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MICHAEL KAY'S SCRIPT FOR THE ANNUAL GENERAL MEETING OF LOVISA HOLDINGS LIMITED

30 OCTOBER 2018

Ladies and gentlemen, welcome to the annual general meeting of Lovisa Holdings Limited.

My name is Michael Kay and I have been the Chairman of the Company since my appointment in April 2016.

Before we commence with the formal business of this meeting could I ask that you kindly turn off your mobile phones.

I would like to take this opportunity to introduce you to my fellow directors:

- Shane Fallscheer, Managing Director;
- Tracey Blundy, Non-Executive Director;
- James King, Non-Executive Director; and
- John Armstrong, Non-Executive Director

A very warm welcome to you John to your first AGM. Shareholders will have seen John's CV in the notice of meeting. I think you will agree that John's digital experience and his success in being part of a team that took Seek from start-up to a market cap of over $6 billion will add enormous value to Lovisa as we open up our online channel and continue our international expansion.

We also have our Company Secretary and Chief Financial Officer Chris Lauder here in attendance, as well as Maurice Bisetto, Partner at KPMG, the Company's auditor.

Before moving to the formal business of the meeting, I will take the opportunity to give you a brief overview of the 2018 financial year. I will then invite our Managing Director, Shane Fallscheer, to present to you his thoughts on the 2018 year and an update on trading.

Following the meeting, my fellow directors and I would be delighted if you would join us for afternoon tea.

I will now deliver my address:

The 2018 financial year saw a continuation of your company's strong performance in 2017. Here are some of the key highlights:

- Net increase of 38 stores to a total of 326;
- 54% of stores now outside Australia;
- Entered two new markets, France and USA;
- Revenue increased 21% year on year to $217m;
- Comparable store sales lifted 6.8%;
- 80% trading margin, 79.1% on a constant currency basis;
- EBIT up by 26% to $51.1m;
- Cash conversion 104%;
- Free cash flow after capex and dividends of $9.9m; and
- Full year dividend up 53% to 27c per share.

I will let our Managing Director, Shane Fallscheer take you through the detail of the year's performance, but suffice to say your Board is delighted with the results management has achieved. The company continues to diversify its earnings geographically and we continue to be encouraged by the reception of our brand and products around the world. All markets performed well in FY2018.

Whilst we usually don't talk much about pilots because they are immaterial to earnings unless we decide to roll out, we do get asked a lot of questions about the USA and we understand this is due to the potential size of the market. So while no decision on roll out has been made, I can say that we are pleased with the performance of our two trial stores in California, the world's fifth largest economy, and we are now extending our trial to at least a further five stores prior to Christmas.

We are also investing in support structures for this market ahead of the curve, which Shane will touch on later.

If we can build upon the start in California and replicate this in other states, the US business clearly has the potential to be a significant part of the future of Lovisa. We are also aware that the consumer spending cycle is currently in our favour in the USA, with low unemployment and some wage growth. The key for us is to ensure we get stores that work in terms of location and size. As has been well publicised, there is an oversupply of malls in the USA, so it is critical to be in the ones that attract strong foot traffic and to be in the right location within those better malls. As a result it's important that we take a measured approach to establishing ourselves in this market.

Turning now to FY2019: the world is in an unusual state; political and trade concerns dominate the news pages, ‘strong man’ leaders are appearing around the world, the European Union is under pressure (not only because of Brexit), social media seems to be driving a new tribalisation and intolerance of other views. In Australia, households are affected by rising power prices, low wage growth, rising mortgage rates and deflating property prices in most major cities. Uncertainty abounds.

Notwithstanding all this, I believe your company can continue to prosper and grow if it remains true to its fundamental purpose of bringing brilliantly inexpensive on-trend jewellery to its customers. Let me add that continuing to expand internationally, where and when it makes economic sense to do so, is an important part of mitigating concentration risk in a world where countries are becoming more inward looking.

Financial year to date we have seen some comparative weakness in the Australian market, which is still a disproportionately large part of our portfolio. This disproportionate reliance on Australian sales will reduce as our international expansion gathers pace.

I said comparative weakness because as shareholders will be aware, we are cycling two years of very strong sales from fashion trends in our sector, which will make delivering the same levels of like for like sales growth more challenging in FY19. This is reflected in our like for like sales for the financial year to date, which are slightly negative to the end of October. Of course, our result in FY 19 will, as always, be largely determined by our performance in the period leading into Christmas. You can rest assured that the considerable and proven skills of the management team are being applied to the task, and that the team remain acutely focused on ensuring that our strong gross margins are maintained and costs remain well managed through whatever market conditions prevail.

An important part of the further development of Lovisa in 2019 is the commencement of online sales. Opening up this sales channel to our customers is an ongoing part of our growth strategy and has the potential to be an important part of our business. Shane will give you more detail in his presentation.

This is my third and last Lovisa AGM. I believe this is the right time for me to step down. I think the business model has been demonstrated to be successful and portable, the company has good support from its shareholders and the market in general and, as Shane will inform you in his presentation, new and highly experienced executives have joined our team. The building blocks are in place.

There is a strategic imperative for Lovisa to dominate its sector: to ensure Lovisa is the major player worldwide in brilliantly inexpensive jewellery. With John joining Tracey and Jim on the Board and the search process ongoing for an additional independent non-executive Director, we have a great diversity of skills and experience in areas that will be key to Lovisa’s future and in trying to accelerate our growth ambitions without compromising the discipline and creativity that sits at the heart of your company's success.

That brings me to the person who will take over as Chairman, Brett Blundy. I know for almost all of you Brett needs no introduction. Brett is almost synonymous with successful retail ventures in this country, from Sanity and Bras and Things to Bridgeclimb, Lovisa and many others. Shane and Brett have worked together in various retail businesses for over 25 years. Brett is also a very significant shareholder in Lovisa and thus its ongoing success is as important to him as to any shareholder. I am delighted Brett has agreed to take the Chairman's role and wish him, the Board, management and staff the very best for the future.

I have been very privileged to have the opportunity to work at Lovisa with a very talented and driven group of people, and to serve the shareholders of this special company. I have learned an enormous amount and thoroughly enjoyed my time at Lovisa. Thank you all very much for the opportunity.

I look forward to watching from the sidelines as Lovisa continues on its mission to give the women of the world the joy and delight of brilliantly inexpensive jewellery.

It is now my great pleasure to introduce our Managing Director, Shane Fallscheer.

Mr Fallscheer, Managing Director

Thank you Michael, and good afternoon everyone.

Michael has touched on the key highlights of the year:

- EBIT up 26% at $51.1 million dollars;
- Net profit after tax up 24% at $36.0 million dollars;
- Like for Like sales up 6.8%;
- Revenue up 21.4% at $217 million dollars;
- Total store numbers as at June 30 were 326, being a net increase of 38 stores; and
- This generated a final dividend of 14 cents per share fully franked.

As revenue for the period was up 21.4% with comparable sales up 6.8%, we once again have enjoyed some key trends within the fashion jewellery sector and being that Lovisa is well positioned to react and deliver to these trends we have capitalised on those opportunities. This has been a major contributor to our continued comparable store sales growth, as well as our improved gross margins. As we've also previously noted, our sales performance for the year also benefited from a strong Christmas and Boxing Day sale period.

Our Gross margin increased to 80.0% up from 78.8% in the prior financial year. This result benefited from the continued favourable currency position combined with on trend product and continued strong inventory management. Looking at our result on a constant currency basis our Gross margin would have been 79.1%.

This margin was achieved through being able to take advantage of the trends in the fashion jewellery market, disciplined inventory management, and strong trading through the Christmas and Boxing Day period.

Whilst our margins are a strength of our business, we'd like to remind everyone that we are a fashion retailer so our margin performance can fluctuate based on the relative success of each range and market factors such as economic conditions and currency, and this therefore remains a key focus.

The company's cash flow was strong with operating cash conversion at 104%. As expected the improvements in stock management drove the majority of the lift, so we would not expect this metric to remain at this elevated level as our growth profile continues. Capital expenditure for the year was $15.3 million dollars predominantly from new store fit outs and refurbishments on existing stores upon lease renewals.

The company's balance sheet continued to strengthen during the year with no debt, strong operating cash flow generation and working capital management all combining to result in a closing cash position of $21 million dollars. This combined with a $25 million undrawn financing facility gives us significant capacity to fund store network growth.

Now to talk to our store growth through FY18. We are pleased to say that as at June 30 we were trading with 54% of our store network outside of Australia. This has grown from 50% of our store network outside of Australia in the year prior, and moving forward we envisage that Australia will become a smaller percentage of our overall business.

We achieved a net increase of 38 stores for the FY18 year and this has included the continuation of our pilot program in Spain, and the commencement of two new pilot markets in France and the United States, as well as the ongoing rollout in the UK and other markets.

In regards to our approach to our ongoing expansion we will continue to take a careful and diligent approach in any new store be it in a new or existing territory. We have our global leasing and store development team in place in our key markets, and we continue to exercise patience in negotiations to deliver both the right store location and achieve the appropriate rental economics.

Moving now to an operational update. We have been busy over the last few months in both recruiting and investing in the people and processes that drive our business. Some of the key investments we've made are listed here, which are important to make sure that we keep ahead of the growth curve and so that our support functions can keep pace with the growing store network.

We have completed the move of our 3PL distribution facility from Hong Kong to Quindao China so that our logistics function is closer to our supplier base. As part of that we have also changed our global freight partner to take advantage of higher service levels as well as better rates as our global logistics requirements increase.

We've also completed the upgrade of our Point of Sale hardware and software systems, as well as implemented a global store labour management and rostering system to help provide a more efficient operating environment.

Furthermore, I am also very pleased to announce that we are now trading online from Lovisa.com into the Australian and NZ markets.

I am also pleased to announce today that we have appointed Mark Cripsey as Chief Operating Officer. Mark will be joining us in November having spent the past 3 years at Myer in various roles including most recently as COO, and prior to that as Chief Digital and Data Officer. Prior to that Mark was General Manager Online at Coles and also spent time with Tesco and Accenture. Mark will be a great addition to the team with particular focus on the operational and support functions of Lovisa.

I can also announce today that we have appointed two new General Manager positions to run both Europe and South Africa and our North American businesses respectively. Both of these new hires will be senior leaders in our business and reflect our continued investment in the structure of the business ahead of the curve to make sure we give ourselves the best chance of long term success.

So to summarise this year's performance we are very pleased to deliver a result with an EBIT of $51.1 million dollars along with a gross margin of 80%. We are managing our Cost of Doing Business well as we continue to invest in the appropriate bench strength and back end systems and processes to deliver the store network and results moving forward. By doing this we have been able to deliver a net profit after tax of $36.0 million dollars with cash conversion of 104%.

Our international expansion continues as we now operate 54% of our store network outside of Australia after net store openings of 38 stores for the FY18 year. This has all led to us being able to pay an increased final dividend of 14 cents per share taking the full year dividend to 27 cents per share.

Moving onto current trading conditions. As we highlighted at the full year results announcement, we have had 4 years of very strong comp sales growth on the back of great execution of some major trends in the fashion accessories market. As a result, comp sales in the current year will be more challenging as we cycle these strong numbers, and year to date we have traded below our long term target range of 3-5%, with comps for the year to date at -0.9%.

We remind everyone that both Spring Racing and especially Christmas are still to come and play a very large part of both our first half and full year's performance, and we continue to remain acutely focused on ensuring that our strong gross margins are maintained and costs remain well controlled as we invest in the future growth of the business.

We have continued our global expansion in the first part of FY19, with 340 stores now trading globally, a net increase of 14 from the end of FY18. We have a strong pipeline of new stores in progress, and expect to be trading from at least 360 stores as we go into Christmas which will include at least 7 stores trading in each of the US, France and Spain.

Given this, we are also confident that the net increase in store numbers for the full year will be higher than that delivered in FY18, particularly given the important appointments we have recently made to support our global plans.

So in summary, our core focus moving forward is to continue to invest in roles required to deliver our growth ambitions while we maintain our focus on sourcing suitable store locations across all of our territories and continue our obsessive focus on delivering on trend product to market.

Before I hand you back to Michael I wanted to also personally thank him for the support that he has given both myself and Lovisa. We are a very different business than the Lovisa that existed when Michael joined the Board, and his experience and leadership will be missed.

So Michael thank you once again.