

ASX ANNOUNCEMENT

Photon completes asset sales, significantly lowers debt.

Strategic review ongoing; non-cash impairment charge expected.

PhotonGroup.

Photon Group Limited (ASX:PGA) today announced it has completed the transactions announced on 22 December 2010: the sale of four businesses to Salmat and the sale of Sledge to its management.

The cash proceeds of the transactions were \$75.3 million, which have been used to repay debt. As a result, Photon's debt balance has been reduced to approximately \$122 million.

New terms which Photon agreed with ANZ Bank became effective upon the repayment of debt. Photon's debt facility limits have been reduced from \$230 million to \$150 million for the remainder of the facility term, ending on 30 September, 2013 and the margin on debt facilities has been significantly reduced. The company's leverage covenants have also been adjusted

As a component of its ongoing strategic review, Photon is examining its Search Marketing businesses, taking into consideration future capital requirements for these businesses, the expected return on investment and the likely impact of recent changes in the dynamics of the industry.

Photon has sold Findology Interactive Media, LLC for nominal consideration including assumption of certain liabilities. The sale is expected to result in a non-cash loss on sale of approximately \$14 million, to be recognised in the first half of 2011. Findology's EBIT for the 12 months ended 31 December 2010 was a loss of approximately \$1 million.

Given changes in market dynamics and incremental capital requirements of these businesses, Photon is assessing the impact on the carrying value of the remainder of the Search Marketing businesses. Subject to the completion of the half year review process, in addition to the \$24 million of non-cash losses on the asset sales, Photon expects to incur a non-cash impairment charge of approximately \$36 million for the period ended 31 December 2010.

The Company continues to concentrate on its strategic review and operational improvements across the business.

Contact

Andrew Butcher
Butcher & Co
+61 400 841 088