HALLENSTEIN GLASSON HOLDINGS LIMITED

Chairman's Address to Shareholders on 13 December 2017

Results for the full year to 1 August 2017

The company advises that Group sales for the 12 months to 1 August 2017 were $239.00 million, an increase of 6.93% over the corresponding period last year ($223.51 million).

The audited net profit after tax was $17.27 million, an increase of 26.24% over the corresponding period last year ($13.68 million).

The 2016/17 financial year showed solid growth over the prior year with the first half being stronger than the second half. The improved buying strategy, focus on cost control and a favourable exchange rate led to the significant net profit improvement. The trading environment was tough in both New Zealand and Australia, however the brands adapted and responded to these challenges to deliver the strong result.

Glassons New Zealand

Sales for the year were $89.50 million, an increase of 7.16% on the prior year. Although the second half was not as strong as the first, Glassons New Zealand continued to deliver margin growth. A key driver in performance over the 12 months was an improvement in fashionability and speed to market which has continued into the current season. During the year a new store was opened in Christchurch CBD and one underperforming store in Glenfield was closed. In the new financial year our Queensgate store in Wellington has been refurbished resulting in an improved trading performance, after the Mall itself reopened after extensive earthquake damage had been repaired.

April Pokaia was appointed Glassons New Zealand CEO in November and she has been fully immersed in the brand to ensure a strong result for the peak trading period is delivered. April has taken over from Di Humphries, and has previously worked with the Glasson business prior to rejoining us.

Glassons Australia

Sales for the year were $50.06 million, an increase of 21.57% on the prior year. The strategy to roll out the new concept stores in Australia has been successful along with the improved fashionability and speed to market. This has resulted in continued growth in Australia despite a particularly tough market for retail. The store portfolio continues to be reviewed and in the last financial year there has been 3 new stores opened, 3 non profitable stores closed, and 6 stores refurbished to the new concept format. We are continuing to invest in Glasson Australia, and in this new financial year have opened our first Australian CBD store in Melbourne (Melbourne Central) and a new store in Charlestown near Newcastle.

Hallenstein Brothers

Sales for the year were $91.10 million (including Australia), an increase of 1.89% on the prior year. The increase was driven by a much improved second half as the brand refocused and continued to differentiate itself in the menswear market. Hallenstein Brothers continues to build on its established market position in New Zealand and during the last year has opened 3 new stores in Queensland Australia. We will continue to review and “fine tune” the menswear chain performance in Queensland Australia and monitor their performance before opening any further stores. In New Zealand two new stores were opened in Newmarket, Auckland, and Christchurch CBD and one underperforming store was closed in The Hub, Hornby, in Christchurch. Performance in Christchurch CBD has continued to improve with shoppers returning as more stores have opened in the Central City. Hallensteins Queensgate store has also seen a refit following the Queensgate mall being repaired for earthquake damage.

Storm

Sales for the year were $8.34 million, a decrease of 11.24% on the prior year. Sales struggled to maintain momentum during the last financial year due to tough trading in a highly competitive segment of the market. This has not been helped by major infrastructure works around 3 key Auckland stores which has had a material impact on trade. A review of the brand was carried out towards the end of the year and the decision made to close the Storm Chapel Street store in Melbourne, Australia and focus the Storm management team on the brand here in New Zealand. This has seen New Zealand trading improve. A Christchurch CBD Storm store opened this year replacing the temporary Christchurch Container Store and a new store was opened in Queenstown. One-off costs associated with the closure of Storm’s Chapel Street store in Melbourne have been absorbed in the last financial year’s results. Trading continues to be tough in this sector of the market but emphasis has been placed on re- focusing the Brand on its market positioning, and improving its product offer.

E-Commerce

Online sales continue to grow at a significantly greater rate than bricks and mortar stores, as a result of the company's commitment to build and invest in digital. For the last financial year online sales represents over 9% of Group turnover. The growth has continued into the new financial year with "online" sales representing almost 12% of group turnover. We anticipate this growth will continue supported by further investment in technology and resources in this area to ensure the momentum continues in this strategic area of the business.

People

The financial year under review saw Graeme Popplewell retire as Group Managing Director, after an outstanding career with the Company over many years of service. We again would like to thank Graeme for his outstanding contribution. We were fortunate to secure Mark Goddard to replace Graeme with Mark joining us in April 2017. Mark comes to us with an outstanding "pedigree" in the retail industry. He has worked in various roles in the Australian retail environment, and more recently spent some time working in Japan. Welcome to you Mark, and we know you will provide the Group with strong, and innovative leadership, through this dynamic and ever changing retail environment.
Mark has supporting him within the various retail brands management teams, a very talented team of passionate leaders of which we, the board, are very proud.

Dividend

The balance sheet continues to be strong, with inventories well controlled. Current trading performance has allowed the company to increase the year end dividend payment.The Directors have declared a final dividend of 17 cents per share (fully imputed) to be paid on 18th December 2017. Together with the interim dividend of 14.5 cents per share paid on 13th April 2017 the dividend for the full year is 31.5 cents per share.

During the year capital expenditure was $12.138 million, which was considerably higher than historic levels of circa $6 million. This was primarily due to a higher number of new and refurbished stores in Australia, together with relocating all three brands back to the Christchurch CBD.

Future Outlook

The first 19 weeks of the new financial year has seen sales grow +16% on the prior year. The improved buying strategy of the individual brands has allowed the gross margin rate to also increase on last year. Customers have reacted well to our new seasons product offer and web sales continue to show increased rates of growth. Should this current trading momentum continue through to 1 February 2018, the full summer season trading result (i.e. net trading profit) could be more than 50% ahead of the prior year's corresponding period. A further trading update will be provided at the end of the summer season,when actual results are known, in February 2018.

Warren Bell

Chairman of Directors

13 December 2017