

CHAIR AGM ADDRESS**30 August 2019**

The financial year ending 31 March 2019 continued to be challenging for the Group.

In summary:

- The Group's revenue from continuing operations declined 5% to \$221.9m. Reporting statutory profit after tax was a loss of \$14.9 million.
- The Consumer Leasing Division delivered a lower operating profit and cashflow. Lower revenues and higher bad debt charges saw an operating loss of \$2.2m. \$10m of software and fixed assets on the balance sheet were then written off. Arrears started to increase at the end of last year and spiked in January this year but have since come down to 12.3%.
- Pleasingly, revenue from our Business Finance Division was up 11%. However, what would have been a higher profit year was offset by an \$11.5m provision as a result of accounts impacted by the Viewable matter. The securitised warehouse facility increased to \$368m in August 2018.
- The Company continued to defend the class action incurring substantial legal costs.

I refer you to the annual report for more detail.

Due to the tight cash flow, the Board continued to adopt a prudent cash management approach and no dividend was paid in FY19.

The business continued to work on its debt management during the year. The corporate facility was paid down to \$15m during the year from \$41m outstanding at the end the 2018 financial year. In March 2019 the bank imposed a draw stop and will only provide further drawing with prior approval.

Business Update

This calendar year, the need to retain cash has been critical to provide balance sheet flexibility following the changes to the Company's financing arrangements.

The warehouse facility is being renewed today with positive amendments to the eligibility criteria allowing assets held on Thorn's balance sheet to be sold into the warehouse.

As announced on 12 August, the demand for consumer leasing continues to shift to online. Therefore, we have made the decision to close 8 of our Radio Rentals stores. While there will be some upfront costs associated with the closures, the overall retail costs of doing business will be reduced. Management are undertaking actions to reduce corporate costs make the business more effective.

The Group continues to comply with the Enforceable Undertaking agreed with ASIC last year and to remediate certain customers as part of the EU. During the year, ASIC issued its interim compliance report. The summary reports from Deloitte, the Independent Expert were also released.

The ASIC interim compliance report showed that the Group's systems, processes, policies and training procedures were all compliant with our general conduct and responsible lending obligations under our credit license. Deloitte is due to submit the Further Compliance Report to ASIC at the end of today.

The Deloitte interim remediation report found no deficiencies in Thorn's remediation of affected customer under the Enforceable Undertaking up to February 2019. The Deloitte Final Remediation report was lodged on 7 August 2019 and ASIC is expected to release its public report in due course.

There has been a lot of hard work to get us to this point, so I'd like to extend my thanks to everyone involved in the Enforceable Undertaking and the remediation process.

Class Action

The Company continues to pursue settlement negotiations with respect to the class action.

Strategic Review

As announced on 1 April, the Board has been undertaking a Strategic Review of the Group. It was clear to the Board that the business needed to change and there were significant changes in its operating environment driven by competition, technology and regulation.

As part of the review process, the Board and its advisers examined a variety of alternative scenarios to fund the present and future needs of the Company. This process is very advanced. With the proposed changes to the composition of the Board, it is appropriate that the process includes the views of the incoming directors and that the final decision is made by the new Board.

Aside from the abnormal matters of the class action and strategic review costs, the Board affirms its earlier advice that it expects the Company to move back to profitability in the 2020 financial year. However the first half results will likely see a small trading loss.

Board Appointments

Three new directors have been nominated for election today. They are:

Mr Kent Bird brings 25 years of experience in commercial and investment banking. Most recently, Kent was the Managing Director – Head of Loan Syndications Australia and Head of DCM Origination Australia at Credit Agricole CIB Australia Limited.

Allan Sullivan has over 30 years' experience within senior management roles both domestically and internationally. Most recently as the Executive Chair of the VIX Verify Group, Allan managed the successful sale of VIX Verify Global Identification business to a UK listed company.

Warren McLeland has 40 years' experience in financial services both domestically and internationally. Warren's experience has been gained in both the wholesale and retail sectors at top business manager and CEO Levels. Warren is currently the non-executive director Resimac Group Limited and UIL Limited.

As part of this board renewal, Stephen Kulmar will be retiring as a director at the conclusion of this meeting.

The other existing Directors Belinda Gibson, Andrew Stevens and myself will also retire from the Board. It is presently intended that our retirements will occur on an orderly basis and that at all times there will be 3 independent Directors on the Board who constitute a majority, in accordance with the ASX Corporate Governance Principles and Recommendations. A search has commenced for suitably qualified independent non-executive Directors.

At this stage, on behalf of the Board, I'd like to formally thank Stephen Kulmar for his service to the Company.

As recently announced, our CEO Tim Luce, has indicated his intention to leave the Company. Tim remains committed to working with the Board through the strategic review process and the recruitment of a suitable replacement, before leaving us. I'd like to thank Tim for his contribution and hard work during a difficult time for the Company.

I would also like to thank to my fellow directors and our executives for their involvement and dedication in tackling the difficult issues we continued to face.

It is also important to recognize the efforts and dedication of the Thorn staff for both their support and effort.

Finally, the Board again thanks our shareholders for their continuing support during this difficult period.