

ZOO Digital Group



Preliminary Results for the 12 months to 31 March 2009

June 09



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About ZOO

- ZOO Digital Group plc (AIM: ZOO) is a provider of creative media services and software for the film industry
- It works with major film studios to deliver creative media for printed materials and audio-visual content
- Its market-leading proprietary software offers media companies considerable cost savings and reduces time to market
- Software and services used for home entertainment products, such as DVD, Blu-ray, Video on Demand, interactive games and broadcast



Shareholders

- Major shareholders:
 - Dr Stuart A Green (CEO) 19.6%
 - Foresight Group 17.8%
 - Herald Investment Trust 16.8%
 - South Yorkshire Investment Capital Fund 8.4%
 - Ian C Stewart (Non-Executive Director) 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

Customers



Video Title Production



Regionalization of Home Entertainment Products



Physical Materials



Packaging and marketing

Digital Materials



DVD



Blu-ray



Growth Strategy

- ZOO delivers differentiated products and services based on patent-protected automation and workflow optimisation software
- Targeting film studios where market changes have led to an urgency to lower costs of production and shorten time to market
- Significant cross-sell opportunities amongst multiple business units of large film studios
- Broadening product set into new applications and video platforms, such as Blu-ray and internet download



Proven Results

- Proven by major Hollywood film studios to save significant costs (millions of dollars annually by each studio division)
- Proven to reduce time to market (certain processes reduced by 90%)
- Winning significant business from incumbent vendors whose services are based primarily on using highly skilled and expensive labour



Growth for the Year to 31 March 2009

- Revenue up 100% to £6.6m (2008: £3.3m)
- Operating profit £0.5m (2008: loss of £1.9m)
- Maiden full year EBITDA profit of £1.3m (2008: loss of £1.4m), including £1.4m from favourable exchange translation
- Profit before tax of £0.2m (2008: loss of £1.9m)
- Basic earnings per share 0.95p compared to a loss of 15.7p in 2008



Generating Cash

- Cash at year end of £1.0m (2008: £0.7m)
- Cash from operations of £1.0m (2008: cash outflow of £1.9m)
- A new £0.5m overdraft facility secured with the Royal Bank of Scotland

Industry Trends Positive for ZOO's Business



- Strong organic growth with major Hollywood film studios
- Greater depth in relationships has allowed ZOO to offer a broader spread of revenue enhancing services
- Key Hollywood studio now processes 80% of new DVD products using ZOO's software
- Benefited from a change in consumer habits caused by the global recession, leading to a need for studios to reduce production costs and the time taken to release a film on DVD

Case Study – a Major Hollywood Studio



- \$3m of savings in first year of menu regionalization
- 90% reduction of time for menu regionalization and DVD production
- Production services brought in-house, lowering costs
- c\$4m of annual savings for DVD production
- Performing DVD production of international titles by administrator operators



Significant Market Potential

- 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)
- ZOO is working on new products that will open up additional areas of revenue



Outlook

- Current trends within the industry around reducing costs and accelerating time to market are undoubtedly positive for our business model
- The industry move to Blu-ray continues to grow and this presents a significant revenue opportunity for ZOO
- We expect a continuing period of growth for our core business
- Revenues now almost all in US\$
- The first two months of the 2009/10 year are ahead of last year in turnover with profits significantly higher

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June 09

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Appendix

June 09

Consolidated Income Statement



	2009 £000	2008 £000
Revenue	6,567	3,264
Cost of Sales	(1,276)	(27)
Gross Profit	5,291	3,237
Other operating income	79	100
Other operating expenses	(4,046)	(4,711)
Profit/(Loss) before interest, tax, depreciation and amortisation	1,324	(1,374)
Depreciation	(248)	(152)
Amortisation and impairment	(563)	(227)
Exceptional items	35	(175)
Total operating expenses	(4,822)	(5,265)
Operating Profit/(Loss)	548	(1,928)
Finance income	8	72
Finance cost	(345)	(327)
Profit/(Loss) before taxation	211	(2,183)
Tax on profit/(loss)	(26)	135
Profit/(Loss) for the year	185	(2,048)
Continuing operations	185	(1,837)
Discontinued operations	-	(211)
Profit/(Loss) for the year	185	(2,048)
Attributable to equity holders of the parent	185	(2,048)
Profit/(Loss) per share		
- basic	0.95p	(15.72p)
- diluted	0.62p	(15.72p)

Consolidated Balance Sheet



	2009 £000	2008 £000
ASSETS		
Non-Current Assets		
Property, plant and equipment	528	567
Intangible assets	4,806	4,042
	5,334	4,609
Current Assets		
Inventories	-	188
Trade and other receivables	1,452	1,238
Current tax assets	-	90
Cash and cash equivalents	989	675
	2,441	2,191
Total Assets	7,775	6,800
LIABILITIES		
Current Liabilities		
Trade and other payables	(2,461)	(1,621)
Borrowings	(366)	(270)
	(2,827)	(1,891)
Non-current Liabilities		
Borrowings	(3,306)	(3,275)
Total Liabilities	(6,133)	(5,166)
Net Assets	1,642	1,634
EQUITY		
Equity attributable to equity holders of the parent		
Called up share capital	3,199	2,687
Share premium account	23,012	23,030
Other reserves	8,598	8,598
Share option reserve	77	54
Warrant reserve	27	-
Convertible loan note reserve	266	266
Foreign exchange translation reserve	(694)	56
Accumulated losses	(32,841)	(33,055)
	1,644	1,636
Interest in own shares	(2)	(2)
Attributable to equity holders	1,642	1,634

Consolidated Cash Flow



	2009 £000	2008 £000
Cash flows from operating activities		
Operating profit/(loss) for the year	548	(1,928)
Finance income	8	72
Depreciation	248	152
Amortisation & Impairment	563	227
Share based payments	79	(87)
Disposal of own shares	-	74
Disposal of intangible assets	-	7
Disposal of property, plant and equipment	4	53
Exchange gain on foreign operations	(1,408)	-
Changes in working capital:		
Inventories	188	(188)
Trade and other receivables	19	566
Trade and other payables	682	(975)
Cash flow from operations	931	(2,027)
Tax received	64	98
Net cash flow from operating activities	995	(1,929)
Investing Activities		
Acquisition of subsidiary	-	(1,536)
Purchase of intangible assets	(643)	(310)
Purchase of property, plant and equipment	(89)	(2)
Net cash flow from investing activities	(732)	(1,848)
Cash flows from financing activities		
Repayment of borrowings	(318)	(10)
Proceeds from borrowings	75	-
Finance cost	(250)	(232)
Share and convertible loan issue costs	(18)	(272)
Issue of Share capital	512	3,000
Net cashflow from financing	1	2,486
Net increase/(decrease) in cash and cash equivalents	264	(1,291)
Cash and cash equivalents at the beginning of the year	675	2,026
Exchange (loss)/gain on cash and cash equivalents	50	(60)
Cash and cash equivalents at the end of the year	989	675

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.



James Livingston, Non Executive Director – Portfolio manager with Foresight Group, a leading UK manager of technical investment funds; non-executive director of two 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.



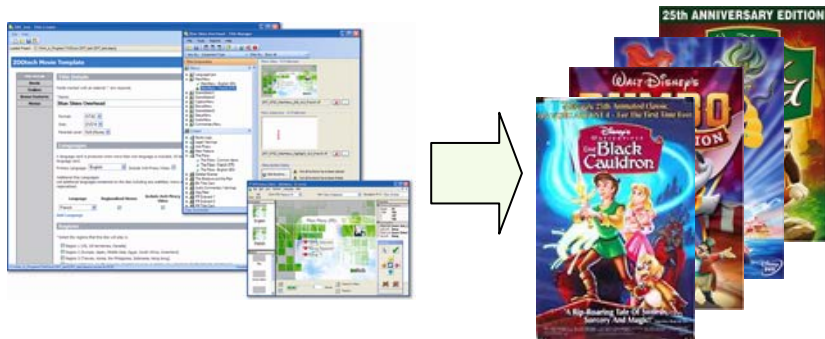
Phil Corio, CTO – Worked in the pre-press industry since 1985, most recently with AGI Media Inc, Los Angeles where he was Production Director working on the creation of marketing materials and special packaging for the entertainment industry. Phil joined ZOO in 2006 and has been instrumental in establishing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

Competitive Advantages of the ZOO Suite

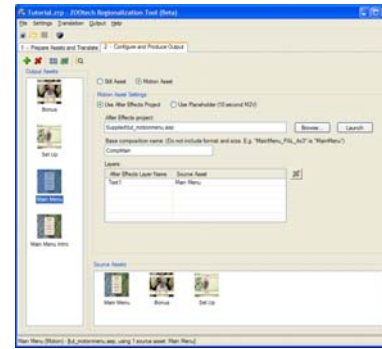


- Enables centralization for the creation of global media products bringing significant economies of scale
- Greater productivity through highly scalable resources (tools can be used by general operators rather than requiring technical experts)
- Reduces time to market for consumer products
- Enables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

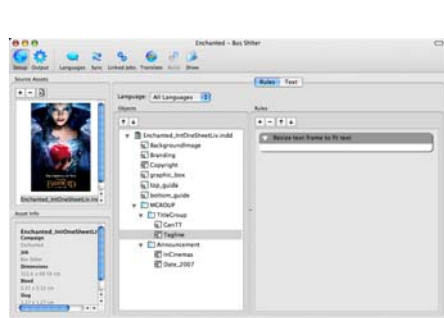
ZOO's Media Adaptation Software Suite



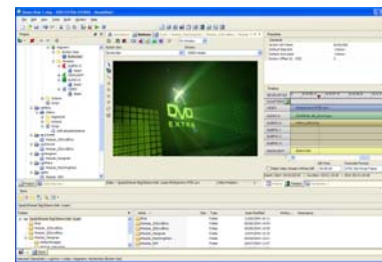
Templated Authoring



Menu Regionalization



Premedia Adaptation



DVD Production

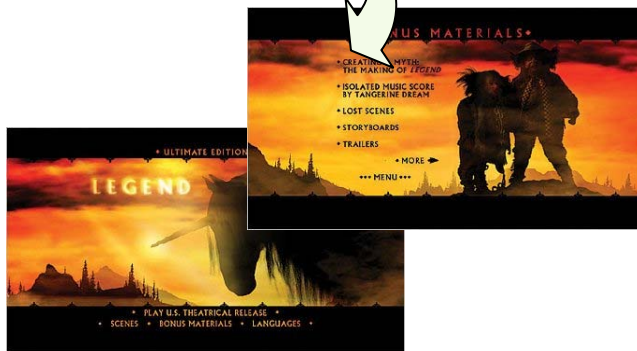
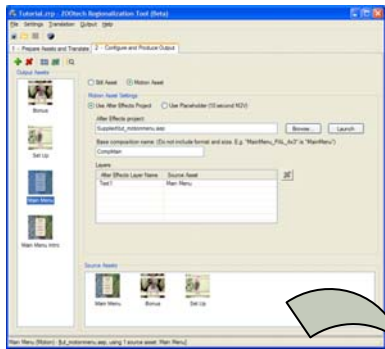


Templated Authoring



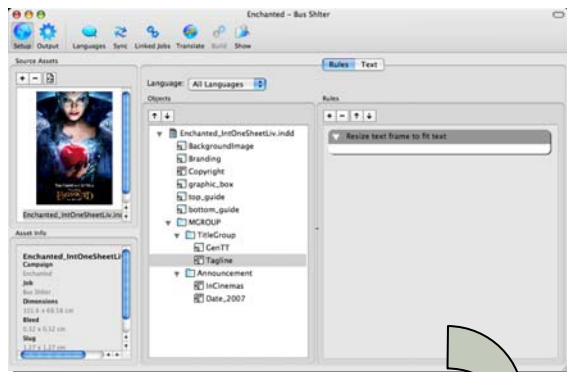
- Automates the workflow for assembling the digital content to create video discs
- Used by major film studios to produce worldwide titles
- Currently almost 70 new titles per month produced by one studio using the system
- Blu-ray edition is in development

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

Premedia Adaptation



- Performs automated localisation and adaptation of print documents (posters, 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
- Also used for video localisation
- Applications in any market involving global product development

DVD Production



- A proprietary tool enabling the production of advanced DVD titles
- Used as the basis of differentiated services to video publishers and toy companies
- Customers include major film studios