OROTONGROUP

2015 ANNUAL GENERAL MEETING

Friday 27th November 2015, 11am

The Hilton Sydney,

Level 2, Room 4, 488 George Street, Sydney

CHAIRMAN'S ADDRESS

At our year end results announcement in September, we highlighted that FY15 had been a challenging but important year, with our results reflecting the short terms effects of re-positioning our core Oroton brand including significantly reduced levels of discounted and brand damaging sales, the measured expansion of the Gap brand and a full year of losses of the now exited Brooks Brothers Australia joint venture.

Pleasingly we also reported in September that Group like for like sales growth was strongly positive for the first 7 weeks of FY16, reflecting a good momentum from all of the initiatives taken, all supported by a strong balance sheet and the benefit of the Brooks Brothers exit.

So to recap on the FY15 results…the Group recorded a +6% growth in revenue, primarily due to the impact of a full year trading of the 3 existing GAP stores and the opening of 3 new Gap stores, but a reduction in group EBIT to $5.6m compared to $13.3m in FY14 after accounting for the impact of the termination of the Brooks Brothers Australia joint venture and certain exit costs associated with the Oroton international business.

On a more comparable basis, the underlying(1) EBIT was $6.8m with underlying(1) EBITDA being $12.1m.

We achieved a Net profit after tax of $2.6m with earnings per share of 6.4cents compared to 20.2cents in FY15 and the board declared a total annual fully franked divided of 6.5cents per share.

Group net margin declined in the year to 60.7% primarily due to the downward pressure of currency on the Oroton brand, despite a pleasing increase in constant currency margin due to lower levels of discounting. There was also a shift in mix towards the lower margin/higher volume Gap brand.

Expenses as a percentage of sales increased 560 bps to 56.9% primarily due to the higher mix of GAP business in the cost base, and one time expenses of approximately $1m in Oroton associated with the closure of the Hong Kong store and regional office in Singapore both before lease expiry. The business remains vigilant on expense control as we navigate the Group through this period of transformation.

The Group ended the year with a strong balance sheet and low gearing levels with net debt of $5.8m reflecting the investment in our new Oroton store concept, upgraded point of sale and customer relationship management systems and the capital required for the 3 new Gap stores during the year. We continue to maintain a very conservative hedging policy to manage currency risks.

Turning to each of our brands….as I mentioned, our core Oroton brand experienced a decline in revenue in the year with Like for Like sales of -6% due to the lower levels of discounting and elimination of friends and family type sales from the previous year. However, the trend improved towards the end of the year and the lower levels of discounting led to an increase in gross margin % in the full price stores on a constant currency basis and higher average selling prices and average transaction values.

The brand elevation strategy is now in full swing with the roll out of a new store concept, new product development focussed on higher average price points and limited editions which are positively impacting customers' perceptions of the luxury positing of the brand. These initiatives are beginning to get some real traction and Mark will elaborate on this further including an update on trade in the first 17 weeks of FY16, which have continued to show a return to more profitable and sustainable growth.

The addition of the 3 new Gap stores saw the network double to 6 and contributed to an overall revenue increase of +81% for the year. The like for like sales in the 3 existing stores were flat with the prior year, but more importantly, like for like gross margin dollars were +6% with average selling prices, average transaction value and conversion rates all increasing. The brand has also had a positive start to FY16 which again Mark will discuss in more detail. Now that the Brooks Brothers business has been exited the group had 77 stores at year end – 71 for Oroton, which includes 15 international stores and 6 Gap stores.

As we look forward to FY16 our strategy is primarily focussed on continuing to rebuild our core Oroton brand back to sustainable, good quality growth through the continued elevation of brand positioning with further roll out of the new, more productive store concept, product development with higher average selling prices that increases gross margins and a complete 360 degree brand experience for our customers across all shopping channels and customer touch points.

Regarding Oroton International, we are intent on reducing losses and further rationalising and focussing the business……we are determined to ensure that this relatively minor but strategic investment not distract us from realising all of the very attractive opportunities presented in the core domestic Australian business.

In the Gap brand, this year will be about focusing on the 6 existing stores and growing sales productivity, improving supply chain and proving we can make this a profitable business.

As announced to the market in September, FY16 has begun well and the first 17 weeks have seen a continuation of positive like for like sales growth in both brands. However, as always at this time of year, the biggest trading months of the year are still to come and accordingly the first half of the year is hard to forecast, but we have robust plans in place to build on this initial momentum and are well placed to react to market conditions as they occur.

Finally, I would like to express my sincere thanks to my board colleagues, our very hard working and skilled management team and staff, our customers and you our shareholders for your continued support of our wonderful business.

I will now hand over to Mark who will talk you through FY15 in more detail and, more importantly, our plans for FY16 and beyond.

(1) Underlying results are reconciled to IFRS audited measurements through the add back of the onerous Hong Kong Store lease after exit ($0.8m), the closure of the Singapore office ($0.2m) and the trading losses ($1.8m) and gain on exit ($1.7m) from Brooks Brothers Australia. Total add backs $1.2m (rounded). Underlying comparatives are reconciled to IFRS audited measurements through the add back of the Brooks Brothers trading losses of $0.8m.

MANAGING DIRECTOR'S ADDRESS

Thank you John and good morning.

During my address at last years AGM, I set out some of the key changes we would be making to the Group, most importantly the re-positioning of the Oroton brand. We have already communicated the impact of those changes in our FY15 results announcement and John has reiterated that it was a challenging but ultimately important year for the Group, that saw a decline in sales in the Oroton brand compared to the previous year due to substantially lower levels of brand damaging discounting in the Oroton brand, but also the exit of the Brooks Brothers Australia joint venture as we refine our strategy to focus on our core Oroton brand.

That strategy to elevate the Oroton brand to a true accessible luxury positioning is well underway and is, as expected, beginning to show positive results. The key strategic initiatives we have undertaken during that period are as follows:

- a new store concept that was conceived in collaboration with a leading London-based creative consultancy, which captures the brand's heritage, place of origin and celebrates Oroton's 77 year history. This new concept has now been rolled out to cover over one third of our retail stores and together with the impact of upgraded visual merchandising standards has created a more luxury shopping environment, is attracting new customers to the brand, is achieving higher like for like sales growth, higher average selling prices and higher average transaction values, than the old concept.

- the elimination of Friends & Family type sales and lower levels of markdown, plus the addition of higher price point products and limited editions, which has positively impacted consumers' perception of the luxury positioning of the brand and led to higher margins on a constant currency basis.

- new product development, particularly in our core handbag and leather accessories categories, with a focus on both opening price point styles to attract a younger audience, in conjunction with higher value limited edition products has helped to drive sales volumes, increase average selling prices and broaden the customer base for the brand.

- investment in our long term partnership with the Australian actress Rose Byrne as the celebrity face of the brand. This has helped to clarify the brand positioning and strengthened the consistency of our communication across all channels. Rose epitomises the essence of what Oroton is about, relaxed glamour and effortless style and we are very excited by the opportunities this relationship affords us in both product collaboration and customer engagement. This investment was part of an increase in marketing spend during the year that encompassed out of home campaigns, in store events, digital and social campaigns.

On the international front, our focus has been to reduce our losses by rationalising and focussing primarily on capital light department store distribution. We opened 6 new stores including 1 store in Singapore, 2 in China by our distribution partner, 2 department store concessions in Singapore, and 1 department store concession in Malaysia, but also took the hard decision to close two underperforming stores, in Hong Kong and Malaysia, taking the international store portfolio to 15 at year end. In addition the office in Singapore was closed at the end of the year with the International business being managed directly by the Australia based team but with a strong team on the ground in both markets. Net international losses were $3.7m for the year compared to $3.4m in FY14, but this included approximately $1m of one-time costs associated with the closure of the Hong Kong store and Singapore office. The underlying losses of the International stores excluding these one-time costs was reduced by $700K to $2.7m, due to continued good results in Malaysia which continues to be cash flow positive and reduced trading losses in Hong Kong due to the store closure.

Oroton online continues to be a significant channel for the brand and represents approximately 10% of brand sales. The business continues to invest in marketing and other digital initiatives including investment in paid search, retargeting and affiliate programs to drive traffic to the site which grew by +28% in the year, with the largest increase coming from mobile, which is now the devise that our customers most often interact with the brand online. During the year we also made an upgrade to the look and feel of the site and several functionality enhancements, including Live Chat which was launched towards the end of the year and is resulting in higher conversion rates when utilised by customers.

Our social strategy continues to be a key part of the brands overall customer engagement plans and we saw a significant improvement in followers across all of our social channels, but particularly in Instagram followers which increased over 40% due to a number of initiatives such as blogger collaborations, media tie ups and competitions.

There were 71 Oroton stores trading at year end (FY14: 71 stores). 8 new stores were opened in FY15 including the 6 international stores and 2 domestic First Retail stores while 8 stores were closed at or before lease expiry due to relocations or marginal performance. We will continue to review stores at lease expiry across the portfolio and seek closure or relocations to larger stores in prime retail locations where applicable and in line with the repositioning strategy of the brand.

In the GAP brand, we opened 3 new stores in the year, at the Macquarie, Miranda and Parramatta shopping centres and achieved an +81% increase in total sales, with the 3 existing stores achieving positive like for like sales of +0.2%. Importantly, these sales were achieved at a higher gross margin and therefore LFL Gross margin dollars increased over last year by +6% as we began to trade inventory that had been bought by our buying team and were able to manage a more appropriate promotion calendar.

The brand had a negative contribution in the year due to the start up costs of the 3 new stores. The focus in FY16 continues on strategic marketing to drive traffic to stores, better product selection for the Australian consumer and supply chain efficiencies with increased scale.

As previously communicated to the market, on July 24th of this year, the Group sold its entire share of Brooks Brothers Australia to Brooks Brothers International and accordingly will no longer have a share of any future Brooks Brothers Australia trading losses. We will continue to offer shared service support to the brand for at least the next 12 months, and the existing Brand service team continue to manage the business in Australia. Both these services continue to be recharged to the Brooks Brothers Australia business for a fee to recover the associated costs.

In summary, our strategy remains focussed first and foremost on the Oroton brand here in Australia, through investment in transforming the brand into a true affordable luxury positioning, with a continuation of the key initiatives already underway. These include a return to LFL sales growth, through the roll out of the more productive new store concept, product development focussed on increasing average selling prices and margin expansion, increased investment in brand marketing, the elimination of losses in the International channel and development of a seamless customer journey. Secondly, the profitable development of the Gap franchise here in Australia, by focussing on the current store network to grow sustainable sales and margin. We continue to review and refine our plans to ensure we can accelerate and to not compromise our core Oroton brand transformation in particular. Through these initiatives, we plan to return to EBIT growth and an improved return on investment.

Now turning to current trade, as mentioned earlier, we are beginning to see some positive signs, with Group LFL sales growth of +8% for the first 17 weeks of the year. The Oroton brand transformation is gaining traction, with the positive LFL sales reported in September continuing at +8% for the first 17 weeks. Although it is early in the year and the biggest trading months are still ahead of us, this is a positive sign that the investment in the brand over the past 18 months is beginning to bear fruit.

The Gap brand has also continued to trade well, with 5 of the 6 stores now open for more than 1 year and LFL sales growth has been positive, at +10% for the first 17 weeks of the year.

We have clear plans in place for the all important Christmas and New Year trading period for both brands and are well placed to react to market conditions as they unfold.

Finally, I would like to thank the Board, Management and Staff for their continued support and efforts in making this an extraordinary company.

Thank you and I will now hand back to John.

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