

MYER HOLDINGS LIMITED

Annual General Meeting

Wednesday, 20 November 2013 at 11.00am

Mural Hall, Myer Melbourne

Chairman's Address

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

My name is Paul McClintock and I am your Chairman.

I am delighted to be here today 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 an exciting time of year to be here in Myer Melbourne. The magic of the Christmas windows, a new Santaland, a community connection with our Power of Give campaign, and lots of Christmas shoppers all bringing the store to life.

Last year's AGM was my first as Myer Chairman. It has been a rewarding twelve months, spending time in stores around the country and meeting many of the team who share a strong passion for this great, iconic company.

We hold our meeting for shareholders today in the historic, Heritage listed Mural Hall. It is a wonderful example of art deco architecture, painstakingly restored as part of the Myer Melbourne store rebuild a few years ago. Myer founder, Sidney Myer, commissioned Melbourne artist Napier Waller to create these ten magnificent 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.

We have made available a handout in the foyer that describes the meaning of each of the murals and the background of this remarkable artist.

The Company Secretary has confirmed that we have a quorum present and, accordingly, I declare this Annual General Meeting open.

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, 18 October 2013. 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, please ensure that it is on silent mode or turned off for the duration of the meeting. I 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.

Let me now take you through the format of today's meeting.

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 provide you with an overview of the past year and our priorities for financial year 2014. Throughout the past year the Myer team has continued to execute our five-point plan, while having an eye to the future and adapting the business to capitalise on the changing structure of retail. This delivered a solid result.

I will also reflect on my first twelve months as Chairman.

Bernie will discuss in more detail the performance of the company and operational highlights for 2013.

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.

- Second to my right is Rupert Myer. Rupert is Myer's Deputy Chairman and a 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.
- Next to Rupert is Anne Brennan. Anne is a Non-Executive Director who has been on the Board since September 2009. Anne is the Chairman of the Audit, Finance and Risk Committee. She is a member of the Human Resources and Remuneration Committee and the Nomination Committee.
- To my far left is Peter Hay. Peter is 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 Chris Froggatt. Chris has been a Non-Executive Director of Myer since December 2010. She is the Chairman of the Human Resources and Remuneration Committee. Chris is also a member of the Nomination Committee.
- On my immediate left is Bernie Brookes, Myer's CEO.
- 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.

Our executive management team has a depth of talent and diversity of skills and experience, illustrative of the strong team 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 over lunch.

I would particularly like to introduce:

- Greg Travers, Executive General Manager Business Services and Strategic Planning
- Adam Stapleton, Executive General Manager Merchandise
- Tony Sutton, Executive General Manager Stores

- John Joyce, Executive General Manager Marketing and Omni-channel
- Timothy Clark, Group General Manager Property, Store Development and Services
- Graham Dean, Group General Manager Home and Entertainment
- Megan Foster, Managing Director sass & bide, Group General Manager Freestanding Stores
- Nicole Naccarella, Group General Manager Women's Fashion
- Louise Tebbutt, Group General Manager Human Resources, Risk and Safety
- Anthony Coelho, General Manager IT
- Richard Harrison, General Manager Online

Also here today are:

- Andrew Mill, from our auditors PricewaterhouseCoopers;
- Bruno Cecchini, from our remuneration adviser Ernst & Young; and
- Joe Muraca representing our lawyers King & Wood Mallesons.

Reflection on first twelve months as Chairman

Ladies and gentlemen, last year I outlined to this meeting why I was attracted to the opportunity to join Myer, a company with a rich history, a leading market position, fine leadership and a talented and diverse Board.

Today I would like to share with you a reflection on my first twelve months as Chairman of the Myer Board. It has been a tremendously challenging and rewarding year.

As I have visited many stores around the network, it is clear that our people are the key to the evolution of Myer as we adapt to significant change across the sector. The retail world has changed structurally and we have as a consequence asked our team to change the way we do things and how we interact with our customers.

Looking ahead, we know that the only constant for us is that such changes will continue. The retail world, as far as the eye can see, will be one of continual evolution and further structural change. But we do see this as exciting and an opportunity for our business. We accept that it is challenging for many but believe we are well placed to capitalize on the potential it creates.

I remarked last year about some of the other businesses I work with. The change I refer to is common across Australian industries, with everybody having to deal with new technology, new demands from customers and new competitors.

I have paused to wonder what Sidney Myer would make of us saying we are facing this unprecedented time of change. I believe he would say that is the nature of retail.

I remain impressed by Management's focus on our five-point plan that has guided the company through the recent challenges and continues to provide a clear roadmap for the business every day. We have been adapting systems and processes to meet the challenges of the current environment and are making strategic investments to position the business for the future – all within the five-point plan.

Business performance

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

Total sales for the full year ended 27 July 2013 were up 0.8 percent to \$3.145 billion.

Bernie and his team are to be commended for this solid result in the face of a number of external challenges and for focusing on the factors that they can control.

In addition to sales growth, the continued improvement in operating gross profit was a highlight of the result. This was underpinned by Myer Exclusive Brands sales growth and margin expansion, a further reduction in stock shrinkage and improved mark-down management.

During the year, we continued our focus on customer service with a cultural change program to delight our customers and have been pleased with improving customer compliment metrics.

Net profit after tax was \$127 million, down 8.7 percent on last year, or \$129 million when a non-cash charge relating to the sass & bide put option is excluded.

The Board was pleased to determine a fully franked final dividend of 8 cents per share, taking the full year dividend to 18 cents per share.

We remain confident in the strength of the balance sheet and continued strong cash generation of the business. The Board firmly believes Myer is well placed to capitalize on the opportunities ahead and any sustained improvement in consumer sentiment.

The retail environment

Following a subdued and volatile trading environment in the lead up to the recent Federal election, consumer sentiment has shown signs of improvement with greater political certainty. We welcome the election result and commentary from the new government about its desire to engage in a constructive dialogue with business. We look forward to being part of that.

While our sales in the first quarter reflected this modest improvement in consumer sentiment, there is no doubt that the challenging retail and economic environment continues.

This is despite Australia being relatively well positioned compared to Europe and the United States. The retail sector would clearly benefit from reform to help drive productivity and mitigate increasing costs to enable us to become more competitive in a global marketplace.

Policy issue - GST online as a compliance issue

Retail continues to be one of the biggest private employment sectors in the country. All Australian retailers are being impacted by rising employment costs, escalating utilities costs and an import duty and GST loophole on so-called 'lower value' imports providing an unfair advantage to foreign retailers. Some of these issues are not easy to address, but the last one – GST compliance – can be solved.

Research undertaken by Ernst and Young indicates that more than 33,000 retail jobs would be lost by 2015 as a direct result of the Low Value Threshold remaining unchanged.

The retail industry argues that the GST exemption issue is an issue of compliance and absolutely has to be on the agenda of the new government. Like all tax regimes, the GST regime needs rigorous compliance methodology to ensure it is working efficiently.

The loophole for overseas retailers reflects thinking from a time before the advent and growth of online retail which is now measured in the billions of dollars.

The States' major tax should not continue to be allowed to leak from where it is intended to be directed – towards new roads, infrastructure, schools, and hospitals.

At last year's AGM I raised this issue and said it would be a priority, and it absolutely has continued to be high on my agenda. The industry has made the case well, and the old excuse that collection costs are too high has been discredited. The matter is urgent – jobs and much needed state revenue are being lost every day – so I look forward to significant progress from the new government in the next twelve months.

I believe there is an obligation for a significant company like Myer to express a view about policy issues like this. It is also appropriate to defend our position when brought under unfair attack or when criticised for contributing to policy debate.

Our people and social licence to operate

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 five key areas: customers, people, community, business and environment.

Our 12,500 strong team are core to our success. We have recently received the results of our company wide employee engagement survey and the results are tremendous with an Engagement Index score of over 80 percent, demonstrating our team is passionate about the success of Myer and highly engaged with their job. In key customer service measures, such as understanding what they needed to do to delight our customers, the score is well over 90. The results are well above the benchmark compared to other Australian Retailers.

On behalf of the Board, I would like to thank all team members for their commitment and focus over the past year. Their passion draws on the proud heritage of our iconic brand, and the philanthropic and community service legacy on which Myer was established.

Myer is committed to sustainable business practices, and we recognise the importance of supporting the communities we serve every day in our stores. Through the Myer Stores Community Fund, we have assisted over 90 local and national charities this year.

This year we have published our first Sustainability Report, which is available online, and an information card is available for shareholders attending the meeting today.

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

Ethical sourcing risks are comprehensively identified, monitored and managed and reported up to the Board level, as this is an area of great interest to the Board. Our Ethical Sourcing Policy outlines the minimum requirements that all suppliers, including sub-contractors of suppliers, engaged to produce merchandise for Myer, must meet in order to do business with us.

An Ethical Sourcing Framework of processes and systems designed to measure supplier adherence, identify breaches, and continuously improve the ethical performance of our supply chain supports the Policy.

In the past year, Myer undertook over 130 audits of direct supplier factories, a clear demonstration of the importance of an ethical supply chain to Myer.

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.

Myer's Diversity policy provides the framework for measurable diversity objectives to be established and reviewed by the Board. The Policy outlines our approach to creating and maintaining an inclusive and collaborative workplace, relating to gender, age, ethnicity, cultural background, language and disability.

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

Corporate Governance

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

The 2013 remuneration report was written with the objective of clearly and transparently communicating the link between remuneration outcomes and the achievement of our strategic objectives. The Board continually seeks to align management and shareholder interests through an appropriate balance between fixed reward and short and long term incentive.

It is also important to remember that when any long term incentive is achieved, shareholders will ultimately benefit from improved returns. 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 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 later in this meeting.

The Board

The Board structure was strengthened last year by the appointment of Rupert Myer as Deputy Chairman. He has had a more direct role supporting me as Chairman and representing the Board with internal and external stakeholders. We will continue to build on this important role over the next year.

All directors continued to be encouraged to be actively involved in the business to ensure that they can effectively contribute to policy and debate, and regularly engage with our significant and diverse stakeholder base across the country.

We are delighted to announce today that we have appointed Andrew Jennings as an advisor to the Board, commencing in February 2014.

Andrew is a highly experienced global retail executive, particularly in department store retailing. He is currently Chief Executive Officer of German department store chain, Karstadt, and was previously Group President and Chief Operating Officer of Saks Fifth Avenue in New York. He has also held very senior positions including Group Managing Director, Retail at Woolworths South Africa, Group Managing Director House of Fraser, and General Manager Harrods London.

His international experience will bring to the Board a global perspective on innovation and retail trends.

CEO succession update

As I outlined to shareholders at the 2012 AGM, the process of CEO succession would commence one year out from the conclusion of Bernie Brookes' contract in August 2014.

In recent months the Board appointed leading executive recruitment firm, Egon Zehnder, who have commenced the process of an international search.

The Board adopted a well planned approach to succession in the finalisation of a revised contract for Bernie in 2011. We have been transparent about the timing and have been managing an ordered and considered process.

The Board is focused on ensuring that there is an appropriate succession plan in place for Bernie when the time comes and we are confident that the best possible person will be appointed to lead the business to further success in the future.

We intend to be in a position to provide an update to the market by our half year results in March 2014.

Looking to the future – adapting our business

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

We see these as exciting times as the industry faces challenges and we adapt our business to the changing structure of retail. We have a robust operational five-point plan in place and we consistently look for opportunities to drive the long-term sustainability of the Myer business.

I have no doubt Myer is well placed to capitalise on the strength of our trusted brand, store network, range 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 while there is still much work to be done we are pleased with the progress made to date. We are confident that our strategy remains the right one to grow the business and maximise your shareholder returns.

During the year we engaged leading management consultants to review our strategy and five-point plan and to provide independent advice to the Board. Pleasingly they have confirmed the direction we have taken as being broadly reflective of global comparator retail businesses and that we are well progressed in implementing the plan.

With respect to broader strategic options they have also provided advice on the internal strategy proposals and other considerations for future growth. The Board will continue to work with management to ensure the business continues to develop and prosper.

We do, however, remain cautious about the year ahead given the challenges of the economic outlook and consumer confidence. During FY2014, the business will transition through the impact of major refurbishments and face increased operating costs.

As we move into FY2015, we expect to benefit from improved operating leverage and stronger fundamentals as a result of the completion of major refurbishments, the online business becoming profitable, and the ongoing optimisation of our store network.

On behalf of the Board, I would like to thank all shareholders and customers of this iconic company for their ongoing support.

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.