

## Chairman's Address

**to the AGM of Vita Group Limited  
19 November 2009**

It is my pleasure to welcome you to Vita Group's 2009 Annual General Meeting. Thank you for coming. I am honoured to chair this AGM, my first as Chairman. It has been a turbulent year. 12 months ago the world was in the midst of a severe financial crisis, arguably the worst since the Depression of the 1930's.

Some very challenging market conditions developed causing an economic downturn, reduced consumer confidence, and lower retail spending. As a result, Vita Group's 2009 full year financial results were lower than we had planned, which is disappointing for all of us. The Company did however demonstrate great resilience, which is a testament to the dedication and hard work of Vita Group's staff.

The overall picture was that revenue was down 4% to \$298 million, whilst net profit after tax was \$5.4 million, compared to \$7.5 million for 2008.

We did not sit by idly amongst this chaos. Management took strong actions to address these market conditions. We accelerated the Store Optimisation Program, completed a review of Fone Zone's strategic positioning, rationalised under-performing stores, and secured new locations for others. We now have 101 Fone Zone stores, 22 Next Byte stores, 51 One Zero stores, 6 Telstra shops, and 2 T[life] stores. Rolling out the T[life] stores will lead to a major transformation of Vita Group, and is a very exciting development that we will tell you more about today.

Importantly, Vita Group finished the year in a solid financial position. In light of future growth opportunities, the Board made the decision to conserve the Company's cash and not pay a dividend for the 2009 financial year.

As at 30 June 2009, Vita Group had net debt of \$15 million. Our plan is to use the initial up-front commission payment from Telstra of \$12.0 million to reduce this debt. We have negotiated a new debt facility with our bankers to fund the roll-out of the new T[life] stores. You will see the Company's debt level fall and then gently increase as we roll out more T{lif} stores in the future.

In August we negotiated a new agreement with Telstra. It runs for a minimum of five years, and can extend up to nine years. As part of this agreement, Fone Zone was appointed the first Master Licensee for Telstra's T[life] stores. The first 25 T[life] stores have been agreed with Telstra, and they will be opened progressively over the next 12 months. This is a very significant development, and will shape Vita Group's future. It offers the Company a different position in the market, and a new higher up-front commission structure, as well as a broader range of products to sell. We will now have multiple brands in the mobile market, which will allow us to address different market segments.

The 2010 financial year will be a year of transition for Vita Group. This will involve a significant amount of reinvestment in the Company. The world is slowly recovering from the financial crisis, and we are seeing signs locally that consumer confidence is improving. Vita Group's store optimisation and growth strategies are sound, and the Company has started to roll-out its new T[life] stores. On the computer side, Next Byte is now more closely aligned with Apple on retail strategy of store locations, as well as having our full service offering which complements their desired market position.

You have my assurance that over the last 12 months the management team, ably lead by David and Maxine, have been very active to negotiate, reshape and reinvent Vita Group into a company for the future. The Board feels that the Company is well positioned for the future with much closer alignment to our two major partners Telstra and Apple. Our thanks go to the entire management team who have worked so hard during the last year. I would also like to thank the Board members who all put in significant additional efforts during this period.

Lastly, let me thank you our Shareholders for your patience and loyalty. We remain committed to seeing the Company grow and prosper.

I would now like to introduce David Mc Mahon, one of Vita Group's founders and Joint Chief Executive Officers, to report more fully on the Company's activities for the 2009 financial year.