



GLOBE INTERNATIONAL LIMITED

ANNUAL GENERAL MEETING

MONDAY, 27 OCTOBER 2014

CHAIRMAN'S AND CEO'S ADDRESSES TO SHAREHOLDERS

ADDRESS BY THE CHAIRMAN, PAUL ISHERWOOD AO

My fellow directors, CEO Matt Hill and senior management welcome you to our fourteenth Annual General Meeting.

As previously advised the Group reported a net loss after tax of \$12.3 million for the 2014 year, even though our group sales of \$103.5 million grew by 24% compared to the prior year.

However, it should be noted that the \$12.3 million net loss was struck after including a one-off non cash, non-trading item of approximately \$17 million, being impairment of the intangible carrying value of the Globe trademark.

Profit for the year before interest, income tax, depreciation and amortisation was \$ 2.4 million, some \$7.1 million ahead of the corresponding loss reported in the previous financial year.

On behalf of the board I extend our thanks to all of our employees for their continuing enthusiastic support.

I particularly thank Peter and Stephen Hill, our executive, founder directors and our CEO, Matt Hill for their dedication to continually improving and growing the Globe business.

I now invite Matt Hill to address us.

ADDRESS BY THE CEO, MATT HILL

Thanks Paul and thank you everyone for coming today.

The 2014 financial year was a satisfying one for Globe International in which our previous restructuring efforts and brand investments took effect and generated tangible improvements in our financial results. In 2014 we posted significant revenue growth and a strong turnaround in operating profitability as a result of revamped brands, new brand introductions, and an organizational restructure all undertaken in recent years. In addition, in 2014 we were able to seed and invest in future branded growth initiatives continuing what we hope will now be a healthy cycle of branded growth and investment occurring in tandem.

Group sales of \$103.5M were 24% up over the previous year. EBITDA of \$2.4M represented a \$7.1M turnaround in operating profit as compared to last year. The improvement in profitability was driven by gross margin profits from additional revenue dropping through to the bottom line, and the absence of certain restructure costs incurred in the prior year. It should also be noted that while a non-trading impairment in relation to the intangible carrying value of the Globe trademark was taken in the year, that the Board has previously indicated that this non cash impairment in no way is representative of our confidence in the cornerstone Globe brand going forward.

Financially the company made good advancement in the year finishing with a sound balance sheet, no net debt and an increased cash balance as compared to the prior year. Working capital levels were also kept in good standing even after delivering significant revenue growth for the financial year.

Highlights

The highlight for the year was the strong revenue growth. Achieving 24% in revenue growth in reported terms and 13% in constant currency terms and breaking through the significant \$100M barrier for the company was gratifying particularly as all the growth came from areas that have been of strategic focus in recent times. The result was even more significant as it suggests brand competitive strength, given the overall still tough retail markets in our sector. We believe the financial improvement is clear evidence that our strategies of diversifying our brands and distribution channels with new branded introductions, and also the manner in which we have refocused or revamped existing brands has put the company back on the right track for growth and increased profitability.

Regionally, revenue growth came from the Australian and European divisions due to branded investments both in new and existing brands. Meanwhile, the North American division stabilized, profitability improved and the division showed signs of growth in the latter part of the year, particularly from Globe apparel and the Dwindle Distribution hardgoods' brands.

There were many brand highlights for the year including:

- Globe apparel and hardgoods revenue growth, and Globe footwear stabilising with improved sourcing and revamp of design.
- Premium placement of the Globe brand in key influential retailers in North America, Europe, Japan and Australia.
- Dwindle Distribution, our skateboard hardgoods division posted a turnaround in hardgoods sales following a year of restructure and brand consolidation in 2013.
- FXD our proprietary workwear brand had a stellar year of growth, in only its second year and is now well recognised in the Australian and New Zealand workwear markets.
- The Stussy brand was successfully re-introduced by us as licensee in the Australian and New Zealand markets and contributed to revenue and profit improvement for the year.
- The introduction of third party brands under license in our international divisions such as the worldwide rights to Fallen footwear and Zero skateboards to be driven out of the USA and, in Europe the signing of the Vision Streetwear license for the continental European territory. Additions such as these give us the ability to leverage existing infrastructure outside of Australia for future revenue growth in these regions.

Outlook and Conclusion

So far, the 2015 financial year is off to a good start and the business remains profitable. Brands that were trading well in 2014 continue to trade well and some additional new branded business introduced appears set to provide further growth platforms for this year and the years beyond. Also, for longevity, we continue to maintain a balance between driving revenue and investing in our brands and the business.

Currently forward orders suggest the momentum of the past twelve months will continue and the company will likely post further revenue and profit growth for the 2015 financial year. However, the short term visibility and difficulty in our retail sector, an unfortunate feature of the past few years remains, and so we take this outlook with cautious optimism, realizing that while our brands are in a much stronger position than has been the case for many years, we are still impacted by broader economic and market specific movements.

It was great this year for the staff, board and shareholders of Globe to see the financial results and shareholder value improve for the company. I would like to thank all the staff and the board for their contribution to these efforts. After several years of hard work and great creative output it is fantastic to see our brands back to being amongst the leaders in their various markets. Of course there is still a great deal to be done, and more we can improve, but for now we are back on a good track, with long term potential for further expansion and leading branded performance.