

# ZEE TELEFILMS LIMITED



EARNINGS RELEASE FOR THE QUARTER ENDED JUNE 30, 2005

**ZEE REPORTS CONSOLIDATED REVENUES OF RS 3,471 MILLION, UP 24.5%  
OPERATING PROFIT INCREASED BY 1.8% TO RS 998 MILLION, AFTER FULLY  
EXPENSING START UP INVESTMENTS OF RS 148 MILLION (4.3% OF REVENUES)  
NET PROFIT UP 12.6% TO RS 779 MILLION  
(Excluding Padmalaya)**

## 1Q FY2006 - Highlights

- ❖ Advertisement revenue was Rs 1,315 million for the first quarter ended June 30, 2005, an increase of 16.7% as compared to the corresponding period last fiscal.
- ❖ Subscription revenue was Rs 1,734 million for the first quarter ended June 30, 2005, an increase of 13.3% as compared to the corresponding period last fiscal.
- ❖ Domestic subscription revenue, including DTH, was Rs 729 million for the first quarter ended June 30, 2005.

**Mumbai, India; July 28, 2005** – Zee Telefilms Limited (ZEE.BO, ZEE.NS) today reported first quarter consolidated revenues of Rs 3,471 million representing a 24.5% growth over the corresponding period in the previous fiscal, excluding Padmalaya. The consolidated operating profit, stood at Rs 998 million, representing a 1.8% growth over the same period last year, excluding Padmalaya. Profit before tax for the first quarter of the fiscal 2006 was Rs 989 million, a growth of 0.5% as compared to the corresponding quarter last year, while Net Profit was Rs 779 million, a growth of 12.6%.

Profit figures as reported above are after expensing of initial investments in new activities viz. Zee Telugu, Zee Smile, Zee Sports and others, amounting to Rs 147.5 million (4.3% of consolidated revenues).

The numbers as published, are after consolidating the financials of ETC Networks Limited (ETC) for the first quarter of FY2006, however, without consolidating the financials of Padmalaya, since Zee has divested its stake in Padmalaya. For a like to like comparison, we have excluded the financials of Padmalaya from 1Q FY2005. Also, to conform to industry practices, advertising revenue has been reported net of agency commission. Previous period figures are also reported on net advertising revenues to make them comparable.

**Zee Telefilms Limited**

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The Board of Directors in its meeting held today, has taken on record the unaudited consolidated financial results of Zee Telefilms Limited and its subsidiaries for the quarter ended June 30, 2005.

Mr. Subhash Chandra, Chairman and Managing Director, stated, "We had a fairly good first quarter and we are set for a good performance in FY2006. We are happy that our efforts to further improve the quality of content have started to show results. We have increased the GRPs of Zee channels over the previous year, while maintaining lead in Hindi movies, music and regional language channels. We have gained momentum and shall build on our success in the coming year."

Mr. Pradeep Guha, CEO, commented, "There is a clear trend of increasing viewership evident in our channels. We have simultaneously revamped our sales network reflected in improved results. Of the several forthcoming attractions, *Rabba Ishq Na Hove*, a new prime time show launched on Zee TV channel, shows immense promise. Other forthcoming attractions include *Business Baazigar*, a reality show for identifying entrepreneurial talent, and *Kam Ya Jyada*, an exciting game show with an imported format."

### Condensed statement of operations

The table below presents the condensed statement of operations for Zee Telefilms Limited and its subsidiaries for the first quarter of FY2006 versus FY2005, excluding Padmalaya.

(Rs million)	First Quarter		% Growth
	FY2006	FY2005	
Operating Revenues	3,471	2,787	24.5
Expenditure	2,473	1,807	36.9
<b>Operating Income</b>	<b>998</b>	<b>980</b>	<b>1.8</b>
Add: Other Income	113	155	(26.9)
Depreciation	97	77	25.9
Finance Expenses	25	74	(66.0)
PBT before exceptional items	989	983	0.5
Less: Exceptional Item	-	-	-
Less: Provision for Tax	210	292	(28.1)
<b>Profit After Tax</b>	<b>779</b>	<b>691</b>	<b>12.6</b>
Minority Interest	19	20	(5.0)



### Revenue Streams

Zee's revenues are generated primarily from advertising sales and subscription revenues. Other sales and services include revenues from film production and distribution, syndication, education sales and sale of set top boxes.

The following table sets forth the percentage of revenues that each type contribute to consolidated revenues for the first quarter of 2006 and 2005.

(Rs million)	First Quarter		% of total revenues	
	FY2006	FY2005	FY2006	FY2005
Advertising revenue	1,315	1,126	37.9	40.4
Subscription revenue	1,734	1,530	49.9	54.9
Other sales and services	422	130	12.2	4.7
<b>Total Revenues</b>	<b>3,471</b>	<b>2,787</b>	<b>100.0</b>	<b>100.0</b>

Zee's advertising revenues increased handsomely to Rs 1,315 million, a 16.7% growth as compared to the corresponding quarter last fiscal. From 1QFY2006, advertising revenues are being reported net of agency commission. Similar change has been reflected in previous period revenues to make it comparable. This growth in advertising revenues was a result of higher average rates on most of the network channels.

Overall subscription revenues at Rs 1,734 million, registered an increase of 13.3% over the corresponding quarter last fiscal. Domestic pay revenues stood at Rs 729 million.

Other sales and services, recorded a growth of 224.2% to Rs 422 million, from Rs 130 million recorded during the corresponding period last year.

### Expenditure

Zee's main expenses include cost of goods and operations, employee cost and administrative and selling expenses. Overall, the cost of goods and operations went up 40.4% compared to the corresponding period last year, mainly due to investments made in new channels like Zee Sports, Zee Smile, Zee Telugu, Zee Jagran and on marketing spend on Dish TV.

Personnel cost were higher than corresponding period last year. Other costs, including marketing and administrative costs have increased by 33.0%. As a result, total expenses were higher by 36.9%.

Operating profit has recorded a growth of 1.8% to Rs 998 million, while operating profit margin was at 28.7%, as compared to 32.3% achieved during fourth quarter of FY2005. As mentioned earlier, this quarter has seen investments amounting to Rs 147.5 million in

## EARNINGS RELEASE FOR THE QUARTER ENDED JUNE 30, 2005



programming, marketing and distribution, which will yield benefit in the coming months, but have been expensed fully.

The following table sets forth the percentage of costs that each type contribute to consolidated expenses for the first quarter of 2006 and 2005.

(Rs million)	First Quarter		% of total expenses	
	FY2006	FY2005	FY2006	FY2005
Cost of goods and operations	1,705	1,215	68.9	67.2
Employee cost	264	213	10.7	11.8
Other expenses	504	379	20.4	21.0
<b>Total Expenses</b>	<b>2,473</b>	<b>1,807</b>	<b>100.0</b>	<b>100.0</b>

Due to effective capital restructuring, finance cost has come down by 66.0% to Rs 25 million, down from Rs 74 million in the corresponding quarter last year. Overall, profit before tax increased by 0.5% to Rs 989 million, while profit after tax was higher by 12.6% at Rs 779 million.

### Segment Performance

The Company is a diversified entertainment company with a multi-pillar approach to business. Its operations lie in four segments: (i) Content and broadcasting, (ii) Access (iii) Film Production and distribution (iv) Education and (v) Others.

The table below presents Zee's first quarter performance for FY2006 versus FY2005 in the key segments.

(Rs million)	First quarter revenues		% of total revenues	
	FY2006	FY2005	FY2006	FY2005
Content and broadcasting *	2,585	2,468	74.5	88.6
Access #	610	412	17.6	14.8
Film Prodn. / Distribution	2	-	-	-
Education	36	23	1.0	0.8
Others	339	-	9.8	-
Less: Inter-segment rev.	(101)	(116)	(2.9)	(4.2)
<b>Total Revenues</b>	<b>3,471</b>	<b>2,787</b>	<b>100.0</b>	<b>100.0</b>

\* Content Business includes all Broadcasting and content production companies in India and abroad of Zee Telefilms Limited, ETC Networks Limited.

# Access Business includes Siticable, Zee Turner and distribution segment of ZTL.



## Highlights

In content and broadcasting, many new initiatives were undertaken to enhance market leadership. There has been consistent growth in the share of **Zee TV** channel during the quarter. In a top 100 programme contribution during the first quarter, Zee TV is the only channel, which has witnessed growth over the same period last year, recording a 10% higher viewership (in C&S 15-44, SEC ABC, Hindi speaking markets). Competition has lost viewership in the same period.

The newly launched *Sinndoor – Tere Naam Ka*, has been well received by audience across the country. *Tumhari Disha*, has picked up strongly due to a renewed interest in differentiated content. *Time Bomb*, a thriller has done well, while *Rabba Ishq Na Hove* has just been launched.

**Zee Cinema**, the Number 1 Hindi movie channel, has increased its channel share and has now become the number 2 channel, gaining significant lead over competition. **Zee Smile**, the fun and comedy channel from Zee Network continued to record improvements.

## New businesses

The Dish TV service is generating good response on its 'Har Chatt Par' offer, which would have a positive impact on content and service revenues for the Company. The subscriber numbers have crossed 300,000 and are growing at the rate of about 2,500 per day. The potential subscription revenue form these subscribers, realizable after a one-year gap, would be significant.



**Note: This earnings release contains consolidated results that are unaudited, and prepared as per Indian Generally Accepted Accounting Principles (GAAP).**

## Caution Concerning Forward-Looking Statements

This document includes certain forward-looking statements. These statements are based on management's current expectations or beliefs, and are subject to uncertainty and changes in circumstances. Actual results may vary materially from those expressed or implied by the statements herein due to changes in economic, business, competitive, technological and/or regulatory factors. Zee Telefilms Limited is under no obligation to, and expressly disclaims any such obligation to, update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.



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**About Zee**

Zee is India's largest vertically integrated media and entertainment company. It is the largest producer and aggregator of Hindi programming in the world with an extensive library housing television content, movie titles and news content. Zee is also India's largest cable distributor through its wholly owned subsidiary, Siticable. Zee's channels are widely distributed across many countries, especially for South Asian audiences. It is a significant player in the film production, music publishing and education business. Zee's well known brands include Zee TV, Zee Cinema, Zee News, Zee Music, Zee Marathi, Zee Punjabi, Zee Bangla, Zee Gujarati, Zee Telugu, Zee Cafe, Zee Studios and Zee Trendz. More information about Zee and its businesses is available at [www.zee television.com](http://www.zee television.com).