

MARKET RELEASE TRADING UPDATE TO 31 DECEMBER 2016

- The Group achieved a total store sales increase of 5.7% for the 6 months to 31 December 2016 and same store sales growth of 1.0%
- The Michael Hill brand delivered total store sales growth of 4.6% and same store sales growth of 1.0% for the 6 months
- The Emma & Roe brand achieved total store sales growth of 71.9% and same store sales growth of 1.1% for the 6 months
- Eight Michael Hill stores and eight Emma & Roe stores were opened during the period giving a total of 329 stores trading at the end of the half, made up of 305 Michael Hill stores and 24 Emma & Roe stores
- Ten Michael Hill and six Emma & Roe stores are scheduled to be opened in the second half. This will result in 32 new stores opening for the year which is well above the 19 stores opened last year. The growth in store numbers is coming primarily from Canada where we are trying to secure the remaining available sites and also from the ramping up of Emma & Roe growth

SUMMARY

The Group continues to grow same store sales, expand its store footprint for both the Michael Hill and Emma & Roe brands, and maintain solid gross margins.

Trading for the half ended on a solid note with December's same store sales up 2.5% for the month. This was achieved against a back drop of choppy macro conditions in our various geographic markets and higher than usual competitor discounting in Australia and Canada.

The Michael Hill brand saw our Canadian segment continue to impress with strong same store sales growth, and when combined with five new store openings will place this business in a sound position to lift EBIT margin growth. NZ had a tougher half this year after a strong performance last year but the business remains in good shape with an experienced and high performing management team in place. Australia likewise had a bumpy half but is positioned to perform solidly in the second half. The US business will require some extra focus in the second half to correct its results from the first half, and this effort will be led by our North American President, Brett Halliday who has been doing a great job of running our Canadian segment for many years now.

Our Emma & Roe brand continues to grow in Australia and reached 24 stores at the end of the half. While same store sales were relatively flat for the half we have secured and opened some excellent new store locations in both Queensland and NSW and this will allow us to increase our marketing spend in the coming 12 months as critical mass is achieved in each advertising region.

GROUP SALES

Revenue from the sale of goods and services for the 6 months to 31 December 2016:

The following figures are in Australian dollars	Last Year	This Year	% Var
Michael Hill same stores	299,687,116	302,698,162	1.0%
Emma & Roe same stores	4,288,549	4,334,556	1.1%
Total same stores	\$303,975,665	\$307,032,718	1.0%
Michael Hill all stores	305,406,527	319,395,515	4.6%
Emma & Roe all stores	5,086,400	8,745,235	71.9%
Total all stores	\$310,492,927	\$328,140,750	5.7%

Exchange rates used for the 6 months:

New Zealand	1.09	1.05
Canada	0.96	0.99
United States	0.72	0.75

MICHAEL HILL BRAND

- Our Canadian segment traded strongly for the half and reported same store sales growth of 7.4% in local currency and total store sales growth of 17.8%. It appears we are continuing to take market share in this market as the competition continue to struggle. Five stores were opened during the period giving a total of 72 at the end of the half and another eight stores are planned to open in the second half.
- The New Zealand segment finished down 1.5% for the half, however importantly the month of December produced sales growth over last December which was pleasing. One new store opened in Christchurch giving 53 stores trading at the half year.
- The Australian segment achieved same store sales growth of 0.3% for the half which was below our expectations however December produced a solid result with same store sales growth of 1.3%. Many competitors went on sale earlier than normal in December to try and bolster pre-Christmas sales however we resisted that trend and focused on maintaining good quality sales and gross margin in this critical period. Two new stores opened in Australia giving a total of 170 open at 31 December.
- Our US business had a poor December quarter and we finished the half 8.8% down for the same stores. We continued to experiment with our marketing and merchandise strategies during the half and are confident that along with the recent changes to the leadership team, this will enable us to improve our results in the second half. With continued consolidation of jewellery industry in the US the company still sees a good opportunity for our company in this large and lucrative market.

In Australian dollars, the Michael Hill brand reported same store sales growth of 1.0% for the half year. Eight new Michael Hill stores opened during the half, with 305 Michael Hill stores trading at the end of the half year. There are plans to open ten more stores in the second half of FY17 mostly in the Canadian market.

Michael Hill same store figures in local currency

		Last Year	This Year	% Var
Australia same stores	AUD	175,815,152	176,401,267	0.3%
New Zealand same stores	NZD	67,890,133	66,904,510	(1.5%)
Canada same stores	CAD	49,759,408	53,448,907	7.4%
United States same stores	USD	7,127,356	6,499,020	(8.8%)

Michael Hill all stores figures in local currency

Australia all stores	AUD	176,828,837	182,222,998	3.1%
New Zealand all stores	NZD	67,893,044	67,043,018	(1.3%)
Canada all stores	CAD	53,824,078	63,405,647	17.8%
United States all stores	USD	7,480,601	7,035,776	(5.9%)

EMMA & ROE BRAND

Emma & Roe achieved store sales growth of 71.9% and same store sales growth of 1.1% for the half year and eight new stores were opened during the period as we rolled out our New South Wales expansion plan. Given the opening of eight further stores during the half and the inevitable dilution this causes when we moved experienced managers into new store locations we were satisfied with the half. The existing store base will gain sales momentum as our retail management team develop and gain experience. The newly appointed General Manager of Emma & Roe is settling into her new role well and the business is positioned for further store growth in an effort to achieve a critical mass of stores that will allow us to market and advertise more effectively. We are establishing a good foothold in the large and lucrative New South Wales market and further growth is planned in this market for the coming 6 months. There were 24 stores open at the end of the half year with plans to open a further six in the second half of FY17.

Emma & Roe same store figures in local currency

		Last Year	This Year	% Var
Australia same stores	AUD	3,923,244	3,958,011	0.9%
New Zealand same stores	NZD	399,016	394,680	(1.1%)

Emma & Roe all stores figures in local currency

Australia all stores	AUD	4,724,963	8,368,690	77.1%
New Zealand all stores	NZD	394,660	394,680	0.0%

The above figures for Michael Hill and Emma & Roe represent five months accounting adjusted sales results plus December preliminary sales figures prior to final accounting adjustments, and are unaudited. Revenue figures stated above include the Professional Care Plan (PCP) revenue brought to income during the period and sales through our store and online channels. The PCP income recognition pattern is based on existing estimates and is subject to ongoing management review and adjusted at half year/year end as required.

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ABOUT MICHAEL HILL INTERNATIONAL

Michael Hill International was founded by Sir Michael Hill in 1979 when he opened his first jewellery store in Whangarei, New Zealand. The Group currently has 305 Michael Hill branded stores in Australia, New Zealand, Canada and the US and 24 Emma & Roe branded stores in Australia and New Zealand. The Group's global headquarters including its wholesale and manufacturing divisions is located in Brisbane, Australia. The Company is listed on the ASX (ASX:MHJ) and the NZX (NZX:MHJ).

For more information:

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