

ASX & NZX ANNOUNCEMENT PRIORITISING STRATEGIC FOCUS ON MICHAEL HILL

21 June 2018

Key points:

- *A reprioritising of resources and strategic focus on the core Michael Hill brand.*
- *A decision has been made to close all Emma & Roe stores and its online presence.*
- *The Michael Hill brand accounts for 95 per cent of Group revenues and a portfolio of more than 300 stores.*
- *Demi-fine market remains a compelling market opportunity to pursue at the right time.*

Michael Hill International Limited (ASX and NZX: MHJ) announces today that following a comprehensive strategic review it will close all Emma & Roe stores and the brand's online presence to focus on the core Michael Hill business. This will lead to a redeployment of capital and resources to the Michael Hill brand and will allow management to have a singular focus on delivering growth for the core business.

Michael Hill had initially intended to close 24 and retain six Emma & Roe stores as part of a project to reposition the brand towards demi-fine jewellery. The demi-fine jewellery category remains a compelling market opportunity for the company to pursue at the right time.

Michael Hill International CEO, Phil Taylor said: "Following a strategic review we have decided that a singular focus on the Michael Hill brand will best position us to deliver a stronger customer proposition and financial results."

"Management resource and capital that would have been required to reposition the Emma & Roe brand will instead be directed to our core business, Michael Hill."

The company will shortly commence negotiations with landlords to agree the terms of closure for its remaining six stores. The total one-off cash costs of exiting the six remaining Emma & Roe stores for lease termination and employee severance costs is currently estimated to be no more than \$3.1m. The store fit out costs for all 30 Emma & Roe stores were fully impaired at 31 December 2017, on the basis all stores would either close or be rebranded.

Consideration will also be given to the carrying value of Emma & Roe trading stock held at 30 June 2018. The extent of the Emma & Roe non-cash inventory impairment required to be booked for accounting purposes at 30 June 2018, if any, will be determined by management in conjunction with the group's external auditors, Ernst & Young.

The company will continue to support its employees during this period, with redeployment opportunities to be considered for Emma & Roe staff where appropriate, along with redundancy arrangements and support.

Supporting the renewed strategic focus on the core Michael Hill brand, the company recently announced a new Australian retail management structure, with effect from 1 July 2018, that includes Kevin Stock and Tishara Mina as joint Retail General Managers of Australia. Currently Mr. Stock operates as the sole Retail General Manager in Australia, while Ms. Mina is the General Manager of Emma & Roe, with both bringing significant retail experience to their roles. Ms. Mina will continue to act as General Manager of Emma & Roe until closure is completed.

"The new structure recognises the scale and importance of Michael Hill in Australia and ensures that management has greater oversight and control over our key strategic deliverables," Phil said.

"We will continue to take steps to remain at the forefront of industry innovation, customer service and product design, to maximise efficiencies and improve business processes."

The above represents the current decisions and intentions of the company; further information will be provided if the company's decision or intention changes or the company has new information, in accordance with the company's disclosure obligations.

ENDS

Media & Investors:
Phil Taylor
Chief Executive Officer
+61 7 3114 3507
phil.taylor@michaelhill.com.au

Investors:
Andrew Lowe
Chief Financial Officer
+61 7 3114 3505
andrew.lowe@michaelhill.com.au

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 over 300 stores globally, in Australia, New Zealand and Canada. The Group's global headquarters, including its wholesale and manufacturing divisions, are located in Brisbane, Australia. Michael Hill 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

DISCLAIMER

Certain statements in this announcement constitute forward-looking statements. Forward-looking statements are statements (other than statements of historical fact) relating to future events and Michael Hill group's (the Company's) anticipated or planned financial and operational performance. The words "targets," "believes," "expects," "aims," "intends," "plans," "seeks," "will," "may," "might," "anticipates," "would," "could," "should," "continues," "estimates" or similar expressions or the negatives thereof, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements include, among other things, statements addressing matters such as the Company's future results of operations; the Company's financial condition; the Company's working capital, cash flows and capital expenditures; and the Company's business strategy, plans and objectives for future operations and events, including those relating to the Company's ongoing operational and strategic reviews, expansion into new markets, future product launches, points of sale and production facilities.

Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the Company's actual results, performance, operations or achievements or industry results, to differ materially from any future results, performance, operations or achievements expressed or implied by such forward-looking statements.

The Company does not intend, and do not assume any obligation, to update any forward-looking statements contained herein, except as may be required by law. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this announcement.