VITA GROUP LIMITED
ABN 62 113 178 519

APPENDIX 4D

Half-Year Report
For the six months ended 31 December 2010

Results for announcement to the market
(this information should be read in conjunction with the most recent annual financial report)

Extracts of the Vita Group Limited results for the half year ended 31 December 2010.

REVIEW AND RESULTS OF OPERATIONS

	Half-year ended 31 December 2010 $000s	Half-year ended 31 December 2009 $000s	Growth %
Telecommunications segment	125,815	86,541	45%
Computing segment	72,705	58,342	25%
Total operating revenue (a)	198,520	144,883	37%
Gross operating margin (b)	64,693	56,454	15%
Earnings before interest, taxation, depreciation and amortisation (c)	12,012	13,462	(11%)
Earnings before interest and taxation (d)	9,365	10,681	(12%)
Net profit for the period attributable to members	6,310	7,505	(16%)
Earnings per share (cents)	4.43 cents	5.31 cents	

(a) Total segment revenue excluding finance revenue
(b) Gross Profit excluding finance revenue (Consolidated Statement of Comprehensive Income)
(c) Profit from continuing operations before income tax excluding depreciation and amortisation expenses and finance revenue and costs (Consolidated Statement of Comprehensive Income)
(d) Profit from continuing operations before income tax excluding finance revenue and costs (Consolidated Statement of Comprehensive Income)

Operating revenue was up 37% to $198.5 million in the half-year.

The improvement in Operating revenue was driven by:

- strong sales growth from Vita Group's existing business
  - like for like store revenue growth of 52% in the Telecommunications division, due to more competitive pricing plans from Telstra
  - like for like revenue growth of 29% in the Next Byte retail stores, due to a broader set of products and the launch of new Apple products
- growth in the number of new T stores, with a total of 35 Telstra branded stores as at 31 December 2010 (31 December 2009: 12)

VITA GROUP LIMITED
ABN 62 113 178 519

APPENDIX 4D

Half-Year Report
For the six months ended 31 December 2010

Results for announcement to the market (continued)
(this information should be read in conjunction with the most recent annual financial report)

REVIEW AND RESULTS OF OPERATIONS (continued)

There was a reduction in the historic trailing commissions paid by Telstra as we transitioned over to the new upfront commission structure. By comparison, $7.7 million was received in 1H11 vs $12.0 million in 1H10. This resulted in the decline in the Group's reported earnings, with EBITDA down 11% to $12.0 million and NPAT down 16% to $6.3 million.

Excluding Telstra's payment of historic trailing commissions, the underlying trading EBITDA of the Group increased from $1.5 million in 1H10 to $4.3 million in 1H11.

Telecommunications revenue was up 45% to $125.8 million reflecting increasing revenue per store and the growth in T store numbers. The reduction in Telstra's payment of historic trailing commissions (mentioned earlier) resulted in a 9% decline in EBITDA to $12.4 million.

During 1H11, Vita Group successfully completed the first of four phases of its roll-out of new T stores, with 25 T stores opened by November 2010. The Company is now rolling out the second phase with 25 additional T stores to be opened by November 2011. In addition, Vita Group put in place a new finance facility with ANZ to fund its complete T store roll-out.

As at 31 December 2010 Vita Group had opened a total of 27 new T stores and 5 Telstra Business Centres as well as operating 8 Telstra Licensed Stores.

Next Byte revenue was up 25% to $72.7 million driven by the launch of new Apple products, particularly the iPad, and increased average revenue per store. From an earnings perspective Next Byte underperformed, losing $0.4 million EBITDA mostly due to a lower performance from the Service division. Substantial restructuring of Next Byte's Service division has been undertaken in the last quarter, and positive results from these improvements are expected to flow through in future periods.

Operating cash flow remained strong at $14.1 million. During the half, $8 million of debt was paid down in addition to $3.1 million of funds used to acquire 8 Telstra licensed stores and 1 Telstra Business Centre. As at 31 December 2010, Vita Group had no net debt, with $1.3 million net cash.

Dividends

The directors of the Company declared a fully franked 2011 interim dividend of $2.8 million (2 cents per share) on 28 February 2011. The record date for determining entitlements to the above dividends is 25 March 2011. The dividend is expected to be paid by the Company on 11 April 2011.

There were no foreign sourced dividends or distributions.

Other information

Net tangible asset backing (1.4) cents per share (June 2010: (5.0) cents per share)