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REPORT ON VALUATION OF EQUITY SHARES OF DNEG S.A.R.L.

1. BACKGROUND

1.1. DNEG S.A.R.L.

1.1.1 DNEG S.A.R.L. (hereinafter referred to as 'DNEG' or the 'Company' or the 'Client'), incorporated on December 07, 2011, domiciled in Luxembourg, is a technology service entity engaged in providing computer-generated visual special effects services, or VFX, including photoreal image generation, two dimension to three dimension (3D), content conversion and animation services for visual content used in film, television, over-the-top (OTT), virtual reality (VR), virtual production, location-based entertainment and other production services. DNEG is a step-down subsidiary of Prime Focus Limited.

1.1.2 The Company has 5,17,97,578 equity shares of face value USD 1 each outstanding as on March 31, 2025. Further, the Company has 20,43,195 equity-settled options granted and outstanding as on March 31, 2025. Each equity-settled option is convertible into one equity share of face value USD 1 each on exercise. Considering the same, the diluted number of equity shares works out to 5,38,40,773 shares of USD 1 each.

1.1.3 As per audited consolidated financial statements of the Company for the financial year ('FY') 2024-25, the revenue from operations of the Company for FY 2024-25 is USD 425.74 million and the allotted, issued, and fully paid-up share capital of the Company is USD 51.80 million.

2. SCOPE & PURPOSE OF THIS REPORT

2.1. We have been informed by the management of DNEG (hereinafter referred to as the 'Management') that certain shareholders of DNEG are considering a proposal to transfer their shareholding in equity shares of DNEG (hereinafter referred to as the 'Proposed Transaction').

2.2. In this connection, the Management wants to ascertain the fair value of equity shares of the Company.

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2.3. For this purpose, SSPA & Co., Chartered Accountants (hereinafter referred to as 'SSPA' or 'Registered Valuer' or 'We') have been requested by the Management vide engagement letter dated June 16, 2025, to carry out fair valuation of equity shares of the Company.

2.4. Based on the discussion with the Management, the valuation date has been considered as on June 25, 2025 ('Valuation Date').

2.5. For the purpose of this valuation, the bases of value is 'Fair Value' and the valuation is based on 'going concern' premise.

3. REGISTERED VALUER - SSPA & CO., CHARTERED ACCOUNTANTS

SSPA, is a partnership firm, located at 1st Floor, 'Arjun', Plot No. 6A, V. P. Road, Andheri (West), Mumbai - 400 058, India. SSPA is engaged in providing financial valuation and various corporate consultancy services.

We are a firm of practising Chartered Accountants registered with The Institute of Chartered Accountants of India ('ICAI'). We are also registered with the Insolvency and Bankruptcy Board of India ('IBBI'), as a Registered Valuer for asset class – 'Securities or Financial Assets' with Registration No. IBBI/RV-E/06/2020/126.

4. SOURCES OF INFORMATION

For the purpose of this valuation exercise, we have relied upon the following sources of information, as provided to us by the Management and information available in public domain:

- Audited consolidated financial statements of the Company for FY 2024-25.
- Consolidated financial projections of the Company comprising of statement of profit & loss, working capital requirement and capital expenditure requirement from FY 2025-26 to FY 2029-30, as provided by the Management.
- Discussions with the Management on various issues relevant to valuation including prospects and outlook of the business, expected growth rate and other relevant information relating to future expected profitability, etc.
- Such other information and explanations as we required, and which have been provided by the Management, including Management Representation.

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5. PROCEDURES ADOPTED AND VALUATION METHODS FOLLOWED

In connection with this engagement, we have adopted the following procedures to carry out the valuation:

- Obtained financial and qualitative information from the Management.
- Used data available in public domain related to the Company and its peers.
- Discussions with the Management to understand the business and fundamental factors that affect the Company's earning-generating capability including historical financial performance and future outlook.
- Reviewed publicly available market data.
- Selection of internationally accepted valuation methodology/(ies) as considered appropriate by us.
- Arriving at the recommendation.

6. SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS & DISCLAIMERS

6.1. Our report is subject to the scope and limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made. Further, our valuation is in accordance with ICAI Valuation Standards 2018 issued by The Institute of Chartered Accountants of India.

6.2. Valuation is not a precise science and the conclusions arrived at will be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. While we have provided an assessment of value by applying certain formulae which are based on the information available, others may place a different value.

6.3. The report assumes that the Company complies fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that the Company will be managed in a competent and responsible manner. Further, as specifically stated to the contrary, this report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded/reflected in the balance sheet provided to us.

6.4. The draft of the present report was circulated to the Management for confirming the facts stated in the report and to confirm that the information or facts stated are not erroneous.

6.5. Valuation analysis and results are specific to the purpose of valuation and the Valuation Date mentioned in the report and is as per agreed terms of our engagement.

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6.6. For the purpose of this exercise, we were provided with both written and verbal information including information detailed hereinabove in para 'Sources of Information'. Further, the responsibility for the accuracy and completeness of the information provided to us by the Management and/or auditors / consultants of the Company, is that of the Management. Also, with respect to explanations and information sought from the Management, we have been given to understand by the Management that they have not omitted any relevant and material information about the Company. The Management have indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/conclusions.

6.7. Our work does not constitute an audit, due diligence or certification of these information referred to in this report including information sourced from public domain. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report and consequential impact on the present exercise. However, we have evaluated the information provided to us by the Management through broad inquiry, analysis and review. However, nothing has come to our attention to indicate that the information provided / obtained was materially misstated / incorrect or would not afford reasonable grounds upon which to base the report.

6.8. Our valuation is based on the estimates of future financial performance as estimated by the Management, which represents their view of reasonable expectation at the point of time when they were prepared, after giving due considerations to commercial and financial aspects of the Company and the industry in which the Company operates. But such information and estimates are not offered as assurances that the particular level of income or profit will be achieved, or events will occur as predicted. Actual results achieved during the period covered by the prospective financial statements may vary from those contained in the statement and the variation may be material. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections.

6.9. We have relied on data from external sources also to conclude the valuation. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted

SSPA & CO. ★ REGISTERED VALUER ★ CHARTERED ACCOUNTANTS from those sources and /or reproduced in its proper form and context.

6.10. A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the Company and any other matter, which may have an impact on our opinion, on the value of the shares of the Company including any significant changes that have taken place or are likely to take place in the financial position of the Company. Events and transactions occurring after the date of this report may affect the report and assumptions used in preparing it and we do not assume any obligation to update, revise or reaffirm this report.

6.11. We are independent of the Company and have no current or expected interest in the Company or its assets. The fee paid for our services in no way influenced the results of our analysis.

6.12. Our report is not, nor should it be construed as our opining or certifying the compliance with the provisions of any law including companies, competition, taxation and capital market related laws or as regards any legal implications or issues arising from the Proposed Transaction.

6.13. Any person/party intending to provide finance/divest/invest in the shares/convertible instruments/business of the Company shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.

6.14. The decision to carry out the Proposed Transaction (including consideration thereof) lies entirely with the parties concerned and our work and our finding shall not constitute a recommendation as to whether or not the parties should carry out the Proposed Transaction.

6.15. Our Report is meant for the purpose mentioned in Para 2 only and should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared. In no event, regardless of whether consent has been provided, shall SSPA assume any responsibility to any third party to whom the report is disclosed or otherwise made available.

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6.16. SSPA nor its partners, managers, employees make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. We owe responsibility to only to the Client that has appointed us under the terms of the engagement letter. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions or advice given by any other person. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the Client, their directors, employees or agents.

7. VALUATION APPROACHES AND METHODOLOGIES

There are various approaches/methods adopted for valuation of equity shares of the company. Certain approaches/methods are based on asset value of a company while certain other approaches/methods are based on the earnings potential of the company. Each approach/method proceeds on different fundamental assumptions which have greater or lesser relevance and at times even no relevance, to a given situation. Thus, the approach/method to be adopted for a particular valuation exercise must be judiciously chosen.

7.1 MARKET APPROACH

The Market Approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

Under the Market Approach, the valuation is based on the following:

(a) market price of the shares of a company in case such shares are listed ('Market Price Method'); and / or

(b) prices paid in transaction(s) of subject asset to be valued or transaction multiples derived from prices paid in transaction(s) of comparable companies ('Comparable Transaction Multiple Method'); and / or

(c) market multiples derived from prices of comparable listed companies ('Comparable Companies' Multiple Method').

In the present case, the equity shares of the Company are not listed on any stock exchanges and hence the Market Price Method cannot be considered. Further, there are no exactly comparable listed companies with characteristics and parameters similar to that of the Company and also sufficient and reliable details of comparable transactions

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are not available in public domain. Therefore, Market Approach is not adopted for the present valuation exercise.

7.2 INCOME APPROACH

Under the Income Approach, the equity shares of the company are valued using Discounted Cash Flow ('DCF') method. The DCF Method values the business by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows represent the cash available for distribution to both the owners and the creditors of the business. The free cash flows are discounted by Weighted Average Cost of Capital ('WACC'). The WACC represents the returns expected by the investors of both debt and equity, weighted for their relative funding in the entity. The present value of the free cash flows during the explicit period and the perpetuity value indicates the value of the company.

7.3 COST APPROACH

The Cost Approach reflects the amount that would be required currently to replace the service capacity of an asset; often referred to as current replacement cost.

In the present case, the business of the Company is intended to be continued on a 'going concern' basis and there is no intention to dispose-off the assets of the Company. Therefore, Cost Approach is not adopted for the present valuation exercise.

7.4 Considering the above, for the present valuation exercise, we have thought fit to use DCF Method under Income Approach for arriving at the fair value of equity shares of the Company as on the Valuation Date.

8. VALUATION OF EQUITY SHARES OF DNEG AS PER DCF METHOD UNDER INCOME APPROACH

8.1 The value per equity share of the Company under DCF Method has been arrived as follows:

- Valuation under DCF method is based on the projections of the Company from FY 2025-26 to FY 2029-30 ('explicit period'), as provided to us by the Management.
- For the explicit period, free cash flows from the business have been arrived at as follows:
  - Operating profits before tax ('PBT') as per the projections have been considered after considering adjustment for non-operating items of income and expense (if

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- Interest on loans and depreciation and amortisation on fixed assets have been added to the operating PBT to arrive at the operating Earnings before Interest, Tax, Depreciation and Amortisation ('EBITDA').
- Fund requirements for capital expenditure and incremental working capital have been reduced from the EBITDA of the respective years.
- Estimated tax liability has been reduced to arrive at the free cash flows from the business.

- The post-tax cash flows of each year are then discounted at the WACC.

  WACC is considered as the most appropriate discount rate in the DCF Method, since it reflects both the business and the financial risk of the company. In other words, WACC is the weighted average of the company's cost of equity and debt. WACC for the Company is arrived at after considering the following parameters:

  - The Cost of Equity is worked out using the following formulae:

    Risk free rate of return + (Beta x Equity Risk Premium)

    The risk-free rate of return is considered based on average yield on long term government securities of countries in which DNEG operates (including through its subsidiaries). Appropriate Beta has been considered. Equity Risk Premium has been considered based on the expected market return of the investors in said countries over and above the risk-free rate.
  - Based on the above, the Cost of Equity comes to 8.72%.
  - Based on the effective cost of debt of the Company, net of tax cost of debt of 6.78% (8.80% interest cost less 23% tax) has been considered.
  - Based on discussion with the Management and considering the current and future funding requirements of the Company, an appropriate debt-equity ratio has been considered.
  - Based on the above, WACC works out to 8.33%.
  - Considering the risk of achieving the expected levels of growth, profitability and the industry in which the Company is engaged in, we have thought fit to apply a business risk premium of 4% to the above WACC.
  - Based on above, the adjusted WACC works out to 12.33%.

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- After the explicit period, the business will continue to generate cash. In DCF Method, therefore, perpetuity value is also considered to arrive at enterprise value. For arriving at the perpetuity value, we have considered a growth rate of 3%.
- Cash flows for perpetuity have been arrived at after considering the corporate taxes and incremental working capital requirements.
- The discounted perpetuity value is added to the discounted cash flows for the explicit period to arrive at the enterprise value.
- Appropriate adjustments have been made for loan funds, amount to be received on exercise of outstanding equity-settled options and cash and cash equivalents to arrive at the equity value of the Company.
- The equity value as arrived above is divided by the diluted number of equity shares of the Company and considering the USD-INR exchange rate as on the Valuation Date, we have arrived at the value per equity share of the Company.

8.2 On the basis of foregoing, the fair value per equity share (face value USD 1 per share) of the Company as per DCF Method under Income Approach works out to **INR 3,072.99** as on the Valuation Date.

For SSPA & CO.
Chartered Accountants
ICAI Firm registration number: 128851W
IBBI Registered Valuer No.: IBBI/RV-E/06/2020/126

Parag S. Ved

SSPA & CO. CHARTERED ACCOUNTANTS REGISTERED VALUER

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Place: Mumbai
Date: July 03, 2025