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NICK SCALI LIMITED – ANNUAL GENERAL MEETING
25th OCTOBER 2012

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 2012 Nick Scali achieved record sales revenue of \$109.4m, up 9.4% on the fiscal 2011 year. This was achieved by continuing the strategy of selective new store openings to grow the network and to complement organic growth. Same store sales however were down 1.8%, reflecting difficult market conditions for most of the year.

Net Profit after Tax was \$9.0m and this was down on the previous year. Lower margins as a result of the price sensitive retail environment, and higher operating costs associated with the opening of the new stores were the main contributors.

The retail environment in Australia continues to be difficult, with apparent low consumer confidence and an unwillingness to spend. Customers' spending patterns continue to be erratic, responding somewhat to promotional activity but with continued weakness in the absence of such offers.

Despite the tough market conditions, the Company is in a strong position to continue investment in the growth and expansion of the business. This will allow us to take advantage of improved conditions when they do occur. With a strong balance sheet, the Company is pursuing expansion of the store network through identifying new locations for lease or purchase. Additional growth is coming from the development of the new Sofas2Go brand, with promising results being achieved so far.

Corporate Governance remains a key focus for the Board. During the year the Board reviewed its own performance, reviewed and fine-tuned the existing Company policies and this year introduced the Company's formal Diversity policy. The Diversity policy aims to ensure that everyone has the same opportunity for advancement, training and employment within the Company, based on principles of merit. The Diversity Policy can be viewed at the Nick Scali website, in the Corporate Governance section.

We are fortunate to have committed and loyal employees without whom the business could not succeed. I wish to thank and commend them all for their efforts throughout the year. I would also like to thank shareholders for their continued support during these challenging times.

I will now invite the Managing Director Mr Anthony Scali to address the meeting to give us an overview of the operations of the Company.

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 2012 result highlighted both the disparate nature of the current retail market and the short term cost of continuing network growth for the longer term creation of shareholder wealth. While the Company achieved another record year in sales revenue, Net Profit after Tax was down 22% on the 2011 year.

As John stated, total sales growth for the year was 9.4% compared with the previous year, which was largely the result of opening 5 new stores. These included 2 Nick Scali stores - at Springvale in Victoria, and Warrawong on the South Coast of NSW, and three new Sofas 2 Go stores - at Campbelltown and Prospect in NSW, and Springvale in Melbourne Victoria. Same store sales were negative 1.8%, highlighting the tough market conditions faced during the year.

The lower Net Profit after Tax resulted from tighter margins and higher operating costs. The lower margins were due to the subdued market requiring aggressive discounting to drive sales volume and market share. The Company is committed to delivering quality furniture at reasonable prices, but maintaining margins at the same time, in such a price-sensitive market, is not easily achieved. The higher operating costs compared with last year mainly relate to additional costs from opening new stores and is our investment for the future. The higher level of expenses also included additional marketing costs, which helped drive a \$7m higher order intake than invoiced sales for the year.

Capital expenditure for the year of \$2.2 million was significantly lower than last year, which in that year included the purchase and development of the Alexandria showroom property. Capital expenditure in the 2012 year comprised new store fit-outs, refurbishments of existing stores and continued investment in our IT systems.

As for progress on the new brands introduced last year, I have been pleased with the results achieved from the Sofas 2 Go stores. All 5 stores contributed positively to the financial result for last financial year, even where stores were opened part way through the year. When we look at more recent results for Sofas 2 Go stores, we can see the full benefit of trading. These results have also been encouraging, and we believe that as we grow that brand's store network, the economies of scale will provide further benefits.

The growth strategy continues this year with the opening of three stores in the first half of the 2012/13 financial year. A Nick Scali store in Bankstown, NSW has been open since 28 September, and is trading to expectation. Another Nick Scali store in Maroochydore, QLD is due to open on November 15 and a Sofas 2 Go store at Fyshwick in the ACT is due to open late December. While we do not have any as yet confirmed new stores for the second half of the financial year, additional opportunities to expand the store network, both leasehold and freehold, are in the pipeline and other opportunities are constantly under review.

The new 2013 financial year has followed the trend of the previous year, proving to be a tough trading environment. We have had good growth in sales for the first quarter helped by the strong order intake in the fourth quarter of the previous year. Our sales order intake for the first quarter is up on the previous year, but is slightly below our expectations.

As to the further outlook for the full financial year, I am still hopeful that we will start to see more positive signs from the economy and consumers. Whether this proves to be the case or not, we still see a bright future for Nick Scali, with the continued expansion of the business by growing the store network and continuing to develop the Sofas 2 Go brand. Our profit for the full fiscal 2013 year will be largely dependent on the order intake for the 3rd quarter (January to March 2013) along with contributions from new stores opened in the first half this year and those opened in the second half of the previous year.

In conclusion, on behalf of the Company I want to thank all our employees for their hard work during what has been a tough year. I would also like to thank my fellow Directors for their guidance and support throughout the year, which is appreciated.