

4 November 2016

### Chairman's Address

In my address as Chairman, I will briefly comment on the June 2016 result and summarise some of the ongoing improvements to return AstiVita to profitability.

### Financial Year 2016 Overview

	2016	2015	2014
	<u>\$000's</u>	<u>\$000's</u>	<u>\$000's</u>
<b>Trading loss before tax</b>	(1,520)	(2,170)	(1,982)
<b>Add back Bompani brand amortisation</b>	-	241	242
<b>Add back write down of stock</b>	(393)	1,079	502
<b>Adjusted Trading loss before tax</b>	(1,913)	(850)	(1,238)

The headline trading loss before tax has reduced by approximately 30% compared to 2015. This reduction can be attributed to a 33.7% reduction in staff costs and a further 20.45% reduction in rental expenses. This result includes \$205,000 in advertising expenses (2015: \$51,000) as AstiVita commenced the promotion of its new E-commerce website to increase traffic and sales. The write down of Provision reduction to \$393,000 is the result of increased sales of old stock.

### AstiVita Initiatives Over Past 18 Months

- Business to customer website launched in July 2015.
- Market strategy amended April 2016.
- Product and pricing review initiated May 2016 (now 95% of our purchases are selected in the last 36 month).
- Dispute over the Astivita brand name in New Zealand resolved August 2016 (sales can commence in mid-2017, major brand in New Zealand since 2007).
- Updated business to business website launched October 2016.
- Cobranded AstiVita / Ray White website launched October 2016.

### 2016 FY Market Conditions

Our sales were negatively impacted by issues associated with unsustainable expansion of Masters and Bunnings locations and at a later stage by Masters stock liquidation as well as activity associated with sale of the Good Guys.



ABN 46 139 461 733

### **Outlook**

With these issues now resolved and consequent reduction in numbers of retail locations by major players and with many Master's locations going to Mitre 10 combined with increase demand from Dixon Homes and launch of Ray White cobranded website I hope that hard work and commitment of our staff and management will begin to pay off.

### **Capital Raising**

The Board has considered all capital raising options and plans to conduct a rights issue commencing sometime in December 2016 to be concluded in early February 2017. At this stage the final structure and pricing of the capital raise is yet to be finalised but it is anticipated that I will be participating in the rights issue. I have much confidence that the work done by management and staff over the past three years will start to reflect improvement in our results in FY17. I must stress my participation should not be seen in any way as investment advice and this is my view only.

ENDS

Lev Mizikovsky  
Chairman