

# OROTONGROUP

## Preliminary earnings update for the Half Year ended 25<sup>th</sup> January 2014

11th February 2014

**First Half (H1) 2014 EBIT expected to be approximately \$8m with Like for Like (L4L) sales growth of +3% to the prior corresponding period.**

OrotonGroup Limited (ASX code: ORL) advises that it is in the early stages of preparing its financial statements for the half year period ended 25<sup>th</sup> January 2014 and expects to be in a position to release the Appendix 4D and Interim Report for the period, on 11 March 2014.

Expected comparable L4L store sales growth of +3% for the first half vs. the prior corresponding period was a positive result and reflected an improved trend compared to the -4% for the 2013 financial year and the -8% in the second half of that year. These however were again achieved at similar promotional and discounting activity to last year in a continuing discounted market particularly over the peak Christmas and New Year trading period. Gross margin was also impacted by the strategic decision to reduce retail prices towards the end of fiscal 2013 and changes to both channel and product mix.

Group EBIT for H1 2014 is expected to be approximately \$8M compared to a continuing business<sup>(1)</sup> EBIT from the prior year of \$10.5M with the main differences being the start up and early trading costs associated with the investments made in the new Gap and Brooks Brothers businesses and new Oroton stores in Shanghai and Hong Kong together with certain other one off costs associated with the departure of the previous CEO. These extra costs more than offset the savings made to Head Office costs in the period.

The Company confirms its previous guidance for Full Year 2014 EBIT of \$13m-\$15m and based on current trends expects it to be at the lower end of that range. EBIT for the second half of the financial year is expected to be positively impacted by lower store and head office expenses than the prior year in addition to a better trading performance in line with the H1 trend.

A more detailed update will be given as part of the Company Announcement and Investor Presentation to be released on 11 March 2014.

<sup>(1)</sup> Continuing business excludes the effect of the Ralph Lauren business that was discontinued with the expiry of the licence on 30 June 2013.

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