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**NICK SCALI LIMITED – ANNUAL GENERAL MEETING
31st OCTOBER 2013**

CHAIRMAN AND MANAGING DIRECTOR'S ADDRESSES

Chairman's Address

The following is a transcript of the address to shareholders by the Chairman of Nick Scali Limited, Mr John Ingram

I am pleased to report that for the year ended 30 June 2013 Nick Scali achieved record sales revenue of \$127.4m, up 16.5% on the fiscal 2012 year. This result was achieved by a focus on a product range that offered compelling value to customers whilst continuing our stated strategy of selective new store openings to grow the network. I am also especially pleased to report that same store sales increased a healthy 5.9% in the year.

Shareholders will be aware that the profit for the year included a benefit arising from compensation for the compulsory acquisition of land by the NSW Government. However it is particularly pleasing to report that after excluding this one-off item, a record underlying profit after tax of \$12.2 million was achieved. This was a very healthy 35.6% increase over the previous year.

A fully franked final dividend of 6 cents per share brings the total dividend for the 2012/13 financial year to 12 cents per share which is an increase of 50% on the previous year's dividend and recognises the value of franking credits to shareholders.

These results reflect management's focus on establishing the most appropriate product range and the excellence of people resources; the maintenance of strict cost control; and effective marketing. Trading generally remained volatile through the year and even in an environment

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of declining interest rates, the market for the Company's products did not grow.

With the Federal election (and the uncertainty that always brings) now behind us, it is hoped that the low interest rate environment will start to translate into improved consumer confidence and growth in this current financial year.

The Company's healthy balance sheet has allowed it to continue the strategy of acquiring its own property in selected locations, with the Company purchasing a property in Fyshwick, ACT during the year. Whilst these property purchases include some additional debt, the Company remains with very low gearing and significant cash reserves. The company is currently considering further real property purchases as it looks to into the future.

I take this opportunity to thank Mr Anthony Scali, our Managing Director, for his successful management of the Company over this last year and leading us to these record results. I also thank our loyal employees and congratulate them on the results achieved.

I will now invite Mr Scali to address the meeting to give us an overview of the operations of the Company and a glimpse of current trading.

Managing Director's Address

The following is a transcript of the address to shareholders by the Managing Director of Nick Scali Limited, Mr Anthony Scali

Thank you John and good morning Ladies and Gentlemen.

The 30 June 2013 result was indeed pleasing with underlying net profit after tax a record \$12.2m, 35.6% up on the previous year. This was achieved in a difficult retail environment as confirmed by the Australian Bureau of Statistics who reported a decline in the total furniture market of 4.4% for the same period. Despite the subdued market the Company recorded sales growth of 16.5% and positive same store sales of 5.9%. Gross margins were maintained and operating expenses as a percentage to sales fell from 48.4% to 46.4%, reflecting tight cost control .

During the year, our store network continued to expand with two Nick Scali stores opening in Maroochydore and Bankstown and One Sofas2Go store opening in Canberra.

Due to the compulsory acquisition of land in Bella Vista by the NSW Government as part of the North West rail link, we were forced to close one Nick Scali store and one Sofas2Go store. As John mentioned the Company was compensated appropriately for these closures.

During the first half of the current year the Company will open a new Nick Scali flagship store at Castle Hill. We expect at least two more Nick Scali stores will be opened in the second half as well as a Sofas2Go store in Melbourne. I am also pleased to announce that we expect to open our first store in Perth in the 2015 financial year. A new distribution centre will also be established in Perth to support a number of stores we plan to open in Western Australia.

With low interest rates, we are now seeing housing sales increase which indicates consumer confidence is rising. Normally housing sales are a positive catalyst for the furniture industry and, in addition, we will continue to expand our store network.

Outlook

I now turn to our current trading performance and I can report that we have made a solid start to the year. Customer orders received in the September quarter are up on the previous year as are same store orders.

However, during the quarter, we still experienced volatile periods in respect of sales orders and it is difficult at this point to really add any certainty as to how trading will be for the second quarter.

As mentioned at the full year's results, a challenge also for the Company in respect of our profit for the first half will be the compression of gross margin caused by the rapid fall in the dollar and the time needed to restore margins back to normal levels.

As to the further outlook for the full financial year, I am hopeful that we will continue to see more positive signs from the economy and

consumers. The Company remains in a strong position to capitalise on any increase in demand for furniture driven by the continued growth in housing sales and residential development and improving consumer confidence.

In conclusion, on behalf of the Company I want to thank all of our employees for their hard work during the year. The Company is only as good as the people it employs and developing the right people is a major and on-going focus of management. I would also like to thank my fellow Directors for their guidance and support throughout the year and I look forward to further support into the future.