

<b>Michael Hill International Limited</b>	
<b>Results for announcement to the market</b>	
Reporting Period	6 months to 31 December 2006
Previous Reporting Period	6 months to 31 December 2005

	Amount \$NZ'000	Percentage Change %
Revenue from ordinary activities	199,624	21.2%
Profit from ordinary activities after tax attributable to members	15,331	31.0%
Net profit for the period attributable to members	15,331	31.0%

	Amount per security	Imputed amount per security
Interim dividend for half-year ended 31 December 2006	10c	4.9254c
Record date	23 March 2007	
Dividend payment date	2 April 2007	

Michael Hill International Limited's accounts attached to this report have been reviewed and are not subject to any qualification. A copy of the review report applicable to the half year financial statements is attached to this announcement.

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**CHAIRMAN'S STATEMENT**

## Results for the Half Year to 31 December 2006

### ***Profit Announcement***

Michael Hill International today announced a tax paid profit of \$15.331m for the six months ended 31 December 2006 compared to \$11.701m for the previous corresponding period.

### ***Performance Highlights***

- Operating revenue of \$198.941m up 21.5%
- EBIT of \$24.104m up 36%
- Net profit after tax of \$15.331m up 31%
- Eleven new stores opened during the six months
- Fully imputed interim dividend of 10 cents up 11%

### ***New Zealand Retail Operations***

The New Zealand retail segment increased its revenue by 10.5% to \$54.256m for the six months with earnings before interest and tax (EBIT) of \$8.116m an increase of 23.4% on the corresponding period last year.

The operating surplus as a percentage of revenue increased from 13.4% to 15.0%.

Same store sales during the six months increased by 7.6% (last year 1.5% increase).

There were 50 stores operating in New Zealand at 31 December 2006.

### ***Australian Retail Operations***

The Australian retail segment increased its revenue by 21.4% to NZ\$129.939m for the six month period with EBIT of NZ\$15.070m compared to NZ\$11.911m for the previous corresponding period.

The operating surplus as a percentage of revenue increased from 11.1% to 11.6%.

In Australian dollars, total revenue improved 13.8% with same store sales up 5.5% for the six months (last year 2.4% decrease).

Seven new stores were opened in Australia during the period, as follows:

- Kotara , New South Wales
- Smithfield, Queensland
- Noosa Civic, Queensland
- Hollywood Plaza, South Australia
- Rosny Park, Tasmania
- Brimbank Central, Victoria
- Midland Gate, Western Australia

In total there were 123 stores operating in Australia as at 31 December 2006.

### ***Canadian Retail Operations***

The Canadian operation improved its revenue 92.3% for the six months to NZ\$14.396m.

In Canadian dollars total revenue improved 76.6% and same stores sales increased 4.2% for the six months (last year 6.3%).

There was an operating surplus of NZ\$0.502m for the six months compared to NZ\$0.003m for the previous corresponding period.

Four new stores were opened during the period:

- Kingsway Gardens, Edmonton, Alberta
- Marlborough Mall, Calgary, Alberta
- Pine Centre, Prince George, British Columbia
- Parkland Mall, Red Deer, Alberta

There were 16 stores open at 31 December 2006.

### **Interim Dividend**

The Directors are pleased to announce an interim dividend of 10¢ per share (2006 - 9¢), with full imputation credits attached for New Zealand shareholders and full franking credits for Australian shareholders. The dividend will be paid on Monday, 2nd April 2007 with the record date being Friday 23 March 2007.

### **Cash Flows / Balance Sheets**

The Group has reported net operating cash flows of \$32.064m for the six months, compared to \$15.952m for the previous year.

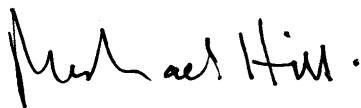
The Group's balance sheet is very sound with an equity ratio of 49.3% as at 31 December 2006 (45.3% in 2005) and a working capital ratio of 3.2:1 (2.9:1 in 2005).

### **Summary**

The Directors were pleased with the result for the six months which was achieved with a focus on "same store" revenue growth and margin management which impacted significantly on the second quarter.

The Group's philosophy of controlled profitable growth will continue and further new stores are being evaluated for all three countries as opportunities arise.

The Directors remain confident in the continued growth and profitability of the group.



R.M. Hill 22/02/2007

Chairman

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STATEMENT OF FINANCIAL PERFORMANCE	Consolidated Statement of Financial Performance		
	Current half year \$NZ'000	% Change	Previous corresponding half year \$NZ'000
<b>Revenue</b>			
Revenue from continuing operations	198,941	21.5%	163,702
Other revenue	683	(34.5%)	1,042
Total operating revenue	199,624	21.2%	164,744
<b>Expenses</b>			
Cost of goods sold	( 81,711)	15.8%	( 70,557)
Employee benefits expense	( 48,671)	23.4%	( 39,454)
Occupancy costs	( 13,119)	24.5%	( 10,535)
Depreciation and amortisation expense	( 3,634)	11.4%	( 3,263)
Loss on disposal of property, plant & equipment	( 171)	163.1%	( 65)
Other expenses	( 27,779)	24.2%	( 22,374)
Finance costs	( 2,115)	47.2%	( 1,437)
<b>Profit before income tax</b>	22,424	31.5%	17,059
Income tax expense	( 7,093)	32.4%	( 5,358)
<b>Profit attributable to members of Michael Hill International Limited</b>	15,331	31.0%	11,701

**INCLUDED IN STATEMENT OF FINANCIAL PERFORMANCE ABOVE**

Interest income	436	373.9%	92
Net foreign exchange (loss) / gain	( 446)	(4560.0%)	10
Depreciation	( 3,330)	14.5%	( 2,908)
Amortisation	( 304)	(14.4%)	( 355)

EARNINGS PER SECURITY	Earnings Per Security	
	Current half year Cents	Previous corresponding half year Cents
Basic EPS	39.1	30.2
Diluted EPS	38.8	29.6

DIVIDENDS	Dividends	
	Current half year \$NZ'000	Previous corresponding half year \$NZ'000
Final dividend for the year ended 30 June 2006 of 14 cents (2005 - 14 cents) per fully paid share paid on 16 October 2006 (2005 - 17 October 2005).	5,646	5,433
<b>Total dividends provided for or paid</b>	5,646	5,433

STATEMENT OF FINANCIAL POSITION	Consolidated Statement of Financial Position		
	At end of current half year \$NZ'000	% Change	At end of previous half year \$NZ'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8,231	(37.4%)	13,141
Trade and other receivables	9,113	(35.5%)	14,131
Inventories	109,089	17.8%	92,573
<b>Total current assets</b>	126,433	5.5%	119,845
<b>Non-current assets</b>			
Property, plant and equipment	27,689	17.7%	23,526
Deferred tax assets	6,851	9.8%	6,239
Intangible assets	1,335	(20.7%)	1,683
<b>Total non-current assets</b>	35,875	14.1%	31,448
<b>Total assets</b>	162,308	7.3%	151,293
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	36,356	1.0%	36,008
Current tax liabilities	1,813	(59.2%)	4,448
Provisions	1,600	6.2%	1,506
<b>Total current liabilities</b>	39,769	(5.2%)	41,962
<b>Non-current liabilities</b>			
Borrowings	41,317	4.0%	39,731
Provisions	1,209	11.8%	1,081
<b>Total non-current liabilities</b>	42,526	4.2%	40,812
<b>Total liabilities</b>	82,295	(0.6%)	82,774
<b>Net assets</b>	80,013	16.8%	68,519
<b>EQUITY</b>			
Contributed equity	13,858	14.3%	12,124
Reserves	(341)	(307.9%)	164
Retained Profits	66,496	18.3%	56,231
<b>Total equity</b>	80,013	16.8%	68,519

NET TANGIBLE ASSETS	Net Tangible Assets	
	Current half year \$/ Share	Previous corresponding half year \$/ Share
Net tangible assets	\$2.01	\$1.73

STATEMENT OF CASH FLOWS	Consolidated Statement of Cash flows	
	Current half year \$NZ'000	Previous corresponding half year \$NZ'000
<b>Cash flows from operating activities</b>		
Receipts from customers (incl. GST)	220,636	162,607
Payments to suppliers and employees (incl. GST)	(181,091)	(145,231)
Interest received	442	92
Other revenue	281	42
Interest paid	(1,811)	(1,547)
Income tax paid	(4,215)	(2,843)
Net goods and services tax paid	(2,178)	2,832
<b>Net cash inflow from operating activities</b>	<b>32,064</b>	<b>15,952</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	154	126
Payments for property, plant and equipment	(5,712)	(5,139)
Payments for intangibles	(103)	(239)
<b>Net cash outflow from investing activities</b>	<b>(5,661)</b>	<b>(5,252)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	7,006	11,828
Proceeds from share options exercised	-	549
Repayment of borrowings	(23,354)	(11,828)
Dividends paid to company's shareholders	(5,646)	(5,433)
<b>Net cash outflow from financing activities</b>	<b>(21,994)</b>	<b>(4,884)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,409</b>	<b>5,816</b>
Cash and cash equivalents at the beginning of the financial year	4,088	7,234
Effects of exchange rate changes on cash and cash equivalents	(266)	91
<b>Cash and cash equivalents at the end of year</b>	<b>8,231</b>	<b>13,141</b>

STATEMENT OF CHANGES IN EQUITY	Statement of Changes In Equity	
	Current half year \$NZ'000	Previous corresponding half year \$NZ'000
<b>Total equity at the beginning of the financial year</b>	74,759	61,080
Profit for the year	15,331	11,701
Exchange differences on translation of foreign operations	( 4,434)	617
<b>Total recognised income and expense for the year</b>	10,897	12,318
<b>Transactions with equity holders in their capacity as equity holders</b>		
Contribution of equity		549
Dividends provided for or paid	( 5,646)	( 5,433)
Option reserve movement	3	5
<b>Total equity at the end of the financial year</b>	80,013	68,519

ISSUED AND QUOTED SECURITIES	Issued Securities			
	At end of current half year No. of Shares	At end of previous half year No. of Shares		
<b>Ordinary Shares:</b>				
Fully Paid	39,308,600	38,758,600		
Treasury stock held for employee share scheme	( 75,654)	( 91,436)		
	39,232,946	38,667,164		
Options exercised during the half year		150,000		
<b>Issued Options:</b>	Issued	Quoted	Exercise Price	Expiry Date
Options issued 22 August 2002	200,000		\$6.15	30/6/08

SUBSIDIARIES	Subsidiaries		
	Current half year % Ownership	Previous corresponding half year % Ownership	
<b>Name of Entity</b>			
<b>Country of Incorporation</b>			
Michael Hill Jeweller Limited	New Zealand	100%	100%
Michael & Company Limited	New Zealand	100%	100%
Michael Hill Trustee Company Limited	New Zealand	100%	100%
Michael Hill Jeweller (Australia) Pty Limited	Australia	100%	100%
Michael Hill (Wholesale) Pty Limited	Australia	100%	100%
Michael Hill Manufacturing Pty Limited	Australia	100%	100%
Michael Hill Jeweller Limited	Canada	100%	100%