

ASX Announcement

27 August 2010

Results for the 12 months ended 30 June 2010

Vita Group Limited (ASX: VTG) today announced its results for the 12 months ended 30 June 2010 (FY10).

Key highlights

(\$m unless otherwise stated)	FY10	FY09	Change
Operating revenue	291.7	297.4	(2)%
Gross operating margin ¹	103.3	103.2	0%
Gross operating %	35.4%	34.7%	
Earnings before interest, tax, depreciation and amortisation	17.0	13.9	22%
Earnings before interest and tax	11.4	8.1	42%
Net profit after tax	7.7	5.4	42%
Earnings per share (cents per share)	5.43	3.84	41%

(1) Includes gross margin on handset sales, Telstra incentives and commissions, and other revenue except finance revenue.

Operating performance

Operating revenue was slightly lower due to the store optimisation programme reducing the total number of stores by four as compared to the same period last year.

Whilst revenue was down, Vita Group's earnings were up due to:

- Telstra's payment of historic trailing commissions as part of the new dealer arrangement
- management's focus on driving operating efficiencies and lowering expenses
- the rollout of new T stores.
- an increase of average store revenue for Next Byte

As previously announced, on 27 August 2009, Fone Zone renewed its dealer arrangement with Telstra for five years with the potential for up to four additional one-year extensions. As part of this agreement, Vita Group was also appointed a Master Licensee for Telstra's T stores, with the rollout of the new T stores occurring in phases over a four year period. The new dealer arrangement builds on Vita Group's sixteen year relationship with Telstra.

The rollout of the first 25 T stores is on track. As at 30 June 2010 Vita Group had opened a total of 13 new T stores, as well as 8 Telstra Licensed Stores and 1 Telstra Business Centre. Included in the 22 stores are 4 Telstra licensed stores that Vita Group has acquired throughout the year.



Next Byte has performed well, increasing its contribution to Group EBITDA by 23%. While revenue declined by 5% from the prior year reflecting the closure of three stores during the past 12 months, average revenue per store increased by 10%. This increase was primarily due to strong sales of new Apple products, with new iPad's selling quickly as we received each delivery.

Across the Group, employment expenses were down a total of 5% with reductions in both Telecommunications and Next Byte due to store closures and better rostering.

Telecommunication fee income increased by \$7 million on the prior year. This is due to higher incentive fees replacing trailing commissions from November 2009. In line with our new Telstra agreement, Vita received \$13.9 million of trailing commission payments. Following receipt of this payment from Telstra, Vita Group reduced its net debt by \$12.9 million over the past 12 months. As of 30 June 2010 net debt / net + equity is 5% (pcp 28%). This places Vita Group in a strong position to fund the investment to rollout the additional new T stores.

Given our commitment to debt reduction, the scope of the new store rollout currently being undertaken and other store acquisition currently being considered, the Directors of Vita Group have decided to not declare a final dividend for the year.

Commenting on the FY10 results, David McMahon, Joint Chief Executive Officer said that the results for the past 12 months were encouraging given a year of significant transition for the Company.

"Having finalised Vita Group's new dealer arrangement with Telstra in the first half of the 2010 financial year, our focus over the second half was on executing the rollout of the new T stores that will positively transform the company over the next few years.

"The performance of Next Byte over the past twelve months has been pleasing and indicates that we are turning around the performance of the business," said Mr McMahon.

Outlook

Commenting on the outlook for Vita Group, Mr McMahon said "Fone Zone and Next Byte have now been stabilised, and Vita Group's key focus over the 2011 financial year will be on the continued rollout of its new T stores. Having reduced Vita Group's debt over the past twelve months, and the continued rollout of the new T stores, the Company is well placed to grow shareholder value."



Further enquiries:

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About Vita Group

Vita Group's four brands – Fone Zone, T stores, Next Byte and One Zero – operate in clearly defined retail segments and share commonality toward premium service and solution focussed selling. All four retail formats are built on a solid, customer service foundation, each offering a unique retail experience for Australian consumers. Further information can be found at www.vitagroup.com.au