

ASX Announcement

27 August 2009

Fone Zone signs new dealership agreement with Telstra

Vita Group Limited (ASX: VTG) today announced that it had strengthened its relationship with Telstra as Fone Zone renewed its dealer agreement for another five years with potential for up to four additional one year extensions. The new agreement builds on Vita Group's more than 14 year relationship with Telstra.

In addition to renewing Fone Zone's exclusive dealer agreement with Telstra, Vita Group has been appointed the first Master Licensee for Telstra's T[life][™] stores. The T[life] Master License Agreement allows Vita Group to roll-out T[life] stores in a phased approach, subject to meeting both performance and expandability criteria. The location of the first 25 stores has been agreed and they will open throughout the next twelve months.

The T[life] expansion will be achieved through a combination of converting Vita Group's existing six Telstra Licensed Shops and certain existing Fone Zone stores, as well as opening new T[life] stores throughout Australia, two of which have already opened this month in Emerald (QLD) and Maddington (WA). Early trading from Vita's new T[life] stores is most encouraging with strong sales being recorded.

"Vita Group has had a long and successful relationship with Telstra. Our renewed partnership is in place for up to a further nine years, and we are very excited about the prospects for the new T[life] stores as well as the existing Fone Zone business." said David McMahon, Joint Chief Executive Officer of Vita Group.

The highly successful T[life] format, which has transformed the retail customer experience, offering a diverse suite of telecommunications and media products including BigPond broadband and FOXTEL from Telstra, has been rapidly rolled out over the last 12 months by Telstra and is fast approaching 100 stores. As indicated in their recent results announcement, Telstra sees the T[life] stores as a critical part of its retail presence in the consumer market and part of building its distribution capability.

"The new T[life] format is proving very successful in the market for Telstra. We want to continue to expand on this concept, so turned to our long term partner Vita Group, who we have built a productive and valued relationship with over the past 14 years. We look forward to continuing to build on this relationship into the future," said David Moffatt, Telstra Consumer Group Managing Director.

Under the new dealer agreement, the trailing commission component of the existing commission structure will be replaced by higher upfront payments from 1st November 2009. This change better rewards the sale of the broadening product range in Fone Zone and T[life] stores.



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As a result of entering into the new dealer agreement and the revised commission structure, Telstra will pay \$23.6 million to Vita Group over the next 18 months for trailing commission entitlements under the old agreement, subject to certain conditions being met. Vita expects that the proceeds from this payment will be used for its future funding needs, including partially funding the rollout of the new T[life] stores.

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