

MYER HOLDINGS LIMITED

Annual General Meeting

Friday, 21 November 2014 at 11.00am

Mural Hall, Myer Melbourne

Chairman's Address

Good morning ladies and gentlemen, and welcome to the fifth 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.

This is my second year as Chairman, and it has been a very interesting twelve months at Myer in the competitive, busy and fast-changing retail world.

Unprecedented reinvigoration of the Myer store network has included four major store refurbishments along with the recent opening of our new Mt Gravatt store in Queensland, and this weekend's launch of our new Joondalup store in Western Australia.

Our recent brand re-launch, 'find wonderful', reminds us of the pleasures of the department store experience and is reflected in our new company purpose, 'to bring our love of shopping to life'.

You will have walked past our Giforium on the way into the hall, and admired this unique approach to Christmas gift giving.

I urge everyone who has not done so to look at our new space at Emporium Melbourne adjoining this building on the fourth floor, full of the latest in toys, childrenswear, menswear and travel products.

Ladies and Gentlemen.

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

I begin today by acknowledging the custodians of the land on which we meet, the traditional owners of the Kulin Nation, and I pay my respects to the elders, past and present.

The Notice of Meeting was mailed to shareholders on 21st October along with the Annual Report for those who elected to receive it. 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.

The emergency exits are 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 set it to silent or turn it 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 for those who can't be here today.

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 2015. Bernie will discuss in more detail the performance of the company and operational highlights for 2014.

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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 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.
- Next to Chris is Ian Cornell. Ian has been a member of the Board since February this year. He is a member of the Human Resources and Remuneration Committee. Ian is standing for election today.
- On my far left is Bob Thorn who has also been on the Board since February this year and is a member of the Audit, Finance and Risk Committee. Bob is also standing for election today.
- Next to Bob 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. Along with myself, Anne is standing for re-election today.
- On my immediate left is Bernie Brookes, Myer's CEO and Managing Director.
- Next to Bernie is Mark Ashby, Myer's Chief Financial Officer
- And to my immediate right is Marion Rodwell, Myer's Chief General Counsel and Group Company Secretary.

Our leadership team has a depth of talent and diversity of skills and experience, strengthened recently with the addition of three highly qualified and internationally experienced executives. The leadership team is seated in front of you and I invite you to take the opportunity to meet with them after this meeting over lunch. I have already introduced Bernie, Mark and Marion, I would like to introduce the team as follows:

- Tony Sutton, Executive General Manager Stores
- Timothy Clark, Executive General Manager Property, Store Development and Services
- Louise Tebbutt, Executive General Manager Human Resources, Risk and Safety

And our three most recent appointments:

- Daniel Bracken, Chief Merchandise and Marketing Officer
- Richard Umbers, Chief Information and Supply Chain Officer
- Gary Williams, Executive General Manager Strategic Planning and Business Development

Also here today are:

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

- Christina Piccolo from Computershare

Reflection on last twelve months as Chairman

Ladies and Gentlemen, as I come to the end of my second year as Chairman of Myer there is no doubt in my mind that these are challenging times for retailers but they also represent times of great opportunity.

We are all seeking to respond to the significant change transforming the business world via digitalisation and globalisation. This is not unique to retail. In my experience with a broad range of businesses over the past 30 years, each has faced the challenges and opportunities of globalisation and looked for new and creative ways to adapt.

At the same time, discretionary retail businesses continue to operate in an environment of subdued consumer sentiment with concerns about the economy, and broader security issues.

Retailers are facing increased competition at home and abroad, as consumers look for value and newness in products and services.

Increasingly as I have looked around the world I have seen that the department stores that have prospered are those that have adapted to the fast-changing environment with intelligence and creativity. I have every reason to believe that Myer is on its way to doing the same.

Our recent brand re-launch and investment in Gifforium and our omni-channel offer, as well as the recent refurbished and new store openings demonstrate a business that is seeking to adapt to the times, and to changing customer demands. There is more work to be done but I firmly believe the wheels are in motion.

Business performance and evolving strategy

The results for the last financial year were in line with expectations and reflected the significant investment in our store network, omni-channel, and Myer Exclusive Brands.

Despite four of our top 25 stores undergoing major refurbishment and two store closures, the business maintained total sales of 3.1 billion dollars. On a comparable store sales basis, sales increased by 1.2 percent.

During the year we experienced our first decline in operating gross profit margin for four years. This was predominantly driven by the impact of the depreciation of the Australian dollar on our Myer Exclusive Brands and investment in product development.

Myer Exclusive Brands now contribute more than 20 percent of our sales and are an important part of our mix. I am encouraged by the work the team is doing to consolidate these brands, and make them increasingly attractive to a broader range of customers.

The cash cost of doing business was up by 3.3 percent to just over one billion dollars. These cost investments, however, are in areas where they were needed or areas that we believe will deliver future growth.

Profitability was adversely affected by significant investment during the year, resulting in a 22.6 percent decline in net profit after tax to 98.5 million dollars. A year of profit decline is disappointing to the Board, management and shareholders but it was in line with expectations and we look forward to the benefits of our investments beginning to be realised in FY2015. I am also conscious of the impact that the company's performance has had on the share price and will comment on this later in the meeting.

Recognising Myer's continued cash generation and stable balance sheet, the Board determined a final dividend of 5.5 cents per share, taking the full year dividend to 14.5 cents per share fully franked. This represented a payout ratio of 86 percent, above the Board's target dividend payout ratio of 70 to 80 percent of Net Profit after Tax, reflecting the Board's confidence in the outlook for the business in FY2015.

Bernie will discuss our results in more detail in his presentation.

During the past 18 months the Board focussed on assessing strategic opportunities for the business. The five-point plan continues to guide day-to-day operations. However, the Board and management absolutely acknowledge the fundamental need to improve top line sales

and to drive change in the organisation. As a Board we are confident that Myer can thrive as the only Australian-owned full-line department store and we are all very focused on expediting change and positioning Myer at the forefront of the evolving retail environment.

An early result of this strategic work was the David Jones merger proposal. As you know, we made a confidential and conditional proposal to David Jones in October 2013, which we believed had strategic merits and potential value accretion for both sets of shareholders. The proposal was the result of a significant amount of rigour and analysis and was generally welcomed by the market. We withdrew our offer when Woolworths South Africa made a bid for David Jones, reflecting our continued disciplined approach to valuation.

We subsequently turned our attention to the task of strengthening the senior management team to provide the bench strength required to deliver growth in the environment I have described. The three very senior appointments we have made in recent months reflect the Board's decision to broaden the management team with senior retail and global experience in order to bring new ideas and thinking into the company as we seek to work faster to evolve our strategy.

Corporate governance and remuneration

Corporate governance continues to be an area of focus for the Board with the recognition and management of risk a high priority.

During the year the Board reappointed Bernie Brookes as CEO and Managing Director. Bernie is passionate about Myer's future and the Board was pleased that he agreed to continue in the role. Bernie is a highly credentialed retailer who has led the business through a transformational and challenging period in its history. Bernie has not received an adjustment to his salary since 2011, so an inflationary adjustment to reflect close to CPI for three years has been applied to his new salary package. It is also worth noting that under Bernie's previous arrangement there was a succession incentive of 1.8 million dollars however this incentive is no longer available.

It is a very competitive market and the Board assesses what is appropriate for executive remuneration taking a range of factors into account. The Board is also mindful that shareholder interests will not be served if Myer becomes unable to retain or attract talented people who are key to achieving the Company's strategic objectives.

Chris Froggatt, Chairman of the Human Resources and Remuneration Committee, will discuss the Board's approach to remuneration later in the meeting.

Australian competitive landscape

Like all retailers, we have been operating in a difficult environment with consumer confidence remaining subdued throughout much of the year and significantly affected by the Federal Budget during the fourth quarter.

In my view, governments in Australia need to work harder to create the right conditions for business to thrive. One of the most important ways they can do this is to ensure consistent laws.

Currently retailers are having to face several major inconsistencies which harm trade. The first, which I have raised repeatedly, is the continuing unfair exemption for overseas companies on the Goods and Services Tax on delivery of items of what is misleadingly called 'lower value'.

Myer collected over 300 million dollars in GST from our customers in the last financial year, pays income tax of over 49 million dollars and payroll tax of over 20 million dollars. Offshore retailers selling into Australia pay none of this and it is important that this loophole is closed. The retail industry has argued strongly that the GST exemption issue must be on the agendas of Federal and State governments, but action has still not been taken.

Turning to the ongoing issue of trading laws and regulation we are pleased that the Federal Government has made some moves towards listening to the industry's concerns and we welcome the commissioning of the Harper Competition Policy Review. We recently made a submission to this review on the issue of inconsistent trading hours across Australia.

We agree with Professor Harper and the panel that the remaining restrictions on retail trading hours should be limited to Christmas Day, Good Friday and the morning of ANZAC Day.

The draft report says the current restrictions impede suppliers' ability to meet consumer demand. I quote from the draft report: "They discriminate among retailers on the basis of factors such as products sold, size of retailer or location of retailer. They can also impose costs on consumers by creating inconvenience and congestion. The rules can be complex and confusing and create compliance costs for business."

Nowhere is this more obvious than in NSW where on Boxing Day – the day of the commencement of major sales across Australia – a resident of the biggest city in Australia, is only able to shop at two of our stores in the Greater Sydney area – Sydney City and Bondi. Western Australia, South Australia and Queensland also have restrictions which make us uncompetitive. Whilst we are pleased the Government's inquiry is looking at these issues, I believe it is now time for action by all governments involved, not just discussion.

Sustainability and our people

Turning now to our sustainability programs which are of great importance to the business as we are committed to building a more socially responsible and sustainable business.

This year marks the 80th anniversary of the death of the Myer founder, Sidney Myer, who placed great value in philanthropy and giving back to the community which had supported his commercial ventures.

Our 13,000 Myer team members carry on the Sidney Myer tradition with the Myer Stores Community Fund raising 2.27 million dollars in 2014 for more than 100 partner organisations engaged in charitable work, especially caring for sick and disadvantaged children and young people, and projects supporting women's health.

During 2014 Myer was awarded ORC International's Excellence in Employee Engagement award for Australia and New Zealand recognising the results of our first company-wide team member engagement survey, Your Say. Myer's 83 percent employee engagement result was the highest ranking out of the 182 surveys conducted in the region during the year. Very pleasingly, the 2014 result was an improvement on this with 84 percent employee engagement, which is world's best practice for retail.

On behalf of the Board I would like to thank all team members for their commitment and focus over the past year. As I welcome the new leadership team, I would like to thank those in the management team who stepped up to the challenge of leadership while these appointments were finalised.

We have published our second Sustainability Report this year, available for shareholders in the foyer today and online on our investor website.

At Myer we define sustainability as responsible business growth and development that considers and addresses the environmental, ethical, economic, and social impacts of our business operations and strategies. In the area of business sustainability we focus on a wide range of programs including ethical sourcing, fair trading, product responsibility and governance.

Ethical sourcing risks are carefully monitored and managed with reporting to the Board, and we look at these matters very carefully at Board level.

Our Ethical Sourcing Policy outlines what we require from our suppliers and sub-contractors to those suppliers, engaged in producing merchandise for Myer.

In the past year, Myer undertook 179 audits of direct supplier factories, up from 136 the previous year. We are also committed to minimising the impact of our operations on the environment and raising sustainability awareness among our team members and customers, in the areas of energy efficiency and recycling.

Myer's diversity policy outlines our approach to creating and maintaining an inclusive and collaborative workplace culture. Diversity covers gender, age, ethnicity, cultural background, language and disability, and also the differences in backgrounds, education and life experiences.

We believe having a diverse range of employees better enables Myer to provide the best service to its customers. It helps foster innovation, problem solving capability, customer connection, increased morale, motivation and engagement.

The Board

Turning to Board matters, I am pleased to welcome our two new Board members, Ian Cornell and Bob Thorn, who joined us in February this year and are up for election today. They will be giving you more information about their backgrounds in a few minutes. Since they joined Myer, they have already made significant contributions.

Peter Hay retired from the Board in July this year, and we wish him well and thank him for his valuable service to Myer.

Our Board has been actively involved in the business, and has played an important oversight role in their committee work throughout the year.

I would like to thank our Board adviser, Andrew Jennings, who has provided many valuable insights over the financial year from his long experience of international department stores.

The Board, together with its adviser, has significant retail and international experience.

Looking to the future

I would like to comment briefly on our priorities for the year ahead.

As we move into financial year 2015 we expect to begin realising the benefits of recent investments and a number of strategic initiatives. We see this very much as a time of opportunity and will continue to invest in the important areas of omni-channel, our people, Myer Exclusive Brands, customer service innovation, and refreshing the Myer brand.

It is important to note that in our exhaustive research over the past few years, the loyalty and affection for the Myer brand continues as one of our greatest strengths, and this is something we will be building on as we evolve our strategy.

We are proud of the initiatives we are undertaking to set us up better for the future, initiatives such as Giftorium which are designed to revive foot traffic and give people more reasons to come into Myer stores or shop with us online.

Our clear aim is to position Myer at the forefront of the rapidly changing and competitive retail environment. We look forward to leveraging the experience and insights of our new executives combined with the experience of the leadership team as we evolve the strategy.

We remain confident in the strength of Myer, the quality of our team and in our ability to capitalise on the significant opportunities ahead.

Before I hand over to Bernie, I would like to show you a video that encapsulates some of the key initiatives and areas of focus for the business over the past 12 months.