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MICHAEL KAY'S SCRIPT FOR THE ANNUAL GENERAL MEETING OF

LOVISA HOLDINGS LIMITED

25 OCTOBER 2016

Chairman

Ladies and gentlemen, welcome to the annual general meeting of Lovisa Holdings Limited.

My name is Michael Kay and I am the Chairman of Lovisa Holdings Limited, having been appointed to that position on 11 April 2016. This is my first meeting as Chairman of Lovisa and I have already met a number of shareholders since my appointment. I look forward to meeting more of our shareholders today and in the future.

Before we commence with the formal business of this meeting could I ask that you kindly turn off your mobile phones.

I would like to take this opportunity to introduce you to my fellow directors:

- Shane Fallscheer, Managing Director;
- Paul Cave, Non-Executive Director; I should note that Paul also acted as Chairman until my appointment and on behalf of the board, I thank Paul very much for his contribution.
- Tracey Blundy, Non-Executive Director;
- James King, Non-Executive Director

We also have Steve Doyle here in attendance. Steve joined us late last year as our Global GM.

The Company Secretary and Chief Financial Officer Graeme Fallet is also in attendance as is Maurice Bisetto, Partner at KPMG, the Company's auditor.

Before moving to the formal business of the meeting, I will take the opportunity to give you a brief overview of the 2016 financial year. I will then invite our Managing Director, Shane Fallscheer, to present to you his thoughts on the 2016 year and an update on the company's UK roll out.

Following the meeting, my fellow directors and I would be delighted if you would join us for afternoon tea.

"Ladies and gentlemen, it will come as no surprise to you when I say that the 2016 financial year was something of a crucible for Lovisa. Let me first turn to the issues that tested us (and our shareholders).

I will then explain what remedial action we have taken and why I believe your company is now in the right shape and poised for a very exciting and promising future.

After a strong debut on the ASX in FY2015 and some good results, we, like many smaller companies, ran into some growing pains.

In particular, we had insufficient bench strength in management which stretched us when we were growing internationally.

These increased activity levels saw some key tasks delegated to less experienced people in the organisation and unfortunately, some errors were made in product and stock ordering that affected margin in our key period in the lead up to and just after Christmas.

This was exacerbated by a sudden and significant devaluation in the South African rand. Whilst currency movements are obviously beyond our control, it is fair to say we did not manage our working capital as tightly as we should, and as a result of leaving too many funds in South Africa, the effect of the devaluation was somewhat worse than it could have been. On top of that, extra pressure was felt through the ongoing depreciation of the Australian dollar against the US dollar.

These issues led to the downgrade in earnings in January, which was poorly received by shareholders and the market. Thankfully, much of the lost ground in the share price has now been made up.

I think it is also worth pointing out that most of the damage was done by the currency. As you will have seen in the annual report, on a constant currency basis the business actually lifted trading margin to 77.7% from 77.1% in the prior year. This is an important point as it shows the underlying strength of the business model.

Your company has acted decisively to plug the gaps in both management and board. Shareholders will have seen announcements on the strengthening of the Board and governance that saw the appointment of Jim King as Chair of the Audit Committee and my appointment as independent, non-executive Chair.

The Board majority is now independent and non-executive. I believe we now have on our Board the right blend of skills, experience, company and industry knowledge, and fresh eyes to steward Lovisa into a very promising future.

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Shareholders will also have seen announcements of new hires in management over the past nine months, including Steve Doyle (a mature, experienced, high performer in retail and about whom more later),

Graeme Fallet, our new CFO, again a highly experienced and proven finance executive in the retail space. In addition, there have been a number of appointments in other parts of the organisation that, I believe, give us the capability and the bandwidth to pursue our strategy successfully.

I will leave it to Shane Fallscheer, our Managing Director, to take you through the detail of the results, key operational activities and a high level update on our current performance. From my perspective however, if you look at the results in the latter part of FY2016 you can see that the strengthened management team lost no time in taking the correct action to bring the business back into line and to commence the task of continuous improvement.

And I am pleased to say, the improved performance has continued into the first quarter of FY2017. However, it is early days and, as always, the tale of this year's results will be told during the critical Christmas period.

Our ongoing focus on our strategy, its execution and the quality of people required to achieve our goals in an effective and timely fashion, leads me to inform you of a very important appointment and structural change in your company.

I am delighted to announce the appointment of Steve Doyle as Chief Executive Officer of Lovisa Holdings. Steve was previously Global General Manager, having joined Lovisa in November 2015. Steve has over 29 years of retail experience both in Australia and internationally with twelve years at Super Retail Group, most recently as Managing Director of BCF, where Steve developed the business into a chain of 117 stores across Australia.

Steve will report to Managing Director Shane Fallscheer and his key areas of responsibility will be to manage the operations of the current network of stores and support infrastructure with a focus on ongoing improvements in operational efficiency and continued profitable growth across the global network.

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Shane Fallscheer will continue in his current role as Managing Director, reporting to the Board. In an organisational structure that is designed to deliver further profitable growth in Australia while building the group's international operations, Shane will continue to manage the key group wide function of merchandising while also focusing on building the store network in the UK and continuing to assess business development opportunities in the Northern Hemisphere.

Our sincerest congratulations to you Steve, you have made a real difference since you joined us late last year. I have no doubt you will be a great success in this important new role.

So ladies and gentlemen, as I said in my opening, FY2016 was a crucible year, a year that tested us. With these challenges and learnings we delivered a net profit of $16.5m. We delivered a creditable 5.5% like for like sales growth performance and finished the year with 250 stores operating across 10 countries. Importantly we invested for growth and enhanced our resources and capabilities.

As I stand before you today, I believe your company has emerged stronger, more capable and better prepared to prosecute its strategy of taking the Lovisa brand and products to the world. Your Board believes this is a very significant opportunity to create strong profitable growth for shareholders. And if our brand and products continue to be enthusiastically accepted in new markets, there is the prospect of a long runway of store roll outs throughout the world for some years to come.

Finally, on behalf of the Board, I extend our sincerest thanks to the people of Lovisa. Led by our Managing Director, Shane Fallscheer and our new CEO, Steve Doyle, we have 1610 talented and energetic people intent on making Lovisa a household name around the world. It is a very exciting time to be at Lovisa, and I feel very privileged to work with these talented people and to be a part of a wonderful Australian story.

It is now my great pleasure to introduce our Managing Director, Shane Fallscheer."

Thank you.

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Managing Director – Mr Fallscheer

Thank you Michael, and good afternoon everyone.

Firstly I to, want to congratulate Steve Doyle on his new role. Steve has been with us for nearly a year now, and in the time has added a level of strength to our business that is required for Lovisa's continual growth. Reminding everyone that most recently Steve led the growth of BCF as managing director from incubation through to over 100 stores.

And we are very happy that we have managed to secure Steve, to continue to build on the long term success of Lovisa.

I will now talk you through the financial highlights for FY16;

Lovisa produced an EBIT of $24.2million and a Gross Margin of 74%, this was against the headwinds of the devaluation of both the Australian Dollar and South African Rand.

We grew revenue by 14.3% with like for like sales up 5.5% for the year.

Gross Profit grew by 9.8%, again, this was impacted by the devaluation of the Australian Dollar, and if we were to look at Gross Profit on a constant currency basis for our inventory purchases, our gross profit would have been in line with revenue growth at 15.2%.

We continue to invest in our bench strength with around $1million invested in the FY16 year in additional head count and we still managed to maintain our CODB as a % of sales at 54%.

This produced a net profit after tax of $16.6m.

We continued our international expansion opening our 10th country being the UK with a total net increase of 11 stores for FY16.

As Michael touched on earlier we had some inventory issues coming into the end of the half and these have now been addressed with our inventory back to normalised levels, and we have a healthy balance sheet with a $2.4 million dollar reduction in our net debt.

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This has enabled us to generate a fully franked dividend of 2 cents for the full year bringing total dividends for year to 8.67 cents.

On our Sales performance you will see our like for like sales grew by 5.5% for the year, with total global sales up 14.3% to $153.3 million dollars.

This was off the back of Australia and New Zealand sales growing by 6% to $108 million dollars.

Whilst our international expansion continued with sales growing by 41% to $45 million dollars for FY16.

Also we entered our tenth country being the UK that I will talk to shortly.

Moving onto to our gross margin.

Our gross profit increased by 9.8% to $113.6 million dollars for the year.

Our Gross Margin was down to 74% for the year.

In years prior Lovisa has been able to deliver Gross margins in the mid to high 70's however this year we had headwinds from two key areas;

Firstly the decline in the Australian Dollar, with our average buy rate for FY15 being 88 US cents as compared to the average buy rate in FY16 being 75 US cents. In simple terms if we were to measure Gross Margin on a constant currency basis our Gross margin would have been 77% in line with the prior year. Following the decline in the Australian dollar we implemented price increases and we are now seeing the benefits of these price increases through the business.

We also felt the impact in some errors in our merchandise planning department leading to a higher level of markdown activity in the first half, this further impacted our Gross Margin performance, however we have made the changes required both in personnel and systems to avoid these issues in the future and we are pleased to say that our inventory levels are back at normalised levels.

Looking at our balance sheet you will see cash flows from operations were very strong and increased 26% to $32 million dollars.

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Capital expenditure for our new stores was $4.6 million dollars with a further Capex of $3.9 million dollars for store refurbishments. Typically our stores run on an average of a 4 to 5 year lease cycle and we will continue to re-invest in our store environments as we renew our leases.

As I discussed earlier, we have made changes to both personnel and systems in our merchandise planning department and with these changes we have managed to maintain our inventory at the same levels as the prior year despite adding 11 new stores and against the headwinds of the decline in the Australian Dollar.

This generated a Net debt reduction of $2.4 million dollars for the year.

Also, we are currently in the process of refinancing our banking facilities to ensure we have the capacity to facilitate our international growth.

Looking at our continued expansion we now have 44% of our total stores outside of Australia.

We opened 43 new stores throughout FY16, whilst focusing on a store closure program associated with previous acquisitions of the South African chain in FY15, the more recent stores from Equip that exited the market in FY16, and the tail of the diva stores that we took on previously.

This led to a net increase of 11 stores for the FY16 year, and as an update in we have opened a further 12 stores since July this year.

Moving on to our expansion in the UK.

The quick background is through the second half FY15 we commenced research on the next potential market to expand into beyond our current stores. The board then agreed to commence a pilot program in the UK with our first store opening in Leeds in November 2015. Through the second half of FY16 we then added Bromley and Brighton to our pilot program with Manchester opening in July.

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As these stores achieved the internal benchmarks set, the board then made a decision to proceed to rollout stores in the UK.

These stores continue to trade in line with expectations and we are currently in the process of opening White City in London as well as Norwich and Preston prior to Xmas, so we will trade 7 stores into Xmas this year.

We believe the pillars to success in the UK are both delivering the best product to market and to ensure we sign the right lease deals for our business, so will continue to take a disciplined and patient approach on negotiating new locations.

Finally by way of a trading update, we have had a strong start to FY17 with same stores sales tracking above the 3-5% range. This was anticipated as the price increases that we put in place in the second half of FY16 are now taking effect.

As mentioned earlier we have opened 12 stores since the start of this financial year across the world.

The UK stores continue to trade to expectations and we will trade 7 stores into Christmas this year.

The Spring Racing carnival is upon us and we are confident of a strong sales result through the period while we avoid any of the stock issues that we encountered last year.

In the first quarter, we opened our first store in Vietnam, this is under a master franchise agreement and we anticipate another three to five stores to open in Vietnam this financial year.

We will continue to invest in our team to help take us on this journey and before I hand you back to Michael Kay again I want to congratulate Steve on his role as CEO, I have really enjoyed working with Steve over the last year and we are looking forward to a continuing our expansion plans for Lovisa.

Thank you