



FONE ZONE GROUP LIMITED ASX/MEDIA ANNOUNCEMENT



FONE ZONE DELIVERS FORECAST PROFIT TURNAROUND

In Brief

- NPAT \$7.0M
- EBITDA \$16.5M
- Operating revenue \$197.8M
- Final dividend – 2.3 cents per share

28 August 2007

Fone Zone Group (ASX: FZN), Australia's largest specialist mobile communications retailer, today announced its results for the twelve months to 30 June 2007. The results are consistent with the trading update issued by the company on 18 December 2006.

The company reported full year earnings before interest, taxation, depreciation and amortisation of \$16.5 million, some 22% down on the prior year, but 3% ahead of the trading update.

Total operating revenue was \$197.8 million, an increase of 9% from \$181.8 million the previous year. EBITDA increased to \$10.4 million in the second half of the year, 3% lower than the same period last year and, importantly, up 70% on the first half.

Fone Zone Group Chief Executive Officer, David McMahon said, the result was a significant improvement on the company's half-year results, with the gain reflecting a concerted effort to improve sales and control costs across the entire business.

"We have worked hard to get our financial performance back on track. These efforts, together with an improving Next G handset range, have underpinned the stronger second half."

The table set out below summarises the Group's financial performance.

	Twelve months to June 2006 (\$M)	Twelve months to June 2007 (\$M)	Variance
Total operating revenue	181.8	197.8	9%
Gross operating margin [^]	88.8	85.8	-3%
EBITDA	21.1	16.5	-22 %
Net profit after tax	10.7	7.0	-35 %
Earnings per share (cents)	8.59	5.57	-35 %

[^] Gross Operating Margin includes gross margin on handset sales plus Telstra incentives & commissions, & other revenues.

As predicted, sales continued to grow on the back of an expanded Next G handset range, as well as the launch of Next G pre-paid. However, according to McMahon, the handset range is still not complete.

"Nokia launched their first Next G handset in the last week of July and other key manufacturers, such as Sony Ericsson, are yet to bring a Next G handset to market.

The migration of CDMA customers to the Next G network has also proven to be a challenge without these key manufacturers."



On the positive side, gross operating margins have continued to improve in the second half, on the back of a more traditional sales mix, coupled with internal efforts to optimise operating costs.

Fone Zone reported earnings per share of 5.57 cents compared with 8.59 cents in FY2006. Directors have declared a fully franked final dividend of 2.3 cents per share, bringing the total for the year to 3.3 cents.

As previously announced Fone Zone expects to complete the acquisition of Next Byte on the 31 August 2007.

The acquisition of Next Byte is a significant transaction for Fone Zone in broadening revenue and earning streams. Based on the above results and Next Byte's normalized results for FY 2007, Next Byte would have represented approximately 35% of the combined group's revenue and earnings in FY 2007.

Earnings per share for the combined group for FY 2007 would have been 7.29 cents per share, compared to the EPS of 5.57 cents per share reported for Fone Zone on a stand alone basis.*

* Assuming Next Byte's normalised performance for FY2007 and Fone Zone's reported results, adjusted for the notional interest cost and the shares issued in relation to the acquisition of Next Byte

Outlook

The 2008 full year's performance will be driven through the integration and expansion of the Next Byte network, as well as the continued release of key Next G handsets and services, and the introduction of selected Apple products into Fone Zone stores.

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For more information, please refer to the detailed presentation or contact:

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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 150 stores and more than 900 Team Members across every state and territory.

