



Movies • Broadcasting • Television • Animation

UTV Software Communications Limited

EARNINGS RELEASE

FOR THE QUARTER ENDED JUNE 30, 2006

KEY HIGHLIGHTS

- UTV inducts The Walt Disney Company as an Investor in the Company through preferential allotment of 14.9% of the expanded equity capital at Rs 192.5 per share at an aggregate value of Rs 654.5 million.
- UTV and its Promoters divest 100% of their holding in UHEL, which owns and operates Hungama TV for enterprise value of USD 30.5 million (Approx. Rs 1,400 million) to The Walt Disney Company.

1Q FY2007 as compared to 1Q FY2006

- | | |
|--------------|------------------------------|
| - Revenues | - Rs 523 million, up by 7% |
| - EBITDA | - Rs 46 million, down by 26% |
| - Net Profit | - Rs 34 million, unchanged |

Mumbai, India; July 24, 2006 – *UTV Software Communications Limited* (UTVS.BO, UTVS.NS) today reported its results for the quarter ended June 30, 2006. Consolidated revenue of the Company for the quarter is Rs 523 million, EBITDA – Rs 46 million and Net Profit for the quarter under consideration is Rs 34 million.

The Company has consolidated the financials of *UESL, UTV-US, UTV-UK and UTV-Mauritius*. The Board of Directors in its meeting held today, have taken on record the un-audited consolidated financial results of *UTV Software Communications Limited* and its subsidiaries.

Mr. Ronnie Screwvala, CEO of the Company said, "UTV, which is currently at the helm of affairs in its specific business segments in the Indian Media and Entertainment Industry, is poised for its second stage of growth. In accordance we are very pleased to announce the entry of Global Media major, *The Walt Disney Company (Disney)* as a strategic investor in

the company. As this investment consummates over the next few months, post regulatory approvals, I am positive that UTV will enter a new phase of growth and strengthen its multi-revenue integrated model.”

He added, “ *Hungama TV* has proved to be a major success story for us in just 22 months of its launch in the seven-channel kids space. It has established and re-emphasized our core-competence in creating kids content. We are proud to announce that, in addition to the Strategic Investment by *Disney*, we have divested our entire stake in *United Home Entertainment Limited (Hungama TV)* to *Disney* thus letting our home-grown local kids channel enter its next stage of growth with increased international exposure. The company hopes to still be part of this venture through provision of local content on a continued basis.”

Commenting on the quarterly results he said, “first quarter of the current fiscal has witnessed a marginal growth in Revenues over the same quarter last year. This growth is largely driven by the new shows in the Television and A&S segments and film revenues have largely remained flat as most of our releases for this fiscal are during the third and the forth quarter. The margins of the company haven’t shown a corresponding increase mainly because the new shows introduced would take some time to mature in TV and Airtime sales business. In our Animation business, during past few quarters we have focused on overall scale by strengthening order book, moving up the value chain by entering into production of DVD and theatrical movies and expansion of facilities. These investments are expected to translate into higher revenues and margins going forward.”

Company performance in brief (Consolidated)

Given below is the brief income statement of the Company consolidated with its subsidiaries for the fiscal 2007 and 2006 (in Rs million)

	Q1FY07	Q1FY06	Δ
Operating Revenues	522	485	8%
Expenditure	477	426	12%
Operating Income	45	59	-24%
Add: Other Income	1	3	-67%
Depreciation	13	11	18%
Interest expense	-	-	-
Profit before Tax	33	51	-35%

UTV reported growth in operating revenues of 8%, primarily due to the increase in scale of the television segment. The company faced significant pressure on margins primarily driven by the following factors –

- a. Margins in the television business were under pressure in the Television segment as many shows on air are relatively new. The shows introduced in the last quarter of the previous fiscal in the Airtime sales business are expected to start delivering from Q2 onwards. Margins in the quarter under review have improved as compared to the previous quarter.
- b. UTV's new animation facility was restarted in the quarter under review. This has been expanded to a 250-seater capacity with a fixed cost model as compared to the variable during the previous quarters. This is now fully operational and we expect accelerated deliveries in the coming quarters.

At the end of June 30, '06, Net Debt of the Company stands at Rs1,022 million. Debt was primarily used to meet Working Capital requirement for films, advances for the Airtime Sales business, and capital expenditure for Animation and Post-Production businesses. Total Capital Employed in the operations is Rs2,474 million as at end of June 30, '06.

Segment performance (Consolidated) (Rs in million)

Segment Revenues	Q1 FY07	Contribution	Q1 FY06	Δ
Television *	234	45%	152	54%
Films ^	274	52%	318	(14)%
Allied Content services #	19	4%	19	--
(Inter-segment)	(5)	(1%)	(4)	25%
Total	522		485	8%

Segment Results	Q1 FY07	Margins	Q1 FY06	Δ
Television *	8	3%	12	(33%)
Films ^	62	23%	61	2%
Allied Content services #	1	5%	3	(67%)
Total	71	14%	76	(7%)

Capital Employed	As on June 30, 06	Contribution	As on Jun 30,05	Δ
Television *	405	16%	467	(13%)
Films ^	802	32%	650	23%
Allied Content services #	312	13%	228	37%
Unallocable	955	39%	415	130%
Total	2,474		1,760	41%

* Television segment include, TV Content, Airtime sales, Animation and Dubbing businesses

^ Films segment include, Films Production, Distribution – Domestic & International and Home Entertainment

Allied Content services comprises of Post Production business

Television Segment

Television segment primarily consists of all products and services offered for the small screen businesses. Therefore, this segment of the Company constitutes TV Content production, Airtime sales, Animation and Dubbing businesses.

For the quarter ended Jun 30, 2006, Television segment has contributed 45% to the Company's consolidated revenues. Revenues in the television business were higher by 54% as compared to Q1 FY2006. This was primarily due to an increase in the number of hours being managed in the Airtime sales business. During the quarter, there was considerable churn in programming in the TV content business. New programs were launched to replace shows that ended during the last quarter of FY2006. This churn resulted in margins being suppressed in the television business. The programs that have been launched and other launches are expected to result in improving margins for this business in the coming quarters. Also, the shows introduced in the last quarter in the air-time sales business are expected to start delivering from the second quarter of the current fiscal.

TV Content: *UTV* has experienced a considerable change in its production slate of television shows in the current quarter. Two new shows went on air this quarter - *Kabhi Toh Nazar Milao*, a daily soap, was launched on *Sony Entertainment Television* in the afternoon band in May 2006. In addition, another television show catering to the comedy genre, *Soni Mahiwal*, went on air on *Doordarshan* in June this year. *Soni Mahiwal* is aired weekly on Tuesday on the prime band (9:00-9:30 pm) on *Doordarshan*. A non-fiction quiz show, *Chamatkar* is expected to go on air on *Doordarshan* from August in the next quarter. *Hero*, a serial aired on *Hungama TV*, was re-launched with fresh episodes this quarter. *Shanno Ki Shaadi* was also made tri-weekly from May in this quarter. Also slated for release is a new comedy show, *Arranged Marriage*, on *Star*.

Air Time Sales: During the quarter, the company managed an average of almost 24 hours of content per week across various South Indian channels. The margins in the air-time sales business were low because some of the programs that were newly introduced in the last quarter were still to mature and the initial depressed margins of these shows had an impact on the current quarter. The company has also during the quarter, opted out of two of the serials that it was managing - *Avalraktha Rakshashu* (*Surya TV*) and *Shri Lakshminivasam* (*Gemini TV*) due to their non-performance.

At the end of Q1, the company is handling the following slots:

Program Name	Channel	Time Slot	Format
Selvagal	Sun TV	11:00 - 11:30	Daily
Muhurtham	Sun TV	18:30 - 19:00	Daily
Kolangal	Sun TV	21:00 - 21:30	Daily
Thanga Vattai	Sun TV	21:00 - 22:00	Bi-Weekly
Ali Rajjyam	Sun TV	20:30 - 21:00	Weekly
Chi La Sow Sravanthi	Gemini TV	21:30 – 22:00	Daily
Bangarunikosam	Gemini TV	19:30 – 20:30	Bi-Weekly
Dance Raju Dance	Gemini TV	20:30 – 21:30	Weekly
Swarna Mazha	Surya TV	20:30 – 21:30	Bi-Weekly
Bangaram Bettai	Udaya TV	20:30 – 21:30	Bi-Weekly

Animation: The Company built a state-of-art 250-seater Animation facility in Andheri with a total investment of Rs 85 million, which became operational during the quarter. There was a marginal revenue contribution during the quarter under review due to the studio being in varying stages of implementation. UTV recently signed a USD 10 million Co-production deal with *Porchlight Entertainment* for *Jay Jay's Race Around The World*, 3D animated feature slated for a theatrical release during latter half of FY2008. Its current order book consists of 30 episodes TV series, 15 DVD features and 1 theatrical feature film.

Film Segment

Film segment comprises all products and services resulting in the big screen exploitation and directly related activities. Hence, it comprises all film production and distribution related activities in India and abroad. During the quarter, this segment has contributed 52% of the Company's revenues.

During the quarter under review, the Company released its production venture *Chup Chup Ke* directed by *Priyadarshan*. The Company also distributed *Humko Deewana Kar Gaye*, starring *Akshay Kumar* and *Katrina Kaif* in the International markets.

UTV has tied up with leading directors and actors from varied backgrounds to put together a bouquet of world-class movies displaying its presence in various genres of Film-making. In line with the Company's strategy, UTV has tied up with the following talent for multiple films – *Rakeysh Mehra*, *Ashutosh Gawarikar*, *Vishal Bhardwaj*, *David Dhavan*, *Prakash Jha*, *Madhur Bhandarkar*, *Annez Bazmi*, *Anurag Basu*, *Milan Luthria*, *John Abraham* and is in talks with many others.

Immediate Releases:

#	Films	Director	Cast
1	Blue Umbrella	Vishal Bhardwaj	Pankaj Kapoor
2	Khosla Ka Ghosla	Dibakar Benerjee	Anupam Kher/ Boman Irani
3	Namesake	Mira Nair	
4	Rooh	Ramesh Sippy	
5	Don	Farhan Akhtar	Shah Rukh Khan

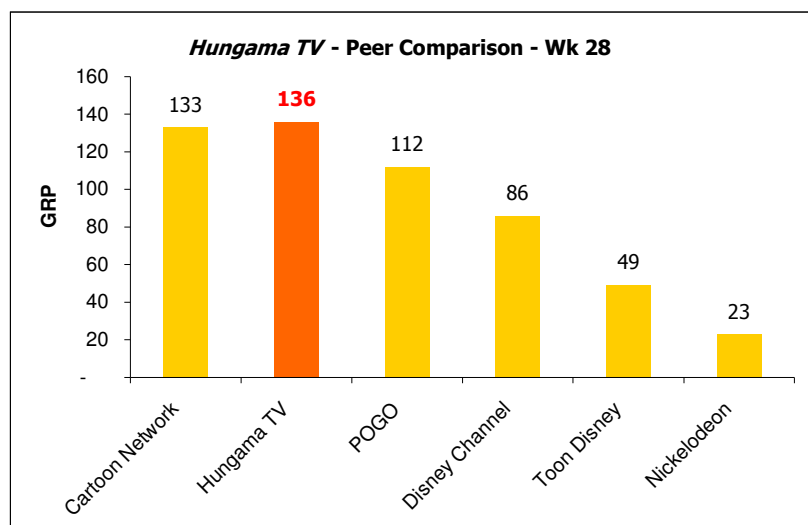
International Co-productions: The Company has been very active in exploring co-production opportunities with Global studios. *Namesake*, which is UTV’s first international co-production is expected to release in September 2006. The Company has entered into yet another co-production with Fox, which is estimated to release during later part of this fiscal. Another co-production deal executed by UTV include a film with *Will Smith* and *Sony Pictures*.

Allied Content Services

This business segment comprises of post-production activities of the Company, which contributed 4% to the consolidated revenues of the Company. UTV has made investments in the VFX and Digital Intermediary facilities, which will be fully operational during the second quarter.

Investments in *Hungama TV* channel

Hungama TV continues to make rapid progress in the kid’s space and has emerged as the No.1 channel in its segment. In its foray in the international broadcasting space, *UHEL* successfully assisted *Astro Measat* launch an Indonesian kids Channel in April this year.



Source: TAM Media Research HSM CS ABC 4-14, 2006

Having carved out a distinct niche for the first homegrown kids channel in India, the Company has decided to focus on its core competence – *Creating Compelling Content* and has decided to exit this business. The global media major *The Walt Disney Company* will take over the reins of *UHEL* and open global avenues for the growth of *Hungama TV*. *UTV* hopes to be the favored program supplier to *Hungama TV* and the *Walt Disney* family.

Corporate Developments

Strategic Sale of *UHEL (Hungama TV)*: *UTV* has decided to relinquish its stake in *Hungama TV* by selling *UHEL* to the *Walt Disney Company* (“Disney”). *The Walt Disney (South East Asia) Pte. Ltd.* will acquire 100% equity & convertible preference share capital of *UHEL*. from its existing shareholders and will invest fresh equity into the company for an aggregate consideration for around USD 30.5 million . *UTV* would continue to be instrumental in providing local content to the channel. The sale is pending all regulatory/ statutory approvals.

Strategic Investment in *UTV*: *UTV*, with a view to take up growing opportunities in the Media and Entertainment business worldwide, welcomes the global media major, *The Walt Disney Company* as a strategic investor into the company. Disney will subscribe to 3,400,000 equity shares representing 14.9% of the expanded capital of Rs 10 each at Rs 192.5 per share aggregating Rs 654.5 million. The investment in the company is pending regulatory/ statutory approvals.

Issue of Warrants to Promoters: The Company will issue 1,949,360 warrants to the promoters of *UTV*, which are convertible into one equity share each of the Company, at a price of Rs 192.5 per share.

Merger of *UESL* with *UTV*: The Company has decided and applied for necessary approvals for the “Scheme of Arrangement” for the merger of its 100% subsidiary *United Entertainment Solutions Ltd (UESL)* with the Company. This is done primarily to integrate businesses of the two companies in the film and animation segments and offer solutions for captive and outsourcing business. This also ensures better management focus on the business through re-branding of services under the brand name of *UTV*.

Business outlook

UTV has targeted a lot of investments in the past few quarters towards the television segment, in raking in new shows in the TV production and A&S businesses. Substantial investments have also been made in building a state-of-the-art animation facility. These investments are expected to give the company scale and ability to grow upwards in terms of revenues generated. The investments are also targeted towards delivering better margins going forward.

Increasing efforts towards addressable TV distribution system in India through CAS and DTH is expected to drive growth in TV content business for the Company. Addressability could spell the launch of many niche channels that could need local content. Also moneys coming to the broadcaster in the form of increased subscription income could further drive the demand for better content.

The Company constantly looks for newer modes of revenues both through experimenting with new products in the existing line of businesses as well as venturing into new modes of content delivery. Given this, the company has made headway in Animated Movie Production through its recently signed co-production venture with *Porclight Entertainment*. The Company has also been focusing its efforts on its Home Entertainment label, which the Company foresees as a key revenue driver in the years to come.

The Company has amply diversified its future palate of movies to include international co-productions like *Namesake*, movies for mainstream Hindi cinema, and offbeat movies like *Blue Umbrella*. Riding on its rich experience from production successes like *Rang De Basanti*, *Swades* and distribution successes like *Bluffmaster*, *Taxi 9-2-11*, the Company intends to clearly establish itself as a versatile Global player in the business. The Company is currently targeting a lot of investments to enable it to have a strong line up of movies in the years to come. Another attractive opportunity for the Company in the film business stems from the well-established South Indian Film Market. It will shortly announce its foray into regional film space and associations with key talent in those markets.

The Company maintains its focus on **creating IPR** across platforms for worldwide monetisation. The Company is aiming at establishing itself as one of the top producers of content not only in India but also across Asia.

The company is on the threshold of new growth opportunities with **Walt Disney** entering as an Investor in the company. The company intends on exploring various avenues of mutual growth in the Media sector with *Disney* in domestic and international markets.

About UTV

UTV Software Communications Limited is a leading integrated media and entertainment company having business interests in products and services associated with Television, Films and Broadcasting. It is one of the largest producers of television programming in the country and one of the few corporate entities in film-making and theatrical distribution in India. *UTV's* broadcasting initiative includes a TV channel called *Hungama TV*, which is a general entertainment channel for the age group of 4-14.