

CHAIRMAN'S ADDRESS TO SHAREHOLDERS ON 12 DECEMBER 2018
RESULTS FOR FULL YEAR ENDED 1 AUGUST 2018

Group sales for the 12 months to 1 August 2018 were \$277.64 million, resulting in a very strong increase of 16.2% over the corresponding period last year (\$239.00 million). The audited net profit after tax for the year was \$27.36 million, an increase of 58.4% over the corresponding period last year (\$17.27 million). An excellent result across the Group, with all three chains performing strongly. Well done to all our people "in all our chains".

The 2017/18 financial year has continued to build on the success of the previous year. The buying strategy, investment in digital and the improvements in customer service and experience that were implemented in 2017 have supported this sales and margin growth. Combined with tighter cost control, this has in turn led to a significant lift in bottom line, net profit. Whilst the trading environments remained tough in both New Zealand and Australia, our brands responded well and adapted to these conditions to deliver this strong result.

Segment Results

Glassons New Zealand

Sales for the Glassons New Zealand chain for the financial year were \$96.73 million, an increase of 8.1% on the prior year. The Glasson New Zealand chain made a pre-tax profit of \$14.80 million, on these sales. The prior year it made a pre-tax profit of \$11.30 million. Key to this strong performance over that period has been our focus on fashion, our speed to market and our customer service.

Significant investment was made in digital throughout the year, improving customer engagement with our website, social media platforms, as well as our in store customer experience.

During the last financial year, we refitted the Glasson Queenstown and Queensgate stores to our new concept design, and closed one underperforming store in Henderson, Auckland.

Also, our Dunedin Glassons store has just been refitted to reflect our new model store format. Further planned store investment is planned in New Zealand after Christmas (i.e. 2019). Mark will talk further on this shortly.

Currently there are thirty seven Glassons Stores spread throughout New Zealand, including three clearance centres.

Glassons Australia

Sales for our Glassons Australia chain for the year were \$78.42 million, an increase of 56.7% on the prior year.

Its pre-tax profit was \$11.16 million, compared to \$1.93 million the year before.

This was an outstanding result and a credit to all involved in the Glassons Australia business. We continue to evolve our product offer in Australia, which is strongly focused on what our Australian customer wants. This increased customer focus, together with our innovation in customer service, investment in digital and speed to market drove sales in what remains an increasingly challenging retail market, over there.

During the last financial year, two new stores, Melbourne Central and Charlestown, were opened and a further two stores, Warringah and Chermshire, were refurbished into our new concept.

Planned store investment will continue in Australia. We have refurbished three existing stores in the new summer season in Bondi, Highpoint and Parramatta Malls to our new model store format, and additional refurbishments are scheduled for next year. There have also been two new store openings in The Glen (Melbourne) and Liverpool (Sydney) shopping centres and some other stores are currently under consideration.

This brings the total Glassons stores in Australia to 32, of which 4 are clearance centres. There is 13 Glasson Stores in Sydney, 13 in Melbourne, and 6 in Queensland (Brisbane and the Gold Coast).

Hallenstein Brothers

Hallenstein Brothers also delivered a strong performance.

Sales for the menswear chain for the year were \$96.89 million (including Australia), an increase of 6.4% on the prior year. The chain made a pre-tax profit of \$12.41 million, compared to \$10.43 million the year before. Hallenstein Brothers continues to build on its established market leading position in New Zealand. In Australia, the three stores in Brisbane are steadily building turnover, and market presence. We remain positive about the opportunity that exists for the brand in that market. Investment has also continued in digital to help drive sales and improve customer engagement.

During the year, the Queenstown store in New Zealand was refurbished to its new format concept and two small underperforming, non-strategic stores were closed. A new store will also be opened in Frankton, Queenstown in the New Year.

Further investment in Hallenstein Brothers stores is planned for next year and an extension to the Distribution Centre was completed in November that will accommodate the growth in throughput and online sales.

The Hallenstein Brothers business currently has 42 stores in New Zealand, 3 of which are clearance centres and 3 stores in Queensland, Australia.

Storm

As previously advised The Storm business assets were sold on 30th April 2018 to Blackstar Holding Limited. The Storm retail stores are now no longer part of the Hallenstein Glasson Group.

E-Commerce

As a result of the company's ongoing investment in digital, online sales growth has improved significantly. During the last financial year, just completed, it represented approximately 12.8% of Group turnover. We will continue to invest in technology and resources to keep building momentum and ensure it is properly integrated with each chain's physical store customer offer.

Dividend

The Directors have declared a final dividend of 24 cents per share (fully imputed) to be paid on 17th December 2018. Together with the interim dividend of 20 cents per share that was paid on 13th April 2018, the full year dividend is 44 cents per share, (compared to 31.5cents per share the previous year). This increase in dividend payment comes as a result of the company's strong trading performance, its inventories being well controlled, and its strong balance sheet and cash position.

Future Outlook

While the trading environment in both New Zealand and Australia remains challenging, the sales for first 18 weeks of the new financial year (from 2 August 2018 to 9 December 2018) are 4% ahead of the same period last year. However, because the December and January key trading months, which contribute such a large proportion of sales and profit for the season, are largely still ahead of us, it is not possible to reliably forecast our results.

The outlook for the second half of the year remains uncertain as increasing costs (such as fuel, freight, electricity etc) and the lower New Zealand and Australian dollar puts pressure on our trading margins. We will however remain focused on improving our market share and customer experience in the New Zealand and Australia fashion apparel markets in which we operate, and keep a tight control over our operating costs. We will also work to ensure our Glassons and Hallenstein Brothers brands remain market leaders in their respective market segments.

We will provide a further trading update at the end of the summer season, which ends on 1 February 2019, when actual summer season results will be known in late February 2019.

In closing I would like to thank the Hallenstein Glasson Executive Team and all our staff, for the excellent 2018 trading result that they delivered. It was a tremendous effort by everyone.

Warren Bell
Chairman
12 December 2018