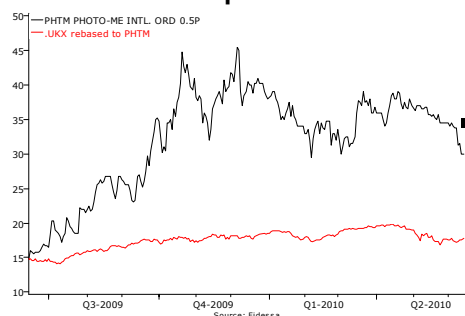


**Photo-Me International 34.5p**  
**Surprise Statement - Upgrade**

16 June 2010

**Share Price: 34.5p**



**12m High:** 45.5p

**12m Low:** 14.75p

**Market Cap:** £125m

**Shares in Issue:** 360m (368m inc. shares held in Treasury)

**NAV/Share:** 22p inc. intangibles

**Gearing:** 4%, £3.1m net debt at 10/2009, expected to be cash positive for 4/2010

**Interest Cover:** 8.8X at Interims

**EPIC Code:** PHTM

**Sector:** Leisure Goods

**Market:** London Full List

**Broker:** JPMorganCazenove/Evolution Securities

**PR:** The Madano Partnership +44 (0)20 7593 4000

**Website:** www.photo-me.co.uk

**Description:** Photo-Me operates photobooths and other vending equipment throughout Europe and Japan. It also manufactures printing kiosks, photo album machines, minilabs and other photo processing equipment. The co. services equipment for itself and third parties.

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The surprise Trading Statement from Photo-Me International prompts our fifth consecutive upgrade on this very interesting company. The news – that profits for the year to end-April 2010 will exceed expectations by at least 20% - leads us to UPGRADE our current year profit forecast from £10.5m at the pre-exceptional adjusted pre-tax level to £12.9m.

Information from the company is necessarily very limited because it is in close period ahead of the July 7 results announcement, but our reading of the situation indicates the following key points:

- Foreign exchange. We expect Photo-Me to have an average Euro – UK Pound exchange rate for the year of 1.13, an improvement on the 1.19 of the previous year (and somewhat more favourable to the group than the current Euro 1.20 = UK£1). 48% of revenue in 2009 came from Europe and a further 18% from Japan where currency movements were similar.
- Cost savings, which we put down to the return of Serge Craskianski as Chief Executive.
- An improved performance by KIS – i.e. the Sales & Servicing Division – where we know there has been a great effort at cost reduction. We think this also means that early sales of the new Photo-Book model in France may have been better than we expected.
- Successful re-siting of photo-booths and other machines into higher throughput locations. In particular, Photo-Me suffered at the end of the previous year from the failure of Woolworths in the UK.

We are upgrading also for the new financial year, to April 2011. If current rates are maintained, currency will be working against Photo-Me, however. Also, in H2 2010/11 Photo-Me will have as its comparative what has clearly been an improved Winter and Spring in 2009/10. So we are keeping our 2011 upgrade modest.

Overall though, this company is trading on an EV/EBITDA of 2.5, at the bottom of its trading range of 2.5-3.5.

Y/E	Group Sales	Adjusted EBITDA*	Adjusted Pre-tax Profit*	Adjusted EPS*	EV/EBITDA	P/E ratio	Divi	Yield
April	£m	£m	£m	p.			p.	%
2008A	193.5	36.5	-6.3	-1.8	3.7	-	-	-
2009A	210.5	38.6	1.6	0.2	3.5	174	-	-
2010E	226.8	44.0	12.9	2.4	2.5	14.5	0.5	1.5
2011E	224.5	44.0	13.4	2.4	2.2	14.5	0.75	2.2

\* Before exceptional items

Photo-Me International

16 June 2010

Photo-Me International

15.6.2010

£m	2002/3A UKGAAP	2003/4A UKGAAP	2004/5A IFRS	2005/6A IFRS	2006/7A* IFRS	2007/8A IFRS	2008/9A IFRS	2009/10E IFRS	2010/11E IFRS
<b>Turnover</b>									
Operations	149.8	141.4	140.0	146.4	142.9	148.8	166.1	181.0	177.4
Sales & Servicing	37.6	78.5	97.4	83.6	69.9	44.7	44.4	45.7	47.1
<b>Total Turnover</b>	<b>187.4</b>	<b>219.9</b>	<b>237.4</b>	<b>230.0</b>	<b>212.8</b>	<b>193.5</b>	<b>210.5</b>	<b>226.8</b>	<b>224.5</b>
<b>Change in Turnover</b>									
Operations	1.8%	-5.6%	-1.0%	4.6%	-2.4%	4.1%	11.6%	9.0%	-2.0%
Sales & Servicing	-5.5%	108.8%	24.1%	-14.2%	-16.4%	-36.1%	-0.7%	3.0%	3.0%
Total Turnover	0.2%	17.3%	8.0%	-3.1%	-7.5%	-9.1%	8.8%	7.7%	-1.0%
<b>Operating Margin</b>									
Operations**			10.9%	12.6%	10.6%	6.1%	7.3%	8.5%	8.5%
Sales & Servicing			25.5%	12.2%	7.4%	-15.9%	-11.5%	4.0%	5.0%
Group			14.9%	10.5%	7.4%	-1.3%	2.4%	6.0%	6.0%
<b>Operating Profit</b>									
Operations			15.3	18.5	15.1	9.1	12.1	15.4	15.1
Sales and Servicing			24.8	10.2	5.2	-7.1	-5.1	1.8	2.4
Group Overheads			-4.8	-4.8	-4.5	-4.6	-2.0	-3.5	-4.0
Associates			0.0	0.2	0.0	0.0	0.0	0.0	0.0
(Discontinued item not included for 05/6)									
Operating Profit			35.3	24.1	15.8	-2.6	5.0	13.7	13.4
Non-Operating Profit (Ins Recovery, Currency Gain)			0.0	5.4	0.0	0.0	2.1	0.0	0.0
Net Finance Costs			-1.4	-1.7	-1.9	-3.6	-3.4	-0.8	0.0
<b>Group Pre-Tax Profit</b>			<b>33.9</b>	<b>27.9</b>	<b>13.9</b>	<b>-6.3</b>	<b>1.6***</b>	<b>12.9</b>	<b>13.4</b>

\* Restated to exclude US Vending, since sold \*\* From 2007/8 Operations assets depreciated over shorter lives.

\*\*\* rounding

Photo-Me International

15.6.2010

£m	2002/3A UKGAAP	2003/4A UKGAAP	2004/5A IFRS	2005/6A IFRS	2006/7A* IFRS	2007/8A IFRS	2008/9A IFRS	2009/10E IFRS	2010/11E IFRS
<b>Restated</b>									
Gross Profit	23.0	42.1	60.4	47.4	37.6	16.5	22.5	33.1	33.8
Gross Margin %	12.3%	19.1%	25.4%	20.6%	17.7%	8.5%	10.7%	14.6%	15.0%
Administrative Expenses	23.9	20.8	25.8	24.8	22.9	20.2	18.9	19.4	20.4
Change in Admin Expenses		-13.0%	24.0%	-3.7%	-7.8%	-11.8%	-6.5%	2.8%	5.0%
Other	1.3	0.9	1.5	1.3	1.1	1.1	1.4	0.0	0.0
Profit on Insurance Recovery		0.0	0.0	3.3	0.0	0.0	0.0	0.0	0.0
Joint Venture/Associates	-0.4	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Operating Profit	0.0	22.2	36.1	27.4	15.8	-2.6	5.0	13.7	13.4
Asset Impairment Charge	0.0	0.0	0.0	0.0	0.0	-7.8	-5.5	0.0	0.0
Disposals/Exceptionals/JVs/I	-1.1	0.4	-0.8	2.3	1.8	-6.8	-1.2	-3.0	0.0
Interest Charge(-) or Credit (	-2.3	-1.5	-1.4	-1.7	-1.9	-3.6	-3.4	-0.8	0.0
Interest Cover X	0.0	14.8	26.7	15.8	8.3	n.a.	1.5	17.1	
<b>Declared Pre-tax Profit</b>	<b>-3.4</b>	<b>21.1</b>	<b>33.9</b>	<b>27.9</b>	<b>15.7</b>	<b>-20.9</b>	<b>-5.1</b>	<b>9.9</b>	<b>13.4</b>
<b>Adjusted Profit</b>	<b>-2.3</b>	<b>20.7</b>	<b>34.7</b>	<b>25.7</b>	<b>13.9</b>	<b>-6.3</b>	<b>1.6</b>	<b>12.9</b>	<b>13.4</b>
Tax Charge on Declared Profit %		28.4%	32.4%	26.5%	33.2%	0.0%	-99.4%	44.0%	35.0%
Tax Charge (- = credit) £m	0.8	6.0	11.0	7.4	5.2	0.2	-1.6	4.4	4.7
After Tax Profit	-4.2	15.1	22.9	20.5	10.5	-21.1	-3.5	5.5	8.7
Discontinued Operations				0.4	-3.1	0.0	0.0	0.0	0.0
Minority Interests	-0.1	-0.5	-0.4	-0.8	0.4	-0.2	0.0	0.0	0.0
For Ordinary Shareholders	-4.3	14.6	22.5	20.1	7.8	-21.3	-3.5	5.5	8.7
Declared EPS p.	-1.2	4.0	6.1	5.5	2.1	-5.9	-1.0	1.5	2.4
Cost of Dividend	0.0	3.7	6.6	4.4	8.8	0.0	0.0	1.8	2.7
Retained Earnings	-4.3	10.9	15.9	15.7	-1.1	-21.3	-4.3	3.7	6.0
<b>Adjusted EPS #</b>	<b>-0.9</b>	<b>3.9</b>	<b>6.3</b>	<b>4.7</b>	<b>2.1</b>	<b>-5.1</b>	<b>0.2</b>	<b>2.4</b>	<b>2.4</b>
Divi p.	0.00	1.00	1.80	1.20	2.40	0.00	0.00	0.50	0.75
Avg No Shares m.	365.2	367.0	369.0	368.2	367.9	359.3	359.3	360.4	360.4

\* Loss from US Vending in 'Discontinued Operations'

# Adjusted pre-tax profit, actual tax charge

Management	Major Shareholders
<p><b>Chairman:</b> John Lewis</p> <p><b>Deputy Chairman and CEO:</b> Serge Crasnianski</p> <p><b>Group Finance Director:</b> Françoise Coutaz-Replan</p>	<p><b>Serge Crasnianski:</b> 22.2%</p> <p><b>Western Management Overseas Ltd:</b> 18.3%. Beneficial ownership: Philippe Wahl.</p> <p><b>Schroder Investment Management:</b> 14.5%</p> <p><b>Dan David:</b> 13.2%</p> <p><b>Artemis Investment Management:</b> 5.0%</p> <p><b>Legal &amp; General Group PLC:</b> 3.0%</p>
Key Dates	Key Milestones
<p><b>Full year results:</b> 7 July 2010</p>	<p><b>2007:</b> Disagreement between directors and certain shareholders. Several directors resign.</p> <p><b>2008:</b> Re-lifing of fixed assets. Announcement of new strategy. End of rift between certain shareholders and the company.</p> <p><b>2009:</b> Sale of Imaging Solutions (wholesale lab manufacturing).</p>

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