



## **EARNINGS RELEASE FOR THE QUARTER ENDED JUNE 30, 2014**

Advertising Revenues of Rs 6,221 Mn, Up 17.4% yoy

Subscription Revenues of Rs 4,428 Mn

Consolidated Operating Revenues of Rs 10,857 Mn

EBITDA of Rs 3,092 Mn, Up 6.1% yoy; EBITDA Margin of 28.5%

Profit After Tax of Rs 2,100 Mn; PAT Margin of 19.3%

### **Q1 HIGHLIGHTS**

- ❖ Advertising revenues for the quarter were Rs 6,221 million, recording a growth of 17.4% over Q1 FY14. Once again, ZEE has outperformed the industry growth rate which is in low double digits.
- ❖ Subscription revenues were Rs 4,428 million for the quarter ended June 30, 2014.
- ❖ During the quarter, domestic subscription revenues stood at Rs 3,238 million. Though the reported revenue reflects a growth of 2.2%, like-to-like growth is in high single digits (difference due to accounting changes necessitated by change in TRAI's content aggregator regulation). During the quarter, international subscription revenues were Rs 1,189 million, recording a growth of 10.8% over last fiscal.
- ❖ Consolidated operating revenues for the quarter stood at Rs 10,857 million, recording a growth of 11.6% as compared to the corresponding quarter last fiscal.
- ❖ Operating profit (EBITDA) for the quarter stood at Rs 3,092 million, recording a growth of 6.1% over Q1 FY14. EBITDA Margin stood at a healthy 28.5%.
- ❖ Profit after Tax (PAT) for the quarter ended June 30, 2014 was Rs 2,100 million. PAT Margin stood at 19.3%.

**Mumbai, July 18, 2014:** Zee Entertainment Enterprises Limited (ZEE) (BSE: 505537, NSE: ZEEL.EQ) today reported its first quarter fiscal 2015 consolidated revenue of Rs 10,857 million. The consolidated operating profit (EBITDA) for the quarter stood at Rs 3,092 million, recording a growth of 6.1% over corresponding period of previous fiscal. PAT for the quarter was Rs 2,100 million. The EBITDA margin for the quarter stood at 28.5% and the PAT margin was 19.3%.

The Board of Directors in its meeting held today, has taken on record the unaudited consolidated financial results of ZEE and its subsidiaries for the quarter ended June 30, 2014.

Mr. Subhash Chandra, Chairman, ZEE, stated, "The latest Economic Survey released by the government indicates a gradual recovery in the economy, with it likely to grow in the range of 5.4 to 5.9 percent in FY2015 overcoming the sub-5 percent GDP growth of past two years. However, the factors like poor monsoon and disturbed external environment may have an adverse impact on the growth recovery. During the quarter, the industry has seen a positive rub-off effect of Election spending on the TV ad spends. In this backdrop, we expect television media industry to continue on its double-digit growth path."

Commenting on the results of the Company, Mr. Chandra added, "Our performance during the quarter reflects the investments that ZEE is making to grow its business and market share. This has been accompanied by a strong improvement in the operating performance of the existing businesses. In a highly competitive space, ZEE continues to build its media assets and in the process continues to create value for the shareholders. We have a strong balance sheet and I am confident that we would take advantage of the growth opportunities ahead of us."

Mr. Punit Goenka, Managing Director and Chief Executive Officer, ZEE, commented, "The quarter gone by has been a satisfactory quarter for us. The network share is up as compared to the corresponding quarter last fiscal, which has translated into a strong performance on the advertising front, outpacing the industry growth rate yet again. On the subscription front, pursuant to the change in content aggregator regulation, we have discontinued the distribution of our channels through the joint venture MediaPro and now the channels are distributed by Taj Television India Pvt. Ltd., a wholly owned subsidiary of ZEE. The new channel launched during the quarter, Zindagi, has received encouraging response from audiences, advertisers as well as distribution partners. As a result of our consistent performance, we continue to maintain healthy EBITDA margins on our businesses. In fact,

the EBITDA margins on our existing businesses have expanded, even as we continue to invest in new businesses.”

Speaking about the outlook for the business, Mr. Goenka continued, “The rollout of digitization, even though with some delays, is a positive development for the industry and will provide new growth opportunities throughout the television media value chain. Digitization will lead to fragmentation of audiences as consumers will have more options. At ZEE, we believe this presents a huge opportunity to create new products for specific segments. Advertising spends on television are expected to grow in healthy double digits over next many years. Rollout of BARC and change in advertising currency from CPRP to CPT is expected to give it a positive fillip. Development and effective monetization of newer avenues to reach the consumer is one of our focus areas. Creation and acquisition of excellent quality content remains core to our business and we continue to channelize investments to strengthen this core.”

## BUSINESS PERFORMANCE

During the quarter, **Zee TV** recorded a relative share of 16.9% among the top 6 Hindi General Entertainment Channels. The market share was even better in the *Prime Time* band, where Zee TV recorded a relative share of 20%. Zee TV was the No.2 channel in the genre during the quarter. The channel delivered a weekly average of 17 shows among top 100 shows during the quarter led by the top rated shows like *Jodha Akbar*, *Do Dil Bandhe Ek Dori Se* and *Sapne Suhane Ladakpan Ke*. New shows launched during the quarter were *Kumkum Bhagya* and *Gangs of Haseepur*. New launches planned in the forthcoming quarter include *India's Best Cine Stars Ki Khoj*, *Jamai Raja* and *Neeli Chhatri Wale* amongst others.



**Zee Cinema** is the leading channel in its genre with a relative share of 18.8%. The key properties of the channel during the quarter were *Double Mazaa*, *Shanivaar Ki Raat Sitaron Ke Saath* and *Lage Raho*. This quarter saw the premiere of *Mahabharata* (Animation movie).

The network operates two channels in the English entertainment and movies genres - Zee Café and Zee Studio. **Zee Café** is one of the leading channels in its genre and delivered a weekly average of 18 shows in top 100 during the quarter. The top shows on Zee Café were *America's Funniest Home Videos*, *The Vampire Diaries* and *The Big Bang Theory*. The key shows launched in the quarter were *The Middle*, *The Good Wife* and *Ravenswood*. The top performing properties on **Zee Studio** were *Prince of Persia – The Sands of Time*, *Alice in Wonderland* and *Hannah Montana*.

**Zee Khana Khazana**, the premium lifestyle channel from ZEE, has climbed up the ratings chart and is now established as No. 1 lifestyle channel of the Country. The channel delivered a weekly average of 5 shows among top 10 shows during the quarter led by the top performing properties like *Kifayati Kitchen*, *Bacha Party*, and *Ab Har Koi Chef*.



During the quarter, **Zee Marathi** extended its lead as No.1 channel in its genre. The channel recorded a relative share of 51.6% amongst top 3 Marathi GECs. The channel delivered a weekly average of 7 shows among top 10 shows led by top fiction shows like *Honar Soon Me Hya Gharchi*, *Juluni Yeti Reshim Gathi* and *Javai Vikat Ghene Aahe* and non-fiction shows such as *Foo Bai Foo – Naya Hai Yeh*. New launches during the quarter include *Jai Malhar* and *Foo Bai Foo*.

**Zee Bangla** is one of the leading players in the Bangla GEC genre. During the quarter, it recorded a relative share of 36.7%. The channel leads the non-fiction genre with 81% market share. The channel is the slot leader in 6 out of 14 prime time bands during the quarter led by the top rated fiction shows like *Raage Anuraage* and *Rashi* and top rated non-fiction shows like *Sa Re Ga Ma Pa* and *Tumi Je Amar*.

### Top fiction shows on Zee Bangla

Raage Anuraage

Rashi

Agnipariksha

During the quarter, **Zee Telugu** recorded a relative channel share of 19.6%. The top rated fiction shows on the channel during the quarter were *Mangamma Gari Manavaralu*, *Varudhini Parinayam* and *Pasupu Kumkuma*. *One, Family Circus* and *Mayadweepam* were the top rated non-fiction shows.

**Zee Kannada** recorded a relative share of 12.4% during the quarter. Top rated fiction shows on the channel were *Bharathi*, *Radha Kalyana* and *Chi Sou Savitri*. This quarter saw several show launches, including *Onde Gudina Hakkigalu*, *Sagara Sangama* and *Maharshi Vani*. **Zee Tamil** recorded a relative share of 5.7% during the quarter. The top rated shows on the channel include *Solluvathellam Unmai*, *Y This Kolavery* and *Aahaa Enna Porutham*.

The key properties on our **Sports channels** bouquet during the quarter included telecast of *West Indies Vs New Zealand cricket series*, *Wrestlemania* and *UEFA Europa League*. The forthcoming quarter would see the telecast of events like *West Indies Vs New Zealand cricket series*, *Sri Lanka Vs South Africa cricket series*, *Sri Lanka Vs Pakistan cricket series*, *Commonwealth Games*, *Asian Games*, *US Open* and *Tour De France*.



The sports business revenues in the first quarter of FY2015 were Rs 976 million, while costs incurred in this quarter were Rs 964 million.

ZEE's **International operations** constitute a significant part of the Company's revenues. The highlights of the International Operations during the quarter were as follows: In Americas, Zee TV continued to garner the highest viewership share among South Asian networks. In Europe, Zee TV was launched on Tricolor platform, thereby, increasing its subscriber base. Zee TV and Zee Cinema continued to be the Number 1 South Asian channels in their respective genres in the UAE. Zee Aflam continued its successful run as the Number 3 movie channel in All Arabs target audience in KSA. In APAC, the Company launched a new channel called Zee Nung, which is a 24x7 Bollywood movie channel completely dubbed and localized for the local Thai audience.

## CONDENSED STATEMENT OF OPERATIONS

The table below presents the condensed statement of operations for ZEE and its subsidiaries for the first quarter of FY2015 versus FY2014:

(Rs million)	First Quarter		% Growth
	FY2015 (Unaudited)	FY2014 (Unaudited)	YOY
<b>Operating Revenues</b>	<b>10,857</b>	<b>9,733</b>	<b>11.6%</b>
Expenditure	7,765	6,818	13.9%
<b>Operating profit (EBITDA)</b>	<b>3,092</b>	<b>2,915</b>	<b>6.1%</b>
Add: Other Income	390	722	-46.0%
Less: Depreciation	196	87	126.0%
Less: Finance Cost	22	22	-1.4%
PBT before exceptional items	3,264	3,528	-7.5%
Less: Tax Expense	1,164	1,289	-9.8%
Less: Short Provision for tax (Earlier Years)	-	-	
<b>Profit After Tax for the Period</b>	<b>2,100</b>	<b>2,239</b>	<b>-6.2%</b>
Add: Exceptional Item	-	-	-
Profit After Tax after Exceptional Items	2,100	2,239	-6.2%
Add: Share of Profit / (Loss) of Associates	-	-	
Less: Minority Interest	(5)	(8)	

### NOTES

A: Depreciation for the quarter is accounted in accordance with Schedule II of the Companies Act, 2013.

B: Previous period figures have been regrouped wherever necessary

C: Numbers may not add up due to rounding

Consolidated operating revenues for the first quarter of FY2015 stood at Rs 10,857 million, recording a growth of 11.6% as compared to the corresponding quarter last fiscal. Operating profit (EBITDA) for the quarter ended June 30, 2014 was Rs 3,092 million, recording a growth of 6.1% on a y-o-y basis. EBITDA margin for the quarter stood at 28.5%. Profit after Tax (PAT) for the quarter ended June 30, 2014 was Rs 2,100 million. PAT margin for the quarter stood at 19.3%.

The financial results of the quarter are reflective of incremental investments gone into the launch of a new channel, Zindagi, during the quarter. Also, the accounting treatment of



subscription revenues has undergone a change which was necessitated by the change in TRAI's content aggregator regulation. This has had an effect on the reported growth of domestic subscription revenues. Though the reported domestic subscription revenue reflects a growth of 2.2%, like-to-like growth is in high single digits. However, there is no effect of this accounting change on the bottom line.

## REVENUE STREAMS

ZEE's revenues are generated primarily from advertising sales and subscription revenues. The following table sets forth the percentage of revenues that each type contributes to consolidated revenues in the first quarter of FY2015 and FY2014.

(Rs million)	First Quarter		% of total revenues		% Growth
	FY2015	FY2014	FY2015	FY2014	
Advertising revenue	6,221	5,301	57%	54%	17.4%
Subscription revenue	4,428	4,241	41%	44%	4.4%
Other sales and services	208	191	2%	2%	9.0%
<b>Total Revenues</b>	<b>10,857</b>	<b>9,733</b>	<b>100%</b>	<b>100%</b>	<b>11.6%</b>

Refer Notes B and C above

ZEE's advertising revenues during the quarter were Rs 6,221 million, showing an increase of 17.4% y-o-y. Total subscription revenues for the quarter were Rs 4,428 million, registering a growth of 4.4% over the corresponding quarter last fiscal. Though the reported growth during the quarter is in low single digits, underlying growth is higher and is in high single digits. During the current quarter, domestic subscription revenues stood at Rs 3,238 million, while international subscription revenues were Rs 1,189 million.

Other sales and services include syndication sales, film distribution, play out & transmission services, facility usage income among others. During the quarter, other sales and services stood at Rs 208 million. The company had recorded revenue of Rs 191 million under this head during the corresponding period last fiscal.

## EXPENDITURE

ZEE'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 contributes to consolidated expenses for the first quarter of FY2015 as compared to the corresponding period last year.

(Rs million)	First Quarter		% of total expenses		% Growth
	FY2015	FY2014	FY2015	FY2014	YoY
Operating cost	4,340	4,108	56%	60%	5.7%
Employee cost	1,117	956	14%	14%	16.8%
Selling & other expenses	2,308	1,754	30%	26%	31.6%
<b>Total Expenses</b>	<b>7,765</b>	<b>6,818</b>	<b>100%</b>	<b>100%</b>	<b>13.9%</b>

Refer Notes B and C above

Operating cost in the quarter was Rs 4,340 million as compared to Rs 4,108 million in the corresponding period last fiscal, an increase of 5.7%. Employee cost has gone up by 16.8% over the corresponding period last fiscal. Selling & other expenses in the quarter were at Rs 2,308 million, as compared to Rs 1,754 million in the corresponding period last fiscal, registering an increase of 31.6%. Total costs incurred by the Company in this quarter were Rs 7,765 million, an increase of 13.9% over the corresponding period last fiscal.



## **CORPORATE DEVELOPMENTS DURING Q1 FY2015**

**Increase in FIIs Investment Limit in the Company under Portfolio Investment Scheme to 100%:** Reserve Bank of India had on June 2, 2014 issued a Press release (Ref no. 2013-14/2340) advising that the Foreign Institutional Investors (FIIs) can now invest up to 100% of paid up capital of the Company under Portfolio Investment Scheme. The said proposal was earlier approved by the Members by passing a Special Resolution at the Annual General Meeting held on July 25, 2013.

**Update on Acquisition of Media Business Undertaking of Diligent Media Corporation Limited (DMCL):** The Scheme of Arrangement for Demerger of Media Business Undertaking of DMCL vesting with the Company, as approved by the Board of Directors on December 17, 2013, was approved by the Equity Shareholders and Preference Shareholders with requisite majority at their respective Court Convened General Meetings held on June 4, 2014 and also by Public Shareholders (i.e. Equity Shareholders other than those forming part of Promoter and Promoter Group) by passing an Ordinary Resolution through Postal Ballot on June 16, 2014. Company's petition seeking approval of Hon'ble Bombay High Court to the Scheme shall come up for final hearing in September 2014.

## SHAREHOLDING PATTERN

The total shares outstanding of the Company as of June 30, 2014 are 960,448,720. The shareholding pattern as of June 30, 2014 is given below:

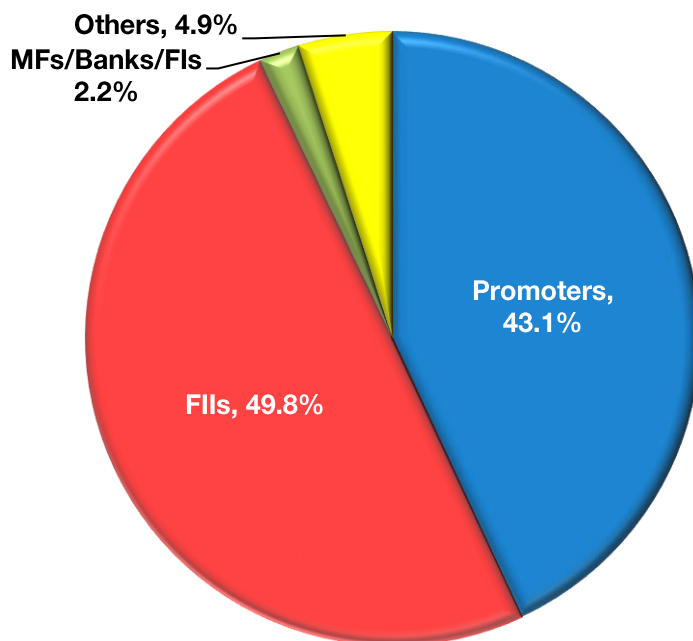


Figure: Shareholding pattern as on June 30, 2014



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

## CHANNEL PORTFOLIO



|| VASUDHAIVA KUTUMBAKAM ||  
THE WORLD IS MY FAMILY

**169 COUNTRIES | 33 DOMESTIC CHANNELS | 35 INTERNATIONAL CHANNELS**  
**730 MILLION+ VIEWERS | 120,000+ HOURS OF TV CONTENT**

### **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.

### **About Zee Entertainment Enterprises Limited ("ZEE")**

Zee Entertainment Enterprises Limited is one of India's leading television media and entertainment companies. It is amongst the largest producers and aggregators of Hindi programming in the world, with an extensive library housing over 120,000 hours of television content. With rights to more than 3,500 movie titles from foremost studios and of iconic film stars, ZEE houses the world's largest Hindi film library. Through its strong presence worldwide, ZEE entertains over 730 million viewers across 169 countries. ZEE has been selected Business Superbrands 2010-11, Industry Validated.

Pioneer of television entertainment industry in India, ZEE's well known brands include Zee TV, Zee Cinema, Zee Premier, Zee Action, Zee Classic, & pictures, Zee Anmol, Zee Smile, 9X, Ten Sports, Ten Cricket, Ten Action, Ten Golf, Zee Cafe, Zee Studio, Zee Jagran, Zee Salaam, Zing, ETC Music, Zee Khana Khazana, Zee Q and Zindagi. The company also has a strong offering in the regional language domain with channels such as Zee Marathi, Zee Talkies, Zee Bangla, Zee Bangla Cinema, Zee Telugu, Zee Kannada and Zee Tamizh. The company's recently launched HD offerings include Zee TV HD, Zee Cinema HD, Zee Studio HD and Ten HD.

ZEE and its affiliate companies have leading presence across the media value chain including television broadcasting, cable distribution, direct-to-home satellite services, digital media and print media amongst others. More information about ZEE and its businesses is available on [www.zeetelevision.com](http://www.zeetelevision.com).