ANNUAL GENERAL MEETING

20 NOVEMBER 2015

GROUP MANAGING DIRECTOR'S ADDRESS

Group Managing Director, Andrew Grech

This year Slater and Gordon celebrates 80 years of continuous operations. Over those many decades Slater and Gordon has faced and overcome many challenges and achieved many firsts. When we became the first listed law firm in the world in 2007 at an offer price of A$1.00 per share turning over around A$60 million it was hard to imagine that we would have the opportunity to stand before you today to confirm that this financial year we expect Group revenue to exceed A$1.0 billion. More importantly that we would be operating across 70 sites in Australia let alone 28 in the UK serving nearly 200,000 clients in a year.

Before making some comments about our achievements during the 2015 financial year, I thought it would be helpful to make some introductory remarks to give my own sense of the issues which have had an adverse impact on our share price.

First, as our Chair John Skippen has already noted, regrettably the ASIC process in relation to its review of our financial statements has not yet been finally concluded. We will of course continue to assist ASIC to resolve its queries.

After 5 months of ownership, we remain convinced of the strategic merit which underpinned our acquisition of the business assets now known as Slater Gordon Solutions (SGS). There is a great deal of activity underway to ensure that we achieve our over-arching goal of securing the leading position in the UK personal legal services market, which is not only a market 4 – 5 times the size of the comparable Australian market but also one consolidating at an accelerated rate.

Another issue this calendar year has been the errors in our financial accounts. We acknowledge that we have some work to do to restore investor confidence and I hope our shareholders recognise through our various announcements over the past few months, including the recent key appointments indicate that the necessary changes to take the organisation forward successfully are being made.

Having said that, it's important to acknowledge that the 2015 financial year was a success on many fronts.

We delivered a strong operating and financial performance, and achieved a great deal of progress in terms of operational effectiveness. In particular, initiatives aimed at increasing client satisfaction in Australia delivered results. We also successfully integrated acquired practices in Australia and the UK and restructured our management team.

Strategic Priorities

In the 2016 financial year our key areas of focus are to; bolster management bench strength, deliver on the Group guidance we provided in August and are confirming today, enhance operational performance across the Group and accelerate the integration of SGS.

The addition of SGS has meant that we have achieved our goal of becoming a leading personal injuries law firm in the UK. We believe that taking a leadership position in the UK will provide us with a durable competitive advantage as it has done in Australia, without the need for further acquisitions in the near term. The SGS business is large and multi-faceted. Delivering its operational and financial targets will be a key area of focus over the next few years.

With no near term acquisition activity likely we will now re-direct our attention to enhancing operational performance. This is something we are doing very effectively in the Australian business and we are excited about the opportunity to accelerate this process in our UK operations.

We are already identifying and acting upon the potential synergies throughout the Group and are convinced that there are more opportunities which will be secured.

FY16 Outlook

Turning now to a trading update and outlook for the balance of the 2016 financial year.

Slater and Gordon Lawyers (Australia)

In Australia, the Slater and Gordon Lawyers business is performing well and is on track to meet its financial performance targets. One of the things we are most proud of is the resilience of the Australian business which has enabled us to seize the opportunities in the UK whilst at the same time continuing to diversify and grow across Australia. We are continuing to see growth in revenue and improvements to earnings, despite intense competition. We believe we have stabilised our Queensland operations and we are starting to see meaningful earnings contribution from the General Law practices. It's important to recognise that our success in Australia has not occurred overnight. The experience we have had in building a business in Australia capable of providing world class legal services to clients provides us with great confidence in our ability to replicate that success in the UK.

Slater and Gordon's Lawyers (UK)

In the UK, the Slater and Gordon Lawyers business has had a slower than expected start to the financial year. This has been contributed to by the impact of staff integration activities including completing the important task of moving all but 120 staff who recently joined us following the acquisition of Walker Smith Way, on to a universal practice and case management system. There has been some loss of productivity as a result of the transition to the new system and this has impaired case resolution rates across the personal injuries law group. The resolution rates within the Fast Track (FT) Road Traffic Accident (RTA) practice have also been slowed by the delays being experienced sector wide as a result of the introduction of Medco by the Ministry of Justice (MOJ). Medco is designed as a centralised process for obtaining initial medical reports in soft tissue injury cases. While the first half contribution will be significantly lower than it has been historically we are confident that each of these impacts are temporary and will be remediated in the second half.

Slater Gordon Solutions (SGS)

First and foremost, we have taken important strides in charting a clear direction for the business, which is markedly different from how it was run by its previous owners. In multiple areas, we are seeking to reset relationships with counterparties, including insurers, business introducers and suppliers, in line with the corporate values by which Slater and Gordon has always operated in Australia and more recently in the UK.

As we expected, the turnaround necessary in the SGS business to enable it to reach its potential has been demanding. Notwithstanding the challenges, we are making good progress and nothing we have seen dissuades us from our view that the underlying businesses are strong and in combination offer a unique client value proposition in the UK market.

SGS Legal Services

The story in the legal services business is one of several parts.

We have placed strong emphasis on and are determined to build a culture aligned with Slater and Gordon's corporate values that prioritise putting clients at the centre of everything we do, a beneficial consequence of which is to bring focus to case resolution.

Pleasingly, several components of the legal services division of SGS have so far performed to our expectations in terms of billed fees, specifically the employers liability (EL) and public liability (PL) practice and the Fast Track RTA practice which deals with claims resolved outside the portal – which we refer to as the Mainstream practice. We expect continuing strong performance from our EL, PL and Mainstream practices in the second half. Whilst these practice groups are on track we will need to continue to improve productivity to reach our targets for performance over the full year.

The FT RTA MOJ Portal practice has been impacted by several factors including fewer available cases on hand to be resolved in the first quarter and a lower percentage of total client intake resolving in the Portal than we anticipated. The impact of Medco has also delayed initial medical report production with flow on impact in case resolution times. Our expectation is that the MOJ practice will improve markedly, in the second half, however some ground has been lost in the first 6 months which we will not make back.

Our focus on case quality and the overall case mix has led us to make a decision to change the legacy intake strategy by not accepting clients more than 12 months after the date of accident unless there are some specific extenuating circumstances, such as seriousness of injury. This decision has been supported by our study of the practice in detail over the last 5 months, including a file by file review conducted in September demonstrating the correlation between 'age of presentation' or the time taken for a client to seek legal advice after an accident, and the quality of the case. Based on our experience, we consider this action will have a positive impact on ease of processing, insurer behaviour and likelihood of success. In conjunction with this we are modifying other aspects of our acceptance criteria and process. We anticipate that these changes will result in a reduction in case intake relative to our expectations at the time of the acquisition. Actual client intake will now also be lower in FY16 by approximately 6,000 cases because of the end of the Swinton contract.

We expect that these strategic actions will have several additional benefits, a number of which will support a stronger resolution performance, such as reducing file loads, enhanced client engagement and greater resolution willingness from insurers. Because we will re-evaluate our marketing expenditure in line with these intake objectives, lower case intake levels are expected to have a positive impact on cash flow over the full year, by both lowering total client acquisition costs and assisting us in improving resolution rates. It is also expected to result in a lower EBITDA being achieved as net movement in work in progress will be negatively impacted by approximately £20 million.

SGS FY14-FY16 Intake and Resolutions

The graph on slide 12 sets out historical actual data for RTA case intake and resolutions as well as illustrating how we intend to bring intake and resolution levels into closer alignment in the 2016 financial year.

The graph is evidence of the businesses ability to manage intake effectively and shows the growth in resolution volumes that have been achieved over prior years and our expectation for this financial year.

As the graph illustrates, we now expect case resolution numbers for the 2016 financial year for RTA cases to be approximately 70,000 as compared to 77,000 previously. We also now expect to limit RTA case intake for the year to approximately 73,000 against our previous estimate of 95,000.

We continue to expect RTA cases to make up approximately 95% of core legal cases (excluding NIHL cases) in SGS Legal Services, with the remaining 5% being predominantly EL/PL cases.

It is important to understand that financial performance is not just a function of the gross number of cases resolved but the mix of cases resolved as different fees per file are achieved for different case types.

Noise Induced Hearing Loss

We have now completed a review of the noise induced hearing loss cases we acquired. That part of the transaction was constructed as a conditional profit sharing arrangement with the vendors. At the time of the transaction we estimated that 40 to 50% of the cases would be successfully resolved and are pleased to report that following our review we are confident that this will be achieved. Our approach has been to focus on case preparation and building team capability and this approach has slowed down the resolution process in the first half. Whilst we now do not expect to resolve as many cases as planned in the first half we remain confident that a substantial number of claims can and will be resolved during the 2016 financial year.

We remain confident that the NIHL case portfolio will produce substantial returns over the next few years.

Motor Services

Pleasingly, we are seeing good opportunities in the Motor Services market and whilst we will not replace the Swinton volumes overnight, we will work to do so over time, including by optimising existing accounts.

I am delighted to be able to advise that the Company has reached an in-principle agreement with Brightside Insurance, which will take effect from the beginning of next month, subject to contract. Brightside is a leading UK insurance broker with a strong track record of growth and impeccable insurance sector credentials. This is a terrific win for our team and, we think, a sign of things to come. We expect that once at full capacity, Brightside will contribute approximately 35% of the volumes contributed by the Swinton account.

Health Services

The most pleasing aspect of our health business has been the early traction we have seen through the insourcing of both medico-legal referrals and rehabilitation services from Slater and Gordon Lawyers UK into SGS Health Services. Our medical reporting business, Mobile Doctors has been somewhat buffeted by the Medco changes, but we remain optimistic for its prospects over the full year. Our rehabilitation business, Overland Health, has had a slower than hoped for beginning to the year, impacted by the intake volume and case profile into the SGS Legal Services division. The team is working hard to improve instruction rates, but nevertheless, our expectations are that Overland Health may finish the year below our original expectations, as measured by the number of initial assessments conducted.

FY16 Guidance

On the basis of our trading performance to date, I am delighted to reaffirm the 2016 financial year Group guidance provided in our full year results presentation in August.

As foreshadowed in August, the 2016 financial year will be a full year story with earnings and cash flow very heavily weighted to the second half. Given the slower than expected start to the year in the UK business and the risk that we may not be able to recover the lost ground by 31 December there is now a likelihood that Group operating cash flow will be negative in the range of A$30-40 million in the first half, with a strong recovery expected in the second half. We are taking a range of actions to mitigate this risk and we are confident that we will achieve our financial year guidance and that we will remain in compliance with our obligations to financiers.

We do not see any negative regulatory impacts on the horizon which are likely to have a material impact on delivery of the 2016 financial year guidance.

Summary

In summary, we have a lot of work ahead of us in the second half but believe the full year guidance will be achieved.

I would like to thank our staff for their hard work and commitment during what has been a very challenging but rewarding year. I would also like to acknowledge the support of our shareholders throughout this time. We hope this continues as we very much believe we are building a business that will provide sustainable long term value.

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