

ASX /NZX ANNOUNCEMENT MARKET UPDATE

8 February 2018: Michael Hill International Limited (ASX and NZX:MHJ) (**Michael Hill** or the **Company**) recently announced a set of strategic actions, including a brand repositioning of Emma & Roe and the planned exit of its US operations, to strengthen the company's retail network and long-term operating performance of its core businesses.

As the Company continues to negotiate with landlords to determine Emma & Roe's future store footprint and its approach to exiting its operations in the US, it is not yet in a position to provide detail on the timing or final cash costs associated with these closures. However, the Company believes it is appropriate to provide an update in respect of the accounting treatment and expected EBIT impact of the closure announcement for the purposes of the 31 December 2017 half year accounts.

Following receipt of management accounts reflecting actual trading results for the half year to December 2017 and preliminary work regarding its half year accounts for the 6 months ended 31 December 2017, the Company expects to report EBIT of approximately A\$15m in the half year accounts for the year ended 31 December 2017. This includes the impact of the one-off, accounting recognition of the US and Emma & Roe store closures of approximately A\$20m, as determined in accordance with applicable accounting standards. This compares to a prior year EBIT result for the half year to 31 December 2016 of A\$40m. The key contributing factors were the deterioration in the performance of the US and Emma & Roe businesses, which underpinned the Company's strategic actions recently announced; segment information will be provided in conjunction with the release of the half year accounts on 22 February 2018.

The breakdown of the one-off, non-cash accounting items is as follows:

Item	Non-cash accounting recognition For 31 December 2017 accounts
	A\$m
Onerous lease provision	8.4
Impairment of property, plant & equipment	11.4

It should be noted that the Onerous lease provision amount shown above is an assessment performed in accordance with applicable accounting standards at 31 December 2017. Further, it does not represent the Company's estimation of likely cash costs arising from the closure of the US and Emma & Roe stores, which currently cannot be ascertained as discussions and decisions are being worked through in detail.

The Company will provide further information to the market when such information is available in accordance with its disclosure obligations.

Chief Executive Officer, Phil Taylor said: "Despite the one-off accounting impacts from store closures, the decisive actions taken to reduce the Emma & Roe store footprint and exit the US are critical to strengthening the foundations of Michael Hill International as we focus on building significant long-term value in our core businesses across Australia, New Zealand and Canada."

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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 347 stores globally with 317 Michael Hill stores in Australia, New Zealand, Canada and the US, and 30 Emma & Roe stores in Australia and New Zealand. The Group's global headquarters, including its wholesale and manufacturing divisions, are located in Brisbane, Australia. The Company is listed on the ASX (ASX:MHJ) and the NZX (NZX:MHJ).

For more information:

www.investor.michaelhill.com

www.michaelhill.com.au

www.emmaandroe.com.au