

Heritage Brands Limited and Controlled entities

Chairman's Report for the Half-Year ended 31st January 2017

Dear Shareholder,

The Board of Directors and the Management team are pleased to advise that Heritage Brands Limited (HBL) has delivered a positive set of results (however slightly behind expectations) for the half-year ended 31st January 2017, with EBITDA 6% ahead of last year.

	31 January 2017 \$'000	31 January 2016 \$'000	Variance
Revenue	30,524	26,244	16%
EBITDA	3,482	3,282	6%
Earnings after Tax	3,014	2,916	3%
Earnings per Share (Cents)	.1673c	.1619c	3%

The above results have been achieved during a half-year that saw competition and retail partners continue to increase promotional intensity versus the same period last year. It is particularly pleasing to see that although HBL has responded to an uplift in promotional activity to remain competitive the strategies implemented across our portfolio in response to these ongoing pressures ensures the business remains on a sustainable growth path. Recent initiatives implemented should help the business ensure that EBITDA continues to improve in the second half, however our EPS will continue to be under pressure in the short term due to the fact that we are now accounting for taxation in full.

HBL competes in the Beauty and Wellbeing categories which are two of the largest FMCG categories in Australia and internationally. We are an entrepreneurial company that enhances the lives of consumers with Australian assurance of quality, value and innovation.

The recently acquired Le Tan fast tan brand was relaunched in the period and has seen double digit growth year on year. The Top line sales improvement for the first half is partly due to the relaunch of Le Tan, but it is very pleasing that the underlying "traditional" business has also posted solid growth.

Our management team and Board of Directors believe that Australian provenance and ethical brands in Cosmetics, Skincare, Suncare, and Wellbeing will continue to grow ahead of category norms both locally and abroad. In this regard we are pleased that HBL's exclusive distribution agreement with a Singaporean based distribution company is starting to deliver some significant distribution expansion into South East Asia specifically for the Australis cosmetic brand.

Our Balance sheet remains healthy and we have an appetite to pursue further investment opportunities which fit with our strategic intent. In line with this intent, HBL is pleased to announce to Shareholders that we have been in advanced discussions with an Australian company which shares HBL's philosophy and strategies regarding the future of wellbeing. These discussions have centred around a possible strategic alliance for a new brand to be launched and distributed of next generation products in the wellbeing retail space. We will advise shareholders and the market of the progress of this development as soon as we are able to.

As at today's date, HBL has continued the positive year to date results experienced in the first half. Subject to no unforeseen circumstances, senior management are forecasting an improved EBITDA for 2017/18 financial year.

A handwritten signature in black ink, appearing to read 'D Fairfull', with a stylized, cursive script.

David Fairfull
Chairman
6th April 2017