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NICK SCALI LIMITED – ANNUAL GENERAL MEETING 30th OCTOBER 2014

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 2014 Nick Scali achieved record sales revenue and record underlying net profit after tax. This was a most solid result given the highly competitive market. Same store sales increased and the Company also benefitted from new store openings.

A fully franked final dividend of 7 cents per share, payable on 30 October, brings the total dividend for the 2013/14 financial year to 13 cents per share fully franked and represents a 74% payout ratio.

The Company continues its strategy of gradual expansion of the store network into carefully determined locations. A planned move into Western Australia later this financial year, which is an initiative that has been under consideration for some time, is an example of this approach. The move into Western Australia will,

however, be a challenging initiative given Perth's distance from Head Office and the absence of local brand awareness.

The Board continues to focus on the development of a strong executive team, talented & well trained staff and the maintenance of an appropriately qualified Board. In this latter respect we appointed Carole Molyneux as a director recently and I formally welcome her to the Board. Carole brings with her a wealth of retail experience and I am sure will make a valuable contribution in the years ahead. Shareholders will vote on Carole's election later in this meeting.

The Company's strong balance sheet, supported by a healthy cash position and minimal debt, places Nick Scali Limited in an excellent position to drive its growth strategy further in the period ahead and deliver additional growth in shareholder wealth.

I take this opportunity to thank Mr Anthony Scali, our Managing Director, for his successful management of the Company over the past 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 welcome everyone.

The 30 June 2014 result was very pleasing. Sales revenue rose 11.0% to \$141.4m, a strong result given the very competitive environment in which we continued to operate. Same store sales growth reached 6.3%, the second successive year at this growth rate. This sales revenue performance largely reflected sound product range initiatives and successful marketing programmes, along with the contribution from new stores.

Net Profit after Tax, at \$14.2 million was a healthy 16.3% above the previous year's underlying net profit and was a record. I say "underlying net profit" as it will be recalled that last year we benefited from a one-off compensation payment from the NSW Government of \$3.8 million after tax, relating to land resumption. The higher profit in fiscal 14 flowed from the higher sales, successful management of gross margins and the continued focus on costs.

Gross margins, whilst slightly lower than last year, remained solid reflecting our ability to manage retail price points and our ongoing management of purchase costs from suppliers. Operating expenses as a

percentage to sales fell from 46.4% to 45.3%, reflecting tight cost control.

During the year, our store network continued to expand with two Nick Scali stores opening - one in Castle Hill in New South Wales and the other at Taylors Lakes in Victoria.

As we have flagged previously, selective growth of the store network is an important plank in our strategy and I am pleased to confirm that expansion into the Western Australia market is well underway. We have secured a purpose-built distribution centre and 3 stores in Perth. Stores at Joondalup and O'Connor are planned to open in March 2015 and a third store, at Osborne Park is expected to open in May 2015.

In our existing markets we will be opening 3 stores, two will be at the end of the first half at Rutherford in New South Wales and Cairns in Queensland. The third store will open in the fourth quarter in West Gosford in New South Wales.

Outlook

I now turn to our current trading performance and I can report that we have made a solid start to the year with double digit sales order growth and comparable store orders, for the first quarter, ahead of the same period last year.

Even in this three month period however, we continued to experience volatility in sales order intake. We are hopeful that the continuation of historically low interest rates and increased dwelling construction will generate an improved level of consumer confidence and demand as the year unfolds, but we do expect short term volatility to continue.

If the Australian dollar continues to decline, management of gross profit will require close attention but provided the decline is a gradual process without sudden sharp movements, we believe we can maintain margins within our target range.

Based on a continuation of recent customer demand, Net Profit after Tax for the half year to December, which is always the strongest half, could be around 20 percent above the previous corresponding period.

As indicated earlier we have an exciting rollout of 6 stores in the 2nd half which includes a start-up operation of 3 stores in Western Australia incorporating a stand-alone distribution centre and additional management to support the footprint of stores. Due to the timing of the rollout of new stores, the start-up costs are not insignificant and are expected to have a negative impact on our second half NPAT, although this investment will position the company well for the start of the following financial year.

In conclusion, on behalf of the Company I want to thank all of our employees for their hard work during the year and I would also like to thank my fellow Directors for their guidance and support throughout the year and I look forward to their continued support into the future.