

Chairman's Address

**to the AGM of Vita Group Limited
28 October 2011**

Thanks for making the time to come to Vita Group's AGM.

Since we met last year, Vita Group has continued to progress its transformation program. I am pleased to report that as opposed to realigning our store footprint and closing stores over the past two years, we returned to growth in 2011 and we now have 188 stores across four brands – Fone Zone, One Zero, Next Byte and Telstra.

We continued to invest in rolling out our new Telstra stores. We now have 72 Telstra stores and business centres, surpassing the number of our Fone Zone stores. Importantly for the future performance of our business, an average Telstra store is substantially more profitable than an average Fone Zone store.

Even though retail trading conditions were tough for all retailers, FY11 was a very productive year for Vita Group. Revenue was up 33% to \$386.9 million due to strong like-for-like sales growth and the continued roll-out of Telstra stores.

In terms of earnings, we were satisfied with the returns from our Telecommunications business in a year where our partner, Telstra, made significant market share gains. Whilst the returns from Next Byte were disappointing, we are very focused on reinvigorating and turning around that business.

In light of the improved financial performance and strong balance sheet, the Board have decided to reinstate the dividend program. A total dividend of 3.1 cents per share, fully franked was paid, representing a pay-out ratio of 65% of net profit after tax.

Key to Vita Group's businesses are the valuable relationships we have with our two key strategic partners – Telstra and Apple, who are market leaders in their respective segments. These relationships are as strong or stronger than ever.

During the year Melinda Snowden retired from the Board. Melinda served on the Board for several years and her contributions have been much appreciated. We wish her well in her future endeavours.

I would like to thank all of Vita Group's talented people for the tremendous work they put in over the past year. The performance of Vita Group, both operationally and financially is a testament to their focus, passion and creativity. We also rely heavily on our other partners like our bankers, auditors, lawyers, and advisers, many of whom are here today. Thank you for your support.

I would also like to thank, you, our shareholders, for your continued support as we execute the Group's transformation program. We have now passed the half-way mark. Looking forward, you can expect to see the continuing roll-out of new Telstra stores. As these stores mature, so should their financial performance.

I would now like to ask David McMahon, Vita Group's Joint Chief Executive Officer and co-founder, to report on the Company's activities for the 2011 financial year.

A handwritten signature in black ink that reads "Dick Simpson". The signature is written in a cursive style with a large, stylized 'D'.

Dick Simpson
Chairman

For personal use only