

13 May 2020

PHASED REOPENING OF STORES AND ONLINE SALES INCREASE

On 26 March 2020 Hallenstein Glasson Holdings Limited announced the closure of our New Zealand retail stores and web shops, in line with the restrictions of Level 4 at the time. In Australia due to the impact of Covid-19 and the adverse impact on sales, stores also closed from 26 March 2020.

The Company announces that from Thursday 14 May there will be a phased reopening of our New Zealand store network for both the Glassons and Hallenstein Brothers brands with strict protocols in place. In Australia, we have started to progressively open stores as we navigate the various restrictions and consumer dynamics at a State level. Across our retail networks we will be adhering to the respective Government directives and our priority will be the health and safety of our team members and our customers.

Although our physical stores were closed to the public, we have been able to successfully trade our Glassons.com web shop in Australia throughout this period. In New Zealand we opened both Glassons.com and Hallensteins.com on 4 April, following approval from the Government, to initially sell essential product and then our full product offering from Tuesday 28th April. Our business has responded strongly to the change in consumer behaviour during this time and how we connect to our customers. We have experienced significant growth in our online channel, compared to prior to the Covid-19 situation. With the work we have undertaken on our digital supply chain, building the new Glassons Fulfilment Centres in Sydney and Christchurch and expanding Hallenstein Brothers in Auckland, we were able to easily lift capacity to meet the increased demand. We will continue to prioritise investment in this part of our business. We believe that the significant increase in our online business most likely marks a permanent shift in consumer habits in New Zealand and Australia and we expect our online sales to represent a much larger share of our total sales in the future.

The sales for the first 14 weeks of the current season, from 2 February 2020, are down approximately 32.1% on the same period last year. This includes the period when all stores were closed in both New Zealand and Australia. Profit after tax for the quarter, 2 February to 30 April 2020, is estimated to be a loss of approximately \$2.8 million. With stores reopening this week we anticipate to trade profitably from May onwards although we are expecting that to be at a lower level than the same period last year due to a likely decrease in foot-traffic, increased levels of unemployment and related economic impacts.

Since March the business has taken a number of steps to preserve liquidity including:

- Lowering our planned stock intake in line with reduction in sales.
- Reducing operating and labour costs.
- Applying for the New Zealand Government funded wage subsidy and Australian Jobkeeper payments.
- Placing capital projects on hold awaiting a better understanding of future performance.
- Negotiating with landlords to align appropriate arrangements to reflect the changing market conditions.
- Directors, Executives and Leadership Teams have agreed to a short-term reduction of their salaries.

We would like to acknowledge our people; I am very proud of the agility they have shown and their ability to constantly reassess how we go about managing the business. Their commitment, professionalism and performance during this difficult time has been exemplary.

Mary Devine

Group Managing Director