

26 February 2008

ASX / MEDIA RELEASE

PHOTON ANNOUNCES 26% INCREASE IN NET PROFIT

Photon Group Limited (ASX:PGA) today announced its results for the six months ended 31 December 2007. EBITDA was \$28.9 million representing an increase of 51% over the prior corresponding period. Net profit increased by 26% to \$8.6 million.

Interim Results Highlights

- Total Revenue up 90% to \$246 million
- Net Revenue growth of 87% to \$158.6 million
- EBITDA growth of 51% to \$28.9 million
- Net profit up 26% to \$8.6 million
- Adjusted¹ net profit increased 27% to \$13.0 million
- EPS of 11.5 cents and adjusted¹ EPS up 22% to 17 cents per share
- Interim dividend increased to 11.5 cents – up 15% on 1H2007
- 84% of EBITDA derived from non-advertising sectors of research, experiential & field marketing, public relations, public affairs, corporate communications and internet marketing

Mr Tim Hughes, Executive Chairman of Photon said “In the first half we experienced very strong growth in revenues and profitability. Our reported net profit increased 26% over the first half 2007 result. Net revenue was \$158.6 million and EBITDA grew 51% to \$28.9 million. Our like-on-like profit growth was 9%, well in excess of industry averages due to our heavy weighting toward fast growing diversified marketing such as internet,

¹ Adjusted for amortisation of intangibles and PV charges

public relations and research. Approximately 84% of Photon's EBITDA was derived from diversified marketing services."

Mr Hughes added "During the six months to December we acquired a dozen companies for a total cost of \$195 million. Over 80% of this investment was in non-advertising sectors and over 70% was in offshore markets. We are not dependent on any marketing sector, company, or client within the group. We are also in the process of diversifying our revenues internationally and it is expected that approximately 40% of our earnings in the second half of 2008 will be generated offshore. The resilience and diversity of our income streams, in addition to EBITDA to interest coverage of four times, presents a conservative debt profile."

"We have capacity for further acquisitions, however while we are continuing to identify high quality companies to buy, the second half of 2008 will be very much about bedding down recent acquisitions and managing the earnings that will flow from the companies we acquired in 2007 and 1H2008. The outlook is positive and we expect to report a record full year result with net revenue and EBITDA in excess of \$375 million and \$75 million respectively."

In reviewing the results CEO Matt Bailey said "It is pleasing to see like-on-like organic growth of 9%. This can be attributed to the fact that our business is heavily weighted towards the growing internet, research, field marketing and specialised communications sectors. These areas are historically less cyclical than traditional advertising and in the past we have seen the areas of research and in-store field marketing take a greater share of marketing budgets in tougher economic times. In the six months to 31 December 2007 our internet marketing and specialised communications divisions led the way as marketers allocated funds towards search engine marketing, public relations, corporate responsibility and public affairs.

"Since July 2007 we have made 12 acquisitions expanding the group to 45 companies. We are attracting quality companies with tremendous growth prospects. We are also seeing existing companies expanding into new markets. The new companies are performing in line with expectations at the time of acquisition. We continue to be very

pleased that Photon's culture and entrepreneurial approach is allowing us to attract independent market leading companies to the group"

Interim Dividend

Photon today declared an interim fully franked dividend of 11.5 cents per share payable on 8 April 2008. The record date for the dividend is 28 March 2008.

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CEO

Photon Group Limited

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2008 Interim Financial Results – 26 February 2008

PhotonGroup

Disclaimer

The information in this presentation:

- is not an offer or recommendation to purchase or subscribe for shares in Photon Group Limited (**Photon**) or to retain or sell any shares currently held;
- does not take into account the potential and current individual investment objectives or the financial situation of investors; and
- was prepared with due care and attention and is current only at the date of the presentation.

Photon has no obligation to update this presentation or correct any inaccuracies or omissions in it. Any financial projections in this presentation have been prepared and set out for illustrative purposes only and do not in any manner constitute a forecast. In addition, certain statements in this presentation may constitute “forward-looking” statements. Forward-looking statements are neither promises nor guarantees and involve known and unknown risks, uncertainties and other factors which may cause actual results to vary materially from any projection, future results or performance expressed or implied by such forward-looking statements.

Before making or varying any investment in Photon, all investors should consider the appropriateness of that investment in light of their individual investment objectives and financial situation and should seek their own independent professional advice.

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Overview

- Net Revenue increased 87% on prior period to \$158.6 million
- EBITDA increased 51% on prior period to \$28.9 million
- NPAT growth of 26% on prior period to \$8.6 million
- Adjusted¹ NPAT growth of 27% on prior period to \$13.0 million
- Cash EPS of 17 cps versus 13.9 cps in 1H2007 – up 22% on 1H2007
- Solid organic growth with like-for-like net revenue and EBITDA up 11% and 9% respectively
- Interim fully franked dividend of 11.5 cents – up 15% on interim 2007
- Conservative gearing and prudent capital management supported by diversified cash flows
- Acquisition of 12 companies in the six months to 31 December 2007 – Photon's culture continuing to appeal to industry leading companies
- Continue to build a diversified international portfolio of specialist companies across the full spectrum of marketing services

1. Adjusted for amortisation of intangibles and PV charges

Results Summary

	1H2008	1H2007	Change
Net Revenue	\$158.6m	\$84.7m	87%
EBITDA	\$28.9m	\$19.1m	51%
Net Profit after minorities	\$8.6m	\$6.9m	26%
Adjusted Net Profit after minorities ¹	\$13.0m	\$10.2m	27%
EPS Reported ²	11.5 cents	10.4 cents	11%
EPS Adjusted ^{1,3}	17.0 cents	13.9 cents	22%
Interim Dividend (ff)	11.5 cents	10 cents	15%

1. Adjusted for amortisation of intangibles and PV charges

2. WANOS 1H2008 of 75,267,363 (1H2007 of 66,257,454)

3. Shares on issue at 31 December 2007: 76,451,719 (31 December 2006: 73,626,602)

1H2008 Financials - Income Statement

Audited Income Statement Six Months Ended 31 December 2007	1H2008 (\$'000s)	1H2007 (\$'000s)	% Change
Total Revenue	245,612	129,132	90%
Net Revenue	158,640	84,636	87%
EBITDA	28,875	19,126	51%
EBIT	22,763	15,114	51%
Reported NPAT (after minorities)	8,643	6,865	26%
Adjusted NPAT¹	12,985	10,229	27%
Reported EPS	11.5	10.4	11%
Adjusted EPS¹	17.0	13.9	22%
Interim Dividend (ff)	11.5	10.0	15%
EBITDA Margin²	18.2%	22.4%	
Normalised EBITDA Margin³	19.8%	22.4%	
WANOS	75.3m	66.3m	
Shares on Issue 31 December	76.5m	73.6m	

- Adjusted for amortisation of intangibles and PV charges
- EBITDA margin is EBITDA / Net Revenue
- EBITDA margin normalised for REL and ABT China

1H2008 Financials – Like-for-Like Net Revenue & EBITDA

	1H2008 (\$'000s)	1H2007 (\$'000s)	Change
Net Revenue (Organic) ¹	112,374	100,905	11%
Acquired	46,266	–	na
Total Net Revenue	158,640	100,905	57%
EBITDA (Organic) ¹	22,107	20,224	9%
Acquired	6,768	–	na
Total EBITDA	28,875	20,224	43%

1. Organic growth represents pro forma like-for-like results for companies owned by Photon in 1H2007

1H2008 Financials – Balance Sheet

31 December 2007	(\$'000s)
Cash	35,908
Working Capital	13,400
Financial Assets	18,717
Other Assets	22,508
Fixed Assets @ WDV	20,032
Intangibles:	
Goodwill	423,633
Identifiable Intangibles @ WDV	26,782
Total Assets	560,980
Provisions	32,544
Deferred Consideration (PV):	
Current	9,757
Non-Current	34,947
Borrowings:	
Bank – Current	8,834
Bank – Non-Current	270,000
Finance Leases	12,429
Net Assets	192,468

Half Year in Review

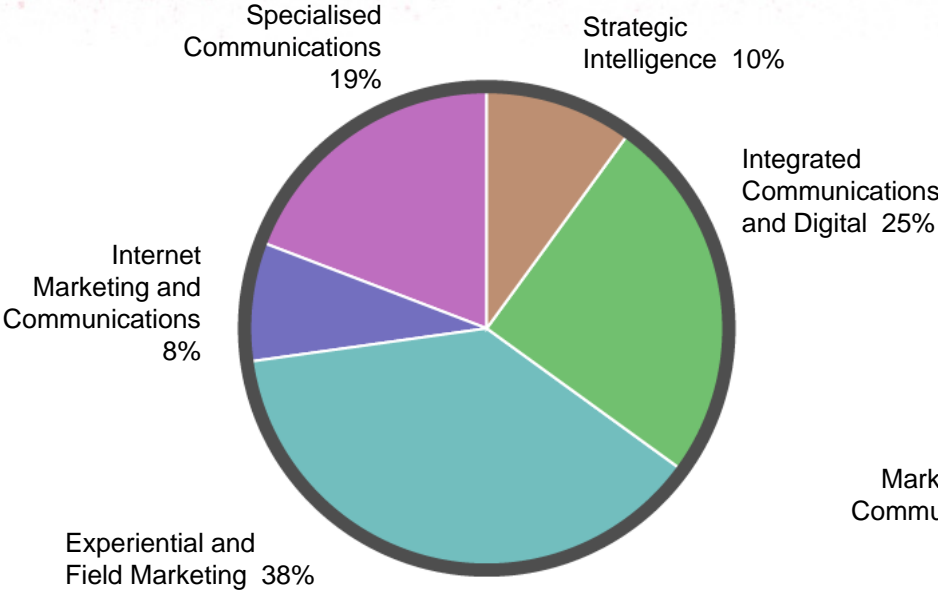
- Strategic Intelligence, Internet Marketing & Communications and Specialised Communications performed very strongly
- Strengthened international presence with the acquisition of seven off-shore companies and geographic expansion by existing group companies (e.g. ABT)
- Acquired 12 companies – c.80% in non-advertising sectors, c.70% overseas
- Continued investment in start-up concepts, in particular in the Internet Marketing Division (e.g. ourlocal)
- Cross-pollination of ideas and clients between companies and geographies (e.g. REL Australia and The Bailey Group UK)
- EBITDA margin influenced by a small number of lower margin companies acquired in 1H2008 – c.20% after normalisation for REL and ABT's entry into China
- Margin expansion opportunities underway at REL – expected to be realised by FY09

Divisional Structure

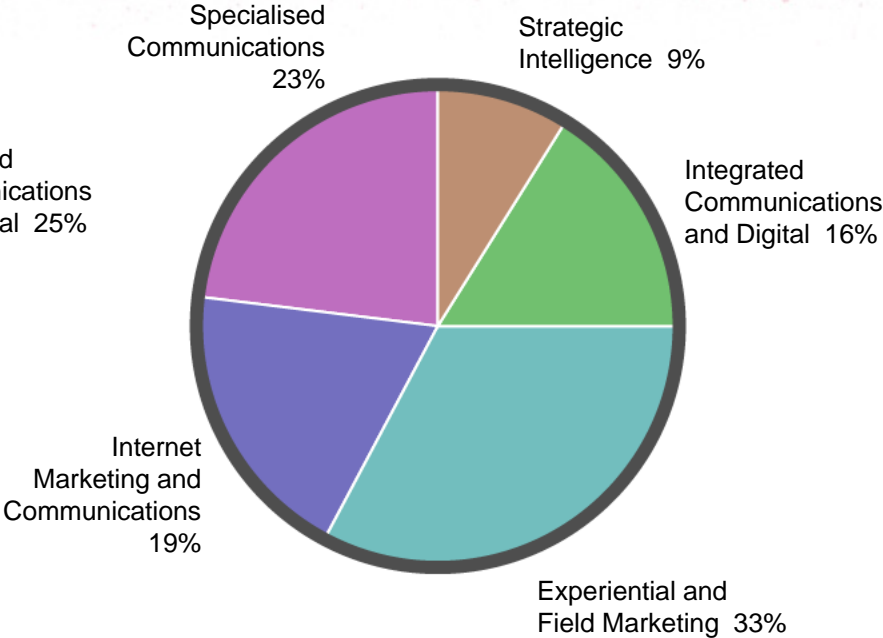
Strategic Intelligence	Internet Marketing and Communications	Experiential and Field Marketing	Integrated Communications and Digital	Specialised Communications
BellamyHayden The Leading Edge Jigsaw DVL Smith Naked	Returnity iMega Dark Blue Sea OBMedia C4 Found Agency Findology	The Bailey Group Brand Impact Counterpoint Demonstration Plus Ausrep REL Club Sales Sledge Retail Insight	Love AdPartners Brass Tacks The Artel Group Kaleidoscope Belong BCG BWM Messagenet ISS Marketing BMF	CPR ABT Image Box Kinetics Precinct Republicorp Creo Markson Sparks Corporate Edge Frank PR Hotwire / Skywrite Public Insight

1H2008 Net Revenue & EBITDA by Division

1H2008 Net Revenue

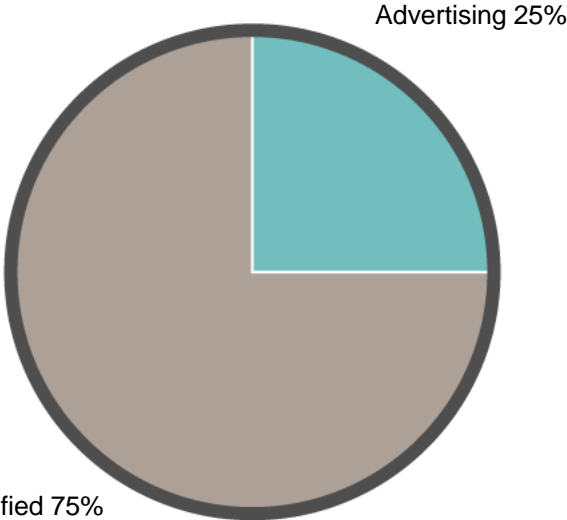


1H2008 EBITDA

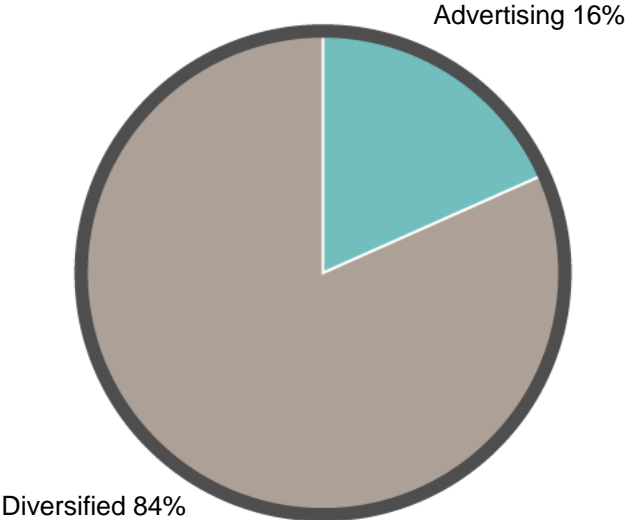


1H2008 Net Revenue & EBITDA – Advertising v Diversified

1H2008 Net Revenue

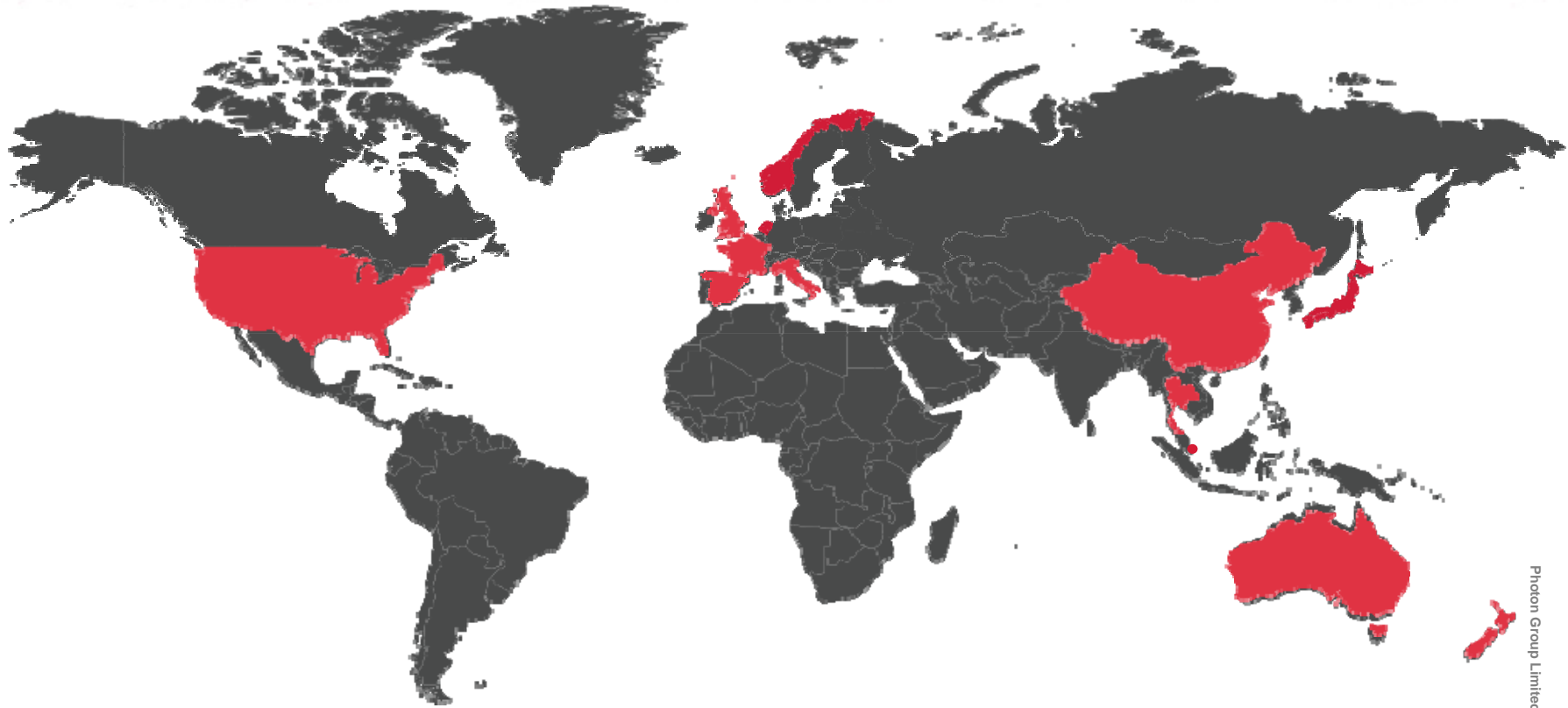


1H2008 EBITDA



Growing Global Footprint

- Network of businesses with offices in 14 countries

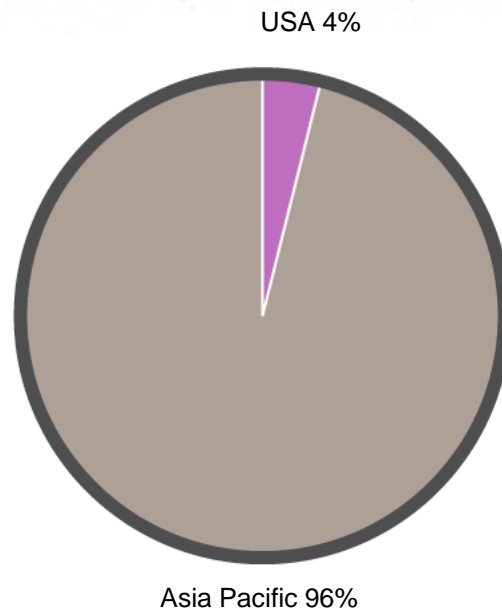


Australia – New Zealand – Japan – China – Thailand – Singapore – US

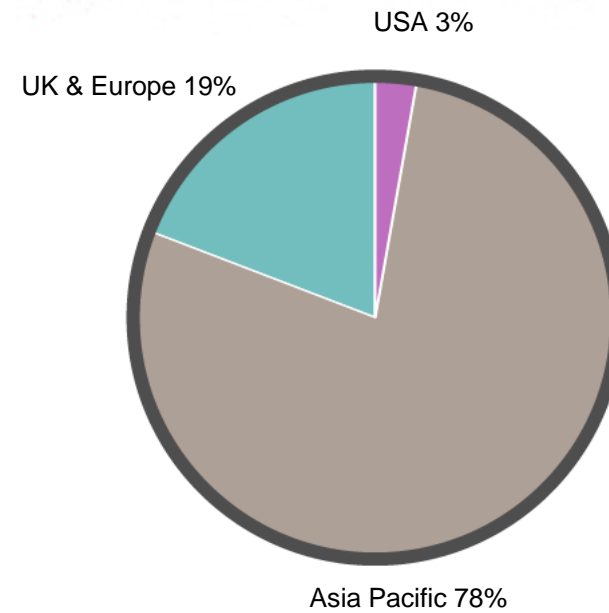
UK – France – Germany – Spain – Italy – Netherlands – Norway

Net Revenue by Geography

FY2007 Net Revenue

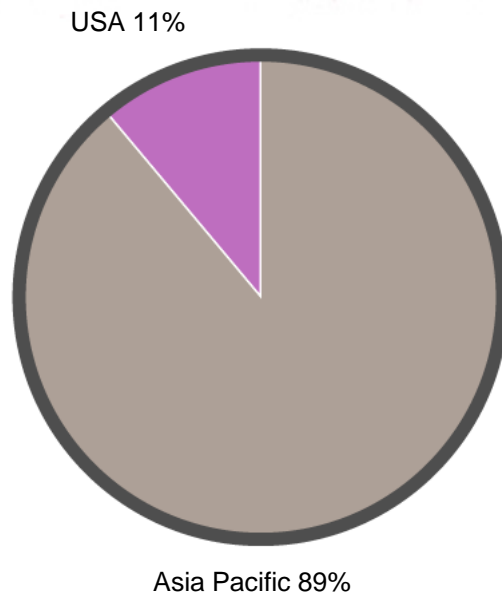


1H2008 Net Revenue

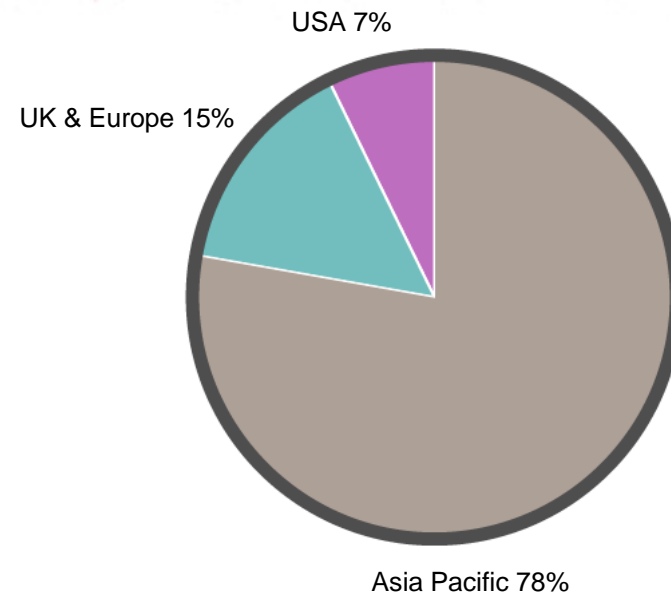


EBITDA by Geography

FY2007 EBITDA



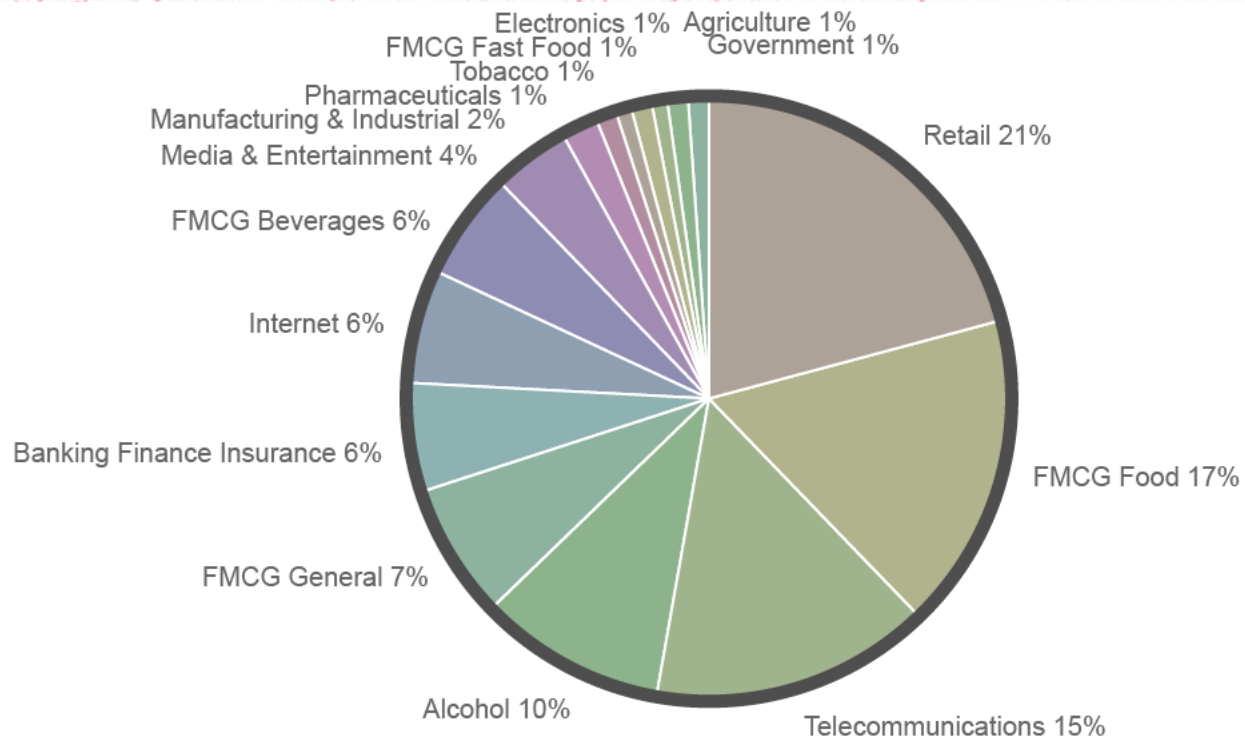
1H2008 EBITDA



Client Diversification

- Photon generated revenue from 1,302 unique client relationships in 1H2008
- The top 50 clients generate 48.5% of net revenue
- 61 client relationships have between three and seven touch-points in the group
- No client relationship in the group represents more than 5% of net revenue
- Strong relationships gained with UK / Europe based retail and telecommunications clients
- Established customer relationships in a diversified range of industries

Industry split – Top 50 Customers by Net Revenue



Acquisition History

FY2000

love™

FY2001

returnity
DATA DRIVEN DIGITAL MARKETING

BRASS
tacks

IDEAassociates

FY2002

CPR
ADPARTNERSGROUP

FY2003

Precinct.

abt

RBR

FY2004

The Miller Group

theartelgroup

ImageBox

FY2005

The Leading Edge

BRAND IMPACT

LEGION
INTERACTIVE

kinetics

FY2006

Kaleidoscope
Marketing Communications Pty Ltd

republicorp

Counterpoint
Marketing & Sales Pty Ltd

SEE

creo

ID
Demographics

MEDIAZOO

FY2007

iMega

AUSREP

Jigsaw
Strategic Research

MARKSONSPARKSPUBLICITY
CORPORATE COMMUNICATIONS PARTNERS

VR

B

C4

THE FOUND AGENCY

The Found Agency
Stop searching.

FY2008

RELEVANT

MessageNet

188
MARKETING

CLUB
SALES & MERCHANDISING

bmf

CORPORATEEDGE

frank^{PR}

HOTWIRE

sledge

FINDOLOGY
INTERACTIVE MEDIA

Retail Insight

naked

FY2008 Acquisitions

- Companies acquired in FY08 are performing in line with expectations

Company	Division	Upfront Payment (\$m)
REL	Experiential & Field Marketing	17.8
MessageNet	Integrated Communications	6.0
ISS Marketing	Integrated Communications	6.0
Markson Sparks	Specialised Communications	3.0
Bellamy Hayden (60%)	Strategic Intelligence	5.0
Club Sales	Experiential & Field Marketing	8.0
BMF	Integrated Communications	25.6
Corporate Edge	Specialised Communications	13.9
Frank PR	Specialised Communications	18.5
Hotwire	Specialised Communications	22.4
Sledge	Experiential & Field Marketing	9.2
Findology	Internet Marketing & Comms	22.6
Naked	Strategic Intelligence	36.7
Total FY08		194.7

Capital Management

- Debt facility of \$346 million - \$279 million drawn at 31 December 2007; today drawn to \$313 million
- Interest coverage of 4.0 times and debt to EBITDA ratio of 3.3 times
- Maturity within one year: \$9 million, within two years: \$150 million, within three years: \$120 million
- Average interest rate of 8.0% – approximately 40% of long-term borrowing cost subject to fixed rate swap
- Ability to match currency of borrowing costs with currency of earnings

Outlook

- Organic growth and acquisitions expected to deliver FY2008 in excess of \$375 million and EBITDA in excess of \$75 million
- Truly diversified group with limited exposure to the traditional global advertising cycle
- Maintain a culture to attract the best talent in the industry
- Provide financial discipline and divisional support to allow group companies to succeed and grow
- Continue to identify high quality companies to buy – 2H2008 focused on bedding down recent acquisitions and managing earnings flow
- Exciting outlook for 2008