HALLENSTEIN GLASSON HOLDINGS LIMITED
CHAIRMAN'S ADDRESS TO ANNUAL MEETING OF SHAREHOLDERS
18 DECEMBER 2008

LADIES AND GENTLEMAN

Profit after tax for the year ended 1 August 2008 was $15.9 million dollars, a decrease of 25.5% on the 2007 profit of $21.3 million dollars. Group sales were $193.7 million dollars, a decrease of 3.2% on last year.
The retail environment has become increasingly more challenging as the 2008 calendar year has progressed. A global melt down of financial markets, has seen consumer confidence fall to a low not experienced for many years. Whilst we are far from happy with these results, they are unfortunately in common with other apparel retailers throughout the world. Who would have thought we would see an environment where governments around the world are underwriting banks and the USA President and Congress underwriting the USA car industry?

The company's strategy for these times is to strive to maintain market share, reduce costs at every level in the business, and to maintain the strength of our balance sheet. Our current stock levels are at acceptable levels, which is a reflection of the tight focus the company has always demonstrated in this regard. Particular focus is being placed on delivering economies out of our supply chain, and we have highlighted areas for potential improvements that will be realised over the next few months. In the past, we have sometimes been criticised for carrying excess cash on our balance sheet. It is times like these that the benefits of that strategy bear fruit.
While our profit may well be down the heart of the business remains very sound and we have the financial ability to ride out these times.
The inflationary cost pressures in the business are particularly intense, and the impact of annual rent increases based on at least CPI that are being demanded by the major retail landlords cannot be underestimated. In some situations rents are ratcheting to unsustainable levels and we anticipate there will be likely fallout in some shopping centres where tenants that lack financial resources will find it impossible to continue. This will bring to the market new sites that hitherto have been difficult to secure, and we have the financial strength to capitalise on these opportunities as appropriate. We anticipate that the period after Christmas will witness an increased incidence of stress in the retail sector as the recession bites. We can also expect further job losses in the New Zealand economy post Xmas which will impact adversely on consumer confidence.

The medium term strategy to develop the Glassons business in Australia remains intact, although the commencement of any aggressive store rollout program has been put on hold until market conditions improve. We have also reconsidered our decision to move the Glassons buying team to Melbourne, and instead decided to position the team in Auckland early 2009.
When we first made the decision too move to Melbourne over a year ago, we did not anticipate such extraordinary economic times. We anticipated that our base in New Zealand would be secure, and the market in Australia would be conducive to growth. That is clearly not the case, and we have reacted accordingly. Relocating the Glassons buying team to Auckland is seen as a necessary move to give the company access to people and sourcing

resources. We need the very best people we can attract, and it is an unfortunate fact that there is only a very small talent pool for such specialised positions in Christchurch. Having our Glasson buyers living and working in New Zealand's largest market will also be a positive. The balance of the Glassons Head Office and distribution team will remain in Christchurch. On a positive note, our fledging Storm chain has continued to develop potential with a further site in Milford, Auckland opened in October. The current environment is also beginning to deliver to the market site opportunities for this chain and we have further sites under active consideration.

CEO
In September this year we accepted the resignation of Shayne Quanchi. In her stead, we have appointed Mr Roy Dillon as acting CEO. The current environment demands that we have a person at the helm that has a deep understanding of the business and the market. By way of background, Roy has completed approximately 8 years as a director of the company, and up until accepting his "acting CEO" position, was the Managing Director of our menswear chain, Hallensteins. The board has a number of initiatives that it has requested Mr Dillon to focus on. Those initiatives include "settling in" a new General Manager for Hallensteins, relocating the Glassons buying office to Auckland, and focussing on improving our Glassons Australia trading performance. We are very fortunate that we have someone of Mr Dillon's ability and experience in these challenging times.

Store Openings/closure

During the year, 4 stores were closed:
Hallensteins closed at Papamoa and Shore City (Auckland), Glassons closed Papamoa, and Glassons Australia closed at Chadstone but will reopen next year after mall development is completed.

New stores added during the year were:

Hallensteins:	None
Glassons NZ:	Westfield Albany (Auckland)
Glassons Australia:	Geelong

A total of four new stores have been opened since August:

Storm	at Milford, Auckland
Hallensteins	at Westgate, Auckland
Glassons Australia	at Doncaster, Melbourne
Glassons NZ	at Blenheim

That takes total store numbers to 113:

Hallensteins	46
Glassons NZ	37
Glassons Australia	26
Storm	4

CURRENT TRADING

Sales for the period 2 August to 14 December 2008 are tracking -4%. We have seen a slight pick up of sales during November as falling fuel prices in particular reach our consumers pockets, but the intense battle for the consumer's dollar has meant sales have been achieved on a lower gross margin. Margin for the half to date is running some 2.5% points below last year. However, December trading is the "real key" particularly the "lead up" to Christmas.
Because the next few weeks are so critical to our financial result, we are unable to give you an accurate project of profit for the first half. However we can say that given current sales trends, coupled with a drop in gross margin the profit will be significantly down on last year. A further update will be announced to the NZX in Late January 2009.

COMMUNITY PROJECTS

The Company continues to support the community, with the Glassons Breast Cancer T program raising almost half a million dollars again this year.
Hallensteins also donate each year to the Antarctic Heritage Trust through the sale of its Scott Base range of clothing. To date over $400,000 has been donated to this project. This money goes towards the upkeep and preservation of the original expedition bases at Antarctica.
We have asked Nigel Watson, executive director of the Trust to give you a brief insight into the work the trust does later at this meeting.

DIVIDEND

The final dividend for the 2008 year of 10 cents per share was paid on 12th December 2008. Total dividend for the year was 27 cents per share, or a total payout of $16.1 million. This was slightly more than total tax paid earnings for the whole year.
Our policy will remain to pay a dividend commensurate with the financial performance of the company and our capital requirements. Clearly, our sole objective is to get earnings back to more normal historic levels. Our financial strength allows us to continue to pay close to 100% of after tax profits, but we do not consider it prudent to go beyond this level and consume cash reserves in order to increase the amount of dividend payment in these difficult times.

OUTLOOK

The outlook for 2009 is expected to be difficult, with the lower NZ dollar exchange rate and higher domestic unemployment both expected to impact adversely on the New Zealand retail environment in 2009. The world economic recession will take some time to work through, but we have a very strong balance sheet to withstand this difficult time. Longer term, lower interest rates and personal tax reductions must help. Meanwhile we will stay very focussed on doing the "basics well" and to the best of our ability.