

OROTONGROUP

2009 ANNUAL GENERAL MEETING

Tuesday, 24 November 2009

Ross Lane

**Chairman's
Address :**

Thank-you again for coming today and to all shareholders for their support over the past 12 months. As you know, OrotonGroup continued to perform very strongly in the past 12 months producing a record Net Profit After Tax of **\$19.4 million**. Whilst many other retailers were forced into defence mode over the past year due to the onset of the Global Financial Crisis - conserving cash, reducing capital expenditure and staff, and hibernating business - we stuck to our long term strategic path of growing and rejuvenating stores, investing in brand development and designing great product within Oroton.

Much was accomplished in FY 2009. I will let Sally take you through some of the specific achievements as a business, but a very significant one was the agreement between PRL and us to continue our business relationship which has been intact for the past 20 years now. As many of you know since we announced it on September 25, we are yet to sign a definitive license agreement with Polo Ralph Lauren. We hope to do so before the end of the calendar year and will update you at that time on the growth plans for this part of our business. Our current license expires in June 2010.

Earnings per share totaled 47.7 cents in fiscal year 2009, well above last year's earnings of 40.4 cents per share. As a result of these strong earnings, and our confidence in our business and future as a group, the board was pleased to declare a total dividend in 2009 of **41.0 cents** - which included a 3.0 cents special dividend.

Last year's dividend was 35.0 cents - including a 7.0 cents special dividend - so the proportional increase in the level of ordinary dividends clearly demonstrates the board's confidence in the reliability of ongoing earnings.

Our Return On Capital Employed is now a robust **86%** and our balance sheet is strong with minimal debt and quality inventory that continues to sell at attractive margins. We have made capital investments in the past year to refurbish our store network as we are committed to ensuring our stores are world class in look and feel. Our refurbishment plans will continue in this financial year and are on track to achieve our financial return targets. In Financial Year 2009 we opened 13 new stores and refurbished more than 10 stores across both our brands. This refurbishment program is a critical piece of our strategy overall.

The growth in our share price reflects our strong results - which have consistently improved for 3 years since we announced our business restructure and simplification program in 2006. This strategy has served us well and whilst we believe that the business turnaround phase is largely complete, the culture of the Group is to continue to look for further improvement as well as continued growth both organic and otherwise.

This year we have taken important steps to extend the product categories in the Oroton brand. We launched women's lingerie and men's underwear and expanded into other new categories such as jewellery, knitwear and most recently into shoes. There is further potential in these businesses and we continue to research other expansion opportunities as well. Our approach here is always cautious and careful, and to keep Oroton and Polo at the core of our portfolio, and only extend into new businesses or areas if they can meet our high return expectations as well as complement our existing capabilities. We believe we have a talented management team in place today and an infrastructure that can be variably scaled up.

Whilst there are exciting times ahead for us as a group I do want to reiterate that we are very focused and absolutely committed to sustaining our financial performance going forward. Growth is only useful if it is profitable and we are

extremely mindful of not giving away the advantages we have worked hard to achieve over the last several years.

On behalf of the board I would like to thank-you for your continued support of OrotonGroup throughout financial year 2009. I look forward to seeing you after this meeting and again in years to come.

I will now hand over to Sally Macdonald

Hand over to Sally

**Sally
Macdonald**

**CEO's
Address :**

I would like to start by highlighting some of the group's specific achievements in financial year 2009 as well as discuss the trading results since the start of the new financial year. I will then make a few comments about OrotonGroup's strategy overall

Before I get started I do want to ensure that all investors understand that OrotonGroup is always and very much a team effort. As a group our mission is to be excellent – do what we do well, grow and develop the best brands, achieve great financial results and yet not be afraid to make mistakes occasionally as long as we learn from them. We work collaboratively and transparently with each other and over the past few years have strived to develop a fast moving and results oriented culture within a horizontal organisation rather than the more typical “command and control” environment. This is appropriate because as well as striving to be great retailers, we also need to be great product developers and brand managers. Every Oroton product starts not with a buying trip to other people's shops or factories - but rather starts from our imagination and sketch-books.

Within the team there is no doubt that the terrific results that we have achieved over the past year are a result of many individual's hard work and passion. My thanks goes to all team members of OrotonGroup - from Perth and Auckland and beyond for their loyalty to the vision of creating an excellent team and world class retail business at OrotonGroup. We now have over 70 stores and 500 employees and it is a pleasure to work with such a passionate and hard working group everyday.

2009 was a busy year for the group. We achieved what we set out to do and more than ever before paid attention to the changing customer mood and competitive reaction as we traded well through financial year 2009.

Let me summarise some of the specific achievements of the past financial year.

* In July we launched Oroton lingerie and men's underwear. These businesses had previously been managed by a licensee company. They are now designed, developed and managed in-house. The lingerie market is large in Australasia; and with Oroton's reputation for great quality and design, our extremely high brand awareness and our online presence, we believe we can grow our market share here significantly over the next three years. We will be launching Oroton only lingerie stores over the next 12 months and hope to expand our business with department stores and boutiques, and over time into complementary categories such as loungewear and sleepwear, based on the success of our small but well received knitwear range this past Winter.

* In February, we completed the outsourcing of our logistics function which has significantly improved our cost base and flexibility to roll out international sales from a Hong Kong based hub. We thank those employees who assisted us in making this transition which started in 2007 and completed this February 2009.

* In Oroton this past year we have significantly raised the bar in our womenswear designs and expanded our accessories base. The first and most important aspect to get right in this business is the product. As such we spend considerable time in analysing each and every Oroton product that hits the shelves. In the end our product is what the customers purchase and take home with them - along with our solid reputation for quality and our after sales service guarantee.

* We enjoyed very much in working with Vogue Magazine in Oroton this past year to develop a one off limited edition range of 100 evening bags. These evening bags in mesh, snake leather, encrusted jewellery and turquoise lining sold out in less than 3 weeks...and we have had similar success with our Lido tassle bag, as well as several other limited edition collections.

* We opened some great new stores in 2009 - with the most significant new store push and refurbishment occurring in the Melbourne market. All stores are trading to expectations. I hope you have been enjoying the slide show behind me of these new and refurbished stores across both Oroton and Polo Ralph Lauren.

* Our Oroton.com website is now 3 years old and sales on it have doubled every year since its inception. We have recently upgraded the site and remain excited about this part of our business. We are firm believers in a big future for online retailing in Australia and New Zealand. We do not need to touch and feel product to buy it. Customers are buying online at a rate of knots across all categories. It's not about demographic or price point of the goods you are selling either. It is absolutely about people like me – time-poor

working mothers/parents - who can access the products they want out of hours, and have it delivered to home or work, or to friends and family if it is a gift. The understanding of your customers that you can gain online also remains a very important piece of building our brand and knowing our customers, and we continue to focus on it. Today Oroton.com is a large store and a key communication and market research tool for us.

* Last but certainly not least in the list of achievements and milestones this year, as Ross mentioned, is that we expect to reach a definitive new license agreement with Polo Ralph Lauren. As many of you know we have been managing this global brand for 20 years now and look forward to updating you with our growth plans in this part of our business at a later date. There remains terrific potential in the brand and in the past financial year we opened 3 new stores - in Chatswood, in Doncaster and in Cairns where we added a factory outlet store. Since the new financial year began we have relocated our David Jones Men's concession business to the ground floor, front door position in downtown Melbourne and we open a much larger and extremely beautiful store in the Chadstone mall today. This is an important and large store for Polo Ralph Lauren in Australia. We look forward to opening a new Myer Melbourne Polo men's concession location later in the financial year, too.

Year to date trading results for the first 17 weeks of trade so far are meeting expectations. Group like for like remains generally consistent with what was achieved in FY09 - at 14% for the group overall YTD. We are particularly pleased with the like for like performance in Oroton which continues at a brisk pace. Whilst our results are quite positive so far, we believe the market is only slightly more buoyant than it was this time last year although it is worth always emphasizing that the first quarter is never indicative of the full year result and we still have the all important Christmas trading period to get

through. Consumers are shopping carefully and there remains a continued level of discounting by competitors which we expect to continue indefinitely in the marketplace.

Perhaps unusually, we very much like to plan at OrotonGroup for good and bad results - in order to remain flexible and be in a position to respond quickly to any market changes. So whilst our results to date are pleasing we continue to watch the consumer trends and remain vigilant to the current holiday trading period which is still ahead of us.

So far this year we have opened 3 new stores in Oroton including a bold new store in Sydney International Airport, that you will have seen come up on the screen behind me, as well as 2 department store shop in shop concessions. We have refurbished more than 8 existing stores so far including Bondi, Chatswood, Canberra, Chadstone, Garden City Perth, a relocated Chapel Street Melbourne store, Brisbane CBD and Miranda. These refurbishments are achieving exactly what we intended and provide a classic and modern backdrop for which we can make our product the hero.

Lingerie and Men's Underwear are also performing well and last week we launched our first shoe range - a selection of pure leather ballet flats for women for \$195 each. These new categories are both trading briskly so far.

To finish up, our growth strategy is to very much focus on category expansion in Oroton and to explore other expansion potential as well as possible acquisitions. We put financial results and long term brand health at the forefront of everything we do, and are excited by what we think are some large growth opportunities for the Oroton brand in the women's lingerie

market especially and in our Polo business generally.

A big thank-you to investors this year for your support of the company and for your advice too. We hope you are pleased with how we are growing your company so far and I trust that you will support us by becoming customers of our products this Christmas either online or in stores.

I look forward to updating you in March of our progress at the half year mark.