

Date: 2nd July 2007
On behalf of: Digital Marketing Group plc (the “Company” or the “Group”)
Embargoed: 0700hrs

Digital Marketing Group plc

Acquisitions of Graphico & Hyperlaunch for £12.1m

- **Acquisition of Graphico for a maximum consideration of £8.6m**
- **Acquisition of Hyperlaunch for a maximum consideration of £3.5m**

Digital Marketing Group plc (AIM: DIGI), the digital direct marketing group, is today pleased to announce the acquisitions of the entire share capital of Graphico New Media (“Graphico”), a successful full service creative digital agency with skills in mobile marketing and Hyperlaunch New Media (“Hyperlaunch”), an award-winning digital creative marketing agency.

Digital Marketing Group is paying a maximum consideration of £8.6m for Graphico and a maximum consideration of £3.5m for Hyperlaunch. The acquisitions will be funded via a combination of existing cash resources, loan notes, bank facilities, and shares in Digital Marketing Group. Adjustments to consideration are in place in relation to agreed minimum net asset balance sheet positions retained by the businesses.

The acquisitions reaffirm the Group’s ‘buy and build’ strategy of acquiring companies that have activities in ‘online’ marketing, ‘offline’ direct marketing and database marketing. Graphico and Hyperlaunch are both digital marketing specialists which complement the Group’s existing businesses and broaden its digital direct marketing offering, client and product base.

Commenting on the acquisitions, Ben Langdon, Digital Marketing Group plc’s Chief Executive, said:

“I am delighted to announce the completion of these acquisitions. The businesses will bring new expertise and skills into the Group and complement further our specialist digital marketing offering. We look forward to welcoming them into the Group and working together to develop and create one of UK’s leading digital direct marketing groups.”

Graphico

Graphico, founded in 1990, is an award-winning full service creative digital agency with mobile marketing skills. The core business area lies in the design, development and maintenance of web-sites, from brand extension sites to full e-commerce based applications. Since the business was established, it has developed by combining both creative and technical skills to provide tailored solutions for its clients. Graphico is based in Newbury and employs approximately 70 people. Graphico won the 2007 Travel Category of the NMA Effectiveness Award for its work with First Great Western.

Graphico has created a bespoke mobile system that offers an integrated solution for SMS, WAP, Voice and ECRM applications. It has a range of international and blue-chip clients including Pepsi, The London Eye, Walkers, Universal, Bacardi-Martini, BBC, Chivas Regal and First Great Western.

Over the last two years Graphico has demonstrated considerable sales growth. This growth is reflected in its audited financials for the year ended 31 December 2006; with turnover of £4.1m (up 70.8% on audited 2005 turnover of £2.4m) and operating loss before tax of £80,000 which, when adjusted for exceptional and non recurring costs, gives an operating profit of £176,000.

Digital Marketing Group is acquiring the entire share capital of Graphico for a maximum consideration of £8.6m. The consideration comprises £4m cash on completion, up to £1.5m worth of loan notes

contingent on achieving certain EBITDA performance targets for the six months to 30 September 2007 and up to a maximum £3.1m of shares in DMG contingent on Graphico achieving various EBITDA performance targets. The maximum consideration figure of £8.6m is payable upon Graphico achieving annual EBITDA of £1.18m prior to December 2008. Digital Marketing Group retains an option to pay the share element in loan notes rather than shares.

Commenting on becoming part of Digital Marketing Group, Mark Bennett, Managing Director of Graphico said:

“We are very excited to be joining Digital Marketing Group and are relishing the opportunity of working with the existing members of the Group to deliver best of breed digital direct marketing services. This acquisition represents a major milestone in Graphico’s 17 year long history and will ensure that we continue to grow the company and the specialist digital services that we offer our clients.”

Hyperlaunch

Hyperlaunch, founded in 2001, is a digital creative marketing agency. The Company operates under three divisions: Creative/Development, Online PR (music and non music) and Buzz Marketing. Hyperlaunch has an established reputation for creativity and strong technical development focus particularly evident in entertainment, youth and lifestyle brands.

Its client base includes blue-chip brands such as Universal Music, Atlantic Records, Samsung and Warner Bros. Hyperlaunch is based in Clifton, Bristol and employs 32 people.

Hyperlaunch has grown organically year on year with a turnover of £1.6m and operating profit of £326,000 for the financial period of 5 April 2007, unaudited.

Digital Marketing Group is acquiring the entire share capital of Hyperlaunch for a multiple of 7.25 times the profit before interest and tax for a twelve month period to 30 June 2007. The level of profit before interest and tax for the period to 30 June 2007 is not anticipated to exceed £350,000 (estimated and unaudited). The maximum consideration cannot exceed £3.5m and will be paid 60% in cash and 40% in shares.

Commenting on becoming part of Digital Marketing Group, Jon Morgan Managing Director of Hyperlaunch, said:

“We are very excited to become part of Digital Marketing Group. We are highly attracted to the fact that Digital Marketing Group is not a “marketing services” group and traditional marketing services such as mass-marketing advertising agencies, packaging, design, or sales promotion companies have no home there. As part of a specialist digital marketing group, we are confident we will be able to drive the growth of our business and provide our clients with an enhanced comprehensive digital marketing offering.”

Admission of new ordinary shares to AIM

As part of the acquisition of Hyperlaunch, the Company is issuing 466,238 ordinary shares to the shareholders of Hyperlaunch. Application has been made for these shares to be admitted to trading on AIM and admission is expected to occur on 2 July 2007. Following this issue of ordinary shares, there will be 64,878,390 ordinary shares in issue.

- Ends -

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Notes to Editors:

- Publication quality photographs are available via Redleaf Communications.
- Digital Marketing Group is not a “marketing services” group and will never seek to make investments in traditional marketing services such as mass-market advertising agencies, packaging, design, or sales promotion.
- Digital Marketing Group aims to provide a range of integrated digital direct marketing services, coupled with database marketing skills. By doing this Digital Marketing Group offers clients the ability to coordinate their "online" and "offline" direct marketing strategy, thereby generating more effective digital direct marketing, higher brand-consumer loyalty and improved profitability.
- Its strategy is to grow organically and by acquiring businesses with complementary skills in digital direct marketing.
- Inbox Digital has enjoyed industry wide recognition having won the Games Category at the NMA Effectiveness Awards 2007 for their online game, ‘Viva la volley’. Stan James commissioned Inbox Digital to create an online game to promote its betting services during the 2006 FIFA World Cup. The Awards were announced on Thursday 28th June 2007.
- Graphico won the Travel Category at the NMA Effectiveness Awards 2007 for the First Great Western consumer-facing website. Graphico created a seamless online journey from route planning to ticket sales, integrating third-party information to create a destination site.

The Group currently comprises five agencies:

- ***Inbox Digital*** – plans, creates and manages end-to-end digital marketing campaigns. Further information is available at: www.inbox.co.uk
- ***Dig for Fire*** – the largest direct marketing agency operating exclusively outside London. Further information is available at: www.digforfire.co.uk
- ***HSM*** – combines outbound telemarketing, with digital and data marketing. Further information is available at www.hsm.co.uk
- ***Cheeze*** – one of Europe’s leading digital response agencies and the UK’s fifth largest search marketing specialist. Further information is available at: www.cheeze.com
- ***Jaywing*** – a leading UK data services specialist providing both online and offline data and information services. Further information is available at www.jaywing.com