VITA GROUP LIMITED
ABN 62 113 178 519

APPENDIX 4D

Half-Year Report
For the six months ended 31 December 2011

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 2011.

REVIEW AND RESULTS OF OPERATIONS

	Half year ended		
	2011 $'000	**2010 $'000**	**Growth %**
Operating revenue			
Telecommunications segment	143,531	125,815	14%
Computing segment	59,501	72,705	(18%)
Total operating revenue (a)	203,032	198,520	2%
Gross operating margin (b)	66,487	64,693	3%
Earnings before interest, taxation, depreciation and amortisation (c)	6,925	12,717	(46%)
Earnings before interest and taxation (d)	2,704	9,772	(72%)
Net profit for the period attributable to members	930	6,310	(85%)
Earnings per share (cents)	0.65	4.43	

(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 2% to $203.0 million for the six months ended 31 December 2011 (1H12). The improvement in operating revenue was driven by strong sales growth in the Group's Telecommunications business, offset by lower Computing segment revenues. The growth in Telecommunications reflected the continued roll out of Vita Group's new Telstra branded stores and their improved performance as the portfolio matured. Lower Computing revenues were due to store closures in the prior financial year, lower like for like sales reflecting fewer new product releases, and the rationalisation of poor performing business lines.

Reported EBITDA was down 46% to $6.9 million, and reported NPAT was down 85% to $0.9 million. However, the 1H11 result included $7.7 million of trailing commissions from Telstra as Vita Group transitioned to an upfront commission structure. Excluding trailing commissions, underlying EBITDA was up 38% to $6.9 million (from $5.0 million in 1H11). Prior half year EBITDA has been reclassified to conform to June 2011 reporting, which classifies accelerated depreciation, lease make good accretion and finance facility costs below EBITDA in line with International Financial reporting Standards (IFRS). These reclassifications improved 1H11 EBITDA by $0.7 million, from $12.0 million to $12.7 million.

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Results for announcement to the market (continued)
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REVIEW AND RESULTS OF OPERATIONS (continued)

Telecommunications revenue was up 14% to $143.5 million reflecting the growing number of new Telstra branded stores and the Group's focus on bringing those points of presence to maturity quickly. Whilst overall revenues grew, like for like revenues declined overall by 8.7%, albeit against an exceptionally strong FY11 where like for like revenues grew 40%. The lower 1H12 like for like performance was a result of softer Fone Zone like for like store revenues, down 17%. Like for like Telstra store revenues were flat, which represents an exceptional performance against a very strong comparative. The reduction in reported EBITDA to $6.9 million was due to non-recurring trailing commissions received in 1H11 of $7.7 million, that have now ceased. Excluding trailing commissions, underlying EBITDA for Telecommunications grew 35%.

Next Byte revenue was down 18% to $59.5 million due to fewer new product launches, price reductions on key products within the Apple range, and a reduction in store numbers given store rationalisation undertaken in FY11. From an earnings perspective, Next Byte delivered a loss of $0.4 million. A number of actions were taken over 1H12 to rationalise the poor performing parts of the business and drive productivity improvements in retail. The full year impact of the savings made amounts to $3.8 million with benefits flowing from 2H12.

Operating cash flow was in line with internal expectations at $5.3 million. 1H11 operating cash flow of $13.7 million benefited from the receipt of $7.7 million of trailing commissions that have now ceased. Investing cash outflows were $9.8 million, a little below 1H11, reflecting the Group's continued investment in new stores but with fewer acquisitions. Financing cash flows increased from ($4.8) million in 1H11 to $4.3 million in 1H12 as a result of continued drawdown in facilities to fund new stores and debt repayments in the prior half year. Net debt was $13.3 million, in line with internal expectations and up from $7.2 million at 30 June 2011. Gearing remained comfortable at 21% net debt to equity at 31 December 2011, up from 12% at 30 June 2011.

Dividends

A 2012 interim fully franked dividend of 0.75 cents per share was approved by the Board on 27 February 2012 (1H11: 2.0 cents per share fully franked).

There were no foreign sourced dividends or distributions.

Other information

Net tangible asset backing (5.6) cents per share (June 2011: (5.0) cents per share)