

ASX & MEDIA RELEASE**16 October 2017****THORN GROUP LIMITED (ASX: TGA) - PROFIT GUIDANCE.****Financial performance**

In May 2017, at the release of its full year results, and again at its AGM on 30 August 2017, Thorn Group cautioned shareholders that it expected the profit outlook for the year ending 31 March 2018 would be subdued and subject to a number of variables.

Thorn Group now advises that it expects its half-year profit after tax to be around \$11 million and its full year profit after tax to be in the range of \$17 to \$20 million. This guidance primarily reflects a decline in trading conditions in the Group's Radio Rentals division and a poor month of trading in September which has continued into this month.

These forecasts represent an approximate 30% reduction from the prior year's reported performance.

There continue to be a number of other variables which may have a material financial impact on Thorn's business and financial performance in the short to medium term. These include the ongoing Australian Securities and Investment Commission investigation into Radio Rentals' responsible lending practices (for which Thorn Group has already made certain provisions) and the class action launched by Maurice Blackburn.

Trading Update

The weakness in performance is due mostly to the challenges faced by Thorn Group's Radio Rentals consumer leasing division. These challenges include weak retail market conditions, the delay in returning customers due to the launch of the 4 year contract 3 years ago, adverse publicity, and significant operational changes arising from the roll out of the new online origination and credit assessment platform.

This has resulted in the installation volumes for Radio Rentals for the half-year being 27% down on the same period last year.

Regarding Thorn Group's other operating divisions: Business Finance has continued to grow its receivables book strongly and Consumer Finance continues to wind down its receivables book in line with expectations.

Corporate expenses are elevated due largely to the cost of administering the regulatory and legal issues facing Radio Rentals as well as the one-off expenses arising from the need to appoint a new CEO.

Funding update

With regard to the Group's funding position, Thorn Group is pleased to announce that its two banking facilities have been rolled over with the Thorn Equipment Finance warehouse facility availability period extended to December 2018 (with a final maturity date of December 2021) and the corporate facility extended to October 2018.

However, the total of both facility limits has remained capped at \$355 million and the corporate facility rollover includes progressive limit step-downs.

Dividend

An announcement regarding the amount of the half-year dividend will be made at the time of the release of the Group's half-year results in November.

Business actions

Thorn Group is implementing revenue and cost initiatives to improve performance and a further update will be provided in the half year results announcement.

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