VITA GROUP LIMITED
ABN 62 113 178 519

APPENDIX 4D

Half-Year Report
For the six months ended 31 December 2009

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 2009.

REVIEW AND RESULTS OF OPERATIONS

	Half-year ended 31 December 2009 $000s	Half-year ended 31 December 2008 * $000s	Growth %
Total operating revenue	145,066	151,234	(4.1%)
Gross operating margin	56,454	54,590	3.4%
Earnings before interest, taxation, depreciation and amortisation	13,462	8,838	52.3%
Earnings before interest and taxation	10,681	6,306	69.4%
Net profit for the period attributable to members	7,505	4,283	75.2%
Earnings per share (cents)	5.31 cents	3.03 cents	75.2%

* December 2008 comparatives have been restated as outlined in Note 2, Adjustment of Comparatives from the Vita Group Limited Interim Report for the half-year ended 31 December 2009.

Vita Group's results for the first half of the 2010 financial year showed solid improvement. Despite operating revenue being slightly down (4%) to $144.9 million:

- EBITDA improved to $13.5 million (up 52%) reflecting the impact of the advance Telstra payment. On a normalised basis EBITDA was $6.6 million (up 5%);
- EBIT increased to $10.7 million (up 69%); and
- NPAT moved up to $ 7.5 million (up 75%).

The reduction in revenue reflects the store optimisation programme, which reduced the number of stores by 19 as compared to the same period last year. This flowed through to a 22% reduction in headcount across the Group. The tightening of expenses and other operating efficiencies, combined with the advance Telstra payment, produced an improved set of results.

On 27 August 2009, Fone Zone renewed its dealer agreement with Telstra for another five years with the potential for up to four additional one year extensions, and was appointed a Master Licensee for Telstra's T[life] stores. Under this agreement the previous trailing commission arrangement was replaced by an increased upfront commission structure, rewarding the broader product suite offered in T[Life] stores.

In November 2009, Vita Group received an initial payment of $12 million in respect of trailing commissions earned under the old agreement. The payment received included an advance payment of $9.4 million being a portion of trailing commissions that would have otherwise been earned by the company beyond 31 December 2009.

The rollout of the initial 25 T[life] stores under the new agreement is on track, with 5 T[life] branded stores opened as at 31 December 2009. Vita Group also acquired two Telstra licensed stores, taking the Company's total Telstra branded stores to 12. The financial performance of the recently opened T[life] stores has been at the higher end of Vita Group's internal expectations, and has confirmed the more profitable and sustainable business model of T[life] stores for the Group. In addition, as expected, due to the upfront commission structure, the profitability of new stores is being achieved sooner.

Next Byte traded in line with expectations, with the benefits from previous operating improvements offsetting lower revenues following three store closures as compared to the same period last year.

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

The Group reduced debt by $11.6 million, with gearing, being net debt / (net debt + equity), at 31 December 2009 of 8.7%. With a strengthened balance sheet, Vita Group is committed to continue rolling out the Group's growth strategy. Vita Group plans to conserve cash, and as a result has resolved to not declare an interim dividend for this half.

The continued debt reduction, improvement in trading performance, pipeline of new store opportunities, and expense reductions combine to give Vita Group a positive outlook for the second half. Vita Group reaffirms its 2010 full year guidance of EBITDA in the range of $17-18 million.

An impairment review of the carrying value of the Group's goodwill and intangible assets undertaken in accordance with AASB 136 *Impairment of Assets* indicates that no additional impairment charge is required in relation to any of the group's assets.

Dividends

No interim dividend for 2010 has been declared. (2009: Nil cents)

Other information

Net tangible asset backing	(5.0) cents per share (Dec 2008: (11.3) cents per share) *

* December 2008 comparatives have been restated as outlined in Note 2, Adjustment of Comparatives from the Vita Group Limited Interim Report for the half-year ended 31 December 2009.