

ASX Announcement

28 February 2011

Results for the six months ended 31 December 2010

Vita Group Limited (Vita Group; ASX: VTG) today announced its results for the six months ended 31 December 2010 (1H11).

Financial overview

(\$m unless otherwise stated)	1H11	1H10	Change
Operating revenue	198.5	144.9	37%
Gross operating margin ¹	64.7	56.5	15%
Gross operating margin %	32.6%	39.0%	
Earnings before interest, tax, depreciation and amortisation	12.0	13.5	(11)%
Earnings before interest and tax	9.4	10.7	(12)%
Net profit after tax	6.3	7.5	(16)%
Earnings per share (cents per share)	4.43	5.31	(17)%

(1) Includes gross margin on handset sales, Telstra incentives and commissions, and other revenue except finance revenue.

Operating performance

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)

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.

Commenting on the 1H11 results, David McMahon, Joint Chief Executive Officer, said that,

"We have been very focused on rolling out the new T stores over the past six months, completing the first phase of 25 stores on time, and now rolling out the second phase of 25 stores. Telstra's current marketing and pricing initiatives have also led to improved store performance within Fone Zone as Telstra's market share improved," said Mr McMahon.

Fully Franked Interim Dividend

Given the Company's improving trading performance and the completion of its debt reduction program, the Directors of Vita Group are pleased to declare a fully franked interim dividend of 2 cents per share.

Outlook

Commenting on the outlook for Vita Group, Mr McMahon said that whilst general retail trading conditions remained uncertain, Vita Group is well placed as a participant in the high growth areas of telecommunications and Apple. In addition, Mr McMahon confirmed that despite the reduction of Telstra's trailing commission payments in the first half, the Directors' previous guidance that FY11 EBITDA would be similar to FY10 remains on track.

"Vita Group's focus over the remainder of the 2011 financial year will be to successfully progress the roll-out of the new T stores, continue refreshing the positioning of Fone Zone, and lifting volumes and improving Service within Next Byte. In addition, this month we opened the first of Telstra's recently announced 100 new format retail stores as well as opened a new Next Byte store incorporating Apple's new global fit out for its reseller community," said Mr McMahon.

Further enquiries:

David McMahon

Joint Chief Executive Officer
Vita Group Limited
0419 444 444

About Vita Group

Vita Group's four brands – Fone Zone, T stores, Next Byte and One Zero – operate in clearly defined retail segments and share commonality toward premium service and solution focussed selling. All four retail formats are built on a solid, customer service foundation, each offering a unique retail experience for Australian consumers. Further information can be found at www.vitagroup.com.au