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Moser Baer Q2 FY '08 Results

New Delhi - 26 October 2007

Highlights

Quarter Ended 30 September 2007

- Gross Revenue in Q2 FY '08 at INR 4,567 million fell 7% sequentially primarily due to a fall in production & shipment volumes and Rupee appreciation.
- EBITDA at INR 1,562 million grew 2% sequentially and by 7% over Q2 FY '07.
- EBITDA margin (including other income) during the quarter at 32% rose 120 basis points sequentially and by 350 basis points over Q2 FY'07.
- Other Income grew 37% sequentially to INR 425 million, including duty refunds.
- Profit before tax of INR 48 million in Q2 FY'08 fell 60% sequentially mainly due to impact of short term production disruptions and Rupee appreciation.
- Profit after tax in Q2 FY'08 is INR 33 million against INR 96 million in Q1 FY'08 and INR 260 million in Q2 FY '07.
- First quarter of significant revenues of solar photovoltaic cells.
- Entertainment business revenues continue to grow as per plan.

According to Ratul Puri, Executive Director, Moser Baer India, "The optical media performance has been affected by one time factors during the quarter. Despite the short term blip, the media business will continue to grow in long term, incrementally driven by next generation formats. This has also been a milestone quarter for the photovoltaic business as it starts to significantly generate revenues. The recent USD 100 million Private Equity deal, has set a threshold valuation of USD 1 billion, and should help us rapidly grow capacity to 500MW by 2010 - making PV a billion dollar revenue business - thereby creating incremental value for all stakeholders."

Yogesh Mathur, Group CFO, Moser Baer India added, "This has been a unique quarter for us, with one time influences. Despite short term aberrations, the media business margins remain stable helped by cost efficiencies and benefits from duty refund. Long term media industry variables remain positive with the business remaining significantly cashflow accretive. While the Photovoltaic and Entertainment business will further add USD 140 (Rs 560 crores) to 160 million (Rs 640 crores) to consolidated revenues during the year."

Results at a Glance (Rs. in million)

| Particulars | Quarter Ended | | Year to date figures for the | | Previous Accounting Year ended 31.03.2007 |
|--|----------------|----------------|------------------------------|-----------------------|---|
| | | | Current Period ended | Previous Period ended | |
| | 30.09.2007 | 30.09.2006 | 30.09.2007 | 30.09.2006 | |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | |
| Gross Sales | 4,567.2 | 5,248.4 | 9,489.1 | 10,004.8 | 20,740.3 |
| Net Sales | 4,477.9 | 5,008.6 | 9,170.8 | 9,553.8 | 19,824.7 |
| Other Income | 425.4 | 124.0 | 735.3 | 459.7 | 787.7 |
| Total Income | 4,903.3 | 5,132.5 | 9,906.1 | 10,013.4 | 20,612.4 |
| Total Expenditure | | | | | |
| a. (Increase)/Decrease in stock in trade and work in progress | (676.3) | (253.1) | (932.0) | (331.8) | (626.3) |
| b. Consumption of finished goods/ raw materials, stores and packing material | 2,544.9 | 2,657.8 | 5,072.8 | 5,353.8 | 10,675.5 |
| c. Purchase of traded goods | 117.6 | 51.5 | 136.4 | 51.5 | 73.1 |
| d. Employees cost | 473.4 | 361.2 | 930.9 | 699.7 | 1,439.3 |
| e. Other expenditure | 881.9 | 860.7 | 1,603.9 | 1,577.5 | 3,028.8 |
| Total Expenditure | 3,341.5 | 3,678.1 | 6,812.0 | 7,350.6 | 14,590.4 |
| Profit before interest , Depreciation/ Amortization, prior period items and taxes | 1,561.8 | 1,454.4 | 3,094.1 | 2,662.8 | 6,022.1 |
| Interest | 464.5 | 300.4 | 872.3 | 589.5 | 1,244.9 |
| Depreciation/ Amortization | 1,056.4 | 891.1 | 2,048.7 | 1,743.2 | 3,578.7 |
| Profit from Ordinary Activities before prior period items and tax | 41.0 | 263.0 | 173.2 | 330.2 | 1,198.5 |
| Prior period (income)/ expenses (net) | (7.2) | - | 4.4 | 0.2 | - |
| Profit from Ordinary Activities before tax and after prior period items | 48.1 | 263.0 | 168.9 | 329.9 | 1,198.5 |
| Tax expense | | | | | |
| - current tax (including wealth tax) | - | - | - | - | 0.2 |
| - fringe benefit tax | 11.1 | 3.3 | 14.1 | 5.5 | 11.8 |
| - deferred tax (net) | 6.7 | - | 28.1 | - | 88.7 |
| - previous year | (2.4) | - | (2.4) | - | - |
| Net profit from Ordinary Activities after taxes | 32.7 | 259.7 | 129.1 | 324.4 | 1,097.9 |
| Paid-up equity share capital (Rs. 10/- face value per share) | 1,679.8 | 1,115.1 | 1,679.8 | 1,115.1 | 1,116.0 |

Notes:

- 1 There were no outstanding complaints from the shareholders at the beginning of the quarter and all the 13 complaints received from the shareholders during the quarter have been replied to satisfactorily.
- 2 The company is primarily in the business of manufacture and sale of Optical Storage Media. The other activities of the company comprise replication and distribution of content, operation and maintenance of sector specific Special Economic Zone for non-conventional energy. The segment revenues, results and assets of the other activities do not constitute reportable segments under AS-17 and accordingly no disclosure is required.
- 3 During the quarter ended September 30, 2007, 126,639 and 37,500 equity shares of Rs. 10 each fully paid up were issued and allotted pursuant to the exercise of stock options under the Moser Baer India Limited Employees Stock Option Scheme (2004) and the Moser Baer India Limited Directors Stock Option Scheme (2005) respectively.
- 4 The Allotment Committee of Board of Directors, at the meeting held on 2nd August, 2007, allotted 55,949,060 Bonus Equity Shares of Rs. 10 each to those persons who were members or beneficial shareholders of the Company at the close of business hours on the record date, i.e. 18th July, 2007, by capitalization of reserves of the Company.
- 5 No provision has been made for income tax other than fringe benefit tax as the Company expects to fall under the MAT provision of section 115 JB of Income Tax Act, 1961 and would be entitled to MAT credit.
- 6 Based on the results of the review of the countervailing duties imposed by the European Union, the European Commission has announced termination of the current countervailing duties on CD-Rs and allowed for their refund with effect from November 5, 2006. Accordingly the Company has recognized the refund due for the period November 6, 2006 to March 31, 2007 amounting to Rs 165.07 million as 'other income' and the refund for the period April 1 to September 30, 2007, amounting to Rs 141.14 million (including Rs 73.98 million for the first quarter ended June 30, 2007) has been adjusted in 'net sales'
- 7 Figures of the previous period/ year have been regrouped and rearranged wherever necessary.
- 8 The above results were reviewed by the Audit Committee and approved by the Board of Directors at their meeting held on October 26, 2007.

For and on behalf of the Board of Directors of

Moser Baer India Limited

Place: New Delhi

DEEPAK PURI

Date: October 26, 2007

Managing Director

Media & Entertainment Business

The media business continued to be impacted by traditional summer slackness, impacting demand and volume shipments during the period. During the quarter, a temporary shut down of one of the company's captive power plants impacted the targeted production schedule for the quarter. This development further impacted the company's performance.

While, the company has been able to get the power plant operational, it is expected to impact company's operations for the month of October, as the power plant returns back to stability.

These developments are responsible for the sluggish growth in production volumes during the period.

The traditional business cyclicity and its impact on revenues is also accentuated during the quarter due to the strengthening of the Rupee. The ASPs during the quarter were also subdued due to dumping of media by some manufacturers as Philips cancelled their licenses.

Despite the negative influences during the quarter, a positive highlight has been the stability on the input cost front, especially with respect to critical raw materials. Polycarbonate prices, a key raw material for the optical business, continues to be stable and well within forecast levels of +/- 3%.

This has enabled the company's Ebitda margins (including other income) to rise 350 basis points over the corresponding quarter in the previous year.

Entertainment Business:

The entertainment business continues to grow ahead of expectations. Moser Baer has already emerged as a leader in this market in a short span of 6 months due to its pan-India presence (offering home video copyrighted titles in multiple languages) and wide-spread distribution reach coupled with aggressive marketing.

Although it was launched in March 2007, the business has started to contribute to revenues during the quarter. Startup costs in this segment negatively impacted net margins during the quarter.

Media & Entertainment Business Outlook

As the global optical media industry enters the traditionally strong winter season, there is expected to be a positive influence on key operating variables. While shipment volumes and product pricing trends are expected to show a positive bias in the long term, there is a possibility of a short term impact on pricing due to cancellation of licenses of select manufacturers by Philips.

Raw material costs are expected to remain benign in the medium term. However, a continued appreciation of Rupee against US Dollar remains a concern which needs to be closely managed and monitored.

“With a continuing focus on improving cost and production efficiencies, our proprietary technology and a first to market position in next generation formats (HD DVD and Blu-ray disc); we continue to increase market share and consolidate our global leadership position in the industry. We remain confident that this business will continue to grow at a Cagr of 20-25% over the next three years and also be significantly free cash accretive in future.” Said Mr VC Agerwal, Chief Operating Officer, Optical Media Business Unit, Moser Baer India Ltd.

While current volumes for next generation formats remain small, demand for blue laser based formats is expected to grow sharply by Q4 of FY '08 and estimated to cross over 1 billion units in the next few years. Pricing of the blue laser formats continue to be firm at US\$5-7 per disk.

In the entertainment space, customer response has been overwhelming. In six months since inception, the company has been instrumental in expanding the perceived size of the legitimate domestic market by 8-9 times through its disruptive pricing strategy. With the acquisition of 900 titles from Ultra Video, Moser Baer has acquired more than 9500 titles in all major Indian languages constituting over 45% of mainstream cinema in India.

Photovoltaic Business

The 2QFY08 was the first quarter of significant revenues from Moser Baer Photo Voltaic (MBPV), a wholly owned subsidiary of Moser Baer India Limited. During the quarter, MBPV also started shipments of modules from its recently commissioned 20 MW semi- automatic module line. The company has already received customer orders/MoUs exceeding US\$150 million.

During the quarter, MBPV also signed a landmark contract for supply of Silicon Wafers with REC of Norway - world's largest silicon wafer manufacturer. The USD 880 million (Rs 3500 crores) - 8 year contract is the single largest contract of its kind for wafer supply. With an assured long term supply of silicon wafers through a broad based sourcing strategy, raw material sourcing risks are significantly mitigated placing MBPV with a competitive advantage against peers.

According to Ravi Khanna, CEO, Moser Baer Photo Voltaic, “This quarter is important for us as it marks the beginning of significant revenues from this business. Another milestone is the commencement of shipments of high concentrator modules during the quarter. We also remain on track to achieve commercial shipments of thin film modules by Q1 FY09, which will transform this business into a multi technology platform - placing us in a unique position in this high growth industry. As these technology platforms stabilize, revenues from this business are expected to rise sharply.”

The crystalline silicon manufacturing line also achieved stability during the quarter with production yields crossing 90% while achieving global benchmarks of cell efficiencies.

Future Trend

The global photovoltaic industry continues to be supply constrained. The persisting shortage of critical raw materials (poly silicon) continues to remain a bottleneck globally. Consequently raw material pricing remains firm which has led to firm end product prices.

Over the long term, industry expects a 5-6% fall in end product pricing annually, driven by the expected softening of input costs and technology advancements in manufacturing which should lead to lowering photovoltaic energy costs.

Given the high price elasticity of demand in this industry, the global Photovoltaic industry is estimated to grow five-fold to a US\$ 40 billion opportunity by 2010, with thin film segment growing ten-fold from 250 MW currently to 2GW to a market size of US\$ 5 billion by 2010. The company is on track to commission the next 40MW line and is expected to commence trial production by 4Q of FY '08. The company has also commenced freezing of technical specifications for its next generation 100MW crystalline silicon capacity planned for FY '09. The construction of thin film facility is nearing completion and portions of the equipment have already been received from AMAT. The initial 40 MW thin film line will start contributing to operational performance from FY '09.

About the Company

Moser Baer India Ltd, headquartered in New Delhi, was established in 1983 and is a leading manufacturer of optical media disc in the world. It continues to develop cutting-edge technologies for recordable optical media, constantly innovating and introducing new products and processes. An emphasis on high-quality products and services has enabled Moser Baer to emerge as one of India's leading technology companies. The company has extended the synergies between existing core manufacturing and technology competencies into the fast growing global photovoltaic market. The company and its subsidiaries plan to manufacture solar energy systems by straddling multiple technologies including crystalline silicon, concentration, nano technology and thin film. Additionally, the company has a very strong presence in the Indian home entertainment segment and is the largest home entertainment content owner in India. It offers high quality original content with a robust country wide distribution at affordable price points.

Disclaimer

Certain statements in this release concerning future growth prospects involve risks and uncertainties, especially those relating to future industry outlook and our ability to manage growth and intense competition within the Industry. Actual market conditions and our performance may differ from our guidance. This estimate is based on current market trends. Among other factors, a sharp and sustained strengthening of the Indian Rupee and a significant weakening in global demand could adversely impact the company's earnings.

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