MYER

Media Release

For immediate release - Monday 29th September 2008

FULL YEAR RESULTS FOR THE YEAR ENDED JULY 2008
28 MONTHS INTO THE 50 MONTH TURNAROUND PHASE

MYER DELIVERS ON GUIDANCE WITH TURNAROUND ON TRACK

FINANCIALS TO 26 JULY 2008:

- EARNINGS BEFORE INTEREST AND TAX UP 30.7%* TO $213.2 MIL (MIDDLE OF GUIDANCE), EQUATING TO 6.42 CENTS IN THE DOLLAR
- NET PROFIT AFTER TAX UP 39.5% TO $95 MIL
- TOTAL SALES UP 1.0% TO $3.32 BIL, COMPARABLE STORE SALES UP 2.0%
- MARGINS STEADY, CASH COST OF DOING BUSINESS 124 BASIS POINTS LOWER, AND CAPEX UP 64% TO $148 MIL
- NET DEBT REDUCED FROM $979 MIL AT ACQUISITION TO $733 MIL (EQUAL TO 2.7 TIMES EBITDA) WITH NO REPAYMENTS DUE FOR 4 YEARS
- RETURN ON TOTAL FUNDS EMPLOYED NOW 20.7% VERSUS 14.5% IN FY07, AND 5.2% AT ACQUISITION

*Normalised for additional $17 million rent following the sale and leaseback of Melbourne store

TURNAROUND PHASE INITIATIVES:

- 101 BUSINESS IMPROVEMENT PROJECTS 86% COMPLETE INCLUDING:
  - WORLD CLASS SUPPLY CHAIN FULLY OPERATIONAL
  - OPERATIONAL IT SEPARATION FROM COLES COMPLETE
  - ENHANCED LOYALTY PROGRAMS WITH MYER ONE NOW ACCOUNTING FOR 58% OF SALES AND MEMBERSHIP CURRENTLY AT 2.5 MILLION
- NEW POINT-OF-SALE AND CLOSED-CIRCUIT TV SYSTEMS PLANNED FOR FULL DELIVERY BEFORE THE END OF TURNAROUND PHASE (WITHIN 22 MONTHS)
- FLAGSHIP MELBOURNE STORE AND NEW DOCKLANDS SUPPORT CENTRE DELIVERED OVER NEXT 22 MONTHS

GROWTH PHASE PREPARATION:

- NINE NEW LEASES SIGNED TO TAKE CHAIN TO 74 STORES WITH FURTHER SIX LEASES UNDER NEGOTIATION

OUTLOOK:

- TOUGH RETAIL MARKET CONDITIONS EXPECTED TO CONTINUE, WITH FY09 PROFIT LIKELY TO BE SIMILAR TO FY08
- ON TRACK TO DELIVER IMPROVED PROFITABILITY WITH EBIT OF 7 CENTS IN DOLLAR BY MID 2010 (END OF TURNAROUND PHASE AND BEGINNING OF GROWTH PHASE)

Bill Wavish, Executive Chairman said:

“As we pass the halfway mark in Myer’s 50 month turnaround, we consider our financial performance to have been solid. Cash flow and profitability have both improved, providing us with a stronger platform for capital investment in the business. Debt has also reduced, with our next repayment four years away.

“Despite current difficult retail trading conditions, we are on track to achieve the economic performance to underpin long term sustainable investment and growth. By mid 2010, the end of the Turnaround Phase and the beginning of the Growth Phase, we would expect to be earning over 7 cents in the dollar.”

Bernie Brookes, Chief Executive Officer said:

“With the Myer management team now fully in place, our focus is beginning to shift from fundamental business and cultural improvement to initiatives that will enhance individual store performance and customer service, as well as underpin our future growth and success.

“Wherever possible, we’ve seized opportunities to make long term decisions and lay the foundations for permanent and positive change. We have continued to attract new brands, invest in new stores and refurbishments, and reinforce the Myer brand through innovative marketing and loyalty initiatives.

“Following a 280% increase in normalised EBIT over a two year period during FY07 and FY08, we expect FY09 profits to remain broadly similar to FY08 levels. In FY09 we will continue to focus on completing the 50 month Turnaround Phase and preparing for the Growth Phase beyond.

“Given the prevailing economic conditions and the impact on earnings of current refurbishments, our expectation that FY08 profits can be maintained in FY09 reflects our confidence in the underlying business, including our ability to continue to drive business improvements.”

Summary Financials

Profit and Loss

	FY08 $m	FY07 $m	% Change	% Change LFL
Total Sales	**3,320**	**3,289**	**+1.0%**	**+2.0%**
- Wholesale	2,940	3,002		
- Concession	380	287		
Operating Gross Profit	1,332	1,325	+0.5%	
Operating Gross Profit/Sales	*40.12%*	*40.29%*		
Cash Cost of Doing Business	(1,057)	(1,088)	(2.8)%	
Cash Cost of Doing Business/Sales	*31.84%*	*33.08%*		
EBITDA	275	237	+16.2%	+24.6%*
EBIT	**213**	**180**	**+18.5%**	**+30.7%***
EBIT/Sales	*6.42%*	*5.47%*		
Interest	(78)	(83)		
Net Profit Before Tax	135	97	+ 39.5%	
Tax	(40)	(29)		
Net Profit After Tax	**95**	**68**	**+39.5%**	

*Normalised for additional $17m rent following sale and leaseback of Melbourne property

Balance Sheet

	FY08 $m	FY07 $m
Inventory	345	367
Other Assets	151	138
Less Creditors	(437)	(443)
Less Other Liabilities	(250)	(297)
Net Trading Investment	**(190)**	**(234)**
Property	29	372
Fixed Assets	295	238
Tangible Funds Employed	**134**	**376**
Intangibles	897	862
Total Funds Employed	**1,030**	**1,238**
Debt	626	698
Less Cash	(139)	(220)
Convertible Equity Note	247	245
Net Debt	**733**	**722**
Equity	297	516
Total Investment	**1,030**	**1,238**

Other Statistics and Financial Ratios

	FY08	FY07	Covenant
Capital Expenditure	$148m	$90m	
Return on Total Funds Employed	20.7%	14.5%	
Return on Equity	31.9%	13.2%	
Senior Interest Cover	6.30x	6.51x	> 3.15x
Senior Debt to EBITDA ratio	2.12x	2.11x	< 3.70x
Debt Service Ratio	1.54x	3.98x	> 1.00x

SALES AND MARKET CONDITIONS

Myer is now 28 months into the 50 month Turnaround Phase. During this time our focus has been on developing our culture and improving our financial performance, including cash flow and profitability and in particular the EBIT to sales margin. In the second half of the Turnaround Phase, on the back of the strengthened platform and improved financial metrics, we are undertaking major capital investment initiatives and implementing permanent and positive changes to underpin future sales and profit growth.

During FY08 the trading environment became increasingly challenging. Consumer sentiment and retail market conditions deteriorated in the second half of the year, largely as a result of higher domestic interest rates, increased banking spreads on consumer mortgages, higher petrol prices and news headlines that disquieted the consumer.

Against this backdrop, annual sales rose 1.0% to $3.32 billion (FY07: $3.29 billion), with like-for-like sales growing 2.0%. As the trading environment deteriorated, sales slowed to 0.2% in the second half. Concession sales outstripped sales of wholesale brands reflecting the full year sales impact of brands like Country Road, Steve Madden, Oroton and Rhodes & Beckett which transferred from wholesale to concession part way through 2007. Of the merchandise categories womenswear, accessories, furniture and electrical performed best, while footwear, youth and childrenswear were disappointing. For much of the year, sales in Western Australia and Queensland were significantly stronger than in Victoria and New South Wales, but as the year progressed, Western Australia in particular slowed.

Sales were also impacted by refurbishments and the Hobart store fire. During the year we commenced refurbishment on four stores. At present the Geelong store has reopened after refurbishment, the Doncaster store is closed until mid-October 2008, the flagship Melbourne store is being rebuilt and trading with 25% less space, and the Sydney store is also undergoing major refurbishment until December 2008. The Hobart store burned down on 22nd September 2007 and partially re-opened 56 days later after tremendous efforts by Myer staff and suppliers, for which we record our sincere thanks.

Of the four new stores opened during the year, three were opened towards the end of the financial year.

COSTS AND EFFICIENCY

The cash cost of doing business as a percentage of sales continued to fall from 35.38% in FY06 and 33.08% in FY07, to 31.84% in FY08. This latest 124 basis point reduction in costs in FY08 was broad based, with supply chain a standout contributor. We continue to work towards encouraging a service driven and cost conscious culture in which all significant supplies and services are tendered.

Warehousing and Distribution costs have fallen significantly following the opening of the final warehouse in the chain of four across the country at Eastern Creek in Sydney. Myer's supply chain is already world class on most benchmarking measures, with speed to market – especially from China in conjunction with our partners in Asia, Cargo Services – greatly improved. Our overseas transit lead time has reduced from an average of 42 days at acquisition to an average of less than 24 days. We will continue to fine-tune and pursue improvements to the supply chain to deliver further savings and efficiency gains in FY09.

We have committed, and will continue to commit, significant capital expenditure towards Information Technology to underpin our drive for efficiency. During the year, MyMerch, our merchandise planning tool was launched and it has contributed to improved efficiency and accuracy, with further fine-tuning expected to deliver increased benefits.

Work has begun on replacing the 22 year old Point-of-Sale system and we expect that this will be delivered by the end of the Turnaround Phase, slightly behind schedule in anticipation of the release of the latest SAP software update. A new Closed Circuit television (CCTV) system is also planned for on time delivery within the next 22 months, and is expected to enhance security, safety and customer service.

The separation of Operational IT from Coles was completed in April 2008 and this function has been successfully outsourced and migrated to IBM. We have identified opportunities to significantly enhance efficiency in stores and their back-offices, and a multi-year program known as "The Store of the Future" has begun. This aligns store functions and design to customer needs incorporating a new store structure, centralisation of functions, and new technology to drive efficiency.

The 101 Business Improvement Projects are now 86% complete.

SALE OF MELBOURNE STORE

In August 2007 the Melbourne store in Bourke and Lonsdale Streets was sold for $605 million cash. Agreement was reached with the new owners to jointly rebuild the Bourke Street store to international standards and lease it back for $19 million per annum. This major redevelopment is now underway and due for completion in 22 months, with the store continuing to trade throughout.

This transaction, together with funds released from reduced inventory and accumulated profits allowed $560 million to be returned to shareholders in August 2007.

Three small properties at Dubbo, Wagga Wagga and Bendigo are intended for sale and leaseback, but in the current economic environment, we have determined that this would not be value accretive for our shareholders, and the properties have been withdrawn from sale at this time.

BALANCE SHEET, CAPITAL EXPENDITURE AND FINANCIAL METRICS

Tight inventory control has continued to be a high priority this year in light of the challenging retail environment. We finished the year with better than targeted inventory of $345 million, down from $367 million in July 2007 - a good outcome in a slow market. At the time of acquisition, inventory was $535 million, and a major effort to clear old and obsolete stock resulted in a reduction to $343 million in July 2006.

Capital expenditure has been significantly increased following years of under-investment in the business under the previous ownership. For the five years prior to acquisition, capital expenditure averaged $53 million per annum. Since the business at that time earned less than two cents profit per dollar of sales, incurring greater capital expenditure would have been hard to justify.

Capital expenditure increased to $90 million in FY07, $148 million in FY08 and will increase to around $160 million in FY09 and FY10 before levelling out to approximately $120 million per annum. The increased capital expenditure will fund investment in new stores, refurbishing existing stores, IT, brand presentation and a new Support Centre, positioning the business strongly for the Growth Phase.

Myer Chief Financial Officer Mark Ashby said:

"With the business now earning profits of 6.42 cents in the dollar and generating significantly more cash, and with debt reducing, significantly higher levels of capital investment are increasingly viable."

Net debt increased slightly to $733 million in July 2008 from $722 million in July 2007 following the sale of the Melbourne property and the shareholder distribution. Net debt has reduced significantly (25%) from $979 million at acquisition, and no debt repayments are due for four years.

As profitability and cashflow have improved year-on-year, Myer's financial health measures and banking covenants have become increasingly comfortable. In FY08, earnings before interest depreciation tax and amortisation (EBITDA) was $275 million, moving the key Total Debt to EBITDA ratio down from 3.1 times in FY07 to 2.7 times in FY08. Over the longer term our goal is for the Total Debt to EBITDA ratio to be in the range of 2.0 to 2.5 times. The Debt Service ratio of 1.54 times reflects the higher level of capital expenditure during the year, however it remains well within our covenants. The Debt Service ratio is likely to remain at these lower levels for the next two years while the company undertakes significant capital investment, before improving through the Growth Phase.

The crucial measure of Return on Total Funds Employed (ROFE) rose from 5.2% at acquisition and 14.5% in FY07, to a more satisfactory 20.7% rate in FY08. This significant improvement in ROFE is pleasing, especially given Myer has only just passed the halfway mark in the 50 month Turnaround Phase. Return on Equity (ROE) rose from 13.2% in FY07 to 31.9% in FY08.

NEW BRANDS AND SUPPLIERS

Our focus during the year has been on improving and fine-tuning the brand mix in order to present customers with an attractive hierarchy of styles and price points, tailored to suit specific market demographics and individual store requirements. We have added a number of brands to the Myer offering during the year and going forward we will look to increase the number of brands, both wholesale and concession, on offer across our entire portfolio of 65 stores.

The proportion of private brand sales has remained fairly static since acquisition at around 15%, and we do not expect any significant further increase in the proportion of concessions following an increase in the FY07/FY08 financial years. Any further changes in the proportion of private brands and concessions will be driven by consumer preferences.

We have refined the structure of our buying teams to better align with customer expectations. For example women's apparel, footwear and accessories now fall under the same team. We continue to add new local and international brands including Vivienne Westwood, Armani Jeans and Seafolly to womenswear, Emporio Armani and Callaway Golf to menswear, and Miss Metallicus, Wayne Jnr, Run Scotty Run, Bardot Baby and Industrie Kids to childrenswear. We also continue to encourage and emphasise Australasian designers such as Tony Maticevski, Jayson Brunsdon and Leona Edmiston, and expanded the Basement concept in Youthwear. This season, Spring/Summer 2008, we will introduce over 20 new brands including Ben Sherman, Destination Style by Patricia Field, and we have already introduced Cozi by Jennifer Hawkins as well as Mecca Cosmetica which will further enhance Myer's leadership position in cosmetics.

We continue to introduce and extend new concepts and concessions in-store – the Nespresso coffee concept, Apple in-store shops, and Vodafone concessions were rolled out in FY08. We also introduced Vue boutique in Homewares, open-sell fixtures in the electrical department which allow customers to touch and try and have been well received, and we trialled the improved presentation of our book offer at the Southland store that has resulted in excellent sales and will now be rolled out across our top stores.

Our relationships and partnerships with suppliers continue to improve, and significant opportunities still exist as we benchmark performance and share data. The "Supplier of the Year" competition and award night has been very successful with Cue taking out the main prize for 2007/08. Joint strategic plans with individual suppliers have begun, and in many cases key suppliers have chosen to place their own staff within our buying and planning departments.

MARKETING

The MYER one loyalty card is a cornerstone of Myer's marketing activity. The MYER one card is used in 58% of sales today compared with 43% on acquisition in 2006. Membership of MYER one currently stands at 2.5 million. During the year we introduced improvements to the reward scheme, increasing and tiering the awards and lowering the start point to receive gift cards. We recently launched two new tiers to the program, Gold and Silver, to ensure an even greater focus on rewarding and retaining our most valued customers. In addition our Myer Visa Card was successfully launched providing additional reward opportunities for our customers.

The Myer magazine, "emporium", is now in its sixth issue with research demonstrating that MYER one members who receive the magazine spend at almost double the rate of those that don't receive the publication. We have undertaken extensive customer research to reaffirm the Myer customer and his or her expectations of a Myer shopping experience, and the findings of this research has been incorporated into refreshed advertising creative, with a clear focus on products and Myer's wide range across different price points.

We continue to use brand ambassadors to reinforce the qualities of the Myer brand, building on the successful pairing of Myer with Jennifer Hawkins, "The Face of Myer". We signed Rebecca Twigley as our "Racing Ambassador" in light of the growing association of Myer Fashion with Thoroughbred Racing across the country, and have recently finalised an extension to Rebecca's contract until 2013. Our partnership with Victoria Racing Club and the Melbourne Cup has been renewed for five years, and we have established a new partnership with Sydney Turf Club and the Golden Slipper to present "Myer Fashions in the Field".

We are increasing the use of in store theatre, originally started by Myer's founder, Sidney Myer. The recent "New York, New York" promotion was a successful example of this during which our five downtown stores were transformed into mini-Manhattans for 3 weeks in May, driving increased customer traffic, attracting significant media interest and re-establishing Myer as an innovative retail business.

PEOPLE AND CULTURE

In September 2007, agreement was reached with the Shop, Distributive and Allied Employees Association for a three year enterprise agreement for store team members. This agreement traded increased terms for increased flexibility. Agreement was also reached for warehouse team members. At store level, the increased flexibility delivered by this agreement has enabled us to better align staffing ratios with customer shopping behaviour, and thereby improve customer service particularly at busy times such as on weekends.

During the year a number of initiatives were introduced or expanded to help attract, retain and reward our people. The Myer Equity Incentive plan was broadened to include over 300 managers and the annual performance bonus plan has been expanded to include over 1,500 people. In March, Myer became the first major retailer to announce the introduction of paid parental leave. This was well received by our people, the broader community and Government.

These developments were part of the expansion of the "Myer For Me" benefits program which saw the introduction of banking and health insurance offers, extended product and service discounts and various sales-based incentives and commissions for stores personnel.

The new graduate training program for young people who gained their degrees while working at Myer, together with an enhanced Manager Training Program for store-based roles, attracted 80 participants in the second year of operation. These programs are aimed at fostering talent within the business and will help build a strong talent pool to meet the needs of the business generally, and in particular, the new and refurbished stores.

During the year, Myer achieved self-insurance status for Workers Compensation in the four largest states and completed the implementation of Myer Safety Systems across the business. Safety is one of our top priorities, and we continue to focus on this area as a key business imperative.

Customer service remains a key focus, and during the year over 90% of personnel, both customer-facing and in support roles, were trained in a new program - "Awesome Service." This program is based on the maxim that "If you are not serving the customer, you are serving someone who is" and is aimed at embedding a permanent positive attitudinal change to our culture. A number of new measures and litmus tests to assess customer satisfaction including focus groups and exit interviews have recently been launched.

ENVIRONMENT AND THE COMMUNITY

Myer is a committed member of the 65 communities in which it operates, funding local initiatives by empowering individual store managers to approve decisions immediately from a pool of funds that has more than doubled to over $3 million. Examples of local community involvement during the year include the Myer Santa Parade, the Ballarat Home Show, the Geelong Fashion Show and the Blacktown Australia Day celebrations.

In 2008, Myer will again support Vision Australia as a major sponsor of Melbourne's Christmas Eve Carols by Candlelight, and we are pleased to also announce our support of the Olivia Newton John Wellness Centre over the next three years.

We continue to implement responsible and sustainable business practices across the business. In the areas of energy, water and packaging national teams are in place to ensure more efficient and sustainable resource allocation. Myer is a signatory to the National Packaging Covenant and we have also implemented a comprehensive in store recycling program. The new Myer support office in Melbourne's Docklands will be a 5 star Green Star and 5 star Australian Building Greenhouse rated building.

NEW STORES

During the year, we opened four new stores to take our store portfolio to 65. Elizabeth in South Australia was opened in August 2007, Eastgardens in Sydney was opened in March 2008 and North Lakes in Brisbane and Bankstown in Sydney were opened in May 2008. All stores are trading profitably and confirm our view that these are well chosen locations for the Myer brand.

With the financial metrics of the business continuing to improve, capital expenditure on new stores has become more viable. Myer has developed an industry leading planning and feasibility tool incorporating demographic mapping and 'heat maps' based on MYER one customer data. Using this tool, we identified potential sites to increase the chain from 60 to at least 80 stores and to date we have had an enthusiastic response from potential, and often competing, landlords.

During FY08 a further 9 leases were signed, including Townsville (Qld), Top Ryde (NSW), Mt Gravatt (Qld), Watergardens (Vic), Robina (Qld), Shell Harbour (NSW), Mackay (Qld), Plenty Valley (Vic) and Green Hills (NSW). A further six leases are under negotiation.

Six of the proposed new stores are currently planned to open between July 2010 and November 2010. Each store is full-sized in the range of 10,000-12,000 square meters, and projected to yield a net return on investment of over 20% pa in the second full year of operation, exceeding our investment criteria.

REFURBISHMENT PROGRAM

Our expanded capital expenditure program will also fund the refurbishment of all stores to ensure that the store portfolio reflects Myer's strong brand proposition. This is a significant project and follows years of underinvestment in stores by the previous owners. During FY08, the Geelong store was refurbished, Hobart was rebuilt after fire, and we also began the refurbishment of the Melbourne, Sydney and Doncaster stores. This follows the refurbishment of three stores in FY07 (Chermside, Chatswood and Warringah).

The Myer Melbourne re-development is a major investment that will bring a world class department store to Australia. This project is progressing well and the store is currently planned to open by December 2009. The new store will have two new levels and include 42,000 square meters of retail space. A new building is being erected adjacent to the Bourke Street store and will adjoin it. We are currently negotiating with luxury and accessories houses to reflect Myer Melbourne's positioning as a world class department store.

Myer Sydney is planned to reopen in time for Christmas 2008 after a major refurbishment that will see retail space increase by 10% to 33,000 square meters and several Australian first department store concepts installed, including the Chanel Colour Studio, the Benefit Brow Bar, the Polo Ralph Lauren concept store, and the first MYER one lounge for Gold and Silver members.

INTERNATIONAL OPPORTUNITY

We remain confident that the Turnaround Phase initiatives will deliver a strong platform for Myer's future growth in the Australian market. With our focus squarely on the Australian business, international expansion has not been high on the agenda to date, however an opportunity arose during the year to pursue growth in the Middle East.

Myer is continuing to negotiate with Nakheel Retail Corp. (Nakheel) of Dubai that could lead to the establishment of a joint venture, with limited financial exposure to Myer. Nakheel, owned by the ruling family in Dubai, is developing a large number of property projects such as shopping malls in the United Arab Emirates, including Dubai and Abu Dhabi, and beyond.

FY09 OUTLOOK

The outlook for the economy, consumer sentiment and retail spending in FY09 is currently unclear. Although there are indications interest rates will continue to fall in coming months, and while petrol prices are currently lower than at the beginning of the year, global financial turmoil is continuing, and the consumer remains nervous. Our research and experience indicates that these macroeconomic changes can take six to twelve months to fully reflect in consumer behaviour.

Over the last 28 months of the Turnaround Phase, our focus has been on delivering value over the long term. We have been primarily concerned with improving cash flow and profitability, notably the EBIT to Sales margin, and implementing permanent and positive changes to the business.

Myer's proactive refurbishment strategy, including the major simultaneous refurbishment of our flagship Melbourne and Sydney stores, and the closure for refurbishment of Doncaster, will limit top line sales in the short term. Whilst these refurbishments are disruptive to normal trading, they are essential to completing the Turnaround Phase, and reinforcing the Myer brand, and thus contributing to Myer's future success.

Consistent with expected retail conditions, particularly in the first half of the year, and combined with the impact of the refurbishment of Myer's flagship stores that is currently underway, we expect top line growth to be challenging in FY09. Following a 280% increase in normalised EBIT over a two year period during FY07 and FY08, we expect FY09 profits to remain broadly similar to FY08 levels.

In FY09 we will continue to focus on completing the 50 month Turnaround Phase and preparing for the Growth Phase beyond. Given the prevailing economic conditions and the impact on earnings of current refurbishments, our expectation that FY08 profits can be maintained in FY09 reflects our confidence in the underlying business, including our ability to continue to drive business improvements.

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MYER
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Full Year Results
for the year to July 2008
After 28 months of Myer's 50 month Turnaround Phase

Our vision is to be an international class retail business providing inspiration to everyone

Agenda

Turnaround Phase

1. Overview
2. Financial review
3. Operating update

Growth Phase

4. Building for the future

5. Outlook

Agenda

MYER 3

Financial highlights

- Earnings before interest and tax up 30.7%* to $213.2m equating to 6.42 cents in the dollar
- Net profit after tax up 39.5% to $95m
- Margins steady, cash cost of doing business 124bp lower, capital expenditure increased 64% to $148m
- Total sales up 1.0% to $3.32bn, like-for-like sales up 2.0%
- Strong balance sheet, with net debt reduced by 25% since acquisition to $733m (equal to 2.7 times EBITDA) with no repayments due for 4 years
- Return on total funds employed 20.7%, up from 14.5% last year and 5.2% on acquisition

* Normalised for additional $17m rent from sales and lease back of Melbourne property

Solid result after 28 months of Myer's 50 month Turnaround Phase

MYER 4

Good progress after 28 months of Myer's 50 month Turnaround Phase

Achieved

- 101 business improvements 86% complete (FY07: 65%) ✓
- World Class Supply Chain established and operating ahead of design metrics, with costs down 50% since acquisition ✓
- Commenced expansion program to take chain to 80, with 4 new stores opened and 9 new full-sized stores signed ✓
- Refurbishment cycle underway - 4 stores completed ✓
- Launched Myer For Me, signed multi-year Enterprise Bargaining Agreements, introduced paid parental leave ✓
- Enhanced MYER one loyalty program with 2.5 million members ✓
- Separation from Coles – final operational IT separation complete in April 2008 ✓

In progress

- Complete 101 business improvements ✓
- Continue to improve IT capability: New Point-of-Sale System and CCTV delivered over next 22 months ✓
- 6 new full-sized stores under negotiation ✓
- Continue refurbishment cycle, including completion of flagship Melbourne and Sydney stores ✓
- Focus on culture, improving customer service and productivity – "Awesome Service" ✓
- Continue to refine and add to brand portfolio e.g. Ben Sherman, Vivienne Westwood, Armani Jeans ✓

MYER 5

Halfway through Turnaround Phase, building blocks for Growth Phase coming into place

	Turnaround Phase 50 months to July 2010					Growth Phase 48 months to July 2014			
FY	06	07	08	09	10	11	12	13	14
Net new stores		1	4	0	1	6	5	3	
Chain	60	61	65	65	66	72	77	80	
Sales ($bil)	3.17	3.29	3.32						
EBIT ($mil)	73	180	213						
EBIT to Sales	2.3%	5.5%	6.4%						

Fix the financial metrics

- Business improvement projects
- World class supply chain
- Overhaul IT systems (MyMerch, Point-of-Sale, CCTV)
- Separate from Coles
- Begin store expansion and refurbishment program
- Promote culture of service and performance

Grow the business

- Focus on top line growth
- New store openings take chain to 80
- Complete refurbishment cycle
- Grow brands
- Operational refinement
- Service culture well embedded
- Achieve international retail standards

MYER 6

Agenda

Turnaround Phase

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Growth Phase

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5. Outlook

MYER 7

Normalised earnings before interest and tax up 30.7%

	FY06	FY07	FY08	% change	% change like-for-like
Sales including concessions	$3,174m	$3,289m	$3,320m	+1.0%	+2.0%
EBIT	$73m	$180m	$213m	+18.5%	+30.7%*
EBIT/Sales (%)	2.30%	5.47%	6.42%		
Net profit after tax	$16m	$68m	$95m	+39.5%	

*Normalised for additional $17 million rent following the sale and leaseback of Melbourne store

Net profit after tax up 39.5%

MYER 8

Sales in line with expectations in a challenging market

- Sales up 1.0% to $3.32 billion and like-for-like sales up 2.0%, in line with expectations
- Total sales growth below like-for-like sales growth due to store closures in FY07, Hobart fire and refurbishments
- Sales of Private Brands* remain constant at circa 15%
- Increase in concession sales reflects full year impact of some brands transferred from wholesale to concession part way through 2007

* Proprietary Designer Brands and Myer Fashion Labels

Priority of Turnaround Phase remains improving Return on Sales

MYER 9

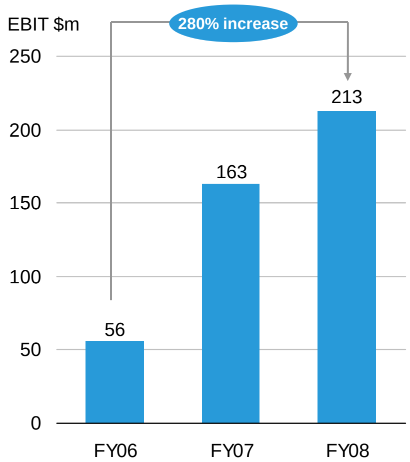
Financial summary

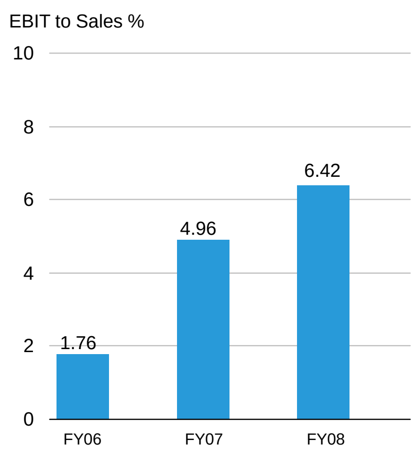
	FY08	FY07	% change	Like-for-like
Sales including concessions	**$3,320m**	**$3,289m**	**+1.0%**	**+2.0%**
Operating gross profit	$1,332m	$1,325m		
Operating gross profit / sales	*40.12%*	*40.29%*		
Cash cost of doing business	($1,057m)	($1,088m)	(2.8%)	
Cash cost of doing business / sales	*31.84%*	*33.08%*		
EBITDA	**$275m**	**$237m**	**+16.2%**	**+24.6%***
EBITDA / sales	*8.29%*	*7.21%*		
Depreciation	($62m)	($57m)		
Earnings before interest and tax	**$213m**	**$180m**	**+18.5%**	**+30.7%***
EBIT / sales	*6.42%*	*5.47%*		
Interest	($78m)	($83m)		
Net profit before tax	**$135m**	**$97m**	**+39.5%**	
Tax	($40m)	($29m)		
Net profit after tax	**$95m**	**$68m**	**+39.5%**	

*Normalised for additional $17 million rent following the sale and leaseback of Melbourne store

MYER 10

EBIT up from less than 2 cents in the dollar at acquisition to 6.4 cents





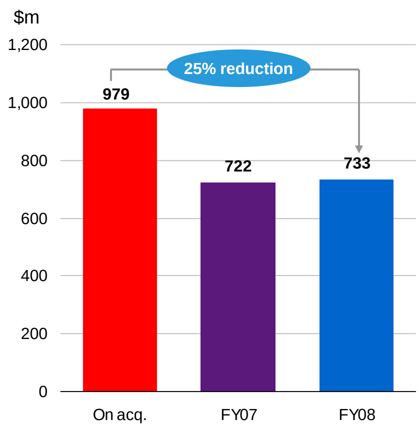
FY06 and FY07 normalised for additional $17m rent following sale and leaseback of Melbourne store

Improved profitability and cash flow to fund investment in future growth

MYER 11

Financial health measures increasingly comfortable

- Net debt reduced to $733m after sale of Melbourne store ($605m) and capital return ($560m) in August 2007
- Three properties intended for sale and lease back withdrawn from sale until market conditions improve
- Total Debt to EBITDA ratio down from 3.1 to 2.7 times, longer term goal 2.0 to 2.5 times
- Return on total funds employed now 20.7%, up from 14.5% last year and 5.2% at acquisition



No debt repayments due for four years

MYER 12

Balance Sheet remains strong

	$ mil FY08	$ mil FY07	
Fixed Assets	295	238	
Properties	29	372	
Inventory	345	367	
Other Assets	151	138	
Creditors / Provisions	(687)	(740)	
Tangible Funds Employed	134	376	
Intangibles	897	862	
Total Funds Employed	1030	1238	
Debt	(626)	(521)	
Cash	139	220	
Property Debt	0	(177)	
Convertible Equity Notes	(247)	(245)	
Equity Investment	297	516	
Net Debt	733	722	
Ratios			**Banking Covenants**
Senoir Interest Cover	6.30 x	6.51 x	More than 3.15x ✓
Senior Debt To EBITDA	2.12 x	2.11 x	Less than 3.70x ✓
Debt Service *	1.54 x	3.98 x	More than 1.00x ✓

*EBITDA less Capex, less Tax, less working capital increase to interest plus debt amortisation

Inventory below target at year end

MYER 13

Agenda

Turnaround Phase

1. Overview
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Growth Phase

4. Building for the future

5. Outlook

MYER 14

World class supply chain fully operational

- Continued work on building an integrated supply chain from source to shop floor
  - roll cages introduced
  - increased store sortation points from 221 to 451 destinations
  - brought control of home deliveries back into RDCs
- Four stand alone Regional Distribution Centres opened, on time and under budget, with costs more than halved since acquisition
- Introduced RDC performance dashboard and labour planning tool
- Improved range planning and flexibility for overseas merchandise:
  - improved speed to market - international transit lead time reduced from an average of 42 days at acquisition to an average of 24 days
  - improved shipping visibility
  - reduced international freight costs in spite of higher volumes
  - opened 4 overseas merchandising hubs
- Introduced improved merchandise allocation to reduce markdowns
- Streamlined disciplines across all suppliers to reduce ‘no shows’ by 85%

World class operating metrics

MYER 15

Growing collaboration with suppliers

- Introduced Supplier of the Year benchmark program
- Strategic objective plans with major trading partners being introduced
- Commenced roll-out of stock forecast to suppliers
- Category plans under development by buyers in liaison with major trading partners
- Myer now providing visibility on marketing plans to suppliers
- Over 20 supplier secondees located in buying team
- Collaborating with suppliers on e-commerce initiatives in supply chain
- Product knowledge training days run for store teams by trading partners
- Continuous review of supplier trading terms

Greater efficiency and communication beginning to yield benefits for both parties

MYER 16

Investing in information technology to support growth of business

- Separation from Coles completed in April 2008
- Mymerch IT platform rolled out and enhancements to the system executed
- EFTPOS upgrade completed
- New IT systems in place for all Distribution Centres
- Backbone infrastructure with wireless technology rolled out across all stores to enhance stock-take, bridal registry and cash management procedures
- New Point-of-Sale System and CCTV due to be operational by end of Turnaround Phase
- Commenced 'Store of The Future' back office model to centralise store based admin functions and support investment in customer facing functions

Final separation from Coles now complete

MYER 17

Improving people practices

- Signed multi-year enterprise bargaining agreements for all stores, and concluded new employment agreements for all distribution centre team members
- Agreements traded increased terms for increased flexibility
- Improved staff allocation to better align with customer shopping habits
- Achieved self insurance status for Workers Compensation in 4 states and rolled out Myer Safety Systems across business
- 'Awesome Service' customer service program rolled out across the country to 15,000 team members
- Completed 'Myer Way' Buying Process and Procedure training

Laying the foundations for improved productivity and customer service

MYER 18

Improving culture and building talent

- 'Myer For Me' benefits program significantly expanded to reward Myer team of over 17,000 around the country
  - first major retailer to introduce paid parental leave
  - broad range of new benefits including banking and health insurance offers, benefits booklet and extended product and service discounts
  - broadened sales-based incentives and commissions for store team members
- Increased focus on rewarding and retaining talent
  - extended Myer Equity Incentive plan to benefit 300 managers
  - annual performance bonus plan expanded to 1,500 people
- Expanding talent pool to support the business as well as new and refurbished stores
  - Graduate Program of 2008 and expanded Stores Management Development Program attracted 80 participants
  - Buyer / Planner Program commenced
- Published 'Your Store Myer', a history of the Myer department store – positive reaction to launch

Creating an environment to attract, retain and reward talent

MYER 19

Building a sustainable business

- Signatory to National Packaging Covenant – obligation to continually review packaging standards and usage
- Stronger focus on waste reduction via implementation of a more comprehensive recycling program in stores
- Water Map Plan in place for Myer Melbourne site which will deliver reductions in water usage
- Store refurbishment program to include installation of water saving devices in restrooms
- New Myer Support Office in Melbourne's Docklands designed to 5 Star Green Star rating and 5 Star Australian Building Greenhouse Rating (ABGR)

Implementing responsible and sustainable business practices

MYER 20

Loyalty and marketing

- MYER one loyalty card Members now number 2.5 mil, accounting for 58% of sales up from 43% on acquisition
- Introduced Gold and Silver tiering to MYER one program and continued roll-out of Myer Visa credit card
- emporium magazine now in 6th issue, MYER one members receiving emporium spend at double the rate of those that don't receive it
- Extensive customer research undertaken with findings incorporated into refreshed advertising creative
- Continue to benefit from strong association with Jennifer Hawkins as the face of Myer
- Expanded commitment to fashion at thoroughbred racing with Rebecca Twigley signed as Myer Racing Ambassador until 2013
- New two year partnership with L'Oreal Melbourne Fashion Festival
- Presenting partner sponsor of Archibald prize

Improved loyalty and marketing programs build customer relationships

MYER 21

Local community marketing

- Renewed focus on community participation with individual store budgets for local community marketing doubled to over $3m
- Major partnership with Vision Australia's Carols by Candlelight
- Breast cancer screening clinics in store, trial underway at Parramatta
- Myer's Christmas street parade once again planned for 2008, to be broadcast on Channel 7 Victoria
- Extensive local community involvement including:
  - Bendigo Fashion Parade featuring Rebecca Twigley
  - Ballarat Turf Club Ladies Day luncheon/fashion parade
  - Cranbourne Cup Myer Fashions on the Field
  - Penrith Shopping night
  - Dandenong Rangers Basketball Club

Bringing Myer to more people through local community marketing

MYER 22

Innovative events: New York, New York

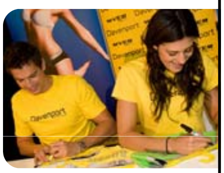
- First retail concept in Australia designed to drive foot traffic and sales through innovative PR and events based marketing
- Transformed five downtown stores into ‘Mini-Manhattans’ during last three weeks of May
- Launched with Myer designers during New York Fashion Week in February
- Included celebrity in-store appearances from famous New Yorkers including Carson Kressley, ‘The Naked Cowboy’ and a tie in with the Australian premiere of ‘Sex and the City’ movie
- Announced launch of exclusive range by well known stylist Patricia Field to be launched in October 2008

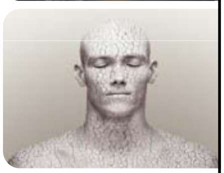
Positioning Myer as an international class retail business

MYER 23

In-store innovation and theatre

- Ongoing rollout of exciting ‘store-within-store’ concepts
  - Weightwatchers clinics introduced in 2 stores
  - Extended Nespresso to 2 more stores
  - Vodafone concept shops in 24 stores
  - 5 Laubman & Pank Optical Stores
  - Continued roll-out of Gloria Jeans, now in 12 stores
  - Apple available in 30 stores, shop in shop concept introduced to 5 downtown stores
- Enhanced range of in-store childrens’ activities
  - Santaland workshops now extended to Adelaide and Pacific Fair
  - Thomas the Tank Engine month
- New product launches
  - Two ‘Intimately Beckham’ fragrances
  - Davenport underwear with Stephanie Rice and Eamon Sullivan
  - MILK skincare range by Michael Klim
  - Neil Perry T-Grill
  - Fragrance Foundation windows – a world first
- Extended Bridal Registry to Gift Registry supported by significant marketing campaign and scanning technology





Concept stores add excitement

MYER 24

Strengthening the product and category offering

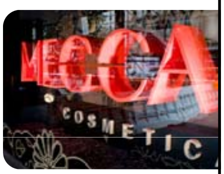
- Buying teams better aligned to customer expectations, for example integrated buying for women's apparel, footwear and accessories
- Strong category performances in womenswear, accessories, furniture and electricals
- Excellent customer response to new electrical fixtures, strong sales of computers and console gaming
- Expansion of youth offering with introduction of the 'Basement' concept in 6 more stores
- Introduction of Vue Boutique across all stores in July to strengthen homewares offering
- Positive trials at Southland store of range of books (planned for roll out across top stores), and new frames and albums (planned for roll out across 35 stores)

Refreshing our ranging and merchandising

MYER 25

Continue to attract high profile international and national brands

- Strengthened market leading position in cosmetics with addition of Mecca Cosmetica
- Added 19 new brands in womenswear including Vivienne Westwood, Joes denim, McQ, Armani Jeans, Taverniti Jeans, Seduce and Paule Ka and successfully launched exclusive brands Wayne by Wayne Cooper and Hi-there by Karen Walker
- Continued to expand Menswear offering with introduction of Declic, CK business shirts, Oxford suits, Emporio Armani and Callaway Golf
- Revamped swimwear range with reintroduction of Seafolly, addition of Cozi by Jennifer Hawkins and Rochford
- Childrenswear brand offer strengthened with introduction of Run Scotty Run, Miss Metallicus, Bardot Jnr and Wayne Jnr
- Introduced new intimates brands Chloe & Lola and Marie Claire
- Footwear & Accessories integrated into full fashion offer – added new brands including Fossil, Ed Hardy and Emporio Armani



Great brands and great fashion for every Australian

MYER 26

Agenda

Turnaround Phase

1. Overview
2. Financial review
3. Operating update

Growth Phase

4. Building for the future

5. Outlook

MYER 27

Brand positioning to support our vision for Myer

Vision

Our Vision is to be an International Class Retail Business providing Inspiration to Everyone

Brand Proposition

To excite, inspire and reward our customers

Suppliers	Customers	Team Members
Real brands New products	Brand logic Broader choice	Greater advocacy New confidence in satisfying our customers

Jennifer personifies the Myer brand

MYER 28

Myer has a strong portfolio of international and national brands

Donna Karan Cacharel Vivienne Westwood Red Label Hugo Boss camilla & marc
Seafolly Yeojin Bae Joes Jeans TL Wood Bettina Liano Carla Zampatti Taverniti
Arabella Ramsay Emporio Armani Calvin Klein Mad Cortes Little Joe Nevenka
Charlie Brown Narcisco Rodrigruez Nicola Finetti Jayson Brunsdon Karen Walker
Wayne Cooper Josh Goot Leona Edmiston Kate Sylvester Viktor and Rolf Dior
Emilio Pucci Seduce Mossimo Sonia by Sonia Rykiel Pleasure State
Elle McPherson Country Road Sportscraft Review Elemis TS14+ Jag Sheridan
Jeff Banks Grace & Heart Yarra Trail Politix David Lawrence Feathers Jigsaw Levis
CK Jeans Casadei Rhodes & Beckett Armani Jeans Rodd & Gunn Esprit Tommy Hilfiger
Paige Premium Denim Vicini L'Autre Chose Polo Ralph Lauren Maxwell & Williams
True Religion 7 For All Mankind Cooper Street Wish Callaway Maticevski
Jane Lamerton Berny Demore Emporio Armani Wayne by Wayne Cooper Wayne Jnr
Hi-there by Karen Walker Basque blaq Kit Urbane Piper Maddox Regatta Tokito
Lost Highway Vue Reserve Soho Miss Shop Biotherm Kenji Chloe & Lola Intimates
Luciano Padovan Heritage Miss Metallicus Sprout Angelic by C&LI Miss Pink
Jack & Milly Milkshake Mossimo Stussy Freshjive French Kitty Hissy Fit Golf Punk
Industrie M-One-II Redsand Oxford Suiting Bobbi Brown Bardot Mermaid Sister Chanel
Estee Lauder Mecca Cosmetica MAC Ed Hardy Pilgrim Anya Hindmarch Marc Jacobs Cult
Juicy Couture Guard by Canterbury Viktor & Rolf Riders by Lee Aesop Bonds Declic
Tara Jarmon Rebecca Taylor Givenchy Georgina Goodman Rupert Sanderson Guess
Michael Kors Paule Ka YSL Milk Moschino Cheap&Chic G-Star Benefit Cue

MYER 29

Brand architecture to appeal to every customer

Designer Brands

Donna Karan	Yeojin Bae	Arabella Ramsay	Nicola Finetti	Josh Goot	Sonia by Sonia Rykiel
Cacharel	TL Wood	Mad Cortes	Jayson Brunsdon	Leona Edmiston	Narcisco Rodriguez
Hugo Boss	Bettina Liano	Nevenka	Karen Walker	Kate Sylvester	Vivienne Westwood
camilla & marc	Carla Zampatti	Charlie Brown	Wayne Cooper	Viktor and Rolf	Emilio Pucci

International/National Brands

Cue	Jag	David Lawrence	Rhodes & Beckett	Polo Ralph Lauren	Cooper Street
Country Road	Sheridan	Feathers	Rodd & Gunn	Maxwell & Williams	Wish
Sportscraft	Jeff Banks	Jigsaw	Esprit	G-Star	Callaway
Review	Yarra Trail	Levis	Tommy Hilfiger	True Religion	Paule Ka
TS14+	Politix	CK Jeans	Paige Premium Denim	7 For All Mankind	Armani Jeans

Proprietary Designer Brands

Maticevski	Jane Lamerton	Wayne by Wayne Cooper	Wayne Jnr	Hi-there by Karen Walker

Myer Fashion Labels

Basque	Regatta	Vue	Miss Shop	Heritage	Miss Pink
blaq	Tokito	Reserve	Kenji	Sprout	Jack & Milly
Piper	Lost Highway	Soho	Chloe & Lola	Angelic by C&LI	Milkshake
Urbane	Maddox		Intimates	Cozi by Jennifer Hawkins	

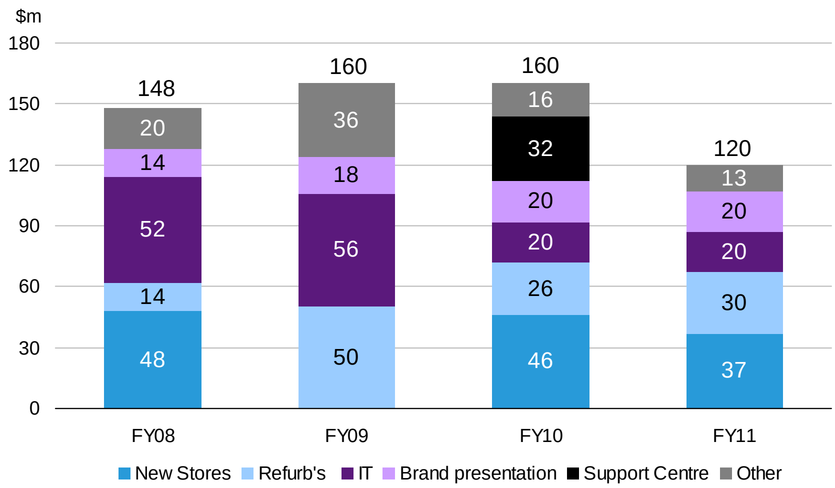
Youth

Mossimo	Industrie	Bardot	Ed Hardy	Cult	French Kitty
Stussy	M-One-II	Mermaid Sister	Pilgrim	Riders by Lee	Golf Punk
Freshjive	Redsand				

Clear architecture of brands covering full range from luxury to entry price points

MYER 30

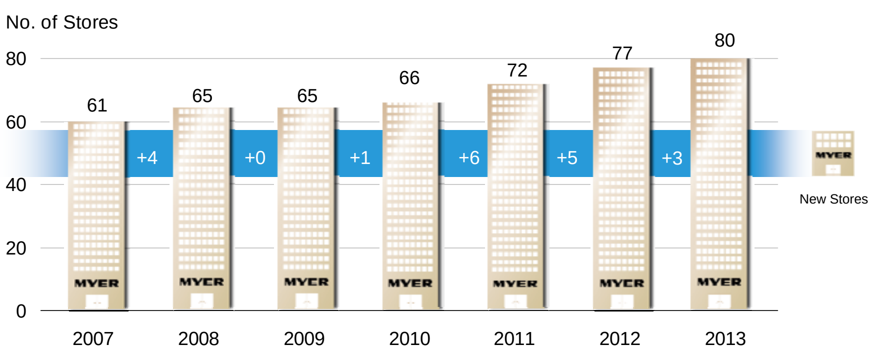
Capital expenditure twice depreciation to accelerate growth



Annual capital expenditure since acquisition more than doubled

MYER 31

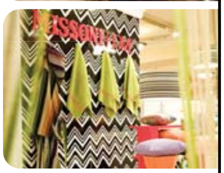
Opened 4 new stores and signed lease agreements for 9 new stores



Expansion of portfolio to 80 stores on track

MYER 32

Four new stores opened during the year



- New stores trading profitably - confirms our belief that locations are well chosen and reflect Myer brand
- Myer site selection tool based on demographic mapping and MYER one customer data
- Enthusiastic response from potential landlords to new store expansion plans with further 9 leases signed, 6 more under negotiation
- All new stores are full-sized, in the range of 10,000 – 12,000 square metres
- Some planning and landlord delays possible

Return on investment for new stores to exceed 20% by second full year of operation

MYER 33

Store refurbishment program to reinforce brand proposition and grow sales

- Major commitment to store refurbishment program to better reflect Myer's market position
- 4 stores refurbished to date including Chermside, Chatswood, Warringah and Geelong (re-opened September 2008)
- Major simultaneous refurbishment of Melbourne and Sydney flagship stores to international department store standards
  - Reflects Myer's focus on completing Turnaround Phase and preparing for Growth Phase
  - Some short term sales impact inevitable
- Stores undergoing refurbishment in FY09 include:
  - Doncaster – due to open in October 2008
  - Sydney – due to reopen in time for Christmas 2008
  - Melbourne – partial opening before Christmas 2009
  - Canberra
  - Blacktown
  - Castle Hill

Proactive refurbishment strategy reflects long term focus

MYER 34

Myer Melbourne re-development

- Major flagship redevelopment to world class department store standard
- New store will have two new levels and include 42,000 sq m of retail space
- New building being erected on site of old telecom building to adjoin to Bourke Street store
- Negotiating with luxury and accessories houses to reflect Myer Melbourne's positioning as a world class department store
- Mobilised a team of dedicated resources to manage the Myer Melbourne project and minimise business disruption
- Relocated Bourke Street Levels 1-5 to Lonsdale Street
- Currently trading with 25% less space with short term sales impact inevitable



Making Myer Melbourne "the retail destination" in Australia

MYER 35

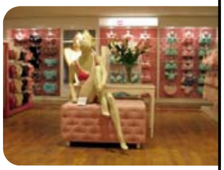
Myer Melbourne re-development



MYER 36

Myer Sydney re-development

- Major refurbishment of flagship store delivering additional 10% retail space (to 33,000 sq m)
- Levels 3-6 complete, mezzanine level opened end September, levels 1 and 2 underway
- Dedicated team of customer assistance staff
- Starting to see benefits from exciting new features including:
  - New cosmetics installations including Mecca Cosmetica, Bobbi Brown, Kiehls, Elemis, Chanel Colour studio (department store first and exclusive to Myer) and Benefit Brow Bar (Australian first)
  - New menswear concept stores including Polo Ralph Lauren, Van Heusen, Rodd and Gunn
  - New designer and imported apparel area and fitting rooms
  - New homeware concept installations including Missoni and Le Creuset
  - New home entertainment open-sell suite
  - First MYER one lounge for Gold and Silver Members
  - Dining destinations including Parisian-style cafe and licensed bar & grill
  - Revamped parents' room and beauty rooms



Making Myer Sydney a world class department store

MYER 37

Agenda

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MYER 38

Turnaround Phase focused on delivering permanent positive change

Turnaround Phase (2006 – 2010) Priorities for the next 22 months	Growth Phase (2010 – 2014) Ongoing priorities
Progressive development of IT, supply chain and buying capabilities	Focus on top-line growth and operational fine tuning to continuously improve efficiency and productivity
Continue refurbishment program	Complete store refurbishment cycle
Complete 101 business improvement projects	Consolidate permanent culture of service and performance
New Point-of-Sale system and closed circuit TV system	Grow chain to 80 stores to consolidate position as the biggest Australian department store retailer with a full national footprint
Progress store expansion program	Become an international class retail business
Continue to refine and add to brand portfolio	Continue to add to brand portfolio

Building blocks for Growth Phase coming into place

MYER

FY09 Outlook

- Following a 280% increase in normalised EBIT over a 2 year period during FY07 and FY08, we expect FY09 profits to remain broadly similar to FY08 levels
- In FY09 we will continue to focus on completing the 50 month Turnaround Phase and preparing for the Growth Phase beyond
- Given the prevailing economic conditions and the impact on earnings of current refurbishments, our expectation that FY08 profits can be maintained in FY09 reflects our confidence in the underlying business, including our ability to continue to drive business improvements

MYER


MYER
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