

Chairman's Address

Ladies and gentlemen,

The 2016 Financial Year was a period of solid progress for the Group as it implemented its strategy to become a leading omni-channel retailer in the sectors it specialises in.

The Board is encouraged by the performance of the business, achieved in the past financial year.

Revenue for 2016 reached \$826.2 million, representing 4.4% growth.

The Group reported an Underlying EBITDA of \$25.0 million, which included a loss of \$9.9 million attributable to Rivers. This represents a 23.1% uplift in EBITDA on FY2015.

Major highlights of the past year has been the progress in online sales and our omni-channel strategy and the continued turnaround of Rivers

In the past year, online sales grew by 42% to \$72.8 million, representing 8.8% of total revenue. Our online sales as a percentage of total revenues are now well ahead of industry peers. The Group continued to support the changing shift towards online sales by investing \$3.7 million in critical IT systems mostly to support our growing digital strategy.

We are increasingly seeing the physical and digital worlds come together in a seamless shopping experience. We have invested in 'click & collect'

which allows our customers access to products where and when they want it. Gary will tell you more about this strategy in a few moments.

Critical to a successful omni-channel strategy is a physical store presence. The Group continues to maintain a strong store presence, with \$13.9 million invested in new stores and refurbishments to meet customer needs.

The Group ended the year with 1,078 stores plus an additional 14 Myer concession locations. We opened 28 stores, closed or consolidated 36 stores, and, as mentioned, invested heavily in our online presence. A further 10 Myer concession locations have opened in July 2016.

Most of our brands traded well during the 2016 financial year, helping the Group achieve its fifth consecutive six-month period of positive comparable store sales growth in the second half of FY2016.

Importantly, our Rivers brand has turned the corner, with losses in Rivers more than halved. Significant effort has been made to integrate Rivers into our operations, to refresh its offer, and to drive efficiencies and marketing effectiveness, leveraging cheaper digital channels. These strategies are working, and we are confident Rivers will become a profitable and growing brand for the Group.

We have also continued the journey of product development, increasing our ability to stand apart from our competitors, providing our customers with an increase in unique and differentiated products.

Another highlight of FY2016 was our focus on improving logistics. This has resulted in the consolidation of the Group's logistics capabilities into a single location. Centralising our logistic capabilities allows greater flexibility in how we replenish our stores, while keeping unit costs low.

In summary, considerable progress has been made in FY2016 to strengthen our business in a fast-changing and challenging retail environment. Solid progress had been made. Sales are up, EBITDA significantly improved and the Rivers turnaround is well advanced.

Looking forward, we are optimistic for continued progress against our key growth priorities... the Rivers turnaround, rejuvenation of our brands, and careful expansion of City Chic, thereby helping the Group build a stronger position in the Australian retail market.

The Board remains committed to investing in our growth strategies so as to deliver improved returns in future years. A key continued focus for this investment is to support our omni-channel strategy, which is showing encouraging growth. On this basis, the Board has therefore committed to reinvest cash and has not declared a dividend.

I would like now to give you an update on progress on our Board renewal program.

We are committed to refreshing and renewing the Board membership. We are currently working to add two new directors to the Board as part of that process, and to thereby bring the number of Board directors back up to seven. We currently have a search underway for these two new directors, assisted by search firm, Egon Zhender.

The search being undertaken is also taking into consideration one of these new directors serving as Chairman of the Company to replace Michael Hardwick and I in our roles as Co-Chairmen. Your Board feels it is important the new Chairman brings fresh perspectives to the Board. The search is progressing, and we will keep shareholders updated.

On behalf of the Board, I would like to thank our Chief Executive Officer, Gary Perlstein, and the more than 6,000 team members, whose tireless efforts underpin the success of the Group. We also extend our appreciation to the shareholders for their on-going support.

That concludes my address.

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

CEO'S ADDRESS

THANK YOU ANNE.

GOOD MORNING AND WELCOME.

IN 2016, SPECIALTY FASHION GROUP CONTINUED TO EXECUTE ITS STRATEGY TO BE THE LEADING OMNI-CHANNEL RETAILER IN OUR MARKETS. SPECIFICALLY, TO LEAD IN MEETING THE NEEDS OF WOMEN WHO ARE OFTEN OVERLOOKED BY FASHION - THE OLDER AND PLUS-SIZED SEGMENTS.

UNDERSTANDING OUR CUSTOMERS, AND DELIVERING A SEAMLESS AND CONSISTENT ONLINE AND OFFLINE CUSTOMER EXPERIENCE ACROSS ALL CHANNELS, IS CENTRAL TO OUR STRATEGY. OUR AIM IS TO ENABLE OUR CUSTOMERS TO SHOP AND ENGAGE WITH OUR BRANDS – ANY TIME, ANY PLACE, ANY WAY.

OUR SPECIFIC GROWTH FOCUS HAS BEEN TO ENHANCE CUSTOMER ENGAGEMENT, TRANSFORM OUR SUPPLY CHAIN AND COSTS, REDUCE RIVERS' TRADING LOSSES, REJUVENATE EXISTING BRANDS AND CAREFULLY EXPAND OPERATIONS INTERNATIONALLY.

AS ANNE MENTIONED, THESE STRATEGIES DELIVERED A FIFTH CONSECUTIVE SIX-MONTHLY PERIOD OF POSITIVE COMPARABLE STORE SALES GROWTH IN THE SECOND HALF OF FY2016, AND CONSOLIDATED THE GROUP'S POSITION AS THE LARGEST SPECIALTY RETAILER OF WOMEN'S FASHION IN AUSTRALIA.

THE GROUP'S FOCUS ON DIGITAL AND ONLINE GROWTH SAW A 42% INCREASE IN ONLINE SALES, REPRESENTING \$72.8 MILLION OF THE GROUP'S TURNOVER, OR 8.8% OF TOTAL REVENUE. OUR ONLINE SALES AS A PERCENTAGE OF TOTAL SALES ARE WELL AHEAD OF OUR RETAIL PEERS, AND AN OUTSTANDING RESULT FOR THE RETAIL DEMOGRAPHIC WE OPERATE IN.

WE HAVE DEVELOPED NEW BRAND IDENTITIES FOR KEY BRANDS AND INVESTED IN PRODUCTS TO DELIVER RANGES WITH IMPROVED QUALITY AND AESTHETICS, WHILE REMAINING COMPETITIVELY AFFORDABLE. WE ARE ALSO IMPROVING THE SHOPPING EXPERIENCE THROUGH OUR NEWLY DESIGNED CONCEPT STORES.

CUSTOMER RESPONSE TO OUR REFURBISHED STORES, AND TO THE LAUNCH OF NEW RANGES ACROSS ALL BRANDS AND CATEGORIES, HAS BEEN STRONG. WE'VE ALSO SEEN A CONTINUED UPLIFT IN ONLINE SALES, SUPPORTED BY A STRONG TREND OF REPEAT PURCHASES BY LOYAL REWARDS CUSTOMERS.

OUR CONFIDENCE IN THE RIVERS TURNAROUND CONTINUES. RIVERS HAS HALVED ITS LOSS ON THE PREVIOUS YEAR AND IS EXPECTED TO START TRADING PROFITABLY DURING THE FY2017 YEAR.

THE RIVERS LEADERSHIP TEAM IS DELIVERING STRONG IMPROVEMENT ACROSS THE BUSINESS. IMPROVED PRODUCT IS RESONATING WITH CONSUMERS ACROSS ALL CATEGORIES. ALSO, COST-EFFECTIVE ONLINE MARKETING IS MAKING A REAL DIFFERENCE IN BUILDING CUSTOMER LOYALTY, WITH A BIG UPLIFT IN ONLINE SALES AND REPEAT PURCHASES. THE RIVERS TURNAROUND IS ON TRACK, AND THE WORST IS WELL BEHIND US.

THE FOCUS IS TO CONTINUE REBUILDING RIVERS' BRAND EQUITY AND ICONIC STATUS IN FY2017 AND TO ENSURE IT IS CONTRIBUTING TO THE GROUP'S PROFITABILITY IN FUTURE YEARS.

THE GROWTH OF CITY CHIC CONTINUES TO ACCELERATE DOMESTICALLY AND INTERNATIONALLY ... BOTH ONLINE, AND THROUGH OUR MEASURED STORE EXPANSION PROGRAM.

LOCALLY, CITY CHIC COMMENCED THE ROLL OUT OF 24 NEW CONCESSION LOCATIONS INTO MYER DURING THE SECOND HALF OF THIS YEAR, WITH 14 CONCESSION LOCATIONS FULLY OPERATIONAL AT 30 JUNE 2016. THE REMAINING 10 LOCATIONS WERE LAUNCHED IN JULY 2016.

INTERNATIONALLY, IN ADDITION TO ITS EXISTING PRESENCE IN 60 NORDSTROM STORES ACROSS THE USA, THE BRAND LAUNCHED ITS PRODUCT INTO 100 MACY'S STORES. SUCCESSFUL PRODUCT TRIALS IN THE UK BASED RETAILER, EVANS, HAS BEEN SUPPORTED BY ONGOING REPEAT ORDERS.

WE CONTINUE TO DEVELOP OUR DEDICATED CUSTOMER INSIGHTS TEAM AND INVEST IN CUSTOMER RELATIONSHIP MANAGEMENT CAPABILITIES. THIS HAS SEEN OUR CUSTOMER MEMBERSHIP DATABASE CONTINUE TO GROW DURING 2016.

WE CAN NOW COMMUNICATE DIRECTLY WITH MORE THAN 5 MILLION CUSTOMERS BY EMAIL, REPRESENTING A DISTINCT COMPETITIVE ADVANTAGE.

THE SUCCESSFUL ROLLOUT OF THE 'CLICK & COLLECT' INITIATIVE THROUGHOUT ALL AUSTRALIAN STORES CONTINUED TO ACCELERATE ONLINE SALES, AND IS A REMINDER THAT A CRITICAL PILLAR OF ONLINE SALES SUCCESS IS AN INTEGRATED PHYSICAL STORE AND ONLINE EXPERIENCE AND PRESENCE. THE GROUP IS NOW A LEADING 'BRICKS AND CLICKS' RETAILER, DEEPLY EXPERIENCED IN LEVERAGING A MIX OF CHANNELS TO TAILOR OUTSTANDING CUSTOMER EXPERIENCES FOR EACH BRAND AND THEIR CUSTOMERS.

AS A VALUE RETAILER, WE HAVE DEVELOPED COST EFFECTIVE PRODUCT SOURCING INITIATIVES. WE SOURCE THE VAST MAJORITY OF OUR PRODUCT FROM SOUTH EAST ASIA. IN THE FINANCIAL YEAR WE ACHIEVED AN AVERAGE EXCHANGE RATE OF 78 CENTS, COMPARED TO 88 CENTS THE YEAR BEFORE. WHILE THIS REPRESENTS A YEAR-ON-YEAR DECLINE, WE HAVE STRATEGIES IN PLACE TO MITIGATE THE IMPACT, INCLUDING HEDGING FOR THE NEXT 12 MONTHS.

FURTHER COST MANAGEMENT STRATEGIES INCLUDE USING THE GROUP'S SCALE TO NEGOTIATE WITH VENDORS, AND THE BULK ORDERING OF FABRICS TO MINIMISE COSTS. WE HAVE ALSO BEEN TRIALLING A NUMBER OF NEW VENDORS IN DIFFERENT REGIONS, WHICH NOT ONLY MITIGATES

COST PRESSURES, BUT ALSO ADDS DISTINCTIVE FABRICATION AND APPEAL OF PRODUCT SOURCED THROUGH AN ALTERNATIVE CHANNEL.

OUTLOOK

LOOKING AHEAD, THE BROADER RETAIL TRADING ENVIRONMENT REMAINS CHALLENGING. AS YOU WILL KNOW, THE NEXT TWO MONTHS ARE THE MOST SIGNIFICANT AND CRITICAL IN THE GROUP'S TRADING CYCLE. IT'S THEREFORE INAPPROPRIATE AT THIS STAGE TO PROVIDE SALES OR PROFIT GUIDANCE FOR THE FIRST HALF.

WHILE WE REMAIN CAUTIOUS, AND WITH THE ALL IMPORTANT CHRISTMAS TRADING PERIOD TO COME, WE DO BELIEVE THE STRATEGIES WE HAVE IN PLACE WILL ENSURE WE ARE SHARPLY COMPETITIVE.

PARTICULARLY, WE ARE CONFIDENT THE TURNAROUND OF RIVERS IS WELL ADVANCED AND THIS BRAND WILL START TRADING PROFITABLY DURING FY2017. WE ARE ALSO CONFIDENT ABOUT THE OPPORTUNITIES OUR DIGITAL INVESTMENTS CAN STILL ACHIEVE.

I DO WANT TO TAKE THIS OPPORTUNITY TO THANK OUR CHIEF FINANCIAL OFFICER, GARY SPRECKLEY, FOR HIS COMMITMENT AND CONTRIBUTION OVER THE PAST TWO YEARS. GARY, AS YOU MAY KNOW, HAS RESIGNED FROM SPECIALTY FASHION GROUP AND WILL LEAVE US AT THE END OF THIS MONTH. GARY HAS BEEN DISCUSSING WITH US FOR SOME TIME NOW HIS PLANS AND DESIRE TO FOCUS HIS ENERGIES ON OTHER INTERESTS. GARY- THANK YOU FOR YOUR SUPPORT. WE ALL WISH YOU THE VERY BEST FOR THE FUTURE.

I WOULD LIKE ALSO TO THANK OUR BOARD FOR ITS SUPPORT- THANK YOU- AND IMPORTANTLY, TO CONGRATULATE THE WHOLE SPECIALTY FASHION GROUP TEAM FOR THEIR EFFORTS DURING 2016. IT HAS BEEN A PRIVILEGE TO WORK WITH SUCH A HIGHLY DEDICATED, HIGH ENERGY AND PASSIONATE TEAM THROUGHOUT THE YEAR. THANK YOU FOR ALL YOU HAVE DONE, AND I LOOK FORWARD TO WORKING WITH YOU IN THE YEAR AHEAD.

THAT CONCLUDES MY ADDRESS.
THANK YOU.