	USA & Canada
4	Zazzle	Clothing Accessories , Cards & Postage , Home & Pets, Office Products , Electronics	USA
5	Allied Product Corp	Spring Book Kids Puzzle, Spring Book Family Puzzle , Majestic Puzzle	USA & Canada
6	Baum Textile Mills	Fleece Fabric , Cotton Fabric	USA & Canada
7	FabricasSelectas USA	Play Balls, Jumping Balls, Bouncers, Marbles, Marble Games, FS-USA Play Ball Inflation Center	USA & Canada

