

Hallenstein Glasson HOLDINGS LIMITED

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24th March 2011

The Directors advise that the unaudited net profit after tax for the 6 months ended 1 February 2011 was \$7.136 million (2010: \$8.548 million), a decrease of 16.5%. Total Comprehensive Income for the year after fair value adjustments was \$6.862 million (2010: \$11.602 million).

Group sales were \$100.612 million (2010: \$102.322 million) a decrease of 1.7%.

The result confirms guidance released to the NZX on 26th January 2011.

Chairman of Directors, Warren Bell commented that “the result has been driven by weaker than expected sales for Glassons in both New Zealand and Australia during the key Christmas trading period. The sales results during this period are critical to achieving our profit and this year we struggled to achieve our targets. Competition was particularly intense in womens apparel and we had to meet the market to ensure our inventory levels remained under control. At the end of the summer season our inventories were \$14.247 million, compared with \$13.572 million last year.

Both Hallensteins and Storm traded well over the Christmas periods and their results reflect that success.”

Cash reserves reduced during the period from \$34.942 million to \$20.177 million. A significant portion of this is due to changes in terms of supply with some of our key offshore suppliers. The volatility in cotton prices has meant that in order to secure fixed contracts on future orders we have had to pay suppliers earlier than in the past. Trade payables reduced by \$3.5 million from year end, and prepayments increased by 5.7 million.

Dividend

The Directors have resolved that the interim dividend remain unchanged at 14 cents per share. This will require \$8.350 million, which although \$1.214 million higher than profit after tax for the period is comfortably managed given the groups cash reserves.

The dividend will be paid on 15th April 2011 to those shareholders registered as at 8th April 2011.

In addition a supplementary dividend of 2.47 cents per share will be paid to those shareholders non resident for New Zealand tax purposes.

Low Ball Offers

We have been advised by our share registrars that parties associated with Mr Bernard Whimp have requested details of our share register.

We are aware that those parties (or others associated with Mr Whimp) have been making unsolicited offers to shareholders of other companies for their holdings at a price well below current market value.

The Securities Commission has issued warnings in respect of some of these offers, and shareholders are warned that if they receive an offer for their shares they should seek professional advice prior to signing any offer document.

Results by Segment

Glassons New Zealand

Sales were 6.1% behind the previous period, and net profit after tax down 24.3%. A difficult trading period over Christmas impacted profit although the stock position at the end of January was similar to the prior year.

Glassons Australia

Sales were -5.6%, and profit after tax fell to a loss of \$652,000.

Glassons Australia experienced similar conditions to New Zealand, and suffered very strong competition in that market for the two months leading up to and during Christmas.

Hallensteins

Sales lifted 3.7% and net profit was up 16.7%.

A new management team implemented a number of changes which brought positive results. Changes included a new advertising agency and new branding.

Storm

Storm sales lifted 27.2% (same store 4.7%). Net profit improved 31.8%.

A new store was added in Willis Street (Wellington) and the brand continues to make very good progress.

Events since 1 February 2011

The Christchurch earthquake on 22nd February has had an impact on turnover to varying degrees in all of the groups 14 stores in Christchurch. As at 24th March, 7 stores remain closed:

Both Hallensteins and Glassons have stores that remain closed in The Palms shopping Centre, South City, and in the central city. Storm has one store closed in the central city. The Palms is expected to re-open in July, and South City in the next few days. The remaining 3 stores in the central city remain uncertain and it could be some time before we are in a position to evaluate the likelihood of them reopening. Insurance for loss of profits and material damage is in place which will protect earnings for the current financial year.

Future outlook

Group sales for the season to date are -3.7% on the prior year. If we adjust for the impact of closed stores in Christchurch then sales are flat on last year.

Glassons in Australia has shown a steady improvement since January which is particularly encouraging given the competition it faces in that market. During the past two months we have refurbished 5 stores in Australia with a new Glassons concept. A further refurbished store opens next week and in April an additional store will open at Hurstville in Sydney. These stores are showing positive results although more time is needed to evaluate their ultimate success.

The general economic environment can best be described as "challenging". The rising cost of food and petrol has an immediate impact on our customers, and any benefit received from lower tax has been offset by price increases in these core consumer items. We have a business with a clean balance sheet, highly experienced management and the strength to compete in what we see will be a very demanding market over the balance of the year.

Thursday 24th March 2011

