

MYER HOLDINGS LIMITED

Annual General Meeting

Friday, 7 December 2012 at 11.00am

Mural Hall, Myer Melbourne

Chairman's Address

Good morning ladies and gentlemen, and welcome to the third Annual General Meeting of Myer Holdings Limited.

My name is Paul McClintock and I am your Chairman.

I am delighted to be here today to share my first Myer AGM with you all, those who are here in Mural Hall and those listening via the webcast. Thank you for taking the time to join us.

It is such a treat to be here in Myer Melbourne today. The store is truly buzzing with the magic of the Christmas windows, Santaland and Christmas shoppers.

I am honoured to have been chosen to replace Howard McDonald as the Chairman of Myer. I have already spent some time in stores with Bernie and his team, and I am impressed by their presentation, as well as by the calibre of management that I have had the opportunity to meet. I look forward to standing for formal election during the course of today's meeting.

I would like to reflect on the historic nature of the Heritage listed Mural Hall that was so carefully restored as part of the Melbourne store rebuild. I draw your attention to the grand staircase and chandeliers that are wonderful examples of art deco architecture, as well as the ten magnificent murals. Myer founder, Sidney Myer, commissioned Melbourne artist Napier Waller to create those murals, which stand as a tribute to women and their achievements throughout history. They are a celebration of influential figures in the areas of art, history, opera, literature, dance and fashion.

There is a handout available in the foyer that describes the meaning of each of the murals.

I'd like to begin by respectfully acknowledging the custodians of the land on which we meet today, the traditional owners of the Kulin Nation.

The Notice of Meeting was mailed to shareholders on Friday, 26 October 2012. With your approval, I will take the Notice of Meeting as read.

I would also like to make you aware of a few housekeeping matters.

For your safety, I would like to draw your attention to the emergency exits located behind you, at the entrance to Mural Hall, and to my left. Should an emergency arise that requires evacuation, staff will be on hand to assist you.

If you have a mobile phone or pager, would you please ensure that it is on silent mode or turned off for the duration of the meeting? I also ask that you do not use cameras, video or any other recording devices during the meeting.

Please also note that this meeting is being recorded and webcast live on the internet.

The format of today's meeting is outlined on the slide now shown.

The first item of business will be my address, which will be followed by a business update by Myer's Chief Executive Officer and Managing Director, Bernie Brookes.

Together, Bernie and I will give you an overview of the past year and our priorities for financial year 2013. The Myer team has made great progress towards executing our five-point strategy, and this has underpinned a solid result, in an ongoing tough trading environment.

I will also provide some insight into why I have joined the Myer board and my initial observations of this iconic business.

Bernie will discuss the business performance and operational highlights for 2012 in more detail.

We will then turn to the formal business of the meeting. Each item of business will be discussed in turn and shareholders will then have the opportunity to ask questions on that item of business.

I would now like to introduce the members of your Board. I'm pleased that all of the directors will be addressing the meeting at some point today, so you will have the opportunity to hear from each of them.

- Second to my right is Rupert Myer, Deputy Chairman and Non-Executive Director. Rupert joined the Board in July 2006, and is a member of the Audit, Finance and Risk Committee, the Human Resources and Remuneration Committee, and the Nomination Committee. I will talk more about the role of Deputy Chairman later this morning.
- Next to Rupert is Chris Froggatt. Chris has been a Non-Executive Director of Myer since December 2010 and is the Chairman of the Human Resources and Remuneration Committee. Chris is also a member of the Nomination Committee.
- Next to Chris is Ian Morrice, who joined the Myer Board as a Non-Executive Director in August 2012 and is standing for election today.
- To my far left is Peter Hay, a Non-Executive Director who joined the Myer Board in February 2010. Peter is a member of the Audit, Finance and Risk Committee.
- Next to Peter is Anne Brennan, a Non-Executive Director who has been on the Myer Board since September 2009. Anne is the Chair of the Audit, Finance and Risk Committee. She is a member of the Human Resources and Remuneration Committee and the Nomination Committee.
- To my immediate left is Myer CEO, Bernie Brookes
- Also on stage, next to Bernie is Mark Ashby, Myer's Chief Financial Officer.
- And to my immediate right is Marion Rodwell, Myer's Company Secretary.

[Management Team](#)

- Our executive management team showcases the depth of talent and diversity of skills and experience we have at Myer. They are seated in the front row and I invite you to take the opportunity to meet them after the meeting.

- I would particularly like to introduce:
 - o Greg Travers, Executive General Manager Business Services and the Office of the CEO
 - o Mark Goddard, Executive General Manager Retail Development
 - o Adam Stapleton, Group General Manager Merchandise
 - o Megan Foster, Group General Manager Marketing and Brand Development
 - o Timothy Clark, Group General Manager Property, Store Development and Services
 - o Louise Tebbutt, Group General Manager Human Resources, Risk and Safety
 - o Tony Sutton, Acting Executive General Manager of Stores

Advisers

Also here today are:

- Andrew Mill, from our auditors PricewaterhouseCoopers;
- Tim Nice, from our remuneration adviser Mercer; and
- Joe Muraca representing our lawyers King & Wood Mallesons.

Joining Myer and early observations

Ladies and gentlemen, since this is my first meeting as Chairman, I'd like to tell you a bit about myself and what I hope to bring to the Myer Board.

I began my professional life as a lawyer, and after a period in finance I have worked in Board and advisory roles across a range of industries including mining, defence, health and medical research. I have also advised government on Cabinet process and long term policy formulation.

I was very attracted to the opportunity to join Myer, a company with a leading market position, fine leadership and a strong and diverse Board. Myer's heritage and its place in the Australian community, together with its future focus and global outlook were also big draw cards.

I wanted to work for a Company that I could be proud of, to be able to go home and say that I really respect and value what we do both in business and in the community.

Myer has a good strategy, one that is relevant today, and provides a pathway for the business to achieve its potential.

After meeting with Bernie and many of the team, it is clear that all key decisions are influenced by this strategic framework. Importantly the strategy is also well known across the business, not just at the senior management level. This is very powerful and one of the reasons why I welcomed the opportunity to be a part of Myer's future.

The strategy is still evolving and doesn't try to answer all the questions about where we are going. I think that the Board, together with management, can play a useful role in shaping the decisions we need to take to succeed in the future.

Having worked across a number industries, I believe I bring another perspective to the Board. While it is widely reported that the retail sector is encountering the most challenging trading conditions for some time, I do believe that when you're entrenched in a sector it is hard to imagine that others are also facing similar challenges. The issues I encounter in other industries, such as health care and defence, are not that different from retail. I hope to be able to work with my Board colleagues and the management team to meet with confidence the challenges facing Myer together.

As I mentioned earlier, I have already had the opportunity to visit a number of stores and to meet some of the Myer team, right across the business. I thank them for their welcome which has been warm across the board, and pending my election today, I look forward to working with them all as we drive the company forward.

Business performance

While I will leave it to Bernie to talk in more detail about the performance of the business over the year just gone, I would like to briefly mention a few aspects.

Total sales for the full year ended 28 July 2012 were down 1.3 percent to \$3,119 million, a credible result considering the continued weak consumer sentiment.

I commend Bernie and his team for their tireless execution of the strategy, and their unrelenting focus on the factors that they can control.

Successful initiatives to refine the merchandise mix, improve sourcing, and increase the contribution of Myer Exclusive Brands among others have combined to deliver a strong operating gross profit result, ahead of last year.

Net profit after tax was \$139.3 million, down 14.3 percent on last year.

The Board was pleased to declare a fully franked final dividend of 9 cents per share, taking the full year dividend to 19 cents per share.

Myer is well capitalized, and the business is strongly cash generative. As such the Board is confident that Myer is well placed to navigate the challenges ahead.

Australian retail environment

While our Sales in the First Quarter reflected a modest improvement in consumer sentiment, the challenging retail and economic environment continues, both in Australia and internationally.

Uncertainty at a political level is also impacting business across Australia, at a time when business and consumers alike want and need certainty.

I believe that it is incumbent upon business and government, working together collaboratively and with an eye to the future, to develop an environment in which business can prosper, skills can be learned and Australians can benefit.

Additional taxes and charges such as the carbon tax and the flood levy on the consumer certainly impact the discretionary retail sector, and current industrial relations settings have significantly increased our costs.

As a Company, we are still frustrated by the duty and GST loophole that exists that provides overseas online retailers with an advantage over local retailers. The internet has broken down traditional trade barriers and it is critical that reforms keep pace to ensure our local businesses are competitive.

We appreciate the current level of interest by State governments as they seek to claim the GST revenue being lost to them as a result of online sales to overseas retailers. We welcomed the Federal government's recent acknowledgement that this is a problem.

If the Federal government truly values the retail sector, the impact of increasing labour costs and uncompetitive nature of online retailing must be balanced by measures to improve productivity or flexibility.

We look forward to the outcomes of the GST review, as well as the Low Import Threshold taskforce delivering reforms to ensure the retail industry can continue providing economic benefits to all Australians by remaining globally competitive.

The Board

Given the opportunities and the challenges facing our business, it is important that the structure and capabilities of the Board support the achievement of our strategic objectives.

With the retirement of Howard McDonald in October and Tom Flood in April, there have been a number of changes made to the Board in the past six months.

The Myer Board acknowledges both Howard and Tom's contributions to Myer over the past six years. In Howard's case in particular, his three years as Chairman. We wish him every success in his future endeavours, and know that he will continue to closely follow Myer's progress. I particularly wish to acknowledge my personal thanks for his support and advice during my induction to the Board.

Ian Morrice has been appointed to the Board and is standing for election today. Ian has over three decades of retail experience that will complement the existing diverse skills and expertise on the Myer Board. He has held senior retail roles, including most recently as Group CEO and Managing Director, The Warehouse Group Limited (NZ). He also has significant retail experience in the United Kingdom.

His strong, international retail expertise and strategic understanding of the retail sector will be invaluable as Myer continues to respond to a challenging environment.

The Board structure has also been strengthened by the recent appointment of Rupert Myer as Deputy Chairman. All directors are encouraged to be actively involved in the

business to ensure that they can effectively contribute to policy and debate, as well as regularly engage with our significant and diverse stakeholder base across the country. In line with this requirement, Rupert's appointment formalizes his position in a more direct role supporting me as the Chairman.

The diversity of skills, experience and gender at Board level as well as throughout the business is an ongoing focus for Myer.

During the year, the Board formally adopted a Diversity policy at all levels, from the Board down. This action reinforces the principles and practices Myer has had in place for a number of years, and provides the framework for measurable diversity objectives to be established and reviewed by the Board.

Myer's Diversity Policy outlines our approach to creating and maintaining an inclusive and collaborative workplace, relating to gender, age, ethnicity, cultural background, language and disability.

The Board has also established measurable objectives for achieving gender diversity at all levels of the Company.

Corporate Governance

Corporate Governance remains a key focus for the Board and we actively look to recognise and manage risk and remain alert to changes in relation to our corporate governance responsibilities.

The 2012 remuneration report has been developed to clearly and transparently communicate the link between remuneration outcomes and the achievement of our strategic objectives. In particular the Board has sought to align management and shareholder interests through an appropriate balance between fixed reward and short and long term incentive.

While it's easy to focus on the potential rewards on offer through these schemes, it is also important to remember that when any long term incentive is achieved, shareholders will benefit. The Board's approach will continue to be one of linking pay with performance, and we will continue to engage with shareholders on our remuneration policy.

We also have taken the steps to outline our future focus on executive reward in our Annual Report, and Chairman of the Human Resources and Remuneration Committee, Chris Froggatt, will discuss the Board's approach to remuneration in more detail later in this meeting.

People and Sustainability

Turning now to our People and Sustainability.

As Chairman, I want the business to be focused on all areas and all issues that could impact Myer's reputation, performance or sustainability. We are committed to building a socially responsible and sustainable business with our Sustainability strategy focused on four key focus areas: people, community, business and environment.

Our 12,500 team members and the communities in which we operate are integral to the success of Myer. I would like to take this opportunity to thank each of our employees for their support and efforts over the past 12 months.

We remain committed to our valuable relationships with charities, and this year, the Myer Stores Community Fund contributed to over 70 charities nationwide, including The Salvation Army, the Olivia Newton John Cancer and Wellness Centre, the Smile Foundation and The Smith Family.

In the area of business sustainability we focus on a wide range of responsibilities including ethical sourcing, fair trading, product responsibility and governance.

We are also committed to minimising the impact of our operations on the environment and raising sustainability awareness among our team members and customers, for example in the areas of energy efficiency and recycling. This is not just the right thing to do, it is good for business and as such is of great interest to the Board.

Outlook for 2013

Before I hand over to Bernie, I would like to comment briefly on our priorities for the year ahead.

The retail trading environment continues to be impacted by a range of macroeconomic factors.

And while our share price continues to reflect the challenging retail environment experienced by all discretionary retailers, as a Board and Management team we will continue to focus on what we can control by directing all our efforts to deliver the best possible results in this environment.

I acknowledge that there are still a number of shareholders on the register who purchased shares in Myer at the IPO. My view is that the world has changed significantly since that time and the Company must be judged on where it is today.

I am very encouraged by the feedback about our progress on, and commitment to, improving customer service. This remains a key focus across the business.

There is no doubt that consumer preferences are changing as technology enables access to an ever increasing range of product, particularly online. I have no doubt Myer is well placed to capitalise on the strength of the trusted brand, store network, depth of offer and loyalty program to deliver a leading omni-channel offer in this new environment.

A lot of progress has been made over the past 12 months, and there is still much more work to be done.

As we look to the future, I would like to sincerely thank you, our shareholders and customers, for your continued support of our iconic business, Myer.

Before I hand over to Bernie, I would like to show you a short video that encapsulates Myer's achievements over the last 12 months.