

ZOO Digital Group



Introduction to ZOO Digital Group plc and Trading Update

April 09



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ZOO Digital Group plc



- Company quoted on AIM since 2001 (EPIC: ZOO)
- Major shareholders:
 - Dr Stuart A Green 19.6%
 - Foresight Group 17.8%
 - Herald Investment Trust 16.8%
 - South Yorkshire Investment Capital Fund 8.4%
 - Ian C Stewart 7.9%
 - Williams de Broe 4.3%
 - Waterhouse Securities 3.0%
- Convertible Unsecured Loan note of £3.51m at 6% redeemable 2011 held by major shareholders

About ZOO



- ZOO provides creative media services and software for the home entertainment market
- ZOO helps customers to deliver media for global territories rapidly and efficiently, reducing costs and time to market
- ZOO's differentiated services are delivered using its patent-protected automation software suite
- Services relate to the production of printed materials, DVD, Blu-ray Disc, Video on Demand, interactive games and broadcast

The Board



Dr. Christopher Honeyborne, Chairman – Spent 24 years in banking with Lazard Brothers, Banque Paribas Group and Bank of N.T. Butterfield & Son; currently Chairman of Dyson Group plc and non-executive director of Matica plc; previous Non-Executive Directorships include Yorkshire Water plc, Gremlin Group plc, Kunick plc, Birse Group plc and BWD Aim VCT plc



Dr. Stuart Green, CEO – Previously CTO of ZOO Digital Group, CEO of Kazoo3D plc, Technical Director of LightWork Design Limited. Stuart has many years experience in team building and executive management in the software industry. He has more than 20 patents granted in the fields of image processing and digital media production.



Helen Gilder, Group Finance Director – Joined ZOO as Group Financial Controller in 2000 and became Group Finance Director in 2006. Previously Helen was Finance Director within a highly acquisitive listed technical group of companies. Qualified ACA in 1991.



Ian Stewart, Non Executive Director – Founded Gremlin Interactive Limited in 1984 and took it to flotation on the LSE in 1997. Following the acquisition of Gremlin by Infogrames SA Ian founded The ZOO Media Corporation Limited. Ian is an honorary Doctor of Sheffield Hallam University.



Matt Taylor, Non Executive Director – Senior partner in Foresight Group, a leading UK manager of technical investment funds; experienced in investing in and advising companies; non-executive director of four other companies.

Senior Management (Los Angeles Based)



Gordon Doran, President – Held senior positions in sales and marketing roles for a variety of companies in the software industry since the early 1990s, both in the UK and US. Most recently Gordon was Chief Operating Officer for Mediostream Inc. – a consumer DVD software developer – and joined ZOO in 2005 to establish a North American division.



Duncan Wain, COO – Joined ZOO following the acquisition of the assets of Scope Seven Inc. in August 2007 of which he was a co-founder. Duncan is an accomplished executive in the Hollywood post production industry having worked with many of the leading major studios. Duncan sits on the New Media Council of the Producers Guild of America.



Simon Clark, Senior Vice President – Worked in the pre-press industry since 1986 and has experience of setting up and rapidly growing businesses in a wide variety of geographical locations. In 1998 Simon led the management buy-out of TM, a UK-based print and pre-press service provider. In 2001 TM was acquired by AGI Media Inc. where Simon was appointed to the role of Senior Vice President of Creative Services.



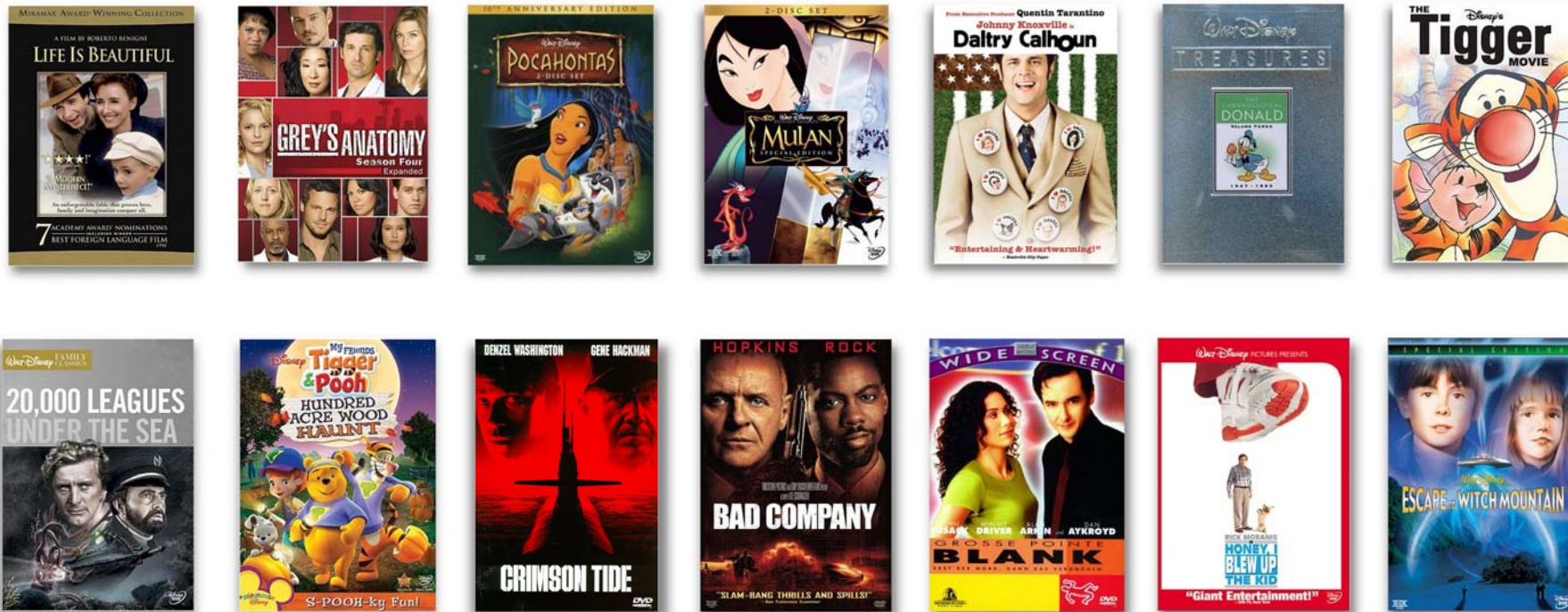
Phil Corio, CTO – Worked in the pre-press industry since 1985, most recently with AGI Media Inc, Los Angeles where he was Production Director working on the creation of marketing materials and special packaging for the entertainment industry. Phil joined ZOO in 2006 and has been instrumental in establishing the company's product and service offerings for the pre-media marketplace.



Locations

- Sheffield, UK
 - Software product development centre
 - Creating a suite of innovative software technologies
- Los Angeles, California
 - Digital media production and creative services facility
 - Provides services to leading studios based on ZOO's proprietary software

DVD and Blu-ray Title Production



Regionalization of DVD Content



Regionalization of Blu-ray Content



Regionalization of Packaging and Marketing Materials





Strategy

- Current focus on major film studios and the home entertainment industry
- Service proposition delivered through our LA-based facility using ZOO's proprietary software systems
- Service and software offering to automate the process of creating media products and content, including DVDs, Blu-ray Discs and printed materials
- Continue to refine our offering through close relationships with customers
 - Reducing costs
 - Providing greater economies of scale
 - Significantly reduce time to market



Case Study

- Measured benefits realised by one customer:
 - \$3m of savings in first year of menu regionalization
 - 90% reduction of time for menu regionalization and DVD production
 - Production services brought in-house
 - \$580k of savings in first four months of DVD production
 - Performing DVD production of international titles by administrator operators



Addressable Market

- ZOO estimates that there is an addressable market in Hollywood for our video related services of around \$100m
- ZOO estimates the Hollywood market potential for premedia at around \$100m
- The global market for premedia is worth £4.7b (source: Agfa 2007)

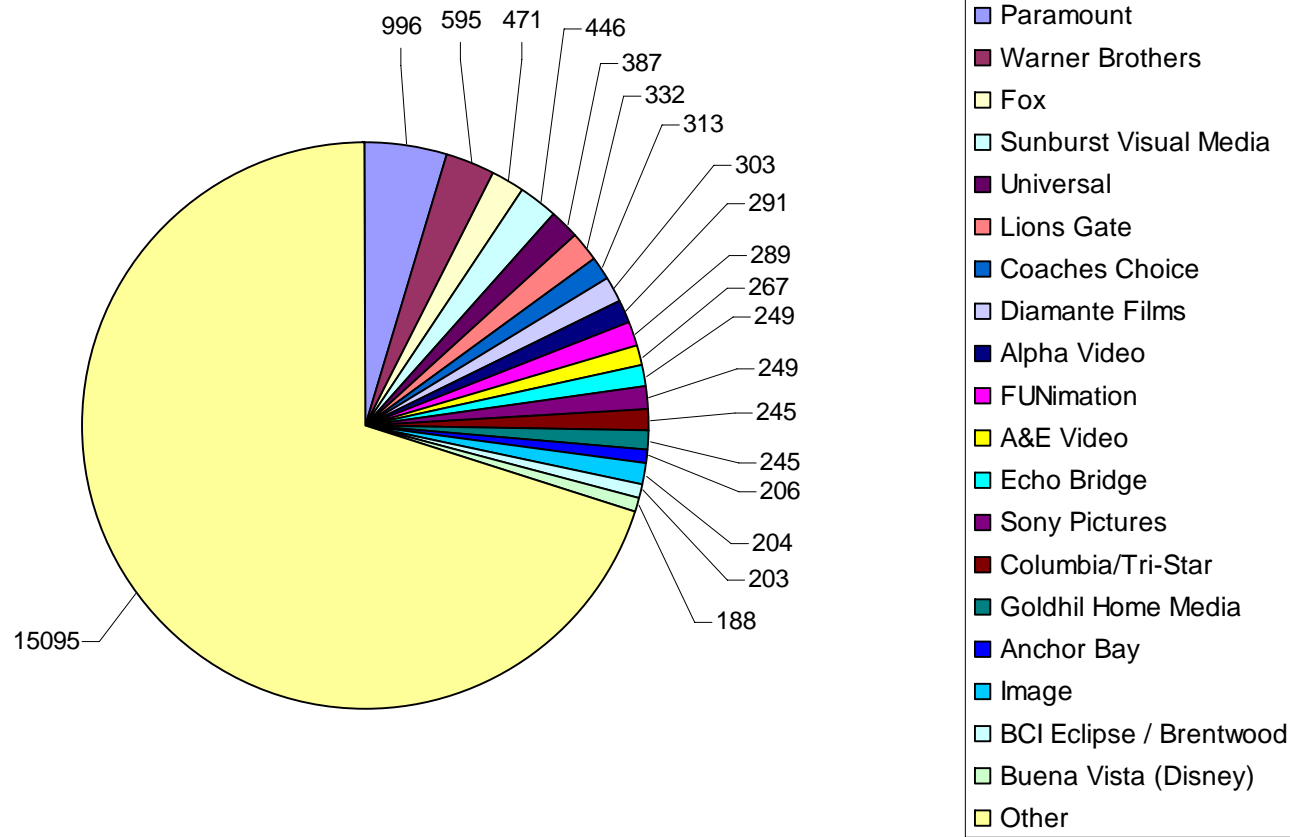


Economic Climate

- The current economic climate presents significant opportunities for ZOO
- Studios are exploring ways to reduce cost
- ZOO's products and services deliver significant efficiencies through automation and enhanced workflows
- No evidence of production market shrinkage despite recent decline in consumer video sales



Video Market by Publisher



Indicates the number of new DVD and Blu-ray titles introduced into the US market by publisher for the 12 month period April 2008 to March 2009

Source: www.hometheaterinfo.com

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Trading Update

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Financial Highlights

- Results for the year ended 31 March 2009 are anticipated to be in line with management expectations
- Revenue £6.6m (2008: £3.3m)
- EBITDA £1.3m (2008: £1.4m loss)
- PBT £0.2m (2008: £2.2m loss)
- Cash £989k (2008: £675k)



Operational Highlights

- Now working with multiple divisions of studio clients, including Technical Services, Theatrical, Home Entertainment and TV
- Our studio clients have a greater focus on cost savings and are turning to us to help with this
- The volume of production work is growing significantly as clients take advantage of our superior services and we have good visibility of work over a rolling six month window
- No evidence of production market shrinkage despite recent decline in consumer video sales
- Now offering Blu-ray production services to a number of studios based on our new toolset



Outlook

- Our decision to focus on major film studios and home entertainment industry is delivering the expected results
- We are in a good position to capitalise on the economic downturn with our cost-saving proposition
- We see significant growth prospects for media adaptation in the entertainment industry and other markets
- New platforms for delivering video content represent a growth area for our video technologies and services

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Appendix

ZOO's Media Adaptation Software Suite

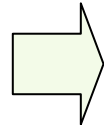
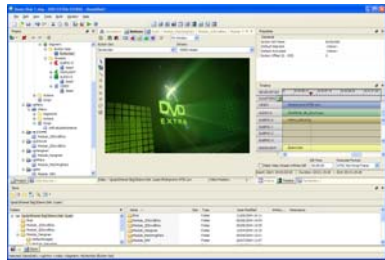
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Competitive Advantages of the ZOO Suite

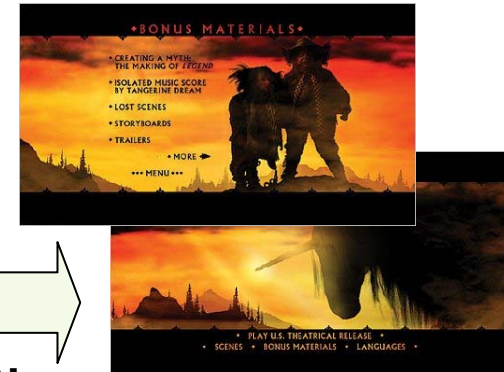
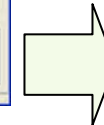
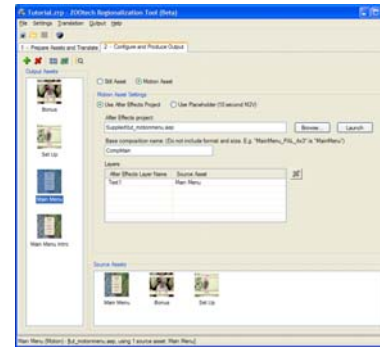


- Enables centralization of production for global media products bringing significant economies of scale
- Greater productivity through highly scalable resources (tools can be used by administrators rather than requiring technical experts)
- Reduces time to market for consumer products
- Enables customers to develop new business in hitherto non-viable territories
- Delivers significant cost savings

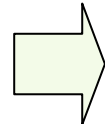
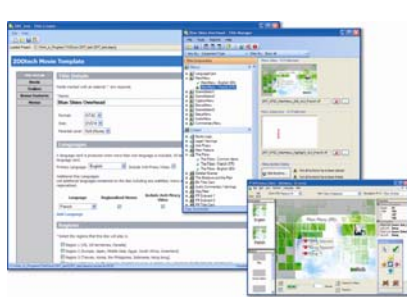
ZOO's Media Adaptation Software Suite



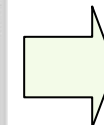
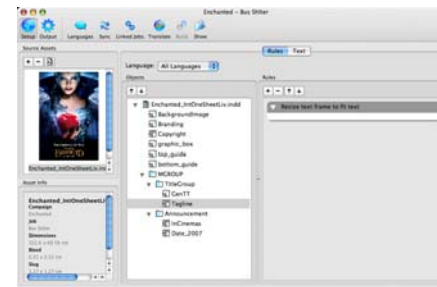
DVD Production



Menu Regionalization



Templated Authoring



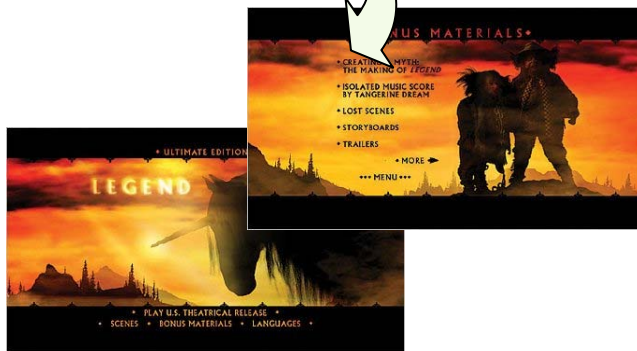
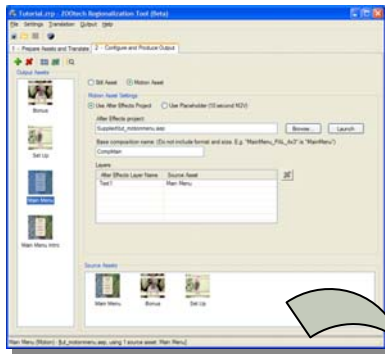
Premedia Adaptation

DVD Production



- A proprietary tool enabling the production of advanced DVD titles
- Used as the basis of differentiated services to video publishers, game and toy companies
- Customers include Warner Bros Interactive Entertainment, Mattel, Hasbro, Universal Pictures

Menu Regionalization



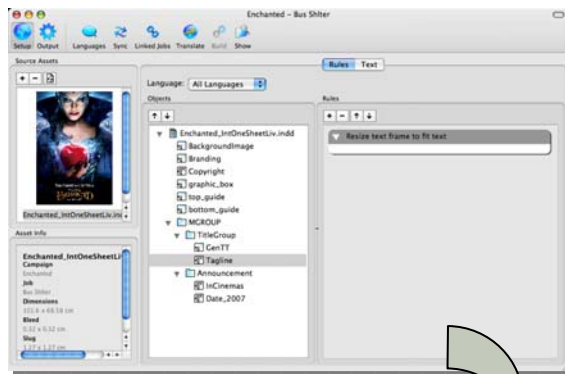
- Automates the production of menus for DVD and Blu-ray titles in multiple languages
- Works in conjunction with industry-standard tools such as Photoshop
- Reduces time to market and production costs for territory releases
- Used by a major studio to create around 50,000 menus per year

Templated Authoring



- Automates the workflow for assembling the digital content to create video discs
- Used by Hollywood companies to produce worldwide titles
- Currently almost 70 new titles per month produced by one studio using the system
- Blu-ray edition is in development

Premedia Adaptation



- Performs automated localisation and adaptation of print documents (posters, marketing materials, packaging, etc.)
- Licensed by a major studio where it is used to create artwork for multiple business units
- Enables significant reductions in production time and cost
- Applications in any market operating global product launches