

PREMIER INVESTMENTS LIMITED

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

Dear fellow Myer shareholder,

SINCE THE NOVEMBER 2017 AGM, MYER HAS ISSUED TWO SALES AND PROFIT DOWNGRADES AND SACKED ITS CEO. THE BUSINESS IS SPIRALLING DOWNWARDS AND HAS NO STRATEGY FOR RECOVERY.

MYER IS IN PERIL AND ITS FAILED BOARD AND DISCREDITED CHAIRMAN MUST BE REMOVED.

PLEASE HELP PREMIER TO INSTALL A NEW MAJORITY-INDEPENDENT BOARD AND SAVE MYER.

It is with no great joy that I am writing to you again in relation to the declining fortunes of the company we jointly own, Myer Holdings Limited ("Myer") (IPO price \$4.10 per share, currently 55 cents per share).

You will remember that, at the Myer Annual General Meeting in November last year, we sent the Myer Board a very clear message that their time was up. Strike one, and potentially one to go this coming AGM.

On behalf of Premier Investments Limited ("Premier") I would like to thank all of the Myer shareholders who supported our efforts to hold the Myer Board accountable.

In the past two months, there have been two more "surprise" sales and profit downgrades issued by the Myer Board.

Myer's sales declined 5% in the Christmas period, and 6.5% during their January clearance.

These are disastrous numbers and their effect is that the already-reduced profits of the company will fall significantly and may even be completely wiped out. We shareholders need to brace ourselves for the end of any dividends from Myer.

To make matters worse, we have now learned that Myer's CEO, Mr Richard Umbers, has left the business (the latest in a long line of executive departures) and is to be replaced by the discredited Chairman, Mr Hounsell, who has no real retail experience, and whose only role as CEO was at the collapsed accounting firm, Arthur Andersen Australia.

In January 2018, Myer replaced its CFO with a new CFO who also has no real retail experience.

It is clear from Mr Umbers' departure that not only the Board-endorsed "New Myer" strategy, but also the "New, New Myer" strategy, are dead and buried.

Any remaining doubt that Myer is in peril should now be removed from the minds of all of shareholders. Myer has a discredited Chairman for a CEO, a failed Board, a dead strategy, declining sales and profits, an artificially-inflated balance sheet and massive liabilities.

The man who has now decided to pay himself an additional salary to be Executive Chairman of this mess, Garry Hounsell, has demonstrated a total lack of judgement in the way he has acquitted himself in the role of Chairman, and deserves neither to be appointed nor paid as Executive Chairman.

Mr Hounsell's track record at Myer is woeful. So far, he has:

Publicly and consistently backed a dead strategy

- Mr Hounsell loudly backed both Mr Umbers and the "New Myer" strategy before he had spent any time with his CEO or properly reviewed the strategy. In his letter to shareholders accompanying Myer's notice of meeting lodged on 23 October 2017, Mr Hounsell said: "*The Myer Board has played a central role in developing the New Myer agenda and overseeing its implementation.... I am convinced that the New Myer strategy is the right one. I come to this role very motivated by how much progress the management team has made in delivering New Myer.*" How can anyone take Mr Hounsell seriously?

Wound back management's performance targets

- Mr Hounsell and his Board then re-set management's ROFE target BELOW the starting point of the "New Myer" strategy in 2015. The Board is supposed to represent shareholders best interests and yet, thanks to Mr Hounsell, the Long Term Incentive Plan for management now rewards a decline in performance. We shareholders lose value in our shares, yet management receives an incentive. How is this fair?

Overseen two significant downgrades

- During the all-important Christmas trading period, Mr Hounsell's Myer admitted trading in the first two weeks in December was down 5% on the previous corresponding period. Despite this red flag, in the weeks ahead sales deteriorated further, with January sales down 6.5%. December and January are the two most profitable months for any retailer, so we must assume that Myer's first half final profit will be close to zero. No company can pay a dividend if it is making a loss.

Repeatedly lied to and misled shareholders

- You might remember Mr Hounsell talking about the "green shoots" he saw developing at Myer late last year, while its sales and profits were sliding. You might remember Mr Hounsell inventing an offer for him to take the Chairmanship of Premier. You might remember Mr Hounsell saying Mr Umbers had his full support as CEO. How can shareholders have any faith in him?

Shown his lack of retail knowledge and experience

- Last week, business media outlets reported Mr Hounsell as saying he didn't use "the interweb" to do his shopping, and that he couldn't properly explain how Myer's debt covenants worked. If this incompetence wasn't causing all Myer shareholders significant value destruction, it would be comical.

Myer is now in genuine peril and we must act to save the company and what is left of our investments from the failed Myer Board. The directors refuse to be accountable to us, their shareholders, and they simply lack the experience needed to guide Myer out of danger.

I have consistently called for more retail experience to be added to the Myer Board- in fact I nominated two highly-credentialed directors to represent Premier Investments on the Myer Board, as well as another highly-credentialed independent director, but my suggestions were rebuffed.

It is now clear to me that the entire Myer Board must be cleaned out if the company is to have any chance of surviving. Premier has no interest in working with any of the current Myer directors, nor in doing any form of deal with the current Myer Chairman or Board.

Premier Investments has now received an updated copy of the Myer share register, with the aim of working with our fellow Myer shareholders to oust the current Board at an Extraordinary General Meeting. Over coming weeks, Premier will caucus with the other institutional shareholders in Myer to compose a totally-new Myer Board with a majority of independent directors. If we receive sufficient support from the institutional investors, this new Board will then be put to all Myer shareholders for voting as part of the EGM.

Premier will pay for the costs of this EGM to spare our fellow Myer shareholders the expense. If the support we receive from the institutional investors is strong enough, we may not even need to hold an EGM to force the resignation of the current directors, but let's wait and see.

It is time for all Myer shareholders to unite to save this great Australian company from the failed Board which has destroyed so much of our investments. It is time for Myer's employees, customers and suppliers to know that there is a strong future for the business under the right leadership.

I will write to you again soon with details on how you can help. I hope Premier can count on your support, and I look forward to working with you to save Myer.

Yours faithfully,

Solomon Lew
Chairman
Premier Investments Limited