HALLENSTEIN GLASSON HOLDINGS LIMITED

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RESULTS FOR FULL YEAR ENDED 1 AUGUST 2016

The Company advises that sales for the 12 months ended 1 August 2016 were $223.51 million which were 0.9% above the prior year ($221.52 million.)
Audited Net Profit after Tax was $13.679 million, a decrease of -21.3% on the prior year ($17.386 million.)

Whilst top line sales were maintained in a very challenging environment for apparel, there were 3 main factors that caused profit erosion:

1. A lower exchange rate has had a negative impact on gross margin which has fallen 3 basis points from 59.3% in the prior year to 56.6% in the current year. We have substantially consumed forward cover at unattractive rates and purchases for the key December trading period will be made at a more attractive rate.
2. Record mild temperatures on both sides of the Tasman during early winter resulted in key winter categories failing to match last year sales. A return to normalised winter temperatures has allowed the Company to trade through winter stocks although this had been at a lower than usual margin.
3. Difficulties in securing effective management for Glassons has caused a lack of product continuity and fashionability which has impacted both sales and margin. That key issue was addressed with the appointment of Di Humphries in April 2016.

Segment Results

Glassons New Zealand

Sales for the year were $83.518 million, down -2.6% on the prior year.
Net Profit after Tax was $5.511 million, down -7.6% on the prior year.
Whilst market conditions were not helpful (in particular an extremely mild winter) the results reflect the difficulties the Company has faced due to management issues.
A significant restructure of the Glassons product team has been completed, and since June 2016 we have begun to see an improved performance in both sales and margin. Sales in New Zealand for the first 6 weeks of the financial year have improved 21% over the prior period. Margin is also showing a strong improvement.
During the year under review 3 key stores in Auckland were refurbished in a new concept format. All have shown growth above the chain average and further stores will be upgraded as lease circumstances allow.
Glassons is well on track to deliver an improved performance for the 2017 year.

Glassons Australia

Sales for the year were $41.181 million, the same as the prior year ($41.190 million). Margin pressure and a record mild winter saw the chain suffer a net after tax loss of -$1.909 million.
The new financial year has seen a much improved performance with same store sales +13% on the prior year.
A careful review of the store portfolio was undertaken during the year resulting in the closure of 2 smaller non-strategic sites subsequent to balance date. Further store rationalisation is under review where costs and performance fail to meet our criteria. Balanced against that has been a strategy to refurbish sites with the new Glassons store concept where leasing opportunities allow. Towards the end of the year under review 3 stores were

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refurbished, and prior to Christmas 2 more stores will be completed. In addition 2 new stores will open prior to Christmas.
The new format stores have clearly demonstrated a capability to outperform the existing format stores and as opportunities arise that concept will be rolled out to other locations.

Hallenstein Brothers

Hallenstein Brothers continue to show sales growth with sales for the year of $89.414 million, an increase of 4.5% over the prior year. The impact of a mild winter coupled with the lower exchange rate resulted in gross margin on sales falling from 60.9% last year to 57.2% in the current year. As a result Net Profit after Tax was $8.529 million, a decrease of -11.3% on the prior year.
Sales for the first 6 weeks of the new financial year are similar to last year.

Storm

Storm sales were $9.397 million, an increase of 4.4% over the prior year. As with other chains in the group, margin pressure resulted in a decline in profitability, with Net Profit After Tax at $868k, a decrease of -7.2%.
At the end of the financial year Storm relocated its store in Willis Street, Wellington to a key site on Lambton Quay. A new store will also open at Queenstown at the end of September. Sales for the first 6 weeks of the new financial year are tracking similar to last year.

E-Commerce

Growth in sales continues to outstrip growth in bricks and mortar stores. For the financial year under review sales grew 24% and now represent almost 7% of group turnover. That growth continues into the New Year with sales currently 26% ahead of the prior year for the first 6 weeks.
We anticipate this rate of growth will continue and have made investment in technology and resource to underpin this growth.

Dividend

The balance sheet remains robust with inventory levels well controlled. Given current trading performance and projected cash flow the Directors have declared a final dividend of 16.5 cents per share (fully imputed) which is unchanged from the prior year.
The dividend will be payable on 2nd December 2016.

Future Outlook

Group sales for the first 6 weeks of the year are +9%. The recovery in Glassons is well underway and we anticipate a much improved profit performance for the current trading period.
A further update will be provided at the annual Shareholders Meeting in December 2016.

Graeme Popplewell, CEO

23 September 2016

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