



FULL YEAR RESULTS ANNOUNCEMENT

PROFIT ANNOUNCEMENT

Michael Hill International Limited today announced an after tax profit of AU\$27.8m for the twelve months ended 30 June 2015.

Summary of Key Points (all values stated in AUD unless stated otherwise)

- **Operating revenue of \$503.4m up 4.0% on same period last year**
- **Same store sales were 0.7% up on same period last year**
- **Revenue collected from Professional Care Plans of \$35.5m, up 12.0% on same period last year**
- **Professional Care Plan deferred revenue of \$62.3m held on balance sheet at 30 June**
- **EBIT of \$42.1m, in line with last year**
- **Net profit after tax of \$27.8m up 10.8% on same period last year**
- **Final dividend of NZ 2.5 cents per share making the total dividend NZ 5.0 cents for the year**
- **Equity ratio of 53.5% at 30 June 2015**
- **12 new Michael Hill stores opened and 2 closed during the period**
- **2 new Emma & Roe stores opened during the period**
- **Total of 288 Michael Hill stores open at 30 June 2015**
- **Total of 8 Emma & Roe stores open at 30 June 2015**
- **Total of 296 stores in the Group open at 30 June 2015**

MICHAEL HILL AUSTRALIAN RETAIL SEGMENT

The Australian retail segment revenue decreased by 1.4% to \$294.4m for the twelve months, with an operating surplus of \$45.9m, a decrease of 2.7% on the previous corresponding period. Same store sales decreased 2.5% for the twelve months. The operating surplus as a percentage of revenue was 15.6% (15.8% last year). The Australian market has continued to be challenging due to lower consumer confidence, especially in regions where the resource sector is prevalent. Management continue to be focussed on the consistent execution of our retail selling system across the whole country as well as retaining focus on costs.

Four new stores were opened and one store closed in Australia during the period, giving a total of 167 stores operating at 30 June 2015. The company has identified up to 175 suitable locations for the Michael Hill brand.

MICHAEL HILL NEW ZEALAND RETAIL SEGMENT

The New Zealand retail segment revenue increased 3.9% to NZ\$114.0m for the twelve months, with an operating surplus of NZ\$23.5m, up 6.7% on the corresponding period last year. Same store sales in local currency during the twelve months increased by 4.3%. The operating surplus as a percentage of revenue was 20.7% (20.1% last year). The improved performance of the New Zealand segment is a continuation of the turnaround in this business which commenced in 2013/14. The company is pleased with the performance of this important market.

No stores were opened or closed during the period giving a total of 52 stores operating at 30 June 2015.

MICHAEL HILL CANADA RETAIL SEGMENT

The Canadian retail segment revenue increased by 14.6% for the twelve months to CA\$79.1m, with an operating surplus of CA\$6.0m compared to CA\$3.8m for the previous corresponding period a 59.2% increase. Same stores sales increased 2.5% for the twelve months. The operating surplus as a percentage of revenue was 7.6% (5.5% last year). The Canadian segment continues to grow and improve due to the maturing of this business, which has now reached a critical mass allowing increased marketing spend and brand awareness. While same store sales growth fell short of expectations, the Directors remain positive about this market and continue to support its store growth program.

Seven new stores were opened during the period and one store closed during the period, giving a total of 60 stores operating at 30 June 2015. The company has identified up to 110 suitable locations for the Michael Hill brand.

MICHAEL HILL US RETAIL SEGMENT

The US retail segment increased its revenue by 13.0% to US\$11.3m for the twelve months, and there was an operating loss of US\$1.9m for the period (US\$1.7m last year after adjustment of US\$529k for closure of two stores). Same stores sales in local currency increased 3.5% for the twelve months. The continued traction in revenue growth in this test market is encouraging and two further stores are planned for opening.

One store was opened in New York during the period giving a total of nine stores operating at 30 June 2015.

EMMA & ROE

As previously stated, the Emma & Roe brand is being tested with seven stores in Australia and one store open in New Zealand. Given this brand is still in test mode, the Company is not disclosing its financial results as a separate segment, and therefore both their results and associated assets and liabilities are treated as “unallocated” in the segment note. Two new stores were opened during the period giving a total of eight stores.

DIVIDEND

The Directors have announced a final dividend of NZ 2.5¢ per share (2014 – NZ 4.0¢), with no imputation credits attached for New Zealand shareholders and no franking credits for Australian shareholders. The reason for not franking the dividend for Australian shareholders is a result of a favourable ruling being obtained from the Australian Taxation Office regarding the tax treatment of Professional Care Plan (PCP) sales. The ruling allows for the alignment of taxation with the accounting treatment of PCP income. Prior to the ruling, tax had been paid as PCP sales occurred, which meant the Group has effectively paid a substantial amount of tax in advance and are now entitled to a refund for that tax. The tax refund however results in a debit to the franking credit account and hence less franking credits are available to attach to dividends. In light of this the board has decided not to frank this dividend and will wait until the April 2016 interim dividend is declared and the level of franking credits better known. The final dividend will be paid on Friday, 2 October 2015 with the record date being Friday, 25 September 2015. This makes a total dividend for the year of 5.0 cents compared to 6.5 cents in the previous corresponding period. The reduction in the full year dividend is a reflection of the flat earnings growth for the year together with the Group's ongoing growth ambitions. The reduction in dividend will allow the Group to continue to maintain a sound balance sheet and gearing position going forward.

CASH FLOWS / BALANCE SHEETS

The Group has reported a net operating cash inflow of \$54.6m for the twelve months, compared to a net operating cash inflow of \$14.7m for the previous period.

The Group's balance sheet continues to be sound with an equity ratio of 53.5% as at 30 June 2015 (53.3% in 2014).

OUTSTANDING TAX MATTER

As previously reported the Group has commenced litigation proceedings with a view to resolving the on-going dispute with Inland Revenue. The Board remains of the opinion that this tax matter does not require a provision in the Group's financial statements under International Financial Reporting Standards due to the uncertainty surrounding both the likely outcome of the litigation by the Company, and the inability to estimate accurately what the liability would be if the company is unsuccessful in its action against the Inland Revenue. The Company has maintained tax pooling arrangements to partially mitigate any potential liability in the event of an adverse outcome of the legal process. Details of this contingent liability are available in note 34 of the 2015 financial statements.

SUMMARY

It was pleasing to see the New Zealand and Canadian segments perform well during the period and to see further progress achieved in the US. The Australian market continues to be a difficult market for the Group and significant focus is being placed on turning this segment around in 2015/16. The Company will continue to test the Emma & Roe brand in the coming period.

Webcast will take place at 2.00pm NZ time (12.00pm Australia time). Please use the following link to register.

<http://edge.media-server.com/m/p/vfggdzbu>

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