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THORN GROUP LTD

Investor Presentation

Underwritten Entitlement Offer to Raise $38.7m

September 2019

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Important notices and disclaimer

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Acceptance

By attending an investor presentation or briefing, or accepting, accessing or reviewing the Presentation, you acknowledge and agree to the terms set out in this 'Important notice and disclaimer.'

Additional Information

1 Offer Details

Details of the Offer

Offer Size and Structure	• Fully underwritten 1 for 1 accelerated, non-renounceable Entitlement Offer to eligible shareholders of Thorn to raise total proceeds of approximately $38.7 million • The Entitlement Offer will include a Top Up Facility entitling Eligible Retail Shareholders to subscribe for additional Shares up to a cap of 100% of their Entitlement
Offer Price	• $0.24 per New Share (**Offer Price**) • 11.1% discount to the last traded price of $0.27 on 13th September 2019 • 14.7% discount to the 9 day VWAP of $0.28 being the period since the class action settlement was announced on 3rd September 2019
Use of Proceeds	• Settle the class action • Provide additional working capital to grow Thorn Business Finance and restructure Radio Rentals • Pay for the costs of the equity raising
Timetable	• The Institutional Entitlement Offer to eligible Institutional shareholders will be conducted on Monday 16th September 2019 and Tuesday 17th September 2019 • The Retail Entitlement Offer will be open on 9:00am Monday 23rd September 2019 and is expected to close 5:00pm (Sydney time) Wednesday 2nd October 2019 • New Shares that would have otherwise been offered to ineligible foreign shareholders will be sold through a bookbuild process to be conducted on Thursday 3rd October 2019
Underwriting	• The Offer is fully underwritten by Shaw and Partners Limited • A nominee has been appointed, and approved by ASIC, for the purposed of section 615 of the Corporations Act, so as to deal with New Shares that would have otherwise been offered to ineligible foreign shareholders • The Company's largest shareholders, Somers, Forager and IML have confirmed they will take up their full entitlement under the Entitlement Offer and have also agreed to partially sub-underwrite the Entitlement Offer
Ranking	• New Shares issued under the Entitlement Offer will rank equally with existing fully paid ordinary shares from their time of issue

Sources and Uses of Funds

Source and Uses of Funds

Source of Funds	$'000
Entitlement offer	38,682
Total Sources	38,682

Uses of Funds	$'000
Class action settlement	25,000
Working capital	9,457
Costs of equity raising	4,225
Total Uses	38,682

Use of Proceeds

- Proceeds of the Offer will be used to:
  - Settle the Class Action
  - Working capital to:
    - Grow Thorn Business Finance
    - Restructure Radio Rentals
  - Pay for the costs of the equity raising
- Due to tight cash-flow in FY2019, the Board adopted a prudent cash management approach and no dividend was paid. For the same reason, a dividend will not be paid for the half year of FY2020, and with the class action settlement of $25 million due over the coming months (subject to Court approval), and whilst no final decision has been made by the Board, it is unlikely that a dividend will be paid for the full year of FY2020

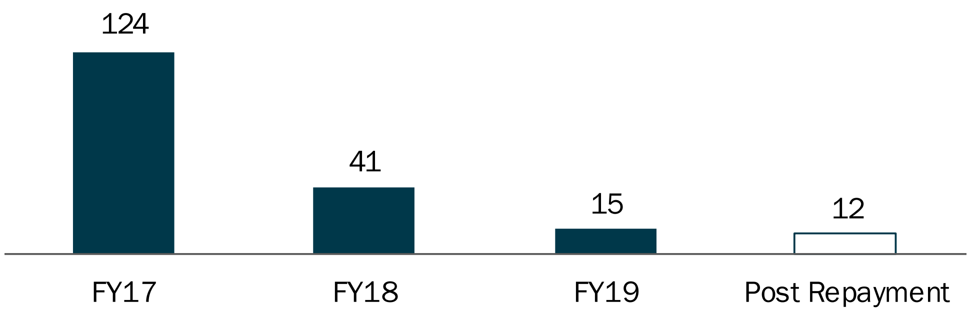
Funding

Corporate Facility

- Thorn has been banked by one Australian major bank for over 50 years
- The corporate facility has been paid down from $41 million in March 2018 to $15 million in March 2019
- Excluding the Thorn Business Finance warehouse, gearing is low at 4%(1)
- The maturity date of the corporate facility is 30 November 2020, with the next review scheduled for 10 February 2020
- The bank has requested a $3 million repayment of the facility and has reduced the facility limit to the $12 million which would be drawn at the time of that repayment. The bank guarantee and unrestricted overdraft facility of a combined $5 million, remain

Drawn Borrowings under Corporate Facility

$Millions, March financial year end



(1) Gearing is defined as corporate debt less free cash divided by equity.

Securitised Warehouse

- The securitised warehouse is a special purpose vehicle where the borrowings advanced by the bank and mezzanine financier are secured by the loan / rental payments from customers and are non-recourse to Thorn beyond the subordinated notes Thorn holds
- The warehouse facility availability was recently renewed to 10 February 2020, and is then subject to periodic reviews
- Positive amendments have recently been made to the eligibility criteria allowing assets held on Thorn's balance sheet to be sold into the warehouse
- Thorn expects to be able to securitise approximately $12 million in additional receivables through this change, which will net approximately $11 million in additional cash
- This cash released will be used to repay part of the corporate facility, the remaining remediation under the enforceable undertaking, the advisory costs of the class action settlement and costs of the strategic review
- The warehouse facility currently has undrawn headroom of approximately $71 million

Regulatory Matters

Class Action

- Thorn's class action settled on 2 September 2019
- In full and final settlement of the class action, the Company and Thorn Australia Pty Ltd ("TAPL") will pay $25 million to the Applicant on behalf of the class. The Company's insurer will also make a separate contribution towards the settlement. The Company and TAPL will consequently release the insurer from the claims they made against the insurer in relation to the class action
- The settlement does not involve any admission of liability and remains subject to Court approval
- The parties to the settlement will make an application to the Federal Court to seek its approval, a process which may take a number of weeks to finalise
- Legal costs associated with the class action, which have not yet been paid, total approximately $2 million

Enforceable Undertaking

- Thorn continues to comply with the Enforceable Undertaking agreed with ASIC in 2018. All milestones have been met thus far. ASIC issued its interim compliance report in May 2019. Summary reports from Deloitte, the Independent Expert, have also been provided to ASIC
- The Deloitte Compliance Report showed that Thorn's systems, processes, polices and training procedures were all compliant with general conduct and responsible lending obligations under our credit license. The Further Compliance Report was lodged with ASIC on 30 August 2019
- The Deloitte interim remediation report found no deficiencies in Thorn's remediation of affected customers under the Enforceable Undertaking up to February 2019. The Deloitte Final Remediation report was lodged on 7 August 2019
- ASIC is expected to release its public report in due course commenting on the Final Remediation Report and the Further Compliance Reports

Pro Forma Balance Sheet

A pro forma balance sheet is presented displaying adjustments to reflect the resolution of the class action and the capital raising using the 31 March 2019 audited Balance Sheet

$'000	31-Mar-19 Audited	Resolution of Class Action	Notes	Impact of Rights Issue	Notes	31-Mar-19 Pro Forma
Assets						
Cash and cash equivalents – Free	7,947			34,457	2	42,404
Cash and cash equivalents – Securitisation vehicle	22,680					22,680
Other current assets	187,130					187,130
Total current assets	**217,757**			34,457		**252,214**
Trade and other receivables	289,547					289,547
Deferred tax assets	5,541					5,541
Total non-current assets	**295,088**					**295,088**
Total assets	**512,845**			34,457		**547,302**
Liabilities						
Loans and borrowings – corporate	15,000					15,000
Loans and borrowings – warehouse	107,490					107,490
Provisions	2,767	25,000	1			27,767
Other current liabilities	29,515					29,515
Total current liabilities	**154,772**	**25,000**				**179,772**
Loans and borrowings – warehouse	181,154					181,154
Other non-current liabilities	4,879					4,879
Total non-current liabilities	**186,033**					**186,033**
Total liabilities	**340,805**	**25,000**				**365,805**
Net Assets	**172,040**	**-25,000**		34,457		**181,497**
Total equity	**172,040**	**-25,000**		34,457		**181,497**
Shares on issue (thousands)	*161,175*			*161,175*		*322,350*
Net Tangible Assets per share ($ per share)	*$1.07*					*$0.56*

(1) Provision adjustment reflects the $25 million to settle class action
(2) Cash balance adjustment reflects the net proceeds of the offer ($38.68 million less $4.23 million)

THORN GROUP LTD

Indicative Offer Timetable

Event	Date & Time (1)
Trading halt, announcement of the Offer, lodgement of cleansing notice and Appendix 3B	Monday , 16 September 2019
Accelerated Institutional Entitlement Offer opens	Monday , 16 September 2019
Institutional Entitlement Offer closes	Tuesday, 17 September 2019
Trading halt lifted and shares recommence trading on ASX	Wednesday, 18 September 2019
Record Date for determining Entitlements to subscribe for New Shares under the Entitlement Offer	7:00 pm (Sydney time) Wednesday, 18 September 2019
Retail Entitlement Offer opens	Monday, 23 September 2019
Retail Entitlement Offer Booklet despatched to eligible shareholders	Monday, 23 September 2019
Settlement of Institutional Entitlement Offer	**Tuesday, 24 September 2019**
Issue of New Shares under the Institutional Entitlement Offer and lodgement of Appendix 3B	Wednesday, 25 September 2019
Commencement of trading of New Shares issued under the Institutional Entitlement Offer	Thursday, 26 September 2019
Retail Entitlement Offer closes	5.00pm (Sydney time) Wednesday, 2 October 2019
Announcement of results of Retail Entitlement Offer	Thursday, 3 October 2019
Bookbuild for New Shares that would otherwise be offered to ineligible foreign shareholders	Thursday, 3 October 2019
Settlement of Retail Entitlement Offer	**Wednesday, 9 October 2019**
Allotment of New Shares issued under the Retail Entitlement Offer and lodgement of Appendix 3B	Thursday, 10 October 2019
Commencement of trading of New Shares issued under the Retail Entitlement Offer	Friday, 11 October 2019
Despatch of holding statements in respect of New Shares issued under the Retail Entitlement Offer	Monday, 14 October 2019

(1) All dates and times are indicative and subject to change in consultation with ASX and the Underwriter.
(2) Australian Eastern Standard Time

2 Company Overview

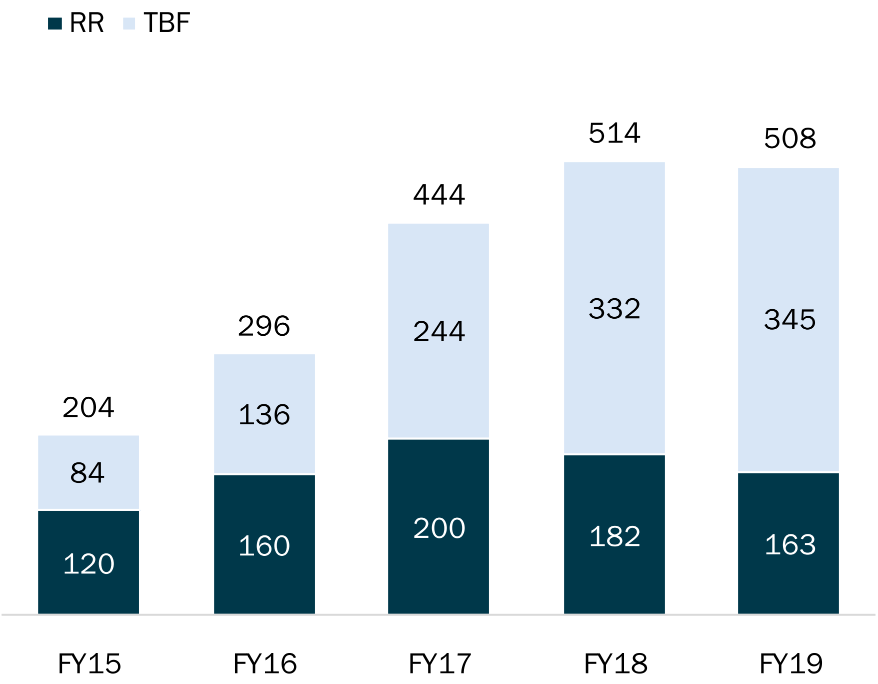
Thorn Group

Overview

- Thorn is a consumer leasing and SME focused lending business with an 80 year operating history, which listed on the ASX in 2006
- Thorn operates across two core businesses, which service large and addressable consumer and SME lending markets:
  - — Thorn Business Finance (“TBF”)
  - — Radio Rentals (“RR’)
- Thorn Business Finance’s core competencies are commercial risk assessment and servicing of loans and leases up to $1 million across a broad range of commercial assets, partnership funding and broker relationship management
- Radio Rentals is a leading consumer leasing company focused on household goods including: furniture, appliances and electronics

Gross Receivables

$Millions[(1)], March financial year end



(1) Gross book before provisions. Does not include capitalised interest.

Senior Leadership and Governance

Senior Leadership

Tim Luce *CEO and Managing Director*	• Tim joined the group as CEO in February 2018. Prior to Thorn, Tim previously served as Group COO of Courts Asia and has 20+ years experience in the retail industry. Tim announced his intention to leave the Company to pursue other interests on 12 August 2019. A search for a new CEO is underway
Peter Forsberg *CFO & Company Secretary*	• Peter joined the group as CFO in September 2015 and prior to the appointment of Tim Luce, served as acting CEO. Peter previously held CFO roles at St Vincent's Health Australia, DCA Group, Blake Dawson Waldron and Goodman Fielder
Phil Chaplin *GM, Thorn Business Finance*	• Phil joined the group in March 2016 and continues to focus on the continued growth and development of Thorn Business Finance. Phil has 20+ years' experience in the finance industry and is the current Chair for the Equipment Finance division of Australian Finance Industry Association (AFIA)

Recent Board Appointments *(as elected at AGM, 30-Aug 2019)*

Warren McLeland *Non-independent Director*	• Warren has 40+ years' experience in financial services, in wholesale and retail sectors at senior business management and CEO levels. He is currently a non-executive director of Resimac Group (ASX-RMC)
Allan Sullivan *Non-independent Director*	• Allan has 30+ years' experience in senior management roles in Switzerland, Holland, Korea, Hong Kong and Australia. Allan was previously the CEO and Director of ASX-ERG Group (now VIX technology) from 2004-07 and since 2007 has acted as a consultant to VIX Verify Group and Allectus Capital Group
Kent Bird *Independent Director*	• Kent has 25+ years' experience in commercial and investment banking. Kent has held positions with Credit Agricole CIB Australia and was recently the Managing Director – Head of Loan Syndications Australia and Head of DCM Origination Australia for the last 3 years, ending December 2018

Existing Board *(planning to retire in an orderly manner as stated in AGM address, 30-Aug 2019)*

David Foster *Independent Chairperson*	• David was appointed as a Director in December 2014 and has an extensive career in financial services
Belinda Gibson *Independent Director*	• Belinda was appointed as a Director in July 2016 with experience in securities and financial markets
Andrew Stevens *Independent Director*	• Andrew was appointed as a Director in June 2015 with over 30 years' experience in business and technology

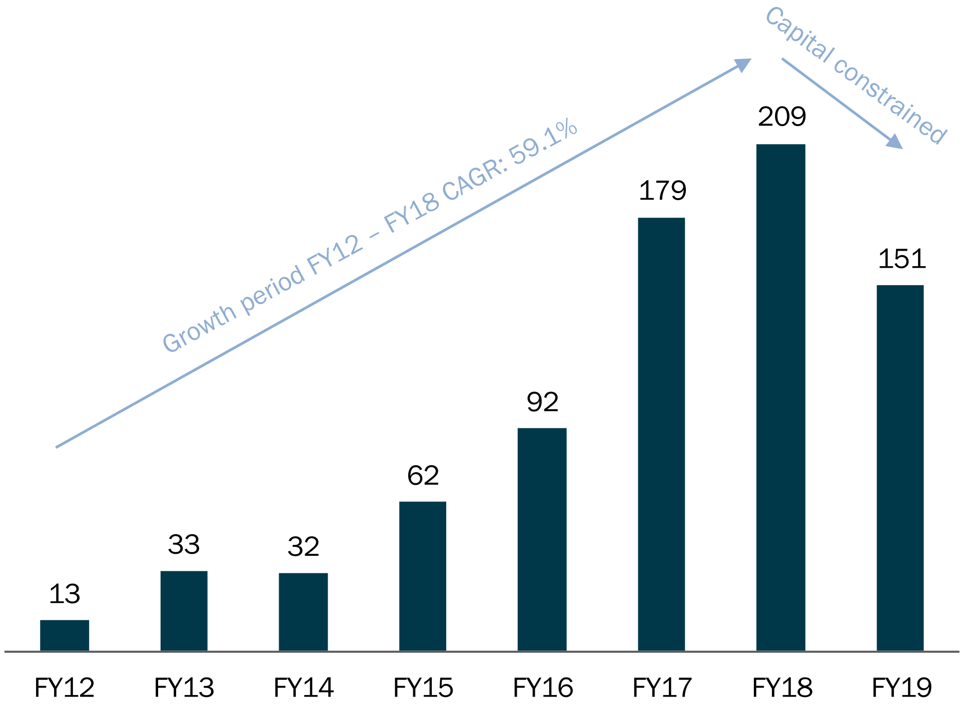
Thorn Business Finance

Overview

- Through a network of brokers and partners, TBF provides established businesses and experienced professionals with funding to acquire capital equipment
- TBF differentiates itself through a broad asset appetite, customer service, and the commercial acumen of its business development managers and credit underwriters
- Over the last three years TBF has built a strong operating platform that has allowed for the establishment of a publicly rated warehouse facility and enhanced policies and procedures to better service partners
- Demand for SME finance continues to grow, particularly via finance brokers. TBF is positioned to capitalise through both its current suite of lending products and by leveraging its expansive distribution network to deliver new revenue accretive finance products

Originations

$Millions, March financial year end



Thorn Business Finance Business Evolution

☑ Proven Growth Capability

$700,000 originated in FY10/11

Growing to over $200 million in FY17/18

Capital constraints have forced the business to moderate growth

Approximately 300 select brokers and strong relationships with key aggregator groups

Wholesale funder to niche industry players

Ability to distribute new lending products through an established network

☑ Stable & Scalable Platform

Over $850 million of lending originated on current systems

Processing approximately 375 loans and leases each month

Diverse portfolio of assets, industries, and geographies

Dedicated Commercial Credit Risk functions

Strong Eastern States presence, expanding into Western Australia as capital spending returns

☑ Favourable Market Conditions

Broker introduced finance transactions growing year on year

Banks focussing on transactional services expanding market gaps

Continued government incentives for SME capital investment

Opportunity for market consolidation and operational synergies

The Equipment Finance Market originates approximately $40 billion per year

Thorn Business Finance Growth Opportunities

Key Near-Term Focus

Organic Growth	• Thorn Business Finance has substantial opportunity for organic growth within the existing broker base and anticipates increased volumes when not constrained by capital limitations • Growth is driven through acquiring "share of wallet" from existing introduction sources (brokers) as well as through the acquisition of new introducers • Material Introducers include broker aggregators (capture many brokers at once) and new "White Label" partners

Medium Term Opportunities

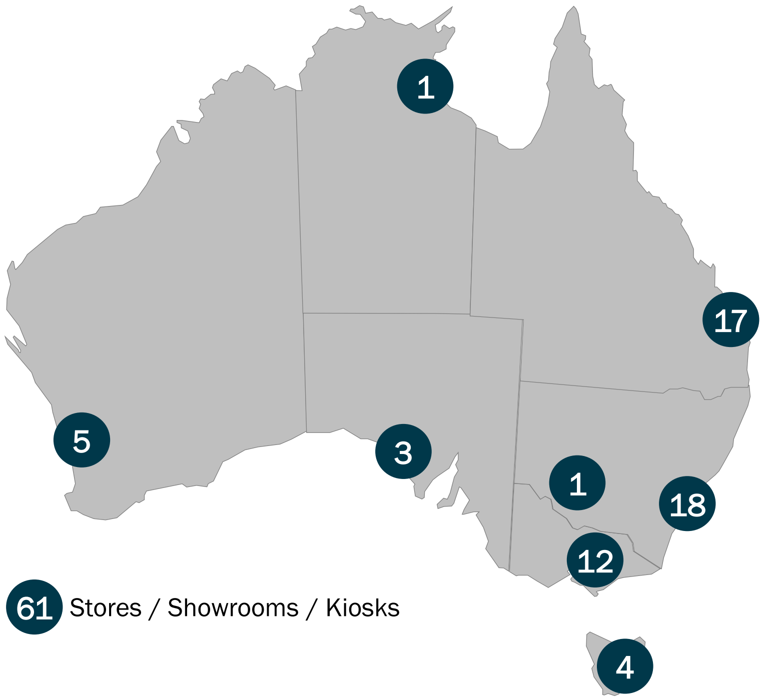
Adjacent Lending Products	• "Adjacent" products are those which can be supported within the current operating model (fixed term, fixed interest business lending) • Products include unsecured loans for established businesses in the gap between bank and Fintech lenders, e.g. business improvement loans for identifiable assets with low recoverability, for example refurbishments
Acquisition	• TBF has built and evidenced its loan origination and servicing capabilities, allowing for the creation of a market leading publically rated funding warehouse • A strategic acquisition of one or more smaller financiers with their own origination niches would drive further scale efficiencies across operations, acquisition and funding
Appetite Diversification	• Originations are balanced between risk criteria and the rate charged to market • Thorn currently targets medium risk transactions at a medium price with a price floor based on cost of funds • While higher price / risk opportunities are available, the greater proportion of accessible volume is in lower price / lower risk
Alternative Lending Products	• Alternative lending products are those which align broadly to the business lending remit, but require changes to systems and operating model to deliver. Thorn has strong penetration into the broker market and is seen as an SME specialist so it makes sense to focus on products in which the broker market can drive scale • For example, competing directly with Fintech lenders on cashflow based lending products (short term business loans, merchant cash advance facilities). Products which provider a fast cycle of capital could also be delivered (invoice factoring)

Radio Rentals

Overview

- Radio Rentals is a leading Australian consumer leasing company focused on household goods including: furniture, appliances and electronics
- Radio Rentals operates 61[1] stores nationally, offering full-service consumer leases
- Comprises an active client base of ~85,000 customers as at March 2019
- Radio Rentals revenue is underpinned by long dated customer rental contracts of up to 5 years
- Radio Rentals has undergone a number of key initiatives to help overcome its recently challenging trading conditions including the shift to online, reducing arrears and improving operational efficiencies

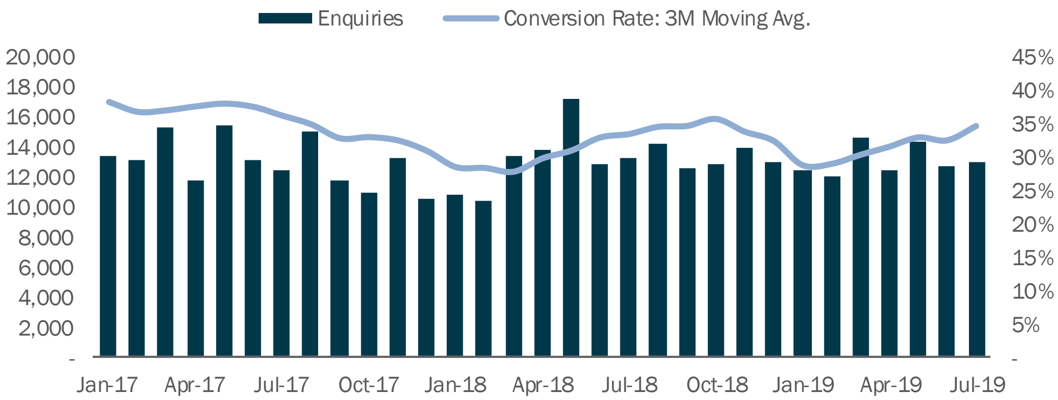
National Store Footprint



(1) After the 8 store closures announced.

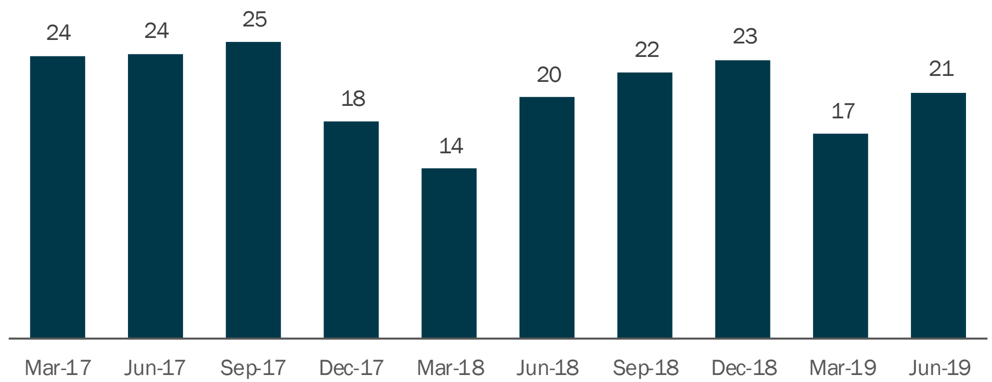
Radio Rentals Enquiries & Installations

Enquiries[1] per Month



Installations per Quarter

Thousands



- Enquiries have been improving in the last 12 months off the back of a period of instability
- The business has seen stronger demand via enquiry for household and furniture goods
- Enquiry levels are shifting to online (see next page)

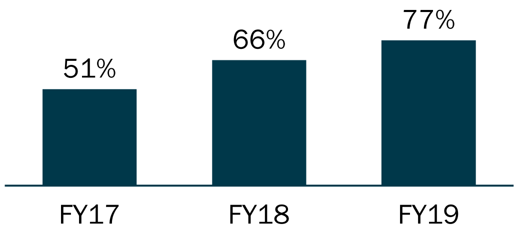
- New systems and processes were introduced for credit assessment resulting in lower installations late 2017, early 2018
- Installations have recovered in more recent quarters across most product segments

(1) Enquiry defined as when a customer begins an application process and leaves enough information to be contacted.

Radio Rentals Key Initiatives

☑ Aligning Store Network with Customer's Shift Online

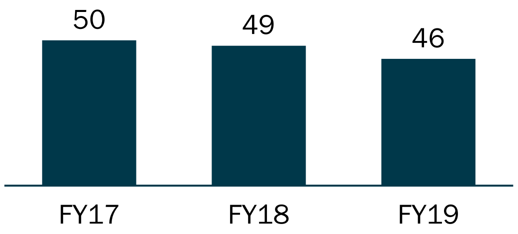
Web/Digital Enquiries
% Total Enquiries



- Originations continue to shift from stores to online
- Store rationalisation process has commenced with 6 stores recently closed and a further 2 stores to be closed in the coming weeks
- The closures will reduce retail costs of doing business while retaining 61 stores nationwide plus online capability

☑ Improving Efficiency

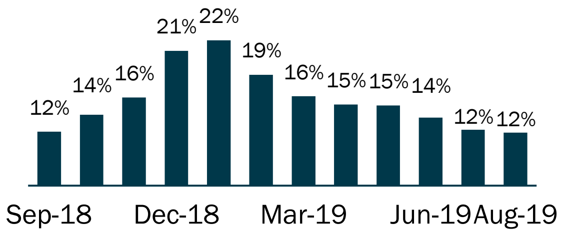
Store Network Opex
$Millions



- Efficiency improvements have been pursued across the store network and head office
- Operating expenditure for the store network is being reduced

☑ Reducing Arrears

Back-end Arrears
Overdue amounts on 30+ day accounts as a % of total monthly billings



- Arrears rose substantially in the second half of FY19
- Management has successfully reduced arrears, with arrears in August 2019 in-line with September 2018

Additional Information

A Key Risks

Credit / payment risk

Thorn is a specialised alternative lending business focused on consumer leasing of household appliances, technology and furniture through its Radio Rentals division (under its brands Radio Rentals, RR and Rentlo Reinvented), and asset financing to small and medium sized enterprises (SMEs) through its Thorn Business Finance division.

The Radio Rentals customers and target market are primarily consumers in the lower income demographic who are credit constrained. Thorn Business Finance's customers and target market are sub-prime SMEs.

Thorn and its subsidiaries accept credit risk when leasing goods through Radio Rentals or lending or advancing money through Thorn Business Finance to or on behalf of customers, being the risk that customers may not fulfil their contractual obligations in a timely manner or at all, causing Thorn financial loss. Credit risk is a significant risk in relation to Thorn's business

Thorn relies on its credit risk framework to define the appropriate credit processes, set appropriate parameters for its risk grades to assess credit risk, set pricing appropriate to those risk levels given the expected levels of default and monitor portfolio credit risk. While Thorn expects to generate some losses in relation to its portfolio, the credit risk framework seeks to set these at a level where Thorn continues to generate an appropriate return for shareholders from its financing activities.

Thorn uses information from third party credit agencies and third party technology vendors (such as Equifax and Illion) in its credit assessment process. Thorn relies on the availability and accuracy of this information to make informed credit assessments of potential customers. Consequently, Thorn could face significant additional costs of business disruption if a change in access to data services such as banks changing or restricting access to their customer data or credit reporting bodies such as Equifax or Illion changing the inputs relied upon by Thorn to make credit decisions.

Arrears management is a main focus in managing credit risk and the associated loan loss provisioning. Thorn utilises in-house resources and outsourced collection specialists where required in conducting collection activities. Arrears are highly sensitive to external factors and can fluctuate. For example, the arrears for Thorn Business Finance have increased by 0.4% since the beginning of Thorn's current financial year but this has remained within a 0.6% band for this financial year.

Thorn is also a member of the Australian Financial Complaints Authority (AFCA). Thorn's customers may notify complaints to AFCA and AFCA may make determinations against Thorn. AFCA may also from time to time refer systemic issues and possible serious contraventions and other breaches of law in relation to Thorn to ASIC. In this regard, Thorn was advised in March 2019 by AFCA that it is investigating whether the customers of a number of financial firms, including Thorn Business Finance, were misled when entering into rental agreements as part of advertising packages with Halast Media, now Viewble. AFCA also indicated that ASIC had been advised of the investigation. Thorn is cooperating with the investigation.

Thorn through its Radio Rentals division is subject to ongoing service and maintenance costs in relation to the goods leased to customers and cannot be certain as to the condition of the goods while in the possession of its customers.

If Thorn's customers do not fulfil or are released from their obligations, or the cost or maintaining its products or arrears and bad debts exceed budget, then Thorn may experience a decrease in revenue, an increase in expenses (including an increase in impairment expenses and an increase in enforcement and funding costs), and/or a decrease in operating cash flows, which may have a material adverse effect on the financial performance and prospects of Thorn.

Loss of key business relationships

Thorn has a number of key business relationships governed by contracts and arrangements, both written, unwritten, current and being managed on terms that have expired.

A key business relationship Radio Rentals has is with the Department of Human Services in relation to the use of the Centrepay services. This is governed by the Centrepay Policy and Terms. Radio Rentals offers its customers Centrepay as an automated payment method.

The termination or amendment of any of these key contracts or arrangements may have a material adverse effect on the financial performance and prospects of Thorn.

White label contracts

Thorn Business Finance originates a substantial part of its receivables through white label partners, who may enter into a disclosed or undisclosed principal-agency relationship with Thorn for the purposes of writing business as Thorn's agent and who may sell receivables to Thorn secured by leases and loans along with the corresponding financed equipment. Thorn's ability to generate revenue is reliant on the ability of white label partners to write business for and on behalf of Thorn, noting that the white label partners do not exclusively originate products on behalf of Thorn. Thorn Business Finance's largest white label introducer currently accounts for approximately 20% of its monthly business originations and the second largest approximately 15% of originations. If Thorn loses any of its key principal-agency relationships, this may have a material adverse effect on the financial performance and prospects of Thorn.

Changes to key licences / authorisations

Thorn's businesses are subject to numerous compliance frameworks including the National Consumer Credit Protection Act 2009 (Cth). Changes to legislation or the manner in which legislation or key authorisations under legislation is applied would be likely to disrupt the processes by which Thorn conducts its businesses, including the ability of Thorn to obtain or retain key licences, the time taken to complete transactions and the cost of compliance. These factors may have a material adverse effect on the financial performance and prospects of Thorn.

Potential acquisitions and divestments

As part of its business strategy, Thorn may make acquisitions of, or significant investments in, complementary companies, products or technologies and may make asset divestments. Any such transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies, and any divestment activity could result in realising values less than fair value, a decrease in revenue and stranded costs.

A Key Risks (cont'd)

Failure to retain key management personnel, employees and board members

Thorn relies on key staff and its ability to attract and retain key staff is a fundamental driver of its performance. As Thorn's business is centred around relationships with third party originators, the loss of key staff or the inability to attract key staff may adversely affect Thorn's ability to generate revenue. Thorn has in place employment contracts with key employees and has the objective of providing attractive employment conditions to assist in retaining key employees. However, there is no guarantee that Thorn can or will retain its key employees. If Thorn loses key employees or cannot attract key employees, this may have a material adverse effect on the financial performance and prospects of Thorn.

On 12 August 2019 Thorn announced that its Chief Executive Officer, Tim Luce, had indicated his intention to leave the company. Mr Luce has advised that he remains committed to working with the Board through its current strategic review process and the recruitment of a suitable replacement before leaving the company. The position of General Counsel is currently being filled on an interim basis and the position of Chief Risk Officer will be become vacant in the near future.

The Thorn Board is undergoing a period of renewal. At Thorn's Annual General Meeting on 30 August 2019, one of the existing directors retired and three new directors were elected to the Board. The remaining existing directors have also indicated their intention to retire and that this will occur on an orderly basis and that at all times there will be 3 independent directors on the Board that constitute a majority, in accordance with the ASX Corporate Governance Principles and Recommendations. A search has commenced for suitably qualified independent executive directors.

Technology / IT systems risk

Thorn's business is dependent on maintaining relationships with key third party vendors, information technology suppliers, and software and infrastructure providers. For example, Thorn uses a third party software provider to store and maintain its client files and business data. Thorn could face significant additional costs from business disruption if the availability of or its access to its file management system was adversely affected. Thorn has identified, and is in the processes of remediating, a number of information technology process issues regarding the protection of data, including the monitoring of super-user activity (including changes to the data and production) in the relevant applications, the user access review process, change management controls and developer access to the production environment.

Litigation, claim and dispute risks

Thorn may be subject to litigation, claims, disputes, arbitration, mediation or other proceedings with third parties in the course of, or in connection with, its business. These may include, but are not limited to, contractual disputes with customers, suppliers, contractors or employees and regulatory investigations or related proceedings.

On 2 September 2019 Thorn announced that it and its subsidiary, Thorn Australia Pty Limited ("TAPL"), had agreed settlement with the Applicant in the class action of Casey Cheryl Simpson v Thorn Australia Pty Ltd and others (Federal Court Proceeding NSD 448/2017). Under the terms of the settlement, in full and final settlement of the class action, Thorn and TAPL will pay A$25 million to the Applicant on behalf of the class. Thorn's insurer will also make a separate contribution towards the settlement. Thorn and TAPL will release the insurer from any related claims they have with the insurer under their relevant insurance policies.

The settlement does not involve any admission of liability and remains subject to Court approval. There can be no guarantee that Thorn will not in the future be the subject of further class actions.

The cost of defending and/or settling litigation, claims, disputes, arbitration, mediation, class actions or other proceedings may be significant. Additionally, any major dispute, litigation, class action or other proceedings could damage Thorn's business relationships and reputation, lead to an increase in insurance premiums, a reduction in insurance coverage or an inability to secure insurance, expose Thorn and its directors and officers to potential or actual liability and have a material adverse effect on the financial performance and prospects of Thorn.

Thorn may also commence litigation, arbitration, mediation or other proceedings or make a claim against third parties for losses or liabilities suffered or incurred in the course of, or in connection with, its business. There is no guarantee that Thorn will be successful in any such litigation or proceedings or recovering any such losses or liabilities. If Thorn is unsuccessful, it may be subject to adverse costs orders in addition to having to pay its own accrued legal costs. If these amounts are significant, this could have a material adverse effect on the financial performance and prospects of Thorn.

Loss of reputation

Thorn's core businesses rely on Thorn's strong reputation which has been built on good client relationships and core branding. Damage to Thorn's reputation may have a material adverse effect on the financial performance and prospects of Thorn.

Competition

The consumer leasing and asset finance markets are highly competitive and are subject to rapid change, including as a result of the introduction of new entrants and products. Actions by new or existing competitors, or the entry of market disruptors with new products or business models (such as the rapidly growing "buy now pay later" market), or the development and introduction of new technologies, could place pressure on Thorn's business models or result in a reduction in business volumes, both of which could have a material adverse effect on the financial performance and prospects of Thorn.

A Key Risks (cont'd)

Funding and going concern risks

Thorn's funding for its consumer leasing and asset finance businesses is generated through a mixture of a debt facility with a financial institution and the periodic securitisation of receivables into a funding warehouse structure in which Thorn holds a subordinated class of security. Thorn's ability to generate new commercial equipment business is subject on its ability to securitise its portfolio of receivables and sell those to the warehouse structure. To the extent Thorn is not able to generate business which is able to be sold to the warehouse structure, Thorn will have a reduced funding base from which to finance new inventory and receivables.

If Thorn's current sources of funding prove insufficient or are withdrawn, it may be forced to seek alternative funding. The availability of funding, and the terms on which it may be made available, will depend on a number of factors, including market conditions, the availability of credit and Thorn's credit standing.

An inability to manage the funding risks for Thorn may result in forced asset sales, defaults and lower origination of receivables rates. These factors may have a material adverse effect on the financial performance and prospects of Thorn.

In Thorn's Annual Report for 2019, Thorn's auditors noted at pages 26 – 27 (in the Consolidated Statement of Profit and Loss and other Comprehensive Income for the year ended 31 March 2019) that the continuing viability of the Thorn group and its ability to continue as a going concern was dependent upon the group returning to profitability, maintaining the support of its lender and progressing the strategic review. The auditors further stated that as a consequence of these matters a material uncertainty existed that may cast significant doubt as whether Thorn will be able to continue as a going concern. Thorn has been addressing these matters but some are not entirely within its control. For example, whilst it presently has the support of its banker, it cannot guarantee that this will always be the case. Also, whilst Thorn expects to move back to profitability (before abnormal matters) in the 2020 financial year, in light of the difficult retail and economic conditions, shifts in consumer preferences and other risk factors referred to in this section 5, there is a risk that its trading results may deteriorate and affect its viability as a going concern.

Debt facility risk

Thorn has entered into a debt facility with its financier under which it must comply with various covenants. If a breach of any of those covenants occurs, Thorn's financier may seek to exercise enforcement rights under the debt facility, including requiring immediate repayment, which may lead to forced asset sales or default and have a material adverse effect on the financial performance and performance of Thorn. If Thorn is unable to secure a similar debt facility, Thorn may be unable to implement its business strategy, and may not be able to meet its working capital and general financing needs.

Changes in borrowing costs

Changes in interest rates can affect the volume of new customers wanting to enter into new lease commitments. Thorn borrows primarily on a fixed rate basis and as such margins on lease and financing contracts already on foot are not affected. However, to the extent that interest rate rises cannot be passed on, this may have a material adverse effect on the financial performance and prospects of Thorn.

Access to inventory

Changes in the cost and availability of consumer and commercial goods can affect the ability of Thorn to generate revenue.

Radio Rentals has access to suppliers directly and is a member of the National Associated Retail Traders of Australia (NARTA) buying group for certain product categories. Arrangements are in place with multiple suppliers as a measure to mitigate against the risk of supplier failure and exclusive product arrangements are not entered into.

Suppliers typically provide payment credit terms to Thorn which assists with the management of its cash flow. The continuing provision of inventory by suppliers is subject to the risk that suppliers or their credit insurers may withdraw or limit their credit terms or insurance cover to Thorn.

Pricing changes are also managed in the supplier terms with agreed notice periods which allows Thorn to make any required retail/rental pricing adjustments.

Forward demand planning is managed by the Radio Rentals Supply team which provides suppliers with forecasted quantities of stock it expects to procure and orders are made sufficiently in advance in order to secure good product availability.

Any Thorn cash constraints can restrict the availability and quantity of stock for Thorn, therefore, affecting Thorn's ability to meet consumer demand. If this occurs on a sustained basis, it may have a material adverse effect on the profitability and prospects of Thorn.

Governance and insurance risks

Thorn cannot guarantee that its internal policies and controls will be effective in each case to ensure that it is protected from negligent, reckless or criminal acts committed by its directors, officers, employees, consultants, agents, service providers or business partners, including fraud or conduct that would violate any anti-bribery or corruption laws. Any such improper actions could subject Thorn to civil or criminal investigations that could lead to substantial criminal, monetary and non-monetary penalties against Thorn. It could also damage Thorn's reputation and result in significant expenditure in investigating and responding to such actions which may, in turn, have a material adverse effect on the financial performance and prospects of Thorn.

Thorn's Directors' and Officers', Civil Liability, Crime and Cyber insurance policies are due for renewal on 30 November 2019. There is no certainty that such policies can be renewed on the same or substantially the same terms or for the same premium or at all.

A Key Risks (cont'd)

Compliance with laws and regulations

Thorn and its related bodies corporate conduct their businesses in highly regulated sectors and are subject to various legislative requirements, including the Corporations Act 2001 (Cth), the Australian Investments and Securities Commission Act 2001 (Cth), the National Consumer Credit Protection Act 2009 (Cth), the Competition and Consumer Act 2010 (Cth), the Anti-Money Laundering and Counter Terrorism Financing Act 2006 (Cth), the Financial Transaction Reports Act 1988 (Cth), the Financial Sector (Collection of Data) Act 2001 (Cth) and the Privacy Act 1988 (Cth) and related regulations.

This regulatory regime is complex and is presently undergoing significant change. Any failure to comply with regulatory or legislative requirements may result in breaches, fines, payments of compensation to customers, regulatory action and reputational effects, which could have a material adverse effect on the financial performance and prospects of Thorn.

Thorn and its related bodies corporate are subject to oversight by regulators regarding its compliance with legislative and regulatory requirements. These regulators include, amongst others, the Australian Securities and Investments Commission (ASIC), the ASX Group (ASX), the Australian Competition and Consumer Commission (ACCC), the Australian Transaction Reports and Analysis Centre (AUSTRAC), the Office of the Australian Information Commissioner (OAIC) and the Australian Prudential Regulation Authority (APRA)(as a registered financial corporation).

On 23 January 2018 ASIC announced a package of regulatory outcomes against Thorn's consumer leasing businesses Radio Rentals, RR and Rentlo Reinvented. The package included $6.1 million in refunds to customers, a write-off of default fees, and an additional $13.8 million in customer refunds in relation to excess lease payments. Thorn also entered into an Enforceable Undertaking (EU) with ASIC at the same time. ASIC also commenced civil penalty proceedings with the Federal Court of Australia. Thorn Australia Pty Ltd has paid a $2 million penalty for contravening its responsible lending obligations.

Thorn continues to comply with the EU and to remediate certain customers as part of the EU. During 2019, ASIC issued its interim compliance report. The summary reports from Deloitte, the Independent Expert, were also released. The Deloitte Final Remediation report was lodged with ASIC on 7 August 2019 and the Deloitte Further Compliance Report was lodged with ASIC on 30 August 2019. ASIC is expected to release its public report in due course commenting on the Final Remediation Report and the Further Compliance Report.

If Thorn does not meet the requirements of its regulators, this may affect the recoverability of its receivables and it may be required to take remedial actions and also incur penalties, such as fines or obligations, to pay compensation to affected customers, or the cancellation or suspension of its authority to conduct business. These consequences in turn may have a material adverse effect on the financial performance and prospects of Thorn.

Changes to laws, regulations or government policies

Changes to laws, regulations or government policies (including in relation to taxation, financial services law, ASX operating rules or accounting standards) that apply to Thorn from time to time could have a material adverse effect on the financial performance and prospects of Thorn.

Any added complexity to Thorn's regulatory regime will increase its costs of compliance and the risk of non-compliance. Changes to Thorn's regulatory regime may result in either one-off costs or ongoing expenses to Thorn and may require Thorn to change its business model. These increased costs may not be able to be reduced or passed on to customers which may adversely affect Thorn's operations and profitability.

There are a number of current regulatory developments that could affect Thorn. These include the legislative and regulatory outcomes of the findings of the Banking Royal Commission into Australia's banking, superannuation and financial services sectors. Other regulatory changes that are being foreshadowed that could affect Thorn's businesses include potential changes to the regulatory guidance on the responsible lending requirements and the proposed strengthening of the regulation of small amount credit contracts and consumer leases under the National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2018.

Risk Management

Thorn has implemented risk management strategies and internal controls involving processes and procedures to identify, monitor and mitigate risks.

Material business risks for Thorn include credit risk, operational risks (including workplace health and safety risks), financial risks (interest rate movements, liquidity and capital), strategic risk, legal and compliance risks, and regulatory risk and culture and conduct risk.

There are inherent limitations with any risk management framework, as there may exist or emerge in the future, risks that Thorn has not anticipated or fully identified. If any of Thorn's risk management processes and procedures prove ineffective or inadequate or are otherwise not appropriately implemented, this could have a material adverse effect on the financial performance and prospects of Thorn.

Cyber-risk

Cybercriminal networks seek to exploit vulnerabilities in systems, leading to loss of critical systems or third parties obtaining access to corporate or customer personal data. There is an increase in cybercriminal activity on a global level. A failure of any of Thorn's controls designed to prevent cyber-criminal activity, or the cost of complying with the security requirements of third parties providing access by Thorn to their systems or platforms, could have a material adverse effect on the financial performance and prospects of Thorn.

Nature of investment

Any potential investor should be aware that subscribing for New Shares involves inherent risks. The New Shares to be issued pursuant to this Entitlement Offer carry no guarantee with respect to the payment of dividends, return on capital or the market value of those New Shares and it is possible that an Applicant may not be able to recoup his or her initial investment. More specifically, the risks are that:

(a) the price at which the Applicant is able to sell the New Shares is less than the price paid, among other reasons, due to changes in market circumstances;

(b) the Applicant is unable to sell the New Shares; and

(c) Thorn is placed in administration, receivership or liquidation making it reasonably foreseeable that Shareholders could receive none, or only some, of their initial investment.

A Key Risks (cont'd)

Securities market

The New Shares may trade on the ASX at higher or lower prices than the Issue Price following listing. Investors who decide to sell their New Shares after listing may not receive the entire amount of their original investment.

The Shares are currently listed on the ASX. However, there can be no guarantee that there is or will be an active market in the Shares or that the price of the New Shares will increase.

The price at which the New Shares trade on the ASX may be affected by the financial performance of Thorn and by external factors over which the Directors and Thorn have no control. These factors include movements on international share markets, local interest rates and exchange rates, domestic and international economic conditions, government taxation, market supply and demand and other legal, regulatory or policy changes.

Economic factors

The operating and financial performance of Thorn is influenced by a variety of general economic and business conditions including the levels of consumer confidence and spending, business confidence and investment, employment, inflation, interest rates, foreign exchange rates, access to debt and capital markets, fiscal policy, monetary policy, retail conditions and regulatory policies. A prolonged deterioration in any number of the above factors may have a material adverse effect on the financial performance and prospects of Thorn, including its ability to fund its activities, particularly if it is unable to reduce costs to match any decrease in revenues.

A major systemic shock could occur which causes an adverse impact on the Australian or other financial systems. The financial services industry and capital markets have been, and may continue to be, adversely affected by market volatility and global economic conditions. Given this, there can be no assurance that any market disruptions will not spread. Any such market disruptions could have a material adverse effect on the financial position and prospects of Thorn.

Dilution risk

In the future, Thorn may determine to issue new Shares or engage in other fundraisings involving the issue of new securities in Thorn (including to fund any acquisitions that Thorn may decide to make). While Thorn will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and fundraisings.

Force majeure events may occur

Events may occur within or outside Australia that could impact upon the Australian or the global economy, Thorn's operations and the price of the Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Thorn's services and its ability to conduct business. Thorn only has a limited ability to obtain insurance against some of these risks.

Unforeseen risks

There may be other risks of which Thorn is unaware at the time of issuing this document which may impact Thorn, its operations and/or the valuation and performance of its securities. There may also be liabilities or obligations that Thorn fails to or is unable to discover in due diligence regarding this document. The discovery of any material undisclosed liabilities could have a material adverse effect on Thorn's financial performance and the value of its securities.

The above risks and others not specifically referred to above may in the future materially adversely affect the financial performance and prospects of Thorn.

Underwriting Risk

Thorn has entered into the Underwriting Agreement with the Underwriter who has in turn entered into sub-underwriting agreements with each of the Sub-Underwriters. The Underwriter may terminate the Underwriting Agreement and can be released from its obligations if certain events occur (as set out in the Underwriting Agreement). If the Underwriter terminates the Underwriting Agreement, the Entitlement Offer may not raise the full amount proposed to be raised or the Retail Entitlement Offer may not proceed at all. Further, as a result of the sub-underwriting arrangements in respect of the Entitlement Offer, there is potential that the Sub-Underwriters establish or increase (as applicable) their Voting Power in Thorn following the issue of New Shares. Under certain circumstances, Somers may increase its Voting Power in Thorn to above 25% which will provide it with the ability to veto special resolutions of Thorn (where it is entitled to cast a vote).

B Offer Restrictions

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

British Virgin Islands

The New Shares may not be offered in the British Virgin Islands unless the Company or any person offering the New Shares on its behalf is licensed to carry on business in the British Virgin Islands. The Company is not licensed to carry on business in the British Virgin Islands. The securities may be offered to British Virgin Islands business companies from outside the British Virgin Islands without restriction.

Cayman Islands

No offer or invitation to subscribe for New Shares may be made to the public in the Cayman Islands.

European Union

This document has not been, and will not be, registered with or approved by any national securities regulator in the European Union. Accordingly, this document may not be made available, nor may the New Shares be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "Prospectus Regulation").

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of New Shares in the European Union is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance).

No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities. The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

B Offer Restrictions (cont'd)

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). In relation to the institutional component of the Entitlement Offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) an "accredited investor". In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

United States

This document and any other materials relating to the Entitlement Offer and the Entitlement and Acceptance Form do not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States or to any person who is acting for the account or benefit of any person in the United States (to the extent such person holds ordinary shares in Thorn Group and is acting for the account or benefit of a person in the United States).

The New Shares and the Entitlements have not been, and will not be, registered under the US Securities Act of 1933 or the US state securities laws. The New Shares may only be offered and sold in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws. Accordingly, the New Shares are only being offered and sold in "offshore transactions" in compliance with Regulation S under the US Securities Act.

Bermuda

The Company is not making any invitation to persons resident in Bermuda for exchange control purposes to subscribe for New Shares.