

ZOO Digital Group



Interim Results for the Six Months to 30 September 2008

December 2008

December 08



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Financial Highlights

- First ever profit before interest, tax, depreciation and amortisation of £0.4m* (2007: Loss £0.6m)
- Revenue up 147% to £3.24m (2007: £1.31m) virtually equal to the £3.26m announced at the full year to 31 March 2008
- The recently launched Media Adaptation Tool already contributing 15% of revenue generated in the period
- Cash position strengthened following October share placing raising £512,000

* after exchange gains



Operational Highlights

- Significant uplift in revenues due to increased volume of new discs produced using ZOO products
- New revenue streams initiated
- Excellent progress made by the recently launched Media Adaptation Tool which automates the creation of printed materials
 - Additional opportunities available
- Further penetration of our product and service offerings into our key customers

Cash



- Net cash outflow from operating activities in the half year was significantly reduced to £5,000 (2007: £795,000)
- Total cash outflow was £423,000 leaving a balance at 30 September 2008 of £240,000.
- Following the approval of the placing at the group's AGM on 6 October 2008 we received a further £512,000 of cash



Strategy

- Service proposition delivered through our LA-based facility using our proprietary software systems
- Current focus on major film studios and home entertainment industry
- Service and software 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 increase speeds to market



Trading

- Significant increase (147%) in revenues due to DVD titles created using ZOO software and generating recurring revenues
- Excellent progress with the Media Adaptation Tool (MAT)
 - Signed up first major studio client
 - New applications identified in the entertainment industry and other markets where there is a need for consistent print materials in multiple languages and formats
- Templated Authoring System (TAS) performing particularly strongly



Market

- 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
- Studios are motivated to reduce piracy
 - ZOO's products and services shorten time to market which reduces piracy's window of opportunity



Impact of Currency Exchange Rates

- The strengthened dollar is beneficial to ZOO since
 - the vast majority of revenue is from the USA
 - Group overheads are split between sterling and the dollar
- In the first half of the year an exchange rate gain of £372,000 has arisen through the translation of intercompany balances denominated in dollars



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 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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Visit our new Investor Relations pages at www.zoodigital.com

The screenshot shows the 'Investor Relations' page of the ZOO website. The page has a dark background with white and green text. At the top, there is a navigation menu with links for 'home', 'about', 'services', 'software', 'investor relations', 'news', 'careers', 'contact', and 'client login'. The main heading is 'Investor Relations'. Below this, there is a table of stock data for ZOO on the London Stock Exchange, with a currency of GBP. The current price is 11.50 p, up 0.00 p (+0%). The table includes columns for Open, High, Low, and Volume. To the right of the table is a list of 'Investor Relations Pages' including Financial Overview, Company Information, Share Price, Structure and Management, Regulatory News Service, Financial Reports, Shareholder Services, Advisors, AIM Rule 26 Compliance, and Disclaimer.

Open	High	Low	Volume
11.00p	11.50p	11.50p	4,574

Shares In Issue:	21,326,000	Last Trade Price:	11.00p
Market Cap:	GBP 2.45M	High Trade Price:	11.50p
Bid:	11.00p	Low Trade Price:	11.50p
Mid Price:	11.50p	Last Close Trade Price:	11.80p
Ask:	12.00p	52 Week High:	26.50p
Last Close:	11.50p	52 Week Low:	9.00p

ZOO Digital Group



Appendix

Background Information on ZOO Digital Group

December 08

ZOO Digital Group plc



- Company listed on the Alternative Investment Market (AIM) of the London Stock Exchange (symbol: ZOO)
- Shareholder base consists of a Venture Capital Trust (Foresight Group), investment institutions (including Herald, South Yorkshire Investment Fund, Artemis), management and retail
- ZOO is the provider of media adaptation services and software for the home entertainment market

About ZOO



- ZOO provides creative media transformation services and software for the home entertainment market
- Applications and formats include: printed materials, DVD, Blu-ray Disc, Video on Demand, interactive games and broadcast
- ZOO enables customers to considerably reduce the costs and time to market of regionalized home entertainment products across multiple territories and formats
- ZOO provides services using its proprietary software suite to enable the globalization of creative media across a wide range of applications and formats



Structure

- Software product development – operating in Sheffield, UK
 - Focused on software solutions for digital media production since 2002
 - Granted 22 patents with others pending
 - Created tools that provide clear benefits for the production of digital media (such as DVD-Video discs)
- Production services – operating in Los Angeles, California
 - A digital media production and creative services facility
 - Provides services to leading studios based on ZOO's proprietary software

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.

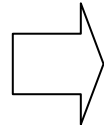


Simon Clark, Senior Vice President – Worked in the pre-press industry since 1986 and has experience of setting up and rapidly growing businesses in a wide variety of geographical locations. In 1998 Simon led the management buy-out of TM, a UK-based print and pre-press service provider. In 2001 TM was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

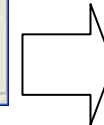
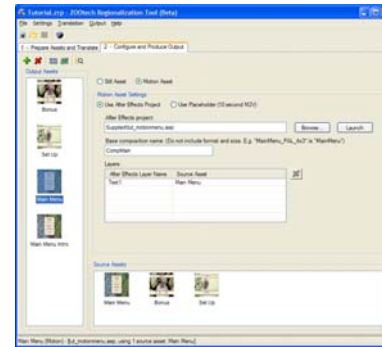


Phil Corio, CTO – Worked in the pre-press industry since 1985, most recently with AGI Media Inc, Los Angeles where he was Production Director working on the creation of marketing materials and special packaging for the entertainment industry. Phil joined ZOO in 2006 and has been instrumental in establishing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

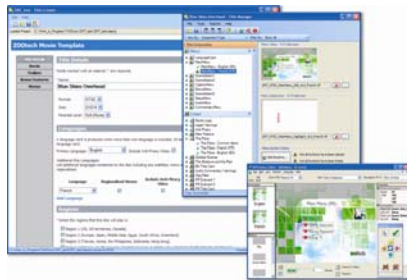
ZOO's Media Adaptation Suite



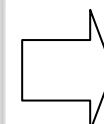
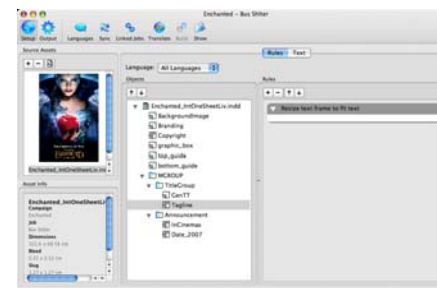
DVD Production



Menu Regionalization



Templated Authoring



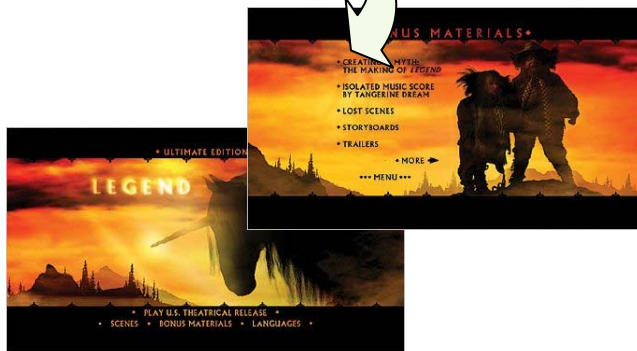
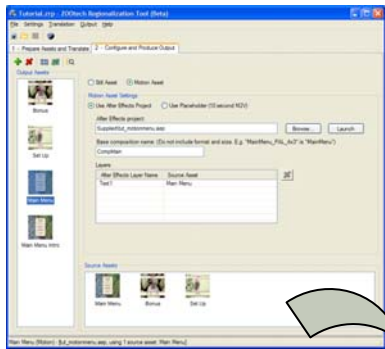
Premedia Adaptation

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



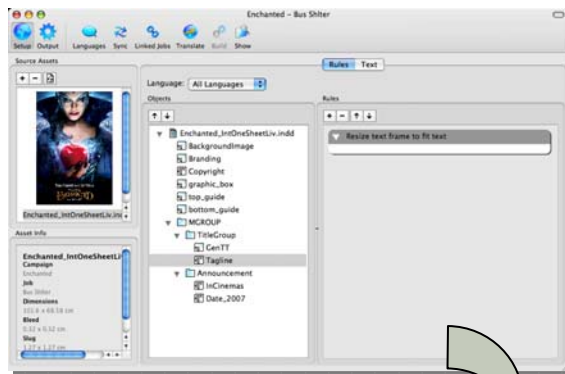
- Automates the production of menus for DVD and Blu-ray titles in multiple languages
- Works in conjunction with industry-standard tools such as Photoshop
- Reduces time to market and production costs for territory releases
- Used by a major studio to create around 50,000 menus per year

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



Competitive Advantages of 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
- Enables production of complex titles previously thought non-viable
- Delivers significant cost savings



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