

CHAIR AGM ADDRESS

30 August 2017

Welcome to Thorn Group's Annual Meeting, our 11th since listing on the ASX in 2006.

I'd like to introduce my colleagues sitting at the front table:

Steve Kulmar - Chair of Remuneration and Nomination Committee

David Foster – Chair of Audit, Risk and Compliance Committee

Andrew Stevens

Belinda Gibson

Peter Forsberg – previously our CFO currently our Acting CEO

From its origins in 1937 Thorn has grown into a leading financial services provider with offerings in both the consumer and commercial markets. However, there is little doubt that the last two financial years have been challenging as we deal with issues from the past. I intend to address those matters upfront.

I advise that our engagement with the Australian Securities and Investment Commission into Radio Rentals' responsible lending practices is continuing. As with all challenging times, we believe Radio Rentals will emerge from this process stronger, with new systems and processes to position the business well in the consumer leasing market. By the end of this year we will have completed contacting our customers as part of the voluntary refund of historic credit balances, this continues to be a significant and difficult undertaking.

Whilst I am unable to comment in detail on the class action launched earlier this year, we will continue to mount a vigorous defence and have assembled a highly experienced team for this purpose.

I thank our board, management and our advisors who have worked tirelessly to progress these matters. Regarding this year's results, we have two principal businesses which offer good returns and also long term growth potential.

In comparison with financial year 2016, revenue is 3 per cent higher to almost \$300 million and profit after tax 26 per cent higher to just over \$25 million, representing a 12.4 per cent return on equity. After adjusting for significant items in both years, net profit after tax was 3.6 per cent higher to \$31.4m.

The company has paid 50 per cent of net profit as an 8 cents a share fully franked dividend. The Board considered many factors in deciding to reduce the final dividend, as detailed in the annual report. As of close of business yesterday based on a share price of \$1.27 this dividend equated to a yield of 6.2 per cent, gross 9 per cent if the franking credit is taken into account.

Thorn's strategy is clear – focus on fostering growth of the two principal business streams based on product development, organic growth and potential acquisitions.

Earlier this morning we announced that Mr Tim Luce has accepted the position of Managing Director and Chief Executive Officer commencing 1 March 2018 or an earlier date if possible.

Mr Luce has extensive executive experience working with retail brands in Australia and Asia and joins Thorn after six and a half years working at Courts Asia Ltd headquartered in Singapore. Courts is a leading retailer in Asia listed on the SGX mainboard, with over 90 stores across three markets selling household, technology, furniture, services and consumer finance to its customers. He comes to us with a deep understanding of consumer finance, operations, sales distribution and marketing.

His current role at Courts is Group Chief Operating Officer, where he has P&L responsibility for the Group's businesses in Singapore, Malaysia and Indonesia, working closely with local teams in areas of finance, marketing, operations and sales, merchandising, consumer finance, human resources, technology and supply chain and logistics functions. His other roles at Courts included Group Retail Director and Country CEO in Singapore where

he developed the Group's store and online strategy, implemented cost optimisation initiatives, improved commercial alignment, and productivity enhancement initiatives. He also held a dual role as Chief Marketing Officer for Courts Asia as well as Country CEO for Courts Malaysia.

We are looking forward to Tim joining us.

I reiterate thanks to my fellow directors for their active involvement in the difficult issues we have faced this year, and also to Peter Forsberg for the way he has stepped into the role of acting CEO over the past four months. A couple of years ago we established a new senior leadership team who have been instrumental in dealing with all these issues and accepting additional responsibilities supporting Peter as Acting CEO and recently we also welcomed David Lines to our team as General Counsel.

I thank our entire staff for their efforts, especially the way they live up to our expectations and demonstrate what our research shows, that 97 per cent of Radio Rentals customers say they are treated with dignity and respect.

The Board thanks our shareholders for their support through our experiences and trust this will continue as we strive to resolve these issues and meet their expectations.

I now ask Peter Forsberg to report on Thorn's performance and operations.

Joycelyn Morton
Chair
