

## ASX ANNOUNCEMENT

### For Immediate Release

17 November 2010

### mcm entertainment group limited (ASX: MEG) quarterly report Q1 2010

We are pleased to present mcm entertainment group's (MEG) Q1, 2010 update. As promised MEG will publish updates such as this after the conclusion of each quarter as well as other material updates whenever appropriate.

#### Group update

As reported in our FY2010 Annual Report, MEG achieved its best revenue and profit numbers ever. The improved cash flow over the past 18 months has allowed for an increased investment in personnel and products. In Q1 of FY2011, this investment has continued and stepped up to take advantage of expected demand across our three business sectors. The proactive investment in personnel and growth strategies for all three operating businesses mean that earnings will be softer for FY2011; however, return on this investment is expected in FY2012 and 2013.

MEG operates three standalone businesses, each with strong growth prospects and opportunity in the digital media markets in which they operate. **MCM Media** is the Group's well established business and continues to dominate the cash flows and margins of the Group. MEG have used that strength to scale and grow **igloo**, our digital marketing services agency, and take **movideo**, our online media bred technology innovation into exciting growth markets across both Asia and Asia Pacific. Q1 has seen MEG continue this transition across the Group.

MEG's businesses 'snap' together very well as a group; integrating products, support and services for the benefit of our customers and each individual business. Together these products and services continue to attract demand in the dynamic and fast growing digital media ecosystem in Australia and now also with movideo across Asia.

As part of MEG's growth strategy the board has committed to raising fresh capital to assist in funding the growth of all three businesses. The details of this capital raising will be announced when finalised in the current quarter. Your board and management are committed to growing shareholder value by expanding MEG's businesses into new markets with new products to drive return on investment and tangible shareholder value. As said, while we anticipate earnings will be softer for FY2011, MEG is planning for strong growth into FY2012 and FY2013. As part of its planned growth MEG is also considering strategic alliances and acquisitions to provide greater scale in media and digital marketing services. Strategic acquisitions will only happen if strict accretive shareholder value criteria are met.

#### Business update

As an introduction to the business updates below, Q1 has been softer than budgeted in **MCM Media** primarily due to the prolonged Federal Election which disrupted Government advertising flow. MEG expects this to return to budgeted levels by Q3.

**igloo** has undergone a recent restructure which has affected momentum into Q2 and the MEG board continues to support igloo's growth strategies and expect strong performance in the second half of FY2011.

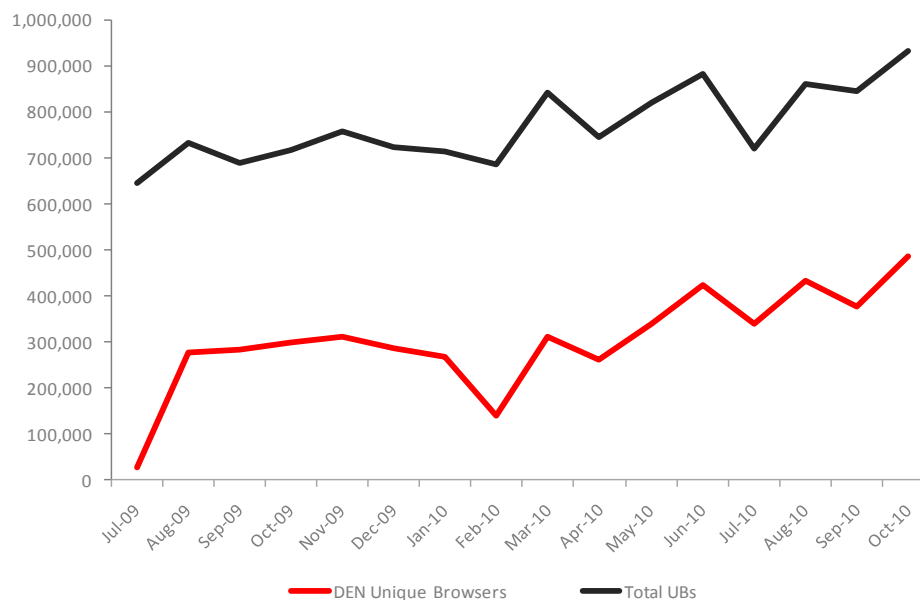
Although early days for **movideo**, the business is on track to deliver its business plan targets and progress in this strong growth potential market is very encouraging.



1. New Radio Group Program Director: Jay Walkerden (ex-Austereo & UK radio) – engaged to expand product R&D and to enhance content supply to key broadcasters.
2. New Head of Television: Michael Johnstone (ex-MTV) – engaged to expand current catalogue and to innovate new product for the expanding multi channel marketplace. With a strong sales background, Michael is expected to be a key driver of the TV revenue line for MCM Media.
3. New Online Commercial Director: Andrew Cordwell (ex-My Space & ninemsn) – engaged to grow MCM Media's online audience, increase partners of the Digital Entertainment Network (DEN), increase overall audience scale and maximise commercial sales.
4. After strong revenue growth of 12.58% in FY2010, revenue has softened for the start of FY2011. The advertising market, whilst growing reasonably well, remains competitive and challenging due to the amount of media fragmentation (TV multi-channeling, digital radio, new pay TV channels, growing online media consumption, etc).
5. Nonetheless MCM Media remains a strong proposition in the Australian media landscape. To reassert its position the brand has been re-launched: **MCM Media – listen watch engage** (refer attached).
6. Radio catalogue remains strong:
  - *Cover to Cover* won 'Best Syndicated Show' at the 2010 Australian Commercial Radio Awards.
  - All other Programs continue to attract competitive audience numbers.
  - The national drive time product 'Jono & Dano' has been re commissioned for 2011 by Australian Radio Network.
  - Austereo Group Ltd has also re commissioned MCM Media's broadcast 'prep services' for 2011.
7. Online:
  - Audience numbers continue to grow. Record traffic of 950,000 in October 2010, getting very close to the stated target of 1 million per month by 2011.
  - DEN partners are also increasing. New signings: bandit.tv, Channel [V] and Channel Ten's 'Video Hits' underline the expansion of the DEN. The DEN now streams online around 7 million music tracks a month supported by advertising across a network of 35 website partners. The only online publisher streaming more music in Australia is YouTube!
8. Television and Events:
  - Live at the Chapel returns with renowned international act, Temper Trap. Russian Standard Vodka is the sponsor of the event, with the performance being broadcast on Channel 9's digital channel GO! and Channel [V].
  - Take 40 Stars of Summer featuring Jamiroquai is being filmed on November 20. It is sponsored by Sony Playstation's Singstar and will be broadcast on Channel 9's digital channel GO! and Channel [V].

9. Key Chart:

Chart 1: Online Audience Growth



1. Management restructured in October to be 'fit for purpose'. Founding CEO exited and a new leadership team is in place. A new business leader is currently being recruited to start by Q3, 2011.
2. After strong revenue growth of 157% in FY10 there has been a rationalisation of the staff size to ensure profitable growth into future.
3. For the Q1 igloo has slightly improved Sales (3%) YOY.
4. The major client win for Q1 was Quit Victoria and igloo also launched two new websites for Hardie Grant Publishing, [bride.com.au](http://bride.com.au) and [brideadviser.com.au](http://brideadviser.com.au)
5. New business development with existing and new customers is igloo's primary focus and the management team is committed to the growth objectives.
6. Q2 will be a softer quarter for igloo with the reorganisation; however, the business pipeline is expected to be strong for the second half and current activities are laying good foundations for this.



1. Q1 2010 has seen the first major enterprise deployment of movideo outside the Group. Movideo was launched with Network Ten in September after winning a four way tender against international competitors. (see Australian article attached)
2. movideo is run on MEG's scalable server farm infrastructure located in California and Arizona which currently manage the movideo Software as a Service (SaaS) for a total of six customers including MCM Media's DEN and Network Ten.
3. Sales and marketing resources are being established within Asia, movideo's primary geographical market focus. Q2 will see the appointment of human resources in China and either Hong Kong or Singapore to complement the existing Australian based business development resources.
4. In advance of this, there have been 5 business development visits into Asia Pacific in Q1 covering New Zealand, Malaysia, Singapore, Hong Kong, Taiwan, Indonesia and China.
5. movideo can also announce in this update its first two Asia Pacific deals with Hong Kong's South China Morning Post publishing group and Malaysia's AMP Radio Group both entering long term licenses for the movideo service.
6. The movideo product has now been translated into Mandarin and Cantonese for the Chinese markets.
7. movideo is ahead of Q1 budget for its main KPI's; customer numbers and Monthly Recurring Revenue (MRR):

*Licensed Clients*

Target: 3            Actual: 6

*Licensed MRR*

Target: \$36k        Actual: \$121k

*Total Q1 Revenue (including Professional Fees): \$214k*



**Current Corporate Profile at 31 October 2010**

<b>ASX code</b>	MEG	
<b>Issued capital</b>	71,846,685 Ordinary Shares	1,350,000 Options
<b>Issued price Dec 2007</b>	\$0.20c	
<b>Current share price</b>	\$0.15c	
<b>Market capitalisation</b>	\$10.777m	
<b>FY June 30 2010</b>	NPAT \$0.654m	Revenue \$23.842m
<b>FY June 30 2009</b>	NPAT \$0.021m	Revenue \$18.783m
<b>Current # of shareholders</b>	179	
<b>Top 5 shareholdings</b>	81.46%	
<b>Staff</b>	94	
<b>Lawyers</b>	Freehills, Melbourne	
<b>Auditors</b>	Ernst & Young, Melbourne	
<b>Bankers</b>	HSBC Bank of Australia	

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**About MCM ENTERTAINMENT GROUP:** mcm entertainment group limited is listed on the Australian Stock Exchange (ASX Code "MEG"). mcm entertainment group was founded in 1983, and today is one of Australia's most progressive media entertainment, digital solution and new media technical innovation organisations. The company currently has three operating subsidiaries within the group housing three separate businesses with diversified products and revenues. The common DNA across the group is innovation – mcm thrives on innovation delivering accountable results and value for our clients, be they advertisers, broadcasters, new media networks, companies seeking digital solutions or technology driven business looking for that elusive edge. Its three subsidiaries are mcm media, igloo digital and movideo®  
Further details on mcm can be found at [www.mcmertainment.com](http://www.mcmertainment.com)



listen watch engage

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## listen

Whether it's the nation's longest running countdown, 4 hours of LA's glitz and glam beaming live into Oz or a couple of loveable larrikins on the drive home – our unique radio shows are a must listen.

- **8 national radio shows**
- **The country's biggest radio talent**
- **A network of 220 radio stations**
- **Weekly cumulative audience of 4 million listeners\***

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## watch

That controversial new music video, interviews with the hottest stars in music and movies or must see TV – entertainment junkies are seeking out our content on their PC's, mobile and televisions.

- **900,000 unique browsers per month\*\***
- **5.3 million audio and video streams per month**
- **Television shows including the critically acclaimed 'Live at the Chapel'®**
- **Daily mobile show**

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## engage

A raised pulse, a barely suppressed laugh, a hot piece of goss, the sweet spot front of stage at a custom made rock concert. It's what our audience want and it's at the heart of everything we produce – real engagement.

- **27 years of production expertise**
- **Multiple media touch points with expertise across radio, digital, television and events**
- **Access to in demand talent and content with studio facilities in Sydney, Melbourne and Los Angeles**
- **Bespoke event and online video ad production**

\* Nielsen Radio Advisor, Survey #6 2010

\*\* Nielsen Netratings September 2010

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Even Ten's critics agree that Eleven was the right move. Nine's multi-channel Go! has stolen younger viewers from Ten this

is that some of Ten's largest shareholders including WIN TV owner Bruce Gordon (with 13 per cent), Perpetual (9 per cent) and

## Internet strategy a plus for Ten

LARA SINCLAIR  
ONLINE

WHILE James Packer might question Ten's news and online strategy, executives at the network are espousing an innovative strategy when it comes to the internet.

The network, which recently signed a deal to use MCM Entertainment's video platform movideo to play video on its website, typically divides full-length programs into six parts, which enables it to show an advertisement, dubbed a pre-roll, before each part.

Yahoo7 and Ninemsn show fewer ads on their full-length catch-up TV content on their Plus7 and FixPlay services respectively.

Ten's chief digital media officer Nick Spooner said movideo technology would enable the network to experiment with new ad formats and recommend similar programs to visitors who have watched a video on the site.

MCM group CEO Tony McGinn said movideo technology would allow Ten to serve videos across all digital platforms, including internet-delivered TV, or IPTV.

Ten's video views were up 31 per cent year on year to 60 million views of premium content within 12 months, Mr Spooner said. "It provides a better experience for the audience in a range of ways," he said. "These include supporting much closer links to social networking engagement around our programs.

"From a client perspective, we currently run pre-roll advertising, and movideo allows us to trial new advertising formats."

Online video advertising is a small but burgeoning market in Australia, estimated at \$25 million for the 2010 financial year, although that figure does not include video-sharing website YouTube. According to eMarketer, US online advertising revenues will grow at more than 30 per cent a year until at least 2013, when they will be worth \$US4 billion.

MCM group CEO Tony McGinn said the online video platform market was worth about \$480 million worldwide.

MCM group, which also operates a music and media syndication business and a digital design agency, began marketing its video player to third parties in March, and is now expanding into Asia.

FORMER radio