



CEOOCFO

Interviews & News!

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”Any Video, Anywhere’ - With people demanding video on their PCs, TVs and mobile phones, On2 Technologies provides the solutions to deliver any video to any device over any network



Services

**Business Services
(ONT-AMEX)**

On2 Technologies, Inc.

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**Bill Joll
President and CEO**

Company Profile:

On2 Technologies (Amex: ONT) is a leading provider of video compression software and solutions. The company revolutionized digital media delivery with the creation of its advanced full-motion, full-screen TrueMotion® video compression and streaming technologies. On2 video codecs are widely used in the Internet, gaming, VoIP, and mobile media markets. On2's software is used by such leading global companies as Adobe/Macromedia, AOL, Skype, XM Satellite Radio, Sony, CTTnet, Vital-Stream, and Tencent. Located in New York City, the company has R&D offices in Clifton Park, NY, and Cambridge, UK.

looking for in my career, the opportunity to take a promising company to the next level.”

CEOOCFO: What is the current vision for the company and how do you get there?

Mr. Joll: “Our vision for On2 Technologies is formed around the mantra of ‘any video, anywhere’. This is something we have been doing for some time, but now it is a mainstream industry trend. What this represents is that we enable any video to be delivered anywhere, meaning to any device, for any application, over any network. What is happening with video today is that consumers want to view video on their PC, TV, mobile phones, and portable devices --basically any device. New and established media companies are launching services to offer download and streaming services, but also traditional broadcasters are embracing new mediums to reach a wider spectrum of users. We call this convergence or cross platform applications, but the reality is that there is a sea change underway in the video industry. We have been involved in such cross platform video since early days of the company, by applying our technologies for multiple applications, device and delivery platforms. It is therefore in our DNA, in a manner of speaking, to bring solutions and innovations to this transformation that is going on in the industry. We provide everything from core video compression technology to tools, and system solutions, and are building our company's operations around this capability to deliver any video, anywhere – in the most efficient, easy and affordable way for our customers.”

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOOCFOinterviews.com**

CEOOCFO: Mr. Joll, you are fairly new in the role of CEO, what attracted you to On2 Technologies?

Mr. Joll: “On2 is uniquely positioned in the video industry. We are known to provide the best quality video for any application. We have been the vanguard in pushing the envelope in this aspect, and we are the video in many pioneering products and services from well-known brands, as a result. A few that come to mind are companies like Skype, Adobe (Flash® video), AOL, Sony, and so on. We have approximately 1.2 billion deployments of On2's video technologies. Yet we are still a small company, and given the revolution that is happening in video -- that is video is moving from the living room now to practically any device and can be consumed anywhere – the growth prospects before On2 are compelling. Moreover, On2's position in the industry is an advantage – we are well known and respected for our technology prowess and a fifteen-year history of success in this regard. So, when I look at where we are and where we can take this company, it is perfect for what I was

CEOCFO: What are you actually providing for people?

Mr. Joll: “At the core, we develop video compression technologies, and the product is called a codec. Codec stands for compression and decompression. So, in essence our technology allows video to be compressed to a much smaller size by the developer of the video, and then decompressed at the user’s end while playing back video with a higher quality than a non compressed file for a given bandwidth. Codecs are the engines that power video, as we know it today. What primarily sets codecs apart from one another is their ability to maintain the quality of the video as bandwidth decreases. Factors such as complexity, which affects power consumption and processor requirements, are also key differentiators. Our TrueMotion codecs are regarded as the best in the world, and these have about 1.2 billion deployments with high-profile customers such as Adobe, Skype, AOL, and Viewpoint. While we maintain our commitment to our best-of-breed codecs, with our pending acquisition of Hantro Products located in Finland, we will add the ability to support leading standards based codecs for our solutions that are built on codecs. These solutions are a range of software products that fulfill the ‘any video, anywhere’ promise. We also market our Flix® brand of encoding and publishing tools, which allow our customers to create and publish videos for web, mobile devices, and other applications. Suffice it to say, we offer the broadest line of products that allow practically any video file to be purposed or repurposed for any desired application. We have these products for consumers, professional users, enterprises, and service providers, with a varying range of features and capabilities for different markets. We also provide these for desktops and server side encoding, and across Windows, Linux and Mac platforms. At a more

evolved solution level, we have a complete end-to-end system for mobile video, called our TrueMobile® solution, that is the most efficient mobile video system presently available and it is currently in trials by China Mobile in ten provinces. As part of this solution, we have a player that is deployed on mobile devices, and going forward we have playback and decoding technologies that are being implemented in chipsets by major semicon-

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ductor houses so that consumer grade devices like set-top boxes and DVD players will be able to play video in high quality.”

CEOCFO: How do you reach your customers?

Mr. Joll: “As I mentioned earlier, we have been established as a leader in video codecs for more than fifteen years, and

companies that are serious about video know us. As we have broadened our solutions for consumers and web media companies, a lot of our customers find us through word of mouth, including through various influencers on the web. We also have a growing sales force and channel partners that conduct business development and sales for us. Today we are also more proactive with advertising and public relations than we have historically been.”

CEOCFO: Is it proprietary technology, is it a better way of using the technology; what sets you apart from the competition?

Mr. Joll: “We became the de facto standard when Adobe (formerly Macromedia) chose our technology for Flash video, the Adobe® Flash® Player 8. We provide higher quality, better licensing terms, and we use less bandwidth, so that is what sets us apart. Now what is happening in the industry is the standards based technologies have established themselves in certain markets, such as video-on-demand. And while we continue to aggressively market our proprietary technology and help introduce new service paradigms, such as what we have done with Skype, with the the pending Hantro acquisition we will support customers for standards based technologies to the extent that we provide value to the industry and derive synergies with our existing products and technologies. Therefore, we have a combination of proprietary technologies ideally suited for the Internet and mobile applications, and the standards based technologies that are used by some in the broadcasting industry. With the pending acquisition of Hantro, we are further expanding our presence in the standards and device space.”

CEOCFO: Are acquisitions part of your strategies going forward?

Mr. Joll: “The industry is moving fast and there are many diverse elements con-

verging. These elements are what I alluded to earlier, essentially different technologies and applications that need to work together for a complete consumer solution. Acquisitions are a logical way for us to create synergies and stay ahead of the curve and grow. Both as a growth strategy and competitive strategy, we look at where acquisitions make sense.”

CEOCFO: Is it time for the industry to consolidate?

Mr. Joll: “In a sense, while video has been around for a long time, this is a new industry. Just gauging by the venture capital investments, number of startups and the innovations in service paradigms and business models, this is the start of a new industry. I am referring to our customers and potential customers who are media companies and service providers. Consolidation is a natural progression. In some ways, it has started when you look at Google’s acquisition of YouTube, and Comcast’s acquisition of the Platform. That said, I consider the industry to still be in a nascent stage with more companies entering the market than leaving through acquisition, consolidation or otherwise.”

CEOCFO: What is the financial picture like for On2 today?

Mr. Joll: “Positive. We are experiencing double-digit revenue growth. Our cash reserves have been growing. We are optimistic going forward because the market opportunity is certainly there, and we are positioned even better.”

CEOCFO: You mentioned using distributors in various places; in what parts of the world are you looking to do that and what is the growth strategy internationally?

Mr. Joll: “Internationally there are markets that are either very aggressive, such as Korea and Japan, and those where the opportunities are untapped, such as India and China. We put an agent in Taiwan, an agent in India; we have distributors and resellers in Korea and Japan. Japan and Korea are the leaders in terms of video service deployments. India is a growth opportunity because there is tremendous demand and the infrastructure is inadequate. We address the issue of

quality in bandwidth-constrained environments, and that is a market that needs our technologies. We are exploring what we do in South America and we already have a good presence in Europe. With the pending acquisition of Hantro, they also have an international sales force which will further extend our reach into international markets.”

CEOCFO: Is your management team in place?

Mr. Joll: “We have added and defined management roles over the last year that are more in line with our business. We are growing fast in a fast moving industry, and we are constantly adapting to make sure we are firing on all pistons. With the pending acquisition of Hantro, we will have a bigger team and broader scope for the management team.”

CEOCFO: Please tell us a bit about Flix Publisher.

Mr. Joll: “I am glad you ask, because Flix Publisher is one of those amazing, innovative products that meets the needs of the time. Flix Publisher allows anyone to become a video producer and publisher without any prior knowledge of video publishing and without any infrastructure or capital costs. It is provided by service provider as a web page to a user, where the user can drag and drop a video file that, say, they shot with their camcorder. Instantly, the file is transcoded right on the user’s desktop in accordance with the parameters that the service provider has predefined, and uploaded to the service provider and published instantly. It fits perfectly with how the user generated content sites and social networking sites run their services, but without all the capital costs and operational complexities, they have today. The same holds true for live video with Flix Publisher Live.”

CEOCFO: Why should investors be interested and what might they miss about On2?

Mr. Joll: “We are poised at the cusp of tremendous growth in the video industry. In terms of our strategy, we’re aiming at the largest addressable market; cameras, cell phones, PDAs, connected over broadband, 2.5 and 3G, Wi-Fi, WiMax. We are focused on getting our technology into the vast array of such devices. If you

look at the mobile set, a billion hand phones are shipped every year. By 2010, 70% of those are going to be video enabled and we as a company are well positioned to address that market.”

CEOCFO: What do you see as the challenges in accomplishing your goals and how are you ready?

Mr. Joll: “Challenges are inherent when opportunities abound in an industry such as this. The challenges in the industry itself are that there are new service and business paradigms being tested. Some will prevail; some will fall by the wayside. It is too early to tell. The fortunes of some of our customers will also rise and wane accordingly. There is also resurgence in format wars if you have been following the developments by some of the major companies. This development has certainly been fueled to some extent by the success of Adobe’s VP6-based Flash video. It is easy for us to remain proprietary with our TrueMotion video as we have done in the past, but we also have to recognize many of our customers need to support multiple formats. In some cases, such as mobile video, the market is still in a very early stage even though technologies are ready. It takes patience and persistence to stay the course, because these are huge investments and commitments our customers are making, and we need to understand that. As we move up the value chain in terms of providing either embedded solutions or system solutions, we are also going to find bigger companies also in the running. We are approaching such opportunities so that we don’t rule out strategically partnering with others.”

CEOCFO: What should people take away from this interview?

Mr. Joll: “We are at the heart of the video revolution. We are the company poised to deliver any video anywhere. Our presence in the market is larger than our size would indicate through our relationships with marquis customers like Adobe, AOL and so forth. We are connected with the Who’s Who of players in the industry to make the emerging world of video a reality.”



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