



MEDIA RELEASE/ ASX ANNOUNCEMENT

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FONE ZONE ANNOUNCES STRONG HALF YEAR RESULTS TO DEC 2007

Fone Zone Group (ASX: FZN), today announced its strongest operating result since listing in November 2005. For the 6 months to 31 December 2007 the Group reports net profit after tax of \$6.2 million, a 222.2% increase on the previous corresponding 6 month period.

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

	Six months to December 2007 (\$M)	Six months to December 2006 (\$M)	Change (%)
Total operating revenue	148.5	99.1	50
Gross operating margin [^]	54.8	42.6	29
EBITDA	12.2	6.1	99
EBIT	9.4	3.3	188
Net profit after tax	6.2	1.9	222
Earnings per share (cents)	4.6	1.6	197

[^] Gross operating margin includes gross margin on handset sales plus Telstra incentives and commissions, and other revenue

Total operating revenue for the period was \$148.5 million (a 49.8% increase on the previous year) which was driven primarily by the inclusion and growth of the Next Byte business (acquired in September 07), as well as by continued improvement in the Fone Zone business.

Since acquiring Next Byte, three smaller Apple Resellers comprising 5 stores have been acquired and rebranded Next Byte, bringing the total number of Next Byte stores to 22 nationally.

Next Byte has experienced strong sales during the four months of ownership, driven by Apple's increasing share of the computer market, as well as by the new iPod range.

The improvement in the Fone Zone business continued in the half as a result of the stabilisation of the Mobile Repayment Option (MRO)/ subsidy mix at more traditional levels and Telstra's growing Next G handset range. These factors resulted in an increase in the business' operating margin from 43% to 45%.

Commenting on the results, Chief Executive Officer, David McMahon said "The last six months has seen the start of the diversification plan within the Fone Zone Group which has allowed us to strengthen our traditional product offerings, as well as accelerate our diversification process into a strong position in both the telecommunications and computer technology markets".

"To further bolster the diversification strategy, additional investments have been made to strengthen management expertise and IT infrastructure, as well as updating systems and processes to allow us to streamline operations within a multi-branded, multi-product environment."

Fone Zone reported earnings per share of 4.60 cents, up 197% from the same period in 2006 of 1.55 cents per share. The Directors of Fone Zone have declared a fully franked interim dividend of 2.5 cents per share payable to shareholders on 2 April 2008.

Outlook

The consolidation of recently acquired Apple Reseller stores into the Next Byte brand has performed strongly and the Fone Zone Group expects to grow the number of Next Byte stores in the coming months.

The CDMA network closure is scheduled for April 28th 2008 and is expected to have a continuing positive impact with consumers switching over to the Next G network and a greater number of handsets available.

Fone Zone's previous guidance for the 2007/08 year remains unchanged with revenue forecasted to be between \$300 and \$320 million and EBITDA to be between \$23.5 and \$24.5 million.

In addition Fone Zone Group plans to call a special General Meeting to vote on a Group name change to Vita Group Limited. The name change better reflects the product set within each of the retail brands, reinforces our commitment to diversify the Group's activities and provides equality amongst the brands within the Group both internally and externally.

For more information, please contact:

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About Fone Zone Group:

Founded in 1995, Fone Zone has grown to become Australia's largest mobile communication specialist. As a premium Telstra Dealer and industry leader, Fone Zone sets industry trends and benchmarks for Customer Service, and has won numerous awards for the Team's insatiable pursuit of customer satisfaction.

Having listed on the ASX in November 2005, the Fone Zone Group today manages some of Australia's fastest-growing retail brands including mobile communication specialists Fone Zone and One Zero, and Australia's largest Apple reseller, Next Byte.