

MARKET RELEASE TRADING UPDATE TO 30 JUNE 2017

HIGHLIGHTS

- The Group achieved a total store sales increase of 6.0% for the 12 months to 30 June 2017, with same store sales growth of 1.5%. This is an improvement from the 0.8% lift announced at the end of the third quarter. The June quarter produced a solid same store sales increase of 3.1%.
- The Michael Hill brand delivered total store sales growth of 5.0% and same store sales growth of 1.5%
- The Emma & Roe brand achieved total store sales growth of 62.1% with a same store sales decline of 1.9%
- 14 Michael Hill stores and 13 Emma & Roe stores were opened during the period and 7 Michael Hill stores were closed, giving a total of 333 stores trading as at 30 June 2017. This was made up of 304 Michael Hill stores and 29 Emma & Roe stores

SUMMARY

The Group has achieved same store sales growth of 1.5% for the 2016-17 year while expanding its store footprint by 20 stores. Gross margin will be slightly down for the year in part due to the tougher than expected Australasian market and in part due to discounting of surplus inventory being cleared to help fund our branded collections rollout.

Our Canadian segment continued to impress with strong same store sales growth of 8.8% for the year, while also opening nine new stores.

The US business had a disrupted year with a change in the leadership early on and an adjustment to its marketing strategy that didn't deliver.

The Emma & Roe brand continues to grow and had 29 stores at the end of the period. While same store sales were slightly down for the 12 months, we have secured and opened some excellent new locations in both Queensland and NSW. This will allow the brand to increase its marketing spend in the coming 12 months as critical mass is achieved in each advertising market.

The seven Michael Hill stores closed during the year were all, except one, at the end of their lease terms and were no longer deemed to be commercially viable under our strict investment guidelines. The exception being an early termination of our lease at the Easton Center in the US.

GROUP SALES

Revenue from the sale of goods and services for the 12 months to 30 June 2017:

The following figures are in Australian dollars

	Last Year	This Year	% Var
Michael Hill same stores	523,418,786	531,304,444	1.5%
Emma & Roe same stores	7,327,778	7,185,986	(1.9%)
Total same stores	\$530,746,564	\$538,490,430	1.5%
Michael Hill all stores	540,331,499	567,553,352	5.0%
Emma & Roe all stores	9,539,042	15,462,280	62.1%
Total all stores	\$549,870,541	\$583,015,632	6.0%

Exchange rates used for the 12 months:

New Zealand	1.09	1.06
Canada	0.97	1.00
United States	0.73	0.75

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- The Canadian segment traded strongly during the year and achieved same store sales growth of 8.8%, and total store sales growth of 19.2%. Michael Hill is now the second largest jewellery retail chain in the Canadian market and continues to take market share from the competition. Nine stores were opened during the period giving a total of 76 at the end of June.
- The Australian segment achieved same store sales growth of 1.2% for the twelve months, up from 0.2% at the half. Three new stores opened in Australia and closed five underperforming locations during the year, giving a total of 166 open at 30 June. The Company has a strict investment policy that requires a minimum return on capital employed and if satisfactory lease terms and performance thresholds are not achieved, we will vacate these sites.
- The New Zealand segment same stores finished 0.8% down for the twelve months, against strong performance in 2015-16 of 7.2%. Two new stores were opened and one closed during the period, giving 53 stores trading at 30 June.
- Our US business continued to struggle throughout the year and finished 13.4% down for the same stores. The Easton Centre store in Columbus, Ohio, was closed in June because of sustained poor performance. Costs to exit this site early amounted to US\$650,000, a combination of one year's rent plus the write-off of the store fitout. In September 2016, the US was put under the leadership of Brett Halliday, our North American President who has delivered consistently outstanding results in Canada. The board and executive are closely monitoring the US business progress.

In Australian dollars, the Michael Hill brand reported same store sales growth of 1.5% for the year. 14 new Michael Hill stores opened during the period and seven closed, with 304 Michael Hill stores trading at 30 June.

Michael Hill same store figures in local currency		Last Year	This Year	% Var
Australia same stores	AUD	303,200,486	306,893,164	1.2%
New Zealand same stores	NZD	122,047,392	121,098,262	(0.8%)
Canada same stores	CAD	86,551,237	94,194,978	8.8%
United States same stores	USD	13,333,638	11,541,015	(13.4%)
Michael Hill all stores figures in local currency				
Australia all stores	AUD	309,456,835	322,077,355	4.1%
New Zealand all stores	NZD	122,900,636	121,985,330	(0.7%)
Canada all stores	CAD	95,038,300	113,278,569	19.2%
United States all stores	USD	14,145,863	12,384,329	(12.5%)

EMMA & ROE

Emma & Roe experienced sales growth of 62.1% with same store sales declining 1.9% for the period. 13 new stores were opened during the period across Queensland and New South Wales. While the drop in same store sales is disappointing, the brand is relatively new and evolving. The business is currently conducting a review of the brand, after its first full year of trade, to ensure it is positioned to the best advantage for the future, and any recommendations coming out of that review will be implemented in the 17-18 year. We have now established a strategic foothold in the large and lucrative markets of Queensland and New South Wales and a focus will be on improvement of this solid store base.

Emma & Roe same store figures in local currency		Last Year	This Year	% Var
Australia same stores	AUD	6,640,765	6,579,922	(0.9%)
New Zealand same stores	NZD	730,682	638,334	(12.6%)
Emma & Roe all stores figures in local currency				
Australia all stores	AUD	8,866,148	14,856,216	67.6%
New Zealand all stores	NZD	730,682	638,334	(12.6%)

The above figures for Michael Hill and Emma & Roe represent eleven months accounting adjusted sales results plus June preliminary sales figures prior to final accounting adjustments, and are unaudited. Revenue figures stated above include the Professional Care Plan (PCP) revenue brought to income during the period and sales through our store and online channels. The PCP income recognition pattern is based on existing estimates and is subject to ongoing management review and adjusted at half year/year end as required.

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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 333 stores globally with 304 Michael Hill stores in Australia, New Zealand, Canada and the US, and 29 Emma & Roe stores in Australia and New Zealand. The Group's global headquarters including its wholesale and manufacturing divisions is located in Brisbane, Australia. The Company is listed on the ASX (ASX:MHJ) and the NZX (NZX:MHJ).

For more information:

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