

CEO's Address to Shareholders on 13 December 2017

Results for the full year to 1 August 2017

I am extremely proud and honoured to address you today.

I joined Hallenstein Glasson in April, attracted by the opportunity to join a retailer that is future focused, is looking to challenge its market position, is prepared to invest in its business and people – and has a very clear mandate for growth.

As Group CEO, I am acutely aware of the legacy that has been handed to me and to the leadership team. I'm equally aware of the importance of consistency in performance and growth.

Both Hallensteins and Glassons are brands with long histories. Hallensteins dates back to 1873 with its origin in Dunedin, and Glassons was started in Christchurch in the 1900s. In New Zealand alone, we now have 44 Hallenstein Brothers stores and 38 Glassons stores and Storm has 10 stores. Across the group, we now have 123 physical stores together with exceptionally strong and aggressively growing web stores.

Despite the diversity of our brands, they all share the common thread of being innovative, creative, brave and bold. Each brand has a strong and thriving entrepreneurial spirit. This reflects, I believe, the strength of the Kiwi culture and its tenacity. We are now a global player, but our roots and history, whether from Christchurch, Dunedin or more recently Auckland, will continue to play a very important part in our future and are a reminder of our journey.

Whilst the result for 2017 is pleasing, I am delighted with the result so far for 2018. The group has had a strong start across both New Zealand and Australia, which I believe we have been able to deliver through the improvements we have made in our buying strategies, our deliberate move to a focus on fashion, our investment and engagement in digital and our obsession with building on our customer service.

This has been underpinned by our increasing ability to accelerate change and challenge ourselves to be better and different. We have been working hard on this, and we will continue to do so. This is a key strength within the group, and it sets us apart from our competition.

Most importantly, however, the performance you see today is a direct result of the quality and passion of the teams we have across the group, in our offices, our distribution centres, and particularly in our stores, led by the people introduced to you earlier.

Strength of our people and teams:

Everyone who works for the group is central and key to each brand's success and, as a result, to that of the group. We have outstanding, talented and passionate people and teams.

Our culture is one that we work hard on. We are extremely proud, and protective of our culture that values empowerment, creativity, innovation and agility. At Hallenstein Glasson we believe in the power of the team and have a can do attitude.

We are committed to continue building that team, investing in our people and ensuring that we identify and develop our future leadership with an increased focus on succession and career planning. A clear agenda of building talent and sustainability across the business.

Across the group we are Customers Obsessed:

We have a unique product offering, store environment and, I believe, service level, within New Zealand and Australian markets. There is no better reflection of that than when you visit our stores and watch our team engage with their customers.

Our customers expect us to be the first to bring them the international trends they're seeing online – often irrespective of season. They are increasingly connected and engaged globally and aware of what's on trend. We know our continued growth and success depends on us delivering the best fashion, at the best value – and that we must be the first to do so.

To support this, we are building flexibility and agility into our businesses and our sourcing model, and constantly searching for better and different ways to deliver to our customers the fast fashion they demand.

But meeting customer expectations is not just about the dress or t shirts hanging on a rack. We take our obligation of being a good corporate citizen seriously and we are working hard to create a more sustainable business model. As we progress these plans, we look forward to sharing these and our progress with our customers and with you, our shareholders.

Brand experience and engagement is increasingly important:

Globally we are seeing shopping centres transform into much broader lifestyle offerings, or "entertainment and experience centres." While online is, and will continue to be a very significant growth strategy for the Group, there is no question that our physical stores do and will continue to play a critical and very exciting role in our future.

We are ensuring our stores reflect this experiential shift to exceed our customers' expectations. We are obsessed with giving our customers the most exciting & engaging experience we can; delivered through great service combined with innovative and engaging store design and outstanding product.

In the past 12 months we have opened 6 new stores and renovated 4. We have also closed 6 stores as we continue to review and refine our store fleet to ensure we are in the best current, as well as future, locations for our customers. We aim to partner with landlords that share our vision.

We are also introducing technology to simplify the store and shopping experience for both customers and our team – ensuring that we offer an exceptional & exciting retail experience that is seamless and easy.

We continue to Invest in Digital:

We live in a dynamic and highly competitive market where technology is changing the way customers and retailers interact. The pace of change and disruption is forever accelerating. As a group, we are excited about these changes and the opportunities that exist to further differentiate ourselves from the competition.

The Board is fully behind our digital strategy and we have accelerated investment into technology to ensure our goal of establishing a world class online and digital environment, as well as engagement is achieved, and achieved at pace.

In the last 12 months, we have been working hard on improving the customer experience and how we engage with our customers, both in store and online.

The last 6 months have been particularly busy. We have moved our marketing strategies away from the more traditional modes to focus on digital, including social marketing. This allows us to engage better with our customers on their platform of choice, whether that be Instagram, Facebook or Snapchat. We have held two extremely successful influencer events that have driven significant sales and engagement.

Online we have improved our website user experience by creating homepages that are customised to the region where each visitor is located, allowing climate-relevant product to be highlighted.

Other technologies introduced include digital fit guides – helping customers select the product size that is correct for them - and we have launched rich video content so customers can view videos of the products they're most interested in.

In order to make us more customer friendly, we have introduced new, non-traditional payment methods - both in store and online. This has given our customers greater flexibility in how they pay for their purchases.

In reviewing each brand we have seen solid progress over the last 12 months:

Glassons

Glassons is asserting its fashion credentials. The team has, and continues to deliver fashion this season with confidence and speed. I believe this has contributed greatly to our success. Our customers, are becoming increasingly engaged with the brand as we focus on delivering new collections and trends on a weekly basis. This, in turn, has also allowed us to reduce our dependency on promotions.

As we have focused on fashion and speed, we have been investing in the development of our online platform to drive sales, brand awareness and, most importantly, customer engagement. In recognising that we operate in a global market, we transformed our online offering in August which saw immediate success. We will continue to invest and evolve our digital presence on a regular basis.

Our move away from traditional marketing to digital, social and influencer events has engaged with our customer base delivering significant improvements in sales performance, and as importantly, increasing traffic into our stores. This, in turn, has seen a lift in our same store sales growth.

Whilst we invest in digital, we continue to invest in our stores. We recently opened in Melbourne Central and Charlestown, New South Wales. Both, I am delighted to say, are performing well ahead of expectation. In New Zealand, we have recently completed an exciting refit of our Queensgate store.

We are also investing more in our store Teams through training, investment in technology and the support they need to deliver outstanding customer service, all of the time.

Hallenstein Brothers

There has been a significant improvement in performance so far this season. This turnaround has come as we focus the business on fashion, first to market and brand building. We continue to transition our model as we build our leadership position in New Zealand.

Our ranges now drop monthly offering more regular injections of newness and trend product. It is clear from the areas of success that we are having, that innovation in product and design is key in the menswear market, as has been seen in our tailored department.

As the business has evolved, we have been confident to reduce our level of promotions and discounts, allowing a stronger growth in full price sales as well, and pleasingly, in same store sales in our physical stores together with strong online growth.

Digital and online continues to grow within the market. We have driven a content rich, personalised customer experience through emerging trends and technologies and increased brand interactions across social and digital channels.

Over the past twelve months, we have opened 3 new stores in Brisbane. Australia has challenged us to deliver a new retail format which requires faster delivery of product trends as well as brand messaging. We are establishing a formula that ensures the success of the Hallenstein Brothers brand in both Australia and New Zealand.

People are still very much at the heart of the brand. As previously mentioned, we continue to invest in our people and their careers. Additionally we have introduced new technologies such as a new app to train and communicate directly with the whole team, particularly in store. This is supported with a strong development framework, which is seeing our people succeed and be promoted through the business and across the group.

Storm

Following the disappointing performance last financial year, the focus that we are placing on the brand has seen sales improve compared to the second half of last year. There is still significant work to be done, however, the team is committed to ensure the brand returns to growth.

Outlook

As stated earlier, the new financial year has started well and we have seen continuing improvement and growth, particularly on the last quarter of the previous year.

Our sales growth, as you have heard for season to date stands at +16% vs the same period last year, an acceleration on the performance we reported in September.

The sales performance has come from our improved buying strategy, focus on speed, fashion and our customers. This in turn has led to the strong growth in gross profit. Additionally, we continue to have strong cost controls in place.

Web sales continue to grow well ahead of those of our physical stores, and well ahead of market as we continue to engage with our customers and invest in technology. In August we announced that web sales contributed around 9% of sales, season to date they are now sitting at 12% of sales.

The quality of our sales across the group has improved as we continue to see growth in full price product as we focus on fashion, and our customers. Current stock levels are in line with expectations and will allow us to achieve our goals over the busy Christmas season. And although it is too early to predict the overall season with

our busiest period still to come, I am confident that this season will be a success and as Warren stated, net profit could be above the prior summer season by over 50%.

Importantly though, everything we are doing is very much about the future. We are changing our business and ensuring the building blocks are in place that will allow us to grow, and grow consistently across both New Zealand and Australia.

Thank you.

Mark Goddard
Group CEO
13 December 2017