

ROY CAMPBELL - CEO ADDRESS
TO SHAREHOLDERS OF SMITHS CITY

25 AUGUST 2015

Thanks Craig,

It certainly is an exciting time in retail and I'm proud to join one of New Zealand's iconic retail brands; it's a privilege to lead Smiths City on its journey forward.

Our journey faces many challenges as we move and adapt our business model to meet the rapidly evolving marketplace that we compete in every day. I believe that Smiths City is well placed to meet those challenges and I am confident that we have the Portfolio, People and Passion to succeed.

Succeeding in business is about adapting to the evolving market place around us and we at Smiths City are no different in this requirement. Craig has spoken to you regarding our past performance of the company leading up to this AGM.

I'll now comment on the initiatives that I see must be implemented to ensure that we succeed.

I must emphasise that this is not about changing who we are as Smiths City; our heritage and proud legacy provides a solid foundation on which to build the Smiths City of tomorrow.

So what does change look like? I believe that to succeed in business you must have a clear and compelling focus on what you want to achieve and how you will achieve this.

Clarity of purpose is core to everything we do.

For that reason you'll see, over the coming months activities designed to ensure we realign our brands to the market. As Craig's indicated, the Powerstore & LV Martin operations are not profitable; if we cannot return them to profit we'll cease to operate them.

Clarity for Smiths City means ensuring that we focus on successfully meeting our customer's needs every day in every location. We need to satisfy our customers everytime they enter our store and ensure they prefer to shop with us over others.

We need to ensure that we reinvigorate our core business of retailing Furniture and Appliances. We've already started on this journey by refreshing our advertising and in store communication and will, over the coming months refresh our in store visual merchandising to present a more compelling offer to the customer.

We're also working hard on ensuring that our online presence is relevant in the digital age we find ourselves in & we look to generate significant sales from this area that complement our bricks & mortar sales offer. We're currently looking to appoint a Manager, Media & Communications to ensure we have the right skill sets in our business to ensure success in this critical area and that of our broader marketing activities.

We're focusing on reintegrating our finance offer into our store activities and ensuring that we offer our customers every opportunity to benefit from our finance company; we see our finance offer as providing a strong point of difference in the market and we're proud to continue to operate this ourselves. We've invested in refreshing the look and feel of our finance communications, which has been well received.

We're confident too of our future, so much so that we are opening our 28th Smiths City in Taupo this coming October. This should be seen as a strong signal of our intent to keep

pushing North; I can however assure you that our base will always be solidly here in Christchurch.

Turning to cost control, as a group we face constant & significant pressure on margin, particularly in the commodity space that appliance retailing has become. This requires us to be ever vigilant in our quest to maximise margin through associated selling activities and a relentless focus in removing excessive cost from the business.

This is particularly critical in our “back of house” operations. All our support structures need to be enablers for excellence at store level. To ensure they are, we have embarked upon a number of company wide initiatives:

A supply chain and logistic review with a number of clear outcomes:

- Ensuring we bring the right product into our business at the right time and at the right cost
- Ensuring that our costs of distribution are efficient and are aligned with best business practice
- Holding inventory levels at the most optimum level to ensure prudent use of working capital and maximising stockturn

A review of all our service and head office support costs with a view to ensuring that we are as efficient in the provision of services and support as possible.

A review of our IT and information systems to ensure that they are enabling us to manage and operate in the most cost effective manner.

Concurrent with these specific initiatives, I am also challenging all areas of the business to look at how we currently do business and seek to find smarter and more cost effective ways of operating. We need to ensure that we adopt a continuous cost conscious approach to running our business; we simply cannot

afford to be complacent when viewing how we operate. This will flow through into providing real value to our customers and you our shareholders.

Finally as I mentioned earlier, this is a fantastic time to be in retail and again, Smiths City is well placed to capitalise on the tightening market that I believe we currently face in New Zealand. We talk and resonate directly with the majority of New Zealand every day, providing a value proposition to them that is real. I'm proud of the value we bring to New Zealand and I'm grateful for you allowing me to share with you how Smiths City will meet the challenges facing us. Clearly, we are not anticipating or envisaging a business as usual approach to retailing going forward. Thank you.

ROY CAMPBELL
CHIEF EXECUTIVE