

ASX ANNOUNCEMENT

Strategic Update.



Photon Group Limited (ASX:PGA) today provided shareholders with a strategic update following the appointment of Matthew Melhuish as CEO in January 2012.

Key points

- New strategic direction to create a more digitally centred global marketing services group
- Name changed to Enero Group Limited, subject to shareholder approval
- New Group leadership team and incentives being developed
- Share consolidation on an 18-to-1 basis, subject to shareholder approval
- Trading update for nine months ended 31 March 2012

Strategic update

Photon today unveiled a new strategic direction to better meet client needs, with a new leadership team, new name, and a greater focus on the company's skills in digital marketing globally.

In the past year, Photon has become debt free and has consolidated or sold many of its businesses to become a more streamlined, simpler business. To mark a fresh start for the reinvigorated company, shareholder approval will be sought to change its name to Enero Group.

The Group will be centred on the five major business units – Naked, BMF, Hotwire, Frank PR and The Leading Edge – with expertise and operations in the key international markets of New York, London and Sydney. This more coherent footprint and world-class talent with increased alignment will enable the Group to meet the needs of Chief Marketing Officers in a fast-changing market.

Matthew Melhuish said: "There has been a fundamental shift in underlying market forces in our industry and it's crucial that we are at the forefront of answering the questions clients have in this new paradigm."

"I am announcing a new leadership team drawn from across the company to lead the Group that will harness the capability of our best people to drive the new Enero Group's performance."

"We will incentivise people to work better across our units, unleash our team's natural entrepreneurial streak, and hone our focus on digital offerings for our clients."

"We are seeking to introduce an incentive program designed to reignite the entrepreneurial "owner-manager" efficiencies at the operating unit level and bind the business leaders to the Group success, through a long-term equity incentive scheme."

"While there is still a lot to do in the near term as we re-orient the Group towards the new digital vision for Enero, the new strategic plan has been designed with the aim of creating shareholder value over the medium term."

Financial Performance for nine months ended 31 March 2012

Photon also provided an update on its trading performance for the nine months to 31 March 2012.

A\$ million	YTD2012	YTD2011
Net Revenue	181.0	265.2
Operating EBITDA ^{1,2}	16.7	43.5
Pro forma (continuing businesses)³		
Net Revenue	130.1	138.0
Operating EBITDA ¹	10.2	12.5

Notes:

- Operating EBITDA is earnings before interest, tax, depreciation, amortisation, impairment, loss on sale, fair value adjustments to deferred consideration, and restructuring costs.
 - The non-cash impact of equity incentives was positive in YTD2011 due to the \$3.3 million write-back and reduction of costs associated with unvested options that have expired. Net equity incentives in YTD2011 had approximately \$2.0 million positive impact, versus a \$1.5 million expense in YTD2012.
 - 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 YTD2011 (see note 2).
- Net Revenue and Operating EBITDA in the Australian Agencies division fell 7% and 45%, respectively, compared with the prior corresponding period on a pro forma basis; and
 - Net Revenue in the International Agencies division decreased 5% and operating EBITDA is up 5% compared with the prior corresponding period on a pro forma basis.

At 31 March 2012, Photon had \$24 million of cash and no debt. Photon will use its excess cash balance or undrawn debt facility to fund the remaining \$13.5 million of capped cash deferred consideration payments due over the next 12 months and the remaining costs of the corporate overhead restructure.

Extraordinary General Meeting

An Extraordinary General Meeting (EGM) will be held at 11.00am on Friday 8 June 2012 at Level 4, 60 Carrington Street, Sydney to seek shareholder approval for:

- A consolidation of the share capital of Photon on the basis that every 18 shares are consolidated into one share. This will result in 85.5 million shares on issue post consolidation; and
- The change of name from Photon Group Limited to Enero Group Limited.

Notice of meeting and proxy form will be dispatched to shareholders on 7 May 2012.

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