15.02.2012

ASX ANNOUNCEMENT

Results for six months ended 31 December 2011.

PhotonGroup.

Photon Group Limited (ASX:PGA) today announced its results for the six months ended 31 December 2011.

Summary

- **Asset sale program completed; debt repaid:** The company completed its program of asset sales during the half, generating total proceeds of $233 million representing 7.5 times EBITDA. The proceeds were used to repay debt and fund future cash deferred consideration payments. At 31 December 2011, Photon had a cash balance of $32 million and no debt outstanding.
- **Corporate overhead reductions:** An annualised $4.0 million to $5.0 million reduction in the cash overhead costs will be realised from FY2013. This represents a 40% to 50% reduction from the FY2011 level of cash overheads. It is estimated that one-off restructure costs of approximately $4.5 million will be incurred during financial year 2012 to achieve the overhead reductions.
- **Net revenue, Operating EBITDA[1] and NPAT lower:** The financial performance of the Australian Agencies division continued to be significantly lower than the same period last year on a pro forma basis. However the Operating EBITDA of the International Agencies as a group was higher than the same period last year on a pro forma basis.
- **Future strategy to focus on key businesses in core markets:** Photon is now a debt-free company with leading Australian and international agencies such as Naked, The Leading Edge, Frank PR, Hotwire, BMF and BWM. Photon's future strategy is focused on building key brands in the core geographic markets, increasing their performance, maximising the opportunities for collaboration across business units and expanding organically.

Financial Performance

A$ million	1H2012	1H2011
Net Revenue	139.4	188.1
Operating EBITDA[1,2]	14.0	32.9
Pro forma (continuing businesses)[3]		
Net Revenue	88.3	92.9
Operating EBITDA[1]	7.5	8.1

Notes:

1. Operating EBITDA is earnings before interest, tax, depreciation, amortisation, impairment, loss on sale, fair value adjustments to deferred consideration, and restructuring costs.

2. The non-cash impact of equity incentives was positive in 1H2011 due to the $3.3 million write-back and reduction of costs associated with unvested options that have expired. Net equity incentives in 1H2011 had approximately $2.0 million positive impact, versus a $1.1 million expense in 1H2012.
3. Pro forma excludes the contribution of Field Marketing businesses sold in November 2011, Retail Insight's point-of-sale business sold in September 2011, five digital businesses sold in December 2010, the material Telstra contract lost by BWM in May 2011, the closure of Counterpoint and Yield Media during 2H0211 and the write-back of equity incentive expense in 1H2011 (see note 2).

- Net Revenue and Operating EBITDA in the Australian Agencies division fell 6% and 38%, respectively, compared with the prior corresponding period on a pro forma basis; and
- Net Revenue in the International division decreased 4% and Operating EBITDA increased 18% compared with the prior corresponding period on a pro forma basis.

The asset sales which took place during the six months to 31 December 2011 resulted in a total non-cash loss on sale of $49 million (before non-cash deferred tax benefit of $4.6 million). In addition, a review of the carrying value of Photon's intangibles led to a $128 million non-cash impairment charge. An adjustment to the discount rate to reflect the current view on the appropriate debt equity ratio and risks inherent in assessing future cash flows coupled with a weaker-than-expected performance during the half drove this result. Following the impairment, Photon's total carrying value of its intangibles is $152 million.

Financial Position

At 31 December 2011, Photon had $32 million of cash and no debt. Photon will use its excess cash balance or undrawn debt facility to fund the remaining $16 million of capped cash deferred consideration payments due over the next 12 months, the costs of the corporate overhead restructure and a $4.0 million working capital and tax adjustment under the terms of the Field Marketing & Retail Agencies.

Future Strategy

Photon has been transformed over the past 18 months through a series of asset sales, a recapitalisation and a corporate restructure.

The company is now focused on a set of high quality and complementary businesses operating in some of the most attractive areas of marketing services across three core markets: Australia, the UK and North America.

The CEO of Photon Group, Matthew Melhuish, said: “Photon is in an excellent position to consolidate our operations in their core markets, while selectively exploring geographic expansion. Our business is centred on strategy, insights and ideas.

“We are debt-free and have some of the very best businesses and talent in the marketing and advertising industry. As we now turn Photon's efforts squarely towards growing our businesses, I believe the company's future is bright.

“Enhanced digital capabilities need to be at the core of everything we do and this is a core skill we will continue to develop at all of our businesses. A set of simple robust systems need to support all our businesses in finance, IT, human resources and legal. Some adjustment to the incentive plans will also be required to enhance motivation and unlock discretionary effort.”

During the next three months, Photon will provide shareholders with an update on its future strategy, management structure and incentives.

Senior Management Change

Following the Group's recent successful restructuring and repayment of its debt, Chief Financial Officer, Ms Clare Battellino will leave the Group, with effect on 30 April 2012, to pursue other opportunities.

Matthew Melhuish, CEO of Photon Group said: “Clare has made a significant contribution to Photon and its restructure. Clare has played a key role in the dramatic turn-around of Photon's operating structure and its balance sheet over the last 18 months. The Board and management thank her for her hard work during a complex period of restructuring and wish her all the best for the future.”

Clare will work closely with current Finance Director, Mr Brendan York to ensure a smooth transition of her responsibilities effective 30 April 2012. The impact on the Head Office costs of this change is included in the cost savings announced on 16 January 2012.

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Photon Group Limited
FY2012 Half Year Results

15 February 2012

PhotonGroup

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Executive Summary

Executive Summary

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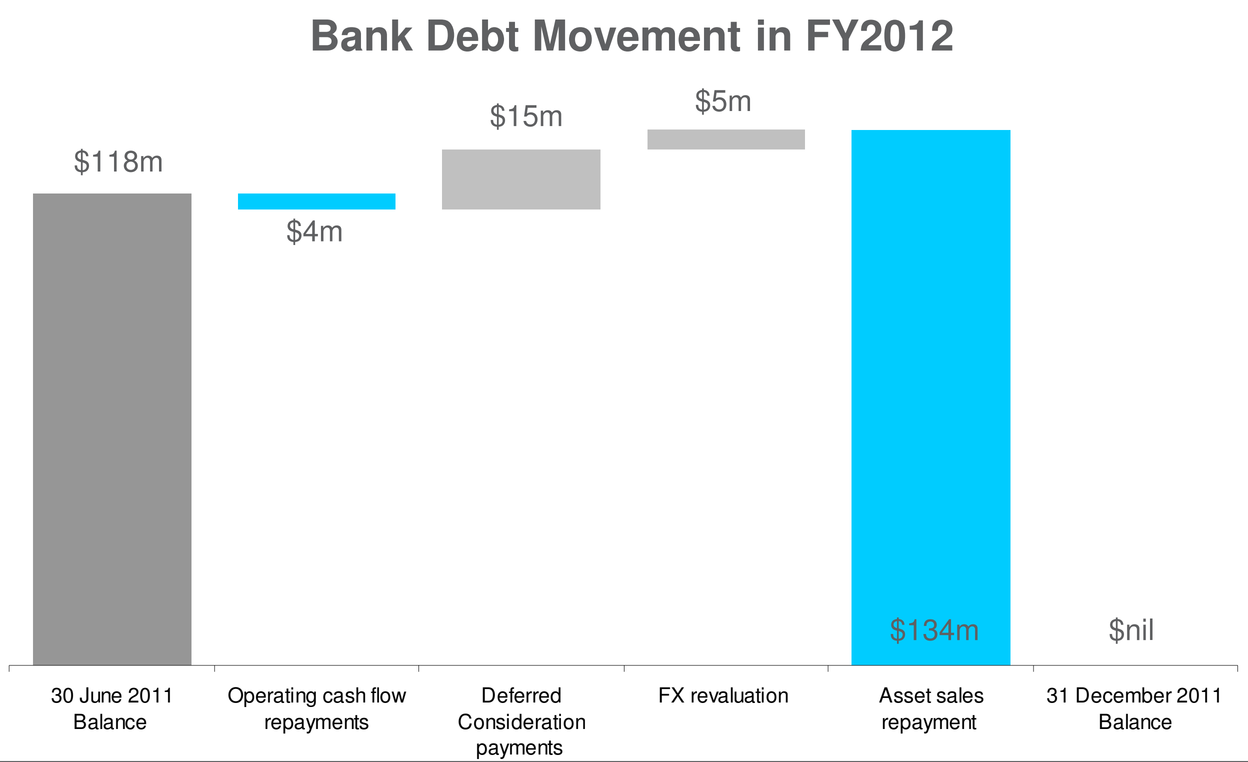
- **Asset sale program completed; debt repaid**
  - Completed asset sale program during the half with proceeds used to repay all outstanding debt
  - Total proceeds of $233 million for 13 non-core businesses, representing 7.5 times EBITDA
- **Corporate overhead reductions**
  - Annualised $4 million to $5 million reduction in cash corporate overhead from FY2013
  - 40% - 50% reduction from FY2011 cash overhead
  - Restructure costs of $4.5 million to be incurred during FY2012
- **Net revenue, Operating EBITDA[1] and NPAT lower**
  - Financial performance of Australian Agencies division down on prior period on a pro forma basis
  - Net Revenue lower but Operating EBITDA higher in International Agencies on a pro forma basis
- **Future strategy to focus on key businesses in core markets**
  - Debt free, focused company with leading Australian and international agencies
  - Future strategy focuses on building key brands in core markets, maximising collaboration across business units and organic growth

1. Operating EBITDA is earnings before interest, tax, depreciation, amortisation, impairment, loss on sale, fair value adjustments to deferred consideration and restructure costs (FY12 $4.7 million).

Executive Summary

Debt Repayment

- Asset sale program completed during the half. The company was debt-free with $32 million of cash at 31 December 2011.
- $16 million undrawn corporate debt facility available until March 2013.



Executive Summary

Focus on Core Portfolio

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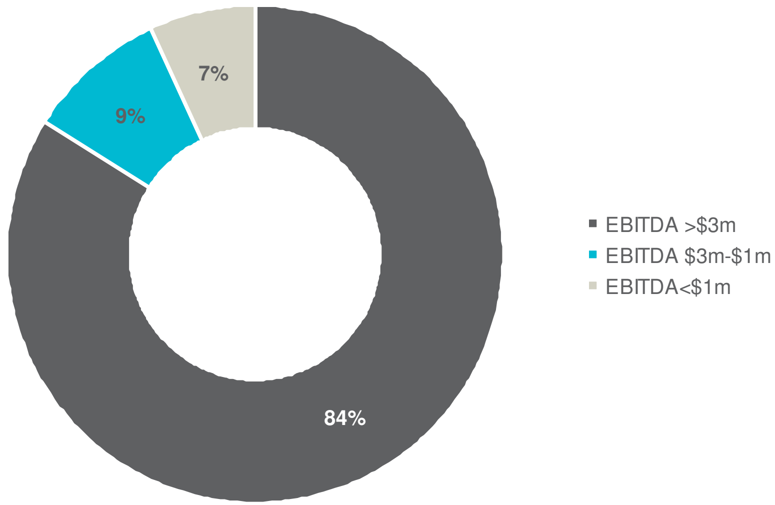
- Core of leading Australian and international agencies – Naked, TLE, Hotwire, Frank PR, BMF and BWM.
  - Represent 84% of Operating EBITDA
- Build businesses in core markets of Australia, UK and US.
  - Closure of remaining non-core markets underway – Amsterdam, Norway, others
- Maximise opportunities for collaboration across business units and organic growth.

Proportion of Operating EBITDA by business size



Total number of entities = 14

Executive Summary

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Revenue and Operating EBITDA

- Pro-forma results are adjusted for significant restructuring and divestments over last 18 months, to allow for review of continuing businesses

SIX MONTHS ENDED 31 DECEMBER ($MILLIONS)	2011	2010	CHANGE
Net Revenue	139.5	188.1	(25.8%)
Net Revenue from Field Marketing divestment	(51.1)	(69.9)	26.9%
Net Revenue from FY11 divestments, closed businesses and lost contracts[2]	-	(25.3)	n/a
Pro Forma Net Revenue	**88.4**	**92.9**	**(4.8%)**

Operating EBITDA[1]	14.0	32.9	(57.4%)
Operating EBITDA from Field Marketing divestments	(6.6)	(13.7)	51.2%
Operating EBITDA from FY11 divestments, closed businesses, lost contracts and options reversal[2]	0.1	(11.1)	99.1%
Pro Forma Operating EBITDA	**7.5**	**8.1**	**(7.4%)**
Pro Forma Operating EBITDA Margin[3]	**8.5%**	**8.7%**	**(0.2bp)**

1. Operating EBITDA is earnings before interest, tax, depreciation, amortisation, impairment, loss on sale, fair value adjustments to deferred consideration and restructure costs (FY12 $4.7 million).
2. Contribution from digital businesses sold to Salmat in December 2010, Findology sold in December 2010, Sledge sold in January 2011, Yield Media closed in March 2011, the material Telstra contract lost by BWM in May 2011 and the write-back of equity incentive expense in 1H2011.
3. Pro Forma operating EBITDA Margin is Pro Forma operating EBITDA / Pro Forma Net Revenue

Executive Summary

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Future Strategy

- Focused on key brands in core markets
- Harness the skills of our world-class people to create a Group management team from the people who run the businesses, aligned around a clear set of visions and values
- Create a stronger culture of collaboration and cooperation across complimentary business units
- Use late mover advantage and nimble size to our advantage
- Review incentive structures to enhance motivation and unlock greater discretionary effort
- Simple robust systems: finance, IT, human resources and legal
- Review of strategy, management structure and incentives to be completed by end of FY2012.

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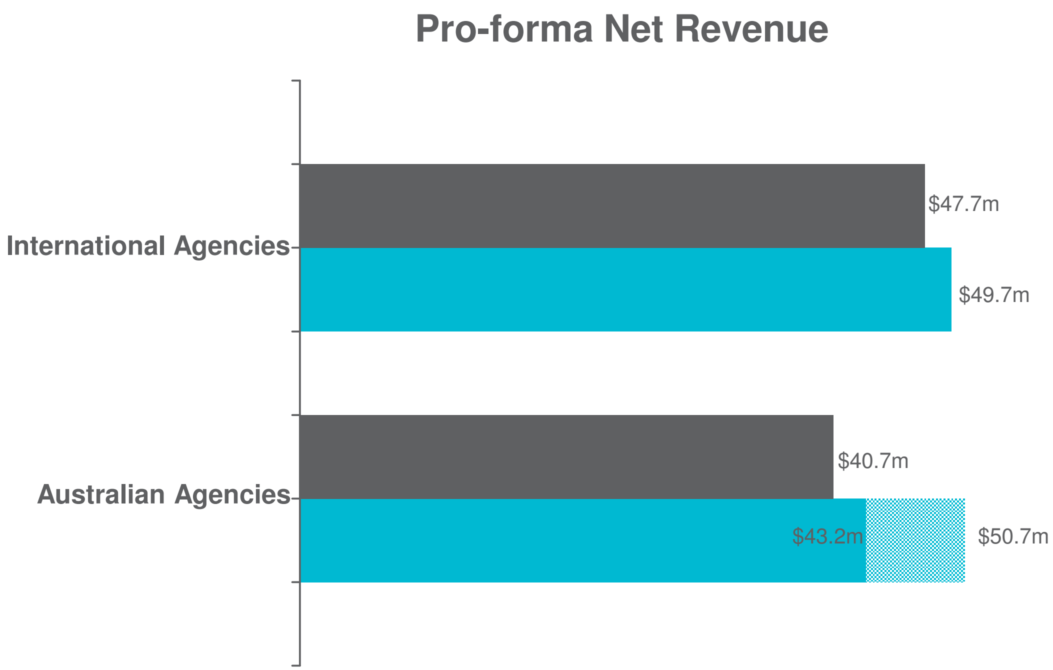
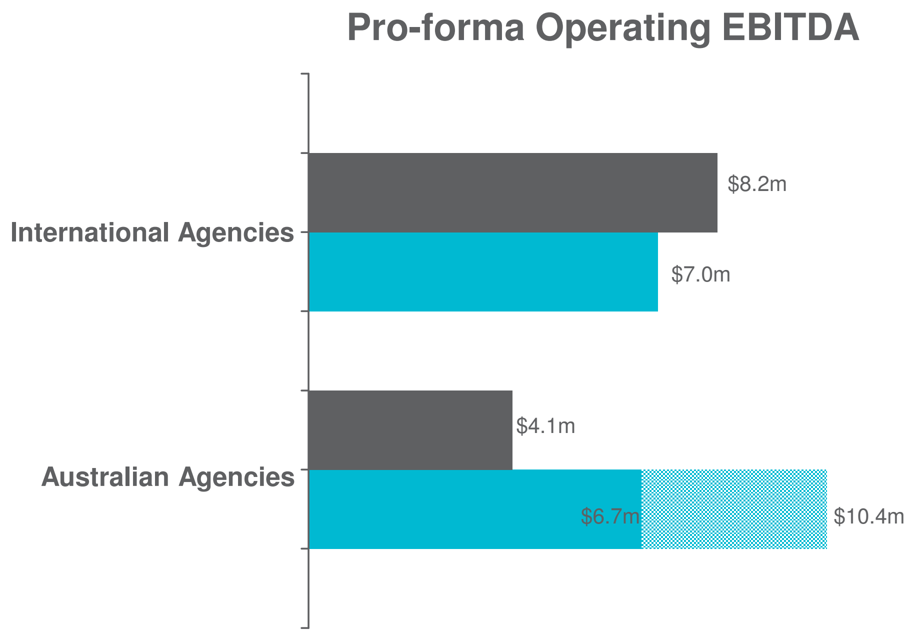
Operational Update

Operational Update

Pro-forma Division Revenue & Operating EBITDA





FY2012 pro forma – refer to slide 18 for pro forma adjustments

FY2011 pro forma – refer to slide 19 for pro forma adjustments

Estimated impact of Telstra contract lost in May 2011

Operational Update

Pro Forma Half Year Performance

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- International Agencies net revenue is down 4% and Operating EBITDA is up 18% on the prior corresponding period
  - The Leading Edge showed significant improvement on prior period following significant organisational change last year
  - Naked result impacted by closure of non-core markets. New global management team based New York
  - Contribution from search marketing up on prior period due to shift to outsourced business model
- Australian Agencies net revenue is down 6% and Operating EBITDA is down 38% against the prior corresponding period
  - Tough operating environment continues
  - Impacted by loss of Telstra contract and investment in new business opportunities during the half
  - Three smaller agencies down significantly on prior period

Operational Update

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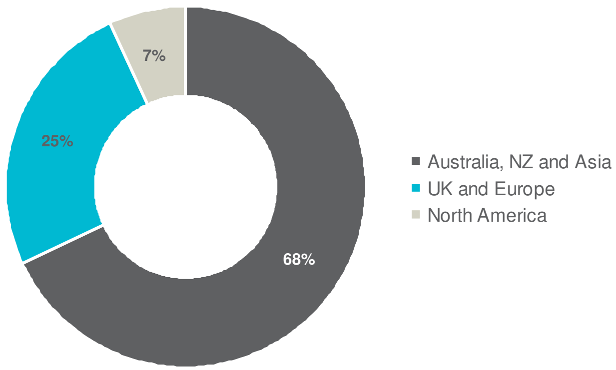
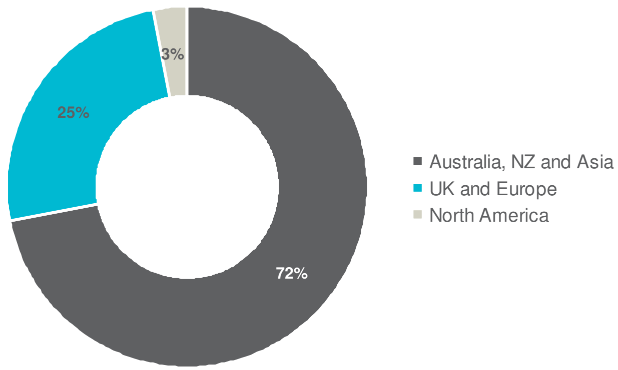
Geographical Contribution

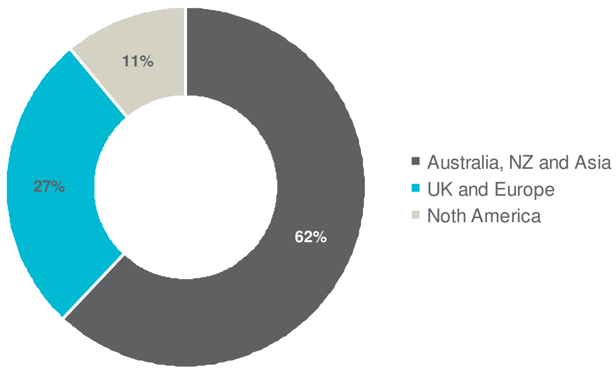
Pro forma Net Revenue FY2012



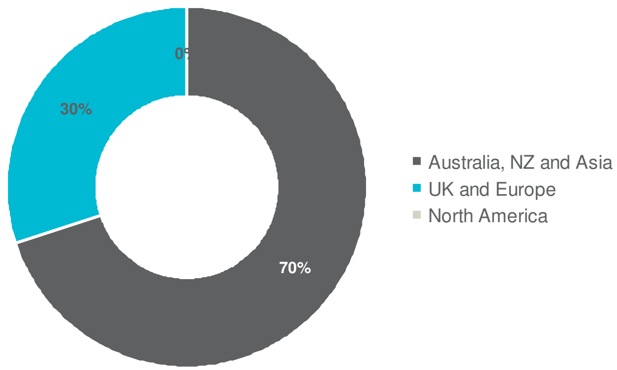
Pro forma Net Revenue FY2011



Pro forma Operating EBITDA FY2012



Pro forma Operating EBITDA FY2011



Excludes head office costs.

Half Year Financials

Half Year Financials

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Profit & Loss Summary

SIX MONTHS ENDED 31 DECEMBER ($MILLIONS)	2011	2010
Revenue	230.7	289.8
Net Revenue	139.5	188.1
Staff Costs	(102.0)	(125.4)
Other Expenses	(23.5)	(29.8)
Operating EBITDA[1]	**14.0**	**32.9**
Operating EBITDA Margin[2]	10.0%	17.5%
Restructure costs[3]	(4.8)	-
Depreciation & Amortisation	(4.7)	(8.5)
Net Interest	(4.4)	(9.8)
PV Interest & FV gain on deferred consideration (non-cash)[4]	17.4	10.9
Tax[5]	(3.7)	(8.3)
NPAT before significant items[6]	**13.5**	**17.2**
NPATA before significant items[6,7]	**15.0**	**20.3**
Reported NPAT[6]	**(159.2)**	**(38.0)**

1. Operating EBITDA is earnings before interest, tax, depreciation, amortisation, impairment, loss on sale, fair value adjustments to deferred consideration and restructure costs.
2. Operating EBITDA Margin is Operating EBITDA / Net Revenue .
3. Restructure costs include a provision for $3.7 million of the total $4.5 million overhead restructure costs.
4. Fair Value gain on deferred consideration was $20.1 million (FY11 $16.1 million).
5. Tax includes $3.5 million non-cash deferred tax liability associated with fair value gain on deferred consideration (FY11 $4.7 million).
6. Refer to slide 15 for significant items
7. Excludes non-cash amortisation of acquired intangibles FY12: $1.5 million (FY11: $3.1 million) .

Half Year Financials

Profit & Loss Summary cont'd

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- The divestments completed in 1H2012 crystallised a non-cash loss on sale of $49 million.
- A review of the carrying value of intangible assets led to a $128 million non-cash impairment charge. An adjustment to the discount rate to reflect current view on the appropriate debt equity ratio and risks inherent in assessing future cash flows coupled with a weaker than expected performance during the half year drove this result.

SIX MONTHS YEAR ENDED 31 DECEMBER ($MILLIONS)	2011	2010
NPAT before significant items	13.5	17.2
Non-cash loss on sale & impairment of divested assets	(49.2)	(21.4)
Non-cash impairment	(128.2)	(36.0)
Non-cash tax benefit of significant items	4.7	2.2
Reported NPAT	(159.2)	(38.0)

Half Year Financials

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Balance Sheet & Cash Flow

($MILLIONS)	31 DEC 2011	30 JUN 2011
Cash	31.6	18.6
Working Capital	9.1	24.0
Other Assets	8.9	6.8
Fixed Assets	8.2	12.2
Intangibles	152.5	456.7
Total Assets	**210.3**	**518.3**
Provisions & Other Liabilities	9.5	9.7
Deferred Consideration (PV)	46.8	89.9
Non-current Borrowings	-	117.6
Other Borrowings	1.6	2.7
Net Assets	**152.4**	**298.4**

SIX MONTHS ENDED 31 DECEMBER ($MILLIONS)	2011	2010
Operating EBITDA	14.0	32.9
Movement in Working Capital[1]	(2.5)	(5.2)
Restructure Costs	(2.3)	(3.0)
Equity Incentive Expense/(Benefit)	1.1	(2.0)
Gross Cash Flow	10.3	22.7
Net Interest Paid	(3.7)	(9.8)
Tax	0.6	(4.6)
Operating Cash Flow	7.2	8.3
Capex[2]	(2.9)	(3.8)
Free Cash Flow	**4.3**	**4.5**

1. Movement in working capital relating to divested businesses was $0.5 million (FY11 $4.0 million).
2. Capex relating to divested businesses was $1.6 million (FY11 $2.0 million).

Half Year Financials

Deferred Consideration Profile

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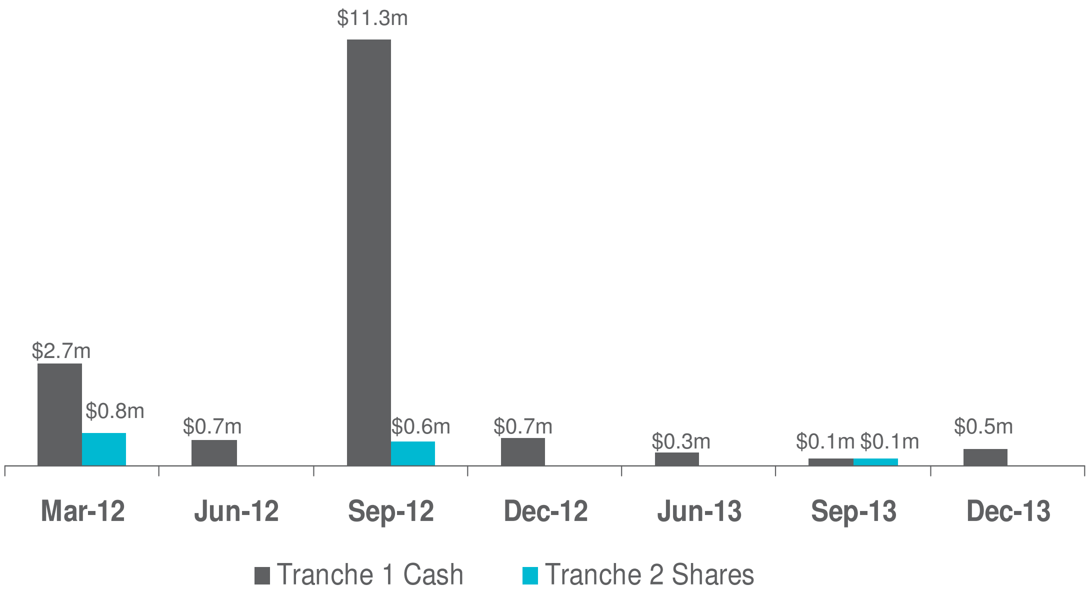
- Deferred consideration outstanding of $53 million – present value of liability of $47 million.
  - Tranche 1 – $16 million capped cash payments (profile as per below).
  - Tranche 2 – 15 million shares to be released from escrow.
  - Tranche 3A & 3B – EBITDA triggers adjusted for divestments to $55.3 million and $65.3 million respectively.



NOMINAL DEFERRED CONSIDERATION LIABILITY	$ MILLION
Opening Estimate (30 June 2011)	103.8
Payments in 1H12	(15.1)
Issue of Shares in 1H12	(11.0)
Impact of Fair Value & Goodwill Adjustments	(24.6)
FX Revaluations	0.2
Closing Estimate (31 December 2011)[1]	**53.3**

1. Total Tranche 3A and 3B conditional deferred consideration of $73.2m of which $37.7m is recognised at 31 December 2011.

Appendix

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Division Net Revenue & Operating EBITDA

SIX MONTHS ENDED 31 DECEMBER 2011 ($MILLIONS)	2012 STATUTORY	DIVESTED COMPANIES	CLOSED BUSINESSES	2012 PRO FORMA
International Agencies	47.7	-	-	47.7
Australian Agencies	40.7	-	-	40.7
Field Marketing	51.1	(51.1)	-	-
Total Net Revenue	**139.5**	**(51.1)**	**-**	**88.4**

International Agencies	8.2	-	-	8.2
Australian Agencies	4.1	-	-	4.1
Field Marketing	6.6	(6.6)	-	-
Unallocated[2]	(0.1)	-	0.1	-
Head Office	(4.8)	-	-	(4.8)
Total Operating EBITDA[1]	**14.0**	**(6.6)**	**0.1**	**7.5**

1. Operating EBITDA is earnings before interest, tax, depreciation, amortisation, impairment, loss on sale, fair value adjustments to deferred consideration and restructure costs (FY12 $4.7 million).
2. Unallocated includes Yield Media which was closed in March 2011.

Appendix

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Division Net Revenue & Operating EBITDA

SIX MONTHS ENDED 31 DECEMBER 2010 ($MILLIONS)	2011 STATUTORY	DIVESTED COMPANIES	CLOSED BUSINESSES & LOST CONTRACT[3]	OPTIONS REVERSAL	2011 PRO FORMA
International Agencies	49.7	-	-	-	49.7
Australian Agencies	50.7	-	(7.5)	-	43.2
Field Marketing	69.9	(69.9)	-	-	-
Unallocated[2]	17.8	(7.6)	(10.2)	-	-
Total Net Revenue	**188.1**	**(77.5)**	**(17.7)**	**-**	**92.9**
International Agencies	7.0	-	-		7.0
Australian Agencies	10.4	-	(3.7)		6.7
Field Marketing	13.7	(13.7)	-		-
Unallocated[2]	4.1	(3.9)	(0.2)	-	-
Head Office	(2.3)	-	-	(3.3)	(5.6)
Total Operating EBITDA[1]	**32.9**	**(17.6)**	**(3.9)**	**(3.3)**	**8.1**

1. Operating EBITDA is earnings before interest, tax, depreciation, amortisation, impairment, loss on sale, fair value adjustments to deferred consideration and restructure costs (FY12 $4.7 million).
2. Unallocated includes the digital businesses sold to Salmat in December 2010, Findology sold in December 2010, Sledge sold in January 2011 and Yield Media which was closed in March 2011.
3. Impact of lost Telstra contract on Operating EBITDA has been estimated.

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