

28 August 2009

Results for the 12 months ended 30 June 2009

Vita Group Limited (ASX: VTG) today announced its results for the 12 months ended 30 June 2009 (FY09). The table below summarises Vita Group's financial performance.

(\$m unless otherwise stated)	FY09	FY08 ^{2,3}	Change
Operating revenue	297.8	310.2	(4)%
Gross operating margin ¹	103.7	109.5	(5)%
Gross operating margin %	35%	35%	n/a
Earnings before interest, tax, depreciation and amortisation	13.9	17.6	(21)%
Earnings before interest and tax	8.1	11.0	(27)%
Net profit after tax	5.4	7.5	(28)%
Earnings per share (cents per share)	3.84	5.45	(30)%

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

(2) FY08 includes 10 months of Next Byte

(3) Comparatives have been restated as described in Note 3 of the Annual Financial Report

Vita Group, like most retailers, experienced difficult trading conditions in FY09 that led to a 4% fall in revenue to \$297.8 million (FY08: \$310.2 million). The fall in retail sales was experienced across Fone Zone and Next Byte.

Earnings before interest, tax, depreciation and amortisation was down 21% to \$13.9 million (FY08: \$17.6 million), whilst net profit after tax was down 28% to \$5.4 million (FY08: \$7.5 million). The reduced earnings were primarily due to strategies adopted in response to the difficult economic conditions including one-off restructuring costs associated with the company's Store Optimisation and overall cost reduction programs.

Given Vita Group's lower profitability in FY09, and the rollout over FY10 of the new T[Life] stores, the Directors have considered it prudent going into FY10 to conserve cash and not pay a final dividend for FY09.

"The FY09 result reflects the very difficult trading conditions over the past 12 months following the steep and quick decline in consumer confidence and slowdown in consumer spending associated with the global financial crisis. The strategies we have adopted in response have ensured that the Group was able to continue trading profitably.

"A significant focus for Vita Group has been the company's Store Optimisation Program. Over FY09 37 underperforming retail stores were closed, comprising 33 Fone Zone and 4 Next Byte stores. In addition, 4 new stores were opened, comprising 1 Fone Zone and 3 Next Byte stores.

"We have also focused on reducing costs, integrating Next Byte and streamlining operations generally," Mr McMahon said.

In order to better position the Group for the future, a number of operational and structural improvements to lower costs and improve the performance of key business units were undertaken. Some of these initiatives included:

- combining the business teams of Next Byte and Fone Zone into a single, focused Business Solutions division which focuses on education, corporate and government clients for telecommunications and computing equipment;
- outsourcing the call centre for the mobile division; and
- improving the efficiency of the service and repair functions of Next Byte by consolidating those operations into a reduced number of key hub locations.

Telstra dealer arrangement

As previously announced, Vita Group, through Fone Zone, has renewed its dealer agreement with Telstra for another five years with potential for up to four additional one year extensions.

In addition to renewing Fone Zone's exclusive dealer agreement with Telstra, Vita Group has been appointed the first Master Licensee for Telstra's T[life]™ stores. The T[life] Master License Agreement allows Vita Group to roll-out T[life] stores in a phased approach, subject to meeting both performance and expandability criteria. The location of the first 25 stores has been agreed and will open throughout the next twelve months.

Under the new dealer agreement, the trailing commission component of the existing commission structure will be replaced by higher upfront payments from 1st November 2009.

As a result of entering into the new dealer agreement and the revised commission structure, Telstra will pay \$23.6 million to Vita Group over the next 18 months for trailing commission entitlements under the old agreement subject to certain conditions being met. Vita expects that the proceeds from this payment will be used for its future funding needs including partially funding the rollout of the new T[life] stores.

(The renewal of the Telstra agreement is a non-adjusting event for the purposes of 30 June 2009 reporting.)



Outlook

Commenting on the outlook for Vita Group, Mr McMahon said "Vita Group's focus on cost reduction initiatives have ensured the Group is well placed to respond as consumer confidence returns and retail spending increases.

"The full benefits of Vita Group's Store Optimisation and cost reduction programs are expected to be realised from FY10. The combination of these programs, as well as improving retail conditions, and the exciting T[life]opportunity should see the company's gross operating margin and earnings improve going forward.

Further enquiries:

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About Vita Group

Vita Group's three brands (Fone Zone, Next Byte and One Zero) – along with selected Telstra Shop locations – operate in clearly defined retail segments and share commonality toward premium service and solution focussed selling. The company's brands 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



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