

GODFREYS GROUP LIMITED
(ASX: GFY)**ASX and Media Release**

21 October 2015

Managing Director's Address
2015 Annual General Meeting

Good morning ladies and gentlemen.

I am very pleased to be with you today as Managing Director of Godfreys Group Limited at our first AGM as a listed company and I thank you for your time today.

This is an exciting new stage in a personal journey that began with me learning how to sell a vacuum cleaner and working my way through the organisation. Thirty years later, it is amazing to me that the small family business that I joined so long ago has transformed into a publicly listed company.

Of course this latest change is really the start of the journey. We now have to find our way in an ever changing environment with technology moving at the most rapid rate in history. As always, our customer proposition must be compelling and relevant in a very dynamic retail environment. I am extremely excited by the challenge and responsibility that we face as an organisation.

2015 has been an incredibly busy year with a lot of activity over and above the listing process. Our results have been achieved in a challenging and variable retail environment and I would like to briefly recap on our financial performance and provide a little more colour to the Chairman's summary.

Sales for the year were \$182.6 million, an increase of 5.2% over the previous corresponding period, driven by the successful roll out of new products during the period and our store rollout program which saw the introduction of the new Godfreys 'We are Clean' store format.

This format—in stores like Caringbah in Sydney, Fortitude Valley in Brisbane and Traralgon here in Victoria—has been well received by our customers and has consistently delivered a boost in sales at these stores.

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As forecast, comparative store sales for the year were flat, which is pleasing given the deliberate strategy to change the company's product mix to drive greater sales volume and floor value while lowering the average selling price.

Dividends paid of 15.2 cents represent a good return to investors and provide an appropriate balance between investment return and reinvestment of profits for future growth.

Godfreys' balance sheet remains strong with senior debt of \$20m and strong cash balance of \$13.8m at year end. This provides us with the capability to grow through new store expansion, franchise store buy-backs and small acquisitions.

Our store network grew to 212 stores throughout Australia and New Zealand in 2015. We have planned to open at least 20 additional stores through 2016 and will also refurbish 25 stores during the year. We continue to review our existing store portfolio to ensure that they our stores meet strict financial and operating requirements. We also apply tight selection criteria for new stores before making investment decisions.

Our online sales strategy is an important complement to our bricks and mortar network and I am pleased to report that online sales grew by 33% in 2015 with 2.2m unique users. To put this in context, our online sales are now our largest contributing single 'store'; a direct result of our heavy investment in online and social media. We remain committed to investing greater resources in this area in future years.

During 2015 we opened a new Distribution Centre in Altona in Melbourne, which was completed on time and on budget and sets Godfrey's up well for long term growth. The new Distribution Centre has performed well and eliminates the need for seasonal external storage and is reducing our cost to serve.

Also during the year we continued to expand the capabilities of our China support office. Our team of 12 in Suzhou, west of Shanghai, continues to provide ready access to major Chinese manufacturers and important engineering and quality assurance support.

We have seen steady growth in our commercial business over the year. This large market opportunity will be given additional focus over the coming year.

Innovation and product development are a vital key to growth in the future. In 2015 we launched our first products designed, created and developed in-house. The products included a number of high margin accessories including the Sauber "Visualiser", the Hoover "Diverter" and the Mega gulper series. All three accessories have been patented and make vacuum cleaning easier and more useful. We will continue to launch new products developed in-house and have an experienced team in place to take this initiative forward on a larger scale in the future.

I am excited by the volume of new products and ranges being prepared for the second half of the year. In particular, we are excited about the launch of premium products from German manufacturer, Vorwerk, who also own the Thermomix brand. These products will be new to the Australian market and will have features and technology not yet available to Australian customers.

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Trading Update

I turn now to current trading. The retail environment continues to be volatile and highly competitive. As a result, recent trading has been slightly weaker than for the same period last year. We anticipate that this will continue through the first half and that this will see our earnings in FY16 more heavily biased to the second half than in recent years. We expect that the impact of a range of growth programs scheduled early in calendar 2016 will deliver a stronger second half and expect to report a full year net profit after tax for FY2016 in line with FY2015.

I extend my thanks to the Godfreys team of 460 people for their commitment to the Company and great delivery of our customer promise.

-ENDS

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ABOUT GODFREYS GROUP LIMITED

Godfreys is an iconic Australian brand, with a trading history spanning more than 80 years. It is one of Australia's and New Zealand's largest speciality retailers of domestic and commercial floor care and associated cleaning products. Godfreys has an extensive range of company-owned brands (including Sauber, Wertheim and Pullman), an exclusively licensed brand (Hoover) and third party brands (such as Bissell, Miele and Electrolux) in its product portfolio. Godfreys is an integrated business that designs and develops vacuum cleaners, floor care and other cleaning products, co-ordinates the manufacture of these products, develops brands, advertises and sells to both wholesale and retail markets.

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