

CHAIRMAN'S ADDRESS TO SHAREHOLDERS ON 9 DECEMBER 2020

RESULTS FOR FULL YEAR ENDED 1 AUGUST 2020

The Group sales for the 12 months to 1 August 2020 were \$287.76 million which were +0.1% up on the prior year (\$287.55 million).

The audited net profit after tax for the 12 months was \$27.77 million, a decrease of 4.29% on the prior corresponding period (\$29.02 million).

Group sales were maintained in an extremely challenging environment, particularly in the second half when the COVID-19 outbreak occurred around the world. During the last six months of the financial year stores in both New Zealand and Australia were closed on 26 March with New Zealand stores reopening on 14 May and Australian stores reopening during May. However, online sales from April 2020 onwards increased markedly in both New Zealand and Australia. The web shops in New Zealand for both brands were closed from 26 March 2020 but did reopen to sell essential products from 4 April and then all product from 27 April onwards. The COVID-19 closedowns were obviously very disruptive and costly to our business, both in New Zealand and Australia.

The Gross Margin was affected by a number of issues throughout the financial year. These included unfavourable exchange rates with the US Dollar in both New Zealand and Australia as well as continuing challenges with suppliers closing for periods, shipping delays and increased freight costs resulting from the impact of COVID-19. Over the financial period, costs were well controlled with additional controls implemented post the COVID-19 lockdowns to further reduce operating costs. These include qualifying and claiming for the Government wage subsidies, extending supplier terms where appropriate, placing capital projects on hold, and negotiating rent relief with landlords. The Group appreciated the Government wage subsidies as the Companies were able to pay their staff and avoid any redundancies during the lockdown period at a time when our stores were closed both in New Zealand and Australia. The Directors, Executives and support office staff also took short term reductions to their fees, salaries, and wages.

The Group also worked hard to take steps to preserve liquidity, particularly reviewing supplier trading terms and managing stock levels and costs across the business. The rental negotiations with landlords for rent relief during the COVID-19 lockdown periods have made good progress, but some negotiations are still ongoing.

Glassons – New Zealand & Australia

The Glassons New Zealand business performed very well in the year under review.

Sales in New Zealand for the year ended 1 August 2020 were \$102.60 million, an increase of 1.86% on the prior year. Net profit after tax earned by the company was \$12.20 million compared to \$11.36 million the prior year.

Over the last financial year the Glassons outlet store in Hornby, Christchurch was refurbished and the Cuba Mall, Wellington store was moved to a new location in the Mall and fully refurbished. In July, the store in Tauranga CBD was closed.

The Glassons Australia business also performed very strongly in 2020.

Sales in Australia for the financial year were \$96.69 million which was an increase of 8.03% on the corresponding period, a very pleasing outcome for Glassons Australia. Net profit after tax was \$9.36 million, well up on the prior year of \$8.07million.

During the year, a new store was opened in Robina on the Gold Coast, a pop-up site in Birkenhead Point, Sydney was opened and the Eastgardens store in Sydney was increased in size and completely refurbished. In the last 12 months stores in Chatswood and Hurstville, in Sydney, were closed. There are currently further sites being reviewed for potential openings around Australia to further expand the business.

Two new Glassons Fulfilment Centre's were opened during the financial year. A new larger Fulfilment Centre was opened in Hornby, Christchurch in October 2019 and the new Fulfilment Centre in Sydney was opened in February 2020. These facilities were instrumental in supporting the significant growth in online sales particularly through the COVID-19 affected trading periods in both New Zealand and Australia. The old Glasson Fulfilment Centre, being no longer needed, was sold.

With the strong increase in online sales there has been significant investment in digital including relaunching the website and the planned launch of an omni-channel Glassons app in October this year.

Hallenstein Brothers

Hallenstein Brothers had a difficult 2020, particularly in the second half with the outbreak of COVID-19.

Sales for the 12 month period were \$88.48 million (including Australia), a decrease of 9.09% on the prior period. Net profit after tax was \$4.48 million for the year compared to \$7.20 million the prior year.

As mentioned above sales for Hallenstein Brothers proved challenging in the second half of the year as demand for Tailored product diminished with the impact of COVID-19 lockdowns with large numbers of people working remotely from home and strict restrictions being enforced on any public gatherings. However, sales results in our casual product categories were encouraging and have continued to perform very well throughout the financial year.

In New Zealand, the Hallenstein Brothers outlet store in Hornby, Christchurch was refurbished in the last 12 months and the CBD store in Tauranga was closed.

E-Commerce

Online sales grew over the period by 46.87% against last year with an exceptional growth within the second six months of the financial year of 80.10%, being particularly strong for Glassons Australia. Online sales now represent 21.88% of total sales for the full financial year but represented 30.30% of the total sales for the second half of the financial year. The growth in online sales has continued into the new financial year being ahead of the same period last year.

As mentioned previously, investment in our two new Glassons Fulfilment Centre's has been very effective in supporting the Group's online sales growth. There will be continued investment in digital as we continue to build on our online sales and focus on an omni-channel experience for our customers.

Dividend

The Directors have declared a final dividend of 24 cents per share (fully imputed) (24 cents per share last year) to be paid on 15th December 2020. Together with the interim dividend of 15 cents per share that was paid on 4 September 2020, the full year dividend is 39 cents per share. The final dividend payment is able to be maintained as the Company's balance sheet continues to be strong, and inventories well controlled.

Future Outlook

Following the latest COVID-19 lockdown in Auckland, thirteen Hallenstein Brothers stores and twelve Glassons stores were closed during August 2020 and the eleven Glassons stores in Victoria Australia were also closed from July 2020 to November 2020 in line with Victorian State Government guidelines. All these stores have now reopened and are trading again with a strong focus on the peak Christmas season. Despite these latest store closure disruptions, the HGH group business continues to trade ahead of last year.

The 18 weeks of the new financial year have seen Group sales grow +14.51% on the same period of the prior year. This has been driven predominantly by strong online sales as physical store sales growth has been harder to achieve, particularly in CBD locations. Challenges with offshore shipping delays and increased freight costs continue. Whilst we have a strong start to the new summer season the Company continues to be cautious in regard to the future impacts of COVID-19 on customer confidence and spending patterns in the lead up to Christmas. The pre and post-Christmas trading periods are such key trading periods for the Group in determining our trading result for the summer season, which ends on 1 February 2021.

In closing I would like to thank the Hallenstein Glassons Board, Executive Team and all our staff, for the very good 2020 trading result. It was a tremendous effort by everyone in a very challenging and difficult environment in both New Zealand and Australia.

We look forward to 2021, and the rollout around the world of the COVID-19 vaccine programs. Let's hope the vaccines are successful and produce the desired results.

Warren Bell

Chairman

9th December 2020