

ASX Announcement

Vita Group strengthens strategic alignment with Telstra

10 December 2013 – National provider of communications, consumer electronics and related products, Vita Group Limited (ASX:VTG), today announced a strengthening of its alignment with key strategic partner Telstra.

Under new arrangements agreed with Telstra, Vita's remuneration model will reflect an even greater emphasis on Telstra's strategic priorities, with a tighter focus on products of strategic importance, particularly Telstra's device swap, replace and restore services, and on driving customer advocacy.

From 1 January 2014, Vita will sell Telstra's StayConnected™ and StayConnected Plus™ services, through its telecommunications distribution channels, and will retire its proprietary Swap and Extended Warranty products

Despite the retirement of Vita's proprietary products, results will continue to reflect the amortisation of deferred revenues on the sale of such products made before 1 January 2014 (deferred revenues are released to profit over 30 months, over which time period Vita continues to have obligations to purchasers).

Consequently, Vita's results for a period of time will simultaneously include both the remuneration on the sale of Telstra's StayConnected™ and StayConnected Plus™ services and the amortisation of benefits on the previous sale of its proprietary products. This non-cash benefit is expected to be approximately \$6.2m in the second half of FY14, \$8.5m in FY15 and \$2.5m in FY16, with the value declining as the contractual terms on the Vita proprietary products expire.

Another outcome of the arrangement will see Vita increase the number of Telstra-branded retail stores in its portfolio above its current 85, including the proposed acquisition of stores currently owned by Telstra. Total capex associated with these additions, and the planned acquisitions of some licensee-owned stores, is expected to be in the range \$13m to \$17m, to be incurred late in FY14 and early FY15.

In addition, the new arrangements confirm Vita's master-license tenure to 31 August 2018, as well as the potential for extensions to this tenure, contingent on certain performance benchmarks being met.

Vita Group chief executive officer, Maxine Horne, said the new arrangements represented an important evolution in Vita's longstanding partnership with Telstra.

"Our partnership with Telstra dates back to 1995 when the first Fone Zone store was opened. It has grown significantly since then, particularly with our participation in the rollout of Telstra-Licensed Stores and Telstra Business Centres. Telstra offers the most compelling value proposition amongst telecommunications providers in Australia. We are excited by the potential of our partnership in both consumer and business segments of the market, and welcome the opportunity to align our businesses even more closely into the future."



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COMMUNICATIONS



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Group Managing Director, Telstra Consumer Mr Karsten Wildberger said: “One of the reasons Telstra’s partnership with Vita has endured is Vita’s success in driving value and advocacy for the Telstra brand. We have every confidence in Vita’s ability to continue to support our evolving offering in the market and look forward to the mutual benefits our stronger association will bring.”

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About Vita Group

Brisbane-based Vita Group is a national, ASX-listed provider of telecommunications, computers and related products through retail and business channels. As at June 2013 Vita Group was operating 177 outlets, branded as Telstra and Telstra Business Centres (96 stores), Fone Zone (34), One Zero (30) and Next Byte (17). Each of these brands operates in a clearly defined retail segment and they share a common approach toward premium service and solution-oriented sales. Vita Group also operates a fast-growing mobile accessories division under the Sprout brand, and a range of other value-added products and services. For further information, visit www.vitagroup.com.au

STAY CONNECTED™

StayConnected™ and StayConnected Plus™ are Telstra's new device swap, replacement and restoration services, which allow customers to swap or replace their device for any reason up to twice per year and back up key data so they can get back up and running as soon as possible.



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