

Chairman's Address

- The unaudited results for the three months to September 2017 show a loss of \$130,000 compared to \$779,000 for the prior period three months. We will continue to work hard on all strategic initiatives and return Astivita to profitability.
- AstiVita announced an after tax loss of \$1.034 million. The Board and management are deeply disappointed with the result.
- The Board expended a significant amount of advertising in the first half of FY17 on Google to support the retail customer website. We became aware in February 2017 that Google expenditure was failing to deliver the results and we shifted to other forms of advertising between February and May FY17 without a great deal of success. Recently Google have been fined \$3.5 billion in Europe for the algorithms which disadvantage many businesses who used Google for advertising to gain customer traffic to their websites. We are hopeful that the ACCC will investigate Google in Australia in a similar way to what has eventuated in Europe.
- Despite significant advertising spend there was a reduction in sales of 10.69%, which was partially offset by the improvement in gross margins to 28.55%. Further reductions in operating expenses with rent down 13.12% and wages reducing a further 3.98% have also contributed to the reduction in the loss.
- The reduction in advertising expenditure has only resulted in a drop in web sales of \$96,172 over the four months equivalent to a GM of \$26,928 compared to the peak of \$60,000 plus monthly advertising spend with Google. We are better off by some \$40,000 per month.

Update on Strategic Initiatives FY18

- Sales in Tamawood are up 2.4% compared to the prior period quarter in 2016. Increases in our sales are expected as the continual sales growth in Tamawood flows through to AstiVita.
- The new affiliate program has commenced with 687 businesses joining the program over the last three months.
- The Shareholder loyalty program has been implemented and all new shareholders receive the discount code "SHAREDISC" with their share registry welcome pack.
- The growth in Advanced Nano Technologies's business has seen AstiVita's logistics and accounting revenue grow from \$7,000 to \$9,000 per month in service revenue.
- The New Zealand website should be ready to launch before the end of November. We expect an immediate positive impact to revenue and profit with the launch of this website.
- AstiVita will set up accounts on a number of retail websites in the next few weeks. We anticipate limited sales from the Amazon website but, more importantly, we have positioned AstiVita to be ready to join the initial launch of the Australian Amazon retail website in FY18. We will also position AstiVita products on EBay and GraysOnline by the end of October.
- The anticipated launch of the new enterprise software development by Senterprisys Limited is expected January 2018. AstiVita products are included within the estimating module of this software. We anticipate sales in late FY18 as builders and subcontractors begin to fully utilise the new software.
- In the past three months, we have launched air conditioners, and combi oven packs. Further new products and ranges are expected in FY18.



Lev Mizikovskiy

Chairman

11 October 2017