Chairman's Address to Shareholders on 13 December 2016

Results for the full year to 1 August 2016

The Company advises that sales for the 12 months ended 1 August 2016 were $223.51 million which were 0.9% above the prior year ($221.52 million.)
Audited Net Profit after Tax was $13.679 million, a decrease of -21.3% on the prior year ($17.386 million.)
Clearly this was a disappointing result for the year, and there is a very strong focus on getting a much better result this year.

Whilst top line sales were maintained in a very challenging environment for apparel, there were 3 main factors that caused profit erosion:

- A lower exchange rate has had a negative impact on gross margin which has fallen 3 basis points from 59.3% in the prior year to 56.6% in the current year. We have substantially consumed forward cover at unattractive rates and purchases for the key December trading period will be made at a more attractive rate.
- Record mild temperatures on both sides of the Tasman during early winter resulted in key winter categories failing to match last year sales. As the winter season progressed, a return to normalised winter temperatures allowed the Company to trade through winter stocks although this had been at a lower than usual margin.
- Difficulties in securing effective management for Glassons has caused a lack of product continuity and fashionability which has impacted both sales and margin. That key issue was addressed with the appointment of some new people including Di Humphries to lead the Glasson business in April 2016. The Glasson business is now showing some much improved performance for the current summer season.

Segment Results

Glassons New Zealand

Sales for the year were $83.518 million, down -2.6% on the prior year.
Net Profit after Tax was $5.511 million, down -7.6% on the prior year.
Whilst market conditions were not helpful (in particular an extremely mild winter) the results reflect some of the difficulties the Company has faced due to management issues.
A significant restructure of the Glassons product team has been completed, and since June 2016 we have

begun to see an improved performance in both sales and margin. Sales in New Zealand for the new summer season to date have improved 21% over the prior period. Margin is also showing some improvement.

During the year under review 3 key stores in Auckland were refurbished in a new concept format. All have shown growth above the chain average and further stores will be upgraded as lease circumstances allow.

On 17th November Glassons reopened in the Christchurch Central City, much to the "delight" of our Christchurch customer base.

Glassons is well on track to deliver an improved performance for the 2017 year.

Glassons Australia

Sales for the year were $41.181 million, the same as the prior year ($41.190 million). Margin pressure and a record mild winter saw the chain suffer a net after tax loss of -$1.909 million, which was a very disappointing outcome.

The new financial year has seen a much improved performance with same store sales +13% on the prior year, and we expect the Australian chain to "return to profit" for the current summer season. This "turnaround" is a credit to the Glassons management team and has taken a "lot of hard work".

A careful review of the store portfolio was undertaken during the year resulting in the closure of 2 smaller non-strategic sites subsequent to balance date. Further store rationalisation is under review where costs and performance fail to meet our performance criteria. Balanced against that has been a strategy to refurbish sites with the new Glassons store concept where leasing opportunities allow. Towards the end of the year under review three stores were refurbished, and in the new summer season two more stores have been completed. In addition two new stores have opened in the Northlands Mall in Melbourne, and the Pacific Fair Mall on the Gold Coast.

The new format stores have clearly demonstrated a capability to outperform the old existing format stores and as opportunities arise this new concept will be rolled out to other locations.

Hallenstein Brothers

For the financial year under review Hallenstein Brothers continue to show sales growth with sales for the year of $89.414 million, an increase of 4.5% over the prior year. However, the impact of a mild winter coupled with the lower exchange rate resulted in gross margin on sales falling from 60.9% last year to 57.2% in the current year. As a result Net Profit after Tax was $8.529 million, a decrease of 11.3% on the prior year.

In November 2016, Hallenstein Brothers reopened its "flagship" store in Christchurch's central city and in the last few weeks has opened two new Australian stores in the Garden City and Northlakes shopping centres, in Brisbane, Queensland. Sales for the new summer season to date are marginally behind last year, in what is proving to be a very competitive menswear market at the moment.

Storm

Storm sales were $9.397 million, an increase of 4.4% over the prior year. As with other chains in the group, margin pressure resulted in a decline in profitability, with Net Profit After Tax at $868k, a decrease of 7.2%.

At the end of the financial year Storm relocated its store in Willis Street, Wellington to a key site on Lambton Quay. In the new financial year a new store was opened in Queenstown Mall at the end of September 2016. Sales for the new summer season are currently tracking 5.7% behind last year.

E-Commerce

Growth in sales continues to outstrip growth in bricks and mortar stores. For the financial year under review sales grew 24% and represented almost 7% of group turnover. That growth has continued into the new financial year with sales currently 33% ahead of the previous summer season, to date, representing almost 8% of group turnover.

We anticipate this strong growth will continue and have made investment in technology and resource to underpin this growth.

Dividend

The balance sheet remains robust with inventory levels well controlled. Given current trading performance and projected cash flow the Directors have declared a final dividend of 16.5 cents per share (fully imputed) which is unchanged from the prior year.

The dividend was paid to shareholders on 2nd December 2016.

Future Outlook

Group sales for the summer season to date are 10 % above the prior year's summer season to date. The recovery in Glassons is well underway and we anticipate a much improved group profit performance for the current trading period. It is interesting to note that the New Zealand market has seen the entry of some more international apparel retailers, with H & M and Zara opening their first New Zealand stores in the Sylvia Park Mall, Auckland in September 2016. No doubt they will open further stores here.
A further trading update will be provided in late January 2017

Graeme Popplewell's retirement as CEO

As previously announced, Graeme Popplewell is retiring at the end of this year, after guiding the business through one of the biggest periods of change in the company's history. Graeme will remain on the board as a non-executive director to ensure continuity. He has served on the board as an executive director since 1985.Graeme Popplewell was appointed managing director of Hallenstein Brothers in 2010 and group chief executive officer in early 2011.

He has been instrumental in driving the reinvention of Hallenstein Brothers and Glassons during his tenure as Group CEO. Since Graeme joined the original Hallenstein's board, the company merged with Glassons in 1985 and trebled in size - growing from 40 stores to over 120 today – including 30 Glassons stores in Australia. The successful Storm brand was also launched in 2005 which now has 10 stores. These trends are a reflection of Graeme's strong stewardship during his time leading Hallenstein Glasson.

He leaves the business in a strong position, with current group sales running 10% above the previous summer season. Glassons in particular, is showing strong results. We're pleased that his huge knowledge of the company's businesses will not be lost following his decision to remain on the board.

I am pleased to announce today the appointment of Mark Goddard to replace Graeme. Mark is a seasoned retail leader with 27 years international retail experience in a diverse mix of retail formats having worked across premium, specialty and value in the international and Australasian markets.

Mark's most recent position was as President and Managing Director of Toys 'R Us Japan. Other senior roles include retail organisations such as Myer Australia, Spotlight Group Australia, and Country Road

Australia.

Mark has a comprehensive understanding of the Australian and New Zealand apparel market and a proven history in driving growth and change. The board is excited by the prospect of benefitting from his wide experience. He will take up his duties during the second quarter of 2017.

Warren Bell
Chairman of Directors
13 December 2016