

PREMIER INVESTMENTS LIMITED

(A.C.N. 006 727 966)
(A.B.N. 64 006 727 966)

4 December 2012

CHAIRMAN'S ADDRESS

INTRODUCTION

At the time of our last Annual General Meeting I described the 2011 financial year as an 'extraordinary' year given the significant challenges which all retail businesses in Australia encountered.

The 2012 financial year proved to be yet another very difficult period for Australian retail.

I am not yet of the view that 'extraordinary' has become the 'ordinary'. We are not living through a so called 'new normal' for retail but the combination of both cyclical and structural impacts is certainly testing the capacity of retail boards and management. Indeed the past 2 years have been amongst the most difficult as I have seen in my 50 years of retail experience.

That said, retailers have always operated in a cyclical environment of both good times and bad.

The 'test' for retail boards and management is to deliver results which are acceptable to you – our shareholders – at all stages of the economic cycle. A further 'test' is to deliver outperformance relative to our competitors.

Your board believes that our 2012 result delivers on both of these tests.

The general retail environment in 2012 was again characterised by sustained very low levels of consumer, and business, confidence.

Macro pressures including continuing uncertainty concerning the strength of the international economy and volatility in the international financial markets were overlaid by domestic cost of living pressures, flawed interest rate settings and the uncertainties associated with minority government including the absence of a predictable public policy framework.

The continued disconnect between the cyclical reality retailers face and the almost separate reality of rising fixed input costs has also needed to be managed and provides further challenges for retail owners and managers.

In addition to the usual 'laundry list' of retail challenges is the imperative to understand and manage the significant structural changes which are impacting on the retail industry internationally. This challenge does not go to simply defending a market position but fundamentally represents new opportunities for growth.

It is against this background that your directors are very pleased to be able to report to our shareholders a strong result for Premier Investments in 2012 which has been underpinned by an improved and relatively strong performance by Premier Retail.

Premier Retail, comprising of Just Group – Australasia's largest specialty retail business – is performing very well under the leadership of Premier Retail CEO, Mark McInnes.

Indeed we believe that Mark and the very capable senior management team under his leadership have met the challenges of these difficult times with a level of professionalism that can be benchmarked against any retail management team.

I will provide further detail of the Premier Retail performance in a moment.

The Premier Investments division of our company has also again made a strong contribution to our overall result with the continuing outstanding performance of the Breville Group (in which Premier is the largest shareholder).

The maintenance of strong cash reserves and no net debt is also a considerable asset to our company both in these volatile times and as leverage for future growth opportunities.

In summary, notwithstanding the times, Premier is a solid and strong business with very capable management and is performing well for our shareholders in delivering strong dividends and the framework for continued long-term wealth creation.

Highlights of this year's results include:

- Successful implementation of strategic review initiatives is delivering strong profit results despite tough retail environment;
- Premier consolidated net profit after tax (NPAT) of \$68.2 million, up 68 per cent on previous year;
- Premier Retail (The Just Group) underlying EBIT \$80.4 million, up 23 per cent;
- Strong contributions from online and Peter Alexander and Smiggle;
- Smiggle expansion into Asia highly successful, expansion into Malaysia and Japan announced;
- Strong balance sheet maintained with year end cash on hand of \$294 million;

- Breville Group's share price at year end was up 45% for the year. At year end this valued Premier's investment in Breville at \$152 million, up \$48 million for year. In addition, Premier received \$6.5 million in dividend income from Breville. Since year end, the Breville share price has increased further valuing Premier's holding at \$196 million; and
- Maintenance of strong dividend returns to shareholders.

PREMIER RETAIL - PERFORMANCE

As I have said, the 2012 earnings result for Premier Retail was very positive despite the tough trading environment.

Over the last 12 months the Just Group team, with Board support, has focused diligently on implementing the 6 point EBIT improvement program outlined by our CEO Mark McInnes in July of 2011.

In FY12 we focused on:

- Achieving greater cost efficiency in a tough trading environment including reducing our costs by \$27.8 million
- Sourcing from factories that make for international brands to achieve margin expansion
- Investing and rejuvenating core brands including Just Jeans, Jay Jays, Jacqui E, Portmans and Dotti
- Achieving strategic growth in innovative brands, Smiggle and Peter Alexander
- Investing, leading and growing our on-line business with an aspirational target of 10% turnover by 2015

Despite the difficult sales environment, Premier Retail's underlying EBIT was up 23 per cent to \$80.4 million.

During the year, Premier Retail has invested heavily in further developing the online presence of its brands with 67% growth in internet sales during financial year 2012. All our brands and products are now online. We are innovating in the Australian on-line space as is demonstrated by our newly launched Dotti and Portmans websites, which are now internationally competitive with mobile functionality, search functionality, social engagement and next day delivery. Dotti was the first Australian based retail business to offer free next day delivery Australia wide as part of our launch promotion.

We see continued opportunities to grow our online business. It is precisely for this reason that the existing tax regime does not support Australian online business - in fact, it directly disadvantages us. This should be of grave concern to all Australians.

No Australian online business is capable of reaching its full potential while a flawed two-tiered tax system remains in place.

The Low Value Processing Taskforce, put in place by the Government, recently found that the Low Value Threshold, or LVT, for purchases made offshore online should be abolished. But still we have no action from the Federal Government.

Over a year ago, The Productivity Commission found the same. Again, no action.

A substantial number of domestic retailers have failed in the past 18 months - Borders, Angus & Robertson, Colorado, Jag, Bettina Liano, Brown Sugar, Fletcher Jones to name a few. Still no action.

According to ABS data 22,600 retail jobs have been lost in the same period of time. Again, no action.

Last week the GST distribution review headed by former NSW liberal premier Nick Greiner and former Victorian Labour Premier John Brumby recommended that consumers pay GST on overseas purchases. They also believe that the GST threshold should be reduced to a nominal level, no more than \$20 or \$50.

In the face of the overwhelming evidence of the damage being done to Australia by this policy, and the independent assessments of several highly-credible reviewers, yesterday the Federal Government announced that they needed **more time** to assess the impact of changing its current LVT policy.

My message to the Government is that we have all run out of time. Change needs to be made right now, and if the Government needs any further proof of what's at stake, I have one word for them- JOBS!

The National Retailers Association recently released a report commissioned by Ernst and Young that concluded that 118,000 retail jobs would ultimately disappear in the coming three years given the structural changes taking place in the industry - that is, online purchasing.

Over 30,000 of these job losses can be avoided simply by leveling the playing field on the Low Value Threshold so that Australian retailers can play too. So let me make this clear, the current Federal Government will be directly responsible for 30,000 jobs lost according to Ernst & Young, by not abolishing the Low Value Threshold.

We need immediate action from the Federal Government. In every other comparable country, Governments have recognized the need to deal with this issue as a serious matter of public policy and have already acted – while our Government plays 'process' games.

Every additional day is a day too long when you are dealing with internet sales. In our online businesses alone, our traffic has grown by 59% over the last 12 months with over 22.5million visits. A recent NAB report found that online sales had increased 22% year on year. I expect this growth to continue exponentially – which is why the policy settings to encourage local online stores must be right.

Unfortunately, the current government policy on LVT fails the fundamental test of good government – to act responsibly. Not to pander to perceived populism at the expense of sound public policy.

Our government is also failing Australians and the hundreds of thousands of people who work in retail, Australia's largest employment sector.

It is failing Australian entrepreneurs who want to set up new online businesses because the LVT gives foreign sites a leg up.

It is very hard to compete when your own Government is on the side of foreign competitors.

Given these pressures from the external environment, Premier is working extra hard to ensure the business can trade well through this period and thrive in good times.

During 2012 Premier Retail also successfully maintained a clean inventory position. As we head into the summer months you will notice that our product is fresh and on-trend, giving us an advantage in the marketplace.

The Board acknowledges the exceptional performance of Mark McInnes since he took the role of CEO Premier Retail 18 months ago. The improvement of the business at the underlying EBIT level has certainly been well executed.

We are confident an appropriate balance has been struck between cost control in a volatile environment and investment in key people and growth opportunities.

Over the course of the year Premier Retail has selected the "best-of-the-best" in the retail market, with over 20 senior hires. The team has also invested where it counts – behind store expansion for key brands in key geographies and in store refurbishment and rejuvenation.

We have been delighted with the immediate and impressive success of Premier Retail's expansion into Asia via Smiggle. We recognize the major and unique growth opportunity this represents. Today, seven of our top 10 stores for Smiggle are in Singapore.

The Board continues to support well-tested, strategic investment in Asia. In the next 12 months we plan to take our Smiggle business into Malaysia and Japan following the success of Singapore this year.

But we will do our research and canvass offshore opportunities carefully. We will be very disciplined in our approach - and I'm sure our shareholders know that we will only pursue growth by acquisition where it passes the test of delivering real and genuine long term value for our shareholders.

DIVIDENDS

The Board is proud of its track record of rewarding shareholders and maintaining a strong and consistent dividend stream to the owners of the business.

Premier has maintained an ordinary fully franked dividend of 36 cents per share for the financial year, reflecting our continued confidence in the performance and growth of the business.

This represents a payout of 82% of earnings. The Premier Board has regard for Premier Retail's current trading, the future earnings potential for Premier and the strength of the Premier balance sheet when making a decision on the appropriate dividend payout each year.

CURRENT TRADING AND OUTLOOK

I will now turn to the current trading and outlook for Premier Retail.

As noted earlier, the macro environment remains challenging with uncertainty in the global economy, confused policy settings and cost of living and interest rate pressures affecting consumer confidence.

I have said many times that the RBA must act to send consumers a clear signal. Incremental changes of 25 basis points are not enough to achieve a change in consumer confidence. As a retailer with 50 years of experience, I can tell you that businesses are doing it tough – conditions are as difficult as I have seen.

For years the non-mining sectors of this economy have been largely ignored while policy-makers have focused solely on Australia's growth thanks to the mining boom. If this continues the rest of our economy will continue to shrink and we will be left the legacy of these mistakes in a post boom world – a less productive, less competitive economy.

I strongly believe the RBA should take immediate action and make the next cut meaningful for consumers.

Despite the external environment, from a Premier point of view, the management team is excited by the momentum being generated WITHIN the business. I am proud of the fact that Premier employs first class retailers who are driven by the opportunity to test themselves every day in the current environment and against new competitors in the market.

However, we are in the midst of our most important trading period of the year as we head towards Christmas. As we said at our full year results, December and early January are the all important selling season. I know all our brands, stores and staff are ready for this period and we look forward to delighting all of our customers. Whilst the season has started well, it is still too early to determine the outcome for the Half Year as our entire result rests on the next six weeks trade. To that end, I would like to thank all of our team in advance for their dedication to great service.

While we are confident and fully in control of all of the factors that influence our performance internally, the extreme volatility in the external environment makes it impossible to provide meaningful guidance to our shareholders and the market at this time.

CONCLUSION

In conclusion I would like to express my appreciation – on behalf of all the Premier Directors – to Mark McInnes, his senior management team and the 6,000 team members that serve our valued customers every day.

The challenges that we face as an industry and as a business, we face together. The resolve of the team to pass the test when it comes to customer satisfaction with product, range, price and service must be commended.

I would also like to personally extend my thanks to each of the other Premier Directors – we have an exceptional Board with great experience and I am very proud to be a part of it.

I would also like to take this opportunity to welcome Mark McInnes to the Premier Board following his successful first 18 months serving shareholders in an executive capacity.

As shareholders will know, Mark has a very strong track record in retail management. Mark has indeed passed the test of strong leadership during his time at Premier and I look forward to his contribution to the Board.

Welcome Mark.

Let me close by reinforcing that Premier is well placed to continue to improve, grow and deliver long term value for shareholders. While we cannot deny that there are challenges in the macro environment, we are making the necessary changes and pulling the right levers to ensure our business will trade well in tough times and thrive in good times.



Premier Investments Ltd Annual General Meeting

4 December 2012

Just Jeans

JACQUIE



portmans

peteralexander

dotti

smiggle

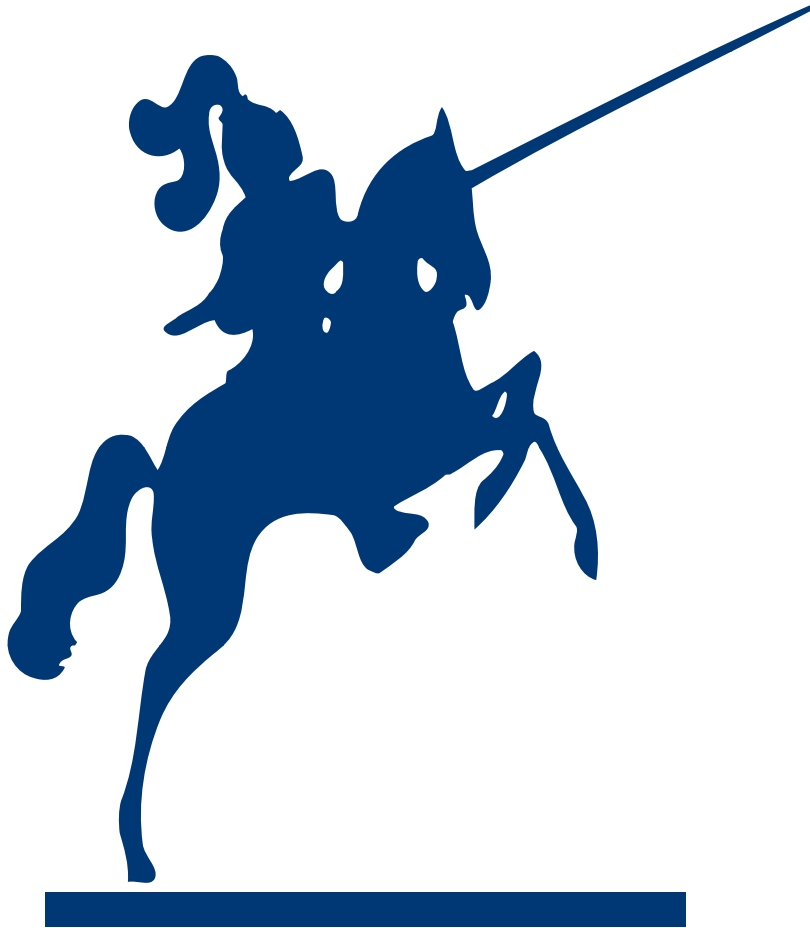
THE
JUST
GROUP



Agenda

- 1 Chairman's Address
- 2 Financial and Operational Review
- 3 Resolutions

1 Chairman's Address



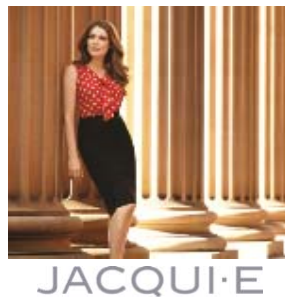
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Key Highlights

- Outstanding profit result in difficult trading environment
 - Group profit after tax of \$68.2 million, up 68% on a reported basis
 - Premier Retail (The Just Group) contribution to Premier performance: FY12 underlying EBIT of \$80.4 million up 23% on pcp
 - Strong contribution from online, Peter Alexander and Smiggle
 - Smiggle expansion into Asia highly successful
- Premier balance sheet remains robust
 - Year-end cash on hand of \$294 million
 - Investment in Breville approximately \$152 million at end of year, up \$48 million for the year
 - Investment in Breville currently approximately \$196 million
 - Year end franking credit pool of \$212 million
 - Maintenance of strong dividend returns to shareholders

Premier Retail (The Just Group)



Just Jeans

JACQUIE



portmans

peteralexander

dotti

Smiggle

THE
JUST
GROUP



Premier Retail FY12 Overview

- Strategic review initiatives on track
- Underlying EBIT of \$80.4 million, up 23% on pcp
- Strong cost-out performance, including reducing costs by \$27.8 million
- Product sourcing improvements
- Investing in and rejuvenating core brands, including Just Jeans, Jay Jays, Jacqui E, Portmans and Dotti
- Clean inventory – setting a strong platform for FY13
- Strategic growth in innovative brands, Smiggle and Peter Alexander
- Smiggle Singapore delivering outstanding growth
- Exceptional internet sales growth

Premier Retail Brands



peteralexander



portmans



Just Jeans



JACQUI-E



smiggle®



dotti



JayJays

Just Jeans

JACQUI-E

JayJays

portmans

peteralexander

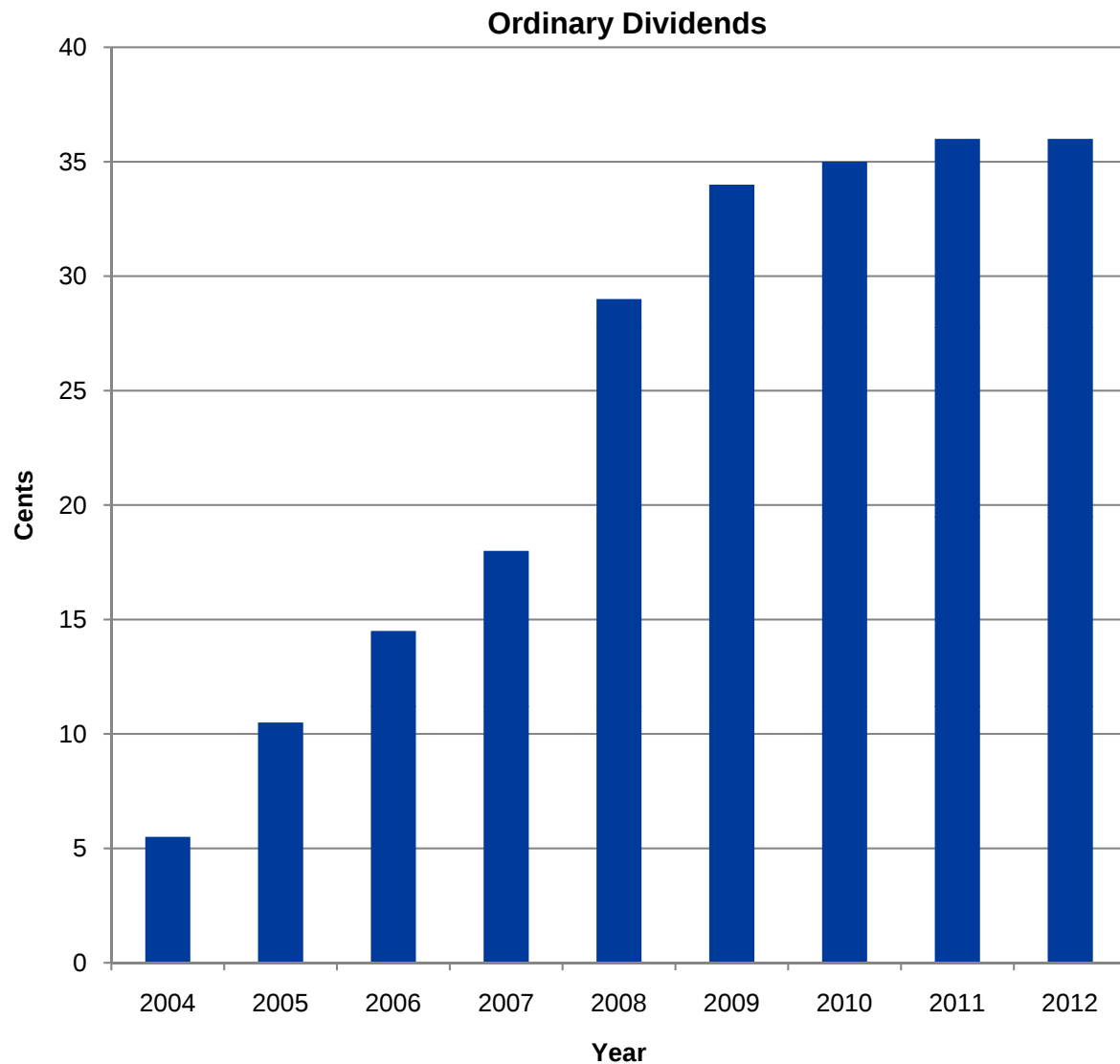
dotti

smiggle

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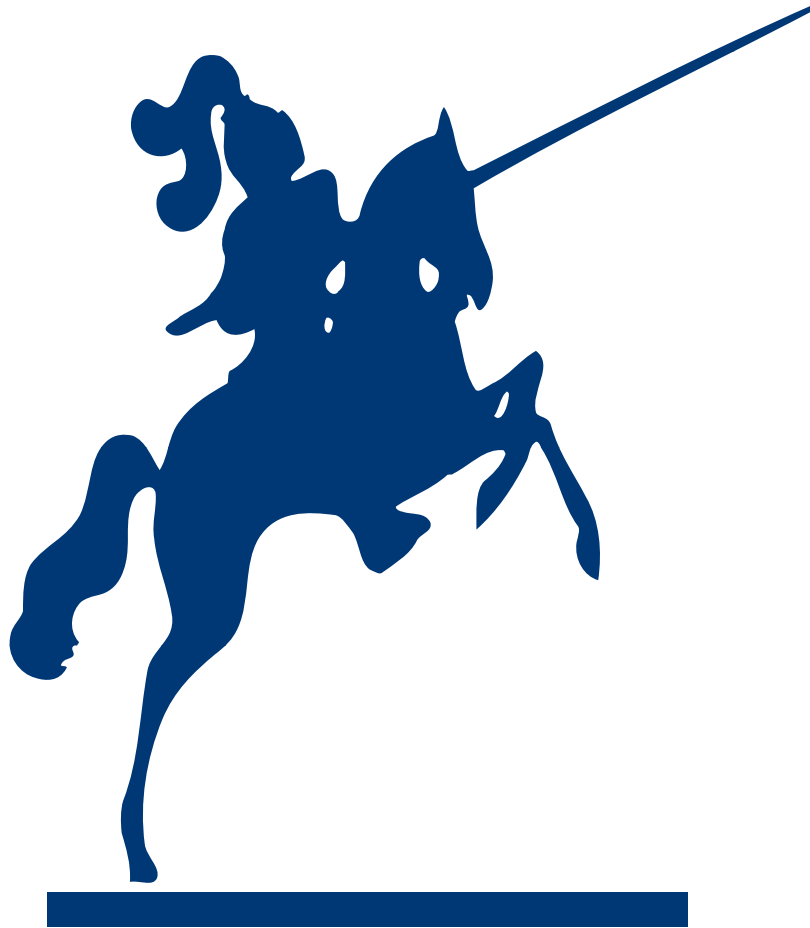


Sustained Commitment to Shareholders



- Sustained strong shareholder returns and reward shareholders with real wealth creation.
- Total FY2012 fully franked dividend of 36 cents per share, in line with previous year
- Reaffirms Director's confidence in Premier's performance

Premier Investments



Just Jeans

JACQUIE

Jay Jays

portmans

peteralexander

dotti

smiggle

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- 3 Resolutions

Resolutions

1 Remuneration Report

2 Election of Directors