

Michael Hill International Limited

6 months trading update to 31 December 2013

The below figures represent 5 months accounting adjusted sales results plus December preliminary sales figures prior to final accounting adjustments and are unaudited. Same stores and all stores revenue figures stated below include the Professional Care Plan (PCP) revenues brought to income during the period. The PCP income recognition pattern is based on existing estimates and is subject to ongoing management review, and accordingly may be adjusted at half year and year end. The prior period PCP revenue stated below is included at the estimated amounts under the income recognition pattern used and reported on at the time.

In line with the market announcement on 3 October 2013, the Group numbers below are reported in Australian dollars.

Revenue from the sale of goods and services for the 6 months to 31 December 2013:

The following figures are in Australian dollars	Last Year	This Year	% Var
Australia same stores	156,217,449	158,453,724	1.4%
New Zealand same stores	49,735,362	53,832,937	8.2%
Canada same stores	26,079,921	30,228,350	15.9%
United States same stores	<u>4,746,578</u>	<u>5,491,548</u>	<u>15.7%</u>
Total same stores	\$236,779,310	\$248,006,559	4.7%
Australia all stores	162,711,941	171,736,982	5.5%
New Zealand all stores	49,769,561	54,230,490	9.0%
Canada all stores	28,545,694	39,391,805	38.0%
United States all stores	<u>5,282,630</u>	<u>5,485,886</u>	<u>3.8%</u>
Total all stores	\$246,309,826	\$270,845,163	10.0%

Exchange rates used for the 6 months:

New Zealand	1.27	1.12
Canada	1.03	0.96
United States	1.04	0.92

The following figures are in local currency		Last Year	This Year	% Var
Australia same stores	AUD	156,217,449	158,453,724	1.4%
New Zealand same stores	NZD	63,073,343	60,494,940	(4.1%)
Canada same stores	CAD	26,917,627	29,057,330	7.9%
United States same stores	USD	4,935,606	5,035,189	2.0%
Australia all stores	AUD	162,711,941	171,736,982	5.5%
New Zealand all stores	NZD	63,117,276	60,938,964	(3.5%)
Canada all stores	CAD	29,462,861	37,869,346	28.5%
United States all stores	USD	5,493,231	5,029,956	(8.4%) *

* One store was closed in June 2013 hence the fall in revenue for "all stores"

Revenue from sale of Professional Care Plans for the 6 months to 31 December 2013:

The following figures are in Australian dollars	Last Year	This Year	% Var
PCP revenue collected	\$14,242,218	\$17,566,130	23.3%
PCP revenue brought to income	\$3,982,031	\$8,311,963	108.8%

The Group achieved solid growth for the 6 months, finishing 4.7% up on last year for the same stores. This result was helped in part by the weakening of the AUD against the other 3 currencies during the period. In local currency our Australian same stores traded 1.4% up on the same period last year while Canada experienced strong growth finishing 7.9% up for the half. Our New Zealand stores continued to struggle and finished 4.1% down on last year for the period. This fall in revenue for the half was in part due to the settling in of a new retail management team mid 2013. The company is confident this decline will be reversed in the coming months. The US business performed solidly finishing 2.0% up for the 6 months however trade was adversely affected by severe winter conditions leading into the key Christmas trading period.

Our Professional Care Plan continues to deliver good cash flow to the business and is now also contributing solidly to the Group's overall results. The revenue from these plans is carried on the balance sheet as deferred revenue and is then brought to income over the life of the plans (3 year plans, and lifetime plans which are assigned a 10 year notional life for income recognition purposes).

Half year EBIT for the Group is expected to be in the range of AU\$29m to AU\$30m compared to AU\$28.585m for the corresponding period last year. The full half year results for the 6 months to 31 December 2013 are due for release to the NZX on 14 February, 2014.

A handwritten signature in black ink, appearing to read "Michael Hill". The signature is fluid and cursive, with a distinct "H" and "M".

Sir Michael Hill 22 January 2014
Chairman

All enquiries should be made to Mike Parsell CEO phone +61 403 246655