ASX Announcement

29 August 2011

Results for the 12 months ended 30 June 2011

Vita Group Limited (ASX: VTG) today announced its results for the 12 months ended 30 June 2011 (FY11).

Results overview

($ million unless otherwise stated)	**FY11**	**FY10**	**Change**
Operating revenue	386.9	291.7	33%
Gross operating margin [1]	124.9	103.3	21%
Gross operating %	32.3%	35.4%	<
EBITDA	18.5	19.2	(4)%
EBIT	11.1	12.5	(11)%
NPAT	6.8	7.7	(12)%
Earnings per share (cents per share)	4.80	5.43	(12)%
Dividend (cents per share)	3.1	0.0	>>
Underlying EBITDA [2]	8.9	5.3	68%

(1) Includes gross margin on handset sales, incentives and commissions, and other revenue except finance revenue
(2) Excludes payment of historic trailing commissions ($9.6 million in FY11 and $13.9 million in FY10)

Operating performance

Revenues grew strongly in FY11 despite difficult trading conditions in the retail sector, with operating revenue up 33% to $386.9 million due to:

- like-for-like store sales growth within the Telecommunications division, with Fone Zone up 40% and Telstra stores up 41%
- the continued roll-out of Telstra stores, with 38 new stores established during the year
- like-for-like store sales growth of 18% in Next Byte sales given growing demand for Apple products and better retail execution.

Whilst revenues increased, reported earnings decreased, with reported EBITDA down 4% to $18.5 million (FY10: $19.2 million) due to:

- the re-classification under Accounting Standards of facility costs and accelerated depreciation on store assets prior to closure from store related expenses to interest and depreciation

Phone (07) 3868 6000 Fax (07) 3630 0670
Email info@vitagroup.com.au Post PO Box 218 Albion Qld 4010
www.vitagroup.com.au
Vita Group Limited - ABN 62 113 178 519

- a $4.3 million reduction in Telstra's payment of historic trailing commissions – $9.6 million was received in FY11 vs. $13.9 million in FY10

- pre-opening costs relating to the roll out of new Telstra stores and the time new stores take to reach earnings maturity.

Excluding the trailing commission payments received from Telstra (which have now ceased), underlying EBITDA for the Group increased by 68% from $5.3 million to $8.9 million.

NPAT was down 12% to $6.8 million (FY10: $7.7 million) due to lower reported EBITDA and slightly higher depreciation, amortisation and interest costs relating to the Telstra store rollout programme.

Telecommunications – growing revenues and earnings

Telecommunications revenue was up 48% to $251.2 million (FY10: $169.3 million), reflecting strong like-for-like store sales performance, improved execution, a stronger Telstra offering, and the addition of new Telstra stores.

Telecommunications EBITDA was up 10% to $19.2 million (FY10: $17.5 million). Over FY11, Vita Group successfully completed the roll-out of the first and second phases of Telstra stores. As at 30 June 2011 Vita Group had opened a total of 50 Telstra stores and 9 Telstra Business Centres, and intends to continue the rollout in FY12.

Computing – mixed performance

Next Byte revenues were up 11% to $135.7 million (FY10: $122.4 million) despite a smaller retail footprint, with growth driven by increasing demand for Apple branded products that saw increased like-for-like store sales. Whilst revenue was up, EBITDA was down, generating a loss of $0.7 million (FY10: profit of $1.7 million) largely due to lower contribution from our Service division.

Improving the performance of Next Byte is a key priority for the Group going forward. During FY11 parts of the operation were consolidated, five underperforming stores closed and one new store opened, with a platform established to lift profitability from FY12. Initiatives include growing pre and post sales solutions through iConcierge, introducing higher margin products, growing sales in the enterprise and education channel, and in partnership with Apple, expanding the retail footprint with a new look format.

Strong cash flows and balance sheet

Operating cash flow remained strong at $18.9 million. Vita Group established new finance facilities to fund its expansion activities, and whilst net debt increased to $7.2 million, gearing remained comfortable at 12.2% net debt / capital.

Commenting on the FY11 results, David McMahon, Joint Chief Executive Officer, said that the results for the past 12 months were very pleasing given the difficult retail conditions.

"Vita Group's revenues have demonstrated strong growth in a difficult retail market. The strength of our businesses is evident through the exceptional growth in underlying earnings and like-for-like store performance. Our businesses continue to benefit from the strong strategic partnerships we have in place and our exposure to growing market segments.

"Whilst Next Byte's revenue has grown strongly despite a smaller retail presence, there remain a number of areas for improvement in that business. In the Telecommunications business, we are pleased with the successful execution of the Telstra store roll-out plan and the performance of new stores."

Fully franked dividend

Given the Company's results, comfortable gearing and growth outlook, the Directors reinstated Vita Group's dividend during the year. The Directors have declared a final fully franked dividend of 1.1 cents per share, bringing the total dividend for FY11 to 3.1 cents per share fully franked (FY10: nil).

Positive outlook

Commenting on the outlook for Vita Group, Mr McMahon said, "The Company is well placed for further growth. Increasing demand for smart phones and improved fixed line products will support growth in Telecommunications. Vita Group's Computing division, Next Byte, will continue to benefit from the strength of the Apple brand and operational initiatives being put in place to restore profitability."

"Our focus over the next 12 months will be rolling out the third phase of our new Telstra store programme, optimising the Fone Zone business, and improving the Next Byte operation and retail footprint.

"Over the next 12 months we expect to open at least another 30 Telstra points of presence, and look to selectively expand Next Byte's footprint with a new look format. As these stores move to maturity, the increasing earnings they will generate will allow the Group to offset the Telstra historic trailing commissions received over the past two years.

"Vita Group's alignment with two strong market-leading brands, Telstra and Apple, should ensure a positive outlook for FY12."

Further enquiries:

David McMahon
Joint Chief Executive Officer
+61 7 3624 6822

Andrew Leyden
Chief Financial Officer
+61 7 3624 6701

About Vita Group

Vita Group's four brands – Fone Zone, Next Byte, One Zero and Telstra stores – 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