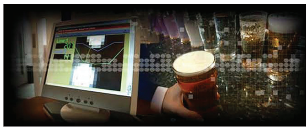
Vianet Group plc

Interim Results for the
six months ended 30 September 2012



The market leading provider of real time monitoring systems and
data management services for the UK leisure and forecourt sectors

Vianet Group plc

("Vianet" or "the Group")

Financial Highlights

- Basic earnings per share increased to 4.47p (H1 2012: 4.25p)
- Basic earnings per share (pre-exceptional items) increased to 5.26p (H1 2012: 3.93p)
- Interim dividend payment up 1.8% at 1.70p (H1 2012: interim dividend 1.67p)
- Profit before amortisation, share based payments and exceptional items of £1.87 million (H1 2012: £1.91 million)
- Revenue at £11.19 million (H1 2012: £11.79 million) following exit from lower margin activity
- Recurring revenues account for over 80% of core leisure business turnover and 70% across the whole Group
- Fuel Solutions operating loss reduced to £0.26 million (H1 2012: £0.45 million) and achieved monthly operating profit in September 2012; and
- Vending Solutions close to breakeven in H1 with a loss of only £28,000

Operational Highlights

- Strong iDraught™ growth including further roll out with Enterprise Inns and Spirit
- Touch & Pay™ cashless and contactless and vending telemetry solutions showcased by Coca Cola and VISA at the London 2012 Olympic Games
- Vianet Americas full launch of iDraught in USA with anticipated increased 2013 investment of £0.30 million; and
- Cost reduction programme delivered approximately £400,000 year on year H1 savings

Chairman's Statement

Against a backdrop of the continued difficult economic conditions in the key sectors in which the Group operates, the Board is pleased with the Group's performance for the six months to 30 September 2012 and believes it demonstrates the strength of our recurring revenue streams, particularly within the Leisure division, as well as the improved performance of the Fuel Solutions division.

Results

Turnover for the past six months amounted to £11.19 million. Pub closures and disposals resulted in a net reduction of 619 sites in our core Leisure business installation base, although this was offset by gaining 669 higher value iDraught™ installations. The Group's Vending Solutions division consolidated its performance and was close to breakeven despite delays to commencing a major contract. Although turnover within the Fuel Solutions division was down 10% compared to the same period last year, it operated at a reduced loss level and we were pleased that a monthly profit was achieved in September and October 2012.

Gross margins were in line with last year overall as the Group maintained tight control over fixed overheads, which reduced by some 9.0% on last year.

The Group's profit before amortisation, share based payments and exceptional items amounted to £1.87 million (H1 2012: £1.91 million). Profit before taxation was £1.26 million (H1 2012: £1.62 million) with the H1 year on year performance adversely affected by a swing in exceptional items; in H1 2012 there was a credit of £0.12 million and in the current year a cost of £0.22 million.

Group earnings per share before exceptional costs amounted to 5.26 pence (H1 2012: 3.93 pence), impacted by a reduced taxation charge resulting from the utilisation of historic losses acquired with the Vianet assets in December 2008.

Post tax and exceptional items, EPS for the period was 4.47p compared to 4.25p in H1 2012.

Dividend

In line with the Group's current dividend policy and also to reflect the Board's confidence in prospects for the year as a whole, the Board has declared an interim dividend of 1.70 pence per share (H1 2012: 1.67 pence per share), payable on 29 January 2013 to shareholders on the register as at 14 December 2012. A final dividend of 4.00 pence per share was paid in respect of the year ended 31 March 2012 on 2 October 2012.

Outlook

Although the economic climate remains challenging, the Board remains confident about the Group's prospects, particularly in light of the following:

- The on-going successful market penetration of iDraught™ coupled with a number of customer contract extensions
- The development of new sales opportunities in the market for the Vending Solutions division, especially the major international opportunities with the Group's end-to-end vending telemetry and Touch and Pay™ cashless contact solutions
- The solid progress made in the Fuel Solutions division which is expected to continue into H2; and
- The recent investment in the USA which provides an excellent platform to grow iDraught™ activities in this very significant market.

James H Newman
Chairman
4 December 2012

Executive Review

Robust performance in a slowly improving trading environment

Against a challenging economic backdrop, the Group's strategy to reduce costs and drive sales of its newer products has started to deliver the anticipated benefits, with underlying trading results for the six months to 30 September 2012 being in line with management expectations.

Group turnover during the period reduced slightly to £11.19 million (H1 2012: £11.79 million), primarily as a result of the Group's withdrawal from low margin, labour intensive beer volume recovery service activity for pub companies, and a reduction in lower margin activity in the Fuel Solutions division. On a consolidated basis, recurring revenue across the Group was approximately 70%, and almost 80% in the core leisure business

EPS increased to 5.26p pre-exceptional items, from 3.93p (H1 2012) positively affected by having no taxation provision resulting from initial utilisation of the £16 million losses acquired with the purchase of Vianet Ltd in December 2008.

In the period exceptional costs largely associated with restructuring of the Group's corporate entities including formation of a USA entity, and compromise agreements, amounted to £0.22 million giving rise to a £0.34 million negative swing from the H1 2012 credit of £0.12 million largely related to release of deferred consideration from recent acquisitions.

The Leisure Solutions division continues to generate strong operational cash flow with £3.2 million in H1 2012. Against this background, the Group had an overall net debt of £2.44 million at 30 September 2012 (H1 2012: £3.38 million). The Group continues to be cash generative providing it with a strong financial base.

Leisure Solutions maintains momentum

Trading in the Group's core beer monitoring business has been strong over the period. Several major customers, including Spirit and Enterprise Inns, extended their contracts which included provision for upgrading to higher value iDraught™ from standard beer monitoring. These programmes helped to increase the growth of iDraught™ which now accounts for approximately 15% of the Group's beer monitoring base by number of installations. This growth is anticipated to continue through H2 and beyond as iDraught™ makes further gains across the wider on-premise draught beer market.

The core Leisure Solutions business delivered 716 new installations in the first half of the year, of which 669 were for iDraught™. When factoring in pub closures, the Group's installation base fell by 619 sites to just over 18,000 sites.

The extension of iDraught™ installations has underpinned the ability of the Leisure Solutions business to achieve recurring revenues of almost 80% of turnover which has supported the Group's strong consolidated recurring revenue of approximately 70%.

The Leisure Solutions division also delivered 176 new installations of the Nucleus SmartTills™ solution in H1 and this is expected to grow in H2 and beyond.

The Board sees considerable future growth potential for iDraught™ in the USA and is encouraged by the strong interest from national retail chains. This is as a result of the Group's increased investment in the USA as our recently incorporated business Vianet Americas Inc., extends its footprint beyond the Colorado on-premise beer market. Vianet Americas' roll out delivery capability has advanced significantly with the creation of a high calibre cross functional senior USA team as well as entering a strategic alliance with Micro Matic USA for nationwide iDraught™ installation, service and sales support.

The USA on-premise beer market has over 300,000 bars of which around 60,000 are accounted for by national chains. The full launch in the USA in Q4 FY 2013 is expected to result in new business gains with several national USA retail chains expected to sign contracts in H2. National chain distribution will provide geographical footholds around which Vianet Americas will focus on gaining further installations from the independent sector.

Vending Solutions achieves breakeven in H1

The Group's vending telemetry business traded at close to breakeven through H1 with the prospects for H2 being significantly boosted by a number of delayed orders from the first half. The outlook is also improved by further progress in developing significant new sales opportunities with major international companies for the Group's leading end-to-end vending telemetry and Touch & Pay™ cashless and contactless solutions, which were successfully showcased by Coca Cola and VISA at the recent London 2012 Olympic Games.

The Group is at the forefront of the provision of telemetry solutions in the UK and European coffee vending markets, where it has an increasing installation presence with market leading international brand owners, and from where the Board anticipates further growth.

This is a compelling end-to-end proposition for brand owners and vending operators and provides the Group with a strong platform towards becoming the market leader in the provision of these solutions for the global vending market.

Fuel Solutions has made good progress towards profitability

The Group's Fuel Solutions division, whilst loss making in H1, has benefitted from a reduced cost base, focus on higher margin activity, and new business gains for the market's only one stop solution for forecourt operators.

Fuel Solutions has also made good progress in establishing a relevant offering for the independent sector, which operates approximately 3,000 fuel forecourts, and strong gains are anticipated in this area.

The Board expects more new contracts in H2 which will allow the business to build on the month on month trading improvements, where a small profit was achieved in September and October 2012.

The outlook is positive

Whilst the overall economic environment may remain constrained for some time, the Board is confident that the medium to long term strategy is the appropriate one and that the Group is capable of delivering consistent and sustained growth.

The Board expects this progress to result in further profitable growth and increased earnings over the full year to 31 March 2013 consistent with market expectations. Accordingly, the Board also anticipates maintaining the current progressive dividend policy as the Group continues to generate strong cash flows from its core beer monitoring business.

The longer term outlook across the three principal divisions of the Group (Leisure, Vending and Fuel Solutions) is very positive and capable of significant further development.

James Dickson
Chief Executive

Mark Foster
Group Finance Director

4 December 2012

Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2012

	Note	Before Exceptional 6 months Ended 30 Sept 2012 £'000	Exceptional 6 months Ended 30 Sept 2012 £'000	**Total Unaudited 6 months Ended 30 Sept 2012 £'000**	Unaudited 6 months Ended 30 Sept 2011 £'000	Audited Year Ended 31 March 2012 £'000
Revenue	3	11,191	-	**11,191**	11,794	22,975
Cost of sales		(5,376)	-	**(5,376)**	(5,549)	(10,740)
Gross profit		5,815	-	**5,815**	6,245	12,235
Administration and other operating expenses	4	(3,944)	(222)	**(4,166)**	(4,214)	(8,828)
Profit before amortisation and share based payments	3	1,871	(222)	**1,649**	2,031	3,407
Intangible asset amortisation		(320)	-	**(320)**	(362)	(952)
Share based payments		(29)	-	**(29)**	(18)	(57)
Operating profit		1,522	(222)	**1,300**	1,651	2,398
Finance income		-	-	**-**	4	5
Finance costs		(36)	-	**(36)**	(34)	(62)
Profit before tax		1,486	(222)	**1,264**	1,621	2,341
Income tax expense	5	-	-	**-**	(421)	(82)
Profit and total comprehensive income for the period attributable to the owners of the parent	3	1,486	(222)	**1,264**	1,200	2,259
Earnings per share	6					
Basic		5.26p	(0.79)p	**4.47p**	4.25p	8.00p
Diluted		5.23p	(0.78)p	**4.45p**	4.04p	7.90p

Consolidated Balance Sheet

At 30 September 2012

	Unaudited As at 30 Sept 2012 £'000	Unaudited As at 30 Sept 2011 £'000	Audited As at 31 March 2012 £'000
Assets			
Non-current assets			
Intangible assets	**19,561**	19,253	19,713
Property, plant and equipment	**3,756**	3,701	3,662
Investments	**533**	533	533
Total non-current assets	**23,850**	23,487	23,908
Current assets			
Inventories	**2,121**	2,150	1,903
Trade and other receivables	**5,466**	5,475	4,157
Tax asset	**293**	-	213
Cash and cash equivalents	**85**	-	105
	7,965	7,625	6,378
Total assets	**31,815**	31,112	30,286
Equity and liabilities			
Liabilities			
Current liabilities			
Trade and other payables	**5,546**	4,436	3,400
Borrowings	**994**	1,637	1,985
Tax liabilities	**-**	301	-
Provisions	**-**	89	-
	6,540	6,463	5,385
Non-current liabilities			
Borrowings	**1,448**	1,738	1,526
Provisions	**-**	34	-
Deferred tax	**157**	303	157
	1,605	2,075	1,683
Equity attributable to owners of the parent			
Share capital	**2,825**	2,825	2,825
Share premium account	**11,174**	11,174	11,174
Shares to be issued	**362**	294	333
Own shares	**(1,154)**	(1,154)	(1,154)
Merger reserve	**310**	310	310
Retained profit	**10,153**	9,125	9,730
Total equity	**23,670**	22,574	23,218
Total equity and liabilities	**31,815**	31,112	30,286

Summarised Consolidated Cash Flow Statement
For the six months ended 30 September 2012

	Unaudited 6 months Ended 30 Sept 2012 £'000	Unaudited 6 months Ended 30 Sept 2011 £'000	Audited Year Ended 31 March 2012 £'000
Cash flows from operating activities			
Profit for the period	**1,264**	1,200	2,259
Adjustments for			
Interest receivable	**-**	(4)	(5)
Interest payable	**36**	34	62
Income tax expense	**-**	421	82
Amortisation of intangible assets	**320**	362	701
Impairment	**-**	-	250
Depreciation	**194**	231	448
Exceptional items	**-**	(458)	(808)
Payment of deferred consideration	**-**	-	(12)
Loss on sale of property, plant and equipment	**1**	2	8
Share-based payments	**29**	18	57
Operating profit before changes in working capital and provisions	**1,844**	1,806	3,042
Change in inventories	**(218)**	524	797
Change in receivables	**(1,309)**	(922)	517
Change in payables	**2,146**	(1,288)	(2,368)
Change in provisions	**-**	(41)	(164)
	619	(1,727)	(1,218)
Cash generated from operations	**2,463**	79	1,824
Income tax paid	**(80)**	(445)	(853)
Net cash from operating activities	**2,383**	(366)	971
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment	**4**	1	21
Purchases of property, plant and equipment	**(291)**	(290)	(495)
Purchase of intangible assets	**(168)**	(374)	(740)
Purchase of subsidiary undertakings	**-**	-	(377)
Cash acquired with subsidiaries	**-**	-	39
Net cash used in investing activities	**(455)**	(663)	(1,552)
Cash flows from financing activities			
Interest payable	**(36)**	(34)	(62)
Interest receivable	**-**	4	5
Repayments of borrowings	**(239)**	(257)	(511)
Dividends paid	**(841)**	(1,082)	(1,537)
Net cash used in financing activities	**(1,116)**	(1,369)	(2,105)
Net increase/(decrease) in cash and cash equivalents	**812**	(2,398)	(2,686)
Cash and cash equivalents at beginning of period	**(1,426)**	1,260	1,260
Cash and cash equivalents at end of period	**(614)**	(1,138)	(1,426)

Statement of changes in equity

6 months ended 30 September 2011

	Share Capital £000	Share Premium Account £000	Own Shares £000	Share based payment reserve £000	Merger Reserve £000	Profit and loss account £000	Total £000
At 1 April 2011	2,825	11,174	(1,154)	276	310	9,008	22,439
Profit and total comprehensive income for the period	-	-	-	-	-	1,200	1,200
Share based payment	-	-	-	18	-	-	18
Dividends	-	-	-	-	-	(1,083)	(1,083)
At 30 September 2011	2,825	11,174	(1,154)	294	310	9,125	22,574

12 months ended 31 March 2012

	Share Capital £000	Share Premium Account £000	Own Shares £000	Share based payment reserve £000	Merger Reserve £000	Profit and loss account £000	Total £000
At 1 April 2011	2,825	11,174	(1,154)	276	310	9,008	22,439
Profit and total comprehensive income for the period	-	-	-	-	-	2,259	2,259
Share based payment	-	-	-	57	-	-	57
Dividends	-	-	-	-	-	(1,537)	(1,537)
At 31 March 2012	2,825	11,174	(1,154)	333	310	9,730	23,218

6 months ended 30 September 2012

	Share Capital £000	Share Premium Account £000	Own Shares £000	Share based payment reserve £000	Merger Reserve £000	Profit and loss account £000	Total £000
At 1 April 2012	2,825	11,174	(1,154)	333	310	9,730	23,218
Profit and total comprehensive income for the period	-	-	-	-	-	1,264	1,264
Share based payment	-	-	-	29	-	-	29
Dividends	-	-	-	-	-	(841)	(841)
At 30 September 2012	2,825	11,174	(1,154)	362	310	10,153	23,670

Notes to the interim report

1. Statutory information

The interim financial statements are unaudited and do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The auditors' review report on the interim financial information for the six months ended 30 September 2012 is set out on page 13.

The financial information for the year ended 31 March 2012 has been derived from the published statutory accounts. A copy of the full accounts for that period, on which the auditors issued an unqualified report that did not contain statements under 498(2) or (3) of the Companies Act 2006, has been delivered to the Registrar of Companies.

These interim financial statements will be posted to all shareholders and are available from the registered office at One Surtees Way, Surtees Business Park, Stockton on Tees, TS18 3HR or from our website at www.vianetplc.com

2. Accounting policies

These interim financial statements are for the six months ended 30 September 2012. As is permitted, the Group has chosen not to adopt IAS 34 'Interim Financial Statements' and therefore the interim financial information is not in full compliance with International Financial Reporting Standards. They have been prepared using the recognition and measurement principles of IFRS as adopted by the European Union using the historic cost convention.

3. Segmental information

For management and reporting purposes the Group has progressed into four operating divisions. These business segments are the basis on which the Group reports its primary segmental information. As the Group's business is entirely conducted within the United Kingdom, there are no geographical business segments and as a result no secondary reporting segmental information is presented.

Corporate strategy is to be market leader in the leisure and fuel solution markets with the services we provide. In terms of the three principle divisions, leisure and vending includes Brulines traditional core business around dispense monitoring & I-Draught, as well as machine monitoring across our vending & AWP sectors. Fuel solutions include a full suite of products and services to help the forecourt operator maximise their returns.

The segmental results for the six months ended 30 September 2012 are as follows:

	Leisure £'000	Vending £'000	Technology £'000	Fuel Solutions £'000	Corporate £'000	Total £'000
Revenue						
Total revenue	**7,883**	**467**	**442**	**2,399**	**-**	**11,191**
Result						
Profit/(loss) before amortisation, share based payments and exceptional costs	**2,818**	**(28)**	**(271)**	**(257)**	**(391)**	**1,871**
Amortisation	**(66)**	**(86)**	**(17)**	**(20)**	**(131)**	**(320)**
Share based payments	**-**	**(16)**	**-**	**(9)**	**(4)**	**(29)**
Finance costs	**(14)**	**-**	**-**	**(1)**	**(21)**	**(36)**
Profit/(loss) before exceptional items	**2,738**	**(130)**	**(288)**	**(287)**	**(547)**	**1,486**
Exceptional items	**(8)**	**(7)**	**(11)**	**(14)**	**(182)**	**(222)**
Profit/(loss) after exceptional items	**2,730**	**(137)**	**(299)**	**(301)**	**(729)**	**1,264**
Tax	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(loss) attributable to equity shareholders	**2,730**	**(137)**	**(299)**	**(301)**	**(729)**	**1,264**

The segmental results for the six months ended 30 September 2011 as restated to reflect the revised reporting segments, are as follows:

	Leisure £'000	Vending £'000	Technology £'000	Fuel Solutions £'000	Corporate £'000	Total £'000
Revenue						
Total revenue	8,079	666	382	2,667	-	11,794
Result						
Profit/(loss) before amortisation, share based payments and exceptional costs	2,917	(228)	55	(450)	(383)	1,911
Amortisation	(43)	(50)	-	(23)	(246)	(362)
Share based payments	-	-	-	-	(18)	(18)
Finance costs	(19)	-	-	(2)	(9)	(30)
Profit/(loss) before exceptional items	2,855	(278)	55	(475)	(656)	1,501
Exceptional items	(42)	-	-	(229)	391	120
Profit/(loss) after exceptional items	2,813	(278)	55	(704)	(265)	1,621
Tax	(731)	72	(14)	183	69	(421)
Profit/(loss) attributable to equity shareholders	2,082	(206)	41	(521)	(196)	1,200

4. Exceptional items

Exceptional items principally relate to restructuring costs within both Vianet Limited and Vianet Fuel Solutions Limited.

5. Tax

The charge for tax is based on the profit for the period and comprises:

	6 months Ended 30 Sept 2012 £'000	6 months Ended 30 Sept 2011 £'000	Year Ended 31 March 2012 £'000
United Kingdom corporation tax	**-**	421	82

No provision for taxation has been made due to the use of historical losses associated with previous subsidiary company acquisitions.

6. Earnings per share

Earnings per share is calculated on the profit after tax of £1.264m (2011: £1.200m) and the average number of shares in issue during the period of 28,128,164 (2011: 28,128,164).

Diluted earnings per share are calculated by taking the earnings as disclosed above and the average number of shares that would be issued on the full exercise of outstanding share options of 28,429,836 (2011: 30,124,038).

INDEPENDENT REVIEW REPORT TO VIANET GROUP PLC

Introduction

We have been engaged by the company to review the financial information in the half-yearly financial report for the six months ended 30 September 2012 which comprises the consolidated statement of comprehensive income, the consolidated balance sheet, the summarised consolidated cash flow statement, the statement of changes in equity and the related explanatory notes. We have read the other information contained in the half yearly financial report which comprises only the chairman's statement and executive review and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the financial information in the half-yearly financial report are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The financial information in the half-yearly financial report has been prepared in accordance with the basis of preparation in note 2.

Our responsibility

Our responsibility is to express to the company a conclusion on the financial information in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

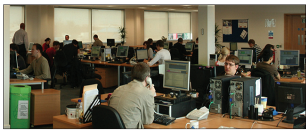
Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly financial report for the six months ended 30 September 2012 is not prepared, in all material respects, in accordance with the basis of accounting described in note 2.

GRANT THORNTON UK LLP
Auditor
Leeds

4 December 2012

NP1112-864

NORTHPOINT



VIANET

One Surtees Way, Surtees Business Park, Stockton on Tees, TS18 3HR

www.vianetplc.com