Confirmation of Ralph Lauren Exit and Trading Update

1 August 2013

Ralph Lauren exit now complete

As previously announced OrotonGroup's license agreement with Ralph Lauren Corporation (RLC) expired on 30 June 2013. All transition arrangements and financial obligations have now been settled according to the Asset Purchase Agreement signed on 28 February 2013. RLC has purchased inventory and store assets, employed all retail store team members and taken over all store lease, concession and wholesale obligations from July 1, 2013. Furthermore, various balance sheet items and provisions are being reassessed, with an expected positive FY13 earnings effect of approximately $3.5M. In addition, a transition payment of $US1.5M has been made by RLC to OrotonGroup.

Due to these completion arrangements with RLC, and strong promotional trading as the Company exited the license, the Ralph Lauren brand is expected to achieve a materially greater proportion of OrotonGroup profits in FY13 than in FY12.

FY13 Profit Forecast

Whilst the preparation of the FY13 audited accounts has only just commenced, OrotonGroup EBIT for the financial year is expected to be approximately $40M, inclusive of the above mentioned once-off Ralph Lauren entries of ~$5.0M. Overall trading in the Oroton brand in Australia has been softer than expected in the second half of FY13 in what continues to be a challenging and discounted retail market.

FY14 Outlook

The Board and management are assessing specific acquisition and/or new licensed brand opportunities and therefore as announced in March 2013 will maintain infrastructure and associated overhead of ~$14M in FY14 in preparation for these future plans. This investment in Group capability has been a helpful asset in our recent discussions with future potential partners along with our 23 years of experience in developing the Ralph Lauren brand in Australia and New Zealand. Discussions are well progressed and the Company is confident that it will confirm some promising opportunities over the next 3-6 months.

Furthermore the first Oroton brand store in mainland China will open in Shanghai by September 2013 and two further new stores in Hong Kong and Dubai will follow before Christmas this year.

OrotonGroup has a strong balance sheet and cash flow to further support growth plans and potential capital management opportunities. The net cash position at 27 July 2013 was approximately $23M.

Whilst FY14 earnings expectations will naturally depend on the timing and size of new licensed brand opportunities and/or acquisitions, at this early stage, as an Oroton brand carrying a comparable 50% of group overhead as previously shared with the Ralph Lauren brand, OrotonGroup EBIT range could be ~$23-25M.

In the unlikely event that there are no completed deals and assuming a continued challenging and discounted marketplace, OrotonGroup EBIT after accounting for 100% of the overhead costs of approximately $14M would be expected to be in the range of ~$16-18M.

The full year FY13 dividend is expected to be consistent with FY12 at ~50 cents per share.

For further information contact Sally Macdonald, CEO or Kevin Fine, CFO/Company Secretary.
Tel: +61 2 8275 5775