

2015 Annual General Meeting

17 November 2015

Chairman's Address

Ladies and gentlemen.

Welcome to the Specialty Fashion Group Annual General Meeting.

The 2015 financial year has been both challenging and rewarding for Specialty Fashion Group. During the year, the Group continued in its efforts to integrate Rivers into the existing business, while simultaneously building on the successes achieved by the other brands in the prior year. As a consequence of the work done in Rivers, we have begun to see a turnaround in the fortunes of the brand, particularly in the fourth quarter of the year. We expect that we will at least be able to contribute to Group profitability in the next 12 to 24 months.

We are pleased to be able to report the Group's third successive six month period of positive comparable store sales growth. Driven by this growth, together with the inclusion of Rivers for the full financial year, revenue has reached \$791.5m for the year, which represents 15.5% year-on-year growth. Of this, online revenue constituted \$51.2m, or 6.5% of the total. Our investment in the customer's omni-channel experience has been the principal driver of this increase.

Although Rivers made an EBITDA loss of \$21.6m during the year, severely impacting the Group's overall result, the brand's recent improvement in performance leaves us confident that investment represents a fantastic opportunity. We have been able to dramatically improve the quality of the product, and are in the process of reinvigorating the store environment. We are also building a member database that we will be able to talk to directly, and reduce reliance on costly television marketing that the brand currently needs to undertake. As we win back our customers we will reverse the brand's fortunes and we are confident that Rivers will make a meaningful contribution to the Group's profitability in future years. We continue to monitor the levels of inventory in Rivers and ensure that it is appropriately managed.

During the year the Group has continued with the consolidation of its logistics capabilities. We now have a single facility in Homebush that manages the products of our brands other than Rivers. This facility has improved our efficiency and enabled us to undertake online fulfilment and unit replenishment out of the same location. While our focus will always be product, the speed with which we are able to get it to our customers is of great significance to us.

The Group ended the year with 1,086 stores, having opened 29 and closed or consolidated 38 stores during the year. While we remain Australia's largest specialty retailer of women's

apparel, we have cautiously entered the US market, having opened seven stores in California at the start of the year. Our stores will always be complimented by our online presence as we bring our customers an integrated omni-channel experience.

Looking Forward

While the Australian retail landscape remains highly competitive, we believe the Group is well positioned to take advantage of opportunities that will arise. Most of our brands are performing well, and given time, we expect that Rivers will continue to improve.

I have been the Chair of the company for 10 years and in August announced that both myself and Ian Miller would not be seeking re-election at this AGM. This is in keeping with our ideology of keeping the Board invigorated and refreshed. I would like to thank Ian for his outstanding contribution to the company since its inception. I have been privileged to work with a committed Board and a talented management team, whom I wish all the best for their future endeavours.

That concludes my address.

It gives me great pleasure to hand over to Gary for the CEO's address.

CEO's Address

Thank you Geoff.

Good morning and welcome.

During the 2015 financial year, Specialty Fashion Group continued to execute its strategies which include the rejuvenation of the Millers brand, integration of the Rivers brand into the Group and undertaking a cautious international expansion. While these remain our core areas of focus, the Group is also looking to improve our customers' experience through our investment in digital technologies, together with the consolidation of our logistics capability that Geoff discussed.

The rejuvenation of Millers has progressed during the year. The brand's strengthened leadership team that has been in place for the past two and a half years has vastly improved the desirability of the brand's product. We are also starting to roll out our new store concept and branding throughout the brand's store portfolio. This allows us to present our product in a modern and feminine environment. We are bringing our loyal customers quality product that is affordably priced, while reducing the need to discount heavily. Millers is becoming an increasingly desirable brand that has listened to its customers.

As Geoff said, we have made much progress in integrating Rivers into the core Specialty Fashion Group business. As we approach the 2 year anniversary of the brand's acquisition, none of the originally acquired inventory remains in the business. Instead, we are presenting our customers better quality product that returns the brand to its historic association with both comfort and value. We have begun the process of re-invigorating the Rivers store environment and have recently opened our new store concept design. We have introduced Specialty Fashion Group standard procedures into the brand including assortment planning and product allocation which ensures that customers get the product they want in a timely manner. We are also growing our customer database that allows us to better understand what our customers want, and to communicate with them directly, and specifically, this will lead to less reliance on expensive television advertising and catalogues. The brand has shown a marked improvement, and we expect it will contribute to Group profitability in future years. Rivers has afforded the Group an exciting opportunity to enter the menswear market, and also to develop a footwear range that represents a meaningful element of the brand.

We have continued our cautious international expansion through opening seven stores in the US. While this is only a modest number of stores, it allows the Group to understand the nuances of the foreign market, and work through procedures that support the supply chain in the new territory. This will then underpin a more substantial expansion in years to come. In the US, in addition to trading in our seven stores and through our online presence, we have been invited to distribute our City Chic product through 60 Nordstrom stores. In South Africa our two stores are performing well, with new site opportunities being explored.

In addition to our core strategies that I have outlined, our continued commitment to embrace digital opportunities has seen online revenue grow to 6.5% of total Group revenue. Online revenue growth has accompanied growth in our customer database that now exceeds 8.6 million members. Our customer relationship management capabilities enable us to contact more than 4 million of these customers whose email addresses we have, and this represents a powerful medium to communicate our brands' propositions.

In the context of the highly competitive Australian retail landscape, it is important that, as a value retailer, that we carefully monitor our costs of doing business. We source the vast majority of our product from South East Asia which provides us a cost benefit. However, this

exposes the Group to the volatility of the foreign exchange market, and although we manage this risk through our hedging program, we still experienced a year-on-year exchange rate decline from 94 cents to 91 cents. This has necessitated us developing strategies that compensate for this reduction. These strategies include bulk fabric procurement and exploring alternative supply sources. In addition to our product sourcing strategies, we use the Group's scale to reduce costs in other parts of the business.

Outlook

Specialty Fashion Group has entered the new financial year with the optimism that the appropriate strategies are in place to deliver future growth. We are confident that we will succeed in turning the Rivers brand around, and are excited about the opportunity the brand has given us to enter the menswear market, and footwear markets for both men and women. With the next month and a half being the most significant in the Group's trading cycle, it is not appropriate at this point to provide sales or profit guidance for the first six months of the 2016 financial year.

I would like to pay tribute to our retiring Chairman, Geoff Levy, whose committed contribution to the Group will leave a lasting impression long after today. I would also like to thank our retiring Co-Founder, Ian Miller, for his outstanding contribution to the Group over the past 22 years.

Finally, I would like to thank everyone at Specialty Fashion Group for their dedication over the past year. I also thank our investors for their continued support. The outstanding efforts of our whole 6,000 plus team, has placed the Group in a strong position for the future.