

ASX ANNOUNCEMENT

Update on Year-to-Date Trading and Operational Activities



Operational restructure continuing and year-to-date results in line with prior year. Australian operations on track and some weakness in International business.

Photon Group Limited (ASX:PGA) today provided an update on its year-to-date trading performance and operational activities ahead of its Annual General Meeting on 23 November 2010.

Year-to-Date Trading

Based on unaudited management accounts for the four months to 31 October 2010, year-to-date Net Revenue and EBITDA are in line with Net Revenue and normalised EBITDA for the same period last year.

A\$ million	YTD 31 Oct 2010	YTD 31 Oct 2009
Net Revenue	126.3	127.7
EBITDA ¹	22.3	22.6

Note:

1. FY2010 EBITDA normalised for extraordinary and abnormal losses
 2. For this period, the impact of non-cash equity incentive expenses was positive due to the write-back and reduction of costs associated with unvested options that have expired. Net equity incentives in YTD October 2010 have had approximately \$2.0m positive impact, versus a \$1.1 million expense in the same period last year.
- Net Revenue and EBITDA in the Australian Agencies division is in line with the same period in the prior year;
 - Net Revenue in the Field Marketing division is up 3% on the prior corresponding period, and EBITDA is up 9%, however down 15% from the same period in FY2009; and
 - Net Revenue in the International and Search Marketing division is down 6% on the same period last year and EBITDA is down 36%. The main contributor of this variance was the lower results of Naked and The Leading Edge versus the prior period. Excluding the results of these two businesses from the division performance, Net Revenue would have been up 9% and EBITDA up 5% on the prior period.

Both Naked and The Leading Edge remain very strong franchises. A number of factors, including uncertainty around Photon's recapitalisation and the process of restructuring have led to lower financial results early in the financial year.

Jon Wilkins, Founder of Naked and Photon's Head of Strategy and Business Development said "Since the completion of Photon's recapitalisation we have been focused on

strengthening Naked's capabilities and developing a long term incentive plan that aligns Naked's key global stakeholders with Photon's shareholders. These ongoing activities will provide a strong platform for the next stage of Naked's growth."

New management was recently installed at The Leading Edge who have begun the process of revitalising, restructuring, investing in deeper capabilities and expanding the business. Auspoll, a leading polling company, was recently merged into The Leading Edge to make it part of a bigger, stronger research company.

Operational Restructure

The operational restructure activities outlined in the 2010 Annual Report continue, with further business mergers and consolidation of premises taking place in October. In addition to Auspoll's merger with The Leading Edge, Photon has solidified its promotional / below-the-line offering, merging Brass Tacks' client base and staff into both ISS Marketing and Kaleidoscope. These two companies, with offices in Melbourne, Sydney, Brisbane and Perth offer the largest footprint in this space in Australia. This combined offering allows for greater cost efficiencies and improved co-ordinated strategic and creative output.

Impact of Currency

The strength of the Australian currency reduces the value of Photon's off-shore earnings however the company also has liabilities denominated in Pound Sterling and US Dollars. Overall, every one pence that the Australian dollar appreciates versus the Pound Sterling reduces annual earnings by approximately \$300,000 and reduces the debt balance by approximately \$1.3 million. The impact of movements in the US Dollar is less material.

Photon's bank debt balance at the end of October was approximately \$197 million with a further approximately \$41 million of capped cash deferred consideration payments expected to be due over the next four years. Further capped cash deferred consideration payments will become due if Photon hits certain EBITDA and leverage targets in the future as outlined in Photon's prospectus of 17 August 2010.

Annual General Meeting

Photon's Annual General Meeting will be held on Tuesday 23 November 2010. The board has decided it is in the best interests of the company to withdraw Item 5 – Consolidation of Photon's shares from consideration by shareholders at this Annual General Meeting. Votes cast in relation to this item will be disregarded.

Contact

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