



FONE ZONE GROUP LIMITED ASX/MEDIA ANNOUNCEMENT

21 August, 2007

FONE ZONE TO ACQUIRE NEXT BYTE

In Brief

- Next Byte is Australia's largest specialist retailer of Apple products and services
- Acquisition set to broaden Fone Zone's income stream and enhance growth
- Fone Zone's experience to strengthen Next Byte's growth strategy
- Presents the opportunity for further range extension in Fone Zone stores

Fone Zone Group Limited (ASX: FZN) has today announced the acquisition of Next Byte, Australia's largest specialist retailer of Apple and Apple-related products and services.

Fone Zone Chief Executive Officer, David McMahon, said Next Byte represented an excellent strategic acquisition for the Fone Zone group.

"The acquisition of Next Byte will broaden Fone Zone's base of strategic partnerships and income streams, providing a significantly enhanced platform for future growth in the converging communications, computer and internet markets."

The total purchase consideration will comprise a \$21 million cash payment funded from increased facilities with Fone Zone's existing bank, and the issue of 16.1 million ordinary shares (12.86% of total ordinary shares on issue).

5,635,000 shares (35%) will be subject to voluntary escrow for one year from the completion date and the remaining 10,465,000 (65%) for two years. The shares will be eligible for the final dividend due to be paid in October 2007. The issue of these shares is not subject to Shareholder approval.

Based on Fone Zone's 30 day Volume Weighted Average Price (VWAP) of 62 cents, the purchase consideration represents a multiple of approximately five times Next Byte's FY2007 normalised EBIT of \$6.3 million, which was achieved on revenues of \$105 million.

"This is a significant milestone transaction for Fone Zone. It enables us to complement our strong product offerings and exclusive relationship with Telstra in the mobile phone market with an equally strong proposition in the field of cutting edge computers and consumer electronics."

Next Byte has a proven track record of growth and has been able to deliver consistently strong financial results while continuing to enhance its own market position through organic growth and strategic acquisitions.

"With 17 Next Byte stores around Australia, there is an exciting opportunity for additional growth and Fone Zone's specialist retail experience will clearly enhance Next Byte's ability to execute this strategy," McMahon said.

According to McMahon, Fone Zone and Next Byte share similar strengths in solution selling through excellent customer service and it is this similarity that will likely see Fone Zone stores extending their current product range to include selected Apple products.



The current owners of Next Byte have agreed to three year employment contracts to ensure the business continues on its growth path.

The Fone Zone Group will report its full year results for the year ended 30 June 2007, on Tuesday 28 August. These results are expected to be consistent with the guidance issued in December 2006.

Completion of the Next Byte purchase will occur during September, after which further details of the financial outlook for the combined organisation will be provided.

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About Fone Zone Group:

Fone Zone is Australia's largest specialist mobile communications retailer and Telstra's largest Premium Dealer, with almost 150 stores and more than 900 Team Members across every state and territory.

Conference Call for Financial Analysts and Media

A briefing regarding the acquisition will be provided by David McMahon during a conference call scheduled for Wednesday, August 22, 2007 at 9:30 am.

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