



HALF YEAR RESULTS ANNOUNCEMENT

PROFIT ANNOUNCEMENT

Michael Hill International Limited today announced an after tax profit of AU\$23.697m for the six months ended 31 December 2014.

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

- **Operating revenue of \$283.189m up 4.6% on same period last year**
- **Same store sales were 0.9% up on same period last year**
- **Revenue collected from Professional Care Plans of \$19.924m up 13.4% on same period last year**
- **EBIT of \$34.980m up 17.6% on same period last year**
- **Net profit before tax of \$32.444m up 13.9% on same period last year**
- **Interim dividend of NZ 2.5 cents per share**
- **Equity ratio of 50.3% at 31 December 2014**
- **Eight new Michael Hill stores opened and one closed during the period**
- **Total of 285 Michael Hill stores open at 31 December 2014**
- **Total of eight Emma & Roe stores open at 31 December 2014**

MICHAEL HILL AUSTRALIAN RETAIL SEGMENT

The Australian retail segment revenue decreased by 1.9% to \$168.540m for the six months, with an operating surplus of \$31.504m, an increase of 8.6% on the previous corresponding period. Same store sales decreased 1.9% for the six months. The operating surplus as a percentage of revenue was 18.7% (16.9% last year). The Australian market has continued to be challenging due to lower consumer confidence, especially in regions where the resource sector is prevalent. Costs have been a focus over the period and this has assisted with delivering an improved result.

Two new stores were opened in Australia during the period, giving a total of 166 stores operating at 31 December 2014.

MICHAEL HILL NEW ZEALAND RETAIL SEGMENT

The New Zealand retail segment revenue increased 3.8% to NZ\$63.238m for the six months, with an operating surplus of NZ\$13.960m, up 12.9% on the corresponding period last year. Same store sales in local currency during the six months increased by 4.2%. The operating surplus as a percentage of revenue was 22.1% (20.3% last year). The improved performance of the New Zealand segment is a continuation of the turnaround in this business which commenced in 2013/14.

No stores were opened or closed during the period giving a total of 52 stores operating at 31 December 2014.

MICHAEL HILL CANADIAN RETAIL SEGMENT

The Canadian retail segment revenue increased by 18.4% for the six months to CA\$44.854m, with an operating surplus of CA\$5.139m compared to CA\$2.854m for the previous corresponding period. Same stores sales increased 4.3% for the six months. The operating surplus as a percentage of revenue was 11.5% (7.5% 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.

Six new stores were opened and one closed during the period, giving a total of 59 stores operating at 31 December 2014.

MICHAEL HILL US RETAIL SEGMENT

The US retail segment increased its revenue by 18.1% to US\$5.942m for the six months, and there was an operating loss of US\$0.565m for the period (a loss of US\$0.559m last year). Same stores sales in local currency increased 9.1% for the six months. The continued improvement in this test market is encouraging and 2 further stores will be opened in the second half to expand the trial.

No stores were opened or closed during the period giving a total of eight stores operating at 31 December 2014.

EMMA & ROE

As previously stated, the Emma & Roe brand is being tested with seven stores in Australia and one store now open in New Zealand. As this brand is still in test mode, the Company is not disclosing their financial results as a separate segment, and therefore their results and associated assets and liabilities are treated as "unallocated" in the half year segment note.

DIVIDEND

The Directors have announced an interim dividend of NZ 2.5¢ per share (2013 – NZ 2.5¢), with no imputation credits attached for New Zealand shareholders and full franking credits for Australian shareholders. The dividend will be paid on Thursday, 2 April 2015 with the record date being Thursday, 26 March 2015.

CASH FLOWS / BALANCE SHEETS

The Group has reported a net operating cash inflow of \$39.928m for the six months, compared to a net operating cash outflow of \$2.258m for the previous period.

The surplus from operations is a result of:

▪ Profit excluding non-cash items	\$29.546m
▪ Decrease in trade and other receivables	(\$5.015)m
▪ Decrease in inventory levels	(\$26.551)m
▪ Increase in trade and other payables	\$26.331m
▪ Increase in deferred revenue	\$9.568m
▪ Increase in tax liabilities	\$6.118m
▪ Other miscellaneous items	(\$0.069)m
Net cash inflow from operations surplus for the half-year	\$39.928m

The Group's balance sheet continues to be sound with an equity ratio of 50.3% as at 31 December 2014 (49.9% in 2013).

OUTSTANDING TAX MATTER

Discussions continue with the Inland Revenue Department within their dispute process framework. With the passage of time, the Board considers it is increasingly likely that the matter will require formal resolution through the courts, but it remains unclear when this might occur. The Board remains of the opinion that this tax matter does not require a provision in the Group's financial statements, nevertheless a tax pooling arrangement has been entered which would mitigate some of the risks of an adverse outcome. Details of this contingent liability are available in note 35 of the 2014 financial statements.

SUMMARY

While first half results were satisfactory, they should be viewed in context with the downturn in consumer confidence in our biggest market, Australia. Also of special note was the recent launch of our rebranding campaign "WE'RE FOR LOVE" which will lead to a repositioning for our Michael Hill brand. This campaign will involve significant investment in the second half of the financial year.

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