

ZEE TELEFILMS LIMITED



EARNINGS RELEASE FOR THE QUARTER ENDED MARCH 31, 2005

ZEE REPORTS CONSOLIDATED REVENUES OF RS 3,878 MILLION, UP 10.1%

OPERATING PROFIT INCREASED BY 24.4% TO RS 1,255 MILLION

PROFIT BEFORE TAX UP 12.6% TO RS 1,247 MILLION

NET PROFIT UP 11.4% TO RS 927 MILLION

(Excluding Padmalaya)

4Q FY2005 - Highlights

- ❖ Advertisement revenue was Rs 2,029 million for the fourth quarter ended March 31, 2005, an increase of 9.8% as compared to the corresponding period last fiscal.
- ❖ Subscription revenue was Rs 1,674 million for the fourth quarter ended March 31, 2005, an increase of 7.5% as compared to the corresponding period last fiscal.
- ❖ Domestic subscription revenue, including DTH, was Rs 723 million for the fourth quarter ended March 31, 2005.
- ❖ Excluding the FCCB issue, gross debt reduced by Rs 3.7 billion to Rs 1.0 billion during FY2005.

Mumbai, India; April 29, 2005 – Zee Telefilms Limited (ZEE.BO, ZEE.NS) today reported fourth quarter consolidated revenues of Rs 3,878 million representing a 10.1% growth over the corresponding period in the previous fiscal, excluding Padmalaya. The consolidated operating profit, excluding Padmalaya, stood at Rs 1,255 million, representing a 24.4% growth over the same period last year, excluding Padmalaya. Profit before tax for the fourth quarter of the fiscal 2005 was Rs 1,247 million, a growth of 12.6% as compared to the corresponding quarter last year, while Net Profit was Rs 927 million, a growth of 11.4%, after providing Rs 47 million as exceptional item.

The numbers as published, are after consolidating the financials of ETC Networks Limited (ETC) for the fourth quarter of FY2005, however, without consolidating the financials of Padmalaya, since Zee has divested its stake in Padmalaya.

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 March 31, 2005.

Zee Telefilms Limited

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Mr. Subhash Chandra, Chairman and Managing Director, stated, "Though we had a fairly good fourth quarter, we are set for a better performance in FY2006. We have made quite a few critical changes, which would allow us to be more productive, going forward. Starting with appointment of Pradeep Guha as CEO for our content business, we have put in place a very strong management team. 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 consistently over the previous quarter, while maintaining lead in Hindi movies, music and regional language channels. We have gained momentum in taking the company to the path of sustainable growth and plan to build on our success in the coming year."

Mr. Pradeep Guha, CEO, commented, "Our effort of improving the product quality is an ongoing one and would translate into increased consumer demand. The re-branding exercise we undertook during the quarter weaves a thread of common identity between our many diverse brands and brings us closer to our younger audience."

Elaborating on the content initiatives, Mr. Guha continued, "*Sinndoor Tere Naam Ka*, a new prime time drama launched on Zee TV channel, shows immense promise and already ranks among the top few shows on the channel. Our flagship event – The *Zee Cine Awards* was very successful in building a bond with subscribers in UK, as well as with viewers all over the world. The forthcoming attractions include *Sarkar*, an intense drama in a political backdrop and *Business Baazigar*, a reality show for identifying entrepreneurial talent."

Condensed statement of operations

The table below presents the condensed statement of operations for Zee Telefilms Limited and its subsidiaries for the fourth quarter of FY2005 versus FY2004, excluding Padmalaya.

(Rs million)	Fourth Quarter		
	FY2005	FY2004	% Growth
Operating Revenues	3,878	3,521	10.1
Expenditure	2,623	2,512	4.4
Operating Income	1,255	1,009	24.4
Add: Other Income	124	271	(54.2)
Depreciation	95	75	26.7
Finance Expenses	37	98	(62.2)
PBT before exceptional items	1,247	1,107	12.6
Less: Exceptional Item	47	-	-
Less: Provision for Tax	273	275	(0.7)
Profit After Tax	927	832	11.4



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The table below presents the condensed statement of operations for Zee Telefilms Limited and its subsidiaries, for FY2005 versus FY2004, excluding Padmalaya.

(Rs million)	Twelve Months		% Growth
	FY2005	FY2004	
Operating Revenues	13,954	12,640	10.4
Expenditure	9,594	8,629	11.2
Operating Income	4,360	4,011	8.7
Profit After Tax	3,175	2,948	7.7

The table below presents the condensed statement of operations for Zee Telefilms Limited and its subsidiaries for the fourth quarter of FY2005 versus FY2004, as published.

(Rs million)	Fourth Quarter		% Growth
	FY2005	FY2004	
Operating Revenues	3,878	3,832	1.2
Expenditure	2,623	2,706	(3.1)
Operating Income	1,255	1,126	11.5
Add: Other Income	124	273	(54.6)
Depreciation	95	86	10.5
Finance Expenses	37	100	(63)
PBT before exceptional items	1,247	1,213	2.8
Exceptional Item	47	-	-
Provision for Tax	273	305	(10.5)
Profit After Tax	927	908	2.1
Minority Interest	4	77	-

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 fourth quarter of 2005 and 2004, excluding Padmalaya.

(Rs million)	Fourth Quarter		% of total revenues	
	FY2005	FY2004	FY2005	FY2004
Advertising revenue	2,028	1,843	52.3	52.5
Subscription revenue	1,674	1,557	43.2	44.2
Other sales and services	175	121	4.5	3.3
Total Revenues	3,878	3,521	100.0	100.0

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Zee's advertising revenues increased handsomely to Rs 2,028 million, a 9.8% growth as compared to the corresponding quarter last fiscal. This growth in advertising revenues was a result of higher average rates on most of the network channels.

Overall subscription revenues at Rs 1,674 million, registered an increase of 7.5% over the corresponding quarter last fiscal. Domestic pay revenues stood at Rs 723 million.

Other sales and services, recorded a growth of 50.8% to Rs 175 million, from Rs 116 million recorded during the corresponding period last year, excluding Padmalaya.

Expenditure

Zee's main expenses include transmission and programming cost, employee cost and administrative and selling cost. Overall, the programming and transmission cost went up 41.3% compared to the corresponding period last year, mainly due to investments made in high profile events, particular to the quarter and the development of new channel initiatives.

Personnel cost were higher than corresponding period last year. Other costs, including marketing and administrative costs have declined by 26.7%. As a result, total expenses were higher by 4.5%, excluding Padmalaya.

Operating profit has recorded a growth of 24.3% to Rs 1,255 million, while operating profit margin was at 32.4%, as compared to 28.7% achieved during the corresponding quarter last year, excluding Padmalaya.

The following table sets forth the percentage of costs that each type contribute to consolidated expenses for the fourth quarter of 2005 and 2004, excluding Padmalaya.

(Rs million)	Fourth Quarter		% of total expenses	
	FY2005	FY2004	FY2005	FY2004
Transmission & Programming cost	1,421	1,006	54.2	40.1
Employee cost	243	197	9.3	7.8
Other expenses	959	1,309	36.5	52.1
Total Expenses	2,624	2,512	100.0	100.0

Due to effective capital restructuring, finance cost has come down by 62.7% to Rs 37 million, down from Rs 98 million in the corresponding quarter last year. During FY2005, Zee has repaid Rs 3.7 billion from its gross debt. Overall, profit before tax increased by 12.6% to Rs 1,247 million. After providing for loss of Rs 47 million, on account of difference between the fair market value of land and the book value of our investments in PEPL, Profit After Tax was Rs 927 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 fourth quarter performance for FY2005 versus FY2004 in the key segments.

(Rs million)	Fourth quarter revenues		% of total revenues	
	FY2005	FY2004	FY2005	FY2004
Content and broadcasting *	3,571	3,549	92.1	92.6
Access #	450	419	11.6	10.9
Film Prodn. / Distribution	23	4	0.6	0.1
Education	34	36	0.9	1.0
Others	-	51	-	1.3
Less: Inter-segment rev.	(200)	(227)	(5.2)	(5.9)
Total Revenues	3,878	3,832	100.0	100.0

* 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. The average channel share has increased by 4% (in C&S 4+, Hindi speaking markets) during the quarter compared to the third quarter of FY2005, whereas competition has lost average channel share in the same period. During the first three weeks of April 2005, Zee TV has established a clear lead over most of the competition in the 7 pm - 9 pm band.

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. With more promising launches in the next 2-3 months, further momentum would be generated.

Zee Cinema, the Number 1 Hindi movie channel, has increased its channel share by 21% during 4Q FY2005, gaining significant lead over competition. **Zee Smile**, the fun and comedy channel from Zee Network has increased its channel share by 95%. The continued uptrend in Zee Smile has seen it gain lead over Star One and Star Utsav during the first few weeks of April 2005.



New businesses

ASC Enterprises Limited has commenced its full service Direct to Home (DTH) services under the brand **dishtv**. Zee's television channels are being marketed as part of the DTH bouquet. **dishtv** has recently launched an attractive, consumer-friendly promotional offer called "Har Chhat Par" scheme. Under the offer, subscribers can get a new DTH connection for Rs 3,990 including the digital set-top box and one year's subscription fees. With increased marketing thrust, subscriber take-up is expected to move up, which would have a positive impact on Zee's content and service revenues.

The matter relating to Cricket Rights remains sub-judice. The Company has already launched test signals of its sports channel, styled as **Zee Sports**.

Zee Telugu, our new regional language channel is presently establishing itself in the Telugu viewing market.



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.

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

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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.