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Directors and CEO Commentary

Vital results within FY25 guidance metrics, despite takeover distractions and persistent challenging economic conditions.

Overview:

- FY25 results met guidance metrics
- Adjusted revenue: $26.5m, down 1.2%, impacted by economic headwinds in fibre
- Adjusted Net Profit After Tax (NPAT) down $0.238m to $0.015m; with interest and net debt reduced. Capex flat on prior year.
- Operating costs slightly up for the year mainly due to product mix. Notably H2 operating expenses were down 2.1% on H1
- Operational foundations in place for economic recovery
- Takeover activity well managed with no adverse effect to normal business operations. Tait Offer closes 12 September; Board unanimously recommends acceptance by shareholders
- Wireless revenue up 3.8%, driven by refreshed sales strategy and new contracts including Transpower
- Healthy pipeline in utilities and energy, with wins in grid, solar and other sectors
- Wired segment under pressure, revenue down 11.0% largely due to the exposure to economic headwinds on Wellington fibre customers

Performance Summary:

Despite persistent economic headwinds and takeover-related distractions, Vital Limited (VTL) delivered results in line with its FY25 guidance metrics. The turnaround strategy continues to gain traction, highlighted by a long-term contract with Transpower and other wins in the utility and energy sectors, partially offsetting the ongoing decline in Wired (fibre). Continued cost control and operational efficiencies are positioning VTL for future economic recovery.

Financial Performance:

Financially, VTL's results were within guidance. Group revenue was $26.5m, down 1.2% on the prior year, mainly due to persistent economic challenges for enterprise Wired (Fibre) customers, industry consolidation, and VTL's high exposure to public sector and Wellington fibre clients. This led to more circuit rationalisations than additions, resulting in an 11.0% decline in Wired revenue.

Offsetting some of the Wired decline was a solid Wireless performance, with revenue up 3.8% year-on-year, reflecting the success of a refreshed sales and channel strategy, particularly in the Utilities and Energy sectors.

Adjusted NPAT was at the lower end of guidance, at $0.015m, supported by a 10.2% reduction in interest costs due to official cash rate changes. Net debt slightly decreased to $13.1m from $13.3m in

FY24. VTL's $15.6m secured bank facility with BNZ matures in January 2028. Key network upgrades are now complete, and capital expenditure was flat at $2.3m. Non-customer requested capex remains well managed.

Adjusted EBITDA was also at the lower end of guidance at $5.8m, down 9.8% year-on-year, reflecting revenue and cost impacts. Operating expenditure rose 1.5% due to general cost pressures and cost of goods sold increased through mix of product sales, though operating costs declined 2.1% in the second half compared to the first.

Impairment
Vital's statutory NPAT for FY25 is a loss of $2.8m which reflects an impairment to carrying value. As with prior years the carrying value of Vital's net assets exceeded the Group's market capitalisation, and the recent (Tait International Limited) takeover offer price provided an indicator of impairment. In technical accounting terms the offer price, which the Board unanimously recommended shareholders to accept, is deemed an observable input. In contrast, the Grant Samuel valuation and management model includes a number of unobservable inputs and Accounting standards requires an entity to select the valuation technique that maximises the use of relevant observable inputs and minimise the use of unobservable inputs. Accordingly, applying these standards, Vital has recorded a net impairment of $2.629m, aligning the Group's carrying value to the current takeover offer price.

This is a non-cash impacting adjustment and is not an adverse reflection of Vital's trading operations or prospects.

Financial Tables:

Metrics (all figures in $m)	FY2025 Actual Result	FY2025 Guidance
Revenue	26.5	26.0 - 27.0
Adjusted EBITDA [1]	5.8	5.8 - 6.2
Net Profit after Tax (adjusted) [2]	0.0	0.0 - 0.2
Adjusted Free Cash flow[3]	3.5	3.2 - 3.9

1. Post lease costs that are otherwise treated as depreciation and interest
2. Excludes IFRS 16 adjustments resulting from changes to lease profiles and impairment
3. Adjusted EBITDA (as above) less capital expenditure

Vital Revenue Breakdown $000's	FY2025	FY2024	Percentage Change
Wired	8,006	8,948	(10.5%)
Wireless	17,144	16,838	1.8%
Installation	664	399	66.5%
Hardware & Other	718	676	6.2%
Total Services Revenue	**26,532**	**26,861**	**(1.2%)**

Summary Financial Performance $000's	FY2025	FY2024	Percentage Change
Total revenue	26,532	26,861	(1.2%)
Staff costs	8,039	7,998	0.5%
Lease/rent costs [1]	6,123	6,133	(0.2%)
Other Selling, General & Admin	6,570	6,301	4.3%
EBITDA (Adjusted) [2]	**5,800**	**6,429**	**(9.8%)**
EBITDA (Adjusted) Margin	21.9%	23.9%	
Depreciation [3]	4,477	4,626	(3.2%)
EBIT (Adjusted)	**1,323**	**1,803**	**(26.7%)**
Net Interest [4]	1,303	1,451	(10.2%)
Income Tax	5	99	(94.7%)
Net Profit after Tax (Adjusted)	**15**	**253**	**(94.1%)**
Net Impact from Impairment [5]	(2,629)	0	n.a.
Lease accounting gain/(loss) (after tax) [6]	(200)	(226)	(11.8%)
Net Profit after Tax (Reported)	**(2,814)**	**27**	**n.a**

1. Lease costs including those otherwise included in Depreciation and Net Interest charges
2. Post lease costs that are otherwise treated as depreciation and interest
3. Excludes IFRS 16 adjustments resulting from changes to lease profiles
4. Excludes interest component of capitalised lease costs (this is in Lease/Rent costs)
5. Impairment Charge less tax
6. Adjustments (non-cash) under IFRS 16 for changes to lease terms (net of tax at 28%)

Selected Balance Sheet and Cashflow $000's	FY2025	FY2024	Change
Net Debt	13,148	13,317	(169)
Rights of Use Assets [1]	15,684	15,896	(212)
Right of Use Liabilities	17,776	17,739	37
Wired network assets [1]	21,862	26,489	(4,627)
Wireless network assets [1]	35,015	34,866	149
Operating Activities cashflow (Adjusted) [2]	5,800	6,429	(631)
Capital expenditure	2,318	2,328	(8)
Op cashflow (Adjusted) less Capex	**3,482**	**4,101**	**(620)**

1. Note: Network assets (Wired and Wireless) include Right of Use assets (mostly in Wireless)
2. Cashflow from Operating Activities in Financial Statements less Principal payment of Lease Liabilities

Wired segment $000's	FY2025	FY2024	Percentage Change
Revenue	8,129	9,137	(11.0%)
Lease/rent costs [1]	2,202	1,984	11.0%
Other operating costs	2,384	2,723	(12.5%)
EBITDA (Adjusted) [2]	**3,543**	**4,430**	**(20.0%)**
EBITDA Margin (Adjusted) [2]	**43.6%**	**48.5%**	**(10.1%)**
Capital expenditure	738	645	14.4%
Total assets	**21,862**	**26,489**	**(17.5%)**

1. Lease costs including those otherwise included in Depreciation and Net Interest charges
2. Post lease (rent) costs that are otherwise treated as depreciation and interest

Wireless segment $000's	FY2025	FY2024	Percentage Change
Mobile radio	17,144	16,838	1.8%
Installation	568	224	153.4%
Hardware & Other	691	662	4.5%
Total Revenue	**18,403**	**17,724**	**3.8%**
Lease/rent costs [1]	3,921	4,149	(5.5%)
Other operating costs	10,360	9,715	6.6%
EBITDA (Adjusted) [2]	**4,122**	**3,860**	**6.8%**
EBITDA Margin (Adjusted) [2]	**22.4%**	**21.8%**	**2.8%**
Capital expenditure	1,580	1,683	(6.1%)
Total assets	**35,015**	**34,866**	**0.4%**

1. Lease costs including those otherwise included in Depreciation and Net Interest charges
2. Post lease (rent) costs that are otherwise treated as depreciation and interest

Operational Performance:

As outlined earlier, VTL's turnaround strategy is yielding positive operating results, particularly in the specialist Utilities and Energy sectors. The ongoing challenge remains generating enough new revenue to offset Wired headwinds and the anticipated loss of St Johns revenue when the new PSN (Public Safety Network) eventually launches.

Key customer wins include Transpower's eleven-year Radio Relay Link contract (benefiting revenue from FY26), new projects with Lodestone Solar Farms, Meridian Energy, and Horizon Energy, expanded managed services with PowerCo, and new LMR connections via the Radio Dealers channel. These were complemented by contract renewals with the University of Auckland and REANNZ plus others. St John has extended its contract with VTL through 2027, with an option to extend further. Additionally, NGCC engaged VTL for Design Consultancy and Site Assessments of PSN LMR sites as part of its project.

Despite these efforts, operating conditions remain very tough, with the prolonged economic downturn driving higher churn as businesses cut costs. Rising operational input costs are also increasing the cost to serve, requiring internal cost-saving measures.

Customer experience improvements continued throughout the year, with Net Promoter Score (NPS) reaching a record high of +41.

Takeover Activity:

In June 2025, Tait International Limited (Tait) made a formal offer to acquire all of the ordinary shares and employee share options in Vital at $0.45 per share and $0.13 per option. As outlined in Vital's Target Company Statement (issued 4 July 2025), the Board unanimously recommends shareholders accept the offer, which falls within the Grant Samuel independent valuation range and represents a 63.6% premium to the NZX trading price prior to Vital's takeover notice announcement.

Tait has confirmed $0.45 per share as its full and final offer. The Board considers a competing bid unlikely during the offer period. The offer is conditional on 90% shareholder acceptance and may lapse if this threshold isn't met. While Tait may waive the condition, shareholders shouldn't assume it will. If the offer lapses, Tait won't be obliged to purchase shares under the offer, Vital's share price may return to pre-offer levels, and future performance will be subject to the execution risks outlined in the Target Company Statement. The Board therefore urges shareholders to accept promptly, to increase the probability that Tait will achieve the 90% minimum acceptance threshold.

Previously, in August 2024, the Board received an unsolicited, non-binding, and incomplete proposal from Empire Technology Limited ("Empire") to acquire 50.01% of Vital shares at NZ$0.375 per share. After review, the Board concluded the Empire offer materially undervalued Vital, wasn't in shareholders' best interests, and didn't justify due diligence access. In September 2024, Vital announced Empire had decided not to proceed with a partial takeover.

In December 2024, Empire initiated High Court proceedings over costs related to its takeover proposal. Under the Takeovers Act, Empire must reimburse Vital for Vital's properly incurred takeover expenses. Vital invoiced Empire in September for just over $0.2 million, but Empire has refused to pay or accept the expenses. Vital then sought and obtained a determination from the Takeovers Panel, which ordered

Empire to pay 100% of the costs sought by Vital. Empire has appealed, and the matter is now before the courts.

Risk Factors:

As part of sound governance and management, Vital constantly assesses and acts to mitigate against risks to its business performance and continuity. Financially, difficult economic and market conditions remain a risk factor. The global and local macroeconomic picture remains difficult to predict, while economic growth in New Zealand remains subdued. We actively promote cyber-security awareness and continuously invest in upgrades to security hardware and software.

Looking Ahead:

Until the Tait International Offer is concluded, VTL will not be providing guidance.