

5 February 2008

ASX / MEDIA RELEASE

PHOTON GROUP ACQUIRES NAKED COMMUNICATIONS

- **Acquires world's leading international communications strategy consultancy, Naked Communications**
- **Builds Photon's international presence to 17 countries**
- **Strengthens Photon Group's position in the Australian market**
- **Acquisition earnings per share accretive over 12 months**

Photon Group (ASX:PGA) today announced the acquisition of the world's most highly-regarded communications strategy consultancy, Naked Communications Ltd (Naked).

The acquisition propels Photon's international expansion to over 16 countries and delivers significant earnings momentum to the group.

Naked is an international, media neutral communications planning consultancy with operations in United Kingdom, United States, Japan, France, the Netherlands, Germany, Norway and Australia. The business was established in London in 2000 to bridge the gap between media buyers and creative agencies and has since established niche operations across several different disciplines, including digital planning.

Since its inception in 2000, Naked has rapidly built an enviable client portfolio, providing creative communications solutions to a range of leading blue-chip clients and international brands across the group. It has won a slew of industry awards internationally as well as being named by Australia's AdNews as Media Agency and Agency of the Year in 2007.

Executive Chairman of Photon, Tim Hughes said: "This is a hugely significant deal for Photon and a major boost to our business. Naked is unquestionably the world's leading communications strategy consultancy, bringing a whole new perspective to the industry which has underpinned their remarkable growth across a number of different countries and markets.

"The management and staff of Naked are entrepreneurial, fiercely independent and challenge conventional thinking making them a natural fit for Photon. We have a common philosophy that marketing services and communications advice should be media neutral, unbiased, free thinking and relevant. With this deal Photon, expands its global presence into key markets where we believe we can develop further opportunities across the group."

Chief Executive of Photon, Matt Bailey said: "This acquisition really exemplifies the strength of the Photon model; successfully identifying market leading, independent companies which are not necessarily for sale and providing them an opportunity to further their potential within the Photon group. Naked has built an international platform, leveraging its performance in its core markets of Europe, the US and Asia/Pacific, which will drive significant earnings momentum.

"Naked's decision to join Photon is a powerful endorsement of our ongoing strategy and adds significantly to both our earnings growth and geographic reach."

Nigel Long, CEO of Naked said: "We are attracted to Photon's model which mirrors our own culture of entrepreneurial spirit and allows our continued independence to pursue our vision, although backed by the resources of the wider group.

"We believe Naked has one of the most powerful brand names in global marketing services and the partnership with Photon now gives us even greater opportunity to build the business further."

The purchase price comprises an initial payment in cash of \$36.7 million plus deferred payments tied to performance targets. The initial payment was funded from Photon's existing acquisition debt facility.

Over the next 12 months, the acquisition of Naked Communications is expected to be accretive to Photon's earnings per share.

Photon is a specialist marketing services company comprised of five strategic divisions: Strategic Intelligence, Integrated Communications & Digital, Experiential & Field Marketing, Internet Marketing & Communications and Specialised Communications.

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Attached: PowerPoint Presentation

Acquisition of Naked Communications – 5 February 2008

PhotonGroup

Disclaimer

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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.

Executive Summary

- Photon today announced the acquisition of international communications strategy consultancy, Naked Communications Limited (Naked)
- Natural fit for Photon - Naked is entrepreneurial, fiercely independent and challenges conventional thinking
- Powerful endorsement of Photon's strategy and add significantly to earnings and geographic foot print
- Builds Photon's international presence to 16 countries and strengthens Photon's position in the Australian
- Initial payment of A\$36.7 million paid in cash and loan notes funded from Photon's acquisition debt facilities
- Lifts the Strategic Intelligence division's share of pro forma FY08 EBITDA from approximately 11% to 15%
- Over the next 12 months, the acquisition of Naked is expected to be positive to Photon's earnings per share



Naked Communications

- Naked, established in London in 2000, is an international, media-neutral communications planning consultancy
- Established to bridge the gap between media buyers and creative agencies
- Shares Photon's philosophy that marketing services and communications advice should be media neutral, unbiased, free thinking and relevant
- Provides creative communications solutions to a range of leading blue-chip clients and international brands
- Has established niche operations across several different disciplines, including digital planning
- Operations in eight countries, including offices in London, New York, Sydney, Melbourne, Tokyo, Amsterdam, Oslo and Paris
- Employs approximately 200 people globally



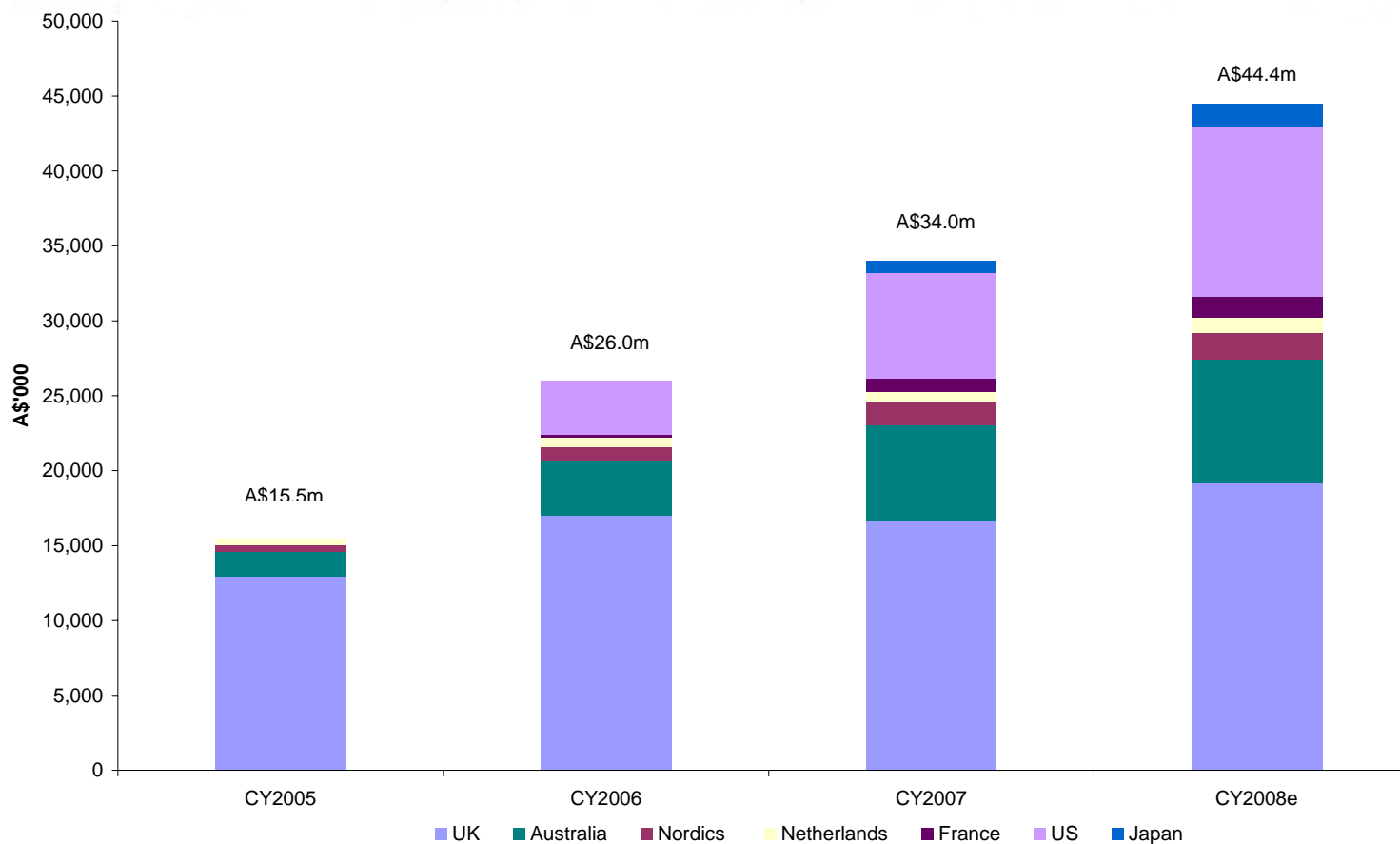
Photon's Global Footprint

- Network of businesses with a presence in 16 countries – a base for developing further opportunities across the group



Naked Financials - Revenue

- Naked has built an international platform which drives significant revenue and earnings momentum – overall EBIT margin of circa 16%

































NB: Naked's historical consolidated management accounts have been converted at the current AUD:GBP cross rate for illustrative purposes only

Acquisition Price & Funding

- Initial payment of A\$36.7 million paid in cash and loan notes to Naked shareholders
- Two deferred payments tied to EBIT growth performance
- Initial payment funded from Photon's acquisition debt facility – majority funded in sterling
- Photon has drawn A\$317 million of its A\$326 million debt facility after Naked initial payment
- Capacity for further acquisitions and deferred payments under facility terms



Photon Acquisition History

2000	2001	2002	2003	2004	2005	2006	2007	2008
 	  	 	 	   	     	       	   <p>The Found Agency Stop searching.</p> 