

ASX announcement

Vita Group response to Telstra remuneration reductions



17 May 2017

On Thursday 11 May, Vita Group announced that it was in discussions with Telstra over commercial terms and that the remuneration reductions agreed to between December 2016 and February 2017 were part of a response to margin pressures faced by the industry. It also suggested that those conditions continued to impact Telstra and the market generally, and that they had the potential to impact remuneration in the future.

Earlier this week, Telstra (ASX:TLS) briefed Vita on its intention to make further changes to its remuneration construct. From 1 July 2017, Telstra intends to reduce remuneration by approximately 10 per cent. It also announced an intent to reduce remuneration by a further 10 per cent at the start of each of the FY19 and FY20 financial years.

Telstra also suggested that the changes could be partially mitigated through higher volume, improved mix, increased up-sell and cross-sell opportunities across categories, and from new products, such as Smart Home. In addition, it emphasised that its store footprint remains critical to its success and will work with its licensee network, in which Vita Group plays a key role, on the new remuneration model and its geographical clustering strategy.

Vita Group Chief Executive Officer, Maxine Horne commented, "We are prepared to partner with Telstra to address broader market challenges. We have performed strongly, creating value for Telstra over many years and intend to continue doing so into the future. We are well versed in managing remuneration change as the market evolves and as products and services go through their lifecycles. However we are concerned about the extent of these changes and are currently addressing these concerns with Telstra, along with other commercial constructs. We are very aware of concerns over recent adverse movements in our share price and are working hard to restore investor confidence in our relationship with Telstra. We will provide updates as soon as we can and in the meantime, thank our shareholders and other partners for their patience."

Further enquiries:

Andrew Leyden
Chief Financial Officer
Ph: 07 3624 6701
Mob: 0438 719 778

Suzanne Bartlett (Media)
External Communications Manager
Ph: 07 3624 6913
Mob: 0429 967 084

About Vita Group Vita Group is a consultative solutions provider, specialising in enhancing customers' way of life. Vita operates Telstra branded stores and Business Centres, Vita Enterprise Solutions, Sprout and SQDAthletica. For further information, visit www.vitagroup.com.au.



Vita Group Limited - ABN 62 113 178 519

Phone. (07) 3624 6666
Fax. (07) 3624 6999
Email. info@vitagroup.com.au

Actual. 77 Hudson Road Albion QLD 4010
Post. PO Box 218 Albion QLD 4010
www.vitagroup.com.au