

PRESS BACKGROUNDER



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INTRODUCING PACKET VISION

SUMMARY

Packet Vision is the pioneer of advanced video advertising. Its managed advertising service provides highly granular targeting on the basis of lifestyle or location over IPTV. As the service develops it will also include mobile TV, web TV, and future video platforms.

FAST FACTS

Locations: Headquartered near London in the UK, Packet Vision also has offices in the US and France.

Ownership: Established in 2005, Packet Vision is owned by a group of private investors, including well-known entrepreneurs such as Sir Andrew Rickman, founder of Bookham Technologies, and Mangrove Investment, one of the original backers of Skype.

Main proposition: a managed advertising service that enables targeted video advertising using demographic and geographic profiles. The service is currently available via IPTV but will come to include DVB-H (mobile TV), web TV and future video platforms.

Benefits: the service enables advertisers to target audiences at a more granular level. It improves the efficiency of television advertising, offering the measurability and accountability of the Internet and providing advertisers with greater return on investment. Advertisers get the audience they want, broadcasters gain incremental revenue, network operators can monetise their subscriber data, and viewers receive ads that are relevant. The service requires minimal CAPEX or OPEX, and is designed to be highly scalable.

Service components: service management (bringing together advertisers, broadcasters and media agencies to implement and manage next generation IPTV advertising); technology (hardware and software).

Audiences: the 'customer' is the owner of the ad avail. Typically this is the broadcaster, but in the US it may also be the network operator or telecommunications operator. Key audiences include commercial and technical management within broadcasters and telcos, advertisers, marketers, their agencies and media planners.

Current commercial status: the Packet Vision service is deployed within IPTV networks on both sides of the Atlantic. The company has also announced commercial partnerships with SES Americom, Accenture, and Juniper Networks.

Key spokespeople: Charlie Horrell, CEO; Patrick Christian, CTO/founder; Barry Llewellyn, VP sales & marketing; Richard George, general manager, US; Thierry Maupetit, director, France.

THE MARKET BACKGROUND

Television remains the most popular mass media across the world, and global advertising revenue has continued to grow year-on-year for 25 years, attracting \$179 billion of advertising revenue during 2007. We watch more television than ever before, because there are more commercial channels from which to choose. Yet increased choice has fragmented television audiences, making them more difficult for advertisers to reach. As a consequence television advertising revenues have gone into decline, and television's contribution to media growth has slowed – unable to offer advertisers the targeting, measurability and interactivity offered by the Internet. Yet while media has focused on the likes of Facebook, MySpace and YouTube, a quiet revolution has been taking place: Internet Protocol Television - IPTV for short - has become a mainstream video delivery platform.

IPTV delivers TV over telephone lines to a standard television in the viewer's living room. The bi-directionality of the technology means that there can be greater personalisation of content.

The Packet Vision solution enables one advertising avail to carry multiple ads from different advertisers to different audiences simultaneously. Those ads are fully addressable and can be targeted on the basis of lifestyle or location. In other words, advertisers can select the television audiences they want with the control and accountability they have come to expect from the Internet.

Packet Vision's managed service enables broadcasters to add a new layer of functionality to their ad breaks without compromising on the proven level of impact provided by the 30 second spot. This makes their network sales proposition highly attractive to all types of advertisers – not just those with big TV ad budgets.

PACKET VISION SERVICE: KEY FEATURES AND BENEFITS

The Packet Vision service offers the following functionality:

Demographic targeting: the same ad spot can be sold multiple times to different advertisers, as split run (i.e. ads from the same advertiser, but to different audiences), or as a multi-brand tool (the same advertiser, but promoting multiple brands to different audiences) based on audience demographics.

Geographic targeting: the same ad spot can be sold multiple times to different advertisers (or the same advertiser with regional agents or franchisees), targeting different audiences by location. Targeting at a more micro level than current regional targeting makes television advertising cost-effective for local business, creating new demand for television air-time.

Frequency capping: different ads – or versions of ads – can be delivered to specific households, once the household has seen an optimum number of occurrences to the original ad.

Ad sequencing: advertisers can be certain that households see episodic ads in the order intended. For example, 10 years of Nescafé Gold Blend ads could be run coherently over 2 weeks.

Real-time measurement of ad viewing: The data returned through an IPTV network will inform the advertiser in real time exactly which profiles have seen their message, how often they have seen it and where they are located. Cross-tabbing against sales or measured response to direct marketing will allow advertisers to track the results of a campaign and then refine the messaging or targeting accordingly. Increased accountability results in increased efficiency, which in turn results in greater return on investment.

The data required for such functionality can come from several sources including the telco, IP information collection by the Packet Vision service, and third party data sources.

The service improves the efficiency of television advertising, offers the measurability and accountability of the Internet and provides advertisers with greater return on investment. Advertisers get the audience they

want, broadcasters gain incremental revenue, network operators can monetise their subscriber data, and viewers receive ads that are relevant to them.

In its initial form, the Packet Vision service is delivered via broadband telecommunications networks. Packet Vision believes that its service will attract \$100 (£50) premium to the value of each television household reached.

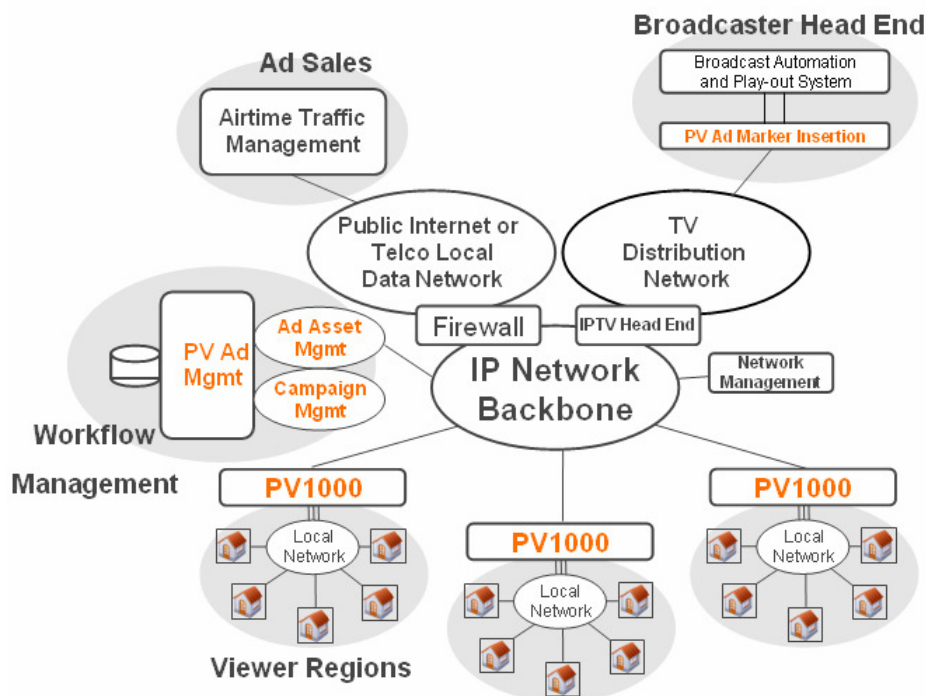
PACKET VISION SERVICE: A MANAGED SERVICE

Packet Vision creates a tri-partite relationship between broadcaster, IPTV network operator and advertiser/agency. The company installs its technology in the operator’s network and then offers the service to the broadcaster, who pays a transaction fee for each and every ad that is targeted at a viewer. Packet Vision shares the resulting revenue with the network operator over whose network the targeted ad is delivered. The total incremental revenue is therefore shared between the TV Channel, network operator and Packet Vision.

In the US the relationship may be solely between the network operator/telco and Packet Vision, because the telco has a regulatory right to insert 2 minutes of advertising into every hour of broadcast of 25 must-carry channels.

PACKET VISION SOLUTION: THE TECHNOLOGY BACKGROUND FOR BROADCASTERS AND TELCOS

Packet Vision’s service incorporates all the functions required to implement targeted addressable advertising: a media server, splicer, playout router and management system, all housed in a compact RU1 ‘pizza style’ box called the PV1000, which sits at the telco network ‘edge’. At its core is the proprietary Video Switching Engine (VSE), which is a highly advanced ad insertion system. The Packet Vision system is based on an open Linux environment, enabling rapid and easy integration with third party software and applications. It is also designed to be scalable in the same way as any Ethernet network device (such as a router or switch).



Traditional linear broadcast IPTV networks assign one multi-cast IP address for each TV channel. A set-top box (STB) maintains a table that contains the list of supported TV channels and their associated IP addresses. This table is usually downloaded by the middleware when the STB boots up. In a homogenous network, every STB would have the same table, but in a network characterised for targeted advertising the STBs in households of different audience groups have different tables: the list of channels is the same but their respective multicast IP addresses are different.

The Packet Vision service software interacts with the middleware to set up its own tables that map audience groups, TV channels and IP addresses. The audience profiles on which the targeted advertising is based are set up, and then the STBs can be programmed with the correct channel tables. Packet Vision does this by interrogating the operator's CRM system to extract the relevant information. Demographic profiling data comes from three sources: telcos hold first-level data about their subscribers; data is provided by subscriber viewing habits and web activity; and it may also be provided by third party data sources. Viewer data is protected in accordance with local data protection laws, and privacy is maintained because profiles are targeted in aggregate.

For further information, please visit www.packetvision.com

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