

Michael Hill International Limited	
Results for announcement to the market	
Reporting Period	6 months to 31 December 2009
Previous Reporting Period	6 months to 31 December 2008

	Amount \$NZ'000	Percentage Change %
Revenue from ordinary activities	244,864	7.9%
Profit from ordinary activities after tax attributable to members	22,299	-66.0%
Net profit for the period attributable to members	22,299	-66.0%

	Amount per security	Imputed amount per security
Interim dividend for half-year ended 31 December 2009	1.5c	nil
Record date	25 March 2010	
Dividend payment date	1 April 2010	

Michael Hill International Limited's accounts attached to this report have been reviewed and are not subject to any qualification.

CHAIRMAN'S STATEMENT

Profit Announcement *(All values stated in NZD unless stated otherwise. Reference to "last year" refers to the same previous corresponding period from last year).*

Michael Hill International today announced an after tax profit of \$22.299m for the six months ended 31 December 2009 compared to \$65.614m for the previous corresponding period. (The previous period included a deferred tax credit of \$52.942m).

Summary of Key Points

- Operating revenue of \$244.864m up 7.9% on last year
- Same store sales up 4.5% on last year
- Earnings before interest and tax (EBIT) of \$30.329m up 42.3% on last year
- Net profit before tax of \$27.542m up 53.9% on last year
- Net profit after tax of \$22.299m
- 5 new stores opened during the six months and 2 closed
- Total of 242 stores open at 31 December 2009
- Interim dividend of 1.5 cents per share up from 1.0 cent last year

Australian Retail Operations

The Australian retail segment increased its revenue by 6.2% to A\$132.818m for the six months with EBIT of A\$24.414m, an increase of 5.6% on last year.

Same store sales in local currency increased 3.6% for the six months (last year 1.0% increase).

The operating surplus as a percentage of revenue was 18.4% compared to 18.5% last year.

The company is pleased with the Australian retail result in such challenging times.

2 new stores were opened in Australia during the period, as follows:

- Top Ryde, NSW
- Northland, Victoria

2 under performing stores were closed during the period giving a total of 143 stores operating in Australia at 31 December 2009.

New Zealand Retail Operations

The New Zealand retail segment increased revenue by 5.7% to \$52.408m for the six months with (EBIT) of \$9.403m, a decrease of 4.9% on last year.

Same store sales increased by 5.5% for the six months (last year 9.3% decrease).

The operating surplus as a percentage of revenue was 17.9% compared to 19.9% last year.

Trading conditions improved slightly for the six months compared to last year, however retail sales are still difficult to make and margin continues to be under pressure. Additional expense was also incurred due to an increase in the use of finance plans to help generate additional sales revenue.

There were 53 stores operating in New Zealand as at 31 December 2009.

Canadian Retail Operations

The Canadian retail segment increased its revenue 16.3% for the six months to C\$16.248m.

Same stores sales in local currency decreased 5.1% for the six months (last year 10.7% decrease).

There was an operating surplus of C\$0.150m compared to a surplus of C\$0.316m last year.

Trading conditions continued to be difficult for the Canadian company throughout the six months.

3 new stores were opened during the period:

- Crossirons Mill, Alberta
- Bower Place, Alberta
- Park Royal, British Colombia

There were 29 stores open as at 31 December 2009.

U.S. Retail Operations

The US retail segment achieved revenue of US\$5.332m for the six months.
There was an operating loss of US\$2.885m compared to a loss of US\$1.035m for the previous corresponding period.

Note that this business was acquired on 3rd September 2008 so only had four months of trade last year. This business is still in its infancy and the management team will continue to focus on adapting our proven retail formula to the US market.

There were 17 stores open as at 31 December 2009.

Non-Retail Segment Unallocated Expenses

Last year a number of "abnormal" and "one off" transactions occurred that adversely affected the group's half year result, were detailed in last years half year Chairman's Report and included US acquisition costs and restructure costs.

As a result of these "abnormal" and "one off" costs the unallocated expenses are significantly down on last year and this has lifted the half year result from the corresponding period last year.

Interim Dividend

The Directors are pleased to announce an interim dividend of 1.5¢ per share (2009 – 1.0¢), with no imputation credits attached for New Zealand shareholders and full franking credits for Australian shareholders. The dividend will be paid on Thursday, 1st April 2010 with the record date being Thursday, 25th March 2010.

Cash Flows / Balance Sheets

The Group has reported net operating cash flows of \$14.090m for the six months, compared to \$14.984m for the previous year.

The Group's balance sheet continues to be sound with an equity ratio of 57.7% as at 31 December 2009 (55.0% in 2008) and a working capital ratio of 3.3:1 (2.6:1 in 2008).

Summary

The directors are satisfied at the improved operating result especially in such difficult trading conditions. With the global economic outlook still uncertain a strong focus will remain on improving existing store performance and controlling costs.

The Group's philosophy of controlled profitable growth will continue and further new stores are being evaluated in all markets. However in the current economic climate only the very best opportunities will be considered.



R.M. Hill 17/02/2010
Chairman
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Consolidated Statement of Financial Performance			
STATEMENT OF FINANCIAL PERFORMANCE	Current half year \$NZ'000	% Change	Previous corresponding half year \$NZ'000
Revenue			
Trading revenue	244,864	7.9%	226,976
Other revenue	597	(22.4%)	769
Total operating revenue	245,461	7.8%	227,745
Expenses			
Cost of goods sold	(91,966)	2.4%	(89,820)
Employee benefits expense	(57,535)	5.2%	(54,691)
Occupancy costs	(20,702)	9.6%	(18,896)
Depreciation and amortisation expense	(4,944)	2.3%	(4,835)
Loss on disposal of property, plant & equipment	(39)	(46.6%)	(73)
Other expenses	(39,826)	4.8%	(38,012)
Finance costs	(2,907)	(17.6%)	(3,526)
Profit before income tax	27,542	53.9%	17,892
Income tax expense	(5,243)	(111.0%)	47,722
Profit attributable to members of Michael Hill International Limited	22,299	(66.0%)	65,614
INCLUDED IN STATEMENT OF FINANCIAL PERFORMANCE ABOVE			
Interest income	120	18.8%	101
Net foreign exchange gain (loss)	446	(29.1%)	629
Depreciation	(4,835)	4.9%	(4,608)
Amortisation	(109)	(52.0%)	(227)
Net loss on disposal of property, plant & equipment	(39)	(46.6%)	(73)
Rental expense relating to operating leases	(20,702)	9.6%	(18,896)
Earnings Per Security			
EARNINGS PER SECURITY	Current half year Cents		Previous corresponding half year Cents
Basic EPS	5.83		17.16
Diluted EPS	5.82		17.13
Dividends			
DIVIDENDS	Current half year \$NZ'000		Previous corresponding half year \$NZ'000
Final dividend for the year ended 30 June 2009 of 1.5 cents (2008 - 2.0 cents) per fully paid share paid on 12 October 2009 (2008 - 13 October 2008).	5,737		7,661
Total dividends provided for or paid	5,737		7,661

STATEMENT OF FINANCIAL POSITION	Consolidated Statement of Financial Position		
	At end of current half year \$NZ'000	% Change	At end of previous half year \$NZ'000
ASSETS			
Current Assets			
Cash and cash equivalents	25,194	26.4%	19,935
Trade and other receivables	9,869	(9.6%)	10,921
Inventories	150,485	5.0%	143,290
Total current assets	185,548	6.5%	174,146
Non-current assets			
Property, plant and equipment	36,656	2.0%	35,950
Deferred tax assets	60,973	(1.3%)	61,801
Intangible assets	375	(43.2%)	660
Total non-current assets	98,004	(0.4%)	98,411
Total assets	283,552	4.0%	272,557
LIABILITIES			
Current liabilities			
Trade and other payables	54,187	36.2%	39,790
Current interest bearing debt	-	(100.0%)	24,583
Current tax liabilities	499	(75.0%)	1,995
Provisions	2,403	25.0%	1,922
Total current liabilities	57,089	(16.4%)	68,290
Non-current liabilities			
Borrowings	61,659	15.8%	53,244
Provisions	1,172	8.5%	1,080
Total non-current liabilities	62,831	15.7%	54,324
Total liabilities	119,920	(2.2%)	122,614
Net assets	163,632	9.1%	149,943
EQUITY			
Contributed equity	3,850	-	3,850
Reserves	2,212	(57.3%)	5,175
Retained profits	157,570	11.8%	140,918
Total equity	163,632	9.1%	149,943

NET TANGIBLE ASSETS	Net Tangible Assets	
	Current half year \$ / Share	Previous corresponding half year \$ / Share
Net tangible assets	\$ 0.43	\$ 0.39

STATEMENT OF CASH FLOWS	Consolidated Statement of Cash flows	
	Current half year \$NZ'000	Previous corresponding half year \$NZ'000
Cash flows from operating activities		
Receipts from customers (incl. GST)	282,026	245,010
Payments to suppliers and employees (incl. GST)	(256,385)	(215,679)
Interest received	120	101
Other revenue	185	556
Interest paid	(2,906)	(3,710)
Income tax paid	(294)	(4,365)
Net goods and services tax paid	(8,656)	(6,929)
Net cash inflow from operating activities	14,090	14,984
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	209	88
Payments for property, plant and equipment	(6,597)	(6,034)
Net cash (outflow) from investing activities	(6,388)	(5,946)
Cash flows from financing activities		
Proceeds from borrowings	31,910	48,152
Repayment of borrowings	(30,682)	(40,929)
Dividends paid to company's shareholders	(5,737)	(7,661)
Net cash (outflow) from financing activities	(4,509)	(438)
Net increase in cash and cash equivalents	3,193	8,600
Cash and cash equivalents at the beginning of the financial year	23,529	10,013
Effects of exchange rate changes on cash and cash equivalents	(1,528)	1,322
Cash and cash equivalents at the end of half year	25,194	19,935

STATEMENT OF CHANGES IN EQUITY	Statement of Changes In Equity	
	Current half year \$NZ'000	Previous corresponding half year \$NZ'000
Total equity at the beginning of the half year	149,484	91,001
Profit for the half year	22,299	65,614
Exchange differences on translation of foreign operations	(2,519)	875
Total recognised income and expense for the half year	19,780	66,489
Transactions with equity holders in their capacity as equity holders		
Option reserve movement	105	114
Dividends provided for or paid	(5,737)	(7,661)
Total equity at the end of the half year	163,632	149,943

ISSUED AND QUOTED SECURITIES	Issued Securities	
	At end of current half year No. of Shares	At end of previous half year No. of Shares
Ordinary Shares:		
Fully Paid	383,053,190	383,053,190
Treasury stock held for employee share scheme	(584,290)	(584,290)
	382,468,900	382,468,900
Options issued during the half year	350,000	-

Issued Options:	Issued	Exercise Price	Expiry Date
Options issued 7 November 2007	4,250,000	\$1.253	9/30/2017
Options issued 24 August 2009	200,000	\$0.940	9/30/2019
Options issued 5 November 2009	150,000	\$0.940	9/30/2019

SUBSIDIARIES		Subsidiaries	
		Current half year % Ownership	Previous corresponding half year % Ownership
Name of Entity	Country of Incorporation		
Michael Hill Jeweller Limited	New Zealand	100%	100%
Michael & Company Limited (in liquidation)	New Zealand	-	100%
Michael Hill Trustee Company Limited	New Zealand	100%	100%
MHJ (US) Limited	New Zealand	100%	100%
Michael Hill Finance (NZ) Limited	New Zealand	100%	100%
Michael Hill Franchise Holdings Limited	New Zealand	100%	100%
Michael Hill Jeweller (Australia) Pty Limited	Australia	100%	100%
Michael Hill (Wholesale) Pty Limited	Australia	100%	100%
Michael Hill Manufacturing Pty Limited	Australia	100%	100%
Michael Hill Finance (Limited Partnership)	Australia	100%	100%
Michael Hill Finance Australia Pty Ltd	Australia	100%	100%
Michael Hill Franchise Pty Ltd	Australia	100%	100%
Michael Hill Franchise Services Pty Ltd	Australia	100%	100%
Michael Hill Jeweller (Canada) Limited	Canada	100%	100%
Michael Hill LLC	United States	100%	100%