

CHAIRMANS ADDRESS TO SHAREHOLDERS ON 21 DECEMBER 2021

RESULTS FOR FULL YEAR ENDED 1 AUGUST 2021

The Group sales for the 12 months to 1 August 2021 were \$350.76 million which were +21.9% up on the prior year (\$287.76 million).

The audited net profit after tax for the 12 months was \$33.32 million, an increase of 20.0% on the prior corresponding period (\$27.77 million).

During the financial year the Group experienced multiple disruptions across its store network, including the following:

- Melbourne was in lockdown from the beginning of the financial year until 28 October 2020;
- Auckland entered lockdown from 12 August 2020 to 30 August 2020;
- Melbourne and Auckland entered snap lockdowns around Valentine's Day 2021;
- Auckland entered a further snap lockdown from 26 February 2021 to 7 March 2021;
- Melbourne entered lockdown from 28 May 2021 to 10 June 2021, and again from 16 July 2021 to 27 July 2021;
- Sydney was placed in lockdown from 26 June 2021 and would not come out until 10 October 2021.

The sales growth experienced was pleasing in an extremely challenging environment. All brands experienced strong growth as stores reopened from the 2020 lockdowns, with the Groups inventory management ensuring that our stores were well stocked with product the customers wanted. Online sales continued to grow throughout the year and were supported by the release of the Glassons App and the establishment of a USA website to sell direct to US based customers. The increased sales on the prior year also compares to the periods where stores were closed in 2020.

The Gross Margin declined during the year due to a number of factors including unfavourable exchange rates with the US Dollar in both New Zealand and Australia as well as challenges with freight costs resulting from the ongoing global impact of COVID-19. During the financial period additional controls were implemented post the lockdowns including reducing operating costs, claiming of Australian government subsidies, working with our suppliers on payment terms where appropriate, placing capital projects on hold, and negotiating rent relief with landlords. This resulted in costs being well controlled.

As in the previous financial year the Group continues to take steps to preserve liquidity, most importantly managing stock levels and costs across the business. During the financial year a number of rental negotiations were settled with landlords for the previous lockdown periods. There are still a number of negotiations ongoing for these and the more recent lockdowns.

Glassons – New Zealand & Australia

Sales in Glassons New Zealand for the year were \$119.91 million, an increase of 16.88% on the prior year. Net profit after tax was \$11.55 million, a decrease of 5.3% on the prior year (\$12.20 million, which included a \$1.01 million gain on sale of the previous Christchurch Distribution Centre).

Over the last year the Nelson store was refurbished in June, and the Sylvia Park, Auckland store was extended and refurbished in July. The outlet store in Onehunga, Auckland was also refurbished in July.

Sales in Australia were \$133.65 million which was an increase of 38.23% on the corresponding period. Net profit after tax was \$16.42 million, an increase of 75.5% on the prior corresponding period (\$9.36 million).

During the year, one new store was opened in Broadway, Sydney. The Chatswood, Sydney store was closed and re-opened in a new location and the Chermside, Brisbane store was refurbished. In July, the store in Greensborough, Melbourne was closed. The business continues to look for opportunities for new stores in Australia with a number of sites currently under review, to support planned growth. A store in Marion, Adelaide has been opened post year end in September.

During the year additional space was taken adjacent to the current Fulfilment Centre in Sydney to increase capacity and ensure that the significant growth in online sales was adequately supported.

With the large increases in online sales there has been significant investment in digital including the launch of an omni-channel Glassons app in October 2020 which is now in excess of 450,000 downloads, and a specific Glassons USA website to serve our growing US customer base. The sales to US customers for the completed financial year were fulfilled from both New Zealand and Australia, but are presently fulfilled just from our Australian business.

Glassons continues to bring the latest trends that customers want to the market through stores and online. The team have found new ways of working to ensure they are agile as well as maintaining a focus on sustainability. Glassons carries on the focus of putting the customer first by using digital solutions to engage and listen. This helps Glassons to maintain a strong brand position in both established markets and new markets.

Hallenstein Brothers

Sales for the 12 month period were \$97.20 million (including Australia), an increase of 9.86% on the prior period. Net profit after tax was \$4.82 million, an increase of 7.5% on the prior year (\$4.48 million).

Stores in Napier and Taupo were refreshed during the year and new fixtures to better display product were rolled out to key stores.

Sales showed a promising increase compared to the prior year and it was pleasing to see growth in casual categories, which largely offset the move away in menswear from more formal dressing. Covid-19 has

been the trigger for a significant shift in consumer habits with a far more casual approach taken to what would traditionally be worn in the office and to events, and the business has been able to pivot and adapt accordingly. Casual categories continue to outperform over the financial year with the team continuing to focus on current trends and must have products.

With product quality improved and with sustainability in mind, product continues to be essential to our performance. Customer service and engagement continues to be integral to our success with new service training programs introduced and better web site design.

E-Commerce

Online sales grew over the period by 31.27% against the prior year with significant growth experienced during periods of store closures. Online sales now represent 24.04% of total sales for the full financial year, up from 21.88% in the prior year. The growth in online sales have continued into the new financial year being ahead of last year, again supported by COVID-19 enforced store closures across the network.

Investment continues in digital to ensure we are ahead of the market in our functionality and technology as well as our web fulfillment in Distribution Centers. There is also focus on digital marketing and customer experience to continue to accelerate our online sales growth.

Dividend

The Directors declared and have paid a final dividend of 24 cents per share (partially imputed) (24 cents per share last year) on the 17th December 2021. Together with the interim dividend of 23 cents per share that was paid on the 16th April 2021, the full year dividend is 47 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

The new financial year got off to a disrupted start. Twelve stores in Victoria and Fourteen stores in New South Wales Australia were closed since restrictions were placed on the states earlier in the year. The stores were re-opened in line with the various State Government guidelines during October.

Following New Zealand moving to Level 4 at 11:59pm on Tuesday 17 August, all Hallenstein Brothers and Glassons stores in New Zealand were closed. On Wednesday 8 September, all stores outside of Auckland were reopened as the rest of New Zealand entered Level 2. The Group was further impacted by localized lockdowns in Northland and the Waikato. Auckland stores re-opened in line with Government regulations in November, and with that marked the first time since June that all stores across the Group had been open at the same time. Due to the various lockdowns and boarder restrictions in place the

Head Office team has not been able to travel domestically, trans-Tasman or internationally to support the business as often as we would like.

The first 20 weeks of the new financial year have seen Group sales decline -10.14% on the prior year, this has been driven predominantly by multiple store closures across both New Zealand and Australia in response to the recent COVID-19 outbreaks in both countries. The Group anticipates profitability in the current year will be adversely impacted compared to the period just completed. While we are pleased to have all stores operating again, we will continue to be cautious in regard to the future impacts of COVID-19 on customer confidence and the spending patterns around the Christmas and New Year period. 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 2022.

In closing I would like to thank the Hallenstein Glassons Board, Executive Team and all our staff, for the exceptional 2021 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 2022, and the certainty provided by high vaccination rates across New Zealand and Australia and the protection frameworks in place.

Warren Bell

Chairman

21st December 2021