

Annual General Meeting**Chairman's Address | Howard McDonald**

I'd now like to turn to this year's financial performance and offer some brief remarks.

2015 was a transformational year for your Company. It was a year of pleasing financial outcomes, whilst accelerating SurfStitch Group's strategic objectives and ambitions.

The investment decisions made by your Board and delivered by your CEO, all supported the objective of creating a global action sports destination for our six million customers and numerous suppliers and partners, and moving your Company closer to becoming the global leader in online action sports and youth lifestyle.

RESULTS

Although fiscal 2015 was the first financial year for SurfStitch Group as a public company, the statutory financial results do not reflect a full year of operations. The company listed in December 2014, nearly half way through the fiscal year. We acquired four businesses which I will discuss in further detail, completed the buy-out and separation from the Billabong and Quiksilver Groups and commenced a new content and commerce strategy.

On a pro forma basis, where we adjust accounts to include continuing full year operations of SurfStitch, Surfdome, SWELL, Magicseaweed and Stab, our Company generated 30% pro forma revenue growth in its first listed financial year. Revenue grew in all regions, accelerating in the second half under SurfStitch Group control. Sales revenue reached \$199.4million, with Asia/Pacific up 44%, Europe up 22% and North America up 17%.

Over the same period, SurfStitch Group reported an increase of 251bps in gross profit margin and a 455bps improvement in operating costs to sales. Improved stock management, strengthened partnerships with key suppliers and improvements in all key operating cost line items, contributed to delivering an EBITDA of \$7.7million, being 51% above pro forma prospectus guidance.

THE BEGINNING OF THE JOURNEY

Though many shareholders had the opportunity to meet the founders Justin and Lex during the pre-IPO and IPO process and benefitted from hearing the story and strategy first hand, we've added a great number of shareholders to our register since then.

So, I'd now like to take this opportunity to share with you the journey that brings us here today. I believe it is important for all of our shareholders to know the driving forces behind our growth and evolution to understand the business and investment decisions made by the Board this latest financial year and as we look into the future.

Undoubtedly influenced by the legendary stories of iconic surf brands born in Australia, friends Justin Cameron and Lex Pedersen dreamed of setting up a surf related business. At the time in 2007, it seemed unattainable. Even so, they saw an opportunity emerging in the surf and action sports retail space. Eyeing early trends of internet penetration of the retail sector, the partners started out conservatively with their own eBay store.

Despite the launch coinciding with the onset of the global financial crisis, the response from customers was strong and immediate. The pair invested their money to set up a dedicated online retail website. From a small backyard shed, Justin and Lex created Australia's leading pure-play online retailer: SurfStitch.com. If you bought something from SurfStitch.com in the early days, chances are either Justin or Lex packed your order and answered your customer service call.

Growth on their website was strong, but the partners faced the usual constraints of a small business looking to grow to the next level. They needed capital to expand operations, progress website development and build out their assortment.

Not long after the launch, Billabong approached the pair with a potential partnership. The deal provided Justin and Lex the certainty and financial resources needed. As a consequence of the deal, the operations moved to the Gold Coast and with Billabong's backing, the business scaled up rapidly. Able to focus just on online retail and with the financial commitment to do so, the pair quickly worked towards amassing a loyal domestic following by providing customers with the largest selection of action sports apparel, footwear and accessories.

In the early days of online retail, having the largest assortment of brands and products was a differentiating factor. A customer would have to travel to several different stores to find all the brands and products that were more conveniently available on the SurfStitch site, through a click of a button. SurfStitch then picked up international momentum and expanded its operations by starting up a business in Europe.

Following double digit growth in Australia, and triple digit growth in the European start-up, Justin and Lex sought to exit the Billabong partnership and capitalize under their own business to pursue their global growth ambitions.

In September 2014, SurfStitch bought out the Billabong stake and also bought the Billabong owned pure-play actions sports website SWELL.com to gain access and exposure to the largest actions sports market in the world – North America.

Today SurfStitch offers over 700 leading brands internationally.

GROWTH STRATEGIES

Since inception, the success of SurfStitch has been largely attributable to first mover advantage of identifying emerging trends early on. Justin and Lex looked to solidify their platform to become the only true global pure play online retailer.

To amass the scale and grow the European footprint, SurfStitch acquired Surfdome from the Quiksilver Group in December 2014. Surfdome was founded by Justin Stone in the UK, and Justin has become a critical member of our team in driving future growth.

In the same month, SurfStitch listed on the ASX at a price of \$1 per share, and today that price is \$1.71 per share, with the Company having a market capitalization of over \$400million.

This became the launching pad to further accelerate the SurfStitch offer, particularly with the rapid advancement of technological devices, global connectivity and internet penetration.

We quickly identified that in order to further evolve, the business had to have at the forefront of its strategy, the customer. Our customer remains clearly the 15-35 year old action sports enthusiast.

He's the avid surfer who wakes up each morning to catch a surf before the day begins and the religious snowboarder waiting for those powder days. You name the condition, he's got a wetsuit and an all-mountain board to support it.

Our customer is also the young professional whose day job keeps getting in the way of her passion, so she's online checking out the conditions as she decides between the next ski trip to Austria or the beach trip to the Maldives.

Also, our customer is anyone who enjoys snowboarding from the safety of the lodge. He is that person who loves the beach, but would rather watch than do. He watches endless videos of pro surfers, skaters and snowboarders. He finds inspiration from the comfort of a seat with a great view. In short, he is a passive sports enthusiast who when he needs a new pair of board shorts, trusts whatever brand the latest WSL winner wears.

It may seem like there's very little correlation between these customers. However, they all form a connected network.

There are three driving forces that these customers have in common.

They buy online. When we look at the online shopping habits of internet users, clothes emerge as by far the most popular online purchase. 31% of consumers in our age demographic have purchased an item of clothing online in the last month. Shoes come in second (23%), showing the importance of retail in online shopping.

They are connected. As many as 50 billion devices will be connected to the internet within the next 5 years. And these individuals are connected both through devices and in forming a community with shared interests.

They are watching video. Mobile video traffic represents more than 50% of all mobile traffic today. In the next five years, global mobile traffic is expected to increase 10 fold with three quarters of that growth expected to be video.

With the growth of internet penetration as a consequence of faster, more reliable and expansive connectivity, each of these is driving change on a global scale and as a result are influencing and

directing the shape of SurfStitch Group. Our obligation is to ensure that the emerging trends that influence our customer demographic are driving our strategic decisions.

We approved the acquisition of Stab in May 2015. Stab is the leading surf content player and has a loyal viewership in the core action sports surf market. Representing the world's leading online surf publishing network, Stab is a platform for athletes to engage consumers, for brands to inspire consumers with new and exclusive products, and for users to engage in video and social environments, events and industry updates.

Stab is a trusted source of product reviews and exclusive content and appeals directly to core surf demographic.

At the same time, the Board also approved the acquisition of the utility website Magicseaweed. Magicseaweed is the world's leading user generated surf content network and surf forecaster. Used by surfers and water enthusiasts in over 200 countries with live reporting on over 4,000 beaches across the globe, the utility platform relies on significant user generated content.

With over 650mm photo and feature views and the largest library of surf content on the web. Magicseaweed appeals to the enthusiasts.

Both subscriber bases are highly connected, with between 90 and 95% of visitors returning to their site within 7 days, respectively.

THE SWELL REBRANDING

In FY15, the Board made important steps towards building a network among an increasingly connected world through these acquisitions. Recognising that today your Company is one firm with multiple highly synergistic platforms (Surfstitch.com, Surfdome.com, SWELL.com, Stabmag.com, and magicseaweed.com), the Board approved consolidating to one global ecommerce website under the name SWELL.

Rebranding to SWELL brings together the connected network of our platforms. Our media arm will continue to provide our audience with the same superior surf forecasting software (powered by Magicseaweed) and surf and athlete publishing (powered by Stab). It will now originate and curate for a global platform where action sports enthusiasts can engage and connect with brands, athletes and each other in one destination: SWELL.

Rebranding to SWELL allows your Company to become one brand, one destination and one website with authenticity and a global voice. Customers in turn will benefit from a unified shared platform with access to media, content, engagement, athletes and commerce across all devices.

As we look to the future, we are an acquisitive Company and there are additional opportunities emerging among our core demographic, like video.

We will continue to focus on our core demographic, and take advantage of new and emerging media to remain connected.

I'd like to take this opportunity to thank Justin Cameron, senior executives and the employees of the SurfStitch Group globally, who with dedication, hard work and loyalty through a great deal of change, have delivered on the many achievements I've discussed today.

Looking forward, the challenge for SurfStitch is to manage these many opportunities by focusing on innovation and identifying and adopting emerging trends among the youth demographic. The Board has approved important steps towards building a foundation that can sustain and support continuing growth.

F16 OUTLOOK

The FY16 outlook is for strong double digit revenue growth to continue in FY16 as the Group benefits from a full year's run rate of FY15 initiatives. EBITDA in particular is expected to have a stronger second half in FY16 as the rebranding and strategic plan gain further traction, with full year FY16 EBITDA ranging between A\$15 – A\$18 million (growth of 100%+).

Additional opportunities for growth exist through acquisitions to support the Group's strategy.

No dividends are currently planned. Cash will continue to be reinvested in growth given recognizable double digit growth opportunities.

I'll now invite CEO Justin Cameron to review the financial results in more detail. Thank you very much.