PhotonGroup

27 January 2010

HALF YEAR UNAUDITED RESULT AND ACCOUNTING IMPACT OF DBS ACQUISITION

On 14 December 2009 Photon Group Limited (ASX:PGA) announced that it had exited one of its internet businesses Geekversity, the result of which is expected to incur non-recurring losses of approximately $5.5 million in 1H2010. Photon also announced that the September quarter was weaker than expected and the earnings generated by our businesses based overseas have been impacted by a strong Australian dollar during the half.

In mid December 2009 Photon reached control of Dark Blue Sea Limited (ASX:DBS) under its takeover offer announced to the ASX on 1 October 2009. In accordance with new accounting rules dealing with acquisitions, reaching control triggers a write-down of Photon's investment in 30% of DBS held prior to the takeover offer to the final takeover price of $0.35 per share. Further, transaction costs associated with acquisitions are now required to be expensed rather than capitalised. These two accounting changes will result in an impairment charge in 1H2010 of approximately $3.2 million.

Consequently Photon is expecting 1H2010 EBITDA (pre DBS impairment and non-recurring Geekversity losses) of approximately $37 million, down 8% on 1H2009 EBITDA of $40 million. EBITDA including the non-recurring Geekversity losses and transaction costs is expected to be approximately $31 million. The NPAT (pre DBS impairment and non-recurring Geekversity losses) for this half is expected to be inline with 1H2009 NPAT (pre impairment) of $9.5 million. These results remain subject to the completion of the half year review by the auditors and interim results will be released on 16 February 2010.

The strategic review and restructure of the Internet & E-Commerce division is nearly complete. The company has replaced the CEO of Geekdom and iMega and reduced the number of Geekdom staff by 75% as those associated with the loss making Geekversity business have either been made redundant or re-located to the acquirer.

Across the other divisions we continue to experience a strong improvement in trading in Specialised Communications, Strategic Intelligence and Integrated & Digital Communications. Each of these divisions will show good EBITDA growth in FY2010 over the prior year. Based on existing trading conditions, Photon expects that EBITDA in the second half of FY2010 will continue to improve and therefore we expect the EBITDA for the 2010 financial year (pre DBS impairment and Geekversity losses) to be in-line with last year's EBITDA. At this point we expect this will result in full year earnings per share (EPS) (pre DBS impairment and non-recurring Geekversity losses) of approximately 16 cents per share.

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