

COUNTRY ROAD

3 NOVEMBER 2011

ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

I joined Country Road in March this year.

I am encouraged by the people, the brand and the business as we develop our future strategy.

This has been a challenging year for retailers in Australia. Higher interest rates, increased living costs, economic uncertainty and a number of natural disasters caused a decline in discretionary spending by consumers. This drove heavy discounting in the retail sector as retailers fought for market share and to clear out of season product. We made a strategic decision to protect margin and to compete in less promotional activity than in the prior year.

Total sales for the year increased by 10.6% to \$411.7 million on the prior year however this was a result of the change in reporting brought about by a structural change of our South African operations. Total Australasian sales were down 2.0% for the year with comparable, like-for-like sales down 10.9%.

We opened three new Country Road and seven new Trenergy retail stores across Australia and New Zealand and four new concession stores in Myer. In addition, two new concession stores were opened in Gauteng in South Africa. We are very excited about the progress of our online store, www.countryroad.com.au, which was successfully launched in August last year.

This was the second year of the Trenergy business. In South Africa, the brand has grown and has been very successful. In Australia, we have expanded the retail network in varying formats. We are still revising the optimal retail format to improve Trenergy's Australian performance.

In anticipation of the retail challenges this year, we have continued to implement significant cost savings and tighten inventory controls. This discipline combined with a stronger currency helped to offset the increased cost of goods coming out of China and India.

Cash flow for the year has been well managed and inventories are very clean. Profit before tax improved by 30% on the prior year to \$22.7 million.

The Year Ahead

The retail outlook remains challenging and our expectations on sales remain conservative. Country Road will continue its disciplined approach and focus on creating and delivering uniquely fashionable quality products at great value in a world class retail environment.

We are committed to improving the returns from our core business. In doing so, we will reduce our cost of doing business by improving business efficiency and driving operational excellence through all internal process.

We will increase our customer base for both brands and continue to reward our valued customers by providing them with expanded ranges of improved product. We will invest in limited new stores and increase our investment in existing stores, rewarding customers for loyalty through improving their current shopping experience. We will also open several new stores in South Africa, including our new South African flagship standalone store in Sandton city, Johannesburg.

The online and digital world is a key business focus and we will continue our journey of enhancing the online customer experience, underpinning the future success of this business channel. Our online store has been successful and we see this as a key growth opportunity moving forward.

Trading update for the period ending 29 October 2011

Australasian trading conditions have been challenging through the first four months of this year with comparable sales down 4.9% (in AUD) against the corresponding period last year. In South Africa our brands continue to trade well with comparable sales for that period up 9.1% and total South African sales up 13.5% (in South African Rand). Total sales for the period were down 0.7%.

We expect the difficult trading conditions to carry on through Christmas. Following yesterday's interest rate reduction we are hopeful for improvement in retail conditions in 2012. We will maintain our continued focus on providing great product to customers, discounting less and strict expense management to ensure appropriate returns to shareholders.

For further information, please contact:

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