



## ZEE ENTERTAINMENT ENTERPRISES LIMITED

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### EARNINGS RELEASE FOR THE QUARTER ENDED DECEMBER 31, 2008

#### 3Q FY2009 - Highlights

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- ❖ Total revenues were Rs 5,456 million for the third quarter ended December 31, 2008, an increase of 5% as compared to the corresponding period last fiscal.
- ❖ Advertising revenues were Rs 2,684 million and Subscription revenues are Rs 2,274 million for the third quarter ended December 31, 2008, an increase of 2% and 17% respectively as compared to the corresponding period last fiscal.
- ❖ Operating profit (EBITA) margin stood at 20%.
- ❖ Year to date revenues increased by 27% and profit after tax increased by 45% as compared to the corresponding period last fiscal.

**Mumbai, India; January 21, 2009** - Zee Entertainment Enterprises Limited (ZEEL) (BSE: 505537, NSE: ZEEL.EQ) today reported its third quarter fiscal 2009 consolidated revenues of Rs 5,456 million, representing a 5% growth over the corresponding period in the previous fiscal. With this, the year to date revenues of the company is now up 27% as compared to the corresponding period last fiscal. The consolidated operating profit (EBITA) for the third quarter of this fiscal stood at Rs 1,116 million, profit before tax stood at Rs 1,132 million and profit after tax at Rs 840 million. Operating profit (EBITA) margin for the third quarter stood at 20%.

The numbers as published are after consolidating the financials of Taj TV Limited (Taj), ETC Networks Limited (ETC) and Zee Turner Limited. The Board of Directors in its meeting held today, has taken on record the unaudited consolidated financial results of ZEEL and its subsidiaries for the quarter ended December 31, 2008.

Mr. Subhash Chandra, Chairman, ZEEL, stated, "The Entertainment & Media industry is also seeing the impact of the overall downturn in the global economy. We are in the midst of a downward trend in advertisement revenues. However, this is being offset through a growth in subscription revenues, reemphasizing that the company is broad-based and less vulnerable to changes in advertising revenues. Zee Entertainment Enterprises Limited is built on sound



fundamentals and I can say with confidence that we have the resilience to show a growth momentum in the months ahead.”

Mr. Punit Goenka, Chief Executive Officer and a Whole Time Director, ZEEL, commented, “Our channel shares remained steady across genres. We widened our footprint across the globe and across customer segments, thus retaining our position of preeminence in the GEC business. The emphasis of the company remains revenue leadership and we initiated several exercises to trim costs that will help us remain productive and competitive during the coming quarters. Our teams worked hard to offer our customers well-designed content and a wider variety of interesting programming designed to satisfy different tastes. This will continue to be our formula for success”

### **Business Performance**

Zee TV ratings for the quarter were affected due to the strike by the members of Federation of Western India Cine Employees. Excluding the strike period, the channel delivered 201 weekly GRPs on an average during this quarter and attained a channel share of 18% in the Hindi General Entertainment Channel (GEC) genre. On a like to like basis, the relative channel share of Zee TV remained steady over the second quarter of this fiscal. The channel dominated its genre in the Top 50 and Top 100 programme chart, with a weekly average of 15 out of the top 50 programmes and 31 out of the top 100 programmes. *Sa Re Ga Ma Challenge 2009, Maayka and Kasamh Se* were the top rated programmes on the channel this quarter. New shows such as *Chhoti Bahu and Shree* are already delivering high ratings and going forward, the channel is set to consolidate its offering with new shows such as *Dance India Dance, Monica Mogre Case Files and Maa*.

Zee Cinema continues to lead the Hindi Cinema genre with 34% channel share this quarter. This was primarily achieved through an adept programming mix, prudent library utilization along with strong consumer connect initiatives such as *Klub MJ Hunt and Malamaal Diwali*.

In the English GEC space, Zee Café garnered 22% channel share and ranked third in the genre on viewership. Properties such as *Miss World '08, Brittany For The Record, Planet Rock Profiles* were well received by the audiences of the channel. Zee Studio, the English Movie channel, won Gold at the prestigious 2008 Promax Asia Awards and has been strengthening its imagery by showcasing compelling content.



The **International Business** channels have maintained their dominance across geographies globally and channels such as Zee Aflam and Zee Russia have broken into the lead niche channel ratings charts in their respective markets.

A channel share of 25% was attained in the quarter by **Zee Sports and Ten Sports** through leading sporting events including coverage of the Indian Cricket League, I-League and Federation Cup soccer and various international sports events. Ten Sports acquired the rights to the Pakistan Cricket board during the quarter. Going forward, the channels would continue coverage of the popular Indian Cricket League, I-League and Federation Cup soccer tournaments. Ten Sports would also showcase the England cricket team's tour of West Indies and much awaited Australian cricket team's tour of South Africa.

The **Sports Business** revenues during the third quarter of FY09 were Rs 1,164 million, recording a growth of 34% over the corresponding quarter last fiscal. Costs incurred this quarter were Rs 979 million, an increase of 19% over the corresponding quarter last fiscal. Revenues and Cost include advertising revenues on telecast of ICL Matches passed on to Essel Sports Limited.

**Zee Next**, the other Hindi general entertainment channel of the company continues to be on maintenance mode and has incurred losses of Rs 81 million in the quarter.

**Zee Entertainment Studio (ZES)**, the Film Production & Distribution Business of the company released five feature films in the quarter- one each in Hindi, Kannada and Marathi and two in Bangla. One Kannada film and one Bangla film were released in December 2008, the costs of which were booked in the third quarter as per the amortization policy, but revenues to their full potential will accrue in the fourth quarter of this fiscal. Also, collections of the Hindi and Marathi movie released in November 2008 were affected by the overall sentiment prevailing due to the terror attack in Mumbai. ZES, as a division of ZEEL, registered revenues of Rs 36 million and incurred costs of Rs 139 million in the current quarter. Year to date, the division has registered revenues of Rs 255 million and incurred costs of Rs 277 million.

**Total costs** incurred by the company this quarter were Rs 4,339 million, showing an increase of 19% over the corresponding quarter last year. However, costs have been maintained at the same level as those incurred by the company in the second quarter of this fiscal, when the company's total costs were Rs 4,294 million.



## Condensed Statement of Operations

The table below presents the condensed statement of operations for Zee Entertainment Enterprises Limited and its subsidiaries for the third quarter of FY2009 versus FY2008.

(Rs million)	Third quarter		% Growth
	FY2009	FY2008	Y o Y
Operating Revenues	5,456	5,182	5%
Expenditure	4,339	3,660	19%
<b>EBITA</b>	<b>1,116</b>	<b>1,522</b>	<b>(27%)</b>
Add: Other Income	401	238	69%
Finance Expenses*	386	167	131%
<i>*Includes Forex Derivative Loss of Rs. 116 Mn.</i>			
<b>Profit Before Tax</b>	<b>1,132</b>	<b>1,592</b>	<b>(29%)</b>
Less: Provision for Tax	318	458	(31%)
<b>Profit After Tax</b>	<b>840</b>	<b>1135</b>	<b>(26%)</b>
Minority Interest	15	38	

## Revenue Streams

ZEEL's revenues are generated primarily from Advertising Revenues, Subscription Revenues and Other sales and services which comprise revenues from syndication, film distribution and education sales. The following table sets forth the percentage of revenues that each type contributed to consolidated revenues in the third quarter of FY2009 and FY2008.

(Rs million)	Third Quarter		% of total revenues		% Growth
	FY2009	FY2008	FY2009	FY2008	Y o Y
Advertising revenues	2,684	2,638	49%	51%	2%
Subscription revenues	2,274	1,950	42%	38%	17%
Other sales and services	497	594	9%	11%	(16%)
<b>Total Revenues</b>	<b>5,456</b>	<b>5,182</b>	<b>100%</b>	<b>100%</b>	<b>5%</b>

ZEEL's advertising revenues were Rs 2,684 million, a 2% growth as compared to the corresponding quarter last fiscal. Lower growth percentage in advertising revenues in the third quarter is largely attributed to slow down in the macro economy which led to poor festival



season spends by advertisers. Non availability of original content for telecast on Zee TV due to strike of TV production crews in Mumbai in November 2008 also had an impact on the growth of advertising revenues. Overall subscription revenues were at Rs 2,274 million registering an increase of 17% over the corresponding quarter last fiscal. During the current quarter, domestic subscription revenues stood at Rs 1,127 million while international subscription revenues were Rs 1,147 million. Revenues from domestic DTH operators, already included above in domestic subscription revenues, were Rs 283 million. During the current quarter, ZEEL had initiated a major deactivation drive to enforce recovery of dues from cable operators. This impacted the sequential growth of domestic cable subscription revenues in the quarter. Other sales and services, comprising of syndication sales, income from education business, income from film distribution, play out and production services, events and commission on advertisements and subscription sales, stood at Rs. 497 million.

### Expenditure

ZEEL's main expenses include cost of goods and operations, employee cost and administrative and selling expenses. The following table sets forth the percentage of costs that each type contributed to the consolidated expenses in the third quarter of FY 2009.

(Rs. Million)	Third Quarter		% of Total Expenses		% Growth
	FY2009	FY2008	FY2009	FY2008	Y o Y
Prog. & operating cost	2,684	2,549	62%	70%	5%
Employee cost	382	312	9%	9%	23%
Selling & other expenses	1,189	753	27%	21%	58%
Depreciation	84	47	2%	1%	79%
<b>Total Expenses</b>	<b>4,339</b>	<b>3,660</b>	<b>100%</b>	<b>100%</b>	<b>19%</b>

Overall, Programming & operating cost increased to Rs 2,684 million as compared to the Rs 2,549 million in the corresponding period last year, an increase of 5%. This includes startup cost of Zee Next and Zee Entertainment Studio, as well as higher cost of movie rights and advertising revenues on telecast of ICL Matches passed on to Essel Sports Limited. Excluding the impact of these items, the Programming and operating cost, on a like-to-like basis has in fact reduced by 11% over the corresponding period last fiscal.



Selling & other expenses are up by 58%. This includes expenses towards placement fees, off air marketing etc. Personnel cost in this quarter is adjusted for reversal of provision for Staff Incentives made in the current year second quarter. As a result, personnel cost incurred in the current year third quarter is lower than that incurred in the current year second quarter.

### **Operating Margin (EBITA)**

During the quarter, the company's operating profit (EBITA) was Rs 1,116 million, a decrease of 27% over the corresponding period last fiscal. Operating margin (EBITA margin) stood at 20%. Operating margins were impacted due to increase in selling expenses this quarter.

### **Interest and other expenses**

Finance expenses are Rs 386 million in the third quarter including losses of Rs 116 million on account of Forex derivative transaction as against Rs 97 million of losses during the corresponding period last fiscal. The above figure also includes losses of Rs 147 million incurred by the company towards exchange on remittance of advertising and subscription revenues from India to its overseas subsidiary Taj TV Mauritius (Ten Sports).

### **Profit Before Tax and Profit After Tax**

in the third quarter of FY 2009 Profit before tax (PBT) stood at Rs 1,157 million while Profit after tax (PAT) was Rs 840 million. This represents a decrease of 29% and 26% respectively over the corresponding quarter last fiscal.



## Segment Performance

The company is a diversified entertainment company with a multi-pillar approach to business. Its operations lie in 3 segments: (i) Content and broadcasting, (ii) Education, and (iii) Film production and distribution

The table below presents ZEEL's third quarter performance for FY2009 as compared to the FY2008 in the key segment.

(Rs million)	Third Quarter Revenues		% of total revenues	
	FY2009	FY2008	FY2009	FY2008
Content and Broadcasting	5,362	5,182	98%	100%
Education	58	-	1%	-
Film Production & Distribution	36	-	1%	-
<b>Total Revenues</b>	<b>5,456</b>	<b>5,182</b>	<b>100%</b>	<b>100%</b>

## Corporate Developments

### Outlook Revision

The advertising revenues for the current fiscal are likely to register a growth of 15% over last fiscal and the subscription revenues for the current fiscal are likely to register a growth of 23% over last fiscal. The operating profit (EBITA) for the current fiscal is likely to register a 5% growth over the number recorded in the last fiscal and the operating margin (EBITA) for the current fiscal is likely to reduce to 25% from 28% last fiscal.

### Zee News Sales

Hitherto advertising sale of some Zee News Limited (ZNL) channels was being done through ZEEL. From the fourth quarter of FY 2009, advertising sale of these channels shall no longer be done through ZEEL. Employees on ZEEL pay roll who were engaged in ZNL advertising sales, have also been transferred to ZNL pay roll. Hence commission income on advertising sale and corresponding expenses will no longer be booked under ZEEL.



### Promoter Share Holding

There has been no change in the shareholding of promoter and promoter group companies since the beginning of this fiscal and it remains at 41.5% of the total shareholding as on December 31, 2008.



<p><b>Note: This earnings release contains consolidated results that are unaudited and prepared as per Indian Generally Accepted Accounting Principles (GAAP).</b></p>
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### 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 Entertainment Enterprises 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 ZEEL

ZEEL is one of India's largest media and entertainment companies. It is the largest producer and aggregator of Hindi programming in the world with an extensive library housing television content and movie titles. ZEEL's channels are widely distributed across many countries, especially for South Asian audiences. It is a significant player in the film production and education business. ZEEL's well known brands include Zee TV, Zee Cinema, Zee Sports, Zee Muzic, Zee Jagran, Zee Premiere, Zee Classic, Zee Action, Zee Next, Zee Cafe, Zee Studio and Zee Trendz. More information about ZEEL and its businesses is available on [www.zeetelevision.com](http://www.zeetelevision.com)